



How to **Structure Bonuses** at Restaurants

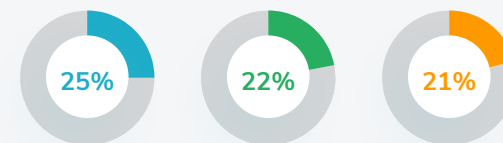
When Employees Act Like Owners, Profits Soar

In almost every industry, top-performing businesses are incentivizing employees to act more like owners. The thinking is simple: When pay is tied to performance, people are more strongly aligned to the company's overall goals and more accountable for their own performance. The right incentives prompt employees to act entrepreneurially - leading them to go the extra mile to help the organization succeed.

It's ushered in an era where "intrapreneurs" are doing incredible things to increase revenues, reduce costs, and drive profits higher. Facebook's famous "Like" button wasn't invented by Marc Zuckerberg. It was created by an engineering team including Leah Pearlman¹ and Justin Rosenstein² — and it helped transform Facebook into a multibillion-dollar data and advertising engine. Google's crazy popular Gmail was invented by engineer Paul Buchheit³ and is now used by 1.5 billion people around the world.⁴ The incredibly handy Post-it Note? It was invented by 3M chemist Spencer Silver, and 50 billion are sold each year.⁵ These employees acted like owners and created innovations that truly changed the game for their companies.

When restaurants incentivize employees to act like owners, they're more engaged and perform at a higher level. Want your chef to create a delicious, innovative new menu item? Want your manager to promote your restaurant to her Instagram followers? Give them bonuses. In fact, 67% of restaurant employees would like to receive paid bonuses as recognition for a job well done.⁶

How to Structure Bonuses at Restaurants



Bonused employees are more engaged — and engaged employees perform better. **Companies in the top 25% in employee engagement ratings** are **22% more profitable** and **21% more productive** than the rest. They also saw significantly lower turnover, absenteeism, and workplace injuries.⁷

1. Vice
2. The Verge
3. Time
4. CNBC
5. CNN
6. 7Shifts
7. Gallup



In restaurants, bonuses and incentives lead to increases in:

Alignment

When you align business goals with performance goals, managers and restaurant operators work together to increase sales and profits and cut costs.

Ownership

When chefs, managers, and service staff feel like their actions truly matter to the bottom line, they're empowered to work harder. That also entices them to stay at your business longer, despite working in an industry where turnover rates can rise as high as 150%.⁸ It has the potential to save you a lot of money, because turnover costs hospitality businesses \$5,864 per employee.⁹

Accountability

Bonused employees are held accountable to specific performance metrics, making it much easier for them to understand how their compensation is being evaluated and shoot for great results.

67%

of restaurant employees would like to receive paid bonuses as recognition for a job well done⁶

\$5,864

the average cost of turnover per employee for restaurants

\$13,867

the average cost of turnover per manager for restaurants¹⁰

Why Bonuses Are Right for Your Restaurant

A properly planned bonus structure will empower your employees and incentivize them to think like owners and do their best work every day. Still, some restaurant operators may not see the benefits of bonuses and think they're simply too generous. Here's a list of reasons why bonuses are a money-maker for your business.



Align the efforts of top workers (like chefs/managers) with the financial performance of the overall business.



Attract talented people. The promise of a bonus can be the deciding factor that lures someone to join your restaurant.



Retain top employees. The restaurant industry and its sky-high turnover rates make employee retention a must.



Motivate people to work harder. When bonused employees are incentivized with the promise of more pay, they're more likely to be engaged in their day-to-day jobs. It puts employees' compensation in their control.



Foster leadership and teamwork. Hitting their bonus metrics requires a level of leadership to ensure that the entire team is working cohesively to lower costs and maximize the customer experience.

Which employees should you bonus and why?



General Manager

If anyone acts like an owner, it's the GM. They control purchases and inventory. They work closely with account managers and vendors. They negotiate prices and contracts. They evaluate staff members. They're your restaurant's top boss and liaison to ownership — they should definitely be part of your bonus structure.



Chef

They run your kitchen. They create your menu. They work long hours from prep to close. Incentivizing them can create a much better (and tastier) final product and a more cohesive kitchen.



Front-of-House Manager

They shape the guest experience and are responsible for an ever-changing staff. Extending bonuses to them can motivate them to create the best teams possible.



Beverage/Bar Manager

They're in charge of keeping the social lubricant flowing. Incentivize them to keep sales up, waste to a minimum, and theft to zero.



Recipe for Creating Bonus Structures

- ✓ **Plan bonus structures with your employees.**
Create buy-in from the start. When employees are able to help set goals for sales, marketing, food costs, labor costs, and other metrics, they're more likely to have a sense of responsibility and accountability to hitting those metrics.
- ✓ **Be transparent.**
To truly empower people to make positive changes, you've got to show them your finances. Being transparent gives them the insight they need to move your metrics in the right direction. In fact, 70% of workers say they're most engaged when senior leadership is open about company strategy and policy.¹¹
- ✓ **Fairness is a must.**
Bonus incentives should not only create a win-win situation for employees, but also for the restaurant operator.
- ✓ **Objectives need to be reasonable and easily understood.**
Make sure goals are aligned with industry standards rather than an unachievable metric that only the top-performing restaurants can reach.
- ✓ **Give the chef/manager a realistic timetable to hit their goals.**
Quarterly bonuses give your team the time to create a plan, execute it, and make progress toward it.
- ✓ **Evolve your bonus structure as your restaurant grows.**
As a younger restaurant, you might not be in a position to offer generous bonuses, so you may want to stick to budgetary goals. As you grow, you can expand those bonuses and re-examine the key performance indicators (KPIs) to ensure they're in line with the restaurant's current goals.

11. Entrepreneur

Common Bonus Mistakes

If structured incorrectly, bonuses can go from motivating to frustrating and discouraging. Here are some common bonus fails to avoid.



Managers don't have input from the planning stages.

When they're simply told the structure and terms, they aren't likely to be as motivated.



The bonus structure makes corner-cutting too easy.

Let's say you're bonusing a chef on lowering food costs. That could inadvertently incentivize the chef to shrink portion sizes or use lower-quality ingredients, causing menu items to suffer.



The goals are unattainable.

If you set metrics too high, your team won't bother trying to hit them.



The goals are too small.

The payout needs to be significant and worth fighting for.



You aren't using a digital restaurant management solution to easily catch fraud.

Let's say a manager intentionally hides an invoice so the food costs aren't counted against their bonus metrics. That would be impossible with a digital solution that provides notifications when new invoices arrive.



Bonused employees aren't empowered to make necessary changes anyway.

You must give workers the power to make critical decisions and change broken processes if you want them to truly thrive.



The bonuses are guaranteed.

Typically, you'll make employees work to attain certain metrics. But in some cases, guaranteeing bonuses could help you recruit a talented chef or manager. Also, they can be used to attract a "fixer" who can turn around a failing restaurant. If you must guarantee a bonus, make sure you only do so for a fixed time — then change it to merit-based.



The goals are only based on overall restaurant success.

The failure or underperformance of one unit could cost people on a high-performing, engaged team their bonus money.

Evaluations

Before you create a bonus structure, it's important to understand what metrics are most important to your restaurant. Looking to improve the customer experience? Weigh online reviews and secret shopper results higher than other metrics. Want to control costs? Give extra weight to food cost figures. In any restaurant, there are basically four main business areas to evaluate:



Sales

Sales metrics measure the amount of revenue you've earned over a particular period of time.

Pro tip: Bonus a chef or general manager based on overall sales — or get more nuanced, providing bonuses for food sales to a kitchen manager and bar sales to a bar manager.



Costs

Bonus employees on how well they control expenditures from food costs to labor costs.

Pro tip: Encourage restaurant leaders to strategically control costs. Institute an ideal cost threshold that a chef/manager can't fall below so you know they're not sacrificing portion sizes, food quality, or staff just to hit their bonus metrics.



Profitability

Tie bonus to profits, allocating a percentage for employee rewards.

Pro tip: Choose a percentage that allows you flexibility with your margins. You want to select a number that allows you to gradually increase if the program goes well, or gradually decrease for slow seasons.



Customer satisfaction

Measure how well customers are enjoying your restaurant by analyzing online reviews and secret shopper scores.

Pro tip: People are more likely to write negative reviews online, so analyze their specific complaints to make sure they're accurate. Was the manager actually rude when saying they need to wait for a table? Or did the customer simply not have a reservation? Remember, subjectivity is important in this category.

Crunching the Numbers

Now that you know which metrics are most important to your restaurant, it's time to start some calculations. Only you will know the best way to structure bonuses for your particular business needs, but hopefully the simple structures we provide below will help inspire you to create the right solution for your team.



If you want to control costs:



CHEF

Salary:
\$100,000

Bonus structure:
Up to 20% of salary (\$20,000)

KPIs:
30% food costs (Met requirement)
30% labor costs (Did not meet requirement)
15% food sales (Met requirement)
10% evaluations from your team (Met requirement)
10% net profit for overall restaurant (Met requirement)
5% on reviews/secret shopper results (Did not meet requirement)

Earned **65%** of potential \$20,000 bonus

Bonus = \$13,000



GENERAL MANAGER

Salary:
\$60,000

Bonus structure:
Up to 10% of salary (\$6,000)

KPIs:
40% labor costs (Met requirement)
20% sales (Did not meet requirement)
20% reviews/secret shopper results (Did not meet requirement)
10% net profit for restaurant (Met requirement)
10% evaluations from your team (Met requirement)

Earned **60%** of potential \$6,000 bonus

Bonus = \$3,600



FRONT-OF-HOUSE MANAGER

Salary:
\$45,000

Bonus structure:
Up to 10% of salary (\$4,500)

KPIs:
40% labor costs (Met requirement)
20% sales (Did not meet requirement)
20% reviews/secret shopper results (Met requirement)
10% evaluations from your team (Did not meet requirement)
10% net profit for restaurant (Met requirement)

Earned **70%** of potential \$4,500 bonus

Bonus = \$3,150



BEVERAGE MANAGER

Salary:
\$50,000

Bonus structure:
Up to 10% of salary (\$5,000)

KPIs:
50% alcohol costs (Did not meet requirement)
20% alcohol sales (Met requirement)
10% reviews/secret shopper results (Did not meet requirement)
10% evaluations from your team (Met requirement)
10% net profit for restaurant (Met requirement)

Earned **40%** of potential \$5,000 bonus

Bonus = \$2,000

If you want to increase sales:



CHEF

Salary:
\$100,000

Bonus structure:
Up to 20% of salary (\$20,000)

KPIs:
15% food costs (Met requirement)
15% labor costs (Did not meet requirement)
45% food sales (Met requirement)
10% evaluations from your team (Met requirement)
10% net profit for restaurant (Met requirement)
5% on reviews/secret shopper results (Did not meet requirement)

Earned **80%** of potential \$20,000 bonus

Bonus = \$16,000



GENERAL MANAGER

Salary:
\$60,000

Bonus structure:
Up to 10% of salary (\$6,000)

KPIs:
20% labor costs (Met requirement)
45% sales (Did not meet requirement)
10% reviews/secret shopper results (Did not meet requirement)
20% net profit for restaurant (Met requirement)
5% evaluations from your team (Met requirement)

Earned **45%** of potential \$6,000 bonus

Bonus = \$2,700



FRONT-OF-HOUSE MANAGER

Salary:
\$45,000

Bonus structure:
Up to 10% of salary (\$4,500)

KPIs:
20% labor costs (Met requirement)
45% sales (Did not meet requirement)
10% reviews/secret shopper results (Met requirement)
5% evaluations from your team (Did not meet requirement)
20% net profit for restaurant (Met requirement)

Earned **50%** of potential \$4,500 bonus

Bonus = \$2,250



BEVERAGE MANAGER

Salary:
\$50,000

Bonus structure:
Up to 10% of salary (\$5,000)

KPIs:
50% alcohol costs (Did not meet requirement)
20% alcohol sales (Met requirement)
10% reviews/secret shopper results (Did not meet requirement)
10% evaluations from your team (Met requirement)
10% net profit for restaurant (Met requirement)

Earned **40%** of potential \$5,000 bonus

Bonus = \$2,000

If you want to increase profits:



CHEF

Salary:
\$100,000

Bonus structure:
Up to 20% of salary (\$20,000)

- KPIs:**
- 20% food costs (Met requirement)
 - 20% labor costs (Did not meet requirement)
 - 10% food sales (Met requirement)
 - 5% evaluations from your team (Met requirement)
 - 40% net profit for restaurant (Met requirement)
 - 5% on reviews/secret shopper results (Did not meet requirement)

Earned **75%** of potential \$20,000 bonus

Bonus = \$15,000



GENERAL MANAGER

Salary:
\$60,000

Bonus structure:
Up to 10% of salary (\$6,000)

- KPIs:**
- 20% labor costs (Met requirement)
 - 20% sales (Did not meet requirement)
 - 10% reviews/secret shopper results (Did not meet requirement)
 - 40% net profit for restaurant (Met requirement)
 - 10% evaluations from your team (Met requirement)

Earned **70%** of potential \$6,000 bonus

Bonus = \$4,200



FRONT-OF-HOUSE MANAGER

Salary:
\$45,000

Bonus structure:
Up to 10% of salary (\$4,500)

- KPIs:**
- 20% labor costs (Met requirement)
 - 45% sales (Did not meet requirement)
 - 10% reviews/secret shopper results (Met requirement)
 - 5% evaluations from your team (Did not meet requirement)
 - 20% net profit for restaurant (Met requirement)

Earned **50%** of potential \$4,500 bonus

Bonus = \$2,250



BEVERAGE MANAGER

Salary:
\$50,000

Bonus structure:
Up to 10% of salary (\$5,000)

- KPIs:**
- 20% alcohol costs (Did not meet requirement)
 - 20% alcohol sales (Met requirement)
 - 10% reviews/secret shopper results (Did not meet requirement)
 - 10% evaluations from your team (Met requirement)
 - 40% net profit for restaurant (Met requirement)

Earned **70%** of potential \$5,000 bonus

Bonus = \$3,500

If you want to increase customer satisfaction:



CHEF

Salary:
\$100,000

Bonus structure:
Up to 20% of salary (\$20,000)

KPIs:
20% food costs (Met requirement)
15% labor costs (Did not meet requirement)
15% food sales (Met requirement)
5% evaluations from your team (Met requirement)
5% net profit for restaurant (Met requirement)
40% on reviews/secret shopper results (Did not meet requirement)

Earned **45%** of potential \$20,000 bonus

Bonus = \$9,000



GENERAL MANAGER

Salary:
\$60,000

Bonus structure:
Up to 10% of salary (\$6,000)

KPIs:
20% labor costs (Met requirement)
20% sales (Did not meet requirement)
40% reviews/secret shopper results (Did not meet requirement)
10% net profit for restaurant (Met requirement)
10% evaluations from your team (Met requirement)

Earned **40%** of potential \$6,000 bonus

Bonus = \$2,400



FRONT-OF-HOUSE MANAGER

Salary:
\$45,000

Bonus structure:
Up to 10% of salary (\$4,500)

KPIs:
20% labor costs (Met requirement)
20% sales (Did not meet requirement)
40% reviews/secret shopper results (Met requirement)
10% evaluations from your team (Did not meet requirement)
10% net profit for restaurant (Met requirement)

Earned **70%** of potential \$4,500 bonus

Bonus = \$3,150



BEVERAGE MANAGER

Salary:
\$50,000

Bonus structure:
Up to 10% of salary (\$5,000)

KPIs:
20% alcohol costs (Did not meet requirement)
20% alcohol sales (Met requirement)
40% reviews/secret shopper results (Did not meet requirement)
10% evaluations from your team (Met requirement)
10% net profit for restaurant (Met requirement)

Earned **40%** of potential \$5,000 bonus

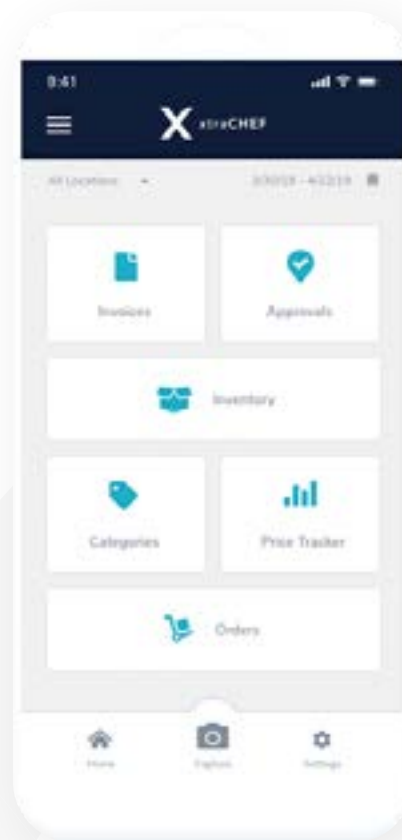
Bonus = \$2,000



xtraCHEF is a cloud-based restaurant management platform that gives your team — from kitchen staff to the accountant — tools and insights to improve productivity and maximize profits. Leveraging a combination of machine learning, data science, and quality control, xtraCHEF combines business intelligence, operations, and automation in one easy-to-use platform.

By automating time-consuming tasks related to ordering, accounts payable, budgets, and cost management, xtraCHEF helps restaurant groups build back-of-house operations that scale.

Setting up a bonus structure at your restaurant is easier with the help of xtraCHEF. With your data easily accessible in a simple dashboard, you can easily determine which metrics you're hitting and which ones need to be improved. With the ability to monitor food costs and other metrics in real time, you can change bonus structures as your restaurant evolves.



Contact

xtrachef.com
347.549.4349
info@xtrachef.com

NYC | Philly

