

## Implication of Tipping on Services (a case study on Restaurant and Hotel Services in Tasikmalaya)

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**Abstract.** Tipping in hotels and restaurants has become a custom in several countries. However, the outbreak of the Covid-19 pandemic raises questions regarding the willingness of customers to give tips in difficult times amid the spread of the Corona virus. Tipping is mandatory in some countries, although some countries prohibit tipping workers in fast food services and hotels. The purpose of this study is to determine the implication of tipping as a sign of appreciation given to workers of fast food restaurant and hotel who have provided satisfactory service. The method used in this study is a descriptive approach and a qualitative approach. The results show that tipping encourages workers to provide their best service to customers while at the same time motivating workers to give their best work performance. In addition, companies and workers can also find out whether customers are satisfied or dissatisfied while enjoying food at the fast food restaurant.

### 1. Introduction

According to data from the Central Bureau of Statistics 2022 of Tasikmalaya City, in 2021 the number of restaurants in Tasikmalaya City is 261 units while the number of hotels is 35 units with 1,515 rooms available [1]. This condition shows Tasikmalaya City as a culinary city that is visited by many tourists both domestic and foreign. The BPS data also shows that the number of tourist visits has increased, except during the 2020 pandemic which experienced a decline but in 2021 recovered and increased. The number of tourist visits can be seen in table 1, as follows :

**Table 1.** The number of tourist visits to Tasikmalaya in 2016 – 2021

Year	International	Domestic	Total
2016	360	241,533	241,893
2017	720	577,800	578,520
2018	221	650,332	650,553
2019	124	695,523	695,647
2020	39	344,384	344,423
2021	6	483,563	483,569

Source: Central Bureau of Statistics of Tasikmalaya. Available at: <https://tasikmalayakota.bps.go.id/>

During the 2020 – 2021 pandemic, the Indonesian government had made a policy of limiting the opening of restaurants which in the end will also have an impact on hotels. This condition resulted in the restaurants closure and the termination of employment (PHK). After passing through the pandemic

phase, in early 2022, conditions began to gradually normalize with the reopening of restaurants and hotels as a whole. This condition resurfaced the idea of giving tips to employees of service providers, especially restaurants and hotels. Tipping from consumers in the service industry, including the hospitality industry [2]. The tip can be seen as a gift, as a way to reward service providers, as an obligation that service providers accept for their efforts to meet consumer needs, and as a habit [3].

Many service workers depend on voluntary monetary rewards from their customers for most of their income. The workers who receive tips from customers include airport porters, baristas, bartenders, bellmen, busboys, concierges, van drivers, bookmakers, doormen, golf caddies, hotel maid, parking valets, taxi drivers, tour guides, and waiters [4].

In the United States, tipping workers is mandatory when customers visit fast food restaurants or other services, while in Indonesia, tipping is not an obligatory tradition that requires customers to pay that amount of money and there is a tendency to prohibit tipping.

Problems arise when tipping is not a tradition and culture in Indonesia, especially in the city of Tasikmalaya, where there are still many micro-scale restaurants managed by small companies. Tipping usually occurs at quite large restaurants and is usually given at the time of a refund. In the hospitality sector, consumers mostly make online transaction payments and payments via digital money. Tipping occurs when hotel staffs have finished serving the consumer but there are companies that prohibit tipping from customers. Many transactions made through face-to-face payments are calculated from the tipping rate for all transactions, transactions with credit cards, and transactions without using credit cards [5].

Tipping in Indonesia is still voluntary because tip is a sign of customer satisfaction with the service provided by consumers to restaurant waiters [6]. Although the tips given by customers to workers have been budgeted by the company or referred to as service charges, some generous customers will give tips directly to restaurant employees because they are considered to have provided satisfactory service [7]. Figure 1 shows that every transaction in restaurant and hotel include a service charges. Service charge is a service that is charged to consumers at different rates according to company policy. Service charge will be given to the waiter after it has been collected for a certain period.



**Figure 1.** Examples of Hotel and Restaurant Service Charge

According to Lynn [2], another reason some customers directly give tip to restaurant employees is that, based on research Lin & Namasivayam [4], there are not a few workers in fast food restaurants rely on tips as their source of income. Some customers who tip directly to the employee consider tipping as a form of motivation and customer gratitude and certainly do not matter when customers give double tips to workers. Therefore this is commonly done by customers who are directly present at the restaurant or customers who ask for their food orders to be delivered [7].

From the description above, the purpose of this research is to see the implications of tipping in restaurant and hotel services for companies.

## 2. Literature Review

Tip comes from the Latin word "stips", which means gift. Today, some people define tip as an abbreviation of To Insure Promptness or To Improvement Performance as a thank you or appreciation for service [8]. The origin of the word "tip" appeared in the 17th century, where the word "tip" was intended to give a certain amount of money [9], whereas according to Matthews [10], a tip is a gift, usually in the form of money, given in exchange for the placement of services. Tipping itself is a phenomenon that clearly illustrates that economic behavior is often backgrounded by social norms and psychological reasons [11]. However, tips are also used as a trigger to further improve the service provided as expected by customers on their next visit.

Tips are gifts from customers to employees. Tipping is intended as a reward for the service received, besides that tip is also intended as a reward for excellent service [12]. At least, the amount of tip given is not absolute, so before giving a tip, the customer must decide how much tip would be given to employee based on the quality of service received [9]. The use of the word tip dates back to the 18th century, when many cafes in England had the inscription "To Insure Promptitude" on boxes filled voluntarily by café customers to help the staff serve them better. The word tip also comes from the Gypsy phrase "tip me your money", which means "give me money" [9]. Tipping is a complex phenomenon and is a very important phenomenon and has far-reaching impacts on workers and organizations, including perpetuating racial discrimination and creating inequality among workers.

When customers visit restaurants and restaurant waiters are quite a lot, usually one waiter can focus on one or two tables that have many people, and we have to tip waiters like this regardless of the service charge [7]. Tips are not only given to waiters in large or luxurious restaurants, but also appropriate to be given in food court stalls such as at PGC Cililitan, Jakarta, where each stall has its own waiter who offers food while carrying a menu list [7]. When we buy the menu, the waiter will order and at the same time deliver our food, of course there is a tip for him [7]. According to Basuki [13], if a customer asks for a food delivery person, tips should also be given to the food delivery person that we order online, either a special delivery person of a certain franchise brand or an online motorcycle taxi driver. Tips should be given even if they have been charged by the restaurant or by the online motorcycle taxi driver application. This tipping phenomenon has now become a phenomenon in itself carried out in the midst of Indonesian society, although it is not comprehensive, especially in several cities in Indonesia. Customers giving those tips to workers personally is commonplace. From a customer's point of view, tipping is now a common thing to do and can be done by people already have their own norms or obligations in society [13].

Restaurants usually write on receipts, that the customer must pay a tip of, for example, 10%. Giving big tips, could be detrimental or profitable to the restaurant. The bigger the tip a restaurant recommends, the fewer people will be willing to leave the tip [14]. However, customers who are usually willing to give tips, will still spend their money, so in general, fast food restaurants will still be profitable [14]. In the United States, tipping has become a social norm [11]. It is considered a violation of etiquette and does not respect current standards if someone does not tip [11]. Tips are an important source of additional income for employees, helping them meet demand. Employees benefit from this strategy indirectly [9]. Each hotel has its own tipping policy. There are two tip distribution systems: equity and



individual distribution, which each tip employee receives his own tip [4] and the employee has different opinions about the two tip distribution systems.

In the context of service, service quality has two dimensions: quality of service functions and quality of technical services [15]. In a restaurant setting, service of quality is closely related to how the employees performs their tasks, while technical service of quality is related to the quality of the food [16]. Service of quality is usually examined in the form of the customer's perception of the services they receive, compared to their expectations formed before the consumption of the service. Studies show that service quality is an important factor in determining business success [17]. The function of service quality is closely related to the interaction between service providers and customers and between customers and the services delivered. In a restaurant setting, service quality is relates to the performance of employees, while of technical services quality is associated with the quality of food. Previous studies have identified that the two dimensions of quality perception (service quality and food quality) have a positive relationship with customer satisfaction [18].

### 3. Method

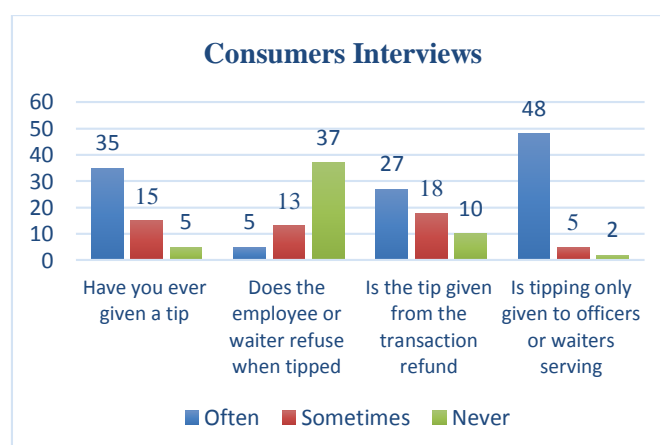
This study uses descriptive qualitative research method [19], there are several considerations, namely the qualitative method approach is more adaptive when dealing with many facts, directly representing the nature of the relationships between researchers and respondents and this method is more sensitive so that it can adapt and have many influences on each other can introduce the value patterns faced by researchers. Researchers conducted in-depth interviews with 55 consumers and 8 restaurant and hotel business units in Tasikmalaya City. The survey was conducted for 5 days from 10 to 15 December 2022. Questions asked to consumers related to whether or not they had given tips to waiters or hotel's employees. Questions asked to hotel and restaurant owners related to how they respond when an employee receives a tip from a customer.

### 4. Result and discussion

The results of the interviews show the following results:

#### a. Consumers interviews

Interviews were conducted randomly with respondents who stayed at hotels and ate at restaurants. Respondents are domestic tourists both local and those who come from outside the city. The results of interviews with consumers can be seen in figure 2.

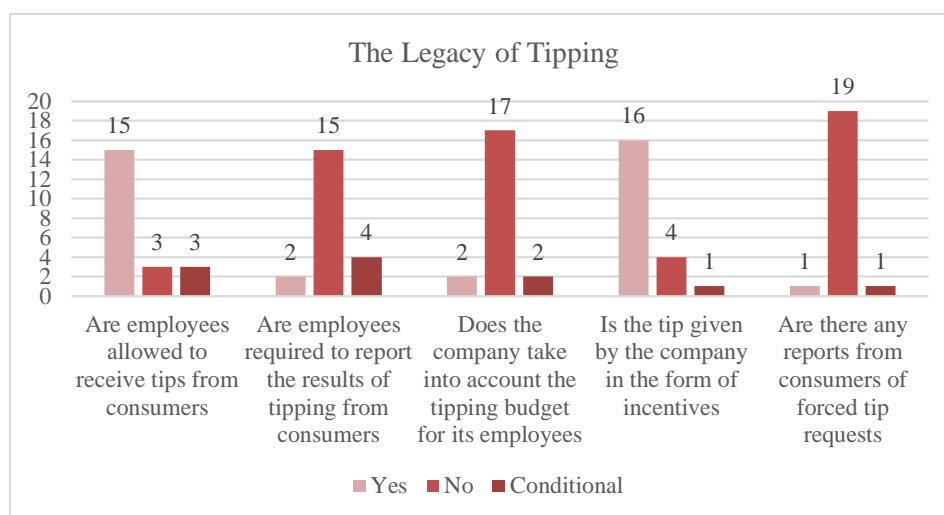


**Figure 2.** The results of interviews with consumers

The results show that 63% or 35 consumers often give tip to waiters or hotel staff and 67% or 37 waiters or hotel staff do not refuse when they are given tips. Tipping is given when there is a return of the transaction money of 49% or 27 consumers and 87% or 48 consumers give it to the waiter or hotel attendant who served them.

#### b. Interviews with Restaurant and Hotel

Interviews were conducted randomly with 21 restaurant and hotel managers, the results show that 71.4% or 15 businesses allowed tipping and 14.2% prohibited tipping. The company is also not obliged to report the results of tipping from consumers as much as 71.4% or 15 businesses. The company also does not budget tip to employees at 80.9% or 17 businesses but still provides incentives to its employees 76.1% or 16 businesses. The company also never received any consumer reports related to forced tipping 90.4% or 19 businesses. Figure 3 shows the result of interviews with Restaurants and Hotels.



**Figure 3.** The results of interviews with Restaurants and Hotels

From the results of a survey of consumers, according to a study conducted in the United States by Lynn [14], some employees believe that an even distribution of tips is the fairest, while others believe that the tipping system per person is the fairest According to Azar [20], decent compensation and fair tipping are important indicators that can affect the motivation, efficiency and high performance of employees so that the tipping system requires managerial attention. Tips can also be used to attract, motivate, and control employees in the company's relationship with employees. According to Lynn [14], the leaders inspire employees to work harder and provide customers with satisfactory service quality.

In Indonesia, tipping is voluntary. Tipping is given as a thank you as well as appreciation for good cooperation. Kristanti & Mandias [12] estimated that the amount of tip money received affects the services provided, and the effect varies from individual to individual. Research reveals several facts that until now the amount of tip money received affect the quality of service on customer satisfaction [20].

All existing research on tipping can occur at relatively normal times characterized by economic stability, public health, and the wider community [21]. However, the recent pandemic Covid-19, with the accompanying economic shutdown, led to the prohibition of dine-in, and the existence of social distancing, resulting in a decrease in tipping so that there was difficulty for consumers' willingness to tip during the crisis [22] [23].

Although eating at fast food restaurants is temporarily banned in many states, some fast food restaurants serving takeout and delivery in Indonesia remained open during the pandemic. It wasn't until late May and early June that most states reopened fast food restaurants for limited outdoor and indoor

dining. Many workers at these fast food restaurants rely on tips as their main source of income, and although those sources of income are quite reliable during normal times, it is possible that there is a decline in income between service workers and those fast food restaurants during periods of economic and/or public health crises. Lynn theorizes that consumer tips are determined by a balance of motivation, that is, a balance between wanting to help workers, as an expression of gratitude, appreciating server efforts, obtaining better future services, and fulfilling social obligations and the desire to give some money and treating others as equal standing [24].

In contrast, Lin & Namasivayam [4] for transactions directly in restaurants, the average tip percentage decreases with various interactions month after year from April to July with the strength of negative interactions year with months increasing reliably from April to May and decreasing reliably every month thereafter. The negative effects of this Covid 19 virus on tipping in fast food restaurants were due the decrease in the ratio of take away orders to dine-in during the pandemic coupled with the reluctance of longtime consumers to tip for takeout of fast food restaurants [25]. This has led to positive implications and negative implications of tipping fast food services for companies. According to Nurfadila [26], the positive implications for companies by giving tips from consumers to employees are that they can encourage employees to provide better services on their next visit. In addition, tipping from consumers to employees can help to improve the economy of the employee's family [27]. Because many workers in these restaurants rely on tips as their main source of income, and although the company's source of income is quite reliable during normal times, this tipping can directly help additional income for employees, tipping can also be a form of self-motivation to provide better service.

Fast food restaurants also experienced a relative decline in food takeout orders in restaurants during Covid-19, but the limited service provided by these fast food restaurants may have minimized perceived loss of service and resulted in face-to-face transactions remaining below normal (pre-pandemic) levels even in June and July 2020. According to Mayyasi [22], Walster [23], by combining all these effects, it can be seen that the coronavirus is lowering tip revenue. The estimated bill sizes for all transactions on FSR and for remote transactions on QSR also decreased with various interactions in the year. However, the average billing size for onsite transactions is not affected by this interaction. These results indicate that the pandemic has reduced tips for service workers because, based on the results of studies, the corona virus has increased consumer concerns about financial well-being [22] [23]. Thus tipping in fast food services provides both positive implications and negative implications for companies. These implications become very important in seeing how positive and negative consumers perceptions of fast food services.

The results of the study show that each country has its own way of giving tips, including in Indonesia, In Indonesia giving tips is not an obligation from service users, meaning that giving tips is generosity of customers [28]. During the pandemic, fast food restaurants in the U.S. engaged in industry, tipping rose to 62% of their total revenue [28]. Meanwhile, the results of studies in Indonesia show that before the pandemic, tipping would be given when orders (completed) quickly [10] for very large orders or any special instructions. If there is an action above and outside the service, the customer will give his tip up to the figure of 10-15 percent. In Indonesia, fast food restaurants have suffered a fantastic amount of losses due to the Covid-19 pandemic [29]. The loss of fast food restaurant business reaches around Rp. 20 trillion for the Jakarta area and its surroundings [29]. Since the enactment of the ban on eating and drinking inside restaurant, the fast food restaurant sector has been hit hard by having to lay off employees one by one. During the Covid-19 pandemic, whether dine-in or delivery, waiters and workers rarely receive tips from customers [29].

Furthermore, after pandemic customers gave tips as much as possible to server and fast food restaurants because customers are aware that waiters who work in these difficult times had been hit hard by the Covid-19 pandemic [30]. In several cities in Indonesia Mayyasi [22], Walster [23], points out that there has been a decline in customer tips for food services whose nature or quality has been largely affected by the pandemic. Although speculative, this effect can come from the perception that fast food waiters need and or deserve a greater tip during the pandemic [22] [23]. The positive effect of the pandemic on tipping is that it can indirectly reduce customer perceptions of waiters who work in fast



food restaurants that need big tips because during the pandemic the waiters will provide more and better service. According to Mayyasi [22], Walster [23], the pandemic lowered the average tip-preorder given for transactions in fast food and full-service restaurants.

#### 4. Conclusion

The results show that the Covid-19 pandemic had different effects on the customer tips of fast food restaurant workers [3]. On one side, the pandemic seems to lower tip-per-order as well as lowered the percentage of average tips given for both remote transactions and on-site transactions. Each customer has a different reason and size in giving tips in a restaurant [31]. Tipping is a return for the service provided. The Covid-19 pandemic indirectly affected the provision of tips, which has decreased significantly [2]. Thus, fast food restaurant owners can expect customers to tip the waiters who serve them quite well in times of bad times as well as in good times. The results of the study show that customers tip waiters who serve directly and customers are satisfied with the service provided [6].

Suggestion from this research and study are, in Indonesia giving tips is not a mandatory thing to do or is voluntary but when customers are satisfied with the service provided, they should give tips as gratitude to the waiter. When on vacation, it is a good idea to include tip money in the vacation budget. For example, for drivers, for tour guides, for restaurant waiters, and others. Before or during the pandemic if you do not want to tip waiters and workers, it's best to avoid unnecessary services. When arriving at a fast food restaurant, if there are quite a number of restaurant waiter, usually one waiter can focus on one or two tables that have a lot of people to serve so this kind of waiter deserves to be tipped regardless of the service charge. The existence of Covid-19 has hit fast food workers and waiters very hard and this has an impact on reducing tipping. In the post-pandemic period, most of the service workers' income is from tipping, it is best for customers to tip extra because many service workers depend on gift money voluntarily given by customers.

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