HOTEL SENIOR MANAGERS' PERCEPTIONS OF

MYSTERY SHOPPING PROGRAMS

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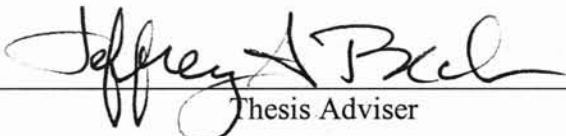
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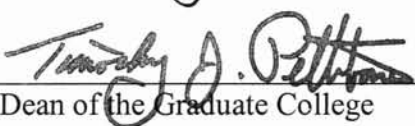
MYSTERY SHOPPING PROGRAMS

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DEDICATION

This thesis is lovingly dedicated to my friend, Ling Sik Kwan. Your kindness and

insightfulness have enriched my soul forever.

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I would like to thank my major advisor and thesis committee chair, Dr. Jeff Beck for his guidance, involvement and encouragement. Without Dr. Beck, I wouldn't have done a work on this interesting topic. He made the mystery shopping no more an overwhelming mystery to me. Thank you, Dr. Beck.

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CHAPTER I

INTRODUCTION

Background of the Study

The hotel is a business whose essential goal is to satisfy (and hopefully delight) the customer (Erto, P., & Vanacore, A., 2002). The customer actively participates in the service delivery process and affects the outcome of the service. The customer is not only the recipient of the service, but also the judge of the service. Services are produced and delivered to customers simultaneously. Unlike a manufacturing setting where the product can be assessed before it goes to a consumer, service-oriented establishments have no opportunity for inspection of their products beforehand. In order to evaluate service delivery performance, mystery shopping is being widely used in many service industries.

Mystery shopping is a technique that uses trained researchers to pose as average customers to monitor the processes and procedures used in the delivery of a service (Wilson, 1998). The uniqueness of this technique is that the researchers, also called mystery shoppers, evaluate the customer service and sales skills of the customer-contact employees without calling attention to themselves by blending in with other customers and having an actual service interaction with front-line employees (Moore, 1999). Mystery shoppers pose as ordinary customers and interact with customer-contact employees in normal settings and then complete a structured report usually in the form of

rating scales, checklists, open-ended responses and narratives (Finn & Kayande, 1999). The final report allows the company to gain an in-depth understanding of the customers' perspective by giving a picture as to what actually occurs when employees interact with the customers. By analyzing the results of a mystery shop, management is more able to monitor, correct and award the customer service process.

The use of mystery shopping programs has evolved over the years. It first appeared in the United Kingdom and started to be used in the United States in early 1970's (Dwek, 1996). Business sectors that have traditionally used mystery shopping are retailing, financial services, fast food, leisure and automotive (Miller, 1998). Mystery shopping has evolved considerably and for example is now being recommended to all banks by federal regulatory and enforcement agencies such as Office of the Comptroller of the Currency (OCC), Federal Reserve, Federal Deposit Insurance Corp. (FDIC), Office of Thrift Supervision (OS), Department of Justice and Housing and Urban Development (HUD) (Leeds, 1995).

An increasing number of public sector organizations are also using mystery shopping to monitor service quality (Brown, Sopp & Gould, 1997). Telecommunications firms, public utilities, post offices, local governments are the new entries (Miller, 1998). The post office, for example, has a rolling program of checks on its counter services and deliveries.

With increasing emphasis on customer care, this once marginal marketing tool has moved into the mainstream (Dwek, 1996). In the last five years, the mystery shopping industry has doubled in size with an estimated annual revenue of $600 million (Jardins, 1999). Mystery shopping has changed dramatically in the past ten years from a hiring

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and firing technique used predominantly in restaurants (and mainly in the United States) to a "nurturing, learning tool" used almost anywhere that a service is delivered (Dwek, 1996, p.41). Mystery shopping as an industry is becoming increasingly sophisticated and has even established a trade association, the Mystery Shopping Provider Association, to promote communications within the industry.

Hospitality companies are among the businesses in the service sector which have been using mystery shopping programs for a long time. Comment cards, guest complaints and letters to management are also ways to measure service quality, but there are typically responses from guests who are either really upset or really happy, in addition, an intrinsic disadvantage in these measures is that a service failure can be detected only when it is too late to respond. In order to get a clear picture of how an average guest feels about the hotel or restaurant in a common service delivery interaction, most hotel and restaurant chains are using professional shopping firms to monitor their establishments on a regular basis (USA Today, 1995 May). Chain operators increasingly depend on mystery shopping programs to assess customer experience (Silver, 2000). More and more companies are writing mystery shopping programs into franchise agreements to monitor the consistency among franchises. Restaurant chains such as McDonald's , KFC, Burger King, Taco Bell all have regular mystery shopping programs in place (Silver, 2000). For example, McDonald's conducted about 22,000 mystery shopping visits in early 2002 as part of the chain's major push to upgrade operations (Zuber, 2002).

As the hotel market place grows more competitive, lodging properties need to compete more effectively through improved service quality, customer satisfaction and

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increased understanding about their competitors as well as themselves. More and more hotels are using mystery shopping as a tool to monitor their front line operations, assess and fine-tune customer service, and benchmark their competitors' performance.

Statement of the Problem

Despite the popularity of the practice of mystery shopping in the United States lodging industry and the important role it plays in monitoring service quality, little is known as to how mystery shopping is being undertaken in the lodging industry and how effective how it is perceived to be by hotel managers in improving service quality and customer satisfaction. Lodging properties need better understanding of mystery shopping to use this technique more effectively to achieve what it is meant to achieve: improved service quality and increased customer satisfaction to survive in today's ever competitive marketplace.

Statement of the Purpose

This study was conducted to gain insights into how mystery shopping programs are undertaken in the United States lodging industry and how these programs are perceived by hotel senior managers as a tool to monitor service quality.

Objectives of the Study

The objectives of this study were:

1. To find out the general practice of mystery shopping in the United States lodging industry.

2. To assess the effectiveness of mystery shopping perceived by hotel senior managers as a tool to measure service quality.

3. To determine whether there is a significant association between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties.

4. To identify the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers in evaluating service quality.

5. To determine whether there is a significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership.

6. To determine whether there is a significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers.

7. To explore issues related to the execution of a mystery shopping program such as justification of expenses incurred, employees' acceptance of the program, and linkage between a mystery shopping program and an employee incentive program.

8. To identify the "best practices" in administering a mystery shopping program.

Hypotheses

Based on the objectives of this study, the following null hypotheses were developed:

<u>Hypothesis 1</u>: H_0 = There is no significant association between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties.

Hypothesis 2: H_0 = There is no significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership.

Hypothesis 3: H_0 = There is no significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers.

Definitions Of Terms

Mystery Shopping: A technique that uses trained researchers to pose as average customers to monitor the processes and procedures used in the delivery of a service (Wilson, 1998).

Mystery Shopper: A person who acts like a customer of a business, but who is really evaluating the customer service of that company (Forte, 2001).

Lodging Industry: An industry that provides transient accommodations to travelers. It consists of such profit-oriented lodging properties as hotels, motels and inns (Dittmer, & Griffin, 1997).

Lodging Property: A lodging property may be defined as an establishment that charges a fee for providing furnished sleeping accommodations to persons who are temporarily away from home or who consider these accommodations their temporary or permanent homes. Many of these establishments also provide food, beverages, cleaning

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services, and a range of other services normally associated with travel and commonly sought by travelers (Dittmer, & Griffin, 1997).

Outline of Work

This study includes five sections. The first chapter is the introduction and describes the background of the topic, problem statement, objectives of the study and definition of the terms. The second chapter is a comprehensive review of the literature related to the research topic. The third chapter describes the methodology employed for this study. The fourth chapter reports the research findings. The fifth chapter summarizes the findings and provides a discussion on these findings. The fifth chapter also includes conclusions, from which recommendations for application and future research are identified.

CHAPTER II

REVIEW OF THE LITERATURE

Introduction

The purpose of this study was to find out hotel senior managers' perceptions of the mystery shopping practice in the United States lodging industry. The literature review is organized into three sections. The first section provides a brief review of mystery shopping in terms of its definition, and its use as an evaluative tool. The second section reviews the major research findings in the field of mystery shopping relevant to the objectives of this study. A summary is then followed to set the stage for the following chapter.

Overview of Mystery Shopping as a Research Technique

Definition of Mystery Shopping

Mystery shopping is a research technique that "uses researchers to act as customers or potential customers to monitor the processes and procedures used in the delivery of a service" (Wilson, 1998, p.414). In a mystery shopping, anonymous trained observers, who are called mystery shoppers, enter the outlet to be assessed posing as ordinary customers and experience a typical customer interactions with

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front-line employees (Cramp, 1994; Finn & Kayande, 1999). The mystery shoppers then complete structured reports to document their experience and observations and evaluate the outlet's service delivery performance against the pre-set standards the company is aiming to achieve (Grove & Fisk, 1992). The information gathered by mystery shoppers can be reported in the form of rating scales, checklists, open-ended responses and narratives (Finn & Kayande, 1999).

Use of Mystery Shopping as an Evaluative Tool

Mystery shopping is widely recognized as an effective tool to monitor service performance from a customer's perspective. The major benefit of mystery shopping is that it provides company the feedback about the customers' actual experience (Miller, 1998; Biere, 1998; Millstead, 1999). As a service provider, "you never see yourself the way others see you and the way others experience you....putting yourself in your customers' shoes" (Biere, 1998, p.30), the company is able to get insight into what is really happening in the everyday customer-employee interactions (Miller, 1998).

Wengel (1998) believes that compared with other customer satisfaction measurement techniques such as mail surveys, focus groups and interviews, a well-designed mystery shopping program conducted over an extended period of time is the most effective way to measure service quality. Biere (1998) reasons that this is because that mystery shopping is able to provide detailed and specific information on the performance behaviors of customer contact personnel. Miller (1998) further argues that of all the customer research methods, mystery shopping is the most actionable. This "snapshot" evaluation is able to help companies identify strengths and weakness of the companies' service that could be

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addressed by setting specific objectives for improvement (Gurney, 1998; Moore, 1999).

In addition, competitor mystery shopping, though a debate over its ethical aspect is ongoing, is widely used by many companies not only as an approach to benchmarking, but also stimulating improvement and innovation within their own companies (Stermberg, 1998).

Cobb (1997, p.17) identifies the following purposes of using mystery shopping programs as a research tool:

> "To identify whether known customer requirements are met;
> To measure and improve the effectiveness of staff training;
> To assess whether new initiatives, policies, promotions or
> enhancements agreed centrally have been carried out at branch
> level or whether communications need to be improved;
> As a basis for, or part of, a staff incentive scheme;
> To provide help to managers and staff to improve performance;
> To check that consistency of standards is being achieved
> across all branches of an organization;
> To benchmark competitors' standards and procedures."

Wilson (1998, p.417) summarizes the three main purposes of mystery shopping as the following:

> "To act as a diagnostic tool identifying failings and weak
> points in an organization's service delivery.
> To encourage, develop and motivate service personnel
> by linking with appraisal, training and reward mechanisms.
> To assess the competitiveness of an organization's
> service provision by benchmarking it against the
> offerings of others in an industry."

Bromage (2000) believes that a well designed and managed mystery shopping program provides important links with other company initiatives such as training, marketing and other forms of research.

Major Research Findings Related to the Objectives of This Study

Mystery Shopping in Maintaining Service Standards

Brown, Sopp and Gould (1997) states that mystery shopping applies a simple principle of evaluating a service by using it. Realizing that customers don't always speak up, many companies are taking proactive approach to evaluating customer service. Mystery shopping is considered a type of service audit that provides management an opportunity to evaluate employees' adherence to company's service and sales standards, knowledge, professionalism, courtesy and efficiency (Leeds, 1992; Gurney, 1998).

According to Wilson (1998), mystery shopping is being used to monitor the service delivery process rather than the outcomes of a service encounter. The mystery shopping program focuses on evaluating to what extent that the pre-set standards and procedures are followed by employees in their everyday service interactions. While service standards are set by head-office and senior management, the task of delivering these standards falls to individual customer contact staff. It is essential to have a measurement of adherence to these standards in place if an organization intends to communicate the expectations of management to customers through setting service and sales standards.

Mystery shopping can provide this measurement as it aims to collect facts rather than perceptions (Wilson, 1998). When a mystery shopper experiences a service encounter, he /she is able to evaluate the employee's friendliness and courtesy from his / her initial greeting, smile, eye contact and tone of voice. The mystery shopper can also assess the professionalism of the service provider by checking the suggestive-selling procedure,

ability to answer questions, attention to detail, checking-back procedures, attentiveness and closing remarks (Stefanelli, 1994).

According to Wilson (1998), a set of pre-determined standards is the prerequisite for successful mystery shopping. Biere (1998) also indicates that prior to implementing mystery shopping program, it is critical to establish clear goals for the shopping program and to determine the standards which employees are to be evaluated.

Leeds (1992) argues that mystery shopping program works best if it is an ongoing process. Reed and Miles (1995, p.26) further develop this idea by advocating a concept of "growing with mystery shopping". They suggest that companies start with a simple program and then build upon it based on actual needs. Previous mystery shopping results should be used to set a benchmark upon which to build. A mystery shopping program should change with its needs to reflect improved levels of employee skills. To ensure the continuity of the program, timely reports and communication of results on managers and those evaluated is essential (Reed and Miles, 1995). As noted by Biere (1998), industry statistics reveal that financial institutions that have implemented ongoing shopping programs have raised their level of performance more than twenty percent in a fifteen month period while those with sporadic programs have only small gains.

Wilson and Gutmann (1998) support this view by stating that the mystery shopping survey provides a framework for monitoring and measuring the level and consistency of the service performance. They also argue that in the short term, mystery shopping tends to lead to improvements in standards of services. However, in the longer term, the alertness of "being shopped" can wear off, leaving personnel complacent about their service and lacking motivation to take steps to improve further. To overcome this,

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standards need to be constantly updated and staff need to see the ultimate consequences and benefits of mystery shopping activity (Wilson,1998).

According to Leeds (1992), based on the results of a mystery customer survey, the standards attained by a particular company can be compared with standards attained by its competitors. Then, decisions can be made as to what new standards are realistic, achievable, and potentially most important in the competitive market. The information provided can be of considerable commercial benefit to company.

Wilson (1998) suggests that mystery shopping can also be used to trace the key elements in an organization's service delivery process and help determine how and where capital, technical and human resource to be allocated. Decisions on actions relating to internal process and competencies are backed by information from a customer viewpoint rather than being based solely on an operational or management perspective. McLuhan (2000) also believes that mystery shopping programs can help management direct resources more effectively by providing a better understanding of customers' needs and preferences.

Mystery Shopping in Staff Development / Training

Literature (Cobb, 1997; Erstad, 1998; Cohen, 1999) suggests that employees should be informed in advance when their employers are planning to launch mystery shopping program. Objectives of the programs and standards the evaluation based on should be clearly communicated to employees before initiating the program. Employees should also be advised about how the results would be reported and used. Prior knowledge that a mystery shopping program is in use eliminates confusion on the part of employees and

gives employee an opportunity to consciously raise their level of service and keep themselves on their toes (Miles, 1993; Moore, 1999).

Many researchers (Leeds, 1992; Erstad, 1998; Cobb, 1999; Cohen, 1999; McLuhan, 2000; Bare, 2000) agree that mystery shopping can be used as a motivational tool by linking it with employee recognition / incentive programs. Wilson (1998) claims that mystery shopping as a motivational tool certainly has an impact, at least a short-term one, on employees. Literature (Leeds, 1992; Erstad, 1998; Cobb, 1999; Cohen, 1999; Mcluhan, 2000) generally indicates that the results of mystery shopping program should be used in a positive way to recognize good performers by "catching the employee doing something right". This positive reinforcement can help build employee loyalty and morale. Erstad (1998, p.37) emphasizes the importance of timeliness of the recognition because "immediate feedback captures the contact employees' attention and serves as a powerful motivational tool as the participants in the shopping programs see directly what behavior is rewarded."

Many researchers (Cramp, 1994; Cobb, 1997; McLuhan, 2000) suggest that mystery shopping results should be used to identify training needs and develop staff through coaching and training rather than take disciplinary action against the employee concerned. McLuhan (2000) claims that it is counter-productive to create an atmosphere of fear among employees. The objective is to give staff a chance to shine, not to put them under stress (Cohen, 1999). As mystery shopping is somewhat a "snapshot" of an employee's performance, the results should not be used as the sole basis for a performance appraisal (Erstad, 1998; Moore, 1999). Some literature (Cramp, 1994; Dorman, 1994) even suggests that the mystery shopping results should be depersonalized

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with no identification of staff and no follow-up victimization in that employees are not able to focus on serving customers if they are worried about losing their jobs.

Competitive Mystery Shopping

As noted by Dawson and Hillier (1995), mystery shopping programs are increasingly being used to benchmark the performance of competitors or even outlets in other industry sectors which might provide a performance standard. Over one third of the companies responded to their survey in 1995 indicated that they had competitor programs in place. Although the exact balance between own-company and competitor mystery shopping is unknown, many companies extended their coverage to their competitors. Very few companies conduct competitor-only mystery shopping programs.

The popularity in using competitor mystery shopping prompted ethical questions (Miles, 1993). There is currently a debate over whether and how competitor mystery shopping should be approached and what guidelines should be established by governing bodies (Dawson & Hillier, 1995). Some professionals (Marketing, 1994) contend that it is not appropriate to conduct competitor mystery shopping as it wastes competitor's time and resources when they are meant to be used for serving actual customers whilst ome believed that competitor mystery shopping is a good way to benchmark performance as long as the shopping is conducted in an acceptable way. The Marketing Research Society Code of Conduct (Marketing Research Society, 1994) specifies that mystery shopping should not involve an unreasonable amount of time or expense on behalf of the organization being researched. it is generally agreed that competitor mystery shopping should be conducted in a way not to disrupt competitors' operations and ideally it should

result in a purchase being made (Cobb, 1997). In addition, mystery shoppers should be making tentative enquiries rather than positioning themselves as serious sales lead (Wilson, 1998).

According to the study conducted by Finn and Kayande (1999), mystery shopping is a more cost effective way than customer surveys to collect reliable data to compare the service provided by competitors. Cohen (1999) suggests that the same evaluation form can be used for mystery shopping your own outlet and competitors. Using standardized measures allows a more objective view of the performance of both own establishment and competitors. The benchmarking can reveal how the company measure up against its competitors: better, about the same, or worse. In addition, it can help identify the competitors' best and worst practices and provide the company with ideas as to how to improve. Leeds (1995) believes that competitor mystery shopping helps build customer satisfaction, deeper product usage and higher customer retention, which translates to increased profits.

Summary

This part of the thesis reviewed the related literature regarding mystery shopping. It includes the review of the definition of mystery shopping and its use as an evaluative tool. Major research findings regarding mystery shopping in maintaining service standards, staff development and training and competitor shopping are also reviewed.

Despite the popularity of mystery shopping in the United States lodging industry, little literature is available to present a clear picture as to what is really happening in the industry and how mystery shopping is generally approached by hospitality

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establishments. With intensified competition in the market area, service providers are increasingly focusing on customer care. Therefore, it is important to understand mystery shopping from lodging operators' perspective so as to provide guidance for more effective use of this technique in the future to monitor service quality.

CHAPTER III

METHODOLOGY

Chapter Overview

This study aimed at examining how mystery-shopping programs are undertaken in the United States lodging industry and how these programs are perceived by hotel operators as a tool to improve service quality. The objectives of this study were to uncover facts related to the current mystery shopping practice in the lodging industry, to evaluate the effectiveness perceived by hotel senior managers of using mystery shopping as a tool to assess service quality, and to identify the "best practices" administering a mystery shopping program. In this study, hotel general managers / financial controllers were asked to share their perceptions regarding mystery shopping as individuals in these two positions usually initiate mystery shopping programs on the properties. This chapter describes the research design, instrument, sampling procedures and data analysis.

Research Design

To uncover how mystery shopping is being undertaken in the United States lodging industry and how it is perceived by hotel senior managers as a tool to improve service quality, a cross-sectional descriptive study was carried out based on a structured and self-administered questionnaire survey.

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A questionnaire instrument was developed based on the literature review and the objectives of the study. The questionnaire was reviewed by the Institutional Review Board (IRB) at Oklahoma State University and an approval from the IRB was subsequently obtained to carry out the survey (see Appendix A). A cover letter (see Appendix B) was also created to be mailed out together with the questionnaire.

The questionnaire instrument (see Appendix C) consisted of four sections with a total of 16 questions related to the information concerning current mystery shopping practices, senior hotel managers' perceptions of the effectiveness of mystery shopping in monitoring service quality, execution of mystery shopping programs, and respondents' preferences in terms of report form, shopping focus (service quality vs. asset control) and type of mystery shoppers.

The first section was designed to obtain facts related to current mystery shopping practices. It was comprised of 11 questions such as the nature of the hotel ownership, availability of the mystery shopping program, frequencies of the mystery shopping programs, type of mystery shoppers, purposes of internal mystery shopping and competitive mystery shopping and likelihood of continuing the mystery shopping practice.

The second section measured hotel general managers and financial controllers' perceptions of the effectiveness of mystery shopping in monitoring service quality. The respondents were asked to rate the level of effectiveness of mystery shopping on 14 attributes of service quality using a five-point Likert scale ranging from 'very effective – 5' to 'ineffective – 1'. These fourteen attributes were developed based on the five

dimensions of service quality identified by Parasuraman, Zeithaml and Berry (1988). These dimensions are: "(1) Tangibles: physical facilities, equipment and appearance of personnel. (2) Reliability: ability to perform the promised service reliably and accurately. (3) Responsiveness: willingness to help customers and provide prompt service. (4) Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence. (5) Empathy: caring, individualized attention provided to customers" (Parasuraman, Zeithaml, & Berry, 1988, p.16).

The service quality measurement scale (SERVQUAL) developed by Parasuraman et al. (1988) based on these five dimensions has been widely used in research to measure service quality. In this study, fourteen attributes of service quality applying to lodging industry were developed based on this instrument. These fourteen attributes included "employees' grooming", "quality of food and beverage", "adherence to corporate standards", "accuracy and promptness of service", "employees' job knowledge", "courtesy demonstrated by employees", "employees' ability to convey trust and confidence to customers", "employees' ability to help customers", "personalized and individual attention to customers", "employee's suggestive selling skills", "employees' responsiveness to problems encountered by customers", "employees' adherence to cash handling procedures" and "employees' adherence to asset control procedures".

The third section was designed to ask hotel general managers and financial controllers to rate their level of agreement with each of nine statements related to the issues regarding the execution of a mystery shopping program, on a five-point Likert scale ranging from 'strongly agree - 5' to 'strongly disagree – 1'. Literature review suggests that the issues addressed in these nine statements are essential to successful execution of

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a mystery shopping program. Examples of these statements include: "Staff embrace the practice of mystery shopping in a positive way"; "Staff should be informed in advance before implementing the program"; "It is essential to link the mystery shopping program with a staff recognition / incentive program", and "It is acceptable that our competitors 'shop' our property".

The fourth section asked respondents about their preferences in terms of report form of mystery shopping results, mystery shopping focus (service quality vs. asset control) and preferred type of mystery shoppers. For the question concerning mystery shopping focus, the respondents were asked to rate a preferred mystery shopping program on a scale of 1 to 10, where 1 is a program that focuses exclusively on guest service & hospitality issues and 10 is a program spent entirely on cash handling & asset control.

The questionnaires were printed in two different colors (white and ivory) to differentiate the responses from hotel general managers and financial controllers. The questionnaires in white color were sent to general managers and the questionnaires in ivory were sent to the financial controllers. The names and the titles of the subjects were pre-obtained through telephone calls, therefore, it would have been redundant to include a question in the instrument asking for respondent's title.

The instrument was reviewed by a professional hospitality mystery shopping firm and three hotel general managers / financial controllers for content validity. Subsequent revisions were made to reflect their comments and recommendations. Additional questions of particular interest to the review group were also incorporated into the instrument.

Sample

The target population of this study was general managers and financial controllers in the hotels with three hundred rooms or more in the United States as identified in the database used by the researcher for this study. Comments from the executives in some hospitality mystery shopping firms revealed that hotel general managers and financial controllers were usually responsible for initiating or coordinating mystery shopping programs on the property. Hotels with three hundred rooms or more are likely to have both of these two positions.

Procedures

A simple random sampling procedure was followed to select samples for this study. A database containing the information of hotels across the nation was used to derive the samples. This database has records of 22,715 hotels providing information such as a hotel's name, address, total number of rooms, telephone number, fax number and etc. All the hotels with three hundred rooms or more, which totaled to 1,339, were first derived from the database. These hotels were listed alphabetically according to the cities in which they are located. Each hotel was assigned a serial number running from "1" to "1,339". Due to the concern of the costs involved in conducting the survey, only five hundred hotels would be selected from this derived population to be included in this study. A list of computer-generated random numbers using the function of "random number generation" in Microsoft Excel was used to select the five hundred hotels from this group of 1,339 hotels with 300 rooms or more. Again, these randomly selected five hundred hotels were listed alphabetically according to the cities in which they are located.

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These hotels were re-assigned serial numbers running from "1" to "500" to organize the records. In order to include the equal number of general managers and financial controllers in the sample, Half of the hotels (n=250) were then selected at random from these five hundred hotels for survey of individuals in the position of general manager with the remaining two hundred and fifty hotels for the position of financial controller. This sampling was achieved by following such a procedure: two hundred and fifty hotels were randomly selected from these five hundred hotels using a list of computer-generated random numbers applying the function of "random number generation" in Microsoft Excel. By flipping a coin, the position of the general manager was decided to be the position that would be surveyed in these selected two hundred and fifty hotels. The remaining two hundred and fifty hotels were then used to survey individuals in the position of financial controller. Thirty seven hotels were dropped from consideration due to closing, closing for renovation, seasonal nature of the property or incorrect contact information.

Data was collected using a structured and self-administered mail survey. To personalize the survey inquiry, the names of the individuals were acquired through telephone calls to the properties. Personalized cover letters together with the questionnaires were sent out by mail in November, 2001. A follow-up postcard mailing to non-respondents was then conducted in January, 2002 to emphasize the importance of the study. A web-based survey was also set up at the follow-up stage to provide an alternative way for the subjects to respond.

Returned questionnaires were numbered and coded before being entered into the computer.

Data Analysis

The data collected was entered into a computer. Data were analyzed by using Statistical Package for Social Sciences 10.0 (SPSS, 1999). Standard statistical procedures, such as frequency, mean, factor analysis, cross-tabulation, analysis of variance (ANOVA) and independent sample t-test were used to analyze the data. Frequency was used to allow the patterns of mystery shopping practice in the United States lodging industry to merge. Means of the effectiveness scores were calculated to assess how effective mystery shopping was perceived to be by hotel senior managers in evaluating service quality. Cross-tabulation was used to determine whether there is a significant relationship between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties. Factor analysis was applied to identify the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers in evaluating service quality and to group the fourteen service quality attributes into several factors. The factor scores were then used to perform other statistical techniques such as ANOVA and independent sample t-test. ANOVA was performed to determine whether there is a significant relationship between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership. Independent sample t-test was performed to identify whether there is a significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers. The mean scores were calculated to determine hotel senior managers'

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perceptions of issues related to the execution of a mystery shopping program such as justification of expenses, and employees' acceptance of the program. Frequencies and means were also calculated to identify a profile of a mystery shopping program preferred by hotel senior managers.

The results were reported in Chapter IV.

Limitation of the Study

The generalizability of the findings may be limited by the sample size. In addition, only the general managers and financial controllers on the property level were included in the survey, their perceptions may not necessarily represent that of corporate office personnel who initiate almost half of the mystery shopping programs and that of front line employees who are actually involved in the program.

CHAPTER IV

RESULTS

Introduction

This study intended to find out how mystery shopping was perceived by hotel senior managers as a tool to measure service quality. The objectives of this study were to examine the current mystery shopping practices in the lodging industry, to determine the effectiveness of mystery shopping perceived by hotel general managers and financial controllers and to determine whether there is a significant difference of the perceived effectiveness between these two groups, and to identify a profile of a mystery shopping program preferred by hotel senior managers.

Data was obtained using the research instrument described in Chapter III. This chapter was developed to present the findings of the research. The issues addressed in this chapter include: response rate, profile of the hotels represented by respondents, current mystery shopping practice in the industry, competitive mystery shopping, hotel senior managers' perceptions of the effectiveness of mystery shopping as a tool to assess service quality, the execution of a mystery shopping program, and preferred mystery shopping programs.

Response Rate

A total of 463 questionnaires were distributed. With the original plan of evenly distributing the questionnaires between the general managers / financial controllers in the randomly selected hotels, the actual number (235) of the questionnaires distributed to the general managers was slightly more than that (228) of the questionnaires distributed to the financial controllers. The slight disparity was because that some hotels were dropped due to closing, closing for renovation, seasonal nature of the property or incorrect contact information and that some of the properties originally selected for surveying financial controller positions preferred to give out their general managers' names rather than the names of the financial controllers when phone calls were made to inquire for names. Five questionnaires were undeliverable due to a wrong address or a change of address. This resulted in an effective sample of 458.

A total of 82 completed questionnaires were returned with 70 received after initial mailing and 12 received after follow-up procedure was taken, no web-based response was received. This resulted in a raw response rate of 17.7% based upon the total number (N=463) of questionnaires distributed. Taking the five undeliverable questionnaires into consideration, the adjusted response rate was 17.9%. Among the 82 questionnaires returned, 52 responses were from the general managers with the remaining 30 from the financial controllers.

The data collected provides a glimpse of the current mystery shopping practices in the United States lodging industry and senior hotel managers' perceptions of its effectiveness as a tool to monitor and improve service quality. Table I shows the results of the response rate.

TABLE I

RESPONSE RATE

	GM[5]	FC[6]	Total
(A) Sample size	235	228	463
(B) Number of undeliverable mails	4	1	5
(C) Percentage of undeliverable mails[1]	1.7%	0.4%	1%
(D) Effective sample size[2]	231	227	458
(E) Questionnaires returned	52	30	82
(F) Raw response rate[3]	22.1%	13.2%	17.7%
(G) Adjusted response rate[4]	22.5%	13.2%	17.9%

Notes: [1]C = B/A [2]D = A-B [3]F =E/A [4]G = E/D
[5]GM refers to hotel general managers
[6]FC refers to hotel financial controllers

The Profile of the Hotels Represented by the Respondents

Among the respondents, fifty-two are general managers with the remaining thirty being financial controllers. The characteristics of the hotels these individuals represented are shown in Table II.

The majority of the hotels (79.3%) the respondents represent are brand-affiliated properties. The hotels include the corporate owned and managed hotels (34.1%), independently owned and corporate managed hotels (25.6%), franchise and independently owned hotels (12.3%), and franchise and management contract (7.3%). Only 20.7% of the respondents are from independently owned and operated hotels.

Among these hotels, nearly half of which are commercial hotels (48.1%) with the remaining half being resort hotels (21.0%), convention hotels (19.8%), casino hotels (5.0%), all-suite hotels (1.2%), extended-stay / residential hotels (1.2%) and hotels other than the above (3.7%).

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TABLE II

PROFILE OF THE HOTELS REPRESENTED BY RESPONDENTS

Characteristics	f	p (%)
Ownership of the hotel		
Corporate owned and managed	28	34.1
Independently owned and corporate managed	21	25.6
Franchise and independently owned	10	12.3
Franchise and management contract	6	7.3
Independently owned & operated	17	20.7
Total	82	100.0
Classification of the hotel		
Commercial hotel	39	48.1
Convention hotel	16	19.8
All – suite hotel	1	1.2
Extended – stay / residential hotel	1	1.2
Casino hotel	4	5.0
Resort hotel	17	21.0
Other	3	3.7
Missing	1	1.2
Total	81	100.0

Current Mystery Shopping Practice in the Lodging Industry

Hotel Ownership and Existence of Mystery Shopping Programs

The respondents indicate that the majority of the hotels (86.6%) use the practice of mystery shopping.

Hypothesis 1

H_0 = There is no significant association between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties.

H_a = There is a significant association between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties.

Cross tabulation with Chi Square is performed to test Hypothesis 1. The results indicate that there is no significant association between the mystery shopping offered or not offered at the hotel properties and the nature of the ownership of these properties. Therefore, the researcher fails to reject Null Hypothesis 1. However, the distribution of frequencies indicate that chain-affiliated hotels are more likely to have mystery shopping programs in place than individually owned or managed hotels (see Table III).

The respondents report that the majority (92.9%) of the corporate owned and managed hotels have mystery shopping programs in place. Mystery shopping is also a common practice in independently owned and corporate managed hotels as 90.5% of respondents from this type of hotels report that they have mystery shopping programs in place or plan to do so in the near future. Franchise and independently owned hotels are also found to be active in mystery shopping with 90.0% having mystery shopping programs in place. More than eighty percent (83.3%) of the respondents from hotels operated through franchise and management contract report that the hotels are practicing or planning to roll out mystery shopping programs in the near future. Compared with brand-affiliated properties, only 58.8% of the respondents from independently owned and operated hotels report that the hotels are currently practicing mystery shopping.

TABLE III

HOTEL OWNERSHIP AND EXISTENCE OF MYSTERY SHOPPING PROGRAMS

Nature of the Hotel Ownership	Yes (%)	No, but plan to do so in future (%)	No (%)	Total (%)
Corporate owned and managed	92.9	0.0	7.1	100.0
Independently owned and corporate managed	85.7	4.8	9.5	100.0
Franchise and independently owned	90.0	0.0	10.0	100.0
Franchise and management contract	66.7	16.6	16.7	100.0
Independently owned & operated	58.8	11.8	29.4	100.0

$X^2 = 11.459$ $p \le 0.177$

Initiators of Mystery Shopping Programs

The respondents report that half (45.0%) of the hotels' mystery shopping programs are initiated by corporate offices and the other half initiated at property level by either general managers (30.4%), financial controllers (20.3%) and others (4.3%) such as owners or long-staying guests.

Frequencies of Mystery Shopping Programs

Nearly one third of the respondents (32.4%) report that the mystery shopping programs in their hotels are usually conducted on a quarterly basis. The other reported frequencies of the mystery shopping programs are evenly distributed among monthly (20.6%), bi-annually (20.6%) and on an "as-needed" basis (19.0%). Only 7.4% of the respondents report the programs in their hotels are conducted annually.

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<u>Types of Mystery Shoppers</u>

The majority (90.0%) of the respondents indicate that their hotels hire mystery shopping firms to administer the programs with the remainder using corporate office personnel (7.2%), individual contracted mystery shoppers(1.4%) or a combination of the above (1.4%).

Table IV illustrates above results.

TABLE IV

PROFILE OF MYSTERY SHOPPING (MS) PROGRAMS

Initiator of MS programs	<u>f</u>	<u>p</u> (%)
Corporate office	31	45.0
General Manager of the property	21	30.4
Financial Controller of the property	14	20.3
Other	3	4.3
Total	69	100.0
Frequency of MS programs	<u>f</u>	<u>p</u> (%)
Monthly	14	20.6
Quarterly	22	32.4
Bi-annually	14	20.6
Annually	5	7.4
On an "as-needed" basis	13	19.0
Total	68	100.0
Mystery Shoppers used	<u>f</u>	<u>p</u> (%)
Corporate office personnel	5	7.2
Selected customers / individually hired	1	1.4
Mystery shopping firms	62	90.0
Other	1	1.4
Total	69	100.0

Purposes of Mystery Shopping Programs

The top two primary purposes of mystery shopping revealed in this study are to evaluate service quality and monitor cash handling & asset control procedures followed by the other three purposes such as assessing customer satisfaction, monitoring property's adherence to corporate standards and assessing physical condition of the property (see Table V).

TABLE V

RANKINGS FOR THE PURPOSES OF MYSTERY SHOPPING

Purpose	p(%)							
	1	2	3	4	5	n	M	SD
Evaluating service quality	58.6	28.6	11.4	1.4	0.0	70	1.56	.75
Monitoring cash handling and asset control	37.7	20.3	11.6	15.9	14.5	69	2.49	1.49
Assessing customer satisfaction	10.3	26.5	32.4	25.0	5.9	68	2.90	1.08
Monitoring property's adherence to corporate standards	13.4	17.9	28.4	20.9	19.4	67	3.15	1.31
Assessing physical condition of the property	2.9	4.4	16.2	27.9	48.5	68	4.15	1.04
Valid N (listwise)						67		

Note: The respondents were asked to rank the purposes in order of priority (1=highest to 5=lowest).

Likelihood of Continuing Mystery Shopping Practice

The majority of the respondents (87.0%) report that their hotels will definitely or very probably continue to practice mystery shopping (see Table VI).

TABLE VI

LIKELIHOOD OF CONTINUING MYSTERY SHOPPING PRACTICE

		f	p (%)	Valid P (%)	Cumulative p (%)
Valid	Definitely	39	47.6	56.5	56.5
	Very probably	21	25.6	30.4	87.0
	Probably	5	6.1	7.2	94.2
	Possibly	3	3.7	4.3	98.6
	Probably not	1	1.2	1.4	100
	Total	69	84.1	100.0	
Missing		13	15.9		
Total		82	100.0		

Competitive Mystery Shopping

Likelihood of Being Shopped by Competitors

Most respondents (86.6%) believe that their hotels possibly have been "shopped" by their competitors (see Table VII) and they show a relatively high level of acceptance of being "shopped" by their competitors (M=3.77). In the meantime, the results also suggest that hotel senior managers believe it is necessary for them to "shop" their competitors (M=3.99).

TABLE VII

LIKELIHOOD OF BEING SHOPPED BY COMPETITORS

		f	p (%)	Valid P (%)	Cumulative p (%)
Valid	Definitely	17	20.7	20.7	20.7
	Very probably	22	26.8	26.8	47.6
	Probably	24	29.3	29.3	76.8
	Possibly	8	9.8	9.8	86.6
	Probably not	5	6.1	6.1	92.7
	Very probably not	6	7.3	7.3	100.0
	Total	82	100.0	100.0	

Purposes of Competitive Mystery Shopping

The top two primary purposes of the competitive mystery shopping identified by the respondents are that competitive hotels want to find out who their clients / customers are and the prices they are charging. Other purposes of competitive mystery shopping include finding out the shopped hotel's sales and promotional offerings and evaluating the shopped hotel's service quality. Table VIII illustrates the results.

TABLE VIII

RANKINGS FOR THE PURPOSES OF COMPETITIVE MYSTERY SHOPPING

Purpose	p(%)				n	M	SD
	1	2	3	4			
Finding out competitive property's clients / customers	38.5	33.3	17.9	10.3	78	2.00	.99
Finding out competitive property's pricing	43.0	27.8	11.4	17.7	79	2.04	1.13
Finding out competitive property's sales and promotional offerings	11.5	20.5	42.3	25.6	78	2.82	.95
Evaluating competitive property's service quality	19.2	19.2	20.5	41.0	78	2.83	1.17
Valid N (listwise)					78		

Note: The respondents were asked to rank the purposes in order of priority (1=highest to 5=lowest).

Types of Competitive Mystery Shoppers

Unlike the internal mystery shopping programs being carried out formally by mystery shopping firms, the data indicates that most of the competitive mystery shopping (79.5%) are usually conducted by the management personnel from the competing hotels (see Table IX).

TABLE IX

COMPETITIVE MYSTERY SHOPPERS

	Competitive Mystery Shoppers	f	p (%)	Valid p (%)
Valid	Management personnel from Competitive properties	62	75.6	79.5
	Individuals hired by competitive properties	8	9.8	10.3
	Mystery shopping firms	8	9.8	10.3
	Total	78	95.1	100.0
Missing		4	4.9	
Total		82	100.0	

Hotel Senior Managers' Perceptions of the Effectiveness of Mystery Shopping

as a Tool to Assess Service Quality

Effectiveness of Mystery Shopping as a Tool to Monitor Service Quality

The findings indicate that hotel senior managers perceive mystery shopping as an effective tool to evaluate service quality. The means of all the attributes are above 3.5 with the lowest being 3.56. The top five highly rated attributes are: "courtesy demonstrated by employees" (M=4.27), "accuracy and promptness of service" (M=4.24), "employees' ability to convey trust and confidence to customers" (M=4.19), "employees'

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willingness to help customers" (M=4.07), and "personalized and individual attention to customers" (M=4.02).

Another interesting finding is that the two attributes concerning "hard" standards of service quality are rated relatively low, for example, "employees' grooming" (M=3.62) and "adherence to corporate standards" (M=3.70). Intuitively, these two attributes seem to be easy to evaluate as they are either visible or have detailed standards to evaluate against, the findings however prove otherwise.

Table X illustrates the mean and standard deviation of each attribute.

TABLE X

EFFECIVENESS ATTRIBUTES FOR SERVICE QUALITY EVALUATION

Attributes	n	M	SD
Employees' grooming	81	3.62	1.17
Quality of food and beverage	81	3.98	.85
Adherence to corporate standards	79	3.70	1.03
Accuracy and promptness of service	80	4.24	.66
Employees' job knowledge	81	3.84	.86
Courtesy demonstrated by employees	81	4.27	.69
Professionalism demonstrated by employees	81	4.19	.76
Employees' ability to convey trust and confidence to customers	81	3.74	.88
Employees' willingness to help customers	81	4.07	.83
Personalized and individual attention to customers	81	4.02	.84
Employees' suggestive selling skills	81	3.86	.74
Employees' responsiveness to problems encountered by customers	81	3.90	.80
Employees' adherence to cash handling procedures	81	3.84	1.08
Employees' adherence to asset control procedures	81	3.56	1.10
Valid N (listwise)	78		

Dimensions of Perceived Effectiveness of Mystery Shopping

A factor analysis using the VARIMAX rotation method is employed to group the 14 effectiveness attributes into smaller groups sharing common factors. As a general rule for factor analysis, the minimum is to have 5 observations per variable (Hair, Anderson, Tatham, & Black, 1998). In this study, the minimum has been exceeded. Component analysis of factors having eigenvalues equal or greater than 1 and having factor loading equal or greater than 0.50 are considered significant in this study. Three factors are extracted and are labeled as "soft standards", "asset control" and "hard standards" respectively. Table XI summarizes the results of the factor analysis with the values for the three rotated factor patterns and the internal reliability of the factors represented by Alpha coefficients.

TABLE XI

FACTOR ANALYSIS OF EFFECTIVENESS ATTRIBUTES

Principal Factor Analysis Using Varimax Rotation

| | Rotated Factor Pattern | | |
	Factor 1 Soft Standards	Factor 2 Asset Control	Factor 3 Hard Standards
Courtesy	.874		
Willingness to help customers	.828		
Professionalism	.791		
Personalized and individual attention	.786		
Responsiveness to problems	.690		
Convey trust and confidence	.684		
Job knowledge	.677		
Suggestive selling skills	.664		
Accuracy and promptness of service	.591		
Adherence to cash handling procedures		.913	
Adherence to asset control procedures		.909	
Adherence to corporate standards			.759
Quality of food and beverage			.671
Staff grooming			.532
Cronbach's coefficient alpha	.9073	.8800	.5843
Eigenvalue	6.081	1.965	1.202
Total variance explained (%)	43.434	14.034	8.585
Total cumulative variance explained (%)			66.054

The first factor with the largest eigenvalue (6.081) and the greatest reliability (coefficient = 0.91) contains attributes associated with "soft" standards for service quality. Attributes include "accuracy and promptness of service", "employees' job knowledge", "courtesy demonstrated by employees", "professionalism demonstrated by employees", "employees' ability to convey trust and confidence to customers", "employees' willingness to help customers, personalized and individual attention to customers", and "employees' suggestive selling skills".

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The second group (factor 2) is labeled as "asset control" since the two attributes included in this group are asset control related items such as "employees' adherence to cash handling procedures" and "employees' adherence to asset control procedures".

Items in factor 3 appear to have a certain level of association with "hard" standards for service quality. Examples were "employees' grooming", "quality of food and beverage", and "adherence to corporate standards".

Relationship between Effectiveness Factors and Hotel Ownership

Hypothesis 2:

H_0 = There is no significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership.

H_a = There is a significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership.

One-way ANOVA is performed to test Hypothesis 2 (see Table XII). The results show that there is a significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership. Therefore, the Null Hypothesis 2 is rejected. The post hoc analysis reveals that the senior managers of brand-affiliated hotels perceive cash handling and asset control to be a more effective use of mystery shopping than their counterparts at independently owned and operated hotels. F (4, 73) = 5.765, p < .05. Table XIII provides the details.

TABLE XII

RELATIONSHIP BETWEEN EFFECTIVENESS FACTORS

AND HOTEL OWNERSHIP

Factor		SS	df	MS	F	Sig.
Soft Standards	Between Groups	4.863	4	1.216	1.230	.306
	Within Groups	72.137	73	.988		
	Total	77.000	77			
Asset Control	Between Groups	18.485	4	4.621	5.765	.000*
	Within Groups	58.515	73	.802		
	Total	77.000	77			
Hard Standards	Between Groups	2.874	4	.719	.708	.589
	Within Groups	74.126	73	1.015		
	Total	77.000	77			

* Significant at the .05 level.

TABLE XIII

POST HOC ANALYSIS (TUKEY'S TEST)

Independent Variable	(I) Hotel Ownership	(J) Hotel Ownership	Mean Difference (I-J)	SE	Sig.
Asset Control	Independently owned& operated	Corporate owned & managed	-.9842539*	.2883157	.009
		Independently owned and corporate managed	-1.3763058*	.3058050	.000
		Franchise and independently owned	-.6339559	.3655068	.420
		Franchise and management contract	-.3813206	.4324735	.903

* Significant at the .05 level.

Relationship between Effectiveness Factors and the Positions of the Respondents

Hypothesis 3:

H_0 = There is no significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers.

H_a = There is a significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers.

Independent sample t-test is performed to test Hypothesis 3. The results show that there is no significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers (see Table XIV). Therefore, the researcher fails to reject Null Hypothesis 3.

TABLE XIV

RELATIONSHIP BETWEEN EFFECTIVENESS FACTORS

AND THE POSITIONS OF THE RESPONDENTS

Factor		SS	df	MS	F	Sig.
Soft Standards	Between Groups	.289	1	.289	.286	.594
	Within Groups	76.711	76	1.009		
	Total	77.000	77			
Asset Control	Between Groups	.376	1	.376	.373	.543
	Within Groups	76.624	76	1.008		
	Total	77.000	77			
Hard Standards	Between Groups	2.356	1	2.356	2.399	.126
	Within Groups	74.644	76	.982		
	Total	77.000	77			

Execution of Mystery Shopping Programs

Issues Related to the Execution of Mystery Shopping Programs

The results show that hotel senior managers believe the results of mystery shopping reports justify the expenses incurred by implementing mystery shopping programs (M=3.98).

The results indicate that hotel senior managers don't necessarily believe that staff embrace the practice of mystery shopping in a positive way (M=3.24) and they also don't necessarily think that a mystery shopping program should be linked with a staff recognition / incentive program (M=3.24).

Unlike most of the literature (Miles, 1993; Cobb, 1997; Erstad, 1998; Cohen, 1999; Moore, 1999) which suggest that employees should be informed in advance before the employers are planning to launch the mystery shopping programs, the results reveal that hotel senior managers are somewhat neutral about this approach (M=3.06).

Table XV illustrates the above details.

TABLE XV

ISSUES RELATED TO THE EXECUTION OF

MYSTERY SHOPPING PROGRAMS

Statement	n	M	SD
Necessity of shopping competitors	82	3.99	1.04
Justification of expense	82	3.98	.92
Acceptance of competitive mystery shopping	82	3.77	.92
MS is the most effective tool to monitor cash handling / asset control procedures	82	3.52	1.09
MS is the most effective tool to evaluate suggestive selling skills and initiatives	82	3.35	.81
MS is the most effective tool to monitor service quality	82	3.26	.97
Staff embrace the practice of MS in a positive way	82	3.24	.92
Link MS program with staff recognition / incentive program	82	3.24	1.01
Staff should be informed in advance	82	3.06	1.54
Valid N (listwise)	82		

Differences in Perceptions between General Managers and Financial Controllers

A series of two-tailed independent sample t-test are performed to test whether there is significant difference between general managers and financial controllers in their ratings of these statements. The output indicates that there is no significant difference between general managers and financial controllers in their level of agreement about these statements. Only one statement ("It is acceptable that our competitors "shop" our property") shows a significant difference ($t=2.314$, $p<.023$) between general managers and financial controllers. Financial controllers shows less acceptance ($M=3.94$) towards competitive mystery shopping as compared with general managers ($M=3.47$).

Table XVI provides the details of above results.

TABLE XVI

RESULTS OF THE INDEPENDENT SAMPLES T-TEST

Statement	T	df	Sig. (2-tailed)	Mean Difference (GM-FC)
Staff embrace the practice of MS in a positive way	1.843	80	.069	.38
Staff should be informed in advance	1.626	80	.108	.57
Link MS program with staff recognition /incentive program	.977	80	.332	.23
Acceptance of competitive mystery shopping	2.314*	80	.023	.48
Justification of expense	1.584	80	.117	.33
Necessity of shopping competitors	.802	80	.425	.19
MS is the most effective tool to monitor service quality	-.547	80	.586	-.12
MS is the most effective tool to monitor cash handling / asset control procedures	.362	80	.718	9.10E-02
MS is the most effective tool to evaluate suggestive selling skills and initiatives	-.677	80	.500	-.13

* Significant at the .05 level.

Preferred Mystery Shopping Programs

Preferred Mystery Shopping Report Format

Nearly half of the respondents (48.1%) indicate that they prefer the results of a mystery shopping to be reported in a narrative /story-telling format. This finding supports the earlier literature that mystery shopping is a tool to monitor the service delivery process rather than the outcomes of a service encounter (Wilson, 1998). The objective of the mystery shopping program is to know what is happening (process) during the front-line employee interaction with the customer rather than the customer's overall evaluation (outcome) of the service quality. Table XVII shows the details.

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TABLE XVII

PREFERRED MYSTERY SHOPPING REPORT FORMAT

Report Format	f	p(%)	Valid p(%)
Checklist	12	14.6	15.2
Numerical rating scales	18	22.0	22.8
Narrative	38	46.3	48.1
Combination	11	13.4	13.9
Missing	3	3.7	0.0
Total	82	100.0	100.0

Focus of Mystery Shopping Programs

The results reveal that a balanced mystery shopping program is preferred by lodging operators. On a scale of 1 to 10, where 1 is a mystery shopping program that focuses exclusively on guest service & hospitality issues and 10 is a program spent entirely on cash handling & asset control, the average respondent rating is 4.75, which indicates that the hotel managers expect a balanced mystery shopping program to address both the customer service and asset control issues with a slightly more focus on customer service. An independent sample t-test is performed to compare the mean scores of general managers and financial controllers. The results (Table XVIII) reveal that financial controllers prefer a more cash handling & asset control focused program.

TABLE XVIII

RESULTS OF AN INDEPENDENT SAMPLE T-TEST

FOR THE FOCUS OF MYSTERY SHOPPING PROGRAM

	T	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	-2.053[*]	78	.043	-1.15
Equal variances not assumed	-2.053[*]	62.169	0.43	-1.15

* Significant at the .05 level.

Referring to the web MD stress distribution graph in Figure 6.2, a relationship for tension variance with respect to web width is derived, as is needed for equation (6.5). This expression for tension per unit width is then substituted into equation (6.5) to get an equivalent expression of web traction capacity, as a function of the bending moment. The equivalent stress represented as a function of y is:

$$\sigma_x(y) = \frac{T}{tw} + \frac{M}{I}\left(y - \frac{w}{2}\right) \tag{6.6}$$

The traction capacity equation (6.5) requires the tension per unit width (T/w). Thus, multiplying (6.6) by the web thickness, substituting $I = (1/12)tw^3$, and dividing by R, results in the equivalent pressure per unit width between the web and roller as shown in equation (6.7).

$$P = \left(\frac{T}{wR}\right)_{EQ} = \frac{\sigma(y)t}{R} = \frac{T}{wR} + \frac{12M}{w^3 R}\left(y - \frac{w}{2}\right) \tag{6.7}$$

Integrating (6.7), with respect to y, yields the modified traction capacity equation for high $\tau\omega$, taut, center pivoted, planar webs and is shown in equation (6.8).

$$\frac{F}{s} = \left[\frac{Ty}{w} + \frac{12M}{w^3}\left(\frac{y^2}{2} - \frac{yw}{2}\right)\right]\frac{\mu}{R} \tag{6.8}$$

CHAPTER V

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This study was an empirical study aiming at finding out the practices of mystery shopping in the United States lodging industry and examining effectiveness of this technique perceived by hotel general managers and financial controllers.

The findings of this study provide a glimpse of the current mystery shopping practices in the United States lodging industry and senior hotel managers' perceptions of its effectiveness as a tool to monitor and improve service quality.

Summary of the Findings

The majority (87%) of the hotels in the United States currently use the practice of mystery shopping to monitor service quality and will continue to use this practice in the future. The percentage of brand-affiliated hotels having mystery shopping programs in place is higher than that of individually owned and managed hotels. Mystery shopping programs are usually conducted on a quarterly basis and the majority (90.0%) of the hotels hire mystery shopping firms to administer the programs. The top two primary purposes of mystery shopping indicated by the respondents are to evaluate service quality and monitor cash handling & asset control procedures.

It is a general practice in the United States lodging industry to conduct competitive mystery shopping. The top two primary purposes of the competitive mystery shopping are to find out competitive hotels' clientele and pricing of the products and services. The senior hotel managers accept the fact of their properties being shopped by their competitors and also acknowledge the practice of shopping their competitors. The purposes of competitive mystery shopping in lodging industry appear to be different from those in other industries where it is mainly used for benchmarking service performance (Cobb, 1997; Wilson, 1998).

The hotel senior managers perceive mystery shopping as an effective tool to evaluate service quality. The three dimensions of the effectiveness of mystery shopping perceived by hotel senior managers in evaluating service quality are "soft standards", " asset control" and "hard standards". There is a significant association between the dimensions of the effectiveness of mystery shopping perceived by hotel senior managers and the nature of their hotels' ownership. The senior managers of brand-affiliated hotels perceive cash handling and asset control to be a more effective use of mystery shopping than their counterparts at independently owned and operated hotels. There is no significant difference in the dimensions of the perceived effectiveness of mystery shopping between hotel general managers and hotel financial controllers.

Hotel senior managers don't necessarily believe that staff embrace the practice of mystery shopping in a positive way. The hotel senior managers are somewhat neutral about the approach that employees are informed in advance before launching mystery shopping programs.

monitor individual properties' adherence to pre-defined standards, the results of this study question the effectiveness of this practice and suggest there might be other more effective ways to be used to monitor standard adherence.

The results suggest hotel senior managers' preference for commissioning independent mystery shopping firms to administer mystery shopping programs. The choice of using a third party rather than somebody from within as the mystery shopper implies that hotel managers prefer to treat the process of identifying problems (mystery shopping report) and dealing with the problems (corrective actions) separately.

While current literature suggests that employees should be informed in advance of the launch of a mystery shopping program to reduce the stress level on the part of employees and give them a chance to shine (Cobb, 1997; Erstad, 1998; Cohen, 1999; Miles, 1993; Moore, 1999), the results of this study show that senior hotel managers don't necessarily embrace this approach. This finding may imply that hotel managers prefer front line employees to interact with mystery shoppers in a more natural setting and avoid the possibility of employees intentionally acting out during the anticipated mystery shopping visit. The results suggest that hotel managers use mystery shopping more as a diagnostic tool to identify "the moment of truth" in regular employee interactions with customers than as a motivational tool suggested by literature (Leeds, 1992; Erstad, 1998; Cobb, 1999; Cohen, 1999; McLuhan, 2000).

One problematic area in the execution of a mystery shopping identified in this study is that hotel senior managers don't necessarily believe that employees embrace the practice of mystery shopping in a positive way. While the management of hotel properties use mystery shopping as a tool to identify problems in service delivery process, the front-line

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employees, who are actually acted upon by mystery shopping programs, fail to show the same level of enthusiasm expressed by the management. This may indicate that the management focus most of their effects on administering mystery shopping program and therefore neglects or simply fails to pay much attention on the reaction of employees.

The results suggest that the best practices of a mystery shopping program perceived by hotel senior managers falls into such a profile: it is administered by an independent mystery shopping firm and conducted on a quarterly basis. It is a balanced program addressing both customer service and asset control issues with a slightly heavier emphasis on customer service, and the results of the program are reported in a narrative / story-telling format.

Conclusions

The prevalence of competitive mystery shopping in the United States lodging industry suggests an additional layer of transparency in operations: an innovative product or service, pricing or promotional offering by a hotel can be easily copied by its competitors, thus hardly providing the hotel with a competitive advantage. This implies that while a competitive offering is essential to survive in current marketplace, a real difference a hotel can make still relies on maintaining and improving service quality and customer satisfaction. Quality service is something that can not be replicated by competitors overnight and will provide the hotel with a competitive edge when product / service offerings are almost the same.

Communications between hotel management and employees is very important for the success of a mystery shopping program. To ensure the results of a mystery shopping to

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be taken seriously and positively by the employees, management need to start to think how to eliminate the 'big brother" approach to assessing front-line employees. Although pre-notification of the initiation of mystery shopping may result in some employees acting out during the mystery shopping visit, keeping employees in blind may affect employee morale. The trust between the management and employees may suffer and employees may develop a defensive attitude towards mystery shopping programs. The very purpose of mystery shopping is to help monitor and improve service quality, this purpose is not likely to be achieved if customers are served by unhappy and stressed employees.

With most of the mystery shopping programs being administered by independent mystery shopping firms, hotels should incorporate procedures of communicating mystery shopping results to employees and taking follow-up actions into an integrated mystery shopping quality assurance effort to ensure that the hotel fully benefits from the report submitted by a mystery shopping firm. The time elapsed between identifying the problems by mystery shopping firms and rectifying the problems by hotels may create a potential gap between what is needed to be improved and what is actually improved. Timely communications of results to employees will make it easier to clarify what happened during the mystery shopping visit and pinpoint the problematic areas, so that the results can be more effectively used to improve the weaknesses in the service delivery process rather than be used to find out whom to blame.

Recommendations for Future Study

For future research on this topic, empirical studies on the perceptions of front-line employees should be carried out to further explore the mystery shopping practices in the United States lodging industry. The findings of this study suggest that hotel senior managers don't necessarily believe that employees embrace the practice of mystery shopping in a positive way. As front-line employees are those in a hotel who are actually evaluated and affected by mystery shopping programs, it is necessary to find out how they perceive mystery shopping and how they think mystery shopping can be better administered and implemented. Research on the perceptions of front-line employees on mystery shopping would help address the problem of employees' lack of enthusiasm about mystery shopping identified by this study.

Studies on using mystery shopping to monitor asset control and cash handling procedures are also strongly encouraged. Current literature is heavily focused on the quality assurance aspect of mystery shopping. The findings of this study suggest that hotel senior managers also perceive mystery shopping an equally effective tool to monitor asset control and cash handling procedures. Studies with a focus on this aspect of mystery shopping would add new insights to the body of knowledge.

Studies exploring relationships between mystery shopping and other measures of quality assurance would help provide a comparison of effectiveness among these techniques. Comparison of mystery shopping programs initiated by corporate level, property level and professional associations can also be a good topic.

The replication of this study including a larger sample and representation of all types of lodging properties will help validate and generalize the results of this study.

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APPENDIXES

APPENDIX A

INSTITUATIONAL REVIEW BOARD (IRB) APPROVAL

Oklahoma State University
Institutional Review Board

Protocol Expires: 8/23/02

Date: Friday, August 24, 2001   IRB Application No   HE0175

Proposal Title: HOTEL SENIOR MANAGERS' PERCEPTIONS ON MYSTERY SHOPPING PROGRAMS

Principal
Investigator(s):

Li Miao   Jeff Beck
201 HESW   210 HESW
Stillwater, OK 74078   Stillwater, OK 74078

Reviewed and
Processed as: Exempt

Approval Status Recommended by Reviewer(s): Approved

Dear PI :

Your IRB application referenced above has been approved for one calendar year. Please make note of the expiration date indicated above. It is the judgment of the reviewers that the rights and welfare of individuals who may be asked to participate in this study will be respected, and that the research will be conducted in a manner consistent with the IRB requirements as outlined in section 45 CFR 46.

As Principal Investigator, it is your responsibility to do the following:

1. Conduct this study exactly as it has been approved. Any modifications to the research protocol must be submitted with the appropriate signatures for IRB approval.
2. Submit a request for continuation if the study extends beyond the approval period of one calendar year. This continuation must receive IRB review and approval before the research can continue.
3. Report any adverse events to the IRB Chair promptly. Adverse events are those which are unanticipated and impact the subjects during the course of this research; and
4. Notify the IRB office in writing when your research project is complete.

Please note that approved projects are subject to monitoring by the IRB. If you have questions about the IRB procedures or need any assistance from the Board, please contact Sharon Bacher, the Executive Secretary to the IRB, in 203 Whitehurst (phone: 405-744-5700, sbacher@okstate.edu).

Sincerely,

Carol Olson, Chair
Institutional Review Board

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APPENDIX B

COVER LETTER

«GM_Title» «GM_First_Name» «GM_Last_Name»
General Manager
«Hotel_Name»
«Address»
«City»
«State» «Zip_Code»

November 20, 2001

Dear «GM_Title» «GM_Last_Name»,

Despite the popularity of using mystery shopping as a means for monitoring service quality in the lodging industry, little research has been conducted to uncover how mystery shopping is used in the industry and how effective it is perceived by hotel managers.

As a senior hotel manager, you were selected at random from over 15,000 hotels to be included in this study on mystery shopping in the U.S. lodging industry. Enclosed is a questionnaire requiring only 10 minutes of your time. You may actually find some of the questions quite interesting to answer. Your responses will guide lodging operators in the current use and best practices of this very important service quality measure.

Your participation in this study is voluntary and your responses are completely confidential. At no time will your name be linked with the study. We urge you to participate.

If you are interested in finding out more information about this study, please feel free to contact either of us at the following address, or Sharon Bacher, Executive Secretary of IRB at 203 Whitehurst, Oklahoma State University, Stillwater 74078, Tel.: 405-744 5700.

«GM_Title» «GM_Last_Name», thank you in advance and we look forward to receiving your response soon.

Sincerely

Sherry Miao
Project Coordinator
School of Hotel and Restaurant Administration
Rm 210 HESW
OSU
Stillwater, OK 74075
Tel: 405 332 3018

Dr. Jeff Beck
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School of Hotel and Restaurant Administration
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APPENDIX C

THE QUESTIONNAIRE

OSU

HOTEL AND
RESTAURANT
ADMINISTRATION

School of Hotel and Restaurant Administration
Okalahoma State University

Survey on Hotel Senior Managers' Perceptions
of
Mystery Shopping Programs

A summary of the results of this study may be obtained by emailing your request to
sherrymiao@yahoo.com or by mailing to:

Sherry Miao
210 HESW
Oklahoma State University
Stillwater, OK 74075

Thank you for your participation.

<table>
<tr><td>Sherry Miao</td><td>Dr. Jeff Beck</td></tr>
<tr><td>Graduate Student</td><td>Assistant Professor</td></tr>
<tr><td>Oklahoma State University</td><td>Oklahoma State University</td></tr>
</table>

1. Which best describes your hotel? (*Please check only <u>one</u>*)

    (1)   Corporate owned and managed

    (2)   Independently owned and corporate managed

    (3)   Franchise and independently owned

    (4)   Franchise and management contract

    (5)   Independently owned & operated

2. Which best describes the classification of your hotel? (*Please check only <u>one</u>*)

    (1)   Commercial Hotel   (2)   Convention Hotel

    (3)   All - Suite Hotel   (4)   Extended – Stay / Residential Hotel

    (5)   Casino Hotel   (6)   Resort Hotel

    (7)   Other (*Please specify*) _____

3. Does your hotel use the practice of mystery shopping?

    (1)   Yes

    (2)   Not yet, but we are planning to implement it in the future

    (3)   No

If <u>NO</u>, please go to question <u>9</u>.

4. Who initiated the practice of mystery shopping on your property?

    (1)   Corporate office   (2)   General Manager of the property

    (3)   Financial Controller /Director of Finance of the property

    (4)   Other (*Please specify*) _____

5. How often is the mystery shopping conducted?

    (1)   Monthly   (2)   Quarterly   (3)   Biannually

    (4)   Annually   (5)   On an "as-needed" basis

6. Who are the mystery shoppers?

    (1)   Corporate office personnel

    (2)   Selected customers / Individuals hired by your property

    (3)   Mystery shopping firms

    (4)   Other (*Please specify*)_____

Thank you for your responses!

Please turn to next page. Λ

7. In order of priority (1=highest to 5=lowest), please rank the following purposes for your property to conduct mystery shopping

_____ Evaluating service quality

_____ Monitoring cash handling and asset control

_____ Monitoring property's adherence to corporate standards

_____ Assessing customer satisfaction

_____ Assessing physical condition of the property

8. How likely is your property to continue to use mystery shopping in the future?

(1) Definitely   (2) Very probably   (3) Probably   (4) Possibly

(5) Probably not   (6) Very probably not

9. How likely do your <u>competitors</u> routinely "shop" your property to "check you out"?

(1) Definitely   (2) Very probably   (3) Probably   (4) Possibly

(5) Probably not   (6) Very probably not

10. Who are your <u>competitors</u> likely to use as mystery shoppers to "check you out"?

(1)   Management personnel from your competitors

(2)   Individuals hired by your competitors

(3)   Mystery shopping firms

(4)   Other _(Please specify)_____

11. In order of priority (1=highest to 4=lowest), please rank the possible purposes for your <u>competitors</u> to "shop" your property.

_____ Finding out your property's pricing

_____ Finding out your property's sales and promotional offerings

_____ Evaluating your property's service quality

_____ Finding out who are your clients / customers

Thank you for your responses!

Please turn to next page. Λ

12. **Please circle a number to rate the effectiveness of a mystery shopping program in evaluating the following aspects of lodging services or products.**
   5 = Very Effective
   4 = Effective
   3 = Moderately Effective
   2 = Of Little Effectiveness
   1 = Ineffective

	Very Effective				Ineffective
Employees' grooming	5	4	3	2	1
Quality of food and beverage	5	4	3	2	1
Adherence to corporate standards	5	4	3	2	1
Accuracy and promptness of service	5	4	3	2	1
Employees' job knowledge	5	4	3	2	1
Courtesy demonstrated by employees	5	4	3	2	1
Professionalism demonstrated by employees	5	4	3	2	1
Employees' ability to convey trust and confidence to customers	5	4	3	2	1
Employees' willingness to help customers	5	4	3	2	1
Personalized and individual attention to customers	5	4	3	2	1
Employees' suggestive selling skills	5	4	3	2	1
Employees' responsiveness to problems encountered by customers	5	4	3	2	1
Employees' adherence to cash handling procedures	5	4	3	2	1
Employees' adherence to asset control procedures	5	4	3	2	1

Thank you for your responses!

Please turn to next page. Λ

13. Please circle a number to indicate your level of agreement with each of the following statements.

    5 = Strongly agree
    4 = Agree
    3 = Neutral
    2 = Disagree
    1 = Strongly Disagree

	Strongly Agree			Strongly Disagree	
Staff embrace the practice of mystery shopping in a positive way	5	4	3	2	1
Staff should be informed in advance before implementing the program	5	4	3	2	1
It is essential to link the mystery shopping program with a staff recognition / incentive program	5	4	3	2	1
It is acceptable that our competitors "shop" our property	5	4	3	2	1
The benefits we get from a mystery shopping report justifies the expense incurred	5	4	3	2	1
It is necessary for us to "shop" our competitors	5	4	3	2	1
Mystery shopping is the most effective tool to monitor service quality	5	4	3	2	1
Mystery shopping is the most effective tool to monitor staff's adherence to cash handling /asset control procedures	5	4	3	2	1
Mystery shopping is the most effective tool to evaluate staff's suggestive selling skills and initiatives	5	4	3	2	1

Thank you for your responses!

Please turn to next page. Λ

14. How do you prefer the mystery shopping results to be reported?

    (1)   In a form of checklist

    (2)   In a form of numerical rating scales

    (3)   Narrative / story-telling style of report

15. On a scale of 1 to 10, please rate your preferred mystery shopping program, where 1 is a program that focuses exclusively on guest service & hospitality issues and 10 is a program spent entirely on cash handling & asset control.

Guest Service									Asset Control
1	2	3	4	5	6	7	8	9	10

16. If you have the choice, who are the mystery shoppers you prefer to use?

    (1)   Corporate office personnel

    (2)   Selected customers / Individuals hired by your property

    (3)   Mystery shopping firms

    (4)   Other *(Please specify)*_____

Bingo! Please fold the questionnaire in half, tape at the bottom and drop in the mail.

Thank You!!!

APPENDIX D

THE FOLLOW-UP POSTCARD

Dear «GM_Title» «GM_Last_Name»,

Season's greetings!

Thank you if you have already completed the Mystery Shopping survey sent to you a few weeks ago. If for any reason you haven't had a chance to respond to us, we strongly encourage you to do so as your responses are important to the validity of the results. For your convenience, we have put the survey on the web and you can complete the survey electronically by going to *blackboard.okstate.edu*, and clicking on the *Mystery Shopping link*. Your ID and password to log in is «**ID__Password**». You may also contact us for another mail survey at 405.744.8483.

Thank you for devoting your valuable time to this study.

Sincerely,

Sherry Miao
Project Coordinator
School of Hotel and Restaurant Administration
Oklahoma State University

VITA

Li Miao 𝒶

Candidate for the Degree of

Master of Science

Thesis: HOTEL SENIOR MANAGERS' PERCEPTIONS OF MYSTERY SHOPPING
PROGRAMS

Major Field: Hospitality Administration

Biographical:

Personal data: Born on January 21, 1974 in Urumqi, People's Republic of China

Education: Received Bachelor of Science degree in Tourism Management from
Nankai University, Tianjin, P. R. China in June, 1995. Completed the
requirements for the Master of Science degree in Hospitality Administration at
Oklahoma State University in May, 2002.

Experience: Employed as secretary to the deputy general manager at The Palace
Hotel, Beijing, P. R. China from 1995 to 1998; Employed as administrative
assistant to the general manager at Swissotel Dalian, P. R. China from 1998 to
2000; Worked as a graduate assistant for The Atherton Hotel at Oklahoma State
University from 2000 to 2001; Worked as a dining graduate assistant for the
Residential Life at Oklahoma State University from 2001 to 2002.