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THE ROLE OF TIPPING IN REDUCING LABOUR COSTS: CASE OF SECTOR RETAIL PETROLEUM PRODUCTS

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Abstract

The purpose of this paper was to determine whether tipping could reduce labour costs in the petroleum products retail sector. The research we present was designed on the basis of survey results gathered from Slovenian petrol stations in 2009 and 2010. We have identified the following factors in the tipping process: job satisfaction, flexibility, service quality, satisfaction, motivation and the factor of receiving tips. The analysis showed correlation between methods used to increase the value of tips and better service quality, increased financial and numerical flexibility, motivation, satisfaction upon receipt of tips and the method used to increase the value of tips. In order to decrease labour costs we propose that the management take control of tipping and integrates tips into the reward system. Also, the employees should be made aware about how tipping improves service and increases their income.

Keywords: tipping, flexibility, motivation, reward system, sales

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Introduction

In previous research (Azar, 2007; Lynn, 2004; Raspor, 2010), it was found that tipping is an interesting area of research from several fields. The first is the customer (the consumer) – the tipper, the second is the employee – the tipped, the third is the employer – the one who pays the monthly salary or is even responsible for the pooled tips. The last is the national legal system (e.g. legislatures, employers, social partners) –

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those who decide and influence the legal basis for the taxation of tips, in other words passing the laws for the collection and dividing of tips.

The work of petroleum product retailers is mainly limited to the sale of fuels and other goods. Occasionally, they also solve a driver's problem or a problem of their passenger. In this case, the customer often wants to pay back the retailer and one of the common ways to do this is to tip. Individual authors (Lynn, 2004; Parrett, 2003; Raspor, 2010) found that tips are on one hand a consequence of the relationship between employees (in our case retailers) and their services, and on the other hand a consequence of the relationship between customers or consumers and tipping.

Theoretical Framework

Motivation

George and Jones (2008: 181) discovered that there are at least 140 different definitions of motivation. DuBrin (1984: 105) wrote, that motivation generally has two meanings. The first viewpoint is to see it as a management activity. The second viewpoint concerns the internal situation and effort, which leads and directs individuals towards their objectives, so as to encourage a clear way of behaviour. Sang (2003: 9) defined motivation as a force, which creates behaviour, with which we satisfy a need. A well motivated person is someone who has clear goals and who takes full responsibility in reaching their objective (Armstrong, 2006). In short, it is the readiness to put in a high level of effort, in order to achieve the objectives of the organization while also satisfying personal needs (Robbins and Coulter, 2009). Motivation refers to the input of energy to meet specific needs (Boone and Kurtz, 1992). This energy may only be temporary, and is activated in order to achieve individual goals (Gibson et al., 2008). From a managerial point of view, motivation means preparing employees to do what is expected of them by their manager.

Making effective decisions and accepting increasing responsibility is a strength which can only be expected from people who are educated, skilled and enthusiastic towards their work (Johnson, 1999: 55). Therefore, motivational systems are also directly related to the training and awareness of employees. Depending on the type of motivation, as identified by Herzberg, (1959), Mausnerand Synderman in 1957, it can be divided into internal; what drives people from inside towards their goal, and external; what was done to motivate the people (Armstrong, 2003: 217; George and Jones 2008: 184).

The motivational process consists of need, from which arises the desire to reach a goal, activities to achieve the goal, and the goal itself. This cycle repeats itself while the needs exist. Arnold (2005: 310) describes the motivational process as a direction, where an individual wants to get to (from the need to the target), the effort they put in and their persistence (activity).

The most common motivational factors affecting individuals in an organization (Bahtijarević-Siber, 1999: 558; Lipičnik, 1998: 162) are; the differences between individuals (needs, opinions), job characteristics (different capacities, identification of tasks, task characteristics, autonomy and feedback) and work specifics (reward system, rules). On the basis of motivational factors, various scales have been developed. The work motives are defined on the scale of work motives while with the scale of work satisfaction we can measure the extent to which employees are satisfied with the individual motivator (Pogačnik, 1997: 12-33).

Tipping

Some sources (e.g. Segrave, 1998) argue that tipping already existed in ancient Rome. However, the most widespread opinion is that this became a social custom in England in the 16th century. The most common phrase for a tip in the English language is "tip the waiter" (i.e. give the waiter a tip - gift in cash). In some areas, they use another term, ie. "Drink money" (Lobb, 2001). The common theme of all definitions is that a tip is a small amount of money, which is paid in respect to someone one who has provided good service (Fullen, 2005: 10) and take into consideration that this does not require any purchase of services (Casey, 2008: 2). However, Raspor (2002) defined a tip as »a gift for above standard services«. In the case of retailers we must point out that there is an emphasis on service which is beyond standard service. They receive tips because they do something which is not necessarily a part of their everyday work i.e. selling (e.g. petroleum products, other material), but is nonetheless desirable to the customers. The giving of a tip is not influenced by one event, but a series of activities, which can be divided into seven groups (Raspor, 2010):

- external, uncontrolled factors (culture of tipping, personal contact, superstition, empathy, duration of service, weather, race, nationality, sex of employee or customer, physical appearance and clothing accessories);
- external, controlled factors (regulated system of reporting to the tax office, the general norm that encourages tipping, legal regulations or collective agreements);

- quantity of visits and services and payment method (billed amount for services, method of payment and change given, frequency of visits, number of customers or employees at place of sale);
- interpersonal relationships between employees and the tip sharing system (interpersonal relationships, base salary, motivation of employees, coordination and cooperation of employees, division of workload between contact and support staff, tipping system, degree of formality in receiving and dividing tips, opportunity to familiarise customers about the meaning of tipping, number of employees who are involved in the tip division);
- features of the shop offer (type and quality of service, customer satisfaction with atmosphere and ambience and diversity of supply and operation of equipment);
- behaviour, experience and other personal characteristics (satisfaction of the individual which is reflected through the quality of service, professionalism, courtesy, appearance, speed of service, radiation of satisfaction, entertaining of customers, general knowledge, non-verbal communication, consulting services, knowledge of rules, problem solving, introducing employees by name, repeating orders for the customer, eye and physical contact with the customer);
- surprising customers (to offer more than your competition for the same price, happiness which shows the employee the customer's satisfaction, above standard service, and attention which the employee gave the customer).

Although the origins of this model derived from the gaming industry (Raspor, 2002), it can also be used in other areas of service activity, where the tip is more common such as in hospitality, hairdressers, and petroleum product retail. That does not necessarily mean that each individual factor in every activity will be as equally important.

Service quality

The influence of tipping on the petroleum product retail service quality has not yet been fully researched. This is not typical only for Slovenia, but also for other countries. High quality products that are marketed in retail and wholesale networks are central especially in the future of quality service offered to customers by employees, companies, partners, managers and their employees. Since we are looking for links with other service industries, we will hereafter refer primarily to studies that have been carried out in the hospitality industry.

The field of quality has been studied by various authors. Gronroos (1984) in the Nordic model identified two dimensions of service quality (technical quality and functional quality). The American model of Parasuraman et al. (1985) made the model of service quality measurement (SERVQUAL model). They try to cover the weakness of the Nordic model by offering a new way for measuring service quality with 10 dimensions (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer and tangibles). In 1988 Parasuraman et al. suggest to use the gap or difference between expected level of service and delivered level of service for measuring service quality perception with five dimensions: Reliability, Responsiveness, Assurances, Empathy, and Tangibility. Dabholkar et al. (1996) proposed the Multilevel model for service quality. They suggest changing the structure of service quality models to a three-stage model: Overall perceptions of service quality, Primary dimensions, and Subdimensions.

Brady and Cronin (2001), Improved SERVQUAL and describe the Hierarchical model. Service quality has three primary level dimensions in this conceptualization such as interaction, environment and outcome with three sub dimensions for each one: Interaction (Attitude – Behavior – Expertise), Environment (Ambient Conditions – Design – Social Factors), and Outcome (Waiting Time – Tangibles – Valence).

If we understand the quality as the amount of service features, with which we satisfy a particular need, we can define service quality as compliance with the expectations of customers (Raspor, 2007). Brezovec (2000:127) notes that disappointed customers shared their experience on average with eleven people, whereas satisfied customers shared on average with 3 or 4. From a business perspective, the issue of service quality and performance is faced by the business world and industry, which is capital-and labour-intensive. A company can only achieve quality if it is completely committed to the philosophy of quality. In practice this means that the company has to have already incorporated elements of quality in the vision of its development and also financially support the progress of the quality of their services (Potočnik, 2004).

Obviously there is a difference between assessing the quality of a service and that of a product. This raises the question on what quality actually is, and what a quality product or a service is. Fenich (in Barrows and Bosselman, 1999: 67) argues that it is not only the characteristics that define what is good or bad, or worthy of praise or criticism, but also the degree of perfection and superiority, which, as Moutinho said

(2000:69) show the irreplaceability of products/services. If we look at the quality in terms of products or services, one could argue that this is based on tangible and intangible characteristics. Sales management is becoming a key area of activity for each sales manager and assistant (Vukovič and Završnik, 2007). Quality is also an expense, which in companies who have a highly developed system of quality, accounts for about 2% of the income, however in companies with badly developed systems it represents 20% of the total income (Maylor quoting Crosby in Moutinho, 2000: 245). The globalisation of business and ever increasing competition on the global market demands that sales managers make fast and correct business decisions. To do this, they must have the appropriate knowledge and skills in the field of sales operations (Vukovič and Završnik, 2007).

The questions are, how does service quality influences the level of tips, and can the tips further motivate employees to perform higher quality services. There have been several major studies carried out on this topic (Azar, 2007, Lynn, 2004; Parett, 2003; Raspor, 2010), the synthesis of their findings is that there is a link, although in some cases weak, between service quality and tipping.

Flexibility of work

Atkinson (1984) designed a well-known model of flexibility of work, which argues that companies seek three forms of flexibility:

- functional flexibility: employees implement different functions and tasks within the organisation and are multi-skilled; this type of flexibility serves the interest of the employees and employers;
- numerical flexibility: adjustment of the number of employees in correlation with the actual needs at any given moment; in this type of flexibility there are contractual employment and flexible work shifts;
- financial flexibility: adjustment to expenses, integration of labour costs with effects, different reward schemes, sharing profits etc.

Experience from the USA (Raspor, 2009), where the reward system is also based on the employees' income from tips, shows that tipping directly influences numerical flexibility. That is, because of tipping, there are fewer contracted workers because existing employees are willing to work harder. This helps the employers better utilise human resources and decrease absenteeism.

Employees are eligible for statutory minimal wage (Burbank, 2000), with the result that companies strive for the optimal number of employees, however the tips often far outweigh the basic salary. In fact, imagine that

the tips represent so much of the income that basic salary becomes negligible and we would be able to work without guaranteed wages (Lucas, 2004: 131). Tipping also has an indirect effect on financial flexibility because »workers for tips« have a lower basic salary plus a variable pay from tips (Wessels, 1997). Employers generally hire fewer employees, while »workers for tips« make labour costs per employee smaller. As with hospitality, where an increase in sales increases tips, it is also shown in the gaming industry that accelerating the game increases the chance of receiving higher tips (Sallaz, 2002: 408). Indirectly with the acquisition of additional skills employees improve their functional flexibility, because tip workers require specific knowledge and skills to satisfy the customers' needs and get tipped (Lynn, 2004).

The predictions that average productivity will rise, the firm will attract a more able workforce, and variance in output across individuals at the firm will rise when it shifts to piece rates (Lazear, 2002). Bandiera (Bandiera *at al.*, 2004) find that for the average worker, productivity is at least 50% higher under piece rates. They show this is due to workers partially internalizing the negative externality their effort imposes on others under the relative incentive scheme and that workers internalize this externality to a greater extent when they work alongside their close friends.

Raspor (2009) found that in the Slovenian gaming industry tipping can increase flexibility, and that this source is currently untapped. The author is of the opinion that unions, employers and employer representatives have to take a more active approach to raise awareness on how influential the amount of tips can be, and in this way they would increase functional flexibility. Once employees would have a higher income of tips, this would increase financial flexibility. Consequently, this would influence numerical flexibility, since employers would be able to reward employees according to tips received, which increases at times of higher demand for services and higher number of customers. Such an approach to scheduling based not only on attendance payment but also on measurable results and a higher income from tips could help improve company performance and job security. This is basically enforcing the philosophy of safe flexibility.

Reward and Principal-Agent-Theory

Agency theory comes from the separation of ownership and control. Theory can be seen from two perspectives (Bartol and Locke, 2000: 119): (1) managers are agents, and owners are principal, or (2) employees are the agent and managers are principal. Conflicts of interest issues that arise when a principal hires an agent to perform

specific duties that are in the best interest of the principal but may be costly, or not in the best interests of the agent. Agency relationship should be encouraged to make principal and agent pursuing the same goals. Thus, the manager looked at the long-term business, not only through its own revenue optimization. The owner sees his long-term ownership and therefore it is employee satisfaction increased interest. Principal therefore trying to encourage an agent to act in accordance with its interests. Wessels has specifically addressed the aspect of agency theory for the tips (hotels and restaurants) and came to the conclusion (Wessels, 1997: 336), that with the proper incentive to create tips Manager optimizes expenditure owners. This is achieved in this way that workers have a lower base salary and receive the remainder of the salary (variable part) from the tips. Since the purpose of employees receive the highest possible tip, this results in a small number of staff, as the tip is divided into a small number of beneficiaries. On this account the loss of part quality services. If opting for the more employees would have to increase the basic salary, because otherwise the employees receiving lower revenue source tip, as the tip is directly related to the amount of the account (Wessels, 1997: 346). All of the above shows (Raspor, 2010) that tips are an important tool for establishing an agency relationship and play a far more important role in the case of dealers—who have a regulated system for collecting and dividing tips—than in the case of waiters.

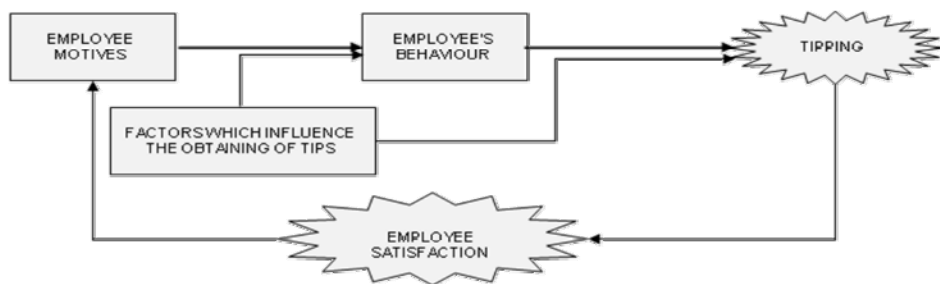
We can conclude that the tip is very effective tool to control the work of employees (Kwortnik, 2005 *at all*).

The process of generating tips in petroleum product retail

For our research, it is interesting to look at the relationship between employees (sales assistants) and service on one side, and customers (consumers) and tips on the other. There is a degree of correlation between satisfied customers and profit, as well as between satisfied customers and the amount of tips. (Raspor, 2010). Whenever a customer is satisfied with a service, they come back rather than going to the competition. This is reflected in the revenue. Similarly, experience shows that satisfied customers leave tips. The positive side of this is that there is no conflict of interest between employees, management and owners (Raspor, 2007). Moreover, the profit is in the interest of the owner. If the customer tips a staff member, staff is less likely to make requests for higher wages. Figure 1 shows that in the general model, apart from employee motives and behaviour, tips are influenced by other factors that can have an effect on the employee or on the tip. In fact, this cycle is similar to the motivational cycle.

The basic condition for getting tips are motivated employees and their enthusiasm, creativity, experience and skills, their abilities to decide on what is effective and successful for the company. That is why there are companies that are more efficient and successful than others, despite the fact that they work using the same or less efficient conditions. Thus, Vukovič and Završnik (2007) pointed out that employees must know all the features of the products and services they sell, they must be creative and master communication skills. Of course they must also be highly motivated, because the sales assistant should also be satisfied with the sales procedure, not just the customer. The visuals are also important (e.g. clothing, hairstyle, shoes, smile, mimicry, walk, appropriate gestures). Employees must constantly be invested in, so organisations are seeking solutions for their own human resources training. Workers should be trained to improve services and therefore increase their chances of receiving a tip.

Figure 1: The process of obtaining tips



Source: Raspor (2007)

There is not enough relevant data on how many tips are received in petroleum product retail in Slovenia. Ivanc (2009) states that working the pumps has always been a much sought after job, especially during the hot summer months. Interest has even increased, as students can earn from 40 to 60 EUR a day in tips. Girls can earn even more. On internet blogs, sources say that sales assistants can receive up to 100 EUR a day in tips.

Research Methodology

The main purpose of the research was to determine if there is a correlation between the amount of tips and the flexibility and quality of service, and if there is a correlation between the level of motivation at work and the amount of tips which employees receive for helping customers in a professional way (e.g. pumping petrol, changing oil and windscreen wipers, cleaning windcreens). As well as this we were also interested in:

- How often do sales assistants receive tips and how much do they receive?
- Can tips be used as one of the factors used to reform the reward system and lower the labour costs for petroleum product retailers?

To achieve the research objectives, the following methods of academic study were used: theoretical study and empirical data collection, analysis of survey data, semi-structured interviews, focus groups among employees and observing employees and customers when in the process of tipping.

Therefore, the research is based on descriptive and comparative methods to compare the level of facts, relationships, and processes, with a view to identify similarities and differences in employees. To reach a clear conclusion, we employed statistical methods as well as methods of analysis, synthesis and compilation.

Research Tools

Research was carried out in the entire territory of Slovenia, between November 2009 and March 2010. In our questionnaire we have used 17 statements in the area of work satisfaction (Pogačnik, 1997) on the Likert scale of 1 (completely unsatisfied) to 5 (very satisfied). Followed by 9 statements from the field of tipping on the scale of 1(I don't agree at all) to 5 (I completely agree). The question of how often do they receive tips (possible answers: regularly, sometimes, rarely, I don't receive tips) and the open questions to establish techniques used to receive tips. The last set was demographic data about the survey respondents (sex, age, education).

For extra clarification, we have conducted semi-structured interviews (total of 10), focus groups (in groups of 5 participants) and observations of processes between customer and employee (in total 30). These methods were used to clarify specific open questions from the employee survey. Therefore, in the semi-structured interviews the base of the questions was the survey. We have particularly searched for extra clarification on the findings from the survey. At the focus groups, we looked for extra confirmation connected with factors which influence tipping. The observation method included careful watching and listening with purpose, so that we could see the customer's and employee's reactions and verify them in practice. The timeframe was dependent on individual service and on whether the customer bought petrol or if they needed any other service.

Population and sampling research

The population included employees (table 1) from five companies that retail automotive fuels in Slovenia: Petrol, OMV, MOL, Tuš Oil and Agip were included in the employee population. The information also includes franchises. It does not include employees who work only part time through student services.

These five companies that retail petroleum products are the source of our target population in the first instance. We were of course more interested in the number of petrol stations, which constituted our target population in the second instance (442 petrol stations) and the number of employees (1,121 sales assistants), which made up our target population in the third instance. Petrol and OMV petrol stations represent the majority of our sample as they are the two biggest petrol retailers in Slovenia, with Petrol having an approximately 60% share of the market, OMV approximately 20% and others dividing the rest.

Table 1: Research Data: Salespeople of petroleum products and tipping 2009/10

Time of Survey		2009/2010				
Data gathering method		Survey by post				
Location of survey		Slovenia				
	Petrol Station			Sales Assistants		
	Sampling frame	Number of completed questionnaires	Percentage	Sampling frame	Number of completed questionnaires	Percentage
Petrol	302	59	19.5%	718	149	20.8%
OMV	107	21	19.6%	240	56	23.3%
MOL	11	10	90.9%	66	35	53.0%
Tuš Oil	17	12	70.6%	76	25	32.9%
Agip	5	2	40.0%	21	8	38.1%
Total	442	104	23.5%	1,121	273	24.4%

Source: Own survey.

It must be highlighted that the service stations we have examined are mostly not petrol stations in the strict sense but instead multi functional complexes with a wide range of offers for on the road travellers (e.g. general goods stores, foreign exchanges, restaurants, car washes, tyre shops, telephone boxes, cash machines). Sales assistants must have a wide range of skills to carry out their work.

All three samples are representative, as they included more than 25% of petrol stations and employees from the aforementioned companies. The statistical analysis and the survey data collection was carried out using the programme SPSS.

Results and findings of research

Response and demographic data from respondents

The response to surveys in the first instance (companies) is 100 %. From 442 petrol stations we covered 104 (response rate is 23.5 %) (table 1). The employee survey was completed by 273 respondents from 1,121 sales assistants (response rate is 24.4 %). The questionnaire was answered by 178 men and 95 women of different ages (from 18 to 25 years old - 82; from 26 to 30 years old – 70; from 31 to 50 years old – 103; from 51 to 65 years old - 18) and level of education (6 – primary school or less; high school – 239; higher education and above – 55).

A comparison of the data with all employee information shows the correlation of age distribution (67.4 % sampling frame and 65.2 % completed sample of men, 32.6 % sampling frame and 34.8 % completed sample of women), age (21.4 % sampling frame and 30.0 % completed sample of 18 to 25 year olds; 20.4 % sampling frame and 25.6 % completed sample of 26 to 30 year olds; 44.8 % sampling frame and 37.7 % completed sample of 31 to 50 year olds; 13.4 % sampling frame and 6.6 % completed sample of 51 to 65 year olds) and education (3.9 % sampling frame and 2.2 % completed sample of elementary school finishers or less; 91.2 % sampling frame and 87.2 % completed sample of high school leavers; 4.9 % sampling frame and in 10.3 % completed sample of higher education graduates or above).

Analysis of sales assistant satisfaction and the correlation between tipping and motivation

Firstly, we were interested in the satisfaction level in their current working situations, and how sales assistants view tipping in regards to this (table 2). We asked them to grade each of the listed work satisfaction elements, 1 being completely unsatisfied to 5 meaning very satisfied.

Table 2: Satisfaction levels with current conditions¹

	Number of respondents	Average	Standard Deviation
relationships with colleagues	273	4.20	0.891
line manager	266	3.82	0.915
continuity of employment	271	3.73	1.094
working conditions	273	3.72	0.852
interest of work	272	3.69	0.913
autonomy in the workplace	272	3.67	0.890

¹ To confirm, it needs to be more than 3.35 or 66 % of the total grade of 5.00.

job security	269	3.66	0.919
demands of work (psychological and physical)	272	3.60	0.835
reputation of work	268	3.49	0.872
creative work	270	3.37	0.886
information about company events	273	3.34	1.070
customers	272	3.34	0.931
participation in work and business	269	3.26	1.039
opportunities for professional development	270	3.22	1.018
wages and other material perks	270	3.11	0.999
promotion opportunities	272	2.89	1.079
tipping	229	2.78	1.153

Source: Own survey.

On the whole, employees are satisfied with the working conditions, 10 of the categories were rated above the average of 3.35. The most important finding is that tipping received the lowest average grade of satisfaction (Average = 2.78), which means sales assistants weren't happy with tipping. We have to look at this factor along with the category of wages, which is in 15th place (Average = 3.11) and below the limit which we previously defined for being acceptable (Average = 3.351). Therefore, we can conclude that employees are currently dissatisfied with wages and tips. We further investigated this in the semi-structured interviews and found that the general opinion was that wages and tips were both significantly higher in the past. According to the employees, with the increase of fuel prices, which we have seen in recent years, customers decide not to tip so often as they did in the past. In addition to this, the nature of the work has changed, and employees do not have much time to devote to customers (e.g. to pump petrol, clean windscreens). The nature of the work mainly involves being at the cash register, which is inside the service station. Consequently, there are fewer customers who let you pump fuel for them. The observations confirmed that at petrol stations where they have for example, student employees cleaning windows, practically every second customer decided to tip, if the employees cleaned the windows or offered other assistance.

Influence of tipping on sales assistant motivation

Furthermore, we researched how tipping effects mood of the sales assistant (table 3). Due to changes in the way they do business and the

¹ To confirm, it needs to be more than 3.35 or 66% of the total grade of 5.00.

motivation of employees, tipping received a low score (average of 2.95 claiming »Tipping motivates me to work«). This fits with Skinner's enhancement theory (1996) that the employee tries harder at work that brings results, whereas work that does not bring results is ignored. The opinion is that the tip itself is what motivates them to work with customers, at least in the moment they get the tip.

Table 3: Statements about tipping

	Number of respondents	Average	Standard Deviation
If I get a tip, I work harder and therefore produce higher quality work.	233	3.65	1.120
If I receive a tip, I am friendlier towards customers.	233	3.45	1.159
If I receive a tip, it in no way influences my work with customers.	230	3.28	1.233
When I accept a tip, I feel satisfied that my work has brought results.	231	3.85	0.989
If I receive a tip, it in no way influences my morale.	228	2.92	1.214
As well as wages and bonuses, I also receive tips, because of this I am prepared to work overtime.	228	2.33	1.246
Tips fall within financial stimulation in the workplace.	230	2.95	1.307
Because my income also includes tips, I use fewer sick leaves.	233	2.01	1.244
Tipping is my motivation for work.	233	2.95	1.327

Own survey.

What is interesting here is that sales assistants who use techniques to increase tips are more motivated by tips, than those who do not use them. Spearman's coefficient correlation ranges show a medium correlation 1, as $r = 0.291$, $p = 0.01$ (table 4).

¹ To interpret Spearman's coefficient range we used the following scale: 0–0.1- no correlation, 0.11–0.3- weak correlation, 0.31–0.6 – medium correlation, 0.61 and above – strong correlation.

Table 4: Coefficient correlation¹

	Method used to increase tipping			
	Coefficient correlation range	Statistical features (2-sided test)	Number of respondents	p
If I get a tip, I work harder and therefore produce higher quality work.	0.303	0.000	233	0.01
If I receive a tip, I am friendlier towards guests.	0.106	0.107	233	
If I receive a tip, it in no way influences my work with customers.	0.075	0.256	230	
When I accept a tip, I feel satisfied that my work has brought results.	0.205	0.002	231	0.01
If I receive a tip, it in no way influences my morale.	0.122	0.065	228	
As well as wages and bonuses, I also receive tips, because of this I am prepared to work overtime.	0.121	0.067	228	
Tips fall within financial stimulation in the workplace.	0.175	0.008	230	0.01
Because my income also includes tips, I use fewer sick leaves.	0.175	0.007	233	0.01
Tipping is my motivation for work.	0.291	0.000	233	0.01
Receiving tips	0.182	0.003	273	0.01

Source: Own survey.

Analysis of the influence of tipping on the quality of service and employee morale

We have determined that tipping does have a decided effect on service quality. (Table 3). The statements *»If I receive a tip, I am friendlier towards guests.«* (average 3.45) and *»If I get a tip, I work harder and therefore produce higher quality work.«* (average 3.65) supports this. Customers who tip are better served and better taken care of. It is interesting that employees who use techniques to increase the chances

¹ To interpret Spearman's coefficient range we used the following scale: 0–0.1- no correlation, 0.11–0.3- weak correlation, 0.31–0.6 – medium correlation, 0.61 and above – strong correlation.

of receiving a tip are more susceptible, they try harder and carry out their duties better than those who do not use the techniques. Spearman's coefficient correlation range shows medium strength relationship, as $r = 0.303$, $p = 0.01$ (table 4).

On the whole, employees perceive that tipping has a decided effect on their behaviour (average statement *»When I accept a tip, I feel satisfied that my work has brought results«* received an average of 3.85 and *»If I receive a tip it in no way influences my work with customers.«* received an average of 2.92). We see that sales assistants feel a sense of satisfaction after they have helped a customer and received a tip. The fact that tipping does not influence their mood, shows that they have a correct attitude towards work. There is still some room to better motivate the part of employees who do not see tips as motivation to do their work better. This we also tried to research with the focus groups. When we explained to the employees how they could influence tipping with certain behaviour, they showed interest in methods used to receive tips. Before this, they were not aware of the methods. Spearman's coefficient range shows weak correlation, as $r = 0.205$, $p = 0.01$ between satisfaction and methods used to receive tips (table 4). This reiterates that the sales assistants that use the techniques for receiving tips are more satisfied than those who do not.

Analysis of the influence of tipping on work flexibility

Based on the influence of tipping on work flexibility, we found that (table 3) sales assistants do not see tips as financial stimulation (statement *»Tips fall within financial stimulation in the workplace«* had an average of 2.95). There was also no noticeable effect on numerical flexibility (statement *»As well as wages and bonuses, I also receive tips, because of this I am prepared to work overtime«* average 2.33 and *»Because my income also includes tips, I use sick leave less often.«* average 2.01), which proves that accepting tips has no influence on the inclination to take additional work leave.

Spearman's coefficient correlation range shows weak correlation, as $r = 0.175$, $p = 0.01$ between those who know and use methods to incur tipping and financial and numerical flexibility (table 4). 55% of sales assistants, who are functionally flexible, know and use at least one method to incur tipping. Between methods and these employees, who accept tips there is correlation ($r = 0.182$, $p = 0.01$), which confirms that methods used to incur tips and frequency of tipping are correlated. From the interviews and focus groups, we determined that customers most often leave the change, if they pay with cash. If they pay with a card, they do not tip, or sometimes tip if sales assistants helped them with

bigger problems. Tipping is common throughout Slovenia and is more common where sales assistants have less traffic and sell fewer other products, therefore at franchises or smaller retail points they can pay more attention to customers. Given the socio-economic status of employees, they believe that the majority of customers are in the lower-middle economic class. With regards to nationality, Bosnians and Italians tip the most, Austrians and Germans tip less and Slovenians fall in the middle.

Ivanc (2009) also had this opinion, saying that Slovenians are generous tippers, more generous if a female customer is tipping a male sales assistant, especially if have they helped fixing the car.

Sales assistants do not see tips as a part of wages, but as some kind of reward. Also the amount itself is not big enough for them to regard it as motivation. The average daily tip at a self-service unit is 5.3 EUR, ie 60 EUR a month per sales assistant. That is significantly less than other sources for e.g. students who only clean windscreens (Ivanc, 2009). According to our research 24 % of sales assistants regularly receive tips, while 60 % sometimes receive tips. Using this information we can calculate that, this sector receives more than 0.9 million euros a year (84 % of 1,121 employees and around 250 students accept 5.3 EUR a day). Another important finding is that workers who receive tips are prepared to share tips with co-workers who do not directly receive tips and contribute to better services. Tips are important for employees to feel needed – it makes them feel important, improves their status relative to their colleagues and gives them motivation to work on. On the other hand, customers mostly tip as a reaction after a good service experience, and not to elicit special treatment in the future. Most customers at service are in transit, and are not likely to return to the station in the near future. Thus in the context of service stations we cannot consider tipping to be a tool to build social capital as defined in Adam and Rončević (2003).

Based on the open responses and focus groups we can conclude that employees within the retail of petroleum products can influence tipping if they use appropriate methods to incur tipping. Employees are not familiar with the management of methods to incur tips, nevertheless they already use a majority of the known methods (Raspor 2010). However, it is not the reason they receive tips, it is their attitude towards customers. Therefore, it would be advisable that sales assistants get this information before they start working. This would help to clarify the picture of additional revenue. It would also promote the profession, which is very important to provide staff with progression (Ferjan *at all.*, 2005). The fact

is that companies are becoming increasingly globalised and habits are spreading.

Summary

We wanted to highlight the relationship between tipping and work flexibility, service quality and employee motivation with this research. We would like to make employers aware that their relationships with employees and rewarding systems can improve flexibility within their company and therefore improve service, productivity and competition on the market.

We found that tipping at service station in Slovenia does not yet influence the flexibility and motivation of sales assistants. This is slightly more significant among employees who use methods to incur tips. Tipping is also not a sufficient enough motivator for sales assistants. Also in this case there is the exception of employees who use methods to incur tips. A positive finding is that tipping does affect service quality. This finding is the basis on which agencies must build relationships.

The practical value is reflected in the finding that tipping is not used enough as a tool to increase work flexibility among salespeople of petroleum products. Therefore, employees do not know enough about the opportunities offered by tipping to regulate supply and demand. We believe that employers should first be made aware of what tipping can offer. Then employees can be made aware of their potential benefits. Practice in the USA shows that »tip workers« do not demand breaks, extra holiday allowance, or shorter working hours. Moreover, they are more reluctant to take unforeseen breaks too. The more breaks they have, the less tips they get. They are also more prepared to work during busy periods (higher potential number of tippers) and are not just physically present at work. We think that employers have to motivate employees to pay more attention to customers, as it would increase customer satisfaction and the chances of receiving a tip, which would increase employee income.

The original value of this contribution is shown (1) that we are the first to research tipping within petroleum product retail, (2) it is examined in all three forms of flexibility (numerical, functional, financial) and studied in terms of (3) service quality and (4) employee motivation. However, within our own research we did not confirm every finding that we found in the cases from the USA, where tips make a much larger proportion of wages.

This research gives a new understanding to tipping as a variable part of wages, which would ease the burden on employers and would make the company more competitive. This would also increase the country's tax income. In addition, our findings can also be used by retailers in different areas. Employers would of course have to make sure that tip boxes would be placed at the cash register, where customers could leave tips for employees, who had provided an above standard service, and provide a way to record why and whom they were tipping.

Therefore, we suggest that all petrol station operators should familiarise employees with the idea that tipping increases flexibility, motivation, and service quality, which means that they will improve services and increase revenue. In any case, tipping needs to be integrated into reward systems. This method will increase the social security of sales assistants. However, modifying the wages structure to largely depend on tips could endanger the stability of employee income and their social position. As well as sharing labour costs, it will also establish control. The tax revenue will also increase. We believe that only the companies who are able to utilise human capital and know how to find other sources and methods of rewarding and motivating employees have an opportunity for faster and better development. One of the ways of rewarding is tipping, where the obligation and decision to pay is passed to the customer.

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