

TIPPING: HAS IT BECOMING PREVALENT NORMS IN MALAYSIA HOSPITALITY INDUSTRY

Mohd Salehuddin Mohd Zahari, Mohd Onn Rashdi,
Salleh Mohd Radzi and Zulhan Othman

*Faculty of Hotel & Tourism Management
University Technology of Mara, MALAYSIA*

ABSTRACT

As tipping is consider a main source or additional income for millions of service personnel and closely related to behavioural and social economics perspective, it has continually received significant attention among the academic scholars since the last two decades. Many researchers agree that tipping is one the most efficient and effective ways in monitoring, rewarding effort of service workers, token of appreciation, complement or as an incentive for good service delivered. This non-legal required obligation although is not a social norm like in the United States and some of the European countries, but the practices are widely spread particularly in the tourism, hospitality and restaurant industry and becoming internationalized including in Malaysia. Despites not an institution and part of the Malaysian culture, tipping is becoming more widespread and acceptable in this country hospitality industry. The practice is unlikely to disappear instead will continue to increase from time to time. This research note besides reviewing the past studies on tipping, different countries practices but narratively emphasises and highlights the current practice in Malaysia scenario. In other words, this paper not only creating the first local literature but lay the groundwork for other Malaysian researchers to further look into this tipping issue from various perspectives in line with vigorous development of Malaysia tourism, hospitality and restaurant industry.

Keywords: *tipping, norms, prevalent, Malaysia, hospitality*

INTRODUCTION

It's become normal practices and not to exaggerate that customers particularly in service industry often give a token of money for appreciation of the service render. This non-obligatory or voluntary gift is popularly known as tipping. In layman term, tipping involved poorly specified obligations that are enforced by social norms and/ or individual conscience (Lynn et al, 1993). Tipping is a multimillion dollar economic phenomenon and being practice world widely (Lynn and McCall (2000). In Canadian restaurants for instance people tip about 5 billion Canadian dollars each year and Americans are reported of paying out over 14 billion in tip to restaurant employees (Azar, 2007).

Commentators unanimously agreed that tipping exist because it is the most efficient way of monitoring and rewarding effort of service workers or as an incentive for good service delivered (Bodvarson and Gibson, 1994; Lynn and Withiam, 2008; Brauer, 1997; Engle, 2004 Bodvarsson & Gibson, 1999; Koku, 2005; Lynn, 2009; Lynn & McCall, 2000). Waiters, waitresses, bartenders, bellhops, concierges, porters and tour guides to name a few are among the examples of service personnel commonly tipped. Zeithaml et. al (1988) noted that the highly customized and intangible nature of many services make it hard for service provider to monitor and control the quality services delivered by their employees and tipping is the way in increasing them to perform the high quality standard of service. People are normally tip in order to feel fair and avoid embarrassment and guilt in which tipping has become a social norm and this closely related to behavioural and social economic. Tipping is also a way of monitoring service workers by the customers and is a form of providing incentives.

According to Lynn et al, (1993), the custom of tipping can be explained from historical or functional perspectives. On historical perspective, the origins of tipping are still ambiguous and continuously received significant attention among the academics scholars. Schein, Jablonski and Wohlfahrt (1984) anecdotally noted that the custom of tipping started in the Middle Ages when journeying feudal lord would toss handful of coins to groups of beggars on the road in order to purchase safe passage while Shamir (1984) claimed that it grew out of custom in Tudor England which to pay servant or workers for the extra work they have done. Not only goes to it origin, the word tips also is still debatable. Based on the work of Lynn et.al

(1993), tipping is believed derives from Latin the word *stips* refer to a gift or Dutch word *tippen* which denote in tapping a coin on a table or glass to attract a servers attention or a gypsy phrase “*tipper me your money or give me your money*”. In functional perspective, Lynn et.al (1993) and many others (Bodvarsson and Gibson,1988; Hemenway,1984; Jacob and Page, 1980; Shamir, 1984) argue that the custom of tipping is seen as the most effective way of providing service personnel with token of incentives from their well done jobs. Scholars also argue that tipping is motivated by a desire for good service during future encounters with the server; a desire for social approval and a desire to compensate servers equitably for their work. This aspect is further elaborates in the subsequent discussions on studies of tipping.

STUDIES ON TIPPING

It seems that researchers especially in the western world begun to give serious attention on the issue of tipping over the last 20 years. Two of the popular areas and continually getting attention are the socio- economic and socio- psychological. Based on literature, the economists looking at tipping from transaction cost and support with some theoretical work and most of them believed that tipping exists because it is the most efficient way of monitoring and rewarding the efforts of service workers. The pioneering work of tipping in economic area was undertaken by Ben- Zion and Karni (1977) with a theoretical model. According to their model, tipping is consistent with only for the repeating customers but not by one time customers. Tipping is also involving customer monitoring and rewarding of performance (Pencavel, 1977). Jacob and Page (1980) based on additional theoretical model suggest that optimal monitoring may involve process by both the owner and the buyer who interacts with the monitored employee. Sisk and Gallick (1985) on the other hand posit that tipping is an enforcement device used to protect buyer from unscrupulous seller or his agent when the brand name mechanism for ensuring contractual performance is insufficient.

Empirical economic investigation on tipping are continuously carried out by Bodvarson and Gibson (1994; 1997; 1999); Schwartz (1997); Ruffle (1999); Schwer and Daneshvary (2000). In the determining tips rates and using a neoclassical approach, Bodvarson and Gibson (1999) hypothesize that dollar tips are determined by the supply and demand for service and

that service demand is influenced by customer valuation of service and incentives to free ride. Result of the regression analysis showed that tips amounts are depending on service quantity rather than service quality and patronage frequency. In other words, a very strong positive relationship between dollar tips and bill size and that bill size accounted for much of the explained variation in dollar tips. As argued by Schwartz (1997) that tipping can increase the profit of the firms when it allow price discrimination between two consumer segments that differ in their demand functions and their propensity to tips. Looking at tipping practice in beauty salon, Schwer and Daneshvary (2000) contends that price, gender, age and the use of appointments are only factors that significantly influence tips amount and suggested a complete model of tips amount should includes economic, personal and demographic variables. In the recent study, economists like Bodvarson, Luksetich and Mcdermott (2003) argue that people do not tip primarily out of social convention but on the basis of conscientious appraisal of service and the incentive to free ride on the service transaction.

On socio- psychological perspective, as previously mentioned much of solid groundwork studies about tipping predominantly undertaken by Lynn and later followed by other researchers. Based on literature, besides others attributable the four main areas like the bill, server and customers were the central focus of the early studies. Lynn and his co-authors for instance investigated the relationship between tipping and bill size and method of bill payment (Lynn and Latent, 1984; Lynn, 1998; Lynn and Grassman, 1990). Result of their empirical studies indicates that over 50 percent of variance in tip size was accounted for by the bill size and restaurant customers who paid their bill through credit cards give slightly larger tips than those who pay by cash (Garrity and Degelman, 1990) and later concluded that restaurant tipping largely norm – driven behaviour (Lynn, Zinkhan and Harris, 1993).

Server related factors (server friendliness and attractiveness) which influence tip size were also attracting attention among the researchers. Garrity and Degelma (1990) examined the tip size when server introduced them themselves by name while Tidd and Lockard (1978) investigate when server gives a big smiles) and Lynn and Mynier (1993) when server squat down next to customer table when taking order. Lynn and Latane (1984); Tidd and Lockard (1978) on the other hand looked on the differences on tipping habits between males and female customers. On the other studies, Lynn (1988, 1992), Lynn and Bond (1992) empirically investigated the

relationship between the size of a dining party and the amount tip received. The role of gender has also received attention in the literature. MacCarty et, al (1990) posited that tipping is also a gender stereotype whereby male customers are better tippers than females and such practice may have been the case that men might be more familiar than women with the tipping norms. In looking at the ethnic differences between Black and White tip sizes and tipping habits, Lynn (2004) revealed that there was a statistically significant between two US major ethnic groups whereby African Americans seem to be less familiar with the 15 to 20 percent restaurant tipping norm.

All the earliest studies either from economic or socio- psychological perspectives have given a fundamental basis for researchers in further exploring the issues of tipping. In fact, to this end the main reason for customers to tip servers is still debatable and no single conclusive argument has derived from it. Based on empirical evidences, most customers suggested that they tip because of their appreciation and gratitude on quality of service that they have experienced (Lynn, 2001; Parrett, 2006; Speers, 1997). This behaviour actually represents customers' sensitivity on service quality and servers' performance throughout the dining experience. They come to experience what they pay for and therefore, upholding service effectiveness lies on the shoulder of restaurant frontline employees particularly servers or waiters. Once servers manage to deliver quality service to their customers, a customary amount of tip will be given to them as a reward. Two studies have found significant positive relationships between tip sizes and service evaluations (Lynn, 1996; Lynn & Graves, 1996). Lynn and McCall (2000) on the other hand suggested that the service–tipping relationship is due to the effects of customers' service evaluations and tips rather than to a direct effect of service quality on tip size and customers decisions about whom to tip are largely determined by custom.

Other researchers also provided evidences that among others, customers tip servers to enhance better future services (Bodvarsson & Gibson, 1999; Parrett, 2006), tip size were based on moods of customers (Lynn & McCall, 2000), tip more for better service (Parrett, 2006), and tip to avoid guilt (Lynn, 2009). Despite these notions, tipping is always the main motivation for servers in the restaurant and hotel industry. Employees' are actually appreciating the reward received and it acts as their main motivation to serve better next time around. Lynn & McCall (2000) stressed that the intangible and customized nature of many services including hotel and

restaurant makes it difficult for managers to supervise their employees and tipping is thought to be a way of enlisting the customers' help in performing these quality control functions. Azar (2007) however notes that people often tip although they have no intention of receiving future service from the tipped worker (e.g., when people tip abroad). Casey (2001) stressed that tipping is considered to be culturally specific although it is an institution in most countries. In other word, different countries with different culture, tipping behaviour may not be perceived similarly. Lynn (2000; 2009) suggested that further exploration should be done to assess the different level of acceptance of the norm and customs of tipping in different parts of the world. In addition, Lynn's recommended that tipping can also be studied at multiple levels of analysis- namely, at the level of individual tipping decisions, at the level of tipping norms within countries, and at the level of cross-country differences in tipping customs.

Tipping between nations

It is worth mentioning that tipping practices are different from one country to another. This non-legal required obligation has been a social norm to the west especially in the United States. According to Lynn, Zikhan and Harris (1993), tipping was less prevalent in countries with a low tolerance for status and power differences between people and in countries with feminine values that emphasize social over economic relationships. In the USA, it is customary to tip a large number of server workers and millions of restaurant, hotels, cruise ship, train employees, bus and taxis drivers depends heavily on tip income (Lynn 2000; Wessel, 1997) while hotels and restaurant are the most common practice. Many people's notice that America is the land of the tips and according to Lynn (1994) Americans may react rudely if no tips are given and they are advised to leave 10 per cent of the bill to the restaurant waiter and waitresses. Due to proximity, similar practices occur in Canada and Mexico.

It is common to leave a tip (gratuity or service charge) in the UK, although customers do not feel obliged to do that or if they think the service was not satisfactory. In comparing tipping practices between English and Italian customers, Callan and Tyson (2000) found that tipping as a means of showing status is significantly more important to the Italian than the English. Italian seems to be more generous in tipping waiters/ waitresses than the English and this difference probably due to the tipping in the UK

is now slowly being replaced by service charges and many believe that this trend will increase substantially. Tip between 5-10% as a common practice in central European countries like Germany, Switzerland, Austria, and Holland although it is not always required to tip while country like Spain is also not advocate of tipping. Lynn (2000) other hand noted that it is customary to tip only a few service professions in Denmark and many Scandinavian countries.

From the popular belief, service is often more casual in New Zealand and Australia than in many countries, even in expensive restaurants and hotels. Apart from the mandatory goods and services tax (GST), there are no mandatory gratuities or restaurant service charges of any kind in Australia and New Zealand. Some restaurants may add additional such as a 10% service charge for large groups. In the Middle Eastern country besides Oman and Yemen where the practice does not exist, tipping is expected on top of service charges. Among the Middle Eastern people, tipping is known *baksheesh*. Owing to lower salaries and wages among employees in the service sector including hotels and restaurants in the Middle Eastern countries, tipping is one of the ways of supplementing their incomes. Egypt is the country that claimed to be by far for request for tips. As one of the popular countries in African continent, tipping for service is not compulsory but is in general standard practice in South Africa. Range around 10% of service charge is usually charge in the upscale hotels and restaurants.

In most Asian countries, tipping is not a customary. It is a sensitive topic in certain countries particularly Japan where breaches of social convention are taken more personally than they are in the West (Dewald, 2003). In this country, tipping is seen as enslaving the servers and creating status quo within the restaurant organizational structures. Besides Japan, the phenomenon is gradually changing and becoming more acceptable in other Asian countries. In the case of China, increasing number of service workers does not regard tipping as a voluntary behaviour. Instead, they perceived tipping as a mandatory service charge and expect to get the full amount from each tipper (Dewald, 2003). It is common practice in Taiwan and Hong Kong that tour groups to add gratuity charge to the total bill. Things are similar in Southeast Asian countries like Thailand, Indonesia, Philippines, and Singapore although tipping is not the standard practice among the locals and in general, but it is expected by most of the local high end restaurants. In this restaurant *or those that cater exclusively to oversea*

tourists tipping is more commonplace, and in many instances the gratuity normally 10-15% is included in the bill. In sum, Table 1 show an acceptable tip percentage in some of the selected countries.

Table 1: An Acceptable Tip Percentage in Selected Countries

Country	Restaurants	Porter	Taxis
United States	15-20 %	\$ 1- 2 per bag	10%- 15 %
Canada	15-20 %	\$ 1- 2 per bag	10%- 15 %
United Kingdom	10 % if no service charge	\$1 per bag	15 %
France	5% - 10%	\$ 1 per bag	Round up the bill
Germany	5 % - 10 %	\$ 1 per bag	Round up the bill
Denmark	None	\$ 1 per bag	Round up the bill
Sweden	10 % if no service charge	\$ 1 per bag	Round up the bill
New Zealand	None	None	None
Australia	None	None	None
Egypt	5% - 10 % plus service charge	\$ 1 per bag	Round up the bill
Saudi Arabia	10% - 15 %	\$ 1- 2 per bag	Round up the bill
United Arab Emirates	None	None	None
India	10 % if no service charge	\$ 1 per bag	Round up the bill
China	3 % in major cities	\$ 1- 2 per bag	None
Hong Kong	10% in addition to service charge	\$1 per bag	Round up the bill
Japan	Tipping is perceived as insulting	None	None
Russia	10% - 15 %	\$1 per bag	Round up the bill
South Africa	10 % if no service charge	50 cents per bag	10%
Kenya	5 % if no service charge	50 cents per bag	None

Source: US Today, 2008

Tipping in malaysia hospitality industry

In the last 30 years, tips are not really popular in Malaysia and servers do not expect to be tipped either. Unlike Americans where a waiter or waitress besides basic salary earn an additional incomes from 15-17% of bill before tax or 20% at a 5-star restaurants and hotels, Malaysian waiters and waitress for long received a fixed basic pay. In addition, although there is a service charge of 10% charged into the bill in the hotels and high end restaurants in Malaysia, it may not necessary be passed on to the wait staff. There is also a 5% government tax on the bill. However, this scenario has gradually changed. Despites not an institution and part of the culture, tipping is becoming more widespread and acceptable in Malaysia hospitality industry. Nowadays ones can never stopped customers from leaving the loose change behind or leaving behind a few ringgits, if they are happy on the service rendered. In fact now, tips collected on top of the service charge are commonly pooled and distributed among service staff at the end of the month according to a points system as practice in other countries (Johnstone, 1999). The total monthly tips collected are divided by the total number of points carried by all service staff in the hotels and high end restaurants. The other approach being applied in the country is by placing a tip box on the cashier's desk. This is to make sure that the overall tips received for that particular shift or day will be distributed fairly among all restaurant employees and to avoid server favouritism.

As noted by Dewald (2003) tipping growth in many countries may be attributed to: increasing numbers of foreign tourists, particularly from countries where tipping is the norm; bringing back the custom by the local travelers overseas; and the rapid expansion of the hospitality sector which is increasingly internationalized. On top of that, increasing numbers of people are working in the hospitality industry and they have compounded growth of the practice because they have adopted tipping themselves, when they dine out, as a consequence of their exposure to it. Similar argument could be used in the Malaysia context. In fact, tipping behavior in Malaysia is unlikely to disappear and instead will continue to increase from time to time. This phenomena raises critical questions to whether tipping has becoming prevalent norms in Malaysia hospitality industry?. To what extent hotel and restaurant service staff benefit from tips. Do Malaysian customers feel worth of giving tip?

In line with the above notion, tipping has yet not received attention among the Malaysian researchers with no single study available despite there are growing database of research particularly in the western world. With the vigorous development of Malaysia tourism, hospitality and restaurant industry, it services characteristics as well as employee performance and customer participation on tipping will have either positive or negative influences on service excellence plus answering the above highlighted questions, there is a need for empirical studies to be undertaken in Malaysia setting. In other words, this paper not only creating the first literature but lay the groundwork for other Malaysian researchers to further look into this tipping issue from various perspectives.

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