

PAYDAY

When it comes to staff retention and recruitment, don't overlook this vital tool: the right compensation plan for your business.

BY ROBBIN MCCLAIN

Is your salon's compensation plan profitable to your business, or is it costing you dearly in terms of your staff and your success? "The beauty industry has some of the highest payroll expenses of any other type of business," explains Bryan Durocher, founder of Durocher Enterprises, a coaching and consulting firm for the beauty industry. "When it comes to compensation, there's very little room for mistakes." According to Durocher, for your business to succeed, it's imperative to have a compensation plan—the combination of the actual pay structure plus the benefits provided to employees—that is fair and equitable both to yourself and to your staff. This not only helps you distinguish yourself from the competition, but it's also a critical tool in staff retention and recruitment. Below, Durocher describes some of the common types of pay structures in the marketplace today and outlines the benefits of each.

STRAIGHT SALARY

Many business owners who are looking to offer more stability in their workplace, and in a more professional environment, have turned to paying their technicians a salary for their work performance. In this scenario, a salon owner could look at the performance of a technician over a period of three to six months, factor in productivity and sales, then come up with a weekly or biweekly salary structure that would be an average of their sales during that period.

For example, if a technician brought in an average of \$2,000 per week over a 12-week period, an owner could look to offer a guaranteed weekly base of \$800 plus benefit options. This model would allow for profitability and still be attractive to the team member, and could be adjusted anywhere from two to four times a year.

With salaried positions, says Durocher, it's not uncommon to see compensation also tied into the performance of the entire team. By the same token, you would need to take a close look at how productivity could be affected if there were no incentives, or if there were an immediate loss of income from lack of performance.

STRAIGHT COMMISSION

Under this option, the technician is paid a percentage of their gross sales for work performed in a certain period of time; benefits aren't usually offered. A 50-50 split has been a common offering for many years, but in some cases it's higher or lower. Although this type of pay structure is a traditional standard in the beauty industry, business owners are

increasingly realizing the lack of profitability of this type of model. Some employers are under the impression they only have to pay their technician for the services performed, and if they're not working, they don't get paid. However, the federal government requires that all employees be guaranteed at least minimum wage when working. This hourly rate can vary depending on the state the business is operated in.

BASE PLUS COMMISSION

This commission structure is designed to guarantee workers an hourly wage and then earn commissions if they surpass doubling the dollar value of their base pay. It's also tied to performance: Technicians need to meet specific financial goals, both individual and company-wide. This

structure is designed to allow workers unlimited income earning potential, with no cap. The harder they work, the more goals they meet, and the more money they can earn. With this in mind, even at the top level of commission, the pay percentage will still be within a range that allows financial profitability for the business owner.

TAKING THE PLUNGE

There's no doubt about it: Changing your compensation package is one of the scariest moves a business owner can make. No matter what type of structure you use, the numbers have to add up to the right percentage in order to

maintain your profitability. If you're thinking about making a move, Durocher suggests you start by educating your team members on the appropriate profitable structures and come up with a game plan for when and where the change can be implemented. Another option: Leave your current structure with your current staff and implement a different model for new hires.

Bryan Durocher's CD-ROM, *Payday—Compensation Plans That Work*, contains complete instructions on how to institute a performance-based pay structure that ties into the essential drivers of your business sales: retail, referral and pre-booking. For more information, visit www.durocherenterprises.com



Don't miss Bryan Durocher at IBS New York, April 30 to May 2, 2006. Bryan will share strategies for compensating employees and for attracting new business. For more information, call 800-427-2420.