



C-Stores Rally in Tight Labor Market

The 11th Annual CSD/Humetrics HR Benchmarking Survey reveals retention now surpasses recruitment as top labor challenge for c-stores.

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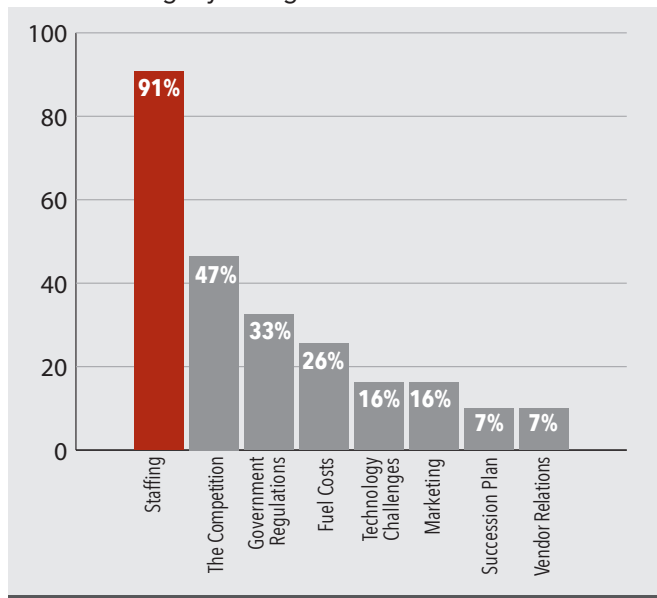
Convenience Store Decisions and Humetrics recently collaborated on our 11th annual Human Resources Benchmarking Survey. The results reported here are based on the respondents' recent experiences and expectations and provide industry-wide insights on human resources (HR) trends in the convenience store industry as well as useful benchmarks.

A few interesting findings include:

- As has been the case every year since 2009, staffing issues continue to be the biggest industry-wide challenge by a wide margin, followed by "the competition" and government regulations.
- More than half of respondents experienced turnover rates of 90% or more, while 76% reported 50% or more. Since the low estimate of the cost to replace a \$10-per-hour employee is just over \$3,000, the time and money spent coping with turnover is an inestimable drain on profitability.
- We asked several new questions this year, one of which was: "In 2018, approximately what percentage of the people you made offers to either did not take the job or accepted the position, but did not show up?" Just over half of respondents experienced applicants refusing a job offer and new hires not showing up for work as promised.



What do you think are the two or three biggest challenges your organization will face in 2019?



DEMOGRAPHICS

This year's survey asked 39 questions — several about general business conditions and demographics, but the majority about human resource issues. Responses were collected from mid-January to March 1.

Respondents' employers ranged in size from 25 or fewer employees (27%) with less than \$1 million in annual revenues (2.3%) to more than 500 employees (20.5%) and more than \$100 million in annual revenues (22.7%). Most respondents (54%) fell in the 101 to more than 500 employee range, while 61.3% reported revenues between \$1 million and \$50 million.

When we look at the respondents by job title, about 50% were corporate HR personnel; another 25% were "corporate other," while store managers accounted for the remaining 25%.

STAFFING CHALLENGES

As for the specifics of the staffing challenges, 68% cited employee retention as the biggest challenge, followed by employee recruiting and selection at 56.8% each. This is the first time in 11 years that retention has been a greater concern than recruiting or selection.

CSD spoke with several c-store operators to see how their experiences matched the survey findings.

One of the biggest HR challenges for small to mid-sized c-store chains in 2019 is competing against bigger chains offering "tremendous benefits," including learning and development opportunities via their corporate structures and otherwise "sweetening the value proposition for employees" in ways that elude small to mid-sized operators financially, Chris McKinney, director of HR for Ridgeland, Miss.-based Sprint Mart told CSD. Sprint Mart

operates 90 c-stores in Mississippi, Alabama and Louisiana.

Kurt Weigel, director of recruiting for Weigel's Stores Inc., which operates 65 c-stores in east Tennessee, agreed, pointing to fast-food and big-box retailers that are raising the bar in terms of pay. "We just can't justify paying these higher wages at this time. Unemployment continues to be very low, and we are having a hard time finding hourly workers," Weigel said.

Sprint Mart has no difficulty attracting interest for open positions. Its internet postings draw significant interest, but other retailers are also capturing applicants in large numbers. "Very rarely is anyone just applying to your company," McKinney said. "They are applying all over and evaluating the nuances between what they get at this place versus what they get over here."

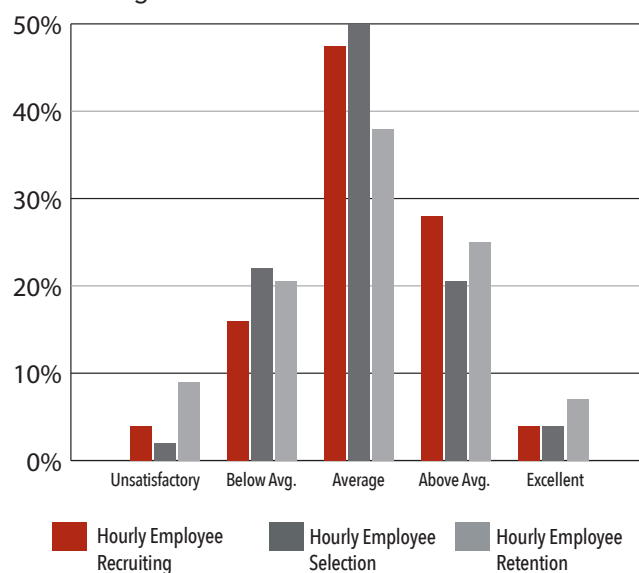
The result can be hiring an employee who leaves for a better opportunity after a week, or fails to show up at all because of a better offer.

When survey respondents were asked, "In 2018, approximately what percentage of hourly employee separations were voluntary quits?" the average was 60%.

When asked what percentage of those quits actually gave notice, the average was 43%.

The responses to the question in the title of the chart below were somewhat surprising in light of the employee turnover rates already cited.

On a scale of 1-5 where 5 is highest/best, how would you rate the effectiveness of your organization in each of these three areas:



Some interesting observations respondents shared about all these challenges include:

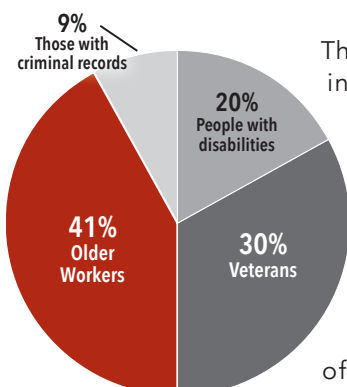
- More concerned about how to stop the decline in customer counts, which we are seeing across our industry.
- We see a higher percentage (of applicants), but many do not show up for the interview; many more than accepting the offer and not showing up.
- Our wages against other c-stores are comparable, but not compared to companies like Amazon, Target and Walmart at — or on their way to — \$15 per hour, so it's hard to attract candidates. At those companies you can work less in terms of day-to-day responsibilities and receive more pay.
- Desperation and the "I need an employee right now" mindset, so we have enough employees to run the store, gets in the way of being patient.
- We are in a rural area. Retaining employees isn't generally a problem for us. Getting people to apply and then selecting from the poor pool of candidates is the issue. Once we make a decision to hire, they generally stay for a longer period of time.

RECRUITING PRACTICES

When asked about the relative effectiveness of available recruiting tools, ranked from most to least effective, they are: internet job boards, social media, referrals, in-store/outdoor signage, company website, re-recruiting former employees, job fairs, local newspapers and Craigslist.

Here's a snapshot of how internet job boards and social media have taken over as the top two over the past three years:

2017	2018	2019
1. In-store ads/outdoor signage	1. In-store ads/outdoor signage	1. Internet job boards
2. Employee referrals	2. Internet job boards	2. Social media
3. Internet job boards	3. Employee referral	3. Employee referral
4. Craigslist	4. Social media	4. In-store ads/outdoor signage
5. Company website	5. Company website and rehiring former employees	5. Company website



The chart to the left shows the industry is in sync with the economy at large in actively recruiting from traditionally overlooked groups — especially older workers.

To appeal to younger workers as well, many respondents are relaxing rules about tattoos (74%), offering flexible scheduling

As other competing channels boost their wages in the direction of \$15 per hour, some c-stores are struggling to attract candidates and are finding new ways to sweeten the deal for employees.

(72%), relaxing piercing rules (67%) and hair color rules (54%), communicating with employees through mobile apps (51%) and using digital scheduling programs (38%).

Casey's General Stores is using tools and resources that Gen Z finds attractive. For example, the chain posts available positions on Indeed.com, which job seekers can also access using Indeed's mobile app.

"We are partnering with our internal social media team to gain presence on attracting candidates through those routes, including a Careers Instagram account and via Facebook and LinkedIn," said Cindi Summers, senior vice president of HR at Ankeny, Iowa-based Casey's, which operates more than 2,000 stores in the Midwest.

Casey's highlights its social responsibility opportunities, which Gen Z finds attractive, including volunteer projects.

"We are actively involved in the Business and Education Alliance through the Iowa Business Council to help connect scholastic and business stakeholders to keep our students in Iowa, grow our population and diversity, and increase valuable connections that may drive this (internships, externships, job events) in K-12 education, as well as colleges," Summers said.

Casey's has also implemented more casual dress opportunities at store level, including T-shirts employees can



10 Tips

for Attracting 'STAR' Employees

Recruiting STAR employees can help take your c-store business to the next level. STAR stands for Self-Motivated, Trainable, Accountable and Responsible. Follow these tips from Humetrics to attract them:

- 1** Develop your Unique Employment Proposition (UEP). Why would a STAR employee want to work for your organization?
- 2** Make a list before shopping for STAR employees, and include capacities (physical and mental); attitudes (responsible and self-motivated); personality (funny or serious, extrovert or shy); and any required skills. Remember, it's smarter to hire for attitudes and train for skills.
- 3** Seek STARs even when you don't need them. If you only recruit when you have a need, anyone with a pulse and reliable transportation will look good.
- 4** Don't recruit only from the pool of people looking for jobs. Go after people who are working and looking for better jobs.
- 5** Make your jobs easy to apply for, but, more importantly, make them hard to get.
- 6** Act quickly, and make potential employees feel important.
- 7** Let only your A-players conduct interviews, and train them in best practice interview techniques.
- 8** Remember everything you do in the hiring process is a test, and testing is one of the most reliable predictors of success.
- 9** Make the winners feel like winners.
- 10** Tell them why you want to hire them and the ground rules. It's up to you to create a culture of accountability. Let them know why you would fire them, too.

win through its recognition campaign and other events; for example, wearing jerseys the week of the Super Bowl and 50th Anniversary T-shirts provided to all employees last summer. At the corporate headquarters, Casey's recently implemented a 'dress for your day' policy, including jeans on Fridays with a monetary or in-kind donation to a local charity the chain sponsors each month.

Sprint Mart is also evaluating dress code guidelines to find the ideal line between matching the needs of the business, while also allowing younger generations to have the freedom of expression in their appearance that they crave.

C-stores are also looking at ways to make scheduling more convenient for employees.

Sprint Mart installed an electronic scheduling system that "went into high gear last summer," which workers can view through an employee self-service app. The move increases scheduling transparency and allows employees to swap, give away or indicate their availability and preferences.

"All these are things the younger generation is used to in their consumer lives, and expects now from their careers too," McKinney said.

Employees now get their schedule 10 days in advance of the schedule going live. "So they can plan their lives and make necessary arrangements. We are committed to giving them that kind of intangible perk here in a way that I know others don't. We see that as an affordable way to compete."

'Work schedule' used to be the No. 2 reason people quit, but since implementing the electronic scheduling system, it has all but disappeared from Sprint Mart exit surveys as a reason why employees voluntarily leave.

"At store level and in our distribution centers, we have a scheduling tool that is connected to our HCM system, which allows an employee to see their scheduling via the app as well," Summers said. The chain also recently deployed iPads in all stores to aid employee training. "We are working on shift-swap components as well."

Casey's is also implementing a regional talent acquisition model, placing a specialist in each region dedicated to helping managers attract and retain talent based on the needs in that specific geographic location.

"We use Paylocity and are trying to get our managers to start using it at least 1-2 weeks in advance to help cashiers and foodservice employees know their schedules in advance," said Weigel. "We are also looking at text message options and allow them to trade shifts if needed to help reduce call outs."

Here are some of the other creative recruiting strategies respondents mentioned:

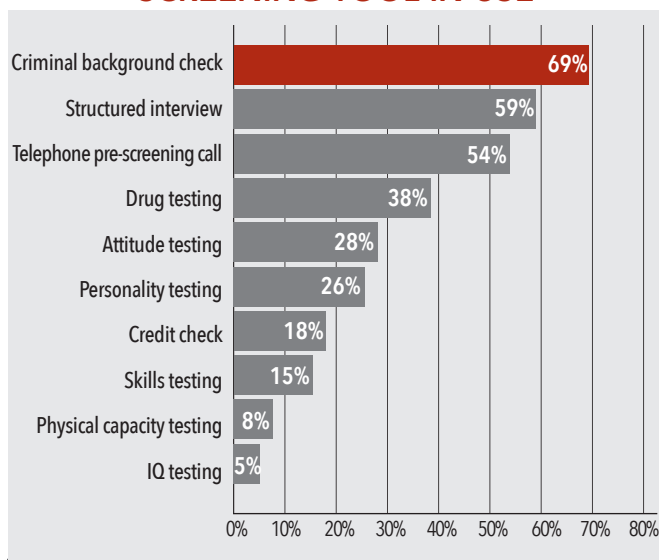
- Programmatic job search, which allows for targeting and placement on multiple job boards and Google pay-per-click display ads.
- Open-candidate pools between stores.
- Sign-on bonus, recruiting bonus, tuition reimbursement program.
- \$12 to start, insurance and 401K benefits after 60 days.
- Part-time health benefits, of which the company pays a portion, and more generous paid time off.
- Less strict uniform: T-shirts and jeans.
- Pay is above minimum wage. Tips are allowed.
- Paid vacation starting the first year.
- Looking for applicants with other jobs not related to our industry.
- Contacting local high school graduating classes and higher education facilities counselors for candidates. Especially successful at the Junior College level.

Fifty-one percent of respondents have an employee referral reward program in place, and the other 49% do not.

EMPLOYEE SCREENING & SELECTION

Seventy percent of those responding report that all those conducting interviews have been trained in best-practice interview techniques, but only 59% use a standard interview question set, which is one of the most effective best practice techniques.

SCREENING TOOL IN USE

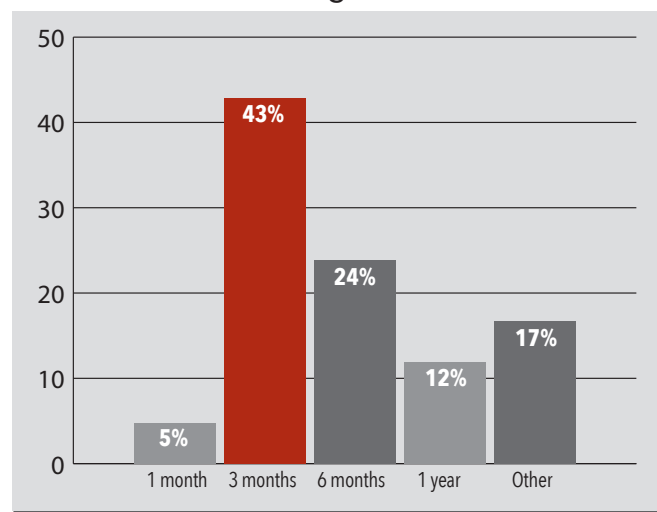


We can't help but wonder why so few organizations are testing for attitudes when it is the best predictor of success on the job. In addition to the tools listed in the survey, many are also checking the applicant's social media posts.

EMPLOYEE RETENTION

Seventy-three percent conduct performance reviews most often after three or six months, and annually thereafter.

When are new hires eligible for their first raise?



The 16.67% "Other" category in the chart above includes:

- All associates eligible for a salary increase every six months as long as they are performing and not above the max of the range end review.
- Depends on performance.
- Annually in January.
- Do not have a set time frame.
- Yearly and if they are deemed going above and beyond on a consistent basis. Also, if they move into a different position or a position of greater responsibility.
- No specific timeline, just when their manager requests it.
- Usually around six weeks, then six months and yearly after that.
- Engagement surveys and associated action planning. Have introduced associate discounts, updated break policy and piloting an associate communication app during the last 12 months.

When asked what their organizations are doing to improve employee retention, responses included training, leadership track, incentives, training raises, tuition reimbursement, lowering the cost of benefits, standardized interview guide, interview/screen improvements, employee activities, exit and stay interviews, engagement initiatives; scheduling employees in four 10-hour days to allow three days off, creating a culture of listening, caring and transparency, and "whatever it takes" to keep employees happy.

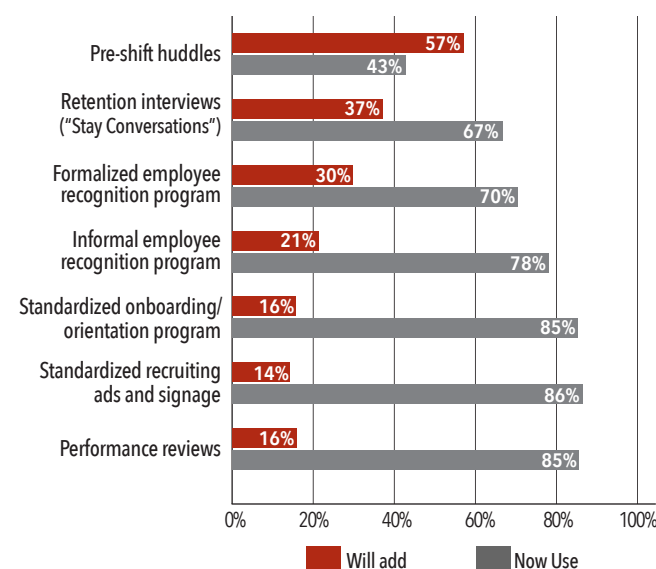
Training was a frequent response to the preceding question. About 45% said they're increasing their spending on

training, and all others will spend about the same as they did last year.

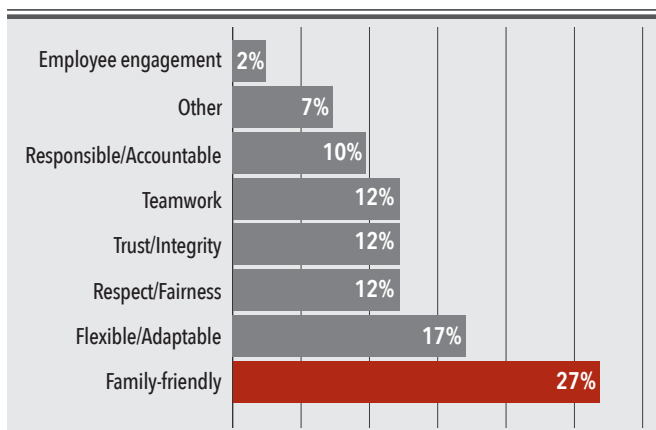
When it comes to how training is delivered:

Hands on, in-store training by manager or peer	97%
Online eLearning	48%
Live classes led by a professional trainer	34%
Webinars	30%

Which of the following hourly employee hiring and retention tools do you use now, and which do you plan to add in 2019?



Two additional, effective retention tools are benefits and corporate culture. Twenty-six percent of this group will be increasing benefits this year and, when asked, "What one or two words would you use to describe your organization's culture?" they responded as follows:



The "Other" write-in responses included "Changing," "All of the above," "Above and beyond" and "Cold, not trusting, sterile" — which doesn't bode well for that organization.

The reasons great employees should stay with the responding organization included: Great boss and coworkers (47%), flexible schedules (43%), opportunities for advancement (52%), family-friendly (34%), respect and recognition (31%), benefits (22%) and best pay (13%).

Sprint Mart is automating HR practices and using data to determine key retention thresholds.

"We are designing financial incentives to be strategically placed at those moments, where if someone stays X number of months, the chances that they're going to stay another X number of months increases," McKinney said.

"I do think c-store operators need to take a cold, hard look at increased wages," he added. "For us, more effective scheduling and management of labor was the first step to having that dialogue. But I also think, it is not anywhere close to a silver bullet that will solve turnover problems."

McKinney noted there's often a lack of results when measuring the impact of wage increases on turnover, which peers in the industry are proving. "There's much more to the discussion even though wages is the foundation of it all."

PROGNOSIS FOR YEAR AHEAD

While artificial intelligence (AI) is a trendy topic, it hasn't yet taken the c-store world by storm. Only 9% responded "yes" to the question, "Have you or do you plan to add robotics, self-checkout or any other tools or technology to reduce labor costs or increase efficiency?"

Some of the things that 9% are looking at include kiosks and online food ordering systems; point of sale systems; making checkout quicker; researching and pricing self-checkouts; and artificial intelligence, IT and cloud tech.

Finally, here are the results when asked: "How was business in 2018, and how do you think 2019 will compare in each of the three categories listed below?"

2018 (%)						
	Much Better	Better	The Same	Worse	Much Worse	Don't Know
Our company	4.5%	56.8%	31.8%	6.8%	0%	4.6%
Our industry	4.5%	38.6%	50.0%	4.5%	0%	2.2%
U.S. economy	18.1%	45.5%	29.5%	6.8%	0%	0%
2019 (%)						
Our company	25.0%	52.2%	22.7%	0%	0%	0%
Our industry	13.6%	36.3%	40.9%	6.8%	0%	2.2%
U.S. economy	13.6%	38.6%	31.8%	13.6%	2.2%	0%

Our thanks to all those who took time out of their busy schedules to participate. **CSD**