

Engaging and Motivating Employees

**Rewards, Recognition and
Retention
March 2018**



Table of CONTENTS

01

Introduction

Acknowledgement	3
Foreword by Cerebrus	4

02

Survey Report

Demographics	5
Employee profile	6
Rewards and Recognition	8
Rewards and Recognition Programs	11
Benefits and Policies	13
Attrition and Retention	15
Performance Management and Promotions	18



Acknowledgement

We would like to thank the Retailers Association of India for all their support and all the participating organizations for taking out time to share their practices. We look forward to continuing engagement with the Sector.

Anchored by:
Radhika Mittal, Cerebrus Consultants

Supported by:
Manasi Vahalkar, Cerebrus Consultants
Nukul Vyas, Cerebrus Consultants





Foreword

The Indian retail industry has been one of the most dynamic and fast growing sectors in the country. The large workforce comprising predominantly of young individuals has ensured that the sector is constantly innovating to address the challenges in workforce management.

The key people issues remain hiring skilled talent, retaining critical talent and, engaging and motivating employees. Compensation is a key lever and for most organizations balancing the cost of compensation increases with the productivity that can be gained by retention, is a key question to address. Changes in labour legislation have also impacted the way in which companies look at managing costs and employment models.

CEREBRUS partnered with the Retail Association of India and conducted a survey amongst RAI's member companies on the challenges of Engaging and Motivating employees in the current environment focusing on Rewards, Recognition and Retention to understand trends and initiatives taken by companies. We are very pleased to present the findings of the study. We hope you find it helpful and insightful.

Anita Ramachandran

Founder and Director – Cerebrus
Consultants





Demographics

19 companies participated in the study. They ranged across diverse categories, from specialty stores, hypermarkets, category specialists, supermarket/ departmental stores, hospitality to electronic retail. The study does not cover the E-commerce players. Revenue sizes of companies ranged from INR 250 crore to INR 5000+ crore.

A large part of the practices covered in this report cover staff that are permanent employees. However many of the recognition programs are also extended to contract staff.

Categorization of Participants

Departmental Stores

- Shoppers Stop
- Aditya Birla Fashion & Retail
- Reliance Trends
- Lifestyle
- Marks and Spencer

Specialty Stores

- Raymond
- House of Anita Dongre
- VIP
- PN Rao
- Godrej Interio
- MD Retail
- DLF

Quick Service Restaurants (QSR)

- Hardcastle Restaurants
- Burger King
- Barbeque Nation

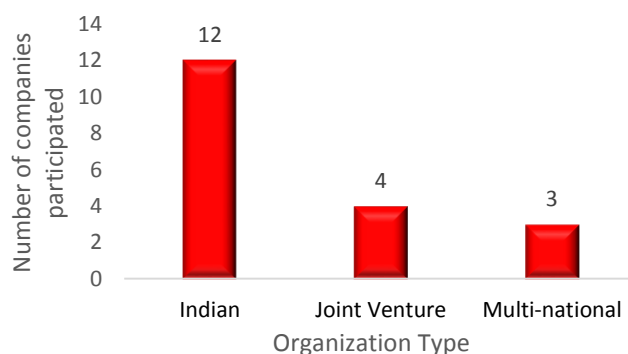
Consumer Durables and IT (CDIT)

- Infinity Retail Ltd.
- Vivek Pvt Ltd.

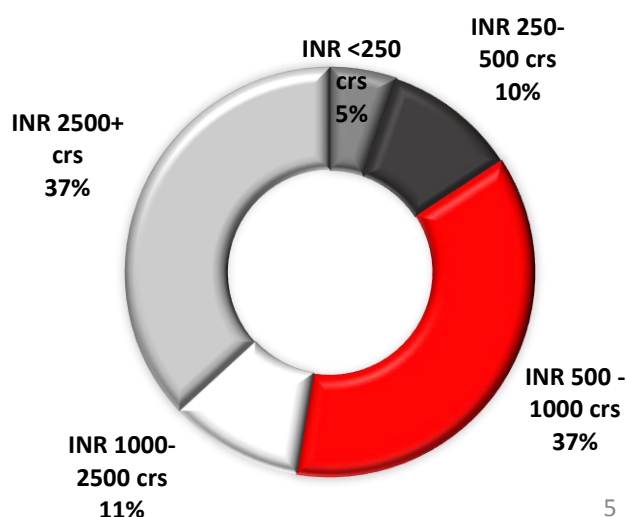
Hypermarkets

- Trent hypermarket
- Hypercity

TYPE OF ORGANIZATION



TURNOVER

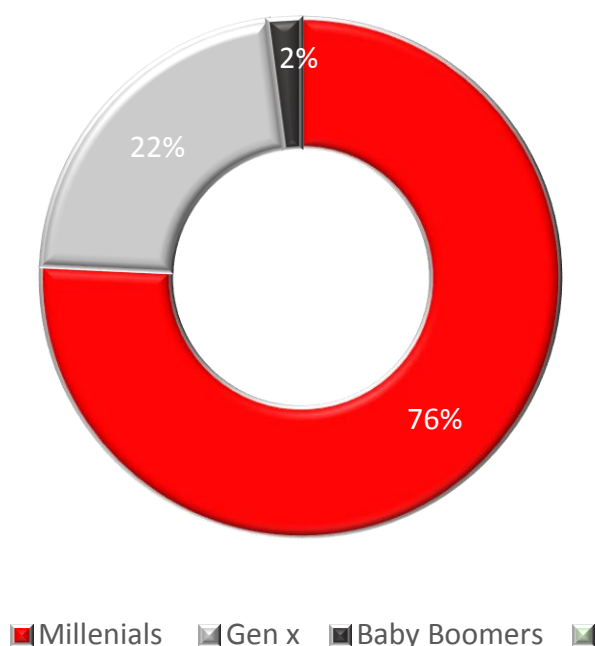




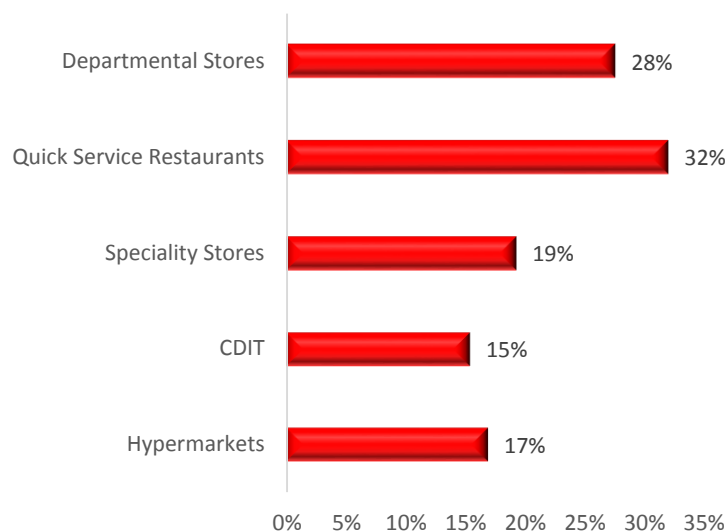
Employee profile

The employee profile consists primarily of Millennials including Generation Z. For most organizations Millennials formed over 75% of the population, going up to 90% in a few instances. Companies hence have the challenge of catering to aspirations of a young workforce and performance have needed to design Reward and Recognition systems that cater to this profile.

AGE COMPOSITION



GENDER DIVERSITY



Gender Diversity

Gender diversity figures in the sector are among the highest in the organized sector with female employees representing about 22% of the overall population. Some of the Departmental stores and specialty stores – especially those in Fashion retail have over 30% female employees. In one of the Quick Service Restaurants this percentage went up to 40%. Specialty stores who also had manufacturing in-house were at the lower end with under 10% female employees.



Number of Levels

In India, across sectors companies cater to employee growth aspirations by providing a large number of levels and associated designations. Even companies which are globally broad-banded do tend to use sub-bands in the sub-continent.

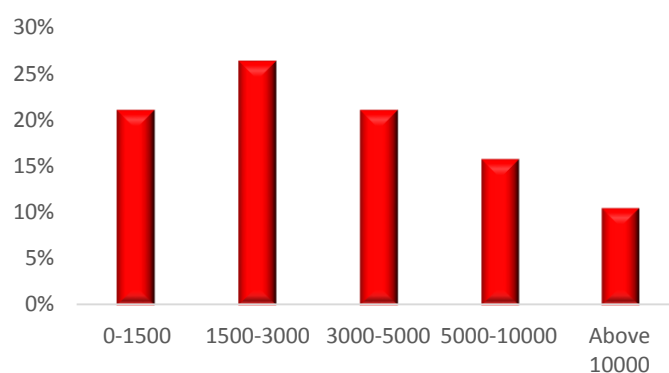
There is a wide range in the number of levels that companies have within the retail sector - from 4 to 14. However most companies are in the range of 7 to 11 levels.

- The Hypermarkets and the departmental stores typically have more levels (overall 11-14 and going up to 16) for staff owing to a greater need to provide a large workforce scope of movement within the organization.
- Similarly the Quick service restaurants also had overall 7-11 levels.
- In the Specialty stores, the levels are fewer, around 5-8 overall.

Specifically for Stores staff there is a variation in the number of levels based on the workforce strength .

- organizations with a large workforce typically have 5 to 7 levels
- others have 3-4 levels.

NUMBER OF EMPLOYEES



Employment Models

There are various employment models in the market especially for front line employees. The most prevalent models are:

- a mix of contract staff and permanent employees
- largely contract staff

Some QSRs have implemented models that allow employees flexibility in the number of days, number of hours they work. This has enabled them to recruit young students who work part time with them.

Some of the beauty stores also offer flexibility by way of half shifts. They are hence able to have more staff on the floor during peak hours.

The way companies have approached Reward & Recognition also depends on the kind of employment model they have and the profile of employees



Rewards and Recognition

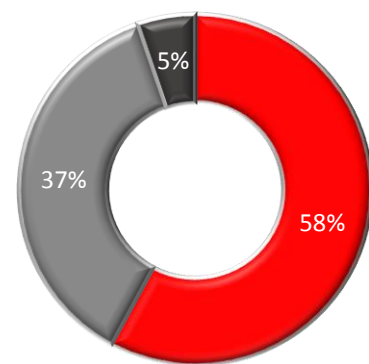
For companies rewards continue to be the most important lever at most levels. For a large part of the work force at junior levels, even small differences in compensation are a trigger for change. Facilities/benefits are becoming important differentiators in terms of the message of caring and commitment to employees e.g. wellness programs.

Many companies have a large proportion of retail staff that are on contract and are in Stores and a large part of contract staff are on minimum wages. At these levels other practices and benefits such as work timings, small facilities provided, uniforms, opportunity to get trained, culture etc. become the more important levers.

At senior levels, opportunities for wealth creation like ESOP, LTIP have been important. For most organizations balancing the cost of compensation increases with the productivity that can be gained by retention, is the key question to address.

With a lot of new players entering the fray as well as with E-commerce here to stay there is a growing emphasis on career management, developing potential leaders as well as retaining & rewarding critical talent.

EMPLOYEE COST AS A PERCENT OF TOTAL REVENUE



■ less than 10% ■ 10-15% ■ 15-20%

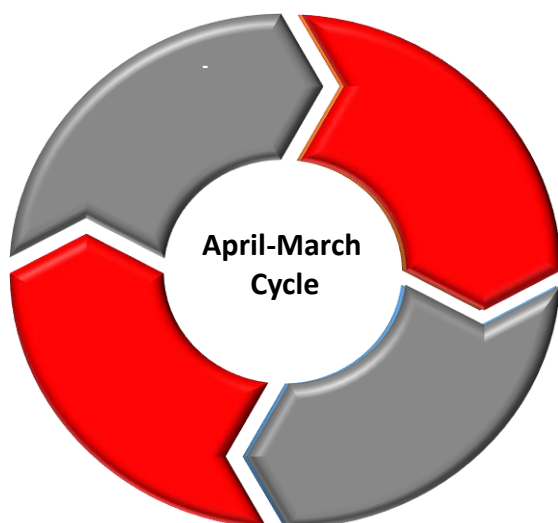
Employee cost figures are in single digits viz. 7-8% for most companies barring a few.

Minimum wages have gone up significantly in the last 2-3 years and has enhanced the cost of operations. Hence a closer look at headcounts etc. is an important area of focus for companies in the current context.

Increments

Compensation increases in 2017 were about 9.5 -10% for the retail sector and are projected at about 10% for 2018. There is a very large population where average increases are not above 6% -7% as they are on minimum wages and get DA increases. For middle and senior levels however the range has been 10%-15%.

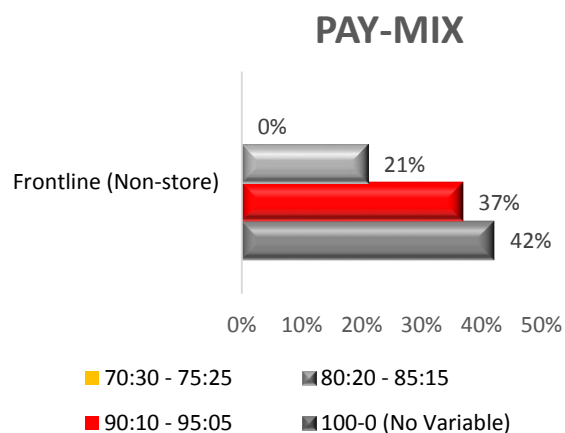
Payroll increases in the last 3 years have generally been under 10% and typically been in the range of 5% to 7% for most. This has been due to a combination of attrition and rationalization of stores.



Pay-mix

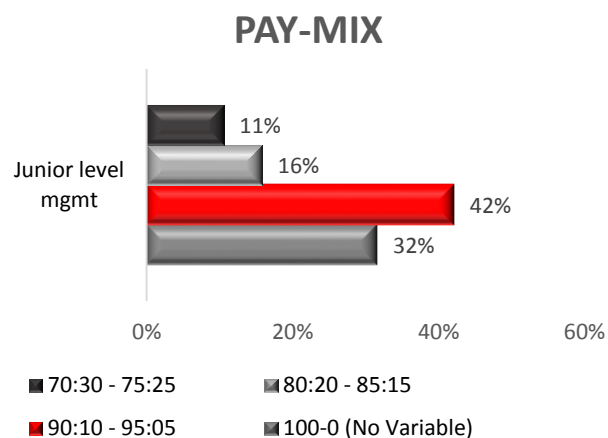
An analysis of the pay-mix at different levels of staff shows that there is a greater proportion of variable compensation at senior levels as compared to middle and junior levels where the fixed compensation is higher. This can be seen in the charts below.

Especially at the Non Stores frontline levels most companies now provide largely fixed compensation and where variable compensation is provided it is a small proportion. About one-third of the companies had 100% fixed pay for non stores front line staff.

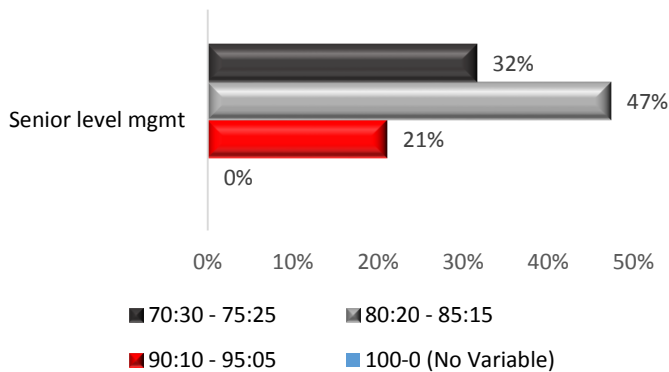


Salary Revision Cycles

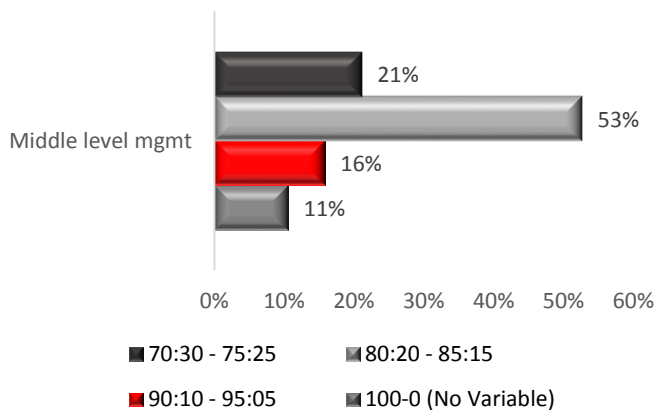
- April – March cycle: most common practice
- A few companies have different increment cycles as follows:
 - Biannual: limited practice
 - January – December & July – June – Different increment cycles for Stores and non-stores



PAY-MIX



PAY-MIX



Variable Pay

Variable pay is linked to company performance & individual performance across organizations. The emphasis is largely on company performance at middle & senior levels.

Company performance is based on Topline & Operating Margins.

Variable payouts linked to individual performance is determined based on individual performance rating. Typical threshold in the market for variable pay to kick in is about 80-85%. Variable payout for top performers goes up to 150% of target payout. Last year actual payouts have been about target to marginally below in most companies.

Store Incentives

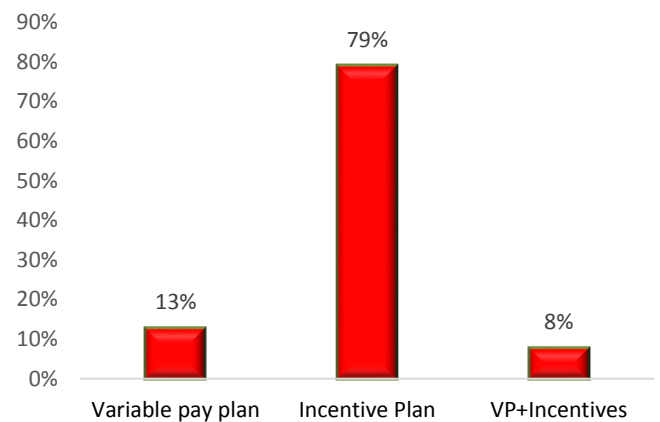
2-3 levels of junior hierarchy of stores staff are typically covered under store incentive plans

The key criteria for incentive payouts are: Overall Store target, Category Sale, Shrinkage, Loss Prevention etc. Individual performance ratings were considered in some cases.

In addition to annual incentives, seasonal incentive plans are also common to boost the sales e.g. Diwali, Christmas, End of season and other regional festivals

Front line staff typically are only covered under incentive plans and do not have variable pay in addition. Store Managers are covered under incentive plans by most companies but about 20% companies have a varying practice in which they either cover them under a variable pay plan (VPP) or VPP in addition to the incentive plan

STORE EMPLOYEES COVERAGE



LTIP

Many of the surveyed organizations do not have long term incentive plans as rewards for their employees. About 31% companies had LTIP at senior most management levels. The practice is more prevalent in the Specialty stores and some of the QSRs.

Rewards and Recognition Programs

The overall rewards and recognition budget as a percentage of payroll in most of the organization is less than 5%. Only in very few cases this went up to 10%-12%.

The prevalence of Reward & Recognition (R&R) programs has seen an interesting shift in the last few years, with a growing number of organizations using recognition programs that drive organizational results.

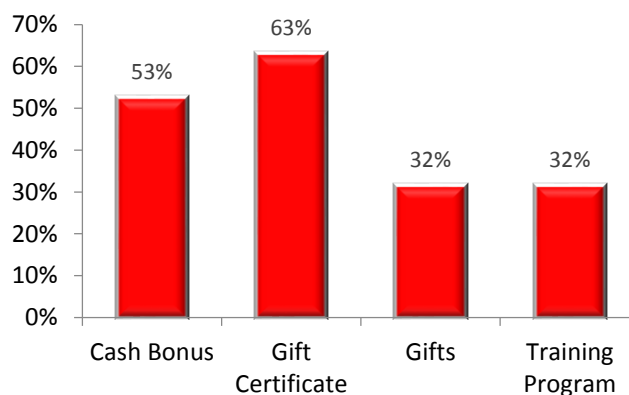
Companies typically use these programs as a tool to:

- Acknowledge and recognize commitment level
- Recognize outstanding achievements and significant contributions at work
- Recognize years of service
- Create/maintain a positive work environment
- Motivate high performance
- Reinforce desired behaviors

While many companies do not have formal R&R policy they do however implement various practices at Corporate as well as group level. Companies that do have a formal R&R policy, typically provide broad guidelines on the various initiatives and do not always have standard procedures defined. All employees are covered under these schemes whether formal or informal.

Companies have R&R schemes at all locations – these however vary by location as most of the schemes are managed at Location level.

RECOGNITION PROGRAMS



Recognition Programs

Gift certificates and cash bonus (other than variable pay) are the most commonly used recognition mechanisms across companies. Followed by gifts and training programmes.

Especially at Stores / Frontline levels trophies or certificates recognising 'the best employee', contribution to an initiative etc. are still important.

We however no longer see a prevalence of practices such as Company logo merchandise, Timepieces, Household items, Office accessories, Recreational items/sporting goods etc. pointing to most companies providing the freedom of choice to employees. Employees do not see any value in some of these and prefer to have the freedom and flexibility to decide how and when they will use the gift certificates / cash bonus

Some companies also provide opportunities for advanced education and opportunities to attend national meets / annual conferences abroad and have found these to be effective recognition mechanisms.

Reward Programs

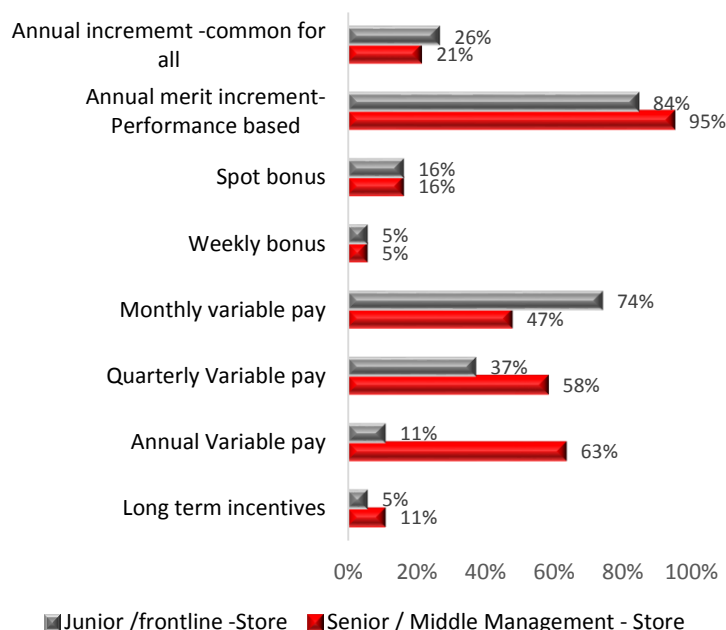
The approach to rewards at different levels and between stores and non-stores staff is different.

- Annual merit increases that are performance linked are the most prevalent reward mechanism across levels and across stores and non-stores staff
- About 20% of the surveyed organizations gave annual increments that were common to all employees at a level – especially for Junior / Frontline stores staff
- For Junior / Frontline stores staff, monthly awards followed by quarterly awards are the most prevalent
- At senior and middle levels in stores, annual awards are the most prevalent followed by quarterly awards
- Spot awards are also becoming more common with about 16% of the companies using these for stores staff across levels
- For non-stores staff, Annual awards are the most prevalent across all levels

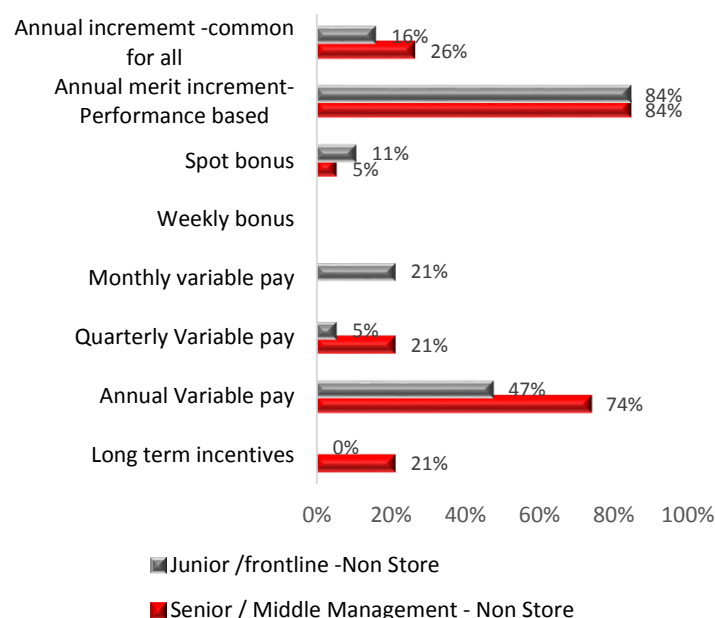
Notable Practices

- Instant Appreciation / Recognition Cards: These cards are given to appreciate employees with outstanding working or behaviour
- Open Forum: Frontline and Junior Management people have separate feedback session with Store HR monthly, Area Managers- Quarterly, Head HR Half Yearly
- Leadership Academies
- Programs for higher studies
- Happy Employees Engagement & Recognition System: is a platform which recognizes and rewards employees on performance and behavioural parameters.
- Applause: An employee is appreciated by his / her peers or seniors for good work on an online platform etc.

STORE



NON-STORE



Benefits and Policies

Medical coverage for the employee and family was the top benefit offered by all participants in the survey. This was followed by Discount on products (84%) and Diwali gifts (74%). Wellness has emerged as an area of focus across sectors and 68% of the companies covered had wellness initiatives for employees.

We would like to note that for stores staff at the front line there is a lot of focus on small benefits like coupons etc. and also on skill development to improve overall employability.

Benefits like pick-up and drop services are linked to the location of office / store / distribution center and its connectivity to public transportation. These were provided largely by companies in the North and South and were not a common practice across locations.

Some of the companies also provide Education assistance in form of scholarship on merit basis or sponsored programs with education institutes or education loans etc.

- Most organizations have a well-defined education policy in place under which they have tie-ups with renowned institutes.
- A few food chains / large format stores also have a specially designed course in collaboration with institutes to build certain competencies required for next level roles.
- Others regularly send their employees for certification courses and training programs.

A few of the large players have started providing Crèche facility however this initiative is still at a nascent stage.



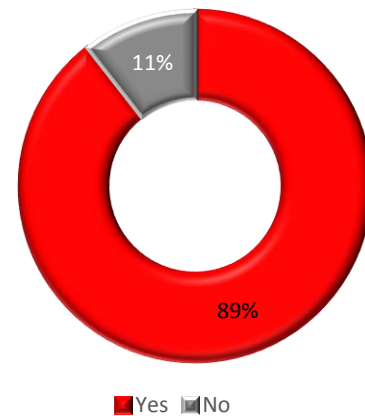
Working Days and Leave

Some companies provide accumulated Earned Leave but most have a break up of Privilege Leave, Sick Leave and Casual Leave.

In some cases the average number of leave provided by the organizations in a financial year is slightly higher for Store/ Operation employees than others but this is not a consistent across companies. It is also important to note that the average working days are also higher for stores. Stores /Operations employees usually have a 6 day work week whereas for most other employees it is a 5 day work week.

In the spirit of promoting work life balance, an emerging trend is a one and a half day weekly off for stores staff. As yet this is not a widespread practice.

COMPENSATORY OFF



Leave	Store Employees	Others
Privilege Leave	15-30 (21-25 most common)	15-26 (21-26 most common)
Sick Leave	3-10 (Nil in some, 12 in one company)	3-6 (Nil in some, 10 in one company)
Casual Leave	6-8 (Nil / 1 in some, 12 in two companies)	6 (Nil / 1 in some)
Earned Leave	25 - 36	21 - 30

For most organizations there is no difference in the number of public holidays provided to stores employees and other employees - the average numbers of Public holidays provided in the industry is 10-11.

There are a few exceptions however;

- One organization had 15 days public holidays for Stores employees as against 10 days for other employees. But this was balanced by an additional 5 days leave for other employees as compared to stores.
- 2 organizations had slightly higher number of public holidays for other employees – 1-3 days higher – as compared to stores. But did not have any difference in the number of leaves provided.

Most organizations also provide compensatory offs to their store/ Retail employees for working on a public holiday.

Attrition and Retention

Attrition

Attrition has been a key concern in the Retail sector for some time. The E-commerce industry contributed to significant disruptive trends for middle and senior level talent in the last 3-4 years. It was one of the most aggressive recruiters of talent and hired from the wide spectrum of industries – FMCG, Retail, IT, Logistics, Hospitality. Most pressure was on Supply chain, Buying, Merchandising and Logistics roles.

The sector has also seen a lot of churn at both senior and middle levels. There is also a trend of repositioning salaries in the sector due to too high costs. However, the average compensation hike on job change has come down in the last 18 months with the industry maturing. Hikes on hiring are now about 25 to 40%

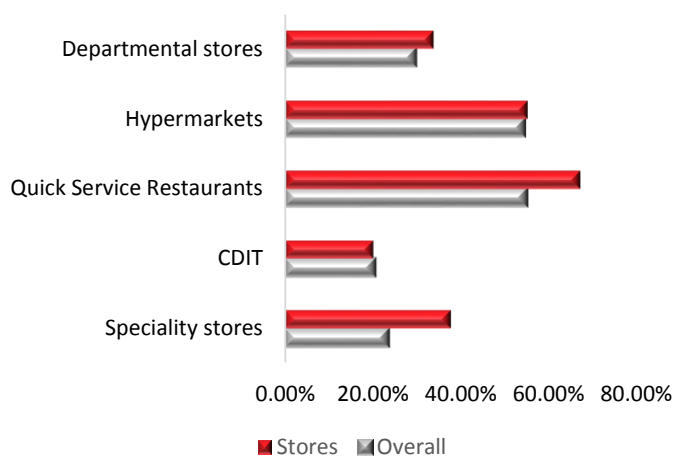
Among the companies that participated in this study average overall attrition levels varied vastly. It is the highest among the QSRs ranging from 40% to 70% and even going upto 100% for stores staff. This is however also due to the business model where there are multiple employment modes on offer including part time working and working on specific days only.

For most other Departmental stores attrition is in the range of 20% to 30% and for the Companies who also had manufacturing in-house, average attrition is 24%

Stores attrition for most companies is anywhere in between 20% to 60%, and higher than overall attrition.

However if only non stores attrition was to be considered it is around 12%-15% for most companies.

ANNUALIZED ATTRITION



Retention

Across the different categories of staff the top retention tools used by companies continue to be Promotions and Job Rotation / Internal movement.

At **Senior Management levels** companies are also using Mentor programmes and training programmes to enhance retention. Stock options and deferred bonus are tools primarily deployed for senior management retention.

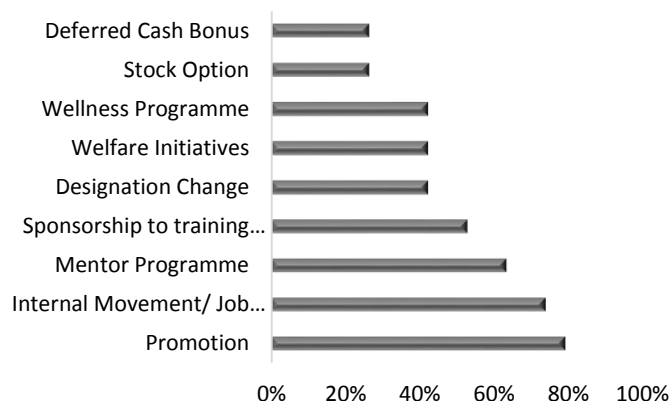
At **Middle & Junior Management levels** and for **Frontline staff** the changes in designation and welfare initiatives are the two next most widely deployed tools.

Stock options and deferred cash bonus are used largely at senior management levels to some extent at middle management. However only limited number of companies provide these. These are not prevalent at other levels

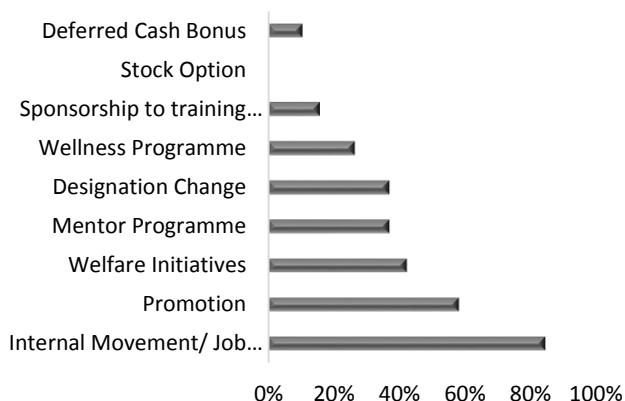
Many companies believe that culture plays a key role in retention and try to promote an employee centric culture. Companies are implementing a bouquet of engagement initiatives in order to build trust and create a bond between employees and the organization and promote a great workplace experience. They believe that in the long run this improves 'stickiness' quotient than just remuneration or designations.

Some companies are now actively tracking attrition of their high potential high performers and looking at retention initiatives for this segment.

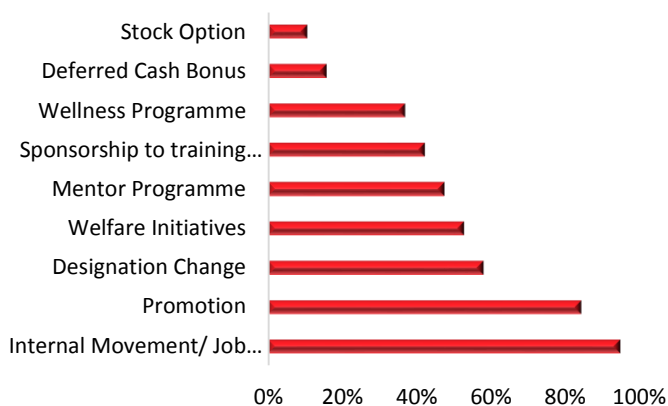
Senior Management



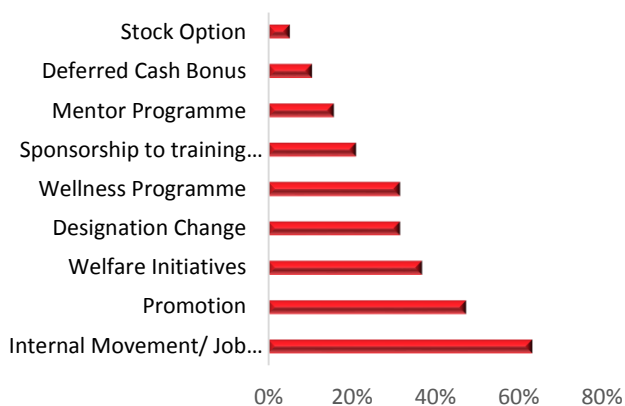
Junior Management

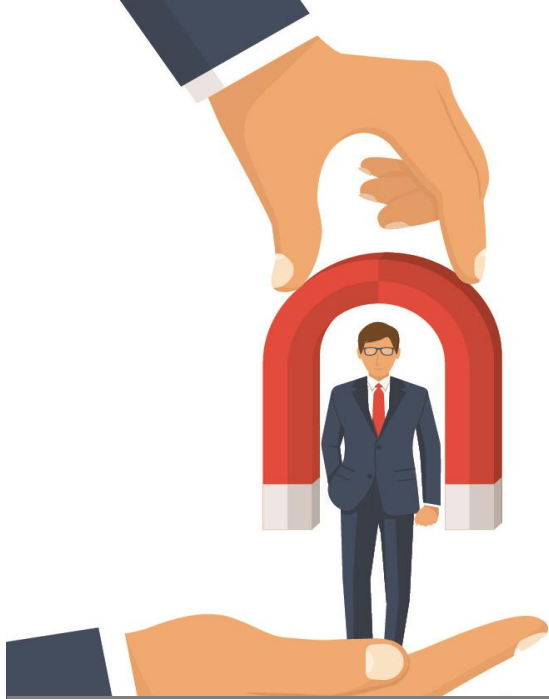


Middle Management



Frontline Staff





Some engagement activities:

- Annual functions
- Yearly outings
- Celebration of festivals and birthdays
- Events and competitions
- Recognition programs to create excitement and engage a young workforce
- Family visits to work
- Monthly company magazines: This keeps everyone updated on latest news in the company
- Coffee with CEO: Every Monday a set of employees meet with the CEO for discussions and feedback on company policies and processes etc.

While career progression has been a key concern of the work force, companies have been able to only partly address this issue through creation of multiple designations/levels. Some companies have tried to approach this by preparing employees for future roles.

Tie ups with institutes to get a steady pipeline of talent that has been partly trained especially for frontline is an approach several companies have successfully adopted.

Performance Management and Promotions

Much has been said in HR circles last year on the movement to quality of feedback, abolishing the bell-curve and delinking performance pay from performance ratings.

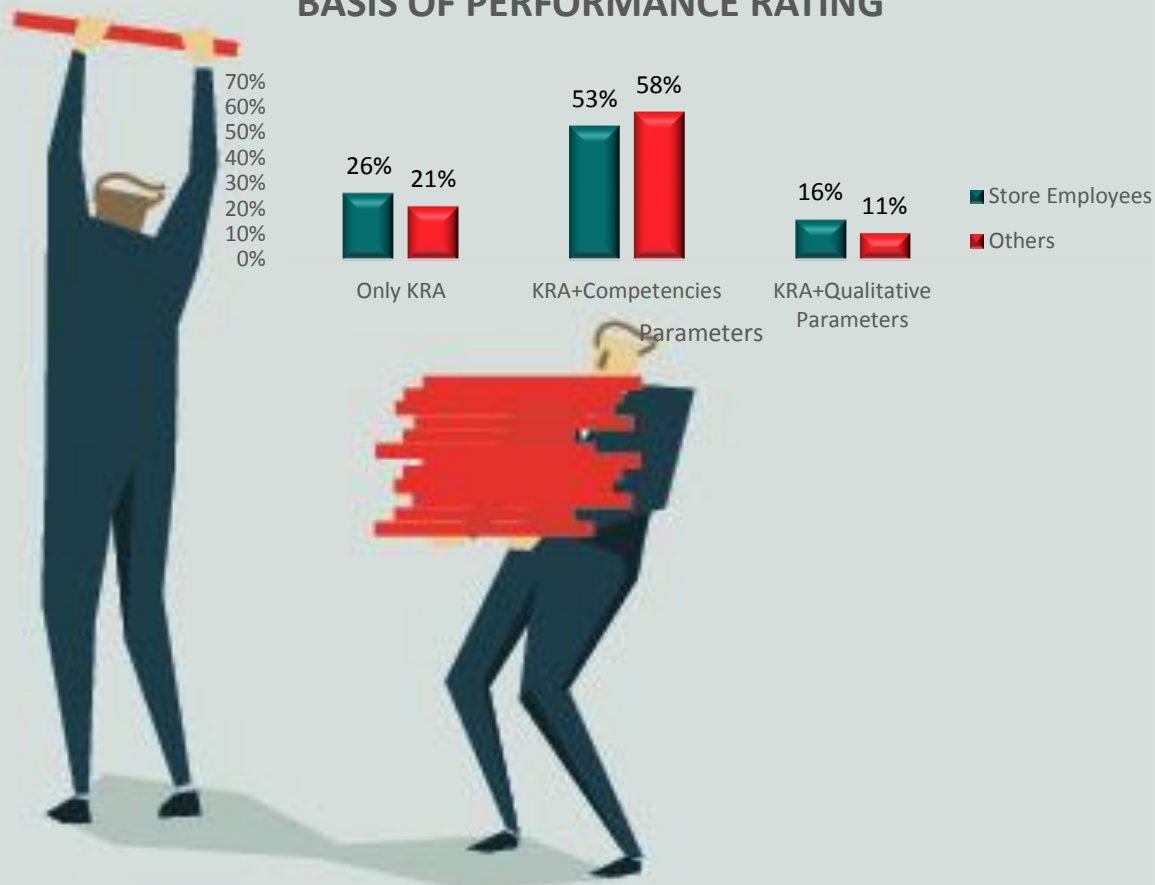
Within the retail sector however these trends are not as yet being widely debated. Companies have been grappling with the challenges of keeping a large workforce motivated and retaining them and the focus has largely been on engagement and retention initiatives.

There has however been a shift in the frequency of performance review and half the companies in the basket had either half-yearly or a quarterly review process. Half the companies were still on an annual review cycle. Many of the larger companies have moved to a more frequent review process.

- However typically stores or front line executives are covered under quarterly and half yearly review, whereas the corporate functions follow annual performance review cycles. This is also due to the fact that the level of attrition is high at stores / front line levels and hence this is a way for companies to continuously engage with employees and provide feedback.

The basis of Performance rating for most organizations (50-60%) is a combination of KRA's and Competencies for both Stores / Retail Operation employees and other employees. About 20-25% of the companies considered only KRA's and the rest considered a combination of KRA's and qualitative factors e.g. values.

BASIS OF PERFORMANCE RATING

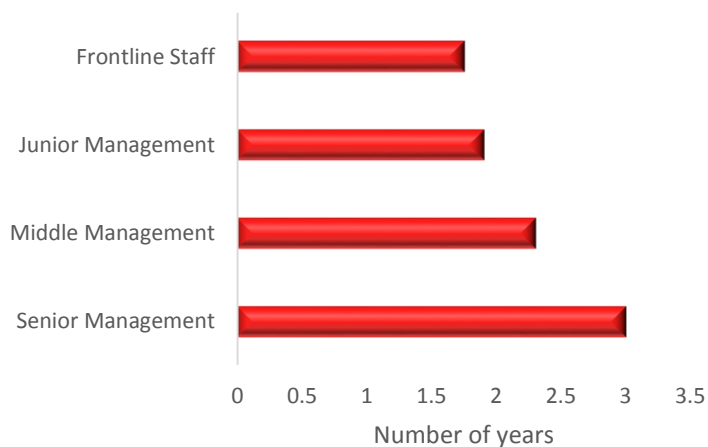


Promotions

The frequency of Promotions is higher at frontline staff as compared to other levels.

This is also due to the level of attrition being higher at junior levels and hence companies have used promotions as a continuous form of motivation to keep employees engaged and interested. Promotions however are merit based for most organizations and not driven by tenure.

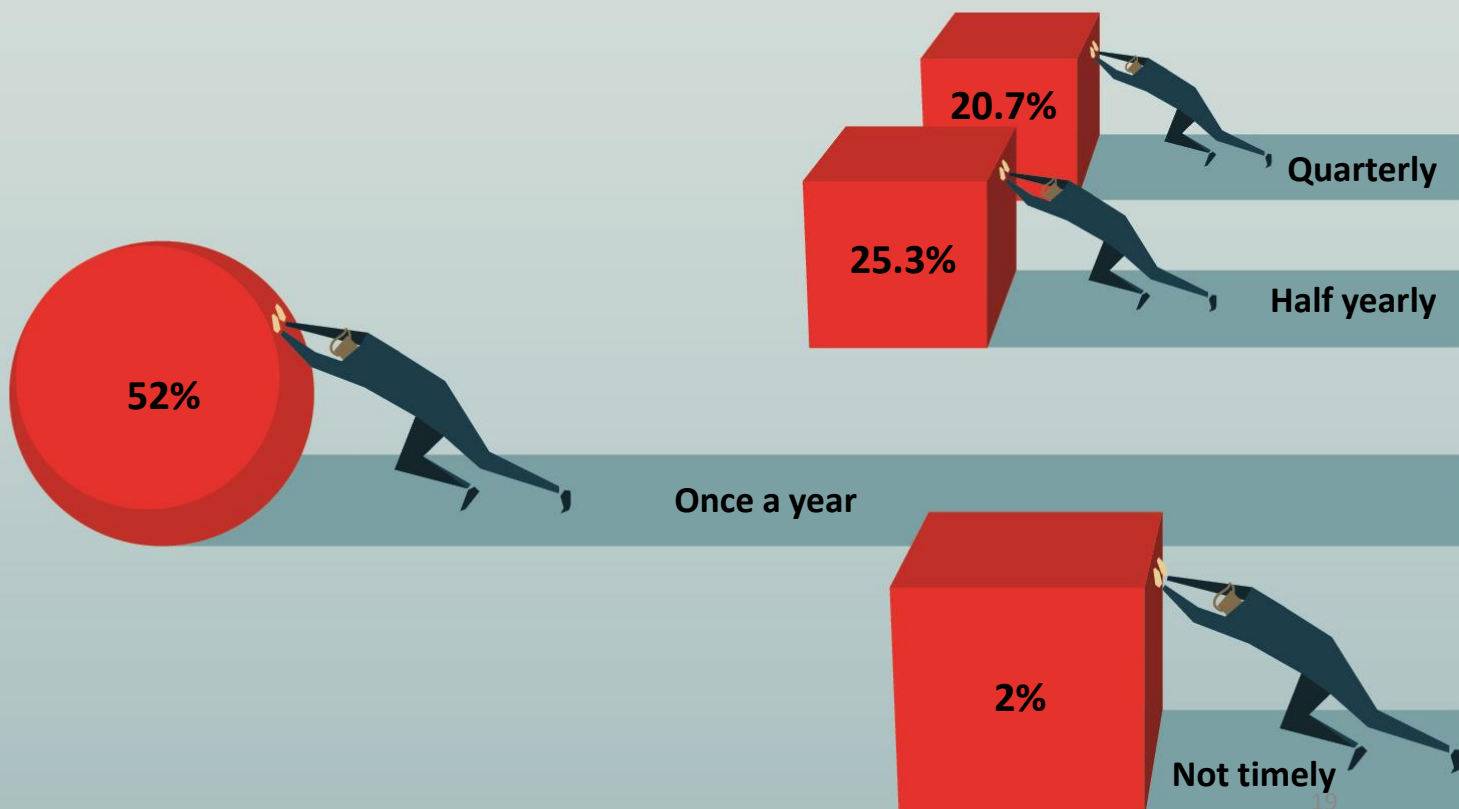
FREQUENCY OF PROMOTIONS



Companies do follow broad bell-curve guidelines. For most companies the top rated employees comprise about 20%-30% of the organization. Some companies were stricter and had only up to 10% top rated employees.

The trend is similar across stores / retail operations staff and other employees.

FREQUENCY OF PERFORMANCE REVIEW



About Cerebrus

Founded in 1995, Cerebrus Consultants is a reputed business led HR consulting and advisory firm providing human resource consulting services and ensuring delivery of high quality result-driven services to our clients. With over 20 years of experience collaborating with over 500 companies, we provide customized solutions that deliver sustainable benefits for our clients while balancing the goals of the organization and the needs of the individual.

Our portfolio of services ranges from HR strategy, expert advice on specialist subjects like Rewards and Leadership development to implementation assistance to our clients based on their business context and short term & long term HR needs.

Key Contacts



Radhika Mittal - Director
radhikam@Cerebrus-consultants.com
+91 - 9820549694



Suman Shankar - Associate Director
sumans@Cerebrus-consultants.com
+91 - 9845072794



Manasi Vahalkar – Senior Consultant
manasiv@Cerebrus-consultants.com
+91 - 9769033445

Mumbai

405, Kakad Chambers
132, Dr. Annie Besant Road,
Worli,
Mumbai 400 018
Tel: (91) (22) 24972855/24964193

Bengaluru

No. 412, 2nd floor,
Jindal building,
Koramangala,
Bengaluru – 560038
Tel: (91) (80) 41467456

Chennai

3rd Floor, New no.315,
Old no.123 A, T.T.K. Road,
Alwarpet, Chennai – 600018
Tel: (91) (44) 4210 3270

Delhi

1016, 10th Floor
Galleria,
DLF City, Phase-IV
Gurgaon 122002
Tel: (91) (124) 4300691 / 6