

## Mazzio's Italian Eatery keeps top-performing managers around by offering bonuses tied to unit performance.

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All of Mazzio's salaried managers participate in a bonus program tied to three metrics: cash flow, customer loyalty, and food and labor costs.

By Maya Norris, Managing Editor

Managers at Mazzio's Italian Eatery don't have to rely on their annual 4 percent to 6 percent cost-of-living raise to boost their salaries every year. The Tulsa, Okla.-based fast-casual company gives all salaried managers the opportunity to earn bonuses that far exceed the traditional merit increase if their units meet strategic performance measurements the company sets and increase cash flow.

"We wanted to pay our people more, but we qualified that by saying we don't want to pay all of our people more," explains Senior Vice President of Operations Steve Davis. "We want to pay our top people more."

### Bonus Days

Mazzio's bonus program, which applies only to company units, consists of three components that tie bonuses to unit performance. Every year the company assigns each unit specific food and labor costs and customer-loyalty scores to achieve based on how they performed the previous year. If managers achieve those goals, they earn bonuses. But they have the chance to earn even more money if they increase cash flow—and they don't have to own an equity stake in the business.

At most restaurant companies, only general managers get a cut of the profits or sales. And they usually must become a managing partner and invest a substantial amount of money. Mazzio's allows all of its salaried managers—not just GMs—to receive a portion of their restaurants' incremental cash flow without having to invest their own money.

"What sets us apart from other chains is you don't have to sign a managing-partner contract to share in the growth and value of your restaurant," says Director of Human Relations Devona Haslam.

### Targeting Top Performers

Mazzio's managers also get a bonus if their units meet customer-loyalty targets. When customers pay for their meals, their receipts invite them to participate in a telephone survey

rating their experience on a scale of 1 to 5. If a unit earns a certain percentage of 5 ratings, the managers receive a flat amount quarterly, which the company won't divulge. In 2006, 67 percent of people that responded to the survey rated their experience a 5, up from 38 percent in 2000.

Managers can also receive another bonus based on food and labor costs the company assigns to each unit. If a unit meets its cost benchmarks during a given period, the managers receive a flat amount quarterly. Mazzio's won't say how much it pays out or what its food and labor costs are. "It's within the acceptable range of the industry," Haslam says. "We are pleased with what our managers are achieving in our food and labor costs."

"One way we describe a top performer is a general manager, manager or management team that's hitting their bonus targets," Davis says. "You can't really be considered a top performer and miss your bonus targets."

### **Rewarding Experience**

The bonus program considerably boosted manager salaries in 2006. Restaurant managers, whose base salary averages \$34,725, earned about 7.5 percent to 15 percent of their salary if they met operational measures Mazzio's set for food and labor costs and customer-loyalty scores and increased their units' cash flow. General managers made about \$47,250 in base salary last year, but earned an extra 15 percent to 30 percent on operational measures and cash flow. Regional coaches, who oversee about eight restaurants and have a salary of about \$74,500, earned about 20 percent to 35 percent of their salary in bonuses if the restaurants in their regions met operational measures and increased cash flow.

In 2006, the average total cash compensation for restaurant managers was \$38,000, \$56,000 for general managers and \$92,000 for regional coaches. That doesn't include benefits such as 401(k) and medical and dental insurance.

Mazzio's credits its bonus program for its managerial turnover rate of 27 percent in 2006, with turnover for general managers averaging 17 percent and 39 percent for restaurant managers. The average tenure for restaurant managers is five years, 11 years for general managers and 24 years for regional coaches.

In addition, sales have increased 22 percent since the end of 2003. The average unit volume for company-owned units tracks at \$1.15 million vs. \$770,000 for franchised units.

While Mazzio's says its bonus program is a way for it to identify top performers and help it become an employer of choice, it's meant ultimately to enhance the dining experience. "We are in the people business," says President and CEO Greg Lippert. "Our No. 1 priority is to fully support, develop and recognize restaurant management and their crews so they can provide customer experiences that are second to none."