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Ipsos

Mystery shopping in the luxury industry

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GAME CHANGERS



Customer experience is of great importance in any industry, and it is increasingly being recognised as such. This is arguably most evident in the high-end spectrum of the market where affluent consumers literally spend billions of dollars, pounds, euros, yuan or yen, year in, year out.

Ipsos Mystery Shopping uses panels of expert 'shoppers' in more than 100 countries to collect objective feedback from unbiased consumers. More than one million tasks are conducted every year, of which an increasing number are done by dedicated, affluent mystery shoppers – these individuals don't rely on mystery shopping as an income, but rather enjoy the experience so much they consider it a *pastime*. Naturally, mystery shopping in the luxury industry requires a very different approach to regular high-street retail shops.

In this paper, three highly experienced mystery shopping experts share their knowledge and opinions on different aspects of mystery shopping in the luxury industry, and how it is a vital ingredient in a holistic Customer Experience strategy.

Understanding the discount process in the luxury environment

Frederic Renaldo

Frederic Renaldo is Customer Experience Director and oversees mystery shopping activity for Ipsos in Switzerland. In this role, he manages global mystery shopping programmes for some of the world's most prestigious luxury brands.

Prior to joining Ipsos in 2014, he held various senior roles in the market research industry, most notably as Customer Experience Lead at Synovate, Digital Strategy Director at CSA and Senior Consultant at Fullsix, one of the largest Digital Marketing agencies in Europe.

Frederic holds a master's degree in Management from SKEMA Business School, France.

Ensuring luxury sales associates are truly understanding customer needs

Richard Korn

With 14 years' experience in the Customer Experience industry, spanning the UK, Asia and now Australia & New Zealand, Richard has significant expertise in designing solutions that maximise insights and drive action within client organisations. Richard has spent several years specifically working in mystery shopping, having delivered programmes around the world and has direct experience within the luxury sector, including Watch & Jewellery, Fashion and Beauty/Cosmetics.

The importance of spending time with your client prior to closing the deal

What the high street can learn from our research in the luxury industry

Geert Samplonius

Geert is a Customer Experience professional and currently leads mystery shopping activities for Ipsos in the Netherlands. He has more than a decade of experience in mystery shopping and has worked in both Europe and Asia working with many of the world's most well-known luxury brands in Watch & Jewellery, Fashion & Apparel and Automotive.

Geert holds a Bachelor Degree in Business Administration in Hotel Management from the renowned Hotelschool, The Hague.

Understanding the discount process in the luxury environment

Affluent customers do not always pay retail price for goods, even at the highest end of the luxury chain. Our research even suggests that consequent discounts can be obtained by these customers. Here, Service Director Frederic Renaldo explains how Ipsos factors in the discount process in its luxury Mystery Shopping programmes.

People unfamiliar to the world of luxury shopping wouldn't expect that you could pay less than the retail price of a product by simply asking for a discount. Most people would shy away from an attitude they believe doesn't seem applicable when it comes to expensive items.

Our experience conducting thousands of mystery shopping visits around the world shows that, often, the price of a high-end watch or handbag *can* be negotiated. For our clients in the luxury industry, however, discounts significantly damage the image of their brand. The risk lies with the perception of a decrease in value by the customer.

So, when it comes to mystery shopping it is therefore crucial to understand the discount process, including the extent of what is offered by retailers.

Ipsos's Mystery Shopping expertise helps our clients to better control and prevent the damage caused by uncontrolled discounting. Here are four quick rules for luxury product manufacturers to live by when it comes to assessing the discount process.

1. It's all about context

A one-size-fits-all scenario does not always work. Bargaining or negotiating is highly influenced by the cultural context. Entering a negotiation in China can be considered as standard, whereas in Japan it is usually inappropriate to question the price of a product. The scenario should therefore mirror the negotiation style for each market.

Another aspect to bear in mind in the luxury world is that a discount is usually a lengthy process. Several visits are usually needed to reflect the real-world behaviour of an affluent shopper, and expecting to get a discount on the first visit can be unrealistic.

2. Select the right people to play the role

Ipsos takes extreme care in making sure the shopper profile perfectly matches a client's typical customer. A detailed screening test helps us understand if they are up to the challenge.

Demographics are key – only our most affluent shoppers are selected for this type of assignment, and a minimum age of 30 increases credibility when it comes to negotiation.

When selecting a shopper for a luxury programme, shoppers are screened on their personal affinity or ownership of luxury items. Ipsos goes one step further and factors in hobbies and activities connected to luxury. This is especially true if the shop is for something specific, such as equipment-heavy sports like golf, sailing, scuba diving, etc.

Usually, Ipsos sets a prerequisite of having previous experience with similar mystery shopping projects, including a negotiation phase.

3. Training, training, and retraining

Several levels of training are undertaken. In addition to online briefing, projects with a negotiation module often require a face-to-face or telephone briefing to truly assess the shopper's abilities. These sessions can include role-playing exercises to make sure that, even under pressure in the poshest of posh stores, our shoppers feel confident and ready to haggle!

Our team often produces videos or animations to show examples of in-store price negotiation based on the scenario of the specific project.

4. Long-term performance monitoring

Potential shoppers need to pass a strict certification process to eventually qualify. But even after passing, validators evaluate and compare our shoppers based on a series of strict criteria and keep in constant contact with them throughout the project.

Ensuring luxury sales associates truly understand customer needs

With the rising affluence of the Chinese middle class and their increasing propensity to travel overseas, luxury brands face new and particular challenges to what they have traditionally been used to. Mandarin-speaking sales advisers are now commonplace in stores as far afield as Paris, New York and Sydney, but this is just one tool that luxury brands must have at their disposal.

Here, Richard Korn, Ipsos Mystery Shopping ANZ Managing Director, discusses in-store customer engagement and how sales advisers must listen and understand the needs and motivations of the customer.

There are no accidental customers

Understanding the needs of the customer is important for several reasons – one of which is that Chinese travellers spend a significant amount of time planning their trips in advance. This of course includes destinations and tourist spots, but also store locations and prices of luxury brands.

The 2017 Ipsos Chinese International Travel Monitor found that Chinese travellers spent an average of 12 days researching online before travelling. This means customers already possess a fair amount of information and knowledge before arriving, so sales advisers must be able to engage appropriately and truly understand the customers' needs to ensure the brand and product information they share is relevant.

It's worth noting that there are still some customers who walk into a store, point at different items and buy straight away (classified as 'status seekers'), however they make up a smaller proportion of shoppers than those who are less objective. Trying to engage in a detailed way with this type of consumer can be challenging, so adapting the approach is key. Less objective customers on the other hand are those who deliberate and shop around longer, making more emotionally driven decisions when deciding what to choose ('appreciators').

Customers are getting harder to please

In the same way that Chinese shoppers are looking for more than just luxury shopping when they travel overseas these days (the Ipsos Chinese International Travel Monitor showed that it ranks as the third most popular thing to do, behind sightseeing tours and dining), they have also become more discerning when engaging with luxury brands and their sales associates.

At Ipsos, our aim when partnering with luxury brands is to help them realign the in-store customer journey to meet the expectations of consumers who require far more 'wooing' than ever before. Through partnering with luxury brands and undertaking Customer Experience research (particularly Mystery Shopping), Ipsos can gather a detailed understanding of how sales associates tackle the engagement part of the conversation, and how well they are able to understand the customers' needs and motivations. We therefore know what sales associates need to do to maximise the likelihood of securing a purchase and a memorable experience.

While customers' desires can vary across demographics, geography and market sector, there is one behaviour that invariably shines through as a powerful driver of both purchase intention and advocacy: listening to and understanding customer motivations. Our research has shown that this phase of the customer journey is highly influential in building relationships between customers and brands.

Ask the right questions

However, asking questions and gauging motivations is not easy. Customers may be sceptical as to whether the sales associate will launch into a hard sell and so often automatically respond to “May I help you?” with a dismissive “Just looking”. To inspire a more positive response, the sales associate needs to lay the right foundations. Generally, this means offering the customer a warm welcome followed by the freedom to browse independently for a while.

When the sales associate does approach, it should be with specific information about items the customer has shown interest in and thoughtful questions about the customer’s needs. This means asking open questions about their preferences, personal style and the context surrounding their visit to the store. The goal of the sales associate should not be to sell a specific item, but rather truly understand the customer’s point of view. Understanding means active listening, and that means asking questions that encourage the customer to speak more than the sales associate.

If the sales associate does this in a considerate and thoughtful manner, it is far more likely to lead to a pleasant conversation where valuable information is exchanged, and therefore a positive experience for the customer. People like to be listened to. It makes them feel that they’re being respected and taken seriously, and that the sales associate – and by extension the brand – is genuinely interested in meeting their needs. Additionally, it ensures that the rest of the interaction proceeds well, as the sales associate will be more likely to recommend and demonstrate products that suit the customer, thereby increasing the shopper’s impression of the sales associate’s competence and expertise.

There’s no substitute for expertise

Relevant recommendations and the aura of expertise, in turn, lead to more advanced stages of the store experience: trying on, up-sales, cross-sales. In fact, we often see that most – if not all – of the subsequent points of the customer journey are dramatically improved when the shopper feels that they were listened to and their motivations successfully identified.

The situation faced by luxury retailers will only become more critical as time goes by. Chinese customers in particular will continue to become more demanding of the experience they desire. They will become increasingly more selective, more discerning, and more difficult to please. The lessons that we’ve learned, and continue to learn, about the critical role of listening in creating memorable store experiences and strong customer relationships will only become more relevant with time.

The importance of spending time with your client prior to closing the deal — what the high street can learn from the luxury industry

Ipsos conducts thousands of mystery shops around the globe every day. We often see sales advisers go to huge lengths to 'sell' the product, with the belief that time spent on 'closing the deal' guarantees conversion.

However, in the luxury industry, the approach is often tactically softer, which high street retailers can learn from. In short, most of the time spent with affluent consumers happens early in the in-store process, resulting in spending less time and effort in closing the deal, resulting in higher conversion rates.



Making a connection

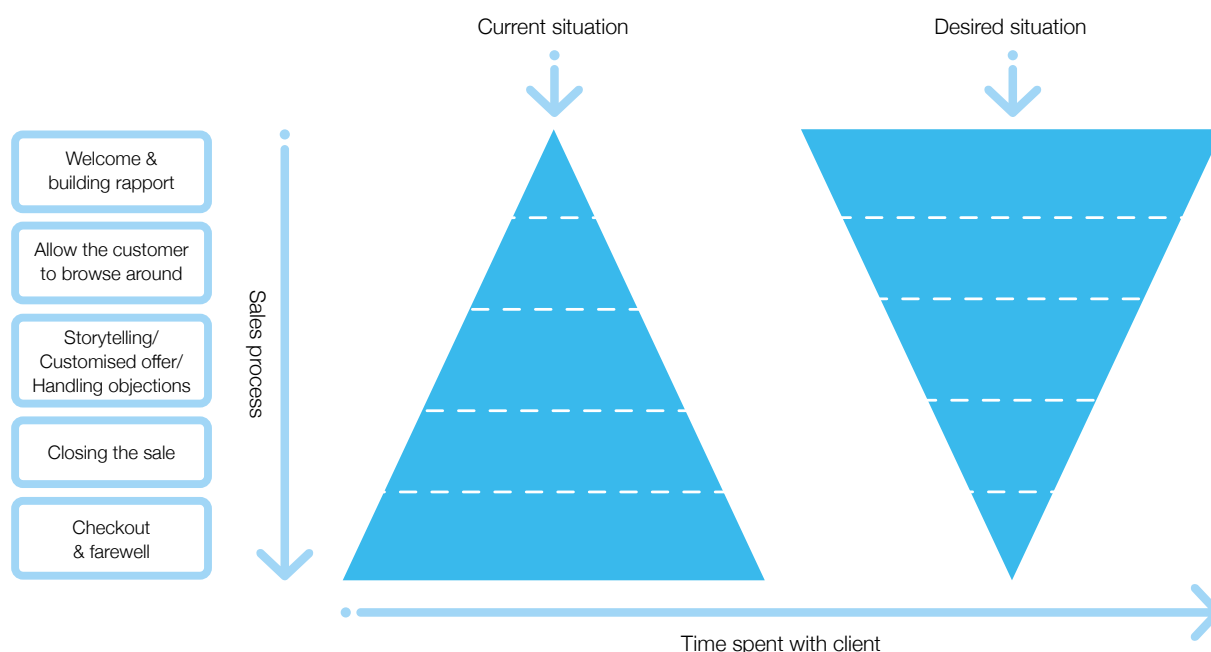
Welcoming, building rapport and obtaining shopper insights is all about connecting with the customer and creating a sense of goodwill and trust. This doesn't just mean the offer of a drink and some chit-chat, rather, this period of interaction should see the sales adviser help the customer to touch/try/feel/wear the product and tell them more about the brand story.

Another tactic used by successful advisers is asking leading, open-ended questions. These can include simple conversation such as how they are and what brought them to the store, to more personal and in-depth questions such as who the product is for, the reason behind the purchase and when it will mostly be used. This technique allows the adviser to steer the conversation but have the client invested in it. The salesperson can obtain the right information to eventually recommend a product that most suits the client's needs, and because of the conversational tone there is less room for objection.

Now, let's take that discipline and transplant it to more general sales on the high street. Imagine walking into a mobile phone retailer or another consumer electronic store planning to buy a laptop. Ideally, the sales adviser would take the customer through a similar journey to the one described above. However, retail industry research shows that after welcoming the customer, attempting a product demonstration and handling objections, sales advisers often move too quickly to the hard sell, immediately explaining the latest product specifications, trying to convince the customer why a particular product will enrich their life and try to close the deal. Frequently, this full-on approach sees customers leave the store without making a purchase.

Figure 1 isn't particularly scientific, but it indicates what is often seen in the frontline of retailers in a wide variety of segments (automotive, telco, consumer electronics, fashion, etc). It also illustrates how customer journeys can be improved by being more client-centric, while still achieving higher conversion rates.

Figure 1: The importance of spending time with your luxury client prior to selling/closing the deal.



Closing the deal

In conclusion, it's worth repeating that spending more time on welcoming and building rapport can allow better identification of customer insights. Following a simple script and asking the right questions can allow the sales adviser to really get to know the buyer or user and eventually recommend a product that best suits their needs. The other strategic point here is that it leaves little room for objections as the right insights were obtained in the very beginning of the sales process.

Closing the deal is then a very natural step in the process as the sales adviser basically only summarises the conversation; what the needs were, why this product was the best choice and how potential objections were refuted.

Then, what's left is checkout and farewell, an ideal moment to invite the customer back for their next purchase.

Luxury shopping is a different beast to everyday consumerism – but that's not to say that the high street cannot learn from it. Mystery shopping unearths details which other forms of research cannot. What's more, it is not just about finding weak links, it allows your organisation to praise fantastic actions and results.

There is no better way to ensure that your Customer Experience initiatives are being adhered to and that your strategy is being executed consistently across every touchpoint.

With an increase in channels, this can become an even more daunting task – but mystery shopping allows for in-store, telephone and digital checks to guarantee that your brand story is being effectively told right across your business.

To find out more about how Ipsos Mystery Shopping programmes could help your organisation, contact us on the details overleaf.

Mystery shopping in the luxury industry

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Ipsos is the largest Mystery Shopping agency in the world. We help organisations achieve profitable growth by ensuring their Customer and Shopper Experience is delivering on their Brand Promise, across all touchpoints and channels. Based across 35 countries, with shopper panels in 100+ countries, our expert teams deliver Mystery Shopping, Mystery Audits and Micro-Shops, supported by a unique blend of research, technology, analytics and advisory solutions. We promise ‘better design, better execution, better impact’.

This paper is part of the Ipsos Views series.

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