

New problems, new solutions

Mystery shopping, as initially used by many industries, was crude, unsophisticated, lacked reliability, and in most cases was statistically unsound. The early programs had, as their goal, to evaluate retail conditions – that is, how products were moving, whether one product line was recommended over others, or how prominently a product was displayed and where.

These early mystery shopping programs were deemed “observational” because the program objective was to have the shopper observe and record what he or she saw. This approach has advantages but some drawbacks as well. By making observations only, it is difficult to evaluate the interaction of retail employees and customers.

Mystery shopping became much more useful as a self-assessment tool when mystery shoppers – or testers posing as customers or potential customers – based their evaluations not only on observations but also upon actual retail transactions – for example, purchasing a product from a sales clerk at a department store, opening an account at a bank, buying gas, applying for a loan or cashing a check at a teller station.

Mystery shopping comes of age

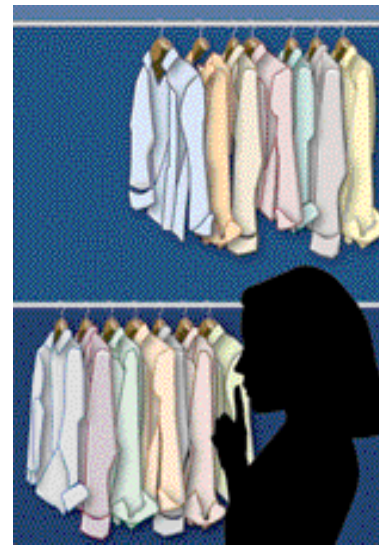
Mystery shopping was initially thought of as a very subjective and primarily a qualitative research technique. Today by increasing sample sizes (number of shops), standardizing the scenario or persona of the

shopper, thoroughly training the shoppers, adding an objective questioning format and providing reports quickly in an easy-to-access format, the findings have become more reliable and actionable. Therefore, companies are relying on mystery shopping more and more.

Most companies got their feet wet in mystery shopping programs by conducting the programs annu-

ally or at least every two years. They served as benchmarks or baselines and as follow-up programs to evaluate change. Now management realizes that mystery shopping done infrequently does not serve a motivational purpose to help employees improve how they treat customers; used that way, it is nothing more than a monitoring tool. If a company uses shoppers on an ongoing basis, store and branch managers and employees, aware that mystery shoppers might visit, are more careful about how they treat customers and how they display

Mystery shopping
adapts to serve a
range of needs



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and sell goods.

By having mystery shoppers visit or call branches or stores quarterly, monthly, and even weekly, the mystery shopping technique is capable not only of evaluating sales and service quality but also of serving as a motivational tool to help improve sales and service and thereby increase customer loyalty. More than 25 years of industry experience with mystery shopping has demonstrated that as sales professionalism and customer service improve so does customer satisfaction and customer loyalty.

Retailers have come to recognize the importance of developing and maintaining a sales culture, as well as continually striving for improved service and customer satisfaction. As a result, ongoing mystery shopping has become a popular research and self-assessment technique.

Traditionally, mystery shopping has been used to evaluate, monitor and improve sales skills, service standards, operating procedures, the branch or store environment, traffic, staffing efficiencies, transaction processing and training programs. Now the research technique is being applied to address business risk and legal or compliance issues. In fact, the technique is extremely well-suited for this because it profiles the sales and service process and can tell whether customers are being treated fairly and honestly and whether the applicable legal and regulatory requirements are being followed. Even government enforcement agencies and local community groups are using the technique to test for discrimination in the real estate and mortgage business.

By implementing a well-designed mystery shop program a company can limit the risk associated with inconsistent sales and service across its branch and store network and therefore help to maximize revenues per dollar spent on brick-and-mortar locations, telephone centers and retail employee wages. In addition, a mystery shop program can help a company defend itself against allega-

tions of unfair or misleading sales practices and discrimination. These allegations can have a substantial impact on company reputation and sales and can result in significant legal costs and ultimately settlements or civil penalties.

One of the first steps in building a sales and service culture that treats customers fairly is to determine the customers' requirements and the specific cues and sales and service behaviors and processes that show customers that their needs are being met. The next step is to incorporate those behaviors and processes into the company's sales culture by creating guidelines and procedures for handling customer inquiries and transactions. The company should then continually monitor the performance of employees and its sales and service process and let the employees know how well they are adhering to the sales and service guidelines.

Implementing mystery shopping

A carefully structured plan is needed to implement a successful mystery shopping program.

1. *Determine a clear objective.* It might be to measure and motivate adherence to your sales and service guidelines. Or you may want to diagnostically assess your sales and service practices versus the competition. Then again it might be to check on compliance with regulatory guidelines and the law.

2. *Select the right form of mystery shopping.* Ongoing or tracking programs - monthly, bimonthly or quarterly - will help you continually measure and motivate employees. They also help to spot and remedy issues quickly. Diagnostic mystery shopping programs profile the sales and service process and uncover your strengths and weaknesses. These programs are usually conducted once or twice a year and help identify specific areas where sales and service can be improved.

3. *Determine the sales or delivery channels to mystery shop.* To day com-

panies market and service customers through a variety of channels: stores, telephone, the Web and mail.

Mystery shopping each of these channels helps the company maximize its sales and service.

4. *Simulate an actual customer experience.* It's best to do this by recruiting professional mystery shoppers who closely match the profile of your customer base. The shoppers should be objective, unbiased and smart. This will help limit shopper detection and provide for easy acceptance by management.

While some companies use their own customers to mystery shop, this approach can be misleading. Because customers evaluate the employee and company while conducting their own transactions, the approach of using customers does not provide the precision needed to detect inconsistencies in how the company responds to certain scenarios or situations. Hence the information provided is not as actionable in remedying employee non-adherence to company policy and guidelines on how to serve customers.

5. *Train the shoppers thoroughly.* The training should cover the program's objectives, unless it is for legal or regulatory compliance. If that is its purpose, check with your legal counsel before informing the shoppers about the true objectives of the program. Review the scripts and conduct role-play to ensure the shoppers are comfortable with the scenarios. And cover the questions and your sales and service guidelines with the shoppers.

To help ensure a credible program, recruit professional mystery shoppers who have the ability to complete the mystery shops and who represent the demographic composition of the customer base. Most mystery shoppers today are females working part-time. Females may or may not be treated the same as males. The same is true for whites, African-Americans and Hispanics, etc.

6. *Inform your employees about the shopping program (but do not tell them*

when or where the shops will occur). This will help build support for the program and will clearly communicate to employees the importance management places on employee adherence to its sales and service guidelines and policies.

7. *Develop a questionnaire that is easy to understand and complete.* A complicated questionnaire hinders a shopper's ability to accurately record the experience encountered when meeting or interacting with the employee. Make sure the shoppers take with them the questionnaire they will need to complete when traveling to (or preparing to phone call or log into a Web site) the company they will shop. Be sure that the shoppers complete the questionnaire immediately after completing their assignments. This will ensure that the shoppers are accurately recording the sales and service performance of your employees.

8. *The shopper questionnaire should be sight- and computer-edited.* Review the questionnaires completed by the shoppers before providing feedback to your employees. Using an Internet-based reporting mechanism helps prevent the shoppers from entering inconsistent answers. It does not however prevent shoppers from entering verbatim comments that do not match their yes/no comments describing what was experienced. Careful training helps to control this. Still you will need to review the verbatim comments offered by the mystery shoppers. If there are inconsistencies you will have to speak to the shopper to resolve the issue.

9. *The reports should clearly identify your strengths and weaknesses.* The reporting program should provide the flexibility to provide feedback to your stores, branches and employees.

10. *The reports should be provided as quick ly as possible to the employees shopped.* This increases the actionability of the information since managers can more rapidly address and remedy problems. Consider having the shoppers transfer the answers they recorded on the paper ques-

tionnaire to an Internet questionnaire.

11. *Consider developing a numeric scoring system that objectively measures employee performance.* This will help you easily identify the degree of adherence or non-adherence to your sales and service guidelines and policies.

12. *If the purpose of the shopping program is to motivate and recognize performance, include the results in an incentive program.* The mystery shop score should be used with other performance measures - retention, sales growth, profits and new accounts - to help motivate and reward employee performance.

13. *Coach your employees based on the results.* The branch manager or training department should use the mystery shop results to help coach the employees on how to improve. By describing the results of the mystery shopping to employees on an ongoing basis employees you consistently remind employees that the company is measuring adherence to its sales and service standards and policies.

The benefits of mystery shopping

The turn of the century has brought with it diverse markets and new markets (African-Americans, Hispanics, Asians, females, seniors and so forth), new technologies and almost instantaneous information. Consumers are information-hungry and making new demands. They learn and react quickly, especially when they are not treated well or feel they have been misled or, even worse, discriminated against. This heightens the importance of ensuring that customers are treated fairly and consistently and that their needs are met. Company shareholders, Wall Street, consumer advocates, the media, federal and state and local regulators and community groups are all more involved than ever before Wall Street and company stakeholders want to make sure that your firm is maximizing its revenues and minimizing expenses.

Consumer advocates, community groups and law enforcement want to make sure consumers are not misled - and that they are treated fairly and have equal access to goods and services.

Mystery shopping will pinpoint your strengths and weaknesses for training and policy refinements and help you take maximum advantage of sales and service opportunities. More importantly, you can assess the sales and service process; evaluate employee product knowledge, determine the discovery skills of your employees; and learn how your employees treat customers.

Mystery shopping can help your company increase market share and profits while ensuring that your sales and service practices are fair and equal. Unlike customer satisfaction research conducted via the telephone, mail or Internet - which only measures what customers remember and perceptions of the service received - mystery shopping captures information at a moment when the employee is serving the customer or potential customer. Thus it can be used to measure and improve the sales and service experience encountered by current and potential customers. It profiles the customer-employee interaction and tells you whether it is consistent and of a nature that adheres to your standards, while maximizing customer satisfaction and sales.

New challenges

Companies face many new challenges today. Mystery shopping can play a prominent role in your sales and service strategy. It will help ensure optimal performance across multiple delivery channels while maintaining reasonable management oversight of sales practices for compliance and legal reasons. And mystery shopping will help you reinforce the importance of sales and service to the frontline staff. Ultimately this will help improve sales and shareholder value by controlling attrition and improving customer loyalty. | Q