

## Mystery Shopping or Customer Feedback?

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### Overview

This white paper will address the question: can customer feedback be substituted for mystery shopping (or vice versa) as a reliable method for assessing an organization's performance in its delivery of customer service? They cannot. While both provide valuable data, they are distinctly different measures providing different insights into an organization's service delivery.

Although the goal of excellent service, as it relates to a company's ability to attract and retain customers, is a virtual staple in today's business practices, it bears a few words of emphasis here. Innumerable studies have been conducted with respect to the link between customer satisfaction and key business metrics, such as consumer loyalty and brand recognition, which ultimately translate to sales volumes and profitability. One such study (Hesselink et al, 2003) quotes the following results:

- 26 out of 27 dissatisfied consumers of relative low price goods, don't tell their suppliers about their dissatisfaction; however, 63% never buy again
- 45% of customers who experience a problem with a relative low cost service, don't complain; 45% of those never return

Similar results are obtained time and time again in study after study. So, the value of excellent customer service, as it translates to sales and repeat visits, is, for all practical purposes, indisputable.

Customer feedback and mystery shopping are two methods by which a company can gather information about the way its products and services are delivered to its customers. So what kinds of information do these tools give us?

### Definitions

"What gets measured gets done." A phrase heard so often these days it has almost become cliché. However, at face value, it has particular meaning to the topic of this paper. Mystery shopping and customer feedback programs are both ways to measure a part of your customer's experience.

*Mystery shopping programs gather data in the form of directed observation. A questionnaire is designed based upon specific data points you want gathered, and observers, trained on those specifics, pose as customers to gather the information. The parameters are tightly controlled and can include measurements such as timings, product knowledge, specific product quality, service standards, and environmental attributes (such as cleanliness or store maintenance). Typically, a shop report is given out for each visit. These reports can be used to create on-the-spot performance improvements, which are valuable in and of themselves. If enough visits are completed, the data can be compiled and analyzed for trends, performance drivers, regional discrepancies, and so on. In combination with other datasets, such as sales volumes, correlations can be discovered and it becomes a powerful tool for business improvement.*

*Customer feedback programs gather data in the form of recalled impression.* Like in mystery shopping, a questionnaire is designed based upon specific data points you want gathered; but there the similarity ends. The survey is administered to actual customers in a variety of ways, including IVR, web, comment cards, and intercept interviews. After receiving the service or product, the customer is asked a number of questions, typically around satisfaction levels. Individual results have very little meaning and should not be used as such. When enough samples have been gathered, analyses are required to ferret out the meaning and validity of the results. When done properly, you get a part of the picture of how your customers view you and your product or service.

### **Can they be substituted?**

In a word: No. Customer feedback is about impression. Mystery shopping is about observation. Both are important. They are not interchangeable. Let's consider an example.

You are the customer. On your way home from work, you enter an Eco-Hardware store because you remembered at the last minute that the light bulb in the laundry room was burned out. After looking for someone to help you for several minutes, you give up and decide to look for the bulbs yourself. You can't find them. You're in a bit of a hurry. You finally find a salesclerk, who is busy helping another customer. You decide to wait until she's finished. The customer finally moves off and you step up. You've been in the store for 10 minutes, but it seems like an hour. You ask your question. The salesclerk smiles blankly at you for a moment and then answers that she doesn't know. She's happy to find someone who does, though. You follow her up and down a couple of aisles, until she finds another clerk. This clerk does know where the bulbs are and, not only that, proceeds to give you various stats on the energy output of another bulb, which is far more energy efficient, but much more expensive. You collect your bulb and get in line to pay. There is only one of four tills open, a half dozen or so people in front of you, and two employees chatting by the door. You force yourself to stay in line. Eventually it is your turn; you pay for your item and leave.

Eco-Hardware has two problems:

1. Eco-Hardware is concerned that overall sales of a new low-energy light bulb are not meeting expectations. They want to know if salespersons are demonstrating product knowledge and actively offering them as options to inquiring customers.
2. Eco-Hardware wants to be seen as a leader in customer service. They believe their customers are not looking for fast and convenient service, but prefer a friendly, relaxed, and service-oriented environment. They have emphasized this and trained their staff accordingly, but are not seeing the kind of growth they would like.

How do they gather data that will help solve their problem?

### **The Customer Feedback Solution**

The kinds of questions that may be answered with a customer feedback program:

- ◆ Are customers being offered the new low-energy bulb?
- ◆ Are customers satisfied with the service they are receiving?
- ◆ Do customers perceive Eco-Hardware staff as friendly and helpful?
- ◆ Do customers enjoy their overall experience at Eco-Hardware?
- ◆ Are customers able to find the products they want at Eco-Hardware?

The questions are subjective and are about their impressions and feelings while in the store: satisfied, friendly, enjoyment, easy-to-find all being measurements that mean different things to different people. The goal is to find out what is driving, on average, the most desired behaviors (increased sales) or what might be driving, on average, the most undesirable behaviors (loss of sales).

There are also dangers inherent with relying solely upon a customer feedback measurement:

- ◆ They tend toward extremes: only the very satisfied or the very dissatisfied respond (population sample bias)
- ◆ Correlation does not equal causation – a common error when interpreting results
- ◆ Results cannot be taken singly – they are only meaningful in aggregate
- ◆ The impressions are undirected and usually non-specific
- ◆ It cannot tell what is really happening at the location, only how the customer feels about what happened – and those results can be affected by external events

### **The Mystery Shopping Solution**

The kinds of questions that may be answered with a mystery shopping program:

- ◆ Are employees hitting the key product points when describing the low-energy bulbs?
- ◆ Are employees offering this information or waiting until they are asked?
- ◆ Are employees following established service standards?
- ◆ Are the products in store laid out to plan?
- ◆ Is there enough visible staff on the floor helping customers?
- ◆ Does the sales staff “ask for the sale”?

These questions are objective in the sense that the mystery shopper acts as a type of recording device, gathering observations without the emotional involvement that is often present during an actual customer interaction. Individual results can be taken on their own to create training opportunities, or used in aggregate to assess trends or comparisons across regional or product boundaries.

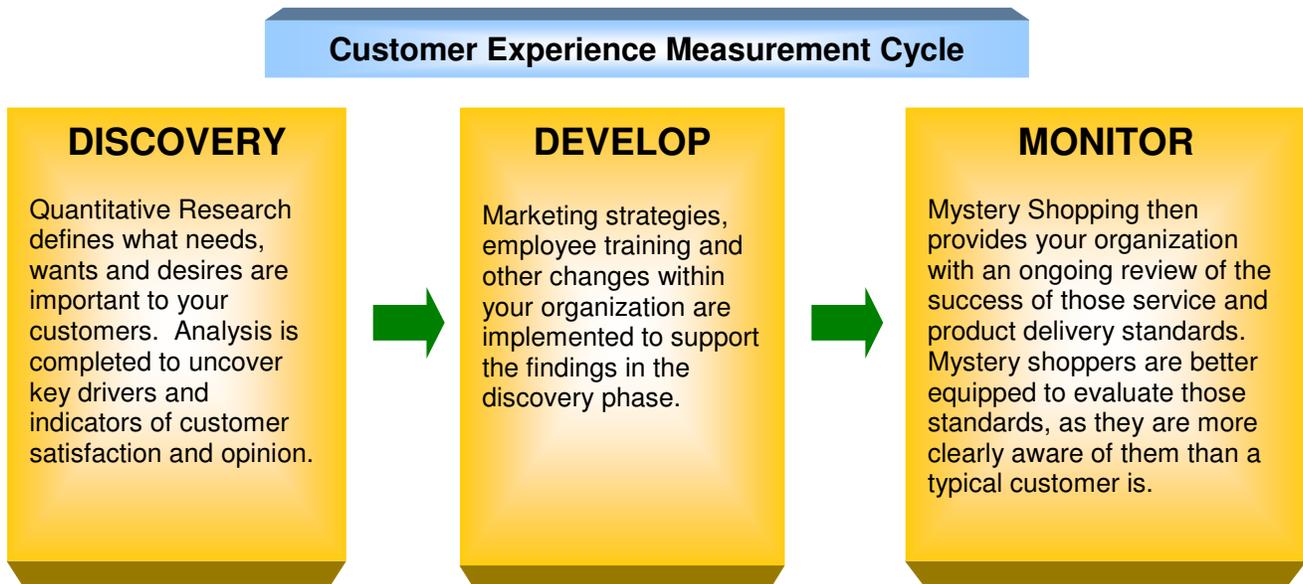
As with customer feedback, mystery shopping has its limits. What mystery shopping cannot do is:

- ◆ Measure what an untrained customer feels – mystery shopping training sets expectations (the cashier should smile, for example), which, when not realized, can lead to a biased impression

- ◆ Measure too many things at once – human short-term memory can only hold between five and seven items at any given time.
- ◆ Measure what the organization doesn't know to measure – for example, perhaps the low-energy bulbs are not selling because customers don't like the kind of light they give off, rather than as a result of an employee's lack of product knowledge.

### **A Balanced Approach**

The ideal program is a combination of both customer feedback data and mystery shopping observations. Intelligent decisions are based upon good customer feedback, which is turned into action (employee training or service standards deployment), which is then, in turn, measured with a mystery shopping program to test its successful implementation. The cycle looks like this:



## Quick Facts – Mystery Shopping vs. Customer Feedback

Product	Type of Insight	Limitation
Mystery Shopping	Company perspective; directed observations	Obtained by non-company personnel.
	Service, product quality and/or process focused	Shopper training must be clear and concise.
	Monitoring mechanism: What are we doing?	Short-term memory; too many observations can lead to unreliable data.
	Objective data	Measures what the organization knows to measure.
	Complex measures in small quantities (one to four mystery shops per location per month)	Covert observation limits the number of insights that can be gathered at any one time.
	Training opportunity on the delivery of pre-established service standards	Does not measure what the average customer wants; measures what the average customer is getting.
Customer Feedback (IVR, Website)	Customer perspective; undirected impressions	Bias is easy to introduce. Often extremes are over-represented.
	Service and/or product quality focused	Limited to what is noticed and remembered.
	Evaluating mechanism: How are we doing?	Can drive toward “average” service levels, not exceptional service levels. No response can be misinterpreted as a good thing.
	Subjective data	Poor questionnaire design or population sampling will introduce bias.
	Simple measures in high quantities (hundreds or thousands of surveys per location per month)	Individual results are meaningless. Tends to not answer “why”. Response volume can lead to confidence in false conclusions.
	Training opportunity on customer perception	Limited to customer impressions that can be affected by a single aspect of the interaction.