

Leading retailers know that it is critical to find and keep good staff.

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With labour costs of \$21.4 billion, and profit margins at the lowest of any industry (3.4% in 1997/1998), maximising the investment in staff is critical for the retail industry and for individual retailers.

Because of extended opening hours and the unique make-up of the sector – a large number of part-time and casual employees – retail is presented with particular challenges when it comes to finding and keeping good staff.

\$397m is the estimated cost to Australian retailers of staff turnover.

Leading retailers say that good staff:

- share the company's values, and
- reflect the diversity of the customer base and surrounding community.

Leading retailers understand that finding, investing in and keeping good staff is critical to:

- customer satisfaction
- enhancing productivity, and
- maximising profits.

Leading Australian retailers know that keeping good staff reduces costs and increases profits.

"...finding and keeping good staff is a retailer's most pressing operational issue."

- Phil Naylor, CEO, Australian Retailers Association

Benchmarking data

Our survey found that most retailers appreciate the importance of good staff to their business.

- 69 per cent of retailers have a strategy to attract talented staff
- 72 per cent of retailers have developed a strategy to keep good staff
- 84 per cent of retailers have a strategy aimed at developing staff
- 74 per cent of retailers are working to improve their approach to recruitment, and
- 88 per cent of retailers provide incentive and bonus schemes to keep good staff.

In responding to our survey, retailers reported their voluntary turnover rates at:

- 19 per cent total for their business
- 12 per cent for their head-office staff
- 15 per cent for store managers
- 16 per cent for permanent store staff, and
- 34 per cent for casual staff.

ABS data

The ABS reports a staff turnover rate in the retail industry of 14.7 per cent.

Enhancing productivity

Effective recruitment, retention and development strategies succeed in making a good 'fit' between employer and employee, and serve the critical role of motivating staff and maintaining high productivity.

Studies have shown that good people practices lead to:

- maximisation of available labour
- reduction in workers compensation and other legal actions
- attraction of a wider range of job candidates
- reduction in absenteeism
- increased innovation, and
- enhancement of community and consumer perceptions.

The **Body Shop** is adopting traineeships to assist the company to attract and retain employees for Information Technology (IT) positions. New staff will be provided with specific TAFE training and then make a gradual transition into the workplace.

This is a long-term plan to improve training and retention in the company's IT area.

Attracting and retaining bakers is difficult for **Bakers Delight** due to the long working hours and night work. Bakers Delight now has a strategy to improve retention through an arrangement with Box Hill TAFE, which trains bakers in the "Bakers Delight way". This is part of a broader strategy that reduces night work and increases the number of baking shifts throughout the day so as to have day-round baking. Traineeships of 2 years are offered to staff that have been working with the company for over 3 months. The company is supporting staff to complete tertiary education degrees.

Benchmarking data

Our survey found:

- 31 per cent of Australian retailers use customer satisfaction as an indicator of the success of their recruitment initiatives, and
- 43 per cent use this indicator with respect to retention initiatives, and 21 per cent with respect to their career development strategy.

International comparisons

A recent joint study (PricewaterhouseCoopers and Roper Starch Worldwide Inc) examined the impact of staffing practices on customer satisfaction in six industries, including retail.

The study found:

- 33 per cent of consumers cited employee turnover as a major factor in the quality of service delivery, and
- 57 per cent of respondents identified poor employee training as a critical aspect of service deficiencies.

In an in-depth study of the retail industry in the USA, the Coca-Cola Retailing Research Council (Frank 2000) found that employee turnover costs the average supermarket \$US198 177 a year.

Sears, a major USA chain, has undertaken a study that links employee satisfaction with customer retention. The retailer worked with the University of Michigan to build a customer satisfaction index for the top 200 companies in the USA. Early data showed that if employee satisfaction were to improve by five points, there would be an improvement of customer satisfaction of two points, and revenue would grow by 1.6 per cent.

Length of service

One measure many retailers use to assess whether staff recruitment, retention and/or career development is an issue for them is the length of service of their employees.

If you are losing a significant number of staff after only a short time with your business, you may need to consider:

- Are we recruiting the right people?
- Do our work practices, management style, or culture cause people to leave?
- Do we offer enough development opportunities to make people want to stay longer?

Clearly staff that stay longer build more skills and are of more value to a retailer, and the cost of recruiting staff is reduced.

International comparisons

The Coca Cola Retailing Research Council found that, in the USA, the median tenure for hourly (casual) employees at top supermarkets was nearly double that of lower performing supermarkets.

For store managers the median tenure for the 'top' supermarkets was more than double that of the 'bottom' companies.

Australian stories

Our study revealed a range of views about how successful Australian retailers are at keeping their staff.

Opinions varied widely across the industry, and also within individual organisations. The way senior management, store management and employees viewed their employer's performance often differed significantly.

Across the industry, staff turnover was variously described as "horrific", "a fact of life", "our most pressing problem" and "something we don't pay enough attention to".

Benchmarking data

In our survey, retailers reported that the percentage of *staff who had worked with them for more than three years* was:

- 57 per cent of permanent shop staff
- 67 per cent of shop managers, and
- 60 per cent of head office staff.

From one retailer we heard that:

“ Our staff turnover is more than we'd like it to be. We do a fair bit of work to make sure we keep on top of the issues. ”

Senior Executive

“ High staff turnover is not a problem for me. My staff are enthusiastic and don't cause me problems. I give them flexibility and in return I get flexibility. ”

Store Manager

“ Staff turnover is very high here, and management say 'it's just a fact of life' and don't do anything. ”

Shop Floor Employee