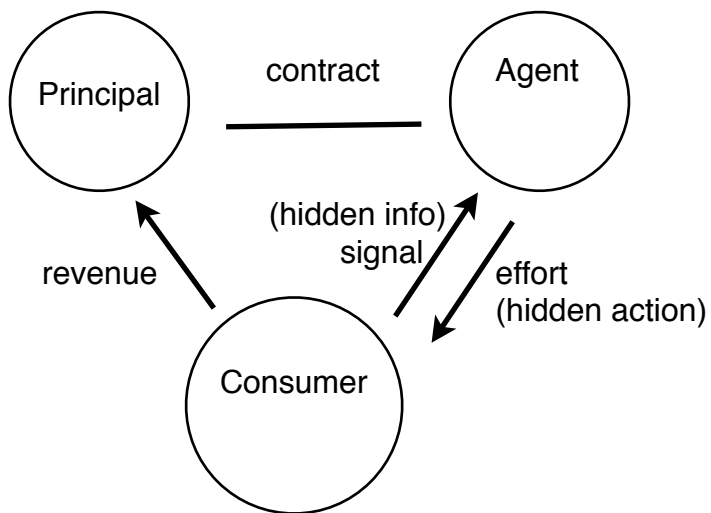


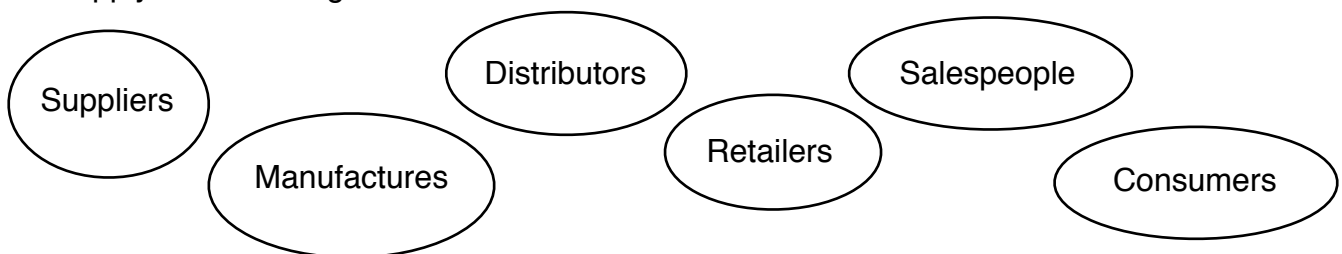
Professor Ying-Ju Chen

Field of work: Interface of operations research and marketing, accounting and general economics.

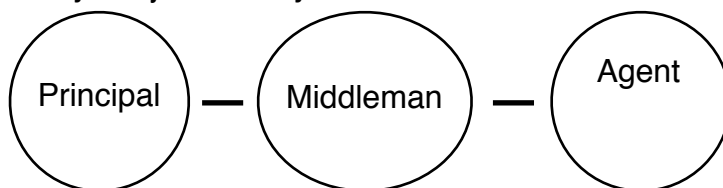
I. Principal - Agent Model



II. Supply-chain Management

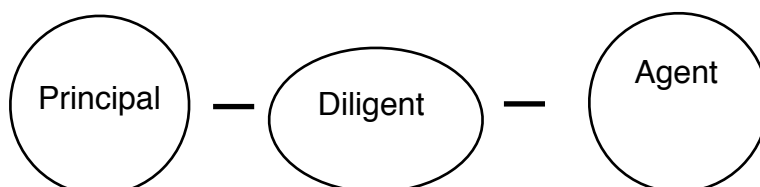
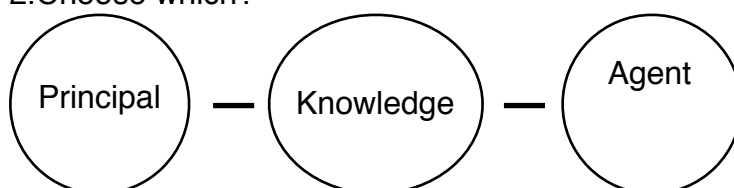


1. Why not just two layers?



Multiple layers is beneficial because of multiple sources. Middleman knows more about downstream.

2. Choose which?



Example: India agriculture

The supply chain is extremely inefficient. Farmers do not have access to information.

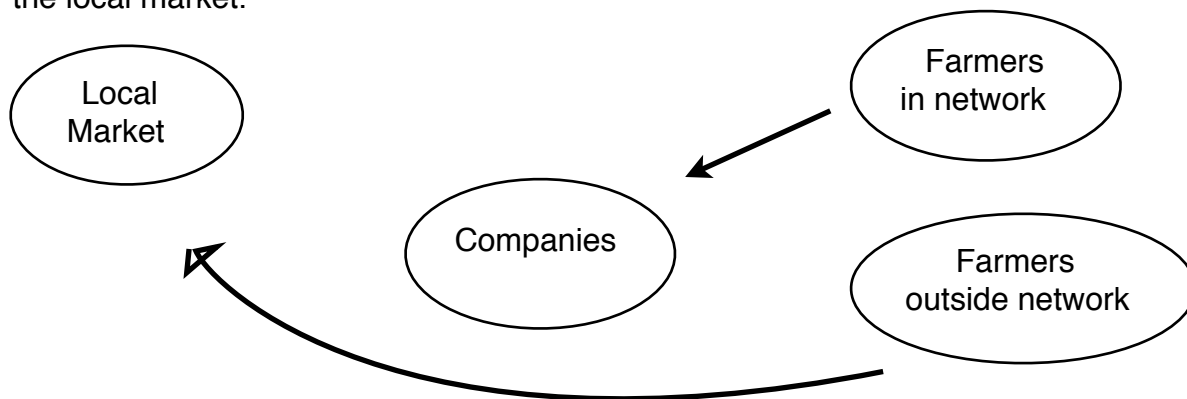
They go to a local market and sell their products.

Problems: Cheat in weighing, delayed payment...

Solutions:

Information centers

Companies reach a verbal agreement with the farmers to buy their products at the price of the local market.



a. Why is verbal agreement as good as written ones?

If the farmers sell their products to local market, the price will get lower.

b. Info leakage to farmers outside network

The productivity of the farmers outside of the network is improved. More products will lower the price.