

Cash, Out

How Top Restaurant Brands
Are Digitizing Their Tip
Payment Programs



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Cashless tip-outs transform an operational burden into a time-saving, cost-reducing employee benefit.

The best part? Brands that make the switch are seeing measurable ROI, overnight.

The Tipping Transformation

From online ordering to kitchen robots, restaurants and bars are leveraging technology across almost every aspect of their operations.

Almost.

Enter: tipping. Or more specifically, the process of paying out tips to employees.

Arguably the most analog and inefficient aspect of a restaurant's operations, the tip-out process could be considered the "final frontier" when it comes to automation.

But the tech has finally caught up – and the most innovative hospitality brands are taking note.

The upside of going digital is significant, which is why there is such a rapid push toward these days cashless tip payouts. Organizations that have chosen to make the switch are transforming an operational burden into a time-saving, cost-reducing employee benefit – and seeing ROI from day one.

Read on to see why top-tier brands are going digital, what the digital tipping landscape looks like, and how to optimize the tipping process across your entire organization.

Cash and The Tip-Out Dilemma

Hospitality has a tip payout problem.

For years, restaurants and bars have paid out tips in cash at the end of every shift. The nightly tip-out has long been a perk of working in hospitality – and for many employees, it's the reason they're drawn to the industry. They want and need instant access to their earnings.

But as we move toward an increasingly cashless society, cash tip-outs are becoming a liability that can negatively impact your operations, workforce and your bottom line.

Long story short: patrons aren't paying with cash anymore. Instead, the vast majority of consumers use credit cards or digital methods of payment, like Apple Pay.

As a result, there's never enough cash on hand to pay out tips at the end of a shift.

Some organizations have solved for the lack of cash on hand by putting tips on payroll. The problem with payroll, of course, is that employees must wait days or weeks for access to their earnings. For many people in the hospitality workforce, that's not feasible – leading to higher-than-average turnover, as workers seek out gig-economy jobs that will pay them the way they want to be paid. (That is: instantly.)

More than 90% of hospitality outlets continue to pay out tips in cash. And unfortunately, it's costing them.

The Hidden Costs of Cash Tip-outs

Today, restaurants that continue to pay out cash tips could be leaving money on the table (so to speak) – while causing unintended issues for their hard-working employees.

7 ways cash tip outs are impacting your profitability:

- 1 Weekly (or daily) bank runs.** With less cash on hand to pay out tips at the end of a shift, managers are leaving important duties behind to run to the bank (more often than ever before). Multiple bank runs a week add up to hours missed on the floor.
- 2 Expensive cash delivery.** Some restaurant teams opt to avoid bank runs and instead pay for armored car services to deliver cash. While that keeps managers on-site, it's an additional expense that still doesn't solve for other cash management woes.
- 3 Labor costs.** Cash distribution takes time. While managers are wasting hours on bank runs and cash counting, you're paying employees to wait on the clock for their cash tips to be distributed. (To quantify this, pick a state. How about Colorado, where the server minimum wage is \$8.98? If a Colorado restaurateur has 10 employees waiting together on the clock for 15 minutes, that's 150 minutes of unnecessary compounded labor or \$22.45/day – almost \$675/month.)

“We used to go to the bank 3-4 times a week, and we'd walk out with \$10,000-\$15,000 in cash. Now that we're using Kickfin, I think I've been to the bank once in the past month. As an operator, there's a sense of security that we no longer need to have that much cash on site.”

Andres Sweek

Managing Partner, Southern Proper Hospitality

- 4 Theft and skimming.** An estimated \$3-6 billion of revenue is lost annually as a result of employee theft. Tough times – or pure temptation – can lead good people to justify illegal behavior. But having large amounts of cash on premises isn't only a liability for business owners: when your tipped employees walk out the door with wads of cash in their pockets, they're at risk of theft, too.
- 5 Accounting and reporting.** Cash tips are hard to track, which means reporting can be complicated and prone to human error. That causes headaches for your bookkeeper or accountant, and could even put you in hot water with the IRS.
- 6 Transparency and trust.** Poor visibility isn't just an accounting problem. Cash tips and counting errors – real or perceived – can lead to tip disputes and erode trust between managers and employees.
- 7 Rounding up.** It's not unusual for employers to round up to the nearest dollar to simplify and speed up the tip payment process. But when that happens over and over (and over) again, it adds up to a lot of lost dollars, fast.

Cash tipping and the cost of turnover

It's no secret that hospitality has a high turnover rate compared to other industries. Combined with a seemingly never-ending labor shortage, the survival of many restaurants depends on their ability to attract and retain top talent.

And today, that top talent is demanding instant, digital access to their earnings.

According to a recent report from PYMNTS.com:

83%

of workers want instant access to their earnings after every shift.

80%

of workers prefer funds automatically streamed to their bank accounts.

81%

of workers are more likely to choose an employer that offers on-demand pay.

That means when organizations continue to rely on “old-school” methods of payment – i.e. slow and analog – they risk losing to talent to other gig-economy employers that are willing to pay their people instantly and digitally. (Think: Uber, DoorDash, Instacart.)

At the end of the day, people want options. Unlike cash, a robust digital tipping solution allows employees to choose the way they want to receive their earnings – which puts them in control of their finances and goes a long way toward cultivating an employee-first culture.

THE #1 TIP DISTRIBUTION SOFTWARE

Kickfin is the largest enabler of real-time tip disbursements in the U.S.

Thousands of hospitality employers use Kickfin to send instant, cashless tip payments directly to employees' bank of choice – 24/7/365



The ROI of Digital Tipping

Given the increasing challenges that cash tip payouts entail, it's no surprise that brands like Marco's Pizza, Walk-On's Sports Bistreaux, Rock N' Roll Sushi, and Melting Pot are transforming their cash tip programs into digital ones.

First things first: What's a digital tipping solution?

Instead of paying out your bartenders, servers, and other floor staff in cash tips, digital tipping is a method of distributing tips electronically. With a platform like Kickfin, managers send tips directly to their employees' personal bank accounts at the end of every shift – 24/7/365. Tips appear in their accounts in seconds and are immediately ready to use, whether it's 2 a.m. or Labor Day.

A digital tip payment platform eliminates the hassles and costs of cash tips while still paying your employees instantly – A.K.A. “the best of both worlds.”

- **For employees:** Cashless tipping options ensure that tipped employees can continue to maximize their tip earnings and access them in a timely manner. They can also make it easier for employees to accurately track and report on their tip earnings for tax purposes (which, in turn, ensures they can qualify for unemployment, loans, mortgages, credit cards, etc.)
- **For employers:** Introducing cashless tipping into your operations gives you a more seamless way to facilitate tipping across your team, building more transparency, trust, and employee loyalty. Cashless tipping also allows you to track tips more carefully, both for reporting to the IRS and so you can better understand employee performance.

**Not sure about the ins and outs of cashless tipping?
Check out Cashless Tipping 101!**

[Learn More](#)

The upside of going digital



No more bank runs

The great thing about digital tip payouts? You never have to worry about having enough cash on hand at the end of a shift. That means no more bank runs. (Or, if you've resorted to paying for pricey armored car services, it's an expense you can cut: using a digital tip payout solution is only a small fraction of that cost.)



Cut labor and admin costs

When your tip payment process is truly instant, you don't have to pay employees to wait around, on the clock, while their manager goes to the bank, counts and distributes tips.



Stay competitive in a tough labor market

Employees want instant access to their tips, so real-time, digital tip payouts are a great recruiting tool. You can offer all the fun employee perks in the world, but if you aren't ensuring that your employees are getting instant access to their earnings, then those short-term gimmicks (think: hiring bonuses) will only go so far, and your employees will be bouncing from one job to the next. Cashless tip distribution is a sustainable, cost-effective way to reduce employee turnover.



Maintain compliance

Hospitality employers must pay at least the federal minimum wage, which comes to \$7.25. Under the Fair Labor Standards Act (FLSA), however, restaurants are eligible for a tip credit, which allows them to drop that number to as low as \$2.13 an hour (depending on the state in which your business operates), relying on tips to make up the difference. This puts the onus on the employer to ensure their employees are receiving enough tips to get them to minimum wage. Digitizing tip-outs makes it easy to track and report tips – giving you, your employees, and your accounting team 100% visibility.

Also worth noting: Tip pooling laws are complicated and can vary greatly from one state to the next. Cashless tip distribution software helps restaurants maintain compliance, ensuring your employees are being treated fairly and that only the right members of your team are receiving tips (i.e., not managers) – keeping your restaurant out of legal hot water.



Make tracking and reporting a breeze

Digital tipping provides 100% transparency for employers, employees, and bookkeepers and accountants – and leaves zero room for human error.



Reduce risk

Less cash on the premises means lower risk of skimming and theft from your business. And more importantly: sending tips directly to your employees' bank accounts keeps them safer, too.

Choosing a Digital Tipping Solution

If you're considering a digital tipping solution, start with an evaluation of your organization's tip program.

- Are you paying out tips in cash, on payroll, or on paycards?
- What's working well, and what's not?
- What are the immediate and long-term results you're hoping to achieve?
- Which departments from your organization should be involved in the decision-making process?

Top 5 Digital Tipping “Must-Haves”

The digital tipping landscape is rapidly evolving – a testament to the demand for cashless solutions across the hospitality industry.

As you're evaluating solutions, the following features and capabilities should be “non-negotiables” to ensure you maximize the benefits of a digital tipping program.



Real-time:

That means funds are sent, delivered, and available for employees to use instantly. As in, seconds after their shift ends. Why? Real-time tip payouts offer all of the perks of cash – immediate access to funds – without any of the hassle that comes with cash. Note: real-time should mean anytime, whether it's 2 a.m or a bank holiday.



Direct to bank of choice:

A robust digital tipping solution should connect to 100% of all 10,000 banks. That means no matter where your employees bank, their funds will be sent instantly and directly to their bank account.

Some digital tipping solutions require employees to use pay cards, but those can create issues for your employees:

- **Hidden fees:** Employees may get hit with predatory pay card fees when they want to make a purchase, withdraw cash, or even check their balance.
- **Transfer times:** If an employee wants to transfer funds from their pay card to their bank account (where they typically prefer their money to live), it can take 2-4 full business days. And again, they might run into fees when doing so. At best, it's an annoyance – but it can be especially problematic for hospitality workers who are living paycheck-to-paycheck.
- **Low vendor acceptance:** Pay cards are different from debit or credit cards. It's not unusual for pay cards to get turned down by specific types of vendors, and the ATM network can be limited.



Employee options:

While real-time, direct-to-bank-of-choice tipping might be the “gold standard,” every company, team and employee is different. With that in mind: look for a solution that gives you and your people options. For example, some employers offer a choice between sending tips straight to their employees' bank accounts or added tips to their paychecks. A robust solution like Kickfin will allow for high levels of flexibility.



Compliance:

Tipping regulations are always changing, and they can vary at the federal, state and local levels. What's more: we're seeing an increase in litigation around issues like illegal tip pools – which can cost employers millions of dollars. The right tipping platform puts guardrails around your tipping program, and also allows you to set rules globally and on a per-site basis to ensure you're operating within the letter of the law, regardless of your geographic footprint.



Support:

Ideally, the digital tipping platform you select will be lightweight and easy to implement. But as with any technology, issues will arise. Make sure your vendor has a robust and responsive customer support team so you can always get in touch with a human when you need one.

Taking Tip-outs Digital with Kickfin

“The best place for employees’ earnings is their bank accounts – so why not send it straight there?”

Chris McJunkins

CEO, Chris McJunkins Hospitality



“We’ve done cash tips. We’ve done tips on payroll. We’ve tried prepaid cards. None of those keep you competitive with other employers. Kickfin does.”

Shane Farzad

Head of Operations, Fabio Viviani Hospitality



“Kickfin improved cash management in the store, it simplified our tip-out process – all without passing unnecessary costs to the employees.”

Nick Morris

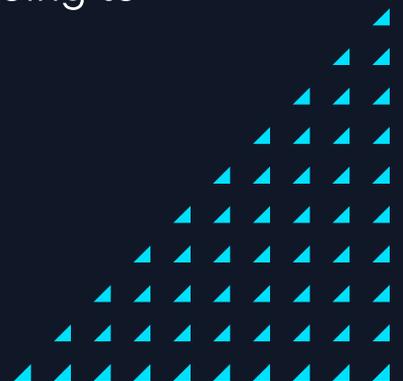
Director of Operations, TEB Management



“One of the biggest benefits of switching to Kickfin is that we don’t have employees questioning their money or worrying about when their tip cards will be ready. Employees are confident knowing that money is going to just flow into their accounts.”

Christina Antizzo

Director of HR, Rock N Roll Sushi





Learn more about Kickfin's instant tip payout platform!

Get a personalized demo today

[See Kickfin in Action](#)

