

Jui Chi Chang and Chui-Peng Chiu

# Perceptions of package tour providers about tipping in Taiwan

## Abstract

*Tipping is not customary for the general public in many countries and this subject has impaired both tourism professionals and consumers. Numerous researches have indicated that customers tip because of the level of appreciation they have received. However, the reasons customers tip change over time. A study of service providers in Taiwan about why tourists tip was conducted. The aim of the study was to examine the factors that may influence tour participants to tip tour leaders when participating in a guided package tour. The qualitative approach - first Internet discussions, followed by semi-structured interviews with travel agencies and tour leaders - was adopted for data collection. This study identified five factors - social pressure, selfish economic behaviour, perceived equity, service performance, and company's tipping policies - as key influences on tour participants' tipping propensity. Among them, travel agencies' tipping policies, selfish economic consideration, and social pressure have the greatest likelihood in making tourists tip. This study contributes to the considerable literature on tipping and can assist travel agencies in Taiwan to draw up appropriate tipping policies. It is expected that this research will also offer a tipping framework for further exploration.*

## Keywords:

*tour leader; travel agency; package tour; tip; economic consideration; Taiwan*

## Introduction

Traditionally, it is believed that a tip should be offered spontaneously and individually based on the level of appreciation customers received (Brown, & Rolle, 1991) and should not be treated as obligatory. However, the reasons customers tip change over time. An economic phenomenon has commonly become the main reason nowadays. Azar (2004) indicates that the practice of tipping is a multi-billion-dollar phenomenon that challenges the selfish economic managers who have no feelings and do not care about social norms. For example, many restaurants have included a fixed service charge to a dining bill and tips are still expected (Dewald, 2003). The contradiction between voluntary behavior and economic consideration causes a conflict between tippers and service workers, particularly when tips have become an expected part of employees' incomes in the service industries (Star, 1988) and service workers perceive tips as a bonus on top of wages (McCarty, Shrum, Conrad-Katz, & Kanne, 1990). Mainland Chinese revealed that they were forced to tip local guides when

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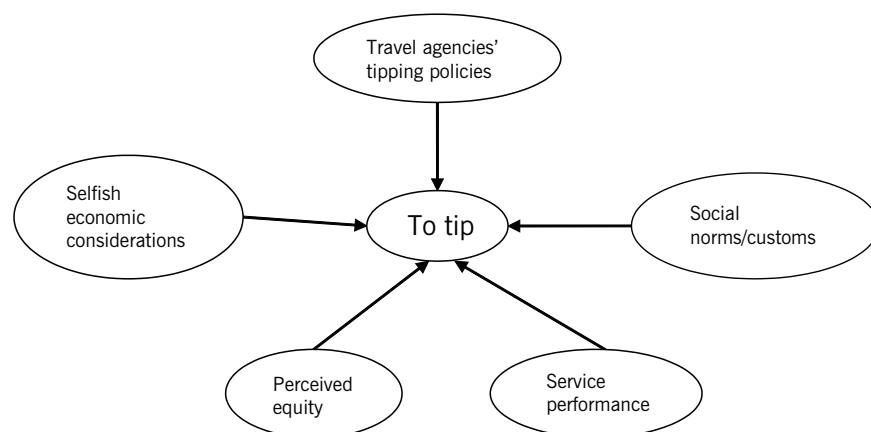
traveling to Hong Kong (Dewald, 2001) and a large number of Taiwanese tourists felt that they were pressured to leave a tip, being asked to tip in advance or setting fixed amounts for tips (Travel Quality Assurance Association R.O.C., 2005). The conflict also raises questions about the factors that affect people to tip and how, when, and how much a tourist should tip.

Numerous research papers on tipping are related to the restaurant sector, but tipping behavior in restaurants is different from other service sectors and more studies in other sectors can enhance our understanding of the mechanism of tipping (Koku, 2005). Callan and Tyson (2000, p. 243) state that “tipping behavior is a subject worthy of further study and knowing the factors which motivate consumers to tip or not will benefit both service workers and their managers.” Guided package tours have become popular for specific market segments and represent a significant tourism market (Mancini, 1996). However, not many studies on tipping have been done on guided package tours and the factors that influence tourists to tip are less known. This study aims to examine the factors that may influence tour participants to tip when taking part in a guided package tour.

## Antecedents of tipping

The practice of tipping is not universal and is different from business to business. Customers might not tip due to their cultural background or other reasons (Lynn, 1997). One premise that may aid in understanding the factors that affect customers to tip is derived from the ‘social exchange theory’ (Emerson, 1976). The theory has roots in economics, psychology and sociology. Social exchange theory posits that human relationships are formed depending on our perceptions of the balance between what we put into the relationship and what we obtain out of it, the sort of relationship we earn, and the likelihoods of having a better relationship with others. The theory suggests that people tend to return benefits given to them in a relationship. A relationship has ‘give and take’ which may be related to the balance of service performance, social relationships, economic considerations, and the feeling of equity. Along with the theory, the involuntary/voluntary aspect of tipping raises questions about why a customer should tip. These questions have been addressed either explicitly or implicitly in much of the academic writing on tipping. Literature has suggested that the practice of giving tips is related to several potential reasons: social norms/customs, selfish economic considerations, perceived equity, service performance, and company tipping policies (see Figure 1). These reasons will be now discussed in more details.

Figure 1  
FACTORS WHICH INFLUENCE CUSTOMER TIPPING



## Social norms/ customs

Tipping is common in the United States and the UK (Azar, 2004) but tipping is not customary in many Asian countries (Dewald, 2001), even though the tipping phenomenon is gradually changing and may become more acceptable. Cassey (2001) points out that tipping has been regarded as a social norm which is providing anticipated behavior guidelines recognized by customers and service providers. Although the practice of giving tips does not involve legal obligation, people tend to obey social norms and avoid embarrassment or disapproval, since humans are social animals with deep-seated needs for self-esteem, and the esteem from their fellows (Baumeister, & Tice, 1990).

Based on the norm, leaving tips is not always a voluntary behavior. In Europe and Asia, the mandatory service charge has been a common gratuity to service providers. These social norms also provide a guide of how much the service providers should be tipped and who to tip. In the USA and Egypt, it is customary to tip a large number of service workers (Lynn, 2000); in the USA millions of service workers in restaurants, hotels, cruise ships, bus companies, and taxi drivers depends heavily on tip income (Wessels, 1997). In contrast, in countries like Denmark and New Zealand, it is customary to tip only a few service professions (Lynn, 2000). While comparing all the environments worldwide, it seems that tipping in restaurants and hotels are the most common practice.

Tipping propensity is related to tippers' cultural background (Lynn, 1997) even though people may tend to abide the social norms in a particular establishment. Shamir (1984) reveals that tipping is less widespread in countries where the general public places a higher value on status. Callan, and Tyson (2000) find that tipping as a means of showing status is significantly more important to the Italians when compared with English, and Italians seem to be more generous in tipping waiters/waitresses than the English are. Additionally, Britons are embarrassed about receiving tips, whereas Americans may react rudely if no tips are given (Lyons, 1994). It may be easier to persuade Asian consumers to tip more since Asian people tend to be obedient and submissive to a group leader, authority or elders (Reisinger, & Waryszak, 1994). Taiwanese people tend to 'save face', their own and of others, to maintain social harmony (Komin, 1990). They are more likely to tip in front of others/service providers when on the tour due to the feeling of social pressure.

## Selfish economic considerations

Social custom suggests that customers leave tips as an incentive or reward for good service (Lynn, & Gregor, 2001). The intention causes a few researchers to believe that tipping is coherent with selfish behavior of tippers (Kahneman, Knetsch, & Thaler, 1986; Lynn, & Grassman, 1990). Tse (2003) claims that, based on the economic principle, people should never pay more than they need to. This is particular true in the travel industry. Unlike tipping in the restaurant where tips are based on the bill size and tend to be a small amount, in the field of tourism, tip amounts are based on days of travel. The tips given by each tour member can accumulate to substantially large amounts when he/she travels more days or in case of a family who are traveling together. This again brings up questions, for example, whether children/infants should tip half the amount of an adult (Chang, 2003), and whether the amount of customers' tips should include the first and the last day of a tour if the tour departs in the evening and arrives home in the morning.

In order for tipping to function as an incentive, customers may tip service workers before receiving any services, and some tippers consider tipping in advance will improve the service they get in the future (Hsieh, & Wu, 2007). Similarly, service pro-

viders believe tips can motivate them to provide better service, and expect to get tips beforehand to avoid disappointment by providing more service than the customer's expectations. Many restaurants/hotels obtain part of the tips from their tipped workers (Azar, 2004) for compensation of providing lower price or as a secondary source of the companies' income. Hence, the primary function of tipping for the incentive mechanism is weakened by the development of objectionable social customs – mainly for economic purpose (Israeli, & Barkan, 2004). Increasing number of service workers do not regard tipping as a voluntary behavior. Instead, they perceive tipping as a mandatory service charge and expect to get the full amounts from each tipper (Dewald, 2003). The phenomenon can be found in Mainland China where it is common practice for Mainland Chinese tour groups to add a gratuity charge to the total bill (Dewald, 2001). Callan, and Tyson (2000) also reveal that tipping in the UK is now slowly being replaced by service charges and many believe that this trend will increase substantially.

## Perceived equity

The notion of equity is a core part of the social exchange theory (Emerson, 1976). Although the feeling of equity is related to the service quality, the judgment of fairness is very subjective and involves characteristic tangible and intangible elements (Oliver, 1997). Oliver (1997) introduces the role of equity in consumer satisfaction which indicates that the entity of equity involves two comparisons: person-to-person and person-to-merchant comparisons. Theory of equity suggests that equity is achieved when one person's ratio of outcomes to inputs is equal to that of another (Adam, 1963). Lynn, and Grassman (1990) identify three possibilities that people tip in order to buy 1) social approval, 2) equitable relationships and/or, 3) future service. Accordingly, Lynn, and Graves (1996) claim that a desire for equitable relationship influences the level of tip size. The theory predicts that the amount of tips given is related to service quality since consumers seek to maintain an equitable relationship with their service providers (Lynn, & Graves, 1996; Walster, Berscheid, & Walster, 1973). When unfairness exists, the individuals feel discomfort and will try to find ways to get equity (Wheeler, 2002) – tip less to show their dissatisfaction. Israeli and Barkan (2004) suggest that customers and service providers are involved in a tit-for-tat interaction – good service generates high tips and bad service causes low tips. Personal service quantity and quality should then be rated to tip sizes. For example, the frequencies of customer-server contact may play a significant role on tipping propensity. Lynn, and Gregor (2001) consider that more prolonged contact between the customers and the service providers creates social pressure that may simply overwhelm service considerations and make customers tip more. Furthermore, researchers have found that the size of the dining party has an inverse relationship to the tip size (Deward, 2003; Freeman, Walker, Borden, & Latane, 1975; Lynn, & Latane, 1984). This phenomenon can be explained by the equity theory – the larger the party, the less energy a waitperson can serve on each person at the table (Snyder, 1976). Unlike the service in a restaurant or a hotel, which is normally one on one, or one to a few services, Chang (2006) states that in a package tour, tour participants might not feel obliged to tip the full amount to the tour leader due to the unequal amount of service given; some do not feel that they have received enough attention because they have had to share the service with others. Apparently, customers take into consideration the relative time and effort required per dollar of service to serve to the party (May, 1980).

## Service performance

Consumers will come to a decision on the size of their tips with the quantity and quality of the service they receive. Many researches have found a positive correlation between tip sizes and service evaluations (Bodvarsson, & Gibson, 1999; Lynn, & McCall, 2000). Based on the social custom and psychological theory, it is certain that the better service quality customers receive, the more they tip (Lynn, & Grassman, 1990). Economists claim that tipping exists because it is the most cost-effective way of stimulating service providers to deliver good service (Bodvarsson, & Gibson, 1999). Nevertheless, not all the researchers consent unanimously. Researches have indicated that the relationship between tip-size and quality of service is weak (Dewald, 2003; Lynn, & Grassman, 1990; Lynn, & McCall, 2000; Oliver, & Swan, 1989). For example, Tse (2003) considers that tip size is influenced by the amount of deviation between the actual and expected level of service quality, rather than the absolute level of service quality. Israeli, and Barkan (2004) suspect that the weak correlation between service quality and tips may be attributed to the different methodologies applied in different studies. Since service quality may be rated by customers, service providers, and some third parties (Lynn, & McCall, 2000), the results may be significantly different owing to the benefits sought. Israeli, and Barkan (2004) conclude that when rated by customers, service quality has been found to be positively related to tip size, but such a positive relationship becomes weak when service quality is rated by the server or by some third party. Theoretically, consumers tip friendly service providers more than less friendly service providers (Lynn, & Grassman, 1990), Chang (2006) reflects that tourists are more satisfied if they have good interaction with the tour leader. This may motivate tourists to tip more or at least tip the full amount recommended by the travel agencies. Even though the proposition of the weak relationship may be true, the result which emerges may be because of the interference of other factors, such as social norms or a company's tipping policy.

## Company tipping policies

Very often service providers believe that tips can act as a motivator for job performance (Holloway, 1985; Lynn, & Grassman, 1990). However, companies often make their tipping policies in line with their economic benefits or service policies. Based on past tipping research in the restaurant industry, Israeli, and Barkan (2004) propose three tipping strategies for the service providers and customers, which are fixed percentage, fixed dollar amount, and tit-for-tat. Travel agencies have adopted similar strategies – mandatory service charge (including tips on the price of tour), fixed percent/dollar amount (recommend a fix amount of tip per person per day based on different overseas destinations), and tit-for-tat (voluntary payment based on the performance of the tour leader). In many European and Asian countries, such as the UK and Hong Kong, a mandatory service charge is added to a bill as a means of raising additional revenue to employees' wages (Callan, & Tyson, 2000). In the USA, consumers are advised to leave 15 per cent of the bill to the restaurant waiters/waitresses (Star, 1988), even though most Americans strongly favor voluntary tipping (Edwards, 1988). Apart from the recommended amount of tips set by the individual travel agencies, their tipping policies may also include when, how, and from whom tour leaders may collect their tips, whether they can mention their tips to tour participants, collecting tips for bus drivers and local guides, and other related issues.

Should consumers still tip if they do not receive satisfactory service? Economists consider that people are sensitive with cost-effective balance (Bodvarsson, & Gibson, 1999) and may tend to tip less if the service received is below standard. However, psychologists argue that even though people are socialized and tend to maintain a reasonable balance between the benefits they receive from a relationship associate and the benefits they deliver to that associate (Walster, *et al.*, 1973), they may still tip

more in order to avoid psychological embarrassment (Azar, 2004). Azar (2004) argues that tippers' internal social pressures and negative feelings of guilt will force them to tip the service providers with suggested amounts of gratuity (Azar, 2004). Weaker social pressures to tip service providers (for example, a short-term contact with hotel bellmen) may give consumers greater freedom to consider service when deciding how much to tip (Lynn, & Gregor, 2001). On the contrary, a stronger social pressure like a long-term contact between tourists and the tour leader/the travel agency may leave consumers little option as to how much to tip. In conclusion, each of the components might be suppressed or heightened depending on a particular tourism situation. Consumers will finally come to a decision with different influential variables.

The reasons customers tip change over time, and the customers' tips may not be because of the level of appreciation they have received. Research on tipping behavior in the travel industry is less known. Considerations about this subject have impaired both tourism professionals and consumers. This study investigates how tour leaders in Taiwan perceive the issue of tipping. The main question of this research is, which factors have significant impacts on tourists to tip.

### RESEARCH METHODS

The main question of this research is, which factors have significant impacts on tourists to tip. Research on tipping behavior in the travel industry is less known. Considerations about this subject have impaired both tourism professionals and consumers. A two-staged data collection was applied and service providers' opinions were the subject for investigation. Hence, in the first stage, Internet discussions were used to discover general opinions regarding the related factors on tipping propensities. In the second stage, a supply-side study of tourists' tipping propensities was adopted in Taiwan. Semi-structured interviews with travel agencies and tour leaders were chosen as an appropriate data collection method.

## Data collection and findings from Internet discussions

Data collection in the first stage was from Internet discussions. The purpose of limited Internet discussions was to investigate a fundamental belief of the general public on related tipping issues and to find related reasons that may affect tour participants to tip. Questions for the Internet discussions were derived from reviewed literature and were posted on <http://tw.knowledge.yahoo.com/> for 1 month - until no new respondents were found. Responders who had participated in at least one package tour were asked to join the discussions. A total of 24 respondents joined the discussions and 18 (including 8 males and 10 females with average age of 25) useable respondents were retained for data analysis (6 respondents who had not participated in any overseas guided package tour were excluded). The web site provides a convenient discussion with consumers. The respondents could answer questions freely without feeling pressured. The open-ended questions in a semi-structured format for the Internet discussions include demographic information, perceptions toward tipping, opinions about travel agencies' tipping policies, and tip amounts in relation to tour leaders' performances.

Based on Internet discussions, respondents' opinions regarding tipping were diverse but the findings provided significant contributions. Respondents revealed that collecting tip in advance is not a respectable practice since the tour leader has not provided much service to that point and may not work hard after receiving tips. More respondents believed that children should only tip half the amount even though a couple of respondents indicated that the tour leader was helpful in taking

care of their children. More respondents considered it to be reasonable to tip for only one day rather than two days if the tour departs in the evening and arrives home in the morning because the tour leader does not provide service when on the airplane. In contrast, two respondents who work in the travel industry expressed more sympathetic viewpoints – they believed tour leaders deserve to have two days tips as the service tour leaders provided started far earlier than the time of the tour departure.

It is interesting to note that a few respondents considered it was a good practice to include tips in the price of a tour for several reasons - convenience, to avoid embarrassment (spoiling the atmosphere), and as sympathy for the low salary of tour leaders. In spite of this, the majority did not consider this practice appropriate. Furthermore, half of the respondents considered that tipping was a kind of international etiquette and tour participants should tip the tour leader. They had no objection to tip tour leaders but they insisted that tipping should be a voluntary expression. Numerous respondents indicated that they were not satisfied with travel agencies' policies because the tipping policy was not clear. One respondent emphasized that the tipping policy of the travel agency, in fact, forces tourists to tip.

With regard to tour leaders' service performance, three respondents emphasized that they will only tip the tour leader who has provided good service. Many, in fact, pointed out that they would like to tip more if the tour leader gave good service performance. It is interesting to know that a few respondents revealed that tour leaders' physical attractiveness is very important and will influence the tip size. The data concluded that tour leaders' service performance is an important factor in influencing their propensity to tip. In conclusion, these respondents are highly concerned about tour leaders' service performance and the entity of equity, although their intentions to tip are influenced by social approval (sympathy) and the travel agencies' tipping policies. One respondent's statement reflects the scenario:

*"I thought giving a tip should be a voluntary action. But after I joined a group tour, somehow I could feel the pressure there and I then realized that the tip is an important part of a tour leader's salary. I would feel bad if I did not tip the tour leader properly."*

Based on the findings, consumers, indeed, are sensitive with cost-effective balance and their tipping propensity is positively related to service performance (Bodvarsson, & Gibson, 1999). They seem to perceive equity as a vital indicator in influencing tip amounts, which supports the proposition of a tit-for-tat interaction (Israeli, & Barkan, 2004). However, a paradox exists regarding performance and tip amounts. Tourists' perceptions toward tipping seem to be the same as restaurants' patrons – conceptually they think tipping should be a voluntary behavior but in reality they tip the suggested percept amounts to waitresses/waiters. The ambiguous findings also suggest that the social exchange theory is an appropriate alternative to explain tourists' tipping behavior even though maintaining social harmony (Komin, 1990) and the feeling of empathy for service providers (Azar, 2005) may alter tourists' attitudes toward tipping. The notion of including a tip in the price of a tour to avoid embarrassment or disapproval (Baumeister, & Tice, 1990) shows that the reason some tourists tip is based on social pressure rather than social norms. Nevertheless, what is considered a reasonable tip amount concerned most tour participants. A company's tipping policy usually plays a standard guideline. Although respondents claim that travel agencies' tipping policies do not play a crucial role in influencing their tipping propensity, psychologically, they do and are also affected by the social pressure of others including tour leaders (ethical persuasion).

## Data collection and findings from interviews

Interviews with travel agencies and tour leaders in Taiwan were conducted in the second stage. A pilot study which included face-to-face interviews with 4 managerial staff and 4 tour leaders was conducted prior to the formal interviews. The purpose of the pilot study was to examine the feasibility of the interview technique, since questions involve the sensitivity of forcing customers to tip. It was also used to refine and examine the reliability of interviewed questions and facilitate the researcher's interview skills. Several interview questions were modified after the pilot interviews. For example, if the practice of a 'per diem' (the allowance given to a tour leader who escorts a tour overseas) or 'head tax' (a fee charged by the travel agency to a person for the privilege to lead an overseas tour) are used by travel agencies.

With limited resources and the sensitivity of the topic, a snowball sampling selection of 14 travel agencies was carried out after the pilot study. To ensure that the sampled travel agencies were representative and not too small in size, travel agencies with multiple branches were required. These travel agencies also had to be members of the Travel Quality Assurance Association to ensure that they were qualified to a certain standard. Due to the above delimitations, busy schedule of interviewed managerial staff/tour leaders, and the sensitivity of the topic, great efforts were used to find the volunteers.

Based on the 14 travel agencies, 28 tour leaders were chosen for interview (2 from each participating travel agency). The semi-structured, face-to-face interviews with the 14 travel agencies' managerial staff who were responsible for the company's tipping policies were conducted first. A phone call was made before the interview to ensure that they knew the subject and that they were aware their comments would be tape-recorded but would remain confidential. Each interview lasted about 30 minutes and took place in the office of the travel agency. The questions for formal interviews were based on the reviewed literature, current cases of tipping disputes (Travel Quality Assurance Association R.O.C., 2005) and the results of the pilot study. They were asked the following 5 general questions regarding their tipping policies: 1) What is your company's tipping policy in general? 2) How do your tour leaders collect their tips? 3) How much tip should children be charged and should the tip for the first day and last day be included? 4) Does your company include tips in the price of a tour? 5) According to your knowledge, do you think your customers are satisfied with your tipping policy and whether your tour leaders are satisfied with the tips they have received?

The next step was semi-structured, face-to-face interviews with 28 tour leaders. After interviewing 28 tour leaders, the researcher decided to stop conducting further interviews since the results from the interviewees were rather similar to each other (Pyrzczak, 2005). The interviewed tour leaders should have at least 2 years of escorting outbound package tour experiences. They were asked the following 5 general questions regarding their perceptions toward tipping: 1) When do you think is the most proper time for tip collection? 2) How much tip should children be charged and should the tip of the first day and last day be included? 3) Do you think it is appropriate to include tips in the tour price? 4) According to your experience, are you satisfied with your company's tipping policy and are you satisfied with tips you have received? 5) What factors do you think affected the tip amounts you have received?

Tape-recorded data and notes were in Chinese and were transcribed in verbatim format right after each interview to ensure accuracy. Interview-notes were analyzed using content analysis. A coding scheme was derived based on the transcripts from the interviews. A cut and paste approach was adopted and was further examined



by an external examiner, who is in the tourism field, to avoid the potential bias of misinterpreting the recorded response and help to verify the emergent themes from coding process.

According to the interviewed managerial staff (IMS) and tour leaders (ITL) surveyed, five key variables - social norms, service performance, perceived equity, company policies and selfish economic considerations - were examined and identified and discussed in turn.

### **SOCIAL NORMS**

The scheme of tipping has been practiced for years in Taiwan and the general public has known that they have to tip the tour leader when participating in a guided package tour. Even though, many questions still remain uncertain. For example, should tour participants abide by the suggested tip amounts? Should they tip if the service performance and quality of the tour are not expected? IMSs revealed that their tour leaders were satisfied with their company's tipping policies and had received reasonable amounts of tips. The majority of the ITLs confirmed that they did receive tips within a reasonable range, unless the quality of their service was truly questionable. Conversely, most ITLs considered that Taiwanese people do not view tipping as a custom so they often hope to save their tips if possible. The explanations for the inconsistency are twofold. It seems that to tip is an unavoidable fashion, but psychologically, customers will not tip unless they were told. The other possible answer why customers are unwilling to tip might be related to the quality of the tour. One IMS stated that customers nowadays are more or less familiar with the scheme of tipping. However, if complaints are filed about tipping, they are usually related to the tour leaders' job performance, flight problems, and the issue of children. Two IMSs indicated that Taiwanese tourists are concerned about 'mien-tsu' (saving face) of others and themselves and would not refuse to tip the tour leader in front of the group, but they would complain to the travel agency after the tour if something has gone wrong. During the interviews, tour leaders were asked what factors influence Taiwanese travelers to tip. The results showed that travelers' desire for good service is the most crucial determinant when it comes to tipping, followed by travel agencies' tipping policies. The social norm was not regarded as an important factor by the tour leaders.

### **SERVICE PERFORMANCE**

Tour participants are expected to give the recommended amount of tips. Tour leaders' opinions regarding whether tour leaders' service performance affects tip amounts remain inconsistent. A few ITLs indicated that receiving less than the recommended amount depressed them. However, they believed that as long as they fulfill their duties and responsibilities and maintain a certain level of quality of service, it is not hard to collect enough tips at the end. They also considered that building good interaction with the tour participants is one of most important factors in influencing the tip amounts. As one ITL stated "*long-haul destination tour leaders who have more interactions with their tour members typically receive more tips than short-haul destination tour leaders.*" However, more than half (15 out of 28) indicated that there is no direct relationship between the tip amount and service performance, since the fixed tip amount has been recommended and the majority of tour participants will not tip more than the recommended amount. One ITL said that "*if the amount of the tip were really directly related to his job performance, then I would certainly be more willing to provide better service to earn more tips.*"

## PERCEIVED EQUITY

The form of tip collection engaged by tour leaders has an impact on the feeling of equity. What are better practices for tip collection is still open to discussion. For instance, where (in the room or on the bus), when (pre-tour, on-tour or post-tour) and how (with bare hands or with an envelope) to collect tips are more appropriate. Although the majority of IMSs and ITLs considered that the best place for collecting tips is on the bus, it is interesting to know that some ITLs collected their tips in customers' hotel rooms (some tour leaders visit tour members after they check into their hotel rooms to ensure they are comfortable with the room). Those tour leaders argued that it is convenient for them to collect tips when they are checking on tour participants' hotel rooms. Overwhelmingly, IMSs and ITLs regarded the last day of the tour as the most appropriate time to collect tips. However, two IMSs indicated that the third day of the tour is acceptable and one even considered it is acceptable to collect the tip on the first day of the tour. In terms of how to collect tips, numerous ITL indicated that they provide each tour participant with an envelope for tip collection. One ITL revealed that he would write down the amount of the tip on an envelope and asked tour participants to tip when on the bus. However, many IMS indicated that it is up to tour leaders' experiences and the circumstances, as long as tour members do not complain to the company. However, two IMSs explicitly stated that they would not allow tour leaders to make use of any forms to force customers to tip.

With regard to whether children/infants should pay tips, the majority of the respondents (12 IMSs and 24 ITLs) considered that children should pay the full amount since they demand more attention. Only two IMS considered that infants should also pay the full amount. However, several ITLs indicated that if tour participants asked for half the amount for children and infants, they would not force them but will try to convince them to tip the full amount.

The departure flights on low price package tours and long-haul package tours in Taiwan tend to be in the evening or late afternoon and the arrival flights back to Taiwan tend to be in the morning. Tour participants see it as unfair when they are asked to tip for two days. The majority of IMSs and ITLs believed that customers' tips should include the first and the last day of a tour, even if the tour departs in the evening and arrives home in the morning, since Taiwanese tour leaders tend to provide 24 hours service. They considered that there is much work needed by the tour leader during the pre-tour and after tour periods. Only one IMS considered tipping for just one day to be acceptable. Unlike short-haul ITLs, several long-haul ITLs considered it acceptable if tour participants agree to pay only one day tip since the long-haul tour leaders do not provide service on the plane.

## TIPPING POLICIES AND SELFISH ECONOMIC CONSIDERATIONS

The amounts of tips are generally written on the leaflets or websites and may be different among each destination. Tour participants would be reminded to tip during the pre-tour induction. Most IMS revealed that the recommended amount of tips per day was based on the current market guidelines. For example, USD10 per person per day was recommended to American destinations. Only one IMS set its own tipping policy and stated that "the company's recommended tip amounts being less than the current guidelines but the company pay a 'per diem' to our tour leaders and the company does not charge a 'head tax' from tour leaders." Although numerous ITLs had expressed their satisfaction with their companies tipping policies, three ITLs said that the tipping policy did not protect their interests since they did not receive a 'per diem' and tour participants might not tip or asked for refund after the tour. Therefore

they hoped tips could be included in the price of the tour. Three ITLs claimed that the amount of the tips has been increased in other countries apart from Taiwan; there has been no increase of tips in Taiwan in the past ten years. Tips received are different between short-haul and long-haul tour leaders. ITLs who were in charge of short-haul destination tours considered the tips they received were much less than those who were in charge of long-haul destination tours. Three short-haul destination ITLs expressed their dissatisfaction with the amount of the tips they received during the low season and said that if a tour has only a few customers, then their income is very limited. One ITL stated that we should learn from Singapore where consumers were educated to tip more, if they considered the service to be more than expected, but such education and perceptions are completely lacking in Taiwan.

The emerged phenomena of not getting a 'per diem' and paying a 'head tax' impair tour leaders' service performance. One IMS revealed that not getting a 'per diem' or paying a 'head tax', particularly to southeast destinations, is a common practice for many travel agencies in Taiwan. Data showed that only 4 out of 14 travel agencies pay their tour leaders a 'per diem' and 6 travel agencies charge their tour leaders a 'head tax'. Three IMSs mentioned that once tour leaders have received 'per diem' they are less likely to force customers to tip, but they also indicated that if their tour leaders are given 'per diem', they will be told not to take tips. Numerous IMSs acknowledged that the reason they do not pay a 'per diem' or charge a 'head tax' is because the prices of their tours are lower than average, so the lower the tour fee the higher the 'head tax.'

A new emerged phenomenon is whether tips should be included in the price of the tour. In this respect the IMSs' opinions were varied. It has been a widespread practice for travel agencies to include tips in the price of tailor-made tours (an affinity group who travel together with a similar purpose), but not for ready-made tour. A few IMSs indicated that it is not appropriate to include a tip in the price of the tour for several reasons: 1) the price of the tour will increase and it will become less competitive, 2) tour leaders' service performance might be affected, 3) it is against the nature of tipping and tour participants might not agree with it. However, three IMSs indicated a different idea and stated that

*“to save many problems, the company had included tips in the price of the tour for both tailor-made and ready-made package tours since it is more convenient for both tour leaders and customers, and eventually tour participants pay the tips anyway.”*

Surprisingly, eight IMSs pointed out that they may include tips in the price of the tour (ready-made tours) in the future. Including tips in the price of the tour was generally accepted by the ITLs. They considered it would not affect their service performance since word-of-mouth communication is important for repeat business. However, the notion of guaranteed tips was not unanimously agreed upon by all the ITLs. Three ITLs stated that *“It is not appropriate to include it since it is against the nature of tipping.”*

Are customers satisfied with travel agencies' tipping policies? The majority of the IMSs pointed out that they did not hear many complaints about it. They stated that Taiwanese tourists are acquiring more travel experience and are willing to pay for service. Nonetheless, not all the IMSs were so optimistic, and more specifically the tour leaders. One IMS said *“some tour participants may find excuses to avoid tipping tour leaders.”* Moreover, a few ITLs expressed their negative feelings toward tipping. One said that *“tipping is hardly practiced in the service industry and is not customary for the general public in Taiwan. Therefore, it is their duty to educate customers about tipping.”* Numerous ITLs also

specified that they would remind tour participants to tip them during the tour and would try to convince tour participants to tip if they found that they had an intention not to tip. For example, by using friends or the group leader as a third party to help.

## CONCLUSIONS AND LIMITATIONS

The research investigated factors that may influence tourists to tip when participating in a guided package tour. In examining service providers' perceptions of why tour participants should tip the tour leaders, it was found that social pressure rather than social norms, service performance, perceived equity, travel agencies' tipping policies and travel agencies/tour leaders' economic considerations have different degrees of influence on customers' tipping propensity. Each of the variables might be suppressed or heightened depending on each individual on-tour situation. Those factors were also perceived differently among service providers. Travel agencies' tipping policies - explicitly advising tour participants to tip by verbal communication and written suggestions, and implicitly tolerating tour leaders to do what they want - are recognized as the more influential component for tipping. Travel agencies practice to see tips as a compensation for the low price of tours can be considered as the major cause. Tour leaders expect tips to be a service charge and see tips as a major source of income, and psychologically pushing customers to tip the suggested amounts was recognized as an important factor. Therefore, selfish economic consideration by both travel agencies and tour leaders is perceived as another key component. The consequence supports Azar's (2004) assertion and predicts that the economic consideration will be reinforced by service providers who offer the lower prices for tours.

Cultural values certainly influence tip amounts (Lynn, 1997). Different to an individualist culture, in a collectivist society such as a Taiwanese group, people are group oriented and concerned about the welfare of the group (Adler, 1991). Good server-customer interactions were found to be positively related to tip amount (Callan, & Tyson, 2000). Taiwanese people are heavily concerned with '*Kuan-Hsi*' (personal relationships) and '*Jen-Chin*' (human obligation, such as doing favors) in their interpersonal relationships (Bond, 1986; Moise, 1995). The ideal of group harmony and the concept of 'face' are central objectives in Taiwanese philosophy. People who leave no tips when paying the bill may lose face in front of their fellow guests. Compromising oneself in order to receive social approval (based on social pressure) seems to be a significant influential factor for tipping in Asian countries. As Lynn's (1996) indication and the social exchange theory, the social relationship between the customer and the server is a significant predictor of the tip amounts.

Social equity theory copes with the interchange relationship between individual inputs (cost) and outputs (benefit). Equity theory has implied the correlation between tip amounts and service performance. Chang's (2003) study confirms that the amount of tips given by tourists is influenced mainly by the tour leader's service performance. Certainly, equitable treatment during the process of consumption for tour participants is considered substantial. However, the sentiment of fairness seems to be ignored occasionally by both travel agencies and tour leaders. Hsieh, and Wu's (2007) claims that the earlier the tipping, the greater the service effort by tour leaders, but to solicit tips in advance or force tourists to tip seems not to be acceptable by most tourists. However, there is a paradox among tourists regarding when and how to tip. Their perception of fairness is contradicted by social approval. This phenomenon is sustained by many tourists who giving up their own rights to support the notion of including a tip in the price of a tour. In a sense, customers'

feelings of equity are comprised of other benefits such as avoiding psychological distress or selfish economic considerations.

Conceptually, this study has shown that service performance is an important indicator for tip amounts. In reality, this may not be the complete truth since other variables have influenced tourists to tip more. The result supports Lynn (2000) and Dewald's (2003) assertion that there is a weak relationship between tip size and evaluations of service quality. Explanations for this weak relationship may be because of the pressure travel agencies put on their customers to tip (social disapproval) (Baumeister, & Tice, 1990), avoiding psychological distress and maintaining equitable relationships with service providers (Lynn, & Grassman, 1990), and the feeling of empathy and compassion for service providers (Azar, 2005). As a result, the development of tipping changed from an incentive function to a selfish economic consideration, and this is supported by Israeli, and Barkan (2004) who claim that the development of selfish economic considerations has deleted the meaning of the tit-for-tat interaction between service providers and customers.

In conclusion, the procedure of tipping imposed by travel agencies indeed plays a crucial role in tour participants' tipping propensity. It provides a guideline for first-time tour participants to tip. Due to the upcoming trend, more travel agencies have switched tipping policies to include tips in the price of a tour. Similar to some American restaurants which add a fixed gratuity to the bill to compliment waiters/waitress's income (Azar, 2004), a tourist's tendency to pay tips is, in fact, predominantly norm-driven – suggested by travel agencies and reinforced by tour leaders for economic consideration.

How much tour participants should tip still remains a contradiction in Asia, due to the fact that tipping is not a social custom in general and tourists feel that they are forced to tip reluctantly. There is a tendency of including tips in the price of the tour. Whether tips should be seen as a service charge might be a challenge for future practices with travel agencies, and service providers should practice it with a greater level of thought. For example, it may contradict tourists' economic considerations and the perception of equity if the quality of tour is not up to expectations. Although this study analyses the subject in depth, there are limitations associated with culture and nationality. Taiwanese tourists are the subjects for the data collection. The Internet discussions with the guided package tour users encounter several limitations. The age of respondents from the Internet discussions were younger. In addition, due to the lack of communication with the respondents through the Internet, their answers may have been limited due to the time spent on the discussions and also not fully reflect the meaning of the questions. In addition, some interviewed travel agencies/tour leaders might not reveal the true scenarios regarding how they collect their tips, due to the sensitivity of the issue. Therefore, data collected from service providers should be treated with caution. Their perceptions toward tipping may not be representative of other international tourists due to different cultural background and social norms. Few studies focus on factors which influence tourists to tip when participating in guided package tour. This study contributes literature on tipping in the travel industry. It is expected that this research can also offer a tipping framework for further exploration.

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