

## **How should I pay my team?**

Below are numerous ways that salons choose to pay their team. You will quickly notice that they are often similar but still different. There is no right way or wrong way, it is finding a way that is right for you.

Having said that, any system needs to achieve the following 5 points:

1. It needs to be legally compliant with your country state and city employment laws.
2. It needs to be a system that attracts and keeps good people.
3. It needs to reward people based on increased productivity.
4. It needs to allow the business to operate and make a profit.
5. It needs to be simple to understand.

In my opinion, some of the examples listed below DO NOT meet the criteria of all 5 points.

The commission rates vary dramatically from country to country as some countries have much higher employment costs such as minimum wage, paid holiday, sick pay and holiday/vacation pay.

It's also important to note that these examples come from several different countries so remember what is legal in one country may not be legal in another.

***It is your responsibility to make sure that whatever you end up with that it is a legal and viable system for your business.***

### **Example 1.**

Up to \$1,250 total service sales = minimum wage or 35% of total sales whichever is greater

For every \$250 service increase over \$1,250 achieves a 1% increase in commission bracket

\$1000-\$1250	35%
\$1251-\$1500	36%
\$1501-\$1750	37%
\$1751-\$2000	38%
\$2001-\$2250	39%
\$2251-\$2500	40%
\$2500-\$3000	42%
\$3000+	45%

Retail commission  
15% up to \$99  
18% up to \$299  
20% over \$300  
All paid monthly

### **Example 2.**

Stylist flat commission of 47%  
Barber 55%

### **Example 3.**

50% commission on all services  
15% retail

### **Example 4.**

Hourly rate or 40% commission depending on which is greater

**Example 5.**

Minus a set product charge (ex, \$6 for a color) then pay 45%

**Example 6.**

Floating scale 100-500 40% 500-1000 45% 1000-1500 50% 1500- 1% for every 100 over

**Example 7.**

Tiered Commission

0-1000 = 47%

1000-1500 = 52%

1500-2000 = 57%

Greater than 2000 = 65%

Retail sold 10%

Only on tiers not the whole amount.

**Example 8.**

3 master stylists at 55%

6 stylists at 50%

1 stylist at 45%

10% of retail sales

**Example 9.**

Non income producing staff paid hourly

Income producing staff 50%

Sliding scale commission increases to 55% or 60% if they hit higher sales markers

**Example 10.**

30% - 40% commissions on all services

**Example 11.**

Commission scales vary depending on each week's total service sales:

Jr Stylists: 40% - 47%

Stylists: 42% - 49%

Senior Stylists: 44% - 51%

Retail commission equals RTS % for the quarter.

5% Rts = 5% Commission

6% Rts = 6% commission etc

**Example 12.**

Service totals 48% commission

Retail commission paid quarterly

\$400 + monthly earns 10%

\$600 + monthly earns 15%

**Example 13.**

I pay my associate 1/2 of the minimum wage of 11.00 so 5.50 per hour plus if they meet all goals then as much as 3.00 additional per hour.

**Example 14.**

\$8/hr for first 6 months

40% comm under \$80k

41% comm 80k-92,500

42% comm 92,500-105k

43% comm 105k-117,500

44% comm 117,500-130k

45% comm 130k-150k

50% comm 150k+

Readjusts every year based on previous years production

**Example 15.**

Assistants - min wage \$7.25 plus tips from stylists

Salon coordinator - salary \$675 a week plus tips

Stylists - hourly vs commission

\$7.25 a hour or commission after \$730 in service

Commission percentage is earned based off the individuals annual service sale:

Below 80,000 40%

Above 80,000 41%

Above 90,000 42%

Above 100,000 43%

Above 110,000 44%

Above 120,000 45%

Above 130,000 46%

And so on... caps at 50%

Takehome:

If you sell to 50% or more of your clients that week you get 10% of the sales.

**Example 16.**

15% Service fee comes off ticket before paying commission

Level 1 42%

Level 2-44%

Level 3 46%

Level 4-50%

Retail

0-299. 5%

300-599 10%

600-999 15%

1000+ 20%

**Example 17**

Services 40%

Retail

\$150 plus retail per week paid 20%

**Example 18.**

Sliding scale...

\$1-\$1,500 = 60%

\$1,500 - \$2,000 = 65%

\$2,000 or more 70%

**Example 19.**

50% commission for all stylists who have averaged over 2,000 a week

With \$5.00 product charge for each service

**Example 20.**

Stylists 50% on services Plus one week of paid vacation.

**Example 21.**

Junior stylist 50%

Creative stylist 55%

Advanced (former owner) 60%

**Example 22.**

Junior stylists: 30 - 35 % of weekly service total

Senior stylists: 45 - 50 % of weekly service total minus \$250 towards product costs/overhead

**Example 23**

stylists get 50%

With 10% deductions for products

**Example 24**

$0 - \$1,100 = 45\%$

$\$1100 - \$1,800 = 50\%$

$\$1,800 - \$2,800 = 55\%$

$\$2,800 \text{ up} = 58\%$

**Example 25**

45% of service

0 product charge

10% of retail

**Example 26**

40% or \$8.50/hr

10% on retail

**Example 27**

Stylists earn 50% commission on all Services each week; 55% after \$1,500.

- Color services have a 10% "product fee" removed from each service before commission is processed.

Stylists earn 10% of all product sales, which is put into a "flex fund" for them. This 10% can then be used for any training classes they take, expenses to attend conferences,

We do not provide medical benefits, however we allow our full-time stylists 1 week of paid vacation during the year - it's paid out at the average of the past year's week.

**Example 28**

Every salon service is priced \$1 per minute.

The commission targets are set depending on how many hours per week they work.

I currently pay 45% commission until they reach their threshold commission target, which then I pay 50% commission.

For example:

Working 35 hours per week, at \$1/minute is  $35 \times \$60 = \$2,100$  service dollars per week (this is being 100% booked making \$1/minute). To try and keep it achievable and trying to be competitive, I have reduced the target to being 80% booked to allow for cancellations and no shows, etc.

So working 35 hours per week at \$1/minute is  $35 \times \$60 = \$2,100 \times 0.80 = \$1,680$  service dollars per week to make 50% commission.

**Example 29**

Worked out on 2 weeks totals

$\$1 - \$2,000 = 37\%$

$\$2,001 - \$3,000 = 39\%$

$\$3,001 - \$4,400 = 41\%$

$\$4,401 - \$6,000 = 42\%$

$\$6,001 \text{ and above} = 43\%$

Bonus Commissions

Pre-Book percentage

50%-60% = 1%

61%-75% = 2%

76% + = 3%

### Take home retail to service %

$$10\% = 1\%$$

$$13\% = 2\%$$

$$15\% = 3\%$$

$$20\% = 4\%$$

$$22\% + = 5\%$$

### **Example 30**

First, we pay up to 55% commission on services and we realize that is very high. That said, we have a few items that offset that high number. This includes new client fees, as well as, a very high volume of sales. The new client fee is assessed any time a client does not specifically ask for the stylist they are seeing. Our stylist pays \$8 per new color and \$4 per new cut or \$12 per new cut and color. This encourages the stylists to retain the guest because they do not pay a fee once the guest requests them (is retained). This fee is assessed after commission is calculated so it comes right off the top.

Second, we have a built-in toner charge on most colors to cover salon costs. This is a \$5 product charge that comes off the service to cover the cost of toners / color. This is a little different from the fee (above) as its built into the cost. We raised the cost of all colors by \$5 and the salon keeps the extra \$5 to cover costs. So, it's a wash to the stylists.

Keeping the above in mind, here is our commission scale as it stands today:

## Stylist Pay Structure: (Based On Per Pay Period Totals, 2 Weeks)

Service Sales	Service Commission		Retail Sales*	Retail Commission
\$0 - \$1999.99	40%		\$0 - \$499.99	0%
\$2000 - \$3999.99	45%		\$500 - \$749.99	5%
\$4000 - \$5999.99	50%		\$750 - \$999.99	10%
\$6000+	55%		\$1000+	15%

\*Retail % must be above 45% to be eligible for retail commission.

The other factor, which we talked about, is that we treat higher-level stylists as a bit of a lost lead. They maintain our reputation, but the majority of our profits come from our new stylists. This also saves us when higher level stylists decide to leave. We will usually retain 50% (industry average) of their clients. But we will make a lot more off the remaining 50% with the clients seeing newer stylists. This only works because we are meticulous with our education and know that they are in good hands.

### **Example 31**

We deduct a 10% service charge of the top of service sales

Then we pay a flat 45% commission rate on service totals.

**Example 32**

Starts at 40%  
\$80,000 = 41%  
\$90,000 = 42%  
\$100,000 = 43%  
\$110,000 = 44%  
\$120,000 = 45%  
\$140,000 = 50%

**Example 33**

Straight 50%

**Example 34**

All get 10% on retail. I used to pay 20% ( only gave 1 stylist still getting that)

New assistant \$12.50-13.50 per hour  
New stylist- \$15 per hour first 6 -9 months...

Once proficient in the floor they receive 40% or hourly which ever is higher. Between 6-12 months they work up to 50% in 3-5% increments.

Once a stylist is a “super star” they can get up to 52% after they bring in over 2500 a week.

Full time get 1 week paid vacation, and additional 2 weeks off without pay.

No health benefits are offered at this time.

**Example 34**

We pay part time National Minimum Wage or 30% on Gross takings whichever is the highest

Full Time NMW or Variable Commission Starting at 27% - 32% depending on takings on Gross takings whichever is the highest

Both are calculated weekly, which realise now is not a good thing, but carried on doing what the old owner was doing, as I had never managed or owned a salon before and this guy was the owner of 8 salons I took it that it was the right thing to do and now feel its to late to change !!!

**Example 35**

For haircuts and blow dries

Stylist 40% after VAT

Senior Stylist 50% after VAT

For colour

Stylist

40% after VAT and after the color product

Senior Stylist

50% after VAT and color product. Which is around 37% from the whole price..

For changing highlights

Everyone 50% after VAT and product is used

For changing color or bleaching whole hair, balayage..

20 vl per hour until is bleached and then % for the color and the rest.

For the Assistant we pay them hard salary and for every association extra money.

For example

4 bgn for assisting for putting a color

5 bgn assisting putting a color by themselves for a hairstylist.  
6bgn assisting for highlights.

For selling products we give them 50% of the profit.

#### **Example 36**

Junior stylists' : 30 - 35 % of weekly service total  
'Senior stylists' : 45 - 50 % of weekly service total minus \$250 towards product costs/overhead

#### **Example 37**

Sliding scale of 48-55% minus an ave product charge of 6

Example

Stylist compensation

I pay my stylists service commission on a sliding scale based on their retail sales...

Example: based on a week's production

0% retail sales = 35% service commission

1%-4.99% retail = 40% service comm.

5%-9.99% retail = 45% service comm

10%-19.99% retail = 50% service comm

20%-29.99% retail = 55% service comm

30%-39.99% retail = 60% service comm

40%-49.99% retail = 65% service comm

It keeps going to 100%...if someone sold retail = to their service I would pay them 100% service commission...

My margin on retail sales is typically 40% vs margin on service of 10%

If someone does \$1,000 in service my net profit is \$10, if someone sells \$1,000 in retail I make \$400

#### **Example 38**

0-\$1,800: 40% commission

\$1,801-\$3,800: 45% commission

\$3,801+: 50% commission

Take Home

0-\$500: 10%

\$501+: 12%

#### **Example 39**

Each level of stylist charges different prices.

Request clients get paid 35%.

Non request clients get paid 30%.

Quarterly bonus is up to 8% depending on their productivity and take home sales.

#### **Example 40**

\$1-\$1,999.99 @ 40% commission

\$2,000- \$3,999.99 @ 45% commission

\$4,000+ @ 50% commission

\*deduct 10% service revenue and then give commission split\*

#### **Example 41**

Level 1 & 2 @ 40%

Level 3 & 4 @ 45%

### **Example 42**

£11.00 per hour salary

target of 3x salary

Commission = 20% of takings above target

Retail:

5+ products = 5%

10+ products = 10%

15+ products = 15%

Electricals = 10%

### **Example 43**

Gross wage multiplied by three x .235

The reason for the .235 is to account for the 13 1/2% VAT and I increased the prices by 10%

Level 1, 2 , 3 , 4, 5

Each level has a different sales target, product target, treatment target, client account target, and average bill target the higher up the level you go the higher your wages go and the higher at your sales target goes.

The stylist does not and cannot move onto the next level which is a higher wage unless they are hitting their performance targets for a minimum of three months consistently

Example

Level 1:  $410 \times 3 = 1230 \times .235 = 289$   $1230 + 289 = 1519$

Level 3:  $485 \times 3 = 1455 \times .235 = 1797$

Level 5:  $590 \times 3 = 1770 \times .235 = 416$   $1770 + 426 = 2186$

When a stylist hits their target, they get 30% of everything above that plus they're gross wages.

### **Example 44**

Basic salary for the first 6 months is worked out by Hours worked multiplied by an hourly rate for example 38 hours p/w multiplied by £10 an hour = £380p/w

- Wages paid every 4 weeks  $\text{£}380 \times 4 = \text{£}1,520$  guaranteed
- Every 6 months the total wages including commission from the previous six months is divided by six which then becomes their new monthly guarantee for the next 6 months.
- The advantage for both parties is a fixed budget for 6 monthly intervals.
- Commission percentage is 35% of colors
- Commission percentage is 45% of cuts

For example:

- Over a 4-week period if a stylist does £2,000 in colour @35% = £700
- Plus, if the stylist does an additional £3,000 in cuts @45% = £1,350
- Combined total 4 weekly income including commission = £2,050

### **Example 45**

- Guaranteed minimum wage of £8 x Hours worked for the first 6 months.

- Paid on a 4 weekly cycle pay period.

- After 6 months target set based on 6 month average

- If they exceed the target, they receive 30% of everything over the target

For example:

- £8. Hourly rate multiplied by 38 hours worked = £304.p/w
- Wages paid on 4 weekly cycle  $\text{£}304 \times 4 = \text{£}1,216$ . guaranteed per 4 week period.
- If the target was £3,000 in the 4-week period and they did £4,000 they receive 30% of the extra £1,000. on top of their guaranteed.

#### **Example 46**

- Self employed stylists commission negotiated up to a maximum of 60%
- Employed stylists daily rate of £80.
- Once the daily rate is covered over a 5 days period commission is paid on the excess

For example:

- Daily rate of £80 x 5 days = £400 guaranteed
- If the stylist achieved total sales [after VAT] of £1,000
- Less their cost of £400 leaves £600 that commission is paid on
- The rate of commission varies starting at 20% and increases based on productivity up to 35%
- Once they are well established I suggest that I take away the basic and increase the commission rate enough to guarantee their earnings will rise. This is only done when there is no risk to them, it's a reward and an incentive to stay for years and keep working just as hard. It works. The stylists that stay for decades end up earning 60 - 65% which is high but is such a consistent revenue stream for the salon that it's worth it.