How Venue Atmosphere Influences the Way We Tip

Elizabeth Faurre

University of Chicago

Abstract

There are numerous factors that contribute to a consumer's spending habits. Everything from a store's lighting to the customer's mood can impact how much money he or she is willing to pay for goods and services. This study examines the effect of two such factors on tipping in a coffee shop setting. A reward system and a sign suggesting appropriate tip amounts were compared to a control within the shop. The suggested tipping sign resulting in significantly lower tips ($p < .005$) while the reward system resulted in a significantly higher amount of tips ($p < .05$) only during the last three days of 5-day experiment.

How Venue Atmosphere Affects the Way We Tip

It's a well-known fact in the study of human behavior that people's consuming and spending habits are influenced by their environment. Sometimes this effect is obvious and intentional; for example, restaurants in some cities have started listing calories on menus as a way to steer people toward healthier eating options (Halway, 2011). At other times this influence is more subtle. For decades fast food restaurants have been using uncomfortable chairs and harsh lighting to move diners quickly through their meals and out the door to make room for new customers. Consumers may not be aware of why they feel so rushed inside a McDonalds or Burger King, but it's certainly no accident.

Spending is just such an easily influenced behavior. People have been shown to be more likely to pony up for expensive goods when they're tired (Hawking, 1985) or overwhelmed by choices (Walsh, 2011). Conversely, it's been shown that people are more reluctant to spend money if they have to use cash instead of a credit card (Martinez, 2006). Because the goal of businesses is to make the consumer spend while the consumer's goal is to get the best deal, businesses use a variety of methods to "trick" customers into handing over their money.

Tipping is an interesting aspect of spending behavior to study because it is not a set cost —service staff work for tips, but there is no way to enforce this policy. In effect, it's possible to get a meal or cup of coffee substantially below cost if no tip is left. This means that the factors that influence tipping are likely to be substantially different than those that govern other cost-for-product interactions. This study will look at two such factors—rewards for tipping and subtle reinforcement of tipping rates—to determine which of these has the most influence on customer tipping in a coffee shop setting.

Methods

The chosen venue was a small (10-15 seat) coffee shop located in the middle of a busy shopping district. During normal operations the shop has a clear tip jar labeled “tips” situated next to the cash register. Employees were asked to tally the tips at the end of each day for five business days.

In order to test the effects of a system of rewards for tipping, a tray of pastry samples were placed on the counter by the register. Employees were asked to enthusiastically thank customers who tipped and ask them if they would like a sample. Customers who did not tip were not asked if they would like samples but were allowed to take them. The same tip jar was used in the same location as in the control week. Daily tip totals were tallied by employees for five business days.

During the third week of the study, the sign on the tip jar was replaced by a sign with suggested tipping amounts. The average purchase at the coffee house was $4.20, so the sign suggested tipping at a rate of 15% ($.60), 25% ($1.00), and 30% ($1.25). The employees were instructed to provide no feedback to customers on their tip. Daily totals were collected for five business days.

Results

Average daily tip total for the control treatment was $217.60. Averages for the reward system and suggested tipping treatments were $226.07 and $196.71, respectively.

There was a significant difference between the control and the suggested tipping system, with a difference of -$20.89 ($p < .005$). There was no significant difference between the daily averages of the control and the rewards system ($8.47, $p > .05$) (table 1).

Table 1. Daily Tip Amounts

Treatment	Daily Tip Average Over One Week
Control	$217.60
Reward System	$226.07
Suggested Tipping	$196.71

There was, however, a statistically significant difference between the first and last days of the rewards system treatment ($29.57, $p < .05$) and a statistically significant difference between the last three days of the control and the last three days of the suggested tipping treatment ($13.12, $p < .05$) (table 2).

Table 2. Tip Amounts in the Rewards System Treatement by Day

Day	Average Tip Total
Monday	$212.25
Tuesday	$217.63
Wednesday	$221.94
Thursday	$236.75
Friday	$241.82

Discussion

Surprisingly, the suggested tipping treatment resulted in a statistically significant decrease in average daily tips. While the control week brought in a roughly 15% tip rate, the suggested tipping sign resulted in a tipping rate of only around 10%. There are a number of possible reasons for this drop. Because tipping is supposed to be voluntary, customers might have found the suggestion that they should tip a certain amount to be off-putting. It's been shown that tipping above the culturally expected amount makes people feel good about themselves (Askin & Hunter, 2004). By putting an visual, easy-to-see value on that feeling, the tip becomes just another financial burden instead of a small, voluntary moment of charity.

Initially, it looked as if the reward system treatment would not have an impact on the average amount tipped. However, as the week progressed the total surpassed the control total,

and the last three days of the week was significantly increased. This suggests that the effect of the reward system was delayed. It's likely that repeat customers who received the reward for tipping later tipped a larger amount during their next visit.

This study has obvious implications for service industry members wishing to enhance their take home pay. Making customer feel that their tip is appreciated and that they are getting something of value in return is likely to bring in better tips than presenting customers with suggested tip amounts.

It's not clear whether the reward system would continue to bring in larger tips. A long-term study would be necessary to see whether the rise in revenue levels would continue as consumers become accustomed to the reward system. Similarly, a long-term study would be needed to see whether the effects of the suggested tipping sign would wear off as customers became used to seeing it during every visit.

References

Askin, L.J., & Hunter, S.K. (2004). The emotional upside of spending. *Applied Economics Letters*, 17(2): 64-71.

Halway, M. (2011, April 22). New York Tries Calorie Counting on for Size. *New York Times*. Retrieved from www.nytimes.com

Hawking, S.G. (1985). The impact of stress on economic decision making. *Economics and Human Biology*. 84(2): 78-92.

Martinez, A.C. (2006). Cash or Credit: How Consumers Decide. *Economics Letters*. 96(4): 121-135.

Walsh, S. (2011). *Consumer Overload: Why Having More Choices Leads to Poor Decisions*. Chicago: University of Chicago Press.