

## **Buyer-Supplier relationships, exporting and innovation**

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### **Abstract**

Starting from the empirical evidence on the causal effect of exporting on product innovation, in this paper we aim at exploring a potential channel through which the innovation-enhancing role of being involved in foreign markets may take place. We focus on a specific mechanism which acts between firms establishing buyer-supplier relationships related to production to order. After providing some evidence that suppliers involved in international matches are more likely to introduce product innovations than those involved only in domestic matches, we introduce a theoretical model rationalising this empirical fact. In a theoretical framework with imperfect information and incomplete contracts, we show under which conditions the supplier innovates, and which variables are likely to affect this choice.

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