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Mystery Shopping in Singapore's Retail Sector: A Case Study

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**Mystery shopping in Singapore's retail sector
A case study**

by

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ABSTRACT

Mystery shopping in Singapore's retail sector

A case study

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As mystery shopping becomes an increasingly popular tool to measure service quality, there is a need to ascertain its return of investment for the company. However, there is a paucity of academic research on the impact of mystery shopping results on a company's sales performance.

This professional paper develops a case study on two retail companies in Singapore which adopted and implemented mystery shopping to improve service quality and sales performance. The case study identifies the key service interventions implemented to improve mystery shopping results, and explores the relationship between mystery shopping results and sales performance. The findings in this paper will be of interest to both hospitality organisations and mystery shopping providers.

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Part One

Introduction

Almost every business concern is in service today. Regardless of whether they are operating in the manufacturing, commerce or services sectors, organizations are increasingly providing service in one way or another today. As the marketplace becomes more competitive and products become more homogeneous, companies are focusing on service excellence to differentiate themselves and achieve higher sales and market share. Intense global competition is driving organizations towards more value-added activities such as service differentiation and personalised service (Gans, 2002). Increasingly, it is no longer just “what” you sell but also “how” you sell it. Service excellence has in fact, become a priority concern among top executives today (The Conference Board, 2010). In a survey on CEOs’ top ten challenges, 444 top executives worldwide (including US, Europe and Asia) ranked customer loyalty and retention as one of their top four critical issues (The Conference Board, 2010). Within Asia, the 2010 DP Information Group’s Small and Medium Enterprises (SMEs) Development Survey in Singapore found that almost half of SMEs (47%) see a need to improve their customer service (DP Information Group, 2010).

These findings should not be surprising considering previous research has demonstrated that improving service can lead to better business performance (Gelade & Young, 2005; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). However, service excellence should not be seen as a one-off effort. It is a continuous journey, a marathon without a finishing end. For companies committed to the service excellence journey and better business performance, there is no turning back.

Companies depend on several measurement techniques to monitor their service excellence journey. As the saying goes, what gets measured gets done. Among the service measurement techniques, customer satisfaction surveys and mystery shopping are two

popular methodologies used by the industry. For example, Wilson (2002) found that mystery shopping was commonly used to augment results of customer satisfaction surveys in the retail sector. The US lodging industry also employs both customer satisfaction survey and mystery shopping to track their service quality (Beck & Miao, 2003). In Singapore, 96 retailers participating in the Customer-Centric Initiative (CCI), a national program to improve service standards, use a combination of customer satisfaction and mystery shopping to track their performance.

Customer satisfaction focuses on the outcome of the service interaction. On the other hand, mystery shopping focuses on the process of the service as well as the service outcome (Wilson, 1998). According to Wilson (1998), customers do not remember the details of the service encounter to provide constructive insights for companies to follow up. Mystery shopping entails the use of well-trained professionals who experience the entire service transaction through “mysterious” visits to identify service improvement opportunities. Companies then address these service opportunities through appropriate service interventions, such as redesigning the service process and staff training.

Purpose

The purpose of this professional paper is to develop a case study on two retail companies in Singapore which adopted and implemented mystery shopping to improve service quality and sales performance.

Statement of Objective.

This professional paper has two specific objectives. First, it aims to identify the key service interventions that two prominent retailers in Singapore applied in their efforts to improve mystery shopping results over a period of time. Second, it aims to study and establish the relationship, if any, between mystery shopping results and retail sales of the two companies. In particular, the impact on retail sales from an improvement in mystery

shopping scores over a period of time will be examined. It is envisaged that the case study findings in this paper may form a basis for hypotheses from which further study may be developed.

Justifications

Opportunity arose for the author to work with some prominent retailers in Singapore through the CCI. While retailers recognize that mystery shopping is an integral component of a successful service excellence strategy, what is unclear is the exact nature of that role, how to manage mystery shopping and whether investing in mystery shopping lead to higher sales. Extant research has shown there is a direct linkage between service and business performance (Gelade & Young, 2005; Heskett et al., 1994), but much of the research concentrated on the relationship between customer satisfaction and various business outcome measures, such as sales, profit, shareholder value and stock prices (Bernhardt, Donthu, & Kennett, 2000; Keiningham, Aksoy, Cooil, Peterson, & Vavra, 2006; Yeung & Ennew, 2001). Unlike customer satisfaction, there is much less research conducted on mystery shopping, not to mention its relationship with business performance.

The paper also has practical significance. Mystery shopping, in comparison to customer satisfaction, is expensive and can be a huge drain of resources to the company. As mystery shopping becomes an increasingly popular tool to measure service quality, there is a need to ascertain its return of investment for the company. It is important for the industry to verify whether an improvement in mystery shopping results affect the sales performance of an organization. Any relationship, positive or negative will have significant impact on the use and popularity of mystery shopping in industry. Hence, this paper's objectives are expected to be of relevance to both businesses and mystery shopping providers.

Constraints

The two retailers were chosen because of their early participation in CCI. Therefore, in a sense, the two retailers were chosen based on convenience sampling rather than random sampling. This may cause the results to be non-generalisable.

It will not be possible to conclusively generalise any findings in this research as they deal with only two companies in the retail sector. Moreover, the retail sector, in Singapore and also internationally, is diverse comprising many sub-sectors such as department stores, apparel, optical, jewellery, electronics and furniture. More studies with retailers in these other sectors need to be done before any generalisation of the findings can be made.

The business performance results experienced by the retailers in the study may be a function of the stage of the lifecycle of the firm. This is especially so for the shopping mall as this is a new mall and the only one in the southern part of Singapore, and it may be expected that there will be an increase in market demand and traffic flow, and hence sales for the mall.

Furthermore, the case study can only demonstrate the presence or absence of any simple correlation, between service quality as measured by mystery shopping results and sales performance. It is out of the scope of this case study to investigate into any causation between the two parameters. Last but not least, the author recommends additional research to be conducted regarding the relationship between mystery shopping scores and changes in sales in a variety of industries and countries to examine the robustness of these findings.

Part Two

Introduction

The paper focuses on the measurement of service quality using mystery shopping to improve the sales performance of an organization. Given the increasingly competitive world today, more and more organizations are realising that service quality can be a creator of competitive advantage. In particular, retailers are recognising that unlike other retail attributes, such as product quality and price, the pursuit of service excellence can be a successful business strategy to increase customer loyalty, sales and ultimately profits (Haelsig & Swoboda, 2007).

The literature review will first examine two commonly used service quality measures in industry, growth in mystery shopping, the mystery shopping process, and the typical research issues involved in mystery shopping. The literature review will then appraise the adoption and application of mystery shopping in the Singapore retail sector.

Service Quality Measures

There is a variety of measures that organizations can use to monitor service quality. The choice of which service quality measure to adopt depends on the objective. While the overall objective is to improve service quality, organizations often have additional objectives including performance assessment of different branches of a company, benchmarking of competitors and gaining information for training and staff improvement efforts. Organizations benefit from using a number of service quality measures. The results from deploying multiple service quality measures enable an organization to have a holistic and integrated picture of the areas for improvement and prioritise the key issues to address (Pullman & Robson, 2007; Wilson & Gutmann, 1998).

Two commonly used service quality measures are customer satisfaction surveys and mystery shopping scores. A study by Wilson (2002) on 86 UK retail organizations revealed

that both customer satisfaction surveys and mystery shopping were used to monitor the customers' experience in the retail outlets. Other industries that deployed both customer satisfaction and mystery shopping measures include lodging (Beck & Miao, 2003), healthcare (Rose, 1995), financial (Eser, Pinar, Birkan, & Crouch, 2006) and airline sectors (Wirtz & Johnston, 2003).

Despite the popularity of the two service indicators, the majority of research to date has focused on customer satisfaction and in particular its impact on business performance. For example, studies on customer satisfaction and company's sales results have been conducted in the food & beverage sector (Bernhardt, Donthu, & Kennett, 2000); consumer goods, financial, technology, communications, utilities and transportation sectors, (Yeung & Ennew, 2001); and specialty goods retail sector (Keiningham, Aksoy, Cooil, Peterson, & Vavra, 2006). Compared to the vast research on customer satisfaction, the quantity of mystery shopping research seems insignificant.

Among the customer satisfaction research, some authors have highlighted that organizations cannot simply rely on one indicator to achieve service excellence. Hesselink et al (2004) argued that customer satisfaction is necessary but not sufficient to create and sustain excellent customer experience over time. Customer satisfaction scores are more often in tandem with external economic trends rather than the direct result of an organization's internal improvement efforts. According to Hesselink et al (2004), other methods such as mystery shopping are required to reinforce and ensure sustainability of business success.

Growth in Popularity of Mystery Shopping

Mystery shopping originated in the US in the 1940s and has grown to an entire new industry with over \$1.5 billion and it is still growing (Douglas, Douglas, & Davis, 2007). Extant literature also supports this observation. Dawson & Hillier (1995) surveyed 94 companies and found that two-thirds are already using mystery shopping while a significant

portion of the rest of companies intends to implement mystery shopping. Hesselink et al (2004) noted that compared to customer satisfaction surveys, mystery shopping is increasingly recognised as a tool for monitoring service quality, diagnosing service issues and improving service processes. Calvert (2005), too, noted that mystery shopping is widely applicable in almost every service sector from banks (Eser, Pinar, Birkan, Crouch 2006) and airlines (Wirtz & Johnston, 2003) to healthcare (Borfitz, 2001; Cardello, 2001), hospitality (Pullman & Robson, 2007) and retail (Bromage, 2000). More recently, McLuhan (2010) noted that mystery shopping has extended beyond its traditional adoption by multi-national corporations and large store chains, to even the small and medium enterprises.

In Singapore, the retailers participating in the Customer-Centric Initiative use a combination of at least two of the following service measures: customer satisfaction, customer complaints analysis and mystery shopping to track their performance (EnterpriseOne, 2011). It is therefore evident that mystery shopping has become increasingly popular globally.

What is Mystery Shopping?

Some called it phantom shopping while others have termed it undercover spying; but by whatever name, mystery shopping refers to the engagement of a group of experts specialising on assessing the service levels that organizations aim to achieve. The entire assessment process is done incognito, that is without the knowledge of the organization's employees and hence the term "mystery". Specially-trained mystery shoppers are engaged to pose as ordinary customers to assess the service standards of an organization.

The Mystery Shopping Process

To ensure a successful mystery shopping program, it is essential that the mystery shopping process is well designed and executed (Hesselink & van der Wiele, 2003). A well-designed mystery shopping process usually comprises six steps: (a) define the objective, (b)

develop the questionnaire, (c) select the mystery shopper, (d) train the mystery shopper, (e) make the results actionable, and (f) communicate and improve on the results.

Step 1: Define the objective.

Before kicking off the assessment process, it is necessary the organization is clear as to the objectives of the mystery shopping program. Extant research shows that organizations have varied objectives for mystery shopping, such as:

- assess the standard of service between frontline employees and customers (Collins & Turner, 2005);
- check the effectiveness of training programs, identifying and rewarding good performers (Calvert, 2005; Cobb, 1997; Herbst, Barisch & Voeth, 2007);
- ensure that employees (e.g. bartenders in pubs) do not steal cash unobtrusively (McManus, 1997);
- inspect the layout of the store (Gilmore & McMullan, 2009);
- examine product range (Gilmore et al, 2009);
- identify symptoms of internal processes and chain outlets that need improvement (Hesselink & van der Wiele, 2003);
- assess whether new promotions and policies agreed at the organization's corporate office have been consistently carried out at the branches (Cobb, 1997);
- check adherence to statutory regulations and codes of practice (Brown, Sopp & Gould, 1997); and
- compare how well the organization performs against its competitors (Calvert 2005; Herbst et al, 2007).

For the success of a mystery shopping program, it is critical that employees are aware and trained on the respective service standards, statutory regulations, consumer safety standards and new store promotions, etc. that the organization intends the mystery shopping

program to focus on. Regardless of the organization's mystery shopping objectives, it is prudent to note that mystery shopping should not be construed as a means to dismiss weak performing employees. Management must make clear from the beginning that they will not use the mystery shopping results to identify or punish employees (Wilson, 2001). While the mystery shopping literature does illustrate incidents of employee dismissals from mystery shop findings (Borfitz, 2001), the majority of researchers are unanimous in their views that mystery shopping and employee appraisals and dismissals should not go hand-in-hand (Calvert, 2005; Erstad, 1998; Hesselink et al, 2004).

Step 2: Develop the questionnaire.

Once the objectives of the mystery shopping program are established, the next step is to develop the list of items in the questionnaire. It is critical that the views of the customer are used as a basis in the questionnaire development (Calvert, 2005). Survey items based on customer's requirements could include service standards and product availability; while survey items based on organization's requirements could mean new company policies and promotions that are rolled out from headquarters. Items on the checklist should as far as possible be specific, objective and quantifiable, such as "Was I greeted within 30 seconds?" and "Did the service provider smile and engage in small talk?" (Morrison, Colman, & Preston, 1997; Wilson, 1998) An item "Is the store clutter-free?" is subjective unless clutter-free is defined and included in the mystery shopper training course (Morrison et al, 1997).

The length of the questionnaire depends on the type of industry sectors that the organization belongs to, but should not take longer than a real customer's usual transaction. For example, a study by Dawson & Hillier (1995) in the retail sector found that the mystery shopping process should be at most half an hour and no longer. A mystery assessment that takes too long may not only affect the business of the organization but also risk the identification of the mystery shopper by the employee, thus jeopardizing the entire effort.

Together with the development of the questionnaire, the organization must decide on the scope and frequency of the audits. For example, a retail chain with multiple branches will need to work out the number of branches to assess and the number of audits per branch. Dawson & Hillier (1995) found that companies with a vast experience in mystery shopping view that a reasonable number of outlets assessed is sufficient to ensure reliability and validity. The actual number of visits required will depend on the total number of branches operated by the retailer.

Step 3: Select the mystery shopper.

Organizations can depend on in-house personnel or engage professional mystery shopping agencies to implement a mystery shopping program. There are advantages and disadvantages for using in-house shoppers versus external shoppers.

In-house shoppers usually made up of the organization's own employees acting as mystery shoppers or roving quality inspectors (McManus, 1997). The advantages of using employees are better knowledge of the company's objectives and products and lower costs (Erstad, 1998). However, Calvert (2005) cautioned that this method may not be as economical in reality as in-house shoppers are inexperienced and may not be equipped with the skills to do the job. As such, additional training costs will have to be incurred and this may cause the entire mystery shopping project to be less cost effective than expected. Other disadvantages of in-house shoppers are that these "mystery" employees run the risk of being recognised by colleagues (Calvert, 2005; Erstad, 1998), and that these employees may have inherent bias, be it positive or negative (Erstad, 1998).

External shoppers are professional mystery assessors engaged by the organization. Compared to in-house mystery shoppers, they are more impartial and objective since they have no personal interest in the company directly and it is expected that their assessment would be more realistic than internal employees (McLuhan, 2010). Erstad (1998) highlighted

that external shoppers are often very expensive to engage but also concurred that companies can usually rely on them to do a professional job with a comprehensive report at the end of the engagement period. For this reason, many fast food chains such as Burger King and Domino's Pizza use external mystery shoppers to monitor their service standards (Erstad, 1998).

Barclay & Harland (1995), however, argued that the advantage of external shoppers' objectivity and impartiality are unfounded and stressed that the competence of the assessor is primary to ensuring a reliable mystery shopping assessment. In addition, the research by Morrison et al (1997) revealed that while the professional mystery shopper's previous knowledge and experience regarding the service under assessment is usually an advantage, this may inadvertently color their mystery assessment – positively or negatively.

Some organizations use a third alternative to engage mystery shoppers, that is, they hire customers to record notes of their actual shopping experience which are then given to the companies at regular intervals (Douglas, Douglas, & Davies, 2007). For example a major health and beauty chain in Singapore with more than 120 stores actively seek customers to sign up as mystery shoppers on their website (Guardian, n.d.). Despite this third alternative, the industry's standard of practice is to rely on either in-house employees or external professionals to perform mystery assessments as these two methods are perceived to be more critical and objective than actual customers (Borfitz, 2001; Bromage, 2000; Pullman & Robson, 2007).

Besides deciding on the selection method of mystery shoppers, it is also an imperative for organizations to ensure that the cohort of mystery shoppers represents a wide demographic spectrum of its actual customers (Cobb, 1997). For example, in a healthcare company, the profile of mystery patients, i.e. age, sex and ethnicity, should match those of the company's patient population (Borfitz, 2001; Bromage, 2000).

Step 4: Train the mystery shopper.

All selected mystery shoppers, be it internal employees or external professionals must be adequately prepared before they begin the assessment proper. This entails familiarizing them to the company's products and services (Erstad, 1998) as well as knowledge of the company's sales and service techniques so as to enable them to assess the company accurately (Morrison et al, 1997). The latter is critical because the mystery shopping questionnaire is tailored to audit the sales and service standards of the company. For example, the mystery shopper must be aware that the restaurant operator requires its employees to up-sell its range of cocktails when taking orders. London Underground also trained their mystery shoppers travelling on the train to rate the service experience based on its Customer Charter which sets out London Underground's commitment to provide a safe, quick, on-time and economical ride for passengers (Miller, 1995). In the case of retailing businesses, Dawson & Hillier (1995) found that retailers insist that actual purchases be made to ensure that the entire service delivery process is audited.

Training mystery shoppers is especially important for organizations that target using customers as mystery shoppers. This group of shoppers are inexperienced, lack basic details such as having an eye for detail, ability to write clearly and concisely and having a good memory. According to McManus (1997), organizations hiring customers and public as mystery shoppers need to at least engage them in several phone conversations and briefing sessions to prepare them as well as calibrate their expectations. Cobb (1997) added the training for new mystery shoppers should also include equipping them with good visual and aural capabilities, with no overly aggressive personalities. They have to conduct themselves as actual customers and not carrying pad and pen. In fact, the training could be enhanced by showing video recordings of mystery shoppers at work (Morrison et al, 1997).

Step 5: Make the results actionable.

Professional mystery shoppers make it a point to record all observations and experiences soon after the audit when their encounters are still fresh in their mind. In fact, Morrison et al (1997) noted that it is essential that all observations be recorded immediately after the assessment and not a minute longer than necessary. This will minimize any inadvertent omissions through memory decay. Prompt identification of what happened is also emphasised in Wilson's (1998) research.

The raw data containing the mystery shoppers' detailed experiences will then have to be organised into a structured mystery shopping report to be submitted to the organization. It will not be enough to simply report on the entire service experience; the mystery shopper will need to include practical suggestions and approaches for improving areas of concern, as well as overall service (Borfitz, 2001). Herbst et al (2007) went a step further to suggest comparing the mystery shop results with ideal service standards, identifying any gaps and suggesting ways to improve. In summary, organizations need to insist and make sure that the suggestions to address service gaps are specific and actionable.

Step 6: Communicate and improve on the results.

It is imperative that the results from the mystery shopping program be communicated to all employees as soon as possible for best outcomes (McLuhan, 2010). At Burger King, results are posted on bulletin boards at the restaurant, while some retailers publish mystery shopping feedback openly so that their customers can read about them (Erstad, 1998). By giving immediate feedback to employees and customers, this sends a strong motivation signal for employees to improve their service delivery, and a strong message to all employees that the company is committed to the entire service excellence program. Some companies put in place a system to reward and recognize branches that score the highest, and at the same time encourage other branches to do better. Others are known to publish all the scores on the intranet so that employees know which branches have done well, and compare the overall

results at the end of the year with the targets set at the beginning. Employees from the best-performing branches are rewarded and recognised through company dinners, thus cementing their team spirit and spurring them to continue working and excelling together (Hesselink et al, 2004).

Organizations must take immediate active steps to address the weak areas identified in the results. For example, Hesselink et al (2004) noted in their works that besides informing managers and employees on the mystery shopping results, some organizations make it compulsory for branch managers to identify critical points to make improvements. In fact, a mystery shopping program can only be called a success if there are quick follow-up actions to improve employees' interactions with customers, and enhance specific processes that failed to meet company specifications.

Over the years, the mystery shopping process have undergone several changes with better technology and innovation applications such as online recording and photography methods; but the essence of the process remain the same. What has really changed is the significant widespread adoption of the methodology by wide-ranging organizations and sectors (Brown et al, 1997).

Mystery Shopping Results and Sales Performance

The increasing popularity of mystery shopping in industry is largely due to the widespread positive benefits experienced by organizations. A survey of mystery shopping research yield a range of benefits experienced by companies including better quality of service (Cobb, 1997; Hesselink and van der Wiele, 2003), improved customer satisfaction (Wilson & Gutmann, 1998), better staff performance (Douglas et al, 2007), higher staff morale (Douglas et al, 2007), improved employee integrity (McManus, 1997) and increased consumer safety (Brown et al, 1997). However, there is a paucity of information on the impact of mystery shopping results on a company's sales performance.

Nevertheless, the positive correlation between mystery shopping scores and customer satisfaction results by Cardello (2001), McLuhan (2010) and Wilson & Gutmann (1998) may provide some indication that mystery shopping scores could have a positive impact on sales performance. This inference is because extant literature has shown a significant amount of positive correlation between customer satisfaction and sales. A recent Nation's Restaurant News report stating that a restaurant doubled sales and reduced costs by one third using mystery shopping (LoNardo, 2006), also serves to boost the possible positive impact of mystery shopping on sales performance.

Key Issues in Mystery Shopping

Mystery shopping is a useful measure only if it is conducted in a proper manner. However, several factors exist that may affect the reliability and validity of the results (Dawson & Hillier, 1995).

Reliability.

Due to the nature of the mystery shop methodology which relies on human judgement, the element of subjectivity must be recognised and any bias must be minimized from the start. For example to the question - "is the fitting room tidy?" - some mystery shoppers may interpret yes or no depending on the individual's views. While training will diminish some of the bias substantially, an individual's preferences on what is and what is not acceptable will inherently affect the shopper's assessment on areas such as cleanliness, music level, and friendliness of employees (Wilson, 1998).

The high cost of engaging mystery shoppers has caused many companies to set a limit on the frequency of implementation as well as the number of audits to be conducted. This limitation may affect the reliability of the results obtained. For example, a staff may not be feeling well and hence did not smile as required. This one-off audit finding will affect the results (Calvert, 2005). Douglas et al (2007) added that mystery shopping provides only a

snapshot of the overall service process and hence, the findings may not be representative of the actual experience on the ground. Finn (2001) also argued that the two to three visits as practised by most mystery shopping projects are insufficient for reliable benchmarking. The author found that a reliable comparison can be obtained from a well-designed study of about 20 visits per store. This figure is much higher than what most companies expect to implement. Contrary to these arguments, Collins & Turner (2005) found that although sample sizes are small, each mystery shopping encounter is valid 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. The authors concluded that generalisability is not an issue and the data collected can be analysed within the context it was collected.

Validity.

Several factors exist to affect the validity of the results obtained from a mystery assessment. First, the views of the mystery shopper may not match what a typical customer would notice during the service transaction. For example, mystery shoppers may be more critical than actual customers (Pullman & Robson, 2007). Second, the shopper may have forgotten to assess one or more items in the audit checklist or simply failed to record a segment of the service experience accurately due to the time lag between the audit and recording (Morrison et al, 1997). Besides inaccuracy due to memory lapse, Finn & Kayande (1999) highlighted that both the reliability and validity of mystery shopping results can be affected by the time of the assessment, i.e. day versus night, and the outlet being studied.

Ethics.

Some ethical issues must be addressed prior to any mystery shopping activity. These include areas such as whether it is fair to conduct mystery shopping in companies and service sectors which are already heavy on resources, such as healthcare (Borfitz, 2001) and whether it is fair to engage mystery shoppers to audit businesses that are not aligned to the mystery

shoppers' values (Calvert, 2005). An example of the latter would be whether a casino should engage mystery shoppers who disapprove of gambling.

The Market Research Society (MRS) in the UK has put in place a code of conduct that prescribes certain ethic rules for mystery shopping. A key guideline states that mystery audits should not disrupt the competitor's businesses (Dawson & Hillier, 1995). Another guideline is that staff must be informed in advance of a mystery shopping program, the objective and intended use of the program, the elements to be audited, and whether any staff will be named in the report findings (Douglas et al, 2007). McManus (1997) noted that some parts of the United States enforce licensing of mystery shoppers with regards to the naming of staff in the mystery shopping report.

In summary, mystery shopping can provide an in-depth analysis of a service experience, but that analysis is narrow since it is restricted to a professional who takes on the role of customer. Calvert (2005) opined that it is not possible to make accurate comparisons between the reliability and validity of different service quality measurement methods but most researchers noted that mystery shopping can lead to as accurate results as other methods - especially when mystery shoppers are well prepared and trained. In addition, mystery shopping can be coupled with other methods such as observations, video, to improve reliability and validity (Calvert, 2005; Morrison et al, 1997).

Mystery Shopping in Singapore

In November 2005, the Singapore government launched the Go-the-Extra-Mile-for-Service (GEMS) movement to improve service standards and achieve an excellent service culture in Singapore (Singapore Tourism Board, 2005). A key initiative under the GEMS movement is the Customer-Centric Initiative for retail sector. Twenty major retailers with over 900 outlets and 20,000 employees pledged their commitment to provide good customer service in 2005 under the CCI (SPRING Singapore, 2005). These two initiatives provided a

strong impetus for the service sector to review and improve their service standards and delivery. One indirect consequence was the rise of mystery shopping businesses in Singapore. The major mystery shopping companies include multinational corporations such as Gapbuster, TNS and Synnovate, and small and medium enterprises such as Beacon Consulting, Tiptop Consultants and Service Quality Centre.

Unlike the US, UK and Europe, there is no mystery shopping providers association in Singapore. Mystery shopping is conducted by a plethora of consulting agencies that are mainly small and medium enterprises. The majority of these mystery shopping agencies have their own network of permanent freelance mystery shoppers. Despite the absence of an association, mystery shopping in Singapore is thriving.

Mystery shopping is a popular mode of service quality assessment in many sectors today. Under the CCI, several industry associations have taken the lead to drive mystery shopping programs for their members. This includes the Singapore Hotel Association (Mysteryshoppinglive.com, 2009), Restaurant Association of Singapore (Restaurant Association of Singapore, n.d.) and the National Association of Travel Agents Singapore (SPRING Singapore, 2010, November). Companies in these sectors that employ mystery shopping to monitor their service quality include Fish & Co. in the food and beverage sector (SPRING Singapore, 2008), Ritz-Carlton Millennia in the hotel sector (SPRING Singapore, 2010, July), and the Jurong Point shopping mall in the retail sector (SPRING Singapore, 2009, March). In the transport sector, the Land Transport Authority deploys mystery audits quarterly to assess the service provided by taxi drivers, such as whether the drivers greet the customers and help with the luggage (Land Transport Authority, 2011). Other sectors that use mystery shopping include the financial and travel services.

Besides service quality assessments, the Consumers Association of Singapore adopted mystery shopping to check on errant service providers and curb unfair trade practices. The

CaseTrust Accreditation scheme recognises companies in various businesses, including retail stores, travel agents, spas and wellness and employment agencies that pass their mystery shopping audits (Consumers Association of Singapore, n.d.).

Mystery shopping in retail sector.

In the retail sector, the Singapore Retailers Association (SRA) has taken the lead to launch the Retail Industry Mystery Shopping (RIMS) program. Retailers pay a subscription fee to join the program which comes with a set number of mystery audits to be conducted over a one year period. The program enables a member to know its own service quality as well as benchmark itself against others in their own retail category. There are altogether 17 categories that include department stores, fashion and accessories, furniture and furnishings, mother and infant care, supermarkets and books and stationery. The mystery audit questionnaire targets five areas: staff personal grooming, store environment and merchandise display, staff attitude and ability, staff product knowledge, and point of purchase service (Singapore Retailers Association, n.d.). Besides the SRA's mystery shopping initiative, there are also other mystery shopping agencies in the market specialising in the retail sector.

Since the launch of the CCI for retail sector in August 2005, the number of CCI retailers has grown to more than 110 chain stores and shopping malls; 76 of which actively engaged mystery shoppers to identify service failures to improve their service quality and sales performance.

Conclusion

Companies invest in mystery shopping to improve service, customer satisfaction and sales. But there is little empirical evidence to support this practical assumption regarding mystery shopping. According to Bromage (2000), retailers in the US want to know how to use mystery shopping to boost service and profits. Singapore retailers are no different. This study, therefore, aims to advance knowledge in this area. Unless the impact of mystery

shopping on store sales is assessed, organizations have little basis to allocate resources for mystery shopping programs.

Part Three

Introduction

Raising retail service standards in Singapore is essential as shopping is often considered the favorite national past time of Singaporeans. In addition, the island attracts more than 10 million tourists annually who spend the majority of their money on shopping, entertainment and accommodation. According to the Singapore Department of Statistics (2011), Singapore's retail sector comprises some 19,100 shopping outlets and 114,900 workers with total operating receipts of \$38.2 billion.

Since 2006, the Singapore Retailers Association (SRA) administers the Retail Industry Mystery Shopping (RIMS) for participating companies. Companies subscribing to RIMS can identify their service strengths; understand where they fall short, and compare themselves against the industry's service standards. Under RIMS, the assessment checklist focuses on five aspects of the customer experience: staff's personal grooming, store environment or merchandise display, staff's attitude and ability or willingness to assist, staff's product knowledge, and point of purchase service. To the retailer, the average cost per mystery audit per retail outlet ranges from S\$100 to S\$400 depending on the number of outlets that participated in the program (Singapore Retailers Association [SRA], n.d.).

The Customer-Centric Initiative (CCI) was launched to help the Singapore's retail sector upgrade service capabilities in August 2005 (EnterpriseOne, 2011). Companies can apply for funding assistance from SPRING Singapore to engage in service improvement efforts. In return, these CCI companies must undertake a three-step CCI project: (a) conduct a pre-service quality audit to identify their service gaps; (b) implement initiatives to address the gaps; and (c) conduct a post-service quality audit to demonstrate an improvement in service quality at the end of their service efforts. The majority of the CCI companies adopted both customer satisfaction survey and mystery shopping as their service quality measure.

Background of retailers in case study

The two retailers chosen for this case study were chosen because they belong to the first group of companies to join the CCI, and therefore there were sufficient time for their efforts to make a difference to their service and business performance. The experience of these two retailers in using mystery shopping to monitor and improve service standards will be discussed. Both retailers provided data on mystery shopping, types of service interventions implemented, and sales performance results as part of their commitment to CCI.

The first retailer, Metro, is a home grown company which was established in 1957, and has grown from one to four department stores with 600 staff. With a high percentage of mature service staff and staff with secondary school education or lower, Metro recognises the company needs to strengthen its service quality to delight customers and stay profitable. Hence, the company was one of the first retailers to join the CCI in 2005.

The second retailer is a new shopping mall that opened its doors in October 2006, touting itself as the ultimate 'retail and lifestyle destination' in Singapore. It is currently one of Singapore's largest shopping mall, boasting over a million square feet of retail space (VivoCity, 2006). VivoCity houses 305 tenants who comprise a vibrant mix of new-to-market retail and entertainment brands and concepts, targeted at shoppers including families, singles, couples and tourists. Within the mall, there are about 44 mall management staff and 1,500 service workers which include the outsourced agents (customer service officers, housekeeping, security and car park staff). Right from the beginning, VivoCity positioned service excellence as a key business strategy and joined the CCI in 2006. Metro and VivoCity implemented the three-step CCI project over a period of 14 months (June 2005 to August 2006) and 13 months (December 2006 to December 2007) respectively.

Metro's Case Study

Metro engaged Market Pulse, an international research company based in New Zealand, to conduct the mystery audits across their four department stores. Nine service touch points were assessed: appearance, farewell, fitting room, greeting, handling objections, payment, product presentation, selling up, and special needs. From the mystery audit findings, the senior management of Metro decided there was an urgent need to enhance their customer experience at their stores on several fronts.

Service interventions.

To address the poor service transaction experienced by customers, the company engaged the Friedman Group, an international training provider based in Australia, to develop and implement the Metro Magic Sales and Service Program. There were three tiers to the program:

Tier 1: Magic Sales and Service for frontlines conducted by Friedman Group

Tier 2: Train the Trainer (whereby 15 managers were trained to ensure that the program can be implemented on a sustainable basis within the company.)

Tier 3: Magic Sales and Service for frontlines conducted by internal trainers

Besides improving the staff's sales and service skills, there was a need to address the poor language skills as a significant number of employees are of secondary education or lower. For many of them, just to greet customers in English can be a real struggle. The company not only sent their staff for English literacy classes, but more importantly, it decided to allocate precious retail space and install a permanent language lab (consisting of computer terminals and headsets) at each of their four department stores to provide its staff to continue their online training in phonetics, pronunciation and language on the shop floor. In an effort to improve the customer's first impression of the store, the company positioned "Greeters" at

the main entrances of their stores to greet and establish rapport with customers at the start of their shopping experience.

Initiatives were also implemented to assist the staff's handling of customer complaints and meet the special needs of customers. These included the deployment of a centralised customer feedback, complaints and compliments management system, installing mood lighting and service bells in fitting rooms to enhance the customer's fitting room experience, and having water dispensing machines located within the store.

Results.

As a result of Metro's efforts, the retailer experienced a 16% improvement in mystery shopping scores at the post mystery audits conducted in June 2006. The company also reported a corresponding 10% improvement in sales. In fact, this was a significant performance improvement when compared against the Singapore retail sector's sales performance which posted a jump of 3.6% jump from 2005 to 2006 (See Table 1).

Table 1

Metro's retail posts higher service and sales in 2006

Key Performance Indicators	Company's Projections	Company's Results	Industry's results
Mystery shopping results	10%	16%	-
Sales	8%	10%	3.6%

Metro was very pleased with the results but recognised the service excellence journey requires the continuous and dedicated commitment from all staff members. According to Edward Tan, Director of Operations, Human Resource and Administration: "When our internal resources are bonded, our customers are bonded as well. Other retailers may imitate

our hardware, but our passion, our software cannot be emulated. It all comes from the heart”
(SPRING Singapore, 2009, April, p. 18).

VivoCity’s Case Study

VivoCity engaged Ernst & Young to develop and implement mystery audits targeting two groups: tenants and outsourced agents. The audit checklist focused on eight service touch points:

1. Acknowledge, greet, smile & thank every customer.
2. Take pride in yourself and your workplace.
3. Speak in a polite, patient and pleasant manner at all times to all customers.
4. Attend and respond promptly to every customer.
5. Provide product/service information and suggest alternatives to your customers.
6. Be flexible in dealing with unique/special requests and complaints.
7. Be accountable for every request received.
8. Seek feedback and continuous ways of improving service and work processes.

The mystery audit results showed that staff performed poorly in three key touch points: acknowledge, greet, smile, and thank every customer; attend and respond promptly to every customer; and seek feedback and continuous ways to improving service and work processes.

Service interventions.

To address its shortcomings, the shopping mall decided that a holistic approach is required. A Service Excellence Advisory Panel was set up with members comprising key anchor tenants and outsourced agents to build stakeholders’ commitment and provide inputs on the shopping malls’ proposed service initiatives.

With the support of the Advisory Panel, six communication sessions over a period of two months were conducted to inform all tenants (including their management and service staff) of the mystery audit results and garner support and commitment of every employee to join in the mall-wide effort to improve service. These communication sessions were complemented by monthly service excellence electronic newsletters sent out to update tenants and outsourced agents on the various service excellence activities and programs. In addition, good service practices and tips to enhance customer service were also shared and disseminated through these newsletters.

The shopping mall engaged an external training provider to develop the VivoCity Service Excellence Training Program to equip and train staff to internalise the mall's service standards. To reinforce the training program, a training video was produced featuring a combination of actual VivoCity staff and actors to demonstrate the correct and wrong ways of delivering service. The video is also used as part of the mall's orientation program for staff, tenants and outsourced agents.

Results.

The strong collaborative efforts between mall management, tenants and outsourced agents resulted in an encouraging 17% improvement in mystery audit results at the end of the project. The mall also reported a 10% improvement of sales for its mall tenants during the corresponding period. This was almost double the 5.9% posted by the Singapore retail sector's 2007 sales performance compared to 2006 (See Table 2).

Table 2

VivoCity's retail posts higher service and sales in 2007

Key Performance Indicators	Company's	Company's	Industry's
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	Projections	Results	results
Mystery shopping results	10%	17%	-
Sales	8%	10%	5.9%

Top performers of the mystery audits were recognised and awarded certificates and VivoCity cash vouchers respectively. All winners were also profiled in the mall’s internal newsletters. According to Chang Yeng Cheong, Deputy General Manager:

“We planned to embark on a service excellence program and include all our tenants in it. This would help differentiate us from other malls through consistent excellent service. We believe that even if your product isn’t the finest, people will keep coming back to you and remember you if you offer great service. Service takes priority over all things when it comes to retail” (SPRING Singapore, 2009, April, p. 27).

Conclusion

This paper demonstrates the significant role of mystery shopping in a company’s service excellence journey. The case studies identify the key service interventions that two prominent retailers in Singapore applied in their efforts to improve mystery shopping results over a period of time. The findings from the case studies establish the positive relationship between mystery shopping results and sales performance of the two retail companies. In particular, both retailers showed clearly that an improvement in mystery shopping scores over a period of time is directly correlated with an improvement in sales over the same period of time.

It was also evident the senior management of both companies were committed to driving the service excellence initiatives across their respective establishments. The holistic service intervention approach undertaken by the two retailers demonstrate that organisations

should not concentrate on improving service on an ad-hoc or disparate level, but to view the entire service experience as a whole (Haelsig & Swoboda, 2007).

While the paper focuses on the retail sector, the findings are certainly applicable to the hospitality industry. Although hospitality managers are aware that mystery shopping is an effective tool to improve service quality performance, responses from mystery shopping results were not linked to sales performance prior to this study. The positive correlation of the mystery shopping scores and sales underscore the importance of mystery shopping and suggest that mystery shopping should be viewed by hospitality managers as a timely and effective managerial tool that can help increase company sales. In other words, hospitality managers now have a stronger basis to allocate resources for mystery shopping programs. This should be of interest to both hospitality businesses and mystery shopping providers.

Recommendations for future research

It will not be possible to conclusively generalise any findings in this research as only two companies in the retail sector were studied. The author recommends additional research to be conducted regarding the relationship between changes in mystery shopping scores and changes in sales in a variety of companies in the retail sector. More importantly, the case study findings may form a basis for similar hypotheses and studies in the hospitality industry.

A pertinent point to note is that the case studies covered the impact of mystery shopping over one year. Longer term assessments of the impact of mystery shopping on sales performance are desirable to identify how changes in mystery shopping results affect changes in sales performance of the hospitality industry over an extended period of time.

Future research could also investigate into the relationship of mystery shopping results and other relevant financial indicators. For example, studies on the hotel and restaurant sectors could explore the impact of mystery shopping results on average room rates and the average per cover respectively, in addition to sales performance.

The positive business performance results demonstrated in the case studies may be a function of the stage of the lifecycle of the organisation, instead of directly due to the improved service quality. This is especially so for the shopping mall as this is a new mall and the only one in the southern part of Singapore, and it may be expected that there will be an increase in market demand and traffic flow, and hence sales for the mall. Future research should take the lifecycle into consideration when selecting organisations to study.

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