

The Hong Kong University of Science and Technology

Dept of Information Systems, Business Statistics
and Operations Management
Dept of Industrial Engineering & Logistics Management
Joint Seminar Announcement

Trade vs. Bank Credit and Supplier Competition

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Date : 18 March 2016 (Friday)
Time : 11:00 - 12:15 pm
Venue : Room 2003, LSK Business Building



Abstract: This paper examines how product market competition affects firms' willingness to offer trade credit. We consider M financially constrained retailers each of whom sources from each of N suppliers. By offering trade credit, any given supplier relaxes the retailers' financial constraints, which automatically benefits the other suppliers. This free-riding problem is detrimental to the supplier providing trade credit especially when the other suppliers offer similar products, and therefore, compete not only for financing, but also for end customers.

Our model helps to explain, among other, why suppliers of standardized goods extend less trade credit than suppliers of differentiated products. In addition, our model predicts and empirically validates a negative relation between a firm's reliance on trade credit and the number of its suppliers.

Bio: Jiri Chod is an Associate Professor of Operations Management at the Carroll School of Management, Boston College. He joined Boston College after receiving his PhD in Operations Management from the University of Rochester and spending a year as a research fellow at Dartmouth College. His research interests span Operations Management, Industrial Organization and Corporate Finance. Most recently, Jiri has been studying the interaction between a firm's operational structure and its financial strategy pertaining to financing, hedging, and going public decisions. His work has been published in journals such as *Management Science*, *Operations Research* and *Journal of Financial Economics*. He has served as an Associate Editor for *Manufacturing & Service Operations Management* and as a Senior Editor for *Production and Operations Management*.