Increasing Employee Retention in Convenience Stores

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turnover

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Employee turnover costs companies bottom-line profits. A recent study conducted in the supermarket industry estimated the cost to turnover a single hourly supermarket employee at $3,752.[2] The cost would be similar for the c-store industry. In the late 1970's, one c-store company estimated it cost approximately $1,800 to turnover a store clerk. Adjusted for inflation, the cost would be $3,903 in today's dollars. Such tremendous costs mean that even a small reduction of employee turnover—especially in high volume turnover jobs—would result in improved profits. The multi-million dollar question is, *"How can a company reduce employee turnover?"*

The answer to this question comes from a study on employee retention recently completed in the supermarket industry.[3] This study introduced a new way of looking at turnover—focusing on employee retention, not turnover—and identified management and organizational practices that can impact retention in a desirable way. The objective for this article is to show that the results of the supermarket study are gereralizeable to the convenience store industry, to summarize the key results of the study, and to provide guidance on how to apply the results.

Can the study's results be applied to c-stores?

Since the retention study was conduced in supermarkets, a logical question is, *"Can the study's results be applied to c-stores?"* For a variety of reasons, the answer is *Yes!*

- First, the model that guided the study is generic. It was not created for a specific industry or job and is, therefore, generally applicable.
- Second, the method used to collect data for the project is general. It was created to measure a variety of jobs in the store-level retail environment. The method employed a survey to measure management and organizational practices key to employee retention.
- Finally, hourly supermarket study share many common characteristics the hourly c-store jobs. Both jobs are entry hourly customer service jobs requiring a modest amount of orientation and training. The jobs also share many of the same task requirements: operating a cash register, operating a variety of store equipment, assisting customers, stocking shelves, and cleaning.

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[1] Prior to joining the faculty at the University of Dallas, Blake Frank worked for The Southland Corporation, now 7-Eleven, Inc., as manager of its Personnel Research & Organization Development department.

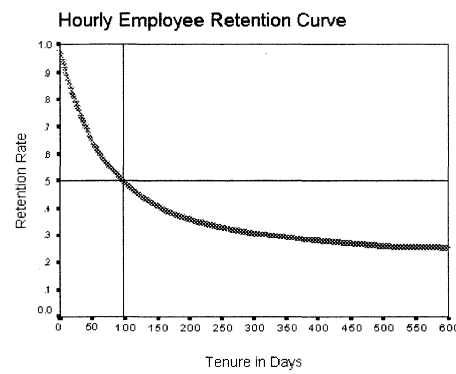
[2] Blake Frank. New Ideas for Retaining Store-Level Employees. Presentation at the FMI Mid-Winter Executive Conference, Scottsdale, AZ, January 2000.

[3] Blake Frank. *New Ideas for Retaining Store-Level Employees.* Coca-Cola Retailing Research Council, Atlanta, GA, 2000.

For store management jobs, if the c-store manager's job is truly managerial, involving significant decision-making, problem-solving, direction and objective setting, and human resources activity (e.g., hiring, firing, training), then the study's results for store management jobs will be applicable. If the c-store manager's job is more clerk-like, where the manager is more another member of the customer serving team, then the study's results for hourly store-level employees will be applicable. It's up to the company to decide.

Retention Curves

The concept of employee retention is not new, but this study applied a statistical technique known as survival analysis to compute a *retention curve*, which is a new way of looking at turnover in the industry. Retention curves track the tenure of a group of employees over time. The graph to the right shows the retention curve computed for hourly employees in the supermarket study. It shows that 50% of new hires leave within the first 97 days of hire. In other words, the "half-life" of new hourly employees is 97 days.



Retention curves are superior to the typically used turnover rate, which is the number of employees that terminate in some time period (e.g., year, month) divided by the number of positions, for two reasons. First, they are precise and easy to interpret. Given a particular retention cure, you know the exact stay vs. leave characteristics of the employees in question. This is unlike turnover rates, which are difficult to interpret. For example, does a 50% turnover rate mean that one-half of a company's employees left during the year, one fourth of the employees turned over twice, or 10% of the employees turned over five times? Additionally, turnover rates do not take into account other factors related to turnover such as length of service. Retention curves do, as can be seen from the graph, which shows that 25% of the new hires leave within the first 31 days of employment and the next 25% taking 68 days to leave.

Second, retention curves can be statistically compared to determine meaningful differences. That is what was done in the supermarket retention study to identify retention drivers—management and organizational practices that increased or decreased employee retention.

What Drives Retention?

Employee retention does not occur in a vacuum. But, *"What drives retention?"* To answer this question, the supermarket retention study looked to a well-established model of human performance in organizations—a model, while applicable to supermarkets, was not developed specifically for supermarkets.[4]

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[4] Thomas F. Gilbert. *Human Competence: Engineering Worthy Performance*. Washington, DC, The International Society for Human Performance, 1996.

The model, which is summarized in the following table, divides an employee's work environment into three areas: Information, Means, and Motivation; and two levels: What the Organization Provides (Data, Methods & Processes, and Incentives) and What the Employee Brings to the job (Knowledge, Capability, and Willingness to Work). All of this occurs in the context of Organizational Direction, which is created by vision and mission, and Immediate Supervision, which is how supervisors direct the work of their employees.

	Organizational Direction & Immediate Supervision		
	Information	**Means**	**Motivation**
Organization Provides	**Data**	**Methods & Processes**	**Incentives**
	Providing Information	Equipment & Supplies	Pay & Benefits
	Providing Directions	Working Conditions	Advancement
	Providing Feedback	Work Organization	Empowerment
Employee Brings	**Knowledge**	**Capability**	**Willingness**
	Training	Individual Capacity	Motives

The model provides a framework for identifying management and organizational practices that drive retention. We can ask, *"Where is the greatest leverage for increasing employee longevity?"* Research indicates that the greatest leverage comes from an organization providing employees good data, efficient work methods and processes, and incentives tied to performance. In contrast, what the individual brings to the work situation, while important, typically has less *leverage* for improving performance and costs more to implement than the higher leverage organizationally provided items.

Identifying important retention drivers

The next question is, *"How do you measure the retention drivers suggested by the model?"* The answer is a survey of management and organizational practices that measures the following specific top line drivers, each consisting of specific items that rate an aspect of the driver:

Organizational Direction. The way the company does business and the overall satisfaction with the company.

Immediate Supervision. An evaluation of how an employee's immediate supervisor executes his/her supervisory duties and responsibilities.

Providing Directions. How well the company does in providing employee with directions (generally written) necessary to do the job.

Providing Feedback. The quality of performance feedback.

Equipment and Supplies. The quality and availability of equipment and supplies require to do the job.

Working Conditions. The nature of the job's time demands and workload.

Work Organization. Competing demands, inefficient procedures, and a focus on the "negative," rather than the positive.

Pay Administration. Frequency of pay raises and pay differences between new and more experienced employees.

Pay and Benefits. Satisfaction with pay and benefits.

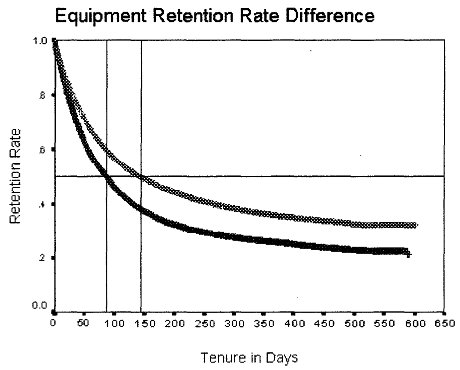
Advancement. The opportunities to advance and improve one's skills.

Impact. The ability to exercise judgment and the effect of one's work on other employees and customers.

Training. Training effectiveness.

Capacity. Matching employee skills with job requirements.

In the supermarket study, hourly employees completed the survey that measured the retention drivers. Then, the companies participating in the project were "scored" on each of the retention drivers, including the individual items making up the driver. Companies with scores in the top half of all scores were designated "Top." Companies with scores in the bottom half of all scores were designated "Bottom." Next, the retention curves of the Top and Bottom companies were compared on each of the retention drivers and their component items.



The comparisons showed dramatic employee retention differences between the Top and Bottom companies on a variety of the retention drivers and their component items. The top retention drivers were *Providing Directions*, *Equipment & Supplies*, and *Immediate Supervision.* Employees in the top rated companies stayed from 64% to 72% longer than employees in bottom rated companies. The graph to the left shows the retention curves for the Top vs. Bottom companies on the *Equipment & Supplies* driver. The employee "half life" (median tenure) for Top companies is 144 days compared to 87 days for Bottom companies—a two-month difference.

The implication of this finding is staggering. Doing a better job of providing and maintaining equipment and supplies to hourly employees can have a significant impact on retention—perhaps increasing it by two months. To find specific guidance for addressing this driver, look at the specific items that comprise the driver. For example, *"When it is necessary to repair equipment, the work is done as fast and effectively as it should be."* is an item that differentiates Top vs. Bottom companies on this driver.[5]

Taking Steps to Improve Retention

The results of the study provide guidance on where to look for ways to improve retention. Use the following steps to launch a specific effort in your company:

- Assign a company team to work the issue. The team can be a company, district, zone, market, etc. team—whatever is most appropriate for the retention problem in your company. The team should focus on a part of the company with an identifiable retention problem **and** a part of the company over which it can exert influence and control.
- Select the initial retention driver on which to focus. Start with an overview of the key top line retention drivers. Then, target the key issues for your company. Base the selection on your management's knowledge of the issue or, in some cases, you may need to collect additional company-specific survey data.
- Analyze the item-level results for the retention driver. This is key to identifying actionable retention drivers and related management and organizational practices in your company.

[5] Employee retention results for all drivers and items are presented in the report, *New Ideas for Retaining Store-Level Employees*. The report is free and available from Coca-Cola by visiting www.ccrrc.org

- Create and implement a specific action plan to address the issues identified. It is critical that the plan identify specific actions to be taken, timeframes for implementation, individuals accountable for implementation, progress measures, and consequences for both failure and success.

Conclusion

Clearly, there are specific, identifiable organizational and managerial practices that drive retention. The impact of specific practices varies by type of job (e.g., hourly vs. managerial); however, for a specific type of job the retention driver is applicable, regardless of organization. Follow the process outlined in the paper, and you can begin to apply it to your business.

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