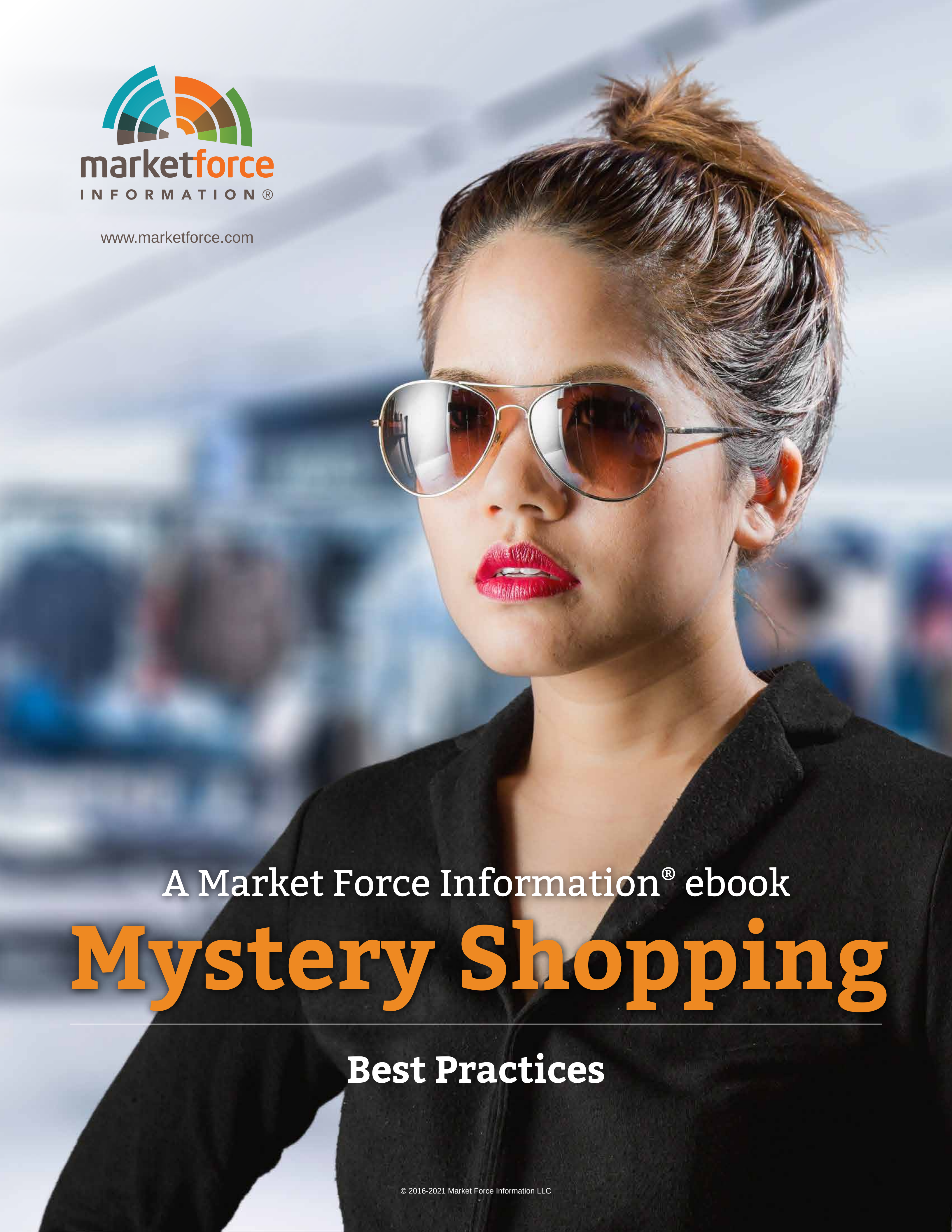

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A Market Force Information® ebook

Mystery Shopping

Best Practices

Introduction

MYSTERY SHOPPING HAS BEEN AROUND SINCE THE 1940S and really began to hit its stride in the 1980s. With so many tech-forward measurement strategies coming onto the scene in recent years, it's easy to understand why some might view mystery shopping as a thing of the past. However, mystery shopping is as effective as ever as a location-level customer experience (CX) measurement strategy, and shows no signs of slowing down. It is currently a $1.5 billion industry, with well over a million active mystery shoppers worldwide. In every industry—retail, restaurant, grocery, convenience store, banking, hospitality, entertainment, etc.—brands want their managers, front-line employees and franchisees to deliver their brand promise to customers. Companies invest upwards of seven figures annually to understand how their teams are accomplishing this goal.

The advent of the Internet and, subsequently, mobile technology has made mystery shopping more powerful and effective than ever before. Mobile apps and easy online access support comprehensive reporting for faster turnaround on assessments so organizations can stay competitive while efficiently implementing changes based on mystery shopping feedback.

This ebook provides best practices for mystery shopping that draw upon our experience gleaned from executing more than **100,000 mystery shops every month** for clients all over the world. We've had experience with every possible scenario and our advice takes into account both the best practices and some of the pitfalls we've encountered.

This ebook reviews:

1. What to measure and examples from multiple industries
2. Best practices for running a mystery shopping program
3. How to link the ROI of mystery shopping to financial results

Now let's get to it.

We've had experience with ***every possible*** Mystery Shop scenario.

Chapter 1

Manage Compliance and Risk

MULTI-LOCATION COMPANIES SET COMPLIANCE STANDARDS and guidelines they know will protect the brand's reputation, drive operational excellence, delight customers and maximize revenue at every location. They also invest in training programs to teach employees how to execute against those guidelines and standards. However, devising a measurement system that checks actual performance against those standards requires expertise, investment and discipline.

These measurement systems generally assess:

1. **Compliance to meet brand standards:** Physical characteristics of a site or appropriate uniforms for staff.
2. **Risk management:** Having proper decals displayed or ensuring that statements made by sales teams are not misleading.
3. **Customer Service:** Cashier behaviors such as greeting, acknowledgment, and a smile or an associate's proper response to a problem.
4. **Speed of Service:** The time that it takes to serve food, deliver a service or respond to an inquiry.
5. **Sales efficacy:** Asking needs-based questions, making recommendations based on those needs, and closing the sale.

Any consumer-facing business can reap the benefits of mystery shopping. From gas stations and grocery stores to quick-service restaurants and banks, mystery shopping helps multi-location businesses ensure operations are up to par in each location. After all, a brand is no better than its lowest-performing location. Ensuring that every location, franchisee or retailer consistently delivers on the brand standards means that the entire brand wins.

Simply stated, mystery shopping enables brands to inspect what they expect across all of their locations on a regular recurring basis.

Read on for some examples of how and why businesses across industries are using mystery shopping.

Restaurants

With over $700 billion in global sales and more than 1 million restaurant locations in the United States alone, the restaurant industry is fighting a fierce battle for wallet share. Guests form their opinions of restaurant brands based on their experiences, and consumers have too many choices to waste their dollars on a poor experience. Mystery shopping helps franchisees maximize their same-store sales growth by measuring customer service, speed of service, food quality, order accuracy, cleanliness and other standards that protect the brand’s reputation for every franchisee.

Our Quick-Service Restaurant research has revealed that QSR chains must execute against six critical factors in order to delight customers:

1. **Food quality**
2. **Value for money**
3. **Speed of service**
4. **Staff friendliness**
5. **Overall cleanliness**
6. **Atmosphere**

Retail

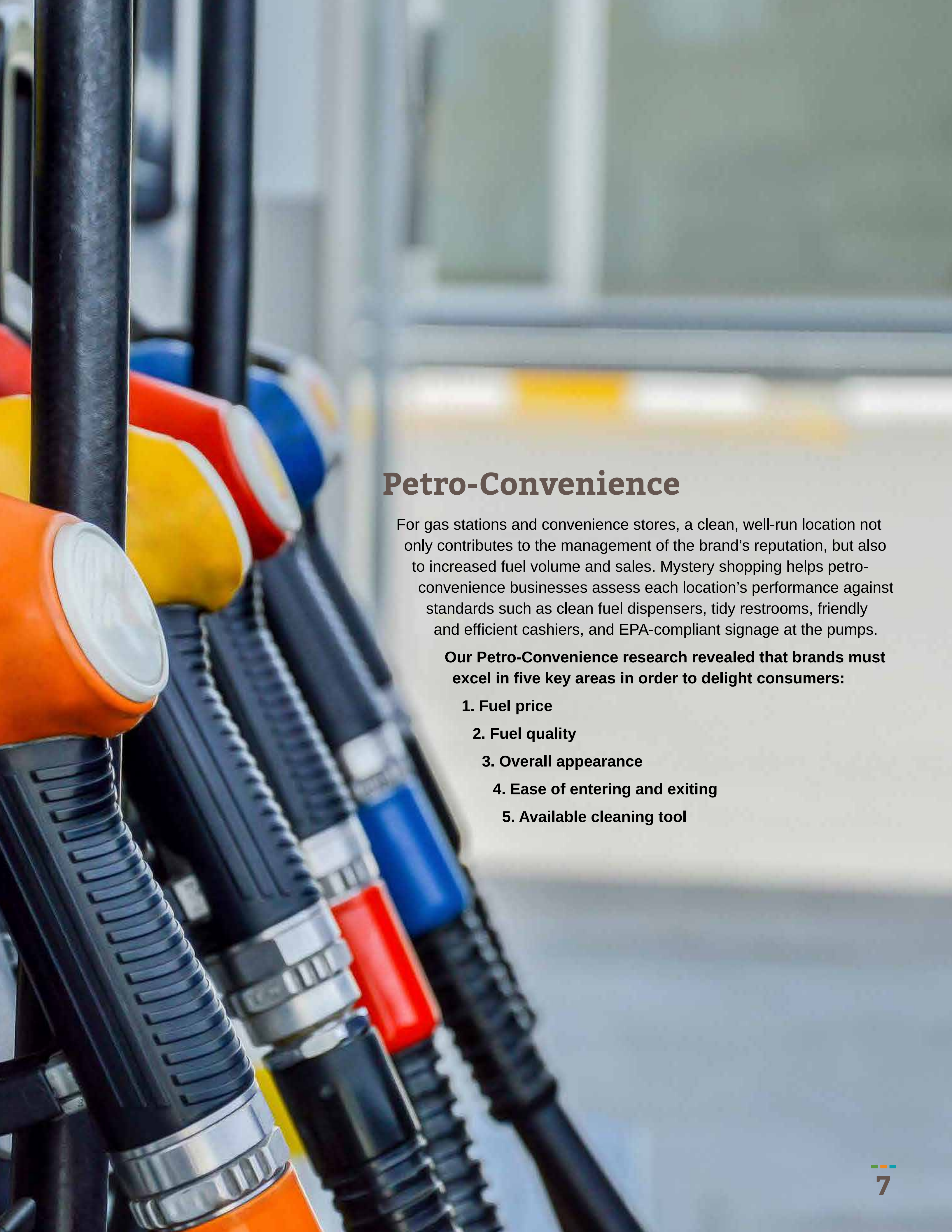
A number of retail formats use mystery shopping to assess how well their employees are delivering on the brand promise with most brands interested to understand how each location executes on the sales process. Do their employees engage customers when they first enter the store? Do they ask needs assessment questions? And once they understand a customer’s needs or expectations, do they follow with an appropriate recommendation? Most importantly, how often do they ask for the sale?

In our Fashion Apparel Retail research, we learned that customers are only engaged 43% of the time by store staff when they make a purchase.

Retail Banks

One leading international bank has maintained its reputation for integrity and competence despite contrary industry trends, due in large part to its commitment to maintaining quality of service across all of its more than 600 branches. The bank assesses all consumer-facing parts of the business through in-person and telephone mystery shopping. The mystery shopping program reviews everything from customer service to transactional proficiency and wait time. Branch managers receive alerts whenever there is a shop and have access to shopping reports allowing them to quickly assess site specific issues and enable fact-based decision making.

Our Retail Banking study has shown that 21% of consumers went into a branch to speak with an advisor about products and services in the previous 90 days. Those who spoke with an advisor were 6% more satisfied than those who didn't, and 7% more likely to recommend their bank. The findings were similar for those who conducted a transaction with a teller.



Petro-Convenience

For gas stations and convenience stores, a clean, well-run location not only contributes to the management of the brand's reputation, but also to increased fuel volume and sales. Mystery shopping helps petro-convenience businesses assess each location's performance against standards such as clean fuel dispensers, tidy restrooms, friendly and efficient cashiers, and EPA-compliant signage at the pumps.

Our Petro-Convenience research revealed that brands must excel in five key areas in order to delight consumers:

1. **Fuel price**
2. **Fuel quality**
3. **Overall appearance**
4. **Ease of entering and exiting**
5. **Available cleaning tool**

Grocery

Grocery chains use mystery shopping to ensure each location is delivering against attributes that drive satisfaction. In fact, specialty department services such as the deli, bakery, meat, seafood, pharmacies and others are quickly becoming a critical focus area for the industry with many brands conducting competitive shops to benchmark themselves against the competition. Studies have shown that shoppers are increasingly seeking local and organic foods with 49% of consumers preferring to purchase organic items when given a choice. A majority (58%) of shoppers also indicated that locally sourced meat, produce and dairy products are important.

Our research revealed that grocery stores must excel in six key areas in order to delight customers:

1. **Cashier Courtesy**
2. **Store Cleanliness**
3. **Item Availability**
4. **Checkout Speed**
5. **Ability to Locate Items**
6. **Specialty Department Service**

Manage Shopper Integrity

SO NOW THAT YOU KNOW HOW AND WHY MYSTERY SHOPPING IS VALUABLE, LET'S LOOK AT BEST practices for running a mystery shopping program with integrity.

Tip 1: Maintain independence

Mystery shoppers are independent contractors who sign on with companies in the customer experience industry to help evaluate the service and products at businesses like restaurants, gas stations, fashion retailers, grocery stores, banks, hotels, movie theaters and more. Some shoppers work with multiple companies, some with just one or two. No matter which company they work with, shoppers are independent contractors, not employees. They are not obligated to shop any particular brand or industry, which enables them to be objective in their assessments.

That is a key distinction.

Tip 2: Provide choice

Mystery shoppers are reimbursed for the meals, goods or services that are purchased as part of the shopping assignments, and most standard assignments pay a modest fee. Some mystery shoppers schedule multiple assignments per day or week based on their schedule, and can hand-select assignments based on location, preferences, compensation, etc. In addition to on-site assessments, mystery shoppers evaluate phone-ordering processes, contact center experiences and website experiences, among others. Anonymity is essential for a mystery shopper to ensure that they do not receive preferential treatment during their visit, allowing for an accurate view of how well the location met brand standards.

Tip 3: Only use qualified mystery shoppers

Mystery shoppers provide the data and insights that you'll use to make critical business decisions so they must be well-vetted, proficient and reliable. If shoppers report incorrect or insufficient data, it will factor into your decisions and have wide-ranging impacts on your program's success. Bad data can ruin the integrity of your program and cause other program stakeholders, specifically those in the field, to lose faith in the program.

Shoppers should go through a rigorous qualification process that involves providing professional and personal references, conducting a background check, verifying their name and social security number with the IRS, and assessing their attention to detail. It is also wise to investigate their association with various companies and industries to ascertain if there are any conflicts of interest. A thorough partner will also screen applicants and may require a successful test shop prior to approval.

Mystery shopping providers should be able to quote a rejection rate regarding the number of shoppers that they do not accept into their system as an indicator of robust screening procedures. Finally, your partner should assess shopper performance over time. Do they provide high quality reports? Are their assessments consistently outside the norm of other shoppers? All of these items must be monitored in a high-quality program.

Chapter 3

Designing the Questionnaire

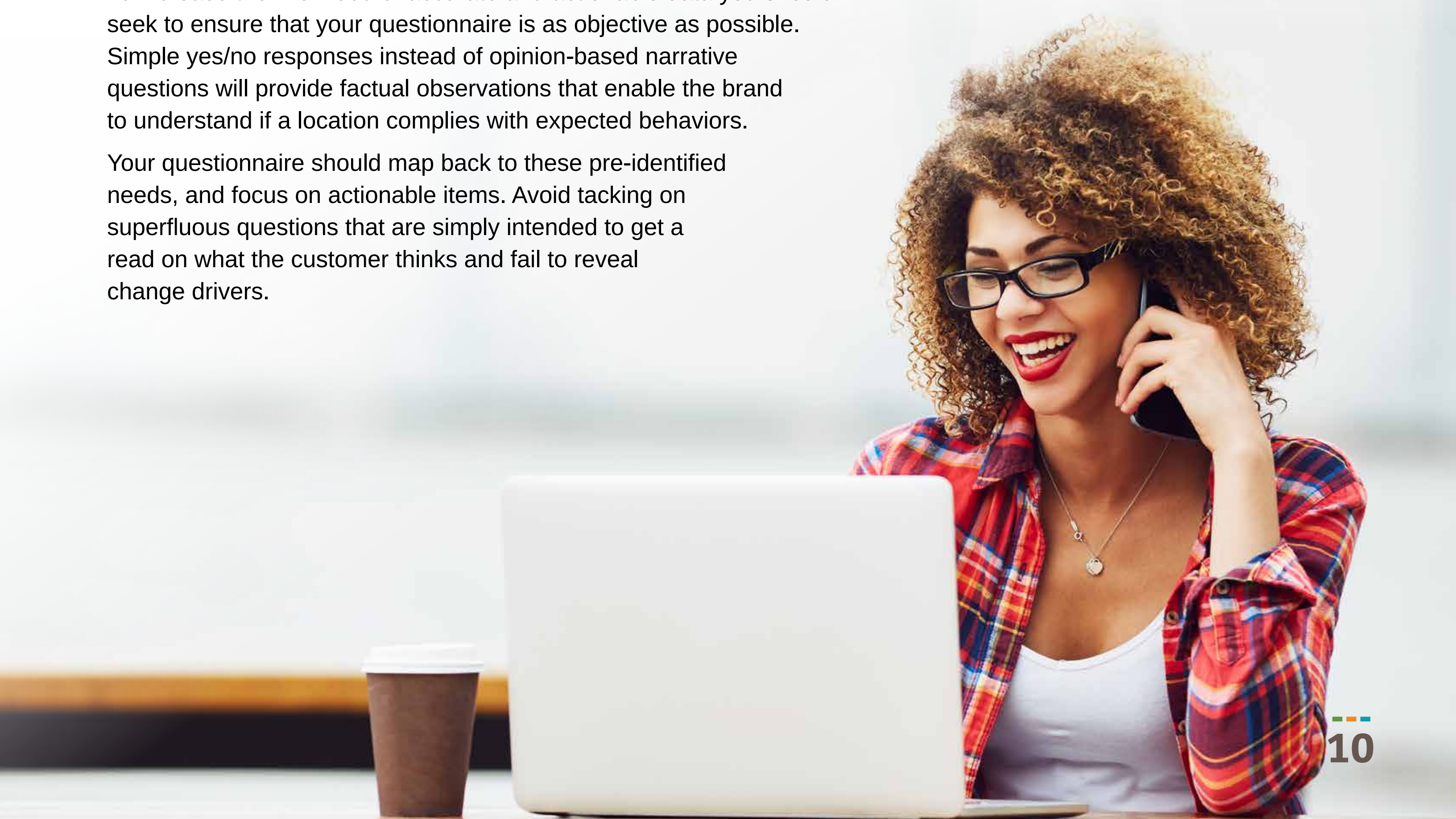
Design your Questionnaire with Brand Standards in Mind

MYSTERY SHOPPING QUESTIONNAIRES MEASURE ADHERENCE TO your brand standards. What gets measured gets done. If you've invested in training, there's no better way to measure whether that training was adopted and had an impact than by using mystery shopping. You can use the feedback to coach your teams and help each of your locations improve its delivery on the brand promise.

Every questionnaire differs based on the industry and desired outcome. Before architecting your questionnaire, determine your goals and consider how you plan to use the information to drive change. Want to evaluate your customer service proficiency? Interested in identifying operational areas of improvement, such as check-out times and cleanliness? Or do you need to know whether sales staff is appropriately engaging customers to ask questions and provide recommendations?

To increase the likelihood of accurate and actionable data you should seek to ensure that your questionnaire is as objective as possible. Simple yes/no responses instead of opinion-based narrative questions will provide factual observations that enable the brand to understand if a location complies with expected behaviors.

Your questionnaire should map back to these pre-identified needs, and focus on actionable items. Avoid tacking on superfluous questions that are simply intended to get a read on what the customer thinks and fail to reveal change drivers.



Designing the Questionnaire

IMPLEMENTING A MYSTERY SHOPPING PROGRAM REQUIRES THINKING THROUGH QUESTIONNAIRE design to ensure both the quality of the data gathered, and impact on the actions you want to encourage in the behaviors of the managers and teams receiving the results. Here are some of the dos and don'ts to consider when structuring your questionnaire.

Questionnaire dos:

- **DO** factor in your training documentation, competitive landscape and customer experience surveys
- **DO** phrase the questions clearly to avoid ambiguity
- **DO** allow mystery shoppers to attach photos
- **DO** take into account for whom the questionnaire is intended (regional managers, senior managers, store staff, etc.)

Questionnaire don'ts:

- **DON'T** be repetitive or ask too many questions
- **DON'T** use subjective questions that solicit advice or opinions
- **DON'T** introduce bias by asking leading questions
- **DON'T** ask for mystery shoppers to engage in unusual scenarios

The golden rule when developing a new questionnaire is to ***test, test and test again***. This will reveal information gaps, potential pitfalls and areas where you can augment.

Chapter 4

Data Collection and Reporting

Set best-practice parameters for data collection and reporting

IN ADDITION TO CLOSELY MANAGING SHOPPERS AND DESIGNING questionnaires, mystery shopping programs should institute best practices for data collection and reporting processes to ensure high data integrity.

As a best practice, set limits for mystery shoppers to ensure confidentiality. The number of times a single mystery shopper visits a site should be carefully managed to avoid recognition by front line teams. This is referred to as 'rotation' and should be managed on an on-going basis. We also advise reviewing their performance and quality on a monthly basis, looking at behaviors such as late reporting, invalid percentages reported, high number of reschedules and so forth. **Shoppers' reports should be delivered on time and fully complete.** Make these two of your top mandates for your mystery shopping program. To drive your score up, establish a help desk that is dedicated to answering mystery shoppers' questions.

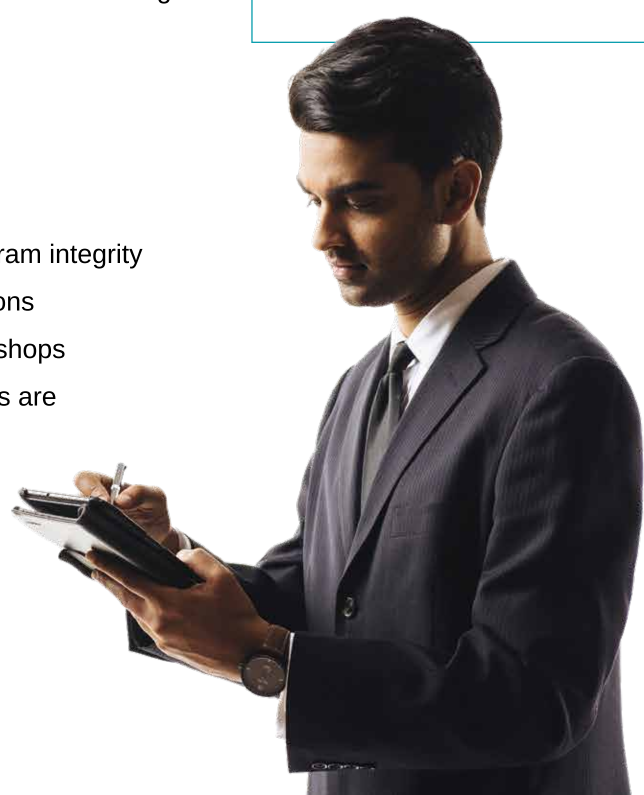
An auditing process for mystery shopping reports should be instituted to verify the data you are collecting is trustworthy and error free. Typically, this involves investing in a quality-control team that is responsible for auditing your shop results.

Case in Point:

Anything that allows teams to quickly identify mystery shoppers should be removed from the questionnaire scenario. For example, we worked with a retail brand that insisted that our shoppers pick up a bulky product and carry it around the store to see if a team member offered to get them a cart. On the surface, not a bad inquiry for the business to test, but once the shopper walks around the store several times, store personnel know who the shopper is because that's just not normal consumer behavior. It's important to keep the 'mystery' in mystery shopping.

Review of best practices:

- Set guidelines to assure shopper confidentiality and program integrity
- Institute a dedicated help desk to answer shopper questions
- Engage a quality-control department to review and audit shops
- Deploy a fraud control process that ensures that shoppers are legitimate and not associated with a specific brand



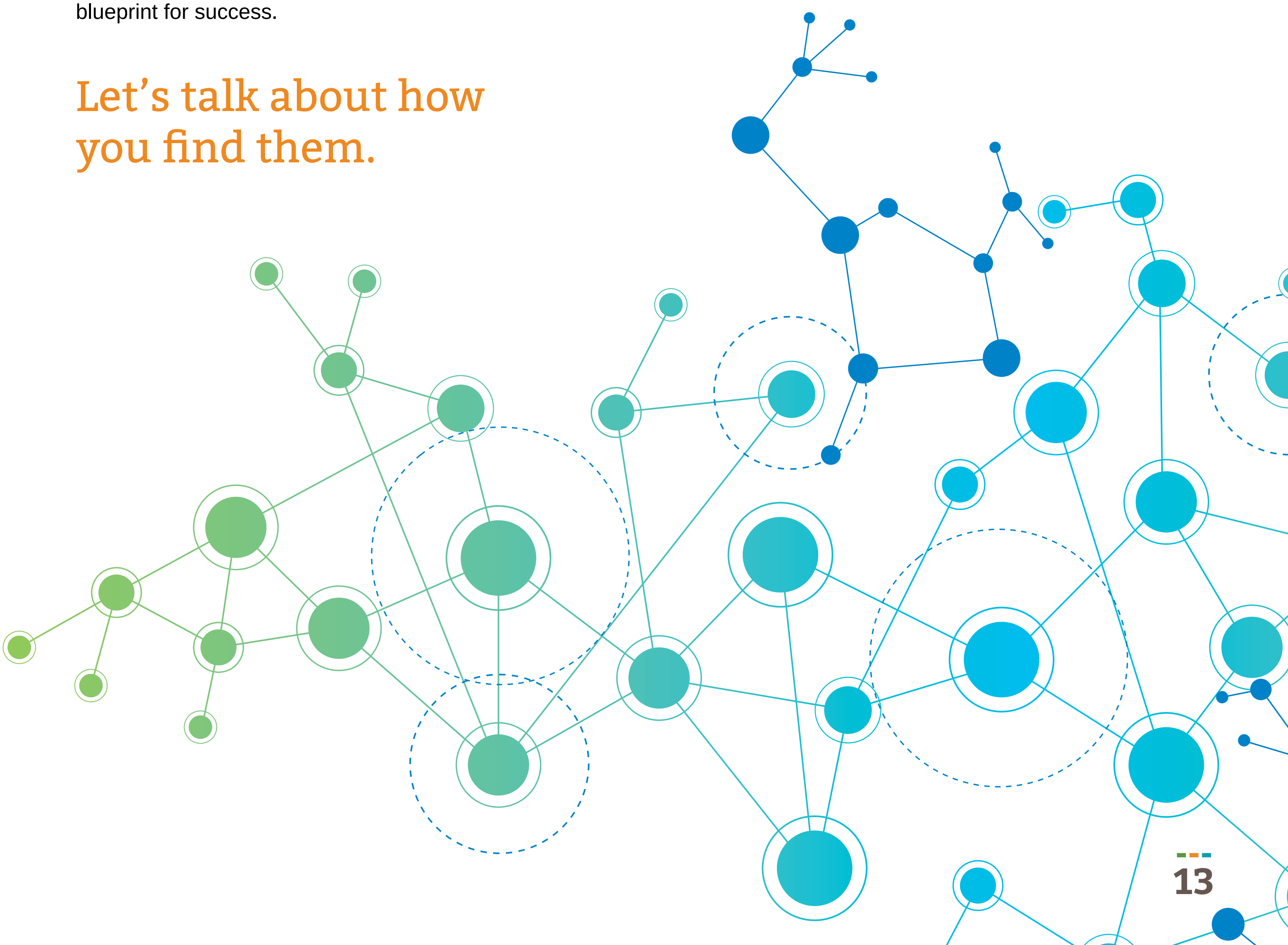
Chapter 5

Connecting the dots

Mystery Shopping, CX and Financial Results

The customer experience is an increasingly important differentiator and your brand standards should delight customers. If every location delights customers, then customers should return and refer, ultimately increasing revenue. To capture potential ROI, you must identify the specific behaviors that will increase customer loyalty and financial results – these behaviors will become your blueprint for success.

Let's talk about how you find them.



Operational excellence (OX) = exceptional customer experience (CX)

OX = CX. Operational excellence should create a better customer experience and result in higher loyalty. In fact, the difference in loyalty between locations that are low OX performers and high OX performers should be very distinct. If there is a slight difference, your brand has implemented the wrong standards.

Take a look at the illustration on the next page.

Connecting the dots

In this example, the brand collects three different sets of location-level performance data:

1. Mystery shopping
2. Contact center services
3. Customer surveys

OX, as assessed by mystery shopping, is plotted on the X axis and locations are divided into buckets based on their mystery shopping performance. We then plot number of complaints (normalized by number of transactions) against loyalty metrics like satisfaction and recommendation rate. Note that as OX improves, CX improves and complaint calls decline. When improvements and declines are sharp, you have great standards in place—because as locations work harder to be better, they reap very clear rewards.

Operational excellence (OX) = $

In our modeling work, we've found highly valid links between OX (mystery shopping) and financial performance.

Examples from our proprietary OX modeling work include:

- A **2.5x lift** in net activations for a wireless retailer
- A **2x lift** in volume of gas sold for a petro-convenience brand
- A **3x lift** in year-over-year same-store sales growth for a restaurant brand

This work identifies specific drivers of revenue metrics and accounts for differences in site characteristics for various locations. The model results in very specific behaviors that every location can use to improve their bottom line. And that becomes the catalyst for training and coaching programs that have a clear focus on what operators can improve within their four walls.

Case in Point

The need for speed

GUESTS WHO GO THROUGH A QSR/FAST CASUAL DRIVE-thru expect a speedy experience along with a high level of order accuracy. In this work for a major QSR/Fast Casual brand, a benchmark was set at 165 seconds to complete a transaction. In the initial analysis of mystery shopping data, we found that a very large proportion of locations consistently missed that benchmark and the miss was not necessarily associated with the number of cars in line. Given the same number of cars waiting in the drive-thru, some locations simply delivered faster—and some egregiously missed the benchmark. The "fast group" delivered up to 30% more transactions per month than the slower group, so being busy wasn't an excuse for not being fast.

The revenue potential was huge: If the slowest bottom 10% of stores could act like the faster stores, we calculated an ROI of $4.5 million in additional monthly revenue, representing a potential value of $54 million on an annualized basis.

Window of opportunity

So why the difference? The Market Force analytics team took a deep dive into the mystery shopping data along with some important site characteristics to determine what the fast stores did differently from the slower stores. One factor that jumped out from the advanced analysis was that only half of the stores with two drive-thru windows were utilizing both windows. Operators using one window thought they would make more money by controlling costs, but the stores using both windows saw a 32% increase in transactions.

Anticipating objections for keeping both windows open, we calculated the wages for staff versus the increase in revenues, and found that if both windows were open and running, it would mean a $15,000+ monthly gain per location. After deducting wages, this translated into almost a $200 million increase in annual sales for the franchises across the brand.

Our analysis also showed that locations performing well on CX factors like food quality and service were not only faster—they had much higher satisfaction ratings.

Benchmark:
165
seconds to complete a transaction

Potential ROI:
$4.5m
in **additional** monthly revenue

Potential Annual Sales
$200m
increase in annual sales for franchises across the brand

This analysis helped the brand focus efforts on ***improving*** the drive-thru experience and ***increasing*** customer satisfaction scores.

Conclusion

BETTER PERFORMANCE ON BRAND STANDARDS should lead to increased customer satisfaction and loyalty. And that should drive financial performance.

Better CX = better financial results!

If you are not seeing this trend, maybe it is time to question whether you are training on the right brand standards. Scoring well on mystery shopping or customer experience should not be your end game. Ideally, you will extend your models to financial metrics.

Make a point to create analyses and visualizations that show how mystery shopping and customer satisfaction data combined create a better financial outcome and ROI for your business. Finally—and the most critical step of all—you must empower your teams to drive change.

This will be the hardest, but the best work you can do to enable every location to optimize its opportunities to deliver on brand standards, delight customers, and make more money.

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