

PolyU Study Finds Restaurant Service Charge Misunderstood

Restaurant patrons in Hong Kong misunderstand who benefits from the mandatory 10% service charge according to Vincent Heung and Manson Chung of the School of Hotel and Tourism Management (SHTM) of The Hong Kong Polytechnic University (PolyU).

In a study recently published by the Asia Pacific Journal of Tourism Research, the researchers note that the small size of the average tip in Hong Kong is based on a belief that the service charge goes to restaurant staff. They point out some of the cultural factors that compound this problem, and suggest the need for marketing efforts to remedy it.

Focusing on Hong Kong, the researchers approached their task with the concern that Chinese restaurants were under-represented in studies of how patrons tip service personnel after meals. This has obvious implications in Hong Kong, with its thriving Chinese restaurant industry and the reliance of local employees on tips to substantially supplement their wages. The usual focus on tipping in Western-style restaurants, they thought, could obscure the type of cultural forces at work in Chinese establishments.

A crucial concern was that information on tipping collected from other countries in other types of restaurants might be used to design inappropriate marketing and promotional efforts. This in turn could lead to customer dissatisfaction and a decline in the amount of tips offered.

Another problem was that studies of this type usually focus on how tips are affected by the service and food quality that the patron experiences, and by the likelihood that the patron will return to the restaurant. Yet the focus on these factors alone has never produced conclusive results that explain why people tip as they do.

Given these limitations, the researchers decided to study tipping in Hong Kong by considering two more factors. The first factor was restaurant reputation, which is usually what Chinese restaurant operators emphasise when placing advertisements in Hong Kong. The second factor was more personal – whether the patron held universalist beliefs and was concerned about fair pay for good service.

To achieve their aim, the researchers surveyed 611 patrons at three upscale Chinese restaurants in Hong Kong. Around 40% of the interviewees were regular diners, going to the restaurants more than once a month, and a majority were men between 31 and 40 years old. The average bill was HK\$747.62, so these were neither budget diners nor the culinary elite.

The most interesting and immediately troubling finding was that when the 10% service charge and any tip offered were combined, they came to an average of only 12.1% of the total meal cost. This means that the average tip was 2.1%, far lower than the average of 15% reported in North America.

Looking at these results in a general way, the researchers point out that perceptions of how well the economy is performing can often affect the size of tips. But they also note that “not all restaurant patrons in Hong Kong realise the mandatory service charge goes direct to the restaurant’s bottom line”. Their solution to this problem is for restaurant operators to alert patrons that their tips matter, that the service charge is part of the set price and tips go directly to the service personnel who deserve them.

There is, however, a cultural aspect of restaurant patronage in Hong Kong that could make this solution more difficult to implement than it might seem. In terms of service quality alone, the researchers were surprised to find that patrons who had more universalist ideals tended to give smaller tips. What could be at work here is the concept of saving face. These patrons wanted to reward service personnel who deserved rewarding, but instead of treating less adequate service equally, they wanted to save face and give much smaller tips to less deserving personnel.

In a broader sense, patrons of Chinese restaurants all over the world tend to frequent them more for the quality of their food than the quality of their service. This, argue the researchers, suggests that Hong Kong patrons are likely to give small tips unless the food is very good. It also explains why a restaurant’s reputation is unlikely to influence its patrons to leave larger tips – reputation encompasses both food and service quality.

Clearly, restaurant operators need to balance ways of encouraging patrons to tip their staff against cultural factors that cannot be ignored. The researchers see their study as “only an initial step in a much needed series of steps” that will help us to understand exactly why patrons of Chinese restaurants in Hong Kong tip, and how they can be encouraged to be more generous. This, they say, will benefit patrons, operators and staff alike.

The study finds that it is important for Hong Kong restaurant operators to distinguish the mandatory service charge from voluntary tips, to note that patrons tip for different reasons in Chinese and Western-style restaurants, and that tipping in Chinese restaurants is often based on food quality alone as well as to understand why patrons leave small tips as it will ultimately be beneficial to all those concerned.

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