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Checking the Checks: A Survey of Guest-Check Accuracy

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Abstract

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Keywords

restaurant, guest checks, check error, revenue

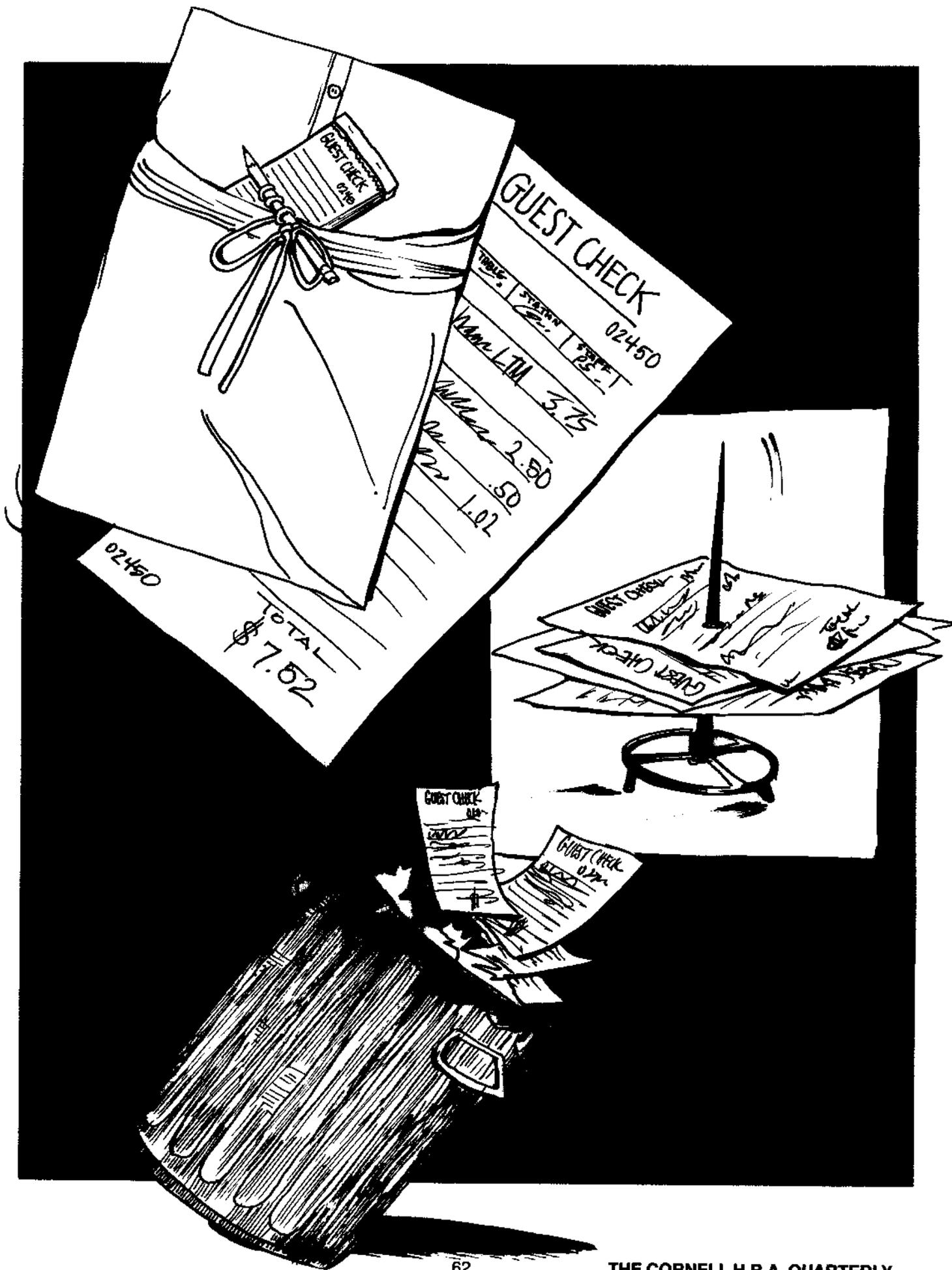
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Checking the Checks:

A Survey of Guest-Check Accuracy

Inaccurate guest checks represent lost revenue. And the frequency of check errors is higher than many restaurateurs might think

by **Thomas J. Kelly**
and **Steven Carvell**

CHECK PLEASE!

As a restaurant operator who is also a consumer, have you ever experienced difficulty with this process? Perhaps you had to wait too long to receive it, or pay for it. Perhaps you could not read it, or if you could read it, you did not understand it. Most important, have you ever found the check to be wrong? Why? By how much? In whose favor? How did you resolve it?

As members of the hospitality industry we should be very concerned about these issues. Our guests are confronted with them each day. The check transaction can play a substantial role in shaping the guests' view of the dining experience, especially if there is an error.

The guest check is also the critical transaction for ensuring reve-

nues in a restaurant. Most working people would become very upset if they discovered their paychecks were short every so often. The guest check is the "paycheck" for restaurateurs. We have found that these checks are frequently inaccurate.

Even a small percentage of error could involve a great deal of money industry wide. The National Restaurant Association estimates the commercial sector of the food-service industry will have sales in excess of \$174 billion in 1987. Most of this money is received one transaction at a time through a guest check. In addition to their revenue function, accurate guest checks are important in ensuring guest satisfaction. Inappropriate charges are certain to make customers angry.

Having been on the receiving end of inaccurate checks, we de-

cidated to examine the general accuracy of restaurant guest checks. This article reports on our study.

A Wide Net

To conduct our survey, we asked faculty and students from ten hospitality schools to record the accuracy of checks when they ate out. The sample includes 288 different restaurants located in 138 cities in 36 U.S. states, the U.S. Virgin Islands, and two Canadian provinces. All told, the survey recorded 377 transactions. Although the sample does not perfectly mirror the industry's composition, it contains a

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Just over 13 percent of the sampled guest checks were inaccurate. Seven out of ten of these were undercharges.

sufficient cross section of each segment (fast food, family, luxury) to allow us to make reasonable generalizations. We also interviewed 234 industry representatives at the May 1986 National Restaurant Association Show in Chicago to determine their perceptions of check accuracy.

Sources of Error

The most benign source of discrepancy is arithmetic errors. We say this factor is benign only because errors of addition can go either way. The check total is as likely to be too small as too large. On average, we would expect a zero net error from this source.

A second source of error is mispricing. We found this to be a rare problem, especially in restaurants with electronic cash registers (ECRs).

The major source of error, we discovered, was an incorrect listing of the items ordered—both errors of omission and commission. An error of omission occurs when an item is served, but is left off the check, resulting in an undercharge.

Errors of commission occur when an unordered item is listed on the check, resulting in an overcharge. We think this is an unlikely source of error, since it would generally require an active intent on the part of the servers to overcharge.

If we assume a “wash” from mathematical mistakes, little mispricing, and few improper additions to the check, the major source of problems will be from omissions—and that means more erroneous checks would involve undercharges than overcharges.

Our NRA-show respondents generally disagreed with this logic. Some 78 percent of these restaurateurs expected the check errors to be in the house’s favor.

A \$3.1-Billion Gap

We found that slightly over one check in eight (13.26 percent) was

inaccurate—50 out of our sample of 377. On 70 percent of these inaccurate checks, the guest was undercharged. The guests reacted differently when they discovered an undercharge than when they found an overcharge. When guests were overcharged, 91 percent of them brought it to the restaurateurs’ attention and paid the corrected lower amount. On the other hand, 66 percent of those who were undercharged quietly paid the incorrect lower amount. As a rule, then, overcharges were corrected, but the house had to eat a large percentage of undercharges.

The average error (regardless of direction) was \$5.21. On electronically reproduced checks we found a relatively small average overcharge of \$1.29, but handwritten checks averaged a substantial \$5.39 undercharge. Handwritten checks were inaccurate 16 percent of the time; electronic checks, ten percent.

Of three restaurant categories (fast food, family, and luxury), family restaurants were the least accurate (17-percent error rate). We place much of the blame on the general dearth of ECRs in this segment. Only 29 percent of the family restaurants in our sample used electronic checks, while 72 percent of fast-food restaurants and 52 percent of high-end restaurants used ECRs.

Examining the relationship of error to the type of menu item, we found a subtle, disquieting problem. Although a restaurant might typically record a sales ratio of 75-percent food to 25-percent beverage, just 57 percent of the errors were exclusively food-related, and 37 percent were beverage related. This relatively higher proportion of inaccurate drink or bar tabs in-

dicates it is easier to circumvent a check-control system in the beverage area. Moreover, many beverages are served at the end of the meal (often after the check is tabulated) and may be overlooked. If your restaurant has a higher markup on beverages than food, as many do, your profit margin would suffer even more by the omission of the last-minute beverage order.

Not surprisingly, check errors affected tip levels. Overcharged customers left an average tip of 4.7 percent (across all restaurant types), but when they were undercharged, customers left an average tip of 11.5 percent. When the check was accurate, by contrast, the average tip was 13.3 percent.

Just over nine percent of all transactions we studied were undercharges. If this percentage holds throughout the industry, restaurateurs, particularly those using handwritten checks, are losing a substantial portion of their potential revenues. According to the NRA/CREST data for check transactions, the midscale restaurant segment records 159 million eating-out transactions in a two-week period. Applying the 17-percent error rate we found in family restaurants, we could infer that some 27 million of these restaurants' checks were wrong. We calculated the net error for this group at \$1.27 per check, so there is a possible revenue loss of over \$34 million for the two weeks or \$885 million this year. Similar calculations for quick-service and upscale restaurants yield a tally of some \$3.1 billion lost to check errors—about 1.5 percent of the industry's 1986 revenues.

Closing the Gap

In this case, what you don't know can indeed hurt you. To find out whether you have a problem, start

examining your guest checks to see if they have inaccuracies. You should be looking more for undercharges from omitted items, than for overcharges or arithmetic errors. Be especially observant for omissions in food items served directly by the waitstaff (e.g., appetizers, desserts—especially from a dessert cart) and for beverage charges. Second rounds often fail to make it to the check. We generally found more problems with the checks for large or odd-size parties, so you might want to monitor these checks more diligently than those for parties of two or four. Also check to see whether your employees conveniently "overlook" an item rather than recalculating a check that has already been totalled.

If at all possible, install an ECR that is consumer and user friendly. User friendliness is critical, because errors of omission are often made by staff members who are either afraid of the computer or think they do not have time to use it. Hence, a last-minute iced tea will often not be tallied. The system must be consumer friendly so that the check is legible and organized, and makes sense to the customer. The system also should not be so cumbersome that it delays service.

Regardless of your system, train staff members to use it and insist that they include all items on the check.

Motivate your staff members to make checks accurate. In doing so, you can point out that professional pride dictates that they should wish to present accurate checks. But you also can explain the findings about the customers' tipping behavior.

In conclusion, we believe the restaurant industry has not acknowledged the magnitude of the problem. We hope the results of our study will encourage more restaurant operators to devote greater attention to the accuracy of their guest checks. □

To find out whether you have a problem, start examining your guest checks for inaccuracies—especially omissions.