The Power of People in the Restaurant Industry

June 2019
**Human Capital Performance**
- 2.6 million employees
- 193 Brands
- Founded 1995

**Financial Capital Performance**
- 30,000+ units
- $72 Billion Sales
- Founded 2009

**Guest Feedback Performance**
- 61,000 units
- 200 brands
- Founded 2013

**TDn2K**
- 272 Brands
- 230 Companies
- 43,000 Restaurants

Powered by:
- People Report
- Black Box Intelligence
- White Box Intelligence

Transforming Data into Knowledge
The Workforce Opportunity
The True Value of Employee Retention

<table>
<thead>
<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>Best Companies</td>
<td>+3.3%</td>
<td>-4%</td>
<td>-11%</td>
</tr>
<tr>
<td>The Rest</td>
<td>-1.1%</td>
<td>+6%</td>
<td>+5%</td>
</tr>
<tr>
<td>Gap</td>
<td>+4.4%</td>
<td>-10%</td>
<td>-16%</td>
</tr>
</tbody>
</table>

Source: TDn2K
Accuracy: +2
Appearance: +34
Attentiveness: +25
Knowledge: +10
Manager: -2

Brands with top quartile comp sales:
Accuracy: +17
Appearance: +51
Attentiveness: +37
Knowledge: +23
Manager: +14

Brands with bottom quartile comp sales:
Accuracy: 15 pts
Appearance: 17 pts
Attentiveness: 12 pts
Knowledge: 13 pts
Manager: 16 pts

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
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>
</table>

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<thead>
<tr>
<th>Management Turnover</th>
<th>Service style</th>
<th>2018</th>
<th>Change from 2016</th>
</tr>
</thead>
<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>
</tr>
</tbody>
</table>
How can you improve retention and engagement?
What is Working to Increase Retention

<table>
<thead>
<tr>
<th>Category</th>
<th>Most Effective Retention Measure</th>
<th>2nd Most Effective</th>
<th>3rd Most Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-managers</td>
<td>Improved selection/recruit.</td>
<td>Improve growth &amp; development</td>
<td>Flexible scheduling</td>
</tr>
<tr>
<td>Managers (excluding GM)</td>
<td>Improve growth &amp; development</td>
<td>Increase Pay</td>
<td>Improved training</td>
</tr>
<tr>
<td>General Managers</td>
<td>Increase employee recognition</td>
<td>Improved training</td>
<td>Improved selection/recruit.</td>
</tr>
</tbody>
</table>

Source: TDn2K
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
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
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
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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<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
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
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
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?

Source: TDn2K
Success is all about how you take care of your people

Source: TDn2K