



Rodney's Take

June 10, 2024

Tip 'Creeps'

Last week, we went to the fast-casual restaurant The Taco Stand, a place where you stand in line to order, pay at the register, wait there for your drink, get your food once your number is called, and throw away your trash after eating. Yet at the register, we were confronted with a tip screen. The tipping choices were 22%, 20%, and 25%, in that order—and the tip screen was presented as we paid, *before* we got the meal.

Tipping used to be limited to things like full-service restaurants and mailmen at Christmas. But tipping expanded, first to places like Starbucks (it's counter service, but you might get a pretty design on your latte, if it's in a permanent cup) and then to other sectors of the economy.

According to Square, tipping ramped up during the pandemic, jumping 25% for full-service restaurants and almost 17% for counter-service restaurants in the third quarter of 2023. Tip percentages and requests have continued to rise, despite customer grumbling and a lot of articles in 2023 about how much people hate the new tip prompts. And now, the common tip amount is no longer 15%; many places put tip buttons as high as 30% or 35% on their screens.

It makes you wonder if counter service servers will spit in your food if not tipped in advance.

The thing is, the pandemic and the stimulus boost are over, yet inflation continues. With fast food and fast casual restaurants, "tipflation" chafes. Workers at these restaurants are not paid a tipping (partial) wage, and

minimum wages are up. Like grocery stores, McDonald's put up payment kiosks to replace workers, placing even more of the burden of service onto the customer. And that Mickey D app? Yeah, you do all of the work the server used to, but you still pay the same price for the food (mostly).

As for The Taco Stand, the food was good... but where's my tip?

In the past quarter, fast-food sales have dropped, with companies blaming everything from high labor costs to the weather for the weak results. Yum Brands, parent company of Pizza Hut, KFC, and Taco Bell, blamed January snowstorms, in part. As for labor, minimum wage went up in January in 22 states. It's especially high in California: per a 2023 law, fast-food chains with 60+ locations nationwide must pay \$20 per hour.

Presumably, fast-food prices could ease if food and wage costs drop, but I doubt it. For now, customers are eating out less, selecting fewer menu items per visit, and getting choosier about the restaurant. And while people complain about increased grocery-store prices, the costs of eating out have risen faster. According to the U.S. Bureau of Labor Statistics, prices for "limited-service" restaurants increased 5% in March vs. a year ago.

We might be grumbling about higher prices when eating out, but we're doing it with food in our mouths, and we're tipping more for the privilege.

Rodney and Brook

Got a question or comment? You can contact us at info@hsdent.com