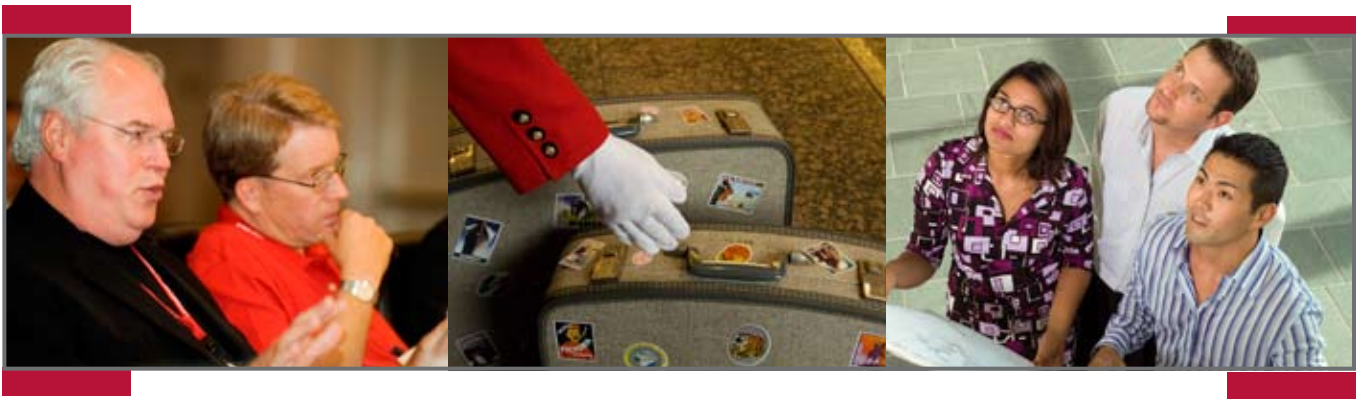


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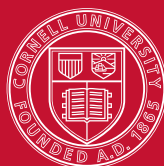


Cornell Hospitality Report

Exploring Consumer Reactions to Tipping Guidelines:
Implications for Service Quality

by Ekaterina Karniouchina, Himanshu Mishra, and Rohit Verma

Vol. 8, No. 8, April 2008



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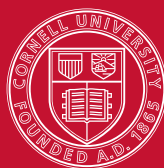
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Cornell University
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Exploring Consumer Reactions to Tipping Guidelines:

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by Ekaterina Karniouchina, Himanshu Mishra,
and Rohit Verma

EXECUTIVE SUMMARY

This study examines the relative effectiveness of using gratuity guidelines to encourage restaurant patrons to be more generous with wait staff. The study compared the effects on tips of an educational approach which informed guests about tip norms against an actual calculation printed on the check (as well as no guidelines at all). Using an internet simulation experiment, the study found that potential restaurant guests' reaction to tip reminders depended in part on whether the restaurant's service was excellent, average, or just plain shoddy. It's clear that offering suggestions influenced tip amounts, but not always in the expected way. Offering educational guidelines tended to raise tips when service was adequate, but it reduced the highest tips when service was excellent. When service was poor, however, mentioning tip norms encouraged patrons to take revenge on the hapless server. Offering a calculation on the check improved tips under all service quality levels, although the increase in tip levels was not significant when service was poor.

ABOUT THE AUTHORS



Ekaterina Karniouchina, Ph.D., is an assistant professor of marketing at the Argyros School of Business and Economics at Chapman University (karniouc@chapman.edu). Among her publications are "Segmenting Hotel Customers Based on the Technology Readiness Index," *Cornell Hospitality Report*, with Rohit Verma, Liana Victorino, and Julie Feickert; and "The No-Choice Option and Dual Response Choice Designs," in *Marketing Letters*, with William Moore, Jeff D. Brazell, Christopher G. Diener, Valérie Séverin, and Pierre-Francois Uldry.

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Among his recent publications are "The Blissful Ignorance Effect: Pre versus Post Action Effects on Outcome-Expectancies Arising from Precise and Vague Information," in *Journal of Consumer Research*, with Baba Shiv and Dhananjay Nayakankuppam; "Seeing Through the Heart's Eye: The Interference of System 1 in System 2," in *Marketing Science*, with Arul Mishra and Dhananjay Nayakankuppam; and "Money: A Bias for the Whole," in *Journal of Consumer Research*, with Arul Mishra and Dhananjay Nayakankuppam.



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Exploring Consumer Reactions to Tipping Guidelines:

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In an effort to shore up tip levels, many restaurants in the United States have experimented with the practice of printing suggested tip amounts on sales receipts, on menus, or on table tents. While some restaurateurs believe this practice boosts tips for their servers, it is not clear that it always has a positive outcome. Writing in *Restaurant Hospitality*, for instance, Michael Sanson noted that even the advocates of this approach have agreed that issuing tipping guidelines can appear to be blatant and “pushy.”¹ Despite this shortcoming, Sanson quotes a server who attests to the effectiveness of guidelines and recommends that all industry participants engage in this practice. Given that background, this report evaluates the relative effectiveness of two commonly used formats of tipping guidelines under various service level conditions, and explores the possible backlash from these practices when there’s a problem with the service.

¹ M. Sanson, “Should You Tell Your Customers How Much to Tip?” *Restaurant Hospitality*, Vol. 85 (2001), p. 14.

We suspect that consumers are becoming increasingly accustomed to tip-enhancing strategies, including tip suggestions in small print on their menus. Beyond that, many restaurants assess a service charge of 15 to 18 percent in lieu of tips for large parties.² While we believe the use of tipping guidelines is still in its infancy, it has the potential to become an industry standard. Therefore, customers' responses to such strategies should be given more attention, and the potential consequences of their implementation should be further investigated prior to any large-scale deployment.

Our preliminary interviews with waitstaff indicated that not all of them are convinced that guidelines enhance tip amounts. Some servers think that the guidelines might be useful when one serves foreign tourists unfamiliar with American customs and tipping etiquette; however, they did not feel that such guidelines would change the tipping amounts of those local patrons who tip below the 15- to 20-percent norm despite being fully aware of typical gratuity levels. Some suggested that guidelines could actually be harmful, since they may adversely affect the most generous tippers while failing to influence more frugal guests.

In this research, we explore the effectiveness of two different formats for promoting tipping, by conducting an online simulation experiment. We asked people what tip they would leave in one of three guideline situations, under the assumption of excellent, average, or poor service. The first guideline examined is an educational format where consumers are presented with the following statement: "quality service is customarily acknowledged by a gratuity of 15–20%." The second guideline format is more subtle, presented in the form of calculation assistance. Patrons are presented with amounts printed on the check that correspond to 15 percent and to 20 percent of the bill. We analyzed these two formats against each other as well as against the control condition of no guidelines being presented.

In this study we explore how different formats of tipping guidelines interact with service quality and influence patrons' decisions with regard to gratuity amounts based on

² O.H. Azar, "Why Pay Extra? Tipping and The Importance of Social Norms and Feelings in Economic Theory," *Journal of Socio-Economics*, Vol. 36, No. 2 (2007), pp. 250–265.

the three scenarios (i.e., poor service, average service, and excellent service) presented in the sidebar on the next page. In sum, our results indicate that providing patrons with guidelines in the form of calculation assistance results in higher tips for all three service conditions (that is, excellent, average, and poor service). The educational format produces the best outcome under average service level conditions, but when service is poor, tip amounts are reduced. Indeed, the educational approach can provoke consumer retaliation (e.g., complaining to the manager, or spreading negative reports about the dining establishment). Let us look at this study in more detail.

Background

Although most restaurateurs believe that good tips mean good service, research has not always borne out that assumption. Indeed there exists research that suggest that tipping is an effective incentive mechanism to ensure that wait staff deliver good service.³ This connection has been embedded in models in which the relationship between service quality and tip amount is a basic assumption.⁴ Many industry practitioners rely on tips to motivate servers, gauge performance, and identify service improvement opportunities.⁵

³ See M. Lynn, G.M. Zinkhan, and J. Harris, "Consumer Tipping: A Cross-country Study," *Journal of Consumer Research*, Vol. 20, No. 3 (1993), pp. 478–488.; N. Jacob and A. Page, "Production, Information Costs and Economic Organization: The Buyer Monitoring Case," *American Economic Review*, Vol. 70 (1980), pp. 476–478; O. Bodvarsson and W. Gibson, "Economics and Restaurant Gratuities: Determining Tip Rates," *American Journal of Economics and Sociology*, Vol. 56, No. 2 (1997), pp. 187–203; O. Bodvarsson and W. Gibson, "Gratuities and Customer Appraisal of Service: Evidence from Minnesota Restaurants," *Journal of Socio-Economics*, Vol. 23, No. 3 (1994), pp. 287–302; and D. Sisk and E. Gallick, "Tips and Commissions: A Study in Economic Contracting," Working Paper No. 125 (1985), Bureau of Economics, Federal Trade Commission, Washington DC.

⁴ Azar, *op.cit.*

⁵ M. Lynn, "Tipping in the Restaurants around the Globe: An Interdisciplinary Review, Center for Hospitality Research Working Paper No. 10-20-03 (2003), Cornell University; and M. Lynn "Restaurant Tipping and Service Quality: Evidence of a Weak Relationship," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 42, No. 1 (February 2001), pp. 14–20.

Service Quality Scenarios

The experiment described in the accompanying text presented one of the following three scenarios to participants. Scenario 1 depicted poor service; Scenario 2 described average service; and Scenario 3 involved excellent service. Instructions to the participants were as follows:

Throughout this questionnaire you will be asked your opinions about a hypothetical dining experience. Please read the following scenario carefully and answer the questions that follow truthfully.

Scenario 1: You and your friend have decided to check out a new restaurant in town called Mistique Bistro. However, when you get into the restaurant the staff seems inattentive. After two unsuccessful attempts at getting someone's attention, the host arrives and tells you to follow her without extending an apology for the wait. She takes you to a table and promises that your server will be with you shortly. You wait for the server, while pondering the way the staff moves in and out of the kitchen and the fact that your table is too close to the bathrooms. After about five minutes your server arrives and asks what you want to drink. You ask him if you could switch tables, but he tells you that you are out of luck, since they are busy and it will take a while to clear the other tables. He takes your order and retires to the kitchen. After quite some time he manages to bring the drinks to the table, only one of them matching your order. When you tell him that you asked for a different drink, he asks you if you are sure, and then unwillingly takes the wrong drink back to the kitchen. He brings the right drink and asks you if you have made up your mind about the order. Your friend has a couple of questions about a menu item, but the server doesn't seem to know the menu very well. Your friend decides to go with a generic option in order to avoid further confusion. The waiter takes your order as well and leaves, only to come back several minutes later to tell you that the item you have selected was not available. You go with the same option your friend selected and wait for your food to arrive. When your food arrives, you find it satisfactory, but by the time it makes it to your table it is only lukewarm.

Scenario 2: You and your friend have decided to check out a new restaurant in town called Mistique Bistro. When you get into the restaurant the staff seems reasonably friendly. It is busy, and the host tells you that you will have to wait about 10 minutes. After a while, the host takes you to your table, apologizing for the wait. She promises that the server will be with you shortly. After you are seated, you realize that your table is somewhat inconvenient; you are in the way of the staff moving in and out of the kitchen. When you catch the server's attention, you ask to be moved to another table, and he promises to find one as soon as it becomes available. He then takes your order and returns to the kitchen. A few minutes later he brings your drinks and tells you that another table is now available in a better spot. You are moved to the new table, and the server takes your order. Your friend has a couple of questions about a menu item. The server knows the menu items reasonably well and answers your friend's questions adequately. When he asks you about your choice, it appears your selection is not available. He describes the daily specials hoping that one of them catches your attention, waits until you make up your mind, and then returns to the kitchen. It takes him a while to come back, but when he arrives you find the food to be satisfactory.

Scenario 3: You and your friend have decided to check out a new restaurant in town called Mistique Bistro. When you get into the restaurant the staff seems very friendly, but not overbearing. The place is busy, and yet the host quickly finds you a table, seats you, and introduces your server. Unfortunately, the table is in a busy spot, with customers and staff constantly walking by, and so you ask if another table is available. The server apologizes and promises to find another one soon. In the meantime, he takes your drink orders and brings some warm rolls with the house spread for you to snack on. In a couple of minutes, a table next to the window is available, and you are promptly seated. The server brings your drinks and describes the specials. Your friend asks a few questions; the server knows the menu well and is very helpful in explaining the choices. When it is your turn to order, it turns out your selection from the menu is not available. The server apologizes and proposes another similar dish, which turns out to be even more to your liking. After taking the orders, it takes him a while to bring the main course, but he stops by several times in the meantime to refill your drinks and bring out the appetizers. You find the food to be satisfactory.

Despite the many scholars who support the relationship between service quality and tip size,⁶ we have seen studies which suggest that the influence of service quality on tip size is marginal at best.⁷ A meta-analysis by Lynn and McCall examined numerous studies and found only a weak correlation between ratings of service level and amount of gratuity.⁸ They conclude that consumers are primarily influenced by social norms and other psychological motivators when determining the appropriate gratuity amount. Such motivators as guilt and pride can overshadow the consideration of service quality.

Several researchers have examined specific actions that have nothing to do directly with service quality but that influence tip amounts. These studies suggest that certain simple actions can strike a chord with customers, build rapport, and consequently enhance tips. Ebesu and colleagues found that a fleeting friendly touch during the service encounter can increase the tip amount, also noting that this could be more advantageous when done by members of the opposite gender.⁹ Lynn's studies found that actions such as servers introducing themselves by name, repeating orders verbatim, giving candy to customers, wearing colorful clothing and unusual accessories, squatting next to the tables, smiling and predicting good weather, adding personal touches to patrons' bills, and repeating customers' names can all boost tips.¹⁰

One of the approaches that Lynn did not examine is to propose tipping guidelines or norms. We broadly define tipping guidelines as any numerical stimuli, explicit or covert, furnished by the service establishment to influence gratuity amounts. We see at least three reasons that offering norms would affect tips. First, providing explicit tip guidelines may serve an educational purpose, making customers aware of adequate gratuity levels and offsetting ignorance due to various regional or cultural differences. Second, explicit tipping guidelines can be normative, appealing to one's desire to conform to societal standards. Finally, explicit or covert

guidelines may influence customers by simply evoking anchoring and adjustment mechanisms which might make customers more willing to be generous if they have been exposed to the higher reference points.¹¹

A study by Strohmets and Rind is the only one we've seen that deals explicitly with the impact of tipping guidelines.¹² They found that proposing tipping guidelines of 20 percent decreased variations in tip percentages, but did not have significant influence on the average tips. Their findings imply that posting guidelines reduced some tips even while enhancing others.

We note that the study did not control for service levels, and we thought that changes in service might moderate the impact of guidelines. We extend that study and attempt to find a link between tip amounts and the levels of service quality. One possible problem with the Strohmets and Rind study is that their sample was limited to 110 parties in two experimental conditions. A challenge in identifying variations in tipping patterns is that researchers must obtain relatively large datasets, which allows cultural factors to offset each other. For instance, in our pre-test sample, many people indicated that they would leave the same amount regardless of the service level (20 percent was common).¹³ Therefore, our goal was to run a large-scale study and determine whether service quality moderates consumers' responses to tipping guidelines.

Conceptual Framework and Hypotheses Development

From a conceptual perspective, conformity theory may explain why introducing guidelines would increase the tip when service is at least average but not when it is poor. Bernheim suggests that people care about intrinsic utility (or value) as well as social status.¹⁴ When status is sufficiently important relative to intrinsic utility, many individuals will conform to a particular standard of behavior, despite variations in individual preferences. If patrons are trying to be fair and thrifty at the same time, the tipping amounts would be positively associated with the service level but would be lowered by the desire to save money. Therefore, sufficiently high levels of service (which would make the intrinsic utility only slightly lower than suggested tip amounts) would lead to the

⁶ See, for example: M. Lynn and T. Simons, "Predictors of Male and Female Servers' Average Tip Earnings," Cornell University (1998); and J.A. Fitzsimmons and G.B. Maurer, "A Walk-through Audit to Improve Restaurant Performance," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 31, No. 4 (August 1991), pp. 95-99.

⁷ For example, see: Bodvarsson and Gibson (1999), *op.cit.*; and see: Lynn (2003), *op.cit.* for a comprehensive summary of relevant studies).

⁸ M. Lynn and M. McCall, "Gratitude and Gratuity: A Meta-analysis of Research on the Service-Tipping Relationship," *Journal of Socio-Economics*, Vol. 29 (2000), pp. 203-214. Meta-analysis is a term that is used to describe a study that combines the results of several studies to come up with broad empirical generalizations.

⁹ A. Ebesu, A.S. Hubbard, A.A. Tsuji, C. Williams, and V. Seatriz Jr., "Effects of Touch on Gratuities Received in Same-gender and Cross-gender Dyads," *Journal of Applied Social Psychology*, Vol. 33, No. 11 (2003), pp. 2427-2438.

¹⁰ Lynn (2003), *op.cit.*

¹¹ A. Tversky and D. Kahneman, "Judgment under Uncertainty: Heuristics and Biases," *Science*, Vol. 185 (1974), pp. 1124-1130.

¹² D. Strohmets and B. Rind, "The Impact of Tipping Recommendations on Tip Levels," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 42, No. 3 (June 2001), pp. 71-73.

¹³ Our pre-test also showed that in our sample, participants were well aware of the tipping norms, which implies that the "educational" guidelines had little or no educational value for this particular group.

¹⁴ D. Bernheim, "A Theory of Conformity," *Journal of Political Economy*, Vol. 102, No. 5 (1994), pp. 841-877.

prominence of status considerations and would be consistent with adhering to suggested standards. However, if service quality is poor, the intrinsic utility diminishes sufficiently that status considerations are overruled by tendencies toward thrift, and patrons are more likely to ignore the guidelines.

In addition, when service quality is ambiguous (such as with average service conditions), guidelines may lead consumers to reevaluate their service encounter to reduce cognitive dissonance. Psychological studies suggest that people may have a biased retrospective perception (i.e., selective memory). As Frey points out, people are more likely to seek out information that is consistent with their views and disregard anything incongruent.¹⁵ When patrons read about “quality service” in tipping guidelines, they may be more likely to upgrade their evaluation of the service encounter by selectively retrieving positive cues and adjusting the tip toward the suggested levels. On the other hand, when service is unambiguously poor, patrons’ negative reactions may be exacerbated by those same guidelines. Because the guidelines emphasize a positive experience, consumers may further reduce their gratuity because of their disappointment and irritation. The following three hypotheses stem from these points:

Hypothesis I: Guidelines improve the gratuity amounts when service is average.

Hypothesis II: Guidelines fail to improve gratuities when service is poor.

Hypothesis III: Educational guidelines reduce gratuities when service is poor.

Anchoring and adjustment mechanisms may also come into play when consumers decide the amount of gratuity.¹⁶ When people are not sure how much something is worth to them (as is often the case with restaurant service), they are likely to rely on various anchors or reference points and make adjustments according to circumstances. For instance, when service is excellent, intrinsic utility may suggest tipping above the established norms. In that instance, guidelines would serve as a reference point that biases the gratuity downward, toward the suggested value. As a consequence, rather than leave an excellent tip for excellent service, people would start with a relatively low reference point and then adjust it based on the service. We think the upward adjustment might not reach the same level as what guests would leave on their own. Furthermore, if the guideline mentions high quality service, people may interpret the guideline as being the appropriate amount for a stellar job.

¹⁵ D. Frey, “Different Levels of Cognitive Dissonance, Information Seeking, and Information Avoidance,” *Journal of Personality and Social Psychology*, Vol. 43 (1982), pp. 1175–1183.

¹⁶ Tversky and Kahneman, *op.cit.*

Beyond that issue, if the guidelines suggest a range, patrons could gravitate toward the middle of the suggested range, thereby punishing truly outstanding service. In the case of calculation assistance, there could be a tendency to use the higher number as an anchoring point equivalent to an excellent experience. If this is true, the average tipping amount should go up, as 20 percent is higher than the average gratuity. Those points suggest the following:

Hypothesis IV: Educational guidelines reduce gratuities when service is excellent.

Hypothesis V: Guidelines in a calculation assistance format reduce gratuities when service is excellent.

Hypothesis VI: Guidelines in a calculation assistance format improve gratuities when service is excellent.

Hypothesis VII: Educational guidelines provoke consumer retaliation when service is poor.

Research Method

We conducted an online experiment where 631 subjects were randomly presented with one of the three different service scenarios shown in the sidebar. Once they read the scenario, respondents were then presented with one of the following three versions of the sales draft: (1) one containing no tipping guidelines at all (control condition), (2) one offering education on tipping guidelines, mentioning that “it is customary to recognize quality service with a 15- to 20-percent gratuity” (educational condition), and (3) one showing the calculation of 15- and 20-percent tips (calculation assistance condition). Exhibit 1 shows three sales drafts used in this study, and Exhibit 2 presents an example of the screen participants used to enter the tip amount.

In summary, we ran a 3 x 3 between-subjects experimental design. We arrayed the three service conditions (i.e., low, average, and high service quality) against the three tip-information conditions (i.e., control, calculation assistance, and educational statement sales draft versions). We asked the participants to rate the level of service found in the scenario they were presented, which constituted a manipulation check (as described in more detail below). The participants were also asked about their beliefs regarding appropriate tip amounts, whether they or a member of their family had experience as a server, ethnic background, gender, and income levels. All of these variables have been identified in previous research as potential contributors to the explained variance.¹⁷

Our respondents come from the subject pool established by the marketing department in the Eccles School of Business at the University of Utah. The respondents par-

¹⁷ Lynn (2003), *op.cit.*

EXHIBIT 1

Three sales drafts used in the study

CONTROL

MISTIQUE BISTRO
 SALT LAKE CITY
 UT 84115

 DATE 10/24/06
 INVOICE # 7352394234
 AUTH# 8620-453083
 MASTERCARD
 ACCT. NUMBER
 XXXX-XXXX-XXXX-XXXX

 SALE \$40.00

 TIP _____

EDUCATIONAL STATEMENT

MISTIQUE BISTRO
 SALT LAKE CITY
 UT 84115

 DATE 10/24/06
 INVOICE # 7352394234
 AUTH# 8620-453083
 MASTERCARD
 ACCT. NUMBER
 XXXX-XXXX-XXXX-XXXX

 SALE \$40.00

 TIP _____

TOTAL _____

Quality service is customarily acknowledged by a gratuity of 15% to 20%.

CALCULATION ASSISTANCE

MISTIQUE BISTRO
 SALT LAKE CITY
 UT 84115

 DATE 10/24/06
 INVOICE # 7352394234
 AUTH# 8620-453083
 MASTERCARD
 ACCT. NUMBER
 XXXX-XXXX-XXXX-XXXX

 SALE \$40.00

 TIP _____

TOTAL _____

15% is \$6.00
20% is \$8.00

EXHIBIT 2

Sample survey screen

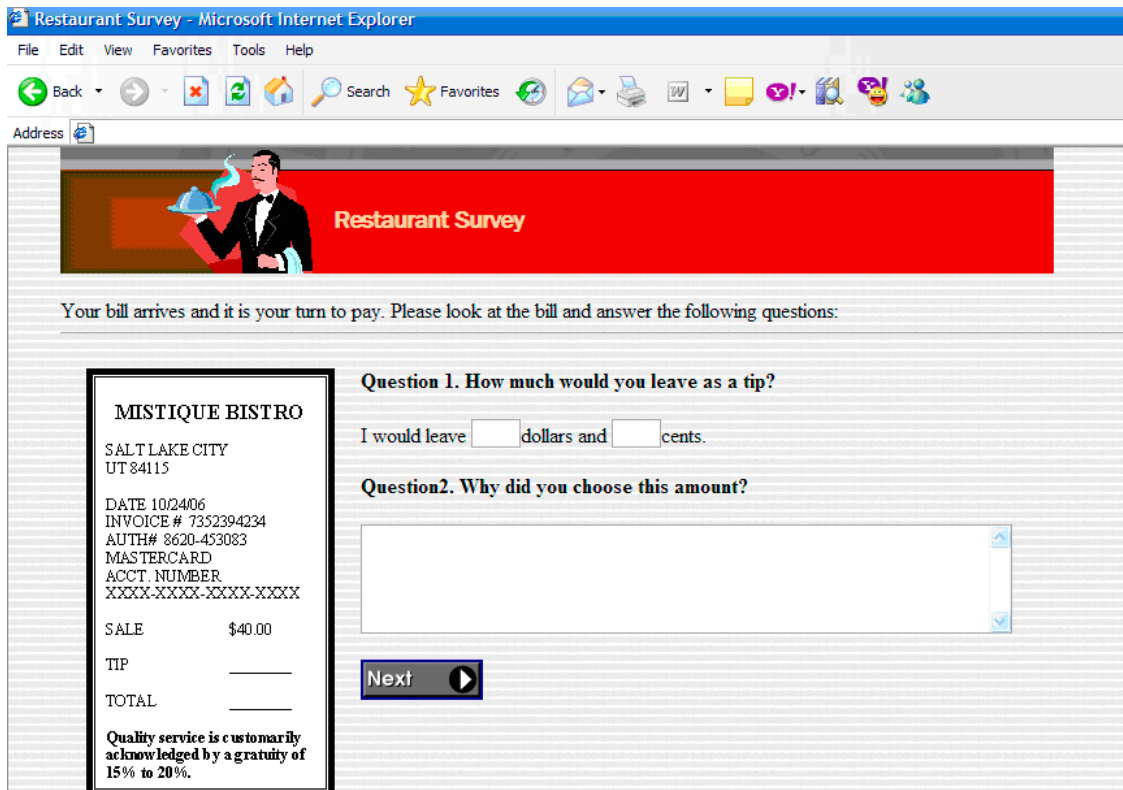


EXHIBIT 3**Summary of sample distribution (3 x 3 factorial design)**

Sales Draft Condition				
Service Level	Control	Calculation Assistance	Educational	Total
Poor	67	74	60	215
Average	69	71	60	200
Excellent	73	73	70	216
Total	209	218	204	631

Notes: **Control drafts** bore no additional legend. **Calculation assistance** involved printing the following calculations: 15% is \$6, and 20% is \$8. In the **educational approach** the sales draft bore the following legend: "Quality service is customarily acknowledged by a gratuity of 15 to 20%."

EXHIBIT 4**Test of between-subjects effects**

Source	Type III SS	Df	Mean Square	F	Sig.
Corrected model*	2089.529	8	261.191	71.796	.000
Intercept	22496.432	1	22496.432	6183.768	.000
Service	2009.144	2	1004.572	276.134	.000
Guideline format	29.829	2	14.914	4.100	.017
Service x Guideline format	36.607	4	9.152	2.516	.040
Error	2259.186	621	3.638		
Total	26772.880	630			
Corrected total	4348.715	629			

*Note: R Squared = .480; Adjusted R Squared = .474.

anticipated in online experiments in exchange for class credits. The sample was primarily male (two-thirds of the sample) and Caucasian. Ninety-five percent of the respondents were between 18 and 34 years old. This type of sample composition is not uncommon for studies that use respondents from North American business schools. Therefore, we incorporated gender-, age-, and income-related variables into our analysis, and found that introducing these measures did not have a material influence on the overall pattern or significance of the results. All of the participants were asked if they dine outside of their homes; only those who responded "yes" proceeded to the next screen. Exhibit 3 provides a summary of the sampling distribution in the 3 x 3 factorial design.

that we expected between tip reminders and tip levels. Tipping amounts increase with improved service levels, with a mean gratuity on a \$40 check of \$3.54 for poor service, \$6.74 for average service, and \$7.68 for excellent service. All three means are significantly different from each other with $p < .001$. The results also indicate that the most effective format for tip guidelines is calculation assistance, with selected tip percentages printed right on the sales draft. The average tip for this format was \$6.29, which is significantly higher than the \$5.86 ($p = .019$) for the control group and \$5.81 ($p = .010$) for the educational format.

¹⁸ The scale rates (1) service quality, (2) server competence, (3) establishment, (4) overall dining experience, (5) praising the server to the management, (6) returning to the establishment, (7) becoming a regular, (8) advising friends and family to check it out, (9) advising colleagues to visit the restaurant, and (10) spreading positive word-of-mouth online.

Manipulation Check

To measure whether our scenarios actually indicated the proper service level condition, we administered several questions that reflect the respondents' theoretical satisfaction with the server and the establishment based on the scenario. The scale comprised ten 7-point Likert-scale items with anchors ranging from -3 to 3.¹⁸ From this study we found that the instrument with its three scenarios is highly reliable, with a Cronbach alpha of .965, indicating a high degree of internal consistency. The mean scale scores were -18.7 for poor service, 2.7 for average service, and 11.4 for excellent service conditions (differences between groups are significant at $p = .0001$).

Results

The results, summarized in Exhibits 4 and 5, indicate that the effects for the different service levels and different tipping guideline formats are significant. Their interaction is also significant, at $p < .05$.

Draft Formats

Pairwise comparisons, shown in Exhibit 6, reveal the relationship

EXHIBIT 5

Mean gratuity levels by service level and sales draft type

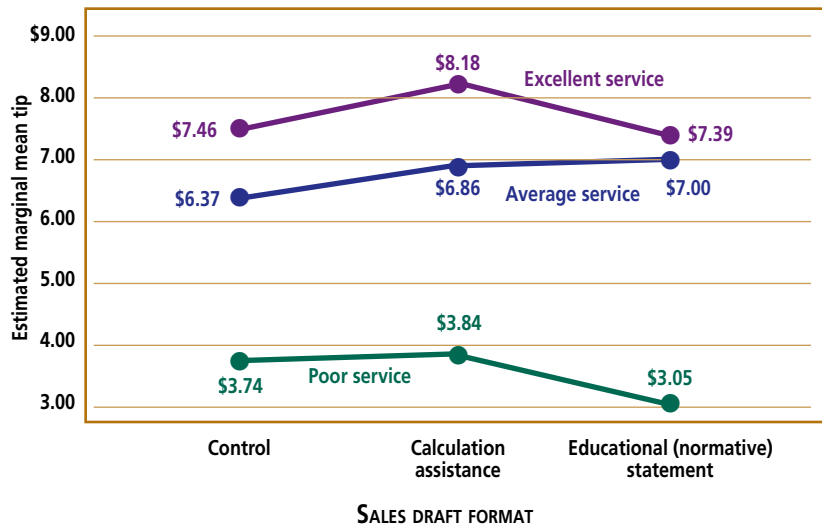


EXHIBIT 6

Pairwise comparisons for gratuity amount as the dependent variable

	(A) Receipt	(B) Receipt	Mean Diff.(A-B)	Std. Er.	Sig.
Poor Service	Control	Calculation Assistance	-0.103	0.391	0.793
		Educational Statement	0.693	0.391	0.078
	Calculation Assistance	Control	0.103	0.391	0.793
		Educational Statement	0.795	0.381	0.038
	Educational Statement	Control	-0.693	0.391	0.078
		Calculation Assistance	-0.795	0.381	0.038
Average Service	Control	Calculation Assistance	-0.475	0.272	0.082
		Educational Statement	-0.623	0.284	0.030
	Calculation Assistance	Control	0.475	0.272	0.082
		Educational Statement	-0.147	0.283	0.603
	Educational Statement	Control	0.623	0.284	0.030
		Calculation Assistance	0.147	0.283	0.603
Excellent Service	Control	Calculation Assistance	-0.722	0.280	0.011
		Educational Statement	0.069	0.284	0.809
	Calculation Assistance	Control	0.722	0.280	0.011
		Educational Statement	0.791	0.284	0.006
	Educational Statement	Control	-0.069	0.284	0.809
		Calculation Assistance	-0.791	0.284	0.006

Summary of results with respect to original hypotheses

Hypothesis	Findings	Explanation
Hypothesis I: Guidelines increase gratuity amounts under average service conditions	Support	The result is especially strong for the educational format.
Hypothesis II: Guidelines fail to increase gratuities under poor service conditions	Support	None of guideline formats produces significantly higher tips compared to the control condition. There is a significant difference between two types of guidelines.
Hypothesis III: Educational guidelines reduce gratuities under poor service conditions.	Marginal Support	Educational guidelines marginally reduce the tips under poor quality condition.
Hypothesis IV: Educational guidelines reduce gratuities under excellent service quality condition.	No Support	No difference compared to the control group.
Hypothesis V: Guidelines in a calculation assistance format reduce gratuities under excellent service quality condition.	No Support	Calculation assistance format is associated with higher tips (see Hypothesis VI).
Hypothesis VI: Guidelines in a calculation assistance format improve gratuities under excellent service quality condition.	Support	Calculation assistance format significantly improves tips under excellent service conditions.
Hypothesis VII: Educational guidelines provoke consumer retaliation under poor service condition.	Marginal Support	Educational guidelines under poor service condition are associated with marginally increased likelihood of consumer retaliation (e.g. complaining to management and spreading negative word-of-mouth about the establishment).

Service quality clearly mediates the tip amount when guidelines are offered. The interaction of service quality with the guidelines is significant at the 95-percent confidence level. Under excellent service conditions, calculation assistance is associated with the highest tip percentages. The difference is significant in comparison to the control ($p = .009$) and to the quality service guideline ($p = .004$). For average service, however, the educational guideline format produced the best result. (The p -value compared to the control is .036.) This seems to support the psychological explanation that we gave above, in which anchoring and adjustment mechanisms are primarily responsible for the tip improvement associated with the calculation assistance format. In other words, really good restaurants would be advised to offer calculation assistance (if they are going to make any gratuity suggestion), while establishments with average or ambiguous service quality might better consider the educational format.

Poor service invites the greatest confusion about tip amounts. It is interesting that for the poor service condition, calculation assistance produces a marginally higher tip, barely distinguishable from the control of no suggestion at all. However, the difference between offering calculation assistance and giving educational reminders was significant. Calculation assistance is associated with higher tips, while consumers penalize poor service when presented with the educational format.

When the service level was low, respondents indicated that they would leave marginally lower tips when exposed to the guidelines than with calculation assistance or with no suggestion at all. (The difference between the calculation assistance and educational format scenarios is significant with $p < .05$.) Under poor service conditions, not only did the educational format marginally decrease the gratuity amount, but it also resulted in consumers being marginally ($p < .10$) more likely to retaliate by complaining to management and spreading negative word-of-mouth. Even patrons who left higher tips in the calculation assistance scenario were more likely to spread negative word-of-mouth ($p < .05$). The incongruence between poor service and leaving a high tip could be a contributing factor in respondents' willingness to share their bad experience.

Sample bias. We explored the possible consequences of our sample being composed of business school students. Our analysis indicates that no strong difference in reactions to the tipping guidelines can be detected when it comes to age, gender, or income group. Introducing age as a covariate produced a significant negative coefficient, indicating that older respondents were more conservative with their tips. At the same time, none of the demographic variables had any influence on the overall pattern or significance of the results.

Offering tip calculations on the check generally increased tips, but service levels—particularly average and poor service—also affected tipping behavior.

Discussion and Managerial Implications

The table in Exhibit 7 summarizes our findings with respect to the initial hypotheses. The results of this study suggest that under different circumstances managers could use one or the other of the tipping guidelines to improve their wait staff's income. This issue is important because tips have a direct influence on employee satisfaction and morale and, by implication, on the restaurant's overall success. In light of the results detailed above, we believe that wait staff at establishments having consistently superior service would benefit when guests are offered calculation assistance. The same is true for establishments with a high degree of dispersion in service levels.

On the other hand, the education format would be more appropriate for restaurants with consistently average service. At the same time, restaurants with poor service should not put out any guidelines at all, since this tactic not only decreases tips but also increases the chance of consumer retaliation.

Two cautions about our study. First, this is a simulation. While there's no reason to believe that our respondents would act differently in an actual restaurant, there is the possibility that other factors would come to bear when real money is changing hands. More critically, managers should not use either of the tipping guideline approaches in this study without conducting a detailed examination of the tipping dynamics in their establishments. For those implementing this tactic, if there is any doubt regarding the perceived quality associated with a restaurant's service, we suggest using calculation assistance rather than educational guidelines for the reasons given above.

It's worth noting that we used \$40 as the total check (including tax), which was the average for our geographic area (given the composition of our respondent pool). We point this out because the check amount can influence the results of tip guidelines. Intuition suggests that retaliation for a service failure could be stronger for establishments charging premium prices (due to increased service level expectations). Therefore, during any pretest of the experiment, one should examine the size of the bill as a potential factor in determin-

ing gratuity amounts and consumer response to the tipping guidelines.

Additionally, educational guidelines may not just be normative, but they may actually serve educational purposes not captured in this study. We say this because our study participants were familiar with tipping etiquette, but one might experience different results if a particular establishment serves a large proportion of tourists or other persons not familiar with local tipping customs.

Future Research Directions

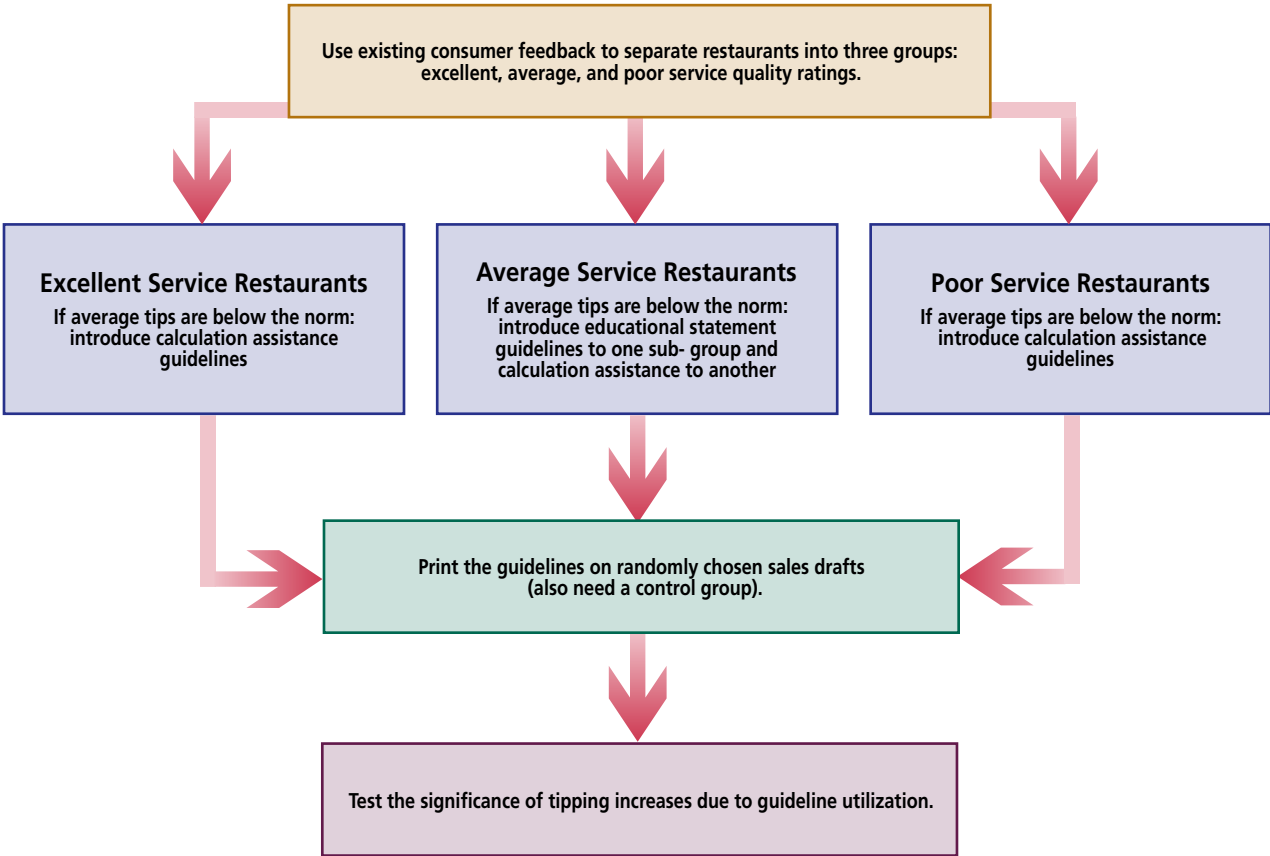
One question of interest not addressed here is what happens if an additional anchor point is introduced (that is, an additional tip level). In future experiments, we plan to further manipulate the anchor points to determine whether such a change would influence patrons' decisions. Consumers' reaction to increasing the suggested tipping amounts also needs further investigation. Our study proposed 15 to 20 percent, which is a relatively well accepted range, but what if the suggestion was, say, 20 to 25 percent? In that regard, the goal of future studies might be to determine ideal ranges for proposed tips. For instance, it would be interesting to see how consumers react to increased calculation assistance amounts. We could provide calculation assistance for tips of, for instance, 15 percent, 20 percent, and 25 percent. The results of such additional studies will allow us to provide additional managerial guidance regarding effective utilization of tipping guidelines.

Call for Future Research Collaboration from the Industry

One of the most obvious limitations of the study described here is that it is entirely virtual. Experimental simulation studies of tipping behavior can lead to biased results, given that no real money changes hands during the experiment.¹⁹ Beyond that, our findings could be artifacts of the experiment itself, since our respondents knew they were in an

¹⁹ S. Wang and M. Lynn, "The Effects on Perceived Restaurant Expensiveness of Tipping and Its Alternatives," *Cornell Hospitality Report*, Vol. 7, No. 3 (2007), Cornell Center for Hospitality Research, chr.cornell.edu.

Proposed field test of tipping guidelines



Note: With regard to restaurants rated average for service, for the educational format to be effective, restaurants should have little variation in levels of service between different servers. If the level of service is inconsistent, the calculation assistance format is more appropriate.

experiment. While the results of the control experiments are encouraging, we believe that the real test of the proposed ideas should be done in the field—and, more particularly with participants who do not know they are participating in an experiment. Since the results of a field experiment will be highly relevant to the location, we invite hospitality companies located in United States and other locations where tips are commonly left in restaurants to collaborate with us in

this mutually beneficial research. The diagram in Exhibit 8 presents a framework for a potential field replication exercise. By conducting this field study validation in partnership with the industry, we hope to achieve two goals: to validate our findings in a real life setting which would bring more external validity to this research, and to determine whether the experimental setting is appropriate for studying tipping behavior. ■

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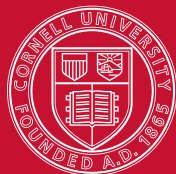
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