Internal Marketing: An Unbeatable Deal!

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"…Above all, employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest customer."

--from Southwest Airlines' mission statement

We have all heard of companies making pronouncements to the effect that their people are their most important assets, that they truly care about their employees, or that they put people first. Yet, looking at the HR and management policies and practices in most industries, one is led to conclude that this people-talk is little more than lip service. Only few enlightened companies in the service sector actually realize that their competitive edge and distinctive competencies revolve around the people delivering the service and little else. Scandinavian Airlines System's Jan Carlzon explains how this works in the airlines industry. He estimated that with 10 million people coming in contact with approximately five SAS employees for an average of fifteen seconds each time, the company was "created" in the minds of customers 50 million times a year. Carlzon goes on to assert that these 50 million "moments of truth" were the moments that ultimately determine whether the company will succeed or fail…when we must prove to our customers that SAS is their best alternative."

Another company known for its employee-driven differentiation is Southwest Airlines. Its meteoric success in the highly turbulent airline industry is largely due to its people who provide excellent customer service on a consistent basis. It is a little known fact that the airline ranks highest in customer service by putting its employees, not customers, first. The mantra at Southwest is, "customers come second…and still get great service." This ethos at Southwest dawns from the realization that the better a company treats its people, the better they perform. Companies should, therefore, relate to their employees as though they were customers. This philosophy has been dubbed as internal marketing.

The Gaming Industry

Let's face it; being a dealer or a floor supervisor isn't the most exciting job in the world. Most recruits perceive this job as frustrating and monotonous. Many often feel bad about raking in people's money for the casino. Justifiably so, the morale in this job category has always been quite low. Few are looking to make a career in the industry. Most are just biding their time, waiting till they save enough money to go to school, or till they get married, or till they find another job that they would truly like.

Now put yourself in the shoes of a casino customer. Whether you are a high roller or an itinerant customer at a $5 table, your interactions (or moments of truth) with the casino happen mostly with the dealers and floor supervisors. It is their professionalism, attitude, and mood that determine the quality of your gaming experience. The last thing you as a punter need to have is a dealer with a 'bad' attitude, especially if you are losing. Your—i.e., the customer's—perception of the casino and your satisfaction with the entertainment experience will be largely shaped by the quality of exchanges with the front-line staff: the dealers and the floor managers. If the dealers and floor personnel are unhappy, unmotivated, or unenthusiastic, they become the weakest link so far as delivering excellent customer service goes.

How do we ensure that customers have the quality of experience that they pay for? With increasing competition for gaming dollars and having to contend with a saturated client base, the only ways for a casino to survive is to maintain its current customer base, and to attract defecting customers from competitors. Most current practices to accomplish this revolve around customer loyalty programs, better database marketing, increased advertising, and investing millions of dollars in physical facilities. Not many casinos seriously consider differentiation by way of *internal marketing*.

What is Internal Marketing?

Internal marketing can best be articulated by a story concerning Bill Marriott of Marriott Hotels. It is said that when Bill Marriott interviewed for prospective executives, he would ask the candidate one vital question: "Every company has three main objectives: Keep the customers happy, keep the employees happy, and keep the shareholders happy. How would you rank these three in order of priority?" Most MBA-types responded to this question in ROI terms or customer satisfaction terms (depending on whether they specialized in finance or marketing, I suppose). These were the ones that did *not* get the job.

Bill Marriott has a simple homespun philosophy when it comes to succeeding in a service business. If your employees are happy, they will treat your customers well. Well-treated customers become repeat customers, and business from repeat customers automatically translates into superior bottom-line for the service provider and its stakeholders. Keeping employees, especially front-line employees happy, is what internal marketing is all about. Internal marketing is based on the premise that every employee is an internal customer of the organization and that internal customers must be sold on the service and be happy in their jobs *before* they can serve the final customer effectively. In other words, satisfied employees lead to satisfied customers. Christian Grönroos, the Scandinavian services marketing scholar, defines internal marketing as selling the firm to its employees. It involves "attracting, developing, motivating, and retaining qualified employees through job products that satisfy their needs." Internal marketing is thus a holistic approach predicated on the need to satisfy a firm's internal customers—its employees. Benoy Joseph, an American services marketing researcher, comprehensively defines internal marketing as "the application of marketing, human resources management, and allied theories, techniques, and principles to motivate, mobilize, co-opt, and manage employees at all levels of the organization to continuously improve the way they serve external customers and each other. Effective internal marketing responds to employee needs as it advances the organization's missions and goals."

With labor shortage in the service sector reaching crisis proportions, more and more employers are awakening to the reality of internal marketing. Marcy Jensen, a corporate recruiter for Best Buy, was quoted in a *Star Tribune* article as saying, "We have to constantly ask ourselves: How can we be the employer of first choice? Retaining employees is just as important. We have to welcome them in the front door and keep the back door shut." Jack Welch, the legendary leader of GE also echoed the same sentiments when he said, "A satisfied workforce is a productive workforce. If you're not thinking all the time about making every person more valuable, you don't have a chance."

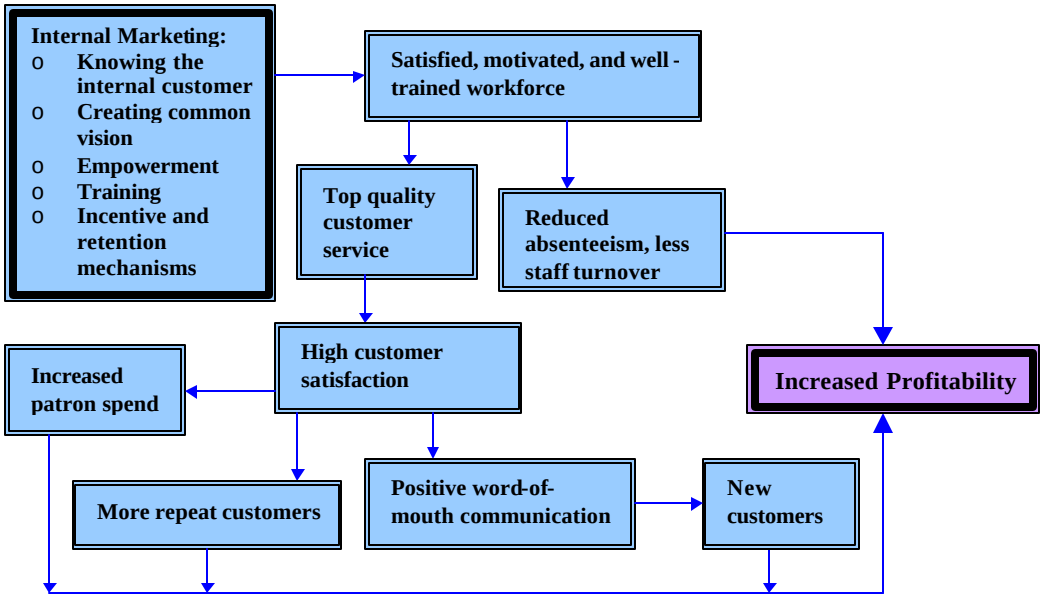
Internal marketing has nothing to do with altruism; it directly impacts the bottom line. In making this point, John Tschohl of the Service Quality Institute observes, "Burger King officials estimate that it costs them more than $1,000 to replace an employee. It's less expensive to teach your employees the art of service, to build their self-worth

and self-esteem, to improve their morale, and to build communications than it is to lose sales because you don't have enough employees to fill your staff positions." In the casino industry, the cost of replacing a dealer can be as high as ten thousand US dollars. Operating on the assumption that a company employs 1,500 dealers and the dealer turnover is 20 percent, this translates into replacement expenditures of three million annually! Thus, even if 5 percent of the front-line employees quitting each year can be motivated to hold on to their jobs for a year longer, the annual savings amount to $150,000, equaling approximately the annual take from seven Blackjack tables. Replacement costs aside, morale has a most direct impact on service quality.

Southwest has been highly successful in using its high employee morale and service quality as a means to phenomenal profitability. The company has been profitable every year since 1973, and has the distinction of being the only US airline to show a profit in 1991, the worst ever year in airline history. What's more, in 2001, Southwest Airlines and Cisco were the only companies to be rated in both the top-10 most admired companies and the top-10 best places to work.

Okay, suppose we accept the maxim of internal marketing. How do we put it into practice? Christopher Lovelock, a services marketing guru, wants us to look at the relationship between a service organization and its employees as a voluntary relationship based on mutual advantage and evaluated in cost-benefit terms. Working provides the benefits of earnings, friendship, experience building, and so on. But there are also associated costs by way of loss of time and independence, the hassles and anxieties surrounding performance requirements, the ugliness of office politics, and having to deal with unpleasant working conditions. Any internal marketing program should attempt to maximize the perceived benefits and reduce the perceived costs in an employee's relationship with the service provider. This can be accomplished through a thorough analysis of the needs and wants of internal customers. Research will uncover what needs to be done in terms of employee empowerment, providing flexible working conditions, needs for continuous training, appropriate wage levels, and designing an incentive system that truly rewards employees who meet or exceed performance requirements. The role and impact of internal marketing has been depicted in Figure 1.

Figure 1 - Internal Marketing and Its Effects



Many casino executives feel that front-line empowerment is impossible in their context. Inability to empower is often attributed to legal stipulations. Despite the obvious constraints, an imaginative casino operator can devise ingenious approaches whereby the perceived benefits of front-line internal customers are maximized. What if each front-line employee was authorized an annual budget to deal with customer grievances on the spot? What if the dealers themselves met on a weekly basis and designed next week's roster? What if inputs from dealers and floor managers were actively solicited in formulating loyalty programs and advertising campaigns? What if each front-line employee was given an allowance for pursuing on-going education or training in an area of his or her choice? What if 10 percent of advertising budget were diverted to training dealers and floor supervisors in the finer aspects of customer service? What if the company consciously decides to be among the top ten percentile of paymasters? What if greater variety were introduced in the jobs of dealers, e.g., letting dealers work as customer service reps during certain periods?

This list of "what ifs" may sound like heresy to some while a small minority of executives would have already thought through some of these possibilities. Regardless, all these hypothetical questions have definite answers, and the answers are all of a positive consequence. Any "what if" scenario put in practice will improve the morale of your front-line staff. Any "what if" scenario will manifest into better customer service and enhanced customer satisfaction. Any "what if" will embody more pleasant working conditions and fewer employee grievances. Any "what if," when implemented, will encourage and further creativity in the workplace. Any "what if" will make your employees more productive and valuable. In a nutshell: Any "what if" will improve your bottom line.

The next time you are thinking of investing in a new fountain at the casino entrance or contemplating another car giveaway, pause for a moment of reflection. Ask yourself what matters most to the bulk of your customers: is it an edifice to stare at for a few seconds, is it a one-in-fifty-thousand chance to win a car, or is it sustained pleasant and enjoyable interactions with your front-line staff? Chances are, you will put the fountain on hold, you'll have five car draws a year instead of six, and you'll consider putting that money into employee training or incentives. Chances are, you'll strengthen your internal marketing!

Conclusion

Internal marketing is especially important for employees who have contact with the ultimate customer and who have a direct effect on the ultimate customer's satisfaction with the service experience. As a customer who has logged over seven thousand hours at Blackjack tables, I can tell you that I don't remember too many promotional gimmicks that the various casinos have used over the years to gain my patronage. But I do remember every single incident where I have received bad or substandard service by dealers and floor supervisors.

The next time you are looking at the gaming floor through your closed circuit TV monitor, contemplating your next promotional gimmick, zero in on individual tables. Look at your Blackjack dealers, your roulette dealers. Observe their facial expressions and their body language. Try to assess their mental state, their self-esteem, and the pride they take in their jobs. Ask yourself what it would take to transform their bored expressions into welcoming demeanors. Ask yourself what it would take for each of your dealers to *want* to spend more time with individual customers at their table. Ask yourself what you can do to change their jaded countenance into an inviting one. Do all this and you will be well on your way to

practicing successful internal marketing. In conclusion, I can do no better than remind casino executives of the admonishment of Albrecht and Zemke in their best seller, *Service America*! "If you're not serving the customer, you'd better be serving someone who is." The dealers and floor personnel are the ones constantly serving the customer, and the job of a casino executive is to be of service to these front-line personnel.

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