

The Hong Kong University of Science and Technology

Dept of Information Systems, Business Statistics
and Operations Management

Seminar Announcement

Buyer Intermediation in Supplier Finance

Mr Weiming Zhu

Robert H. Smith School of Business

University of Maryland

Date : 18 December 2015 (Friday)
Time : 11:00 - 12:15 pm
Venue : Room 3001, LSK Business Building



Abstract: Small suppliers often face challenges to obtain financing for their operations. Especially in developing economies, traditional financing methods can be very costly or unavailable for such suppliers. In order to reduce channel costs, in recent years large buyers started to implement their own financing methods that intermediate between suppliers and financing institutions. In this paper, we analyze the role and efficiency of buyer intermediation in supplier financing. Building a game-theoretical model, we show that without buyer intermediation, traditional supplier financing can be inefficient and can significantly reduce supply chain performance. Using data from a large Chinese online retailer and through structural regression estimation based on our theoretical analysis, we demonstrate that buyer intermediation induces lower interest rates and wholesale prices, increases order quantities, and boosts supplier borrowing. We further demonstrate that on average the retailer overestimates the demand by 6.8% in 2012 and 13.4% in 2013. Using a counterfactual analysis based on our empirical analysis, we estimate that the implementation of buyer intermediated financing for the online retailer in 2013 improved channel profits by approximately 18.3%, yielding more than \$68M projected savings.

Bio: Weiming Zhu is a fifth year Ph.D. student in the Operations Management group at University of Maryland, Robert H. Smith School of Business. Prior to joining Smith, he obtained his bachelor degree from Physics department in Hong Kong University of Science and Technology(HKUST).

Weiming's current research theoretically and empirically explores financing schemes in supply chains, and the role of retail distribution methods on channel development.