

Faculti Summary

<https://staging.faculti.net/strategic-inventories-in-competitive-supply-chains-under-bargaining/>

This video discusses the reasons firms hold inventory and introduces the concept of strategic inventory, which goes beyond traditional justifications like cycle, pipeline, speculative, and safety inventory. It illustrates this with an example from a steel manufacturer in Spain that holds scrap metal inventory not just for operational needs but to negotiate better prices.

This video emphasizes that strategic inventory is used to enhance negotiation power against suppliers, impacting market dynamics. It contrasts scenarios of bilateral monopoly and competitive supply chains, concluding that strategic inventory can serve unique roles, such as signaling and influencing collusion among retailers to avoid detrimental competition.

Key findings include:

1. **Strategic Inventory's Role**: It can deviate from traditional uses; in competitive settings, it might signal to competitors to avoid excessive quantity competition.
2. **Bargaining Context**: While the conventional view links strategic inventory to negotiating power, the dynamics may change significantly when considering chain-to-chain competition.
3. **Implications for Retailers**: Retailers may benefit from including inventory decisions in negotiations, as it does not always favor them to relinquish decision-making power.

Overall, the text stresses the nuanced and context-dependent nature of inventory strategies within different supply chain frameworks and highlights the complexity of inventory roles in negotiations.