

## Tips on tipping

Today, we'll tiptoe through the tulips of tipping. We'll look at tipping three ways. First, we'll review the laws around tipping, including some recent changes. Next, I'll disclose some insider secrets for servers to earn more tips. And finally, I'll share a few tips to help customers avoid *tip extortion*.

So first up, **Tips and Service Charges: Employee rights**

**Our wage and hour laws define tips as a voluntary sum of money that a customer freely gives to an employee for services rendered.**

- The employer may not take tips for any company use, or to fund employee wages. My most common questions here: "I'm not getting my tips, why?"
- In Washington State, applying tips to income to meet minimum wage requirements for the pay period, known as tip crediting, *is prohibited*
- Tips are in addition to, and not a part of, an employee's state hourly minimum wage
- Tip pools among hourly employees *are permitted*. That drives the second most questions on this topic. Those are legal here, under certain conditions.
- Tip outs to include employees who are not directly serving a customer, such as kitchen staff and hourly lead workers, *are also allowed*
- Pools *cannot include* salaried-exempt managers and business owners.

**A service charge is a mandatory fee an employer may charge for services that an employee provides.**

- Businesses imposing a service charge must clearly disclose how much an employee who provides services will receive
- This disclosure must appear on any receipts or menus
- If nothing is disclosed, or the disclosure is unclear, then the entire service charge is to be paid to the employee who provides services to the customer.
- The service charge paid to an employee is in addition to, and not a part of, an employee's state hourly minimum wage.

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### Payments

- Tips, and service charges must be paid to employees no later than wages earned in the same period are paid.
- A surcharge that is not related to services provided by an employee such as a fuel surcharge, late fee, cancellation fee, or parking fee, is not a service charge.
- An employer may not deduct cash register shortages or other business expenses from tips, gratuities, or service charges earned by employees
- An employer may deduct the payment processing fee, for the tip amount only, for tips drawn on funds accessed through a payment app or credit card.

Example:

- The customer left a \$ 20.00 tip on a \$100.00 tab
- The processing fee is 4.5%
- The owner may deduct 90 cents from the server's \$20.00 tip to cover the 4.5% processing fee

Employees who believe they are not being paid required by law can file a complaint with the L&I Workplace Rights Complaint Form.

**OK, now to the fun stuff - how employees can earn more tips.**

In preparing for this report I reviewed five research papers and books written by servers, all of which I'll post to [kevinyourbusinesscoach.com](http://kevinyourbusinesscoach.com)

### **Here's the radio TLDR version**

The number one hint for bigger tips was to *first categorize your customer mindset*.

When we go out to eat or stop for coffee, we could be in almost any state of mind.

We might feel one way one day, and another the next.

Customer mindset is important, because there are different ways of serving different customer moods.

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In her book *Gratuity Ingenuity, The Secret Art of Bigger Tips*, server Patti Farnham uses one of my favorite quick analysis tools, the rule of thirds. Patti divides her customers into three mindset groups.

The first group is not interested in small talk but does want attentive service. These *'be seen and not heard'* customers are generous when satisfied.

Next is the *casual customer*. They want to be treated as extended family. Casual customers respond well to light conversation, a friendly approach and appropriate touching.

Third is the *entertainment customer*. They've come out for a good time and they'll appreciate your efforts. These customers respond well to humor, unusual attire or drawings and notes on the bill.

Now that we have categorized the customer, let's talk about specific techniques.

### **This first set of behaviors works for all three groups**

- All customers respond well to servers who address customers directly, 'look them in the eye,' as the saying goes, and wear a smile.
- All customers appreciate servers who repeat orders back to assure accuracy, especially with off menu requests
- Look sharp, be sharp. All customers appreciate servers with good grooming, who are neatly dressed

All customers react negatively to servers who lack any of these basic three attributes.

### **Special tips for each category**

#### **Serving a "be seen but not heard" customer**

- *Be seen often*

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- Check for table needs and make sure orders are to the customers' satisfaction
- Visually check for signs of restlessness, frequently

### For the casual customer

- Wear something unusual. Add a distinctive element of clothing, jewelry, flower, funny tie or other item that lets you stand out. In Office Space, the character played by Jennifer Aniston was chastised for inadequate "flair." Why? Flair works! But, stick to a single item
- Introduce yourself by name. Introductions help the casual customer connect with you
- Try to speak at the customer's eye level. Briefly join the customer at the table. Sit on a vacant chair, bend down at a counter. Use appropriate touching during service

### The entertainment customer

- Short tasteful jokes, brief comments about local news and questions about customers' activities can go well here.
- Having information about local attractions, special events and little known local facts are often appreciated
- Bring your "A" game. Do you juggle? Card or magic trick? Puzzle? Word game? Creativity pays with this group

## Now we change sides and look at tipping from the customer's point of view

- Consumers can't be blamed for feeling like they are under attack. Mobile payment services can set *recommended* tip amounts for any transaction
- We are being asked for gratuities in transactions that traditionally haven't included tips
- We recently learned Square *recommended* merchants add a "no tip" option because a *survey found people were more likely to leave a gratuity*. Most would be too embarrassed to choose "No Tip" and so are easily moved to the preset options

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### Defense against tip extortion

**Pay cash.** Shocker! As Dave Ramsey reminds us, paying cash lets you see what you are spending. Cash payments avoid costly finance and transaction charges. Using cash means you can usually avoid the prestip buttons all together.

**Tip with cash.** Even if you use plastic to pay the bill, you can always choose “No tip.” Then hand the server cash over the counter or leave the tip on the table.

**Choose “Custom” or “Other” at the bottom of the tip screen.** You’ll need to do some quick mental math, but you can tip whatever you want using those options. And yes, those options are often in a smaller font, and frequently the same color as the background.

### Dealing with tip guilt

#### Though you might be asked, tipping is seldom appropriate

- At a point of sale where no service is rendered.
- Picking up a to-go item from a restaurant
- Paying a tradesperson for services, although I always buy them lunch 😊

#### Remember, when you don’t tip:

1. **You’re already supporting the business.** Even if you choose not to tip, you’re still contributing to the prosperity of the company. You’re aiding the business in generating revenue. You’re helping sustain their operations.
2. **You’re enhancing your financial security.** Tipping money could bolster your own financial stability. For most of us, that’s around \$700/year/person. Focusing on savings and investments instead of tipping can safeguard your future.

Next week, it’s a blooper show. I’ll reveal the many ways startups accidentally disqualify themselves when seeking startup money. Lots of insider secrets to share, ***so don’t you miss it!***