*Original Researcher Article*

# How Internal Branding Shapes Customer Experience: The HR–Marketing Link

**Akshay Madaan[1], Megha Bumrah[2], Anamika Sarao[3]**

[1]Senior Research Fellow, University Business School, Panjab University, Chandigarh, India
[2]Assistant Professor GJIMT Mohali, India
[3]Senior Research Fellow, University Business School, Panjab University, Chandigarh, India

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**ABSTRACT**

In hospitality, customer experience is largely created in frontline encounters, making employee behaviour a key channel linking organizational strategy to customer outcomes. However, hospitality research lacks multi-source, hotel-level evidence clarifying the mechanism through which internal branding translates into customer experience. Drawing on internal branding, the service–profit chain, and social identity perspectives, this study examines how Internal Branding Practices (IBP) influence Perceived Service Quality (PSQ) and Customer Loyalty (CL), and whether Employee Brand Behaviour (EBB) mediates these relationships. Using a multi-source, matched hotel-level design, data were collected from 240 frontline employees and 480 customers across 12 hotels. PLS-SEM was used given the model's predictive orientation and mediation pathways. The findings indicate that IBP are positively associated with PSQ and CL and that EBB explains these effects through significant indirect pathways, highlighting employees' brand-consistent enactment as a key mechanism. This study positions internal branding as a strategic HR–marketing interface and offers actionable insights for hospitality organizations seeking more consistent and authentic customer experiences..

**Keywords:** *Internal Branding; Employee Brand Behaviour; Perceived Service Quality; Customer Loyalty; Hospitality; HR–Marketing Interface*.

## 1. INTRODUCTION:

In service-driven economies, customer experience (CX) is a central basis of competitive advantage, particularly in industries where offerings are intangible, relational, and difficult to differentiate. This is especially evident in hospitality, where guests evaluate not only functional outcomes (e.g., room quality and amenities) but also the quality and consistency of interpersonal encounters across service touchpoints. CX is increasingly understood as a journey-based construct shaped by cumulative interactions that generate cognitive evaluations and emotional responses (Lemon & Verhoef, 2016). Accordingly, hospitality firms cannot rely solely on external branding and standardized service scripts to secure favourable guest perceptions. Rather, they must ensure that employees consistently enact the brand promise during service delivery, because guests infer service quality and relationship value from relational cues such as responsiveness, empathy, and rapport (Gremler & Gwinner, 2000).

Internal branding captures this "inside-out" logic by emphasizing organizational practices that align employees' attitudes, values, and behaviours with the brand's identity and promise (Burmann & Zeplin, 2005). Beyond routine internal communication, internal branding supports employee sense-making and encourages brand-consistent enactment, positioning employees as active carriers of brand meaning in guest interactions (King & Grace, 2008). In high-contact settings such as hotels, resorts, and restaurants, frontline employees translate abstract brand values (e.g., warmth, responsiveness, personalization, or luxury) into concrete service behaviours that guests directly experience. In this study,

Internal Branding Practices (IBP) are conceptualized as a coordinated bundle of practices through which organizations communicate and reinforce the brand internally—such as brand-oriented communication, training and development, leadership reinforcement, and HR alignment (e.g., performance management and rewards)—so employees understand and can deliver the intended experience consistently.

A key behavioural outcome of internal branding is Employee Brand Behaviour (EBB), which refers to employees' brand-supporting actions and discretionary enactment of brand values during service encounters (Punjaisri & Wilson, 2007). In hospitality, EBB is particularly consequential because the service product is co-created in real time: employees' micro-behaviours (e.g., proactive help, courteous explanations, personalised attention) become the lived expression of the brand promise. When internal branding is strong, employees receive clearer cues about "how we serve here," develop greater role clarity in brand delivery, and are more likely to enact brand-consistent behaviours in guest-facing interactions. Conversely, weak or inconsistent internal branding can lead to uneven enactment, creating variability in service delivery and undermining brand credibility.

The service–profit chain further reinforces the strategic importance of this internal-to-external pathway by explaining how internal service quality and employee-related conditions ultimately influence customer outcomes such as satisfaction and loyalty (Heskett et al., 1994). From this perspective, CX outcomes are not merely marketing outcomes; they are downstream consequences of organizational systems that enable employees to deliver

the brand promise reliably. In this study, we operationalize customer experience outcomes through customers' **Perceived Service Quality (PSQ)** and **Customer Loyalty (CL)**. PSQ reflects customers' evaluative judgments of service performance as experienced during interactions, while CL captures enduring relationship-oriented outcomes (e.g., repeat intention and advocacy). Consistent with the service–profit chain logic, IBP should strengthen employees' brand-consistent enactment (EBB), which customers interpret as higher PSQ and which, over time, supports stronger CL.

Importantly, internal branding is unlikely to be effective without cross-functional integration. Marketing defines brand meaning and the desired guest experience, whereas HR builds the capabilities, role clarity, and commitment required to deliver that experience consistently (Miles & Mangold, 2004). When HR and marketing operate in silos, employees may receive fragmented or competing cues about priorities and expected behaviours, increasing service inconsistency and weakening brand authenticity. Strategic HR–marketing alignment, by contrast, enables hospitality firms to embed brand values across the employee lifecycle—recruitment and selection, training, performance management, leadership reinforcement, and rewards—thereby cultivating employee behaviours that reinforce the brand promise at the point of service delivery.

### Research gap and study purpose

Despite growing scholarly interest in internal branding, two gaps remain salient in hospitality. First, much of prior work has emphasized employee attitudes and internal outcomes (e.g., identification and commitment) more than customer-facing outcomes, leaving limited evidence on how internal branding translates into guests' perceptions of service quality and loyalty in hospitality settings. Second, empirical tests have often relied on single-source, same-respondent designs, which constrain inference due to common method bias and make it difficult to substantiate internal branding as an HR–marketing mechanism that shapes customer outcomes.

To address these limitations, the present study tests a **multi-source, matched hotel-level model** in which IBP influence customer outcomes both directly and indirectly through EBB. Data were collected from **240 frontline employees** and **480 customers** across **12 hotels**, with employee and customer responses matched to the corresponding hotel. Because the theorized effects are conceptualized at the hotel level (i.e., shared internal branding practices shaping a hotel's frontline enactment and customers' evaluations), the study employs a property-level approach; the procedures used to establish within-hotel agreement and between-hotel variability are reported in the Methodology section. The hypothesized relationships are tested using Partial Least Squares Structural Equation Modelling (PLS-SEM), consistent with the model's predictive orientation and its emphasis on mediation pathways.

### Contributions

This study makes three contributions to hospitality branding and service research. First, it positions internal branding as a strategic **HR–marketing interface**, clarifying how brand meaning defined by marketing is operationalized through HR-enabled practices that support consistent service delivery. Second, it advances a behavioural mechanism explanation by testing **Employee Brand Behaviour (EBB)** as the conduit linking IBP to customer experience outcomes (PSQ and CL), thereby extending internal branding work beyond attitudinal accounts toward enactment at the point of service. Third, it strengthens inference by using a **multi-source matched design**, linking employee-reported IBP/EBB to customer-reported PSQ/CL within the same hotels, which offers a more credible basis for inside-out branding effects in high-contact hospitality contexts.

Guided by these arguments, the study proposes the following hypotheses:

**H1:** Internal Branding Practices (IBP) have a positive and significant effect on Perceived Service Quality (PSQ) in hospitality.

**H2:** Internal Branding Practices (IBP) have a positive and significant effect on Customer Loyalty (CL) in hospitality.

**H3a (Mediation):** Employee Brand Behaviour (EBB) mediates the relationship between Internal Branding Practices (IBP) and Perceived Service Quality (PSQ), such that stronger IBP increase EBB, which in turn improves PSQ.

**H3b (Mediation):** Employee Brand Behaviour (EBB) mediates the relationship between Internal Branding Practices (IBP) and Customer Loyalty (CL), such that stronger IBP increase EBB, which in turn enhances CL.

## 2. Review of Literature:

### Internal Branding Practices and Perceived Service Quality in Hospitality

Perceived service quality (PSQ) is a core driver of customer satisfaction, loyalty, and competitive advantage in hospitality. Because service production and consumption occur simultaneously, guests form quality judgments largely through frontline encounters and the manner in which the service is delivered, rather than tangible attributes alone. Accordingly, PSQ is shaped not only by operational standards but also by internal organizational processes that guide and motivate employee behavior at service touchpoints (Grönroos, 1990; Gremler & Gwinner, 2000).

Internal branding practices (IBP) constitute a strategic set of actions through which organizations align employees' understanding, attitudes, and behaviors with the brand's service promise. Typical IBP include internal brand communication, brand-oriented training, leadership role modelling, and HR systems (e.g., selection, performance management, and rewards) that reinforce brand-consistent conduct (Burmann & Zeplin, 2005; King & Grace, 2008). In hospitality, where frontline employees act as the primary interface between the brand and the guest, IBP are particularly salient because they translate abstract brand values into observable service behaviors during "moments of truth."

Theoretically, the service–profit chain explains why IBP should enhance PSQ: internal service quality and

employee-supporting practices strengthen employees' attitudes, role clarity, and service capabilities, which subsequently improve customers' evaluations of service performance (Heskett et al., 1994). Complementing this view, internal marketing theory posits that treating employees as internal customers and equipping them with brand-relevant knowledge enhances their ability and willingness to meet external customer expectations (Berry, 1981). Together, these perspectives suggest that IBP improve the consistency and authenticity of frontline delivery—attributes closely associated with PSQ in high-contact hospitality settings.

Empirical work in hospitality supports this linkage. Prior studies show that internal branding enhances employees' brand understanding and commitment, which are associated with higher-quality service delivery and more favorable customer evaluations (Punjaisri & Wilson, 2007; Xiong & King, 2015). Evidence from hotel contexts further indicates that brand-oriented training and internal communication strengthen employees' confidence and emotional engagement, enabling more personalized and empathetic interactions—critical cues through which guests infer service quality (To et al., 2015). More recent research also suggests that internal branding can strengthen PSQ indirectly by fostering employee brand behavior and discretionary helping behaviors that exceed formal role requirements, thereby improving the guest's service experience at key touchpoints (Mathur et al., 2021; Khairy et al., 2023).

Importantly, PSQ in hospitality is strongly determined by *how* service is delivered. Employees who internalize brand values are more likely to display warmth, responsiveness, and authenticity in guest interactions—behavioral cues that meaningfully shape quality perceptions (Morhart et al., 2009). Thus, IBP can be viewed as an upstream driver of PSQ by enabling brand-consistent enactment during critical service encounters.

**H1:** Internal Branding Practices (IBP) have a positive and significant effect on Perceived Service Quality (PSQ) in hospitality.

### Internal Branding Practices and Customer Loyalty in Hospitality

Customer loyalty (CL) is a critical outcome in hospitality because loyal guests drive repeat patronage, positive word-of-mouth, and long-term financial performance. In high-contact service settings, loyalty is shaped not only by functional performance but also by the relational and emotional quality of the brand experience formed through repeated interactions with frontline employees. Consequently, hospitality scholars increasingly emphasize that loyalty outcomes are influenced by internal organizational mechanisms that shape how employees interpret and enact the brand promise during service encounters (Grönroos, 1990; Heskett et al., 1994).

Internal branding practices (IBP) contribute to such outcomes by aligning employees' values, attitudes, and behaviors with the brand's identity and service promise (Burmann & Zeplin, 2005). Through internal brand communication, brand-oriented training, leadership reinforcement, and HR systems that select, evaluate, and reward brand-consistent behavior, internal branding strengthens employees' capability and motivation to deliver experiences congruent with external brand expectations (King & Grace, 2008). In hospitality, where frontline employees represent the brand in real time, this alignment enhances service consistency and authenticity, which are central to building guest trust and emotional attachment—key precursors of loyalty.

The service–profit chain provides a foundational explanation for the IBP–CL relationship, proposing that employee-supporting practices improve employee engagement and service performance, which subsequently translate into customer satisfaction and loyalty (Heskett et al., 1994). From a relationship marketing perspective, consistent brand enactment reduces uncertainty and strengthens perceived relational value, thereby reinforcing guests' intentions to maintain long-term relationships with hospitality brands (Berry, 1995). Together, these perspectives suggest that IBP can influence loyalty both directly—by strengthening brand credibility through consistent employee enactment—and indirectly through enhanced satisfaction and relationship quality.

Empirical evidence in hospitality aligns with these arguments. Prior studies indicate that internal branding strengthens employees' brand identification and commitment, which are associated with higher customer trust and loyalty toward the brand (Punjaisri & Wilson, 2007; Xiong & King, 2015). Research in hotel settings further suggests that brand-oriented HR practices enhance service consistency and the quality of frontline emotional labor, improving the relational experience that drives revisit intentions and recommendations in high-contact contexts (To et al., 2015). Moreover, emerging evidence suggests that internal branding fosters customer loyalty by encouraging employee brand behavior and discretionary service-oriented citizenship behaviors (e.g., proactive recovery, personalized attention), which deepen guests' emotional bonds with the brand and strengthen both attitudinal and behavioral loyalty outcomes (Mathur et al., 2021).

Overall, hospitality research indicates that customer loyalty is not produced solely through external branding or service standards but is rooted in internal alignment that enables authentic, brand-consistent service delivery. When internal branding practices embed brand values into employee sense-making and behavior, guests are more likely to perceive the brand as credible and relationship-worthy, thereby increasing their willingness to revisit and recommend the service provider.

**H2:** Internal Branding Practices (IBP) have a positive and significant effect on Customer Loyalty (CL) in hospitality.

### The Mediating Role of Employee Brand Behaviour

Although internal branding practices (IBP) are frequently linked to favorable service outcomes, theory suggests that their influence is often realized through employee-level behavioral mechanisms rather than operating solely as a direct effect on customers. This is particularly relevant in hospitality, where the service is co-produced in real time and customers experience the brand primarily through frontline interactions. Accordingly, Employee Brand

Behaviour (EBB) provides a plausible mechanism

through which internal branding is converted into customer-facing outcomes such as perceived service quality (PSQ) and customer loyalty (CL).

Employee Brand Behaviour refers to employees' brand-consistent actions that translate brand values into observable service conduct during customer interactions (Miles & Mangold, 2004; Punjaisri & Wilson, 2007). EBB extends beyond mere task completion by capturing how employees communicate, respond, and engage in ways that reflect brand meaning—for example, demonstrating authentic warmth, proactive help, and brand-aligned interaction styles in "moments of truth." In this sense, EBB operationalizes the enactment of the brand promise at the point of service delivery, making it a natural conduit between internal branding initiatives and external customer responses.

### Internal Branding Practices and Employee Brand Behaviour

IBP are intended to cultivate EBB by strengthening employees' brand understanding, identification, and role clarity. Drawing on social identity theory, employees who internalize organizational and brand values are more likely to define themselves in terms of the brand and behave in ways that maintain and reinforce that identity (Ashforth & Mael, 1989; Morhart et al., 2009). Internal brand communication, brand-oriented training, leadership role modelling, and HR systems aligned with brand values are therefore expected to increase employees' willingness and capability to "live the brand" during service encounters (King & Grace, 2008). Empirical hospitality research supports this pathway, showing that internal branding enhances brand commitment and brand-consistent employee behaviors in hotel and tourism settings (Punjaisri & Wilson, 2007; Xiong & King, 2015; Mathur et al., 2021).

### Employee Brand Behaviour and Perceived Service Quality

EBB is also theoretically aligned with PSQ formation because service quality perceptions depend heavily on functional quality—how the service is delivered—rather than technical outcomes alone (Grönroos, 1990). When employees enact brand-consistent behaviors (e.g., responsiveness, empathy, assurance, and authentic engagement), guests receive stronger relational and emotional cues that shape service evaluations. Prior work in hospitality indicates that employee behaviors marked by rapport, reliability, and personalization enhance customers' perceived service quality, particularly in high-contact contexts where interpersonal experiences dominate quality judgments (Gremler & Gwinner, 2000; To et al., 2015). Thus, EBB represents a credible behavioral mechanism through which IBP are translated into higher PSQ.

### Employee Brand Behaviour and Customer Loyalty

EBB is similarly consequential for customer loyalty in hospitality. Relationship marketing theory suggests that loyalty develops through repeated positive relational exchanges characterized by trust, emotional connection,

and consistent value delivery (Berry, 1995). Employees who enact the brand promise authentically and consistently strengthen customers' trust in the brand and deepen emotional attachment, increasing revisit intentions and positive word-of-mouth. Empirical evidence supports this logic, indicating that brand-aligned discretionary behaviors contribute to memorable encounters and reinforce brand credibility, which in turn strengthens loyalty intentions (Morhart et al., 2009; Xiong & King, 2015).

### Mediation Hypotheses Development

Taken together, internal branding practices can be viewed as upstream organizational inputs whose effects on customer outcomes are realized when employees enact the brand during service delivery. In hospitality contexts characterized by high interpersonal contact and experiential consumption, EBB is therefore expected to transmit the influence of IBP to customers' quality perceptions and loyalty responses.

**H3a (Mediation):** Employee Brand Behaviour (EBB) mediates the relationship between Internal Branding Practices (IBP) and Perceived Service Quality (PSQ), such that IBP increases EBB, which in turn improves PSQ.

**H3b (Mediation):** Employee Brand Behaviour (EBB) mediates the relationship between Internal Branding Practices (IBP) and Customer Loyalty (CL), such that IBP increases EBB, which in turn enhances CL.

### 3. Research Methodology

This study employed a quantitative, cross-sectional, multi-source survey design to examine the HR–marketing linkage in hospitality by testing (i) the direct effects of Internal Branding Practices (IBP) on Perceived Service Quality (PSQ) and Customer Loyalty (CL) and (ii) the mediating role of Employee Brand Behaviour (EBB). A multi-source approach was adopted to mitigate common method bias by collecting predictor and mediator data from employees and outcome data from customers within the same service setting (Podsakoff et al., 2003). Data were gathered from 12 hotel properties in which frontline encounters represent the primary channel through which brand promises are enacted. Hotels were included through an access-based purposive approach to enable coordinated collection of matched employee and customer data at the property level.

Two independent respondent groups were surveyed. Frontline employees in guest-facing roles (e.g., front office, food and beverage service, and guest-facing housekeeping) completed self-administered questionnaires on IBP and EBB during breaks or at the end of shifts. Customers/guests independently evaluated PSQ and CL after service consumption (e.g., at checkout or shortly after the stay), ensuring that their assessments reflected actual service experiences. The final matched dataset comprised 240 employees and 480 customers across the 12 hotels (approximately 20 employee responses and 40 customer responses per property). A hotel-level matching strategy linked aggregated employee

perceptions (IBP and EBB) with aggregated customer outcomes (PSQ and CL) within the same properties, consistent with the conceptualization of internal branding as a shared organizational system shaping collective frontline enactment and customer evaluations.

All constructs were specified as reflective and measured using established scales adapted to the hospitality context. IBP captured internal brand mechanisms such as internal communication, brand-oriented training, leadership reinforcement, and HR alignment (Miles & Mangold, 2004). EBB assessed brand-consistent enactment during service delivery (Punjaisri & Wilson, 2007). PSQ was measured using a concise SERVQUAL-aligned battery suitable for hotel encounters (Parasuraman et al., 1988), and CL captured revisit intention and recommendation/positive word-of-mouth (Zeithaml et al., 1996). Items used Likert-type response formats with consistent anchors within each questionnaire, and the instrument was reviewed for face validity and contextual fit through expert screening and minor wording refinements. Analyses were conducted at the property level after confirming within-hotel agreement and between-hotel variance using ICC(1), ICC(2), and rwg (Bliese, 2000; James et al., 1984), which exceeded commonly used thresholds. Hypotheses were tested using PLS-SEM in SmartPLS with bootstrapping (5,000 subsamples; two-tailed), reporting path estimates, significance levels, and bias-corrected confidence intervals, alongside standard measurement and structural model diagnostics (e.g., reliability/validity, HTMT, $R^2$, $f^2$, $Q^2$, and SRMR).

## 5. Data Analysis and Results

### 5.1 Sample profile and data structure

The study employed a dual-source, matched design comprising frontline employees and customers drawn from the same 12 hotel properties. Employees reported Internal Branding Practices (IBP) and Employee Brand Behaviour (EBB), while customers evaluated Perceived Service Quality (PSQ) and Customer Loyalty (CL). The final dataset included 240 employees and 480 customers, supporting property-level analysis and cross-source linkage.

### Table 1. Sample profile and data structure

**Panel A: Employees (N = 240; 12 hotels; frontline staff)**

| Variable | Category | n | % |
|---|---|---|---|
| Gender | Male | 144 | 60.0 |
| | Female | 96 | 40.0 |
| Age | 20–25 | 62 | 25.8 |
| | 26–35 | 118 | 49.2 |
| | 36–45 | 46 | 19.2 |
| | 46+ | 14 | 5.8 |
| Tenure | <1 year | 52 | 21.7 |
| | 1–3 years | 96 | 40.0 |
| | 3–5 years | 58 | 24.2 |
| | 5+ years | 34 | 14.1 |
| Department | Front office | 82 | 34.2 |
| | F&B service | 98 | 40.8 |
| | Housekeeping (guest-facing) | 60 | 25.0 |

**Panel B: Customers (N = 480; matched to same 12 hotels; ~40 customers/hotel)**

| Variable | Category | n | % |
|---|---|---|---|
| Gender | Male | 282 | 58.8 |
| | Female | 198 | 41.2 |
| Age | 18–25 | 88 | 18.3 |
| | 26–35 | 176 | 36.7 |
| | 36–45 | 132 | 27.5 |
| | 46+ | 84 | 17.5 |
| Stay frequency | First time | 170 | 35.4 |
| | 2–3 times/year | 206 | 42.9 |
| | 4+ times/year | 104 | 21.7 |

*Interpretation.* The dual-source structure enables employee-reported IBP and EBB to be linked with customer-reported PSQ and CL at the hotel level, strengthening inference and reducing same-source bias.

### 5.2 Aggregation justification

Given the property-level conceptualization of internal branding, employee responses were aggregated to the hotel level. Aggregation adequacy was assessed using ICC(1), ICC(2), and rwg.

### Table 2. Aggregation justification (employee → hotel level)

| Construct | ICC(1) | ICC(2) | rwg (mean) | Decision |
|---|---|---|---|---|
| IBP | 0.12 | 0.74 | 0.86 | Aggregate (Yes) |
| EBB | 0.10 | 0.68 | 0.82 | Aggregate (Yes) |

*Interpretation.* ICC and rwg values indicate sufficient within-hotel agreement and between-hotel variance, justifying aggregation prior to linking employee constructs to customer outcomes.

## 5.3 Measurement model assessment

Indicator reliability, internal consistency, convergent validity, and discriminant validity were assessed for all reflective constructs.

### Table 3. Outer loadings (indicator reliability)

**IBP (6 items)**

| Item | Loading |
|------|---------|
| IBP1 | 0.82 |
| IBP2 | 0.79 |
| IBP3 | 0.85 |
| IBP4 | 0.76 |
| IBP5 | 0.81 |
| IBP6 | 0.73 |

**EBB (5 items)**

| Item | Loading |
|------|---------|
| EBB1 | 0.84 |
| EBB2 | 0.80 |
| EBB3 | 0.78 |
| EBB4 | 0.86 |
| EBB5 | 0.75 |

**PSQ (5 items)**

| Item | Loading |
|------|---------|
| PSQ1 | 0.83 |
| PSQ2 | 0.81 |
| PSQ3 | 0.79 |
| PSQ4 | 0.87 |
| PSQ5 | 0.74 |

**CL (4 items)**

| Item | Loading |
|------|---------|
| CL1 | 0.86 |
| CL2 | 0.83 |
| CL3 | 0.80 |
| CL4 | 0.78 |

*Interpretation.* All loadings exceed the recommended 0.70 threshold, supporting indicator reliability.

### Table 4. Reliability and convergent validity

| Construct | Cronbach's α | rho_A | CR | AVE |
|-----------|--------------|-------|------|------|
| IBP | 0.86 | 0.87 | 0.90 | 0.60 |
| EBB | 0.85 | 0.86 | 0.89 | 0.62 |
| PSQ | 0.87 | 0.88 | 0.91 | 0.67 |
| CL | 0.82 | 0.83 | 0.88 | 0.64 |

*Interpretation.* All constructs exhibit satisfactory internal consistency (α, CR > 0.70) and convergent validity (AVE > 0.50).

### Table 5. Discriminant validity (HTMT)

| | IBP | EBB | PSQ | CL |
|------|------|------|------|------|
| IBP | — | 0.71 | 0.58 | 0.55 |
| EBB | 0.71 | — | 0.74 | 0.72 |
| PSQ | 0.58 | 0.74 | — | 0.78 |
| CL | 0.55 | 0.72 | 0.78 | — |

*Interpretation.* All HTMT values are below 0.85, confirming discriminant validity.

## 5.4 Structural model and hypothesis testing

Hypotheses were tested using PLS-SEM with bootstrapping (5,000 subsamples).

### Table 6. Structural model—Direct effects

| Path | β | t-value | p-value | 95% CI (LL, UL) | f² | Decision |
|------|------|---------|---------|-----------------|------|----------|
| H1: IBP → PSQ | 0.23 | 3.48 | <0.001 | (0.10, 0.36) | 0.06 | Supported |
| H2: IBP → CL | 0.19 | 2.86 | 0.004 | (0.06, 0.32) | 0.04 | Supported |
| IBP → EBB | 0.56 | 10.42 | <0.001 | (0.46, 0.65) | 0.46 | Supported |

| EBB → PSQ | 0.49 | 8.21 | <0.001 | (0.37, 0.61) | 0.28 | Supported |
|---|---|---|---|---|---|---|
| EBB → CL | 0.43 | 6.94 | <0.001 | (0.31, 0.55) | 0.19 | Supported |

**Model quality indicators:** $R^2$(EBB) = 0.31; $R^2$(PSQ) = 0.46; $R^2$(CL) = 0.36

$Q^2$(PSQ) = 0.28; $Q^2$(CL) = 0.21

SRMR = 0.056

*Interpretation.* IBP significantly predicts PSQ and CL, while strongly influencing EBB. EBB, in turn, significantly predicts both customer outcomes, indicating a robust behavioural mechanism with satisfactory explanatory and predictive power.

### 5.5 Mediation analysis

**Table 7. Mediation effects (bootstrapped indirect effects)**

| Hypothesis | Indirect path | Indirect β | t-value | p-value | 95% CI (LL, UL) | Mediation | Decision |
|---|---|---|---|---|---|---|---|
| H3a | IBP → EBB → PSQ | 0.27 | 6.52 | <0.001 | (0.18, 0.36) | Partial | Supported |
| H3b | IBP → EBB → CL | 0.24 | 5.77 | <0.001 | (0.15, 0.33) | Partial | Supported |

*Interpretation.* Both indirect effects are significant and confidence intervals exclude zero, confirming mediation via EBB. As direct effects remain significant, the results indicate partial mediation.

### 5.6 Summary of hypothesis testing

All proposed hypotheses (H1, H2, H3a, and H3b) are supported. Internal Branding Practices positively influence Perceived Service Quality and Customer Loyalty, and Employee Brand Behaviour explains how internal branding translates into stronger customer outcomes in hospitality.

### 6. Discussion

This study examined how internal branding shapes customer experience in hospitality by testing the direct effects of Internal Branding Practices (IBP) on Perceived Service Quality (PSQ) and Customer Loyalty (CL), and

the mediating role of Employee Brand Behaviour (EBB). Overall, the findings support an "inside-out" HR–marketing linkage: internal branding is associated with stronger customer outcomes, and these effects are meaningfully transmitted through frontline employees' brand-consistent enactment during service encounters. By combining a multi-source matched design with a hotel-level analytical approach, the study provides more credible evidence that internal branding operates as a strategic interface through which HR-enabled practices make the brand promise visible and valuable to customers.

### 6.1 Internal branding and perceived service quality

The positive association between IBP and PSQ (β = 0.23, p < 0.001) aligns with the service–profit chain logic that internal systems and employee-supporting practices are reflected downstream in customers' evaluations of service performance. In hospitality, where production and consumption occur simultaneously, PSQ is heavily influenced by functional delivery cues such as responsiveness, empathy, assurance, and authenticity. The IBP–PSQ result therefore suggests that internal brand communication, brand-oriented training, leadership reinforcement, and HR alignment reduce variability in frontline enactment and strengthen the credibility of the service promise as experienced in "moments of truth." Conceptually, this finding supports the view that internal branding functions as an upstream quality driver: it is not limited to internal alignment but shapes how customers judge service performance through the consistency and tone of employee–guest interactions.

### 6.2 Internal branding and customer loyalty

IBP also positively predicted customer loyalty (β = 0.19, p = 0.004), reinforcing relationship marketing perspectives that view loyalty as a consequence of trustworthy, emotionally positive exchanges developed over repeated interactions. In hospitality contexts, customers form loyalty intentions not only from functional performance but from relational signals that reduce uncertainty and increase perceived relationship value. The significant IBP–CL association indicates that internal branding contributes to loyalty by helping hotels deliver the brand promise more reliably and authentically, thereby strengthening revisit intentions and recommendation tendencies. This finding underscores that internal branding should be considered a strategic investment in relationship-building, particularly in service settings where loyalty is earned through consistent interpersonal experiences.

### 6.3 Employee brand behaviour as the behavioural mechanism

The study's central theoretical claim concerns how internal branding becomes observable to customers. The results strongly support EBB as this mechanism: IBP significantly predicted EBB (β = 0.56, p < 0.001), and EBB significantly predicted both PSQ (β = 0.49, p < 0.001) and CL (β = 0.43, p < 0.001). These associations indicate that internal branding practices are translated into customer outcomes primarily through employees' brand-consistent enactment during service encounters, consistent with the idea that employees "live the brand" in

ways customers can directly perceive.

Mediation tests further substantiate this pathway. The indirect effect of IBP on PSQ through EBB was significant ($\beta = 0.27$, $p < 0.001$), as was the indirect effect on CL through EBB ($\beta = 0.24$, $p < 0.001$). Because the direct effects of IBP on PSQ and CL remained significant, the pattern reflects partial mediation. This suggests that internal branding influences customer outcomes both through frontline enactment and through additional complementary channels embedded in IBP (e.g., stronger role clarity, more coherent coordination across touchpoints, or more consistent service climate signals). Substantively, these findings move internal branding research beyond attitudinal explanations by demonstrating that what ultimately "carries" internal branding into the guest experience is employee behaviour that is congruent with the brand promise.

### 6.4 Theoretical implications

The study offers several theoretical implications for hospitality branding and service research. First, it strengthens the argument that internal branding should be conceptualized as an integrated HR–marketing system rather than a narrow communication activity. The findings indicate that internal branding practices shape customer outcomes, highlighting how HR-enabled mechanisms operationalize brand meaning defined by marketing within frontline encounters. Second, the results clarify the mechanism underlying inside-out branding by empirically supporting EBB as a behavioural conduit that transmits internal branding into customer evaluations and loyalty intentions. Third, the partial mediation pattern suggests that internal branding operates through both behavioural enactment and broader organizational influences, implying that internal branding is best understood as a system-level capability with multiple pathways to customer value. Finally, the model's explanatory and predictive performance (R² values for PSQ and CL; Q² values indicating predictive relevance; and SRMR within acceptable bounds) supports the practical and theoretical utility of behavioural mechanism models for explaining how internal branding creates value in high-contact hospitality settings.

### 7. Practical Implications

The findings have clear implications for hospitality organizations seeking to improve customer experience through inside-out branding.

**Implications for HR systems (capability and motivation).** HR leaders should treat internal branding as a lifecycle process rather than a one-off communication exercise. Recruitment and selection can emphasize brand-fit and service orientation, while onboarding should translate brand values into observable behavioural expectations at key touchpoints. Brand-oriented training should prioritize experiential skill development (e.g., responsiveness, empathy, and service recovery) and provide concrete examples of what brand-consistent

behaviour looks like in real guest interactions. Performance management and rewards should explicitly recognize EBB—particularly discretionary behaviours such as proactive problem-solving and personalized guest support—given their strong associations with PSQ and CL.

**Implications for marketing (brand promise and CX design).** Marketing teams should ensure that the external brand promise is translated into service behaviours, not only visual identity and messaging. Converting brand values into behavioural standards, flexible service scripts, and micro-guidelines for critical "moments of truth" (e.g., check-in, complaint handling, special requests, service recovery) can reduce variability across touchpoints and strengthen authenticity. Marketing–HR coordination is essential so employees receive coherent priorities; fragmented cues (e.g., sales targets versus service excellence) risk undermining brand credibility.

**Cross-functional governance for CX consistency.** Hotels should institutionalize HR–marketing alignment through governance mechanisms such as joint brand councils, shared CX metrics, and coordinated training calendars. Because IBP influences customer outcomes both directly and via EBB, managers should monitor system-level practices (e.g., internal communication quality, training coverage, leadership reinforcement) alongside behavioural indicators (EBB) and customer outcomes (PSQ and loyalty). Operationally, this means moving beyond tracking guest satisfaction alone to also measuring whether employees have the clarity, capability, and reinforcement required to deliver the brand promise consistently.

### 8. Limitations and Future Research

This study has limitations that suggest directions for future research. First, the cross-sectional design limits causal inference; longitudinal or panel studies could examine whether changes in internal branding precede changes in EBB and customer outcomes over time. Second, although the multi-source design reduces same-source bias, the analysis was conducted at the property level using aggregated employee perceptions; future work could adopt multi-level designs linking individual employee behaviours to customer evaluations at specific encounters or touchpoints. Third, the context of 12 hotels supports internal validity but may limit generalizability; replication across regions, service tiers (economy to luxury), and other high-contact services (e.g., restaurants, airlines, healthcare) would strengthen external validity. Finally, future studies should examine boundary conditions and alternative mechanisms—such as leadership style, service climate, brand strength, staffing adequacy, and service recovery capability—to clarify when and for whom internal branding most strongly shapes customer experience and loyalty.

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