

To tip or not to tip? An exploratory study of the motivations driving consumer tipping behavior

Jeremy E. Whaley
Martin A. O'Neill
Auburn University

Introduction

This paper intends to shed light upon consumers' motivations to tip. The initial part of the study began with a modest literature review of which motivational themes began to surface. These themes became the driving force and interest for further investigation. As an outcome, the development and distribution of a quantitative scale helped to highlight some of the motivational drivers for consumer tipping behavior. Moreover, this paper's intent is to illuminate consumers' motivations to tip, while utilizing a more quantitative approach. Rather than observing subjects in a restaurant setting (Bodvarsson and Gibson, (1999); Bodvarsson, Luksetich, and McDermott, (2003); Jewell, (2008); Grassman and Lynn, (1990), this research targeted college age students in hopes of finding an unbiased or "real-time" tainted experience. There are countless variables which can affect consumer tipping behavior while observing restaurant operations. "For example, customers tend to leave larger tips when the weather is pleasant, when there is desirable background music, and when the restaurant is elegant or in an urban area." (Seiter, 2007, 479) With the exception of music and sometimes lighting, some factors that affect tipping behavior are completely out of a server's control.

Much of the extant literature on the subject has focused on potential tipping motives like service, social norms, race relations, server actions, and more (Koku, (2005); Azar, (2006); Azar and Yossi, (2006); Baaren, (2005); Fernandez, G.A. (2004, Feb). However, there still remains a need for the further development of a comprehensive quantitative scale simultaneously addressing the wide array of motivational themes believed to affect tipping behavior. Again, a large amount of research tends to be more observational which concludes by asking guests to fill out a small survey on a particular theme while exiting a restaurant. Given this, there still remains a need for a holistic approach to answer the question, what motivates a person to tip, while adding a further quantitative piece to study the complex phenomena.

Literature review

Tipping is a custom that can be described in several different ways. For example, a tip can be defined as a gift. Secondly, a tip can be defined as a way of monetarily rewarding or punishing a service provider. Thirdly, a tip can also be defined as an obligation for services received. "A price can be fixed on a hotel room, on a meal, or on a distance traveled by taxi or bus, but not on the smiles, the friendly gestures, the hospitable attitudes, etc..." (Shamir, 1984, 62)

Of greater importance, the act of tipping affects consumers and hospitality professionals each and every day. Which then poses the question, if the act of tipping is a common way of life, where did the custom begin? One answer to this question may lie with former studies conducted by Azar as he believed, "that tipping was created in those occupations in which consumers felt empathy and compassion towards the worker because of his low income or their high income." (Azar, 2006, 1877) Tipping is a behavior shaped by monetary reward. "Therefore,

price, which is often used as a cue to quality for most services (Zeithaml 1981), cannot be used for tipped services since the consumer determines the price of the service.” (McCarty, Shrum, Conrad-Katz, and Kanne, 2007, 723) In today’s economic environment helping workers make a living is “the number-one reason cited by people with income of \$50,000 or more.” (Speer, 1997, 52)

When considering the origins of the tipping, “Hemenway (1993) claims that tipping was known as far back as the Roman era and is probably much older.” (Azar, 2007, 252) During those times, tipping was a way of rewarding slaves and servants. In England, brass urns and buckets within coffee houses and pubs bore the inscription “To Insure Promptness.” (Azar, 2007, 252) The act of tipping also took place during times of travel, “lords met groups of beggars along their way; they tossed the beggars coins in an attempt to buy a safe passage.” (Azar, 2004, 750) When tips evolved from being paid after service was received, to being paid in advance in the early 1900’s, servants seemed more lazy and arrogant with little reason to provide additional service (Seagraves, 1954). In other cases, hoteliers or restaurateurs actually charged servers to work in their establishments without paying them a set wage. In more affluent venues, employers expected workers to live solely off tips without further compensation. “Tips were not given in the United States until after the Civil War, however, possibly because the country did not have a servant class.” (Azar, 2004, 752) Today, the phenomenon has become a wide-spread common etiquette; it would be unfathomable for the custom to cease. In the United States particularly, the services industries requires, if not demands millions of workers to be compensated via tips. Astoundingly, “estimated tips in US restaurants alone are about \$27 billion annually.” (Azar, 2007, 252)

Given the economic impact, it is surprising that the act of tipping has not been more thoroughly researched by hospitality industry scholars. Tipping is the main source of income for millions, “therefore is closely related to labor economics.” (Azar, 2007) With so many occupations in the United States largely dependent on tips, the custom is second nature to most individuals. No matter if it is in a hotel, restaurant, or casino many understand and abide by the custom. While a majority of the population may not know the exact amount to tip, a significant portion is aware of its standard practice. Therefore, it is safe to assume that millions of hospitality professions derive their primary source of income from tips.

Even more interesting is the subtle effect of tipping acting as a quality control lever. In a quality control sense, tipping is a way of rewarding or punishing those which provide services in the hospitality industry. In this sense, consumers are given a sort of uncanny control. Giving poor service generally results in poor tips and ultimately no source of income. This is reported in a sense that, “the main justification for tipping is that it promotes better service, by giving the workers an incentive to do their best to satisfy the customer’s needs.” (Azar, 2004, 761)

While some posit that it is the quality of service, which is the primary driver of the act of tipping (Lynn, (2001); Strohmets and Rind, (2001), others believe that tipping may be driven by covert undertones such as pity for the server or gender specific interaction. (Stephen and Zweigenhaft, 1985) Many waiters were tipped out of pity or compassion; for restaurant owners and hospitality managers alike, tipping afforded these employers a way in which to cut labor costs. This was largely due to the fact of playing with guests’ emotions by having them to give additional money, more freely to a servant out of pity or empathy.

When considering the tipping custom in today’s marketplace, tipping is instinctively required in many different venues. While leaving a gratuity is mainly described as an economic

transaction (*quid pro quo*), the custom violates the traditional economic principle by which “consumers voluntarily pay more than they are legally obligated to.” (Azar, 2007, 251) However, this is simply not the case if the gratuity is already included in the check, which thereby becomes an implied, contractual agreement for services. In contrast, tipping contradicts the economic argument, which proposes that people tip for merely selfish reasons.

In a psychological sense, the act of tipping is a form of behavior. Behavior, of course, is determined by motives. It is important to note that, “different reasons for tipping translate in to different tipping behaviors.” (Azar, 2007) Motives, whether overt or unseen, are driven with action. Meanwhile, these motives support the hypotheses that many theories play a role in the tipping phenomenon. Evidence suggests, “Powerful non pecuniary motives like the desire to reciprocate or the desire to avoid social disapproval also shape human behavior.” (Falk & Fehr, 2002, 688)

In addition, social norm theory suggests that individuals tip out of pressure to conform, ultimately striving to avoid the feelings of guilt or shame. Azar shares this same view, positing that, “when a norm is costly to follow and people do not derive benefits from following it other than avoiding social disapproval, the norm erodes over time.” (Azar, 2004, 749) The tipping phenomenon has defied this assumption. In fact the social position on tipping thirty years ago was generally ten to fifteen percent. Presently the socially expected norm of tipping is twenty percent or even higher in certain venues. Predominately where tipping is required for services, consumers generally want to feel giving rather than sparing. Moreover, “many have suggested informally that tipping and the size of the tip as a percentage of the bill size is a social rule simply to be followed without much thought.” (Bodvarsson, 1999, 139) On the other hand, some believe tipping generously is a way to show off in front of others. In addition, consumers are believed to tip for, “social approval, equitable relationships and future service.” (Grassman & Lynn, 1990) It is important to note, service cannot be replicated and varies from person to person.

As with purchasing any service, the intangible aspect of the exchange produces the assumption of risk and anxiety. To reduce the amount of risk in the service experience, consumers are willing to tip, in order to receive the expected levels of service ultimately to avoid anxiety (Azar and Yossi, 2006). With few exceptions, most servers are willing to deliver on the promise of service, provided consumers are willing to tip for their efforts. However, many servers expect to be compensated via an equitable exchange relationship.

The server/guest relationship becomes equitable and one of trust for both participants. Moreover and unrealized by parties, equity and trust sets the tone for the consumer/server relationship. Equity theory implies that consumers should tip according to the perceived amount and quality of service he/she receives. The output of a tip, should match the input of the service (Videbeck, 2004). In terms of the receiver or consumer in the relationship, “if he cannot reciprocate in this manner his dependence remains one-sided, and he must discharge his obligation by deferring to the other’s wishes... which means that (the other) has acquired power over [him].” (Shamir, 1984, 65) As a consequence to balance the transaction in an equitable fashion, many guests feel compelled to tip.

Again, numerous researchers have proposed “various explanations for why certain variables are effective.” (Seiter, 2007, 479) In addition to the previously mentioned motivational theories, Seiter believes that tipping can be explained by “impression management theory.” (Seiter, 2007, 479) This theory argues that “people try to control their behavior in order to create desired impressions.” (Seiter, 2007, 479) Furthermore, “according to impression management

theory, when people desire to be seen as likable, one of the more common self-presentational strategies they use is ingratiation.” (Seiter, 2007, 479) Against this background this study addresses the following research question: What motives drive the consumers’ decision to tip? Further, what motives are most important to consumers in the act of tipping?

Theoretical development

In summary, several theories stand out as potentially influencing the consumer’s motivation to tip. Social norm theory suggests that individuals will behave or comply in order to satisfy societal standards. Tipping can be described as a social norm driven practice. “Social disapproval is a key element in the enforcement of social norms.” (Falk, Fehr, 2002, 698) In addition, equity theory can also be applied to the tipping custom. Equity theory values the balance in exchange relationships. The outputs of a service provider are expected to match the remuneration by the patron. Evidence suggests, “powerful non pecuniary motives like the desire to reciprocate or the desire to avoid social disapproval also shape human behavior.” (Falk & Fehr, 2002, 688) More commonly thought to affect consumer tipping behavior was the quality service. Commonly the case, poor service results in poor tips, good service generally results in good tips. With these theories and/or substructures in mind, this facilitated delineation of the construct and development of a set of 32 questions (items) to measure consumer motivations to tip. Against this background several research hypothesis are offered.

The act of tipping is a complicated motivational phenomenon best defined by a myriad of motivational influences including the service act, the service exchange, social pressure to conform and the need to secure equitable future service. The first research hypothesis can thus be posited as follows:

H1 - The motivational tipping construct will present itself as multi-dimensional in nature influenced by a range of motivational themes.

Regardless of social pressure to conform and the need to manage risk aversion, the overriding tipping motivation for the vast majority of consumers remains the service received during the normal service exchange. The second research hypothesis is thus presented as follows:

H2 – Actual service delivery will be most important to consumers in their decision to tip or not.

Further, there is a paucity of evidence that regardless of the service received, most consumers still feel obliged to leave to tip due to social pressure to conform. The third research hypothesis is presented as follows:

H3 – consumers will continue to tip regardless of whether they receive good or bad service.

Methods and sampling

In attempt to better understand consumer tipping motivations, a pilot study was conducted among students at a land grant university in the south eastern United States in the spring semester 2009. Following a modest literature review, a series of focus groups and one-to-one expert interviews, a thirty two item questionnaire addressing various consumer motivations for tipping was created. The thirty-two items which comprised the research instrument were tested for face validity using the card sort method. “The card sort method is proven to be a viable tool to ascertain the individual subject’s perceptions regarding competencies.” (Jahrami, Marnoch, Gray, 2009, 176) Having been found to be valid, the instrument was then distributed throughout campus. 1000 surveys were distributed and 831 responses were received and

analyzed. This represented a response rate of approximately 83%. While the questionnaire predominantly sought to measure students' motivations for tipping, demographic data were also collected.

Table 1 highlights the key demographics concerning respondent profile. Just over 63% of respondents were female, 83% Caucasian and just over 13% were directly employed in the hospitality industry. Of those who worked in the hospitality industry just over 51% of respondents had worked for one year or less in their current hospitality position and just over 10% indicated that they themselves held a tipped job.

Table 1 - Demographic profile of respondents

Frequency of standing			Frequency of Gender		
Value Label	<i>N</i>	<i>%</i>	Value Label	<i>N</i>	<i>%</i>
Freshmen	130	15.6	Male	297	35.7
Sophomore	352	42.4	Female	524	63.1
Junior	156	18.8	Missing	10	1.2
Senior	178	21.4	Total	831	100.0
Missing	15	1.8			
Total	831	100.0			
Frequency of Employ. Experience			Frequency of Tip Behavior		
Value Label	<i>N</i>	<i>%</i>	Value Label	<i>N</i>	<i>%</i>
< 1 Year	430	51.7	Yes	814	98
1 – 3 Years	206	24.8	No	4	0.5
3 – 5 Years	45	5.4	Missing	13	1.6
+ 5 Years	24	2.9	Total	831	100.0
Missing	126	15.5			
Total	831	100.0			

Note: Missing denotes non response on these variables

Some 58% of respondents classified themselves as either freshmen (15.6%) or sophomore (42.4%) on their respective programs. When asked if they tipped, 98% of respondents said yes, with a mere 0.5% (4) respondents indicating flatly that they did not tip. Some 41.5 % of respondents reported their tipping norm as being between 11-15%, with 27.5% indicating their norm as 16-20% and 4.1% of respondents indicating their norm as being above 20%. This figure increased greatly to 34.8% of respondents who indicated that they tipped above 20% for excellent service.

Research findings

While the overriding goal of the study was to shed light on those motivations driving the consumers' decision to tip, it also proved useful to test the psychometric performance of the scale employed. Results show that the instrument performed well with coefficient $\alpha=0.79$. This reliability score exceeds the usual recommendation of $\alpha=0.70$ for establishing internal consistency of a scale for exploratory research. Construct validity was also addressed in terms of both convergence and the research instrument's ability to discriminate between the underlying dimensionality of the consumer tipping motivation construct. Convergence was investigated by calculating the mean score for each of the 32 scale items and correlating (Pearson's product moment correlation) this with the mean score from an overall single item variable addressing the correlation between tipping behavior and the service received. This variable was presented as please tell us how strongly you (1) Disagree through to (5) Agree that "My tipping behavior is directly related to the service received". A correlation of 0.281 was found which while low, was nonetheless significant at the 1% level ($p<0.001$).

The next stage of the analysis was to conduct an exploratory factor analysis of respondent motivations for tipping. This test was designed to give structure to the motivational domains explaining consumer tipping behavior. An exploratory factor analysis using the principal component extraction technique was performed on the various motivational variables. The analysis made use of the VARIMAX factor rotation procedure in SPSS version 17. A component matrix was initially generated to ensure that the analyzed variables had reasonable correlations (greater than or equal to 0.4) with other variables. Unrotated and rotated component matrices were inspected and variables that did not correlate or correlated weakly with others were excluded (De Vaus, 1996). All but four variables (variables 3, 4, 8 and 12) correlated well, which led to their removal from the subsequent analysis. The result of the corresponding KMO of "sampling adequacy" was 0.821 and Bartlett's test for sphericity was 5819.690, which is considered a high Chi-Square, yet significant at the level of 1 percent ($\text{sig.}=0.001$). The results of these tests rendered the data factorable and consequently the factor analysis was generated.

Table 2 – Factor Analysis – Consumer Tipping Motivation Construct

Variable	F1	F2	F3	F4	F5	F6
	Service	Social	Server	Future	Peer	Process
	Received	Compliance	Action	Service	Pressure	Related
V11	.758					
V10	.711					
V19	.662					
V26	.589					
V21	.583					
V25	.518					
V22		.815				
V24		.815				
V16		.678				
V14		.627				
V7			.734			
V6			.672			
V23			.560			
V18			.520			
V5			.501			
V31				.821		
V32				.807		
V9					.772	
V13					.730	
V30					.550	
V29						.724
V27						.578
V28						.566
Eigenvalue	4.032	2.610	1.795	1.499	1.469	1.069
% variation	17.529	11.349	7.803	6.517	6.388	4.648
Coefficient α	.73	.73	.65	.68	.51	.52

This initial analysis identified factor loadings (item to total correlations) along nine dimensions accounting for approximately 56% of the explained variance. Further analysis of the rotated component matrix identified one variable (Variable 15) as having cross-loaded on two separate factors. The offending item was removed and the analysis rerun. A total of three additional analyses were run due to subsequent cross-loading leaving a total of 23 items, loading cleanly across six factors and explaining approximately 54% of the variance. The corresponding reliability co-efficient for this revised scale was $\alpha=0.71$ and the related KMO of “sampling adequacy” was 0.775 and Bartlett’s test for sphericity was 3956.839, a lower Chi-Square, again significant at the level of 1 percent (sig.=0.001). Table 2 reveals moderate to good alpha co-efficients for each of the six extracted factors ranging from $\alpha=.51$ for what has been termed “Social Peer Pressure” through to $\alpha=.73$ for what has been termed “Service Received” and “Social Compliance”. These results support both the H1 and H2 Hypotheses in that they point not only to the complexity of the motivational construct (H1), but also to the very real importance of the service concept to actual tipping behavior (H2). “Service Received” clearly accounts for the greater proportion of explained variance (17.52%) thereby testifying to the importance of the service act for most consumers when it comes to the actual tip offered. Attention next turned to the H3 hypothesis and tipping behaviour in the face of poor service, with the suggestion that consumers tip regardless of good or bad service due to societal norms. A simple, yet crude descriptive statistic was first run on scale variable 16, which simply stated read “I feel obligated to tip even when service is bad”. The overall mean for this variable was $m=2.95$, which indicated a stronger degree of agreement than disagreement on the scale employed. An additional analysis of related frequencies lent further tentative support to this issue with some 42% of respondents indicating that they either “agreed” or “strongly agreed” that they would tip regardless of bad service. A further 20% were undecided, with the remaining 38% of respondents indicating that they either “Disagreed” or “Strongly Disagreed” that they would tip in the event of bad service.

Discussion and conclusions

The results point to a number of drivers/motivators of consumer tipping behaviour and very much supports the view within the literature that the act of tipping is a multifaceted phenomenon with a variety of factors at play. Clearly social influence is a huge motivator both in terms of compliance to norms and peer pressure to conform. The findings are consistent with several studies of which societal norms are believed to be motivating factors of tipping behavior (Conlin, Lynn, and O’Donoghue, 2003; Lin, 2007; Azar, 2006, 2007; Lynn and Grassman, 1990) The quality of service received is also a clear driver of tipping behaviour as are the issues of physical contact with the guest and the more selfish issue of future service and visitation. This finding of quality services as it relates to tipping behaviour is parallel to other industry studies of which consumers are motivated to tip due to service (Bodvarsson and Gibson, 1999; Lynn, 2001, 2003; Azar and Yossi, 2006). When considering the factor of “touch” this study’s finding also relates to other industry studies of which “touch” has been found to be a motivating factor of tipping behaviour (Jewell, 2008).

The implications for service personnel are clear therefore, while there are deeply personal issues driving behavior that are above and beyond the influence of the service provided, there are just as many that can be manipulated depending upon the particular service encounter. Quality of service, actual contact with the guest and of course the various process or logistical elements of the service encounter are just as important as the social norms and conventions most people adhere to. The results are limited though in terms of wider application. They pertain to a student audience only at one

university in the south eastern United States. Clearly the results may have been much different if the survey were administered to the public at large and over an entire yearly cycle. The results are also limited to the hospitality profession only and not the tipping behaviour in the wider service sector, which of course has many tipped professions. The study is further limited by its ignorance of a number of what certain respondents identified as equally critical tipping motivators – for example, gender, ethnicity of the server, portion control, serving temperature of food and service delivery timing.

As a result of the findings from this study, a second quantitative study is now at play. Having realized some of this particular study's limitations with potential motivational drivers such as gender, ethnicity of the server, food portions, and food temperature, items which did not perform well were deleted. New variable/items were then added to the pre-existing instrument which addressed these afore mentioned topics. Given this, the tipping saga will continue.

References

Azar, O.H. (2006). Who do we tip and why? An empirical investigation. *Applied Economics*; 37, (16), 1871-1879.

Azar, O.H. (2007). Do people tip strategically, to improve future service? Theory and evidence. *Canadian Journal of Economics*; 40, (2), p515-527.

Azar, O.H. (2007, April). Why pay extra? Tipping and the importance of social norms and feelings in economic theory. *Journal of Socio-Economics*; 36, (2), p250-265.

Azar, O.H., Yossi, T. (2006). Tipping as a strategic investment in service quality: an optimal-control analysis of repeated interactions in the service industry.

Bodvarsson, O.B., Gibson, W.A. (1999). An economic approach to tips and service quality: results of a survey. *The Social Science Journal*; 36, (1), p137-147.

Bodvarsson, O.B., Luksetich, W.A., McDermott, S. (2003). Why do diners tip: rule-of-thumb or valuation of service? *Applied Economic*; 35, p1659-1665.

Conlin, M., Lynn, M., O'Donoghue, T. (2003). The norm of restaurant tipping. *Journal of Economic Behavior and Organization*. 52, p297-321.

De Vaus, D. A. (1996). *Surveys in Social Research*. 4th Edition. London: UCL Press Ltd.

Falk, A., Fehr, E. (2002, May) Psychological foundations of incentives. *European Economic Review*; 46, (4-5), p678-724

Jahrami, H., Marnoch, G., Gray, A.M. (2009). Use of card sort methodology in the testing of a clinical leadership competencies model. *Health Services Management Resources*. 22, (4), 176-183.

Jewell, C. N. (2008). Factors influencing tipping behavior in a restaurant. *PSI CHI Journal of Undergraduate Research*.; 13, (1), p38-47.

Lin, T.C. (2007). Economic Behavior of Restaurant Tipping. *Economics Bulletin*, 4, (2), p1-10.

Lynn, M. (2000). National personality and tipping customs. *Personality and Individual Differences*; 28, (2), p.395-404.

Lynn, M. (2001). Restaurant tipping and service quality: a tenuous relationship. *Cornell Hotel and Restaurant Administration Quarterly*; 42, (14), p14-20.

Lynn, M., Grassman, A.(1990). Restaurant tipping: an examination of three 'rational' explanations. 11, p169-181.

Lynn, M. (2003). Tip levels and service: An update, extension, and reconciliation. *Cornell Hotel and Restaurant Administration Quarterly*; 44, (5/6), p139-148.

McCarty, J.A., Shrum, L.J., Conrad-Katz, T.E., Kanne, Z. (1990). Tipping as a consumer behavior: a qualitative investigation. *Advances in Consumer Research*, 17, p723-728.

Shamir, B. (1984). Between gratitude and gratuity, an analysis of tipping. *Annals of Tourism Research*; 11, p59-78.

Seiter, J. S. (2007). Ingratiation and gratuity: the effect of complimenting customers on tipping behavior in restaurants. *Journal of Applied Social Psychology*.37, (3), p478-485.

Speer, T, L. (1997, Feb). The give and take of tipping. *American Demographics*; 19, (2), p50-54.