The global markets of today offer to the "style goods" producer more selling opportunities and pose new challenges in production planning and coordination. From a production management standpoint the opportunity to exploit the difference in timing of the selling season of geographically dispersed markets for "style goods" is important for improving the firm's profitability. In this paper we examine the above issue with an insightful model of a producer of "style goods" selling the goods to two markets (a primary and a secondary market) with nonoverlapping selling seasons. We refer to this problem as the "global newsvendor" problem. For the above two market stochastic inventory system we first develop optimal centralized control policies. Then we demonstrate the suboptimality of decentralized control policies, with the production centers at each market treated as independent profit centers and a constant transfer price being used to coordinate their production. We propose as an effective alternative a decentralized production control structure with a nonlinear pricing scheme for production coordination among centers administered through an intermediate organizational unit. In our modeling, we explicitly consider the effects of exchange rate uncertainty on the production planning decisions.

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