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Ralph Gomory Best Industry Studies Paper Award (2016)

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As recipients of the 2016 Ralph Gomory Best Paper Award of the Industry Studies Association (ISA), we have been given the opportunity to share the background of our paper, “The Impact of Supplier Inventory Service Level on Retailer Demand” (Craig et al. 2016). Our objective is to highlight the role of industry partnerships in academic research. We are incredibly grateful for this recognition of our work—even more so because the prize is named for and honors Ralph Gomory. Throughout his career, Ralph Gomory demonstrated the value of applied research, and he continues to be a champion for the advancement of industry studies research that brings together the knowledge and perspectives of practitioners and academics.

We have been interested in and have worked on retail operations for over 20 years. In fact, the Alfred P. Sloan Foundation, longtime patron of the ISA, was an early sponsor of our field-based perspective through the Harvard-Wharton Merchandising Effectiveness Project, whereby faculty and students interviewed retail industry leaders representing a variety of organizational roles across a number of different retail organizations. This connection to practice, we believe, is a key element of our work, motivating our selection of projects and informing our research and teaching.

Our research on inventory service levels originated in conversation with Constantine Moros, a student in the Chicago Booth Executive MBA program and head of operations and procurement management at Hugo Boss. Moros and his boss, Katja Ruth, were trying to minimize the cost of maintaining “never out of stock” (NOS) products at Hugo Boss. Hugo Boss promised its customers (i.e., retailers) that these NOS items would always be available. However, despite having substantial finished goods inventory in aggregate, Hugo Boss could not always meet their always-in-stock promise.

We engaged with Hugo Boss as we have engaged with all of our research sites. We immersed ourselves in the practical, managerial problem and waited for an interesting “academic puzzle” to emerge. To obtain a deep understanding of the context, we scheduled numerous face-to-face meetings and calls. The Hugo Boss team travelled to Harvard Business School (HBS) and, thanks to an ISA Site Visit Grant, we were also able to travel abroad

to conduct interviews with Hugo Boss team members and walk through the product design, development, and ordering processes.

Our collaboration led initially to a case study (HBS #9-609-029) and eventually to our paper published in *M&SOM*. We observed that demand from retailers for NOS products had increased substantially with seemingly small changes in service level (e.g., from 98.70% to 99.96%). We then explored, using field-based data, the impact of changing product availability from good to near perfect levels in more depth. Concurrent with analyzing the data and writing (different versions of) the paper, we found it beneficial to present results at seminars and conferences, as well as to teach the case to our MBA and executive students. Feedback from academic colleagues, Moros and Ruth, their colleagues at Hugo Boss, and other practitioners helped us to accurately convey our observations of practice and the implications of our empirical results.

In closing, we were reminded of the importance of persistence and tenacity in the review process. While the research and the findings described in this paper resonated with students and practitioners right away, our paper encountered some tough (and largely fair) feedback in the early rounds of the review process. Ultimately, we are grateful for the challenging reviews because they led to a stronger paper. Among other things, reviewer feedback forced us, rightly, to identify the factors that made retail buyers sensitive to small changes in availability. We relied on the knowledge of retailing that we had nurtured over the years and tapped into our retail network to conduct interviews with retail buyers. Ultimately, we presented our findings in the section of the paper called “Retail Buyer’s Decision Context,” which helped set the stage for our hypotheses. Receiving this award has more than justified the hard work required to publish this research. We hope this paper helps connect the academic and practitioner views of inventory service level and encourages further collaborations between researchers and practitioners.

Reference

Craig N, DeHoratius N, Raman A (2016) The impact of supplier inventory service level on retailer demand. *Manufacturing Service Oper. Management* 18(4):461–474.