

Less Cost, Less Error, More Value Add: Tip & Gratuity Management *Automated*

Introduction

While the act of tipping or adding gratuity inherently increases revenue for an organization, accounting for it can be a different scenario.

Each year, hotels and restaurants lose millions to manual tip and gratuity distribution error. In particular, as part of this traditional distribution process, the manual nature of managing spreadsheets increases the process' error rate.

However, auto-allocation and auto-calculation can alleviate much of this cost from error. As a result, automation adds precision to the tip and gratuity distribution process.



90% of spreadsheets contain errors from manual entry and management.

This significant error rate amongst spreadsheets translates directly to employee payroll.

Are you comfortable risking gratuity payroll errors through spreadsheets?

**Research from the University of Hawaii &
PricewaterhouseCoopers*



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Breaking Down the Spreadsheet Manual Rate of Error

Manual Spreadsheet Error Impacted By:

- Data Entry Errors
- Formula Errors
- Lack of Security/Control
- Misunderstanding of How to Use Excel



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The Threats of Error

For Hotels, Manual Spreadsheet Error in a Tip and Gratuity Allocation Scenario Can Result in:

- Employee Underpayment
- Employee Overpayment
- Union or Legal Action
- Mistrust Amongst Staff

Money Lost from Manual Gratuity Payroll



**Small Florida Hotel
> 300 Rooms**

**Medium Hawaiian
Hotel
> 800 Rooms**

**Medium California
Hotel
> 800 Rooms**

**Fined for a \$20,000 per
year underpayment due
to spreadsheet errors**

**\$17,000 overpayment to
employees over the
course of 4 months**

**Paid \$70,000 over
contract in service
charge distributions
annually**



Hotel Gratuity Management

A Case Study on the Automated Difference



The Property

An Overview of Attributes

- *160-room hotel in California*
- *Union liabilities*
- *7 outlets*
- *Outlets paid out at different rates & in different allocations*



The Manual Environment

Looking Back Before Automation Implementation

- *8-10 hours a week to reconcile complex outlet revenue*
- *Increased vulnerability to union fees*
- *High tip & gratuity compliance error rate risk*



The Automated Environment

Automation's Impact on the Contemporary Setting

- *Minutes to reconcile thousands of dollars in complex outlet revenue*
- *Individual outlet management reconciles tips & gratuities with a click*
- *Measured & monitored adherence to union regulations*

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