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Increasing Servers' Tips: What Managers Can Do and Why They Should Do It

Michael Lynn
Cornell University, wml3@cornell.edu

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Abstract

Tipping is generally regarded in the industry as more of a server concern than a managerial one. For this reason, it is the rare restaurant executive or manager who tries to actively influence the level of his or her servers' tip incomes. I believe that is a mistake --that restaurant executives and managers can and should increase their servers' tip incomes. First, I present several tactics that servers can use to increase their own tips. Then, I describe the role that executives and managers can play in encouraging servers' use of these tactics. Finally, I explain how executives and managers will benefit from encouraging servers to try these tactics.

Keywords

tipping, turnover, service, customer satisfaction, sales

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Increasing Servers' Tips:

What Managers Can Do and Why They Should Do It

Michael Lynn*

Cornell University

* Dr. Michael Lynn is an associate professor of consumer behavior at the School of Hotel

Administration, Cornell University, Ithaca, NY 14850-6902. Request reprints via e-mail

at WML3@Cornell.edu.

ABSTRACT

Tipping is generally regarded in the industry as more of a server concern than a managerial one. For this reason, it is the rare restaurant executive or manager who tries to actively influence the level of his or her servers' tip incomes. I believe that is a mistake -- that restaurant executives and managers can and should increase their servers' tip incomes. First, I present several tactics that servers can use to increase their own tips. Then, I describe the role that executives and managers can play in encouraging servers' use of these tactics. Finally, I explain how executives and managers will benefit from encouraging servers to try these tactics.

Key Words: tipping; turnover; service; customer satisfaction; sales

Increasing Servers' Tips:

What Managers Can Do and Why They Should Do It

Approximately 21 million people in the United States eat out at full service restaurants every day (Media Dynamics, 2001). After completing their meals, 98 percent of these people leave a voluntary sum of money (or tip) for the servers who waited on them.(Paul, 2001). These tips, which amount to over $20 billion a year, are an important source of income for the nations' two million waiters and waitresses. In fact, tips often represent 100 percent of servers' take-home pay because taxes (in the form of withholding) eat up all of their hourly wages. For this reason, tipping is a major concern of restaurant waiters and waitresses.

Tipping is also of some concern to restaurant executives and managers. A perusal of the popular and trade press coverage of tipping suggests that at least some executives and managers:

(1) monitor tips as a way to measure server performance or to assess customer satisfaction (Lynn, 2001),

(2) redistribute tips through policies regarding tip outs and/or tip pooling (Anonymous, 1995),

(3) reduce costs by subtracting credit card service fees from charge tips (Anonymous, 1999),

(4) work with the IRS to minimize tax liabilities stemming from servers' under-reporting of tip income (Andrews, 1995),

(5) add tipping guidelines/suggestions to customers' checks (Sanson, 2001), or

(6)   eliminate tipping altogether in their establishments (Ortega, 1998).

However, for the most part, tipping is regarded in the industry as more of a server

concern than a managerial one. For this reason, it is the rare restaurant executive or

manager who tries to actively influence the level of his or her servers' tip incomes. I hope

to challenge that attitude with this paper.

In the pages below, I argue that restaurant executives and managers can and

should increase their servers' tip incomes. First, I present several tactics that servers can

use to increase their own tips. Then, I describe the role that executives and managers can

play in encouraging servers' use of these tactics. Finally, I explain how executives and

managers will benefit from encouraging servers to try these tactics.

Tip Increasing Actions

Researchers in such diverse fields as communications, hospitality management,

psychology and sociology have conducted experiments and quasi-experiments on ways

servers can increase their tips (for reviews, see Lynn, 1996, 2003). This research has

found that servers earn larger tips when they:

(1) introduce themselves by name,

(2) squat down next to the table when introducing themselves,

(3) wear big, open mouthed smiles on their faces,

(4) wear unusual ornaments or items of clothing,

(5) entertain customers with jokes or puzzles,

(6) practice suggestive selling,

(7) repeat customers' orders back to them,

(8) touch customers briefly on the arm or shoulder,

(9) forecast good weather,

(10) write "Thank You" on the check,

(11) draw pictures on the check,

(12) use tip trays embossed with credit card logos,

(13) call customers by name, and

(14) give customers after dinner candies.

Studies testing these actions found that they increased tips around 20 percent on average with some actions increasing tips by 100 percent or more (see Table 1)! These actions are believed to work for a variety of reasons and some actions probably work for more than one reason. Among the explanations offered for the effectiveness of these actions are the following (see Lynn, 1996, 2003). Suggestive selling increases tips because most people tip a percentage of the bill. Giving guests after dinner candies increase tips because customers feel obligated to return the favor. Smiling, drawing pictures, entertaining guests and forecasting good weather increase tips because they elevate guests' moods and people tip more when they are in a good mood. Finally, introducing your self by name, squatting at the table, touching customers, and thanking guests increase tips because they strengthen the server's rapport with guests and people tip more when they like and empathize with servers.

Management's Role in Encouraging These Actions

Restaurant executives can increase their servers' tip incomes by encouraging the servers to try the tip enhancing actions described above. These actions can be encouraged by: (1) informing servers about the actions' effects on tips, (2) giving permission for servers to try the actions, and (3) supplying the resources necessary to try some of the actions. Each of these points is discussed further below.

Inform Servers about the Actions

The best thing executives and managers can do to improve their servers' tips is to inform the servers about the actions that have been shown to increase tips. I have developed a booklet, titled *Mega Tips*, that is designed to help managers give their servers this information. The booklet describes scientifically tested techniques that have proved to be effective in increasing tips (those described above) along with the theory-based explanations for their effectiveness and the evidence supporting that effectiveness. Since the effectiveness of the tip enhancing techniques are well documented and the booklet is written by a nationally recognized expert on tipping, servers should perceive it as credible. Even if some servers remain unpersuaded and resist trying the advocated behaviors, however, they will eventually be won over once their more open-minded colleagues who tried the actions start making more money.

Restaurant executives and managers are encouraged to help their servers earn bigger tips by distributing copies of *Mega Tips* in their restaurants. *Mega Tips* is available from the Center for Hospitality Research at Cornell University free of charge. It can be

found on-line at <http://www.hotelschool.cornell.edu/chr/research/tools.html >. It can

also be downloaded free of charge from several other sites on the internet; just search for

the terms *Mega Tips* and *Lynn* using Google. Restaurant executives and managers can

down load it, print it out, copy it, and either post it on employee bulletin boards or

distribute copies directly to each of their servers. Restaurant executives and managers are

not asked to pay for the booklet in any way; their only expense for using *Mega Tips*

comes from making paper copies to be distributed.

Permit Servers to Try the Actions

  Managers distributing copies of *Mega Tips* to their servers need to be clear about

which of the techniques for increasing tips that they are willing to let servers try and

which ones they are not. I believe that all of the techniques are appropriate for, and

should be permitted in, casual and/or family dining restaurants. However, some

executives and managers may disagree with me. For example, some managers may not

want servers to touch customers or to wear something unusual with their uniforms.

Fortunately, *Mega Tips* describes enough tactics that forbidding one or two of them will

not reduce the value of the booklet.

Providing Necessary Supplies

  Finally, executives and managers can help their servers earn larger tips by

supplying the resources needed to try two of the actions in *Mega Tips*. Specifically,

executives and managers should provide servers with tip trays or check folders embossed

with credit card insignia and candies or mints to be given to customers at the end of the

meal. The tip trays can usually be obtained at no cost from credit card companies. The

candy will have to be purchased, but the expense need not be great. Even inexpensive

assorted Hershey Miniatures have been shown to increase tips. If managers do decide to

supply candies to be given to customers, they should probably vary the type of candy

from time to time in order to avoid diminishing customer response due to habituation.

<div align="center">Benefits to Management</div>

Restaurant executives and managers who distribute *Mega Tips* to their servers

should be rewarded with: (1) increased sales, (2) greater customer satisfaction, and (3)

lower labor costs due to reduced server turnover. Each of these benefits is discussed

further below.

<u>Increased Sales</u>

Most restaurant customers tip a percentage of the bill, so the best way for servers

to increase their tip income is to increase their sales. *Mega Tips* reminds servers of this

simple fact and presents them with evidence that suggestive selling really does increase

sales, so it should motivate more attempts at suggestive selling. More importantly, *Mega*

Tips informs servers of when they should and should not practice suggestive selling.

Specifically, it recommends suggestive selling when the restaurant is slow. When the

restaurant is busy and customers are waiting to be seated, however, *Mega Tips*

recommends that servers avoid suggestive selling of appetizers and desserts in favor of

turning the table quickly and selling more entrees, which tend to be more expensive than

appetizers and desserts. This advice is based on studies of yield management in

restaurants by Sheryl Kimes (see Kimes, Barrash & Alexander, 1999). Servers following

this advice should increase their own sales and tips as well as the sales of the restaurant

where they work.

Improved Customer Satisfaction

Encouraging servers to practice the tip enhancing actions described in *Mega Tips*

should increase customer satisfaction. Indeed, one of the tip enhancing actions – touching

customers – has been shown to increase customers' ratings of service (Hornik, 1992).

The effects of the other actions on perceptions of service have not been tested. However,

the vast majority of these actions are believed to work because they improve customers'

moods, increase servers' rapport with customers, or both. For example, smiling enhances

others' moods via emotional contagion and increases rapport by communicating liking

(see Argyle, 1998; Howard & Gengler, 2001). It is reasonable to assume that people who

are in a good mood and/or who feel some rapport with the server will perceive the service

to be better than do others. Thus, getting servers to use the techniques described in *Mega

Tips* can be expected to improve perceptions of service and consumer satisfaction as well

as tips.

Many readers will regard the effects of the tip enhancing actions on customer

satisfaction as obvious. After all, they believe, these actions would not enhance tips if

they did not improve customers' perceptions of service. I would like to agree with these

readers and present the effects of the behaviors on tips as evidence that those behaviors

improve service. Unfortunately, I cannot do so. Researchers have found that tips are only

weakly related to customers' ratings of service, so tips are not a good indicator of

perceived service quality or customer satisfaction (Lynn, 2001). The actions advocated in *Mega Tips* do increase tips and they should also enhance customer satisfaction, but these are largely independent effects.

Reduced Labor Costs Associated with Server Turnover

Encouraging servers to practice the tip enhancing actions described in *Mega Tips* should also lower labor costs by improving server morale and reducing server turnover. Turnover imposes numerous costs on businesses – including the expense of recruiting and training new workers and reduced productivity and service during the time that new hires are learning the job. Researchers have estimated the total costs of losing a room-service waiter in a hotel at $1,332.05 and it seems likely that the costs of losing a restaurant server are similar (Hinkin & Tracey, 2000). Thus, reducing turnover is a major factor in controlling labor costs. Evidence that larger tips can reduce turnover is provided by one published and two unpublished studies described below.

In a recently published study, I examined the relationship between the turnover rate and the average tip percentage across 59 restaurants in a casual-dining, restaurant chain (Lynn, 2002). Across all 59 restaurants and across the 30 restaurants with the highest sales volume, that relationship was weak and not statistically significant. However, across the 29 restaurants with the lowest sales volume, the average tip percentage was significantly and negatively correlated with the turnover rate ($r = -.36$, one-tailed $p < .03$). This suggests that server turnover is sensitive to tip income, but that servers can acquire the tip income they need from high volume as well as from high tip

percentages. Only at low volume restaurants are high tip percentages necessary to retain waiters and waitresses.

Further supporting this conclusion are the results of another unpublished study. Bruce Tracy and Michael Tews collected data on turnover as well as a measure of the average tip percentage at 96 units of a restaurant chain. Across all 96 restaurants, turnover correlated at -.29 (p < .01) with average tip percentage. Moreover, this relationship was stronger among the 48 restaurants with the lowest sales volume (r = -.36, p < .02) than among the 48 restaurants with the highest sales volume (r = -.23, p = .12).

If tip percentages affect turnover, then servers with low average tip percentages should think about quitting more than servers with high average tip percentages. An unpublished survey of 130 servers at eight different units of a restaurant chain conducted by Alex Susskind provides a means of testing this expectation because it included a measure of how often the servers thought about quitting as well as a measure of their average tip percentages. An analysis of the data indicated that servers average tip percentages correlated at -.24 (p < .005) with how often they thought about quitting their jobs. Although not conclusive, this finding combines with those described above to support the idea that increasing servers' tips will reduce server turnover, especially at low volume restaurants.

<u>Invitation to Test the Benefits of These Actions</u>

I would like to conclude by encouraging restaurant executives to participate in a study testing the effects of distributing *Mega Tips* among your wait-staff.   Participation in the study would require two things. First, that mega tips be distributed to the servers in

some of the units of a restaurant chain and not others. Second, that servers' charge sales

and tips, unit sales and turnover, and customers' or mystery shoppers' service ratings be

measured before and after distribution of the booklet. Since *Mega Tips* is available free of

charge and since most restaurant chains record the needed information anyway, such a

study should be inexpensive to conduct. I will further reduce the cost by agreeing to

provide the needed copies of *Mega Tips* to any executive of a restaurant chain that agrees

to participate in such a study with me. Even if executives and managers do not want to

participate in a controlled study, I encourage them to distribute *Mega Tips* to their

servers. Doing so will cost little and will definitely increase their servers' tips. It should

also increase their sales, improve their customers' satisfaction and reduce turnover among

their servers.

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Table 1

Summary of experiments and quasi-experiments on restaurant tipping.

Tip Enhancing Action	Average Tip in the		Percentage
	Control Treatment	Experimental Treatment	Increase in Tip
Introducing Self by Name	15%	23%	53%
Squatting Down Next to Table			
Waiter	15%	18%	20%
Waitress	12%	15%	25%
Smiling	20 cents	48 cents	140%
Wearing a Flower in Hair	$1.50	$1.75	17%
	p/person	p/person	
Entertaining Customer			
Tell a Joke	16%	23%	40%
Give a Puzzle	19%	22%	18%
Suggestive Selling	$1. 25	$1. 53	23%
(tip estimated at 15% of bill size)	p/person	p/person	
Repeat Order Back to Customer	1.36	2.73	100%
	Dutch Guilders	Dutch Guilders	
Touching Customer			
Study 1	12%	17%	42%

Study 2	11%	14%	27%
Study 3	14.5%	17.7%	22%
Study 4	11.5%	14.8%	28%
Forecast Good Weather	19%	22%	18%
Writing "Thank You" on Check	16%	18%	13%
Drawing a Picture on Check			
Waiter drawing smiley face	21%	18%	----
Waitress drawing smiley face	28%	33%	18%
Bartender drawing sun	19%	26%	37%
Using Tip Trays w/ Credit Card Insignia			
Restaurant	16%	20%	25%
Cafe	18%	22%	22%
Call Customer by Name	14%	15%	10%
Give Customer Candy			
Study 1	15%	18%	18%
Study 2	19%	23%	21%