

The Hong Kong University of Science and Technology  
Department of Information Systems,  
Business Statistics and Operations Management

Seminar Announcement

*"We Will be Right With You":  
Managing Customers Expectations with  
Vague Promises and Cheap Talk*

by

*Professor Gad Allon  
Kellogg School of Management  
Northwestern University*

**Date: Friday, 12 March 2010**

**Time: 10:30 am – 12:00 pm**

**Venue: Room 4379, ISOM Conference Room (Lift 17/18)**

~~~~~ All interested are welcome ~~~~~

**Abstract:**

Delay announcements informing customers about anticipated service delays are prevalent in service-oriented systems. How to use delay announcements to manage the service system in an efficient manner is a complex problem which depends on both the dynamics of the underlying queueing system and on the customer behavior. We examine this problem of information communication by considering a model in which both the firm and the customers act strategically: the firm in choosing its delay announcement while anticipating customer response, and the customers in interpreting these announcements and in making the decision about when to join the system and when to balk. We characterize the equilibrium language that emerges between the service provider and her customers. The analysis of the emerging equilibria provides new and interesting insights into customer-firm information sharing. We show that even though the information provided to customers is non-verifiable and non-credible, it improves the profits of the firm and the expected utility of the customers. Further, the information could be as simple as "High Congestion"/"Low Congestion" announcements, or could be as detailed as the true state of the system. We also show that firms may choose to shade some of the truth by using intentional vagueness to lure customers.

**Biography:**

Gad Allon joined the faculty at the Kellogg school of Management in 2005, after completing his Ph.D. in Decision, Risk and Operations at the Columbia Graduate school of Business. His research uses queuing theory and game theory to model problems in operations management in general and service operations in particular and his work appeared in Management Science and Operations Research. He teaches the core Operations Management course as well as the Operation Strategy elective. Gad won the 2009 L.G. Lavengood Professor of the Year award at Kellogg.