

Edition 1.0



A Mise-en-Place Field Guide

The Service-Included/No Tipping Business Model

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Based on Mise-en-Place
Season 2 Episode 1



THE MISE EN PLACE
PODCAST

COOKSCAMP

season II

The Chefs' Table Society of British Columbia (CTS)

A province-wide collaborative that fosters essential dialogue between culinary professionals.

We support innovative, sustainable programs that inspire, educate and nurture cooks, producers and regional food industries.

We promote standards of excellence that strengthen our regional cuisines.

To ensure a valued legacy for all professional cooks, the Society is working to establish the CTS Culinary Library.

COOKSCAMP

An event to both celebrate and transform the hospitality industry in Canada. Participants can exchange knowledge and share camaraderie essential to the sustainability of our craft.

COOKSCAMP is produced by the Chefs' Table Society of BC in support of its upcoming legacy project, the CTS Culinary Library.

WOOD FIRE OVEN
FORNO A LEGNA



Introduction



Hello. Welcome to the **Mise-en-Place Field Guide**, produced alongside Season 2 of the **Mise-en-Place podcast** by the Chefs' Table Society of British Columbia.

We've created this e-book to **help everyone in the industry implement the kind of change we've been only talking about for too long.** And this topic is the ideal place to start.

As I've mentioned more than once on the podcast, the **service-included or 'no tipping' model** has been a pet research project of mine for a few years. I'm convinced that it's **central to the necessary evolution of our industry** to a **more resilient, sustainable and attractive workplace** for professional cooks and all our colleagues.

Here's the short list of **what it can do:**

- it can **eliminate** the widespread and continually growing **income gap** between the front and back of house;
- it can **reduce the risk and liability** for both employer and employee of **unpaid taxes**;
- it can **dispel the notion** that restaurant **service work is transitory** and **promote professionalism**; and
- it will **support efforts** to **eliminate** racism, sexism, ageism, misogyny and sexual harassment in the industry.

And there are essentially **two implementation tracks** to follow, neither of which seem easy, though the first would appear to be a tad simpler.

The **first track** applies to **new-build or renovated/reopened** operations.

Here's the **checklist:**

- Set your menu prices to enable paying a living wage to both front- and back-of-house staff; this will be determined largely on financial projections and hard costs.
- Train your staff to efficiently and clearly explain why the restaurant does not accept tips.
- Build the restaurant's culture around transparency and honesty on all business matters.
- Make service-included and living wages part of the marketing plan.

The **second track** aims to **reverse engineer** the standard restaurant operating model (where tipping is part of the revenue stream) to a service-included operation. The actions on this checklist include those of the first track, but **add these mission-critical steps:**

- Review the financial pros-and-cons with the ownership/management team.
- Consult accountants to forecast the real costs and impacts on employees.
- Talk to your staff. Often. Explain what you want to do, why and when you want to start. Ask for recommendations and work through scenarios on how it can work. Be prepared for staff turnover, both front and back.

That's what it looks like on paper. Of course, it's always helpful to get some **'real world' experience**, which is what you'll find **in these pages.**

We hope you'll **be inspired** to **give the service-included model a try** in your operation.

We'll do our best to help.

A handwritten signature in black ink, appearing to read 'Robert Belcham'.

Robert Belcham, Host/Co-producer

Past President, Chefs' Table Society of British Columbia

Chef/Co-owner, Popina Canteen/Popina Cantina/Monarch Burger, Vancouver

Section 1

Groundwork

Though it's the more difficult track, 99 per cent of operations making the switch to the service-included model face a 'reverse engineering' project with multiple angles to consider and numbers to crunch to make the transition successful.

Carl Heinrich, chef-turned-general manager (in part, in order to devote more development time to the service-included model) of **Richmond Station**, a busy upscale/casual operation in downtown **Toronto**, has certainly worked the angles and numbers on this model as much as anyone in Canada has.

Here's Carl's **outline** of the process that laid the **groundwork** for his operation's transition to the service-included model.**

The Rationale

My business partner Ryan (Donovan) and I have discussed and researched this changeover for a long time. A very long time.

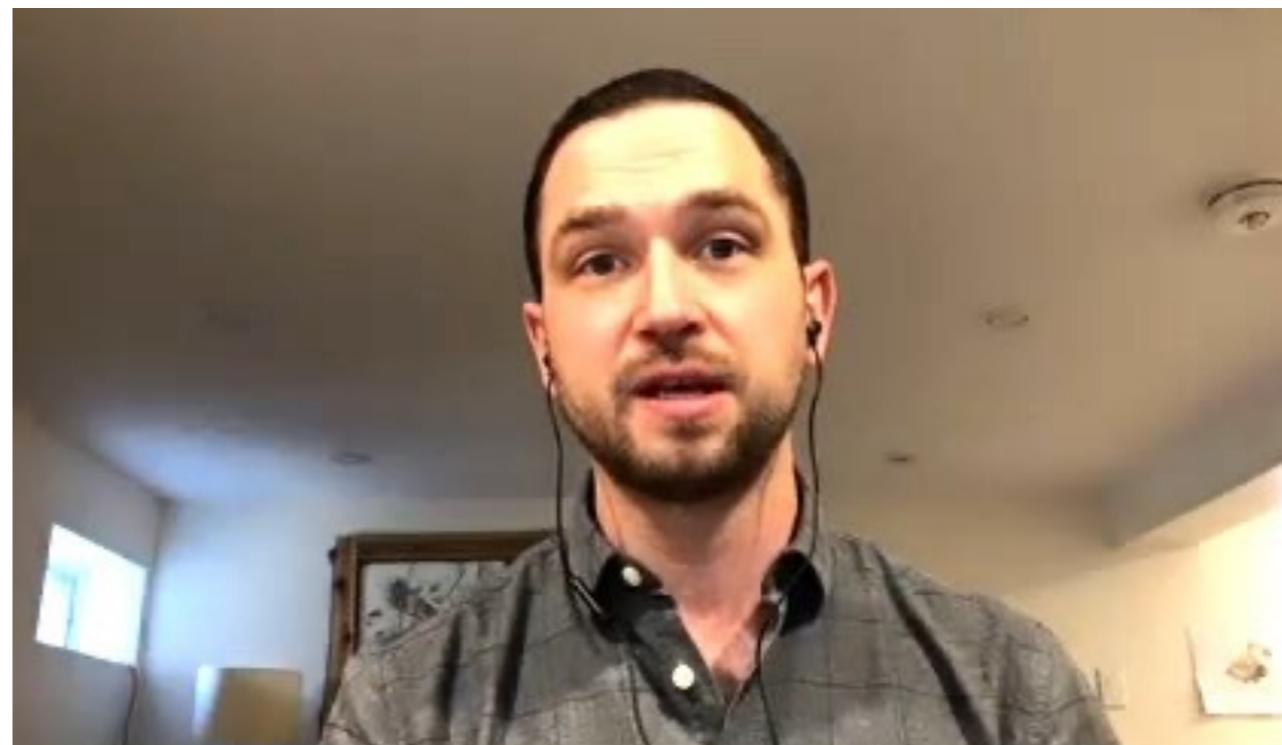
Among all the good reasons to make the switch (outlined in the Introduction), two factors drove our model.

First, paying out tips to the service staff in cash. Given that 95 per cent of our weekly revenue doesn't come in cash, we were regularly going to the bank to withdraw thousands of dollars earmarked as tips and leaving the cash on the table. The staff controlled the distribution, which is not only inefficient but also quite illegal (from a taxation point-of-view).

Secondly, the amount of a tip and how it's earned is completely arbitrary. It can be based on an individual's preferred standard (15% and up), their rating on the quality of service they receive, the quality of the food, the temperature of the room and any number of reasons.

Moreover, the model is essentially disconnected from the standards of equity and equality we apply in managing and compensating our staff.

That needed to change.



The Research

Our initial research in service-included models led to a 2016 visit with the Union Square Hospitality Group in New York City, owned by famed restaurateur Danny Meyer, who at the time led a well-publicized (and ultimately unsuccessful) attempt to switch to this model. They willingly shared all the details of their approach, but it was evident that they had issues to deal with (in the US) beyond simple pay equity.

Throughout our research, it also became clear that it isn't necessarily been about what works and what doesn't work, or which models are great and which are poor...because there are simply not very many models to follow.

At the same time, Ryan and I were tired of looking at these issues, having moral debates and not putting our money where our mouth was.

How could we continue to say that we're a good employer, and not make these changes?

The Research (cont'd)

The change to service-included really is the 'top of the mountain' when it comes to addressing most of the really important issues in restaurant culture. That's clear when you pencil it out, for example:

- how to pay our cooks better wages? Well, raising menu prices can help, but also put the already low profit margin at risk. And higher menu prices also increase tips, so that doesn't help, especially in
- securing front-of-house management. Promoting our best service staff ought to be our best career path to management, but most servers say they don't want more responsibility along with a pay cut.

And so, all the research pointed to the solution - getting rid of tips.

Plugging numbers into a spreadsheet told us the payroll cost would average eight to 10 points. All things being equal (e.g. no compromise on product sourcing and quality) the impact of payroll and potential for increased difficulty finding front-of-house staff were the primary costs to making this transition.

However, we also calculated the benefits of retaining our best kitchen staff, and estimated the overall cost of weathering the bumpy stretch of time needed to get everyone, customers included, on the same page.

As we prepared to take the plunge, along came the pandemic... offering a twist, albeit an extremely challenging one, to achieve our goal with a whole other model.

Step One, Unexpectedly

After being closed for a few months, we re-opened in June 2020 for takeout and delivery, and invited our entire staff back.

Without a dining room, service staff came in to handle orders and preparation of take-out bags and such for which they were paid a healthy hourly rate comparable to the cooks. As well, we weren't accepting tips on take-out orders. It seemed the moment was at hand.

We discussed it with our staff and then sent a press release to our clients and the public. And we continued not taking any tips and raised the prices of the menu accordingly.

While the switchover happened in less than a week, unlike the pandemic, this idea didn't come out of the blue. We had discussed and promoted the change with our staff at most every staff meeting for the past five years.

I heartily recommend taking the time to have substantial consultations with everybody involved. Be honest and fully transparent about the impact of this change on everybody in the operation...ownership/management included.

Changes. Yes and No.

One of the biggest roadblocks to making the transition to the service-included model is the level of change involved.

If we'd been asked two years ago, we'd have said we didn't want to fundamentally change our restaurant, its culture or menu prices.

We were fortunate, ironically, to discover during this challenging period that the leveling enforced by the takeout/delivery model revealed the positive benefits of this wholesale change.

There's no talk about cash, no talk about pay. It really feels like one team, front and back. There's no divide at all. Everybody's getting paid the same way.

It's not the way we anticipated getting here, but we're here to stay.

The Crunch

But, as mentioned earlier, this a costly process. Higher wages, payroll taxes and benefits...all of which add up quickly. .

Another cost comes in communicating the change to clients and staff, from the wholesale changeover in menus to marketing and messaging. It can take a lot of time, though you can employ people to do that.

We've found that the best way to handle communication is to do it ourselves...from the language on the website, media campaigns, regular dialogue with staff.

There's quite a bit of work there, but it keeps things on track.

Measurably better

Unlike traditional business models, at this stage, it's difficult to itemize and measure success with this model. The bottom line can be black, occasionally red, but there's more to it.

Though we haven't being at it long enough to evaluate staff recruitment and retention. I know we're a better restaurant all-around from a policy point of view, We're a much better employer than we've ever been.

Our plan is to identify and develop key performance indicators for this model, but for now the core measure is a moral one. We feel really good about it.

We've also learned that it's not as simple as tacking on 20 per cent to every menu item, because sticker shock is still a factor on certain items, even when customers support the change. There's some 'massaging' required, like with desserts, which I believe are always underpriced.

You have to listen to your customers and, more importantly, be consistent in how you talk to them. We wrote a little handbook for everybody, coached our team on it, walked through the interactions.

Many servers are professional talkers, and the concept is an easy sell. "We don't accept tips because the cost of service is on the menu. It's the same for every customer and because of this change, we are all making a living wage." Hard to argue with that.

More learning

We're really happy with the process we went through. Doing all the work ourselves was the right way to do it. Putting a change like this in somebody else's hands hurts the transparency needed to achieve buy-in from the entire team.

Despite the unique circumstances, I do wish we could have given our staff more time to make the transition. Talk about a reasonable timeline, make a roadmap or a checklist of how things should change and when,

You have to be prepared to do that and do all the work yourself as an ownership/management team.

Because if you don't, then nobody else is going to do it as well as it should be done.



Section 2

Prep + Warm-up

02 Prep + Warm-up

As Carl Heinrich reiterated in the previous section, effective and frequent communication is as much a part of the foundation of the service-included model as revised pay scales and menu prices.

But which is the best way to manage that communication? How often should staff and management meet, and what is an appropriate timeline? Should the entire team be involved in decisions on menu prices, customer communications and the like? And should one excellent communicator be tasked with leading the transition?

Margot Baloro is amongst Vancouver's elite front-of-house managers with years of experience in a variety of operations. She currently brings that experience to the dining and catering operations anchored by Forage Restaurant on Vancouver's Robson Street.

Like the majority of operations, her workplace hasn't embraced the service-included model as of yet, though she has been exploring its potential.

For the podcast and Field Guide, Margot was asked to tackle this hypothetical scenario: the ownership team of your casual/fine dining restaurant have determined that, for all the right reasons, they intend to switch to a service-included business model.

They task you, the front-of-house manager, to design and implement the transition, figuring that the biggest impacts will clearly be on the service team and on customers.

Here's how Margot describes her approach to this challenge.



Goal Orientation

The place to start is to communicate as soon as possible with everybody on the operations team. Be fully transparent on the end goal, map out an implementation plan with a realistic timeline.

With respect to independent operations, this may seem like the wrong time to bring about transformational change because, due to the pandemic, most are already facing tremendous upheaval to their business models. That said, this is the ideal time to start having these conversations. And it's also an interesting time because customers are very well aware of the challenges all employees in this industry are currently facing.

In this context, talking about a fresh model that helps everyone on the team thrive is going to be welcomed.

Positive Influence

Any manager worth their salt knows their team, what their strengths are, what their passions are, and where they fit with regards to the overall business objectives.

A key element of the plan would be to engage the 'influencer' on the team. Every team has at least one. They're the one who really gets the operation's vision. who understands the kind of transformation required and can help transform the staff.

The reason to enable this kind of capacity is that I believe the transition to this model is also a great opportunity to do more than simply tackle the income disparity.

if we really want to close the front-of-house/back-of-house gap and build adaptable, resilient operations, we need to create teams that understand their commonalities e.g. a love of craft, multitasking skills, prioritizing on the fly, teamwork, community and camaraderie.

Yes, this takes time...but if you focus on this team building from the start and have a realistic plan that explores how to transform the traditional roles in the restaurant, having an influencer on board can help ensure that everyone moves forward together.

There are great examples across our industry of operations that have all but eliminated the front and back divide, so it's quite doable, but it takes it takes everyone working together.

Leadership. Across the board.

More and more, customers expect restaurants to be change leaders, like we've been in sustainable stewardship of farms and oceans.

We ought to be leaders of this bigger conversation, knowing that these things are going to increase in price and using that as a launch pad to talk about the real business aspect of food systems.

At the table

We focus a lot in this business on the customer experience. So, let's say you're able to implement a model that reformulates front and back of house into one progressive, multi-skilled team, odds are good that customers would have a better experience by connecting with restaurant staff in interesting, cool way.

Many restaurants do an excellent job with customer experience already, but I do see opportunities for positive change. And because the best change starts early, it's something schools have to get on board with.

Instead of segregating culinary and hospitality students, maybe it's time to combine that education to produce staff that can better serve the rapid and wide-ranging level of change in the marketplace.

Time and expectations

If nothing else, the pandemic has shown us how quickly and effectively this industry can pull together and collaborate on changes that benefit our businesses and communities.

For operations making the transition to the service-included model, the first wave of change may not be revolutionary, but looking at all of the potential together as a team is how the industry is going to generate some sustainable change.

How long would this take? I think it's different for every restaurant, but a six-month timeline is realistic to gauge where you're at and implement a plan where everyone on the team feels supported. But if the plan is supporting them all from Day One, then it could move more quickly.

Of course, some people will find this harder than others. But if we really focus on those commonalities, on the long-term benefits and getting more knowledge and skills crossing boundaries of front-of-house and back-of-house, paradoxically it could make the transition easier for all sectors of this industry.

I believe there are a lot of people, particularly the younger generations coming into restaurants, that are really interested in this model future. Those that aren't are going to simply transition in and out, as they always have.

The good news is that those who are sticking with this business, given everything that's happened, are in that 'really interested' group. So there's a definite pool of resources in terms of staff that are here for the experience.

If we're smart, we can make it a sustainably better one.

Section 3

Launch

A recent convert to the service-included model is Todd Perrin, chef/owner of Mallard Cottage (St. John's, Nfld).

When discussing changes of this scope, nothing beats experience that's fresh and direct. And that also describes Perrin to a tee.

And here's how he details the transition at his operation.

Challenge + Opportunity

My team and I have been talking about the service-included model for years and years, so the idea was very familiar to everyone directly involved. However, we hadn't ever found the right time to make the change.

When we got went back to work after being closed for the early part of the pandemic, I said we're going to do this. We're going to eliminate people making just above minimum wage plus tips. We're going to pay everybody twenty dollars an hour and we're going to price the food prices accordingly.

The message we designed for our customers was that, from now on, service is included in your bill. If you feel delighted, add more money, but nobody here is relying on that tip to pay their rent.

Like it sounds, there wasn't a lot of strategy involved. We went over our menus, added 15 per cent to most prices and adjusted some pricing on certain items to reflect food costs and manage the margins and that kind of stuff.

It was that simple. I think you can overthink a process like this.

The jury will be out for a while on whether or not we're doing it the right way, but it's working now.



Immediate benefits

Speaking of work, there's a lot less of it.

I don't have to spend time collecting up the tips and organizing the split. At the end of the week, payroll is payroll. Everybody understands what's going on and knows how it works.

Every person who works here gets paid 20 dollars an hour, dishwashers, cooks and servers. We have a team concept, and no one's more or less important.

Obviously, from the owner's perspective, I have key people who have more responsibility than others, and I've been working on creative ways to compensate them beyond salary. However, in terms of wages for time spent in the building, everybody is equal.

That may or may not be the best way to do it, but it's the way I wanted to do it.

But everybody here is happy with it.

Tweaking

One of the most interesting parts about this model is that, because it's so new and so individual to the restaurant, there are little tweaks that you can do to make it very customizable to your own establishment. And we have tweaked it a little bit here and there since we started.

We've only been doing it since July 2020 and in the middle of a pandemic. We're only just now starting to look at it critically. But again, it's all through the lens of being in the middle of a pandemic at low operating capacity, having wage subsidies, etc.

That said, I feel like if we can make it work now, then when we get back to something like normal, then it should just keep working. However, the tweaks will continue. We'll get under the hood every few months to see what's going on.

Surprise. No surprise.

I really was expecting customer reaction to be a bit more negative. I've been in this business a long time. Like many others, I've been talking about making this change for a long time. And conventional wisdom always said, well, people are going to hate it. Customers are going to push back, complain it's too expensive and not like the change.

We've basically had none of that. People were very open to it, very receptive. Now, maybe there are customers who aren't coming in anymore because of it, but it's hard to tell in this environment.

Do differently

Based on the experience to date, I wish I would have done this 10 years ago.

On reflection, I chalk it up to immaturity and lack of confidence. A lot of us like to talk about how passionate we are and how much we care about the industry, but we're actually unprepared or scared to put our money where our mouth is.

We can sit around and have two beers at our service and rail about it all we like, but we never, ever actually do it. So doing it was like, OK, well, I'm doing this now, you know? And so once you so you kind of have to you have to do that. You have to put your money where your mouth is.

From the get-go

Implementing the service-included model would be 100 per cent easier out of the gate. It would be less confusing for both customers and staff. Everybody knows going in how it's going to work.

When we brought our staff back after our closure last year for the relaunch, it really was like a fresh start. I'm not sure that I would have rolled this model into the restaurant under normal circumstances; it would have been too much of a disruption.

Doing this out of the gate is the ideal way to do it. And that was the plan when we opened this restaurant eight years ago, but we got cold feet. Lesson learned.

Advice. One piece.

My approach is much the same as it has been with this restaurant from the start - to please customers, you have to please yourself. So if this is the way you want to run your business, pay your staff and build a team, then just do it.

If you put making customers happy first and let that dictate how to do all the other stuff, it's like washing your car from the inside out. It doesn't make any sense.

I think that's the fundamental shift that our industry has to take. What makes you successful is a solid foundation and a contented team. You have to be contented in your own mind to be able to go to work and do the thing that we do. And happy cooks, happy servers, happy environment makes for happy customers.



Resources

Whether you're new to this topic or not, you probably already know that resources on the service-included business model are scarce.

However, if you're interested in more research and opinion on the subject, we recommend the following:

1. ["Tipped out - How do gratuities affect restaurant operations"](#) is authored by a Mise-en-Place regular, Bruce McAdams, Associate Professor at the School of Hospitality, Food and Tourism Management, Gordon S. Lang School of Business and Economics at the University of Guelph, Ontario.
2. [Danny Meyer of Union Square Hospitality Group \(NYC\)](#) on why he introduced 'no tipping' at all his restaurants, only to retract it. (New Advisor, August 2020)
3. [The Big Reset Pt.1](#) - the Mise-en-Place podcast, May 2020 - one of the first round-table discussions on the topic hosted by Robert Belcham. Guests include chef/owners Amanda Cohen (Dirt Candy, NYC), Adam Hynam-Smith (Dispatch, St.Catherines,ON) and Todd Perrin (Mallard Cottage, St.John's, NFLD).
4. [The Big Reset Pt.2](#) - the Mise-en-Place podcast, June 2020 - a second round-table with the view from the front-of-house, Guests include James Langford-Smith (BaoBei/Kisso Tanto, Vancouver), Karri Green-Schuermans (Chambar, Vancouver) and Tim Pittman (Campagnolo, Vancouver).

If you have any suggestions, drop us a line at podcast@chefstablesociety.com and we'll add them to Edition 2.0 of the Field Guide.