



June 23, 2012

Apple's Retail Army, Long on Loyalty but Short on Pay

By **DAVID SEGAL**

Last year, during his best three-month stretch, Jordan Golson sold about \$750,000 worth of computers and gadgets at the [Apple Store](#) in Salem, N.H. It was a performance that might have called for a bottle of Champagne — if that were a luxury Mr. Golson could have afforded.

“I was earning \$11.25 an hour,” he said. “Part of me was thinking, ‘This is great. I’m an Apple fan, the store is doing really well.’ But when you look at the amount of money the company is making and then you look at your paycheck, it’s kind of tough.”

America’s love affair with the smartphone has helped create tens of thousands of jobs at places like Best Buy and Verizon Wireless and will this year pump billions into the economy.

Within this world, the Apple Store is the undisputed king, a retail phenomenon renowned for impeccable design, deft service and spectacular revenues. Last year, the company’s 327 global stores took in more money per square foot than any other United States retailer — wireless or otherwise — and almost double that of Tiffany, which was No. 2 on the list, according to the research firm RetailSails.

Worldwide, its stores sold \$16 billion in merchandise.

But most of Apple’s employees enjoyed little of that wealth. While consumers tend to think of Apple’s headquarters in Cupertino, Calif., as the company’s heart and soul, a majority of its workers in the United States are not engineers or executives with hefty salaries and bonuses but rather hourly wage earners selling iPhones and MacBooks.

About 30,000 of the 43,000 Apple employees in this country work in Apple Stores, as members of the service economy, and many of them earn about \$25,000 a year. They work inside the world’s fastest growing industry, for the most valuable company, run by one of the country’s most richly compensated chief executives, Tim Cook. Last year, he received stock grants, which vest over a 10-

year period, that at today's share price would be worth more than \$570 million.

And though Apple is unparalleled as a retailer, when it comes to its lowliest workers, the company is a reflection of the technology industry as a whole.

The Internet and advances in computing have created untold millionaires, but most of the jobs created by technology giants are service sector positions — sales employees and customer service representatives, repairmen and delivery drivers — that offer little of Silicon Valley's riches or glamour.

Much of the debate about American unemployment has focused on why companies have moved factories overseas, but only 8 percent of the American work force is in manufacturing, according to the Bureau of Labor Statistics. Job growth has for decades been led by service-related work, and any recovery with real legs, labor experts say, will be powered and sustained by this segment of the economy.

And as the service sector has grown, the definition of a career has been reframed for millions of American workers.

“In the service sector, companies provide a little bit of training and hope their employees leave after a few years,” says Arne L. Kalleberg, a professor of sociology at the University of North Carolina. “Especially now, given the number of college kids willing to work for low wages.”

By the standards of retailing, Apple offers above average pay — well above the minimum wage of \$7.25 and better than the Gap, though slightly less than Lululemon, the yoga and athletic apparel chain, where sales staff earn about \$12 an hour. The company also offers very good benefits for a retailer, including health care, 401(k) contributions and the chance to buy company stock, as well as Apple products, at a discount.

But Apple is not selling polo shirts or yoga pants. Divide revenue by total number of employees and you find that last year, each Apple store employee — that includes non-sales staff like technicians and people stocking shelves — brought in \$473,000.

“These are sales rates for a consulting company,” said Horace Dediu, an analyst who [blogged about the calculation](#) on the site Asymco. Electronics and appliance stores typically post \$206,000 in revenue per employee, according to the latest figures from the National Retail Federation.

Even Apple, it seems, has recently decided it needs to pay its workers more. Last week, four

months after The New York Times first began inquiring about the wages of its store employees, the company started to inform some staff members that they would receive substantial raises. An Apple spokesman confirmed the raises but would not discuss their size, timing or impetus, nor who would earn them.

But Cory Moll, a salesman in the San Francisco flagship store and a vocal labor activist, said that on Tuesday he was given a raise of \$2.82 an hour, to \$17.31, an increase of 19.5 percent and a big jump compared with the 49-cent raise he was given last year.

“My manager called me into his office and said, ‘Apple wants to show that it cares about its workers, and show that it knows how much value you add to the company, by offering a bigger raise than in previous years,’ ” Mr. Moll recalled.

Though a significant increase, Mr. Moll’s new salary of about \$36,000 puts him on the low side of the wage scale at the other large sellers of Apple products, AT&T and Verizon Wireless, both of which offer commissions to sales staff at their stores.

In other areas, Apple has been a leader. Stores in a variety of fields have adopted the company’s retail techniques, like the use of roving credit-card swipers to minimize checkout lines, as well as the petting-zoo layout that encourages customers to test-drive products.

But Apple’s success, it turns out, rests on a set of intangibles; foremost among them is a built-in fan base that ensures a steady supply of eager applicants and an employee culture that tries to turn every job into an exalted mission.

This is why Apple can do something unique in the annals of retailing: pay a modest hourly wage, and no commission, to employees who typically have college degrees and who at the highest performing levels can move as much as \$3 million in goods a year.

“When you’re working for Apple you feel like you’re working for this greater good,” says a former salesman who asked for anonymity because he didn’t want to draw attention to himself. “That’s why they don’t have a revolution on their hands.”

These true believers skew young, as anyone who has ever set foot in an Apple Store knows. And the relative youth of this work force helps explain why people are likely to judge the company by a different set of standards when it comes to wages, says Paul Osterman, a professor at M.I.T.’s Sloan School of Management.

“It’s interesting to ask why we find it offensive that Wal-Mart pays a single mother \$9 an hour, but we don’t find it offensive that Apple pays a young man \$12 an hour,” Mr. Osterman said. “For each company, the logic is the same — there is a line of people eager to take the job. In effect, we’re saying that our value judgments depend on the circumstances of the employee, not just supply and demand of the labor market.”

Twenty-two-year-olds also tend to be more tolerant of the Apple Store’s noise and bustle, yet these days some former employees describe a work environment that was too hectic and stressful, thanks in large part to the runaway popularity of the **iPhone** and **iPad**.

Managers often tell new workers that they hope to get six years of service, former employees say. “That was what we heard all the time,” says Shane Garcia, a former Apple Store manager in Chicago. “Six years.” But the average tenure is two and a half years, says a person familiar with the company’s retention numbers, and as foot traffic has increased, turnover rates in many stores have increased, too. Internal surveys at stores have also found surprising dissatisfaction levels, particularly among technicians, or “geniuses” in Apple’s parlance, who work at what is called the Genius Bar. Apple declined requests for interviews for this article. Instead, the company issued a statement:

“Thousands of incredibly talented professionals work behind the Genius Bar and deliver the best customer service in the world. The annual retention rate for Geniuses is almost 90%, which is unheard-of in the retail industry, and shows how passionate they are about their customers and their careers at Apple.”

That 90 percent figure sounds accurate to Mr. Garcia, who quit last July after four years with the company, overwhelmed by the work and unable to mollify employees and customers alike. Plenty of technicians do, in fact, like their jobs, which vary around the country, and which pay in the range of \$40,000 a year in the Chicago area. Many technicians, though, wanted to leave but were unable to find equivalent work, according to Mr. Garcia and other former managers, in part because of the weak economy.

The problem for Apple Store employees, they said, wasn’t just the pace. It was the lack of upward mobility. There are only a handful of different jobs at Apple Stores and the most prestigious are invariably sought after by dozens of candidates. And a leap to the company headquarters is highly unusual.

Apple prohibits its staff from talking to the media, but several former employees who spoke for this

article said they had fond memories of their jobs, and regarded them as ideal for people in their early 20s who aren't ready for a full-on dive into the white-collar world.

And "Apple" can be a strong credential to have on a résumé, these people said. Technicians often move on to higher-paying jobs in information technology, they said, and sales staff have a leg up on the competition if they stay in retailing because "people know how grueling the job is," as one former manager put it.

But other former employees have struggled to find work, or have moved into lateral jobs at other companies. And even those who used Apple as a launching pad described a gradual evolution, from team player to skeptic, as they discovered that there was a gap between what the job appeared to be (kind of hip) and what it was (frenetic and in many cases a dead end).

Kelly Jackson, who was a technician at an Apple Store in Chicago, was thrilled when she was hired two years ago. But she said she was even happier when she quit a year later, having found the work too relentless and the satisfactions too elusive.

"When somebody left, you'd be really excited for them," says Ms. Jackson, who now works at Groupon. "It was sort of like, 'Congratulations. You've done what everyone here wants to do.'"

Recruiting the Devoted

Skeptics outnumbered believers when Steven P. Jobs, then Apple's chief, pitched the Apple Store concept to his board in 2000. Ultimately, approval was given for just four stores.

Mr. Jobs hired a Target executive named Ron Johnson to help design and oversee the stores. He in turn hired eight people, one of whom was Denyelle Bruno, then an executive at Macy's West. When she was first approached, she said, she was told next to nothing about the work.

That did not daunt Ms. Bruno, now an executive at Peet's Coffee.

"I had grown up using Macs, and if it involved Apple and I could be involved," she said, "it made me feel important."

Ms. Bruno was one of the first hard-core Apple fans hired for the nascent chain. Many others would follow, and part of her job was to help recruit them. Initially, that involved walking into stores, including those operated by Sprint and AT&T, and scouting out promising employees.

Such solicitations were unnecessary after the first two stores opened, on May 19, 2001, in McLean,

Va., and Glendale, Calif. Soon, so many people wanted to work at the stores that Mr. Johnson would compare applicants-to-openings ratios and boast that it was harder to land a job at an Apple Store than to get into Stanford, his alma mater.

Those applicants have for years submitted résumés through the company's site. The time-intensive part, former managers say, is finding the right people amid the pile, and the candidates of choice are affable and self-directed rather than tech-savvy. (The latter can be taught, is the theory, while the former is innate.) The vetting has not changed much. It often starts with an invitation to a seminar, held in a conference room at a hotel.

The culling begins before the seminar starts.

"They turn away people who are three minutes late," says Graham Marley, who attended his seminar in a hotel in Dedham, Mass., in 2009. "My dream my whole life was to work for Apple and suddenly, you can," he said. "You've always been an evangelist for Apple and now you can get paid for it."

One manager said it was common for people offered jobs to burst into tears. But if the newly hired arrive as devotees, Apple's training course, which can range from a few days to a few weeks, depending on the job and locale, turns them into disciples.

Training commences with what is known as a "warm welcome." As new employees enter the room, Apple managers and trainers give them a standing ovation. The clapping often bewilders the trainees, at least at first, but when the applause goes on for several lengthy minutes they eventually join in.

"My hands would sting from all the clapping," says Michael Dow, who trained Apple employees for years in Providence, R.I.

There is more role-playing at Core training, as it's known, this time with pointers on the elaborate etiquette of interacting with customers. One rule: ask for permission before touching anyone's iPhone.

"And we told trainees that the first thing they needed to do was acknowledge the problem, though don't promise you can fix the problem," said Shane Garcia, the one-time Chicago manager. "If you can, let them know that you have felt some of the emotions they are feeling. But you have to be careful because you don't want to lie about that."

The phrase that trainees hear time and again, which echoes once they arrive at the stores, is “enriching people’s lives.” The idea is to instill in employees the notion that they are doing something far grander than just selling or fixing products. If there is a secret to Apple’s sauce, this is it: the company ennobles employees. It understands that a lot of people will forgo money if they have a sense of higher purpose.

That empowerment is important because aspiring sales employees would clearly be better off working at one of the country’s other big sellers of Apple products, AT&T and Verizon Wireless, if they were searching for a hefty paycheck. Both offer sales commissions.

“It’s not at all common but there are sales agents at Verizon who earn six figures,” says Jonathan Jarboe, who managed Verizon Wireless stores in Oklahoma until last summer. Several former Verizon Wireless managers said that annual pay ran from \$35,000 up to \$100,000 in rare cases, with the sweet spot in the \$50,000 to \$60,000 range.

At Apple, the decision not to offer commissions was made, Ms. Bruno said, before a store had opened. The idea was that such incentives would work against the company’s primary goals — finding customers the right products, rather than the most expensive ones, and establishing long-term rapport with the brand. Commissions, it was also thought, would foster employee competition, which would undermine camaraderie.

Tellingly, Apple doesn’t use the word “sales” to describe members of its sales team. They’re called “specialists.”

By minimizing the profit motive among employees, Apple does more than just filter out people interested primarily in money. It also reduces the number of middle-aged and older people on the payroll, said former managers. This isn’t about age discrimination, they said, so much as self-selection. Generally, an Apple employee is someone who can afford to live cheaply, is not bothered by the nonstop commotion of an Apple Store and is comfortable with technology.

People who fit that bill tend to be in their early or mid-20s, the former managers said. They typically don’t have children and many don’t have spouses, which means they are relatively inexpensive to cover with health insurance.

There is no shortage of college graduates eager to dedicate themselves to Apple’s vision, on Apple’s terms. That includes people like Asher Perlman, another former technician from a store in Chicago, who joined Apple three years ago, when he was 22.

“I’m happy with my time at Apple and where it landed me,” says Mr. Perlman, who now works in information technology. “I wouldn’t recommend it for my 35-year-old friend with a kid, but it works for someone who is 22 years old and doesn’t want to enter the business world yet.”

When Work Piles Up

The iPhone, which arrived in 2007, brought unprecedented crowds to Apple Stores. The company tried to hang on to its culture, but naturally it changed, and in many ways, say some former employees, for the worse.

Arthur Zarate, who joined Apple in 2004 and later worked as a technician at the store in Mission Viejo, Calif., says his training left him with a sense of ownership and pride. For a while, he loved the job, in large part because it delivered the simple and gratifying sense that he was helping people. There were time constraints on technicians — 20 minutes per customer — but because the store was rarely swamped, he usually had more time than that.

“My customers knew me by name,” he said. “That was a big deal.”

He had already begun to sour on the job when in 2007, he said, his store began an attendance system whereby employees accumulated a point for every day they did not come to work; anyone with four points in a 90-day period was at risk of termination.

“It was a perfectly good idea, but the thing that was terrible is that it didn’t matter why you couldn’t come to work,” Mr. Zarate said. “Even if you had a doctor document some medical condition, if you didn’t come to work, you got a point.”

Mr. Zarate, a former heavy smoker, said he was once out for two and a half weeks with severe bronchitis and was on the verge of dismissal when he e-mailed Ron Johnson, then the retail chief, who intervened on his behalf.

“I just wrote and said, ‘This isn’t fair. They don’t look at why you were out,’ ” he recalls. “And he saved my job.”

To meet the growing demand for the technicians, several former employees said their stores imposed new rules limiting on-the-spot repairs to 15 minutes for a computer-related problem, and 10 minutes for Apple’s assortment of devices. If a solution took longer to find, which it frequently did, a pileup ensued and a scrum of customers would hover. It wasn’t unusual for a genius to help three customers at once.

Because of the constant backlog, technicians often worked nonstop through their shift, instead of taking two allotted 15-minute breaks. In 2009, Matthew Bainer, a lawyer, filed a class action alleging that Apple was breaking California labor laws.

“State law mandates two 10-minute breaks a day,” Mr. Bainer said. “But geniuses had these lengthy queues of customers that made it all but impossible for them to stop even for a few minutes.”

The lawsuit was denied class certification in June of last year. Mr. Bainer pursued the matter in separate lawsuits and achieved what he described as “very favorable settlements” for 10 plaintiffs.

Not long after the class-action lawsuit was filed, a technician named Kevin Timmer who worked at the Woodland Mall store in Grand Rapids, Mich., noticed an added step when he logged onto a computer to punch out of work.

“This window popped up and it said something like, ‘By clicking this box I acknowledge that I received all my breaks,’ ” Mr. Timmer recalled. “The rumor was that was because some guy in California had sued.”

Mr. Timmer said he and other technicians in the store clicked the box even when they didn’t take any breaks. It wasn’t because management insisted they stick around. It was that any down time would slam already overburdened colleagues with even more work.

“We were all in the trenches together,” he said. “Nobody wanted to leave.”

With time limits, several former employees said, came another change at their stores. Technicians had always been able to spend a few hours of their shift in the repair room, providing a little away-from-customers time. In many stores, that ended. Walk-in demand for tech help was so great that when the bar was open, management at these stores decreed, it was to be staffed by any technician in the building. Repairs that could not be done at the bar would wait. As a result, the late shift in the repair room at these stores ended not at 10 p.m., but at midnight.

The pressure didn’t faze everyone. Multitasking, for instance, did not bother Asher Perlman.

“I’m a low stress kind of person to begin with and I didn’t find it unmanageable,” he said. “I know others did.”

As the crowds grew, the company’s “thank you” gestures started to seem a little tin-eared. Jordan Golson, who now blogs at [MacRumors](#), a site that keeps tabs on all things Apple, said that for Christmas 2010, he and others at the store were given a fleece blanket and an insulated coffee

thermos.

Mr. Zarate fared no better at one quarterly meeting for employees. Mr. Johnson made a videotaped appearance and referred to a wonderful surprise that managers were about to spring on everyone in the room. Free iPads for everyone was the expectation. "Then the lights went down, and we had a party in the store, with games and dancing," Mr. Zarate said. "And we all got two tacos from a taco truck. That was our surprise. Two tacos."

Rising to the Top

Like many who spoke for this article, Shane Garcia, the former Chicago manager, talked about Apple with a bittersweet mix of admiration and sadness. When he joined the company in 2007, he considered it a place, as he said, that "wanted you to be the best you could be in life, not just in sales."

Three years later, his work life seemed tense and thankless. He had little expectation that upper management would praise or even notice his efforts.

Sales employees, Mr. Garcia and others noted, deal with stresses all their own. Though commissions are not offered, many managers keep close tabs on sales of warranties, known as Apple Care, and One to One, which is personal tutoring for a fee. Employees often had goals for "attachments" as these add-ons are called — 40 percent of certain products should include One to One, and 65 percent should include Apple Care.

For a sales employee who wanted to climb Apple's in-store ladder — to technician or manager, for instance — those numbers were important. And in terms of keeping employees invested and striving, so were the rungs on that ladder, something that is true across retailing.

"There was always something being dangled in terms of different positions," says Danielle Draper, a former manager at a store in Hingham, Mass. "You'll need to do this if you want to become a creative, that kind of thing. There was never perfection. You could always tell someone they needed to work on something."

At some point, employees either realize they won't rise, or rise as high as they can.

"The disillusionment settles in not because of pay," says Graham Marley, the former part-time salesman, "though pay is part of it. What happens is you realize that they want you to spend years there, but there is no actual career path."

An exception is the job of manager, and Apple is often diligent about elevating from within its ranks of high achievers. Though not always. After the great influx that started with the iPhone, the company started plucking managers from stores like the Gap and Banana Republic. From employees who were around in the pre-2007 era, you can hear occasional laments about the gradual "Gapification of Apple."

In recent years, the level of unhappiness at some stores was captured by an employee satisfaction survey known in the company as NetPromoter for Our People. It's a variation of a questionnaire that Apple has long given to customers, and the key question asks employees to rate, on a scale of one to 10, "How likely are you to recommend working at your Apple Retail Store to an interested friend or family member?" Anyone who offers a nine or 10 is considered a "promoter." Anyone who offers a seven or below is considered a "detractor."

Kevin Timmer said the internal survey results last year at the Grand Rapids store were loaded with fives and sixes.

"We discussed it in a monthly meeting and our manager had tears in her eyes," Mr. Timmer recalled. "She said something about how humbling these results were, that they want to fix any problems, that her door is always open, and so on."

Similar figures were found in Chicago.

"By then," Mr. Garcia said, "it wasn't a surprise to upper management because it was clear that many geniuses wanted to leave. There was a ceiling. It wasn't a glass ceiling because everyone could see it."

Mr. Garcia would eventually quit Apple, and walk away from a job that paid a little more than \$40,000 a year, when stress-related health issues sidelined him long enough to put his job at risk. He had no doubts that the company would easily find a replacement.

"There was never a shortage of résumés," he said. "People will always want to work for Apple."



OPEN

MORE IN BUSINESS DAY (1 OF 24)

**Sweeping Effects as
Broadband Moves to**

[Read More »](#)

