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Abstract

Asians and Hispanics are perceived by many restaurant servers as poor tippers. This study tests the validity of those perceptions using data from a large restaurant chain's online customer satisfaction survey. Findings partially support servers' perceptions – Hispanics but not Asians tipped less on average than Whites after controlling for bill size, the customer's own ratings of service quality and other variables. Discussion centers around the differences between these findings and those of a previous study and on the practical implications of the findings for restaurant managers.

Keywords

tipping, ethnicity, Asian, Hispanic

Disciplines

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Comments

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A Comparison of Asians', Hispanics' and Whites' Restaurant Tipping

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ABSTRACT

Asians and Hispanics are perceived by many restaurant servers as poor tippers. This study tests the validity of those perceptions using data from a large restaurant chain's online customer satisfaction survey. Findings partially support servers' perceptions – Hispanics but not Asians tipped less on average than Whites after controlling for bill size, the customer's own ratings of service quality and other variables. Discussion centers around the differences between these findings and those of a previous study and on the practical implications of the findings for restaurant managers.

KEY WORDS: tipping, ethnicity, Asian, Hispanic

A Comparison of Asians', Hispanics' and Whites' Restaurant Tipping

A recent internet survey of over a thousand restaurant servers from across the United States found that Asians and Hispanics are widely perceived as poor tippers (McCall and Lynn, 2009). This perception that Asians and Hispanics tip poorly poses potential problems for managers in the restaurant industry, because both qualitative and quantitative research suggest that servers vary their service efforts to different parties with the tip amounts those parties are expected to leave (Barkan and Israeli, 2004; Dirks and Rice, 2004; Rusche and Brewster, 2008). Thus, servers who perceive Asians and Hispanics as poor tippers may deliver inferior service to the members of these groups seated in their sections. The rapid growth in the proportion of Asians and Hispanics in the U.S. population (Mather and Pollard, 2009) compounds these potential problems and increases the urgency of the need to solve them.

How managers should address these problems depends on whether or not Asians and Hispanics really do tip less than Whites and on whether or not the tips of Asians and Hispanics vary with service quality similarly to the tips of Whites. If these minority groups tip comparably to Whites, and the return to service quality is similar for these groups and Whites, then managers should be able to correct any server misperceptions thru education and/or hiring less prejudiced servers. On the other hand, if these minority groups really do tip less than Whites, then telling servers that tips are unaffected by customer ethnicity and/or hiring non-racist servers will not be helpful, because servers' own experiences will teach them to expect lower tips from Asians and Hispanics. In that case, managers could try to focus servers' attention on the effects of service quality

among Asians and Hispanics. As long as the tips of Asians, Hispanics and Whites respond comparably to service quality, then rational servers should give each group good service in order to maximize tip income even if there are group differences in mean tips. Of course, Asians, Hispanics and Whites may not vary tips with service quality to the same degree and, even if they did, people are not always rational, so focusing servers' attention on "return to service quality" may not be sufficient to ensure good service to ethnic minorities that leave small average tips. Should that prove true, managers will need to either reduce the ethnic group differences in tipping or use something other than tips to motivate their wait staff.

Although there is a sizable literature on Black-White differences in tipping (see Lynn, 2006a, and Brewster and Mallinson, 2009, for reviews), much less research has compared the tipping behavior of Asians and/or Hispanics with that of Whites. In the only published report of these comparisons, Lynn and Thomas-Haysbert (2003) found that overall tip levels for Asians and Hispanics were comparable to those for Whites. There was no Hispanic-White difference in average tip size and the small Asian-White difference disappeared after controlling for service quality or any of several other variables. However, ethnic differences in the predictors of tip size were observed -- the tips of both Asians and Hispanics varied with bill size less and varied with service more than did the tips of Whites. Since the U.S. restaurant tipping norm calls for tipping a percentage of the bill, the first of these findings suggests that Asians and Hispanics comply with that norm less than do Whites. However, the second of these findings suggests that improving service to Asians and Hispanics pays off more than improving service to Whites.

Lynn and Thomas-Haysbert's (2003) results suggest that servers' perceptions of Asians and Hispanics as poor tippers are mistaken and, therefore, that correcting servers' misperceptions and/or hiring less prejudiced servers should be sufficient to ensure that these minority groups receive good service. Furthermore, they suggest that managers can truthfully tell servers that delivering good service to Asians and Hispanics pays off even better than delivering good service to Whites. However, no one study by itself provides a sufficient evidentiary basis for reliable conclusions about ethnic differences in tipping. Thus, more research is needed to assess the replicability and generalizability of Lynn and Thomas-Haysbert's results. The study reported below addresses this need. It differs from the earlier study in two important respects – i.e., consistency of restaurant environment and geographic diversity. Whereas Lynn and Thomas-Haysbert collected data from the servers or customers of 28 different independent and chain restaurants in or near Houston, Texas, the current study surveys the customers of one restaurant chain from across the nation. Thus, compared to the earlier study, the current study reduces potential confounds posed by ethnic differences in restaurant preferences and increases the generalizability of results across geographic regions.

Method

Mindshare Technologies is a custom software company specializing in delivering real-time business intelligence, data analytics and automated knowledge transfer. With the permission of its restaurant client, this company provided data from the online customer satisfaction surveys it conducted for a large, multi-state, bi-coastal restaurant chain that serves burgers, chicken, ribs, seafood and steak entrees priced from around 9 dollars to 25 dollars each. Invitations to participate in the survey are printed on all guests'

checks along with a promise of 5 dollars off participants' next purchase of 25 dollars or more. Mindshare collected the data over several weeks during the first part of 2010. The company then eliminated those observations from international participants, those who reported bill sizes less than 5 dollars (because all the restaurants' food items cost more than this amount), and those who did not personally pay the bill and tip and made the scrubbed data available for use in this study. The data contained no missing values because the survey software required subjects to answer a question before proceeding to the next one and only recorded completed surveys. However, the question about subject race contained a "prefer not to answer" option and 64 subjects selecting that option were dropped from the analysis leaving a final sample of 1, 274 observations.

Among the questions that participants were asked are the following:

- (1) "Please let us know which day we served you." (response was recoded as 1 = weekend (Friday, Saturday, Sunday) or 0 = weekday),
- (2) "During which meal period did you dine with us?" (response was coded as 1 = dinner and 0 = lunch),
- (3) "Rate the quality of your meal." (rated on a scale from 1 = poor to 5 = excellent),
- (4) "Rate the overall service provided by our team members." (rated on a scale from 1 = poor to 5 = excellent),
- (5) "Rate the music, lighting and temperature of the restaurant." (rated on a scale from 1 = poor to 5 = excellent),
- (6) "How much was the bill? (in dollars and cents),"
- (7) "How much did you tip? (in dollars and cents),"

(8) “What is your ethnicity? Asian, Black, Hispanic, White, Other, Prefer not to answer” (There were very few black respondents, so they were collapsed into the “Other” category and then the answers were dummy coded into three variables - Asian ethnicity, Hispanic ethnicity, Other Non-White ethnicity – so each dummy variable was contrasted with Whites in the regression analyses).

Results

The distribution of tip size in this study was comparable to that in other studies with one notable exception – the current study had an unusually high number of observations ($n = 90$) where the tip was less than 1 percent of the bill. This anomaly seems likely to have been caused by those subjects’ failure to use a decimal point in recording their tip sizes, so that dollar amounts were recorded as cents. In addition, there was a large discontinuity after tips of 80 percent with one value each of 96.8 percent, 100.00 percent and 212.1 percent. In order to keep these outliers from biasing the results, all observations with percent tip less than 1 percent or over 80 percent were dropped from the data set (called “trimmed data”). However, to make sure that the results were not an artifact of the data cleaning process, additional analyses were done on the original, unadjusted data with outliers included (called “uncleaned data”). The analyses of both data sets involved least squares regression with heteroskedasticity robust standard errors. The results of those analyses, which are fully reported in Tables 2 and 3, were remarkably similar, so only the analyses of the “trimmed” data is presented in the text.

Main Effects of Ethnicity

The validity of servers' perceptions that Asians and Hispanics are poor tipplers was tested in regressions of both dollar tip and percent tip on Asian and Hispanic ethnicity after controlling for bill size, weekend, meal period, meal quality, service quality, atmosphere quality, and other non-White ethnicity (see Tables 2 and 3). In these analyses, Hispanics did tip less than Whites (dollar tip: $B = -.82$, $t(1176) = -4.33$, two-tailed $p < .001$; percent tip: $B = -2.91$, $t(1176) = -6.12$, two-tailed $p < .001$), but Asians did not (dollar tip: $B = 1.07$, $t(1176) = 1.43$, n.s.; percent tip: $B = 1.40$, $t(1176) = 1.09$, n.s.). Thus, servers' perceptions of ethnic group tipping are only partially correct.

Interactions of Ethnicity with Bill Size

Lynn and Thomas-Haysbert (2003) found that both Asians and Hispanics varied their tips with bill size less than did Whites, suggesting that the former ethnic groups are less compliant with the U.S. norm of tipping a percentage of the bill in restaurants. In an attempt to replicate this finding, dollar tip was regressed on the product of Asian ethnicity with bill size and the product of Hispanic ethnicity with bill size after controlling for bill size, weekend, meal period, meal quality, service quality, atmosphere quality, other non-White ethnicity and the product of other non-White ethnicity with bill size (see Table 2). Neither of the interactions were significant (Asian x Bill: $B = .03$, $t(1173) = 0.88$, n.s.; Hispanic x Bill: $B = -.001$, $t(1173) = -0.09$, n.s.). In this data set at least, Asians and Hispanics varied their tips with bill size as much as did Whites.

Interactions of Ethnicity with Service Quality

Lynn and Thomas-Haysbert (2003) also found that both Asian and Hispanics varied their tips with service quality more than Whites, suggesting that servers will

receive greater financial compensation for improving service to the former groups than to the latter. In an attempt to replicate this finding, percent tip was regressed on the product of Asian ethnicity with service quality and the product of Hispanic ethnicity with service quality after controlling for bill size, weekend, meal period, meal quality, service quality, atmosphere quality, other non-White ethnicity and the product of other non-White ethnicity with service quality (see Table 3). Neither of the interactions were significant (Asian x Service: $B = 1.54$, $t(1173) = 1.09$, n.s.; Hispanic x Service: $B = -.03$, $t(1173) = -0.04$, n.s.). In this study, Asians and Hispanics varied their tips with service quality no more than did Whites.

Other Effects

Among our control variables, only bill size, service quality and atmosphere quality significantly predicted tip size (see Tables 2 and 3). As expected given the percentage tipping norm in U.S. restaurants, dollar tips increased with bill size ($B = .16$, $t(1176) = 19.03$, two-tailed $p < .001$). However, consistent with previous research (Green, et. al., 2003), percent tips decreased with bill size ($B = -.05$, $t(1176) = -5.23$, two-tailed $p < .001$). Also, as expected given its role as a reward for service, both dollar tips and percent tips increased with service quality (dollar tips: $B = .73$, $t(1176) = 4.36$, two-tailed $p < .001$; percent tips: $B = 1.10$, $t(1176) = 3.55$, two-tailed $p < .001$). Finally, both dollar tips and percent tips increased with atmosphere quality (dollar tips: $B = .35$, $t(1176) = 2.82$, two-tailed $p < .006$; percent tips: $B = 1.02$, $t(1176) = 3.34$, two-tailed $p < .002$).

Discussion

In this study, Hispanics, but not Asians, tipped less than Whites. Furthermore, the tips of all three ethnic groups varied with bill size and service quality to a similar degree. The similarities and differences between these findings and those of Lynn and Thomas-Haysbert (2003) are discussed below along with their practical implications and limitations.

The current findings replicate those of Lynn and Thomas-Haysbert (2003) in finding little evidence of Asian-White differences in average tip size after controlling for service and other variables. This, combined with evidence that the return to service quality is similar across White and Asian customers, is good news for restaurant managers because it suggests that server perceptions of Asians as poor tippers are illusory and can be dealt with by hiring less prejudiced servers, educating servers about empirical tests of Asian-White differences in tipping, and encouraging servers to keep more systematic records to see for themselves that Asians are good tippers.

On the other hand, the current finding that Hispanics tip less than Whites on average even after controlling for the customers' ratings of service quality differs from Lynn and Thomas Haysbert's (2003) results and supports servers' perceptions that Hispanics are below average tippers. This suggests that restaurant managers cannot ensure good service delivery to this ethnic minority group simply by hiring unprejudiced servers or by telling servers that delivering good service will elicit good tips from members of this group. Given enough interactions with customers from this ethnic group, servers own experiences will teach them to expect smaller tips from Hispanics. This expectation is problematic for restaurant managers because it may adversely affect the

service delivered to their Hispanic customers (see Barkan and Israeli, 2004; Dirks and Rice, 2004; Rusche and Brewster, 2008).

Managers could try focusing servers' attention on the relationship between service and tip size and let them know that empirical research suggests that Hispanics reward good service similarly to Whites. Thus, it is in servers' financial interest to provide good service to Hispanic customers even if Hispanic customers do tip less on average than Whites. However, the effectiveness of this argument rests on the rationality of servers, which may be compromised by their emotional reactions to ethnic differences in tipping. Servers who are upset about receiving lower tips from Hispanics than Whites may acknowledge the validity of the argument but still have a hard time delivering comparable service to the two groups.

Another potential short term solution is to provide incentives for servers to deliver good service to Hispanics by hiring Hispanic mystery shoppers and letting servers know that their jobs depend on satisfying those mystery shoppers. This is the approach that Denny's restaurants followed with some success after its much publicized lawsuit for racial discrimination in service (Hood-Phillips, 2000). However, this is at best a short-term solution for restaurants with a large Hispanic clientele because servers will tire of working for subpar tips and eventually leave for greener pastures.

In the long term, the restaurant industry as a whole needs to eliminate ethnic differences in tipping if tipping is to continue as the primary motivation for servers to deliver good service. Eliminating these ethnic differences in tipping will require an understanding of the processes creating them in the first place. The current study does not really speak to this issue, other than to say that the Hispanic-White ethnic difference in

tip size is not simply the result of discrimination against Hispanics in service delivery (because the analyses controlled for customer perceptions of service quality). One possibility worth future investigation is that Hispanics tip less in restaurants because they are less familiar with and committed to the 15 to 20 percent restaurant tipping norm. This possibility seems at odds with the current finding that tips increase with bill size as much for Hispanic as for White restaurant patrons. However, it is consistent with Lynn's (2006b) finding that only 33 percent of Hispanics as compared to 72 percent of Whites knew that restaurant patrons were expected to tip 15 to 20 percent of the bill.

In addition to differing from Lynn & Thomas-Haysbert's finding with respect to Hispanic-White differences in tip size, the current study results differ in two other respects. First, Lynn and Thomas-Haysbert found that the dollar tips of Asians and Hispanics varied with bill size less than those of Whites while the current study found no such effect. Second, Lynn and Thomas-Haysbert found that the percentage tips of Asians and Hispanics increased with ratings of service quality more than did those of Whites while the current study found no such effect. These discrepancies between the two studies' results cannot be definitively explained with current data. They could be due to chance (with the current null results reflecting Type 2 errors due to low power) or to methodological differences between the studies. Compared to Lynn and Thomas-Haysbert's study, the current study involved (i) fewer different restaurant brands, (ii) a greater geographic range, and (iii) more active self-selection of participants into the study sample. All of these differences are potential explanations for the discrepancies in study results and more research is needed to see which if any is responsible.

In summary, Hispanics but not Asians do appear to tip less than Whites on average. Though all the groups increase tips with service quality to a similar extent, the ethnic difference in average tip size means that servers will learn to expect poor tips from these groups and may deliver poor service to those groups as a result. In the short term, restaurant managers with a large Hispanic clientele should (i) remind servers that delivering inferior service to Hispanic customers will only further lower the tips those customers leave and/or (ii) consider incentives other than tipping to motivate their staff to deliver good service to ethnic minorities. Hiring ethnic minority mystery shoppers and telling servers their jobs depend on satisfying those mystery shoppers is one approach that has proven successful. In the long term, however, the restaurant industry needs to eliminate ethnic differences in tipping if it is to continue to rely on tipping as the primary incentive for servers to deliver good service. To do that requires an understanding of the processes underlying those ethnic differences in tipping. Much more research is needed to provide that understanding – especially research examining the moderators and mediators of ethnic differences in tipping. Hopefully, by documenting the existence of Hispanic-White differences in tipping and finding some results that challenge those in the existing literature, this paper will encourage such studies.

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Table 1. Descriptive statistics.

Variable	n	Minimum	Maximum	Mean	Standard Deviation
Weekend (No = 0, Yes = 1)	1274	0	1	.53	.50
Meal Period (Lunch = 0, Dinner =1)	1274	0	1	.67	.47
Meal Quality	1274	1	5	4.62	.72
Service Quality	1274	1	5	4.61	.73
Atmosphere Quality	1274	1	5	4.45	.69
Bill Size	1274	\$6.35	\$1,002.00	\$43.93	\$40.21
Tip Amount (trimmed)	1186	\$1.00	\$75.00	\$7.68	\$5.64
Tip Amount (uncleaned)	1274	\$0.02	\$119.00	\$7.31	\$6.67
Percent Tip (trimmed)	1186	3.7	79.9	19.01	7.42
Percent Tip (uncleaned)	1274	.00	212.1	18.03	10.64
Asian (No = 0, Yes = 1)	1274	0	1	.06	.23
Hispanic (No = 0, Yes = 1)	1274	0	1	.13	.34
Other Non-White Ethnicity (No = 0, Yes = 1)	1274	0	1	.05	.22

Table 2. The Effect of Customer Ethnicity and the Interaction between Customer Ethnicity and

Bill Size on Dollar Tip

	Model 1	Model 2	Model 3	Model 4
	trimmed data ^a	trimmed data ^a	uncleaned data ^b	uncleaned data ^b
<u>Predictors</u>				
Constant	-4.02*** (.72)	-3.90*** (.76)	-1.28 (2.69)	-3.90** (1.41)
Bill Size	.16*** (.01)	.15*** (.01)	.08 (.08)	.16*** (.01)
Weekend	-.09 (.16)	-.11 (.16)	.80 (.89)	.13 (.31)
Meal Period	.08 (.16)	.09 (.16)	1.22 (1.45)	.19 (.60)
Meal Quality	.00006 (.12)	.01 (.13)	-.21 (.34)	-.14 (.34)
Service Quality	.73*** (.17)	.71*** (.16)	.88*** (.18)	.79*** (.16)
Atmosphere Quality	.35** (.13)	.37** (.12)	.18 (.22)	.33* (.16)
Asian	1.07 (.75)	-.93 (1.74)	.51 (1.40)	-2.49 (1.68)
Hispanic	-.82*** (.19)	-.75 (.57)	-1.26** (.44)	5.38 (6.20)
Other Non- White	-.37 (.45)	.13 (1.24)	-.40 (.56)	.37 (1.27)
Asian x Bill Size		.03 (.04)		0.4 (.04)
Hispanic x Bill Size		-.001 (.02)		-.15 (.14)
Other x Bill Size		-.01 (.03)		-.02 (.03)
n	1186	1186	1274	1274
F	66.06****	61.05****	20.22****	33.48****
R ²	.75	.76	.29	.49

^a trimmed data excludes percent tips less than 1 and greater than 80

^b uncleaned data includes all the data

* two-tailed t-test $p < .05$, *** two-tailed t-test $p < .01$, **** two-tailed t-test $p < .001$

***** F-test $p < .001$

Table 3. The Effect of Customer Ethnicity and the Interaction between Customer Ethnicity and Service Quality on Percent Tip

	Model 5	Model 6	Model 7	Model 8
	trimmed data ^a	trimmed data ^a	uncleaned data ^b	uncleaned data ^b
<u>Predictors</u>				
Constant	12.14*** (1.55)	12.43*** (1.63)	10.64*** (2.20)	10.58*** (2.38)
Bill Size	-.05*** (.01)	-.05*** (.01)	-.03* (.01)	-.03* (.01)
Weekend	-.64 (.43)	-.67 (.42)	-.96 (.60)	-.95 (.60)
Meal Period	-.57 (.47)	-.57 (.47)	-.62 (.73)	-.62 (.73)
Meal Quality	.11 (.26)	.14 (.26)	-.09 (.43)	-.11 (.43)
Service Quality	1.10*** (.31)	1.01** (.36)	1.40*** (.35)	1.43** (.42)
Atmosphere Quality	1.02** (.30)	1.02*** (.31)	.96* (.38)	.97* (.39)
Asian	1.40 (1.28)	-5.59 (6.56)	-2.46 (1.45)	-1.24 (7.16)
Hispanic	-2.91*** (.48)	-2.78 (3.17)	-3.20*** (.60)	-1.76 (3.90)
Other Non-White	-1.20 (.97)	-.40 (4.84)	-1.89 (1.12)	-4.98 (7.62)
Asian x Service		1.54 (1.41)		-.27 (1.57)
Hispanic x Service		-.03 (.68)		-.32 (.84)
Other x Service		-.18 (1.12)		.68 (1.67)
n	1186	1186	1274	1274
F	13.24****	9.90****	7.48****	5.50****
R ²	.11	.11	.05	.05

^a trimmed data excludes percent tips less than 1 and greater than 80

^b uncleaned data includes all the data

* two-tailed t-test $p < .05$, *** two-tailed t-test $p < .01$, **** two-tailed t-test $p < .001$

***** F-test $p < .001$