A Study in Tipping Culture in Taiwan's Travel Service Industry

Gao-Liang Wang
Takming University of Science and Technology, Taiwan, ROC

Chin-Tsai Lee
Tung Chieh International Travel Service Company, Taiwan, ROC

The purpose of this study was to explore how the consumers' awareness of service staff professional performance will influence the amount of tips they decide to pay. Based on an empirical study approach through questionnaires and statistics analyses, the results show the amount of a tip is limited by customers' habits, in which Taiwanese visitors generally pay a fixed amount of tip as the travel agency suggested; only a small ratio of those tourists would like to pay more tips as an appreciation to the tour service staffs. The customer would like to have more services, but the tips increased are not proportional to the increased amount (quality) of services.

INTRODUCTION

Service is the key "product" and the most important part in the tourism industry. However, the quality control for service is difficult to define as the term itself possesses the characteristics of intangibility, inseparability, heterogeneity, perishability, etc. Therefore the quality control of service in the tourism industry is more difficult than manufacturing industries. Furthermore, tourism services are easy to copy and imitate. As a result, the speaking and non-verbal behavior among servers greatly affects customer perception. Therefore travel product quality can be felt when service provision is considered to meet consumer needs or exceed consumer expectations. In addition, as the background of each consumer differs, it will also reflect on travel product perception. In other words, even the same travel products may produce different satisfaction due to personal consumer perception.

In the travel industry, customers usually pay the fees before they enjoy the service. Consumer satisfaction includes service quality, product quality, price, situational factors and personal factors. The attitude by the travel service staff will directly affect customer satisfaction and purchase intentions. When the service staff is given a tip by the customer when providing services, it encourages the serviceperson and may enhance future work/service performance; it will also bring a positive effect on the quality of service. Therefore, the service quality of the tour guide and leader during the travel is the key to achieve consumer satisfaction.

LITERATURE REVIEW

Generally, the people who receive a tip, also called a gratuity, are the service workers. It is usually given after the act of service. It is an extra fee other than the normal payment fee as an appreciation for

the high quality service by the tour guide and leader. A tip is considered as a social etiquette and practiced among the service industry in many countries. It can be seen as giving thanks to low-income workers engaged in services (Azar, 2005b). A tip represents the incentive and reward for good service (Lynn, Zinkhan, Harris, 1993), and is the interaction between a customer and service personnel from social interaction into economic exchange (Lynn et al., 1993). Because the customs among different nations and regions vary, there are also different points of views for tipping; people pay tips mainly because of social norms. When people did give a tip, negative feelings such as guilt and embarrassment may occur (Azar, 2002). In the literature review, tip is often related with quality of service (Lynn & Grassman, 1990; Lynn and Latane, 1984) and customer satisfaction is often referred to restaurant research subjects (Lynn, 2003). Not all services will receive tips; in some regions a tip serves as the main income source (Wikipedia, 2010), for example a travel guide. Wu (2004) indicated that the amount of tip is proportional to the efforts and well attitude of the tour leader. Generally, other factors that influence tips include service attitude (Bitran & Hoech, 1990), the consumer's gender (Stillman, 1980), age (Paul, 2001), etc.

Since 2008, air travel is affected by high oil prices and the outbreak of the global financial crisis, causing the rise of ticket prices and reduction of customers' discretionary budgets in leisure travel (IATA, 2009; ICAO, 2009). An analysis based on the overall tourism industry reported that some properties in common, basically tourism industry demands of marketing, are spatial (space) and service oriented (service). The main profit maker is by space, e.g. hotel rooms, flight reservations and restaurant seating (Week Wise, 2005). The service staff attitude during travelling will directly affect the customer satisfaction and purchase intentions. When the service staff is given a tip by the customer when providing services, it encourages the serviceperson and may enhance future work/service performance, and also brings a positive effect on the quality of service (Week Wise, 2005).

In the world of business, service quality is a goal which also offers a service commitment to customers to ensure a sustainable operation for the enterprise. Service quality is defined as a measure of how well a delivered service matches customer expectations (Gronroos, 1982; Parasuraman et al., 1988). The overall services may be determined by the degree of satisfaction from subjective judgments. Travel agency service quality satisfaction relies on travel service by offering a wide range of products and services, the service procedure should be able to meet with customers demands. Travel industry service quality includes three elements: technique, function, and community. In addition, the service quality of travel industry includes five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Reliability means a travel agency can provide precise service for customers. Responsiveness means a willingness to help customers and provide immediate service. When customers intend to travel, travel agencies will response and resolve their needs as soon as possible. Assurance refers to the service of personnel knowledge, which increases customers' confidence such as a tour guide expertise, responsiveness and sincere attitude. It can make customers feel safe and respected, and always consider the customers feelings interests, so that customers have the feeling of full trust. Empathy represents the providing of customers the ability to humanized care. Travel agents can serve tourists and travelers to provide humane care, put themselves in the interests of visitors. Tangible refers to the actual hardware facilities, equipment, staff appearance, and external communication data such as hotels, airports, free shuttle bus services, hotel facilities, restaurants, dressing style of the tour guide, etc.

The first factor of determining overall customer satisfaction factor is the quality of perception, followed by the value of perception (Formell et al., 1996). Past studies in service management show that customer satisfaction is the result of customer expectation, which its value equals to a corresponding price in service quality (Hallowell, 1996). Customer perception and perceived value (value) have become a type of differentiation, and is one of the important key factors to maintain competitive advantage; the company must provide more than valuable products or services to the customer of their competitors. At the same time, the customer perception value is also the most important indicator in the customers' intentions to purchase (Parasuraman and Grewal, 2000). Customer satisfaction is recognized to have significant relation to value, in which its nature and concept is affected by the quality of service, product

quality, price, situational factors and personal factors (Athanassopoulos, 2000; Zeithaml & Bitner, 2000). The measurement of tourist satisfaction is based on the degree of expected satisfaction, and comparison between the sightseeing value and past experience in the tourist area (Yoon and Uysal, 2005). In addition, factors such as overall pleasure, paying intention, and dissatisfactory are used to measure visitor satisfaction (Lee, Graefe & Burns, 2004).

The advances in information technology development have made a great impact to the travel industry. The first stage of changes is the changes of ecology and human resources in the travel industry. Because all kinds of tourism information are spread through the internet with no borders, tourism information has become even more pervasive and well circulated. The similarity among tourism products has become the major competitive factor in the travel industry. As a result, tourists and travelers value service attitude and product diversity.

RESEARCH METHODS

The tipping culture varies among different countries and has different standards. Taiwan has no tipping habits, with the exception in hotels and restaurants which a 10% service fee is charged (service charge). Although other services are not mandatory, when customers receive good service and willing to give tips, it represents an encouragement to the workers.

According to the group travel contract for overseas travel, established by of the Taiwan Tourism Bureau (2000 and 2004), travel agents should check the tipping standards of the travel destination, explain to their clients, and provide the information of the correct tipping amount. As a result, travel groups, whether at home or abroad, are often charges an extra cost for tips from the package fees. Usually the tip situation (customs) is briefed to the group during pre-departure meetings. The standard payment of tips of a group tour for different regions is listed in Table 1.

TABLE 1
COMPARISON OF TIP PAYMENTS OF TAIWAN TRAVEL GROUP

Travel Zone	Charges per person per day (1 USD=32NTD)
Southeast Asia	NT$ 200 (including the guide, leader, and driver)
Northeast Asia (Japan)	NT$ 250 (including the guide, leader, and driver)
United States, Canada	US$ 10 (including tour guide, leader, and driver)
New Zealand, Australia	US $ 10 (including tour guide, leader, and driver)
Europe (long line)	€ $10 (including tour guide, leader, and driver)
Domestic Tourism	NT$ 100 (including tour guide and driver)

The average salary for the people in the tourism industry of Taiwan is notably lacking competitiveness when compared to other industries (week wise, 2005). As the salary among Taiwan's travel agencies are generally low, the tour guide/ leader's income heavily relies on extra trips from travel fees, tips, shopping commission, and service charges. However, in the travel industry, the tour leader works outside of the company and is therefore difficult for the company monitor and evaluate the service performance provided by the tour leader. The total cost of the tour price is the sum of the tip and tour package fee. From the perspective of tour group members, however, a second time payment does not make a big difference. A second time payment is seen as a tip for the leader. If every tour leader provides an identical service performance, the tip fee can be included in the package fees. In other words, customers need only to customers pay fees that are clearly mentioned in the tour package. The travel

agency pays the tour leader's deserved wage to avoid the trouble of secondary payments. As a matter of fact, several travel agencies in Taiwan include the tip fee within the tour package. The wage of the tour leader is adjusted according to the evaluation by the tour group members.

The approach of this research is based on the academic study from literature review, Taiwan customs, and the people's lifestyle. The research framework is then established, which the tour leader professional image on the visitor's perception value and satisfaction, and the relations to visitor behavior intentions are discussed. A questionnaire survey of customers is taken for the overseas travel packages, thus establishing the study of the hypothesis shown in Figure 1.

> *Hypothesis 1: the professional image of service staff has positive relationship on tourist perception value.*
> *Hypothesis 2: the professional performance service staff has the positive relationship on tourist service satisfaction.*
> *Hypothesis 3: tourist service perception value and tourists behavioral intention have positive impact.*
> *Hypothesis 4: tourist service satisfaction and tourist's behavioral intention have positive impact.*

FIGURE 1
THE RESEARCH HYPOTHESIS MODEL
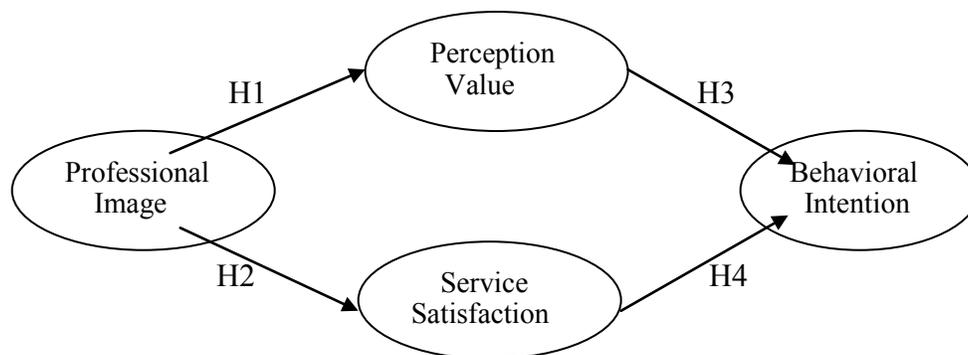
QUESTIONNAIRE ANALYSES

This survey was performed during February, 2010, from the Taoyuan Airport, schools, private companies, travel agents and other places. A total of 400 questionnaires were distributed, and a number of 332 valid copies were returned. The basic information of the passengers' data is shown in Table 2; the largest population in age level of the tourists was 36~45 years of age; and tourists of private business was the majority. The average monthly disposable income is around 35001~45000 NTD. If the leader provided good service, 43.7% tourists intend to give more tips, which 18.1% of the respondents will give an additional 100~500NTD and 17.8% will give 501~1000 NTD or more. However, 56.3% of the respondents have no experience of giving additional tips. The results showed that those who are willingness to give extra tips, 60.2% decided to give an amount of 500NTD or less. The best timing for the tour leader to collect tourist tips is the last night before leaving for home (78.6%).

TABLE 2
PASSENGER PROFILES

Attributes/distribution	Sample number	Frequency (%)
Gender		
Male	110	33.1
Female	222	66.9
Age		
Less than 20	5	1.5
21-25	56	16.9
26-35	84	25.3
36-45	102	30.7
46-55	53	16
55-65	32	9.6
Occupation		
Student	47	14.2
Government employee	10	3.0
Private business	123	37.0
Professional	57	17.2
Freelancer	43	13.0
Unemployed	21	6.3
Others	31	9.3
Income		
Less than 5,000	27	8.1
5001-15000	44	13.3
15001-25000	40	12.0
25001-35000	77	23.2
35001-45000	81	24.4
45001-80000	53	16.0
More than 80,000	10	3.0

Note: Sample Number = 332; 1 USD = 32 NTD (in February, 2010）

The questionnaire has twenty questions which were designed according to the following standard operation to meet with this study. Fourteen questions are in the aspect of professional image (Cronbach's Alpha=0.895), three questions in the aspect of perception value (Cronbach's Alpha=0.895), three questions in the aspect of service satisfaction (Cronbach's Alpha=0.917), and three questions in the aspect of behavioral intention. Likert's Scale measurement is used. A five-point scale was used to assess, 5 = extremely agree to 1= extremely disagree.

This SEM structure program is applied with CFA to check the fit goodness of the model. By the path analysis, it belongs to accepted value (Wu and Tu, 2005). The results of each value are in compliance with the criteria or thresholds, so this model has a good fitness and explanation ability shown as Table 3 and Table 4.

TABLE 3
ANALYSIS RESULTS OF CFA

Goodness-of-fit measure	Value	Accepted Value
Chi-square value (χ^2)	164.887	
Degrees of freedom (DF)	86	
Chi-square value (χ^2)/ degrees of freedom (DF)	1.917	<3
P-value	.000	
Root mean square residual (RMR)	0.020	<0.05
Root mean square error of approximation (RMSEA)	0.053	<0.08
Goodness-of-fit index (GFI)	0.936	>0.90
Adjusted goodness-of-fit index (AGFI)	0.911	>0.90
Normed fit index (NFI)	0.921	>0.90
Relative fit index(RFI)	0.903	>0.90
Incremental fit index(IFI)	0.960	>0.90
Tacker-Lewis index(TLI)	0.951	>0.90
Comparative fit index(CFI)	0.960	>0.90
Parsimony-adjusted NFI (PNFI)	0.754	>0.50
Parsimony goodness-of-fit index(PGFI)	0.671	>0.50
PCFI	0.786	>0.50
CN	240	>200

TABLE 4
ANALYSIS RESULTS OF CFA

	Estimate	S.E.	C.R.	P
Professional Image--->Perception Value	.996	.100	9.911	***
Professional Image --->Satisfaction	.468	.101	4.648	***
Perception Value--->Behavior Intention	.996	.087	11.411	***
Satisfaction--->Behavior Intention	.140	.043	3.279	.001

Note. N=332, *** represents $p < 0.001$

According to the result of table 4 shows, this study based on relevant scholars, four hypotheses applied in Taiwan travel agency leaders are established and the test results are supported as shown in the following Table 5.

TABLE 5
TEST RESULT OF RESEARCH HYPOTHESES

Research Hypotheses	Test Result
H1: the professional image of service staff has positive relationship on tourist perception value	Supported
H2: the professional performance service staff has the positive relationship with tourist service satisfaction	Supported
H3: tourist service perception value and tourists behavioral intention have positive impact	Supported
H4: tourist service satisfaction and tourists behavioral intention have positive impact	Supported

CONCLUSIONS AND RECOMMENDATIONS

The results in this study show that the professional image of tour leaders is related to the tourists' perception value and satisfaction. It will also directly affect the behavior intention of tourists. With the continuously growing popularity of the internet, customers may simply brose the network to check for different travel itineraries, prices, and other related information. As a result, the service quality which tourists value in a tour is mainly the professional performance of the service staff. Quality management plays an important role in the entire process. The management of the travel staff should include careful selection and recruitment, provide complete vocational training, arrange their career development and provide a series of planning to achieve the objectives of the organization. At the same time, travel service is a type of customer-oriented service in the industry. When the service staff is given a tip by the customer when providing services, it encourages the serviceperson and may enhance future work/service performance, and also brings a positive effect.

Most group tourists prefer including tips within the package system. From an economic perspective, the original purpose of including tip fees within the package fee is to protect the brand image of a travel agency. Tip legalization will help to improve service staff income. It will also reduce the psychological pressure to concentrate better in providing service. In the current situation of Taiwan's travel industry, the providing by Taiwan travel industry of tour packages which emphasizes on high service quality and less shopping points is gaining popularity by consumers. At the same time the revenues of the tour leader and guides are increased. When the tour leader and guides become initiative, this will also help the future development of the tourism industry. Therefore, tips should be offered towards good performance from the tour leader, tour guide and good personnel service. It is an expression of gratitude to the tour leader, tour guides and staff. It is a way of appreciation and also an international etiquette to encourage good performance.

As this study has several limitations, the following suggestions are made as reference for subsequent research. First of all, this study is focused on tourists travelling overseas. Although the travel itineraries among various packages are nearly the same, prices may vary as the included products may differ, such as the meals, hotel class standards, and so on. If the tour goes smoothly within the entire period, tourists are generally satisfied. Therefore, it is recommended that follow-up research should study the same itinerary from the same travel agency, and to consider additional dimensions such as product quality, corporate image, etc. The influence during the low and peak seasons in tourism should also be considered for the integrity for future research.

REFERENCES

Athanassopoulos (2000). Customer satisfaction cues to support market segmentation and explain switching behavior. *Journal of Business Research*, 47, 191-207.

Azar, & Ofer H. (2002a). Tipping: The Economics of a Social Norm. *Working paper,* Department of Economics, Northwestern University.

Azar, & Ofer H. (2002b). The Social Norm of Tipping: Does it Improve Social Welfare? *Working paper*, Department of Economics, Northwestern University.

Azar, & Ofer H. (2002c). Is Future Service a Reason for Tipping? Theory and Evidence. *Working paper*, Department of Economics, Northwestern University.

Bitran, G. R., & Hoech, J. (1990). The Humanization of Service: Respect at the Moment of Touch. *Sloan Management Review*, Winter, 89-96.

Fornell, C., Michael D. J., Anderson, E. W., Cha, J., & Bryant, B. E. (1996). The American Customer Satisfaction Index: Nature, Purpose, and Findings. *Journal of Marketing*, *60* (October), 7-18.

Gronroos, C. (1982). *Strategic Management and Marketing in the Service*. Boston: Management and Marketing.

Hallowell, R. (1996). The Relationship of Customer Satisfaction, Customer Loyalty, and Profitability: An Empirical Study. *The International Journal of Service Industry Management*, *7(4)*, 27-42.

IATA (2009). *Annual Report 2009*.

ICAO (2009). *Annual Report of the Council – 2008*.

Lee, J., Graefe, A. R., & Burns, R. C. (2004). Service quality, satisfaction, and behavioral intention among forest visitors. *Journal of Travel & Tourism Marketing*, 17(1), 73-82.

Lynn, M., & Grassman, A. (1990). Restaurant Tipping: An examination of three 'Rational' explanations. *Journal of Economic Psychology*, 11, 169-181.

Lynn, M. & Latane, B. (1984). The Psychology of Restaurant Tipping. *Journal of Applied Social Psychology*, 14(6), 549-561.

Lynn, M., Zinkhan, G. M., & Harris, J. (1993). Consumer Tipping: A Cross-Country Study. *Journal of Consumer Research*, 20(12), 478-488.

Lynn, M. (2003). Restaurant tips and service quality: a weak relationship or just weak measurement. *Hospitality Management*, 22, 321-325.

Parasuraman, A., & Grewal, D. (2000). The impact of technology on the quality-value-loyalty chain: A research agenda. *Journal of the Academy of Marketing Science*, 28, 168-174.

Parasuraman, A., Zeithaml, V.A. & Berry, L.L. (1988). SERVQUAL: A Multiple-item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, *64(1)*, 12-40.

Paul, P. (2001). The tricky topic of tipping. *American Demographics*, 23(5), 10-11.

Wu, T.H. (2004). The Relationships among Professional Service Performance, Service Effort, Satisfaction and Tips. *Tourism Management Research*, 4(1), 39-52.

Yoon, Y. & Uysal, M. (2005). An examination of the effects of motivation and satisfaction on destination loyalty: A structural model. *Tourism Management*, 26, 45-56.

Zeithaml, V. A. & Bitner, M. J. (2000). Services Marketing: Integrating Customer Focus across the Firm. *McGraw-Hill, Madison.*

WeekWise (2005). *Tourism industry and development strategy, applying ethical research communications*. Section 36, 26-34.