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Speaker: Professor Gad Allon, Kellogg School of Business, Northwestern University

Date: Friday, September 20, 2013

Time: 10-11:30 am

Location: Room 1505

Title: Do Delay Announcements Influence Customer Behavior? An Empirical Study

Abstract: Delay announcements that inform customers about anticipated delays are prevalent in service systems. Call centers often use recorded announcements to inform callers of the congestion in the system and encourage them to wait for an available agent. While some of these announcements do not provide much information, such as the common message, "Due to high volume of calls, we are unable to answer your call immediately," some call centers go as far as providing a customer with an estimate of his waiting time or his place in the queue. In many service systems where the real state of the system is not visible to customers, delay announcements affect customer behavior and may, in turn, have significant impact on system performance. Consequently, it is important for the service providers to understand how the delay announcements impact customer behavior and use the delay announcements as a tool to induce the appropriate customer behavior, steering the system so as to maximize profit.

In our paper, we analyze the impact of the delay announcements on the customer patience time. According to the test results, we find that customer patience time cannot be ranked by the waiting time announcement provided to the customers, and while several announcements result in shorter patience time, some do not influence customers at all. We propose a parsimonious model that explains these behaviors.

Bio: Gad Allon is a Professor of managerial economics, decision science, and operations management at the Kellogg School of Management at Northwestern University. He received his PhD in Management Science from Columbia Business School in New York and holds a Bachelor and a Master degree from the Israeli Institute of Technology. His research interests include operations management in general, and service operations and operations strategy in particular. Recently, Professor Allon has been studying dual sourcing models. He has also been studying models of information sharing among firms and customers both in service and retail settings.