Speaker:  Professor Laurens Debo, Univ of Chicago

Date:  Friday, March 7, 2014

Time:  10:30 am - 11:30 am

Location:  Room 1330

Title:  Herding in a Queue: Theory and Experiment

Abstract:  We study the impact of wait time on consumers' purchasing behavior when product quality is unknown to some consumers (the ‘uninformed consumers’), but known to others (the ‘informed consumers’). In a capacitated environment, the wait times for the product act as a signal of quality for uninformed consumers because, due to informed consumers in the population, low (high) quality products tend to generate shorter (longer) wait times.

Hence, longer wait times may increase uninformed consumers' perceived quality, and they may still purchase the product, even when the wait time is long. This paper develops and tests a theory of learning from wait times that predicts that purchasing frequency may increase in wait time. Our results from a series of controlled laboratory experiments confirm this prediction. We show that a relatively low measure of informed consumers suffices to create such ‘herding' behavior of uninformed consumers.

Bio:  Laurens Debo’s research focuses the consumer’s as well as the provider’s behavior in different service settings. On the consumer side, he investigated how strategic consumer behavior shapes the demand for services. On the supply side, Debo studied the management of “discretionary services,” services whose value to the consumer increases with the actual service time. Debo's research has been appeared in Manufacturing & Service Operations Management, Management Science and Production and Operations Management, among other journals. Debo is an Associate Professor of Operations Management at the University of Chicago Booth School of Business. He earned a PhD in Operations Management from INSEAD, France. Before joining the Chicago Booth faculty, he was with the faculty of the Tepper School of Business of Carnegie Mellon University. Debo is currently serving on the editorial board of Management Science. In the past, he frequently served as a judge of the MSOM student paper competition and received the 2008 and 2010 MSOM meritorious service award. More information about Debo’s research can be found on http://faculty.chicagobooth.edu/laurens.debo/.