Service Your Tips: Service Quality Based on Tipping Practices

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Previous research on tipping has suggested that tipping is both a useful and important tool or an irrelevant practice concerning service quality. This paper aims to study tipping from the perspective of the server and, by extension, the restaurant owner, considering the level of service that servers provide based on their tip expectations. A total of 83 servers working in Dubrovnik’s Old City completed an adapted version of the service quality measurement tool SERVQUAL, gauging service levels in the dimensions of Reliability, Responsiveness, Assurance, and Empathy. Via the SERVQUAL instrument, servers indicated the level of service they would provide in the aforementioned four dimensions under two scenarios: when they expected to receive a tip and when they did not expect to receive a tip. Results indicated that servers significantly vary their levels of service based on tip expectations, with the exception of when preparing and charging receipts. The dimension of Empathy produced the biggest service delivery gap (in the tip / no tip comparison). This research paper can be used for restaurant owners, guests and to improve service quality and tipping practices in general. Practical implications for restaurants include making standard or institutionalizing certain service actions that would effectively convey empathy (and the other dimensions as well) to guests.

Introduction

“Economists do not have a good theory of tipping. Normally, we assume that consumer pay a little as they have to when buying the products they want. Yet when buying meals, haircuts and taxi services, most consumers voluntarily pay more than they are legally required. Why does this happen? Why is it more true for some services than for others?”

Why do tipping customs vary from country to country? I have no idea.”

-Greg Mankiw, 2007

History of Tipping. Where and how tipping did start? There are a number of different explanations. Hemenway (as cited in Azar, 2007a) claims that tipping was common in Roman times, but that the practice actually started earlier. Segrave (1998) states that tipping began in the late middle ages. A master would give some extra coins to his servant as a sign of appreciation for good service or as an inducement for continued fine service. Both Branner (2001) and Frankel (1990) suggest that tipping traces its origins to England in the sixteenth century, where bar owners would put a vessel with the inscription “To Insure Promptitude” on counters, allowing customers to tip in advance for better service.

As for the term “tip”, its origins have a number of sources, ranging from the previously mentioned “To Insure
Promptitude ("tip" as the acronym) to Hemenway’s (1993) explanation that ‘tip’ is derived from a version of the Latin word “strips”, items which were used daily and sometimes offered as a gift for a good deed. Whatever the actual story, tipping was common in European hotels and bars by 1795. In the late 1800s, tipping spread to the United States with Europeans tipping so as to differentiate themselves as visiting Europeans (Schein, Jablonski, & Wohlfahrt, 1984).

**Tipping in General.** Gratitude or tipping is perceived as a unique economic activity because it can be legally avoided (Lynn, 2006). But tipping does exist and economists believe that it does so as it is the most efficient way of monitoring and rewarding the efforts of service workers (Bodvarsson & Gibson, 1997). Other Researchers (Lynn, Zinkhan, & Harris, 1993 and Azar, 2007a) note that tipping is a voluntary monetary economic transaction between customer and service worker. Gratitude or tipping practices are actively researched, but there are still a number of unanswered questions; mostly questions regarding as to why people tip (Azar, 2007b). It is hard to definitely answer these questions as previous research, using varied methodologies, argues both that present tipping practices are a useful tool or completely irrelevant.

This topic is important, because of tipping’s influence in the service industry. As Azar (2007a) stated, tipping is the main source of income for millions; therefore, it is closely related to overall compensation in the restaurant industry. This tipping phenomenon is mostly present in the USA, which is widely spread across this nation. Azar (2007b) noted that research conducted in the USA revealed that annual tip earnings in the service sector amount to around $47 billion.

From an economic perspective, it is clear as to why tipping gets much attention. In sum, explanations of tipping conclude that tipping influences both service providers and consumers, and understanding such influences can be essential for firm’s future development. As Shamir (1984) pointed out, “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.”.

**Why Do Individuals Tip?** As it is already mentioned in this paper, tipping is a deliberate act of individual consumers. Therefore, the explanation as to why someone tips is based mostly on individual motivation. Lynn (2000a) collected various tipping-related research papers and identified five reasons as to why consumers tip: (1) to support servers monetarily, (2) to reward service, (3) to gain better future service, (4) to gain or keep social esteem, (5) to fulfill a sense of duty. Lynn (2000a) also pointed out three reasons as to why people do not tip at all: (1) to save money, (2) to avoid creating power differences between customers and servers and (3) because of bad service.

Rewarding service and enticing better future service are interconnected with service quality. Economists, psychologists and sociologists alike have found evidence that humans feel obligated to repay some favors someone did for them (Fehr & Gachter, 2000). Ben-Zion and Kami (1977) stated that the only rational motive for tipping is to ensure future service; they also concluded that approximately sixty percent of U.S. consumers have acknowledged this motive as their own. It can be concluded that service quality is interconnected with tipping practices, but in what measure is not clearly defined because of various different factors which influence their connection.

**Service Quality and Tipping.** The service sector plays an important role in world Economy. In fact, Cengiz Haksever and Barry Render (2013) discovered that service sector jobs in the United States comprise about 84% of all jobs in 2010. One of the most important segments of the service industry is service quality (SQ). Although tightly correlated with customer satisfaction and purchasing behavior and central to the service industry, SQ is difficult to define and measure (Carman, 1990). Parasuraman, Zeithaml, and Berry (1985) contributed much to the understanding of SQ by identifying four "gaps" that can occur and create problems in service delivery. Later these authors created the SERVQUAL measurement (to be described later). As SQ is interconnected with the service industry, it is also stated that tipping is one of the elements of SQ (Azar, 2007a, Lynn & McCall, 2000, and Ben-Zion & Kami, 1977).

Some research regarding tipping has been conducted, but the results are varied. Lynn and McCall (2000) reported that there is a positive relationship between service evaluation and tip size, and that the relationship generalizes across several types of restaurants. Some other authors found similar findings, but others have found a different dynamic related to tipping (Bodvarsson & Gibson, 1994; Crusco & Wetzel, 1984). These results suggest that no or minimal tipping does not have a neutral or non-influential impact, but can have a negative impact on SQ or delivery of service to those who tip less or doesn’t tip at all, meaning that those who tip less or not at all receive worse service. These researches are mostly conducted in United States, but, although it can give a nice insight in tipping practices, the results cannot be completely generalized to tipping practices in Dubrovnik restaurants. Note, for example, that tipping practices are as not as wide-spread in Croatia as they are in the USA. Regardless of the results, almost all of the researches authors agree that tipping can influence service quality.

As already mentioned, SERVQUAL is a SQ measurement model, being one of the pioneering models to determine problems in SQ and to measure service expectation of both the customer and service provider. SERVQUAL is a quality management framework which utilizes a gap model (Yan & McLaren, 2010). Nyeck (2002) stated that SERVQUAL remains the most complete attempt to conceptualize and measure service quality. In a SQ gap model, there are four gaps that cause SQ problems: (1) between customer expectation and management perception, (2) between management perception and service quality specification, (3) between service quality specification and service delivery, and (4) between service delivery and experienced service (Cronin & Taylor, 1992). After Parasuraman, Berry, and Zeithaml (1988) introduced these four gaps they discovered a fifth gap that is the combination of these four gaps: the gap between expected service and
perceived service. See Appendix A for the SERVQUAL model. This gap in modern literature is considered as Service Quality. This model is trying to precisely determine problems that may occur while measuring SQ. In addition to the five gaps, the authors determined ten SQ dimensions that lead to better SQ measurement, but in 1988 they reduced the number of dimensions to five (Stodnick & Rogers, 2008).

The five dimensions are: Reliability, Assurance, Tangibles, Empathy, and Responsiveness. Reliability is described as the ability to perform a required function under certain conditions in a specific period of time, dependably and accurately. Responsiveness describes the quality of being reactive, reacting quickly: it involves responding with emotion to people and events. Assurance pertains to the systematic process of checking to see whether the service being provided is meeting specific requirements, instilling trust and confidence in customers. And Empathy examines the service provider’s levels of awareness of other people’s feelings and emotions, being caring and providing individualized service (Devi Juwaheer, T., 2004).

The SERVQUAL model is a 22-item instrument which measures a customer’s expectations and perceptions in the five SERVQUAL dimensions. The instrument is administered twice: once pertaining to expectations and a second time for perceptions (Nejati, Nejati, & Shafaei, 2007).

Restaurants and Tipping. In the USA, tips make up more than half of most restaurant server’s incomes as in most restaurants wages are below the federal minimum wage (Azar, 2007a). Similar to the USA, tips in southern France are the primary income source for restaurant servers (Mealey, 2010). Restaurant servers can also influence the tip amount by giving more quality service.

Among the five SQ dimensions associated with SERVQUAL, the dimension that mostly relates to tipping and SQ is reliability. Reliability, as Parasuraman, Berry, and Zeithaml (1988) stated, is the ability to perform the promised service dependably and accurately. The element of reliability that is interesting to this paper’s perspective is consistency of service delivery. The other dimensions are also important when we consider tipping and its effects.

And although Tangibles can affect customers’ tipping, servers cannot affect this dimension so it is not included in this paper’s examination of servers’ intentions and actions. This dimension will not be used in this research paper; rather these other four dimensions will be relevant measuring tool for determining results.

The most common area of research pertaining to tipping is made from the perspective of one particular stakeholder; namely, the customer (Azar, 2007b, Lynn, 2014, Shamir, 1984, and Hemenway, 1993). Limited research has been done from the perspective of the service provider (Namasivayam & Upejea, 2007 and Lin & Namasivayam, 2011), and this research has focused on concepts of fairness and justice in tipping delivery and practices.

Research Topic. When considering tipping, an important consideration for tourist destinations is whether the guest is a local or not (tourist). Lin and Namasivayam (2011) discovered that in French restaurants, servers mostly relay on local guest tips as their main income. In Dubrovnik restaurants, tourists are the primary tippers as local tipping practices are undeveloped. This expected tipping perception will be researched from the server’s perspective, and how this ultimately impacts the server’s employer, the restaurant. This paper will focus on determining if there is any correlation between service quality and tipping practices based on servers’ point of view. Servers will be questioned for their intentions for giving specific service quality based on expectations as to whether or not they will receive a tip. As such, this paper research will use a modified SERVQUAL instrument to compare intended service levels based on expected tipping and non-tipping customers.

Additionally, expanding the scope of tipping research, this paper will focus on another important stakeholder, the company (service provider) or company owner itself. This stakeholder is not directly connected with tipping practices, but the process of tipping definitely affects this stakeholder directly.

Methods

This paper researched service quality based on tipping expectations. The corresponding hypothesis is such: servers will provide a different level of service depending on whether or not they expect to receive a tip. More specifically, this research will attempt to determine which dimensions of service, as defined by the SERVQUAL instrument, are more or less impacted by tip expectations.

The participants are seasonal and full time employed servers in Old Town Dubrovnik restaurants. A total of 100 participants gathered through a “snowball approach” (Trochim, 2006) participated in the study. Note that the study was conducted during Dubrovnik’s off season so as to gain better response rates from waiters, as they are not overly busy at this time and can thoughtfully complete the survey. There is no specific target population based on gender, age, nationality or other demographic; the only requirement to participate in this survey is that a server have a minimum of two years work, ensuring that she/he has experience dealing with guests and has opinions or expectations regarding customer tipping propensity. Servers were assured that the survey is completely anonymous (and not provided to employers) and that the results would be used for research purposes only.

The restaurants used for this research include fine dining, casual, taverns and bistros. Fast food restaurants and wine bars that serve food were not included. These types of restaurants are excluded because of lack of tipping practices; tipping does not occur at fast food outlets and food serving wine bars are primarily considered to be establishments that serve alcohol and not restaurants. Casual and fine dining restaurants, then, will give the best insight of servers’ behaviors towards guests in terms of their tipping practices.

This descriptive research examined four SERVQUAL dimensions (Reliability, Responsiveness, Assurance, and Empathy), using a modified 22-item SERVQUAL instrument based on a pre-existing tool for measuring service quality SERVQUAL (Parasuraman,
Zeithaml, Berry, (1988). The Tangible dimension was not evaluated as servers, in their working capacity, do not affect or have any influence over tangibles. The survey queried servers regarding service levels they provide in said dimensions based on whether they expect to receive a tip or not. Surveys were distributed in paper form, individually to each server. Also the survey was written in the Croatian language, matching the participants’ native tongue.

As the original SERVQUAL tool did not exactly relate to this paper’s research, it was modified. First, “perceived” wording was changed to “expected” so as to measure expectation from two perspectives: expectation that tip is received and expectation that tip is not received. Also, the original tool is made to question customers’ expectations and perceptions and in this study’s version it question servers and their expectations. Additionally, excluding tangibles from the survey reduced the original 22 questions to 17. The Reliability, Responsiveness, and Assurance dimensions have four questions each, and the Empathy dimension has five questions. A list of the questions can be found in Appendix B. The response set to all questions, as in the original survey, is a seven-point LIKERT scale where one and seven stand for strongly disagree and strongly agree respectively.

### Results

Of the 100 participants that completed the survey, 83 of them or 83% were usable. In addition to collecting scores for each of the 17 SERVQUAL items, results for individual items in each of the four SERVQUAL dimensions were averaged in order to generate an aggregate score for each dimension, allowing for the determination of both specific (per item) gaps and dimension gaps. Again, these gaps represent servers’ differences in actions or level of service provided when they expect and do not expect to receive a tip (Appendix C Figures 1 and 2).

Reliability is operationalized with four questions. The results for this dimension are as follows: Reliability1 (M=6.25, SD=0.487) and Reliability2 (M=4.98, SD=0.672). Correlation analysis reveals a significant difference between Reliability1 and Reliability2 (r(80)=0.13, p=0.24 or p>0.05), suggesting that, regarding Reliability, servers act differently based on tip expectations. In terms of individual items, the biggest mean gap was found in question two (When the guest has a problem, I will show sincere interest in solving it?), with Q2.1 (M=6.16, SD=0.777) and Q2.2 (M=4.77, SD=1.02) being significantly different as determined by correlation analysis (r(80)=0.1, p=0.33 or p>0.05). The only item with significant correlation, suggesting tipping expectations do not influence the server’s actions, is question four (I will insist on error free records) in which r (80)=-0.236, p=0.032 or p<0.05.

Responsiveness is represented by four questions and the dimension’s results are as follows: Responsiveness1 (M=6.09, SD=0.462) and Responsiveness2 (M=4.42, SD=0.629). The correlation in this dimension, as in Reliability, is again not significant (r(80)=0.19, p=0.09 or p>0.05), suggesting the tip expectations do impact servers’ actions. When observing individual Responsiveness items, it is seen that the biggest mean gap is found in question eight (I will try not to be too busy to respond to customers’ requests?) with the following observed results: Q8.1 (M=5.66, SD=0.959) and Q8.2 (M=4.22, SD=0.982). The correlation between these two items is not significant (r (80)=0.103, p=0.357 or p>0.05). Additionally, all four Responsiveness items had non-significant correlations.

Assurance is conceptualized by four questions and has the following results: Assurance1 (M=6.23, SD=0.448) and Assurance2 (M=4.61, SD=0.657). This dimension is the only one with significant correlation (r(80)=-0.234, p=0.034 or p<0.05), suggesting that for this dimension overall, and not individual items, tipping expectations did not significantly affect servers’ action. But note that only one question, question ten - My customers will feel safe in monetary transactions? - (Q10.1 (M=6.23, SD=0.790) and Q10.2 (M=4.89, SD=0.903) with r(80)=0.244, p=0.027 or p>0.05) drives this result. If question ten is removed from the Assurance dimension, the significance in this dimension disappears (r (80)=0.127, p=0.256 or p>0.05) as the other three Assurance questions did not exhibit significant correlation. The biggest gap in this dimension is in question twelve (I will offer full knowledge to my customers?). This question results are: Q12.1 (M=6.23, SD=0.742) and Q12.2 (M=4.01, SD=0.923). The associated correlation (r(80)=0.14 p=0.902 or p>0.05) suggests that tip expectations significantly influence servers’ behaviors.

It is noted that only two SERVQUAL items have significant correlation, signifying that tipping expectations do not impact server performance. And these two questions relate to a server’s honesty during receipt preparation and monetary transactions. Also the gaps in both questions are among the lowest out of all questions (Appendix C Figure 1).

Empathy, the fourth and last dimension, is operationalized by five items and has the following results: Empathy1 (M=6.07, SD=0.504) and Empathy2 (M=3.42, SD=0.832). The corresponding correlation analysis reveals a lack of significance: r(80)=0.140 p=0.185 or p>0.05, suggesting that tip expectations affect servers’ actions. The question with the biggest gap, question 15 (I will offer my guests with service which transcends the service that I usually offer?), also has the lowest mean (Q15.1 (M=6.23, SD=0.729) and Q15.2 (M=3.15, SD=1.268)), and insignificant correlation (r(80)=0.041, p=0.715 or p>0.05). Additionally, the other four Empathy items had non-significant correlations.

### Discussion

The different tip expectations in dimensions will be indicated by the use of qualifiers ‘1’ and ‘2’, for example: Reliability1 (tip expected) and Reliability2 (tip is not expected) and Q5.1 (tip expected) and Q5.2 (tip is not expected). Pearson correlation analyses of ‘1’ and ‘2’ results are performed at both the item and dimension level. Correlation between ‘1’ and ‘2’ results suggests that tipping expectations do not impact servers’ actions and lack of correlation suggests the opposite.
Overall, the most prominent finding of this research is that servers provide different levels of service based on tip expectations. These results support this research paper’s hypothesis and highlight the importance of tipping expectations in restaurants. Out of 17 questions, only two had significant correlations between tip expected and tip not expected scenarios, meaning that tipping expectations did not influence service performance. Both of these questions are related to server’s honesty in preparing and charging receipts. Other questions had substantial gaps in their means and all other 15 questions did not have correlated tip / no tip responses.

The biggest mean gaps are within the Empathy dimension (Appendix C Figure 2), in which servers were asked if they attend to guests’ individual situations and concerns, providing service above and beyond what is expected from them. Also, when considering all 17 items, the “tip expected” average mean is 6.15 while the “tip not expected” is 4.29. This difference is large and further shows servers’ intention of giving less quality service if they do not expect to receive a tip.

Various other research conducted on tipping, as stated in the introduction, found that in some instances, tipping practices do not have a huge impact on service quality and some of them even did not find any connections. This paper contradicts these findings, analyzing tipping from a different perspective, from that of the server, and not from the typical perspective, that of the customer. United States restaurants (and others) that have abolished tipping (or are considering doing so) might appraise these results, recognizing that tipping really can influence servers’ performance and service quality, and, thus, consider means whereby desired service levels will be maintained.

As for Old Town Dubrovnik restaurants, home of this paper’s sample, this paper can provide critical operations information. The owners now have insights pertaining to their servers’ performance and, consequently, can work to ensure desired service quality levels. Note, for instance, that servers’ empathy levels drop a great deal when they do not expect to receive a tip. This, of course, negatively impacts the restaurant in that the customer does not receive the best possible service and associated overall experience, possibly reducing repeat business opportunities and potential positive word-of-mouth and electronic word-of-mouth. The restaurant can work to remedy this situation by requiring servers to perform certain actions, such as checking on each customer a minimum number of times or asking them if they need city-related information. The idea is to standardize certain server activities in order to counter-attack their decreased service level caused by tipping expectations. But, in fact, these findings are not specific to Dubrovnik, but could be applied to any restaurant.

This research improves already existing findings about tipping practices by providing the server’s perspective to the overall picture. Rather than focusing on the customer, this paper considers the server and how tipping affects his or her actions. This, understandably, is of upmost importance to restaurant owners and managers. Recognizing that servers treat customers differently based on tipping expectations, owners and managers can strive to overcome possible decreased service by institutionalizing certain server actions.

This research is limited by its sample size and small range of restaurants surveyed, primarily tourist-based restaurants. Additionally, specific demographic variables (gender, years working, formal training or not as a waiter, etc.) related to servers was not considered and could be researched in future papers.

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