Southwest Airlines: How Internal Marketing Pilots Success

Frontline employees help drive a unique brand of service quality.

By Andrew J. Czaplewski, Jeffery M. Ferguson, and John F. Milliman

"...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

ALTHOUGH NEARLY EVERY corporation says its goal is to provide excellent service, evidence shows that the service quality of many organizations lags below customer expectations. This is especially true in new e-commerce companies. One of the fundamental reasons for these service quality problems is the lack of commitment and skills of the frontline employees who are interacting with customers.

What is missing is a strategy called internal marketing, which involves treating frontline, contact employees as internal customers in the effort to encourage these employees to provide excellent service for the end customer. In today's tight labor market, internal marketing is viewed as an even more important way to obtain, develop, motivate, and retain skilled and energized employees who in turn provide high quality service.

Southwest Airlines provides an excellent example for the successful execution of internal marketing strategies. Its success in the highly turbulent airline industry has in large part been attributed to its people, who provide consistently excellent service quality. Examples of that service include five "triple crown" awards in the '90s for lowest customer complaints, most on-time arrivals, and highest quality baggage service. While maintaining a top safety record, the company also has among the lowest employee turnover rates in the industry. In the most recent rankings by Fortune magazine, Southwest Airlines and Cisco Systems were the only companies to be rated in both the top-10 most admired companies and the top-10 best places to work. Also, in a recent Consumer Reports study of the nine major domestic airlines, Southwest was the only airline to be rated as offering below-market prices and above-average service quality.

Perhaps what is most exemplary about this airline is that it uses high employee morale and service quality as the means to its excellent profitability. Southwest has been profitable every year since it first turned a profit in 1973 and was the only major domestic airline to be profitable in 1991, the worst year ever for the airline industry. An internal marketing strategy appears to be a prerequisite for building employee capabilities and motivation, which leads to higher levels of service quality. In turn, a higher level of service quality leads to greater customer satisfaction and retention, higher sales revenue, and ultimately greater profitability.

Implementation

The tactics for implementing internal marketing include offering a vision that provides purpose and meaning to the workplace, competing aggressively for the most talented people, preparing employees with the skills and knowledge they need to perform while at the same time emphasizing team play, moti-
vating individuals through measurement and rewards, providing freedom to excel, and ensuring that organizational management understands the internal customer. (See Exhibit 1.) Each of these areas is critical and provides synergy for successful internal marketing. Neglecting even one of these tactical components can severely limit the effectiveness of a comprehensive internal marketing program.

**Offer a vision.** A central requirement for successful internal marketing is providing employees with a clear vision worth pursuing. People want (1) to know how their work fits into the broader scheme of business operations and (2) to understand and believe in the goal that they’re working toward. As William Pollard of ServiceMaster says, “People want to work for a cause, not just for a living. When there is alignment between the cause of the firm and the cause of its people, move over because there will be extraordinary performance.”

Southwest has a strong mission and vision that shape its corporate culture, how it implements its business strategy, and how it treats its employees. First, the airline emphasizes putting employees first, even before its customers. In fact, a common mantra is “customers come second … and still get great service.” A core vision is the better its people are treated, the better they perform. Teamwork, serving others, and acting in the best interests of the company are central aspects of this community vision at Southwest.

Another core value of Southwest is an emphasis not only on the intellectual and skill-based aspects of work, but also on emotional and humor aspects. A portion of the airline’s mission statement says its customer service will be “… delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.” This is manifested in the organization’s extraordinary focus on showing “heart,” which translates to caring for its customers and employees. While this may sound simplistic, Southwest appears to live this idea actively. It makes extensive use of customer success stories detailing how far the company has gone to please its customers. Southwest is renowned for the humor its employees display, such as telling jokes and greeting customers by popping out of overhead luggage compartments. Even the longtime CEO (and now chairman), Herb Kelleher, is well-known for serving drinks to customers on flights as well as performing skits and rap songs at internal company events. These values of a sense of community, a strong company cause, and expression of emotion and enthusiasm create the basis of the vision offered to existing and prospective Southwest employees.

**Compete for talent.** Southwest makes extensive efforts to attract the very best people. However, it defines talent differently than most companies. As a service organization, Southwest prefers to hire for attitude and then train people for specific skills. It strongly believes inherent attitudes cannot be changed in people. To test for behaviors such as a sense of humor, ability to work with others, and friendliness, Southwest’s interview process includes group interviews where applicants tell jokes and role-play a variety of situations to demonstrate teamwork and the capacity to act spontaneously. Over time, the airline’s internal marketing efforts have created a culture that gives it an advantage over competitors in hiring the best people. Southwest can afford to be very selective because it receives an extremely large number of job applications with little active advertising thanks to its reputation for being a unique and excellent place to work.

**Stress team play.** Southwest places special emphasis on preparing its people to perform and on teamwork. It

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**EXHIBIT 1**

Keys to internal marketing success

- Offer a vision
- Compete for talent
- Prepare people to perform
- Stress team play
- Measure and reward
- Leverage the freedom factor
- Know thy internal customer
Case in point

Southwest Airlines Company

Considers employee training to be a continuous process rather than a single event. Throughout their careers, employees are cross-trained on multiple jobs to enrich every employee's work experience and to prepare them to perform flexibly in different positions as needed. In addition, employees are specifically assigned to work with a senior employee who serves as a mentor to provide a clear demonstration of Southwest's service quality and to be available to answer questions.

Southwest also has extensive ongoing training to continuously improve work skills and reinforce the company's work ethic. Flight attendants receive training not only on service quality, but also on customer care. The airline seeks to continually underscore its service quality message and culture to its employees. Recently, a committee of 100 employees was set up specifically to strengthen its culture of hard work, high-quality service, humor, and fun. To give further symbolic and practical value to the importance of customers, Southwest has created a position called vice president of customers. The results of such programs are seen in the high level of teamwork. Some examples include ramp agents helping to unload baggage, clean toilets, and stock the plane. Flight attendants also prepare the cabin for passengers. Even pilots and managers are encouraged to pitch in to help the other employees when needed.

Team play is particularly important at Southwest because of the high demands of service work and because its employees work longer hours than employees at most other airlines. Service providers can become stressed by the server role and become less caring, less sensitive, and less eager to please. To combat this "service provider fatigue" problem, Southwest emphasizes teamwork among its employees. Employees are encouraged to be responsive to fellow employee needs first and then to customer needs. This spirit of assistance involves everyone in the organization including managers, pilots, and the CEO—all of whom are expected to pitch in when employees are overloaded. All of these practices help employees support each other to continually provide high quality service in an otherwise stressful job.

Measure and reward. Measurement and reward for superior employee performance is a critical part of successful internal marketing. Rewards include not only financial compensation, but also advancement, recognition, and other non-financial rewards. Southwest requires a lot from its employees and in return provides them with a broad range of significant rewards and recognition. In particular, Southwest is intent on rewarding the very best performers within the organization. The company offers compensation comparable to the pay of other major airlines, including free travel for employees and immediate family. In addition, it provides significant profit sharing, bonus, and retirement savings programs. Many employees receive stock options, and collectively the employees own 11% of the company. The stock options and profit sharing not only improve motivation, but also help foster a keen sense of teamwork and organizational commitment.

To complement its financial incentives, Southwest uses multiple non-financial methods to reward outstanding performers, including numerous recognition and non-cash rewards. In addition, Southwest demonstrates deep commitment to its employees by seeking to provide job security. To date Southwest has not had a single layoff.
and recently announced it has officially adopted a no-layoff policy. Southwest also offers numerous celebrations for organizational, team, and individual employee accomplishments. For instance, celebrations are held when the company passes certain milestones or receives industry awards and for employee accomplishments such as exceptional job performance, length of employment, and service in Southwest’s community programs. Southwest is considered a model company for giving frequent spontaneous praise on current behaviors and having formal recognition programs to reward past behaviors.

**Leverage the freedom factor.**
Many companies practice rule book management or have thick policy and procedure manuals to facilitate control. However, this style of management can stifle initiative and prevent employees from delivering personalized and unrestricted service quality. Good internal marketing involves giving service workers the opportunity to create value for their customers and achieve recognition for themselves. While Southwest does have strong operating policies, it also empowers employees to make their own judgments and decisions about service. Southwest continually seeks to de-emphasize its hierarchy so employees can make decisions and act to serve its customers. Southwest employees, including flight attendants, customer service reps, and baggage handlers, are encouraged to take whatever action they deem necessary to help fellow workers and to meet customer needs—even if it means breaking company policies. The company’s training seeks to model this “loose-tight” approach by building on the Southwest culture, but also encouraging independent thinking.

**Measurement and reward for superior employee performance is a critical part of successful internal marketing.**

**Know the internal customer.** The basis for the philosophy that customer contact employees are internal customers is that many times the “server is the service.” As such, companies must have the right people serving customers and must ensure these employees are as satisfied as they want their external customers to be. Thus, for service firms, marketing research on internal customers is at least as important as marketing research on external customers. Southwest continually seeks input from its internal customers. Focus groups with employees are used to measure response to service and generate new ideas. Southwest also has a unique relationship with its labor union employees. Instead of discouraging unions as most companies do, Southwest encourages unionization and also encourages unions to research pressing issues and make proposals for improvements. The union is one more way to demonstrate solidarity among employees and to give workers an active voice in the organization. The company also uses formal employee surveys on an ongoing basis as well as an active informal suggestion system to get feedback.

**Reaping the Rewards**
An integrated internal marketing approach is the engine driving Southwest’s unique brand of service quality. The company demonstrates how internal marketing can positively affect three important levels of organizational outcomes: employees, customers, and profits. Southwest’s success is based in large part on its employees and its extremely positive attitudes, high productivity, and strong customer orientation. In doing so, the employees play an instrumental role in helping the airline create its position of sustainable competitive advantage—being both a low cost producer and having high customer service quality.

In particular, Southwest illustrates the importance of a corporate vision in providing employees with a connection between their work and a greater purpose in the organization. While most companies only seek to engage the workers through pay or through their minds and intellect, successful internal marketing offers a vision to create a sense of spirit and emotion that engages not just the mind, but also the heart of the employee. Finally, Southwest successfully implements its corporate vision through its hiring, training, and rewarding practices to ensure high levels of employee performance and service quality.

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