Friendliness pays off! Respect and monetary gifts in the service industry.

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Friendliness pays off! Respect and Monetary Gifts in the Service Industry.∗
Michael Kirchler† and Stefan Palan‡
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Abstract
We investigate the role of respect and monetary gifts in the service industry. We report findings from purchases of more than 800 doner durum, a common lunch snack. Prior to the food’s preparation, we either give a compliment about the product, or a monetary gift by tipping. We repeat the interaction on five consecutive days. Our findings show that salespersons exhibit positive reciprocity in response both to paying respect and to monetary gifts. Remarkably, the “respect-effect” even gets stronger with repeated purchases.

JEL classification: D01, D03
Keywords: gift exchange, respect, natural field experiment.

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Human desire for respect evolved millenia ago possibly because being esteemed had material and sexual benefits (Fershtman and Weiss, 1998; Fessler, 2004). The role of respect for workplace effort, however, has gained only moderate attention in the economics literature so far. There is theoretical evidence that expressing respect towards employees increases their utility (Ellingsen and Johannesson, 2007) but clear experimental evidence from the field is missing.

This paper closes this gap and investigates how people respond to expressions of respect and how this behavior differs from monetary gift exchange in the workplace. Following Ellingsen and Johannesson (2007) we define respect as an agent’s utility gained from what (she believes that) others think about her. We purchase doner durum, a common lunch snack. We express respect about the product – i.e., we provide an immaterial gift by giving a compliment – to some salespersons prior to its preparation, and we give a monetary gift (tip) to others.\(^1\) By using repeated interactions, we explore how the interventions’ effects develop over time. Our findings show that expressions of respect cause salespersons to reciprocate by preparing heavier doner durum. Monetary gifts in the form of tipping in advance have a similar, albeit stronger effect. Remarkably, reciprocal behavior on both interventions does not decrease over time. On the contrary, salespersons’ reciprocation even increases over time when a compliment is given.

\section{Outline}

In a survey, Ellingsen and Johannesson (2007) distinguish between the social esteem and the social preference approaches. The social esteem approach concentrates on the role of non-monetary incentives – i.e., of paying respect – in the workplace. In the behavioral management literature the related but distinct concept of social recognition is considered one of the three most important performance reinforcers besides money and feedback. Social recognition programs, which build on this concept, typically involve expressions of app-

\(^1\)The terms “expressions of respect” and “immaterial gifts” are used synonymously throughout the paper.
proval and interest towards the employee (Haynes et al., 1982; Bandura, 1986). In a comprehensive survey of behavioral management studies, Stajkovic and Luthans (2003) report that social recognition has a positive effect on task performance. The behavioral labor market literature similarly provides evidence that employee recognition and symbolic awards influence work effort positively (Markham et al., 2002; Brennan and Pettit, 2004; Ellingsen and Johannesson, 2007, 2008, 2011). In the two studies closest to ours, Kosfeld and Neckermann (2011) and Bradler et al. (2014) show that employee recognition programs which entail providing employees with “Thank You” cards for good performance lead to increased employee output.

As argued by Ellingsen and Johannesson (2007), the social preference approach focuses on the impact of other-regarding motives such as altruism and fairness on effort. Altruism and fairness have in common that they are usually defined over monetary outcomes. Akerlof (1982) for example argues that higher wages serve as a “gifts” for employees, who reciprocate with higher effort. Laboratory evidence is broadly consonant, showing that higher wages lead to higher effort by employees (Fehr et al., 1993; Fehr and Falk, 1999; Fehr and Gächter, 2000; Gächter and Falk, 2002; Charness, 2004). The evidence from field experiments is less clear, as some studies support the role of reciprocity (Falk, 2007; Maréchal and Thöni, 2007; Currie et al., 2013; Cohn et al., 2014 for monetary, and Kube et al., 2012 for non-monetary but still material incentives) while others find the effects to be only temporary (Gneezy and List, 2006). In a study on gift exchange in restaurants, Strohmetz et al. (2002) show that a material gift (candy) delivered to the dining parties together with the bill leads to servers receiving higher tips, measured as a percentage of the bill amount.

In addition to the conceptual differences just outlined, most of the literature deals with classical employer-employee relationships. Remarkably, the two methods – immaterial and monetary gifts – have not been tested in other frame-
works, making it difficult to compare them. Consumer-salesperson interactions, for instance, serve as an ideal field to investigate the role of both interventions. From a consumer perspective interactions with salespersons are highly relevant as they occur frequently (i.e., in some cases multiple times a day) and as extra effort/kindness from the salesperson is highly appreciated.\(^3\)

In this paper we run a natural field experiment (Harrison and List, 2004) to analyze the impacts of respect and monetary gifts on salesperson kindness. We are the first to design a unified framework making both approaches directly comparable. We collect data for purchases of durum doner, a common snack and lunch dish in Europe. We analyze the impact of paying respect after making a compliment about the product in advance, and of monetary gift exchange after tipping food salespersons prior to the product’s preparation. We purchase the product from the same salesperson on five consecutive days to explore how effects develop over time. We operationalize the generic concept of salesperson kindness by measuring doner weight and using this measure to determine the extent of reciprocation. Our approach differs clearly from those of Kosfeld and Neckermann (2011), Bradler et al. (2014), and the literature on social recognition programs mentioned above. The “Thank You” cards and award certificates used in these studies have both a material and an (immaterial) “award” component. A card or a certificate can be put aside and may provide utility at a later stage. It can also serve as a public signal to others who did not receive similar recognition. A private compliment like in our study is entirely immaterial, cannot be “stored”, cannot be used as physical evidence for impressing others, and thereby expresses respect directly to the recipient.

We find that (1) expressing respect by making a compliment about the product prior to its preparation induces positive reciprocal behavior by the salespersons – i.e., they prepare significantly heavier doner durum compared to those without intervention. Our results also show that (2) monetary gifts (tips) in

\(^3\)This desire for salesperson kindness is recognized in the literature. Lynn et al. (1993) argue that employers make use of it as follows: consumers are in a better position than are employers to evaluate and reward employees’ effort. It is for this reason that employers delegate the monitoring task to consumers, who reward the desired effort by tipping generously and sanction a lack of expected effort by withholding tips.
advance have a similar, albeit stronger effect. Finally we observe that (3) the “respect-effect” increases significantly over time. Doner weight increases by 6 percentage points over five visits of the same salesperson. In contrast, the “money-effect” does not vary significantly over time, suggesting that reciprocal behavior based on monetary gifts may not necessarily disappear in the field, as was reported by Gneezy and List (2006).

With our approach we extend literature along three dimensions. First, we investigate reciprocal behavior triggered by paying respect and monetary gifts in the same setting, making them comparable. We add to the literature the finding that monetary gifts “work” in the field and that paying respect also leads to reciprocal behavior by the recipient. Second, we use a repeated setting to analyze how reciprocal behavior develops over time. While Gneezy and List (2006) report that reciprocal effects in monetary gift exchange situations are only temporary in the field, we show that this is not necessarily the case. In our study, reciprocal behavior stays constant over time when induced by money and increases markedly when induced immaterially by paying respect. Third, we are the first to investigate both approaches in natural consumer-salesperson interactions in the service industry. We thus extend the contextual scope of this research area into a new field.

2 Conceptual Framework and Experimental Setup

2.1 Framework and Research Questions

We investigate the effect of immaterial gifts on salesperson kindness by making a compliment about the product, prior to its preparation, in treatment COMPLIMENT. We analyze the role of monetary gift exchange by tipping food salespersons prior to the product’s preparation in treatment TIP. The third treatment, NORMAL, serves as the benchmark without intervention.

Translating the idea of Ellingsen and Johannesson (2007) on social esteem to our setting, a salesperson’s utility depends both on her income and on her pride from being esteemed by the customer. We hypothesize that making com-
pliments leads to increased salesperson utility and therefore to more salesperson kindness. The salesperson is made to feel proud of what she is doing and exchanges kindness for given esteem.

We formulate the first research question:

RQ1: Does paying respect by making a compliment prior to the product’s preparation cause increased salesperson kindness compared to “normal” transactions?

In light of the social preference literature, we expect a tip in advance to increase a salesperson’s utility, which the salesperson will reciprocate with increased kindness (measured by product weight). This is an exchange of greater salesperson kindness for extra money, which leads to our second research question.

RQ2: Does a monetary gift by the consumer prior to the product’s preparation cause increased salesperson kindness compared to “normal” transactions?

Gneezy and List (2006) find that in a labor market setting in the field reciprocity effects are temporary. We address this issue by visiting each salesperson on five consecutive days, always using the same role (normal order, tip, or compliment). With this design we can answer our third research question.

RQ3: Do the effects of paying respect and providing monetary gifts change over time?

2.2 Experimental Setup

In our setting, the experimenters ordered durum doner in restaurants or snack bars. A durum doner, pictured in Figure 1, is a dish of Turkish origin made of meat roasted on a vertical spit and served in a wrap.4

We conducted our experiment in Graz (GRZ) and Innsbruck (IBK), Austria, and in Munich (MUC), Germany. In each town, three experimenters visited the

4The dish is also referred to as “shawarma” in Arabic, as “gyros” in Greek, or as “gyro” in the US. Durum doner are a very popular form of snack in Europe. The annual revenues of the doner industry in Germany (the United Kingdom) amounted to roughly €3.5bn in 2011 (£2.2bn, as of February 2015). See http://online.wsj.com/news/articles/SB10001424052702304432704577350194262383880 and http://www.britishkebabawards.co.uk/about_british_kebab_awards, retrieved on February 24, 2015.
Figure 1: Pictures of durum doner: wrapped in foil (left), wrapped without foil (middle) and unwrapped (right).

same 18 restaurants, for a total of 54 restaurants in the entire sample. We employed eight male experimenters of approximately the same age (22-26 years), but only three of them collected data in a particular town. One experimenter was active in two towns. Each experimenter ordered one durum doner from salesperson $i$ on each of five consecutive days. An individual experimenter’s role (i.e., treatments NORMAL, TIP or COMPLIMENT) was fixed for each salesperson. We furthermore strove to ensure that all experimenters always interacted with one and the same salesperson in a given restaurant. We thus designed the experiment to obtain 15 observations per salesperson (three treatments/experimenters, and five observations each). To control for experimenter effects we randomized the experiment. We applied each of the six possible assignments of treatments to experimenters (NORMAL-TIP-COMPLIMENT or NTC; NCT; TNC; TCN; CNT; CTN) three times to cover the 18 restaurants in each town. Thus, each experimenter played each role six times (for five visits each) in each town. The experimenters entered each restaurant independently from each other and were not present in the restaurant at the same time. After concluding a transaction, each experimenter immediately weighed the product outside of the restaurant in a place where he was not visible from inside. He also filled in a standardized protocol documenting the transaction. The doner were then handed over to charities in the respective town, except for a small percentage consumed by the experimenters themselves. One could argue that
getting more doner weight may not be considered beneficial by every customer. However, getting something extra is a typical act of kindness from a salesperson in the service industry (e.g., receiving an additional drink, or a free starter in restaurants).5

In treatment NORMAL the experimenter ordered without any intervention. The standardized wording was as follows (translated from German): “One durum doner without sauce, to take away please.” The products were ordered without sauce, because sauce has a high relative density and thus could add unwarranted noise to our results. Treatment COMPLIMENT was identical to NORMAL, but the experimenter made a compliment about the product, prior to the product’s preparation. The first standardized wording reads as follows: “One durum doner without sauce, to take away please. You have the best durum doner in town.” In the four remaining wordings we only modified the last sentence. The translated wordings are as follows. Wording 2: “/.../ It tastes best at your place.”; Wording 3: “[...] By the way, your durum doner tastes great.”; Wording 4: “[...] I never had a better durum doner than at your place.”; Wording 5: “[...] There is no place where the durum doner tastes better.” These five wordings were used in randomized order. Treatment TIP was identical to treatment NORMAL except that the experimenter gave a tip of around 10 percent to the salesperson.6 The experimenter took great care to ensure that the tip was recognized by the salesperson at the time the order was placed. The experimenter put the product price plus the tip on the counter and simultaneously augmented the order by adding “The rest is for you” to the standardized wording. See section 6.1 in the Appendix for more details on the procedures employed.

The setting of this study was carefully selected to fulfill the following five

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5Another critique of the variable doner weight could be that ingredients have different economic values which are not perfectly linearly related to their prices. However, it is unrealistic to assume that a salesperson would only add one or two cheaper ingredients, thereby deviating from the “optimal” input composition, making the product less tasty. More realistically, a heavier doner will most likely contain all ingredients in a similar ratio as less heavy doners, holding taste constant. Given these considerations we believe that doner weight is the best general proxy for measuring salesperson kindness in our setting.

6As a percentage of price, tips varied between 8.1% and 10.3%, with a mean of 9.2%. This was due to the requirement of tip amounts being multiples of €0.10 in order to remain inconspicuous.
requirements, ensuring a high degree of experimental control:

First, the entire consumer-salesperson interaction, including accepting the order, preparing the doner, and accepting the payment is attended to by a single salesperson. Many comparable settings are characterized by a division of labor on the salesperson side. For instance, a waiter in a restaurant has to rely on the barkeeper and on the kitchen staff when aiming to provide high quality drinks and food in minimum time, which would have added unwarranted noise to our results.

Second, the amount of additional food provided is measurable. One might get better treatment with tipping or complimenting in advance in many service settings, yet this better treatment may not be measurable. For instance, a concierge may provide better service by being more friendly, and a hairdresser may be more careful and invest greater effort, but their additional effort and higher quality of service do not lend themselves to easy quantification.

Third, the salesperson has the discretion to choose a higher than normal amount of food. Many services are standardized with no possibility for the salesperson to intervene by adding any additional benefit. For example, beverages are frequently filled to the brim, with no chance to add any extra. Other products might already be standardized ex ante with hardly any chance for the salesperson to have an impact (e.g., pizza slices in snack bars, pieces of cake in cafes).

Fourth, the experimental treatments are not likely to arouse suspicion in the salesperson. It is not unusual in these restaurants to give a tip or make a compliment about the product.

Finally, the consumer-salesperson interaction reflects an everyday life situation. Going to snack bars or restaurants to order a durum doner is a common occurrence, even when done on five consecutive days.

Table 1 outlines the number of observations per treatment and visit. In some restaurants, salespersons changed during the observation period, such that

\[\text{Note that five observations were lost due to technical problems, and four had to be excluded due to one instance of an experimenter forgetting to tip during the second visit to a restaurant in treatment TIP (only the first visit observation was retained).}\]
we obtained more observations for early than for late visits with a particular salesperson. In 14 of the 54 restaurants the salesperson changed at least once during the elicitation period. We still visited each restaurant 15 times, but recorded the observations as stemming from different salespersons and controlled for this in our analysis.

Table 1: Number of observations for each visit and treatment.

<table>
<thead>
<tr>
<th>Number of observations</th>
<th>Visit</th>
<th>NORMAL</th>
<th>COMPLIMENT</th>
<th>TIP</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>207</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>58</td>
<td>57</td>
<td>58</td>
<td>173</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>53</td>
<td>52</td>
<td>54</td>
<td>159</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>48</td>
<td>44</td>
<td>47</td>
<td>139</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>42</td>
<td>40</td>
<td>41</td>
<td>123</td>
</tr>
<tr>
<td></td>
<td>Sum</td>
<td>270</td>
<td>262</td>
<td>269</td>
<td>801</td>
</tr>
</tbody>
</table>

3 Results

3.1 Main Results

Table 2 presents descriptive statistics of raw doner weight. Across treatments this weight varies from 242g to 802g, with a mean of 422g. It is evident that raw doner weight is on average highest in treatment TIP, and it increases substantially over time in treatment COMPLIMENT.

Average doner weights differ widely between different restaurants and salespersons. We control for these differences by calculating an index of normalized doner weight as follows:

\[ \text{NORMWEIGHT}_{i,t} = \frac{W_{i,t}^\theta}{W_{i,1}^\text{NORMAL}} \cdot 100. \]  

Here, \( W_{i,t}^\theta \) stands for doner weight in treatment \( \theta \in \{ \text{NORMAL, COMPLIMENT, TIP} \} \), purchased from salesperson \( i \) in visit \( t \). To arrive at NORMWEIGHT we divide each doner’s weight \( W_{i,t}^\theta \) by the weight of the first doner bought from the same salesperson in treatment NORMAL. This normalization eliminates salesperson
Table 2: Descriptive statistics: mean, median, standard deviation, minimum, and maximum of raw doner weight across treatments and over time.

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Visit</th>
<th>Mean</th>
<th>Median</th>
<th>Std.dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORMAL</td>
<td>1</td>
<td>413.35</td>
<td>409.05</td>
<td>60.14</td>
<td>295.15</td>
<td>681.55</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>406.49</td>
<td>409.23</td>
<td>64.24</td>
<td>257.20</td>
<td>626.90</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>409.88</td>
<td>398.60</td>
<td>58.64</td>
<td>314.45</td>
<td>646.25</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>419.33</td>
<td>411.13</td>
<td>58.22</td>
<td>323.30</td>
<td>664.40</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>416.15</td>
<td>410.73</td>
<td>71.89</td>
<td>244.90</td>
<td>698.45</td>
</tr>
<tr>
<td>COMPLIMENT</td>
<td>1</td>
<td>416.12</td>
<td>409.65</td>
<td>56.23</td>
<td>304.55</td>
<td>635.85</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>418.94</td>
<td>416.30</td>
<td>60.69</td>
<td>241.65</td>
<td>649.15</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>422.27</td>
<td>415.65</td>
<td>55.43</td>
<td>284.50</td>
<td>622.75</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>422.35</td>
<td>419.45</td>
<td>57.59</td>
<td>276.90</td>
<td>589.10</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>439.88</td>
<td>421.35</td>
<td>71.16</td>
<td>351.75</td>
<td>693.50</td>
</tr>
<tr>
<td>TIP</td>
<td>1</td>
<td>430.77</td>
<td>424.70</td>
<td>62.09</td>
<td>285.85</td>
<td>650.40</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>435.67</td>
<td>427.10</td>
<td>61.24</td>
<td>293.70</td>
<td>633.65</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>430.60</td>
<td>425.60</td>
<td>60.14</td>
<td>308.70</td>
<td>633.95</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>427.68</td>
<td>414.38</td>
<td>65.13</td>
<td>325.55</td>
<td>643.50</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>433.42</td>
<td>421.25</td>
<td>80.94</td>
<td>329.65</td>
<td>802.35</td>
</tr>
</tbody>
</table>

and restaurant idiosyncratic effects and allows us to focus on treatment differences over time. For convenience, we multiply by 100, such that any deviation of NORMWEIGHT from 100 can be interpreted as a percentage difference relative to the NORMAL observation in the first visit.

Figure 2 presents a graphical overview of normalized doner weight. We find that normalized weight remains stable at around 100 over time in the baseline treatment NORMAL. The picture is different for the immaterial gift in treatment COMPLIMENT. Here normalized weight starts out slightly above 101 in visit 1 and increases substantially over time to a surplus of more than 7 percent compared to the first baseline visit. A monetary tip of approximately 10 percent in treatment TIP results in roughly 6 percent higher normalized doner weight initially. This effect decreases slightly, but not significantly, over time, such that the surplus shrinks to around 4 percent in the last visit.

To investigate statistical differences in normalized weight between treatments we run OLS regressions, reported in Table 3. NORMWEIGHT serves as the dependent variable and we use binary treatment dummies for COMPLIMENT and TIP as independent variables. In Model 2 we add time trends (TIME ∈ {1, 2, 3, 4, 5}) for each treatment to analyze whether the effects of monetary gift
exchange and respect change over repeated visits. We also add experimenter and location dummy variables as well as variables AGE and FEMALE for salesperson age and gender.\textsuperscript{9,10} Standard errors are clustered at the salesperson level.

Table 3 outlines the results of our three research questions. Model 1 captures the pure treatment effects postulated in RQ1 and RQ2. We find a positive overall effect of both interventions. NORMWEIGHT is significantly higher than in the baseline treatment both in COMPLIMENT and in TIP. The difference between treatments COMPLIMENT and TIP in model 1 is highly significant as well (Wald coefficient test, $F(1,68) = 7.63, p = 0.007$).

\textsuperscript{9}Since one experimenter was active in both Munich and Innsbruck, we need to include the location dummy MUNICH in addition to the experimenter dummies to control for restaurant location.

\textsuperscript{10}Age was estimated by each experimenter independently and the median was taken for the regressions.
Table 3: OLS-regressions for normalized doner weight across treatments and over time.

<table>
<thead>
<tr>
<th>Regressors</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIMENT</td>
<td>2.724</td>
<td>0.509</td>
</tr>
<tr>
<td></td>
<td>(1.037)**</td>
<td>(1.699)</td>
</tr>
<tr>
<td>TIP</td>
<td>5.253</td>
<td>7.901</td>
</tr>
<tr>
<td></td>
<td>(1.041)***</td>
<td>(2.090)***</td>
</tr>
<tr>
<td>NORMAL × TIME</td>
<td>0.481</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.446)</td>
<td></td>
</tr>
<tr>
<td>COMPLIMENT × TIME</td>
<td>1.285</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.393)***</td>
<td></td>
</tr>
<tr>
<td>TIP × TIME</td>
<td>−0.465</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.449)</td>
<td></td>
</tr>
<tr>
<td>Experimenter Dummies</td>
<td>yes</td>
<td></td>
</tr>
<tr>
<td>MUNICH</td>
<td>−1.377</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.236)</td>
<td></td>
</tr>
<tr>
<td>FEMALE</td>
<td>−0.211</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.241)</td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>−0.065</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.132)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>100.173</td>
<td>102.983</td>
</tr>
<tr>
<td></td>
<td>(0.975)***</td>
<td>(4.888)***</td>
</tr>
</tbody>
</table>

The dependent variable is normalized doner weight NORMWEIGHT: All product weights are normalized at the first observation from the same salesperson in treatment NORMAL. Hence, treatment NORMAL is normalized to 100 in visit 1. Standard errors are clustered at the salesperson level and provided in parentheses. *, ** and *** represent the 10%, 5% and 1% significance levels of a two-sided test.
With regard to RQ3 we find that only the time trend of treatment COMPLIMENT is significantly positive in model 2, with an average increase of 1.29 percentage points per visit. The time trends of the other treatments are insignificant. We observe a difference in time trends between treatments NORMAL (with a positive coefficient) and TIP (with a negative coefficient). This difference is weakly significant (Wald coefficient test, $p = 0.076$), while the one between COMPLIMENT and TIP is highly significant (Wald coefficient test, $F(1, 68) = 9.89, p = 0.003$). To test for robustness we run fixed and random effects panel regressions with the salespersons serving as the cross-section. These regressions yield qualitatively unchanged results (see the Appendix for details).

Table 4: Percentage point differences in normalized doner weight. Paired $t$-tests are run to test for differences between treatments.

<table>
<thead>
<tr>
<th>Visit</th>
<th>NORMAL vs. COMPLIMENT</th>
<th>NORMAL vs. TIP</th>
<th>COMPLIMENT vs. TIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-1.09 (1.61)</td>
<td>-5.82 (1.74)***</td>
<td>-4.33 (1.44)***</td>
</tr>
<tr>
<td>2</td>
<td>-3.57 (2.10)*</td>
<td>-7.58 (1.87)***</td>
<td>-3.74 (1.87)***</td>
</tr>
<tr>
<td>3</td>
<td>-2.89 (1.49)*</td>
<td>-3.98 (1.41)***</td>
<td>-1.76 (1.62)</td>
</tr>
<tr>
<td>4</td>
<td>-0.17 (1.53)</td>
<td>-1.83 (1.82)</td>
<td>-1.29 (1.70)</td>
</tr>
<tr>
<td>5</td>
<td>-5.82 (2.15)***</td>
<td>-4.00 (1.70)**</td>
<td>2.52 (2.02)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses.
* , ** and *** represent the 10%, 5% and 1% significance levels of two-sided, paired $t$-tests.

The differences between treatments over time are summarized in more detail in Table 4.\textsuperscript{11} It reports treatment differences between the normalized weight variables for each visit and compares them using paired $t$-tests. We find a general, positive effect of treatment TIP. Mean normalized product weight is significantly higher in treatment TIP than in treatment NORMAL in 4 out of 5 visits. Comparing the effects of monetary and immaterial gifts is less clear.

\textsuperscript{11} Minor differences between Table 4 and Figure 2 stem from cases where it is not possible to calculate treatment differences for a specific salesperson $i$, because, as noted in footnote 8, we do not have observations from all treatments for all salespersons.
During the first two visits the difference is significantly positive, but it declines monotonically and reverses (although insignificantly) for the last visit.

This allows us to answer all research questions with results using the same numbering scheme we used for the questions themselves.

Result 1: Paying respect by making a compliment prior to the product’s preparation induces positive reciprocity by the salesperson in the form of increased kindness.

Result 2: A monetary gift, given prior to the product’s preparation, induces positive reciprocity as well. On aggregate, the effect is more pronounced than following a compliment.

Result 3: Compliments by the consumer lead to increasingly reciprocal behavior over time. Thus, paying respect to the salesperson yield positive time effects compared to (1) reciprocity induced monetarily by tipping first, and compared to (2) normal orders.

3.2 Additional Results

One interesting question to ask is whether consumers are compensated for the extra amount spent in treatment TIP. For this purpose we calculate NORMWEIGHT_NET which accounts for the money spent on the tip. It is defined similar to NORMWEIGHT except that we divide raw doner weight (both in the numerator and in the denominator) by total costs – consisting of price and tip (in treatment TIP) – to obtain a measure of the amount of doner provided per Euro spent.

We find that NORMWEIGHT_NET lies below the baseline weight, at levels between 95 and 97 percent. When running the same regressions as in Table 3 with this alternative dependent variable, the results reverse for treatment TIP (see Table A2 in Appendix 6.3). The treatment dummy TIP in model 1 turns significantly negative, showing that tipping in advance does not repay for the extra cost incurred ($F(1, 68) = 15.66, p = 0.000$). A Wald coefficient test furthermore reveals that the difference between COMPLIMENT and TIP is also highly significant ($F(1, 68) = 53.34, p = 0.000$).

When analyzing NORMWEIGHT_NET’s development over time in line...
with Table 4 and using a significance level of 0.1, we find that the differences between treatment COMPLIMENT and the other treatments are significantly positive in 8 out of 10 visits (see Table A3 in Appendix 6.3). Furthermore, NORMWEIGHT_NET in treatment TIP is significantly lower than in treatment NORMAL in all visits except for visit 2.12

4 Discussion

In this section we discuss implications of our design choices and results.

In some contexts, additional or better service is not measurable quantitatively but may take other forms. These could include a more friendly salesperson, a higher perceived quality of service, but also additional benefits which are not directly related to the service. While we would expect our results to transfer to other consumer-salesperson settings, limited measurability may complicate the scientific investigation of this conjecture.

Note that with our analyses we measure only a lower bound of additional service in treatment TIP and even more so in treatment COMPLIMENT. In many cases the experimenters received additional benefits which could not enter our analysis. In treatment TIP the experimenters received a total of 9 rebate cards, one salesperson provided a serving of special meat for a tasting, and another repeatedly provided free servings of tea and prawn crackers. In treatment COMPLIMENT the experimenters received 16 rebate cards, free servings of tea, soft drinks, almond juice and prawn crackers, in one instance two rebate marks instead of one, and even a return compliment. In treatment NORMAL, the experimenters received no special benefits except for 12 rebate cards and, in one case, two rebate marks.

It is furthermore important to note that other factors may have contributed to the effects found in treatment COMPLIMENT. First, making a compliment may have the effect of reducing social distance, i.e., “the emotional proximity induced by the situation” (Charness and Gneezy, 2008, 30). Such a reduction has been found to induce increased kindness (see for example Hoffman

12Detailed results on the statistical tests are available upon request.
et al., 1996, and Charness and Gneezy, 2008) but it might play a role in treatments NORMAL and TIP as well. Second, as suggested in the discussion of the principal-agent perspective, a compliment may also be a signal of the consumer’s willingness to play a repeated game. However, visiting a salesperson several times in a row in treatment NORMAL or giving an extra tip in treatment TIP provides a similar signal. Third, part of the effects could be driven by guilt aversion (Charness and Dufwenberg, 2006; Battigalli and Dufwenberg, 2007; Ellingsen et al., 2010). Guilt aversion postulates that people feel guilty (and so incur a utility loss) whenever their behavior does not live up to the expectations of others. In our experiment, part of salespersons’ behavior could be motivated by guilt aversion in the face of consumers’ kind acts of tipping and complimenting. If a salesperson is guilt averse she does not want to let the customer down and thus reciprocates with kindness, i.e., higher donor weight. As Ellingsen et al. (2010) point out, measuring guilt aversion is difficult even in a lab environment. Hence, we cannot state the exact impact (if any) of guilt aversion. However, all three explanations do not fully account for the effects found in treatment COMPLIMENT. They either cannot be measured or they would be expected to have a similar impact in the other treatments as well. Therefore our definition of respect – i.e., agent’s utility gained from what (he believes that) others think about him – serves as the best explanation of the mechanism observed in treatment COMPLIMENT.

Another major insight of this study is that monetary gift exchange works in repeated settings. While Gneezy and List (2006) report that the effect is only temporary, we show that this is not necessarily the case. In our study reciprocal behavior does not change materially over time when induced by monetary gifts and increases markedly when induced by paying respect. We need to emphasize, however, that the approach of Gneezy and List (2006) is very different to ours. While Gneezy and List (2006) use a data entry task for a library and a door-to-door fund-raising environment we analyze a typical, everyday consumption interaction. Furthermore, they investigate behavior over one working day following one initial gift exchange. We provide respect or a monetary gift re-

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peatedly before each interaction with a salesperson making ours a clean test of the effect’s stability over time. The differing findings in our opinion show that more research is warranted on the stability of gift exchange in various natural environments.

It is also necessary to discuss the implications of our study from a principal-agent perspective. The exchange of additional product weight for expressions of respect and for monetary gifts may increase the utilities of the consumer and of the salesperson. The principal (i.e., the owner of the restaurant), however, pays the cost of the increased goods and material employed. At the same time, the owner may profit from a satisfied customer, because the latter will be more likely to return and to spread the word among friends. Thus, the effect sizes in COMPLIMENT and TIP could differ for employee salespersons and owner salespersons, even though the direction of this difference is hard to predict. Fortunately, donor are frequently prepared not by employee salespersons, but by the restaurant owners themselves. This allows us to study differential effects between them. The final experimenter to interact with any particular salesperson inquired whether the salesperson was the owner of the restaurant. Including interactions between a dummy variable for owner salespersons and our treatment dummy variables in our regressions, we find no evidence that any of our findings differ significantly between owner and employee salespersons.

Finally, it is important to emphasize that our results hold in a situation where the behavior exhibited in our treatments – while not entirely out of the ordinary – is not a general norm among consumers. We would expect our treatment effects to diminish with increasing frequency of tipping and complimenting, respectively, in the general consumer population. In the extreme case that tipping or complimenting were to become a social norm, we would expect negative reciprocity for non-tipping, non-complimenting consumers. In other words, we conjecture that consumers might be punished by the salesperson if no tip or compliment were given in advance when it is the norm to tip or compliment.

---

Due to problems with salespersons changing during the experiment, we were able to obtain this information only for approximately 90% of our observations.
5 Conclusion

Theoretical work in labor economics shows that expressing respect towards employees increases their utility but no clear experimental evidence from the field exists. In this study we fill this gap and test how people respond to expressions of respect in a consumer-salesperson framework. We also investigate how this behavior differs from monetary gift exchange.

We find that (1) paying respect by giving compliments significantly increases salespersons' kindness. Salespersons prepare heavier doner durum compared to those without intervention. We also find that (2) monetary gifts (tips) induce positive reciprocity which is stronger than that from paying respect. However, the reciprocation is insufficient to compensate for the extra money spent on the tip. Finally, we find that (3) only the “respect-effect” grows significantly over repeated interactions, increasing by around 6 percentage points over the course of five visits. The “money-effect”, in contrast, does not vary significantly over time.

We thus extend the literature along three dimensions. First, we test the role of respect and monetary gifts in the same setting, rendering the outcomes directly comparable. We add to the literature the findings that monetary gifts “work” in the field and that paying respect also leads to reciprocal behavior by the recipient. Second, we apply a repeated setting to learn how immaterial and monetary gifts work over time. While Gneezy and List (2006) report that reciprocal effects in monetary field gift exchange situations are only temporary, we show that this is not always the case. In our study, reciprocal behavior stays constant over time when induced by money and increases markedly when induced immaterially by paying respect. Third, we focus not on employer and employee relationships, but are the first to shed light on consumer-salesperson interactions in the service industry. We thus extend the contextual scope of this line of research into a new field.
References


Strohmetz, David B., Bruce Rind, Reed Fisher, Michael Lynn. 2002. Sweetening
the till: the use of candy to increase restaurant tipping. *Journal of Applied Social Psychology* 32(2) 300–309.
6 Appendix

6.1 Procedural Details

6.1.1 Tipping

The experimenter chose the coins handed over to the salesperson such that the latter could see that the tipping was intentional, and not caused by e.g. rounding to the nearest round number. If, for example, the price was €4.10 and the experimenter tipped €0.40, he would not hand over two 2 Euro coins and one 50 Cent coin, but would instead hand over 2 Euro coins, one 10 Cent coin and two 20 Cent coins.

6.1.2 Order and Measurement

The experimenter ordered a “durum doner without sauce, to take away”. This ensured that the product was standardized and extras by the salesperson could be clearly measured quantitatively. The only way in which the salesperson could provide extra benefit in the interaction (apart from, e.g., being particularly friendly, or gifting the consumer with complimentary goods) was to increase the amount of meat or other ingredients, since the durum wraps are standardized. We consciously refrained from ordering sauce, because additional sauce has a high relative density and might add considerable weight without a corresponding increase in perceived doner quality. The experimenters also did not start conversations with the salespersons. In case they were asked questions, they answered naturally but succinctly.

Once the experimenter had received the product, he stepped outside the restaurant to a place where he was not visible from inside and immediately weighed the product on small letter scales which he carried in a backpack. The doner was weighed as is, i.e., including the tin foil the doner was wrapped in (the weight is negligible in comparison to the product weight and does not vary systematically across treatments). The experimenter noted the weight and put the doner into his backpack for later hand-over to a charitable agency. Conditional on the experimenter’s calory requirements, in some cases the product was
also consumed directly by the experimenter himself (of course after the weighing procedure).

6.1.3 Transaction Record

After each interaction the experimenter filled in a form recording details about the transaction. These were the date, time, restaurant, product price, and tip amount (if any), as well as salesperson characteristics like gender, age, and ethnicity. The final experimenter to interact with any salesperson also inquired whether the salesperson was owner or employee of the restaurant. The experimenters furthermore noted any special occurrences. We took pictures of all durum doner during the weighing procedure. Data is available upon request.

6.2 Robustness Check

We run panel regressions with the data used in Table 3 to test the robustness of our results. For our panel data set, salespersons serve as the cross-section. Normalized doner weight NORMWEIGHT is the dependent variable. As independent variables we use binary treatment dummies for COMPLIMENT and TIP, time trends TIME for each treatment, and all control variables employed in model 2 of Table 3 (i.e., experimenter and location dummies as well as a gender dummy and an age variable for the salespersons). In models 3a and 4a we control for cross-section fixed effects and in models 3b and 4b we run random effects specifications. Standard errors are clustered at the salesperson level.

Table A1 shows that the results from the panel regressions are practically identical to the ones obtained from the OLS regressions reported in the paper.
Table A1: Panel-regressions for differences in normalized doner weight across treatments and over time.

<table>
<thead>
<tr>
<th>Regressors</th>
<th>Model 3a (fe)</th>
<th>Model 3b (re)</th>
<th>Model 4a (fe)</th>
<th>Model 4b (re)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIMENT</td>
<td>2.661</td>
<td>2.650</td>
<td>0.897</td>
<td>0.834</td>
</tr>
<tr>
<td></td>
<td>(0.988)***</td>
<td>(0.990)***</td>
<td>(1.638)</td>
<td>(1.644)</td>
</tr>
<tr>
<td>TIP</td>
<td>4.988</td>
<td>5.019</td>
<td>7.682</td>
<td>7.706</td>
</tr>
<tr>
<td></td>
<td>(0.973)***</td>
<td>(0.978)***</td>
<td>(2.044)***</td>
<td>(2.056)***</td>
</tr>
<tr>
<td>NORMAL × TIME</td>
<td>0.576</td>
<td>0.559</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.388)</td>
<td>(0.392)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPLIMENT × TIME</td>
<td>1.215</td>
<td>1.219</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.367)***</td>
<td>(0.366)***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIP × TIME</td>
<td>-0.391</td>
<td>-0.404</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.393)</td>
<td>(0.395)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experimenter Dummies</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MUNICH</td>
<td></td>
<td>-1.256</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2.976)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FEMALE</td>
<td></td>
<td>-1.537</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.410)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td>-0.094</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.138)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>100.281</td>
<td>100.351</td>
<td>98.849</td>
<td>104.322</td>
</tr>
<tr>
<td></td>
<td>(0.577)***</td>
<td>(0.930)***</td>
<td>(1.374)***</td>
<td>(5.228)***</td>
</tr>
</tbody>
</table>

The dependent variable is normalized doner weight NORMWEIGHT. All product weights are normalized using the weight in treatment NORMAL in visit 1 for every salesperson. Hence, treatment NORMAL is normalized to 100 in visit 1. Models 3a and 4a (3b and 4b) use fixed (random) effects specifications.

Standard errors are clustered at the salesperson level and provided in parentheses.

* *, ** and *** represent the 10%, 5% and 1% significance levels of a two-sided test.
### 6.3 Additional Results Tables

Table A2: OLS-regressions for cost-adjusted normalized doner weight across treatments and over time.

<table>
<thead>
<tr>
<th>Regressors</th>
<th>Model 1a</th>
<th>Model 2a</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIMENT</td>
<td>2.724</td>
<td>0.509</td>
</tr>
<tr>
<td></td>
<td>(1.037)**</td>
<td>(1.699)</td>
</tr>
<tr>
<td>TIP</td>
<td>-3.706</td>
<td>-1.157</td>
</tr>
<tr>
<td></td>
<td>(0.937)***</td>
<td>(1.928)</td>
</tr>
<tr>
<td>NORMAL × TIME</td>
<td>0.477</td>
<td>0.444</td>
</tr>
<tr>
<td>COMPLIMENT × TIME</td>
<td>1.281</td>
<td>0.394***</td>
</tr>
<tr>
<td></td>
<td>(0.394)***</td>
<td>(4.111)</td>
</tr>
<tr>
<td>TIP × TIME</td>
<td>-0.433</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.411)</td>
<td></td>
</tr>
<tr>
<td>Experimenter Dummies</td>
<td>yes</td>
<td></td>
</tr>
<tr>
<td>MUNICH</td>
<td>-1.370</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.120)</td>
<td></td>
</tr>
<tr>
<td>FEMALE</td>
<td>-0.151</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.133)</td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>-0.067</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.128)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>100.173</td>
<td>102.981</td>
</tr>
<tr>
<td></td>
<td>(0.975)***</td>
<td>(4.734)***</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.04</td>
<td>0.07</td>
</tr>
<tr>
<td>adj. $R^2$</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>$N$</td>
<td>797</td>
<td>797</td>
</tr>
</tbody>
</table>

The dependent variable is cost-corrected normalized doner weight NORMWEIGHT_NET: All product weights are divided by total money spent and then normalized at the first observation from the same salesperson in treatment NORMAL. Hence, treatment NORMAL is normalized to 100 in visit 1.

Standard errors are clustered at the salesperson level and provided in parentheses.

*, ** and *** represent the 10%, 5% and 1% significance levels of a two-sided test.
Table A3: Percentage point differences in cost-adjusted normalized doner weight. Paired $t$-tests are run to test for differences between treatments.

<table>
<thead>
<tr>
<th>Visit</th>
<th>NORMAL vs. NORMAL</th>
<th>NORMAL vs. COMPLIMENT</th>
<th>COMPLIMENT vs. TIP</th>
<th>TIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-1.09</td>
<td>3.17</td>
<td>4.61</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.61)</td>
<td>(1.59)*</td>
<td>(1.69)***</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>-3.57</td>
<td>1.46</td>
<td>5.28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.10)*</td>
<td>(1.75)</td>
<td>(1.79)***</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>-2.89</td>
<td>4.93</td>
<td>7.14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.49)*</td>
<td>(1.36)***</td>
<td>(1.55)***</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>-0.17</td>
<td>7.00</td>
<td>7.51</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.53)</td>
<td>(1.65)***</td>
<td>(1.61)***</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>-5.82</td>
<td>4.92</td>
<td>11.44</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.15)***</td>
<td>(1.66)***</td>
<td>(2.00)***</td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses.
*, ** and *** represent the 10%, 5% and 1% significance levels of two-sided, paired $t$-tests.
2014-31 Michael Kirchler, Stefan Palan: Friendliness pays off! Respect and monetary gifts in the service industry.

2014-30 Alice Sanwald, Engelbert Theurl: Out-of-pocket expenditures of private households for dental services - Empirical evidence from Austria

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Friendliness pays off! Respect and monetary gifts in the service industry.

Abstract
We investigate the role of respect and monetary gifts in the service industry. We report findings from purchases of more than 800 doner durum, a common lunch snack. Prior to the food’s preparation, we either give a compliment about the product, or a monetary gift by tipping. We repeat the interaction on five consecutive days. Our findings show that salespersons exhibit positive reciprocity in response both to paying respect and to monetary gifts. Remarkably, the “respect-effect” even gets stronger with repeated purchases.