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## **Buyer Monitoring: A Means To Insure Personalized Service**

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### **ABSTRACT**

Marketing scholars propose that service employees play a primary role in delivering service quality. However, the question of how to motivate service employees to enhance service production has received little research attention. The authors address this gap by advocating a control mechanism first discussed in the economics literature—buyer monitoring. The authors focus on a pervasive form of buyer monitoring, voluntary tipping, and examine the effectiveness of this control mechanism as a means of improving service in two different contexts: leisure cruises and restaurant dining. Despite a substantial interdisciplinary literature reporting a weak relationship between customer perceptions of service and their tipping behavior, results show that a policy of voluntary tipping has positive effects on the motivation and behavior of service workers and on customers' perceptions of the service those workers provide. These findings call attention to buyer monitoring as both a topic for academic research and a practical mechanism for motivating service employees. The findings also call into question trends away from tipping in service contexts such as the cruise industry and suggest that many service businesses for which tipping is not viable may benefit from alternative forms of buyer monitoring.

Key words: buyer monitoring, tipping, service quality, employee control mechanisms, personalized service

The emergence of the service economy has stimulated a wealth of research intended to help businesses improve service production. Of particular interest to marketing scholars has been the domain of service quality—its conceptualization, measurement, and management (e.g., Berry, Parasuraman, and Zeithaml 2003; Brady and Cronin 2001; Parasuraman, Zeithaml and Berry 1985). A review of this literature reveals that the “people” dimension of services is of particular importance. Gronroos (1984) identified this factor as *functional quality* (how the service is delivered), and Brady and Cronin (2001) used the label *interaction quality* to reflect customer perceptions of their service interactions with employees. Interestingly, although scholars argue that this interpersonal dimension often has the strongest influence on customers’ quality perceptions for many services (Bitner, Booms, and Mohr 1994; Heskett, Sasser, and Schlesinger 1997; Suprenant and Solomon 1987), empirical research in marketing that shows how to motivate service workers and improve interaction quality is relatively scant.

When marketing scholars examine employee motivation and performance, they typically focus on control mechanisms used to motivate sales people (Anderson 1985). Approaching this topic from the perspectives of agency theory (Bergen, Dutta, and Walker 1992), transaction cost analysis (Rindfleisch and Heide 1997), and organization theory (Eisenhardt 1985), researchers primarily examine behavioral and outcome control, with clan control a third mechanism discussed but rarely studied (Anderson and Oliver 1987). However, these control mechanisms are less effective in many service contexts such as hair styling, restaurant dining, travel planning, and real-estate agency characterized by complex, unstandardized, and personalized interactions with customers. An alternate control mechanism is needed to ensure satisfactory delivery of these types of services.

Perhaps ironically, we advocate a service control mechanism that requires managers to give up control—that is, to abdicate responsibility for monitoring and rewarding service workers

to the customers being served. We propose that customers can play an important role in service production as defacto managers through a mechanism first discussed in the economics literature called buyer monitoring (Jacob and Page 1980). For example, consumers of services are often given the task of monitoring and rewarding workers who served them via the custom of voluntary tipping. Among the service workers commonly tipped are bartenders, concierges, doormen, hair-stylists, parking valets, porters, taxi drivers, tour guides, and waiters/waitresses (Star 1988). Estimates place the amount tipped to waiters and waitresses in North America at \$47 billion per year (Azar 2007), so worldwide tips given to all service providers are substantial. Consumers' decisions about how much to tip are supposed to reflect their evaluations of service and thereby to provide service workers with an incentive to deliver good service (Lynn and McCall 2000). Thus, tipping is an important employee control mechanism used to improve service quality. Surprisingly, the question of whether tipping—and buyer monitoring more generally—actually improves service has yet to be addressed empirically, despite conventional wisdom in support of this idea.

We first examined this question in a preliminary study conducted in the leisure cruise context. Recently, several cruise lines shifted from voluntary tipping onboard the ships to automatic service charges. However, prior to 2000, most cruise lines had a voluntary tipping policy, under which they encouraged cruisers to give cash-filled envelopes on the last day of the cruise to the staff who had served them. At that time, a few lines built tips into the price of the cruise and then discouraged tipping and/or prohibited employees from accepting tips. Our study capitalized on these past differences to compare the average of dining room and cabin service ratings (on 10-point scales) for cruise ships operating under pro-tipping policies with those operating under no-tipping policies. Data came from Ward's (1995) *Berlitz Complete Guide to Cruising and Cruise Ships*, which provides expert ratings of service along with other ship

information. Sampling one ship per cruise line from this data source, we found that service ratings were higher for the 54 cruise ships with voluntary tipping than for the 16 cruise ships with no tipping (estimated marginal means = 7.45 vs. 7.05;  $F(1, 61) = 5.84, p < .02$ ) after statistically controlling for factors potentially related to service ratings, such as passenger/crew ratio, ship-size/passenger ratio, ship dress code, and price category. Thus, it appears that buyer monitoring affects service performance positively in the leisure cruise context.

This purported positive effect of buyer monitoring on service performance hinges on the mechanism's ability to motivate good service via performance-contingent rewards. However, in the case of the most common context for buyer monitoring, restaurant tipping, research shows an average correlation between customers' service ratings and the size of the tips they provide of only .2 (Lynn and McCall 2000). This is, as Cohen (1992, p. 156) argued, too small to be visible to the naked eye of the careful observer, leading some scholars to question the incentive value of tipping (Azar 2008; Lynn 2003; Schwartz 1997). In fact, Azar (2008) noted that the generally high level of service observed in studies of tipping is surprising given that customer perceptions of service are only weakly related to the tips they leave—an apparent inconsistency he labeled the “tipping-service puzzle.”

These interrelated issues—service quality in complex, customizable service contexts; appropriate service control mechanisms in such contexts; and the tipping-service puzzle—call for theoretical and empirical treatment of a new means to improve the service experience. We address that call and make three contributions to the marketing literature. First, we introduce buyer monitoring as a service control mechanism and develop the idea proposed by economists that buyers can sometimes monitor and reward service workers more efficiently than can firms. Second, we offer the first empirical tests of the service-enhancing effects of buyer monitoring, which we show not only to motivate good service, but also to encourage customer-oriented

service behaviors better than other service control approaches. Third, we provide conceptual arguments and empirical findings that resolve the tipping-service puzzle. Specifically, we argue that the motivational effects of buyer monitoring depend on the *perceived* contingency between the service that employees believe they deliver and the rewards that they receive more than on the actual contingency. We show that, despite a weak relationship between customers' evaluations of service and their tipping behavior, the vast majority of servers believe they can earn much larger tips by delivering better service. We also illustrate a form of multi-method triangulation that yields convergent findings in support of our main hypothesis.

### ***BUYER MONITORING AS A SERVICE CONTROL MECHANISM***

The employee control mechanisms discussed in the marketing and management literatures are not well-suited for complex, highly customizable services. *Behavioral control*, the direct supervisory monitoring and rewarding of employee behavior, requires specifying desired employee behaviors as inputs to production (Anderson and Oliver 1987; Banker, Lee, Potter, and Srinivasan 1996). This is difficult for many services because of heterogeneity in customers' needs and wants, and in service production and delivery. For example, one restaurant dining party might want to be left alone while another dining party might want to be fawned over by the server. This customized nature makes many services low in task programmability, undermining the effectiveness of behavioral control (Banker et al. 1996).

*Outcome control*, the objective measurement and rewarding of results, is generally more effective than behavioral control in service contexts with low task programmability (Banker et al. 1996; Eisenhardt 1985). For example, sales outcomes are easily measured and rewarded, so outcome control is good for motivating speedy service, suggestive selling, and other service

behaviors that enhance sales. In contrast, the satisfaction of customers' more idiosyncratic desires is difficult to measure, so outcome control is less effective for motivating more personal and customized service efforts.

*Clan control*, the socialization of employees to identify with and be loyal to the organization, is presumably effective in eastern countries (e.g., Japan) where it resonates with communalistic values, though less popular and of questionable effectiveness in western countries (e.g., the United States), where it clashes with individualistic values (Saleh 1982). Moreover, the effort and time needed to socialize employees makes clan control difficult when employee turnover is high (Ouchi 1979), as with many services (Hinkin and Tracey 2000). These issues suggest that clan control is unlikely to offer western service firms assurance of good service.

We propose that *buyer monitoring* is an alternative service control mechanism that is appropriate in many service contexts, but especially where task programmability, outcome measurability, and employee retention are low (e.g., hospitality services). The concept of buyer monitoring was introduced in the economics literature (Jacob and Page 1980) as an extension of Alchian and Demsetz's (1972) theory of the firm. From this economic perspective, firms exist because they can monitor and price production inputs more efficiently than can consumers. This comparative advantage allows firms to profit by contracting with input owners and selling production outputs at a price that is less than the cost to consumers of overseeing production themselves. However, employee inputs to customized services are difficult for firms to monitor and price. Customers can often evaluate and reward employees' service efforts more efficiently than can firms, so this responsibility is left up to customers via buyer monitoring (Azar 2004; Jacob and Page 1980). For example, the institution of tipping is widely used to motivate employees to deliver fast, attentive, friendly and personalized service. Speedy and attentive service can also be motivated by outcome control in the form of commissions and service

charges, but if friendly and personalized service is valued, tipping is presumed to be more efficient and effective because it is difficult and costly for firms to monitor and reward these latter aspects of service.<sup>1</sup> Other forms of buyer monitoring are uncommon, but their potential exists in such exchange contexts as travel or real-estate services, where agents are supposed to represent the buyer when identifying products that best meet the buyer's individual preferences. Many such exchange relationships are currently structured to favor the seller who monitors and rewards the agent via sales commissions, so developing suitable forms of buyer monitoring for these relationships would better align agent incentives with their customers' interests.

Like traditional forms of behavioral and outcome control, buyer monitoring relies upon extrinsic incentives to motivate employee behavior. Studies show that performance-based reward systems increase worker and firm productivity (Banker et al. 1996; Banker, Lee, Potter, and Srinivasan 2000). A key distinction between buyer monitoring and other forms of employee control mechanisms is that buyer monitoring leaves the decision about appropriate employee compensation to the customer, even if delivery of that compensation is routed through the firm. Other forms of customer-influenced employee control mechanisms are possible (e.g., teaching evaluations tied to merit pay or customer satisfaction ratings tied to employee bonuses), but under these mechanisms the firm decides on the size of employee rewards using input from customers. By taking the decision about reward size out of the customer's hands, these other mechanisms reduce customer control and, with it, some of the incentive for workers to satisfy each individual customer.

A second key distinction between buyer monitoring and other forms of employee control is that buyer monitoring is generally enforced via social norms rather than legal contracts. The idiosyncratic and often fleeting nature of customer-employee interactions makes written and legally binding contracting inefficient and impractical. Under buyer monitoring, customers are



expected to reward service workers based on the quality of the service provided, but services are rendered before payment, so customers are free to evaluate service any way they like and to pay as little or as much as they like; service workers have no legal recourse if they are dissatisfied with the compensation received for their efforts. Thus, the effectiveness of buyer monitoring, unlike that of traditional behavioral and outcome controls, rests on the power of social norms to ensure that buyers actually monitor employee performance and reward it fairly.

Some economists argue that social norms are an effective mechanism for governing behavior and improving economic efficiency, and they point to tipping as an example of such efficiency-enhancing norms (Azar 2005; Conlin, Lynn, and O'Donoghue 2003). However, there is reason to question the effectiveness of social norms to ensure that buyers actually monitor and reward service performance, because research on tipping in restaurants, where there is a clear and well-known tipping norm, suggests that buyers provide rewards that vary only weakly with service performance. This finding led scholars writing in economics (Azar 2008), services marketing (Lynn 2008), hospitality management (Lynn 2003) and tourism (Schwartz 1997) journals to conclude that tipping cannot be relied upon to motivate the delivery of good service. We propose that these scholars overdrew their conclusions. Though the relationship between service ratings and tip sizes in restaurant settings is weaker than expected, that relationship is positive and statistically reliable (Lynn and McCall 2000). Furthermore, field experiments show that server behaviors associated with more personalized and friendly service causally impact the tips customers leave (Lynn 2006). Thus, there is clear evidence that buyers do monitor service and reward servers accordingly. Moreover, servers' expectations and motivations may lead them to perceive the relationship between service and tip size as stronger than it actually is.

Cultural wisdom and consumer self-reports both identify service quality as the main determinant of tip size (Adelman 1985; Speer 1997), so servers are likely to have a-priori social

expectations that tips are a reward for service. Furthermore, anthropologist Daniel Suarez (2008) argued that service workers are motivated to perceive a strong relationship between their service efforts and tip rewards, because they do not want to see themselves as the undeserving recipients of charity. People tend to see expected relationships between variables even when those relationships are weak (Fiedler 2000), and tend to perceive themselves as having more control over events than they actually do (Presson and Benassi 1996), so servers' expectations and need for control may lead them to believe tips are strongly affected by service. Therefore, this form of buyer monitoring should increase service levels despite the modest correlation between evaluations of service and tip sizes observed in research. In fact, the weak correlation observed between customers' service ratings and tip sizes may in part reflect the success of tipping in reducing variability in service levels by motivating good service and attracting and retaining good workers (Bodvarsson and Gibson 1999).

In summary, giving customers the task of monitoring and rewarding service delivery is thought to be an efficient way to provide service workers with incentives to deliver good service tailored to the idiosyncratic needs of each customer. There are theoretical reasons to believe that buyer monitoring motivates service workers to deliver friendly and personalized service; however, there are also empirical reasons to doubt these effects. Ultimately, whether or not buyer monitoring actually motivates good service is an empirical question—one yet to be addressed in research. These ideas lead to our core hypothesis:

H1: Buyer monitoring motivates service employees to provide more friendly and personalized service, which enhances customers' evaluations of the service provided.

We test this hypothesis along with several corollary hypotheses advanced later in three additional studies with different data sources and research methods. Study 1 replicates the results

of the preliminary study and uses cross-sectional, correlational data to show that service ratings are better at restaurants with a policy of voluntary tipping than at restaurants with automatic service charges. Study 2 uses an online survey of restaurant servers to show that most servers believe tips are affected by service, and that the stronger their perception of this service-tip contingency, the more likely they are to engage in service-enhancing behaviors. Study 3 uses a scenario-based experiment to show that restaurant servers' motivation and inclination to provide personalized service is greater under tipping than under service charge or service-inclusive pricing policies, while their motivation and inclination to provide fast, sales-enhancing service is the same under voluntary tipping and service charge policies, but lower under a service-inclusive pricing policy. We conclude by discussing the theoretical and practical implications of these findings along with directions for future research.

### *STUDY 1*

In Study 1, we assess the effects of buyer monitoring on perceived service in the restaurant industry—specifically, restaurants in Miami Beach, Florida. Miami attracts a large number of international tourists who are unfamiliar with U.S. tipping norms, so approximately 40 percent of restaurants in Miami Beach replaced voluntary tipping with automatic service charges. This allowed us to test Hypothesis 1 by comparing service ratings from those restaurants with voluntary tipping with service ratings from restaurants with service charges.

#### *Method*

*Data sources.* Restaurants served as the unit of analysis. The data came from two sources: Zagat's 2006 guide to Miami Beach restaurants and telephone calls placed to those restaurants in the fall of 2006. We called all 154 restaurants with complete listings in the Zagat guide to ask about tipping policy. However, we dropped 47 restaurants from the sample for a variety of reasons (e.g., phone numbers were disconnected or the Zagat guide indicated the ratings were unreliable due to low numbers of raters). Thus, our final sample consisted of 107 restaurants for which we had information about tipping policies, as well as service ratings that the Zagat guide indicated were reliable.

*Variables.* The dependent variable was the restaurant's Zagat service rating on a 30-point scale, which reflects the following levels: 0-9 (poor to fair), 10-15 (fair to good), 16-19 (good to very good), 20-25 (very good to excellent), and 26-30 (extraordinary to perfection). The main independent variable was tipping policy (voluntary tipping or service charge). Restaurants that added a service charge only to large parties (5 or more) were coded as having voluntary tipping. Additional variables from the Zagat guide that were used as controls included ratings of food and décor (on the same 30-point scale) and the average estimated cost of one dinner. Because we expect a relationship between service and price or décor (with higher prices in more fine dining restaurants where better service is the norm), and between service and food (with efficiently and aesthetically presented food reflecting better service), we include these controls to isolate the effects of tipping policy on service by removing other effects from the analysis.

## ***Results***

A regression of the service measure on food, décor, and cost produced significant effects for food and restaurant expensiveness (Table 1). More importantly, adding tipping policy to the

model significantly improved the model's  $R^2$  ( $\Delta R^2 = .02$ ;  $F(1, 102) = 6.84$ ,  $p = .01$ ). Restaurants with voluntary tipping had higher average service ratings than restaurants with service charges (estimated marginal means = 19.46 vs. 18.54,  $t(102) = 2.62$ , one-tailed  $p < .01$ ). This finding echoes the results from the preliminary study and indicates that the improvement in perceived service produced by buyer monitoring generalizes across at least some industries. However, the use of perceived service as a dependent measure means that we cannot be sure tipping improved actual server motivation and/or service delivery. Consumers believe that tipping offers an incentive to deliver good service (Mills and Riehle 1987), so they may use tipping policy as a cue when evaluating their service experiences. In other words, voluntary tipping may have a direct effect on perceptions and evaluations of service that is independent of its effects on employee motivation and behavior. Studies 2 and 3 provide more direct evidence that voluntary tipping improves service and not just consumer perceptions of service.

## ***STUDY 2***

In Study 2, we examine the idea that tipping motivates employees to deliver better service, which rests on their perception that rewards are contingent upon the service they deliver. To the extent that workers believe they will get larger tips for better service, they should be more willing to do the things necessary to satisfy customers. This leads to the following hypothesis:

H2: Service employees working under a buyer-monitoring system who believe that customer rewards vary strongly with service will engage in positive service behaviors more often than employees who believe that customer rewards vary only weakly with service.

### ***Method***

*Data source.* Restaurant servers completed an online survey about their experiences on and opinions of the job. We recruited participants by sending invitations to students, as well as to members of commercial consumer lists (DataCorp) and panels (Zoomerang) who indicated they were servers, and to people on Facebook.com and Myspace.com whose profiles indicated they were servers. We also asked for recruitment help from industry managers, websites that attract servers (e.g., waiterrant.net), and survey respondents. Data from 1,189 current servers across 48 U.S. states were retained for analysis.

*Variables.* We obtained responses to the following measures: (1) *Perceived service-tip contingency*: ratings of servers' beliefs about how large an effect the quality of service delivered has on tip size (5-point scale: 1 = Very small effect, 3 = Medium size effect, 5 = Very large effect); (2) *Service behavior index*: average rating of how often the server engaged in nine positive service behaviors (Lynn 2003), such as introducing oneself by name to customers and telling customers jokes or stories (4-point scale: 1 = Never, 2 = Sometimes, 3 = Often, and 4 = All the time); (3) *Comparative tip*: rating of perceived tip size relative to tips earned by co-workers (7-point scale: 1 = Much smaller than most others' tips, 4 = About the same as most others' tips, and 7 = Much larger than most others' tips); and (4) *Restaurant bill size*: average per-person bill size at the restaurant where the server works.

## ***Results***

*Incentive effect.* Only 13 percent of survey respondents thought service had a small or very small effect on tips; 37 percent thought service had a medium effect, while 50 percent thought service had a large or very large effect. Thus, a substantial majority of servers perceived

a meaningful contingency between the service they deliver and the tips they receive, which stands in stark contrast to the weak relationship reported in the literature between customers evaluations of service and the tips they provide (Lynn and McCall 2000). Moreover, servers' perceptions of the strength of the service-tip contingency were significantly and positively correlated with the average frequency of positive service behaviors they perform ( $r = .17$ ,  $n = 1171$ ,  $p < .001$ ). Separate analyses for each service behavior produced similar results (Table 2). These findings support Hypothesis 2 as well as our resolution of the "tipping-service puzzle."

The positive correlation between the perceived service-tip contingency and the service behavior index supports the idea that the perceived contingency motivates good service. Yet, it could also be due to a reverse causal effect because the service behaviors included in the index are known to increase tips (Lynn 2003). Therefore, servers who frequently perform these behaviors should earn larger tips than co-workers who perform the behaviors less often, and this difference in tip income could drive perceptions of the service-tip contingency. Furthermore, the relationship between the perceived service-tip contingency and service behaviors could be due to the confounding effects of restaurant expensiveness. Many acts in the service behavior index are too informal for high-end restaurants, so servers working at higher-end restaurants may be less likely to engage in these behaviors. Servers at such restaurants might also perceive a weaker service-tip contingency either because there is less variability in service at those restaurants or because social pressures to tip at those restaurants undermine the actual service-tip contingency.

To address these alternative explanations, the service behavior index was regressed on comparative tips, restaurant bill size, and perceived service-tip contingency (Table 3). This analysis produced significant effects for comparative tips, but not for restaurant expensiveness. More importantly, it produced a significant effect for the perceived service-tip contingency ( $B = .07$ ,  $t(1152) = 4.40$ ,  $p < .001$ ). That the relationship between perceived service-tip contingency

and the service behavior index remained significant after controlling for these factors rules out the reverse-cause and confounding explanations. Other explanations are possible, but these are the most plausible, and they are not responsible for the observed relationship. Though causal interpretations of correlational data are always uncertain, the results of this study support the idea that the performance-contingent nature of tipping motivates servers to deliver better service.

The correlations in Study 2 provide evidence for an incentive effect of tipping, but cannot be used to assess the size of the effect. If fewer servers thought that tips varied with service, that counterfactual would increase variance in the perceived service-tip contingency, thereby increasing the size of its correlations with server behaviors, but the counterfactual would also diminish the incentive effect of tipping. In order to assess the size of the incentive effect, it is necessary to compare the motivation and behavior of servers under voluntary tipping with that of servers under other policies. We designed Study 3 to permit such an assessment. In addition, Study 3 permits stronger causal inferences than those afforded by the previous studies. The study also allows us to test an important boundary condition of buyer-monitoring effects on service, namely that buyer monitoring improves customer-oriented service more than sales-oriented service when compared against other forms of outcome control.

### *STUDY 3*

In Study 3, we use a scenario-based, role-play experiment to test the effects of buyer monitoring on self-reported employee motivation and behavior. Several hundred current or former waiters and waitresses read a scenario describing a restaurant work situation that differed with regard to compensation system: voluntary tipping by the customers they serve, a service charge based on the size of the bill instead of voluntary tipping, or higher wages with no tipping.



After reading the scenario to which they had been randomly assigned, participants rated their likely motivation levels and behaviors under that scenario.

This experimental design permitted causal inferences about the processes underlying buyer monitoring as an employee control mechanism, as well as an assessment of the magnitude of effects on server motivation and behavior. In addition, Study 3 tested an important boundary condition for buyer monitoring. Recall the theoretical argument that buyer monitoring should improve server motivation and effort to personalize and customize service because low task programmability and outcome measurability make other ways of controlling these aspects of service (hereafter referred to as “customer-oriented service”) ineffective or inefficient. Sales-oriented aspects of service, however, can be efficiently motivated by outcome controls in the form of sales commissions or service charges, so tipping or other forms of buyer monitoring should be less effective at improving worker motivation and effort to engage in sales-oriented behaviors when such outcome controls are in place. In fact, such outcome controls may be more efficient than buyer monitoring in motivating sales-oriented service behavior such as suggestive selling and providing fast service. In the absence of such outcome controls, however, buyer monitoring is better than no employee control mechanism and should enhance sales-oriented motivation and behavior. This reasoning leads to the following hypotheses:

H3: Customer-oriented service motivation and behavior will be greater under a buyer-monitoring policy than under a service charge or a wages-only policy.

H4: Sales-oriented service motivation and behavior under a buying-monitoring policy will be the same or lower than under a service charge policy, but will be greater than under a wages-only policy.

## ***Method***

*Subjects.* Current and former restaurant servers were recruited for this experiment by asking a blogger who is popular among wait staff (the Waiter at waiterrant.net) to post a link to the online experiment and encourage his readers with restaurant work experience to participate. We offered participants an opportunity to win one of several \$100 Amazon.com gift certificates in exchange for their time and effort. A total of 469 current or former restaurant servers participated in the study. Sixty-six percent of these participants were female, 35 percent were 18 to 24 years old, 37 percent were 25 to 34 years old, 18 percent were 35 to 44 years old and all but one of the remainder were 45 or older. Some participants failed to answer every question, so the samples sizes vary slightly across the analyses to follow.

*Stimuli and Manipulations.* We randomly presented the subjects one of six scenarios that described a restaurant work situation (for more information, see the Web Appendix). The different versions of the scenario reflected manipulations of compensation system (tipping vs. service charges based on bill size vs. wages) and managerial supervision (low vs. high supervision). The managerial supervision manipulation had no significant main or interaction effects on the dependent measures, so we collapsed across this factor in the analyses. After reading the scenario, we instructed participants to think about what it would be like to be a server at this restaurant. Next, they completed the dependent measures, manipulation checks, and other measures as described below.

*Dependent Measures.* Participants indicated on a 7-point scale (1 = Not motivated; 7 = Very motivated) how motivated they would be under the scenario described to engage in a variety of service behaviors. These items loaded on one of two factors which we labeled “sales-oriented service motivation” and “customer-oriented service motivation” (see Table 4). The

items loading highly on each of these factors were averaged to form indices with Cronbach's alphas of .85 and .88 respectively.

Next, participants indicated on a 7-point scale (1 = Not frequently; 7 = Very frequently) how often they would perform 21 different service actions. All but one of these items loaded on one of two factors, which we labeled "customer-oriented service behaviors," and "sales-oriented service behaviors" (see Table 4). Customer-oriented service behaviors focused on providing friendlier and more customized service. Sales-oriented service behaviors focused on moving customers in and out more quickly (thus increasing the number of tables that the server can serve during the night) or increasing the size of the bill. The items loading highly on each of these factors were averaged to form indices that had Cronbach's alphas of .91 and .88 respectively. The one item that did not load on any of the factors was dropped from analysis.

*Manipulation Checks.* After completing the dependent measures, participants indicated how much they thought their pay would be affected by tips and sales. Additional manipulation checks, a measure of attitude toward service, as well as demographic data were also collected but they added little value and are not reported for the sake of brevity and clarity.

## **Results**

*Manipulation Checks.* Separate analyses of variance indicated that our manipulation of tipping policy had significant effects on the perceived dependence of pay on tips ( $F(2, 463) = 159.84, p < .001$ ) and perceived dependence of pay on sales ( $F(2, 463) = 181.61, p < .001$ ). Post hoc comparisons using least significant differences tests indicated that subjects perceived the tip policy manipulations as intended (Table 5). First, participants rated the dependence of pay on tips as significantly higher under the voluntary tipping condition than under the service charge

condition and significantly higher under the latter condition than under the wages-only condition. Although we expected the perceived dependence of pay on tips to be comparable under the service charge and wages only conditions, the significant difference between these conditions is understandable if some of the servers interpreted service charges as automatic tips. Second, participants rated the dependence of pay on sales as significantly higher in the service charge condition than in the voluntary tipping condition and significantly higher in the latter condition than in the wages-only condition. This is an expected pattern of results, as sales has a more reliable effect on pay under service charges, a less reliable but meaningful effect on pay under tipping, and no effect on pay under wages-only compensation.

*Dependent Measures.* Separate analyses of variance indicated that the tipping policy manipulation significantly affected customer-oriented service motivation ( $F(2, 466) = 33.29, p < .001$ ) and behavior ( $F(2, 466) = 29.20, p < .001$ ), as well as sales-oriented service motivation ( $F(2, 466) = 254.57, p < .001$ ) and behavior ( $F(2, 466) = 173.01, p < .001$ ). Consistent with Hypothesis 3, customer-oriented service motivation and behavior were both significantly higher under the voluntary tipping condition than under the service charge and the wages-only condition (Table 5). Consistent with Hypothesis 4, sales-oriented service motivation and sales-oriented service behavior were comparable across the voluntary tipping and service charge conditions and were significantly higher under voluntary tipping than under the wages-only condition.

To further test Hypotheses 3 and 4, we standardized customer- and sales-oriented service motivation and entered them into a mixed between/within analysis of variance with tipping versus service charge as a between-subjects variable. We performed a similar analysis on customer- and sales-oriented behavior. These analyses produced significant interactions between tipping policy and service dimension as implied by the hypotheses ( $F(1, 309) = 41.71$  and  $26.17$  for motivation and behavior respectively,  $p < .001$ ). With service charges serving as the

comparison condition, voluntary tipping improved customer-oriented service motivation and behavior significantly more than it improved sales-oriented service motivation and behavior (Table 5).

The results of this study demonstrate that compensation policies causally impact the self-reported service motivation and behavior of restaurant servers. Customer-oriented service motivation and behavior increased by about half a standard deviation under voluntary tipping as compared to service charges and increased by an even larger amount under voluntary tipping as compared to wages only. In addition, the results support a boundary condition for buyer monitoring effects on service. Theoretically, buyer monitoring should be most effective when both behavioral and outcome controls are weak. Service charges represent a strong outcome control for sales-oriented service but a weak outcome control for customer-oriented service. Thus, our finding that voluntary tipping improved customer-oriented service motivation and behavior, but not sales-oriented service motivation and behavior as compared to a service charge policy, supports this theoretical boundary condition for buyer-monitoring effects.

### ***GENERAL DISCUSSION***

This investigation applies a multi-method approach across studies that use different data sources, designs, and contexts to triangulate on the effectiveness of buyer monitoring as a control mechanism to improve personalized service. Specifically, we find consistent evidence that buyer monitoring in the form of tipping positively affects workers' motivation to perform service-enhancing behaviors as well as customers' perceptions of service. The theoretical and practical implications of these findings are discussed below along with directions for future research.

### *The Tipping-Service Puzzle*

The results of our studies highlight an erroneous conclusion in the literature on tipping. Based on the small correlation between customers' perceptions of service and the tips they leave, several scholars concluded that tipping is unlikely to motivate good service (Azar 2008; Lynn 2003; Schwartz 1997). This conclusion underlies the puzzle identified by Azar (2008) that restaurant service levels are high despite research showing that tips are only weakly related to customers' service ratings. We help to solve this "tipping-service puzzle" by arguing that the incentive value of tipping depends more on the perceived than the actual relationship between service delivered and tips earned. Servers' expectations and illusions of control may lead them to perceive the service-reward relationship to be stronger than it actually is; therefore, tipping does provide an incentive for the delivery of good service. Our findings that the majority of servers believe their tips are strongly affected by the service they deliver, that perceptions of this service-tipping contingency are related to servers' delivery of personalized service, and that voluntary tipping policies do enhance employee motivation and performance support this reasoning.

Importantly, the observed effects of tipping policies on employee motivation and performance were large enough to be practically as well as theoretically meaningful. Voluntary tipping enhanced rated service by approximately one-half and one-third standard deviations in the preliminary study and Study 1 respectively, and enhanced customer-oriented service motivation and behavior by about a half a standard deviation (or more) in Study 3. Thus, managers in service industries should think twice before abandoning voluntary tipping policies.

Of course, the consequences of tipping extend beyond its effects on customer-oriented service motivation and behavior. On the positive side, tipping plays a direct role in the customer experience, and customers prefer tipping over service charges (Lynn 2008). Tips are also a way

to separate the price of service from the price of accompanying products (e.g., meals or lodging), so it is also a form of price partitioning that may reduce consumer perceptions of expensiveness (Morwitz, Greenleaf, and Johnson 1998). This partitioning of prices also lowers nominal prices for the accompanying products, which reduces costs when channels of distribution are paid a percentage of sales (e.g., travel agents). Finally, tipping allows different customers to pay different prices for the same service, so it is a form of price discrimination, which can increase profits (see Lynn 2008; Schwartz 1997). On the negative side, tipping can motivate problematic behaviors such as (a) discrimination against groups thought to be poor tippers, (b) collusion with customers against the firms' interest by giving goods and services free of charge, (c) refusal to attend to other servers' customers, and (d) shirking collective tasks such as back-stage preparation and clean-up (Lynn 2008). Thus, there are many pros and cons to the use of tipping, and managers must weigh these considerations when deciding on compensation policies.

### ***Buyer Monitoring as an Employee Control Mechanism***

In addition to clarifying the tipping-service puzzle, our findings support the efficacy of buyer monitoring as an employee control mechanism particularly suitable for motivating friendly, personalized service. Marketing scholars argue that the interaction between workers and customers is important for overall service quality, but is difficult for service firms to control when different customers want different types of interactions with employees. If the firm's interest in delivering personalized service aligns with the customer's interest in receiving such service, firms can enlist the customer's help in monitoring and rewarding employees. Our finding that tipping improves customized services in restaurant contexts, where the relationship between service ratings and tip size is typically weak, provides empirical support for the efficacy

of tipping. As an employee control mechanism effective at enhancing an important and difficult-to-control aspect of service quality, buyer monitoring deserves more attention from marketing scholars. In particular, research is needed to identify and study other forms and consequences of buyer monitoring, as well as the conditions that affect firms' use of buyer monitoring.

*Other forms of buyer monitoring.* Tipping, which involves *direct* customer monitoring of workers and rewarding their performance with voluntary gifts of money that the customer would otherwise keep, is an efficient, pure form of buyer monitoring. There are other potential forms that involve buyer monitoring and rewarding of worker behavior, but where rewards do not come directly from the customer's pocket. Customers receiving multiple services from a team of workers, for example, could reward those workers with money from a pool that customers fund and agree will be split based on the service each worker rendered. In cases involving smaller teams or solitary service workers, something similar could be achieved by having customers distribute funds between the employees and some third party (e.g., a charity) identified as a potential recipient if customers deem service performance to be inadequate. In both these cases, the customer is rewarding employees with money that is no longer theirs because they pre-commit to giving it away to someone. The main benefit of these forms of buyer monitoring is the provision of a strong incentive for employees to satisfy the customer, while also reducing the customer's incentive to under-reward employees, as can happen with tipping. This assurance would be especially valuable when the total reward that a customer provides is large, either because many workers are involved (e.g., catered events or conventions) or because the value of the service is substantial (e.g., commissions paid to real-estate buyers' agents).

Another approach to buyer monitoring is for firms to build the cost of service into prices and let customers distribute to workers the claims to some of that money as a reward for service. Southwest Airlines, for example, tried something like this by providing its frequent flyers with



stickers to give to meritorious employees (Thomas 2008). Employees could use the stickers as entries to a lottery (whose prizes ultimately came from airfares), so each sticker was a reward to those employees who received them. This form of buyer monitoring allows customers to determine how much each employee is rewarded relative to co-workers, thus preserving the incentive to satisfy customers. The firm can also mask the total rewards distributed to employees collectively, which permits the firm to charge more for employees' labor than it pays them and thereby retaining any funds not distributed in the form of customer-granted claims to employees.

Although alternate forms of buyer monitoring like those described above are rare, they constitute an important area for future research. Certainly, there is a need for better ways to motivate customer-oriented behavior from service workers such as travel agents, real-estate brokers, and financial advisors who receive supplier-paid commissions on sales. Commissions give service workers larger rewards the higher the price customers pay, so they are a poor way to motivate workers to look out for the best interest of the customer. Other incentive schemes are needed to insure personalized service, and new forms of buyer monitoring may provide the needed incentives.

*Other consequences of buyer monitoring.* Although our research focuses on the effects of buyer monitoring on the delivery and customer perceptions of personalized service, buyer monitoring is a complex control mechanism that is likely to have other effects. For example, in addition to providing an incentive to deliver good service, buyer monitoring may selectively attract more competent and motivated service workers. On the other hand, it may also cause deleterious effects, such as encouraging workers to discriminate against some customers, undermining worker's job satisfaction and retention due to conflicts of interest, and reducing workers' willingness to cooperate with co-workers and to help with team processes that are necessary for service production. These issues are discussed below.

First, effective buyer monitoring should lead to good performers earning more than less competent and motivated workers. Thus, firms that use buyer monitoring should attract and retain workers who believe in their own competence and/or who are motivated by performance-contingent rewards. Although such selection effects have received little attention in marketing, research in other disciplines indicates that such effects are an important source of performance improvement caused by contingent compensation (Banker et al. 2000; Bouwens and van Lent 2006; Harrison, Virick, and William 1996). Thus, testing the selection effects of buyer monitoring is a potential idea for future research.

Second, buyer monitoring provides an incentive to focus service on customers who leave large tips or service-contingent tips while discriminating against others (Lynn 2008). In a restaurant context, groups perceived to be poor tippers and, therefore, likely to receive inferior service include Blacks, foreigners, teenagers, the elderly, and coupon users (Ayles, Vars, and Zakariya 2005; Harris 1995; Lynn 2004). This potential discrimination in service delivery—and means for mitigating it—deserves more research attention.

Third, buyer monitoring places employees under the control of multiple masters. Workers must satisfy management and simultaneously satisfy multiple buyer-monitors whose demands may conflict with one another or with those of management. Thus, buyer monitoring increases role conflict (Eddleston, Kidder, and Litsky 2002; Shamir 1983), which may produce deleterious effects on job satisfaction and retention (Hartline and Ferrell 1996; Singh, Goolsby, and Rhoads 1994). Effects of increased role conflict may be mitigated by the higher incomes earned by top performers under buyer monitoring (Lynn 2008), but this issue needs to be empirically explored.

Finally, buyer monitoring rewards workers for service behaviors directed at and visible to their own customers, but provides employees with a disincentive to help co-workers and to engage in important but less visible collective service tasks (Lynn 2008). These disincentives and

ways to minimize them should be conceptually and empirically studied. For example, Barkan, Erev, Zinger, and Tzach (2004) found that pooling tips decreased competitive feelings among servers and, as long as workers' could observe one another's efforts, increased service levels. More research along these lines is needed.

*Determinants of the use of buyer monitoring.* Another direction for future research is to develop and test theory about the conditions under which buyer monitoring is or should be used by firms. For example, building on the economic efficiency argument for buyer monitoring, Azar (2005) hypothesized that tipping should be more common for occupations that customers can easily monitor, i.e., those with a large personal or social component and easily assessed technical or professional component to the job. An analysis of tipped and non-tipped service occupations did not support his hypothesis, but additional research using different operationalizations of buyer-monitoring ability and prevalence of tipping, as well as different occupations, is needed before definitive conclusions about that hypothesis are justified. In addition, other propositions about the conditions that promote the use of buyer monitoring need to be developed and tested.

### ***Conclusion***

As marketing scholarship and practice evolves toward a service-centric model of marketing exchange (Vargo and Lusch 2004), interdisciplinary, theory-driven research is needed to offer new perspectives and expand the boundaries of extant principles and thought. Our adoption of the concept of buyer monitoring from economics and our evidence regarding its effectiveness is consistent with this research tradition. We offer insights from our multi-method studies to take the service-centric paradigm shift one step further by focusing on the role consumers can play as defacto managers of service production, especially for those services that

are more complex and idiosyncratic. Marketers claim that “the customer is king.” Now they need to acknowledge that he or she can also be manager or “buyer monitor.”

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## FOOTNOTE

<sup>1</sup> TIP is supposed to be an acronym formed from the words “To Insure Promptness.” However, fast service can be easily motivated with outcome controls, as we show in Study 3, so tipping is not necessary to insure promptness. What tipping does help to insure is personalized service. Thus, we suggest a new and more appropriate acronym—TIPS: “To Insure Personalized Service.”

TABLE 1  
TIPPING IS RELATED TO HIGHER SERVICE RATINGS

	B	Standardized Beta	t- statistic	two-tailed p-value
<u>Model 1</u>				
(Constant)	3.72		2.60	.011
Food rating	.55	.54	8.11	.000
Decor rating	.09	.14	1.53	.129
Restaurant expensiveness	.05	.30	2.87	.005
$R^2 = .68; F(3, 103) = 73.17, p < .001$				
<u>Model 2</u>				
(Constant)	4.11		2.94	.004
Food rating	.49	.48	6.97	.000
Decor rating	.11	.18	1.99	.049
Restaurant expensiveness	.05	.29	2.85	.005
<b>Tipping is replaced with a service charge</b>	<b>-.93</b>	<b>-.35</b>	<b>2.62</b>	<b>.010</b>
$R^2 = .70; F(4, 102) = 59.70, p < .001$				

Notes: Dependent measure is Zagat rating of service quality.

TABLE 2  
 SERVERS WHO PERCEIVE A SERVICE-TIP CONTINGENCY ARE MORE LIKELY TO  
 ENGAGE IN POSITIVE SERVICE BEHAVIORS

Behavior	n	r
Calling customers by name	1170	.16***
Touching customers	1166	.15***
Smiling at customers	1166	.15***
Attempts at suggestive selling	1161	.14***
Telling customers jokes or stories	1164	.11***
Complimenting customers' food choices	1157	.10***
Introducing oneself by name	1170	.06*
Repeating customers orders back to them	1167	.02
Writing "Thank You" on the back of checks	1166	-.02
Mean frequency of positive service behaviors	1171	.17***

Notes: Correlations are between ratings of frequency of each behavior and ratings of how large an effect service quality has on tip size, \* two-tailed  $p < .05$ , \*\*\* two-tailed  $p < .005$

TABLE 3  
EFFECT OF PERCEIVED SERVICE-TIP CONTINGENCY ON SERVICE BEHAVIOR  
INDEX REMAINS AFTER CONTROLLING FOR TIP INCOME AND RESTAURANT  
EXPENSIVENESS

Model	B	Standardized Beta	t-statistic	two-tailed p-value
(Constant)	2.61		29.75	.000
Server's tip income (relative to co-workers)	.08	.16	5.20	.000
Restaurant bill size	.00	-.04	-1.29	.186
Perceived service-tip contingency	.07	.13	4.40	.000

Notes: Dependent measure is index of rated frequency of nine positive service behaviors;  $R^2 = .05$ ;  $N = 1,156$ ,  $F = 20.81$ , two-tailed  $p < .001$ .

TABLE 4  
STUDY 3: FACTOR LOADINGS OF MOTIVATIONAL AND BEHAVIORAL MEASURES

	Customer- oriented Service	Sales- oriented Service
<b>Service Motivation Items</b>		
How motivated would you be to provide friendly, enthusiastic service to your customers at this restaurant?	.87	
How motivated would you be to ask about and remember the individualized requests of your customers at this restaurant?	.80	
How motivated would you be to modify your service routine to accommodate your customers' individual needs and wants at this restaurant?	.78	
How motivated would you be to amuse and entertain your customers at this restaurant?	.76	
How motivated would you be to try to increase per-check dollar sales from your customers at this restaurant?		1.04
How motivated would you be to try to provide fast service to your customers to turn more tables at this restaurant?		.67
<b>Service Behavior Items</b>		
Visit the table to ask your customers if they are enjoying their meal.	.81	
Smile at your customers.	.77	
Ask your customers about their tastes and preferences to then recommend dishes.	.73	
Make unobtrusive passes by the table to observe your customers' needs.	.73	
Flirt or joke with your customers to entertain them.	.68	
Compliment your customers on their meal selections.	.67	
Add special garnishes to plates to make them more appealing to your customers.	.65	
Ask your customers questions about themselves to develop stronger relationships with them.	.64	
Thank your customers for their business either verbally or in writing on the check.	.64	
Ask the chef to prepare something off the menu for a customer who requests it.	.64	
Learn and use your customers' names.	.61	
Permit your customers to substitute items in an entrée, even if the kitchen does not like to do it.	.58	

Introduce yourself by name to your customers to be friendly.	.55
Recommend specials and dishes with higher prices as your “favorites.”	.87
Attempt to up-sell your customers by suggesting additional (e.g., appetizers) or larger options (e.g., doubles).	.84
Speed up the order and delivery process to turn tables more quickly.	.81
Suggest branded selections (e.g., Bacardi) when your customers order unbranded choices.	.71
Avoid suggesting dishes to your customers that take longer for the kitchen to prepare.	.61
Ask for another server’s help to clear your tables to make them available quicker.	.60
Volunteer to serve large parties.	.59

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Notes: Pattern matrices are from separate factor analyses on motivational and behavioral items using generalized least squares as communalities and Promax rotation of two factors.

TABLE 5  
VOLUNTARY TIPPING PRODUCES HIGH LEVELS OF CUSTOMER-ORIENTED AND  
SALES-ORIENTED SERVICE

Measure	Voluntary Tipping	Service Charge	Wages Only
<u>Manipulation Checks</u>			
Dependence of Pay on Tips	5.88 <sup>a</sup> (1.71)	5.15 <sup>b</sup> (1.93)	2.29 <sup>c</sup> (1.97)
Dependence of Pay on Sales	5.54 <sup>a</sup> (1.62)	6.05 <sup>b</sup> (1.52)	2.61 <sup>c</sup> (1.98)
<u>Dependent Measures</u>			
Customer-Oriented Service Motivation	5.16 <sup>a</sup> (1.06)	4.45 <sup>b</sup> (1.30)	4.04 <sup>c</sup> (1.31)
Customer-Oriented Service Behavior	4.85 <sup>a</sup> (.93)	4.42 <sup>b</sup> (1.04)	3.91 <sup>c</sup> (1.26)
Sales-Oriented Service Motivation	5.43 <sup>a</sup> (1.03)	5.60 <sup>a</sup> (1.34)	2.82 <sup>b</sup> (1.28)
Sales-Oriented Service Behavior	4.82 <sup>a</sup> (1.06)	5.06 <sup>a</sup> (1.20)	2.92 <sup>b</sup> (1.09)

Notes: Means within each row with different superscripts are significantly different from one another at the two-tailed .05 level. Those with the same superscript are not significantly different from one another.



## Buyer Monitoring: A Means To Insure Personalized Service

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and

William T. Ross, Jr.

### **Web Appendix**

#### *BUYER MONITORING PRELIMINARY STUDY IN A LEISURE CRUISE CONTEXT:*

#### *ADDITIONAL METHOD DETAILS AND STATISTICAL RESULTS*

##### *Method*

*Data source.* Data came from Ward's (1995) *Berlitz Complete Guide to Cruising and Cruise Ships*. We selected the 1995 guide because it pre-dated the move by some cruise lines to an automatic service charge policy that complicates the assessment of tipping-policy effects on service. These guidebooks provide expert ratings of service and descriptions of tipping policies across cruise lines and ships. Cruise ships served as the unit of analysis. Service ratings of different ships in the same line were not independent, so one ship—the first in an alphabetical listing of each line's fleet—was included in the sample, resulting in a sample of 70 ships—16 operating under no-tipping policies and 54 operating under pro-tipping policies. For two cruise lines that had ships with different tipping policies, only ships with no-tipping policies were included to maximize sample size in this condition.

*Variables.* The dependent variable was an index formed by averaging two ratings: (1) Dining room service: score on a 10-point scale of the restaurant staff (“correct place settings and service, communication skills, attitude, flair, and finesse”; Ward 1995, p. 189); (2) Cabin service: score on a 10-point scale of the housekeeping staff (“attention to detail and cleanliness; in-cabin food service; linen changes; and language and communication skills”; Ward 1995, p. 189). This index had a correlation of .95.

The main independent variable was tipping policy: ships with a no-tipping policy were coded as 0 while ships with a pro-tipping policy were coded as 1. Variables used as controls included: (1) Passenger/crew ratio (number of passenger berths divided by number of crew); (2) Passenger/space ratio (ship weight in gross tons divided by passenger capacity); (3) Price category (luxury, premium, or standard: dummy coded); and (4) Dress code (adventure wear, informal/moderately conservative, formal/elegant, or casual/relaxed: dummy coded). We used available controls to isolate the effects of tipping policy on service by removing other effects from the analysis. We included passenger/crew ratio based on the expectation that a higher ratio means more passengers are serviced by fewer crew, which would inhibit service delivery. We included passenger/space ratio based on the assumption that service would be negatively affected by less space for delivering service. Finally, we included price category and dress code factors to remove effects associated with luxury and pampering service (presumably correlated with higher price) and with the types of customers these different price and formality levels might attract (i.e., more formality might elicit a higher standard of service during co-production by guests and staff).

## Results

The service index was regressed on tipping policy and the control variables, producing significant effects for several controls (Table 1), which generally supports the nomological validity of the analyzed relationships. After partialling-out these effects, we find that service ratings were higher for cruise lines with voluntary tipping vs. cruise lines with no tipping ( $B = .39$ ,  $t(61) = 2.42$ , one-tailed  $p < .01$ ), which supports hypothesis 1, that voluntary tipping policies improve service. Admittedly, the correlational nature of the data undermines our ability to make strong causal inferences. Although we controlled for the obvious confounds with available data, some uncontrolled confound could have affected both cruise lines' tipping policies and service levels, thereby creating a spurious relationship between these variables. We addressed this limitation by using different research designs in subsequent studies.

### PRELIMINARY STUDY: REGRESSION OF SERVICE RATING ON TIPPING POLICY AND CONTROLS

Model	B	t	partial r
(Constant)	6.63	22.47***	
Passenger/Crew Ratio	-.07	-.65	-.08
Passenger/Space Ratio	-.00	-.44	-.06
Luxury Line	1.06	5.24***	.56
Premium Line	.22	1.50	.19
Adventure Attire	.39	1.39	.18
Informal Attire	.81	4.88***	.53
Formal Attire	1.36	4.89***	.53
Pro-Tipping Policy (no=0, yes =1)	.39	2.42*	.30

Notes: \*  $p < .05$ ; \*\*\*  $p < .001$ .  $R^2 = .73$ ,  $N = 70$ ,  $F = 20.71$ \*\*\*

*BUYER MONITORING ROLE-PLAY EXPERIMENT (STUDY 3) SCENARIOS:  
COMPENATION SYSTEM (3 LEVELS) BY MANAGERIAL SUPERVISION (2 LEVELS)*

*[Buyer monitoring condition]:* The average per-person check is \$30, not including gratuity.

Voluntary tipping is the norm in the restaurant

*[Service charge condition]:* The average per-person check is \$30, not including a service charge of 18% that you automatically earn. Voluntary tipping by guests is not permitted (guests are informed of this on the menu and also on the dinner check).

*[Service-inclusive price condition]:* The average per-person check is \$30. Tipping is not permitted (guests are informed of this on the menu and also on the dinner check), so servers are paid an hourly wage of \$15.

*[High behavioral control condition]:* There are 6 to 8 servers per shift and one manager who spends most of the shift in the front of the house either at the bar or on the dining room floor; consequently, you are closely watched by the manager, who routinely gives cash bonuses to those servers he can see doing the best job.

*[Low behavioral control condition]:* There are 6 to 8 servers per shift and only one manager who spends most of the shift in a back office and infrequently visits the dining room floor; consequently, you are not closely watched by the manager.

*BUYER MONITORING ROLE-PLAY EXPERIMENT (STUDY 3) SURVEY INSTRUMENT*

Please carefully read the scenario below and imagine that you are employed in this service context.

You are a waiter/waitress at a restaurant that seats 180 customers at 40 tables. The restaurant attracts customers with diverse needs and preferences, so the menu has a wide variety of dishes. Guest flow is consistent through the dinner shift, with tables turning 2 to 3 times. Customers are seated on a rotating basis to ensure fairness to all servers.

The average per-person check is \$30, not including gratuity. *[Insert compensation condition].*

*[Insert managerial supervision condition].*

Take a moment to think about what it would be like to be a server at this restaurant.

Please answer the following questions by taking the perspective of an employee in the service context just described.

1	2	3	4	5	6	7
Not						Very
Motivated						Motivated

- ❖ How motivated would you be to try to increase per-check dollar sales from your customers at this restaurant?
- ❖ How motivated would you be to modify your service routine to accommodate your customers' individual needs and wants at this restaurant?
- ❖ How motivated would you be to amuse and entertain your customers at this restaurant?
- ❖ How motivated would you be to try to provide fast service to your customers to turn more tables at this restaurant?
- ❖ How motivated would you be to provide friendly, enthusiastic service to your customers at this restaurant?
- ❖ How motivated would you be to ask about and remember the individualized requests of your customers at this restaurant?

For the next set of questions, keep in mind the service context described previously as you consider how frequently you would engage in the following behaviors:

How frequently would you engage in these actions as a server at this restaurant?

1	2	3	4	5	6	7
Not Frequently						Very Frequently

- ❖ Learn and use your customer's names
- ❖ Recommend specials and dishes with higher prices as your "favorites"
- ❖ Make unobtrusive passes by the table to observe your customers' needs
- ❖ Speed up the order and delivery process to turn tables more quickly
- ❖ Flirt or joke with your customers to entertain them
- ❖ Permit your customers to substitute items in an entrée, even if the kitchen does not like to do it
- ❖ Attempt to up-sell your customers by suggesting additional (e.g., appetizers) or larger options (e.g., doubles)
- ❖ Volunteer to serve large parties
- ❖ Ask your customers about their tastes and preferences to then recommend dishes
- ❖ Ask for another server's help to clear your tables to make them available quicker
- ❖ Introduce yourself by name to your customers to be friendly
- ❖ Smile at your customers
- ❖ Add special garnishes to plates to make them more appealing to your customers
- ❖ Compliment your customers on their meal selections
- ❖ Avoid suggesting dishes to your customers that take longer for the kitchen to prepare
- ❖ Bend or kneel down when taking orders from your customers
- ❖ Ask your customers questions about themselves to develop stronger relationships with them
- ❖ Visit the table to ask your customers if they are enjoying their meal
- ❖ Suggest branded selections (e.g., Bacardi) when your customers order un-branded choices (e.g., rum)

- ❖ Thank your customers for their business either verbally or in writing on the check
- ❖ Ask the chef to prepare something off the menu for a customer who requests it

Please answer the following questions based on your perceptions of the work environment in the service context described previously.

How much attention do you think the manager will devote to each waiter?

1	2	3	4	5	6	7
Very little attention						Very much attention

How able is the manager to observe your efforts to provide friendly service to your customers?

1	2	3	4	5	6	7
Not at all able						Very able

How able is the manager to observe your efforts to provide customized service that fits your customers' individual needs?

1	2	3	4	5	6	7
Not at all able						Very able

Again, please answer the following questions based on your perceptions of the work environment in the service context described previously.

1	2	3	4	5	6	7
Not at all affected		In this specific service context				Very affected

- ❖ How much do you think your pay will be affected by the tips you earn?
- ❖ How much do you think your pay will be affected by your efforts to accommodate your customers' individual needs and requests?
- ❖ How much do you think your pay will be affected by your dollar sales (i.e., the size of your customers' bills)?
- ❖ How much do you think your pay will be affected by the number of hours you work?

- ❖ How much do you think your pay will be affected by how much you increase sales and the size of customers' checks?
- ❖ How much do you think your pay will be affected by the level of friendly, enthusiastic service you provide to your customers?
- ❖ How much do you think your pay will be affected by customers' perceptions of the quality of service you provide?
- ❖ How much do you think your pay will be affected by how fast you are in providing service to your customers?

This final set of questions will tell us a little more about you, though your personal identity will remain anonymous.

Have you ever been employed as a restaurant waiter/waitress before?

No

Yes

Where is/was your most recent place of employment as a waiter or waitress?  
Please type your responses in the boxes below.

Restaurant

City

State

Country

What is your gender?

Male

Female

Are you a U.S. citizen?

No

Yes

What is your approximate age?

Listed below are statements that may or may not describe your attitudes, beliefs, and/or behaviors as a waiter/waitress. Please indicate how strongly you agree or disagree with each statement using the scale provided.



1	2	3	4	5	6	7
Strongly disagree			Neutral			Strongly agree

- ❖ Even if I have to deviate from the job instructions, I know that it is my responsibility to satisfy clients
- ❖ I have all the knowledge I need to perform well at work
- ❖ I like to give something extra
- ❖ If a client asks for something which in reality is outside my field of responsibility, I feel it is my duty to help if I can
- ❖ If I cannot keep my promises to the client, I always tell him the truth
- ❖ I do not need to be polite with impertinent clients
- ❖ If a client asks for something that is outside the scope of my job, I always do my best to satisfy him anyway
- ❖ Even when clients are “difficult,” I always try to behave politely
- ❖ It is important for me to try to understand individual clients’ precise needs
- ❖ I feel confident that I know my job

Thank you for taking the survey. To be eligible for the \$100 Amazon.com prize drawing, please click the link below, which will take you to a new Web page that is not connected to your previous survey responses.

*BUYER MONITORING ROLE-PLAY EXPERIMENT (STUDY 3) SURVEY DATA*

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
Condition	469	3.54	1.70
Managerial Supervision	469	.53	.50
Tipping Policy	469	2.01	.82
Motivated to increase sales	469	4.32	1.97
Motivated to modify service routine for customers	469	4.47	1.51
Motivated to amuse and entertain customers	468	4.12	1.55
Motivated to provide fast service to turn tables	466	4.88	1.82
Motivated to provide friendly, enthusiastic service	466	4.99	1.43
Motivated to satisfy individualized requests	467	4.61	1.59
Learn and use customers' names	469	3.72	1.73
Recommend higher priced dishes	467	4.35	1.92
Make unobtrusive table passes to observe needs	463	5.08	1.45
Speed up order and delivery to turn tables	462	4.55	1.84
Flirt or joke with customers	463	4.27	1.56
Permit customers to substitute items	465	4.07	1.67
Attempt to upsell	469	4.50	1.93
Volunteer to serve large parties	462	4.05	2.22
Ask about preferences to recommend dishes	468	4.24	1.71
Ask for help to clear tables faster	466	3.95	1.87
Introduce oneself by name to be friendly	468	4.81	1.92
Smile at customers	467	5.70	1.44
Add special garnishes to plates	467	3.59	1.77
Compliment customers on meal selections	466	4.11	1.72
Avoid dishes that take longer to prepare	467	3.94	1.76
Bend or kneel down when taking orders	463	2.74	1.76
Ask customers about themselves	467	3.24	1.66
Visit the table to ask customers if they are happy	463	5.31	1.51
Suggest branded selections	466	4.49	1.99
Thank customers for their orders	468	5.45	1.64
Ask the chef to prepare special orders	468	3.52	1.83
Manager attention devoted to servers	468	3.19	1.57
Ability of manager to observe friendly service	466	3.78	1.89
Ability of manager to observe customized service	468	3.13	1.55
Pay affected by tips	466	4.43	2.43
Pay affected by efforts to satisfy customers' needs	467	3.50	2.10

Pay affected by dollar sales	466	4.72	2.29
Pay affected by hours worked	461	5.58	1.69
Pay affected by increasing sales and bill size	465	4.60	2.24
Pay affected by friendly service	467	3.77	2.06
Pay affected by quality of service delivery	465	3.92	2.20
Pay affected by service speed	466	4.29	2.15
SO: My responsibility to satisfy clients	465	5.76	1.15
SO: Have all knowledge for job performance	468	5.88	1.21
SO: Like to give something extra	461	5.88	1.12
SO: Duty to help	465	5.38	1.27
SO: Tell the truth	467	5.52	1.38
SO: Do not need to be polite	466	3.21	1.60
SO: Do best to satisfy requests	468	5.24	1.26
SO: Behave politely with difficult clients	466	5.75	1.08
SO: Important to understand clients	467	5.61	1.20
SO: Confident that I know job	467	6.36	.93
Customer-Oriented Service Motivation	469	4.55	1.31
Sales-Oriented Service Motivation	469	4.61	1.77
Sales-Oriented Service Behavior	469	4.26	1.47
Customer-Oriented Service Behavior	469	4.39	1.15