Model of Incentive-Based Revenue Sharing Allocation for Employee Retention: A Discussion and Case Study of a Hair Salon Business in Bangkok

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Abstract

This study investigates the development of an incentive-based revenue-sharing allocation model for employee retention in the rapidly evolving and competitive hair salon industry in Bangkok. Given the critical role of skilled hairdressers in maintaining customer satisfaction and driving business success, retaining talented professionals has become a significant challenge for salon owners. This research aims to address these challenges by developing a revenue-sharing model that combines base salaries, commission structures, and performance-based bonuses to enhance employee motivation and retention. The study employs an in-depth interview, focus group discussions, and thematic analysis. Data were collected from 24 key informants in the Bangkok Yai district, including salon owners, managers, and hair stylists from high-end, mid-range, and budget salons. The findings reveal that financial security, achieved through a stable base salary combined with motivation-driven commissions and performance-based bonuses, plays a crucial role in enhancing job satisfaction and reducing turnover rates. Specifically, a tiered commission structure, where stylists receive higher percentages as they generate more revenue, was found to be an effective motivator. Additionally, offering bonuses based on client retention, attendance, and overall team performance contributes to a more cohesive and committed workforce. The study also highlights that non-monetary factors, such as professional development opportunities and a positive work environment, complement financial incentives in fostering long-term employee engagement. The proposed revenue-sharing model is designed to be adaptable to different salon business models, ensuring economic sustainability while maintaining competitive

compensation for employees. By integrating key performance indicators (KPIs, such as service quality and customer satisfaction scores) into the incentive structure, salon owners can align employee rewards with business goals, ensuring a balance between profitability and workforce stability. The research emphasizes the importance of continually evaluating and adjusting compensation structures to meet the evolving market conditions and changing employee expectations.

Keywords: incentive-based revenue sharing; employee retention; hair salon

Introduction

The hair salon business in Thailand is a flourishing sector within the country's beauty and wellness industry. This business is characterized by a diverse range of establishments, from small, independently-owned salons to large, luxury chains. Thai people place a high value on personal grooming and appearance, which drives consistent demand for hair care services (Puathanawat, 2022). Additionally, the industry benefits from a strong cultural emphasis on beauty and fashion, making hair salons an essential part of daily life for many Thais. Thai hair salons offer a wide array of services, including haircuts, coloring, styling, and specialized treatments such as hair straightening, perming, and spa treatments. The market is competitive, with salons constantly innovating to attract and retain customers. This innovation encompasses the adoption of new techniques, the utilization of high-quality products, and a commitment to delivering exceptional customer service.

In urban areas, particularly in cities like Bangkok, the salon industry is highly developed, with numerous high-end salons offering premium services to a discerning clientele. These salons often employ skilled hairdressers trained in the latest global trends, catering to both local and international customers. In contrast, smaller, more affordable salons are widespread in both urban and rural areas, making hair care accessible to a broader segment of the population.

Tourism also plays a significant role in the hair salon business in Thailand. Many tourists seek out salons for hair care services, drawn by the reputation of Thai salons for quality and affordability. This influx of international clients adds a global dimension to the industry, influencing the services offered and the styles in demand. Overall, the hair salon business in Thailand is robust and dynamic, with a strong emphasis on quality, innovation, and customer satisfaction (Bunnag et.al., 2020). It continues to grow, supported by a culture that values beauty, a thriving tourism industry, and a population that prioritizes personal care.

However, the number of hair salons in Bangkok has fluctuated between 2020 and 2024, influenced by various factors, including the COVID-19 pandemic and shifts in consumer behavior. During the pandemic, many salons faced temporary closures and strict operational restrictions, leading to a decrease in the number of operating salons, particularly in 2020 and 2021. However, as restrictions eased, a gradual recovery occurred, with new salons opening to meet the growing demand for beauty services. In 2021, the Bangkok Metropolitan Administration (BMA) allowed hair salons in shopping malls to reopen under strict guidelines, which included limiting service times and requiring advance appointments. These measures were part of a broader effort to revive the beauty and wellness sector in the city, which had been severely impacted by the pandemic. By 2024, the market for hair salons in Bangkok had started to stabilize, with a renewed interest in innovative services such as specialized hair coloring, spurred by collaborations like the one between Saha Group and Japan's Fast Beauty, which introduced 'fufu' hair coloring salons in the city (Fast Beauty partners with Saha Group for Thai expansion, 2024). This trend indicates a shift towards more specialized and high-quality services within the industry, contributing to the sector's overall growth. While exact numbers on the total count of hair salons during this period are not readily available, the trend suggests a resilient market that has adapted to changing circumstances and consumer preferences, with a likely increase in salon openings as the economy recovers.

The success of the hair salon business in Thailand is deeply intertwined with the skills and expertise of its hairdressers. Skilled hairdressers are the backbone of the industry, as they deliver the high-quality services that clients expect and deserve. Their ability to provide expert haircuts, innovative styling, and advanced treatments is what sets one salon apart from another in a competitive market. In Thailand, where the beauty and fashion culture are prominent, clients often seek out hairdressers who are not only proficient but also up-to-date with the latest trends and techniques. Skilled hairdressers can interpret global styles and adapt them to meet the preferences of their local clients, making them invaluable to the salon's reputation and success.

Moreover, the demand for skilled hairdressers is particularly high in urban centers like Bangkok, where high-end salons cater to both local and international clients. These clients expect top-tier service, and only hairdressers with the right expertise can consistently meet these expectations. This makes the recruitment and retention of skilled hairdressers a key challenge for salon owners, as they must ensure their staff is capable of delivering the quality that keeps clients coming back (Loyd, 2023). Skilled hairdressers also play a crucial role in attracting new customers through word-of-mouth and positive reviews. A skilled hairdresser can build a loyal clientele, which

in turn enhances the salon's reputation and profitability. In an industry driven by personal experience and customer satisfaction, the presence of skilled hairdressers is directly linked to a salon's ability to thrive. In summary, the relationship between the hair salon business in Thailand and skilled hairdressers is symbiotic (Sujarittanonta, 2024). The industry's growth and success depend heavily on the availability and retention of talented professionals who can provide the high-quality services that clients demand. Without skilled hairdressers, even the most well-equipped salon would struggle to compete in Thailand's dynamic and fashion-conscious market.

Retaining skilled hairdressers presents significant challenges for hair salon owners, primarily due to the industry's competitive nature and the high demand for talented professionals. Skilled hairdressers are often sought after, making it easier for them to find opportunities elsewhere, especially in high-end salons or even abroad, where they might be offered better pay, benefits, or working conditions. One major challenge is the potential for burnout (Page et.al., 2024). Hairdressing is a physically demanding job that requires long hours on one's feet, repetitive motions, and constant interaction with clients. Without proper support, such as reasonable working hours, opportunities for rest, and a positive work environment, even the most skilled hairdressers may consider leaving for a more balanced lifestyle (Jeong, 2024). Financial incentives are another critical factor (Pamacheche & Duh, 2021). Talented hairdressers know their worth, and if they feel underpaid or undervalued, they are more likely to seek better compensation elsewhere. Salon owners must strike a balance between offering competitive salaries or commission structures and maintaining profitability, which can be difficult, especially for smaller salons with limited budgets (Streat, 2022).

Additionally, the desire for career growth and professional development can drive skilled hairdressers to seek opportunities elsewhere. Hairdressers often seek to advance their skills through training, certification, or specialization in specific areas, like coloring or styling for fashion shows. If a salon does not provide these growth opportunities, hairdressers might leave for a place that does. Another challenge is the environment and culture within the salon (Baron et.al., 2024). A positive, supportive, and cohesive work culture is essential for retaining employees. If a salon experiences issues such as poor management, a lack of teamwork, or high internal competition, skilled hairdressers may leave in search of a more supportive and collaborative environment.

Finally, the rise of freelance opportunities and the gig economy offers skilled hairdressers the option to work independently, potentially earning more while enjoying greater flexibility. This trend makes it even more challenging for salon owners to retain top talent, as hairdressers increasingly consider freelancing as a viable and attractive alternative. To address these challenges, salon owners

must focus on creating a supportive work environment, offering competitive compensation, providing opportunities for professional development, and recognizing the value of their skilled hairdressers as key drivers of the salon's success.

Financial incentives, as mentioned by Pamacheche & Duh (2021), are a critical factor for talented hairdressers because they directly impact their motivation, job satisfaction, and overall loyalty to the salon. In a competitive industry like hairdressing, where skilled professionals are highly sought after, offering attractive financial incentives is crucial for retaining top talent and ensuring their continued commitment to the salon. Talented hairdressers are aware of their value and the significant contribution they make to the salon's success. Their ability to attract and retain clients, generate repeat business, and uphold the salon's reputation directly influences the salon's revenue. As a result, they expect to be compensated fairly for their skills and the value they bring to the business. Competitive salaries, commissions, or performance-based bonuses can help meet these expectations and foster a sense of appreciation and loyalty among employees.

In response to the challenges of retaining talented hairdressers, developing a model of incentive-based revenue sharing allocation for employee retention is expected to help business owners make informed decisions about revenue allocation that align with the skills of hairstylists. Additionally, it can increase sales and maintain profitability at a suitable level.

Research Objectives

Given the competitive nature of financial incentives for salon business in Bangkok, (1) we aim to survey the opinions on approaches to revenue sharing allocation that combine a base salary with a commission structure and bonuses for maintaining the retention rate. Then, (2) we propose a constructive revenue-sharing model that combines base salaries, commission structures, and performance-based bonuses to enhance employee motivation and retention.

Literature Review

One of the foundational theories supporting incentive-based revenue sharing in the service sector, particularly in the hair salon industry, is the equity theory proposed by Adams (1963). This theory emphasizes that employees evaluate fairness in compensation by comparing their input-output ratios to those of their peers. When employees perceive an imbalance, such as receiving lower pay for the same level of work, they are more likely to experience dissatisfaction, which can lead to decreased motivation and potential turnover. In the context of hair salons, stylists often

compare their commission rates, base salaries, and bonuses to those of their colleagues or industry standards, which influences their decision to stay or leave. By structuring a transparent and equitable revenue-sharing model, salon owners can address these concerns and promote long-term retention. Another relevant theory is self-determination theory (SDT), proposed by Deci and Ryan (1985), which distinguishes between intrinsic and extrinsic motivation. The SDT suggests that financial incentives (extrinsic motivation) must be balanced with elements that foster autonomy, competence, and relatedness to ensure long-term job satisfaction. In hair salons, while commission-based pay structures enhance performance, non-financial incentives such as skill development programs, career progression opportunities, and a supportive work environment contribute significantly to employee engagement and loyalty.

Beyond motivational theories, the tournament theory proposed by Lazear and Rosen (1981) provides insights into the hierarchical nature of compensation structures in service industries. This theory suggests that employees are motivated when they see a clear progression path with higher financial rewards at each level. In a hair salon, a structured revenue-sharing model that includes tiered commissions, seniority-based bonuses, and achievement-based incentives can encourage stylists to enhance their skills and remain committed to their workplace. Similarly, the agency theory proposed by Eisenhardt (1989) is applicable in understanding the dynamics between salon owners (principals) and employees (agents). This theory suggests that employees will act in their best interest unless incentives are aligned with organizational goals. By offering performance-based revenue-sharing models, salon owners can mitigate conflicts of interest and encourage employees to prioritize client satisfaction, repeat business, and overall service quality.

According to the theories mentioned above, the research model is grounded in multiple motivational and economic theories to explain the relationship between incentive-based revenue sharing and employee retention in the hair salon industry. Drawing from Equity Theory (Adams, 1963), the model incorporates key financial incentive components—base salary, commission structure, and performance-based bonuses—as independent variables that influence perceived fairness and motivation among salon employees. These incentives serve a dual purpose: ensuring financial stability while also rewarding productivity and aligning personal goals with organizational outcomes. Informed by Self-Determination Theory (Deci & Ryan, 1985), the model acknowledges that while financial incentives (extrinsic motivation) are crucial, they must be complemented by elements that foster autonomy, competence, and relatedness, thereby enhancing long-term engagement and motivation. Tournament Theory (Lazear & Rosen, 1981) further supports the

hierarchical design of the model by emphasizing the importance of visible career progression through tiered financial rewards, which motivate employees to enhance their performance and skills. Lastly, Agency Theory (Eisenhardt, 1989) underpins the rationale for performance-based incentives, ensuring alignment between the interests of salon owners (principals) and stylists (agents). Collectively, the conceptual framework illustrates how strategically designed incentive structures can foster employee motivation, increase perceptions of fairness, and ultimately lead to improved employee retention within the salon context.

Drawing on the related studies, a chronological understanding of compensation, performance, and employee retention begins with more granular studies and broad reviews. Riley (2021) offers a localized perspective, examining the effective marketing strategies employed by small business hair salon owners in Florida to sustain their operations for more than five years. This qualitative study identified customer loyalty, word-of-mouth, and social media as key strategies and utilized Porter's Five Forces model as its conceptual framework. The findings highlighted that sustained small businesses contribute to job creation and local economic growth. This aligns with the findings of Manzoor et al. (2021), who emphasize that a combination of intrinsic and extrinsic rewards leads to improved service quality and business growth. In the context of Bangkok's salon industry, these studies emphasize the importance of tailoring incentive structures to align with local economic conditions, client demographics, and employee expectations. Broadening the scope, Fulmer et al. (2023) offer a comprehensive review of compensation and performance research since 1990, with a particular focus on pay-for-performance (PFP) as a strategic dimension. They distinguish between PFP's incentive effect (motivating current employees) and sorting effect (attracting high performers), noting that the latter is often underestimated. Their review also points out the mixed impact of pay transparency, which can boost performance but also lead to dissatisfaction among lower-paid employees due to increased social comparisons. Subsequent research by Blank et al. (2023) further investigates the relationship between hierarchical pay incentives and firm performance, analyzing the CEO pay ratio in relation to internal pay differentials and tournament incentives. Their study found that firms with both well-paid employees and significant pay differentials exhibit superior performance, operational efficiency, and profitability, suggesting that corporate culture and incentive structures are established from the top down. This research also suggests that the observed high CEO pay ratios are often more closely linked to undercompensated non-CEO employees rather than being solely a result of overpaid CEOs.

More recent contributions expand on employee behavior and retention in a dynamic global context. Joseph (2023) introduces agency theory as a framework for addressing employee retention and the emerging phenomenon of quiet quitting, which is defined as employees deliberately reducing their effort without formally resigning. This work highlights how information asymmetry and conflicts of interest between principals (employers) and agents (employees) can contribute to the phenomenon of quiet quitting. It proposes strategies such as fostering trust, enhancing transparency in the recruitment process, and striking a balance between control and autonomy to mitigate these issues. Finally, Khan et al. (2024) specifically investigate the influence of compensation (both financial and non-financial) and performance feedback on employee retention within the Indian retail sector. Their findings confirm the crucial role of both intrinsic and extrinsic rewards in shaping performance feedback, which in turn significantly aids employee retention. This study also observes that millennials tend to favor non-financial rewards, emphasizing that a holistic compensation package, combined with effective performance feedback, is vital for retaining skilled talent and boosting overall productivity.

In conclusion, the literature strongly supports the implementation of structured, transparent, and balanced revenue-sharing models in commission-based industries such as hair salons. While financial incentives are crucial for short-term motivation, non-monetary factors such as career development, work environment, and employee recognition play a significant role in long-term retention and job satisfaction. The integration of equity theory, self-determination theory, tournament theory, and agency theory into compensation models can help salon owners create fair, motivating, and sustainable incentive structures that promote employee engagement and motivation.

Conceptual Framework

The diagram, as illustrated in Figure 1, shows the relationship between incentive-based revenue-sharing components and employee retention within the hair salon industry. At its core, the framework identifies three key financial incentives — base salary, commission structure, and performance-based bonuses — as independent variables that influence employee motivation. These incentives are designed not only to provide financial security but also to drive performance and align individual goals with the salon's objectives. As employees become more motivated through appropriate financial rewards, their perception of fairness in compensation increases, which is crucial in determining their satisfaction and willingness to remain with the organization.
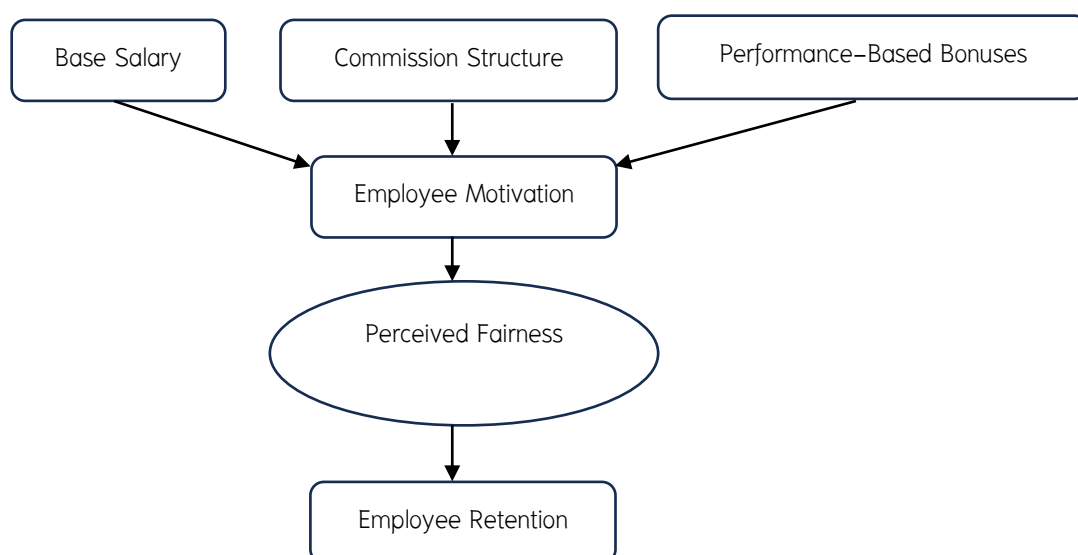
Figure 1 The diagram of an incentive-based revenue sharing allocation for employee retention.

Research Methodology

A qualitative research design was employed in this study, utilizing a case study approach that comprised two main phases. Data collection involved observation, focus group discussions, and in-depth interviews. These qualitative techniques were selected to capture rich, contextual insights and to elicit diverse attitudes and perspectives regarding the effective and appropriate attributes of revenue-sharing allocation for employee retention.

Phase 1: Data Collection Methods

Step 1: This study employs a purposive sampling method to select participants who have direct experience with revenue-sharing models in the hair salon industry. The sample comprises 24 key informants from salons in the Bangkok Yai district, purposefully selected to represent a range of business models, including high-end, mid-range, and budget salons. These participants will take part in in-depth interviews and focus group discussions, as outlined in Steps 2 and 3. The sample includes six salon owners/managers, twelve hairstylists, and six salon assistants to ensure a comprehensive understanding of revenue sharing from multiple perspectives. The inclusion criteria for selection are as follows:

– Salon Owners/Managers: Must have experience in implementing or managing a revenue-sharing model for at least two years and be actively involved in financial decision-making within the salon.

– Hair Stylists: Must have at least one year of experience working under a commission-based or revenue-sharing payment structure.

– Salon Assistants: Must have experience working in a salon environment and be familiar with how revenue-sharing policies impact workplace motivation and retention.

This sampling approach ensures diversity in responses by capturing insights from different levels of the salon workforce, highlighting the varying attitudes and expectations towards financial incentives. Additionally, by selecting participants from salons of different market segments (high-end, mid-range, budget), the study accounts for variations in compensation models and employee motivation across different business structures.

Step 2: In-depth interviews will be conducted to gather detailed insights into the experiences and perspectives of salon employees and owners regarding revenue-sharing schemes. Salon owners/managers are included to explore the rationale behind revenue-sharing models and their perceived effectiveness. In contrast, hairstylists and salon assistants are included to understand how revenue sharing affects their job satisfaction, motivation, and retention. Diversity is further addressed by including participants from various types of salons and different roles within the salon (e.g., senior stylists, junior stylists, assistants). The interviews will be conducted in a private and comfortable setting within the salon or via video call, depending on the participants' preferences. All participants will be informed about the study's objectives, confidentiality, and their voluntary participation. Verbal consent will be obtained prior to each interview, and participants will be permitted to withdraw at any time without penalty. A semi-structured interview guide with open-ended questions will be developed, including:

– Can you describe how revenue-sharing works in your salon?

– What do you believe are the most important factors in a fair and effective revenue-sharing model?

– How does the revenue-sharing model affect your decision to stay with or leave a salon?

Step 3: Focus group discussions will be conducted to explore collective attitudes and facilitate dynamic discussions on revenue sharing among salon staff. Groups will consist of hairstylists and salon assistants from various salons, all with similar roles, as illustrated in Figure 2. Each group will include six participants to promote open discussion and ensure that all members have the opportunity to contribute. Moderators will facilitate the discussions, manage group

dynamics, and encourage participation from all members to prevent dominance by a few voices. We facilitate discussions around:

– What are your experiences with revenue–sharing models in different salons?

– How do you think revenue–sharing could be improved to enhance fairness and motivation?

– What are the challenges of implementing revenue–sharing in the hair salon industry?
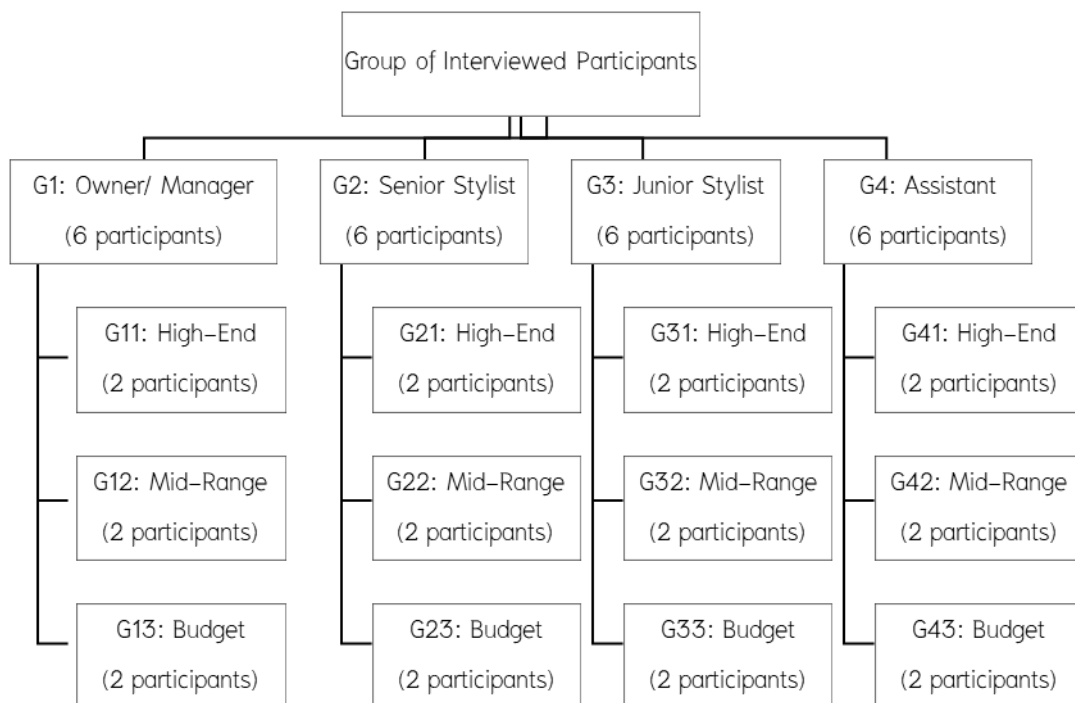
Figure 2 The design groups of interviewed participants

Phase 2: Data Analysis Methods

We employed thematic analysis to identify and analyze recurring patterns and themes within the data collected from interviews and focus groups. These themes were used to design and validate the proposed revenue–sharing model. We will consider several factors, such as familiarity, which can be gathered from transcribed interviews and focus group discussions, and thoroughly review the data to become familiar with it. We systematically code the data by identifying key segments related to revenue–sharing, such as perceptions of fairness, impact on motivation, and challenges specific to the hair salon industry. Then, we perform the theme development where we group similar codes into broader themes, such as perceived fairness, financial stability, employee motivation, and retention strategies. Next, we review and refine the

obtained theme to ensure that the themes accurately reflect the data and provide a comprehensive view of the diverse perspectives within the hair salon industry. Lastly, we report the theme by defining and naming the themes to create a coherent narrative that can inform practical recommendations for revenue-sharing models in salons.

Research Results

Based on the interviews with 24 key informants in Bangkok Yai district, including six salon owners/managers, 12 hair stylists, and six assistants from various types of salons (high-end, mid-range, budget), we exceptionally gathered invaluable information providing detailed insights into the experiences, collective attitudes and perspectives of salon employees and owners regarding revenue-sharing schemes. The data analysis results from both individual and group observation, including in-depth interviews and focus group interviews, exhibit three main themes with several sub-themes as shown in Table 1.

Table 1 Sentiment analysis of revenue-sharing model for salon business

Sentiment	Related Keywords
Base Salary	Track Record, Experiences, Technical Skills, Certification, Characteristics, Economic Conditions, Type of Salon, Employment Type, Motivation, Targets Set, Location, Stability, Product Varieties, Budget, Fairness, Retention
Commission	Business Model, Customer Satisfaction, Repeat Customer, Challenges, Location, Stability, Product Varieties, Budget, Fairness, Retention
Bonuses	Cost Control, Innovative Contribution, Team Performance, Business's Strategy, Challenges, Motivation, Target's Set, Budget, Fairness, Retention

According to the empirical evidence interviewed from the participants on the effectiveness of offering a base salary combined with a commission structure and bonuses in salons, particularly in the Bangkok Yai district, suggests that these compensation models, as illustrated in Table 2, can significantly influence employee motivation and retention.

The qualitative analysis led to the identification of actionable strategies for structuring base salary, commissions, and bonuses. These strategies are derived directly from participant insights and are intended to guide salon owners in implementing effective revenue-sharing systems that enhance employee retention.

Table 2 Strategic Recommendations for Revenue-Sharing Models in Hair Salons

Strategies	Details of the strategy
Base Salary	The reasonable base salary for a hairdresser in Bangkok can vary widely depending on factors such as the salon's location, the hairdresser's experience level, and the overall economic conditions. However, some general benchmarks can be considered: **1. Entry-Level Hairdressers:** For those just starting, base salaries tend to be on the lower side. In Bangkok, entry-level hairdressers in more upscale or high-end salons might expect to earn between 10,000 and 15,000 THB per month as a base salary. The base salary might be lower in smaller towns or rural areas, often ranging from 7,000 to 10,000 THB per month. This is typically supplemented by tips and, possibly, a commission on service or product sales. **2. Experienced Hairdressers:** Those with more experience, say 3-5 years or more, might command a base salary ranging from 18,000 to 25,000 THB per month as a base salary. Again, this can be supplemented by additional income from tips, commissions, and bonuses. **3. Senior Stylists or Specialists:** Hairdressers with specialized skills or significant experience (10+ years) can earn upwards of 30,000 THB per month as a base salary. These individuals are often in high demand, and their compensation might also include a higher percentage of commissions or performance-based bonuses. These figures are averages, and actual salaries can vary depending on the salon's business model, location, and client base. In many cases, salons in higher-end areas of Bangkok may offer higher base salaries to attract skilled professionals.
Commission Structure	In the Bangkok Yai district, the commission structure for hairdressers typically varies based on the salon's business model, the stylist's experience, and the services offered. However, a few common commission structures are widely used: **1. Percentage-Based Commissions:** Standard Range: Many salons offer commissions ranging from 30% to 50% of the revenue generated by the hairdresser's services. For example, if a stylist generates 10,000 THB in services, they might earn an additional 3,000 to 5,000 THB on top of their base salary. Sliding Scale Commissions: Some salons use a sliding scale where the commission rate increases as the stylist generates more revenue. For example, a stylist might earn 30% on the first 20,000 THB of services and 40% on any revenue exceeding that amount. **2. Product Sales Commissions:** Many salons also offer commissions on retail products sold by the stylist. This is usually around 10% to 20% of the product's price. This incentivizes stylists to promote and sell hair care products to their clients. **3. Tiered Commission Structure:** Some salons offer a tiered commission structure where stylists earn higher percentages as they achieve higher sales targets. For instance, a stylist might earn 30% up to 50,000 THB in monthly sales and 40% on anything above that threshold. **4. Bonuses on Top of Commissions:** In addition to commissions, some salons offer bonuses

Strategies	Details of the strategy
	for reaching certain milestones, such as hitting a monthly revenue target or achieving a high client retention rate.
	These commission structures are designed to incentivize stylists to generate more business and enhance client satisfaction, while allowing them to earn a competitive income. The exact structure can vary significantly between salons, particularly depending on whether they are high-end or budget salons.
Bonuses	In the Bangkok Yai district, the bonuses provided to hairdressers in salons typically vary depending on the salon's budget, the targets set, and the overall business strategy. Here are some common types and ranges of bonuses offered:
	1. Performance-Based Bonuses:
	<u>Client Retention Bonuses</u>: Hairdressers can receive bonuses for maintaining or improving their client retention rates. This might range from 2,000 to 5,000 THB per month, depending on the salon's targets and the number of repeat clients.
	<u>Revenue Target Bonuses</u>: Some salons offer bonuses to hairdressers who meet or exceed specific revenue targets. These bonuses can range from 3,000 to 10,000 THB per month, depending on the targets and the salon's financial structure.
	2. Attendance Bonuses: Hairdressers may receive bonuses for perfect attendance, which could range from 1,000 to 3,000 THB monthly. This encourages punctuality, reliability, and consistent performance among the staff. The salons aim to reduce absenteeism, ensure that clients can rely on their preferred stylists being available, and maintain a steady workflow.
	3. Holiday or Seasonal Bonuses: Many salons offer bonuses during peak seasons or holidays, such as the New Year or Songkran festival. These bonuses are often a percentage of the monthly revenue or a flat amount ranging from 5,000 to 15,000 THB.
	4. Product Sales Bonuses: Salons that emphasize retail sales might offer additional bonuses for high sales volumes of hair care products. These bonuses could be a fixed amount, like 500 to 2,000 THB per month, depending on sales performance.
	5. Team Performance Bonuses: In some salons, bonuses are given based on the overall team performance. If the salon meets its monthly or quarterly goals, all hairdressers might receive a bonus ranging from 2,000 to 8,000 THB.
	These bonus structures are designed to reward hairdressers for their contributions to the salon's success, encouraging both individual performance and teamwork. The actual amounts and conditions can vary significantly based on the salon's size, location, and clientele.

These findings, presented in Table 2, not only provide insights into current revenue-sharing practices but also form the basis for evaluating the proposed model's practicality and feasibility. The in-depth interviews and focus group discussions enabled participants to reflect on

each component of the model (base salary, commission structures, and bonuses) and assess their suitability across different types of salons (high-end, mid-range, and budget). Their feedback was instrumental in refining the model to align with real-world operational constraints and employee expectations. Moreover, these strategies were evaluated not only as individual components but also collectively as part of an integrated revenue-sharing system. Salon owners emphasized how the model could enhance employee retention and support their business objectives, while hair stylists and assistants highlighted its potential to improve job satisfaction and motivation. This validation process ensured the proposed model reflects practical considerations and the specific needs of salons in the Bangkok Yai district.

Discussion

The findings from interviews and focus groups were instrumental in evaluating the applicability of the proposed revenue-sharing model. Participants' perspectives served as a critical lens for assessing the model's strengths and potential limitations. For example, owners emphasized the need for flexibility in commission structures to suit varying revenue levels across salons, while stylists underscored the importance of fairness and transparency in bonus allocations. This participant-driven evaluation supports the model's adaptability to high-end, mid-range, and budget salon environments.

In many salons, a commission-based pay structure is commonly used. This typically involves compensating employees with a percentage of the revenue generated from the services they perform or the products they sell. While this model can effectively motivate staff to increase sales, it also has potential drawbacks, such as encouraging a focus on quantity over quality. If not managed properly, it may lead to perceptions of unfairness, especially when commission rates are seen as too low or inconsistently applied. These concerns align with the findings of Joseph (2023), who emphasized that information asymmetry between employers and employees can lead to conflicts of interest, reduced trust, and disengagement. Such misalignment in expectations and incentives can contribute to the phenomenon of quiet quitting, where employees fulfill only the minimum requirements of their roles without making an emotional investment or exerting discretionary effort. Therefore, for commission-based models to be sustainable and effective, they must be transparent, equitable, and aligned with broader organizational goals to maintain employee motivation and retention.

To address these challenges, salons can integrate client satisfaction scores or retention rates into the commission structure. For example, a portion of the commission could be tied to positive client

feedback or repeat bookings, ensuring that stylists are rewarded not only for the volume of work but also for the quality of service they deliver. Additionally, adopting a balanced scorecard approach can enhance fairness and motivation. In this approach, commissions are based not only on sales but also on other key performance indicators (KPIs), such as service quality, adherence to salon protocols, and collaboration with team members. These strategies are consistent with the study by Fulmer et al. (2023), which suggests that motivating existing employees can play a crucial role in attracting high-performing talent. Furthermore, this finding is supported by Blank et al. (2023), who found that hierarchical pay incentives, where compensation increases with role advancement, are positively associated with overall firm performance.

Bonuses are another common component of compensation in the salon industry, often tied to specific targets such as client retention, service quality, or achieving revenue milestones. Unlike commissions, bonuses offer greater flexibility and can be tailored to reward behaviors that align with the salon's long-term strategic objectives. This approach is generally regarded as an effective way to control costs while still providing meaningful incentives that drive employee motivation and engagement. These insights are supported by Riley (2023), who emphasized that small hair salon owners should prioritize developing customer loyalty, implementing effective marketing strategies, and leveraging platforms such as social media and word-of-mouth promotion to sustain profitability and maintain a competitive edge. By linking bonus schemes to these areas, such as rewarding stylists for generating repeat business or receiving positive client reviews, salons can not only enhance employee performance but also reinforce their brand reputation and market position. In doing so, bonuses become a tool not only for motivation, but also for achieving broader business goals.

For salon owners, offering competitive financial incentives can be particularly challenging, especially for smaller salons with limited budgets. Striking the right balance between adequately rewarding hairdressers and maintaining profitability is a delicate task. Overextending on salaries or commissions can strain the salon's finances, while undercompensating may lead to dissatisfaction, high turnover, and difficulty attracting skilled professionals. To navigate this challenge, salon owners must carefully assess their financial position and design compensation packages that are aligned with both market standards and the salon's budget. This may involve offering a base salary combined with a performance-based commission structure, providing bonuses for reaching specific targets, or introducing other benefits such as health coverage, paid training, or flexible working hours. In addition to financial compensation, salon owners should incorporate non-monetary incentives into their overall retention strategy. While competitive pay is important, fostering a positive work environment, offering

professional development opportunities, and recognizing individual achievements can significantly enhance employee engagement and loyalty. By integrating both financial and non-financial incentives, salon owners can adopt a more holistic approach to employee satisfaction and retention. In summary, competitive compensation plays a crucial role in attracting and retaining talented hairdressers; however, it must be balanced with operational sustainability, particularly in smaller businesses. Combining fair pay with a supportive culture and growth opportunities can help retain skilled staff and ensure the long-term success of the salon. This view is supported by the study of Khan et al. (2024), which emphasizes that a strategic mix of financial and intrinsic rewards contributes to improved employee retention and overall organizational performance.

New Knowledge from Research

In Bangkok's competitive salon market, a base salary combined with a commission and bonuses appears to be an effective way to drive performance while retaining talent, particularly in smaller salons with limited budgets, such as those in the Bangkok Yai district. However, the structure must be aligned with the salon's overall goals and carefully managed to avoid potential pitfalls, such as employee dissatisfaction or focusing on the wrong metrics. With the combination of salary and incentives as shown in Figure 3, many salons, including those in the Bangkok Yai district, combine a base salary with these incentives to strike a balance between stability and motivation. The base salary must provide enough stability to ensure employee retention, while commissions and bonuses must be structured to reward performance without fostering complacency or entitlement. Regular assessment and adjustment of these elements are crucial to maintaining a motivated, high-performing team that aligns with the salon's long-term goals. The proposed model is a direct result of synthesizing data from interviews and focus groups. Participants' perspectives were used to evaluate the feasibility of each component and refine the model to ensure its alignment with operational realities and employee expectations. Therefore, the model of incentive-based revenue sharing allocation for employee retention in the hair salon business in Bangkok consists of;
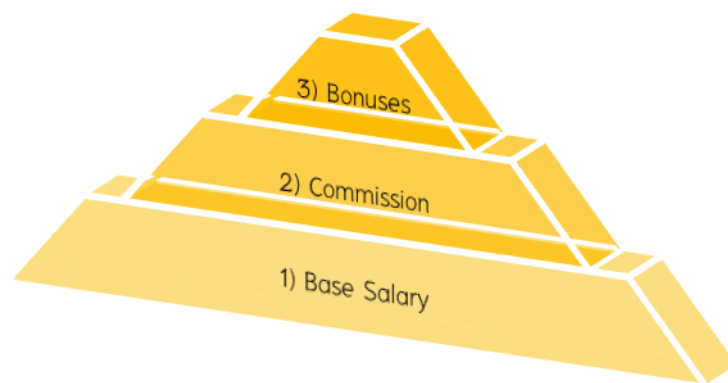
Figure 3 Proposed model of incentive–based revenue sharing allocation

1) Security through base salary: A base salary provides employees with a consistent and reliable income, ensuring financial stability regardless of fluctuations in business or client flow. This is particularly important in the salon industry, where client numbers can vary seasonally or due to economic conditions. By offering a base salary, salons can foster loyalty among employees. Hairdressers are less likely to seek employment elsewhere if they feel secure in their income, which reduces turnover and helps maintain a stable workforce. Therefore, the owners/managers should first consider the base salary based on the experience level, where entry–level, experienced, and senior hairdressers will earn in the ranges of 10,000–15,000 THB, 18,000–25,000 THB, and upwards of 30,000 THB per month, respectively.

2) Motivation through commission: Because the commission provides a direct link between an employee's effort and their earnings. This motivates hairdressers to increase their sales, whether through services or product recommendations, as higher productivity directly leads to higher income. Additionally, the commission structure can be calibrated to accommodate different levels of experience and expertise. For example, junior stylists may receive a higher commission on product sales to encourage them to develop their sales skills, while senior stylists may have higher service–related commissions. Therefore, a percentage–based or product–sale commission will be provided to the hairdressers to help them achieve the targeted revenue of the salon and enhance client satisfaction.

3) Encouragement through bonuses: Bonuses can be used to reward specific achievements, such as meeting sales targets, maintaining high client retention rates, or achieving high client satisfaction scores. This targeted approach enables salons to promote behaviors that align with their business objectives. Unlike base salary or commission, bonuses can be adjusted based on the salon's

financial performance, allowing the business to remain flexible and responsive to economic conditions. This ensures that bonuses are a sustainable way to motivate employees without overextending the salon's budget. Finally, Bonuses will also be provided to reward the hairdressers for their contributions to the salon's success and encourage both individual performance and teamwork.

The key to success lies in finding the right balance between the three components: salary, commission, and bonuses. This carefully crafted combination can provide employees with a sense of financial security while simultaneously driving high performance and dedication to their roles. However, the effectiveness of this approach hinges on the precise calibration of each element to ensure they remain motivating and fair. These components must align with the salon's goals and the individual aspirations of its employees. If not carefully managed, there is a risk that overly generous or poorly structured compensation packages could lead to complacency, entitlement, or even dissatisfaction among staff, which can be supported by the study of Manzoor et al. (2021), which states that a mix of intrinsic and extrinsic rewards leads to improved service quality and business growth. Therefore, ongoing evaluation and adjustments are crucial to maintaining a motivated and engaged workforce, ultimately contributing to the salon's overall success and sustainability.

Conclusion

This research comprehensively concludes that a structured incentive-based revenue-sharing allocation model significantly enhances employee retention within Bangkok's competitive hair salon industry, particularly in the Bangkok Yai district. The study's findings, gathered from 24 key informants across high-end, mid-range, and budget salons, underscore the importance of a meticulously balanced compensation package in boosting job satisfaction and reducing turnover rates. This effective model integrates three core components: a stable base salary, which provides employees with financial security and consistent income, fostering loyalty and reducing the likelihood of staff seeking employment elsewhere. For instance, entry-level hairdressers in upscale Bangkok salons can expect to earn 10,000-15,000 THB/month, experienced ones 18,000-25,000 THB/month, and senior stylists upwards of 30,000 THB/month. Secondly, motivation-driven commission structures directly link effort to earnings, providing a strong incentive for hairdressers to increase sales by providing services and making product recommendations. Typical structures include percentage-based commissions (e.g., 30% to 50% of revenue generated), sliding scale commissions, product sales commissions (typically 10% to 20%), and a particularly effective tiered commission structure where rates increase with higher sales targets (e.g., 30% up to 50,000 THB, then 40% above). Finally, performance-based

bonuses are flexible incentives designed to reward specific achievements, ensuring cost control while motivating staff. These can include client retention bonuses (e.g., 2,000 to 5,000 THB/month), revenue target bonuses (e.g., 3,000 to 10,000 THB/month), attendance bonuses (e.g., 1,000 to 3,000 THB/month), holiday or seasonal bonuses (e.g., 5,000 to 15,000 THB), product sales bonuses (e.g., 500 to 2,000 THB/month), and crucial team performance bonuses (e.g., 2,000 to 8,000 THB) that encourage collaboration.

A significant insight from the research is that these financial incentives are most impactful when complemented by non-monetary factors. Providing professional development opportunities, such as advanced training, and cultivating a positive, supportive, and cohesive work environment are crucial for fostering long-term employee engagement and loyalty. This holistic approach helps to align workforce rewards with broader business objectives, ensuring a balance between profitability and workforce stability across different salon models. The proposed revenue-sharing model is designed to be adaptable to various salon business models, emphasizing financial sustainability while maintaining competitive compensation. The study strongly underscores the critical need for continuous evaluation and adjustment of compensation structures to meet changing market conditions and employee expectations. The key to success lies in finding the right balance between salary, commission, and bonuses, ensuring they remain motivating and fair without fostering complacency or entitlement. This comprehensive strategy ultimately contributes to sustaining business success in Thailand's dynamic beauty and wellness industry by promoting both employee retention and business growth. This study also provides a practical model that can guide not only Bangkok salons but also similar service-based industries facing employee retention challenges.

Suggestion

1. Recommendations for applying research results

Based on the findings of this study, salon owners should adopt a structured and transparent revenue-sharing model that integrates base salaries, commission structures, and performance-based bonuses to enhance employee retention and satisfaction. The implementation of tiered commission rates, where stylists earn a higher percentage as they generate more revenue, is particularly beneficial for maintaining motivation and productivity. Additionally, salon owners should consider offering retention bonuses tied to client loyalty and performance, encouraging long-term employment stability. Providing financial incentives alone may not be sufficient; therefore, businesses should complement these measures with non-monetary benefits such as continuous skill development,

career growth opportunities, and a supportive work environment. Implementing professional development programs, including advanced training in styling techniques, customer service, and product knowledge, can increase employee loyalty while enhancing service quality and overall customer satisfaction. Moreover, clear communication of revenue-sharing policies is essential to ensure fairness and trust among employees. Regular performance evaluations and feedback mechanisms should be incorporated into the incentive system to align employee expectations with business objectives. Lastly, salon owners must assess their financial capacity and ensure that the proposed revenue-sharing model is sustainable and adaptable to changing market conditions, ensuring long-term business success.

2. Recommendations for further research

Future studies should investigate how revenue-sharing models affect employee retention in other service industries, such as spas, beauty clinics, and fitness centers, to determine whether similar incentive structures can be applied across various business sectors. Comparative studies between high-end and budget salons in various locations, such as urban and rural areas, would provide a more comprehensive understanding of how compensation models differ based on business scale and customer demographics. Another valuable avenue for further research would be to investigate employee perceptions of non-financial incentives, such as flexible work arrangements, career development programs, and workplace culture, to determine their relative impact on job satisfaction and retention. Longitudinal studies tracking employee retention rates before and after implementing incentive-based revenue-sharing models would provide empirical evidence of their long-term effectiveness. Lastly, integrating psychological and behavioral aspects of motivation into future studies could offer deeper insights into how financial and non-financial incentives influence employee engagement and loyalty in the salon industry.

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