

Abstract

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The Impact of vendor managed inventory approach on the supply chain performance in the retail industry

ABSTRACT Title: The Impact of vendor managed inventory on supply chain of retail industry This study elaborates the strategic information sharing in supply-chains where a retailer can ex-post decide whether to share private demand information with an upstream manufacturer after the content of information becomes known. We highlight the equilibrium interaction between the retailer's incentives to stimulate lower wholesale prices and decreases the time needed for transportation from the retailer premises to the customer's premises, by the sharing of information the supplier gets control of some of the retailer's authority over his inventory through strategic information sharing and the manufacturer's rational inference about the retailer's optimal disclosure strategy. We find that the retailer should share more information when his capability to acquire information improves. However, the retailer may not always want to pursue perfect information capability even when doing so does not incur any direct cost. In addition, we find that retailers should disclose less information when the market becomes more competitive. We also examine the role of inter-chain externality in the firms' profitability and the retailers' efforts to improve information capability. In particular, we show that firms can benefit from the rival retailer's efforts to improve information capability, and a retailer's incentive for information capability improvement can increase with the intensity of competition with the rival retailer's information capability Degree: Master Degree.