A Study Conducted for The Coca-Cola Retailing Research Council by Blake Frank, PhD, University of Dallas

New Ideas for Retaining Store-Level Employees

turnover

The annual cost of employee turnover in the supermarket industry *exceeds* the entire industry's annual profit by more than 40%. This cost is hard to manage, in part because—unlike other supermarket costs—it does not show on the P&L statement. This study gives supermarket retailers two focal points for attacking the turnover problem: ➔ The ability to quickly estimate their company's turnover cost to see the size of the opportunities. ➔ Actions to take that will increase employee retention, thus reducing employee turnover.

Employee turnover for all U.S. businesses has soared to the highest levels of the decade, according to a Bureau of National Affairs report. The cost implications are huge. The U.S. Department of Labor estimated that it costs one-third of a new hire's annual salary to replace an employee. This study found that the supermarket industry's average annual turnover cost per store is about $190,000. The result is lower profits as well as great potential for customer dissatisfaction.

Beyond Turnover Costs

The supermarket industry faces a critical need to find and keep good employees to properly serve its customers. Labor shortages are particularly painful to retailers who built stores or high-skill departments, like pharmacies, then found they could not open them because of staff shortages. It is clear that the industry must begin to compete as aggressively for employees as it does for customers. The problem is that most retailers do not know what their turnover costs really are, nor do they have the tools in place to control turnover. In this situation, retaining employees can be an extremely effective way to control the costs of turnover and minimize recruiting needs. Thus, the more employees retained, the lower the company's turnover costs, reducing the need to recruit and hire new employees.

About This Project

This project had two major objectives:

1. Determine the real cost of store-level supermarket turnover and provide a tool that retailers can quickly use to calculate their turnover.
2. Identify actions that will increase employee retention, thus reducing turnover.

The first objective focuses on calculating the cost of store-level turnover for various jobs in the typical store and providing ways to compute the impact of turnover on individual stores and companies. The second objective involves identifying specific and practical actions that are *high-value retention drivers* for supermarkets.

The findings of this study have been drawn from an analysis of a broad base of information. Ten companies, representing 18 operating divisions located across North America, provided support and data for the project. The study targeted store-level supermarket jobs, including store manager, department manager, cashier, and other hourly personnel, in both union and nonunion environments. Participating companies did the following:

- Completed 568 surveys detailing the cost components of terminating and replacing employees (e.g., interviewer time, training, personnel department time, testing);
- Provided personnel data on 171,497 store-level employees (hire date, termination date, job title); and
- Had 9,567 store-level employees complete a questionnaire describing management and organizational practices expected to predict employee retention.

This provides a representative picture of employee turnover in the North American supermarket business.

What is the Cost of Supermarket Turnover?

The total cost of employee turnover for every supermarket company has two main elements: ➲ *Direct costs* such as advertising, training, interviewer time, employment testing, new employee processing, and background checks. ➲ *Opportunity costs* such as change-making errors, paperwork mistakes, damaging products, inventory shrinkage, and improper use of equipment. These costs were estimated using the survey process described in Appendix 1.

Employee turnover costs the typical supermarket $189,977 annually in direct and opportunity costs. Using a Food Marketing Institute (FMI) estimate of 30,300 supermarkets, the following table shows the annual cost in the supermarket industry for each type of turnover cost.

Supermarket Employee Turnover Cost

TURNOVER COST TYPE	TURNOVER COST
Direct	$813 million
Opportunity	$4.94 billion
Total	**$5.8 billion**

Given an industry net profit after taxes of 1.22% and industry sales of $334.5 billion, the annual cost of turnover ($5.8 billion) exceeds industry profits ($4.1 billion) by 41%.

Annual Cost of Turnover by Job Type and Union Status

The annual per-turnover costs for store-level supermarket jobs are presented in the following table. The estimate for each job and union status category is the sum of the direct and opportunity costs for that specific category.

Each Time an Employee Leaves

STATUS	COST TYPE	STORE MANAGER	DEPARTMENT MANAGER	OTHER HOURLY PERSONNEL	CASHIER
Union	Direct	NA	$4,215	$664	$584
	Opportunity	NA	$5,749	$3,627	$3,729
	Total	**NA**	**$9,964**	**$4,291**	**$4,313**
Nonunion	Direct	$13,936	$1,658	$309	$736
	Opportunity	$20,799	$5,387	$3,063	$1,550
	Total	**$34,735**	**$7,045**	**$3,372**	**$2,286**

The obvious conclusions from these numbers are that turnover costs:

- increase with job level; and
- are greater in union than in nonunion companies.

Clearly, the cost of turnover is significant for all types of supermarket jobs. When considered at the store and industry levels, this is an important "target" of opportunity. The high cost of turnover means that even a small reduction in turnover levels would lead to significant improvements in profitability.

AN ADDED DIMENSION OF TURNOVER COST: LOST CUSTOMERS. Lost customers represent a large and critical cost element, in part attributable to employee turnover. For example, new, inexperienced replacement employees may underserve customers, irritating some to the point of taking their business elsewhere. To get a rough estimate of the impact of turnover on lost customers, the turnover cost survey used in this project requested an estimate of the number of customers lost due to turnover-related factors. We used FMI figures of industry profit margin (1.22%) and the average weekly supermarket per-person expenditure ($35) to compute an annual lost-profit estimate attributable to lost customers (assuming a family of 3.2 and a customer life span of four years).

Depending on the job type, lost customers could add anywhere from 34% to 119% to the direct and opportunity costs of turnover. Specific lost customer cost figures are presented in Appendix 2. These numbers are only an approximation, since they are based on estimates provided by supermarket managers and not on actual shopping behavior. Nevertheless, lost customers significantly increase the already high cost of turnover. It must be left to another study to refine the accuracy of these estimates.

COMPUTING THE COST OF TURNOVER. Using information from the turnover cost survey, a simplified method of estimating the per-incident cost of turnover at the store level was developed to help individual retailers estimate their turnover costs. This method can be used to quickly develop an estimate of turnover cost for any store-level job. All that is needed is the average hourly wage of the focus job. The average hourly wage is found in the "look up" table in Appendix 3, which is classified into union or nonunion jobs. Next to the wage is the per-incident turnover cost estimate.

For example, if the average hourly wage of nonunion cashiers is $6.50, the table shows an estimated cost of turning over one cashier is $3,637. If the store turned over 20 cashiers in a year, the annual cost would be $72,740.

Go for Retention
Rather than Turnover

Turnover is typically measured as the percentage of employees leaving a job over a time period, divided by the average number of employees occupying the job during the same time period. Turnover rates are used extensively because they are easy to compute, are easy to understand, and provide information on movement into and out of companies. However, turnover rates are not the best measure of employee turnover.

LIMITATIONS OF TURNOVER RATES. The use of turnover rates has two disadvantages. First, they 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? The lack of precision makes it difficult to create effective turnover reduction programs.

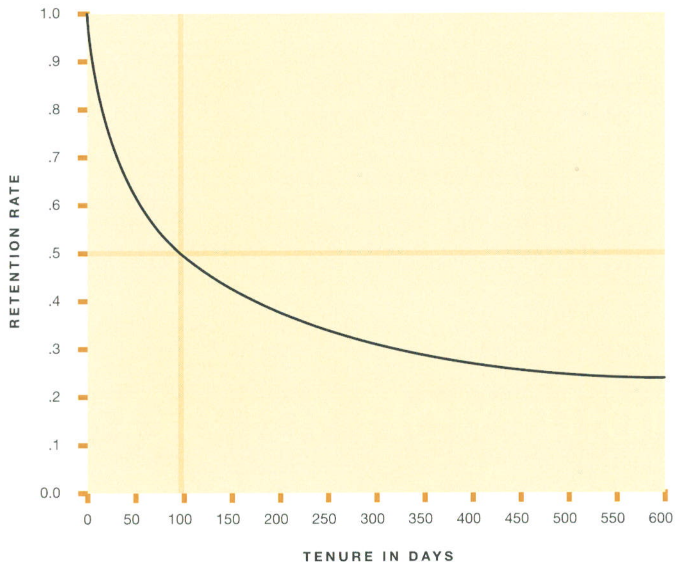
Second, a simple turnover rate does not take into account other factors related to turnover. The most important one is length of service, because turnover rates vary by length of service. Not knowing when employees turn over diminishes the effectiveness of retention programs keyed to tenure.

ADVANTAGES OF RETENTION RATES. A more useful way to address employee turnover is to measure it as a retention rate. The retention rate approach begins with all employees as a group and follows their tenure through time. Such an approach overcomes the limitations of turnover rates. This project looked at two groups of store-level employees: hourly and store management. Hourly employees include checkers, baggers, stockers, and other hourly personnel. Store management employees are store managers, comanagers, assistant managers, and department managers.

The two charts in this section show retention rate curves for hourly employees and store management in the supermarket industry.

- The hourly retention curve is based on data for 131,855 hourly employees, provided by the companies participating in this project.
- The store management retention curve is based on 1,921 store management employees, using information provided by participating companies.

Retention Curve for Hourly Supermarket Employees[1]



Generally, the key benchmark in analyzing retention curves is the point at which 50% of employees remain—the "half-life" of an employee. In the chart above, a horizontal line has been drawn at the 50% mark.

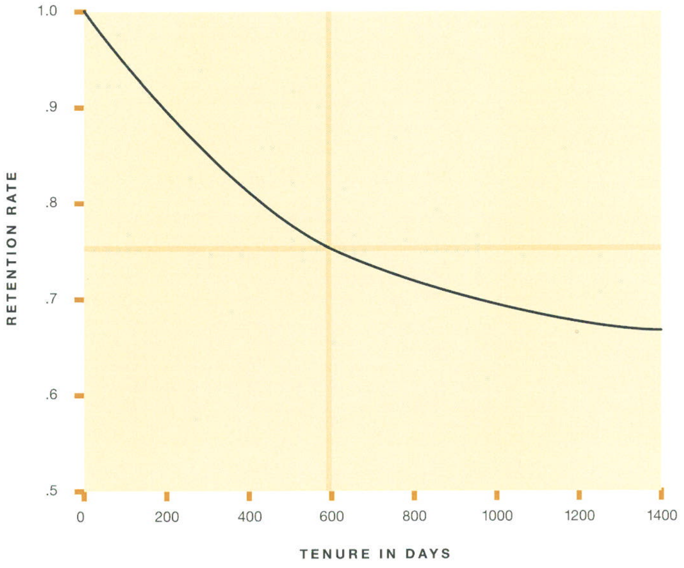
The median retention rate is the point at which the 50% benchmark line crosses the retention curve: **97 days** for hourly employees. That is, one-half of new hires terminate their employment within the first 97 days of employment.

The chart shows the number of days of employment for any retention rate. For example, 75% are still on the job at 31 days of employment. Thus, 25% of new

[1] Hourly employees are cashiers, baggers, stockers, carryout personnel, and other hourly workers typically earning less than $10.00 per hour.

employees terminate employment within the first month, but it takes 66 more days for the next 25% of new hires to turn over. Retention rates thus have a precise meaning in terms of "survival rate" and length of service until turnover.

Retention Curve for Store Management Supermarket Employees[2]



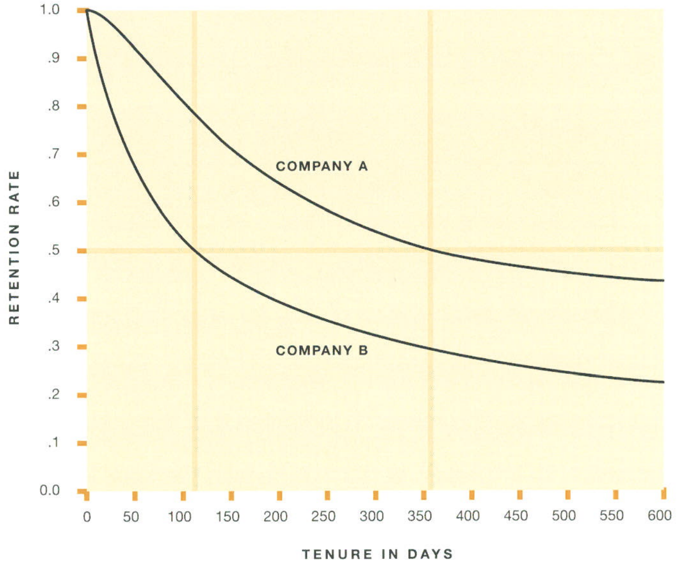
The store management retention curve differs from the hourly employee curve. The 50% benchmark line is not relevant to this group because store management employees have much longer tenure than hourly employees. In this study, which tracked store management employees hired in 1996 through early 1999, the 50% retention mark was not reached. Therefore, the benchmark was set at 75%. The 75% benchmark line crosses the retention curve at 594 days, i.e., a little less than two years.

[2] Store management employees are store managers, assistant managers, comanagers, and department managers.

Identifying Factors Related to Retention

A useful characteristic of retention curves is that they can be compared to determine meaningful differences. The next chart compares the very different retention curves of store-level hourly employees for two companies in this study. Company A retains its store-level hourly employees approximately 2.5 times longer than Company B. Such a comparison can help identify the specific factors that determine retention.

Comparison of Hourly Employee Retention Rates



KNOWING WHERE TO LOOK. Looking at these retention curves raises the question, "What causes the very different retention rates?" To help answer this question, we surveyed more than 9,500 store-level employees about management and organizational practices that—based on previous studies—could possibly explain differences in employee retention.

SURVEY OF MANAGEMENT AND ORGANIZATIONAL PRACTICES. The survey was based on a well-established model of human performance in organizations.[3] The model divides an employee's work environment into three different areas: Information, Means, and Motivation; and two levels: what the organization can provide (Data, Methods & Processes, and Incentives) and what the employee brings to the job (Knowledge, Capability, and Willingness to Work).

Human Performance Model

	ORGANIZATIONAL DIRECTION AND 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 to Work**
	Training	Individual Capacity	Motives

The model provides a framework for identifying organizational actions that will increase retention. It also serves as an action outline for attacking the retention issue. We can then ask, "Where is the greatest *leverage* for increasing employee longevity?" Performance engineering research indicates that the greatest leverage—the greatest chance for improved performance with the least effort—comes when an organization provides employees good data, efficient work methods and processes, and appropriate incentives.[4] In general, these are also lower-cost items to the organization.

In contrast, what the individual brings to the work situation, while very important, typically offers less leverage for improving performance and potentially greater cost. For example, companies often presume that formal training is needed to improve employee performance. However, previous research shows that simpler solutions, like providing written job aids or immediate performance

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

[4] Harold D. Stolovich and Erica J. Keeps (eds.). *Handbook of Human Performance Technology (2nd ed.)*. Washington, DC: The International Society for Performance Improvement, 1999.

feedback, often improved performance at a fraction of the cost of formal training. Companies should not ignore employee knowledge, capability, and willingness to work for the available incentives. But other, more fundamental issues should be addressed first: providing accurate and timely information to employees, creating efficient work processes, providing adequate resources to do the job, and linking incentives to performance in a meaningful way.

WHAT THE SURVEY MEASURED. Scales for 13 organizational and management practices were developed from the survey responses. These scales represent the elements of the human performance model:

- *Organizational Direction.* The way the company does business and 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 provides employees with the directions (generally written) necessary to do the job.
- *Providing Feedback.* The quality of performance feedback.
- *Equipment & Supplies.* The quality and availability of equipment and supplies required 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 & 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.

Actions that Drive Retention

This phase of the project compared the retention curves of the Top and Bottom companies based on the 13 scale scores to identify practices that differentiated companies in terms of retention.

RETENTION DRIVERS FOR HOURLY EMPLOYEES. The following table presents the top three retention drivers for hourly supermarket employees from the 13 scales.[5]

Top Retention Drivers for Hourly Employees

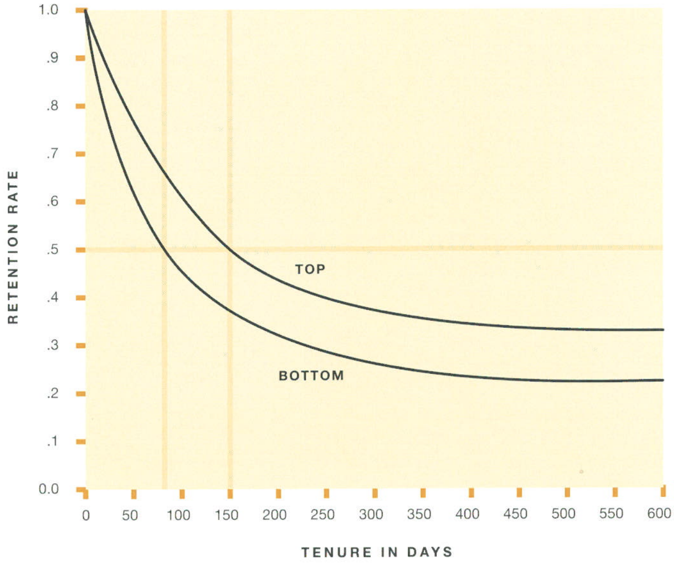
MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
148	86	72%	Providing Directions
144	87	66%	Equipment & Supplies
139	85	64%	Immediate Supervision

To reduce turnover, the typical supermarket company should target these three organizational and management practices. Two of the top three scales (Providing Directions and Equipment & Supplies) are high-leverage items that flow directly from the human performance model described in the previous section. The third item, Immediate Supervision, makes sense as a high-priority item since supervisors define performance expectations and provide feedback and support to hourly employees.

As an example, the following graph compares the retention curves for Top vs. Bottom companies on the Providing Directions scale. The two retention curves are different both *statistically* and *practically*. The median tenure is 148 days for Top companies (those that do a better job providing specific directions to hourly employees). The median tenure is 86 days for Bottom companies—a 72% difference.

[5] Results for all scale scores, plus the items that make up the scales, are presented in Appendix 4.

Impact of Providing Directions on Retention of Hourly Employees (Top vs. Bottom Companies)



The implication of this finding is staggering. Doing a better job providing directions to hourly employees can have a significant impact on retention—perhaps improving it by 72%. In other words, this is a high-value practice: high leverage (impact with relatively little true effort) at relatively low cost.

RETENTION DRIVERS FOR STORE MANAGEMENT EMPLOYEES. The top three retention drivers for store management supermarket employees[6] are presented in the following table:

Top Retention Drivers for Store Management Employees

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
721	299	141%	Organizational Direction
679	343	98%	Training
721	387	86%	Advancement

[6] Results for all scale scores, plus the items that make up the scales, are presented in Appendix 5.

These three organizational and management practices deserve top attention in the effort to increase the retention of store management employees.

DIFFERENCES IN RETENTION DRIVERS BETWEEN HOURLY AND STORE MANAGEMENT EMPLOYEES. A review of the two tables shows that retention drivers for hourly and store management employees are different in nature. Hourly retention is driven by the tactical elements of the job, while store management retention is driven by more strategic elements.

The tactical nature of the hourly drivers makes sense considering the nature of hourly jobs. Most hourly employees are part-timers who likely consider their jobs as temporary. They succeed in their jobs by getting things done, whether checking out customers or stocking shelves. To get things done quickly and effectively, they need specifics: what to do and how to do it. They need equipment that works well. They need the supplies to do their jobs. Supervision is an important tactical factor, because it is through supervisors that hourly employees get direction on what to do and feedback on how they are doing. Supervisors are their pivotal point of contact with the company.

On the other hand, the strategic nature of the retention drivers for store management makes sense for their jobs. They are the interface between the organization and the tactically oriented hourly employee. Store management employees need to know where the company is going in order to inspire employees to work in that direction. For their complicated jobs they need thorough preparation (training), whether in people management, financial management, or product management. They are also concerned about improving their skills to help advance their careers.

It is clear that different job levels require different approaches to improve retention; finding the right approach for each type of job is the key to success.

Actions to Improve Retention

While the results of this study provide guidance on where to look for ways to improve retention, there is no universal solution for all companies. Using the results requires a company-specific effort. To attack the retention issue, we recommend the following general approach: ➲ *Assign a company team to work on the issue.* ➲ *Select the initial target on which to focus.* ➲ *Analyze the item-level results for the scale scores. Each of the 13 scales consists of a number of specific items (see Appendix 4).* ➲ *Create specific action plans to address the issues identified.*

Building an Action Plan to Improve Hourly Employee Retention

The top three retention drivers for hourly supermarket employees are Providing Directions, Equipment & Supplies, and Immediate Supervision. Immediate Supervision is an overarching driver that deserves special attention. This critically important function connects the company to the worker. Consequently, supervisors must be properly trained and coached to develop supervisory practices that impact hourly employee retention (e.g., recognizing employees for doing a good job). A prioritized listing of these practices is shown in Appendix 4.

Providing Directions and Equipment & Supplies are specific tactical retention drivers. The following table, excerpted from the master table in Appendix 4, shows item-level results for the Equipment & Supplies scale. The information in this table was used to develop the subsequent example of action items a company can use to address turnover issues.

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
144	**87**	**66%**	**Equipment & Supplies**
167	79	111%	When it is necessary to repair equipment, the work is done as fast and effectively as it should be.
144	87	66%	The tools and equipment I use on my job are safe to use.
144	87	66%	The supplies necessary to do my job are readily available.
102	96	6%	I am provided the tools and equipment necessary to do my job.

Three of the four items can have a significant impact on retention at the hourly employee level by focusing on ensuring that:

- Equipment is repaired as quickly as possible.
- Equipment is safe to use.
- Supplies are readily available.

ACTION ITEMS. To address the first item (repair equipment), for example, companies could review preventive maintenance policies and schedules; the age of their equipment as it relates to the need for replacement; the performance of maintenance contractors; and the reasons equipment breaks down. This may suggest concrete changes in equipment readiness that would have a beneficial effect on retention.

Following are just a few examples of the actions a company can take to improve the availability/readiness of equipment and supplies and, as a result, increase retention related to the Equipment & Supplies driver.

1. Establish a more active program to ensure proper preventive maintenance keeps equipment in proper working order.

2. Set up specific requirements with maintenance contractors about how long it will take to get equipment repaired.

   - Give employees responsibility for contacting maintenance contractors when equipment breaks down — that is, empower employees who use the equipment to arrange for its repair when it breaks down. That applies to scheduling preventive maintenance too.

3. Determine which supplies are needed for which jobs (cleaning solutions, sponges, cash register tapes, etc.).

   - Assign one person specific responsibility to ensure that supplies are maintained in inventory.
   - Make sure everyone knows where supplies are kept.
   - If there are specific instructions for using supplies, make them clear. If they need to be written down, write them out and post them in an appropriate location. Assign one person specific responsibility to keep these postings maintained and up to date.

Each company should use a process similar to the one outlined above for each of the significant items in Appendix 4.

Building an Action Plan to Improve Store Management Retention

The following table provides an item-level analysis for two important drivers of store management retention: Organizational Direction and Training. A complete list of retention drivers for store management is found in Appendix 5.

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
721	**299**	**141%**	**Organizational Direction**
713	299	138%	How do you rate this company in providing job security?
696	312	123%	Senior management gives employees a clear picture of the direction in which this company is headed.
754	354	113%	How would you rate this company as a company to work for compared to other companies?
785	368	113%	I feel good about the future of the company.
733	392	87%	This company is making the changes necessary to compete effectively.
718	387	86%	Honesty and integrity are valued in this company.
714	392	82%	This company is fair in its dealings with its customers.
679	**343**	**98%**	**Training**
687	305	125%	How satisfied are you with the training you received for your present job?
679	424	60%	I get training in new tasks before I have to do them.
667	503	33%	In my work, I find it easy to apply the training I have received.
611	503	21%	My *initial training* in this company prepared me to do my job.

These items provide a focus on what a company can do to impact retention—by ensuring:

- Top company management clearly communicates information about the strategic direction of the company.
- Information about the positive future of the company is communicated.
- To the extent possible, employees are assured of job security.
- Training is provided prior to promotion or before asking employees to do new tasks.

ACTION ITEMS. In general, store management is the Immediate Supervision retention driver for hourly employees. As supervisors (and managers), it is critical that they be properly trained and coached for their jobs. They are caught in the middle between upper management, which sets the course for the company, and the hourly employee, who serves customers. It is important that store management understands and buys into the company direction and can convey that to employees. This aligns the organization from top to bottom and creates a workforce pulling together. An ill-prepared, uncommitted store management team will create a noncompetitive workforce that sets the stage for high turnover. Shown below is one example of how a company can attack the alignment and retention issues for store management.

The results show that store management employees are very concerned with the future orientation of the company. This is a strategic focus and requires companies to be more creative and communications focused in order to have an impact on employees. The following examples show actions a company can take to increase retention related to Organizational Direction and Training.

1. Establish and aggressively disseminate the mission of the company. This is easy to say and difficult to do well. An effective mission provides focus and direction, not just good-sounding, nondifferentiating platitudes.
    a. Create and communicate specific action plans targeting mission accomplishment.
    b. Establish a measurement component so that progress toward the mission can be monitored.
        i. One way is to create a balanced scorecard that tracks key performance indicators relating to customers, employees, suppliers, internal financial performance, and the financial community. Distribute it to both management and nonmanagement.

2. Job security cannot be guaranteed, but its perception can be enhanced by fair and equitably administered employment practices.
    a. Bring the company's employee policy manual up to date.
        i. Establish specific procedures that regulate actions such as layoffs and terminations.
        ii. Ensure that the company's severance policy is clearly detailed.
    b. Establish a merit-based performance review procedure.
        i. Make sure review forms are job related.
        ii. Train or orient individuals in conducting performance reviews.
        iii. Monitor reviews to ensure they are done, and done effectively.

3. Many companies promote individuals without adequately training them for their new duties. Establish a training program to ensure at least minimal training before the new job is begun.
    a. Develop a list of expectations with both the newly promoted employee and his/her supervisor.
    b. Focus training on the key components of the new job. For example, if there is an "expertise" component, ensure the person has the proper skills training. If there is a significant supervisory component, ensure the person has appropriate supervisory training.

To lay the foundation for increasing retention of store management, a company should develop similar action items for each of the significant items in Appendix 5.

Conclusion

The results of this study clearly indicate that there are specific, identifiable organizational and management practices that drive retention. The strength of these retention drivers differs by job type. Hourly employee retention is impacted most strongly by tactical practices that provide specific direction and assist in effective execution of job tasks. In contrast, store management retention is most affected by strategic practices that clarify organizational direction, prepare employees for their duties, and enhance opportunities for advancement.

While no single set of changes will work equally well in all companies, these findings reveal actions that have a direct effect on retention. To improve hourly employee retention, companies must focus on providing task-level assistance to help employees do their jobs better. To improve store management retention, companies must focus on mission-level assistance to help them be better leaders and supervisors.

Organizations that want to attack the retention issue directly must commit to implementing changes related to how work is performed. This requires specific actions directed at company-specific retention targets.

Appendices

Appendix 1—Measuring the Cost of Turnover

The total cost of turnover for every supermarket company has three parts: direct costs, opportunity costs, and lost customer costs:

1. Direct turnover costs. Direct turnover costs are fixed, requiring expenditure of time or money for exiting employees and their replacements. Participating companies estimated the following direct turnover costs:

- *Separation Costs* including exit interviews, personnel department costs, and separation pay.
- *Replacement Costs* including employment advertising, pre-employment administrative activities, interviewing, pre-employment testing (including drug testing and background checks), new employee processing, and new employee orientation.
- *Training Costs* including formal training and on-the-job training.

Employees familiar with store-level jobs provided these estimates. They were instructed to give exact costs where possible (e.g., background checks) and estimate costs where necessary (e.g., time to prepare for and conduct an exit interview).

2. Opportunity costs. Opportunity, or indirect, turnover costs encompass items such as paperwork errors, inventory shrinkage, improper use of equipment, change-making errors, etc., caused by replacement employees' lack of experience. These costs are difficult to estimate because companies typically do not have procedures to track them.

To determine opportunity costs, 20–30 company experts per job were asked to provide estimates. These were carefully reviewed for accuracy and completeness. Out-of-bounds estimates were discarded (e.g., an estimate of $1,000 was eliminated if other estimates ranged from $10 to $100). Several companies provided incomplete data. For these companies, missing information was estimated using an average computed from the estimates of other companies in the same job categories. Individual surveys were aggregated to provide an average cost for each opportunity cost element for each job category within each company.

3. Lost customers. The number of lost customers attributable to replacement employees was estimated as a special case of opportunity costs. For each job category in the study, participating companies estimated the number of lost customers due to new employee inexperience. An average was created for each participating company by type of job. Since the lost customer number was estimated by managers and not based on actual shopping behavior, the costs computed provide only a rough estimate of the cost of lost customers. To see the potential impact, refer to the table in Appendix 2.

Appendix 2—Estimating the Impact of Lost Customers Due to Employee Turnover

An annual lost profit estimate attributable to lost customers was computed using FMI figures for industry profit margin (1.22%) and estimated average weekly supermarket per-person expenditure ($35). The computation assumed a family of 3.2[7] and a customer life span of four years.[8] The cost of a lost customer was estimated as the profit lost over the life of a customer.

Per-Employee Turnover Cost, Including Cost of Lost Customers

STATUS	COST TYPE	STORE MANAGER	DEPARTMENT MANAGER	OTHER HOURLY PERSONNEL	CASHIER
Union	Direct and Indirect	NA	$9,964	$4,291	$4,313
	Lost Customers	NA	$3,492	$4,548	$3,576
	Total	NA	$13,456	$8,839	$7,889
Nonunion	Direct and Indirect	$34,735	$7,045	$3,372	$2,286
	Lost Customers	$22,109	$2,309	$4,027	$1,926
	Total	$56,844	$9,354	$7,399	$4,212

Appendix 3—Per-Turnover Cost Based on Employee Wage

The following table provides an estimate of the cost of a single turnover based on the hourly wage of the turnover.

- To estimate the cost of a single turnover for a particular job (e.g., cashier), compute the average hourly wage of the focus job. Find the wage in the table

[7] U.S. Census Bureau estimate.
[8] *Calculating and Managing Your Turnover Cost*. FMI, 1992.

to the nearest quarter-dollar. Then find the corresponding turnover cost for that job category in one of the columns to the right (union or nonunion job).

- To estimate the total cost of turnover for a particular unit (e.g., department, store, company), multiply the cost of a single turnover by the number of turnovers in the unit.

WAGE	NONUNION COST	UNION COST	WAGE	NONUNION COST	UNION COST	WAGE	NONUNION COST	UNION COST
$5.50	$3,305	$3,653	$13.75	$7,281	$9,352	$22.00	$16,039	$23,941
$5.75	$3,385	$3,758	$14.00	$7,457	$9,622	$22.25	$16,428	$24,633
$6.00	$3,467	$3,867	$14.25	$7,638	$9,900	$22.50	$16,826	$25,345
$6.25	$3,551	$3,979	$14.50	$7,823	$10,186	$22.75	$17,233	$26,077
$6.50	$3,637	$4,094	$14.75	$8,012	$10,480	$23.00	$17,651	$26,830
$6.75	$3,725	$4,212	$15.00	$8,206	$10,783	$23.25	$18,078	$27,606
$7.00	$3,815	$4,334	$15.25	$8,405	$11,095	$23.50	$18,516	$28,403
$7.25	$3,908	$4,459	$15.50	$8,608	$11,415	$23.75	$18,964	$29,224
$7.50	$4,002	$4,588	$15.75	$8,817	$11,745	$24.00	$19,424	$30,069
$7.75	$4,099	$4,720	$16.00	$9,031	$12,085	$24.25	$19,894	$30,937
$8.00	$4,199	$4,857	$16.25	$9,249	$12,434	$24.50	$20,376	$31,831
$8.25	$4,300	$4,997	$16.50	$9,473	$12,793	$24.75	$20,870	$32,751
$8.50	$4,404	$5,142	$16.75	$9,703	$13,163	$25.00	$21,375	$33,697
$8.75	$4,511	$5,290	$17.00	$9,938	$13,543	$25.25	$21,893	$34,671
$9.00	$4,620	$5,443	$17.25	$10,179	$13,934	$25.50	$22,423	$35,673
$9.25	$4,732	$5,600	$17.50	$10,425	$14,337	$25.75	$22,967	$36,704
$9.50	$4,847	$5,762	$17.75	$10,678	$14,751	$26.00	$23,523	$37,764
$9.75	$4,964	$5,929	$18.00	$10,936	$15,178	$26.25	$24,093	$38,856
$10.00	$5,085	$6,100	$18.25	$11,201	$15,616	$26.50	$24,676	$39,978
$10.25	$5,208	$6,276	$18.50	$11,473	$16,067	$26.75	$25,274	$41,134
$10.50	$5,334	$6,458	$18.75	$11,750	$16,532	$27.00	$25,886	$42,322
$10.75	$5,463	$6,644	$19.00	$12,035	$17,009	$27.25	$26,513	$43,545
$11.00	$5,595	$6,836	$19.25	$12,327	$17,501	$27.50	$27,155	$44,803
$11.25	$5,731	$7,034	$19.50	$12,625	$18,007	$27.75	$27,813	$46,098
$11.50	$5,870	$7,237	$19.75	$12,931	$18,527	$28.00	$28,487	$47,430
$11.75	$6,012	$7,446	$20.00	$13,244	$19,062	$28.25	$29,177	$48,800
$12.00	$6,158	$7,661	$20.25	$13,565	$19,613	$28.50	$29,884	$50,210
$12.25	$6,307	$7,883	$20.50	$13,894	$20,180	$28.75	$30,608	$51,661
$12.50	$6,459	$8,110	$20.75	$14,230	$20,763	$29.00	$31,349	$53,154
$12.75	$6,616	$8,345	$21.00	$14,575	$21,363	$29.25	$32,108	$54,690
$13.00	$6,776	$8,586	$21.25	$14,928	$21,980	$29.50	$32,886	$56,270
$13.25	$6,940	$8,834	$21.50	$15,289	$22,615	$29.75	$33,683	$57,896
$13.50	$7,108	$9,089	$21.75	$15,660	$23,269	$30.00	$34,498	$59,569

Appendix 4—Supermarket Retention Drivers Hourly Employees: 1998–1999

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
108	**92**	**17%**	**Organizational Direction**
201	77	161%	Everything considered, I feel this company is a good place to work.
167	78	114%	How would you rate this company as a company to work for compared to other companies?
144	87	66%	Considering everything, how would you rate your overall satisfaction with this company at the present time?
126	82	54%	Senior management gives employees a clear picture of the direction in which this company is headed.
122	81	51%	How do you rate this company in providing job security?
123	82	50%	This company is making the changes necessary to compete effectively.
123	82	50%	I feel good about the future of the company.
105	91	15%	This company is committed to customer satisfaction.
101	94	7%	Honesty and integrity are valued in this company.
99	96	3%	This company is fair in its dealings with its customers.
91	109	-17%	I understand our business strategy.
90	112	-20%	I understand how my job contributes to the overall goals of the company.
139	**85**	**64%**	**Immediate Supervision**
157	81	94%	How satisfied are you with the recognition you receive for doing a good job?
148	86	72%	How does the way you are treated by those who supervise you influence your overall attitude about your job?
144	84	71%	My supervisor effectively communicates organizational goals and objectives.
144	84	71%	My supervisor treats everyone fairly.
137	82	67%	How satisfied are you with the information you receive from management about what's going on in this company?

Items in gold type are reverse scored.

Appendix 4 (continued)

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
137	82	67%	My supervisor gives me feedback that helps me improve my performance.
148	86	67%	My supervisor recognizes and appreciates good work and tells me so.
139	85	64%	When appropriate, my supervisor asks how I feel about things that affect me.
139	85	64%	My supervisor encourages me to take appropriate action without waiting for approval or review.
139	85	64%	My supervisor lets me know how I am doing on my job.
139	85	64%	My supervisor lets me know what is expected of me in my job.
139	85	64%	My supervisor provides assistance that helps me do a better job.
128	85	51%	My supervisor frequently doesn't know what's going on in my area/department.
116	81	43%	I frequently work the entire day without seeing my supervisor.
123	89	38%	My supervisor provides guidance that helps prepare me for future jobs, assignments and responsibilities.
99	93	6%	My supervisor sees poor performing employees and doesn't do anything about it.
148	**86**	**72%**	**Providing Directions**
128	85	51%	I've been given adequate directions that tell me how to do my job.
132	88	50%	When I start a new task or assignment, I almost always have all the verbal and written information I need.
123	89	38%	Written guidance that I need for my job is easy to find.
117	92	27%	The company provides written guidance (e.g., procedures, instructions, checklists, job aids) that helps me with my work.
102	96	6%	On my job, I know exactly what is expected of me.

Items in gold type are reverse scored.

Appendix 4 (continued)

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
101	95	6%	The directions I've been given about how to do my job are easy to understand.
98	**96**	**2%**	**Providing Feedback**
137	82	67%	I receive feedback about my job performance quickly enough for it to be useful to me.
139	85	64%	I receive feedback about my job performance that focuses on the results of my job, not just the tasks I perform.
98	96	2%	My job performance is measured against specified performance standards (for example, customer service scores, time to complete a job, sales volume, etc.).
89	106	-16%	The feedback I receive focuses on the important parts of my job performance.
144	**87**	**66%**	**Equipment & Supplies**
167	79	111%	When it is necessary to repair equipment, the work is done as fast and effectively as it should be.
144	87	66%	The tools and equipment I use on my job are safe to use.
144	87	66%	The supplies necessary to do my job are readily available.
102	96	6%	I am provided the tools and equipment necessary to do my job.
104	**94**	**11%**	**Working Conditions**
141	83	70%	How do your physical working conditions influence your overall attitude about your job?
120	89	35%	My job allows me to control my own work pace.
117	92	27%	I frequently have to work through my breaks and lunchtime.
107	89	20%	I am frequently required to stop working on one task in order to work on something else.

Items in gold type are reverse scored.

Appendix 4 (continued)

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
104	94	11%	I have sufficient time to do what is expected of me without feeling pushed.
104	94	11%	How does the amount of work you are expected to do influence your overall attitude about your job?
104	94	11%	The amount of work I am expected to do on my job is (too little–too much).
104	94	11%	Work is coordinated with all departments and employees involved in the work.
102	94	9%	This company provides flexibility in work scheduling.
102	94	9%	How satisfied are you with your overall work schedule.
97	98	-1%	There are enough employees to do the work that needs to be done in my area/department.
89	106	-16%	I have sufficient time to prepare for work before having to do it.
106	**94**	**13%**	**Work Organization**
148	86	72%	It's hard to know whether I'm doing my job well or poorly.
141	85	66%	The pressures of my job make it difficult to make good decisions.
126	84	50%	I often receive conflicting directions about how to do my job.
113	92	23%	The training in this company is "hit or miss."
107	91	18%	On my job, I can't satisfy everybody at the same time.
92	103	-11%	The procedures I am required to follow make it difficult for me to do my job.
102	96	6%	The feedback I receive about my job performance is generally negative rather than positive.
100	96	4%	When I have a work-related problem, I know the steps to take to resolve it.
94	103	-9%	I am frequently called into work during scheduled time off.

Items in gold type are reverse scored.

Appendix 4 (continued)

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
101	**96**	**5%**	**Pay Administration**
104	95	10%	Pay increases are given when they are due.
101	96	5%	Brand new employees get paid about the same as employees that have been around for awhile.
117	**93**	**26%**	**Pay & Benefits**
126	90	40%	For the work you do, how do you rate the amount of pay you make?
126	90	40%	In comparison with people in similar jobs in other companies, I feel my pay is (lower–higher).
104	93	12%	How do you rate your total benefits program?
108	**92**	**17%**	**Advancement**
140	86	63%	I get cross-training for jobs in other areas/departments.
109	90	21%	I have the opportunity to earn incentives/bonuses/awards.
108	92	17%	The most capable employees are selected for advancement.
108	92	17%	I am given a real opportunity to improve my skills at this company.
108	92	17%	How would you rate your opportunity for advancement at this company?
108	92	17%	How satisfied are you with your opportunity to get a better job at this company?
85	112	-24%	Pay increases are earned as a direct reward for good performance.
117	**87**	**34%**	**Impact**
116	82	41%	My job is so simple that almost anybody could handle it with little or no training.
115	89	29%	I get to do a variety of different things on my job.
100	94	6%	I can use my judgment to decide how to do certain tasks on my job.
101	95	6%	A lot of people are affected by how well I do my job.

Items in gold type are reverse scored.

Appendix 4 (continued)

MEDIAN RETENTION IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
94	102	-8%	The work that I do makes a visible impact on a product, service, or customer.
106	**95**	**12%**	**Training**
108	92	17%	I get training in new tasks before I have to do them.
105	94	12%	My *initial training* in this company prepared me to do my job.
97	97	0%	How satisfied are you with the training you received for your present job?
89	103	-14%	In my work, I find it easy to apply the training I have received.
103	**95**	**8%**	**Capacity: For my present job, my skills and abilities (fall short–exceed).**

Items in gold type are reverse scored.

Appendix 5—Supermarket Retention Drivers Store Management: 1996–1999

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
721	**299**	**141%**	**Organizational Direction**
713	299	138%	How do you rate this company in providing job security?
696	312	123%	Senior management gives employees a clear picture of the direction in which this company is headed.
754	354	113%	How would you rate this company as a company to work for compared to other companies?
785	368	113%	I feel good about the future of the company.
733	392	87%	This company is making the changes necessary to compete effectively.
718	387	86%	Honesty and integrity are valued in this company.
714	392	82%	This company is fair in its dealings with its customers.
679	**382**	**78%**	**Immediate Supervision**
721	387	86%	When appropriate, my supervisor asks how I feel about things that affect me.
721	392	84%	My supervisor encourages me to take appropriate action without waiting for approval or review.
721	392	84%	My supervisor provides assistance that helps me do a better job.
671	374	79%	My supervisor lets me know what is expected of me in my job.
679	382	78%	My supervisor effectively communicates organizational goals and objectives.
679	382	78%	My supervisor sees poor performing employees and doesn't do anything about it.
687	411	67%	My supervisor gives me feedback that helps me improve my performance.
740	510	45%	I frequently work the entire day without seeing my supervisor.
740	515	44%	My supervisor frequently doesn't know what's going on in my area/department.

Items in gold type are reverse scored.

Appendix 5 (continued)

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
682	501	36%	My supervisor recognizes and appreciates good work and tells me so.
703	697	1%	My supervisor lets me know how I am doing on my job.
667	**386**	**73%**	**Providing Directions**
687	306	125%	I receive feedback about my job performance that focuses on the results of my job, not just the tasks I perform.
965	448	115%	The company provides written guidance (e.g., procedures, instructions, checklists, job aids) that helps me with my work.
900	478	88%	Written guidance that I need for my job is easy to find.
721	**387**	**86%**	**Providing Feedback**
721	387	86%	The feedback I receive focuses on the important parts of my job performance.
721	387	86%	My job performance is measured against specified performance standards (for example, customer service scores, time to complete a job, sales volume, etc.).
606	567	7%	I receive feedback about my job performance quickly enough for it to be useful to me.
714	**392**	**82%**	**Equipment & Supplies**
733	382	92%	When it is necessary to repair equipment, the work is done as fast and effectively as it should be.
718	387	86%	I am provided the tools and equipment necessary to do my job.
714	392	82%	The tools and equipment I use on my job are safe to use.
714	392	82%	The supplies necessary to do my job are readily available.
664	**543**	**22%**	**Work Organization**
705	343	106%	When I have a work-related problem, I know the steps to take to resolve it.

Items in gold type are reverse scored.

Appendix 5 (continued)

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
1008	458	120%	I am frequently called into work during scheduled time off.
667	453	47%	I often receive conflicting directions about how to do my job.
666	523	27%	The training in this company is "hit or miss."
1008	**553**	**82%**	**Pay Administration**
687	543	27%	Brand new employees get paid about the same as employees that have been around for a while.
682	562	21%	Pay increases are given when they are due.
714	**392**	**82%**	**Pay & Benefits**
682	361	89%	In comparison with people in similar jobs in other companies, I feel my pay is (lower–higher).
666	375	78%	For the work you do, how do you rate the amount of pay you make?
721	**387**	**86%**	**Advancement**
721	387	86%	I am given a real opportunity to improve my skills at this company.
721	387	86%	How would you rate your opportunity for advancement at this company?
721	387	86%	How satisfied are you with your opportunity to get a better job at this company?
667	503	33%	I have the opportunity to earn incentives/bonuses/awards.
654	523	25%	I get cross-training for jobs in other areas/departments.
611	**567**	**8%**	**Impact**
654	495	32%	My job is so simple that almost anybody could handle it with little or no training.
679	543	25%	I get to do a variety of different things on my job.
667	543	23%	A lot of people are affected by how well I do my job.

Items in gold type are reverse scored.

Appendix 5 (continued)

75% RETENTION RATE IN DAYS		PERCENT DIFFERENCE	ORGANIZATIONAL & MANAGEMENT PRACTICES
TOP	BOTTOM		
679	**343**	**98%**	**Training**
687	305	125%	How satisfied are you with the training you received for your present job?
679	424	60%	I get training in new tasks before I have to do them.
667	503	33%	In my work, I find it easy to apply the training I have received.
611	503	21%	My *initial training* in this company prepared me to do my job.

Items in gold type are reverse scored.

Note: In the project timeframe, the majority of employees remained with their companies. The high retention rate makes some statistical calculations problematical. The statistical methodology employed in the study takes into account "nonleavers"; however, the large number of nonleavers (approximately 75% of the 1,921 store management employees in the study) makes some calculations unreliable. These calculations have been omitted from the table.

Afterword

The Coca-Cola Retailing Research Council (CCRRC) was created by The Coca-Cola Company to address issues of strategic importance to the U.S. supermarket industry. The CCRRC is responsible for identifying and framing the strategic issues to be addressed. The process allows:

- Retaining consulting resource(s) to conduct the research and analysis associated with the identified issue.
- Directing and guiding the conduct of the research and analysis.
- Assuring the results are reported/presented to the supermarket industry in a way that is useful to and actionable by the industry.

The CCRRC consists of 15 supermarket industry executives who carry out the responsibilities and tasks associated with the previously mentioned CCRRC mandate. They are:

- **Teresa Beck**, formerly with American Stores Co.
- **Jonathan Berger**, CIES
- **Gregory Calhoun**, Calhoun Enterprises
- **Jack Clemens**, Clemens Markets, Inc.
- **David Dillon**, The Kroger Co.
- **Bill Grize**, The Stop & Shop Companies, Inc.
- **Dr. Timothy Hammonds**, Food Marketing Institute
- **Christian Haub**, The Great Atlantic & Pacific Tea Co.
- **Ric Jurgens**, Hy-Vee Food Stores, Inc.
- **John Lederer**, Loblaw Companies, Ltd.
- **Scott McClelland**, H.E. Butt Grocery Co.
- **Jeff Noddle**, SUPERVALU INC.
- **Al Plamann**, Certified Grocers of California, Ltd.
- **Bobby Ukrop**, Ukrop's Super Markets, Inc.
- **Margaret Urquhart**, formerly with Lowes Food Stores, Inc.

Dr. Blake Frank, Graduate School of Management, University of Dallas, and his team—**Dr. Dale Fodness** and **Dr. John Cox**–were selected as the consulting resource to work with The Coca-Cola Retailing Research Council on this study. The team was able to successfully complete its task because two key constituencies, i.e., the Council members and The Coca-Cola Company and The Minute Maid Company, provided constant support, guidance, and encouragement.

We also wish to acknowledge the supermarket industry participants who shared their information and extend a special thanks to the Council members directly involved with this assignment who provided valuable input and direction for the study.

The facilitator of the Council and Dr. Frank's client contact was **Bill Bishop**, founder and President of Willard Bishop Consulting, Ltd. Bill was a valuable guide and contributor to the assignment throughout the project.

Coca-Cola Retailing Research Council—Commissioned Research Projects

New Ideas for Retaining Store-Level Employees 2000
Blake Frank, PhD, Graduate School of Management, University of Dallas

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Robert M. Tomasko, Washington, DC–based consultant to Arthur D. Little, Inc.

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Professor Bobby Calder, Graduate School of Management, Northwestern University

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John Morrissey, Senior Vice President, Super Valu Stores, Inc.

An Economic Analysis of the Distribution Industry in the United States 1980
Arthur Andersen & Company

Social Trends and Food Retailing 1980
SRI-International

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The Minute Maid Company