



Original Article

Enhancing Customer Experience by Measuring Service Process Effectiveness and Employee Performance in Banking: A Mystery Shopping Perspective

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Abstract

This paper looks into the effectiveness of mystery shopping as a reliable approach to evaluating service performance in public sector banks from the customer's perspective. Providing exceptional service quality and client happiness is critical in the financial services industry, particularly in public sector banks. However, evaluating service delivery from the customer's perspective remains difficult. The paper aims to close the gap by employing mystery shopping, an incognito evaluation approach, to assess the quality and efficiency of employees and the overall customer experience in public sector banks. It takes a qualitative and quantitative approach, with professional mystery shoppers simulating real consumer encounters across several touchpoints. This gives insights into improving service delivery standards, finding areas for development, and building a customer-centric culture inside public sector banks by investigating the actual implementation of mystery shopping within these financial institutions. The review could explore the impact of mystery audits on customer satisfaction, loyalty, and long-term business growth.

Keywords: Customer Experience, Service Process Effectiveness, Employee Performance, Mystery Shopping, Banking

Introduction

In today's banking sector, delivering a superior customer experience is crucial for maintaining competitiveness and fostering customer loyalty. The advent of digital banking has heightened customer expectations, necessitating seamless, efficient, and personalized service interactions (Verhoef et al., 2009). As a result, banks must continually evaluate and enhance their service processes and employee performance to meet these elevated standards. Service process effectiveness is a key determinant of customer satisfaction in banking. Efficient processes reduce wait times, minimize errors, and streamline customer interactions, contributing significantly to a positive customer experience. Likewise, employee performance is vital in shaping customer perceptions. Frontline employees, as the face of the bank, directly impact customer satisfaction and loyalty through their competence, behaviour, and ability to resolve issues (Bitner et al., 1990).

Mystery shopping is a robust research method for assessing service quality and employee performance in the banking sector. This approach involves covert evaluators posing as customers to measure various aspects of the service encounter, providing unbiased and comprehensive insights into actual service delivery (Wilson, 1998). It allows for the systematic evaluation of both tangible and intangible service elements, making it invaluable for identifying gaps and opportunities for improvement. This research explores the effectiveness of service processes and the performance of employees in public sector banks from a mystery shopping perspective. The primary objectives are to identify key areas where service delivery can be enhanced, assess the current level of employee performance, and provide actionable recommendations for improving the overall customer experience. The study addresses the following research questions: How effective are the current service processes in public sector banks? What is the performance level of frontline employees in these banks? How can mystery shopping be utilized to identify and bridge gaps in service quality and employee performance? Through this investigation, we aim to contribute to the existing knowledge on customer

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Experience management in banking and offer practical insights for public sector banks to elevate their service standards.

Literature Review:

Customer Experience- In the competitive banking sector, customer experience (CX) has emerged as a critical determinant of customer loyalty and satisfaction. (McKinsey & Company, 2022) emphasize the importance of leveraging digital technologies and improving service delivery to meet evolving customer expectations. Enhancing CX requires personalized and efficient service offerings, which directly influence customer satisfaction and loyalty. Mystery shopping, as a diagnostic tool, plays a significant role in evaluating and improving CX by providing real-time feedback on customer interactions and service quality (Chen & Barrows, 2015b). **Service Process Effectiveness-** The effectiveness of the service process is essential to banking client happiness. Effective service procedures are defined as being efficient, consistent, and in line with customer expectations. By mimicking consumer interactions, mystery shopping offers an unbiased method of evaluating these factors and aids banks in identifying areas where service delivery is deficient (Wilson, 1998). Reliability, responsiveness, assurance, empathy, and tangibles are important aspects of service quality that (Zeithaml, Bitner, and Gremler, 2013) emphasise as being crucial for providing good service. Evaluations of mystery shopping provide information in these areas, allowing for focused changes. Mystery shopping, as demonstrated by (Finn and Kayande, 1999), can highlight discrepancies between perceived and real service quality, enabling banks to modify their procedures to better suit their client's expectations.

Employee Performance- Providing high-quality services depends heavily on employee performance. (Heskett, Sasser and Schlesinger, 1997) Place a strong emphasis on how the skill, behaviour, and attitude of employees affect client satisfaction. Mystery shopping provides valuable insights into an employee's strengths and areas for growth by allowing for the assessment of performance during real-time client interactions. Targeted training initiatives can benefit from these findings. Employee performance and service quality are linked by the SERVQUAL model (Parasuraman et al., 1988), with mystery shopping findings indicating particular behaviours that influence service delivery. Strong employee-customer rapport, which may be developed via targeted training, can improve service experiences, according to (Gremler and Gwinner, 2000). Mystery Shopping - Mystery shopping helps organizations understand their customers' perspectives and expectations, ultimately leading to enhanced service delivery. This method involves trained individuals posing as customers to anonymously evaluate service quality. (Wilson, 1998) describes mystery shopping as a valuable technique for capturing real-time customer interactions and service performance. It allows organizations to assess service consistency, identify training needs, and benchmark performance against competitors. A comprehensive review reveals that mystery shopping is an effective diagnostic tool for assessing both service processes and employee performance, providing actionable data to refine service strategies and improve customer experiences.

(Finn and Kayande, 1999) Conduct a psychometric assessment of mystery shopping, aiming to evaluate its reliability and validity as a method for assessing service quality. They address methodological challenges such as ensuring objectivity, reliability, and validity in the assessment process, which is crucial for the credibility and utility of mystery shopping as a research and managerial tool. Properly executed mystery shopping programs can provide actionable insights into service quality gaps, customer expectations, and competitive benchmarking.

Banking - Several research works emphasise the function of mystery shopping in the banking sector. (Grove and Fisk, 1992) Support using it to evaluate service quality compared to rivals and industry standards. Banks may check regulatory compliance, assess staff performance, and examine branch operations using mystery shopping, which can contribute to increased customer happiness, company expansion, and better service quality.

(Al-Eisa and Alhemoud, 2009) Emphasise the use of a multi-attribute approach, with an emphasis on service quality, convenience, reliability, responsiveness, and empathy, to gauge customer satisfaction in retail banking. (Walker, Johnson, and Leonard, 2006) emphasise that comprehending and streamlining service procedures is necessary to increase operational effectiveness and service quality. They propose that efficiency frameworks may lower costs and improve customer experiences by identifying measures such as transaction processing times, waiting periods, and resource utilisation as critical indications of service efficacy.

According to Johnston (1999), systematic evaluations can result in focused changes and a competitive advantage. He addresses the use of service transaction analysis in assessing and improving customer service practices. Mystery shopping facilitates service changes by offering insightful information on staff performance and the effectiveness of the service process (Wilson, 1998; Finn & Kayande, 1999). For banks to be competitive and maintain good service standards, mystery shopping is still essential, especially as they concentrate more on digital transformation and personalised services. Positive interactions between customers and employees can enhance service experiences and build enduring customer connections, according to (Gremler and Gwinner, 2000). The literature now in publication emphasises how well mystery shopping works to find service gaps and increase worker efficiency for better customer experiences.

Research Question:

1. How effective are the current service processes in public sector banks in enhancing customer satisfaction, as observed through mystery shopping assessments?
2. What role does employee performance play in shaping the customer experience in public sector banks, as revealed through mystery shopping evaluations?
3. How can mystery shopping be utilized to identify gaps in service delivery and employee performance within public sector banks?
4. How does service process effectiveness impact customer loyalty and satisfaction in the context of public-sector banking?

Research Methodology:

The research employs a mixed-methods approach, integrating both qualitative and quantitative methodologies. Analysing mystery shopping data is part of the quantitative component, which evaluates customer happiness, employee response, and adherence to the service procedure. In-depth interviews with bank staff members and clients are part of the qualitative component, which aims to comprehend their perspectives, encounters, and difficulties with service provision. Using mystery shopping, the study attempts to investigate the link between customer experience, employee performance, and the efficacy of the service process. Banking personnel may use this information to improve customer experience management. Research Design and Methods- In-depth interviews are performed to get qualitative data, while surveys are utilised to collect quantitative data. This makes it possible to comprehend the study topic fully and guarantees the conclusions' validity by triangulating the data.

Selection Criteria:

The study focuses on a convenience sample of public sector bank branches in Pune City, selecting 45 branches based on location and customer traffic. Accessibility and willingness to participate in the study were the only criteria for participation. Process of Mystery Shopping- At some bank locations, skilled mystery shoppers conducted tasks including cash transfers and account opening. Based on predetermined standards, they evaluated employee performance and the efficacy of the services provided using standardised assessment forms. Ethical Considerations- All participants were informed about the nature of the study and their voluntary participation was ensured, by ethical norms. Anonymity and confidentiality were upheld, and no personal data was gathered without authorisation.

Methods of Data Collection: A 5-point Likert scale was used to collect quantitative data from 35 bank customers and workers through surveys. Some survey respondents were interviewed to get qualitative data, which centred on their difficulties and experiences. To generate findings, data analysis integrated both qualitative and quantitative data using theme analysis and statistical tools.

Data Analysis: The research uses a variety of methods to examine data from mystery shops, with an emphasis on staff performance indicators and the efficiency of the service process. The efficacy of the service process is assessed using important indicators including accuracy, punctuality, and adherence to set standards. These metrics offer valuable information about how effectively the service delivery meets consumer expectations and meets industry standards. Measures like professionalism, communication prowess, and problem-solving aptitude are used to evaluate employee performance. These measures are essential for determining the calibre of client interactions as well as areas in which specific training and development are needed.

Age	
Mean	40.37777778
Standard Error	1.631225879
Median	38
Mode	32
Standard Deviation	10.94259585
Sample Variance	119.740404
Kurtosis	-1.140505112
Skewness	0.462474123
Range	36
Minimum	25
Maximum	61
Sum	1817
Count	45

The average age of 40.38, combined with a standard deviation of 10.94, shows that while most individuals fall around the middle-aged range. The slight positive skewness suggests a few older participants might be influencing the average. With the kurtosis value being negative, the data is relatively flat compared to a normal distribution, implying fewer extreme values or outliers.

Relation between Infrastructure and Customer Service



	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%
Intercept	35.03359825	4.638532245	7.552734	2.06E-09	25.67910645	44.38809	25.67911
Customer Service	0.486630975	0.075204625	6.470759	7.55E-08	0.334966395	0.638296	0.334966

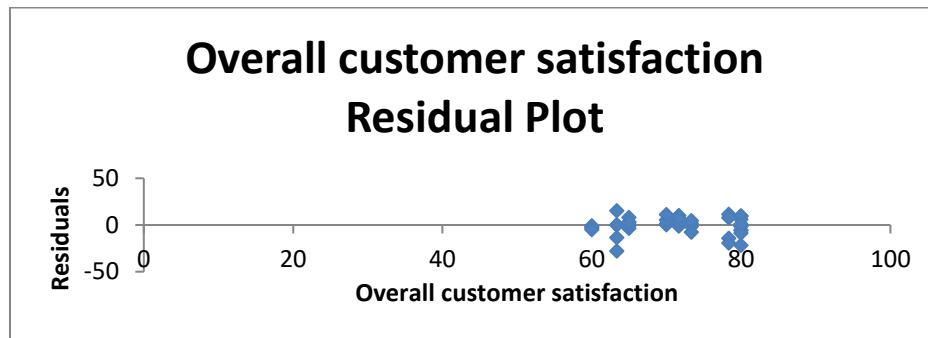
Standard Error (4.477): This measures the average distance that the observed values fall from the regression line. A smaller standard error suggests better predictions from the regression model.

Customer Service Coefficient (0.487): For every unit increase in customer service score, the infrastructure score increases by 0.487 units. This means that improvements in customer service are likely to lead to improvements in how infrastructure is perceived in the banking context.

P-values: The **P-values** for both the intercept (**2.06E-09**) and customer service (**7.55E-08**) are very small, indicating that both are statistically significant. This implies customer service has a significant impact on the perception of infrastructure.

The Residual Output shows the difference between the predicted infrastructure scores (based on customer service) and the actual infrastructure scores. Some observations show larger residuals, indicating that the model does not perfectly predict infrastructure for all cases, but overall, it provides reasonable predictions.

Relation between Customer Service and Overall Satisfaction



	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	45.86796364	14.35293887	3.195719	0.002614	16.92250377	74.8134235
Overall customer satisfaction	0.21242997	0.200128101	1.06147	0.294402	-0.191166811	0.616026751

Standard Error (8.9619): This represents the average error in the model's predictions of overall satisfaction.

Customer Service Coefficient (0.2124): For every unit increase in customer service, the overall satisfaction increases by only 0.2124 units. This is a very small effect size.

P-values: The **P-value** for the intercept is **0.0026**, which is statistically significant, indicating that the intercept is important for the model. The **P-value** for customer service is **0.2944**, indicating that customer service is **not a significant predictor** of overall satisfaction in this dataset.

Confidence Intervals: The 95% confidence interval for the customer service coefficient ranges from -0.191 to 0.616, further suggesting the effect could be very small or even negative.

The residual output shows the difference between predicted and actual overall satisfaction scores. The large residuals in many cases indicate that the model does not fit the data well. Many observations have large residuals, such as in cases 29, 31, and 35, showing that the model significantly over- or under-predicts overall satisfaction for certain observations.

Discussion:

Mystery shopping is a crucial strategy used in this research to emphasise the effects of staff performance and the efficacy of service processes on customer experience in banking. The results are consistent with the SERVQUAL framework (Parasuraman et al., 1988), which highlights how staff responsiveness and service adherence affect customers' views. A perspective on mystery shopping's efficacy in assessing service delivery is reinforced by the study's correlation between service quality and customer happiness and loyalty. Through the use of a mystery shopping technique, the study's findings offer insightful information on the relationships that exist between infrastructure, customer happiness, and service quality in the banking industry. The age distribution study provides a more nuanced picture of the customer base by assisting in the understanding of how various age groups may evaluate infrastructure quality and customer satisfaction. The regression study demonstrates a substantial positive link between customer service and views of banking infrastructure, showing that changes in customer service can influence how consumers perceive the physical features of the bank. This interdependence suggests that to improve the client experience, banks should concentrate on both infrastructure upgrades and service delivery. Regression models are used by banks to identify the factors that influence customer happiness, enabling data-driven, strategic improvements.

The study did, however, also find a weak and statistically insignificant correlation between total satisfaction and customer service, suggesting that customer happiness in banking is not entirely determined by customer service alone. This demonstrates how the consumer experience is complex and that other elements like product availability, cost, and convenience could be more important. Similarly, the data demonstrates that there is no clear correlation between infrastructure quality ratings and consumer happiness. This implies that location, amenities, and upkeep have a greater influence on infrastructure evaluations

than general satisfaction. A more thorough grasp of consumer impressions would be made possible by investigating other predictors for infrastructure quality, which would provide a complete reform plan for banking services.

Overall Comments of Employees:

1. "Our bank has a very hierarchical structure, which sometimes slows down decision-making and innovation."
2. "Customers often complain about long wait times, especially during peak hours."
3. "We receive a lot of positive feedback about our dedication to resolving issues, but the initial response time needs improvement."
4. "We need more training on the latest digital banking tools to assist customers better as our customers do not frequently use digital banking."
5. "Our infrastructure is outdated in some branches, which affects the quality of service we can provide."
6. "Customers often appreciate our efforts to explain products in detail, but they are frustrated by the amount of paperwork required for simple transactions."
7. "The bank culture encourages continuous learning and development."
8. "We receive positive feedback for our friendly and helpful service."
9. "Many customers are dissatisfied with the slow processing times."
10. "We try to resolve customer issues promptly, but sometimes lack the resources."
11. "The service processes are well-defined, but there's a lot of paperwork involved."
12. "The current service process is effective but could benefit from digital transformation."
13. "Our processes ensure accuracy, but speed is often compromised."
14. "It's a good tool to ensure staff are following proper procedures."
15. "Mystery shopping reports provide valuable insights into customer experience."
16. "We sometimes feel pressured by the results of mystery shopping assessments."
17. "It has led to improvements in our service standards."
18. "Our bank is committed to providing excellent service, despite occasional lapses."
19. "Maintaining consistent service quality across all branches is difficult but essential."

Conclusion:

This research paper highlights the critical role of service process effectiveness and employee performance in enhancing customer experience within the banking industry. Utilizing a mixed-methods approach, combining quantitative mystery shopping data and qualitative interviews, the study reveals the complex nature of customer experience management. The findings emphasize the importance of streamlined service delivery and the crucial role of frontline staff in fostering positive customer perceptions. Banks that develop robust service protocols and empower employees to deliver exceptional service are better positioned to cultivate lasting customer relationships and maintain a competitive edge. Mystery shopping is a valuable tool for evaluating service quality, enabling banks to identify improvement areas and implement targeted interventions. By leveraging these insights, banking professionals can optimize service delivery, enhance employee performance, and elevate the overall customer experience. This study offers a roadmap for financial institutions seeking differentiation through superior customer experiences and is a foundation for future research.

Recommendation of Employee:

Streamlining Processes- The complexity and duration of current procedures, particularly for account openings and loan applications, impede customer satisfaction. Simplifying these processes by reducing paperwork and improving efficiency is essential (Gupta & Mittal, 2015). **Improving Digital Services-** Upgrading digital platforms, such as mobile apps and online banking, is crucial. Frequent complaints about app performance necessitate enhancements in user interface design, feature addition, and system stability to make banking more convenient (Zhang & Xu, 2016). **Enhanced Customer Service Training-** Comprehensive training programs focusing on communication, problem-solving, and product knowledge will enable staff to address customer inquiries more effectively, fostering a positive customer experience (Boshoff & Gray, 2004).

Increasing Staff and Reducing Wait Times- Long queues during peak hours frustrate customers. Hiring additional staff or implementing an advanced queue management system can significantly reduce wait times, enhancing customer satisfaction (Meuter et al., 2000). **Personalized Customer Interaction-** Leveraging customer data to offer tailored advice and services can enhance customer satisfaction. Personalized interactions make customers feel valued and understood (Peppers & Rogers, 2004). **Feedback and Complaint Resolution Mechanism-** An efficient feedback and complaint resolution system is vital. Establishing a dedicated team to manage customer feedback and promptly address complaints will improve overall service quality (Tax & Brown, 1998).

Implications for Banking Sector Practices:

The paper's findings significantly impact banking professionals aiming to enhance customer experience strategies. Data indicates that banks should prioritize developing robust service delivery processes and equip employees with the necessary skills to meet or exceed customer expectations. Implementing comprehensive training programs and performance management systems can empower frontline staff to deliver exceptional service, fostering stronger customer relationships and enhancing brand loyalty.

Impact of Service Process Effectiveness on Customer Experience:

The findings underscore the pivotal role of service process effectiveness in shaping customer experience within the banking industry. A smooth and satisfying client journey is facilitated by employees adhering to established norms and having efficient and optimised service delivery methods. Customers are more likely to feel appreciated, understood, and content with the entire experience when they believe that the bank's service procedures are efficient.

Role of Employee Performance in Enhancing Customer Satisfaction:

The research also highlights the critical importance of employee performance in enhancing customer satisfaction. Frontline staff who exhibit strong communication skills, problem-solving abilities, and a genuine commitment to customer service are instrumental in creating positive customer experiences. By fostering a culture of excellence and empowering employees to go above and beyond, banks can cultivate a loyal customer base and differentiate themselves in the competitive landscape. In conclusion, this research paper provides a comprehensive understanding of the interplay between service process effectiveness, employee performance, and customer experience in the banking industry. The insights gained from this study can guide banking professionals in developing targeted strategies to optimize their service delivery, empower their workforce, and ultimately elevate the overall customer experience.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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