Server Tip Allocation Model

Mexican Food Restaurant Chain

Built a tip allocation model to better allocate the tip amounts to servers and server assistants based on their contribution to customer service

Tip Allocation Model for a Restaurant Chain

Situation

- All the assistants to servers in client's restaurants get a share of the total daily tips from the customers based on a legacy tip allocation process. This allocation process was not equitable and was subject to exploitation by the assistants as it didn't account for the time spent by the assistants. For example, assistants who supported for just 1 minute used to get the same tip share as the ones who supported an hour with the server.

- Partnered with the client to build a robust tip allocation model that accounts for the time spent by the server assistants
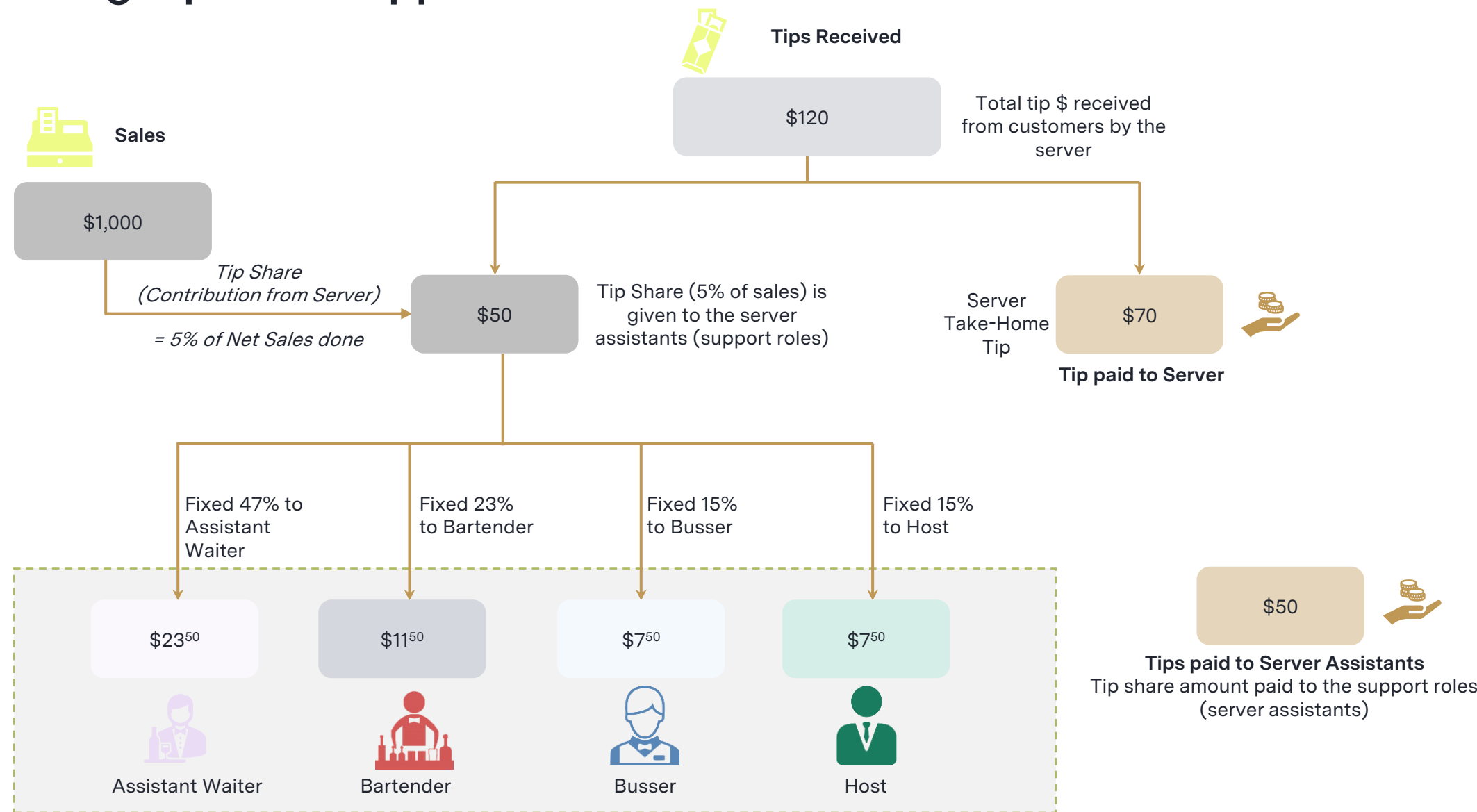
Accordion Value Add

- Integrated the employee attendance (timesheet) information with the tips & sales data. Determined the overlap time spent by each server assistant supporting the server. Calculated 'Per Minute Tip Share Contribution' based on the total time spent by the server

- Calculated the total tip share amount for each server assistant using the per-minute tip share and the time spent by the server assistant

- Any remaining tip amount (after sharing with server assistants) is awarded to the server

- Deployed this automated tip allocation model in the SQL server and integrated it with the client's payroll system

Impact

- The new tip allocation model helped the client reduce the discrepancies related to over-payment and under-payment of tips and ensured a fair share of tip amounts to all servers and server assistants

- The model helped in ~39% better allocation of tips to servers (where the change is more than $1 per hour) with ~$200K redistributed tip amount (per quarter)

Existing Tip Share Approach

Tips Received

Sales

$1,000

$120 — Total tip $ received from customers by the server

Tip Share (Contribution from Server)

= 5% of Net Sales done

$50 — Tip Share (5% of sales) is given to the server assistants (support roles)

Server Take-Home Tip — $70

Tip paid to Server

Fixed 47% to Assistant Waiter

Fixed 23% to Bartender

Fixed 15% to Busser

Fixed 15% to Host

$23^{50}

$11^{50}

$7^{50}

$7^{50}

Assistant Waiter

Bartender

Busser

Host

$50

Tips paid to Server Assistants
Tip share amount paid to the support roles (server assistants)

Enhanced Tip Share Approach

Sales

$1,000

Tip Share (Contribution from Server) = 5% of Net Sales done

Tips Received

$120

Total tip $ received from customers by the server

$50

Tip Share (5% of sales) is given to the server assistants (support roles)

Time

5 hours

Time spent by the server during the day

$10/hour

Per Hour Tip Rate = $0.167 per minute

Server Take-Home Tip

$70

+

$22^{65}

= $92^{65}

Tip paid to Server

Remaining Tip Amount

= $50 - $27.35

Overlap time with server

0.5 hour	5 hours	4 hours	5 hours
47% x $10/hr x 0.5 hr	23% x $10/hr x 5 hrs	15% x $10/hr x 4 hrs	15% x $10/hr x 5 hr
$2^{35}	$11^{50}	$6^{00}	$7^{50}
Assistant Waiter	Bartender	Busser	Host

$27^{35}

Tips paid to Server Assistants
Tip share amount paid to the support roles (server assistants)