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Po Hsiu Hsiao

Hsin-Lu Chang

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THE STUDY OF ORDER DECISIONS UNDER INDIRECT SELLING MODEL OF AN ELECTRONIC COMPONENT DISTRIBUTOR – TAKING ABC COMPANY AS AN EXAMPLE.

Po Hsiu Hsiao, National Chengchi University, Taiwan, 103356033@nccu.edu.tw

Hsin Lu Chang, National Chengchi University, Taiwan, hlchang@nccu.edu.tw

ABSTRACT

Electronic component distributors play a mediate role in the electronic component industry. They need to coordinate upstream suppliers and downstream customers to decrease the gap of market demand and supply. ABC company, a leading electronic component distributor in Asia, plays a role of distribution among companies and be a buffer for its supply chain members.

ABC company has two different selling models: indirect and direct. The difference between them is the actors involved in the order management process. The former one has two essential actors: sales and product managers. Sales need to carry the duty of selling the product, and product managers are responsible for the order fulfillment. The later one only has product managers who handle every affair related to selling and ordering. Under the indirect selling model, sales need to get the order requests approved by product managers. The conflicts may occur while the order requests are rejected. The reason is due to that sales tend to sell products as more as possible to attain the targeted amount whereas product managers might concern the increased stock ratio from obsolete or surplus goods.

This situation is common in order fulfillment problems. In general, firms should consider the fulfillment budget in determining how much is acceptable to spend on fulfilling the order such as extra shipping cost, and the sales would usually adapt the “sell what you have” policy which they are encouraged to sell products avoiding the extra stocks generated (Keely L., 2003).

In this paper, we would like to understand how order decisions are made in an electronic component distributor company under indirect selling model. We would like to identify its ordering process and further examine its effectiveness in terms of reaching high ordering fulfillment rate and low inventory level.

This study will take case approach as the primary researching method. Through interviews with product managers and sales in the case company, we expect to obtain the knowledge regarding with ordering processes and different fulfillment policies under indirect selling model.

Keywords: Order fulfillment, Inventory, Demand forecasting, Electronic component distributors.

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