UNDERSTANDING CUSTOMER DELIGHT FROM THE INTERNAL MARKETING PERSPECTIVE

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Overview of Hospitality Industry

Labor Intensive

** Trends in the Hotel Industry-USA Edition 2010

Annual U.S. Voluntary Turnover by Industry

Overview of Hospitality Industry

- In the hospitality industry, employees have been recognized as important assets rather than costs.
  - A point of contact with customer
  - Create and sustain competitive advantages of a corporate brand.
  - Employees’ expertise and relationship with customers are not easily copied by competitors (Bansal et al., 2001; Ottenbacher & Gnoth, 2005).
Internal Marketing

- Value employees as internal customers
- Jobs as internal products (Grönross, 1981)
- Important strategy in HR management using a marketing-like approach
  - to attract and retain qualified employees and to develop motivated and customer-minded employees
  - to achieve customer satisfaction and organization goals (e.g., Chang & Chang, 2007; Longbottom et al., 2006)
Internal Marketing

- Only a few IM studies in the hospitality industry context
- Little IM practice, which adapts a marketing-like approach (Piercy & Morgan, 1991; Shiu & Yu, 2010)
Customer Delight from Internal Marketing Perspective

- An emotion with strong episodic experience

- Produce emotional bonds between internal/external customers and a company.

- Deliver additional psychological benefits to the internal/external customers (Berman, 2005; Torres and Kline, 2006; Oliver et al., 1997)

A new marketing-like IM practice “Employee Delight”
This study is

- To apply a new marketing-like IM approach (employee delight)
- To examine the relationship between IM (employee delight & voice) and employee behavior (employee job satisfaction, loyalty, turnover intention, & commitment to customer service) within the hospitality industry context.

This study will be useful for hospitality managers in providing new insights into the understanding of IM and employee behavior.
Internal Marketing

- Berry, Hansel, & Burke (1976) first introduced the concept of IM
- Definition: A way of viewing employees as internal customers and jobs as internal products
- Important strategy in HR management using a marketing-like approach
Customer Delight
from Internal Marketing Perspective

- In the hospitality industry, understanding customers’ emotions such as “delight” becomes more crucial (Berman, 2005; Torres and Kline, 2006).

- Customer delight is
  - Occurs when a customer is *pleasantly surprised* in response to an experienced disconfirmation toward a company or its product/service experiences (Finn, 2005; Oliver, 1997; Plutchik, 1980)

- Emotional episodic experience, which can be easily retrieved to current evaluative judgments and involves a higher level of performance evaluation and influences cognitive process (Arora & Singer, 2006; Schüßmer, 2007)
Employee Voice

- Defined as proactive and constructive speaking-up behavior of an employee

- One of the major internal communication, which is crucial in communicating the brand position and customer expectations

- Based on the positive motive of making contributions to the organizations, and proposing ways to improve individual or organizational functioning (Dutton & Ashford, 1993; Van Dyne et al., 2003)

- Employees satisfy and enhance their loyalty when employee voices are properly acknowledged (Patah et al., 2009).
Understanding employee job satisfaction has been very critical related to organization performance and customer satisfaction.

Several studies support that there is a significant relationship between IM and employee satisfaction (e.g., Chang & Chang, 2007; Hwang & Chi, 2005).

A number of studies support that employee job satisfaction is important antecedent of employee loyalty, turnover intention, and commitment to customer service (e.g., Back et al., 2011, Bansal et al., 2001).
The Proposed Model

Employee Delight

Employee Voice

Employee Job Satisfaction

Employee Turnover Intention

Employee Loyalty

Employee Commitment to Customer Service

H1

H2

H3

H4

H5
Methodology: Data Collection Procedures

- A paper survey in May 2012
- Employees from two hotels
- Independently owned and operated hotels in the Midwest
- Survey participation incentives: five $50 gift cards for a grocery store
- 355 surveys were completed (45% response rate)
- SPSS & Structural Equation Modeling (SEM)
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items*</th>
<th>Measurement Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Delight</td>
<td>3 items, (Finn, 2005)</td>
<td>When I received an unexpected reward, benefit, support, or promotion from this current job, I felt delighted.</td>
</tr>
<tr>
<td>Employee Voice</td>
<td>3 items, (VanDyne &amp; LePine, 1998)</td>
<td>I develop and make recommendations to my supervisor concerning issues that affect my work.</td>
</tr>
<tr>
<td>Employee Job Satisfaction</td>
<td>5 items, (Valentine et al., 2002)</td>
<td>Overall, I am satisfied with my present job.</td>
</tr>
<tr>
<td>Employee Loyalty</td>
<td>4 items, (Bloemer &amp; Odekerken-Schröder, 2006)</td>
<td>I speak positively about this company when talking to friends and family.</td>
</tr>
<tr>
<td>Employee Turnover Intention</td>
<td>3 items, (Cole &amp; Bruch, 2006; Jang George, 2012)</td>
<td>I intend to look for a job outside of this company within the next year.</td>
</tr>
<tr>
<td>Employee Commitment to Customer Service</td>
<td>3 items</td>
<td>I try to be friendly and enthusiastic when serving guests.</td>
</tr>
</tbody>
</table>

* 5-point Likert Scale: 1-Strongly Disagree, 5-Strongly Agree
Results:
Profile of Survey Respondents

- Gender: F (69%), M (31%)
- Under 30 years old (50%)
- Spend more than 75% of their time in contact with customers (50%)
- Annual household income: $40,000 or less (70%)
### Findings: Means of Main Constructs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Delight</td>
<td>4.02</td>
</tr>
<tr>
<td>Employee Voice</td>
<td>4.05</td>
</tr>
<tr>
<td>Employee Job Satisfaction</td>
<td>4.07</td>
</tr>
<tr>
<td>Employee Loyalty</td>
<td>4.00</td>
</tr>
<tr>
<td>Employee Turnover Intention</td>
<td>2.33</td>
</tr>
<tr>
<td>Employee Commitment to Customer Service</td>
<td>4.69</td>
</tr>
</tbody>
</table>

* 5-point Likert Scale: 1-Strongly Disagree, 5-Strongly Agree
Findings: Open-ended Comments Summary

<table>
<thead>
<tr>
<th>Rank</th>
<th>Unexpected reward, benefit, promotion, or care that you received from a current company</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monetary reward (e.g., bigger bonus than expected)</td>
<td>128</td>
</tr>
<tr>
<td>2</td>
<td>Promotion (e.g., promotion after 6 months working)</td>
<td>58</td>
</tr>
<tr>
<td>3</td>
<td>Care (e.g., support at the loss of my mother, owner appreciated my contribution to this company)</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Recognition (e.g., nice comments from other employees and my boss)</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>Event invitation (e.g., invitation to an award banquet, tickets to an event that I enjoy)</td>
<td>18</td>
</tr>
</tbody>
</table>
# Findings: Open-ended Comments Summary

<table>
<thead>
<tr>
<th>Rank</th>
<th>Your emotion or feeling when you received the unexpected reward, benefit, promotion, or care</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very happy</td>
<td>82</td>
</tr>
<tr>
<td>2</td>
<td>Appreciated</td>
<td>64</td>
</tr>
<tr>
<td>3</td>
<td>Honored</td>
<td>56</td>
</tr>
<tr>
<td>4</td>
<td>Surprised</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>Excited</td>
<td>12</td>
</tr>
</tbody>
</table>
Main Findings: Hypotheses Testing

Employee Delight

Employee Voice

Employee Job Satisfaction

Employee Turnover Intention

Employee Loyalty

Employee Commitment to Customer Service

Main Findings:

Hypotheses Testing

\[ X^2/df = 2.451, p < .001, \]
\[ CFI = .950, TLI = .934, RMSEA = .066 \]

R² = .42

R² = .74

R² = .16

R² = .40

R = .40

R = .85**

R² = .42

R² = .389**

R² = .066

0.27**

0.45*

-0.54**
The findings from this study show

- Employee delight and voice are significant antecedents to employee job satisfaction.
  - However, employee delight and voice are not directly related to employee loyalty, turnover intention, and commitment to customer service.
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  - However, employee delight and voice are not directly related to employee loyalty, turnover intention, and commitment to customer service.

- Employee job satisfaction is positively related to employee loyalty and commitment to customer service.
Discussion

- The findings from this study show
  - Employee delight and voice are significant antecedents to employee job satisfaction.
    - However, employee delight and voice are not directly related to employee loyalty, turnover intention, and commitment to customer service.
  - Employee job satisfaction is positively related to employee loyalty and commitment to customer service.
  - Employee job satisfaction is negatively related to employee turnover intention.
As one of a few IM empirical studies in the hospitality industry context, this study contributes to the body of knowledge on IM by applying a new IM practices (Employee delight, voice)
Discussion (cont’d)

- As one of a few IM empirical studies in the context of the hospitality industry, this study contributes to the body of knowledge on IM by applying a new IM practices (Employee delight, voice)

- This study extends support for the importance of customer delight into internal marketing.
Discussion (cont’d)

- As one of a few IM empirical studies in the context of the hospitality industry, this study contributes to the body of knowledge on IM by applying a new IM practices (Employee delight, voice)

- This study extends support for the concept customer delight into internal marketing.

- This study shows that employee job satisfaction has a mediator role between employee delight/voice and its consequences (employee loyalty, turnover intention, & commitment to customer service)
Discussion (cont’d)

- From a managerial perspective
  - In a challenging work environment, this study will be useful for managers in providing implications to develop IM strategies and practices as differentiating from competitors.

- Google’s delightful bonus and raise for their employees
  - A salary increase of 10% as well as a $1,000 cash holiday bonus
Limitations & Future Research

- Future research might consider to:
  - Conduct in other properties and in other locations to be generalized to other hotel industry employees.
  - May include additional variables such as an organization’s financial performance and customer satisfaction as they are the important ultimate outcomes of IM.
Thank you and any questions?