

## **Booth Rental Vs Employee, Is There a Wrong Choice**

By: Ken Cassidy

To this management consultant there is no wrong choice a salon or spa owner can make. What we see that continues to be problems are in the setting up and running from the choice they each make. This is exactly why 99 % of all business owners are not doing what they need to do to protect their financial investment when it comes to keeping the business door open on three very crucial issues. The Lack of a Legal structure, The Lack of a Profitable Structure and lastly the Lack of A Management Structure with either Employee based or Booth Rental Business or having a combination of both. This combination is becoming more and more popular with in the beauty industry nationwide.

Let's look at both sides with in the space allowed to help clear things up the best we can. **First, from the employer side of the beauty industry.** Every business owner wants some kind of control over the business they have created. Having employees gives the greatest control of one's staff members. Most of us are familiar with these controls as we have all been an employee at some time or another.

Where most employee owners fail, in their structure, they emulate what they learned from their previous employer. They had no idea that, that person they worked for did not know what they were doing when it came to the business side of ownership. Most are great at the service we perform and that is the extent of our business skills. In today's business world of ownership especially in the beauty industry it is more difficult than ever to survive. Cost of operating is everything or as I like to say "It's not what you bring in but what is left over at the end of the month/year."

Every new or existing salon or spa owner must know that there are two times that an employee cost them the most during their stay of emplacement. Without that awareness the owner has set up their business to fail and they do not even know it, until it's too late. When you over pay your employees in all the wrong ways, there is little room for profit and or being able to offer any benefits at all. **Most beauty owners have nothing in writing to guide and direct their employees or them to be successful. The very lack of an employee manual creates chaos with all staff and is absolutely essential to have for one to survive in today's business. So what is in that manual that will help guarantee owners and staff success? There are three crucial elements to empower owners and employees alike. The benefits of having these 3 management tools far out way not having any when it comes to potential problems, especially when it comes to the IRS, your state or a Judge, as in unemployment issues. # 1 item lacking in your employee manual is a job description for any position that you have hired, regardless of the service being provided. This also includes the front desk or management. # 2 Is an Employee Agreement, this alone will clarify a whole bunch of issues such as compensation on service and retail. It should let a staff member know what they need to do to get a pay increase/bonus. There also needs to be a clause to put a dollar amount if owners are providing education. As in spending money to have**

someone trained and then they up and leave. Are you tired of that happening yet? There also should be a confidentiality clause in that agreement to protect client confidentiality which protects the business. This has taken the place of non competing clauses. I have just named several important elements of having an employee agreement, there are many to protect an owners investment in dollars and staff. # 3 **the last part of the Employee Manual is a Policy and Procedure Manual.** This would clearly define the policies of the company and the procedures of how those policies would be handled. What most staff and employers don't realize is these guidelines protect both sides of the business. This P & P Manual is Federal, and State mandated with the guidelines on all sort of issues like Maternity, Sexual Harassment, Bereavement and Loans to name only a few. Nothing is worse than owners having to make something up under pressure as things arise. Usually, it's wrong. In that way it is worded meaning no validity to hold up in a hearing.

Having employees today is a lot of responsibility for any owner. It costs way too many hard earned dollars in start up and running a business today, must be taken seriously. Too many have failed and more in these tough times surely will follow. It can be really rewarding if approached correctly to have employee based business.

**From the Booth Rental side of owning a salon or Spa,** if you choose that direction as an owner you become a Landlord. This means you are renting out space including common areas, nothing more. If you have set up your business correctly through A contract, you can have total control of your booth renters through that contract that you provide them. The Key here is a valid contract that usually requires more than 5 pages to protect both sides meaning owner and renter alike. This means that you do not have control of the day to day issues of their working practices. So many businesses will fail an IRS and State Audits, including a judge because owners don't even have a contract making the necessary separation between each other when it comes to the payment of taxes. No contract = having employees when it comes to those agencies we just mentioned. Some really important issues are, Rent can only be charged or paid on a flat rate period. However a smart business owner can realize that there are 6 to 7 ways above the base rent to earn additional income legally. All that needs to be in the Space Sub Lease contract if the salon or spa business owner landlord does not own the building their business is established in. If they own the building it is a space lease that is required. There are many booth Rental businesses doing things well and making good money. But there are the majorities that are only surviving at best. We simply do not charge enough for rent for all the benefits to the renter.

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