

October 2015 *MoneyMinute* – Tipping Tips for the Digital Age: How to Master the Gratuity Grind

By Brian O’Connell

Tipping in the digital, peer-to-peer economy is a tricky endeavor.

It’s the gratuity version of that old exercise of “threading the needle,” where consumers want to balance appreciation of service with accountability of service for the Ubers and Airbnb’s of the emerging digital world.

Even old-school consumer experiences, like paying for a meal at a restaurant, are thrown off-kilter when diners order their own food without a waiter (via tableside tablets like the ones offered by Applebee’s, which require no human interaction to order that double cheeseburger with fries, cooked medium rare, along with an unsweetened ice tea).

Another wrinkle is the odd, rather awkward experience of having to choose from three different tipping options on an iPad payment screen while standing face-to-face with your local barista. When selecting 15%, 20%, or 25%, should you risk the scorn of your daily latte provider by tapping 15%, or worse, no tip at all? If so, sorry – don’t expect a smiley face carved into your foam at the top of that latte – or worse.

To set things right, let’s address some more prominent “modern age” digital tipping situations, and see who gets what, and under what circumstances:

Should you tip your Uber driver, and for other peer-to-peer services?

Miriam Cross of Kiplinger’s takes a whack at the Uber tipping issue, where the ride service firm specifically tells passengers they don’t have to tip Uber drivers. But that doesn’t mean you shouldn’t, she says. “Drivers are free to accept gratuities,” Cross states. (It’s another misconception that Uber doesn’t permit them to.)

“If you have cash and want to show your appreciation to the driver for, say, efficiently navigating a complicated route, offer the same 15% to 20% you’d pay for a regular cab ride,” she says. Even better, make sure you give your Uber driver a solid rating score if you like the ride experience. (For the record, Uber competitor Lyft encourages riders to tip drivers – again, 15% is satisfactory.)

What about those digital, point-of-sale payment systems?

The information systems services firm Software Advice just released a highly informative survey on digital payment system tipping. Overall, 86% of consumers want to tap in the tip themselves, instead of having the server do it (even though many consider it to be “guilt tipping”), while 41% are “highly influenced” by having the server in close, physical proximity when the tipping decision is at hand. The call here is to stand fast, and tip accordingly, even with a server staring back at you as your finger hovers over the “tip options” list.

Is it OK to stiff a service provider digitally for lousy service?

Again, 15% to 20% is perfectly appropriate if you like to tip, and if there's no table service involved, not leaving a tip at all is no social faux pas; of course, servers may not feel that way and may "out" you on social media. A note: "guilt tipping" actually works for servers, but maybe not for customers. Square reports that its merchants are seeing a 133% rise in "cumulative tips" over the past year – about \$70 million overall, and for many retail locations that doesn't involve sit-down dining.)

Just know the rules of engagement for digital tipping are the same as for traditional tipping – even if you have to stiff a lousy waiter or barista in close physical proximity if you're using digital payment systems.

"Look at it as leaving feedback," says Matt Niehaus, founder of InStoreDoes.com, a point-of-sales payment systems provider based in San Francisco. "So, if you don't have a good experience at the business in question, you can tip less generously or not at all as a way of holding service providers accountable for their efforts."

"With point-of-sales payment tablets taking over point-of-sale at most restaurants, consumers should get used to this experience, tip what is fair, and enjoy the benefits they offer to everyone involved," he adds.

Tipping in a newer, more digitally-enhanced economy does take some getting used to, but in most ways, it's reminiscent of traditional tipping, which relied heavily on the consumer's own judgment.

That really hasn't changed all that much, even if you do have more payment options, and more opportunities to exercise some good and bad gratuity-amount decisions.

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