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

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

Abstract
Restaurant managers would do well to assist members of their waitstaff to earn larger tips. Although tipping seems beyond management's purview, both research and common sense suggest that good tips mean a satisfied staff, which will improve service levels and reduce turnover.

Keywords
restaurant, tipping, gratuities, customer satisfaction

Disciplines
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by Michael Lynn, Ph.D.
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Executive Summary

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

by Michael Lynn, Ph.D

Restaurant managers would do well to assist members of their waitstaff to earn larger tips. Although tipping seems beyond management’s purview, both research and common sense suggest that good tips mean a satisfied staff, which will improve service levels and reduce turnover.

Managers can help servers improve their tips by encouraging the servers to: (1) introduce themselves by name, (2) squat down next to the table when introducing themselves, (3) wear big, open-mouthed smiles, (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.

A convenient way to encourage these actions is to distribute Mega Tips, a publication designed to inform servers about the psychology of tipping and specific techniques to increase tips. This publication is available free of charge from The Cornell Center for Hospitality Research. Managers who are skeptical about the benefits of distributing this booklet to their waitstaff might consider accepting an offer to conduct an experiment to establish the tip-enhancing actions’ effect on tips, sales, turnover, and customer satisfaction.
About the author

Michael Lynn is a nationally recognized expert on tipping who has 29 in-press and published papers on this topic. His work on tipping has been covered by ABC’s 20/20, BET’s Nightly News, and NPR’s Morning Edition, as well as by the Economist, Forbes, the Wall Street Journal, the New York Times, the International Herald Tribune, and numerous other newspapers and radio programs around the world.

A former bartender, busboy, and waiter, Mike received his Ph.D. in social psychology from the Ohio State University in 1987 and has taught in the marketing departments of business and hospitality schools since 1988. He is currently an associate professor of consumer behavior and marketing at the Cornell University School of Hotel Administration. He has a wife, two children, and two dogs.

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

by Michael Lynn, Ph.D

Approximately 21 million people in the United States eat out at full-service restaurants every day. 1 After completing their meals, 98 percent of these people leave a voluntary sum of money (a tip) for the servers who waited on them. 2 These tips, which amount to over $20 billion a year, are an important source of income for the nation’s two million waiters and waitresses. 3 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. 4 For this reason, tipping is a major concern of restaurant waiters and waitresses.

Tipping is also of 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 servers’ performance or to assess customer satisfaction, 5
(2) redistribute tips through policies regarding tip outs or tip pooling, 6
(3) reduce costs by subtracting credit card service fees from charge tips, 7
(4) work with the IRS to minimize tax liabilities stemming from servers’ underreporting of tip income. 8

1 According to Consumer Dimensions 2001 (New York: Media Dynamics, 2001), p. 194, 10 percent of the U.S. adult population eats at “sit-down or family” restaurants on an average day. With 210 million adults in the U.S., this means that about 21 million people in the U.S. eat at such restaurants each day.


(5) add tipping guidelines or suggestions to customers’ checks, or
(6) eliminate tipping altogether in their establishments.

However, for the most part, tipping is regarded in the industry as more of a servers’ concern than a management one. For this reason, it is the rare restaurant executive or manager who actively tries to influence the level of his or her servers’ tip incomes. I hope to change that attitude with this report.

In the following pages I argue that restaurant executives and managers can and should strive to increase their servers’ tip incomes. First, I present several tactics that servers can use to increase their 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. This research has found that servers earn larger tips when they use one or more of the tactics in the box at right.

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As shown in Exhibit 1, studies testing these actions found that they increased tips around 20 percent on average with some actions increasing tips by 100 percent or more! These actions are believed to work for a variety of reasons. The explanations of these actions’ effectiveness include the following.12 Suggestive selling increases tips because most people tip a percentage of the bill. Giving guests after-dinner candies increases 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 yourself, 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.13

### Management’s Role in Tip-enhancing 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.

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12 Ibid.

13 Note that putting guests in a better mood and establishing a stronger social rapport with guests should improve their satisfaction, but these tactics’ effects on tipping are probably independent of their effect on perceived service quality. My research indicates that customers’ perceptions of service quality have only weak effects on tipping. See: Michael Lynn, “Restaurant Tipping and Service Quality: A Tenuous Relationship,” Cornell Hotel and Restaurant Administration Quarterly, Vol. 42, No. 1 (February 2001), pp. 14–20.

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### Exhibit 1

#### SUMMARY OF EXPERIMENTS AND QUASI-EXPERIMENTS ON RESTAURANT TIPPING

<table>
<thead>
<tr>
<th>Tip-enhancing action</th>
<th>Average tip</th>
<th>Percentage increase in</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introducing self by name</strong></td>
<td>15%</td>
<td>23% 53%</td>
</tr>
<tr>
<td>Squatting next to table</td>
<td>15%</td>
<td>18% 20%</td>
</tr>
<tr>
<td>Waiter</td>
<td>12%</td>
<td>15% 25%</td>
</tr>
<tr>
<td>Waitress</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smiling</td>
<td>$.20</td>
<td>$.48 140%</td>
</tr>
<tr>
<td>Wearing a flower in hair*</td>
<td>$1.50</td>
<td>$1.75 17%</td>
</tr>
<tr>
<td><strong>Entertaining customer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tell a joke</td>
<td>16%</td>
<td>23% 40%</td>
</tr>
<tr>
<td>Give a puzzle</td>
<td>19%</td>
<td>22% 18%</td>
</tr>
<tr>
<td>Suggestive selling*</td>
<td>$1.25</td>
<td>$1.53 23%</td>
</tr>
<tr>
<td>Repeat order to customer*</td>
<td>1.36 DG</td>
<td>2.73 DG 100%</td>
</tr>
<tr>
<td><strong>Touching customer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1</td>
<td>12%</td>
<td>17% 42%</td>
</tr>
<tr>
<td>Study 2</td>
<td>11%</td>
<td>14% 27%</td>
</tr>
<tr>
<td>Study 3</td>
<td>14.5%</td>
<td>17.7% 22%</td>
</tr>
<tr>
<td>Study 4</td>
<td>11.5%</td>
<td>14.8% 28%</td>
</tr>
<tr>
<td>Forecasting good weather</td>
<td>19%</td>
<td>22% 18%</td>
</tr>
<tr>
<td>Writing “thank you” on check</td>
<td>16%</td>
<td>18% 13%</td>
</tr>
<tr>
<td><strong>Drawing a picture on check</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waiter with smiley face</td>
<td>21%</td>
<td>18% —</td>
</tr>
<tr>
<td>Waitress with smiley face</td>
<td>28%</td>
<td>33% 18%</td>
</tr>
<tr>
<td>Bartender with sun</td>
<td>19%</td>
<td>26% 37%</td>
</tr>
<tr>
<td><strong>Using credit card insignia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td>16%</td>
<td>20% 25%</td>
</tr>
<tr>
<td>Café</td>
<td>18%</td>
<td>22% 22%</td>
</tr>
<tr>
<td><strong>Calling customer by name</strong></td>
<td>14%</td>
<td>15% 10%</td>
</tr>
<tr>
<td><strong>Giving customers candy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1</td>
<td>15%</td>
<td>18% 18%</td>
</tr>
<tr>
<td>Study 2</td>
<td>19%</td>
<td>23% 21%</td>
</tr>
</tbody>
</table>

*Note: Dollar amounts are per person. With regard to suggestive selling, the tip is estimated at 15 percent of total check. DG = Dutch guilders, the currency in use at the time and location of this experiment. The four touching studies involved variations of who did the touching (a waiter or waitress); who was touched (male or female party members);
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. This information is likely to be taken more seriously if: (1) servers are also told about the evidence that demonstrates that these actions actually work and (2) the information comes from a credible third party. I have developed a booklet, titled Mega Tips, that is designed to meet those two criteria (see page 15). The booklet describes in more detail the techniques described above, along with the theory-based explanations for their effectiveness and the evidence supporting that effectiveness. Given the work that I have done on tipping, I believe that servers should perceive my recommendations as credible.

Even if some servers remain unpersuaded and resist trying the advocated behavior, they will eventually be won over once their more open-minded colleagues who tried the actions start making more money. This dynamic is nicely illustrated in a testimonial sent to me by Joshua Ogle—a restaurant server who read and shared with coworkers one of my earlier articles on ways to increase tips. He wrote:

Here’s how it all happened: I was browsing around the Cornell website, Hotel School section, and came across your article. I read it, acknowledged it as a nice piece, and continued reading through the site. When I went to work (I work at a restaurant, by the way, called Texas Roadhouse), I started to notice, after reading your paper, that people kept on and kept on complaining about not making lots of tips. I remembered some of the tips that you had in the paper, and I looked around to see if I saw people doing what you said worked: writing messages on the back of checks, using check-holders with credit card symbols on them, etc. I told a few people about the ideas, and two said that they would try some stuff out, because they were tired of making no tips. The other couple said that they were fine how they were and that the information in the article was “bull crap.”

So, Bailey and John (their names, naturally) proceeded to follow your teachings, and at the end of the night, both came out between 8 and 10 percent higher in tips. I’d say that’s very impressive, and they thought the same, but the others who did not believe me said it must just be a coincidence. Bailey and John, again the following night, brought in more tips than they had been before. Then the others started talking to each other, and giving hints to each other, and telling about how I’d told them about it, etc. So, I went to the site, printed it off, and hung it up on our nightly news board, for everyone to see. Of course, I gave complete credit to you (I printed it with full “Cornell” symbols at the top, as well as your name on it and whatnot), and people have thanked me about once a week since then, about three months ago. Overall, everyone was happy and definitely saw an increase, thanks to you.

Like Joshua, restaurant executives and managers can 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 online at www.chr.cornell.edu.) Restaurant executives and managers can download it, print it out, copy it, and either post it on employee bulletin boards or distribute copies directly to each of their servers. They 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 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 or family dining restaurants. However, some executives and managers may disagree with me. For example, some managers may not want servers to wear something unusual with their uniforms. Fortunately, Mega Tips describes enough tactics that forbidding one or two of them will not make it impossible for servers to boost their tips.

A touchy matter. Along that line, of all the techniques described in Mega Tips, the issue of touching customers seems to draw the most concern. Restaurant executives and managers with whom I have spoken about touching customers often voice either of two objections to permitting this behavior. First, these critics argue that they do not personally want to be touched by restaurant servers and that neither do other people whom they have asked about this matter. In other words, people’s self-insights and self-reports are inconsistent with the experimental data on touch’s effects, and the critics of touching give greater credence to the insights over experimental data. In response to that concern, a substantial body of research in psychology indicates that people are often unable to accurately predict or explain their own attitudes and behavior. Like the character in Dr. Seuss’s Green Eggs and Ham, people often assume without a trial that they will dislike things that, in fact, they would enjoy. The data suggest that being touched by hospitality workers is one of those things. In fact, researchers have found that touching customers increases perceptions of service quality as well as tips, so fears that customers might react negatively to being touched are misplaced.

Second, critics argue that encouraging employees to touch customers opens a company to potential lawsuits from customers who would take offense at being touched. Since it takes only one such customer to file a lawsuit, the critics contend that permitting employees to touch customers is just too risky to be recommended. Examining that issue, I asked David Sherwyn, a law professor at the Cornell Hotel School, to do some research to evaluate the validity of this argument. He found nothing to support it. Briefly, touching does not satisfy the legal definition of harmful or offensive battery. Furthermore, encouraging employees to touch customers cannot open a company up to sexual harassment suits from customers, because the sexual harassment statutes apply only to employee-employer relationships. Supporting these interpretations of the law, Sherwyn found no case in which a customer sued a restaurant because a server touched the customer. Thus, there are no valid legal reasons to forbid employees from touching customers.

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17 See Exhibit 3 of: Lynn, Le, and Sherwin, p. 64.
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 chocolate 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 to avoid diminishing customers’ response due to habituation.

Benefits to Management

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.

Increased Sales

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 important, 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 entrées, which tend to be more expensive and have a bigger contribution margin than appetizers and desserts. This advice is based on studies of yield management in restaurants by Cornell professor Sheryl Kimes. 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, as I mentioned above, one of the tip-enhancing actions—touching customers—has been shown to increase customers’ ratings of service. The effects of the other actions on customers’ 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 affinity. It is reasonable to assume that people who are in a good mood 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.

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Many readers will regard the effects of the tip-enhancing actions on customer satisfaction as obvious. After all, it stands to reason that these actions would not enhance tips if they did not improve customers’ perceptions of service. I wish I could agree with these readers and present the effects of tip-enhancing behavior on tips as evidence that those actions improve service. Unfortunately, I cannot do so. Researchers have found that tip levels are only weakly related to customers’ ratings of service, and so tip percentages are not a good indicator of perceived service quality or customer satisfaction. The point is that 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 servers’ morale and reducing 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. Thus, reducing turnover is a major factor in controlling labor costs. Evidence that larger tips can reduce turnover is provided by the studies described below.

In a recently published study I examined the relationship between the turnover rate and the average tip percentage for 59 restaurants in a casual-dining restaurant chain. Across all 59 restaurants and in 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 $p < .05$). This suggests that server turnover is sensitive to tip income, but that servers can acquire the tip income they need from high volume or from high tip percentages. At low volume restaurants, however, high tip percentages are necessary to retain waiters and waitresses.

Further supporting this conclusion are the results of an unpublished study. Professor Bruce Tracey and Michael Tews, both of Cornell University, collected data on turnover along with 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, as occurred in my study, 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 do servers with high average tip percentages. An unpublished survey of 130 servers at eight different units of a restaurant chain conducted by Cornell professor Alex Susskind

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provides a means of testing this expectation because it included a measure of how often the servers thought about quitting together with 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.

Invitation to Test the Benefits of These Actions

The managerial benefits of encouraging the tip-enhancing behavior advocated in Mega Tips are largely theoretical. It makes sense that increasing the strategic use of suggestive selling will increase restaurant sales. It also seems reasonable to believe that increasing rapport-enhancing actions like smiling, touching, and thanking customers will improve consumers’ perceptions of service quality. Finally, it seems obvious that increasing servers’ tips will reduce turnover. However, there is no direct evidence that distributing Mega Tips among your waitstaff will produce these benefits. Thus, I would like to conclude by encouraging restaurant executives to participate in such a study.

Participating in the study would require two things. First, Mega Tips needs to be distributed to the servers in some of the units of a restaurant chain and not others. Second, servers’ chargecard sales and tips, unit sales and turnover, and customers’ or mystery shoppers’ service ratings have to 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 (that is, I pay for printing). Interested executives should e-mail me at WML3@Cornell.edu.

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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24 Servers rated their agreement (on a 5 point scale) with the following: “I frequently think of quitting this job at XXX.”
Acknowledgments

Much of the material used in this report appeared previously in three Cornell Hotel and Restaurant Administration Quarterly articles and is used here with permission. Those articles are:


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