**Anand Bhojanalay: The curious case of chronic attrition**

*Ayush Gupta, Ayush Khatana, Ishan Khatri, M. Laasya Priya Reddy, and Saiprabha Mittal wrote this case under the supervision of Professor Gajanand M.S. solely towards the submission of the course graded component. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

On a chilly September afternoon, Mr. Prakash Khatri was riddled with worries. Mr. Khatri is the owner of Anand Bhojanalay, a chain of family restaurants. With wedding season just around the corner, he was worried that the workforce might once again fall too short of proper functioning. It was an annual worry, and this time, he was determined to rid his restaurant of this obstacle.

His son, Ishan Khatri, recently completed his MBA at a reputed management institute. Ishan decided to help his father to solve his problems by applying the concepts he learned in his course. Mr. Khatri readily embraced this help, and the two of them decided to dive deeper into the problem.

**Background**

Anand Bhojanalay was founded by Mr. Prakash Khatri in the year 1998 with a single outlet near Gwalior Railway station. Starting with one restaurant, he gradually expanded his business to 6 restaurants situated in various locations around Gwalior, with the main focus on quality and hygiene, which became the main reason for customer attraction. Anand Bhojanalay clocked around Rs 10.5 lacs of average monthly profit combined.

Today, Anand Bhojanalay employs a total of 120 employees across all of their restaurants. Around 550 customers visit Anand Bhojanalay daily. The footfall is mostly the same across all locations due to a similar geographic presence. They were known for their specialty dish, Ram Bhaja.

As any restaurant does, Anand Bhojanalay faced a multitude of problems. Of these, one of the more significant ones was the attrition of the workforce during the wedding season.

**Wedding Season in Gwalior: The Battle with Catering Business**

India is a country that celebrates every occasion on a huge scale. Weddings are no exception. A lot of money goes into the perfect wedding, and thousands of guests are invited. Hindu weddings usually take place during a particular time of the year. This is commonly known as the wedding season, which usually starts in November and ends in January.

Since the guests are numerous, wedding hosts hire catering services for food supply. Since catering services have the highest demand during this season, they tend to pay higher wages to acquire more staff.

This directly affects the restaurant business. Family restaurants, like Anand Bhojanalay, have two types of staff: **Daily Wage Workers** and **Salaried Workers**. Anand Bhojanalay has 5 chefs, 6 waiters, and 5 cleaning staff as daily wage workers (among others) per restaurant. It also has 2 security and one Manager and Online delivery manager each as salaried per restaurant. The daily wage workers are not bound by any contract, and hence, they leave as soon as they find a better-paying job, often with minimal notice. Thus, during the wedding season, many employees leave restaurants to join catering businesses. Since the season lasts for at least 3 months, it means an irregular and reduced workforce for these 3 months in restaurants.

**Tackling the Problem**

Mr. Khatri and his son sat down to discuss the problem at hand. They started off by discussing the high attrition issue during the wedding season.

**Ishan:** So, what seems to be the problem, papa?

**Prakash:** Every year, from November, the daily wage workers start quitting the restaurant to join catering businesses. For the next 3 months, our workforce is extremely low and it affects our performance significantly.

**Ishan:** What is the main reason for this?

**Prakash:** The catering businesses are in high demand so they try to acquire as many workers as possible through higher wages.

**Ishan:** But, won’t we be able to manage the restaurant with a lesser workforce?

**Prakash:** That is the main problem. During the wedding season, our customer demand also increases.

**Ishan:** I see. That is an interesting point. Normally, anyone would expect the demand to decrease.

**Prakash:** You are right. But our restaurants are all located in peak market areas. They are easily available for hungry shopkeepers looking for a break between the heavy wedding shopping. There is also a noticeable increase in online orders as family members who stay back home during weddings tend to order out more.

**Ishan:** That makes sense. Would you be able to give a rough number for the increase in customer demand?

**Prakash:** I would put it around 20%.

**Ishan:** And how sure are you that demand will definitely increase during this season?

**Prakash:** I am very sure. It happens in most cases.

**Ishan:** Yes, but if you had to quantify it, what would it be?

**Prakash:** Well, I would say there’s like a 20-30% possibility of it not happening.

**Ishan:** All right, let’s take the higher end of it and keep it at 30%. Now, let’s get back to our staff. My understanding is that it’s the chefs, waiters, and cleaning staff that are more at risk of leaving.

**Prakash:** You are right. Salaried employees usually don’t leave as they are bound by contract, and security staff doesn’t really have a particular demand during the wedding season.

**Ishan:** Then, let’s consider the initial 3 types of staff. What are the salaries paid to them?

**Prakash:** For chefs, it’s Rs. 18,000. Waiters are paid Rs. 12,000, and Cleaning Staff receive Rs. 7,000 per month.

**Ishan:** And how many usually leave during this season?

**Prakash:** I never calculated those numbers, but I can give you the rough data for the past 3 years. (Refer to **Exhibit 1** for attrition rates and **Exhibit 2** for retention rates). One thing I can tell you is that retention over the years has remained mostly the same so we can consider data of one year to hold true for all years.

**Ishan:** Yes, we can use that data to calculate month-wise attrition & retention rates. Have you considered offering a hike to the people quitting?

**Prakash:** But, wouldn’t that mean extra cost to me? And how many hikes can I offer to retain them?

**Ishan:** We have only 2 options here: either we retain the ones leaving, or we hire new people to replace them. We need to make a decision here.

**Prakash:** You are right. We need to make a choice that keeps our costs minimal.

**Ishan:** One more point, if we are hiring new people, don’t you think we should offer them more wages than usual? Getting new hires would also be just as tough during this season. Also, we should be hiring people for all our restaurants combined and allocate the hires on need basis. This way we won’t have to repeatedly hire every time someone leaves.

**Prakash:** Yes. We need to come up with a new payment structure altogether for this season. What do you suggest?

**Ishan:** Let’s look at it this way. Since there is a limited supply of labor in the city, we can hire people from nearby villages and offer them wages somewhere between our actual wages and the catering service’s wages. This way, we can be assured of finding sufficient people.

**Prakash:** Ok, So the current market rate for new hires is somewhere about Rs. 22,000 for chefs, Rs. 15,000 for waiters, and Rs. 9,000 for cleaning staff. But that would increase my costs by a huge margin for rehiring everyone who leaves!

**Ishan:** True. How about hiring a limited number of people? Some of the other restaurants follow a limited hiring policy.

**Prakash:** What do you mean?

**Ishan:** I remember you telling me that almost 55% of our restaurant’s business is online orders. In that case, we don’t have as many requirements for waiters or cleaning staff as we do for chefs. So, we will only replace chefs and waiters, and the cleaning staff will be replaced only if we lose more than 10% of the staff and maintain them at 90% of the level. And irrespective of our approach, we should take on new hires only when they commit to a 3-month temporary contract.

**Prakash:** I like this approach, but it also seems to have a lot of cost implications. Everything sounds so complex!

**Ishan:** Don’t worry, papa! I learned some techniques that can ease our decision-making process. It would take only a couple of hours to complete the analysis. But before we begin, I need to speak with some catering services as well.

Ishan went ahead and reached out to a few catering services that he personally knew in the area. His main goal was to understand the salaries they were offering so as to decide on a hike to offer to the existing employees. It was decided that the hike would be a temporary one, lasting only for the duration of the wedding season. After speaking to the catering services, he decided on a “hike range” to offer, which was to match the catering service’s lowest, maximum & mostly given hike rates. Further, he questioned the employees to understand what hike rate they would prefer to stay back. The final range of hikes to be offered to existing employees is given in **Exhibit 3** (All the data here is based on industry averages).

**Finishing Up**

Mr. Khatri had faith in his son, but he was a risk-averse person at heart. To ease his mind, Ishan agreed to carry out the complete analysis only for the month of November for now. If the estimated and actual results are similar, they will expand it to other months as well.

**Exhibits**

Exhibit 1: Attrition data for the last 3 years during the wedding season

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Employee Type** | **2019** | | | **2020** | | | **2021** | | |
| **November** | **December** | **January** | **November** | **December** | **January** | **November** | **December** | **January** |
| **Chef** | 4 | 6 | 2 | 4 | 3 | 3 | 3 | 5 | 4 |
| **Waiters** | 7 | 8 | 7 | 7 | 7 | 6 | 5 | 7 | 7 |
| **Cleaning Staff** | 5 | 7 | 5 | 6 | 5 | 4 | 5 | 8 | 7 |

Exhibit 2: Retention rates during the wedding season

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee Type** | **November** | **December** | **January** |
| **Chef** | 40% | 35% | 45% |
| **Waiters** | 25% | 30% | 45% |
| **Cleaning Staff** | 34% | 38% | 42% |

Exhibit 3: Hike rates offered by Catering services during the wedding season

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Employee type** | **Salary per month** | **November & January** | | | **December** | | |
| **Least** | **Likeliest** | **Most** | **Least** | **Likeliest** | **Most** |
| **Chef** | 18000 | 20% | 35% | 50% | 20% | 35% | 50% |
| **Waiters** | 12000 | 30% | 35% | 45% | 30% | 35% | 45% |
| **Cleaning staff** | 7000 | 15% | 18% | 25% | 15% | 18% | 25% |