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ORIGINAL RESEARCH PAPER

THE TRANSFORMATIVE ROLE OF INTERNAL MARKETING IN THE EXPERIENCE OF EMPLOYEES AND GUESTS OF SMALL HOTELS

Fani Kerum[1], **Nives Mazuth**[2]

[1] ***Doctorate Paneuropean Studies***, *Croatia*
[2] ***Zagreb School of Business***, *Zagreb, Croatia*

Correspondence concerning this article should be addressed to Fani Kerum, Doctorate Paneuropean Studies, Croatia. E-mail: horvat.fani@gmail.com

ABSTRACT

In the highly competitive hotel sector, smaller hotels face challenges in standing out and maintaining high service standards that ensure guest satisfaction. Internal marketing is a strategic approach that influences employee satisfaction levels. This relationship within the organization affects employee loyalty levels and how guests perceive the hotel. This paper examines the importance of internal marketing as a strategic approach. The analysis of internal marketing is conducted through the perspectives of communication, training, incentives, and employee engagement, highlighting its role as a link between organizational culture and service quality. Quantitative research methodologies, including surveys, descriptive and inferential statistics, and regression analysis, were used in an empirical study conducted on guests of small hotels in Croatia.

This paper explores how internal marketing in small hotels can change the climate of the hotel organization. It investigates management practices aimed at providing guests with a unique and authentic hotel experience. An appropriate strategy in hotel operations not only improves service but also changes how guests perceive it, making them more loyal in the long term. The scientific contribution of the study enhances the understanding of the relationship between internal marketing, service quality, and guest experience. The practical guidelines of this paper are intended for managers of small hotels. They can establish rules that make staff satisfied and more engaged, and they can also develop strong connections with guests. This gives them an advantage over competitors in the ever-evolving tourism sector.

Keywords: hotel organization, internal marketing, service quality, satisfaction, guest loyalty

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1. Introduction

The hotel sector, especially small businesses, is increasingly affected by global competition, changing guest attitudes, and limited investment resources. Product and service differentiation, as well as providing a unique experience for hotel guests, are essential prerequisites for achieving long-term sustainability and competitiveness in a specific hotel market. Traditional service management models typically place greater emphasis on external marketing and guest relations than on internal components such as employee engagement, motivation, and satisfaction. Recently, it has become increasingly clear that employees are the most important channel for fostering emotional connections with the hotel and creating a perception of premium service.

Business culture and customer experience are interconnected through internal marketing. Rather than being limited to operational tasks such as internal communication or training, it influences employee commitment, motivation, and sense of belonging, serving a transformational function. These elements have an indirect impact on guest satisfaction and loyalty, helping small hotels create an authentic and unique brand identity. The purpose of this research is to explore how internal marketing tools, such as staff engagement, training, communication, and motivation, affect guest perceptions and experiences in small hotels in Croatia. Special emphasis is placed on how internal marketing can support employee satisfaction and, in turn, serve as a foundation for lasting guest loyalty. In addition to providing practical advice for small hotel managers who want to create competitive and sustainable business practices, this paper creates a theoretical framework that connects internal marketing with guest experience and service quality. Based on the aforementioned theoretical claims, the research gap is identified below, and the aim and contribution of the research are specified.

Previous research in the hotel sector has primarily focused on external marketing elements related to promotion, guest interactions, and market positioning. On the other hand, internal practices involving communication, training, motivation, and staff engagement have largely been overlooked. An excessive focus on external marketing elements has led to a research gap between corporate marketing and guest experience, particularly for small hotels that have limited resources but still provide a high level of personalized service to their guests. Kerum (2025) also emphasizes the similar importance of internal processes in creating service quality, highlighting the need for the integration of internal marketing, organizational culture, and internal communication. There is a lack of empirical studies exploring the impact of internal marketing in small hotels, despite the fact that most current studies focus on large hotel chains. In environments with small hotel organizational structures, less is known about how internal marketing tools such as communication, training, incentives, and staff engagement affect perceptions of service quality, guest satisfaction, and their loyalty. Insufficient integration of theoretical models of internal marketing (Berry, 1981; Rafiq & Ahmed, 2000) with concepts of service quality (SERVQUAL; Parasuraman et al., 1988) within the framework of small hotel enterprises, a lack of empirical evidence linking internal hotel practices with guest experience in small hotels, and an excessive reliance on literature related to external marketing and measuring guest satisfaction, while neglecting internal processes, are the main causes of this research gap. Earlier studies investigating complaint resolution and guest satisfaction (Kerum, Vuković & Hunjet, 2021) also confirm the importance of internal processes in shaping profitability and perceptions of quality.

The main objective of the study is to scientifically examine how internal marketing tools related to staff engagement, their training, communication, and motivation affect guest satisfaction, loyalty, and perceptions of service quality in Croatian small hotels.

This paper aims to:

- reduce the current research gap between internal organizational hotel practices and external marketing,
- enhance the theoretical understanding of the relationship between internal marketing and guest experience,
- provide practical guidelines for small hotel managers to establish a sustainable competitive advantage through motivated employees and authentic guest experiences.

2. Internal marketing: concept and dimensions (communication, training, motivation, participation)

Internal marketing plays an increasingly significant role in modern hospitality as it serves as

a link between the company's strategy, its staff, and service users. It represents a strategy that considers employees as "internal customers" (Berry, 1981), whose desires, motivation, and satisfaction are deemed essential for the effective operation of the hotel business. Internal marketing aims not only to improve communication efficiency within the hotel company but also to foster an organizational culture where employees are genuinely engaged and focused on the quality of their interactions with guests. The core idea of this approach is that service excellence begins from within, starting with the staff. When they are satisfied, informed, and motivated, they become advocates for the hotel brand and carriers of value for guests. Internal marketing is particularly important in small hotels because interpersonal interactions are more direct, and guest engagement is more intimate. Internal marketing allows for greater flexibility, team cohesion, and the maintenance of service standards in a dynamic business environment, where the boundaries between management and operational staff often overlap. Internal marketing has several key characteristics, including communication, training, motivation, and involvement. Management encourages a transparent and reliable work environment through effective communication, promoting open dialogue and information sharing. Training enables the development of professional and interpersonal skills necessary for delivering high-quality service, while motivation and involvement enhance employees' sense of belonging and autonomy. Rafiq and Ahmed (2000) emphasize that the combination of these factors transforms internal marketing into a strategic tool for enhancing organizational effectiveness and gaining a competitive advantage in the market. Contemporary research shows the value of internal marketing in improving organizational performance and service quality. Brown (2025) highlights that systematic management of internal marketing leads to increased employee satisfaction, reduced turnover, and long-term profitability of the hotel business, while Kerum (2025) underscores its importance in retaining workers and maintaining a stable work environment in the hotel organization. As a result, internal marketing becomes not only a practical tool but also a key component of the long-term success of hotel companies.

2.1. Internal marketing and service quality (SERVQUAL, experiential measurement and service encounter logic)

In the hotel sector, service quality is crucial as it represents the overall impression of the guest's experience in the hotel. Employee satisfaction, corporate culture, and the way individuals interact within the value creation system influence the internal marketing strategy, which is a significant part of their experience. Grönroos (1990) argues that the 'service encounter', the point of connection between staff and guests, shapes service quality. During this time, emotions, knowledge, attitudes, and organizational values are shared. This encounter is a "moment of truth" that directly affects how much the guest thinks the service is worth and their overall satisfaction with the experience. Parasuraman, Zeithaml, and Berry (1988) developed the SERVQUAL model, which is one of the most recognized ways to measure service quality. It is based on the difference between what users expect and what they perceive. For guests, aspects of reliability, tangibility, assurance, and empathy are essential in forming their perception of the hotel. Zeithaml and Bitner (2003) assert that these dimensions cannot be achieved if employees are not given sufficient authority, appropriate information, and motivation to work. The implementation of SERVQUAL is important for internal marketing as it ensures that employees have knowledge of the organization's quality standards and the tools necessary for their implementation. Experiential approaches are increasingly used in the hotel industry to measure service quality. These methods go beyond typical survey research and observe how the guest feels and perceives a whole range of interactions during the service process. In this regard, Marđetko, Kerum, and Vuković (2023) emphasize that a positive guest experience arises from a complex blend of operational, communicational, and experiential elements that together create recognizable service value. Studies show that increased perceived service quality is generally associated with the warmth of communication, willingness to solve problems, and the emotional intelligence of staff (Khairy, 2023; Vella, Gountas & Walker, 2009). Internal marketing, through training and engagement, encourages the improvement of interpersonal skills, making quality both a measurable and experiential dimension. Internal marketing has a significant impact on maintaining service standards in small hotels, where resources are scarce, but guest interaction is high. Regular communication within the hotel organization, allowing employees to participate in decision-making, and appropriate training help ensure that the guest experience is consistent and genuine. Brown (2025) argues that systematic internal marketing not only makes the organization more efficient but also enhances its reputation by changing how guests perceive it. Furthermore, previous research has shown that the use of internal marketing within hotels improves employees' sense of belonging and reduces turnover, thereby indirectly

promoting the stability of the hotel organization and service quality. Amer, Aladaweiy, and Elsaied (2025) argue that employee engagement and management support directly influence the creation of a "memorable guest experience," while Vuković, Kerum, and Šipić (2023) empirically confirm that perceived quality significantly affects emotional experience and user satisfaction. In the context of internal marketing, service quality can be viewed as an infinite cycle of learning and adaptation. Internal processes shape how employees feel, which affects how well they perform their jobs and how they communicate with guests. Feedback from their interactions returns to the system and is used to improve service. The thinking behind the service encounter shows that internal marketing is the starting point and a constant driver of long-term excellence in hospitality. A hotel organization that continuously cares for its staff is capable of ensuring the longevity of relationships with guests. In this study, SERVQUAL is used as a conceptual framework for understanding service quality rather than as a direct measurement instrument.

2.2. Guest satisfaction and loyalty, as well as value transfer mechanisms

Key measures of long-term profitability and sustainability for hotels are guest satisfaction and loyalty. The modern service economy places equal importance on the practical aspects of service as well as the emotional, social, and symbolic experiences of guests in creating an unforgettable and valuable experience. Value transfer is the process by which the internal resources of an organization, such as employee enthusiasm, information sharing, and expertise, are conveyed to guests during every interaction. This means that the way an organization delivers its services is as important as the content it offers in determining the satisfaction and loyalty of its guests. This value transfer process cannot be enabled without internal marketing. The organization establishes a unique value chain that connects internal resources with the external experiences of guests through continuous communication, training, and staff engagement. According to Brown (2025), organizations report an increase in guest satisfaction and performance when they combine quality management with internal marketing. On the other hand, Kerum (2025) emphasizes the importance of investing in hotel employees, believing that this reduces turnover and increases the stability of the service process, which in turn affects the consistency of guest experiences. Oliver (1999) defines guest satisfaction as the contrast between expectations and actual experience, but Zeithaml, Berry, and Parasuraman (1996) argue that perceived service quality is the most important predictor of loyalty. According to Vuković, Kerum, and Šipić (2023), emotional experience and the desire to return to a particular hotel are greatly influenced by the impression of service quality. Kerum, Vuković, and Ipša (2023) also highlight the importance of individualized communication in building trust. Long-term loyalty requires high-quality relationships and genuine communication.

The fact that the transfer of value is bidirectional is evident through guest complaints. Although they indicate a negative consequence, they also provide an opportunity for the hotel organization to learn and improve its relationships with guests. Kerum and Vuković (2022) state that by emphasizing openness, speed, and empathy in the resolution process, effective complaint management has the potential to turn dissatisfied guests into loyal consumers. In this context, internal marketing ensures that employees have the necessary competencies, responsibility, and support to respond appropriately in challenging circumstances, fostering a solution-oriented culture. Recent research (Khairy, 2023; Amer, Aladaweiy, & Elsaied, 2025) highlights the importance of employee engagement and organizational support in delivering an "unforgettable guest experience." Engaged employees express positive feelings and a sense of care for guests, strengthening their emotional connection to the hotel organization. Hashad, Hussien, Abd-Elhady, and Abouelenien (2023) add that knowledge sharing and collaboration among employees within the organization enhance service consistency and collective responsibility for guest satisfaction. Through the lens of value transfer, it can be concluded that guest satisfaction and loyalty are the result of alignment of internal processes, organizational culture, and employee experience. When staff receive support, trust, and opportunities for growth, they transfer these values to guests through their actions and attitudes. Interactions of satisfied employees create a positive effect in the relationship with guests. Consequently, having satisfied and loyal guests is not an end in itself, but a sign of good internal marketing and sustainable quality management. To stand out in today's market, hotels employ value transfer tactics. These techniques enhance competitiveness and help build trust, reputation, and emotional connections with guests over time.

3. Research methodology

Small hotels in Croatia face challenges of sustainable differentiation and maintaining a high

level of service quality with limited resources. In such an environment, internal marketing becomes a potentially transformative tool as it connects organizational culture with guest experience. Although the literature has already emphasized the importance of internal marketing in employee motivation and satisfaction, less has been explored regarding how its instruments – communication, training, motivation, and employee participation – reflect on guest perception and their loyalty, especially in the context of small sized hotels.

3.1. Research objective

The subject of the research represents an examination of the impact of systematically applied internal marketing instruments on guest satisfaction and emotional connection with hotel services. The aim of the research is to empirically investigate the role of internal marketing in shaping the guest experience in small hotels in Croatia. More precisely, the research aims to:

- analyze how the dimensions of internal marketing (communication, training, motivation, and employee participation) affect guest perception of service quality,
- determine the relationship between guest satisfaction and their loyalty to the hotel,
- offer a theoretical contribution to understanding the relationship between internal marketing, employee satisfaction, and guest perception,
- formulate practical recommendations for small hotel managers aimed at strengthening differentiation and competitive advantage. Based on theoretical assumptions and objectives, the following hypotheses have been defined:

  Hypothesis H1: Systematically applied internal marketing instruments (communication, training, motivation, and employee participation) positively affect guest perception of service quality in small hotels.

  Hypothesis H2: Perceived service quality, along with the role of guest satisfaction, positively affects the loyalty of guests in small hotels.

3.2. Sample, instruments, and data analysis

The research was conducted among guests of small hotels in Croatia during the tourist season. The total sample consisted of 300 people (N=300). Participants varied in gender, age, education level, and travel motivations, and the sample structure is detailed in the research results.

A quantitative methodology was applied, which included a survey using a structured questionnaire. The questionnaire contained statements about the perception of service quality, satisfaction, and guest loyalty, and also measured the dimensions of internal marketing observed through interaction with hotel staff. It is important to note that internal marketing dimensions were not measured as internal organizational practices themselves, but indirectly, through guests' perceptions of employee behavior and their interactions with guests. Therefore, the constructs represent the perceived effects of internal marketing from the guests' perspective during their stay. All responses were collected on a Likert scale from 1 to 5 (1 = strongly disagree, 5 = strongly agree), and participation in the research was voluntary and anonymous.

Descriptive and inferential statistical methods were used for data processing. The reliability and convergent validity of the measurement constructs were assessed using Cronbach's α coefficient, composite reliability (CR), and average variance extracted (AVE). The relationships between variables were examined using Pearson correlation analysis, while the impact of internal marketing dimensions on perceived service quality was tested using multiple regression analysis. The multicollinearity of predictors was assessed using the VIF indicator. Statistical data processing was conducted using SPSS statistical software. Based on the described methodology, the results of the research are presented and discussed below.

3.3. Results and discussion

This section presents and interprets the results of the empirical research conducted among guests of small hotels in Croatia. The results are presented in accordance with the established objectives and hypotheses, while simultaneously linking the findings with relevant theoretical insights and previous research. Special emphasis is placed on the role of internal marketing instruments in

shaping perceptions of service quality and guest loyalty. The structure of the sample of respondents is presented in Table 1.

Table 1.
Structure of the sample of guests from small hotels (N=300)

Category	N	%
GENDER		
Male	138	46.0%
Female	162	54.0%
AGE OF RESPONDENTS		
18–25	20	6.7%
26–35	65	21.7%
36–45	95	31.7%
46–55	70	23.3%
56–65	35	11.7%
66+	15	5.0%
EDUCATION		
Primary school	2	0.7%
High school	32	10.7%
Higher education institution	125	41.7%
University degree	128	42.7%
Master's degree	8	2.7%
Doctorate	0	0.0%
NUMBER OF OVERNIGHT STAYS		
1–3 nights	128	42.7%
4–7 nights	152	50.7%
8–14 nights	20	6.7%
More than 14	0	0.0%
TRAVEL MOTIVE		
Leisure and relaxation	112	37.3%
Visiting friends/relatives	2	0.7%
Business	0	0.0%
Gastronomy	6	2.0%
Natural beauty and landscapes	42	14.0%
Health-related activities	12	4.0%
Sports activities	28	9.3%
Cultural activities	44	14.7%
Hobby	3	1.0%
Price–quality ratio	11	3.7%
Entertainment and new experiences	33	11.0%
Other	7	2.3%

The structure of the guest sample from small hotels (N=300) reveals several significant patterns that provide deeper insights into the guest profile and potential implications for hotel service management. The gender structure of the respondents shows a slight predominance of female guests (54%) compared to male guests (46%). This distribution may indicate that women, whether as independent travelers or as initiators of travel within families or couples, play a stronger role in the decision-making process regarding hotel accommodation selection. This finding is important for shaping marketing messages and service design as it confirms that small hotels should pay special attention to women through tailored offerings and communication strategies. The age structure clearly highlights the dominance of guests aged 36 to 45 years (31.7%) and 46 to 55 years (23.3%). These age groups represent active, financially stable tourists who seek higher quality vacations and authentic experiences. A significant share also belongs to the group aged 26 to 35 years (21.7%), indicating the presence of a younger population that is open to new experiences but also more sensitive to the price-quality ratio. The least represented are the youngest guests (6.7%) and the oldest guests (5.0%), suggesting that small hotels are not primarily destinations for student tourism or for older individuals in their third age. The education level of the respondents is very high: nearly 85% of guests have completed higher education or college. This profile of educated visitors reflects the typical structure of tourists who prefer smaller hotels – seeking higher service quality, a more personal approach, and culturally enriching content. This confirms that small hotels attract a more demanding, informed, and critical clientele, which requires high standards of professionalism and communication from management. The number of overnight stays indicates that most guests in small hotels stay for a shorter period. More than 90% of respondents stay from 1 to 7 nights (42.7% for up to three nights and 50.7% for four to seven nights), while the share of longer stays (8–14 nights) is negligible (6.7%). This data suggests that small hotels in Croatia primarily function as destinations for short vacations or extended weekends, and less frequently as bases for longer stays. For hotel managers, this means it is essential to develop attractive short-term packages and additional offerings to increase the value of spending per guest during shorter stays. Travel motives further clarify the guest profile. The most dominant motive is rest and relaxation (37.3%), confirming the orientation of small hotels towards a market seeking peace, comfort, and authentic experiences. Cultural content (14.7%), natural beauty (14.0%), and entertainment/new experiences (11.0%) make up a significant part of the motivational structure, indicating a search for a combination of passive and active relaxation. Sports content (9.3%) and health tourism (4.0%) are

present to a lesser extent, while the business motive is completely absent (0.0%), clearly confirming that small hotels are not positioned as business destinations. The extremely low share of motives such as visiting relatives, hobbies, or gastronomy suggests that these offerings currently do not play a crucial role in attracting guests but can serve as additional elements of differentiation. Overall, the sample structure shows that small hotels attract educated, mature, and financially stable guests who prefer shorter stays, seek a peaceful vacation, and simultaneously appreciate the cultural and natural attractions of the destination. These findings have clear implications for management: there is a need for a focus on service quality, personalization, and the development of authentic content that connects guests with the local community. Given the guest profile, small hotels can build a competitive advantage through experiential tourism, cultural programs, and emphasizing the value of a personalized approach, thereby fostering long-term guest loyalty and sustainable differentiation in the market.

Table 2.
Reliability and validity of internal marketing constructs (N = 300)

Konstrukt	Cronbach α	Composite reliability (CR)	AVE	Mean Value	Standard deviation (SD)
IM-COM	0.736	0.835	0.558	3.065	0.784
IM-TRAIN	0.769	0.853	0.593	3.03	0.821
IM-MOT	0.777	0.857	0.6	3.025	0.832
IM-PART	0.791	0.864	0.615	3.028	0.884

Note: Cronbach's α ≥ .70 and CR ≥ .70 suggest satisfactory reliability; AVE ≥ .50 indicates convergent validity.

The results presented in Table 2 confirm that the measurement instrument for assessing the dimensions of internal marketing demonstrates satisfactory reliability and validity. All dimensions – communication (IM-COM), training (IM-TRAIN), motivation (IM-MOT), and employee participation (IM-PART) – achieved Cronbach's α values ranging from 0.736 to 0.791, which, according to the recommendations of Nunnally and Bernstein (1994), indicates adequate internal consistency. These values clearly show that the scales used are reliable and that respondents consistently answered the statements related to individual constructs. Additional confirmation of reliability is provided by composite reliability (CR), which in all cases is above the recommended threshold of 0.70 (0.835 – 0.864). This confirms that the indicators used have a high ability to jointly explain the latent constructs. The highest CR value was achieved in the employee participation dimension (0.864), suggesting that the statements related to participation are particularly coherent and well operationalized. Convergent validity was assessed through average variance extracted (AVE), with all values exceeding the threshold of 0.50 (0.558 – 0.615). This means that the constructs are capable of explaining more than half of the variance of their indicators, thereby confirming the methodological correctness and validity of the measurement model. The highest AVE value is shown by the employee participation dimension (0.615), which aligns with previous research emphasizing the importance of participative management in the context of small hotels. The mean value (3.025 – 3.065) indicate moderately positive attitudes of guests regarding the perceived dimensions of internal marketing. Although these values are slightly above the neutral point of the scale, it can be noted that no dimension exceeds the value of 3.1. This suggests that guests recognize a certain impact of internal marketing on service quality, but there is significant room for improvement – for example, in better visibility of communication efforts or in a more systematic approach to training and motivating employees. Standard deviations (0.784 – 0.884) indicate relatively stable, but not completely homogenized responses from respondents. The greatest variability was recorded in the employee participation construct (SD = 0.884), which may reflect different perceptions among guests regarding how actively involved and motivated employees are in delivering service. Overall, the results confirm that the measurement instrument is methodologically reliable and valid, and that the dimensions of internal marketing have theoretical and empirical grounding in the context of small hotels. However, the average values of the composites indicate the need for strategic strengthening of these dimensions to realize their full transformative potential in creating a differentiated hotel experience and enhancing guest loyalty.

Table 3.
Correlations between the composites of internal marketing constructs (N = 300)

	IM-COM	IM-TRAIN	IM-MOT	IM-PART
IM-COM	1.000	0.225	0.334	0.333
IM-TRAIN	0.225	1.000	0.402	0.308
IM-MOT	0.334	0.402	1.000	0.326
IM-PART	0.333	0.308	0.326	1.000

Note: The displayed values are Pearson correlations between composite indicators. The diagonal is set to 1.000. All correlations are statistically significant at p < .05.

The correlation matrix among the internal marketing (IM) composites shows a consistent pattern of small to medium positive correlations (r = .225–.402). According to common effect size thresholds, these coefficients indicate constructive overlap without redundancy, which is desirable when examining different dimensions of the same strategic domain. The highest correlation recorded was between IM training and IM motivation (r = .402). This finding is theoretically expected: systematic investment in training and competency development typically increases employees' sense of self-efficacy and professional security, which in turn strengthens their intrinsic motivation and engagement. In the context of small hotels, where job roles are often broadly defined, quality training can have a multiplying effect on motivation precisely due to greater room for autonomy and visibility of work performance. IM communication is moderately correlated with IM motivation (r = .334) and IM participation (r = .333), while its connection with IM training is the weakest in the matrix (r = .225). Interpretively, clear and consistent internal communication acts as the "glue" that connects daily practices with the organization's goals and values, thereby fostering proactivity and employees' willingness to take initiative "on the spot." At the same time, the relatively lower r with training suggests that communication and training represent distinctive but complementary levers—training primarily builds competencies, while communication bridges competencies and behaviors through the alignment of expectations and norms. The connection of IM participation with other dimensions (r = .308–.333) indicates that empowerment and decision-making capability do not solely arise from formal training or communication procedures, but from a broader cultural and leadership framework that gives employees the legitimacy to act in the interest of the guest. This is particularly relevant for small hotels, where quick decisions at the "first line" level are often crucial for the service experience. Methodologically, the range of correlations below .50 supports discriminant validity among the dimensions of IM: the constructs are related but do not collapse into a single factor. This implies that in further analysis, it is justified to model four separate latent constructs with inter-correlations (e.g., CFA/SEM), rather than necessarily a second-order factor, although both approaches are worth comparing in terms of model fit. Additionally, given N = 300, even smaller coefficients are often statistically significant; therefore, the focus of interpretation should remain on effect size and practical significance, rather than solely on p-values. In terms of management implications, the pattern suggests three directions for action:

1. The sequence "training → motivation": targeted, problem-oriented training (e.g., complaint resolution, cross-selling with service ethics) most directly stimulates motivation and confidence in interactions with guests.

2. Communication as an integrator: standardized yet lively communication routines (briefings, real-time feedback) translate competencies into consistent behaviors and support participation.

3. Empowerment without bureaucracy: clear boundaries of authority "on the spot" (what can be approved without supervisor approval) encourage quick, guest-visible corrective actions.

The starting objective was to verify the hypothesis that systematically applied internal marketing instruments (communication, training, motivation, and employee participation) positively influence the perceived service quality among guests of small hotels. Results of structural relationships among variables in a sample of N = 300 guests clearly confirm this: all four dimensions of internal marketing have positive and statistically significant effects on service quality, with low multicollinearity among predictors (all VIF < 1.4) and robust bootstrap confidence intervals. The relative strength of effects indicates that the most pronounced impact is shown by training (IM-TRAIN; $\beta = 0.283$; 95% CI [0.175; 0.389]), followed by participation/empowerment (IM-PART; $\beta = 0.237$; [0.124; 0.346]), then motivation (IM-MOT; $\beta = 0.190$; [0.077; 0.305]), while communication (IM-COM; $\beta = 0.113$; [0.008; 0.222]) is the weakest, yet still significant. This ranking is theoretically consistent with the logic of service encounters: (1) competence gained through training reduces performance variability and increases operational security of staff; (2) empowerment allows for quick, situationally adapted decisions "on the spot," which guests directly recognize; (3) motivation encourages discretionary effort (e.g., faster response, proactive assistance), and (4) communication serves as

Table 4.
Structural relationships among variables: Service quality as a function of internal marketing dimensions and control variables (N = 300).

Predictor	β (standardized)	SE	t	p	95% CI – Lower	95% CI – Upper	VIF
IM-COM (Internal Marketing – Communication)	0.113	0.052	2.171	0.031	0.008	0.222	1.245
IM-TRAIN (Internal Marketing – Training & Development)	0.283	0.053	5.379	0.000	0.175	0.389	1.260
IM-MOT (Internal Marketing – Motivation)	0.190	0.055	3.464	0.001	0.077	0.305	1.374
IM-PART (Internal Marketing – Participation in Decision-Making)	0.237	0.053	4.509	0.000	0.124	0.346	1.262
Age	-0.024	0.048	-0.507	0.613	-0.119	0.072	1.056
Gender	0.022	0.049	0.457	0.648	-0.068	0.114	1.073
Travel motive	-0.025	0.048	-0.520	0.604	-0.125	0.073	1.034
Length of stay	0.075	0.047	1.589	0.113	-0.011	0.159	1.027
Frequency of visits	0.127	0.048	2.631	0.009	0.035	0.215	1.068
Hotel category	0.063	0.048	1.324	0.186	-0.032	0.157	1.039

an integrator, but its contribution often manifests indirectly through other dimensions (e.g., better communication routines make training more effective and facilitate participation). The lower marginal effect size of communication may also indicate a "ceiling effect": the baseline level of communication practices is already established, so differentiations among hotels are more pronounced in education and empowerment in the manner and speed of problem-solving. Control variables, among controls, the frequency of stays in small hotels shows a modest but significant positive effect on quality assessment (β = 0.127; 95% CI [0.035; 0.215]), which aligns with the idea of experiential capital: returning guests evaluate processes more realistically and more easily notice improvements in service standards. Length of stay shows a trend but is not statistically confirmed; age, gender, purpose of travel, and self-assessment of category were not significant in the presence of IM dimensions, implying that perceptions of quality are predominantly shaped by organizational practices towards employees rather than the demographic characteristics of the guest.

4. Conclusion

The findings of this research confirm that internal marketing plays a significant and positive role in shaping the perception of service quality and guest loyalty in small hotels. The study's findings clearly indicate that the quality of relationships with employees is a key prerequisite for creating a positive guest experience and long-term market relationships.

The first hypothesis (H1), which posits that internal marketing instruments – communication, training, motivation, and employee involvement – positively influence the perception of service quality, has been fully confirmed. All analyzed dimensions showed a statistically significant effect, with employee training and involvement standing out as the most important factors in shaping a positive perception of service quality. Communication and motivation also have a significant, albeit relatively weaker, contribution, indicating the need for their more systematic and strategic development in the practice of small hotels.

The second hypothesis (H2), which assumes that perceived service quality positively influences guest loyalty, is supported by the findings and aligned with previous theoretical and empirical research. The results indicate that guests who experience a higher level of service quality, stemming from professional, motivated, and engaged hotel staff, express stronger intentions related to return and recommendation, as suggested by the literature. Guest satisfaction plays an important role in strengthening this relationship, which is consistent with previous theoretical and empirical research in the field of hospitality and service marketing. Guest satisfaction is discussed as a theoretical mechanism that strengthens the relationship between perceived service quality and guest loyalty, rather than as a separately tested variable.

Empirical findings confirm that internal marketing is not just a set of operational activities, but a strategic instrument that connects internal

organizational culture with external perceptions of service quality. Systematic investments in training, involvement, and motivation of employees contribute to greater professionalism, autonomy, and responsibility of staff, which directly reflects on the quality of interactions with guests and the overall experience of their stay.

The limitations of this research relate to the exclusive application of quantitative methodology and data collection only among guests of small hotels in Croatia, which may limit the generalizability of the results. Future research could include qualitative methods, employee perspectives, and comparative analysis of different types of hotel properties, as well as a more detailed examination of the relationships between service quality, satisfaction, and guest loyalty.

In conclusion, the results of the research confirm that the long-term success of small hotels largely depends on the quality of internal relationships and the authenticity of employees who shape the guest experience on a daily basis. Internal marketing thus becomes the foundation of sustainable competitive advantage and a key factor in creating loyal and satisfied guests in the modern hotel environment.

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