

Attitude towards Tipping: A Preliminary Study

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Abstract

Tipping is associated with restaurant service and part of the server's planned income. Tipping is voluntary and consumers do not all tip the same. Technological advances and environmental factors like the pandemic continue to change restaurant dining. This preliminary study looks at consumer attitudes toward restaurant tipping in general. Tipping attitudes were measured with attitude toward the brand scales. The participants were asked their attitudes and tipping behavior for both server ordering and self-ordering food at moderately priced restaurants. Study results showed participants tipped significantly differently when self-ordering compared to ordering with a server. Consumers who felt very strongly about tipping when ordering from a server tipped 20% or more while the majority did not feel strongly about tipping when self-ordering and did not tip. Attitude toward tipping could be a predictor of tipping behavior.

Keywords: Attitude, Tipping, Self-Ordering, Full Service

Introduction

During the COVID Pandemic of 2020 eating options changed when sit down dining options were paused, face to face contact was limited, and drive thru restaurants became busy as the safest go to option. Customers found they could still enjoy a variety of dining options but now had to pick up at the restaurant and dine at home. Some customers still tipped more than their usual 20% to 30% for takeout and even tipped at the drive thru restaurants to help struggling service workers. But that is not the majority and following the pandemic customers are tipping less. From previous research sixty-four percent of customers who self-ordered tipped between 0%-5% compared to 12% for server ordered meals tipped 0-5%. Ninety-three percent of participants who self-ordered restaurant food and 60% of server ordered food tipped less than 20 percent, for full service 31% tipped 10% or less with 4% no tip but for self-ordering 82% tipped 10% or less while 28% left no tip. Customers have now learned they can still enjoy restaurant meals at home without the additional service fee/charge/tax, or tip added to the cost of the meal.

Not all customers care about the dining experience they are focused on food consumption.

Partition Pricing

Partition pricing is when a base price for the product or service is provided with other required costs added to the original base price. (Morwitz, Greenleaf, & Johnson, 1998). Consumers are conditioned to focus on the base price of the menu item. Tax is a nonnegotiable percentage added to the base price at the end of the transaction. Tax percentage is consistent across competition as a separate item and not included in the base price until the end of transaction. Gratuity/service charge is also an added cost not included in the base price. Gratuity is negotiable but a service charge is a percentage added to base price at the end of transaction that is not negotiable.

During post discussions it was apparent that customers are conditioned to focus strictly on the base price of their meals. After consumption of the meal the base price for food and beverage costs as per the menu pricing for example could total \$50.00. The bill for the food shows the \$50 for the food plus an added tax (or numerous taxes depending on location) plus the expected 15-30% tip for server taking order and delivering food to the table. Now the \$50 meal is \$55 with a 10% tax, a 20% tip of \$10.00 and the \$50 meal now cost \$65. Menu prices are not correct in providing the total cost as shown with the approximately 10% tax plus the expected 15-20% tip. Hotels use partition pricing by showing the base price for a room then requiring additional payment for taxes, resort fee, and parking.

Dining Service

The restaurant experience can include an ambiance, aromas, varied service levels, and the food. The overall positive dining experience can increase the customers willingness to pay additional in the form of a gratuity. Gratuities are currently down by 4% from before the two year pandemic (McClanahan, 2022). During the pandemic, a focus of not touching was adopted and the expansion of new electronic ordering options on websites, apps, and kiosks were implemented. For example, dining at a nicer chain steak restaurant now provides an electronic menu

read from your personal electronic device. After being seated the customer orders appetizers and drinks electronically at the table. Drinks and appetizers are delivered and entrees are ordered electronically from the table. The entrees, appetizers, and drinks are delivered to the table by a variety of people other than the server. The server checked on the table after appetizers, drinks, and entrees were delivered to see if everything was fine. Dinner and cocktails are finished, the customer electronically pulls up guest check and pays. While paying tipping options are provided requiring a selection of 15%-30%, other tip, or no tip prior to closing the guest check. Was a tip earned? The server only stopped by the table to check after drinks, appetizer, and food were delivered. All food and beverages were self-ordered and paid electronically. Should the server receive a 15-30% tip? Without the human touch and interaction, the experience is not the same (Panwar & Khan, 2021). Consumers who do not like to tip will not tip when they self-order and consumers who have a positive attitude toward tipping will generally tip only 0-5% when self-ordering. Should the server be tipped when other service workers for example in fashion are not tipped for helping choose clothing, delivering clothes to try on, then folding/hanging clothing before putting them away?

Preference of not Tipping

The original focus of this research study was looking at the attitude toward tipping. A discussion on tipping with several business professionals within the community spoke about tipping expectations. The discussion moved to their dislike of being expected to tip without exceptional service. It was an added cost, and they were not fond of tipping. They saw it as a forced requirement. It had nothing to do with the amount of the tip. The discussion turned away from the server and more about the forced financial commitment. Restaurant diners have been accustomed to paying for service with a tip keeping the food and service costs as separate interactions as the food was excellent, but the service was mediocre. With fast food, and fast casual restaurants customers order their own food and either pickup at window or counter without the additional service charges. The group consensus followed the study results of

self-ordering at the counter, phone, kiosk, online, or with an app said they did not tip, or not above 5%. There were two professionals who admitted they did not tip in self-service situations and if they were not completely satisfied at a full service restaurant, they did not tip. It was not a percentage decision on the tip it is a decision of whether to leave a tip or not leave a tip.

To deal with the inconsistent tipping a Portland based restaurant decided to switch from tips to a service charge of 22%. The restaurant then raised the wages to provide a minimum wage of \$25. They did not lose any employees and the back of the restaurant is a lot happier (Reuter, 2022). Now the front and the back of the restaurant are being paid a fair wage which makes for a more consistent paycheck. The issue is the tip is still expected and is now added on as a service charge which is still adding an additional charge to the meal. Making it a service charge takes away the ability of the customer to choose the amount to pay. If the service charge is not optional then the service charge is becoming a service tax (Newman & Estes, 2018). If the menu price does not cover all the cost to provide the meal, tips may not offset the cost. If a restaurant adds a service charge will the service charge be optional? Will the service charge still be required for self-orders and takeout? If the service charge is not optional, then it sounds like a tax.

The airlines after deregulation would advertise a travel ticket for \$99 round trip. The surprise to purchasers was the multiple taxes and additional fees. For example landing fees, and excess fuel charges would add 10% - 40% to the base price of the airline ticket. The committed traveler's prices are now a lot more than planned. The airlines now show the actual cost of the trip with taxes and services included. The cost breakdown is provided on the ticket.

A recent way of recapturing the tips in self service restaurants has been the automated screens. The screen is either permanently attached to the register to show the order or is flipped by the cashier for the customer to see. Self-ordering online does provide the opportunity to tip in advance, but this study did not differentiate how the customer self-ordered. It has been shown that a customer's fear of disapproval will motivate them to still tip the normal percentage even with poor service and poor food quality.

The poor food and service quality has shown in significant effect on decreasing tipping amount (Futrell, 2015)

The ability to advance tip could be a way of getting quicker or better service. But the automated tipping options on the cashiers flip screen is shown to be highly effective in collecting tips. After the customer orders their food the cashier turns the screen to show the total with an automated tipping option. The automated buttons on the screen can provide tipping options of 15%, 20%, 30%, or no tip. Flipping the screen with the automated tip button can increase tips by 50% (Magaziner, 2022)

There has been an issue with Instacart deliveries and tips. The problem comes back down to the customers who have a negative attitude toward tipping. The customer's tip percentage is too low to motivate a delivery driver to pick up the order. Another issue with Instacart was tip switching. The customer would show a large tip on the order prior to delivery but before the Instacart driver could collect the tip, the customer changed or canceled the tip. Customers gained the quick service without paying (Kang, 2022)(Moran, 2022).

Service Charge or Tips

Customers prefer tipping over a Service Charge because it gives them the perception of a competitive environment. Yet 85% of American tippers claimed to be following a social norm and 60% tipped to avoid guilt (Azar, 2010) rather than tipping based on service quality. Restaurant managers voice how the higher menu prices would be less attractive to customers. The customers are going to spend \$50 for the meal either way. Unless the customers are not tippers. Non-tippers do not experience the full 30% increase in menu pricing. They are accustomed to the 10% sales tax that is added to all purchases including all meals from fast food to fine dining. The service charge could provide a psychological bias taking away the power of the customer to monitor the service and pay accordingly (Azar, 2020). The final bill with or without a service charge is going to increase by 15-20% which is the going rate for a tip in sit-down restaurants to currently cover service expenses (Wells, 2021).

If a service charge is replacing the tip, then the customer has

no power to accept or refuse the service charge. The customer also loses control of whom the service charge is distributed to.

No tip decision before bias

Looking at the attitude toward tipping of the customers helps in determining who will tip and who will not tip no matter the circumstances. To gather the factors that these consumers like in a server has no relevance since they will not be tipping. Many scholarly studies have revealed how the quantity or percentage to tip is determined by a variety of service factors such as simple smile (Hsiao, Chien, Yeh, & Huan, 2022) or a gift (Hilkenmeier & Hoffmann, 2022). Many other variables are used in determining tip size such as service quality, size of the bill, method of payment, demographic characteristics of the server, frequency of visits, server interactions, server attractiveness, customer demographics, customer mood, weather conditions, and background music is recorded in detail (Aydi & Acun, 2019). Other characteristics such as how efficiently the server handled the bill, if it was repeat server, server visibility, amount of time spent at table, personally close, and customized service, are some of the other important variables studied (Lynn, 2019) in determining tipping percentages.

Attitude toward a brand

This study takes a preliminary look at tipping attitude. Attitudes are defined as “learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object”. (Fishbein & Ajzen, 1975) Attitude towards the brand is defined as a predisposition to respond in a favorable or unfavorable manner to a product and stimuli. Attitude toward the brand has a significant effect on predicting the intentions of consumers (Phelps & Hoy, 1996). Attitude has been shown to be highly effective in predicting a consumer's behavior (Mitchell & Olson, 1981). Many studies have looked at the attitude toward a brand to better understand how decisions are made, predicting intent, and brand awareness. Attitude toward the brand has shown to have a significant role in influencing consumer purchase intentions (Goldsmith,

Lafferty, & Newell, 2000) (Gresham & Shimp, 1985). This study utilized the scales to understand the tipping intention. The scales were previously used to understand attitude toward advertising. Attitude toward advertising helped in understanding consumers attitude towards advertising in general prior to seeing an advertisement. For example, if the consumer does not like advertising in general their response to an advertisement could be more negative than a consumer who feels positive toward advertisements in general. The attitude toward the brand scales helps in understanding consumer attitude toward tipping in general.

Research Study

This study looks at consumer attitude toward tipping (At) within a moderately priced restaurant. The participants were asked the following questions “My feelings toward tipping in full service restaurants” and “My feelings toward tipping in self-service restaurants.” To measure attitude toward tipping the attitude toward the brand (Ab) scales from Muehling, Laczniak, and Stoltman (1991) were utilized with three 5-point bipolar items. These scales for the bipolar questions good-bad, favorable-unfavorable, and negative-positive. The three items were then aggregated to form attitude toward the brand (Ab). Muehling and his coauthors reported an alpha of .93 for this scale (Muehling, Laczniak, & Stoltman, 1991). A 5-point bipolar scale with the anchors important-not important was added to measure how respondents rated the importance of tipping.

Participants

Data was collected from 604 adult participants via social media outlets (N=604). Participants were from Pacific Southwest within a two hours radius of the Pacific coast. They ranged in age from 18-88 (M= 31.3) and 59% of the participants were female. Marital status showed 26% married, 2% widowed, 5% divorced, 2% separated, and 65% single. Participants varied in educational background 2.28% less than high school degree, 19.51% high school graduate or equivalent, 25.69% some college, 19.67% associate degree, 25.04% bachelor's degree, and 7.8% master's degree or higher (Figure 1).

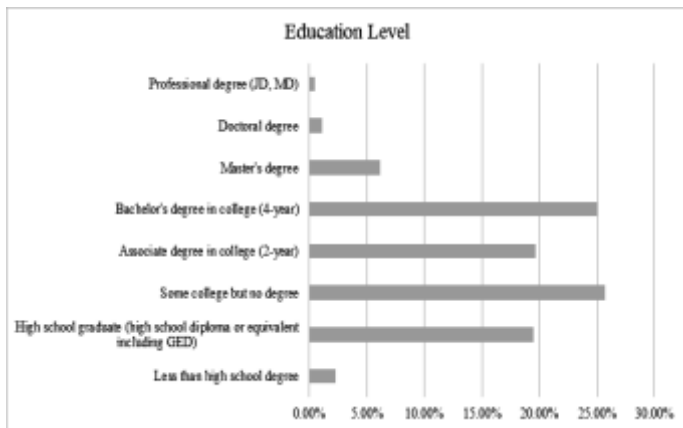


Figure 1

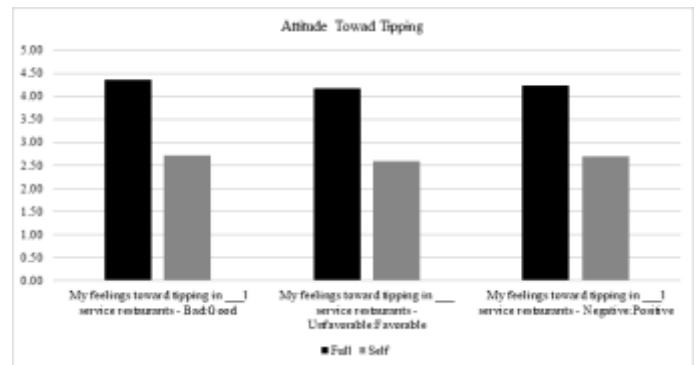
Procedure

The data was collected online within a two week period. Participants were recruited via social media outlets. Upper level market research students from a Southwestern University distributed the survey link via their social media contacts. The participants responded to questions from a Qualtrics survey about their attitude toward tipping in both full service and self-service restaurants along with basic demographic information. There were no incentives to complete the survey.

Findings

The participants were asked about their attitudes on tipping for full service and self-service restaurant ordering. The questions “My feelings toward tipping in full service restaurants” and “My feelings toward tipping in self-service restaurants” were asked followed by three sets of adjectives” A five-point semantic differential scale ranging from 1-5 paired with the three sets of adjectives of bad-good, unfavorable-favorable, negative-positive. Not important-important was added at the end of each question.

Participants felt very strongly about tipping in a full service restaurant with an aggregated mean of 4.25 out of 5 (M=4.25) The following results on the individual adjectives are “My feelings toward tipping in full service restaurants” (bad-good M=4.35 SD=1.002), (unfavorable-favorable M=4.17 SD=1.066), (negative-positive M = 4.23 SD=1.044), (not important-important M=4.27 SD=1.062).



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Figure 2

The participants did not feel as strongly about tipping when it comes to self-service restaurants with an aggregated mean of 2.63(M=2.63). The following results on the individual adjectives are “My feelings toward tipping in self-service restaurants” (bad-good M=2.71 Sd=1.375), (unfavorable-favorable M=2.58 SD=1.302), (negative-positive M=2.69 SD=1.316), (not important-important M=2.55 SD 1.368) (Figure 2)

The results of dependent t-test showed that the results are significantly different at P<.001. The aggregated scoring results of attitude toward full service tipping (M=4.795, SD=4.319), (t=27.171) (df =603) Significance one-sided p <.001 two sided p<.001.

A Chi-Square Test of independence was performed to determine the relationship between attitude toward tipping and the percentage tipped. There was a significant relationship between attitude toward tipping and percentage tipped at a full service restaurant when a server took their order $\chi^2(72, N=604) = 152.99, p = <.001$. There was a significant relationship between attitude toward tipping and percentage tipped when they self-ordered their food at the restaurant $\chi^2(72, N=604) = 264.36, p = <.001$.

Discussion

The purpose of this study was to look at the attitude consumers had about tipping. The focus was to use attitude toward the brand scales to measure attitude toward tipping. Participants were asked their attitude toward tipping at a moderately priced restaurant when they self-ordered and

server ordered. The results showed that restaurant consumers attitudes toward tipping was significantly different if they self-ordered their food compared to a server taking their order. The changes in restaurant food distribution due to the pandemic does influence tipping attitudes and amount tipped. The results of the study show that attitude toward restaurant tipping in general could be used as a predictor of tipping percentages. Less than 1% of respondents who had a negative attitude toward tipping tipped in a full service restaurant and interestingly 1% of respondents who stated a positive attitude toward tipping did not tip. Self-ordering 22% of the respondents with negative attitude toward tipping did not tip.

Manager implications

Managers need to understand that there is a percentage of customers that do not want to and will not tip. The non-tippers are not tipping because of a lack of service or food quality, they just do not tip. They could comment or complain to help justify to themselves for not tipping. Server characteristics or behavior have no effect on their tip. Consumers are conditioned to the three parts of dining receipt the food, tax, service/tip. The service charge is still a tip that is no longer controlled by the customer or server. That is why Britain is looking at a law that discloses how tips and service charges are distributed (Lake, 2022). The Heart of House restaurant in California chose to establish a clear distribution of gratuities. Their system distributes gratuities above service charges at 40% to servers, bartenders, hosts; 20% to the bussers, runners, sanitizers; and 40% is distributed to all the production employees. Union Square Hospitality Groups of New York tried the service charge option instead of tips but switched back to tipping. They went back to tipping due to the state and federal laws associated with how tips are distributed. Plus, none of their competitors followed their no tipping lead (Jennings, 2020).

Future Research

Technology effects in the restaurant industry and its effects on tipping is a topic for future research. Technology has replaced service providers like bank tellers, travel agents, and currently restaurant food order takers. The use of

websites, kiosks, and apps are changing the way customers order their food. Will technology push restaurants to provide a full service and a technology based self-service option?

Conclusion

Customers who do not like to tip may continue with self-ordering and takeout to avoid the additional service costs. If consumers already have a negative attitude toward tipping, they will not tip or tip well.

Fast food restaurants add their service costs into the overall cost of their products. Their employees are not dependent on tips. A European dining style that does not require tipping could be an answer to consumers who do not want to pay separately for service. If the service fee approach moves forward other fees such as a cooking fee could be added. So now the bill would have food costs, cooking fee, service fee, and tax. Can I order my meal to go, uncooked, and without any service?

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