How to Become an Employer of Choice

May 18, 2019
The Challenges in 2019

Find
Retain
Engage

Source: TDn2K
Percentage of Companies With Positive Growth (2018)

- Total Industry
  - % of companies with positive comp sales: 53%
  - % of companies with positive comp traffic: 22%

- Quick Service
  - % of companies with positive comp sales: 50%
  - % of companies with positive comp traffic: 5%

- Fast Casual
  - % of companies with positive comp sales: 56%
  - % of companies with positive comp traffic: 30%

- Family Dining
  - % of companies with positive comp sales: 54%
  - % of companies with positive comp traffic: 15%

- Casual Dining
  - % of companies with positive comp sales: 48%
  - % of companies with positive comp traffic: 27%

- Upscale Casual
  - % of companies with positive comp sales: 64%
  - % of companies with positive comp traffic: 21%

Source: TDn2K
A Significant Share of Restaurants Are Understaffed

Percentage of restaurant companies that reported they are typically understaffed for:

- **69%** hourly FOH
- **93%** hourly BOH

Source: TDn2K
Staffing Problems Severe at Management Level

Percentage of restaurant companies that reported they are typically understaffed for:

- **52%** Managers (non-GM)
- **19%** General Managers

Source: TDn2K
Labor Market Toughest in our Careers

3.9% unemployment rate (February 2019)

Lowest unemployment in 50 years

36 states have unemployment rates of 4.0% or lower

32 states experienced decline in their unemployment over last 6 months

Source: Bureau of Labor Statistics
## Turnover Continues to Rise

<table>
<thead>
<tr>
<th>Non-Management Turnover</th>
<th>Service style</th>
<th>2018</th>
<th>Change from 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Service</td>
<td>135%</td>
<td>+12.4pp</td>
<td></td>
</tr>
<tr>
<td>Full Service</td>
<td>102%</td>
<td>+1.4pp</td>
<td></td>
</tr>
</tbody>
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<tr>
<th>Management Turnover</th>
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<tbody>
<tr>
<td>Limited Service</td>
<td>49%</td>
<td>+5.6pp</td>
<td></td>
</tr>
<tr>
<td>Full Service</td>
<td>38%</td>
<td>+3.6pp</td>
<td></td>
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Source: TDn2K
Voluntary Terminations Increasing

Percentage Of All Terminations That Were Voluntary

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<thead>
<tr>
<th></th>
<th>2017</th>
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<tbody>
<tr>
<td>FOH Hourly</td>
<td>67%</td>
<td>75%</td>
</tr>
<tr>
<td>BOH Hourly</td>
<td>63%</td>
<td>77%</td>
</tr>
<tr>
<td>Manager*</td>
<td>69%</td>
<td>67%</td>
</tr>
</tbody>
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Source: TDn2K
Restaurant General Managers are Less Engaged

General Managers - All Participating Restaurant Brands – Q1 2019

- Engaged: 35%
- Actively disengaged: 14%
- Not engaged: 51%

61% of all managers across the US Workforce are engaged according to Gallup

Source: GM Connect, powered by Gallup & TDn2K
Why are your employees leaving and what can you do about it?
Why Are Employees Leaving?

**Non-Management**
1. Job abandonment
2. Personal reasons
3. Higher paying job

**Management**
1. Higher paying job
2. Immediate promotion
3. Poor work/life balance

Source: TDn2K
Restaurants Less Attractive Based on Pay

Full-time median weekly earnings

- **Foodservice***: $0, Gap to foodservice: $436
- **Childcare**: $64, Gap to foodservice: $500
- **Healthcare support**: $125, Gap to foodservice: $561
- **Retail salesperson**: $221, Gap to foodservice: $657

*Includes foodservice preparation and serving workers

Source: Bureau of Labor Statistics
Companies with Better than Median Management Turnover Pay their General Managers More

106% of base salary median for their segment  
107% of total cash median for their segment

Source: TDn2K
GMs Do Not Feel a Sense of Balance Between Work and Life

• Team members are more likely to be engaged, and stay, when they have adequate work-life balance.

11% of GMs strongly agree that their job allows them to spend enough quality time with family and friends

Source: GM Connect – powered by Gallup and TDn2K
Companies with the lowest management turnover have **more managers per unit**

<table>
<thead>
<tr>
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<th>Managers per unit vs. median</th>
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</thead>
<tbody>
<tr>
<td>Top Performers</td>
<td>+0.8</td>
</tr>
<tr>
<td>Bottom Performers</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

*Top and bottom performers based on management turnover

Source: TDn2K
## What is Working to Increase Retention

<table>
<thead>
<tr>
<th>Non-managers</th>
<th>Most Effective Retention Measure</th>
<th>2nd Most Effective</th>
<th>3rd Most Effective</th>
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<td>Improved selection/recruit.</td>
<td>Improve growth &amp; development</td>
<td>Flexible scheduling</td>
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<th>Managers (excluding GM)</th>
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<td>Increase Pay</td>
<td>Improved training</td>
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<td></td>
<td>Increase employee recognition</td>
<td>Improved training</td>
<td>Improved selection/recruit.</td>
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Source: TDn2K
Developing Employees and Working on Early Engagement Matters
Using New Employee Orientation to Create Early Engagement and Increase Retention

Source: TDn2K
How You Deliver Training Can Make a Difference: Instructor-Led Classroom Training Is Important

Source: TDn2K
Developing Your Managers as Leaders

Management turnover by percentage of training time spent on manager’s leadership and supervisory skills

- More than 5% of unit level mgmt training time: 20%
- 1 to 5% of unit level mgmt training time: 29%
- No time spent on topic: 39%

Source: TDn2K
Evolving Employee Needs

- Compensation
- Teamwork
- Uniformity
- Satisfaction
- Career Path
- Lifestyle
- Community
- Personality
- Purpose
- Experience
Only 27% of general managers surveyed in GM Connect strongly agree that the mission or purpose of their organization makes them feel like their job is important.

When employees ‘strongly agree’ to the Mission/ Purpose item, 92% plan on working at the company one year from now.

Source: GM Connect – powered by Gallup and TDn2K
Recognition is an Opportunity

32% of General Managers

Strongly agreed they have received recognition or praise for doing good work within the last 7 days

Source: GM Connect – powered by Gallup and TDn2K
Recognition

- **Learn** how each GM likes to receive praise and **tailor** an approach that meets their recognition needs.

- **Tie recognition back to the metrics** that matter the most and **be specific** on why the praise and recognition is being given.

Source: Gallup
The Workforce Opportunity
<table>
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<tr>
<th></th>
<th>Comp sales</th>
<th>Mgmt. Turnover vs. Segment</th>
<th>Non-Mgmt. Turnover vs. Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Best Companies</strong></td>
<td>+3.3%</td>
<td>-4%</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>The Rest</strong></td>
<td>-1.1%</td>
<td>+6%</td>
<td>+5%</td>
</tr>
<tr>
<td><strong>Gap</strong></td>
<td>+4.4%</td>
<td>-10%</td>
<td>-16%</td>
</tr>
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</table>

Source: TDn2K
Top Performing Brands Take Care of Their Guests

Difference in guest sentiment between restaurant brands with positive and negative comp traffic growth

0.6% Difference in guest sentiment based on “expensive prices”

6.5% Difference in guest sentiment based on “excellent service”

Source: TDn2K
<table>
<thead>
<tr>
<th>Category</th>
<th>Top Quartile Comp Sales</th>
<th>Bottom Quartile Comp Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy</td>
<td>+2</td>
<td>+17</td>
</tr>
<tr>
<td>Appearance</td>
<td>+34</td>
<td>+51</td>
</tr>
<tr>
<td>Attentiveness</td>
<td>+25</td>
<td>+37</td>
</tr>
<tr>
<td>Knowledge</td>
<td>+10</td>
<td>+23</td>
</tr>
<tr>
<td>Manager</td>
<td>-2</td>
<td>+14</td>
</tr>
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Source: TDn2K
Taking Care of Your People to Become an Employer of Choice

• Competitive pay and financial incentives

• Foster personal and career development that goes beyond teaching them how to do the job

• Provide opportunities for Work / Life – schedule predictability goes a long way

• Employee recognition tailored to each employee – (and it doesn’t need to mean more money!)

• Create a strong sense of purpose – what does your company stand for? Why should employees be proud of working for your company?

• Leverage your culture – what is your employment value proposition?
Success is all about how you take care of your people

Source: TDn2K