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## **The Impact of Mystery Customers on Employees**

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### **Introduction**

The service encounter has quite rightly been described as the Moment of Truth (MOT). It is that moment in time when an employee of an organisation directly interacts with a customer or potential customer. That interaction provides the organisation with both an opportunity and a threat depending on how the scenario unfolds. It is an opportunity to demonstrate quality, build trust and increase loyalty. It is a threat because it can be critical in determining perceptions of quality and so if things go wrong the outcome can be a dissatisfied customer and reduced loyalty. Despite increases in remote (internet) and telephone encounters the most usual form of interaction takes place face-to-face. The challenge for any organisation's management is to try to control, measure and improve the quality of such service encounters. The main difficulties with such a task are associated with, *inter alia*, the heterogeneous nature of services, their perishability, their blend of tangible and intangible elements and the fact that consumption takes place simultaneously with production (Fitzsimmons and Fitzsimmons, 2004). Customer satisfaction surveys, focus groups, complaints data, mystery customer programmes and peer appraisal are some of the traditional methods utilised by management to try and gauge the quality of their service delivery processes and people. Management clearly recognise that the

service delivery process is important in relation to customer satisfaction (Wilson, 2000).

### **Aims and Objectives**

This paper seeks to explore the role and use of mystery customers within the context of customer intelligence gathering. The concept will be described, its perceived advantages and disadvantages identified and the impact of their use assessed. The main aim of this paper is to determine the impact of mystery customers on employees and their performance to determine whether the reported advantages and disadvantages of this method of measuring the quality of the service encounter and beyond are achieved in practice. This main aim will be achieved through the analysis of empirical data collected from a questionnaire survey of employees of one major UK High Street retailer.

### **Definitions and Scope**

Mystery Shopping is not new. It was pioneered in the USA in the 1940s, over 60 years ago. Today the Mystery Shopping Industry, the focus of this research, is a growth industry (\$1.5 billion world-wide). The Mystery Shopping Providers Association has 150 member companies world-wide. More than 8 million Mystery Shops were conducted in the USA in 2004 predominantly in retailing, banking and finance and the fast food sector ([www.mysteryshop.org/](http://www.mysteryshop.org/) 2005). Mystery Customers are used extensively within service organisations within the UK to assess customer service, monitor front line performance and to benchmark against competitors' performance (Finn and Kayende, 1999). In particular they are used in retailing, banking and financial services, transport services, public services and within the tourism, hospitality and leisure sectors.

The Market Research Society (MRS, 2003) defines mystery customers as “individuals trained to experience and measure any customer service process, by acting as potential customers and in some way reporting back on their experience in a detailed and objective way”.

The main aims of Mystery Shopping are:

- (a) To provide customer intelligence. This has two objectives. Firstly to identify where people and processes are not performing as they should, and secondly to motivate staff by linking performance with rewards and training needs.
- (b) To provide competitive intelligence by using data collected on competitors as a benchmark against which performance can be compared. Indeed some organisations used the data to benchmark the performance of different outlets.

Harvey (1998) recognises two differing *modus operandi*. The first uses a professional who poses as a customer and evaluates various aspects of the service encounter using a checklist as an *aide memoire*. These professionals can either be employed as Mystery Customers on a full or part-time basis. In other words their “day job” may be something completely unrelated. Based on the information noted in the checklist a detailed report is then prepared. The second utilises actual customers who are trained to make detailed notes based on their shopping encounters that are then handed over to the service management at regular intervals.

Guidelines on mystery shopping (MSPA Europe, 2004) state that such a study should "review how staff and processes perform against pre-determined standards during an interaction" with the aim of improving both and increasing customer satisfaction. Within the limited literature available on this subject the general consensus is that operating mystery customer programmes provides an in-depth insight into customers' perceptions and provides a positive method of service performance measurement that is welcomed by "good" employees (see for example, Bromage, 2000; Erstad, 1998; Finn and Kayende, 1999; Hesselink and van der Wiele; Leech, 1995; Wilson, 1998; and Zeldis, 1988). Van der Wiele *et al* (2005) argue that their use can also have a positive impact on organisational changes to the service processes required to deliver excellence. Collins and Turner (2005) concur and argue that if used correctly mystery shoppers can produce "fundamental changes in the performance and culture of a company" if used correctly. This means transparency in their use and with "carrots rather than sticks". However, the technique is not without its critics.

### **Methodological Issues**

Mystery shopping is a form of participant observation, albeit that the observation is carried out secretly (Calvert, 2005). Jesson (2004) with particular reference to pharmacy practice, questions whether mystery shopping techniques are methodologically sound and ethically and morally justifiable ways of collecting data on performance. Specifically, the method and sample sizes have been criticised from reliability and validity aspects. In order for the data to be valid and reliable Hesselink and van der Wiele (2003) argue that the mystery shopping study has to be well-designed with particular attention on the process itself, the data gathering process, the person doing the study (the mystery customer) and the reporting process. Finn and Kayende (1999) went further by utilising Cronbach *et al's* (1972) generalizability theory to recognise that there were a number of variable facets of a mystery shopping study that would impact on the observed performance evaluation, including the time of day (or night) that the observations were made, the type of transaction being evaluated, the particular employee being assessed, the process being evaluated and the particular outlet being studied. They went on to examine the psychometric quality of mystery shopping data and concluded that the data collected hold up to reliability and validity tests particularly when compared to data collected from customer surveys. The issue of generalisability is more contentious and Jesson (2004) argues that because mystery customer methods are context and attitude-free any generalisations made do not take into consideration any local situations applying at the time the observations were made. Collins and Turner (2005) argue that although sample sizes are small each observation is valid in its own right since it is a "snap-shot" of the service experience at one moment in time and as such is not trying to represent the "population" of all such experiences. Thus for them generalisability is not an issue and the data collected should be analysed within the context it was collected.

### **Ethical Issues**

Punch (1994) believes that the subject of research has the right to be informed that s/he is being researched and the nature of that research. In order for the use of Mystery Customers to be ethical, any organisation using them should advise their staff that they will be used periodically to check their service delivery performance. In addition staff should also be appraised of the objective and intended use of the results

of a mystery customer study. The MSPA guidelines state that any studies "must not be used as the sole reason for dismissals and reprimands" (MSPA Europe, 2004). What is more problematic is where mystery customers are used to gather competitor intelligence. Competitors' staff do not know they are being observed. Shing and Spence (2002) argue that their use to gather competitive intelligence is akin to industrial espionage and conclude that in such cases mystery shopping is "difficult to defend ethically".

The UK Government in their recent Code of Practice on Consultation (CORIU, 2004) stated that mystery customer programmes can be used to gather specific and detailed feedback on areas of service and commends it as a simple process, but with limitations. It is the advantages and disadvantages that are examined in the next section.

### **Advantages and Disadvantages of Using Mystery Customers**

The scant literature on the use of the mystery customer concept identifies a number of advantages in its use:

- It enables the evaluation of processes not outcomes, and importantly this evaluation occurs at the time of the service delivery, i.e. 'measuring the service as it unfolds' (Wilson, 1998). This avoids one of the main pitfalls of post-service delivery survey methods, that of 'misremembering' by the customer. It also enables a 'customer' to evaluate the service delivery process with a view to improving a process that can be seen to actively work against the provision of high quality services;
- It recognises the 'genuine desire among employees to provide good customer service' (Erstad, 1998);
- It collects facts, not perceptions. The mystery customer questionnaire or checklist should emphasise objective questions with a view to collecting factual data, again negating another weakness of customer surveys, i.e. that customers only remember their overall impression of a service and not the individual elements or transactions (Wilson, 1998);
- It gathers subjective data as well as objective data (Hesselink and van der Wiele, (2003)
- It is an integral training tool in that it can be used to identify training needs (Bromage, 2000);
- It can be a positive, motivational tool for employees (Erstad, 1998; Zeldis, 1988);
- It can bring immediate service improvements with continuous improvement possibilities (CORIU, 2004).

Some of the disadvantages include:

- It can be viewed as threatening to employees, in that staff may view the use of mystery customers as management checking on their performance with a view to instigating some form of disciplinary action, rather than as a trigger for staff training and development (Erstad, 1998);

- It only reviews processes and not their outcomes (Wilson, 1998). This can be problematic for many services that, as has already been stated, are a mixture of tangible and intangible elements, for example, the restaurant's service was excellent, but the meal itself was substandard;
- For the employees the novelty of the process can quickly wear off and so any advantages may be short-lived (Wilson, 1998);
- The memory demands placed on assessors could effect the accuracy of the surveys (Morrison *et al*, 1997);
- As with all sampling techniques, it offers only a 'snapshot' of the service process, which may or may not be representative (CORIU, 2004).

## **Research Design and Method**

A quantitative survey was undertaken utilizing a questionnaire that was designed, piloted and then administered to employees of a large High Street Retailer across two sites. The self-completion questionnaire contained a mix of closed and multiple choice questions with a final qualitative question asking for any "further comments". A total of 73 usable questionnaires were returned from a maximum 75 members of staff. Data were analyzed using SPSS v12.

The main research questions explored were:

- Is the use of Mystery Customers an effective means of measuring (and improving) service quality?
- Are employees aware that their company uses Mystery Customers?
- Is this appraisal method viewed as a motivating experience? i.e. leads to improved performance;
- Are employees aware of the criteria against which a Mystery Customer will assess their performance?
- Can employees recognize a Mystery Customer? If so, how does this affect their performance?
- Does the use of Mystery Customers cause employees stress or anxiety?
- Are Mystery Customer reports used to reward, develop or discipline employees?

## **Results**

The retail outlet employees were predominantly female and aged between 18 and 34 years old. Of the 73 respondents 44 worked part-time and 29 worked full-time. Respondents' positions in the organisation ranged from managerial / supervisory through administration to sales assistants.

### **(a) Impact on Performance**

The vast majority of staff (84%) were aware that Mystery Customers were employed to evaluate individual and outlet performance and 68% of staff were also aware of the criteria against which their performance would be judged. Perhaps surprisingly only 4% of respondents stated that they could recognise / identify a Mystery Customer

when they entered the outlet. Table I below shows the impact that the use and identification of Mystery Customers has on performance.

<b>Impact on performance</b>	<b>Use of Mystery Customers</b>	<b>Mystery Customers Identified / Recognised</b>
Performance improves a lot	20%	74%
Performance improves a little	77%	26%
No effect	3%	0%
Performance gets worse	0%	0%

**Table I The Impact of Mystery Customers on Performance**

However, a total of 84% of respondents stated that the use of mystery customers was a source of stress and anxiety.

**(b) Mystery Customer Reports**

Nearly all staff had access to the published Mystery Customer Reports (99%). However, publication of the reports was another cause of stress and anxiety for 85% of respondents. Some staff (18%) had been rewarded based on a good Mystery Customer report and only one respondent had been disciplined based on a bad report. For most staff (86%) the linking of a good report and rewards acted as a motivator for superior performance. Finally, based on a Mystery Customer report, training needs had been identified for 86% of respondents.

**(c) Employee Comments**

Only four respondents actually took the opportunity to comment via the final open question in the survey:

- “They have a positive effect on standards of service”;
- “More training should be included”;
- “We should be told when Mystery Customers are due to come to the store”;
- “More rewards, incentives and bonuses would boost employees’ opinions”.

**Conclusions**

The results of this small study show that the organisation under study has to a greater extent followed the “best practice” guidelines for the use of mystery customers in evaluating performance. They have made staff aware that Mystery Customers would periodically check their performance. Importantly they also linked the results of the mystery customer studies with rewards and training; although one respondent said that they had been disciplined due to a bad report. The use of Mystery Customers also produced a limited Hawthorne Effect in that staff said that their use improved their performance. However, the most worrying aspect of this study was the fact that their use caused staff to be stressed and anxious both at the time of Mystery Customer visits and when the results of their visit were due to be published. Stress may actually work against staff giving their best performance, which after all is one of the main reasons for using mystery customers in the first place. Just how organisations tackle this problem may be down to organisational culture and management style. This seems to conflict with the fact that many staff were motivated at least a little by the use of Mystery Customers. They are motivated and stressed at the same time. This

would indicate that their culture is one of “carrots and sticks”. Staff are rewarded for doing well and punished for doing badly and hence are stressed when awaiting the results of a Mystery Shop. Employees clearly view the use of Mystery Customers as a threat. They may even be afraid of a report citing their poor performance. Also, the fact that the performance of 77% of respondents only improves “a little” may mean that the novelty of the process is wearing off and then in order to motivate employees to even higher performance the organisation’s management may have to rethink their evaluation strategy. With regards to the main research question - is the use of Mystery Customers an effective means of measuring service quality? – the answer must be that it is one way of gathering performance information and should be used alongside other intelligence gathering methods such as satisfaction surveys and complaints analyses to allow factually based management decision-making.

### **Limitations**

This is a very small study conducted on one UK High Street retailer over two sites and involving only 73 employees therefore it is extremely difficult to generalise the results. Also the self-completion questionnaire had to be very simple and fast to complete in order to maximise the response rate. Improvements to the data gathering process will be difficult as the senior management of organisations using Mystery Customers are extremely reluctant to allow researchers into their companies to access their employees in order to conduct such studies and this is proving a barrier to more in-depth research and the collection of more valid and reliable data.

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