TOPIC: “We Will Be Right With You:” Managing Customers’ Expectations with Vague Promises and Cheap Talk
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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.