

THE RELATIONSHIP BETWEEN TIPPING AND SERVICE QUALITY: THE OTHER SIDE OF THE EQUATION

David J. Hoaas, Centenary College

Lyndsay Bigler, Centenary College

INTRODUCTION

Restaurant tipping is a rather interesting event. Why is it that gratuities are paid at the discretion of customers after they have already received the primary services for which they are paying? The voluntary aspect of tipping raises questions about why rational people leave tips and about what factors determine how much they tip. Tipping at any particular table or for any particular meal could be related to bill size, patronage frequency, ratings of wait-staff service, group size, number of courses ordered, alcohol consumption, food ratings, type of restaurant, gender of server, server appearance, gender of customer, time of week when meal is purchased, and the interaction of any or all of these variables. From a rational-choice perspective, tipping makes sense only if desired outcomes are contingent on how much is tipped [10, pp. 169-170]. What is often forgotten, however, is that tipping involves at least two economic agents: the person or customer receiving service and paying the tip (the tipper) and the waiter or waitress performing a service and receiving the tip (the tippee). From an economic perspective, the tipper and tippee interact in a market for tips. As will be seen in the literature discussion below, the tipper-side of the market has been well discussed in the literature. What appears to be lacking in the literature is an economic analysis of the tippee-side of the market mechanism where tip size is interdependently determined. It is the intent of this paper to begin the discussion concerning what activities undertaken by wait-staff servers alter their tip income.

Tipping is a rather old phenomenon. An often cited origin of tipping is that the practice arose with the use of boxes labeled “To Insure Promptness” in English inns and coffee houses in the nineteenth century. “To Insure Promptness” was later abbreviated “TIP.” Customers would contribute to the boxes to ensure quick and efficient service [17, p. 2024]. Though an old phenomenon, tipping is not a trivial phenomenon. Restaurant tipping in 2002 was estimated at nearly 27 billion dollars [1, p.3]. Estimates suggest that table waiters and waitresses in full-course restaurants receive tips that constitute 50 to 70 percent of their total average hourly earnings [19, p. 60 and 16, p. 50].

Tipping is not entirely an American occurrence. Tipping to a lesser extent takes place in Belgium, France, Italy, the Netherlands, Norway, and Sweden. Yet, with the exception of that done by tourists, no restaurant tipping takes place in Australia, China, Denmark, Japan, and Iceland [6, p. 22].

There are various reported economic and non-economic reasons why individuals may tip in restaurants. They could be buying social approval with tips [10, p. 170]. Restaurant customers could be insuring that a certain level of equity exists between them and their server. Since inequitable relationships are distressing, restaurant customers should attempt to maintain equity by tipping in proportion to services received [10, p. 171]. Social exchange theory suggests that the reason for tipping is so one may absolve oneself from any obligation to the server since he or she is serving you. The social psychology perspective suggests that tipping can relieve some customer's anxiety from the process of being served [17, p. 2024]. One could say that people tip for reciprocity. A consumer rewards better service with a higher tip, and worse service with a lower tip [15, p. 5]. Restaurant customers could be buying future service with tips. Sometimes a customer regularly patronizes an establishment where his or her tipping behavior becomes known. For regular patrons of a restaurant, tipping may be an attempt to buy enhanced future service [10, p. 172].

The generally accepted custom for restaurant customers is to start with a tip amount of 15 percent of the total bill. The actual tip is then adjusted based on other customer determined factors or experiences [10, p. 2030; 12, p. 223; 10, p. 175].

The economic theory of contracts may be an appropriate way to understand the existence of restaurant tipping. Specifically, tipping is thought to be a way of enlisting the customer's help in performing the quality control function of restaurant service [11, p. 204]. Tips are a form of payment where it is the customer who monitors performance [3, p. 187]. The reason the restaurant industry is such a good place for tipping to be used is because tipping only serves a purpose in a profession where there is a high degree of subtlety in the performance, and where the productivity of employees is not easily monitored by the employer [14]. Because the customer is in a better position to observe the quality of service than is the restaurant owner, absent transaction costs, social optimality requires that the customer and the server write a service contract to specify the level of service to provide during the restaurant experience and the corresponding tip that will follow upon the completion of this service. Since writing a service contract upon every visit to a restaurant would involve prohibitive transaction costs, the norm of restaurant tipping may serve as an effective substitute-implied contract [6, p. 8].

THE ECONOMIC LITERATURE

By far the most prolific economic writers on the subject of tipping are Bodvarsson and Gibson [2, 3, 4, and 5]. In their initial research Bodvarsson and Gibson [2, pp. 288-289] argue that restaurant customers derive utility from service and are motivated to tip because of a willingness to pay for service. The greater the quantity and quality of service, the higher the utility from the restaurant experience and consequently the higher the willingness to pay or to tip. Regular customers would therefore have a lower incentive to shirk on an implied tip contract. Unfortunately, economics may not be able to explain completely why people tip. The authors, however, argue that economics can be used to explain the size of a restaurant patron's tip, given that he or she does tip [2, p. 290].

In the published research prior to Bodvarsson and Gibson [2] nearly all the estimated regression equations showed that the service quality variable was insignificant in determining tip size and there appeared to be no significant difference between

frequent and infrequent customers in rewarding servers for their service quality. Bodvarsson and Gibson [2, p. 299] posit that the reason for this is because service quality is rated so high by restaurant patrons. Poor servers get poor tips and have left the market. Estimates of server quality and tip reception show too little variability in server quality to be significant. Using a larger sample size than previous research, Bodvarsson and Gibson [2, pp. 287-290] found that in a regression of tips on bill size, controlling for the minimal variation in service quality, patronage frequency, and the difference across restaurants, the addition of service quantity contributes significantly to the regression's explanatory power.

Later research by Bodvarsson and Gibson [4] considers the variability of tipping by American college students versus tipping by Canadian college students. Though not leaving any tip for reasonable service is extremely rare [4, p. 138] they find that American college students tip at a higher percentage rate than their Canadian counterparts. In general, Bodvarsson and Gibson [4, p. 140] claim that restaurant customers base their decision to tip on eight factors. Those factors include: server promptness, server friendliness, server attentiveness, server appearance, amount of server work, meal quality, their own income level, and their own perceptions of tipping being the "right thing to do." Bodvarsson and Gibson [4, p. 146] confirm their earlier conclusion that based on this survey research, it is safe to say that restaurant diners are sensitive to the quality of service they receive.

As argued by Bodvarsson and Gibson [4, p. 146], tipping is a market phenomenon albeit in a peculiar type of market without rigid enforcement of obligations. The literature discussed above, however, only looks at one side of the market, the side where diners provide tips based on certain factors (the tipper-side of the market). This literature ignores the fact that server activity may influence tip size. If one wishes to consider the activities of waiters and waitresses in tip size determination (the tippee-side of the market), one must move outside the realm of the literature of economics.

THE NON-ECONOMIC LITERATURE

There are a limited number of articles in the psychology literature that address the issues of this paper. Results generated by Garrity and Degelman [8] indicated that having the server introduce himself or herself by name resulted in a significantly higher tipping rate. Strohmetz, Rind, Fisher, and Lynn [18] examined whether servers leaving small pieces of candy on the bill tray altered tip size. They found that leaving this candy did increase tip size [18, p. 9]. They suggested [18, p. 7] that drawing smiley faces on the check and writing thank you notes on the check would have a similar effect. In general they speculated that "... the more generous the server appeared to be toward the dining party, the more she was reciprocated with a greater tip percent" [18, p. 9]. Melendez [13] suggests that "... servers do best when they introduce themselves by name, squat to meet their guests at eye level, make recommendations and otherwise develop rapport." The limitations of the studies in the psychology literature are that they test only one variation on tipping behavior at a time. Furthermore, they use only anecdotal evidence to determine what activities undertaken by servers alter tip rates. In this body of literature, no systematic attempt is made to inquire of servers what activities they deem important in determining or increasing tip rates.

A search of the Internet, pertaining to a server's ability to alter the size of his or her tip, also lead to virtually no results. An exception to this statement is an E-book, available online, by Farnham [7]. Farnham, a former waitress, recently published Gratuity Ingenuity, The Secret Art of Bigger Tips. It is Farnham's stated mission [7, p, 3] to teach servers how to get customers to give them a second thought and consequently increase the size of their tips. Furthermore, she wishes to teach waitresses and waiters to connect with their customers more than the average server. She urges servers to get their customers to like and appreciate them and have their customers develop a sense of obligation to tip at a higher rate [7, p. 4]. More specifically, she claims that if her advice is followed, servers can make a wage equal to the average national employee wage [7, p. 6].

Farnham states that a server must first identify what type of customer he or she is serving. This is a relatively easy task since Farnham [7, pp. 22-24] claims that there are only three types of customers. The first she identifies as the *Duke and Duchess*. The *Duke and Duchess* do not wish to hear any small talk by the wait staff but they do wish to be doted upon. The way to deal with them is to treat them as royalty. The second type of customer Farnham identifies as the *Second Cousins*. The *Second Cousins* wish to be treated by the wait staff as extended family. This group of identified customers represents the majority of restaurant customers. They are the easiest type of customer to serve since they are not considered high maintenance. The third and final category of customer is known as *Frick and/or Frack*. As identified by Farnham, these individuals are looking to "get a life." They want to be entertained by their server since dining out and being attended to by the wait staff represents one of their primary forms of entertainment. What is interesting to an economist about Farnham's classifications is that she claims that the aforementioned groups of customers cannot be categorized by race, gender, age, or marital status [7, p. 25].

Once a waiter or waitress has identified what type of customer he or she is serving Farnham proceeds to explain the twenty-three activities that a server may partake in to increase the size of his or her tip. Farnham's suggestions for increasing tip size include [7, pp. 26-46]:

- 1) Servers should remember the names of their regular customers.
- 2) Servers should wear good fitting shoes so as not to appear uncomfortable.
- 3) Servers should make eye contact with customers. If one is a female server, she should first make eye contact with the dominant female at the table. If one is a male server, he should first make eye contact with the dominant male at the table.
- 4) Servers should make eye contact at the customer's level. This may require kneeling at table side.
- 5) Servers should become good listeners.
- 6) Servers should not gossip about customers.
- 7) Servers should be aware of what is happening in their entire section as opposed to concentrating on one table at a time.
- 8) Servers should attempt to mirror their customers' moods.
- 9) Servers should give change that makes tipping easy.

- 10) Servers should up sell their customers by asking if appetizers or deserts are desired.
- 11) If working in a smoking section, servers should ensure that ashtrays are clean.
- 12) Servers should provide extra serve for regular customers.
- 13) When asked for an ordering suggestion, a server should always provide a suggestion.
- 14) Servers should use hair spray, cologne, aftershave, or perfume in moderation.
- 15) If one is serving as his or her own cashier, he or she should have his or her money counted before his or her shift begins.
- 16) Members of the wait staff should make sure that menus are clean and in good repair.
- 17) Children's meals should be served first.
- 18) Servers should assure that condiment containers and all tableware are clean.
- 19) Keep customers with drinks, appetizers, entrees, and deserts ordered and delivered in an efficient manner.
- 20) A server should not let a non-tipper get him or her down because other tippers may notice the irritation and alter their own tip behavior.
- 21) Servers should not work at restaurants that practice tip sharing.
- 22) Servers should not date their customers, other staff members, or the management.
- 23) The most powerful server tip is to always touch the customer for just a moment.

Farnham's E-texts is one of the most complete statements of activities that may increase a server's tips that could be found. It too suffers from problems. The suggestions made by Farnham are primarily from her own experiences though she states that she served as a waitress for many years. She still seems to be drawing her inferences from a sample size of one. She reports that she has discussed her ideas with other waitresses and waiters but it does not appear that she has systematically surveyed other wait-staff individuals to more thoroughly speculate what activities undertaken by a waiter or waitress can positively influence the size of his or her tip.

SURVEY RESULTS

Appropriate research methodology would say that a hypothesis should be posited regarding what wait-staff members think influences tip size and then that hypothesis should be empirically tested. As shown above, limited research exists suggesting what variables should be entered in the suggested hypothesis. For that reason, this paper begins the discussion prior to the hypothesis stage. Namely, the intent of this research was to develop a survey instrument that would possibly suggest variables to test in future empirical research. The survey should be considered a beta version of a data collection device that will have further use in later research. A copy of the survey is available from the authors.

The intent of the survey was to simply ask restaurant servers what they thought affected the size of their tip income. The survey consisted of twenty-four questions. Twenty-one of the questions were specific-choice answer questions and three of the questions were free-response questions. The specific-choice questions gathered demographic information regarding the waiter or waitress surveyed and their perceptions of events that altered restaurant patron tipping behavior. The free-response questions allowed for various survey participant answers but were not entirely specific in nature. The first of these questions asked if there was a circumstance in which it was acceptable for a table of restaurant patrons not to tip. The second free-response question asked for the survey respondent to identify an event that would most adversely affect the size of the tip received at a table. The final free-response question asked the survey participant to suggest an activity or service that would most positively influence the size of the tip he or she would receive.

The survey instrument developed was administered to fifty individuals. Participants completing the survey were drawn from two sources. One source of survey participants was drawn from classes at a liberal arts college in Shreveport, Louisiana (Centenary College). Undergraduates having wait-staff experience were asked to complete a copy of the survey. A second group of survey participants was generated by visiting various eating establishments in the Shreveport, Louisiana area. Waiters and waitresses at these establishments were invited to complete the survey.

A narrative of the significant findings along with a summary of free responses follows. The reader will please realize that the use of the term significant here does not necessarily imply statistical significance. As a beta version of the survey, the significance discussed here still involves casual empiricism.

Of the 50 surveys completed, 56 percent were completed by women and 44 percent were completed by men. The largest number (46%) of the individuals surveyed had more than two years of experience as a restaurant server. The two most frequently cited places of employment for the waiters and waitresses surveyed were Mexican Restaurants (28%) and American Grills (20%). On average, the servers questioned received 74.5 percent of their income in the form of tips. Interestingly, when asked about the expected tip on a final bill of \$40, the survey respondents had an average answer of \$7.40. This represents an average expected tip of 18.5 percent. This percent is obviously in excess of the standard 15 percent tip that studies considering the tipper-side of the market have reported.

Sixty-four percent of the survey respondents report having received a punitive tip. The average size of the punitive tips was reported as \$0.18. The average number of times wait-staff individuals reported having received a punitive tip was 6.1 times. The range of times a punitive tip was received, however, was more interesting. The range of times a punitive tip was reported varied from "once" to "several times a month."

One of the free-response questions on the survey asked waiters and waitresses if there was any circumstance in which it would be acceptable for a table of restaurant patrons not to leave a tip. There were many unique answers to this question. Though the responses were unique, three general responses stood out when reading the responses to this question. Sixteen of the responders said that there was no circumstance when it would be acceptable for a table not to tip. Thirteen of the individuals surveyed said that no tip was acceptable if the server was incompetent. Five individuals stated that no tip was acceptable if the waiter or waitress was rude.

Restaurant servers were fairly evenly split when considering when the tip would be larger for a table of four diners. Thirty-eight percent thought the tip would be larger when the table bill was split with each guest tipping for himself or herself. Thirty percent thought that the tip would be larger when the bill was not split but paid in total. Twenty-four percent expected the tip to be larger when one person pays the entire restaurant bill and another person leaves the tip.

Waiters and waitresses serve food that is generally prepared in a kitchen by someone else. Servers were again fairly evenly split about the quality food they deliver having an influence on the size of their tip. Forty-four percent reported the quality of food served had a major influence on their expected tip and 50 percent reported some influence. One will note that only one survey respondent reported that there is no influence on tip size that is food quality dependent.

The results of this survey show very little difference between the tip rate of solo diners as compared to multiple person groups of diners. Tippees, by far consider regular customers to be better tippers. Seventy-four percent of the survey respondents report that regular customers are better tippers. Correspondingly, waiters and waitresses surveyed reported providing regular customers with more services than other customers.

The waiters and waitresses surveyed for this study primarily reported no difference between tipping behavior for those paying in cash versus those paying by credit card. Servers did, however, expect their tip income to be higher when they served tables that ordered beverages containing alcohol. Seventy-eight percent of the respondents expected tables ordering alcohol to be better tippers. This result or outcome is contrary to earlier tipper-side studies where it was reported that individuals ordering beverages containing alcohol were no better tippers.

Both female and male servers reported that men are better tippers. Fifty-eight percent of all respondents reported that men are better tippers. Servers do consider a server's looks to be important in determining his or her tip, but for many the influence is considered minor. Thirty-eight percent do report some influence provided by a server's looks. With respect to when during the week tips are better, the majority of servers question reported that tips are expected to be larger on weekends. Seventy percent report tips being better on weekends and 22 percent report there is no difference between weekday and weekend tips. Only 8 percent of the respondents reported that tips were better on weekdays.

Approximately one half of the survey respondents reported that they would not care to work at a restaurant that paid a higher wage but did not allow tipping. The higher wage suggested was a wage equal to the average compensation earned by each waiter or waitress at the restaurant establishment in question. Server respondents were fairly equally split between whether or not diners should be required to tip. Fifty-four percent reported that a fixed percentage should be added to restaurant bills to serve as a tip and 46 percent were opposed to this required tip.

When faced with a choice of hypothetical tables to serve, waiters and waitresses had well-defined preferences for which table they wished to serve. Specifically, servers would choose to serve a table of business executives discussing business matters (36%) or a group of men dining after attending a sporting event (40%). Of the hypothetical scenarios presented no survey respondent would choose to serve a table of senior citizens enjoying an evening meal, a group of teenagers dining before attending a movie, or a husband and wife with three preschool children.

The second free-response question on the survey asked servers what event would most adversely affect the size of the tip received. As with the earlier free-response question, the answers to this question were unique. Four categories of responses, however, were observed. The most frequently mentioned event, mentioned by 30% of the respondents, was food or drink orders taking too long to be delivered. Likewise, getting orders wrong, spilling food and drink on customers, and customers entering the restaurant with bad attitudes were all mentioned as events that would all adversely affect the size of a server's tip.

The final question on the survey and the third free-response question asked servers to suggest to a new waiter or waitress an activity or service that would most positively influence the size of their tip when serving a table. Two categories of responses stand out when the responses to this question are read. The first suggestion, made by 34 percent of the survey respondents, was to "smile." The second category of responses suggested that restaurant servers need to be prompt and efficient in providing service.

CONCLUSION

Lynn and McCall [11] have argued that servers are unlikely to perceive the relationship between the services they give to tables and the tips those tables leave in return. The authors of this paper beg to differ on this conclusion. Though the evidence presented here is still in the anecdotal state, there appears to be some hypotheses that may be empirically tested with additional data collection and refinement.

According to the results presented here, if a waiter or waitress wishes to maximize his or her tip income he or she should serve high quality food to regular customers. These customers should be men consuming alcohol with their meal during the weekend. The men should be executives conducting a business discussion or they should be dining after a sporting event. The server should make sure that their food and drinks do not take too long to be delivered to the table and he or she should always remember to smile.

As pointed out by Bodvarsson and Gibson [5, p. 474], economists are generally skeptical of surveys. Yet elsewhere Bodvarsson and Gibson [2, p. 293] have noted that there is a great deal of difficulty in modeling the server's anticipated tip function. This paper should be considered as a first attempt to determine what arguments, variables, or server activities could possibly be part of that anticipated tip function. Later research work will potentially be able to empirically test the significance of these determinants. The suggested variables to test are mentioned in the paragraph above.

As argued by Azar [1, p. 33], if people tip similarly for bad and good service, waiters and waitresses no longer have an incentive to provide excellent service. Economic theory suggests that tipping should be retained as a mechanism of consumer monitoring by encouraging people to tip according to service quality. Many of the respondents to the survey discussed in this paper do recognize the relationship between service quality and tip income. At some level, tipping must be working as a service monitoring mechanism in the restaurant industry.

REFERENCES

- Azar, Ofer H. "The Social Norm of Tipping: Does it Improve Social Welfare" Northwestern University Working Paper, no date.
- Bodvarsson, Örn B. and William A. Gibson. "Gratuities and Customer Appraisal of Service: Evidence from Minnesota Restaurants." The Journal of Socio-Economics, Vol. 23, No. 3, 1994, pp. 287-302.
- Bodvarsson, Örn B. and William A. Gibson. "Economics and Restaurant Gratuities: Determining Tip Rates." American Journal of Economics and Sociology, Vol. 56, No. 2, April 1997, pp. 187-204.
- Bodvarsson, Örn B. and William A. Gibson. "An Economic Approach to Tips and Service Quality: Results of a Survey." Social Science Journal, Vol. 36, No. 1, 1999, pp. 137-147.
- Bodvarsson, Örn B. and William A. Gibson. "Tipping and Service Quality: A Reply to Lynn." Social Science Journal, Vol. 39, No. 3, 2002, pp. 471-476.
- Conlin, Michael, Michael Lynn, and Ted O'Donoghue. "The Norm of Restaurant Tipping." Cornell University Working Paper, July 23, 2002.
- Farnham, Patti. Gratuity Ingenuity, The Secret Art of Bigger Tips. Fine Tuned Production E-book, November 2002.
- Garrity, K. and Degelman, D. "Effect of Server Introduction on Restaurant Tipping." Journal of Applied Social Psychology, Vol. 20, 1990, pp. 168-172.
- Lynn, Michael. "The Relationship Between Tipping and Service Quality: A Comment on Bodvarsson and Gibson's Article." Social Science Journal, Vol. 37, No. 1, 2000, pp. 131-135.
- Lynn, Michael and Andrea Grassman. "Restaurant Tipping: An Examination of Three 'Rational' Explanations." Journal of Economic Psychology, Vol. 11, No. 2, June 1990, pp. 169-181.
- Lynn, Michael and Michael McCall. "Gratitude and Gratuity: A Meta-Analysis of Research on the Service-Tipping Relationship." The Journal of Socio-Economics, Vol. 29, No. 2, 2000, pp. 203-214.
- McCrohan, Kevin F. and Robert B. Pearl. "An Application of Commercial Panel Data for Public Policy Research: Estimates of Tip Earnings." Journal of Economic and Social Measurement, Vol. 17, No. 3-4, 1991, pp. 217-231.
- Melendez, Michele M. "What Factors Into Size of That Tip?" Generations, <http://www.newshousenews.com/archive/melendez/082903.html>.
- Murphy, Robert P. "In Praise of Tipping." Ludwig von Mises Institute, <http://www.mises.org/fullstory.asp?control=879>.
- Parrett, Matthew B. The Give and Take on Restaurant Tipping. Ph.D. Dissertation, Virginia Polytechnic Institute and State University, September 2003.
- Schmitt, Donald G. "Tips: The Mainstay of Many Hotel Workers' Pay." Monthly Labor Review, Vol. 108, No. 7, July 1985, pp. 50-51.
- Schwer, R. Keith and Rennae Daneshvary. "Tipping Participation and Expenditures in Beauty Salons." Applied Economics, Vol. 32, No. 15, December 2001, pp. 2023-2031.
- Strohmetz, David B., Bruce Rind, Reed Fisher, and Michael Lynn. "Sweetening the Till: The Use of Candy to Increase Restaurant Tipping." Journal of Applied Social Psychology, Vol. 32, 2002, pp. 300-309.

Williams, Harry B. "Wages and Tips in Hotels and Motels." Monthly Labor Review,
Vol. 98, No. 3, March 1975, pp. 60-63.