Hey there restaurant. It's David Scott Peters and welcome to episode 58 of the restaurant prosperity formula. I've been coaching restaurant owners since 2003. In the restaurant press where the formula is based on what the most successful restaurant owners I've worked with do on a daily basis to achieve their success. The basic premise of the formula centers around achieving prosperity, freedom in your restaurant and the financial freedom you deserve. To achieve prosperity, you have to follow a very specific formula made up of leadership systems training, accountability and taking action. Now, I want to tell you about our guest today, Kurt Grogan, the CEO of Taphouse, the fastest growing and and tip platform for the service industry. Kurt brings over a decade of restaurant experience starting as a host working his way up as a server and bartender and eventually managing high end contemporary dining locations in Seattle, Washington. He'd like you is a real restaurant Pro. I want to welcome Kurt Grogan to the show today. But first a word from our sponsor. This episode is being brought to you by repeat returns. If you're a restaurant owner of a medium to high volume, independent restaurant, multi unit or franchise operator and you're looking for a proven and realistic solution to attract, grow and retain customers, then you need to visit repeat returns. Repeat returns as a modern marketing platform created by a restaurant owner for restaurant owners. It studies each customer's habits and patterns predicts the most profitable outcome for your restaurant every single day and deploys a marketing to make that happen. You'll never lift a finger to see if repeat returns is right for you. Visit repeat returns.com forward slash DSP. Kirk I'm so excited to have you as a guest today. Welcome to my podcast.

Thank you very much, David. I'm really looking forward to being on here with you and get to work with you on this.

Well, I brought Shawn because you came about we got connected. Well, kind of by accident. I did a YouTube tip that talked about your company because I've got some members in Oh, where are they? They are in a Crescent City California. See quake brewing and I love Asian matte to death. And people are talking about tips and I think tips tipping out employees and tip pooling come up on a quarterly basis in my group coaching. And Daisy just went on and on just how fabulous tip house was. And I said okay, I loved it. And I kind of did a YouTube tip that kind of talked about different things people were talking about and then you came up and one of your people kind of did the social media search saw can be popped up and contact I mean that's kind of how we got together. So do me a favor. Tell me a little bit about you and and just a briefing at the end I want to tell tell people about your company and greatness but what do you guys do real quick?

Sure. So a little bit about me. Live in Seattle for about eight years. I started on accident abductor bartending, I bartend it all through college was a server. I mean, I've been in the service industry for longer than I care to admit at this point at that it so jumped into the tech consulting gig and Seattle worked my way through some big companies and eventually co founder of tip house here and a CEO here invited me on said hey, we're trying to do something special. We've got a tip platform that I think makes a lot of sense. And that kind of came about because he was a restaurant consultant and brought into a solve a lot of issues that restaurants face. He's background as lean manufacturing, but ultimately and to large Seattle chains. The one recurring trend that he could not solve for these groups was tipped distribution. It was time consuming. It was done in Excel sheets. No one quite understood how it worked. And so really what we needed was a clean, concise way to understand how much each employee should make. Make sure it's fair, transparent and legally compliant. And so that was the origin of tip house.

Well, well then you are my authority when it comes to tipping because this is probably like I said, comes up in our group coaching program on a quarterly basis as people rotate into the program. And I'm going to tell you, there's been huge changes in the industry. I'm a I'm a Gen X er, I've been in the industry 30 plus years have worked my way up from line employee to Chief Operating Officer with 3030 unit restaurant Sports Bar chain and I've been doing this for 20 years. So I've been in the business and forever. I was that person goes there's no way I'm pulling my tips. I'm going to earn my tips. I'm that good. Unless when I was bartending well, you tip pooled because, you know you had somebody at the service well and was getting the money from the servers and you couldn't say that was just that person's because that person made it available for the others to get the tips from the bar itself. So we very much made sense. We were a team back there. But if I were out on the floor as a server, there's no way in hell I want to share what I did was somebody else. And while that's very old school thought process, literally over the last I want to say five years, maybe 10 to mostly five years. My members have changed my mind when they've shown me that tip pooling is actually a benefit that it actually allows your team members to feel a part of it. It is no longer that I'm using the tip pooling because I don't want to pay you enough. We're still paying people more now than ever, but they want to feel a part of it. So it's not only income, it's feeling a part. Can you touch on what you seen as the evolution from a Gen X or like me is like no way am I sharing my tips to wow everybody wants to share their tips?

Sure, and you're spot on with that. I think there's an old mindset when I served red chilies right when I turned 18 You know that was my first gig. And to that exact point I didn't want to share tips. I didn't want to pool I didn't want to do any of that fun stuff with it. But what we've seen and even if I was smart looking back in hindsight as I've grown and matured a bit is you can see that a lot of people put a lot of effort in to lead to a great guest experience right it is not just the person who touches that table who swipes that credit card who takes that border. So when we really look at it, if you have a functioning team and everyone knows that everyone's success and a rising tide lifts all boats and you get all these cliches that you can put in but it really works. You want your team to operate as a team you do not want 10 Independent Sales Reps trying to figure out how to maximize their money, because ultimately that's going to lead to a subpar guest experience if I'm being honest. So we can look at it from two ways. There's tip sharing, where say servers tip out 2% of alcohol sales to bartenders, things like that that are commonplace and have been used for a long time in place of tip pooling. You're trying to find a way to distribute that content. And you can look at pooling as a whole. And I think one of the common misnomers about tip pooling is not everyone must receive the same share right to the bus or the hostess, the barback the server, the bartender do not all have to take the equal amount out. What you're saying is we're all putting all of our tips into there and then based on importance on guest experience on how much we provide to that guest we're going to take out in relevant proportion. So when you look at it from that standpoint, you know, as a manager, as a owner, operator, whatever you are there you do not want your team segment and you do not want them isolate what you really want is them to show up together to make sure that they're going to pick up the slack if someone drops it, or to know that hey, if someone goes in swamps the soda gun if someone goes and makes another batch of X, Y or Z that their tables aren't going to suffer and that they don't have to wonder if their tips are going down because of it right. You can get this whole team buy in where it's similar to the bartender analogy you provided David, I think that's exactly what we're looking for is you need someone doing the work that allows everyone else to be successful. And if you realize that and you build a team around that, I think you'll get a lot better result on the back end of that.

So just just kind of out of curiosity when you hear some of your stuff called the members clients customers, when they come in and let's say they're doing tip share, like where I grew up in, you know, my we were gonna give X percent of alcohol sales to the bar, and I was gonna give X percent to the busser and then it depends on the restaurant all of a sudden you say I got a food runner, I've got a host and in that restaurant says you need to tip all these people out as a server service start to go, Oh my gosh, you're just giving away all my money. I'm working my ass off and I don't get to keep any. Absolutely. And that transition. What do you see from those people that say no? Okay, we're going to we're going to go one step. Further. We're gonna we're gonna do a tip share, not share but a pool. What are some of the arguments the pros and cons that you're hearing when people sign up with you to go now I want to stay with share versus I want to go with pool?

Absolutely. That's a great question. And I think the honest answer is it's going to depend on whatever your restaurant needs are like, you can set up unlimited tip sharing and tip following rules within our program and that's a core belief of what we have is you need to set your restaurant up for success and no two restaurants are alike even within the same franchise within the same organization. Everyone's gonna have different needs based on your location, but what we really see on that front as people are making that push into tip pooling or tip sharing or making this a more vocal and transparent process, as opposed to kind of behind the curtains where it's been for so long, is the team camaraderie that comes from it. And what we're seeing when we really look at that is tip pooling has benefits and you just have to concentrate on those elements. Servers, mindsets, bartenders, mindsets, as you've alluded to naturally go to the negative well, I've given up tips. I've given up tips to all these Digital's you're not realizing can you take more tables on now if you have a bus or a barback, who's helping you out? Can you provide a better guest experience and up your average tip percentage? Can you rely on the fact that if you're having a bad day, if you're getting bad tables built on you and it's just one of those days, you got triple set and none of them are good tippers? It's just it's an ugly experience on your end. You're not having a great day you didn't come in in the best mood, whatever it may be. Can you rely on your team members that when you tip pool, it's coming together. So a tip pool really brings the strongest members all together. And I do think there's a natural evolution that like, you don't want weak links in that pool because you don't want to give more money than you can. But that's kind of the iron sharpens iron that you're looking for, which is servers are going to encourage servers to be the best version of themselves because they know we're all in this together. So it's really that fundamental mind shift of this is me giving up my money to recognizing no I'm gaining an opportunity to get more money and bring all of us up together I can lean on my team members that they can lean on me so it's a there's always going to be pros and cons to everything can I think so often we only look at the cons because that's where our mind wants to jump to right off the bat. We want to say hey, I'm gonna die make $100 tips. And now I'm gonna be down to 80. That's not fair. But you're not recognizing that you should actually get above 100. This is not a one plus one equals two. This is where a sum of all the parts is greater, right and you need to get to that level. And I think a lot of restaurants see that a lot of operators see that that's the dream they have for their team. And it all comes down to how you approach this with your team. How do you talk to your members, your customers, etc. On what this is going to look like and how you make sure that everyone's on the same page. They're all bought in and you can move forward together?

Well, the amazing part is it's the same journey. My members go on implementing systems. I tell them the systems are easy. It's changing company culture, that's difficult. It's the people part. So it's now 100%. You know, you as a restaurant owner need to be the leader your restaurant needs, and this is what we're going to do and you have to explain the benefits of why you have to sell it like you're a politician here the benefits why? And in the same respect that if people fight the change, you have to be willing to let them move on whether they quit or get fired. Sometimes changing company culture is difficult because we're changed people don't like change. And again, it took me forever to embrace making a change. But with that said, I still have members like you said who still do a tip share versus a tip pool. Can you talk a little bit about some of the the different ways you see restaurants, whether small or large, whether they do heavy bar business or whatever it is they're kind of a generality of if I were sharing versus pooling?

Absolutely, absolutely. So what we see that works really effective, is pooling amongst job codes themselves. The example being a bartender pool, that makes a lot of sense, and it always will, a server pool often makes a lot of sense. And then when we break down into categories of you know, like QSR versus FSR versus fine dining when we kind of look across the gambit there. QSR tends to have a lot more people doing similar roles that are all directly contributing, you could take your you know, a Chipotle, for example, where someone's putting rice in the burrito, someone's putting meat and someone's ringing you up. They can relatively be interchanged. So in those kinds of scenarios, pooling makes a lot of sense, right? It's just a natural evolution. That this makes sense because we're all able to do similar jobs. We're all contributing relatively evenly to the guest experience. Tip sharing comes into play a lot when you want to get money from one set of job codes to another and a good example. You may pool bartenders, all the tips that bartenders brought in or shared amongst bartenders, and that's it, but you may want to set up a tip sharing rule for any food sales that come into those bartenders because as you can imagine, the bartender is not back there making the food they're not even running their own food and many times at a busy bar. So you want to say hey, you know, two to 5% of food sales get kicked back to the bus or the runner, the QA, the expo, whatever is contributing to that experience, even through the kitchen, depending on your state legality, where they do a lot of the work, right? I mean, you want that food to be highly presentable. You want it to come out on time you want it to be hot, you want to make sure all the meals are accurate on time and successful for your customers, right. So when we look at it from that standpoint, tip sharing is generally done best individuals who are contributing to the guest experience, but you may not have a direct one to one where you want to put them into a pool with and then we will see plenty of times when a small boutique restaurant you know I'm talking your neighborhood bar and grills or even your finer dining you know your more contemporary style American restaurants that you see all over at the popular neighborhoods, what you can do there as a household and people will see that so you could say you know, bartenders are going to get the majority out of the pool and then come servers, and then come your supporting staff behind it. But everyone getting something from tips leads everyone to want to contribute to that guest experience. And I think it's always a mix and match of how many job codes do you have? How difficult is it how many different job codes contribute to the guest experience? And then you kind of play through this dynamic and this equation of does it make sense to tip pool with all these individuals or should it be typical am tip share, or should we just tip share? And all of those can be a correct answer given the response. You know, I think QSR you more typically see typically, as you get into fine dining, you see servers that make a great amount of money that have regulars that really know the menu know how to upsell know how to pair a wine with an entree. And that's where you want to see a lot more of the tip sharing where the busser is not necessarily directly contributing to them getting that tip up but they are helping, right they're doing a lot of work to clean those tables to get those turned so you can have more guests and so that server can make more money. And at the end of the day, I think you know servers and bartenders they make a lion's share and I understand they do a lion's lion's share of the work with these guests, but they're not the only ones and you will know real quickly if your busser is upset with you and your tables not getting cleaned and you're not getting sad that something's going on. Right. So when we look at it from that standpoint, however your restaurant needs to function, whatever is going to give you the best ratio of guests and guest satisfaction to turn right that's going to be that is where you want to incentivize and you want to find those points where you can reward others

are you seeing in full service restaurants, even fine dining, more and more restaurants going away from shared pool because of the kitchen? Like again, I'm seeing it in my members and I've got a little microcosm of the restaurant world and I'm seeing more and more that they're going Hey, in order to be competitive, like we're already seeing minimum wage jumping to $15, which is laughable now because of COVID. And how we came out with the labor shortage. People are paying much more than that. That's that's kind of a past tense. But even with that they want to they want to show that you're a part of it and that they can have higher wages because they're a part of the whole team. Are you seeing that trend that the people are going away from share and to pool even if you are sure are in traditional businesses?

We sure are and I think it comes down to the idea of how you want to structure elements but certainly to the element tip sharing could even be done to back of house. So when we look at to pooling versus sharing, you could technically tip share to back house and we see that but to your exact point. The back of house is something in my opinion that was underserved for a long time people often overlook the importance they contribute. And when you don't have a labor shortage when you have a labor surplus. It's easy to swap people in and out and managers kind of get in this mindset, oh, there's always going to be another great cook available, who will come in and immediately start you know, busting ass and getting it going. They're going to make a great experience. But now you're seeing on a labor shortage that cooks make a lot of difference, right? sous chefs make a lot of difference. Your grill chef makes a lot of difference. So when you have these individuals contributing as a part of the team and they're getting a little bit I mean, like couple dollars an hour extra makes a large difference at the end of the year that can be five to $10,000 in an annual salary change. And in my opinions often desert I think the back of house was something that we saw was so often under utilized and some of that David may have been just due to sheer complexity. And that's something we got to dive into is like when you look at how tip sharing and tip pooling is done. So often we see managers making compromises or sacrifices to keep it simpler to keep it easy for them for accounting for and that's not wrong. I understand. You don't want to mess those numbers up. But you don't have you luxury anymore in today's society and with the labor shortage of keeping things simple at the expense of your employees. You have to reward your employees you have to keep great talent in your restaurant. And if you can do that, then you're lightyears ahead of your competition in the neighborhood near you.

I think a lot of the the back house wasn't happening because one I'm sold that it used to be illegal. You couldn't tip the back of house that was not allowed. So we you know, the federal government made that change in California like it got better. With that said it was also even when people did it against the law. They did it as restaurant owners were doing it to pay the back house less. They pay the rent. Oh, but you're making it up in tips and putting it on the backs of the front house employees. Again, I think the major shift was the law change, the labor shortage hit. And we as restaurant industry are learning we've got to make sure employees feel appreciated. And it's that change in culture that says now this is a part of it, you're actually getting better than minimum wage and you're getting a share. And that one $2 An hour makes a huge difference because now they're they are concerned with table 22 That it's slow service. And let's get this out. Let's make it look right because that does affect me. as well. Promoting more of a team atmosphere. It is it is really amazing to see the culture change industry wide.

Here's a question for you. If I were a restaurant, and I have restaurants to do this that always talk about whether it's tip pool or share what I do at shift change. This drives me absolutely batty. I mean, just give the damn table that to somebody else that's tip share, because it's going to work out in the averages. But sometimes tip pooling kind of takes care of that problem that the guest doesn't feel like they have a server comes up. Well, I'm about to go off shift now HINT HINT close out with me. So you tip me, which is a terrible guest experience, right? Can you talk about that shift and if tip pooling actually does cure that?

Sure. I would love to David and you're spot on and I remember back to my server days of course trying to get the subtle close the check I got cut and I don't want to wait for this tip. But I also want it myself right as opposed to passing it off into your exact point. Terrible guest experience. Right? They know they're kind of getting rushed and pressured. And the only people who really catch that and you'll see it day in and day out are former servers right? Former servers understand what that server means to them when they're sitting at the table. But if you weren't in the service industry, you just think why am I being rushed? What's going on? I don't quite understand the complexity here. But so with shift change with days, we have to look at how you structure your tips. And a good example there is most restaurants will do things either on a shift basis or on a daily basis. And so David, you and I worked four hours today you worked four hours in the morning. I worked four hours in the evening. If the total tip was $100. We each take the same amount out of that typical run because we work the same number of hours we contribute the same amount. But there's a number of ways you can do that. Some restaurants do like to run their tip calculations twice, once after lunch, one maybe even during the mid shift and then once for your dinner shift. And that's fine. We can certainly accommodate that on our platform. And there's Excel sheets that are easily able to do that just because you're running the numbers at that moment. However, to your exact point. That's where you're losing the customer experience because servers know these elements, right? So there's a couple of different ways you can solve that and tip pooling as a whole if you're looking at from a whole day's perspective solves that. You say it doesn't matter if I earn this tip or if my fellow coworker grants this tip, because at the end of the day, it's going to be contributed to a pool and I'm going to take out my percentage either way. So that's an easy solution that kind of meshes over that. However, you can also look at items like our system can handle it specifically because we're built for it but there's a way to do things where you do not have to punch it by daily or by just shift or anything with that you can do it down to the check itself of time of sale distribution is what we call it but where we look at the start of a check to the end of a check whoever was working during that hour and a half, two hours at that check was open is eligible. From the tip from that check and those steps concurrently. So a bunch of ways to skin the cat here and the end result to your exact point. However, you don't want to lead to subpar guest experience. You want to make sure if you're looking at a shift change. You need to make sure customers do not feel rushed that employees are not incentivized to get them to close that check earlier. Or to go ahead and write their tip and they'll take the book back with them but they can stay as long as they want finish their drinks. All of those are not a great experience. You want the guest to stay as long as they want continue to order you want them to get another round. You want to increase that average check size so certainly agree with you that it is a problem if you're handling it in a way where servers feel attached to that tip, tip pooling console that tip sharing console that or just changing how you do your tip distribution policy can certainly solve that.

So you're telling me that I could sit there as a restaurant owner and say you know I want to distribute these tips. I can have different rules not only time of shift or day, but time of ticket. You're telling me that I could literally go whoever's on shift you get the lion's share of whatever happened during that hour the next hour and create different rules for based on the check itself.

Absolutely. And that's something that we thought was vital and exactly I mean, I think we see where this has gone which is everyone deserves what they were working for. And each restaurant has unique needs. But using that same example you worked for hours in the morning, I worked for hours in the evening. What have you in the morning working where a brunch shift and it's busy as hell right? You're sweating you're you're selling you got three times the sales and the tips that I do whereas when I come in Sunday evening, there's no games on there's no anything. It's real slow. I'm just lounging I may be checking my phone in the back. I'm not doing the same amount of work you did to contribute to that pool. So it really comes down to how you want to incentivize your employees. Now there are exceptions and each role, I think has a unique perspective here. So Front of House, doing it by check time open makes a lot of sense. We call that time of sale. And I think that makes great sense for front of house but we have a massive sushi concept up in the Northeast. Good example here is their kitchen staff will get in three hours before the restaurant opens. Right and they're doing what they're doing is vital for guest experience. You have to do a lot of prep work. They're busting their ass to get it ready to roll, but there's no sales being transpired there right there's nothing taking place. So in that case, you would want to set up multiple orders one that's daily to reward your back of house because all of them no matter if it was busy or not. They're doing important work that setting the day up for success setting the next day you're getting the cleanup work from that current day. Doesn't matter. They're always busy back of house. I think we all know that front of house really ebbs and flows with the customers coming in and out. So you can find a way to make this fair for all parties involved. And it's really this mindset shift that everyone's used to what Excel can do an Excel isn't made for restaurants, right? Excel is the greatest tool that ever was gifted to mankind I think, but everyone uses it for everything in their industry, not realizing that you need to find industry specific solutions and tools and that really is going to give you a better experience.

So alright, so two two questions just popped in my head. I don't want to lose either one. One is that Excel thing versus software. And the other is if I if I share pool if I pool and I'm taking care about no matter what the best practices are, and we'll come back to that I as an operator can actually cut my labor cost because when I'm cutting kitchen labor, they're not feeling so I guess weighted like oh my gosh, I'm losing an hour I'm not getting paid versus they're going to start to think a little more like servers that go I'm gonna work as few hours as possible make as much money as possible because it's about efficiencies versus trying to string out the clock. Are you seeing that with some of your customers?

Absolutely, absolutely. And that's the beauty of this is when you get in it comes back into that company culture and making sure employees are bought in and a lot of having employees bought in is well educated, right? Making sure that they understand what's going on. I think that's so often where we fall short, is we say, Hey, we're doing this full stop. And why are we doing that? How does that benefit me? We need to go deep into that because at the end of the day, this is their livelihood, right. Are they paying their mortgage this month? Yes or no? And that's going to be dependent on whether or not you can make an explanation, robust enough and comforting enough to understand, hey, you're not going to be losing money from the shift. In fact, you may make more money, but you're certainly going to gain transparency, you're getting going to gain consistency, and you're going to be more fairly rewarded for your time. So yes, 100% across the board that it gives you a lot more flexibility on scheduling. It gives you a lot more flexibility on who needs to be there and doesn't and you'll see that team camaraderie by going back to

that first trip just so we're clear that was a real real time aha for me, by the way, and I've been doing this for a long time.

I love it. I love it but you're spot on. Is you don't need people to kind of play the clock anymore because what you're seeing is while the money is there, people are willing to be there and when the money is not there, they understand that they're willing to get cut, let it go on to other individuals depending on your tip structure, right. So gives you a lot more flexibility. And that really does tie into your first question. They're both like Excel versus a dedicated platform. And I would take the example here that like we look at a horse versus a car and that mindset shift as it came around. Well, a car is actually slower than a horse when it first comes out. I don't understand the purpose. I don't know why I would get that but I have a perfectly great horse you're you're not seeing the big picture of all the things that the car allows you to do. There's an abundance of things more passengers, more luggage, more individual places, you can go more consistency, it doesn't get tired, all of these elements but if you're in the mindset of this is just an advanced horse. That's not the mindset that's going to get you far. So when we look at dedicated software's versus Excel and again, I can never knock on Excel the fact that it is just the most valuable tool for so many businesses, but it's it's a victim of its own success in that everyone thinks it's the solution to everything now, you really need to find a solution to that that allows you to manage and a good example. We see time and time again customers is will jump on a call and I'll say you know tell me how you're doing tip structure right now. And they'll vaguely worried about hey, we're given pool in the front of house we're giving 5% back to the kitchen. Okay, great. And Tony, you know, if you wanted to manage that, or just that, how does that work and say, well, we don't touch it. It's an Excel sheet. The Functions and Formulas are built in. It was built in not by my previous manager or that previous manager but the great great, great, great manager have this right, right. It's gonna be so long ago that no one wants to touch that sheet. Other than the one column they're allowed to implement,

don't even know that it's been broken. That's somebody typed over a formula like nobody ever looks

right. 100% that and we see it. You don't realize that like the formula only led down to So see 23 And you've got 24 employees now, there's so many scenarios where an Excel sheet is just not going to accomplish what you're looking for it added to what it doesn't do is allow real time customization is one of the things we work with our customers, right when we onboard to say, hey, we can replicate what you have going on in itself. No problem. That's the easiest way of what we can do. But we want to challenge you to get out of the Excel mindset. We want you to understand there are a better, more efficient ways to do this. And you were limited. You're constrained with Excel and that is fine. But the exact example earlier is time of sale distribution or really tipping out by ticket. You could never do that in Excel. You'd have to bring every single sale into Excel and then look at who was working during what start matching and get totally just a nightmare. But when you're looking at software and algorithms running in the background it since it does it automatically for you. So really a mindset shift that has to happen and understanding that we don't need to be limited by how we did tips 20 years ago, we can evolve.

Let's stay on that topic for just one more. Very brief. And that's this. employees want some transparency when when you start cooling. It's like oh, it's magic. How do I know I didn't get screwed. So with that spreadsheet, you're not going to open it up or you try to and you explain everything going on. And it's just a blank stare like oh my gosh, I don't trust this thing. Versus software as it talks about that as as an employee, can I look in and see how my tips were calculated or you know, is that curtain pulled back?

Absolutely. And that is a great question, David. This is something you know, I think that really helps that a lot of the team here I'd say about 85% have significant service industry experience at tip house. A lot of us were bartenders servers, some of us were back of house. And so what we see is what's most frustrating about everything is is calculating my tips like I have to run a little notepad to try to figure out okay, I took out 3% And I made $100 today, but I also tipped out 5% here and so I shouldn't make $92 all makes sense. And you're trying to play through these scenarios, which is amplified during COVID where cash isn't paid out at the end of every shift more so you're not running it each day. You're stacking up potentially seven or 14 days until you get your tips on your paycheck. And that is so difficult to do. So what we implemented and this was years ago, was a free mobile employee app that is strictly shows your finances, how much you earn, how much you have available on your next paycheck that's gonna be coming to you. But more importantly, it breaks down the rules that are in place at your organization and how much you've contributed the tip pool how much you've taken out, it pulls the entire curtain back. Whereas before a manager would have two pieces of paper and they try to cover all the other lines on the Excel sheet so they didn't see anyone else's finances. And that tells you nothing that tells you okay, that's what you're telling me I made today and I'm going to go with it. Now we have the ability to have full transparency and so employees love it. And I will say that we created it because we believed in transparency, but we weren't sure on adoption. We thought hey, some people really like it, but the majority of people will just say I trust that they're gonna get it right. And we could not have been more wrong about that. It is above and beyond our most beloved future managers and employees. And I'll tell you, like, employees love it for the transparency. They understand what they're making. And they also now have proof of income that was so hard to prove in the cash days. And so we've gotten examples of them paying child support. We've gotten examples of them being able to get approved for an apartment because now they can actually show their income because we track the historical graph for them the data they can show their true income. Managers love it for the exact reason you might imagine that they never want to have to talk to their servers or staff about their tips in more came out and it's a great piece. They know that it's going to be done accurately. Manager employee confrontation. Over this is down over 95% of our customers. Just because everyone's got the full information if you pull back that curtain, everyone's happy you understand it. And people think that there's this natural fear like oh, I don't know if I want my employees to know. But yeah, of course you do. Because if they don't, the doubt in the insecurity is always worse than the truth. Right? The truth is, you've got an established set policy you're going to be tripping up this much, and they can see them saying yeah, that's accurate. That's exactly how much I'm supposed to tip out. Thumbs up. Whereas if you don't, and you're expecting a $700 paycheck and it comes back $550 You're running some quick math to see if it makes sense. But ultimately what you're doing is you're going to talk to your manager and your manager does not love those conversations. Because they don't understand their own Excel sheet. So we've really tried to open this market up and make sure everyone's on the same page. And that leads to a better team dynamic.

Are there any best practices that you see as far as when it comes to how you set it up or tipping policy? And the answer could be No, but I just I'm just curious, from small restaurants to big there's got to be something that that you guys recommend or that you see done? Oh, yeah,

absolutely. Absolutely. And I think it's on a customized level where we want to really get to understand each of our customers scenarios, what do they need? An example there being you know, the QSR versus FSR is obvious, but FSR that has a busy bar that kind of turns more bar in nightlife on Friday and Saturday night where it's Monday through Friday going to be more lunch hour. It's downtown business crowd. You've got to change things on that front versus a neighborhood restaurant that's pretty steady Monday through Friday are just as busy as Saturday and Sunday, because you're really catering to a one or two mile local area. And so with that, who's contributing to the guest experience, what's the most vital roles that you need? So our general recommendation is we'll see about 80% of the tips cleaned and retained by the tip. earners. We're about 20% often ends up in the hands of the support staff, whoever is most directly contributing to that guest experience and the ability for servers and the restaurant to make more revenue. So getting those tables turned over making sure they're seated accurately and quickly making sure that guest is able to be got their order right off the bat that you're able to get that ticket started. All of those are who you need to reward but then in addition to back of house, so we typically see kind of an 8020 Split 80% being retained by tip earners, even if they're pooling or if they're just holding it onto themselves and a 20% or so back of house spread. Now there obviously plenty of edge cases scenarios. Where you get a restaurant that has a ton of flair to it, but there's a lot of people helping to serve even though there's only one server taking the order, multicourse meals, things of that nature. You may want to switch that you may want to up that percentage whereas if you really just run one host three servers on the floor of a small footprint restaurant and a bartender you probably only need to get that host out five to 10% maybe right you need to kind of modify it based on your needs, but 100% Do we see a lot of common trends and you'll definitely want to make sure I think that you take care of that backup house you take care of that support stuff. Common recurring trend but people are always confused why they can't hold on to that stuff. And the answer is because they're making most minimum wage and other places they can make five to $10 more.

I love it. I mean, it's kind of in the general rule of thumb I used to say to people if I if I was going to make about 120 bucks I better come home with 100 If I was to make 240 I better come on with 200 Otherwise I'm going to start to feel agitated. And that's that's the tough part is when owners don't know what to do. They make things up and and we've got to remember that. You know tipping policy is suggestion if it's a share, if it's a pool, it is easily policy. It is done and in there. Everybody feels like know the rules and I think that's important.

I could not agree more and even add on to that David, one of the again Excel versus kind of a modern day solution. What I think we see so often that frustrates employees is saying hey, yes, I understand I'm supposed to tip out the hostess, but the hostess left three hours before the shift and because it was slow, and you still have me tripping out in this scenario. And this is again one of those areas where if you were understanding that your system needs to be far more robust and an Excel sheet, you'd realize that's a core function of our system. It's one of the simplest pieces to implement, which is when none of the support staff is there. You shouldn't be given out. You shouldn't be contributing to that pool. They're not going to be taking that from you. So it's really going to be a system that allows you to support the supporting staff with money only when that supporting staff is contributing to the guest experience and when they're available to help those employees.

So let's use that as a springboard what is tip house like? What is the software? What Yeah, give me give me that. Give me a you know a 123 What the heck do you guys do?

Great question, David. Well, the one that is the world's greatest company, we'll start there but in a seriousness but we'll go to is we are in completely automated platform that restaurants can sync their POS with. And then we'll handle everything for them as the honest answer. And so what that looks like is we integrate with the most common POS is out there and we're constantly creating new integrations to work with more and more restaurants across the nation. But ultimately, during the setup process, a manager will come in and we have an easy step process to say hey, what is your tip policy at your restaurant? Do you tip pool? Do you tip chair? Do you have any ghost codes? Do you have online orders? We'll plug all of that into our system and a quick 15 minute onboarding call and say okay, this looks exactly like what you're doing in your Excel sheet. Except now this is going to be real time automated foolproof, and it's going to look for reconciliations and again, this is one of those like Excel verses this system is what happens when you realize an employee was clocked never clocked out right? They stayed on three hours extra on their shift. They actually took money from your fellow staff, right they want more from the tip tool than they earned. So when you update that in your POS the next day after you catch it, you come back into work. You've already paid that money out. And that's a tough spot for people to recognize them that you're overpaying. So our system scan every 15 minutes for any updated data will automatically reconcile all of these elements to it but the end result is what we do is we save restaurant managers 20 hours a month. We saved them about $1,000 in additional a month. And it's a subtle, impactful benefits like the employee transparency. We have better retention, fewer client conflicts, excuse me, and we just try to eliminate legal liability. We try to automate the entire process for you so you never have to punch a single number back into Excel. You never have to think about it. You never have to explain things to your employees. Everything's going to be done for you in the background constantly working behind the scenes.

So I can literally set it and forget it.

That is the goal. That is exactly the goal. It's it's meant to be a system that takes this week if we're being honest running tips and tip calculation and distribution as a manager it's one of the least fun things you do all day. If you get it right. No one's gonna praise you and that's the expected and if you get it wrong and it's easy to do whether you fat finger it whether you got a misread on a report, whatever it may be, then you're the worst person in the world, right because you're keeping money from your staff. So it's kind of a no win situation if you're trying to do it manually. So we just automated the whole damn thing.

Alright, I've got two last questions. One is, I'm assuming and I'll make sure I'm right. Since we're doing 90% credit cards, that's the easy part. But there is an honor system any cash tipped employee has to hand that cash in and report at the end of the night, correct?

Absolutely. Absolutely. And that is a system we allow for cash and put through the mobile employee app by employees, if they declare it through their point of sale will pick it up. Or if they just all hand it to a manager at the end of the manager Council. The manager has an ability to enter that into our system as well. So three different ways for that information and data to get it

so now the money going out part. What are the chances that your setup that I hear it all the time that they want to connect and be able to pay their employees directly? Is that something your software does?

Absolutely. And to your point, David, this is this is something that we heard for a long time so over a four year span here about two years back we really started catching this right during COVID happened and to your point we saw it right COVID killed cash cash was already decreasing year over year, and COVID really just ended. As a matter of fact, it's gone. It's never enough cash on hand to actually pay your staff. So it comes to the common scenario that we want our employees to be able to get the tips that they earn every single day because that is historical how it has happened always in the restaurant industry. And it's one of the best things about it. I forgot my girlfriend's birthday coming up. I'm gonna go pick up a double on Sunday so I can get her something nice right? It's a great piece. About the industry is you can make more money really quickly if you're willing to do the work. That is gone, of course when cash leaves because now restaurants have no ability to pay them out. So they say hey, you know, I'm sorry, but we're going to put that on your paycheck at the end. The alternative to that we see very few restaurants do it but they do is they're going to make a manager run to the bank 234 times a week and draw out $20,000 In cash which is unsafe. There's all kinds of not fun things about having to do that at the time waste. And so what we realized was, we're the best in the world at calculating tips for these customers. They love that but ultimately we didn't solve all their pain points. We just saw that managers pain point right there. What we need to now solve is how do we get this money to the employee? So about a year and a half ago, we started looking for a solution on this and there's several out there. We saw a few that were predatory that we felt that we're charging and nickel and diming customers for at the restaurants for it and what we said is we don't want this to just be an ATM card. We're now the employee has the impetus put on them to go to the ATM and withdraw cash. Right? And we don't want to make sure we want to make sure the employee doesn't have to pay $2 to get their tips every day. So we went out partnered with an FDIC insured bank, a Chartered Bank lineage bank, a great financial partner of ours. And now what we've released is what's called house money. And is a completely free digital mobile bank. And what it allows you to do is plug that into the tip house platform and get your chips instantly, completely for free. No nickel and diming to the restaurant, no nickel and diming to the employees. And so our system will automatically automatically calculate how much these employees are owed. And then it will actually give you the opportunity to pay them directly into these accounts, great platform across all channels because what we want is managers to be resting assured that their employees feel happy that they're able to get the tips of the day they earn them. employees want their money that day they earned it because that is how this industry has always worked. And that's how you retain staff as a manager, you give the employees all the benefits that they expect at your restaurant. And so it's been a great system. So far. We have just wrapped our first phase of beta with a large New York branch chain. They have been great partners with it and we've really loved working with them for the last month and now we are in open beta where our our waitlist has about 250 restaurants right now. Dot 250 Restaurant organizations I should say that are waiting for it and we're taken through the end of December but we are looking to onboard as many as we can as quickly as we can because we know this is a pain point in the industry.

I think it's gonna be a game changer. I think you'll be ready to put enough support staff on so we got about onboard all these new people.

Absolutely. We got them trained up. We've hired a few recently just for that reason. And we're excited. You know, I mean, we fundamentally again, can't come in from the industry. We believe in supporting the industry. We know what these people need. We hear it day in and day out from the feedback and working with our customers who we love. So we know this is what they wanted, what they needed, and we wanted to make sure that we took the time to get it done right. And in a way that's going to reward their employees and keep everyone around keep their business function.

If somebody's listening to us or watching this, how would they contact you? They're interested they like they're hooked. They want to hear what tip House says how do they find you? How do they contact someone Sure,

sure. Well, I'm always happy you know, I, I am a CEO of your tip house. But I love hearing from my customers and I make it a habit to jump on some of their demos and steal their demo. Sometimes I'll pass the deal in the commission back to them but it just pays to know and understand what's going on. So I love chatting with people personally if you want to send me an email. It's Kirk at tip house.com And I'd love to see and hear from you. And additionally easiest way to learn a bit more to get in contact with the sales team and answer any questions is just going to tip house.com And that is tip H A us the German spelling of house although worth noting is we do know some people spell it the old school American way of house so we have to pass and that'll redirect you to our website. Either way, you'll find a lot of great information you can get quickly plugged into a sales rep for a live demo. They'll run you through everything and you know as always, we view ourselves as consultants with it. We want to chat we love this industry. We want to work with you. We don't use any high pressure sales mean, if our system works for you, we'd love to get you go on two week free trial if it doesn't, we'll give you free information and you know hope that you go and you crush your goals.

I like crushing goals my friend care guy I'm so thankful to have you I think is a fantastic 40 some odd minutes we spent together I think you're gonna get floods of calls I really do. Before we go is there anything you'd like to share with her about the company a favorite quote or book or anything you want to offer up before we go

you know it's something that had been on my mind and I chatted with a friend of mine who was in the restaurant space for a long time and uses tip house and we were chatting recently my fear in the industry right now is we're seeing a lot of operational challenges that are actually staffing challenges. And I think that's something I want to help make sure everyone's on the same page with and that we work really hard on our end is understanding great staff leads to fewer operational challenges to people who are willing to go and beat up above and beyond and pick up the slack and making sure they're contributing. So I just want to see, you know, everyone find these ways for automation to find these ways to improve their livelihoods and to improve their restaurants because ultimately, the restaurant industry is changing and it's changing fast and we all know it and it's just a heartbreak anytime any restaurant closes so always happy to chat with you always happy to consult even if you've already got an IP solution even if you don't even accept tips. We'd love to chat with you offer any insights we have. We truly are passionate about this industry and I know you are as well. So anything we can do to help keep people flourishing in it. We're there for

Kirk I really appreciate taking the time today. I hope people flood your your phones, your email, however they want to communicate with you. Again, it's tip house and it's H au s right. Make sure we're spelling that right. That's going to be important. Thank you so much. I really appreciate you my friend.

Absolutely. David, thank you so much and thank you for giving so much back to the industry. I really appreciate your knowledge up there and space fears.

Hey, that was an awesome episode. I want to thank you for taking the time to take action on building a better, more prosperous restaurant. Before you go. I want to give you these three thoughts. One by combining leadership and taking action with systems and training being checked by accountability. You are on your way to creating prosperity for you and your restaurant to buy something I need from you. Please leave a review on Apple podcast Spotify or wherever you happen to listen to podcast by leaving us a review other restaurant pros seeking out this information are able to find it. I read the reviews and hearing how this information has benefited you. does wonders for me. And three if you find any of the discussions helpful share them, the more restaurant pros who have access to them, the better we become as an industry. For more restaurant resources or to get in contact with me. Connect with me at David Scott peters.com Be passionate about what you're doing. Be persistent, but more importantly become better and help everyone around you become better and your restaurant is going to kick some ass.