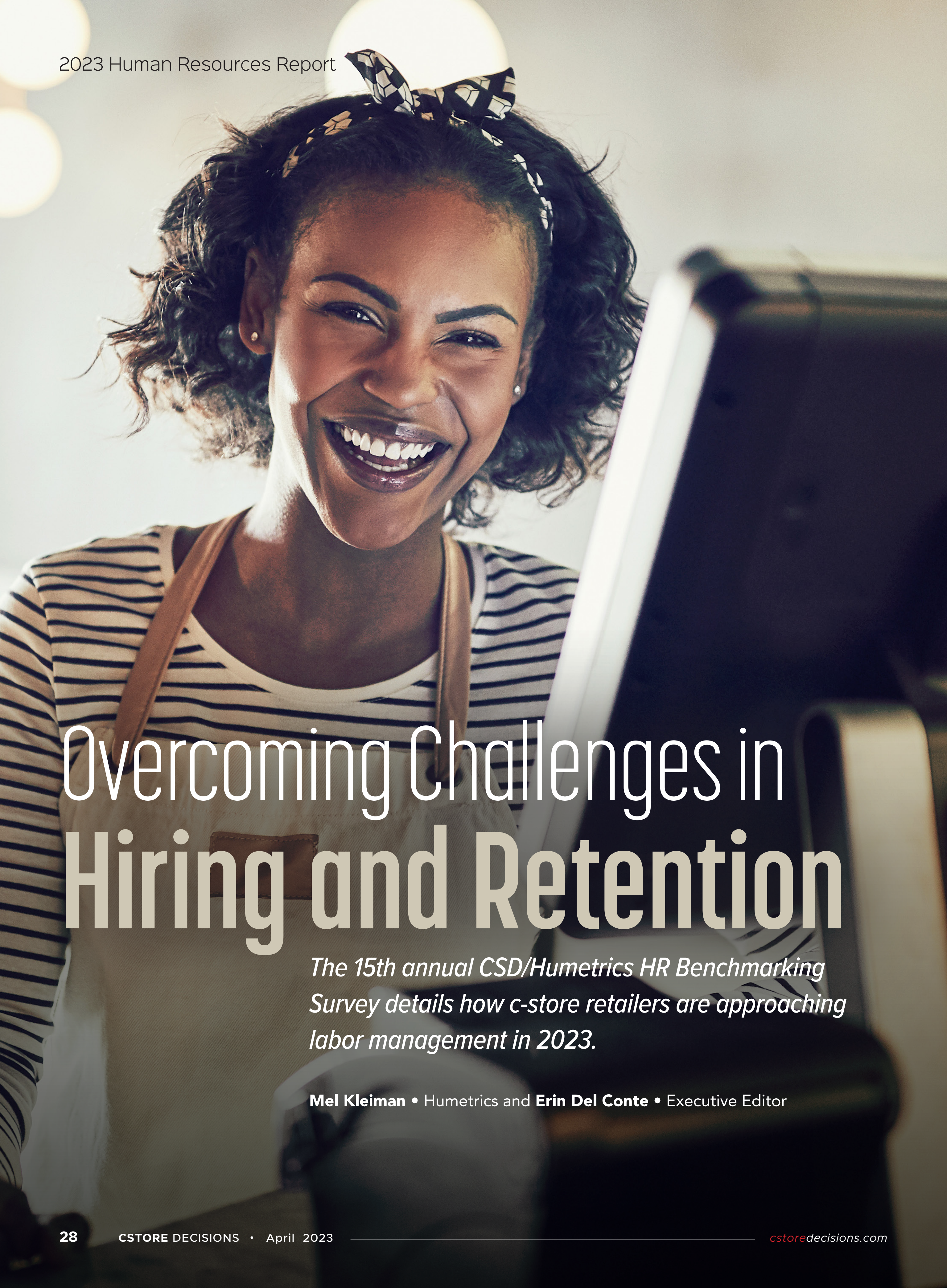


Overcoming Challenges in Hiring and Retention

The 15th annual CSD/Humetrics HR Benchmarking Survey details how c-store retailers are approaching labor management in 2023.

Mel Kleiman • Humetrics and **Erin Del Conte** • Executive Editor

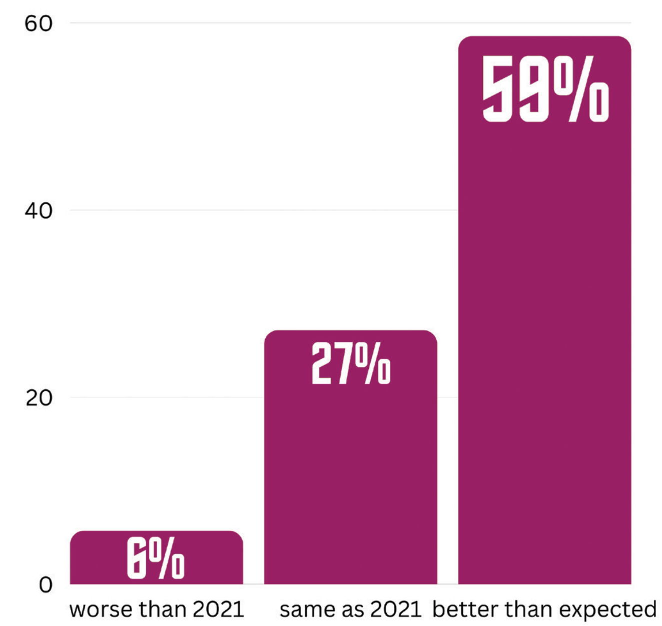
The COVID-19 pandemic may no longer be a primary concern in 2023, but its impact on the economy and the workforce lingers. In fact, staffing ranks as the top concern for c-store retailers in 2023, followed by inflation.

CStore Decisions and Humetrics, for the 15th consecutive year, have collaborated on the Human Resources (HR) Benchmarking Survey, which polled c-store retailers between Jan. 4, 2023, and March 1, 2023, about HR practices, labor challenges, economic outlook and more.

The survey consisted of 40 questions, designed to compare, predict or estimate the most common HR issues impacting the convenience store industry. This year's participants included: store managers (37%); corporate HR (16%); owners (15%); general, regional or operations managers (15%); corporate other (13%); and assistant store managers (5%). Less than 7% of responding chains had annual revenue over $500 million, and the majority (53%) fell within the $1 million to $10 million range. Of remaining respondents, 53% had 1-10 locations, 24% had 11-50 locations, 10% had 51-100 sites, 11% had 101-500 stores and 1.5% had more than 500 stores.

The survey began by asking participants: "How was your overall business in 2022?" More than half (59%) of retailers surveyed shared that business for them in 2022 was better than expected.

HOW WAS YOUR BUSINESS OVERALL IN 2023?

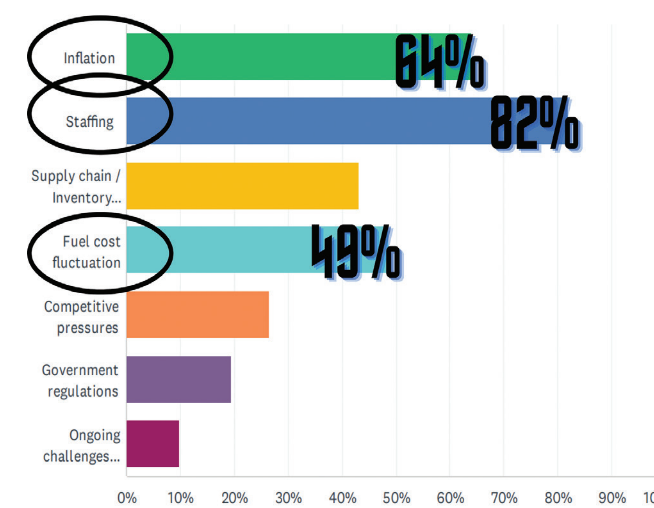


INDUSTRY CHALLENGES

But it was no surprise that survey participants still rank staffing as one of the industry's most exhaustive and repetitive challenges. Attracting and keeping workers remains a struggle for store owners and managers.

While the pandemic has exacerbated staffing issues, the rising costs of food, supplies and fuel have also presented new challenges.

WHAT ARE THE TOP 3 MOST SIGNIFICANT CHALLENGES YOU SEE AHEAD OF YOU IN 2023?



Consumers are looking for ways to stretch their dollars further. C-stores are finding creative ways to entice consumers with coupons, promotions, loyalty programs and BOGO (buy one get one) offers to keep dollars inside their stores.

On the bright side, the average in-store purchase increased 6.3% in 2022 and has grown 22.4% continually over the past two years.

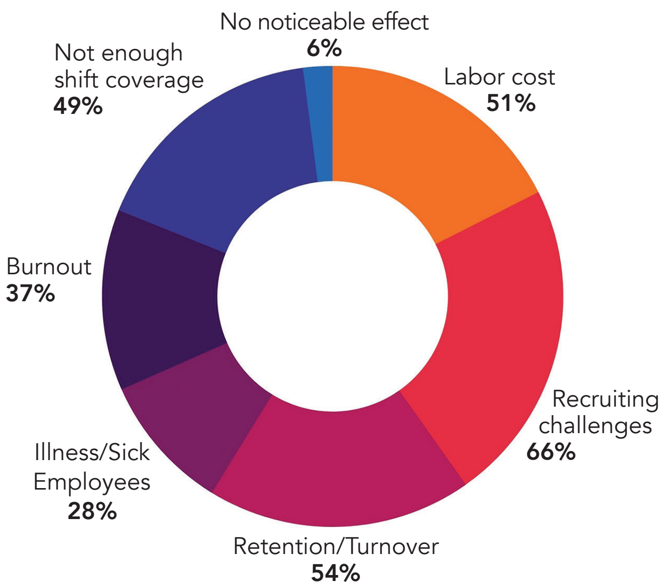
And more positive news is that USAWire.com reported that 51% of Americans want to travel in 2023, and out of that number, 67% are planning road trips. The majority of those are planning out-of-state travel, and 40% are taking staycations, which will still require stocking up the pantry, refrigerator and adult beverage cooler. With kids and adults on the road, that means more pit stops and purchases along the way — all excellent news for the c-store industry.

Retailers were asked: "How do you think your business will be in 2023 compared to 2022?"

Responses included: "We are growing and have high hopes for 2023." "(We) struggle hiring individuals that have strong work ethics and want to work." "We are on track to have our best year ever, but worried about 2023." "No more COVID handouts." "I think staffing challenges will ease due to layoffs in other industries." "Recession will be the deciding factor."

Meanwhile, remnants of the pandemic are still creating HR challenges. As shown in the graph below, retailers ranked recruiting challenges (66%), retention/turnover (54%) and not enough shift coverage (49%) among the top business impacts of the pandemic.

BUSINESS IMPACT OF PANDEMIC

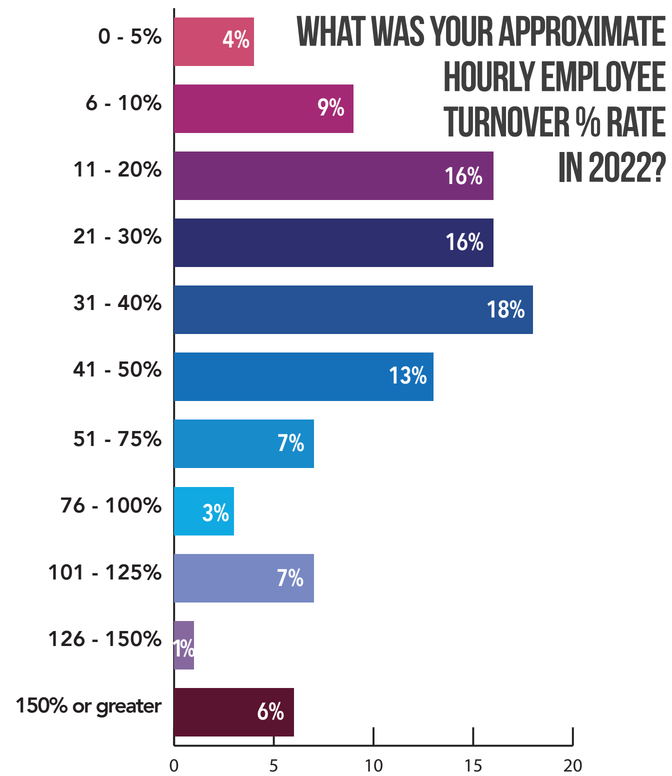


STAFFING CHALLENGES

Retailers reported that recruiting, hiring and retention remain the most significant HR concerns overall, with employee compensation close behind in fourth place:

1. Recruiting
2. Hiring
3. Retention
4. Employee Compensation
5. Benefit Costs
6. Vaccine Mandates

In 2022, the majority of respondents experienced a turnover rate between 11-50%, with 18% of retailers reporting a turnover rate of 31-40%. Some 55% of respondents noted that their experience with turnover was about the same as the previous year, while 23% said turnover was higher and 22% responded that it was lower.



Retailers were asked, "In 2022, approximately what percentage of new hourly hires quit within the first 30 days?" Some 31% of respondents reported seeing a quitting rate of 0-10% among new hires in the first 30 days, while 27% of retailers saw a quitting rate of 21-30%. Compared to last year, the average quitting rate from 0-30%, is up by only 4%.

EMPLOYEE RECRUITING

Employee referrals have reclaimed the No. 1 position as the most effective recruiting tool. Referrals have long been a valuable source of high-quality, cost-effective candidates, leading to faster hiring and better retention rates.

Employee referrals tend to be high-quality candidates because they have been recommended by someone who knows the company and the job requirements well and believes the candidate is a good fit.

Craigslist (less than 5%), job fairs (4%) and the local newspaper (less than 2%) ranked among the least effective recruiting tools, according to respondents.

A surprising 49% of retailers reported that they are not using any incentives or referral rewards at this time. Of those who do offer these perks, about 40% find them moderately to highly effective.

To better attract new talent, 87% said their starting wage in 2022 went up, and no retailers reported that their wage decreased. Some 11% of retailers reported that their chain's

RECRUITING TOOLS

	2020	2021	2022	Predicted for 2023
#1	Employee referrals	Employee referrals	In-store ads/ outdoor signage	Employee referrals
#2	In-store ads/ outdoor signage	Craigslist	Social media	In-store ads/ outdoor signage
#3	Social media	Rehiring former employees	Employee referrals	Social media
#4	Rehiring former employees	Social media	Internet job boards	Internet job boards
#5	Internet job boards	In-store ads/ outdoor signage	Company website	Company website

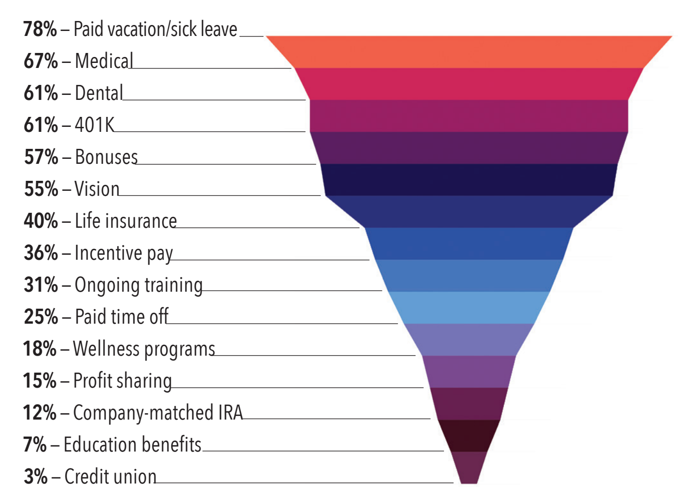
starting wage stayed the same, while 1.5% didn't know.

Retailers were asked: "If you increased your starting wage in 2022, in dollars and cents, how much was the increase per hour?" Responses included: $3.25 per hour; $2 per hour; $10 per hour; $1.50-$2.50; $2-$4, depending on experience; $2 per hour; $1.50, plus merit increases for team; $1 per hour; and 50 cents per hour.

The benefit packages offered to full-time hourly employees saw changes compared to last year. In comparison to last year, more employers offered paid vacation and sick leave than the previous year, while wellness programs, education benefits and paid personal time decreased in benefit packages:

- ↓ **9%** — Wellness programs
- ↑ **31%** — Paid vacation/sick leave
- ↓ **10%** — Education benefits
- ↓ **22%** — Paid personal time off

WHICH OF THE FOLLOWING ARE INCLUDED IN YOUR BENEFITS PACKAGE FOR FULL-TIME, HOURLY EMPLOYEES?

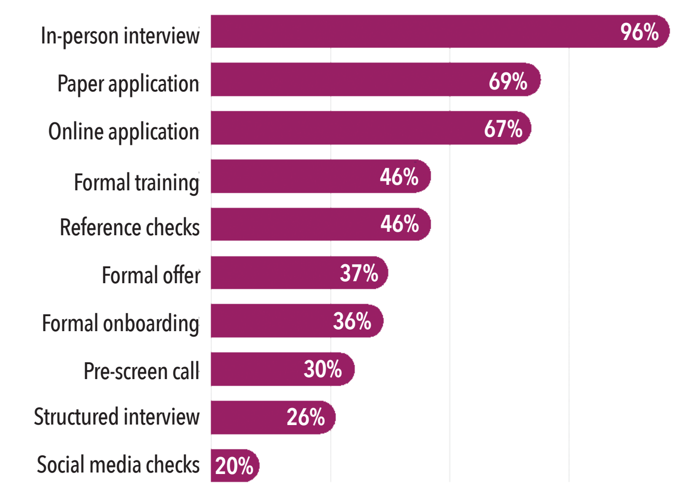


HIRING & SELECTION

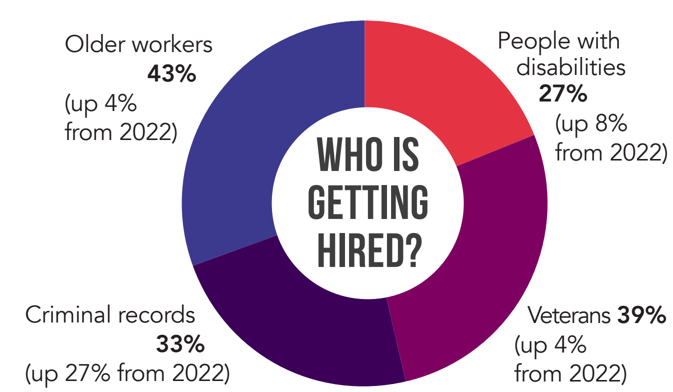
It costs about one-third of an employee's annual salary to replace and train a new hire, according to C&D Restructure and Taxation Advisory. But often, the hiring process misses critical red flags, or the organization is desperate and has to hire anyone to fill vacant positions. This puts c-stores at risk for high turnover.

Compared to 2022, online job applications are down 17% in 2023, and in-person interviews are up 11%. Conducting a pre-screening telephone call is down from 54% in 2022 to 30% in 2023. In-person interviews were the top hiring and onboarding practice used by retailers.

TOP 10 HIRING/ONBOARDING PROCESSES USED



With staffing challenges ongoing, retailers seem more open to hiring from often overlooked demographics. Some 27% of respondents reported their chain is hiring workers with disabilities, up 8% from 2022. The largest jump in hiring area was for those with criminal records. Some 33% of chains are hiring workers with criminal records, up 27% from 2022. Of those who hired associates with criminal records, 10% reported it did not work out.



EMPLOYEE RETENTION

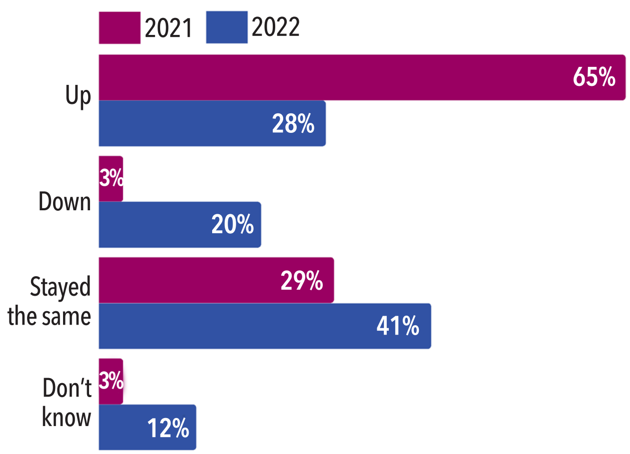
After the hiring process comes the necessary effort of employee retention.

Retailers were asked, "What actions did you take in 2022 to tackle the problem of employee retention?" The No. 1 answer was pay raises at 86%. This was followed by more flexible scheduling at 72% and enhanced employee recognition programs at 41% in third place.

Respondents were also asked, "Other than raising wages, what else are you trying to do to reduce employee turnover?" This was an open-ended question in the survey and the responses included: flexible scheduling, improved training, more paid time off, incentives with dollar value, employment stability and careful selection of new hires. Incentives such as a better environment, contests for selling items, funding things employees are passionate about, and benefit solutions like health insurance and paid vacation time were listed. Other responses included employee engagement programs, more employee recognition, employee meals via a DoorDash account, holiday bonuses and awarding employees with in-store coupons when they go above and beyond. And, one retailer responded, "lowering standards."

In 2022, short-term employees who quit or were terminated were down by 27% compared to 2021, which could reflect increased wages, better working conditions and the end of the pandemic.

IN 2022, SHORT-TERM, HOURLY EMPLOYEE TURNOVER WENT:

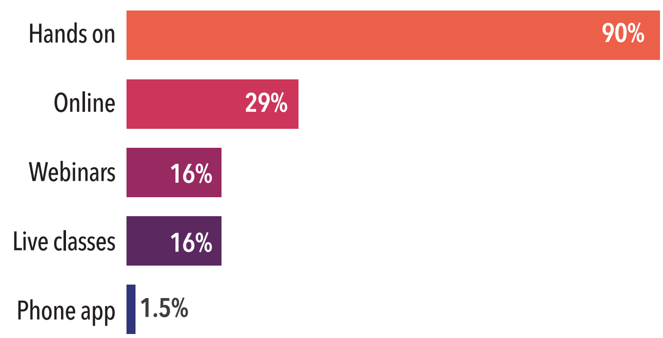


C-stores have traditionally been a high-turnover industry, with many employees leaving within the first few months. Today, many c-stores are putting more emphasis on building a positive work culture, which can help increase employee retention and reduce turnover costs. As seen in the next chart, some 27% of respondents describe their work culture as family-friendly, while 16% pointed to a teamwork environment and 14% said they offered a flexible and adaptable environment.

DESCRIBE YOUR CULTURE

Training remains a key part of employee retention. In 2023, only 29% of retailers reported using online learning, compared to 41% in 2022. Some 90% of retailers pointed to hands-on training as their preferred method.

PREFERRED TRAINING METHODS



This shows how we are coming out of the pandemic, and the preferred method is once again to train in person at the store. Humetrics has identified the following benefits to in-person training.

1. **Personalized attention:** In-person training allows for direct and personalized attention from the trainer, who can observe and adjust the trainee's actions in real time, provide feedback and answer questions immediately. This can be especially helpful for complex or hands-on tasks that require precise movements or equipment handling.

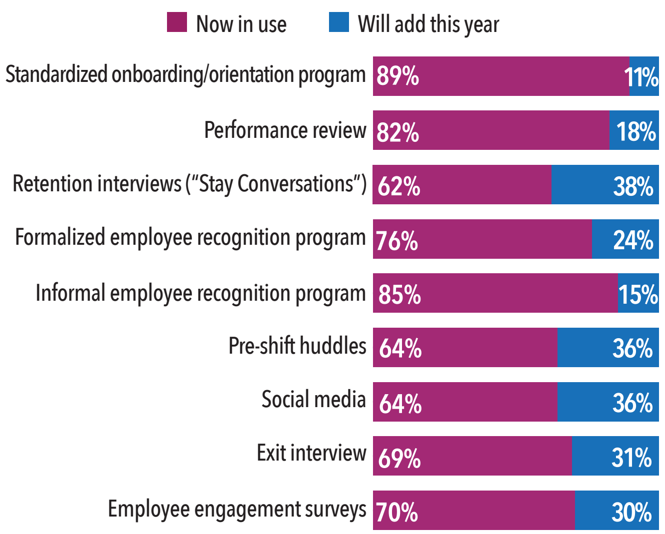
2. **Interactivity and collaboration:** In-person training can facilitate greater interactivity and collaboration between trainees, who can engage in group activities, discussions and role-playing exercises. This can foster a sense of camaraderie and teamwork that may be harder to achieve online.

3. **Accountability:** In-person training can also create a greater sense of accountability and commitment to the training process. Trainees may be more motivated to

attend and participate in sessions when they are physically present and engaged with others.

Retailers were asked about the retention tools they currently have in place and those they plan to add in the future. The Top 3 retention tools currently in use are: standardized onboarding/orientation program (89%), informal employee recognition program (85%) and performance reviews (82%). Retention interviews, pre-shift huddles and social media were among retention tools retailers said they expect to add in the future.

WHICH OF THE FOLLOWING ARE INCLUDED BENEFITS FOR FULL-TIME, HOURLY EMPLOYEES?



Humetrics has identified five proven ways to retain needed valuable employees.

1. Set them up for success at the start. Take the time to prepare a solid onboarding system. It provides security and creates a welcoming environment. Some 89% of respondents currently have an onboarding process.

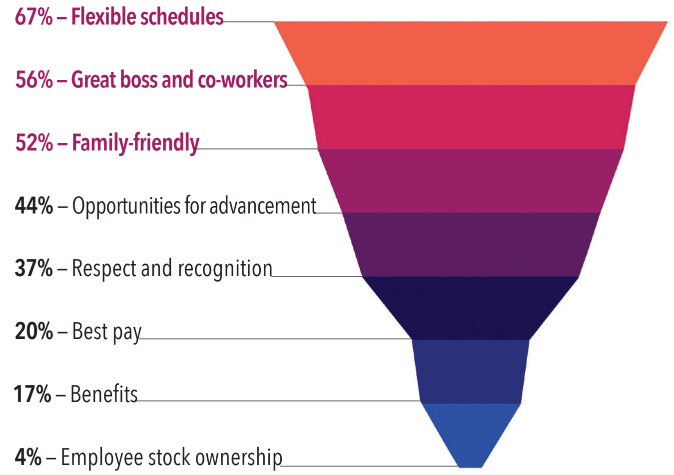
2. Listen to employees and make them feel understood. Have regular meetings or send out surveys to get feedback. Some 70% of respondents are currently using employee engagement surveys.

3. Support work-life balance and well-being. Make it easy for employees to create a schedule that works for them. Provide them with answers needed to do their job to alleviate the stress of not knowing how to do things. Forty-six percent of respondents have formal training.

4. Invest in them — and show it. Provide training opportunities, share new open roles they could advance into, help set goals and support their desire to learn. Seven percent of respondents have educational benefits.

5. Communicate. When you communicate with your employees, they feel valued and are more driven to do their best work. Some 64% of respondents have pre-shift huddles.

TOP 3 REASONS A GREAT EMPLOYEE WANTS TO WORK AT YOUR ORGANIZATION



TECHNOLOGY

Retailers were asked, "Have you or do you plan to add robotics, self-checkout or any other tools or technology in order to minimize human contact, reduce labor costs or increase efficiency?" While 57% reported they are not adding additional technology, a few participants noted they have added at least one self-checkout lane.

BECOMING A FIVE-STAR EMPLOYER

Becoming a five-star employer is essential for attracting top talent, retaining employees, boosting productivity and building a positive reputation for your company. It will take some adjustments internally, but once those changes have been made, you can have a transformational impact on your organization.

Attracting top talent: In a competitive job market, being a five-star employer can help attract the best and brightest candidates. Potential employees will look for companies that offer great benefits, a positive work culture and opportunities for growth and development.

Retaining employees: Once you've hired top talent, it's important to keep them. A five-star employer will create an environment that employees enjoy and feel valued in. This can lead to increased job satisfaction and, in turn, reduce employee turnover.

Boosting productivity: Happy employees are often more productive. If employees feel that their contributions are valued, they are more likely to be engaged and motivated to do their best work. A five-star employer will provide the resources and support necessary for employees to thrive.

Building a positive reputation: Being a five-star employer can help build a positive reputation for your company. Word of mouth travels fast, and employees who enjoy working for your company are likely to share their positive experiences with others. This can help attract more customers, clients and potential employees.

Almost half (45%) of the participants rated their organization with four stars, while 28% gave their company five stars, 25% gave their organization three stars and 3% rated their company with two stars.

WORK OPPORTUNITY TAX CREDIT

In 2021, 57% of respondents answered "Yes" to a question asking if their organization was taking advantage of work opportunity tax credits. This year only 29% stated they were using these, and 44% were not sure.

The Work Opportunity Tax Credit provides tax credits to employers who hire individuals from certain targeted groups. This program provides employers who hire individuals from targeted groups with incentives or resources, such as tax credits, training programs or other forms of support. By doing so, they aim to promote diversity and inclusion in the workforce, while also providing opportunities for individuals who may have historically faced discrimination or other obstacles to finding employment.

UPDATE RETENTION PLANS

In 2023, Humetrics recommends that retailers update their retention plans in the following ways:

Provide opportunities for career development. Employees are more likely to stay with an organization if they feel that they are growing and advancing in their careers. Offer training, mentoring and career development programs to help employees develop new skills and advance their career paths.

Create a positive work environment. Employees are more likely to stay with an organization if they enjoy coming to work. Create a positive work environment by fostering a culture of respect, collaboration and appreciation.

Recognize and reward employees. Employees want to feel valued and appreciated for their hard work. Recognize and reward employees for their contributions, whether it's through bonuses, promotions or other incentives.

Foster a sense of community. Employees are more likely to stay with an organization if they feel they are part of a community. Encourage social interactions among employees through team-building activities, company events and other initiatives.

Provide meaningful work. Employees want to feel that their work is meaningful and contributes to a larger goal. Ensure employees understand how their work fits the organization's mission and purpose.

Listen to employee feedback. Employees want to feel that their opinions are heard and valued. Encourage employees to provide feedback on their experiences and take their feedback seriously.

WHAT'S AHEAD FOR 2023?

Retailers are feeling uncertain about the economy in 2023, as seen in responses below. Retailers were asked, "How was business overall in 2022 and how do you think 2023 will compare in each of the three categories listed below?" Some 47% felt the economy stayed the same in 2022, with 49% saying the same for the c-store industry, while the majority of retailers (42%) felt their company fared better in 2022.

2022 RATING	Much Better	Better	About the Same	Worse	Much Worse
U.S. Economy	1.5%	28%	47%	21%	3%
C-Store Industry	9%	37%	49%	4%	1.5%
Your Company	16%	42%	35%	7%	0%

In 2023, only 33% of retailers expect the economy will stay the same, with 29% expecting it to be worse. But they're bullish on their own company's expectations, with 41% expecting business to stay the same and 39% expecting business to be better.

2023 RATING	Much Better	Better	About the Same	Worse	Much Worse
U.S. Economy	4%	17%	33%	29%	10%
C-Store Industry	6%	37%	40%	10%	3%
Your Company	11%	39%	41%	6%	0%

TAKEAWAYS

The Positive Top 3 Trends for 2023 include:

1.) 59% of business was better than expected in 2022.
2.) 67% of respondents are offering flexible work schedules to recruit great employees.
3.) Almost half of respondents predicted a better year for business in 2023.

The Negative Top 3 Trends for 2023 include:

1.) 82% predicted significant staff challenges in 2023.
2.) 44% said they feel competitive pressures in general and in losing candidates to incentives offered by other c-stores.
3.) 29% said they believe the U.S. economy is worse and inflation will impact sales.

Thank you to those who took the time to answer the survey questions and provide insightful comments. *CSD*