



DELAGET
SMARTER WINS

Deceitful discounts:

Analysis of manager code violations

Ebook

As a manager, do you
ever wonder what your
employees are up to at
the register

• • •

while you are
clocked out?



Delaget experts examined four months of data from 2,256 quick service restaurants to better understand the discounting behavior of employees.

Analysts checked for patterns in discount violations by: day of week, hour of the day, discount type, and location.

Fraudulent discounts have a severe negative impact on your bottom line—**for a franchise owner operating 50 units, these discounts can cost an average total of \$69,715 annually.**

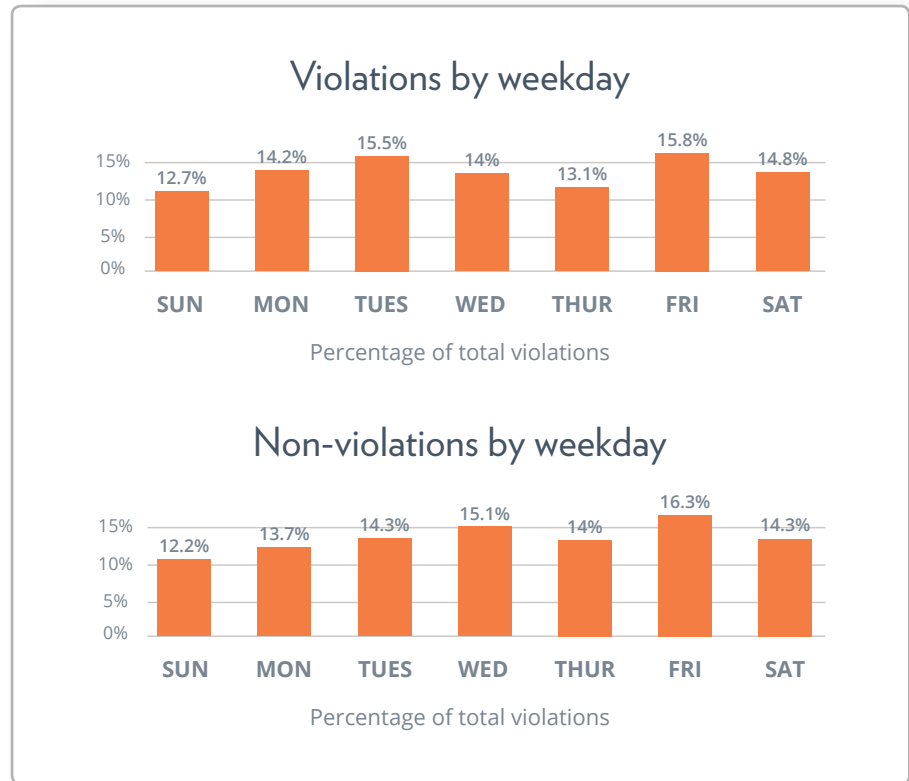
The study separated discounts into two categories: violations and non-violations. Discount violations were flagged when a discount that required a manager code was entered without proper manager approval. For example, when cashiers ring themselves or a friend up with a manager discount using a “stolen” manager code, or on a register that the manager is already logged into. The other discounts in the data set were assumed to be legitimate.

In total, 2,144,782 discounts were analyzed, of which 14% were violations and 86% were legitimate.

Day of the week

While you might think that certain days of the week are more likely for this method of fraudulent discounting, Delaget analysis did not reveal any significant differences in the percentage of violations versus non-violations by day of the week.

The largest difference found was on Tuesday, when 15.5% of all fraudulent discounts appear, whereas only 14.3% of legitimate discounts appear on the same day.



Hour of the day

Most legitimate discounts appeared around lunchtime hours, while violations occurred later in the afternoon and evening.

24% of legitimate discounts were rung in between noon and 3 p.m. (compared to 18% of violations), while 25% of violations happened between 3 p.m. and 6 p.m. (compared to 21% of legitimate discounts).

Violations by hour of day

HOUR	%
0	1%
1	1%
2	0%
3	0%
4	0%
5	0%
6	0%
7	1%
8	1%
9	1%
10	6%
11	5%
12	4%
13	6%
14	8%
15	8%
16	9%
17	8%
18	8%
19	8%
20	8%
21	6%
22	4%
23	2%

Non-violations by hour of day

HOUR	%
0	2%
1	1%
2	1%
3	0%
4	0%
5	0%
6	0%
7	2%
8	3%
9	4%
10	6%
11	7%
12	8%
13	8%
14	8%
15	7%
16	7%
17	7%
18	7%
19	6%
20	6%
21	5%
22	4%
23	3%

Discount type

While there are many one-off and less common discounts, the most popular types of discounts found in this study were:

- ✓ Senior citizen discounts
- ✓ Manager discounts
- ✓ Employee meal discounts

For this study, Delaget consolidated the less common discounts into the “Other” category. Total discount violations amount to \$1,059,306 in the entire data set, while legitimate discounts total \$4,855,807.

Senior discounts

Legitimate senior discounts accounted for **twice the percentage (41.7%) of violation senior discounts (19.2%)**.

Manager discounts

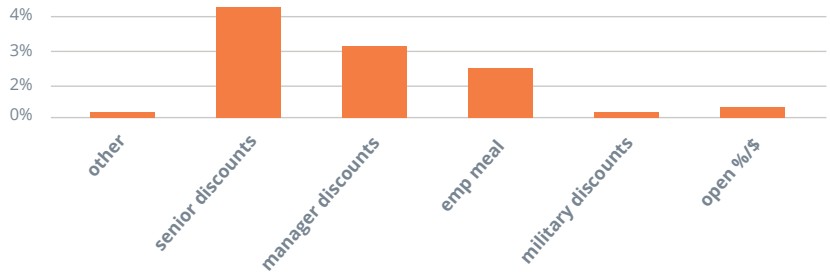
This violation made up **76.7% of the total violation discount value**, while legitimate **manager discounts made up only 65.5% of the total non-violation discount value**.

These fraudulent discounts are clearly the main culprit to watch out for, as they are the most prevalent type of violation and make up the bulk of the dollar value. **On average, restaurants in the analysis lost \$3.82 per day on discount violations.**

If you are a franchise owner operating 50 units, this adds up quickly—it will detract from your bottom line by an average of **\$1,394.40 per unit each year, for a grand total of \$69,715 across all units annually.**

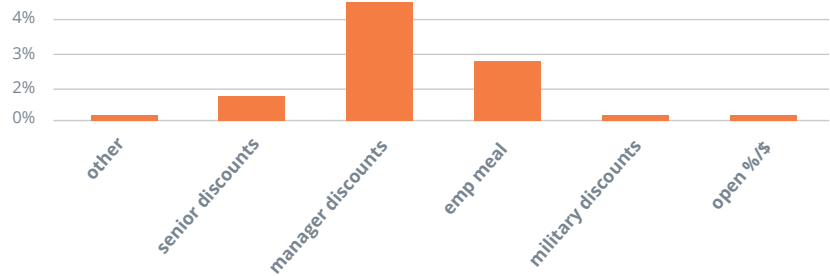


% of non-violations by discount type



Percentage of total non-violations

% of violations by discount type



Percentage of total violations

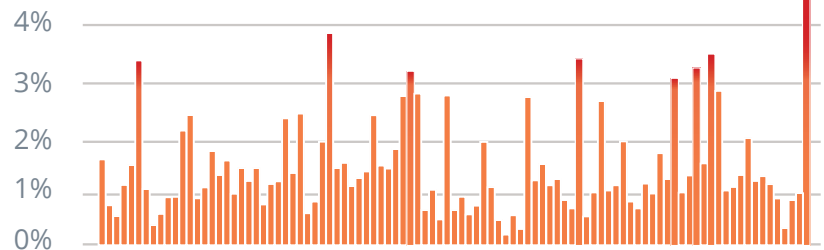
Location

Delaget analysts took a random sample of 100 quick-serve locations to dig into which locations were performing well and which locations had a high percentage of violation discounts. Each bar represents the percentage of discounts that had a manager code violation at each specific location.

In 8 out of 100 locations in the sample, more than 30% of the discounts had a manager code violation.

While some locations are heavy offenders, the important takeaway is that no location is perfect—manager code violations happen everywhere.

% of violation discounts by location



Bottom line

4 out of 10 discounts are fraudulent

These can cost you an average of \$1,394.40 per unit each year

Manager discounts are the main type to watch out for

Peak time of day is between 3 p.m. and 6 p.m.

By cutting these violations by 50%, you could save \$697.20 per unit each year. Here are some potential solutions:

- ✓ *Manager code policy: Ensure managers change their code frequently and that it is not shared with other employees. Do not allow cashiers to operate a register that a manager is logged into.*
- ✓ *Consider installing biometric POS registers.*
- ✓ *Monitor the discounting trends of specific locations and/or employees, like we did here, to see if anything appears out of line.*



DELAGET
SMARTER WINS



**Easily monitor discounts for suspicious trends
– in just minutes – using Delaget Guard**

[Learn more](#)

Find out industry benchmarks for discounts, deletes, refunds, and more – and learn ways combat employee theft and fraud in your operation

Download the “Restaurant industry loss prevention index” now

What does this mean for your bottom line, and what do you do about it?



Delaget data analysts polled thousands of restaurants across multiple fast casual and quick service brands to determine benchmarks for three major categories of fraud:

- ✓ Discounts and promotions
- ✓ Deletes and cancels
- ✓ Refunds, voids, and over-rings

We've shared these benchmarks in the following sections, along with expert advice on how to combat employee theft and fraud in your operation.

#1: Discounts

Discounts make up about the ability to reduce the price of a meal, manager meal, senior discount, or promotion. While these discounts are easy to implement, they also provide an easy way to combat fraud. Proving it's happening is difficult. For a franchise, employee theft and fraud can cost an average total of 0.6% of sales.

Of all the discount options, employee meal discounts are the most common. According to Delaget data, 40% of restaurants make up more than 40% of sales, and 0.6% of sales are responsible for 0.6% of sales.

By the numbers



of sales are discounts



days violations are most likely to happen