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The Influence of National Culture on Tipping Behavior

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THE INFLUENCE OF NATIONAL CULTURE ON TIPPING BEHAVIOR

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PART ONE

Introduction

Las Vegas continues to thrive as a global destination for all things entertainment. But behind the bright lights and sinful reputation lies a growing metropolis brimming with suburbs, schools, and two million residents. With about 40 million visitors a year, Las Vegas' tourism industry relies heavily on support from the men and women who dedicate their lives to working in the hotels, casinos, and convention centers that comprise the city's landscape. Nearly half of Las Vegas' workforce is supported by the tourism industry (Las Vegas Convention and Visitors Authority, 2014), which reveals the mutually beneficial dynamic between the city's main economy and its workers.

Food servers, bartenders, cocktail waitresses, bellmen, porters, valet attendants, and even hairdressers all help to support the tourism industry in Las Vegas. There is, however, one other thing that these people have in common that may not be evident at first glance: They all have the potential to earn and often rely on gratuities, or tips, to support their income in varying degrees. While tipping is an important economic phenomenon across the United States, the abundance of hospitality jobs (many of which are tipped positions) in Las Vegas garners special attention.

In addition to having a large service-based workforce, Las Vegas also attracts an astounding number of international visitors, accounting for 20% of all visitors in 2013 (Las Vegas Convention and Visitors Authority, 2014). Hospitality workers, especially those in global destinations like Las Vegas, must be prepared to interact with and serve guests of all nationalities and cultures. Sometimes in order for intercultural service encounters to be successful, servers must overcome language barriers, their own cultural biases, or the cultural biases of the visitors. Unfortunately, these biases often reflect stereotypes regarding cultural attitudes and tipping

behaviors. Many service providers in Las Vegas believe that cultural attitudes of international guests contribute to poor tipping behaviors.

Purpose

The purpose of this professional paper is to explore the various factors that contribute to cultural differences in tipping behavior. This meta-analysis of the current research can be applied to understand the tipping habits of international tourists in Las Vegas –a relatively unexplored topic.

Problem Statement

The current literature uses various sociological theories, such as social norm theory, to explain cultural differences in tipping habits. This professional paper will address the following question: How can the existing knowledge be organized and applied to better understand the effects of culture on the tipping behaviors of foreign/international tourists in Las Vegas?

Justification

Tipping is an important research subject for many reasons. While tipping as an economic phenomenon has yet to be fully comprehended, it involves an estimated \$47 billion a year in United States restaurants alone (Azar, 2011). Many workers in tipped positions derive a significant portion of their income from the gratuities they receive. Studies suggest that inadequate tips not only offend the employee collecting them, but that they can also have a negative impact on the restaurant and management team as a whole (Lynn, 2004). Therefore, it is logical to argue that the understanding of tipping behaviors should be of concern to both the front line employees who work for tips and their managers.

Past studies seeking to explain the effects of national culture on tipping habits have typically focused on the application of various sociological theories. Social norm theory (Azar,

2011), grid-group theory (Fisher, 2009), and Hofstede's power dimension theory (Cho, 2005) are some examples of theories applied by researchers to better understand the influence of culture on tipping. No research has examined the relationship between culture, tipping, and the Las Vegas hospitality industry. This paper will help to organize and clarify the existing knowledge while highlighting a need for further research specific to the Las Vegas market.

Constraints

Culture is certainly not the only factor that influences tipping behavior. Gender, ethnicity, and regional differences even within the same national culture can affect tipping habits. Therefore, caution must be used when making assumptions about a national culture as whole. Also, any research on tipping is constrained because tips are often under-reported, if reported at all. Finally, nearly all of the current research focuses only on restaurant servers, disregarding the experience of workers in bars, nightclubs, and casinos. The following section will begin with a thorough review of the existing literature regarding culture and its effects on tipping behavior.

PART TWO

Introduction

Tipping is widely practiced in some countries, yet nearly absent in others. While many national cultures participate in the tipping custom, the amount given and the set of tipped positions vary greatly across countries (Lynn & Starbuck, 2014). With the increase in international travel, people of different cultures are interacting more than ever before. Culture affects travel behavior in many ways, and scholars have begun to hypothesize the ways in which culture affects tipping.

Traditional economic models purport that humans are selfish and always seek to maximize utility by giving money only when they will get something in return (Azar, 2011). Tipping violates traditional models in that it involves customers giving their money to strangers *after* a service has been provided. Because tipping behavior is not yet fully understood, the topic has received attention from researchers in many disciplines including psychology (Lynn & Sturman, 2011), hospitality management (Casey, 2001), and economics (Azar, 2009). The purpose of this professional paper will be to provide a thorough analysis of the current tipping literature, with an emphasis on the research that has a focus on the relationship between culture and tipping. The goal of this paper will be to organize these multi-disciplinary theories in order to better understand the effects of culture on the tipping behaviors of foreign/international tourists in any cities in which intercultural service encounters take place. This discussion begins with a brief background on the history of tipping and the state of tipping around the world today. Then, arguments both for and against tipping are considered. The implications of tipping for businesses, positive and negative, will be described. The literature review will end with a thorough analysis of the various sociological and psychological theories that have attempted to

explain the influence of national culture on tipping differences.

A Brief History of Tipping

It has been suggested that tipping began in the Middle Ages, when lords chose to give their servants a few extra coins as tokens of appreciation (Seagrave 1998). In Tudor England, visitors to private homes were expected to give tips (at the time known as *vails*) to the footmen, valets, and maids who served them over the course of their visit (Seagrave, 1998). The custom of tipping spread quickly throughout Europe, as those who did not tip found themselves subject to destruction of property and poor service (Seagrave, 1998). At a meeting of nobility in 1760 in Scotland, it was agreed to abolish the custom of giving vails, but when the owners of estates outlawed their servants from accepting vails, the servers reacted violently (Seagrave, 1998).

Wealthy Americans who traveled abroad and visited private homes in Europe were exposed to the practice, brought it back home with them, and used tipping to demonstrate their affluence and knowledge of foreign customs (Seagrave, 1998). Shortly after the practice of tipping servants was established, it evolved to include service workers in commercial enterprises (Seagrave, 1998). By the late 1800's, tipping was fully established within the United States (Azar, 2004a). By 1895 the average tip for waiters in the United States was 10%, which was higher than the average in Europe (Azar, 2004a). Nevertheless, many Americans hated tipping, and some formed clubs to actively resist it. Still, tipping is more pervasive today in the United States than in any other country (Azar, 2004a).

Tipping Today

Tipping in the USA

The economic impact of tipping in the United States food industry has been estimated at over \$46 billion annually (Azar, 2011). However, this figure does not account for other tipped professions (such as bartenders and cab drivers) within the United States, or the millions of service workers across the globe. Lynn, Zinkhan, and Harris (1993) identified 33 different tipped positions within the United States alone. In the United States, it is customary to give 15-20% of the total bill to anyone who has provided a service, whether she is a hairdresser, bartender, or tour guide (French & Butler, 2011). Not only do American customers tip a higher percentage of the total bill than those in most other countries, they also believe in rewarding more service positions in general with gratuities (French & Butler, 2011). Americans are often viewed as very generous customers when traveling abroad (Trip Advisor, 2014). Being from a culture that accepts and enjoys tipping, many American servers tend to expect higher tips than foreign customers are comfortable giving.

Why are Americans so fond of tipping? The most logical and common answer to this question is the assumption that tipping inherently promotes and assures service quality (Azar, 2004b). However, when tested empirically, the relationship between tip sizes and perceived service quality is weak (Lynn & McCall, 2000). There must be other factors that motivate Americans to tip and that enhance the power of the tipping norm. Lynn and Grassman (1990) conclude that people use tipping as a means to buy social approval, to reduce inequality between themselves and those serving them, and to ensure future service. Americans may use tipping to express compassion and empathy for low-wage earners (Whaley, Douglas, & O'Neill 2014).

The social norm of tipping in the United States is so strong that Americans have accepted the responsibility of supplementing low paying service jobs with tips (Whaley et al., 2014).

Opponents of Tipping

Having such an ingrained sense of tipping behavior and familiarity with tipping norms, Americans do not often consider arguments against tipping. Opponents of discretionary tipping systems believe that tipping increases status and power differences between guest and server, while further weakening the social nature of the server/customer relationship (Lynn et al., 1993). Furthermore, tipping weakens the service worker's commitment to an organization (Lynn et al., 1993), which promotes self-serving behaviors in the workplace. Casey (2001) studied restaurant workers in New Zealand, a country that is seeing a rise in discretionary tipping practices. Service workers in New Zealand often find tips to be offensive, and capable of creating tension and competition among staff members (Casey, 2001). The reasons that foreign tourists do not tip are not always personal, however. Studies of tipping in Asian cultures reveal that American-style tipping is replaced by mandatory service charges (Cho, 2005; Dewald, 2003). Standardized service charges eliminate the need to understand tipping norms, and many cultures are simply accustomed to this form of tipping.

Tipping and Managerial Control

Regardless of the type of tipping system involved, research in general supports the notion that tipping results in mutually beneficial outcomes for customers, employees, and businesses themselves (Ogbonna & Harris, 2002). The intangible nature of service encounters makes them difficult to measure and monitor. However, managers can relinquish control of directly monitoring their employees by passing the responsibility to customers, who have the power to reward (or punish) good (or bad) service through tipping (Lynn & Sturman, 2010). Managers

can avoid paying higher wages yet still maintain server compliance by allowing their employees to accept tips (Ogbonna & Harris, 2002). Therefore, tipping can be a cost-effective way to increase profits while motivating servers to provide quality service (Brewster, 2013).

Server Perception and Discrimination

Using field observation and brief surveys, Barkan and Israeli (2004) found that not only could servers accurately predict the size of the tip they would receive from certain customers, but that they would act in a way that would assure their predictions would be realized. Server perceptions of customers' tipping behavior (based on national culture, sex, age, and so forth) motivate servers to provide superior or inferior service based on the expected tip they will receive (Barkan & Israeli, 2004). Those groups often perceived as poor tippers include African Americans, Asians, and Hispanics (Lynn, 2013; Lynn & Thomas-Haysbert, 2003) and women and the elderly (McCall & Lynn, 2009). A survey conducted by McCall and Lynn (2009) found that servers believed white males to be the best tippers, and foreigners and teenagers the worst.

Discrimination toward certain groups of people by servers is problematic for managers in many ways. Guests who receive poor service as a result of their nationality, ethnicity or gender are likely to spread negative word of mouth and unlikely to be repeat customers (Fernandez, 2004). American restaurant chains are often on the receiving end of racial discrimination lawsuits from both employees and guests. In 1994, Denny's was ordered to pay over \$54 million to settle lawsuits filed by black customers alleging discrimination (Labaton, 1994). In one suit, black Denny's patrons claimed that they were ordered by servers to pay a "cover charge" to be seated and to pay for their meals upfront (Labaton, 1994).

In a survey of 200 restaurant servers, nearly half of the respondents admitted to giving poor service to guests that they perceived as bad tippers (Brewster, 2013). When assessing

survey responses, researchers must be aware of social desirability bias, which is the tendency of respondents to give socially acceptable answers, regardless of their true feelings. Taking social desirability bias into account, the number of servers who give poor service to those they deem as bad tippers is probably much higher. In the same study, about 93% of the servers indicated that they do give superior service to those customers that they perceive to be good tippers (Brewster, 2013). While these findings indicate that server discrimination is pervasive, Brewster (2013) found that servers provide superior service to those they view as good tippers considerably more often than they give perceived bad tippers poor service.

While tipping may allow servers to practice discriminatory service, tipping as a custom has infiltrated American culture. Managers can use tipping as a way to reduce operating costs by passing down those costs to customers. Why do customers readily accept these extra costs? What are they gaining by voluntarily giving their hard earned money to strangers *after* a service has been provided? In order to answer these questions, it is imperative to understand why people continue to tip, when they are not legally obligated to do so.

Why Do People Tip?

If the economic impact of tipping in the United States alone is over \$46 billion (Azar, 2011), then the cumulative total of tips given and received around the world must be considerable. Tipping is an interesting economic phenomenon, not only because of its economic magnitude, but also because it challenges the common economic assumptions that consumers are rational and generally selfish. Why do people voluntarily give money after a service has been performed? People may give tips in an effort to buy social acceptance, reduce inequality between themselves and their server, or ensure good service in the future (Lynn & Grassman, 1990). Other reasons for tipping could be that the act of tipping helps customer to avoid negative

feelings such as guilt and embarrassment (Azar, 2004b). Lynn (2009) investigated 14 different motives for tipping in order to determine which had the most influence on tipping behavior. Intrinsic motives (that leave the giver with positive psychological feelings) such as helping servers were more powerful as motivators than self-presentational motives, like impressing others (Lynn, 2009).

Tipping is an established institution in most countries, but it is also culturally specific (Casey, 2001). The amount of tips given and the number of tipped professions vary greatly across countries and even regions (Lynn, 1997). Researchers have employed various methods and theories to explain the effects of culture on tipping behavior. These include social norm theory (Azar, 2004b), Hofstede's power dimension theory (Cho, 2005; Lynn & Lynn, 2004), and grid-group theory (Fisher, 2009). Behavioral tipping differences between cultural groups can result in negative consequences for servers, guests, and managers. Understanding the theories that seek to explain these differences is beneficial on many levels, and can help to mitigate these negative consequences.

Sociological Theories to Explain Tipping

Social Norm Theory

Who should be given tips and how much they should be given are usually determined by social norms (Azar, 2004b; Lynn & Starbuck, 2014). Social norms are shared codes for behavior that can result in shame, guilt, or anger when violated (Elster, 1989). Different cultures have different attitudes and social norms towards tipping; and with the increase in international tourism, these differing attitudes are affecting service encounters.

Social norms are an important topic in social psychology and sociology. Tipping as a social norm is of special interest to economists because it is a norm that is actually measurable

and quantifiable. If people do in fact tip because of social norms, then it is possible that other norms and emotions drive economic behavior. Azar (2004b) concludes by saying that “tipping is an economic behavior that is motivated by feelings and by the desire to conform to social norms” (p. 759).

Yet, according to economic theory, tipping cannot be explained solely by the desire to conform to social norms. Economically, people are motivated by their own self-interests, and for the social norm of tipping to persist, its benefits must outweigh its costs (Azar, 2004b). If a social norm is costly to follow (as is tipping) and people do not gain positive benefits from following it, eventually they will stop, and the norm will erode over time. The norm of tipping exists and has persisted over hundreds of years, meaning that consumers must derive some type of positive utility from giving tips (Azar, 2004b).

Psychological Utilities and Social Norms

The most effectual positive utilities that customers gain from tipping are psychological in nature (Lynn, 2009). The positive feelings gained from tipping are intrinsic motivators, and include rewarding good service, helping servers, doing the right thing, and expressing gratitude (Lynn, 2009). Azar (2007) found that tipping also increases service quality and the self-esteem of both the tip giver and the tip receiver. Benefits such as these are what have helped the social norm of tipping spread throughout the world.

Why is tipping a social norm in several occupations, but not in others? Why are people comfortable tipping cab drivers but not flight attendants? Understanding the characteristics of the occupations in which tipping is the norm may provide researchers with insights as to what creates social norms. If tipping exists mainly in jobs where the customer can physically monitor the service quality being provided, then it can be assumed that tipping improves economic

efficiency (Azar, 2005). In the case of tipping, economic efficiency refers to the notion that consumers can monitor service providers more efficiently than can a firm. After analyzing several different occupations, Azar (2005) concluded that economic efficiency does not explain why tipping exists. Instead, psychological utility theory was once again supported. Azar (2005) found that tipping exists when a consumer wants to display gratitude to, or empathize with, a server.

The Social Norm of Tipping Around the World

As the motivating power of social norms has persisted, so has the average tip percentage in the United States (Azar, 2004b). In fact, researchers suggest that the social norm of tipping is so strong in the United States that tipping is only weakly related to service quality, and even mediocre service often gets rewarded with a 15% tip (Dewald, 2003). Studies suggest that most Americans are familiar with the standard 15-20% tipping norm, although certain minority groups are less familiar (Lynn, 2013; Lynn & Thomas-Haysbert, 2003). Because the social norm of tipping is so embedded within American culture, American servers may easily forget that “the average consumer’s response to any service encounter will be informed by cultural background, identity, and whether tipping is actually performed as a norm in the person’s home country” (Whaley, et al., 2014 p. 123).

The American norm of tipping has recently begun to spread throughout the world. In most Asian countries tipping is a sensitive subject because it highlights the inequity between the server and the customer, as receiving charitable tips can cause a server to “lose face” (Dewald, 2003). However, in Hong Kong, servers are beginning to expect a gratuity in addition to the mandatory 10% service charge (Dewald, 2003), and Japanese customers are becoming more comfortable with the idea of leaving an additional gratuity (Cho, 2005). Even New Zealand,

which has been traditionally anti-tipping, has seen an increase in tipping because of the influence of Western tourists (Casey, 2001). These are just a few examples of the ways in which the introduction of foreign customs can influence social norms.

Understanding different cultural social norms regarding tipping can help customers and servers alike. Foreign customers would be wise to research tipping customs before traveling, and servers should understand that some tourists might view a 15% tip as excessive. The increasing pace of globalization is creating more and more intercultural service encounters, which can unfortunately result in frustration, conflict and an unnecessary loss of business (Sizoo, 2007). Through education and compromise, these conflicts can be eliminated.

National Culture and Hofstede's Four Dimensions

Most countries display national characteristics that reflect the shared values and ideas of that country (Hofstede, 1980). In 1980, Geert Hofstede studied the employees of a single multinational corporation with operations in 40 countries in order to understand culturally specific work-related values. Through this research, Hofstede identified four different factors that could be used to explain differences among cultures: power distance, individualism/collectivism, uncertainty avoidance, and masculinity/femininity. This work is still regarded as a definitive study of national culture and has been used by researchers to understand differences in tipping behavior across national cultures (Cho, 2005; Lynn et al., 1993; Lynn & Lynn, 2004). Lynn et al. (1993) compared the national scores on Hofstede's dimensions with information on national tipping behavior gleaned from travel guides. They specifically studied the number of tipped positions in each country; for example, the United States had 33 different tipped positions according to the travel guidebook used. In 2004, that same study was replicated and extended to include the suggested tip amount for restaurant servers and taxicab drivers, using

data from more recent guidebooks (Lynn & Lynn, 2004). A summary of these studies' findings and of each of Hofstede's four dimensions and how they relate to tipping behavior will now be discussed.

Power distance is the extent to which a society accepts that power is unequal among its members. People in countries with a low score in power distance believe that all people are equal, while those in a country with a high score believe that superiors are independent and inaccessible (Hofstede, 1980). It has been hypothesized that tipping is related to power distance because tipping exposes inequality and gives customers power over servers (Lynn et al., 1993). While researchers found that the number of tipped positions increased with a nation's scores of power distance (Lynn et al., 1993), power distance did not relate to the amount tipped (Lynn & Lynn, 2004).

Uncertainty avoidance relates to a society's need to minimize uncertainty and to increase stability through the use of formal rules and norms. Countries that have weak uncertainty avoidance may set as few rules as possible, while those with high uncertainty avoidance are greatly concerned with security and have higher levels of stress and anxiety (Hofstede, 1980). Studies suggest a positive relationship between uncertainty avoidance scores and the tips given to restaurant servers (Lynn & Lynn, 2004) and the number of tipped positions in general (Lynn et al., 1993). These findings emphasize that countries that value norms and rules exhibit more frequent tipping behavior.

The third dimension encompasses individualism vs. collectivism. Countries ranking high in individualism have a culture where people strive to take care of themselves, whereas collectivist cultures focus more on the society as a group (Hofstede, 1980). Tipping was found to be unrelated to individualism (Lynn & Lynn, 2004; Lynn et al., 1993), although it would seem

logical that countries with high individualism (where people only work for selfish reasons without regard to the organization) would also have a high number of tipped positions.

The final dimension is masculinity vs. femininity. People in countries ranking high in masculinity are assertive and more concerned with financial and material gains, as opposed to those in feminine countries, which care about improving the quality of life (Hofstede, 1980). Higher masculinity was positively related to both the size of tips (Lynn & Lynn, 2004) and the number of tipped positions (Lynn et al., 1993). Tipping is a way to display status (Shamir, 1984) and a form of conspicuous consumption (Lynn, 1997), which is why it may be more accepted in masculine countries.

Lynn and Lynn (2004) concluded that international differences in behavior are related to differences in Hofstede's national values. However, they did notice that Japan was a significant outlier of all four of Hofstede's dimensions. The researchers attributed this to the fact that the Japanese place emphasis on repaying obligations to others; tips are intertwined with indebtedness between customer and server and thus avoided altogether (Lynn & Lynn, 2004). When Cho (2005) related Hofstede's values to the tipping behavior of Japanese consumers, three out of four of his Cho's hypotheses were rejected. Thus, in Cho's study, the cultural differences proposed by Hofstede with regard to tipping behavior were not supported. Japanese culture is rapidly changing, though, and Japanese business customers increasingly exposed to western norms are beginning to adopt them (Cho, 2005).

Grid-group Theory

Also known as cultural bias theory, grid-group theory was developed by anthropologist Mary Douglas in the 1980s to help explain individual behavior within a society (Fisher, 2009). The basic tenets of this theory are that any social unit can be considered to have two types of

societal control: 1) bounds placed from within the group itself (the group) and 2) external constraining forces (the grid) (Caulkins, 1999). The group dimension refers to social assimilation while the grid dimension is a measure of individualism (Fisher, 2009). Assigning a cultural group to either high or low grid and high or low group will place them into one of four quadrants, each with its own separate cultural bias (Caulkins, 1999).

- High grid/low group (fatalists) are people who feel socially isolated yet controlled by external forces. This group believes that they have little to no control over their own lives and that working hard will not lead to success (Fisher, 2009).
- High grid/high group (hierarchists) adhere to strong rules, as can be seen in caste systems. Certain goods and services are obtainable by only certain groups within the hierarchy (Fisher, 2009).
- Low grid/high group (egalitarians) have high cohesion and few formal divisions. To single out someone as an individual can be harmful to the group and should be avoided (Fisher, 2009).
- Low grid/low group (individualist) people place an importance on the individual, and believe that success can be achieved from hard work. People in this group enjoy more autonomy from fewer rules (the grid) and less restriction from others (the group) (Fisher, 2009).

The figure below reveals the four quadrants formed when applying Grid-group theory to behavior.

HIGH GRID	
<p>B. Fatalism Apathy, risk-averse</p> <p>Nature capricious</p> <p>Blame fate</p>	<p>C. Hierarchy Bureaucracy, decisions from above</p> <p>Nature perverse/tolerant</p> <p>Blame deviants</p>
<p>A. Individualism Free exchange, competition Risk is opportunity</p> <p>Nature benign</p> <p>Blame incompetence</p>	<p>D. Egalitarianism/enclave Sharing, concern with moral purity and boundaries against outsiders</p> <p>Nature is ephemeral</p> <p>Blame the system</p>
LOW GRID	HIGH GROUP
LOW GROUP	

Figure 1. Grid-group Analysis. Explains four alternative ways in which culture affects behavior. Adapted from “Is Mary Douglas's Grid/Group Analysis Useful for Cross-Cultural Research?” by Caulkins, D.D., 1999, *Cross-Cultural Research*, 33(1), p.111.

Fisher (2009) applied grid-group theory to explain cultural differences in tipping behavior partly because of dissatisfaction with the previous literature. Conflicting findings regarding tip size and service quality (Lynn & McCall, 2000) and the fact that ethnic groups within the same national culture have different tipping habits (Lynn, 2004; Lynn, 2013) need to be explained. Grid-group theory allows researchers to differentiate between people in the same society (Fisher, 2009). Fisher also found fault with the often cited Lynn and Lynn (2004) study, claiming, “they make a number of unsupported statements . . . and it contradicts other work done” (p.41).

Grid-group theory can explain how a worker or a guest responds to the culture of tipping. For example, a hierarchist server may expect to receive tips from his/her social superiors, while egalitarian servers would likely share their tips with their coworkers (Fisher, 2009). Fatalist guests will likely tip according to what social norms dictate, while individualist guests are the most likely to tip based on actual service quality (Fisher). The United States can be considered to be a low grid/low group (individualistic) culture, and Americans have consistently been shown to be the most generous tippers (Lynn & Lynn, 2004; PR Newswire, 2014). Conversely, both servers and customers reject tipping in Australia, Japan, and New Zealand (Casey, 2001), demonstrating characteristics of a high group/low grid culture in these countries.

Grid-group theory is useful for analyzing particular behaviors, but may not be the best way to analyze an entire national culture. Fisher (2009) notes that if a behavior other than tipping had been used for his analysis, the results could have been completely different. Still, using grid-group analysis is useful when evaluating the ways in which servers and guests of different cultures react to the same situation (Fisher, 2009). This type of analysis could be beneficial when applied to other areas of hospitality research that have obtained conflicting results.

While not all cultures value tipping in the same ways, understanding their differences is key to achieving successful intercultural service encounters. International travel is increasing, and helping tourists understand tipping customs will be beneficial in many ways. Applying Hofstede's national values and Douglas' grid-group theory to tipping behavior are just two ways that researchers have attempted to understand culture's effects on tipping behavior. However, it is important to note that these theories only provide vast generalizations, and tipping behavior is continuously changing. Servers are not always able to accurately assess a customer's national culture, much less know how that culture rates on power distance. The point is that while such theories may be helpful in a broad analysis of culture and tipping, the applications to the average business owner are negligible. Psychological explanations for tipping behavior may be more generalizable, and will now be discussed.

Psychological Explanations for Tipping

Eysenck Personality Questionnaire

Researchers have attempted to explain national differences in tipping behavior by examining national differences in personality traits (Lynn, 2000; Lynn, 2008; Lynn & Starbuck, 2014). One tool commonly used to measure personality traits is the Eysenck Personality Questionnaire, or EPQ (Eysenck & Eysenck, 1975). Developed by German psychologists Hans and Sybil Eysenck in the 1970s, the EPQ is still used today to measure the aspects of our personalities that are biologically based, otherwise known as temperament. The EPQ measures temperament on a continuum of three different dimensions: Extraversion/Introversion, Neuroticism/Stability, and Psychoticism/Socialization.

- Extraversion relates to the degree to which a person is outgoing, talkative, and social. Introverted people tend to be nervous and anxious, and they need calm surroundings in order to function at an optimum level.
- Neuroticism measures the degree to which a person is easily excited or upset. Neurotic people tend to place a high value on what others think of them, and often feel guilty and anxious. On the opposite end of the spectrum, stable people are calm under pressure and exhibit good emotional control.
- Psychoticism reflects the degree to which a person is aggressive, rebellious, and masculine. The less psychotic a person is, the more socialized he or she will become, and will more likely display empathy and a caring for others while respecting societal rules.

These three personality traits, and how they relate to theories on the cultural influence of tipping behavior, will now be discussed in greater detail.

In the first study to compare the effects of national personality on tipping, Lynn (2000) examined the national prevalence of tipping (measured by the number of tipped positions in that country) and national EPQ scores. He found that national scores of extraversion, neuroticism, and psychoticism as measured by the EPQ did in fact correlate with the prevalence of tipping. As national scores of extraversion and neuroticism rose, so did the number of tipped positions. Conversely, prevalence of tipping declined with national psychoticism scores. After analyzing data from this preliminary study, Lynn formed multiple hypotheses to explain these results, with the intention of testing them in future studies. For example, Lynn believed that the relationship between extraversion and tipping could be explained because tipping provides a type of social interaction typically valued by extraverts.

The Effect of Extraversion, Neuroticism, and Psychoticism on Tipping Rates

Two studies replicated and extended previous research (Lynn, 2000) on the effects of national personality on tipping behavior (Lynn, 2008). Lynn (2008) tested assumptions that national personality should influence not only the prevalence of tipping but also tipping rates, assuming that the more a country values the benefits associated with tipping, the more money its citizens will be willing to give as tips. Increasing the sample size to 27 countries in this particular study, Lynn (2008) compared EPQ scores of extraversion, neuroticism and psychoticism obtained from Steele and Ones (2002) to the suggested tipping rates for each of those 27 countries. Just as the number of tipped professions in each country increases with national EPQ scores for extraversion, so do tipping rates (Lynn, 2008). Furthermore, tipping rates decline with levels of national psychoticism, as does tipping prevalence (Lynn, 2008). This study found no relationship between a country's average tip percentage and neuroticism, suggesting a need for future research (Lynn, 2008).

Based on previous research, Lynn (2000) explained that the observed relationship between national personality and tipping habits is a function of that society's attitudes toward the benefits and consequences of tipping, which are also determined by personality. He then formulated specific hypotheses to determine the ways in which personality affects attitudes toward tipping behaviors. Specifically, countries with high scores in extraversion were believed to be fond of tipping because it enhanced the social nature of the server/guest exchange (Lynn, 2008), and it also gave the extraverted guests a chance to display social status and wealth (Lynn, 2008; Shamir, 1984). People in countries with high scores of neuroticism were thought to value tipping because it lessened the uncertainty of the service encounter by incentivizing servers to provide good service (Lynn, 2008). Finally, countries with low national scores of psychoticism

should appreciate tipping because it allows customers to demonstrate empathy toward servers while helping them financially (Lynn, 2008). These ideas were tested by using an online survey in which respondents completed questions from the EPQ, along with questions about service and tipping behaviors. The data obtained supported only the hypothesis about extraverts and positive attitudes toward tipping, suggesting a further need for research to explain how neuroticism and psychoticism relate to tipping behavior (Lynn, 2008).

A Proto-Theory of National Differences in Tipping

Most recently, psychologists have attempted to explain national differences in tipping behavior by testing hypotheses derived from a proto-theory of national differences: First, some people tip because it makes them feel good and enables them to buy good service. Then, the behavior of this group of people influences others who then feel pressure to tip until tipping is accepted as a social norm. Eventually, a sense of duty to tip has developed (Lynn & Starbuck, 2014). This proto-theory can be used to explain the evolution of tipping and how it has spread to numerous service industries over time (Lynn & Starbuck, 2014).

This proto-theory can potentially be used to explain some of the shortcomings of social norm theory. Social norm theory explains that people who tip out of a sense of duty may only do so in order to avoid negative feelings like guilt and to avoid social disapproval (Lynn & Starbuck, 2014). In this case, people will only tip the minimum amount required, and eventually we would see tip percentages decrease over time (Azar, 2003). But tip percentages have in fact increased over time (Azar, 2004b). This may be attributed to those groups of people who tip simply because they like to; they realize that the good feelings they get from tipping can increase when they tip even more. Obligation to tip, when tied with positive emotions, can lead to an increase in customary tip percentages over time (Lynn & Starbuck, 2014).

A Multi-Theoretical Approach to Understanding National Culture and Differences in Tipping Behavior

A basic understanding of the various sociological and psychological theories that attempt to explain tipping behavior brings to light some of the similarities between them. For example, Hofstede's dimension of uncertainty avoidance is characterized by a need to gain security in order to ease tension and anxiety, while the neuroticism scale of the EPQ measures nervousness and anxiety. It would be logical to assume that countries with high measurements of uncertainty avoidance would also have high scores of neuroticism. Research has shown a positive correlation between countries with high uncertainty avoidance scores and high neuroticism scores and an increased prevalence of tipping (Lynn, 2000; Lynn 2008; Lynn et al., 1993). Greece and Argentina are examples of two countries with high uncertainty avoidance (Hofstede, 1980) and neuroticism scores (Lynn & Martin, 1994), where tipping is prevalent and expected (French & Butler, 2011). Greeks and Argentinians may be more comfortable with tipping because it helps them calm their anxieties by ensuring proper service.

Hofstede's dimension of collectivism measures the extent to which members of a nation value cohesiveness, and relates to the individualist quadrant of Douglas' grid-group theory. Individualists value autonomy and fewer rules in both Hofstede's and Douglas' theories. Countries ranking high on these values include the United States and Canada, two nations that highly value discretionary tipping systems (French & Butler, 2011). On the contrary, collectivist societies like Hong Kong and Singapore prefer mandatory service charges (French & Butler, 2011). Collectivist societies may value mandatory service charges because they do not emphasize the efforts of a single server but reward the entire staff equally.

Although Hofstede's masculinity dimension and the psychoticism scale of the EPQ are positively correlated, their influences on national tipping behavior differ (Lynn, 2000). Hofstede's masculinity refers to aggressiveness, an importance placed on the acquisition of money, and a lack of empathy (Hofstede, 1980). Psychoticism reflects anti-social tendencies that are closely related to masculinity. Interestingly, the factors of psychoticism that affect tipping are the general disdain for helping others, which influences psychotics to not tip (Lynn, 2000). Tipping is actually more prevalent within more masculine cultures, suggesting that other masculine qualities, such as materialism and status display, are actually what influence the positive relationship between masculinity and the prevalence of tipping (Lynn, 2000). Two of the most masculine countries as identified by Hofstede (1980), Mexico and Venezuela, do have tipping norms in place for a number of professions, as well as a tipping norm of at least 10% of the total bill (French & Butler, 2011).

Limitations of the Current Research and Suggestions for Future Studies

Tipping is an important economic phenomenon with implications for management, hospitality, behavioral and social economics, and psychology. More tipping research will be needed as the custom continues to spread throughout the globe. Nearly all of the empirical research done so far has examined tipping in restaurants. However, tips are often given in bars, nightclubs, salons, spas, hotels and other venues. The combined tips in all of these various settings account for a huge portion of the overall tip economy. In order to fully understand tipping behavior and its implications for business, attention should be given to these other areas.

The relationship between service quality and tipping remains puzzling. When asked why they tip, customers most often say that they do so to reward good service (Lynn & McCall, 2000). However, studies prove that while there is a link between service quality and tipping, it is

very weak (Cho, 2005; Lynn & McCall, 2000). If tips alone cannot motivate good service, then what does? Do servers provide better service in countries where discretionary tipping is the norm? Research addressing these areas could further our understanding of the effects of service on tips.

Summary

Tipping is deeply ingrained in American culture, yet virtually non-existent in some others. Many scholars have attempted to explain this disparity by applying various theories to the issue of national culture and its influence on tipping behavior. By applying Hofstede's (1980) value dimensions to tipping behavior, researchers have made a link between tipping customs and national values. Psychological studies (Lynn, 2000; Lynn, 2008; Lynn & Starbuck, 2014) have suggested a connection between national personality and tipping behavior. Social norm theorists (Azar, 2004b; Lynn, 2009) believe that tipping exists because tip givers get positive psychological feelings by tipping, and then put pressure on others to join them in the tipping custom. This literature review demonstrates that sometimes it is better to evaluate and blend multiple theoretical viewpoints when attempting to explain social phenomenon.

Now that an understanding of the effects of national culture on tipping customs has been explored, an application of this information to the hospitality industry can take place. The next section begins with a discussion of the major implications of tipping on business strategy. Inadequate tips not only hurt the servers who receive them, but also result in serious costs to business as well. After reviewing these consequences, the reader will have a better grasp of the importance of mitigating the negative effects associated with poor tips. Alternatives to traditional discretionary tip systems will be examined, and recommendations to managers will be made.

PART THREE

Introduction

Service encounters between a customer of one national culture and a service provider of another can result in conflict because of differing cultural norms. International travel is increasing, and hospitality firms must be equipped to successfully handle intercultural service encounters if they want to be successful. This paper has explored cultural differences in tipping behavior in an effort to enhance the current knowledge. Now that the existing literature has been organized, an analysis of the information with regards to business applications can be made.

This final chapter will use the insights gained from the literature review to make suggestions and recommendations to businesses that serve an international clientele. First, tipping and its implications for business will be discussed, highlighting why assuring good tips is important for a successful service organization. The negative consequences of inadequate tips by international customers will further enhance this discussion. A general overview of the different types of tipping systems will be introduced, including mandatory service charges and service-inclusive pricing. Finally, recommendations for which of these systems should be used will be made based on social norm theory and psychological research on tipping behavior.

Tipping and Its Implications for Business

Businesses operating in industries in which tipping exists can benefit from a better understanding of tipping behavior, whether their customers are foreign or domestic. At first glance, it may seem that tipping significantly affects only the service giver that actually receives tips. However, tipping has implications for customers, managers, and business owners. A business that chooses to allow its employees to accept tips has many strategic decisions to consider. If an employer is able to reduce labor costs by allowing customers to supplement

employee income through tipping, then the employer must ensure that those tips are adequate. Tipping raises several strategic questions for a business, which include the following: Is a mandatory service charge better than a discretionary tipping system? Do customers prefer service charges to discretionary tip systems? What does the literature suggest about ways to increase tips? Before these questions can be answered, it is important to have an understanding of the issues related to tipping and business strategy.

A thorough comprehension of the various motivators that influence tipping is essential to understanding tipping behavior. The literature suggests that the strongest motivators for tipping are ones that provide the giver with some type of psychological utility (Azar, 2010; Lynn, 2009), for example, the good feeling ones gets from expressing gratitude (Azar, 2005). Customers' reasons for participating in the tipping custom will also affect their tipping behavior, which in turn affects the behavior of their server. Customer preferences should also have an impact on business decisions. A business owner would be wise to research whether their customers prefer discretionary tipping policies to fixed service charges before changing policies, for example.

Consequences of Poor Tipping by International Customers

Businesses that cater to a large proportion of international travelers have unique considerations in regards to tipping. Present research offers evidence that servers' perceptions of tipping across cultures motivate them to give inferior service to those groups they deem as poor tippers (Brewster, 2013; Kworknik, Lynn, & Ross, 2009). Furthermore, international tourists who tip generously may receive superior service when compared to local customers who practice different tipping norms.

Discrimination is not the only negative consequence associated with inadequate tips. Employee turnover is a huge problem in the service industries, and finding and keeping good

employees can be difficult (Fernandez, 2004). Experienced, professional servers are often in demand and will not likely stay in a job that offers poor tips. High employee turnover results in added costs in the form of recruiting new workers and training them (Fernandez, 2004).

Businesses that have a reputation for attracting poor tippers will find it difficult to attract and keep quality servers, resulting in poor guest service, and ultimately loss of business.

Alternatives to Discretionary Tipping Policies

Mandatory Service Charges

Many restaurants within the United States add a fixed service charge to the bill only when there is a large (usually six or more) dining party (Azar, 2011). Ironically, European countries in which tipping originated have changed from voluntary tipping regimes to mandatory service charges, in which a fixed percentage of the bill is automatically added (Azar, 2011). Are our cultures so different that the best practices in our respective food and beverage industries are also different? Or could American firms benefit from instituting mandatory service charges? With respect to American businesses that cater to a large number of international customers, what is the best choice?

Empirical research shows that most customers in the United States do prefer tipping to service charges (Azar, 2010). Tipping serves as an efficient type of buyer monitoring, meaning that it gives the customer the responsibility of monitoring and rewarding service workers (Kwortnik et al., 2009). Americans who enjoy tipping also enjoy the opportunity to show gratitude towards those who have served them (Lynn, 2009; Azar, 2005), and gladly take on the responsibility of buyer monitoring. Research suggests that people tip because of the positive outcomes that result from tipping, and if tipping is replaced by service charges, these outcomes

are eliminated (Azar, 2010). Mandatory service charges eradicate the customers' ability to reward service, which may explain why they are not common in the United States.

Some American firms have sought to use mandatory service charges in an effort to combat the negative effects associated with poor tips from international customers. Miami Beach, Florida, has a large number of international tourists, and about 40% of the restaurants there have replaced voluntary tipping with fixed service charges. Unfortunately, a study comparing Miami restaurants' tip policies and Zagat service rating found that fixed service charges decreased the level of perceived service (Kwortnik et al., 2009). Several cruise lines have also moved from tipping to fixed service charges since 2000 (Kwortnik et al., 2009). However, a study revealed that service quality was rated significantly higher on those cruise lines that chose to allow its staff to accept tips (Kwortnik et al., 2009). These examples suggest that the tipping/service puzzle proposed by Azar (2009) may be partly explained because tipping enhances the *perceived* relationship between tipping and service delivery (Kwortnik et al., 2009).

Service-Inclusive Pricing

Service-inclusive pricing is different from tipping and fixed service charges in that it does not separate the cost of service from the customer's total bill. Businesses that wish to eliminate tipping have two choices: 1) raise the servers' wage to offset the lack of tips or 2) raise prices to the consumer to offset the costs of paying higher wages, as is done in service-inclusive pricing. While not often seen within the United States, service-inclusive pricing is the norm in many countries. A study of restaurant workers in New Zealand found that servers there prefer to make a "decent wage" rather than accept tips (Casey, 2001). In Australia, *not* tipping is seen as a way to identify oneself as Australian (Burgess, 2012). The collective power of wage laborers in

Australia has resulted in a high minimum wage, and customers there would rather pay higher prices that sustain higher wages than tip voluntarily (Burgess, 2012).

Comparing Voluntary Tipping, Mandatory Service Charges, and Service-Inclusive Pricing

Using a multi-methods approach across studies and contexts, Kwortnik et al. (2009) found that tipping as a form of buyer monitoring positively affects workers' motivation to improve service-enhancing behaviors, such as providing fast and friendly service. The researchers gave a questionnaire to current and former servers to assess their service behavior under hypothetical tip scenarios (traditional tipping, service charges, and service-inclusive). They found that customer-oriented service motivation was much higher under the voluntary tip condition than the service charge condition. Sales-oriented behaviors, such as recommending wine and dessert, were high under both the voluntary tipping and service charge conditions, as server tip is contingent upon bill size. The service-inclusive condition did not have a strong positive effect on customer or sales-oriented behaviors. The results of this study indicate that compensation policies directly affect service behavior and server motivation (Kwortnik et al., 2009).

Different tipping systems have benefits and drawbacks, as evidenced in the table on the following page:

	Tipping	Service Charge	Service-Inclusive Pricing
Benefit			
Matches consumer preferences	+	-	+
Higher profits	+	-	-
Motivates up-selling	+	+	-
Motivates good service	+	-	-
Motivates equal service for all customers	-	+	+
Attracts talented workers (high income potential)	+	-	-
Attracts more professional workers (income certainty)	-	+	+
Lower FICA tax payments	+	-	-
Lowers risk of adverse impact lawsuits	-	+	+

Table 1. “Summary of the benefits offered by tipping, service charges and/or service-inclusive pricing” by M. Lynn and G. Withiam, 2008, *Journal of Services Marketing*, 22(4), p. 333.

How Managers Can Increase Their Employees' Tips

Understanding tipping behavior can help mitigate some of the negative effects of poor tipping. While tipping is primarily dictated by custom, managers have a duty to actively encourage tipping if they want to keep their service workers happy. The literature review provided several theories that explain the differences among cultures and tipping behaviors. Their applications for enhancing tipping behavior in intercultural service encounters will now be discussed.

Social Norms and Tipping

Poor tipping is most often a result of lack of familiarity with tipping norms (Lynn, 2004; Lynn & Starbuck, 2014). While very little empirical research has focused on variations of tipping behavior among national cultures, there has been considerable work done that focuses on tipping behavior within different cultures within the United States (Brewster, 2013; Lynn 2004; Lynn & Thomas-Haysbert, 2003). Specifically, researchers have studied the differences between white and black tippers (Lynn, 2004; Brewster, 2013) and white, Asian, and Hispanic tippers (Lynn, 2013). In all cases, the differences between the groups are attributed to social norms. In a survey comparing black and white restaurant customers, the black respondents were aware of the 15 to 20% tipping norm less often than white respondents (Lynn, 2004).

The focus of this paper is national culture and its influence on tipping behavior, but the existing research on ethnic differences and tipping within the United States has implications that can be used in a broader context. Researchers recognize that correcting imbalances between ethnic groups' tipping behavior is important if tipping is to remain the primary motivation for servers to deliver good service (Lynn, 2013). After an understanding of tipping behavior is

established, suggestions for eliminating the problems associated with inadequate tips can be made.

Tipping researchers often suggest that education of tipping norms will be the most effective way to enhance understanding of what is expected during tipping scenarios (Brewster, 2013; Fernandez, 2004; Lynn, 2004). They suggest a restaurant industry-led multimedia campaign that educates people about tipping, which would sensitize customers to servers' low wages and inform them of the 15 to 20% tipping norm (Brewster, 2013; Lynn, 2004). While such campaigns would mostly target American nationals, similar educational tactics could reach our foreign visitors. Restaurant managers can seek various ways to educate their international customers about tipping norms, such as using table tents with suggested tip guidelines, for example (Lynn, 2011). Many restaurants are now adding suggested tip percentages directly on the credit card slip (Lynn, 2004).

While it is necessary to post guidelines in an effort to help international customers tip correctly, it is important to understand that social norms are not easily adopted (Lynn & Starbuck, 2014). Social norms are passed down through generations, and are sociologically ingrained codes of behavior that do not just magically change when people visit other countries. Australians, for example, see not tipping as a source of national identity, and will probably not appreciate being told to tip when in America (Burgess, 2012). Social norm theory suggests that mandatory service charges will be the best way to overcome international differences in tipping behavior, as they will standardize gratuities as a fixed percentage of the bill. Service charges are most effective when they are coupled with prohibiting tipping completely, as customers from cultures where tipping is prevalent may still feel inclined to leave an extra tip on top of the service charge (Dewald, 2003).

Psychological Theories and Tipping

Even though tipping is primarily dictated by custom, managers can and should actively encourage tipping, as tips affect the overall performance of employees and profitability of a business (Lynn & Withiam, 2008). Psychologists have done many experiments over the years in which they manipulate a variable, such as having a waitress wear red lipstick, and measure that variable's effect on tip size (Guéguen & Jacob, 2012). Lynn and McCall (2009) compiled data from several of these types of experiments and created a list of 14 effective things that servers can do to increase their tips. This list includes behaviors like smiling, squatting next to the table, and drawing on the bill. Surveys indicate that those servers who engage in these types of service-enhancing behaviors do make more income in the form of tips (Lynn & McCall, 2009). Managers should learn and teach these tip-increasing behaviors to their employees, which could be effective when soliciting tips from foreign customers.

According to the proto-theory of tipping, a general liking for tipping, a sense of duty or obligation to tip, and social pressure are the key drivers of tipping norms, so efforts to increase tipping should focus on enhancing these reasons for tipping (Lynn & Starbuck, 2014). While it may be difficult to change international customers' attitudes towards tipping, there are ways to increase feelings of obligation and social pressure to tip. Putting funny pro-tipping slogans on signs in full view of customers (Lynn & Starbuck, 2014) or allowing tip jars at cash registers (Lynn & Withiam, 2008) can serve as reminders to international customers that tipping is expected. Including gratuity guidelines on the check is persuasive, and has been shown to increase tip percentages significantly (Seiter, Brownlee, & Sanders, 2011).

Conclusions and Recommendations for Future Research

The findings presented in this paper do not lend support to the idea that there is one single best way to encourage tipping among international tourists. Even the idea that it *is* important to encourage tipping is only relevant in certain cultures. For businesses struggling with retaining good servers as a result of poor tips, an educational campaign and printed gratuity guidelines may be the most effective suggestions. Another issue, beyond the scope of this paper, is exploring the federal “tip credit” used by a number of states that allows businesses to pay tipped employees below the minimum wage. Decreasing servers’ reliance on tips as a sole source of income could mitigate the harmful effects of poor tips.

The author’s experiences as a server in Las Vegas have spurred her interest in tipping behavior, especially that of international tourists. Servers and bartenders are paid well above the minimum wage, and Nevada does not allow employers to use any type of “tip credit” against employee wages. Therefore, when a foreign guest does not tip well (or even at all), a server in Las Vegas knows that she is still being paid fairly well in wages alone. Nevertheless, there is a need for more education on both sides, so that servers can understand the tipping norms of other cultures, and international customers can understand that it is important to know the tipping customs of the country they are visiting. Understanding the differences between cultures will be increasingly important as more people travel outside of their own countries for business and pleasure.

The lack of a firm conclusion on this subject signifies a need for further research. Most of the work comparing tipping differences between groups has focused on ethnic groups within the United States, some of which has been mentioned in this paper. Much of the research gathered for this paper has a distinctly Western point of view, and this paper should serve as a

call for more international researchers to join the tipping conversation. How important is the role of culture on tipping when compared to other factors, such as bill size? Would tip guidelines result in higher tips from Asian vs. Middle Eastern tourists? Questions like these can be answered with future empirical studies.

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