people pleaser

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The NACS/Coca-Cola Retailing Research Council has released "Power Up Your People," a three-phase project that studies employee engagement.

By Jerry Soverinsky

This past March 31, California's Democratic Legislature voted to increase the state's $10-an-hour minimum wage, the nation's highest, to $15, a 50% increase that will take effect gradually over the next six years.

Opponents of the measure claimed the move would force many small businesses to close while pressuring others to lay off workers and automate low-wage positions. "Our job in this building is to help people climb the economic ladder, not cut off the bottom rungs," said Senator Ted Gaines (CA-1), who characterized the move as a "death sentence" for struggling businesses in his district.

California is not alone in pursuing a higher minimum wage, with many cities already staking $15 as their target. Businesses are taking notice.

Earlier in February, Walmart had voluntarily boosted the minimum hourly wage for its workers (all except its new hires) to $10, while adding a 2% pay increase to all other employees who had already reached the maximum pay for their positions. Soon after, Gap and TJX Companies (T.J. Maxx, Marshall's, HomeGoods) both announced a $10-an-hour minimum wage—an effort to remain relevant in an increasingly competitive labor marketplace.

All of this has not been lost on the convenience store industry. With its inherently high turnover rate, industry executives frequently seek to strengthen the sometimes-fragile relationship between store owners and employees, to ensure workforce competitiveness and industry growth in the midst of instability brought on by minimum wage pressure. A structured organizational focus on employee engagement ensures a staff that is fully absorbed by and enthusiastic about their work—and sticks around.

Building on the success of its "Playbook for Success: A 3-Step Guide to Growing C-Store Business," the NACS/Coca-Cola Retailing Research Council (CCRRC), a group that "conducts studies on issues that help retailers respond to the changing marketplace," undertook a comprehensive study of employee engagement in a three-phase project called "Power Up Your People."

"Companies in other channels were raising salaries, and we were facing strong price

competition," explained Bill Bishop, chief architect of Brick Meets Click, who works closely with the Council on its NACS-CCRRC initiatives. "We knew people are ultimately the marketing vehicle for delivering the brand experience and growing the business, so we put our focus there."

As a result, CCRRC sought answers to three basic questions related to employee engagement in the convenience store industry:

1. How is employee engagement related to business outcomes?
2. Which factors are the most important in influencing employee engagement?
3. Where are opportunities for improvements related to employee engagement?

After surveying 20,000 convenience store employees and managers across 11 different corporate brands, CCRRC incorporated the information into three multimedia resources that provide retailers with the foundation to enhance employee engagement: a video series presenting first-hand stories of the impact of employee engagement, a video series incorporating academic evidence to explain employee engagement, and a written report titled, "People Power for C-Stores: Using Employee Engagement to Build Business Results."

Let's take a closer look at the report.

Business Benefits

"[W]e can say with certainty that [there's a strong relationship between employee engagement and better business results]," begins the report in laying out the value of People Power.

Drawing on research conducted by Blake Frank, PhD, (and repurposed in phase two of the report), the Council concluded that employee engagement delivers concrete, measurable benefits that touch on the fundamentals of a healthy business:

- **Profitability:** Studies revealed that firms with high employee engagement were 10% to 22% more profitable than ones with low engagement.
- **Turnover:** Firms with high employee engagement experienced lower turnover rates—25% less in one study and 10% in another.
- **Shrinkage:** Firms with non-engaged employees incurred a 28% increase in shrinkage levels compared to firms with high employee engagement.
- **Customer satisfaction and loyalty:** Stores in the top 20% of employee engagement ranked significantly higher than those in the bottom 20% across three critical dimensions of customer service: overall customer satisfaction (+9%), likelihood of returning to the store (+6.8%), and likelihood of recommending the store (+13.3%).

ENGAGEMENT AND OPERATIONAL PROFITABILITY

	FIRM X	2015 INDUSTRY AVERAGE	DIFFERENCE
OVERALL ENGAGEMENT SCORE	**59%**	**51%**	**8%**
OVERALL JOB SATISFACTION	52%	41%	11%
TEAMWORK	52%	40%	12%
WORK CULTURE	57%	47%	10%
GROWTH	55%	46%	9%
SERVICE CULTURE	63%	56%	7%
SUPPORT	61%	52%	9%
INSIDE GROSS PROFIT DOLLARS PER LABOR HOUR	**$31.02**	**$29.83**	**+ 4%**
ANNUAL HOURLY TURNOVER	**80.5%**	**87.9%**	**(7.4%)**

LESS TURNOVER AND MORE PROFIT

Higher levels of employee engagement are related to both higher profit and lower turnover. The impact shows up clearly when we compare the engagement scores from one of the participating banners with the 2015 industry average from the NACS State of the Industry Survey.

Banner X generates 4% higher inside gross profit per labor hour, which translates to $24,000 more gross profit dollars per year at their typical store.

Replacing an hourly employee can cost 16% of annual wages. That's a cost of $3,328 each time a $10-per-hour employee leaves.

- **Employee word-of-mouth:** Employee engagement is directly tied to the likelihood of serving as a brand ambassador for one's place of business. Indeed, 94% of those employees demonstrating the highest engagement agree with this sentiment, versus just 12% for those who are disengaged.

The efforts of the Council were not to discover just trends but the measurable, bottom-line impact that employee engagement brings to a company. "This project is evidence that employee engagement is a valuable business asset in convenience retailing," Bishop said. "You might be a hard-nosed businessman and numbers driven, and there are real numbers here."

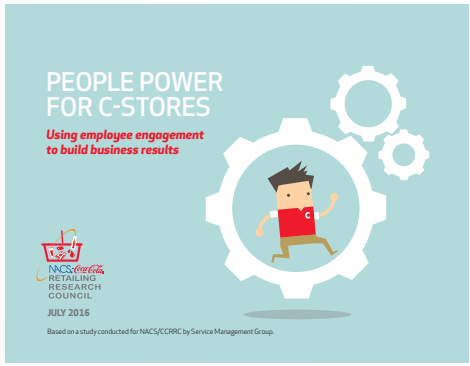
So what do the real numbers show? Employee engagement makes a profound difference on an operator's profitability. With an employee engagement score just eight points above the industry average (see sidebar, "Engagement and Operational Productivity"), one retailer realizes $24,000 more in gross profit dollars per year at each typical store.

And by trimming less than eight points from the industry average hourly turnover of 87.9%, that same firm saves $3,328 per year for each $10-per-hour employee that it retains (a figure that considers the cost of replacing an employee).

Engagement Drivers

Understanding that employee engagement makes a difference, how does a retailer best involve a company's workforce? The report revealed four main factors that matter most to employees (including the percentage of respondents who cited the engagement driver):

- Company concern for their well-being (12%): The average engagement score for those who "strongly agree" with feeling sad at their store was 69%—far higher than those who simply responded "agree," where the engagement score plummeted to the 20s. (See sidebar, "Engagement and Perceptions of Safety.")
- Opportunities to use personal strengths (11%): This touched on full-time vs. part-time work opportunities, with those working full-time more engaged (55%) than their part-time counterparts (47%).
- Clear expectations (10%): Employees whose job responsibilities were clearly identified were more engaged in fulfilling their duties than those whose responsibilities were unclear.
- Encouragement to find better ways to work (10%): Engagement generally increases with responsibility, as managers were more engaged on average (63%) than their non-manager peers (49%).



TO ACCESS THE REPORT

Preceding the release of the report, the final phase of "Power Up Your People" included these multimedia components:

- **Powering Up Employee Engagement:** A Flash of Light: A six-part video series that presents first-hand stories of the impact of employee engagement.
- **How Employee Engagement Works:** A four-part video series that incorporates academic evidence to explain employee engagement and the ways companies can create and sustain it.

For more information and to download the complete report and access its related videos, visit ccrrc.org/2016/06/22/power-people.

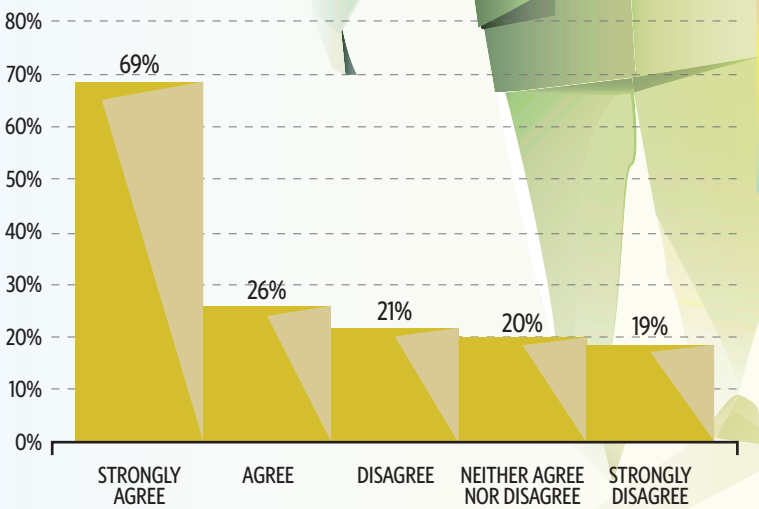
While there were a number of additional drivers cited ("receiving adequate scheduling notice," "receiving timely feedback from managers," etc.), the report found these four to be the most impactful. "If a retailer can concentrate on only a few areas, this is where they will get the greatest returns."

Leveraging the Report

No matter the size of your operation, you'll find actionable insights for creating a culture of employee engagement within your company, regardless of your budget and resources. The report recommends the following key steps to begin the process:

- **Educate your team:** The Council has developed a number of resources that address employee engagement (see sidebar, "Watch This"); all three phases of the project will help educate you and your staff as you seek to increase employee engagement at your company.

ENGAGEMENT AND PERCEPTIONS OF SAFETY



FEELING SAFE IS CRUCIAL

Not feeling safe hinders employee engagement. When asked if they felt safe working at this location, the average engagement score for those who answered "strongly agree" was 69%—all others—even those who answered simply "agree" as opposed to "strongly agree"—scored in the 20s or below. Key related driver: *the banner cares about my well-being.*

- **Start at the top:** The top four drivers in the report (see previous section) are the perfect starting point for increasing employee engagement. As a result, consider implementing physical enhancements such as lighting to your store (driver: management cares about my well-being), empowering team members with greater responsibility (driver: opportunities to use personal strengths), and hiring more full-time employees (driver: find better ways to work).
- **Survey your employees:** It's impossible to know the work that you need to accomplish without learning where you currently stand with your employees. To that end, NACS is working to provide four opportunities over the coming year with Service Management Group (the company that conducted surveys for the "Power Up Your People" project) for retailers to have their employees professionally surveyed. To learn more, contact NACS Vice President of Research Dae Kim at dkim@nacsonline.com.

Retailers have expressed strong support for the report and its findings, as it has validated processes that were intuitive yet whose payoff had been difficult to measure. "At Sheetz, our focus on employee engagement has been based on our strong belief that by taking care of our employees, they would in turn take care of our customers," said Stephanie Doliveira, spokesperson for Sheetz. "The results of the NACS Coca-Cola Research Council study on engagement confirmed what we have always believed—that high employee engagement yields better business results. Happy and engaged employees do a better job of delivering great customer service!"

"The Ricker team was elated at the findings of the NACS/Coca-Cola culture study," said Quinn Ricker, president and CEO of Ricker's and member of the CCRRC. "Ricker's has always had a very deliberate focus on culture. Our mantra of taking care of our people so our people can take care of the customer continues to resonate with our team. In a time of tight labor markets, culture becomes the differentiator in finding and retaining great talent. Through this study we can now correlate that to financial performance."

Other retailers are using key findings of the report, such as empowering non-managers with increased responsibility, to achieve success. "You would think that by empowering your employees, and giving them more ability to make decisions, the end result would be that they would run over you, and do less work, play more, goof off or just not do what they're supposed to," said Darrell Meek, operations manager for J.D. Street & Co., in one of the "Power Up Your People" videos. "But in reality, you get the exact opposite effect. You get employees who become engaged, and take ownership in their job, and become part of the company, instead of just the person behind the counter. "

No matter to what extent you adopt and implement findings from the report, you'll find that it offers valuable advice that drives real results at a very low cost. "This doesn't require new capital investment, it doesn't require a store remodel and it doesn't require new technology," Bishop said. "It just requires a change in the way people manage their people," a time investment that can produce a profound impact on your bottom line.

"By changing the way you and your team manage people, you've got an opportunity to create new business value in terms of sales and cost reductions ... Whether you've got two, three or even 30 stores, you can do it." NACS

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