

PYMNTS

CONNECTED DINING:

INFLATIONARY PRESSURE
SQUEEZES RESTAURANT TIPS

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PYMNTS

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INTRODUCTION

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**CONNECTED
DINING:**
INFLATIONARY PRESSURE SQUEEZES
RESTAURANT TIPS

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Few things are more enjoyable than a pleasant meal at a favorite restaurant, but consumers have had to contend with bigger checks of late, which appears to be putting a damper on the dining experience. PYMNTS’ data finds that some consumers are saying that as costs are rising, their meals seem less satisfying. Although other factors can influence these individuals’ satisfaction, consumers’ appetite for dining out is simply not what it once was.

Although it is well known that inflation has been persuading some consumers to dine out less often, a lesser-known force is the pressure to tip. Thirty-one percent of consumers say they are eating at home more frequently to sidestep the pressure they feel to leave a tip, and 39% of consumers say they are reducing the amount they tip. Because of these changes, restaurants, like consumers, need to adapt to navigate the changing economic landscape.

These are a few of the key findings in *Connected Dining: Inflationary Pressure Squeezes Restaurant Tips*, the first edition of PYMNTS’ *Connected Dining* series. The findings are based on a census-balanced survey of 2,270 U.S. consumers who eat at least one restaurant meal each month that was fielded from Dec. 7, 2022, to Dec. 18, 2022. Consumers were asked about the frequency of their restaurant dining, inflation’s effect on their use of restaurants and how their tipping practices have evolved.

PART I:
THE UBIQUITY OF RESTAURANT TIPPING

Most consumers treat tips as an embedded cost of dining out — 75% of consumers paid tips for their last restaurant meal.

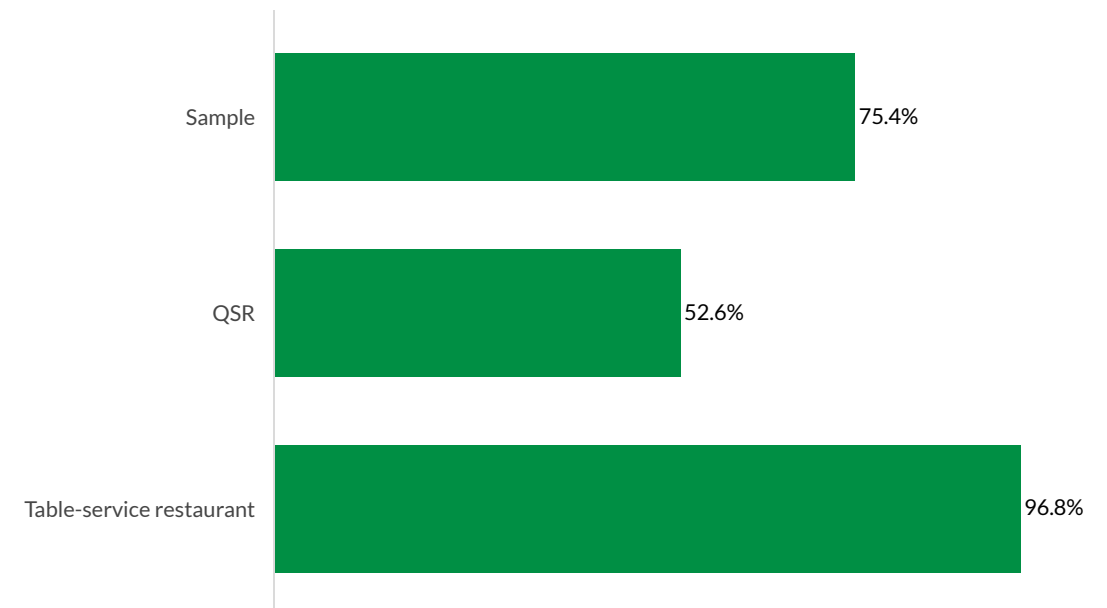
Leaving a tip at a restaurant is very common: 97% of diners left a tip for their last meal at a table-service restaurant, and there was little variation when consumers were sorted by income level or age group.

Quick-service restaurants (QSR) are a different story, however. Just 53% of customers tipped for their most recent meals at these establishments, and baby boomers and seniors were particularly less likely than younger age groups to leave tips in these scenarios. We also found a difference in the amount customers customarily tipped: 18% of the average check for a restaurant with table-service, 14% of the average check at a QSR.

Data shows that restaurant patrons view their tip as compensation for the quality of the service and the food. Seventy-two percent say the amount they tip is influenced by the quality of the restaurant’s service, and another 72% share say their tip is influenced by their overall satisfaction with the restaurant. Sixty-one percent of consumers say their tip is influenced by the food’s taste.

Figure 1A
Tipping behaviors

Share of consumers who left a tip with their last restaurant meal, by restaurant category



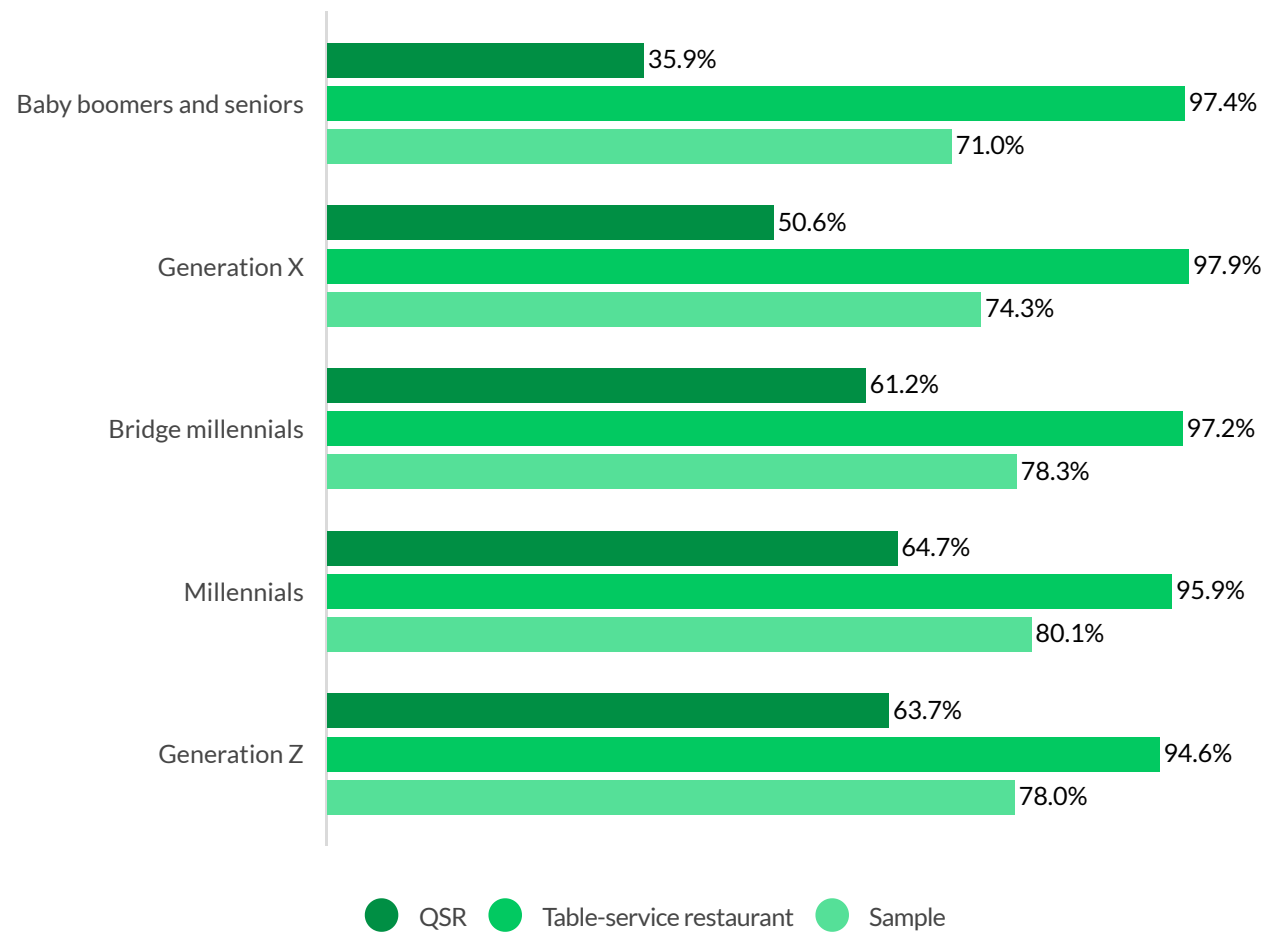
Source: PYMNTS
 Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses; N = 1,126: Diners who ate at a table-service restaurant; N = 1,086: Diners who ate at a QSR, fielded Dec. 7, 2022 – Dec. 18, 2022

Other factors come into play, too, such as familiarity and societal norms. Fifty percent of consumers tip because they are regular patrons at a particular restaurant. Thirty-four percent of consumers tip because they feel a tip is something they are expected to do. Thirty-nine percent of consumers say their own financial position comes into play — consumers who are feeling budget-stretched are less likely to leave a tip.

Interestingly, whether the food was purchased online or in-person does not significantly affect customers’ likelihood of leaving a tip.

Figure 1B
Tipping behaviors

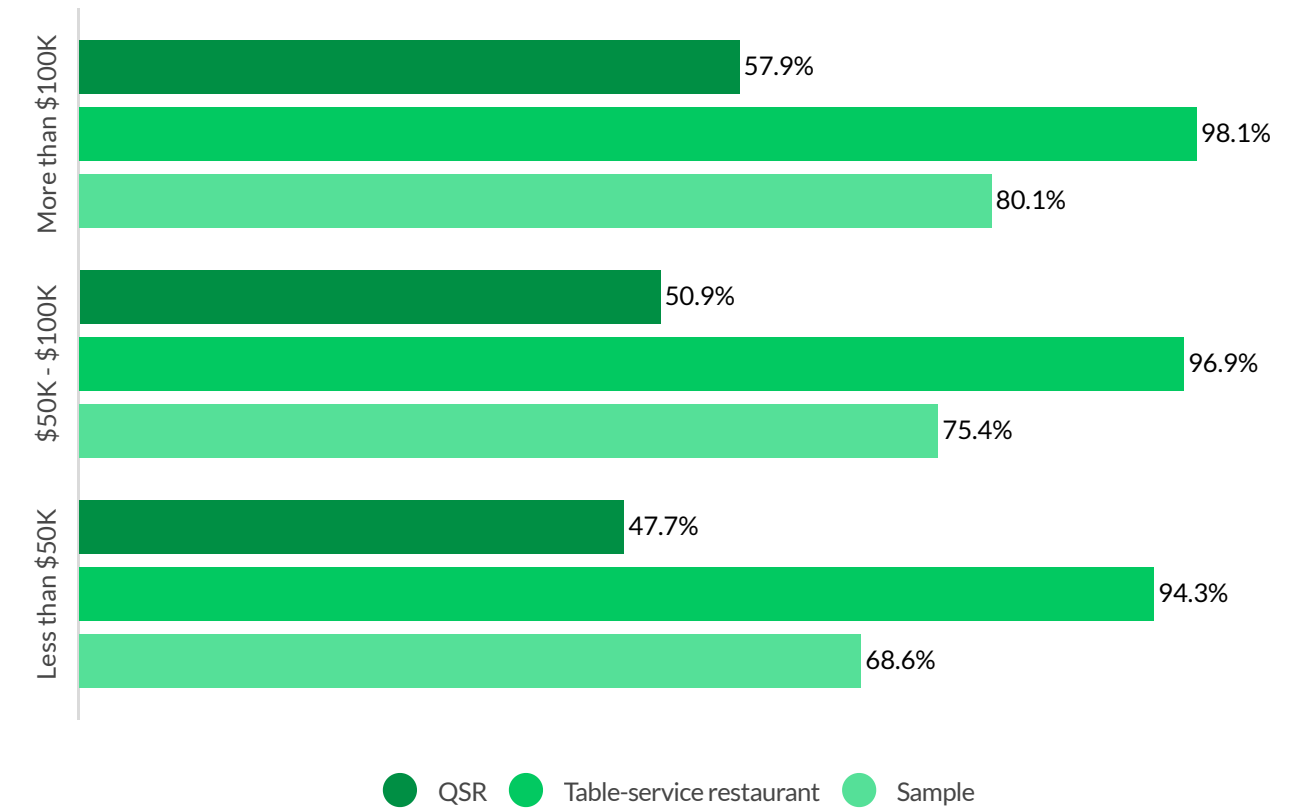
Share of consumers who left a tip with their least restaurant meal, by generation and restaurant category



Source: PYMNTS
 Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses; N = 1,126: Diners who ate at a table-service restaurant; N = 1,086: Diners who ate at a QSR, fielded Dec. 7, 2022 - Dec. 18, 2022

Figure 1C
Tipping behaviors

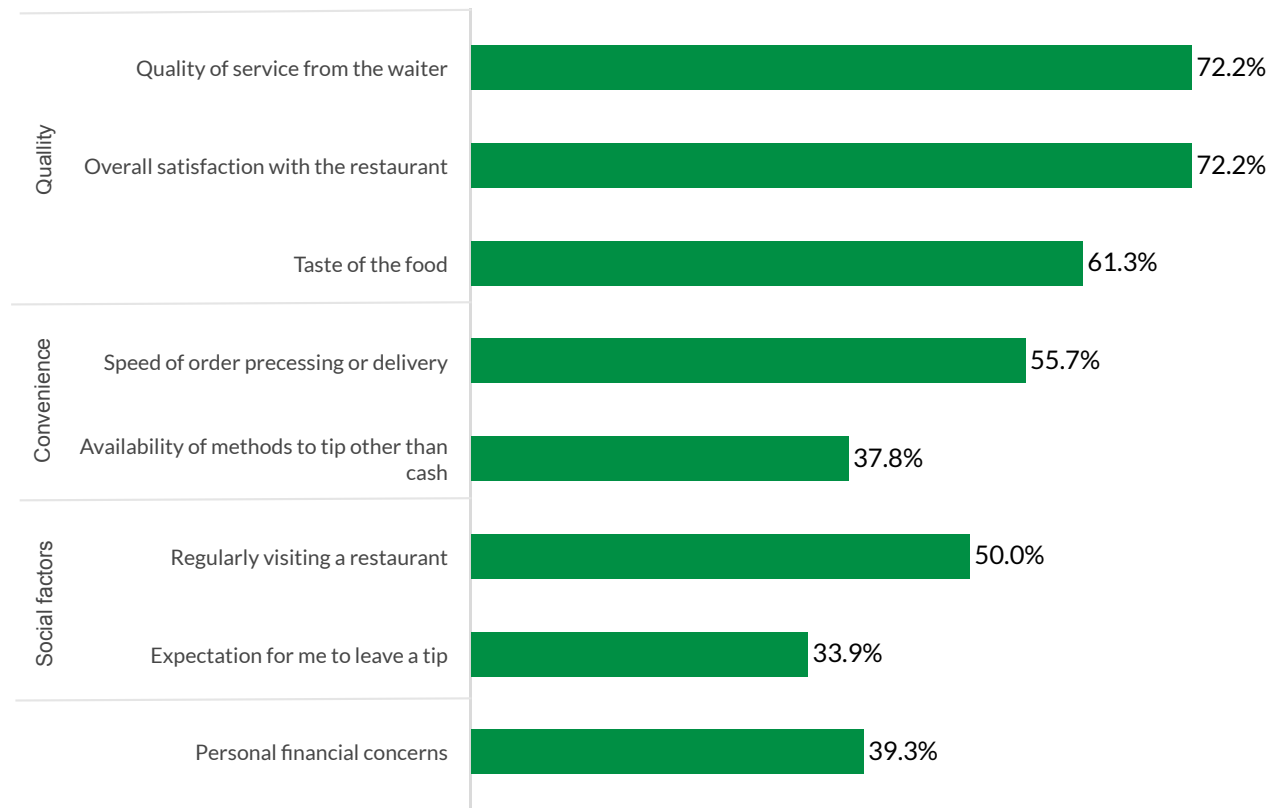
Share of consumers who left a tip with their last restaurant meal, by annual income and restaurant category



Source: PYMNTS
 Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses; N = 1,126: Diners who ate at a table-service restaurant; N = 1,086: Diners who ate at a QSR, fielded Dec. 7, 2022 - Dec. 18, 2022

Figure 2
Tipping motivations

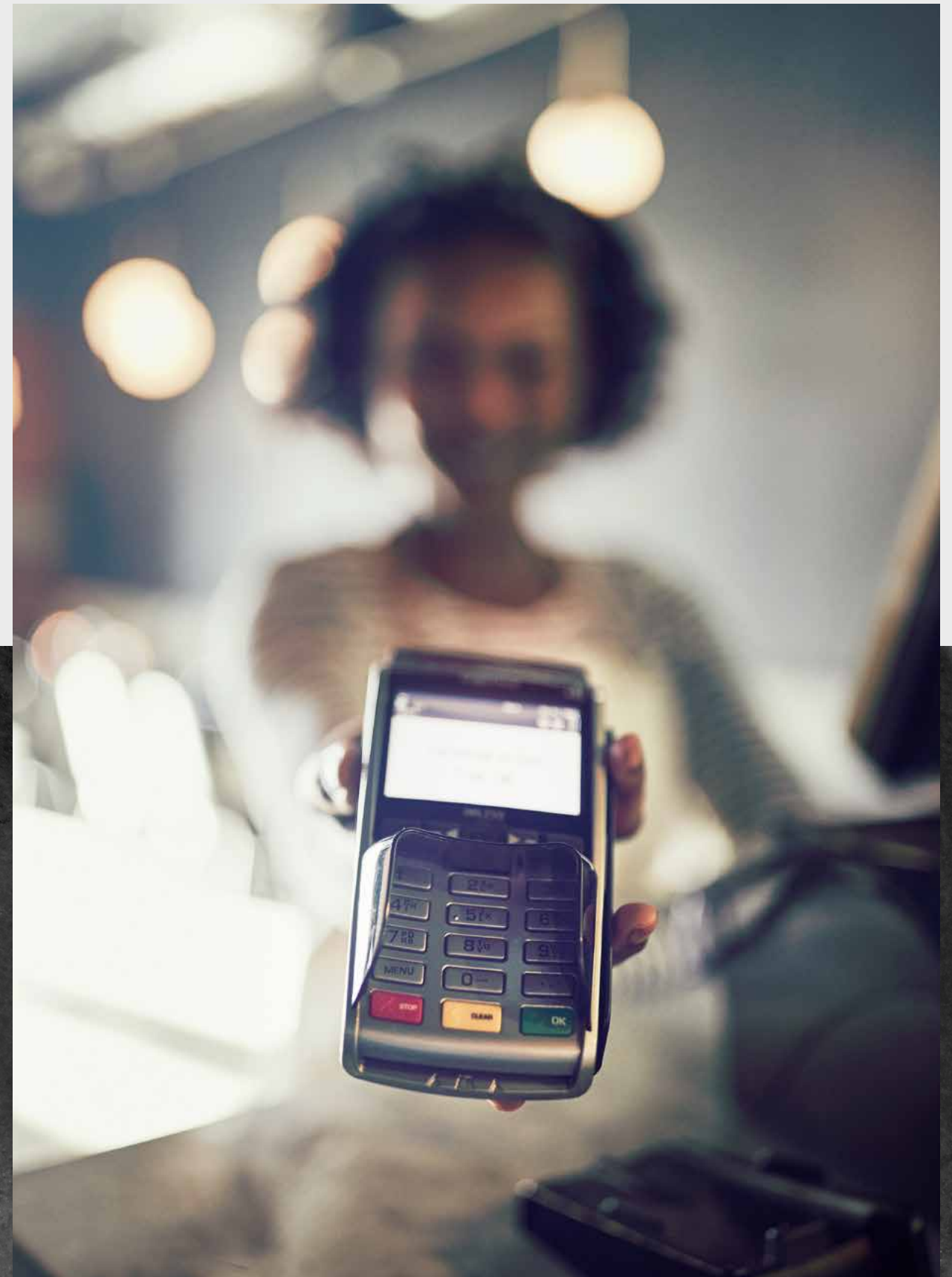
Share of consumers who say select factors are very or extremely influential in their decision to leave a tip



Source: PYMNTS

Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023

N = 2,270: Complete responses; N = 1,126: Diners who ate at a table-service restaurant; N = 1,086: Diners who ate at a QSR, fielded Dec. 7, 2022 – Dec. 18, 2022



PART II:
INFLATION NIBBLES AWAY AT RESTAURANT TIPS, DINER SATISFACTION

As dining out becomes more expensive, consumers are more heavily scrutinizing the quality of restaurant service and the food.

Inflation’s squeeze has been so bad that some consumers are reevaluating whether food whose quality has stayed the same is worth the higher cost. Overall inflation was 7.1% in November 2022 according to the Bureau of Labor Statistics, but for dining at a restaurant, costs climbed 8.5%.

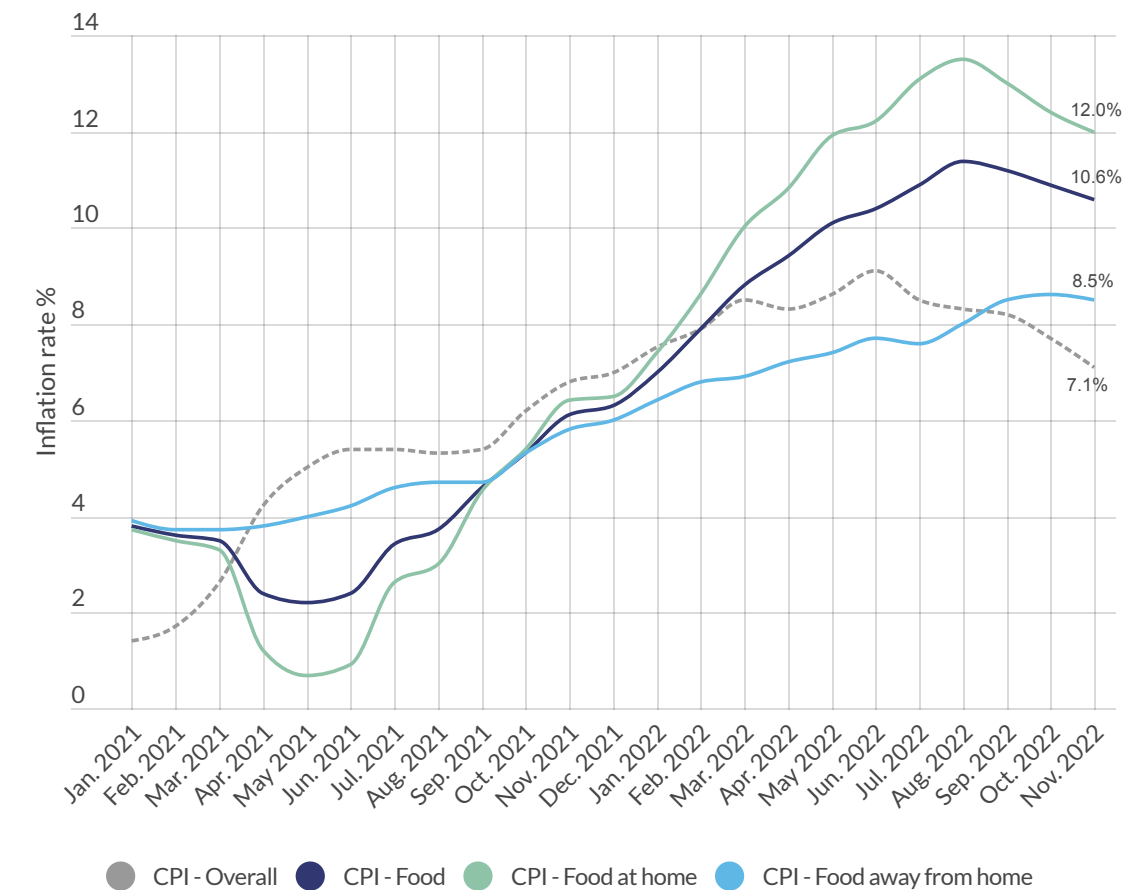
Price hikes appear to be taking a toll on customer satisfaction. Twenty-nine percent of all consumers say they are tipping less because they perceive a worsening gap between the cost of the restaurant check and their satisfaction with the meal. Forty-eight percent of the consumers who dine out at least three times a week also say there is a bigger gap between a meal’s costs and their satisfaction with it. In what is likely a related move, 58% of these frequent diners have cut back when leaving tips.

Consumers who dine out less regularly have also reduced the amount they tip, although because they do not eat at restaurants so frequently, fewer of them have cut back on what they

Figure 3

Rise in food prices

Annual rate of inflation for food costs versus all other prices, January 2021 – November 2022



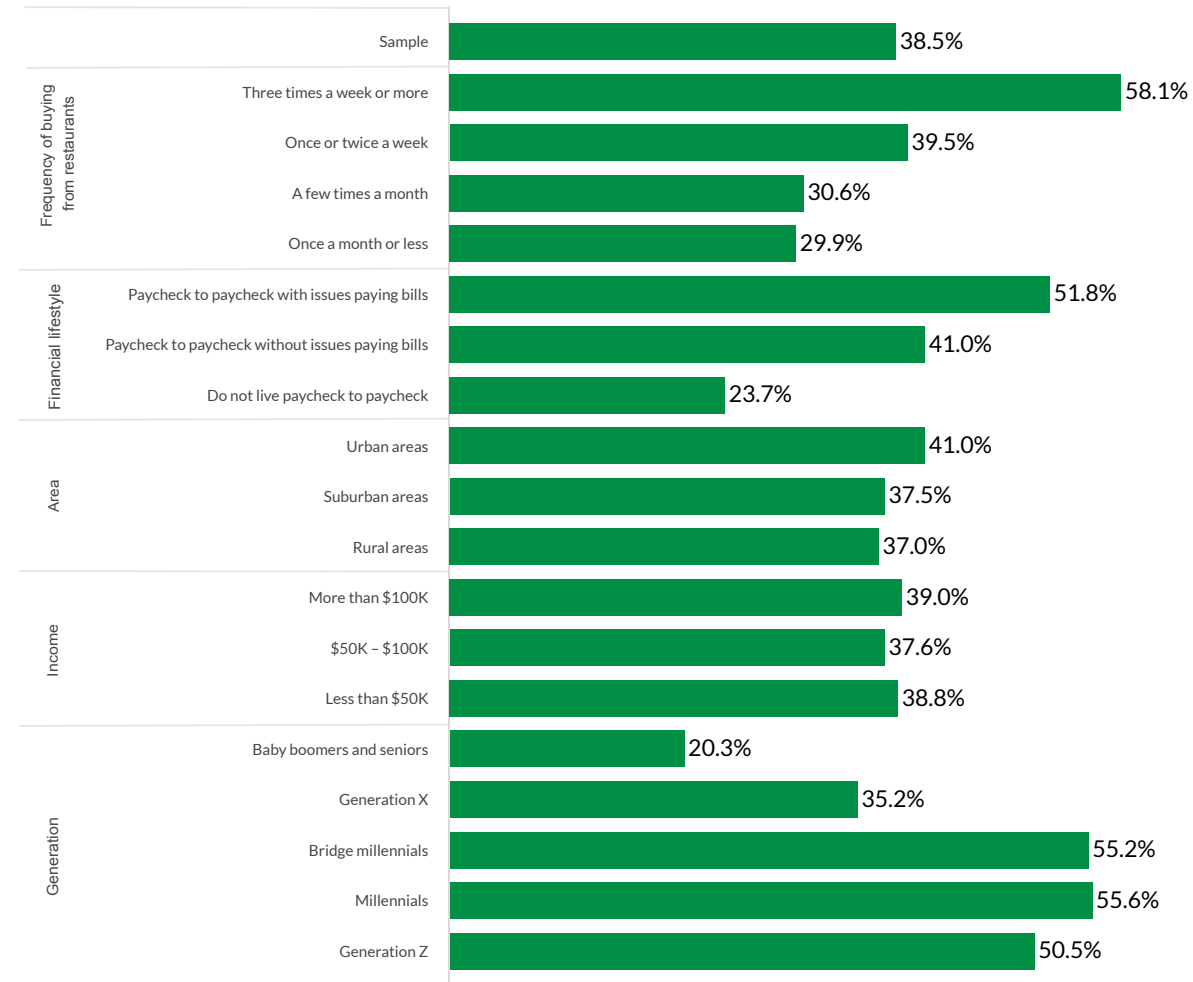
Source: Author unknown. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category. Bureau of Labor Statistics. 2022. <https://www.bls.gov/news.release/cpi.t02.htm>. Accessed January 2023.

tip. Thirty percent of the restaurant patrons who dine out no more than once a month have cut their tips, and 18% of them say the difference between the meal’s cost and their satisfaction has worsened.

When consumers are sorted by generation, we found little difference in the tendency to tip at table-service restaurants, but an age disparity exists for the frequency of tipping at QSRs.

Figure 4A
Tips go down

Share of consumers who have reduced their restaurant tips, by demographic

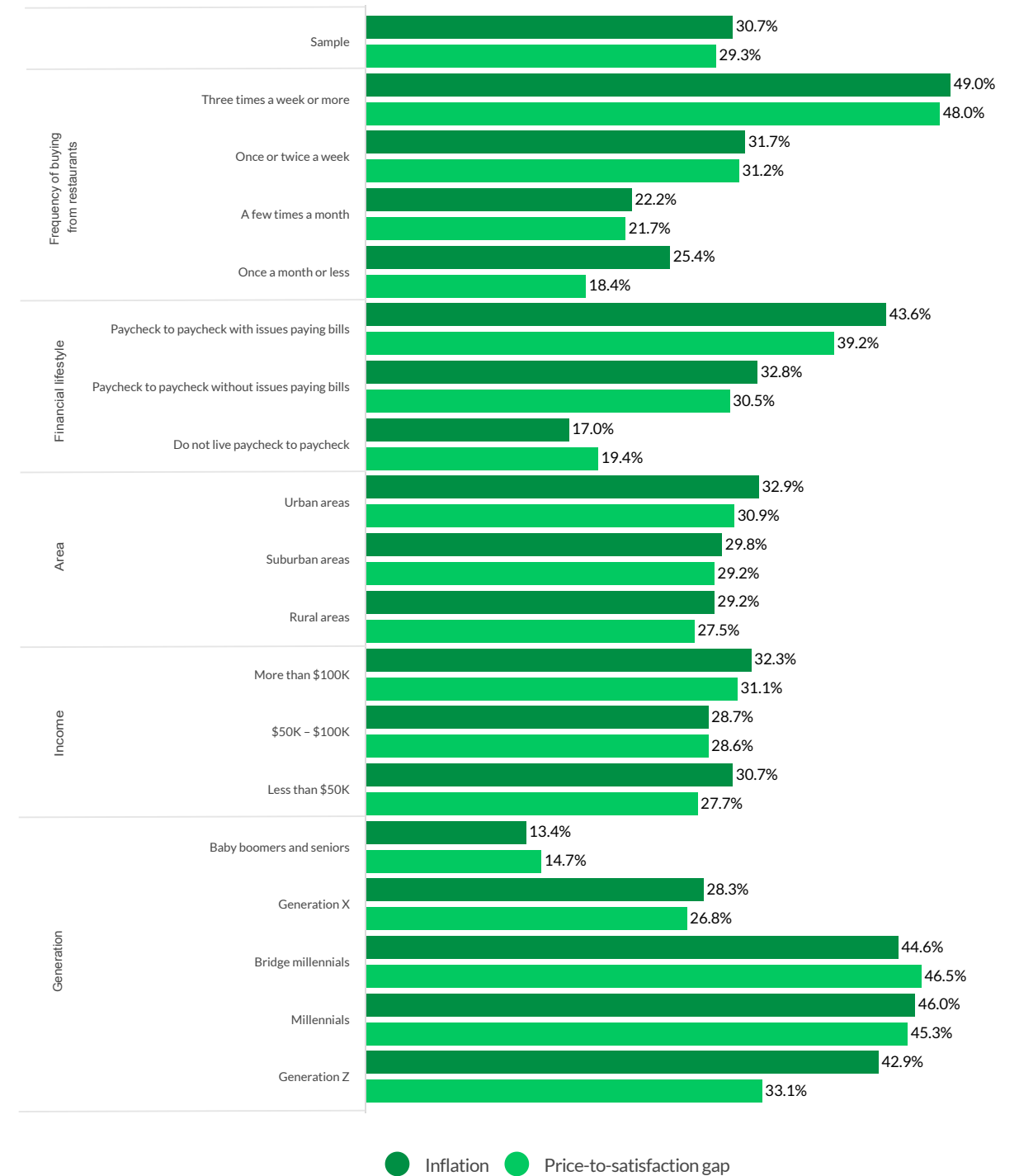


Source: PYMNTS
 Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses, fielded Dec. 7, 2022 - Dec. 18, 2022

Sixty-five percent of millennials, 64% of Generation Z consumers and 61% of bridge millennials tip at QSRs. Fifty-one percent of Generation X consumers leave tips at QSRs. But a different story emerges with baby boomers and seniors, as just 35% of them leave tips when they eat at a QSR.

Figure 4B
Tips go down

Share of consumers who cite select reasons for reducing their restaurant tips, by demographic



Source: PYMNTS
 Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses, fielded Dec. 7, 2022 - Dec. 18, 2022

PART III:
STAYING IN FOR DINNER — TO AVOID TIPPING

Thirty-one percent of consumers say the pressure to leave a tip is persuading them to eat at home more frequently.

Fifty-eight percent of the consumers who have reduced the amount they tip also say they are dining out less. Overall, 31% of consumers say the pressure to tip leads them to dine out less often.

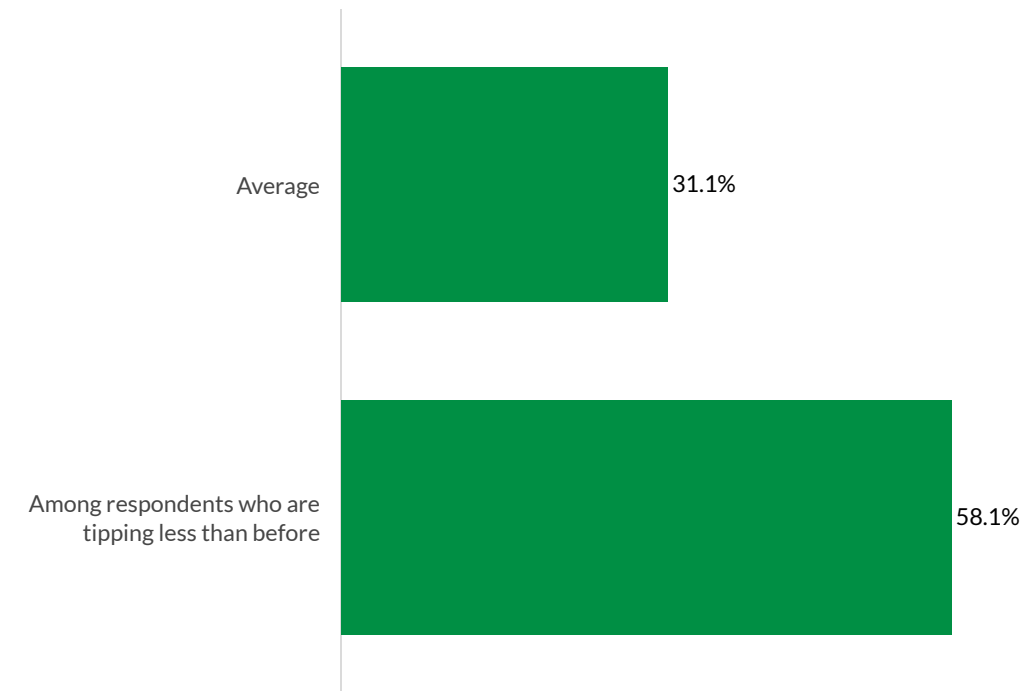
Baby boomers and seniors are the least likely to dine out less because of the pressure to tip, but younger generations are more bothered — and thus more likely to stay at home. PYMNTS’ data shows that 44% of millennials, 42% of Gen Z consumers and 42% of bridge millennials are dining out less often because of the pressure to tip. Twenty-eight percent of Gen X consumers are dining out less frequently because of the pressure to tip; just 17% of baby boomers and seniors have followed suit.

Although some might expect higher-income consumers to be minimally affected by these economic pressures, higher-income consumers are actually the most likely to cut back on the frequency of their dining out because of tipping pressure.

Figure 5A

The pressure to tip reaches a tipping point

Share of consumers who say the expectation to leave a tip makes them eat at home more frequently instead of dining at a restaurant



Source: PYMNTS

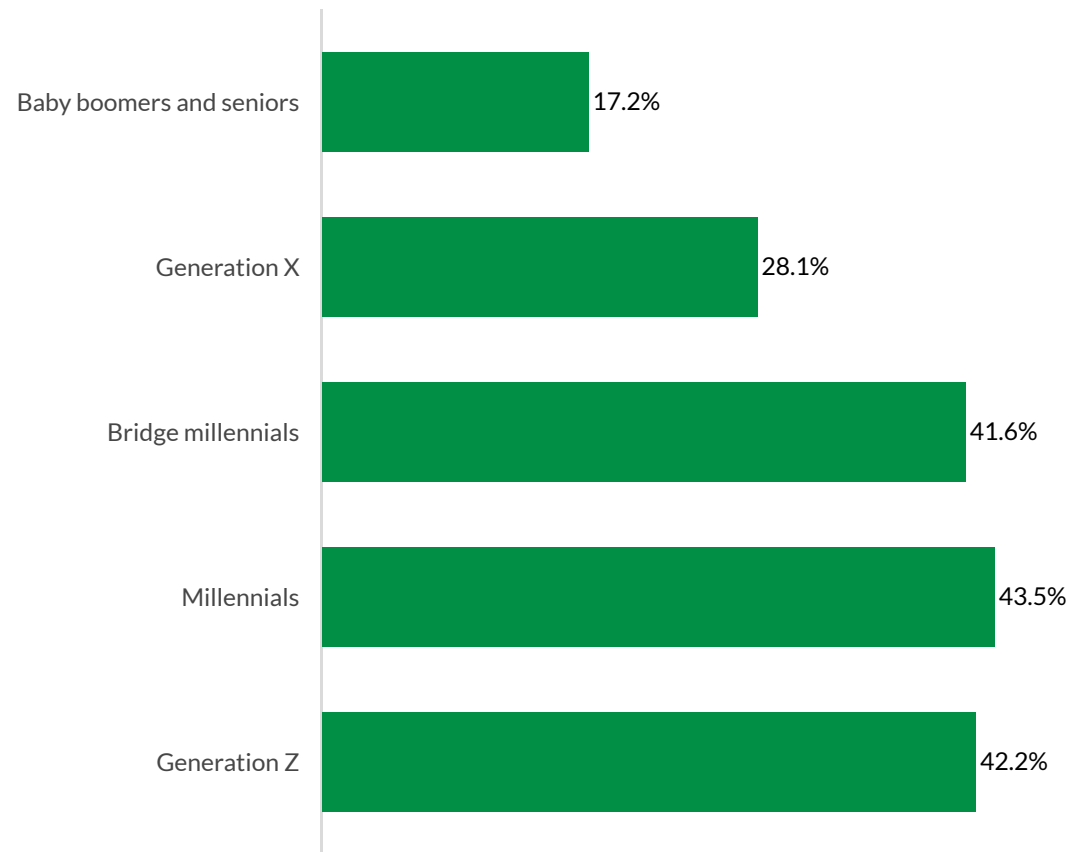
Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
 N = 2,270: Complete responses, fielded Dec. 7, 2022 - Dec. 18, 2022

Thirty-two percent of consumers with annual incomes greater than \$100,000 say they are eating at restaurants less often because of the pressure to tip. Just 28% of consumers earning less than \$50,000 annually say the same.

Figure 5B

The pressure to tip reaches a tipping point

Share of consumers who say the expectation to leave a tip makes them eat at home more frequently instead of dining at a restaurant, by generation



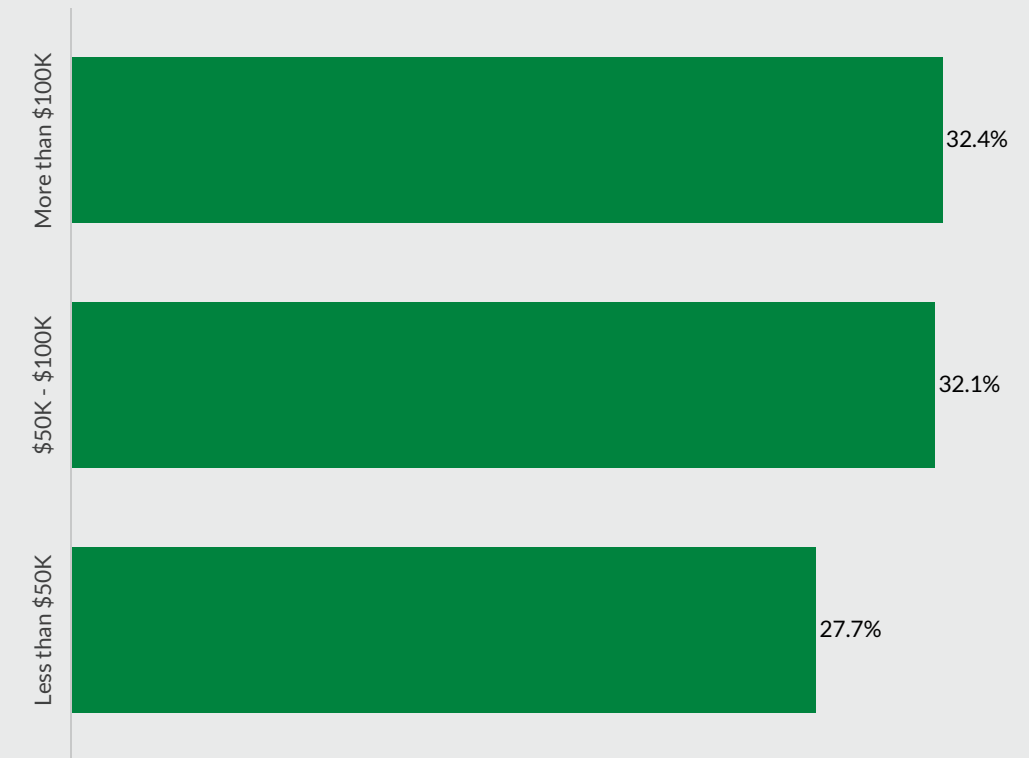
Source: PYMNTS

Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
N = 2,270: Complete responses, fielded Dec. 7, 2022 – Dec. 18, 2022

Figure 5C

The pressure to tip reaches a tipping point

Share of consumers who say the expectation to leave a tip makes them eat at home more frequently instead of dining at a restaurant, by annual income



Source: PYMNTS

Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, January 2023
N = 2,270: Complete responses, fielded Dec. 7, 2022 – Dec. 18, 2022

CONCLUSION

During a time when inflation has put so much pressure on consumers' budgets, it makes sense that consumers are paying closer attention to the quality of the service they get at restaurants and the overall quality of the meal. The customer's tip is how they can register their approval, or disapproval, of the meal and the service. Restaurants that pay close attention to how customers tip the waitstaff will thus be getting invaluable feedback on the quality of the service they are providing for customers.

METHODOLOGY

Connected Dining: Inflationary Pressure Squeezes Restaurant Tips, part of PYMNTS' Connected Dining series, is based on a census-balanced survey of 2,270 U.S. consumers who eat at least one restaurant meal each month conducted from Dec. 7, 2022, to Dec. 18, 2022. Consumers were asked about the frequency of their restaurant dining, the effect inflation was having on their use of restaurants and how rising prices were affecting their tipping practices when dining out.

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