

Achieving Economic viability through local sourcing, focused on firms operating in the German food industry

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ABSTRACT,

After experiencing a massive trend of global procurement strategies, local sourcing practices gain more consideration again. Local sourcing is often brought up in connection with ethical and environmental aspects. Therefore, local sourcing has a connection to green sustainability factors but can also enlarge benefits in the non-social and economic domains. Sustainability is a widely discussed topic in academic research. However, the connection of local sourcing drawn to sustainability is not being considered often in terms of economic aspects. The purpose of this study is to examine the economic advantages, which arise for companies pursuing a local sourcing procurement strategy by the example of the German food industry. Therefore, qualitative data in the form of semi-structured interviews with nine purchasers operating in the German food industry were collected. With this data, a comparison to the academic literature-derived proposition was composed. Participants stated that they do not pursue a local sourcing strategy to achieve a price advantage or increased profitability solely. Instead, their motivation lies within non-economic aspects like meeting the high standards of the internal and external environment. These standards are associated with high customer demand, increasing customer satisfaction, and managerial and marketing reasons. In the food industry, resource availability plays an immense role when sourcing goods. This was identified as an issue hindering companies from pursuing an active Local sourcing strategy for their entire product assortment. Seasonality is another critical factor identified in the food sector, making companies reconsider relying on a global sourcing or an EU-wide sourcing strategy.

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Keywords

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1. INTRODUCTION

The topic of sustainability represents a massive trend in today's society and is rising in importance for organizations and customers. Also, increased demand for regional and organic food products by the external environment in Germany was detected (Forsa, 2021). For this rationale, companies tend to reconsider their sourcing strategies.

In general, sustainability can be seen as a never-ending process rather than a status to achieve by companies (Brunori et al., 2016). It is the capacity needed to meet the current needs considering the future generations (Sozialforschung, F. P.-. (2021). Bundesministerium für Ernährung und Landwirtschaft (BMEL)). Sustainability consists of three parts, economic growth, environmental protection, and social progress leading to sustainable development (Kibert et al., 2011). The center of this research is the economic part of sustainability, as the profitability of local sourcing is being questioned, and internal aspects are not primarily discussed in existing research. The University of Mary Wahington states: "Economic sustainability refers to practices that support long-term economic growth without negatively impacting social, environmental and cultural aspects of the community" (Economic Sustainability, 2019). The business advantages being explored by pursuing a local sourcing strategy are therefore related to economic sustainability. This paper will focus on local sourcing in the food industry regarding economic sustainability, which relates to the sustaining factor, economic viability.

Today, consumption is aimed at changing towards a slower economy away from a fast-paced buying behavior. Here more mindful consumption decisions should be made. This behavior is having a positive impact on the societal general sustainability awareness (Birch et al., 2018). Next to mindfulness, the ecological footprint is gaining more consideration too. It makes companies reconsider their operation processes and sourcing strategies to meet customers' preferences (Birch et al., 2018). A German governmental department for nutrition, diet, and agriculture (Forsa and Bundesministerium für Ernährung und Landwirtschaft) has published that mindful consumption plays a significant role for German end-consumers. Also, governments are putting sustainability and ecological aspects in their higher interests. Resulting from this increased interest are new regulations constraining the organization's performance in terms of guiding by prevention. The extend of this affecting individual businesses depends on the company's actual position and performance in terms of sustainability (Rosic, 2019, p.14). Regarding the inter-company structure and processes, sustainability is a crucial factor for the profitability and effectiveness of organizations.

Most organizations are cost-driven and operate in industries where the sourcing is based primarily on a low-cost objective (Waleed Rashad et al., 2020). The advantages of global and local sourcing strategies significantly impact the companies' performance and how they choose their future procurement strategy. Often global sourcing is linked to pursuing low-cost in the procurement of raw goods and is seen as the opportunity for cutting down costs (Waleed Rashad et al., 2020). Offshore suppliers are located far from the actual market but can offer cheap products. Longer transportation ways, transportation lead times, and higher transport costs result from global sourcing and offshoring (Rosic, 2019, p.59). In comparison, onshore suppliers are closely positioned to the market, more flexible, and adaptable to changes (Rosic, 2019, p.15). In the food industry, both sourcing methods can have advantages for economic profitability and sustainability in general (Braun et al., 2018). Local sourcing (LS) is often associated with less negative impacts on the

environment through less transportation, reducing the CO2 emissions, other greenhouse emissions, and the ecological footprint (Morris & Kirwan et al. 2011a). Deciding on choosing a local and or global procurement strategy is difficult, considering today's challenges arising for the food sector and other industries. Not only the intrinsic motivation for sustainability, becoming greener and environmentally friendly is essential. The viability, profitability, resource existence and availability, and procurement performance are significant factors influencing sourcing decisions (Bozarth et al., 1998).

At this point, local sourcing advantages explored in literature are mainly limited to environmental aspects. Wherefore, academic literature discussing economic and commercial advantages resulting from local sourcing is somewhat limited. During the literature review, a crucial dilemma was identified: local sourcing against economic viability. With this currently discussed topic, the research question was formulated.

"RQ: What are the business advantages for companies in the food industry pursuing a local procurement strategy? "

For the creation of a detailed discussion and being able to answer the research question, more sub-questions have been composed.

RQ1: Can economic viability be sustained or enhanced while moving from cost-focused sourcing towards a more mindful and sustainable sourcing approach?

RQ2: What are the differences in advantages derived from general academic research against the experienced advantages in the German food sector?

RQ3: How can the business performance be efficient with local sourcing in terms of economic viability?

To answer the research question, a literature review is now presented. Further on, the Methodology is discussed, forming the foundation of this research. The following chapters are debating over the economic advantages resulting from local sourcing in the German food industry.

2. LITERATURE REVIEW

2.1 Definition of the research topic

2.1.1 Importance of sustainability factors

Generally, sustainability can be divided into economic, environmental, and social sustainability (Elkington, 1998; Kibert et al. 2011.). The origin of sustainability does lie within the field of biologists and ecologists. When it gained attention in economics, the focal point was understanding how the economy impacts natural capital. Examining this relationship leads to ecological economics, evaluating mainly natural capital (Vos et al., 2007, p. 335).

The public is increasingly interested in sustainability, and companies capitalize from engaging and actively putting effort into this topic (Rigby et al. 2008, p.24). Morgan Stanley reports in 2003 that "sustainability leaders" enjoy better performance than companies that do not put in sustainability efforts and therefore create higher profitability. Forward-thinking planning, analysis, and the creation of innovation will be essential for companies in the future. It will be vital to sustaining their competitive advantage, being initially created through the sustainability efforts (Rigby et al., 2008, p.24).

Gasparatos et al. mentioned that multiple approaches are needed to see the complete picture of all sustainability aspects. "The need to address environmental, social, and economic issues equitably determines problems that none of the above approaches can tackle individually in an adequate way. Even though they provide complementary snapshots of the same picture, it can be argued that they are unable to capture the whole picture." (Gasparatos et

al., 2008, p. 306). This indicates that for reaching a certain sustainability level, not solely economic aspects should be considered but also social and environmental factors are inevitable. Still, this study examines the economic side of sustainability and the economic business advantages that can arise from a local procurement strategy. Flint et al. introduced four different field of a phenomenon, being necessary for searching advantage through sustainability: experimenting with sustainability, leveraging the brand, telling the story, and managing supply chain relationships (Flint et al., 2009, p.854-858).

2.2 Practices and Factors influencing economic viability in terms of LS

2.2.1 *Differentiation of procurement strategies*

In general, local sourcing is a procurement strategy focused on purchasing a particular good within a specific radius from the actual location of sourcing or production (Monczka et al., 2009). The motivation of choosing a local sourcing procurement strategy might also depend on its entry mode of being a wholly-owned subsidiary or a joint venture regarding the Chinese economy (Wei et al., 2012, p.367). In the study of Wei et al., focusing on the Chinese economy, results indicate that joint ventures are more likely to source locally and that the procurement strategy can be enhanced through increased communication between multinational subsidiaries and suppliers (Wei et al., 2012, p.373). Larger Multinational enterprises tend to use a global procurement strategy, where input sourcing can be used through in-house production and intra-company trading (Wei et al., 2012, p.373). Multiple aspects are essential when choosing a specific procurement strategy. Wei et al. and Rosic et al. state a significant difference between a local procurement strategy resulting in economic advantages compared to global sourcing (Rosic, 2019, p. 64-71; Wei et al., 2012, p.373).

In Porter's research, he discussed how location in this global economy gives some insight into methods applied for organizations to build and sustain a competitive advantage (Porter et al. 1998, p.78). Generally, local sourcing stands for the short lead time and flexible supply against global sourcing. These aspects are characterized by low unit product costs and availability of resources (Rosic et al., 2019, p.59). An offshore procurement strategy does come along with high risks, hidden costs (Warburton et al., 2006), and an extension of transportation needed (Cadarsó et al., 2010). Hence, global sourcing is generally being questioned for its economic profitability and sustainability to the company. In this context, costs can easily be miscalculated and underestimated, which implies making use of other sourcing strategies (Platts and Song 2010)

2.2.2 *Strengths and weaknesses of LS in comparison to other procurement strategies*

LS has unique benefits that global competitors cannot imitate and create easily. Even though these local aspects represent the persistent competitive advantage, global sourcing is still a popular procurement strategy. Porter (1998) reported that knowledge, relationships, and motivation are the three most significant local suppliers' opportunities. This cannot be matched by global players easily. Companies can create Clusters, being a particular type of local sourcing, and here the named opportunities also evolve in the specific environment formed by multiple organizations. Clusters represent a geographical concentration of organizations being connected through a specification of resources or the type of industry (Porter et al. 1998, p.78). Porter states: "A cluster allows each member to benefit as if it had the greater scale or as if it had joined with others without sacrificing its flexibility." (Porter, 1998, p.80).

A lack of local sourcing can often be found when there is a varying degree of country supply and company demand. Resource availability plays a significant role for buyers and does hinder companies from pursuing a local procurement strategy. Competitive pricing is another crucial criterium for companies. Often local suppliers cannot compete with the attractive prices offered by global players (Waleed Rashad et al., 2020; DEG and KFW, 2018). Other order qualifier criteria might be the quality of the products sourced and meeting the delivery requirements. These criteria are set by the company's purchasing department and can vary depending on the companies' internal objectives. As the demand and external environment changes continuously, these criteria need to be updated accordingly. This also needs to be done regarding the determined hierarchy of standards. The identified limitations can be resolved by a shift in the country's supply or demand of customers (DEG and KFW, 2018).

Global suppliers can often compete in the price point of goods compared to local players. Next to the price benefit, other intercompany advantages can result from this sourcing strategy. "Global competition thus does not necessarily lead to the demise of inter-firm co-operation and the annihilation of SMEs by large firms. Instead, it further necessitates inter-firm linkages and the rise of the SME advantage that provides the fundamental basis for the global organization of production activities." Yoke et al. 2001, p.446. In the research of Schiele et al., cost-saving levers were analyzed. A balanced sourcing approach is being suggested for companies considering a global procurement strategy. Here international sourcing is defined as a tactical choice deliberated individually depending on the circumstances given. It is being pointed out that relying on an international sourcing strategy and thinking it could be a remedy for the company's performance can be disappointing (Schiele et al., 2011, p.331).

2.2.3 *Different ways of introducing LS practices*

A part of local sourcing can be the supply chain collaboration with suppliers, which creates an exceptional relationship between buyer and supplier. The collaboration makes companies more accessible because of the advantages, benefits, and resources leveraged from the other company. In general, collaborations can be defined as an intermediate form of hybrid governance, which is beneficial as it accentuates the governance through contract means (Cao et al., 2011, p.163). A higher degree of information sharing, market knowledge creation, and co-development of personal resources can be achieved through collaboration. This collaboration creates a sustainable competitive advantage for companies (Malhotra et al., 2005). Dyer and Singh state that a competitive advantage derived from a common benefit resulting from the collaborative relationships of companies is mutual competitive advantage. More mutual benefits can be achieved than through acting alone. The joint venture creation in dyadic relationships creates this mutual competitive advantage (Dyer and Singh, 1998).

A higher amount of trust can be created for companies pursuing a procurement strategy with one to few suppliers, forming a long-term buyer-supplier relationship. Especially diminished administrative burdens can be encountered during the long-term business relationship. Also, better communication can be created with suppliers (Rosic, 2019, p.58). In order to circumvent disadvantages like the creation of dependency and other occurring risks, multiple sourcing strategies is advisable. This is incredibly useful to bargain a low price point by creating competition while still reaching the aimed level of quality (Rosic, 2019, p.58). When there is an existing preferred supplier status, there will be an enlarged probability to transfer experience, a higher certainty, and the supplier will be more eager to help increases the buyer's competitive advantage (Yoke- Tong Chew et al., 2001, p. 435).

Dual sourcing is a procurement strategy where units of the resources needed are sourced locally and globally to a certain extent. This strategy can be beneficial for the economic performance of companies considering the variables of expected profit and service cycle level (Gallego et al., 1993; Khouja et al., 1996). Warburton and Stratton (2005) conclude that a solely global or local strategy cannot compete with a dual sourcing strategy. It is incredibly precious when the premium needed to be paid is low and with a high variability of demand. (Warburton et al., 2002) An efficient way of dual sourcing is when the base demand calculated is sourced globally, and additional demand is sourced locally. This enables a rapid reaction to this elastic demand while still exploiting the cost advantage derived from global sourcing (Allon and van Mieghem, 2010). This ensures that no leftover resources are incurring additional costs induced from overstocking. Still, for some product segments, offshore suppliers can compete against these uncertainties arising through the gain of cost advantages. Nevertheless, with increased demand uncertainty, the company's inclination towards sourcing locally enlarges (Rosic, 2019, p. 71).

2.3 Economic Advantages of LS

Empirical evidence on the competitive advantage, firm- and operational performance created through the impact of supply chain management practices can be found in multiple studies (Li et al., 2006; Flynn et al., 2010). In Table 1 main economic advantages of local sourcing are listed to summarize the academic findings. The Table will be used as the primary evidence for comparison to the gathered qualitative data. Most of the advantages listed were named and elaborated in the literature review already. To structure the advantages in the Economics field, benefits are divided into Production, Managerial, Marketing, Financial and, Risk and Survival benefits. The structure is used since this research focuses on elaborating benefits unrelated to environmental and social factors. These Categories will be used throughout the research.

Table 1. Economic Advantages derived from Academic Literature

| Economical Advantages - LS | Source |
|---|---|
| Production Benefits | |
| quick reaction to high demand and supply uncertainty | Rosic, 2019, p. 64 |
| involvement in innovation process - match customer preferences | Porter, 1998, p. 83 |
| Supply Chain Collaboration - enhancing RoI, Growth of Sales, Profit margin on sales | Cao et al., 2011, p.163 |
| development of supply chain management capabilities | Walker et al., 2008, p. 4; Ferguson and Toktay, 2006; Sarkis, 2003; Sharma and Vredenburg, 1998 |
| Managerial Benefits | |
| knowledge, relationships, motivation | Porter, 1998, p. 78, 84 |
| communication (through proximity) | Porter, 1998, p. 81 |
| Marketing Benefits | |
| local reputation, proximity | Porter, 1998, p. 81 |
| differentiation strategy | Brunori et al., 2016, p. 10 |
| artificial scarcity - reducing distance between input production and use | Brunori et al., 2016, p. 11 |
| environmental factors - reduced emissions | Rigby and Tager, 2008, p.26 |
| Financial Benefits | |

| | |
|---|---|
| intimate knowledge of supplier's costs | Porter, 1998, p. 83 |
| brand value | Nui et al., 2020, p.1 |
| low holding costs | Rosic, 2019, p. 64 |
| decrease of transportation costs, time | Rigby and Tager, 2008, p.26, Rosic, 2019, p. 64 |
| Risk and Survival Benefits | |
| Local rivalry - better Motivation and Measurement | Porter, 1998, p. 83 |
| low risk of transportation delay | Rigby and Tager, 2008, p.26 |
| low project failure (costs related to long-term consequences and failures of GS), LS as a consequence | Stanczyk, 2017, p.19 |
| increased flexibility - reacting to high demand uncertainty | Rosic, 2019, p.71 |
| prevention of overstocking | Rosic, 2019, p.71 |

2.3.1 Summary of academic evidence gathered

Different researchers have repeatedly mentioned multiple aspects in terms of economic viability and local sourcing. Using the gathered data from literature shown in Table 1, the following hypotheses have been assembled to create a basis for further research (see Table 2). Here only the most valuable and repeatedly mentioned economic benefits of local sourcing have been gathered. All hypotheses rely on the data shown in Table 1 and guide the main advantages explored. In the discussion chapter the hypotheses will be used to answer the research question through a comparison to the qualitative data gathered.

Table 2. Hypotheses derived from Economic advantages

| | Hypotheses | based on |
|----|--|--|
| H1 | In a global economy, especially knowledge, relationships, and motivation make local sourcing a valuable procurement strategy. | Porter, 1998, p. 78-84 |
| H2 | Local sourcing can provide a competitive advantage. | Rigby and Tager, 2008, p.20-26 |
| H3 | Through a local procurement strategy, transportation costs and related risks can be reduced, making this strategy competitive in terms of price to global suppliers. | Rigby and Tager, 2008, p.26; Rosic, 2019, p. 64-71; Stanczyk, 2017, p.19 |

Production Benefits. Especially the development of supply chain management capabilities and decreased transportation time and costs were pointed out by multiple researchers (Walker et al., 2008, p. 4; Ferguson and Toktay, 2006; Sarkis, 2003; Sharma and Vredenburg, 1998). Through LS, an enhanced reaction to shifts in demand can be performed. This results in a decrease in supply uncertainty (Rosic, 2019, p. 64). Notably, the collaboration and relationship evolved from local sourcing can induce growth in sales, the profit margin on sales and, RoI (Cao et al., 2011, p.163). Also, companies can gain a competitive advantage by meeting customer's preferences through involvement in the innovation process.

Managerial Benefits. Porter mentioned some unique benefits of local sourcing in his research. He discussed factors like knowledge, relationships, and motivation being superficial. These factors can be strengthened with a local procurement strategy, as pointed out in H1 (see Table 2). Another benefit is the increased communication. The buyer-supplier relationship generated through a local sourcing strategy can make communication easier. Also, the proximity of the two business

partners might create a special bond making communication more natural. Factors like language barriers, time differences, and regulations cannot disrupt the communication of buyer-and-supplier (Porter et al., 1998, p. 78-84).

Marketing Benefits. In the research of Brunori et al., the challenge of differentiating the characteristics that might impact the sustainability performance from local to global is being addressed. Here they used quantitative and qualitative research to assess multiple indicators measured through a diverse set of methods. They point out that the measurement and interpretation of sustainability attributes are not evidently and quickly identifiable (Brunori et al., 2016, p.2). Brunori et al. matched Economic Sustainability to 6 Attributes in terms of the food sector: Affordability, Creation & distribution of added values, economic development, efficiency, profitability, and resilience. These attributes do vary across products and industries. Therefore, a Composite Matrix was created that identifies areas concerning the scientific community but is not considered in research yet. It has been pointed out that a clear-cut distinction, especially between local and global factors, is difficult to make. Here the Economic actors were found tending to have a multiplicity of trade relations.

LS creates the opportunity to make use of the reputation afflicted to the sourced region and nation. This proximity can be used to meet customers' expectations and differentiate from competitors (Porter et al., 1998, p.81). In addition, environmental aspects like reduced emissions can be a helpful marketing message for customers (Rigby and Tager, 2008, p.26).

Financial Benefits. Hypotheses 3 (see Table 2) relates to the financial benefits introduced in Table 1. The most apparent advantage of local sourcing is the decreased transportation costs due to the modest distance between supplier and buyer (Rigby and Tager, 2008, p.26; Rosic, 2019, p. 64). The factor of time is another price advantage. Often time is one of the most valuable assets in production farms where production stops and downtimes can be costly. Regarding the transportation time, also inventor planning and order quantity planning can be enhanced. This results in low holding costs as inventory spaces can be used more efficiently (Rosic, 2019, p. 64).

Another advantage which is discussed by Nui et al. is the brand image. Here the brand value is seen as a non-monetary profit difference and can be used by suppliers and buyers. Therefore, this benefit can consequently raise the sourcing price (Nui et al., 2020, p.1). Porter states that the intimate knowledge, which the buyer gains of the suppliers' costs, creates a valuable trading position for the buyer in terms of price (Porter, 1998, p. 83). This knowledge is closely related to the aspect of transparency.

Risk and Survival Benefits. In Table 2, H2 states that local sourcing can create a competitive advantage. This is related to benefits from the different segments of non-social and non-environmental advantages. The researcher named multiple risks which can be diminished with a local sourcing strategy. Low risk for transportation delay (Rigby and Tager, 2008, p.26), low project failure (Stanczyk, 2017, p.19), and prevention of overstocking (Rosic, 2019, p.71) can be achieved. Further, increased flexibility is being associated with local sourcing, which creates a good standpoint for companies regarding planning activities and cutting costs. Additionally, measurements and motivation of suppliers can be enhanced through local rivalry (Porter, 1998, p. 83).

3. METHODOLOGY

To further explore the topic of benefits deriving from local sourcing in terms of economic viability, a qualitative research method was used in the form of interviews. Qualitative data

collection is interpretative and valuable for answering different social dilemmas (Saunders et al., 2019). With this method, deep knowledge can be gained to answer the originated research question. Often this method is used when there is not much empirical evidence, and the wanted answer to the research question is more explanatory. The presented characteristics are the purpose of choosing a qualitative research method. Individual experiences with local sourcing are evaluated, and these experiences are unique and differ between participants. Therefore, the qualitative method is applicable, it has an inductive nature and can provide more consciousness about inherent and fundamental motivations (Almalki, 2016).

On the contrary, with a quantitative research method, a numerical focus would be applicable. Here surveys would be suitable, but as the research is not based on numbers like the profit gained using a local sourcing strategy, this was not suitable. This research aims to understand the actual advantages experienced by purchasing professionals in the food sector.

Moreover, the Expectancy Theory guides the information and inspects the motives of local sourcing in the food industry. It is a valuable method to analyze the motivations of employees and managers. It generally states that the expectation of an inevitable outcome determines the actual propensity and force used towards achieving the expected outcome (Robbins et al. 2014, p. 138). This research determines the internal company's motivation towards applying a local procurement strategy while achieving economic viability. In Figure 1, the extended expectancy model is presented (Kominis et al., 2007, p.54). The model of managerial motivation is an extension of the original E-V model and represents the effort reward-perception in terms of the middle-managers. It underlines the managers' perception if the effort expenditure leads to the aimed results and rewards. This perception is contrived and influenced by the formal mechanisms which have reward effort and performance. Additionally, it is affected by the performance measures, standards of the expected performance, and the transparent distribution of the rewards (Kominis et al., 2007; Otley et al., 1999).

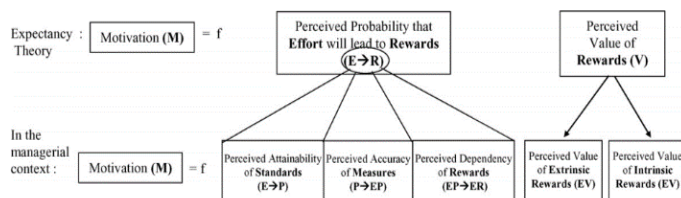


Figure 1. Diagrammatic representation of the extended E-V model (Kominis et al., 2007, p.54)

3.1 Research strategy

3.1.1 Research strategy and design

The Research strategy chosen will describe how the actual Research Question is approached. As presented in the previous chapters, deep academic research was done. Resulting from this academic research, a proposition of advantages associated with local sourcing in terms of economic viability was created and discussed (see Appendix A). The proposition which creates the base and summary of the following qualitative research is set up in combination with Figure 1 and the hypothesis (see Table 1 in Chapter 2). This part of the research was of immense importance as it set the basis of the thesis. The created theoretical starting point was used to further continue with the qualitative data collection. When setting up the proposition, five different fields of economic benefits have been used to categorize the advantages. For analyzing the interview data, the same categories were used, as mentioned before.

3.1.2 Research data collection and processing of data

The chosen Qualitative method of data collection focuses on Interviews. First, an Interview guide with Interview questions was set up with the collaboration of other students working on a similar research topic. The interviews aim to gain another specific perspective on local procurement advantages and confirm or disconfirm the proposition. A Table of the Interview guide, which entails the asked Interview Questions to the interviewees, can be found in Appendix B. The Interview questions are constructed as semi-structured with mainly open questions. This layout helps researchers to gain a deeper understanding and receive more detailed answers from the respondents. It enlarges the topic of economic viability's scope after receiving the answers to the actual unit of analysis (Gill et al., 2008).

Secondly, the Interview planning stage started. Possible companies have been contacted, being small to more prominent organizations operating in the German food industry. As all contacted companies are sole of German origin, the Interviews were completed in German. After transcribing, the data was translated into English. The Interview period where the Interviews were held was from the 17th of May till the 25th of May. Important to mention is that all Interviewees are seen as participants in the data collection and not only as respondents (Saunders et al., 2019). All Interviews were conducted virtually due to the circumstances of COVID-19. All nine Interview partners received a consent form and an information sheet up front to comply with ethical and privacy rights. A Table of an anonymized overview of participated companies in the qualitative research can be found in Appendix E.

Thirdly, after the interviews were conducted, the recordings have been transcribed with the help of the software Amberscript and put into a Table. The summary of the Interviews was left out due to confidentiality. To further structure, the data gathered, a plan for coding and receiving the wanted results has been set up. Through coding, the gathered data is being defined and set up a structured analysis. An inductive work is being done with the collaboration of coding activities. In the coding phase, the transcripts are being closely examined to create the first impression. Then relevant points are labeled, which is the actual coding activity. After labeling the most important codes, they must be matched into categories. Here categories of the benefits are created. The categories are about non-social and non-environmental sustainability benefits. The categories and connections found to the data are building the main results of this study.

The proposition introduced before is structured using the same fields of benefits as used for coding. The economic fields divide the found economic benefits in connection to local sourcing into different categories. Here the new knowledge gained from the qualitative research is being structured to compare the gathered data to the Propositions later. In Appendix F, the finished Coded Data can be found. There is no hierarchy found among the Categories. All Categories are weighted as equally important. However, there are some connections found between the advantages of different categories. These connections will be discussed and put into context in later stages of this research (see Appendix G).

3.1.3 Research analysis

After the interviews have been analyzed and coded, benefits derived from propositions and the interviews were put on a two-by-two comparison. An assessment will be presented at the end of this research, where the connections between academic research and qualitative research are shown. A clear judgment if,

comparatively, local sourcing is an appropriate procurement strategy for sustaining or even enhancing economic viability is in the main interest. Through the connection of the advantages of both research methods, an analysis can be made. The analysis will be presented in the discussion chapter.

4. FINDINGS AND ANALYSIS OF QUALITATIVE RESEARCH

4.1 General findings and essential information about studied cases

The main subjects of this qualitative research were nine Interviews held with German companies operating in the food industry (see Appendix E for an anonymized overview of the companies). The Interviewees are purchasing professionals from the same industry but operating in different segments regarding product assortments and services offered. The companies have been categorized into three different industry segments (see Table 3). Company A, B, C, and D are categorized as food service providers. Another category identified is the food resellers. Companies E, F, G, and I are integrated here. Only company H is categorized as a food manufacturer. In the findings of the cross-case analysis, mutually exclusiveness of participants will be discussed.

Table 3. Company specifics

| | company | job title | Organic | Category |
|---|----------------------------|--|---------|--------------|
| A | event-caterer (small) | butcher / purchasing manager | Partly | service |
| B | restaurant-caterer (large) | head of purchasing department | Partly | service |
| C | elderly-care home | chef / purchaser / housekeeping manager | No | service |
| D | kindergarten | head of association for care day centre | No | service |
| E | supermarket | head of purchasing department | No | reseller |
| F | central market | head of purchasing department | Partly | reseller |
| G | online drugstore | purchaser | Partly | reseller |
| H | large food manufacturer | head of purchasing department | No | manufacturer |
| I | vegan supermarket chain | chairwoman - head of purchasing department | Yes | reseller |

Generally said, all nine participating companies in this research pursue a partly local procurement strategy. A form of dual sourcing introduced in the Literature Review is being applied because of multiple reasons. The main reasons were resource accessibility, weather conditions in Germany, and the risk introduced with relying solely on a local sourcing strategy. Still, a significant interest in local sourcing and regionality was brought up while conducting the interviews. The Interviewees expressed a high demand for local goods by their local community. They can relate to the trend experienced national wide for regional and local products.

Four out of the nine companies are not sourcing organic products (see Table 3). Still, they state that the quality of local food resources is better and more reliable than non-local sourced resources. Four Companies source partly organic products, and only one company focuses on sourcing solely organic products. The company I focuses on sourcing solely organic resources. They discussed that local does not necessarily indicate superior product quality. Here, this company also relies on organic products sourced globally. Most companies did communicate that the motive for pursuing a local sourcing strategy is not purely economic but rather about meeting the demand and quality

standards set by the internal and external environment. Companies do not aim to reach a better price advantage through choosing a local procurement strategy. Still, all companies do see local sourcing as a competing strategy in the future and think that a mindful and sustainable sourcing strategy is vital for an economically viable performance.

4.2 Profiling the cases

4.2.1 Main economic advantages in terms of local sourcing, experienced from companies in the food industry

During the coding process, connections between experiences with local sourcing have been detected. The economic advantages derived from qualitative research are not mutually exclusive. Some advantages have been found in pairs and mentioned by multiple participants. Interrelations between factors in the different categories have been found. Regarding the participants, there was no trend found between different categories in which the companies operate.

To conclude, the companies in the qualitative research are mutually exclusive, but the categories named and put into categories non-mutually exclusive. Benefits named frequently are detected, for example, in the financial category because the focus lies within the financial aspects. With the view of another category, the advantages also can be associated with another perspective and category. For a detailed summary of the codes, a Table can be found in Appendix F.

Production benefits named by the respondent are the known value chain, transparency, and aspects of logistics. Only Company B stated that the known value chain of the local suppliers is a beneficial component to their business performance. Aspects of logistics were mentioned by three companies and. The factor transparency was the most mentioned benefit discussed by four companies regarding economic business advantages gained from local sourcing.

Five different experienced benefits were matches to the managerial field. Here the respondent mentioned more individual benefits associated with local sourcing. For instance, company F experienced an advantage for being able to differentiate themselves internally. This creates a competitive advantage, enhancing the economic viability of the company. They stated this benefit in correlation with the advantage of sustaining and forcing their "marketplace position," which was also mentioned by company H. Internal standards being associated with the brand value, morals, and operating standards are seen as a benefit by six of the nine companies.

Marketing Benefits such as the brand image, ethically sourcing, the quality of goods sourced, and the companies' external high standards have been discussed. Environmentally friendly was associated with the encountered current high standards of the external environment. Here six companies discussed the importance of this benefit resulting from a local sourcing strategy. The freshness and quality of food products are the main criteria for many companies when making sourcing decisions. LS can satisfy these criteria and are seen as beneficial by Company A, B, C, G, and H. LS can be a marketing factor and have a positive impact on the brand image for Company F, G, and H. Participants C and D, being foodservice providers, state that local sourcing increases their ability to source ethically. The ethically sourcing standards can also be used for marketing aspects and are closely related to meeting the high standards of the external environment.

In general, the participating companies did not discuss benefits solely from financial nature. Company A experienced the most

financial benefits with their local sourcing strategy. Factors like less waste decreased labor costs, and transportation costs were named. The three benefits result in a reduction of the cost incurred. Company D, E, F, and I did not experience any direct financial benefits.

Risk and Survival benefits have been the most diverse set of benefits mentioned by the companies. They differ in external and internal aspects. Internal benefits discussed are customer satisfaction, which can be increased through meeting the high demand. The other external benefit is supporting the local economy and including farmers. Internal benefits are increased flexibility, certainty, trust and reliability, and high-quality standards. The internal benefits are related to the relationship with the supplier and how this connection and possible long-term relationship can have positive consequences. The high-quality standards in this category are not related to the actual goods sourced. The Standards are associated with the hygienic risks of suppliers, their operating processes, and the materials used.

4.2.1.1 LS acting as a tool to meet high internal and external standards

In Figure 2, the main named benefits derived using a local procurement strategy in the food industry are displayed. A cut-off value of two was chosen to include common advantages experienced solely. The respondents' two most often-named advantages were meeting the high internal standards, being environmentally friendly, and meeting external standards. Only companies B and F did not mention these factors, and respondent D did not mention any related internal standards. The company I did not experience any high external standards (see Appendix F). Internally the standards fall into managerial economics, where planning and the company vision are represented. For six companies, local sourcing is seen as the strategy that fits their marketing strategy and general brand vision. Externally the environment communicates a high demand for environmentally friendly food resources, being associated with local sourcing. Therefore, local sourcing is meeting the demand and expectations of customers.

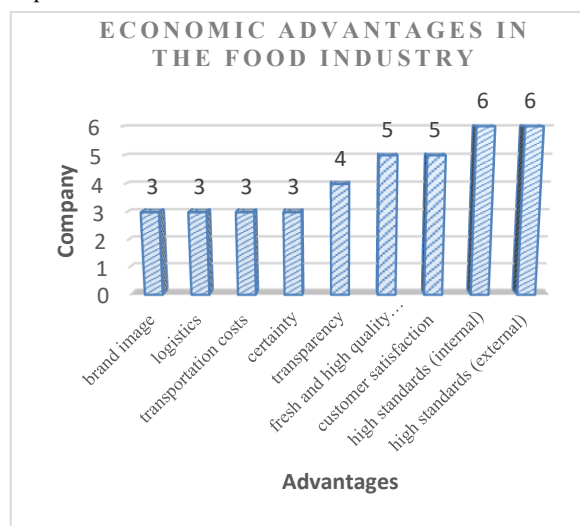


Figure 2. Economic Advantages Experienced by companies

Next, five Companies pointed out that they experience a high demand for local and regional products, enhancing customer satisfaction. This advantage was matched to the risk and survival economics as it is purely focused on meeting the demand. Another advantage of local sourcing is the product quality and freshness. The respondents encounter differences of quality from the sourced food resources. Local food products have fewer

transportation ways that benefit the natural product's overall quality, stated by the respondents.

Also, the transparency coming along with a local sourcing strategy was pointed out by four companies. This is especially favorable for production economics but can also be used for marketing and managerial planning. Lastly, three of the nine companies interviewed discussed the logistics, brand image, transportation costs, and certainty advantages associated with their local sourcing practices. Through the short transportation ways, transparency and flexibility of local suppliers can logistical planning be more efficient. Less logistical space is needed when a just-in-time order is made, being more reliable with local sourcing. As already mentioned before, a local sourcing strategy can help companies differentiate themselves and create a particular brand image. This in fact can be favorable for their growth of sales. Companies mentioned that the costs of transportation mark the actual margin of the product for some food resources like flour. Here every kilometer added to the transport routes increases the costs as the flour market is exceptionally transparent in terms of prices. These transportation costs can be decreased through a local supplier, resulting in a lower overall price paid for the resources. Another benefit associated with local sourcing is certainty. This was expressed in many different ways by the companies.

4.3 Other Related Results

4.3.1 *LS is a common and continuing trend in society*

The Interviewees pointed out that they experience an ongoing trend to local sourcing coming from the external environment. Company B, D, E, and F mentioned experiencing a massive trend for local sourcing by their customers and the food industry. The customer awareness towards regionality and consumption of local goods rises, and more prominent players in the food industry are adopting this demand. They state that regionality becomes more essential and see a further expanding regionality trend, in combination with high quality, ethical, and sustainable food resources.

In the transcribing and coding phase, similarities between the perspectives of companies were detected. Company A and D discussed that they are planning to continue collaborations with local suppliers. Here the main focus lies within maintaining a high-quality standard in terms of freshness. The transparency created through local sourcing is a priority for company B. Participant C mentioned planning on increasing the education internally on sustainability aspects, especially on waste avoidance. They also experience offered education from wholesalers and suppliers on the regional economy, sustainability, and waste. Adopting regional sales and enlarging LS practices as demand is also increasing for locally sourced goods is a trend seen companywide (company E). Company F states to continue focussing and further developing local sourcing strategy as sales shares are encouraging. Here a progressing strength of demand coming from end-customer focusing on local procurement is detected. Fairtrade factors reduced CO2 emissions and reaching a reasonable ecological sustainability rating are internal trends seen by companies G, H, and I.

4.3.2 *Motivating factors for a LS procurement strategy*

As already mentioned, the primary motivation for the participating companies is not to enhance the overall economic profitability of the company. An overview of the motivation for using a local sourcing strategy for the participating companies is shown in Figure 4. The Participants stated that no actual price

advantage could be achieved through local sourcing. Instead, a higher selling price related to the quality and target group can be achieved. Company B, G, and I stated that people are willing to pay more for locally sourced products, produced fair trade, or have organic origins. Company D discussed that they do not only consider environmental and economic aspects regarding sourcing and general operating processes. The focus also lies within the social factors, similar to companies C and F. The primary motivation for pursuing a local sourcing strategy for these companies is to support the local economy. Only two companies experience higher economic viability in terms of profitability with their products because they can ask for a higher buying price. This price increase enlarges the revenue compared to not sourcing locally. Also, three out of all companies interviewed state that profitability is not a priority in general for local sourcing. Environmental reasons being the motivating factor for choosing local sourcing was indicated by company A.

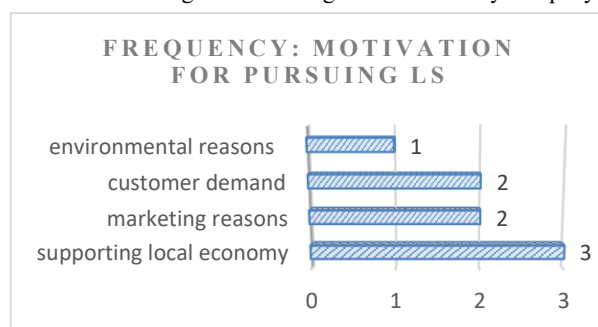


Figure 4. Motivation for companies to pursue LS

4.3.3 *Problems associated with LS*

Next to advantages experienced through local sourcing, problems were mentioned which arise with a local sourcing strategy. In Figure 3, the three mentioned problems are shown. Especially the problem of resource availability was drawn attention to. Germany simply has limited availability of some natural food resources. Natural conditions for some resources are not given, making it impossible for some goods to be grown in this nation. For companies, this is a significant factor why a solely local sourcing strategy is just not feasible. The participating companies also mentioned problems like weather conditions. This issue was particularly pointed out for fruits. The quality changes for the food products in countries where the level of sun and warmth is more suitable for these resources, which makes the locally sourced products not compatible with the global or EU-wide sourced goods in terms of taste (Company H).

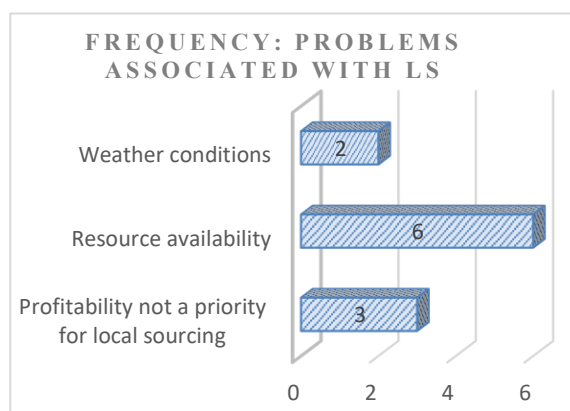


Figure 3. Problems associated with LS

Companies D, E, and F stated that profitability is not a priority when sourcing locally. Their decision to pursue this procurement strategy is not based on financial aspects. The participants

discussed that local sourcing is not feasible for a company focusing solely on profit in the food industry. Still, they indicated that through planning and price adjustments, a particular profit margin could be achieved.

5. DISCUSSION

In this Discussion part, the results presented from qualitative research are interpreted and put into context. This is done in light of past research, results from the literature review, the expectancy theory, formulated research questions and propositions. In the following part, the sub-questions originated at the beginning of this research are acknowledged, and the hypotheses are discussed. They will structure the gathered data from Interviews and academic Literature and guide a conclusion to the actual research question.

5.1 LS as a procurement strategy elevating economic business advantages

5.1.1 Answering the proposed research Question

“RQ: What are the business advantages for companies in the food industry pursuing a local procurement strategy?”

In Appendix F, an overview of all advantages discovered through qualitative research can be found. It can be highlighted that the main economic advantages experienced by companies in the food sector are meeting the high internal standards from a managerial perspective and meeting the external standards from a marketing perspective. The external standards are relating to environmental aspects, regionality, and supporting the local economy. On the other hand, the internal benefits are associated with brand value, morals, and operating standards. Next to these two most mentioned benefits from qualitative research, multiple other advantages have been found. The business advantages found in the categories of production, managerial, marketing, financial, and risk and survival, all contribute towards the goal of achieving economic viability through local sourcing. Even though multiple companies in the qualitative research, also witnessed in academic literature, mentioned that local sourcing is a procurement strategy not solely focused on profitability. In literature, global sourcing was displayed as being superior to local sourcing in terms of price advantage. An overview of economic advantages found in academic literature is displayed in Appendix A. The interviewed companies discussed that with a local sourcing strategy, no lower price point could be achieved.

Nevertheless, it can add value to the products, and therefore a higher asking price for the product/ service can be demanded. The higher asking price ensures that at least the same margin for the company can be achieved. Through this acceptable margin attained, the company can accomplish an economically viable performance. It makes local sourcing an attractive sourcing strategy that can reduce risks and sustain the company's profitability.

Companies participating in the qualitative research experienced a difference in the economic advantages of global and local sourcing strategies. These differences do vary between product segment and service offered. For some companies, it is not possible to fully source locally, regarding the resource availability and seasonal dependency. LS can be an attractive procurement strategy when the right circumstances are given. Discussed in literature, global sourcing can deliver a higher price advantage and create a certainty related to seasonal cuts in German agriculture (Nui et al., 2020; Rosic, 2019; Rigby and Tager, 2008; Stanczyk, 2017). This procurement strategy might be superior considering the weather conditions given in southern countries. Weather conditions determine a considerable extent of quality and taste in the food industry. The data exploited points out that local sourcing does not necessarily indicate a better

product quality and taste. Still, local sourcing can create an economic advantage, as it is demanded by customers and can decrease costs related to transportation and operating processes.

5.1.1.1 Correlating aspects in research are Transparency, Communication, Differentiation, and Flexibility

After the coding and analysis of the qualitative data, a correlation Table was set up and can be found in Appendix G. Here the advantages from academic research and qualitative research are collectively compared. The Table aims to create a visualization of found correlations. Benefits having a significant correlation and significant relationship mentioned by academic and empirical research have been identified. In the Table, each advantage derived from the academic research compared to every empirical advantage gathered. In Appendix G, a detailed view of the correlation is shown. Further on, only the most significant correlations and overlapping views on advantages of local sourcing will be evaluated and put into context. These advantages from academic sources can fully be supported by the qualitative research.

Communication. A benefit related to the managerial field is communication, being discussed in both research methods (Porter, 1998, p. 81). It was pointed out that communication is critical for an excellent buyer-supplier relationship and essential for internal processes.

Differentiation. A benefit of differentiation was named in qualitative research within the managerial benefits and for academic research in the marketing field (Brunori et al., 2016, p. 10). Participants in the research stated that the differentiation strategy is precious for strategic positioning internally. It guides the operating processes and makes planning easier. This differentiation is connected to other benefits such as communication and high internal standards. In academic literature, differentiation resulted from local sourcing, achieving a competitive advantage over rivals in the same industry. Externally the brand can differentiate itself from competitors and create a unique marketplace position.

Brand Image. In the benefits of marketing, the brand image created through local sourcing was discussed. It is closely related to the differentiation evaluated above. LS is associated with positive characteristics and can be beneficial for the brand image (Nui et al., 2020, p.1).

Transportation. The transportation of sourced goods is a significant financial factor in local sourcing, as pointed out in literature and explored through qualitative research. Correlations on transportation aspects from both research methods can be found. Highlighted are the reduced risks due to a decreased transportation time and route, in kilometers (Rigby and Tager, 2008, p.26, Rosic, 2019, p. 64). Also, costs associated with transportation can be decreased through a local sourcing strategy. Interviewee H discussed that especially low-priced items should be sourced locally. Here the transportation costs are immense relative to the buying price of the goods. For longer transportation ways, every kilometer would indicate a high increase in costs incurred.

Flexibility. A benefit categorized in the risk and survival field is the flexibility. It is correlated to meeting customer demand and achieving customer satisfaction. The ability to place orders more flexibly and time frame enables the companies to meet fluctuating demand (Rosic, 2019, p.71). Also, concerning resource availability, this is a feature needed to guarantee to be economically viable.

5.1.2 Academic propositions discussed with respect to findings of the qualitative research

H1: In a global economy, especially knowledge, relationships, and motivation make local sourcing a valuable procurement strategy.

This hypothesis cannot be fully supported by the qualitative data gathered. The participating companies mentioned factors related to knowledge, relationships, and motivation, but there is no significant evidence obtained. Especially in the food industry, sourcing with multiple suppliers is compulsory to source all goods needed for production. This makes buyer-supplier relationships less intense as the scope of input goods is immense. Also, other factors than knowledge, relationship, and motivation do have a more significant impact on the economic viability of companies. It cannot be assumed that when sourcing locally, every supplier is more motivated and has further knowledge compared to global players. Therefore, LS can bring up these valuable factors, but this is dependent on each company and industry. For example, smaller companies might suffer from strict German requirements, resulting in diminished motivation. Another factor is that the created buyer-supplier relationships can be taken advantage of. Local suppliers could use the dependency created to pressure buyers in terms of price and reliability of goods. Regarding the expectancy theory, a performance reward relationship can be identified. For example, companies C, D and F are driven by the factor to support the economy. Here local sourcing is the performance initiated by the company to receive the reward of supporting the economy. The same pattern is seen with the other motivations named by the respondents (see chapter 4.3.1 for a detailed description).

H2: LS can provide a competitive advantage.

With the qualitative data collected, it can be stated that local sourcing indeed can act as an enabler for an increased competitive advantage. As discussed in the results section, differentiation and meeting customer demand are advantages experienced in the food industry. Consequently, local sourcing increases the competitive advantage of companies, which results in increased economic viability. Increased economic viability does indicate that competitive advantage is being exploited. Regarding the qualitative research, companies stated that, primarily through the immense customer demand and awareness for local sourcing, they gain more attention. This creates a competitive advantage in terms of brand positioning and strategy to financial aspects and lowers incurred risks.

H3: Through a local procurement strategy, transportation costs and related risks can be reduced, making this strategy competitive in terms of price to global suppliers.

Factors like transportation costs and risks related to this term can in fact be reduced with a local sourcing strategy, as supported by interview data. A price advantage can descend in importance through the reduced risk and decreased costs related to local sourcing. Often a sole price advantage in the first place might seem attractive. However, costs incurred after purchasing the goods might add up to a extend where the overall costs might exceed the cost-benefit.

5.2 Overcoming limitations of LS to strengthen the economic viability

Weather conditions are one of the factors having a negative impact on local sourcing in the German food industry. As this is a natural force that cannot be influenced, it can only be considered and planned accordingly. Some natural goods might not grow in Germany or be heavily affected by weather conditions and should be sourced with a dual sourcing strategy introduced in the literature review. By not solely relying on local suppliers, the risk can be spread, as discussed by company H. The general resource availability needs to be handled in a similar way

as the uncertainty of weather. Here the risk is not as huge because the needed conditions (weather, soil, harvesting periods e.g.) for goods are known. Still, in order to prevent a lack of resources, e.g., due to a crisis in the agriculture sector, a forward-thinking planning is essential. As affirmed, the priority for pursuing local sourcing is not profitability, analyzed through qualitative data. Likewise, in academic literature, this is acknowledged, too. Again, a suitable way of planning procedures to be profitable and attain a certain margin is needed. Other target groups might be reached and need to be evaluated to attain wanted margins. Higher product pricing is another method for companies to become economically viable with a local sourcing procurement strategy. This forward-thinking planning and procedures for local sourcing can be done with the use of the company-level approach. This approach is a hands-on tool with five key steps (DEG, KFW, 2018). These steps help companies identifying and dealing with problems of local sourcing. First companies should analyze their supply chain, explore the benefits of local sourcing being applicable, assess hurdles to local sourcing and lastly prioritize hurdles to tackle.

5.3 LS as a trend in today's society

As introduced, sustainability became and still is an immense discussed topic in the whole world. In general, sustainability is rising in importance for the external and internal environment. Therefore, local sourcing is starting to develop a status comparable to a certificate for sustainability and mindfulness. LS also stands for engaging in the national wide economy, which makes companies more supportive. Sustainability is especially exploited in marketing economics. Here companies can create a specific brand image favored by the customer. Different advantages associated with local sourcing can be conveyed through sustainable marketing, operating process, management, and other fields. This communicated Message helps to increase customer satisfaction. Another vital term often discussed in today's marketing is the reduced carbon footprint. Certificate and scores like the eternity score are used to show transparency and make consumers aware of the resources used. Also, governmental rules and regulations on sustainability are increasing, making local sourcing an attractive sourcing strategy. Here funds from governments for supporting local communities could be distributed from national and global subsidies.

It is not evidential if local sourcing is superior to global sourcing by the example of the German food industry. Companies rely on scores, for example, the maternity score, which determines CO₂ emissions, water usage, animal welfare, and rainforest protection. Local sourced and produced products do not necessarily indicate a better quality in terms of the eternity score. However, customers demand local food products as they associate a higher quality and want to support the local economy. The scope of local sourcing in terms of economic viability is considerable. Therefore, there is more research needed to be done, especially in the food industry. The trend towards regionality and sourcing local is increasing, and companies state that not solely organic products are demanded. Also, fair trade products and uncertified local goods are demanded. During qualitative research, a question was raised: Is local the new organic?

6. LIMITATIONS AND DIRECTION OF FUTURE RESEARCH

Due to the Corona pandemic, some problems during this research were raised. Virtual interviews were conducted due to the circumstances of the pandemic. Correspondingly, a change and trend moving towards local sourcing occurred during the spread of Covid-19. Companies already adapted some local practices, as they experienced delivery bottlenecks and increased costs for

shipping with the collaboration of global suppliers. This could have created more vibrant experimentation of economic advantages associated with local sourcing. The result of this occurred trend could be a bias in this qualitative research.

After setting up the proposition and conducting the Interviews, some doubt about the formulation of the research question elevated. LS in the food industry is hugely dependent on the goods sourced. It is not easy to compare performance and effectiveness in terms of economic factors across the whole food industry. There are significant differences in end products, the food segments, and the service offered.

Defining local is difficult, for example, when a company is located in Berlin or Osnabrück. Here, a sourcing strategy in the Netherlands or Poland would be even closer in the distance in kilometers. Nevertheless, sourcing national wide in terms of transportation, increases the localness (Brunori et al., 2016, p.17). This indicates that using food miles can be misleading when only using physical distance criteria. Also, EU-wide trading should be delimited from global sourcing when considering the German food industry.

Further research is needed to determine the different segments in the German food industry. Also, it was difficult to set up a standardized interview applying to all food companies interviewed regarding the scope and sample size. More specialized research would have made results on economic advantages easier to categorize. The food industry has an extremely big scope, and the participating companies were operating in three different food industry segments. The usage of local sourcing is therefore different in these segments and can affect the benefits experienced. Some companies source food goods regularly and others only for special events with high flexibility. Companies sourcing for catering e.g., are mainly driven to meet the demand and trend for local, regional, and sustainable food.

7. CONCLUSION

After deep academic research and the formulation of Propositions, qualitative research was practiced. In order to test if the local sourcing strategy can be economically viable for companies in the German food sector, nine interviews were conducted and analyzed. The result of this study is limited due to the scope of the participants. However, a valuable conclusion can be drawn.

As Gasparatos et al. mentioned, different approaches are needed to see the complete picture of all sustainability aspects (Gasparatos et al., 2008). Focusing solely on reaching economic sustainability will therefore not be sufficient to be economic viable. However, LS does come along with more than solely environmental and societal benefits for companies. Economic advantages in the field of Production, Managerial, Marketing, Financial, and Risk, and Survival can be explored. In this research a correlation of advantages resulting from local sourcing has been identified. The qualitative data gathered can support some of the academic findings, discussed in chapter 5 and shown in Appendix G. These advantages are differentiation, brand image, flexibility, communication, and transportation.

LS is not a sourcing strategy applicable for every company in the food industry. Reasons are the resource accessibility, seasonality, and risk associated with sourcing natural goods in a particular geographical area. Especially for the food industry, delivery bottlenecks are a considerable problem and request superior planning activities. The participating companies in the data collection did exhibit different views on local sourcing. For most companies, it is a standard to achieve internally and externally. Morality and ethical views are added to their chosen procurement

strategy. It is a way of reacting to customer's demand and tools for marketing reasons for other companies. Only one company discussed that local sourcing has no higher ranking in their sourcing strategy, as they solely take organic certifications into account. All participants in the interviews appreciate sustainability and especially the message that local sourcing communicates. This message is connected to Marketing, Management, and Risk and Survival economics. The company-level approach, presented in the discussion chapter, can be a valuable tool to tackle hardens of local sourcing (DEG, KFW, 2018). It ensures that the benefits of local sourcing can be attained and issues arising are planned and can be detained.

Concluding, local sourcing is a procurement strategy that is gaining more attention internally and externally. Through this research, local sourcing was identified as a procurement strategy meeting the expectations and being satisfactory in terms of business advantages to companies in the German food industry.

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9. ABBREVIATIONS

RBV – Resource-based view

RoI – Return on Investment

LS – Local sourcing

MPP – Marketplace position

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APPENDIX

A. Empirical findings of economic benefits experienced through local sourcing

| Economical Advantages - LS | Source |
|---|---|
| Production Benefits | |
| quick reaction to high demand and supply uncertainty | Rosic, 2019, p. 64 |
| involvement in innovation process - match customer preferences | Porter, 1998, p. 83 |
| Supply Chain Collaboration - enhancing RoI, Growth of Sales, Profit margin on sales | Cao et al., 2011, p.163 |
| development of supply chain management capabilities | Walker et al., 2008, p. 4; Ferguson and Toktay, 2006; Sarkis, 2003; Sharma and Vredenburg, 1998 |
| Managerial Benefits | |
| knowledge, relationships, motivation | Porter, 1998, p. 78, 84 |
| communication (through proximity) | Porter, 1998, p. 81 |
| Marketing Benefits | |
| local reputation, proximity | Porter, 1998, p. 81 |
| differentiation strategy | Brunori et al., 2016, p. 10 |
| artificial scarcity - reducing distance between input production and use | Brunori et al., 2016, p. 11 |
| environmental factors - reduced emissions | Rigby and Tager, 2008, p.26 |
| Financial Benefits | |
| intimate knowledge of supplier's costs | Porter, 1998, p. 83 |
| brand value | Nui et al., 2020, p.1 |
| low holding costs | Rosic, 2019, p. 64 |
| Decrease of transportation cost, time | Rigby and Tager, 2008, p.26, Rosic, 2019, p. 64 |
| Risk and Survival Benefits | |
| Local rivalry - better Motivation and Measurement | Porter, 1998, p. 83 |
| low risk of transportation delay | Rigby and Tager, 2008, p.26 |
| low project failure (costs related to long-term consequences and failures of GS), LS as a consequence | Stanczyk, 2017, p.19 |
| increased flexibility - reacting to high demand uncertainty | Rosic, 2019, p.71 |
| prevention of overstocking | Rosic, 2019, p.71 |

B. Interview Guide

| Topic | Question | Sub-question |
|---|---|---|
| Stating Question / General Purpose | To what extent do you source locally? | |
| Local sourcing practices | Did you have certain expectations from implementing a local sourcing procurement strategy? | |
| | What are the economic advantages that you experience through local sourcing? | → Price advantage created, and profitability increased through local sourcing? → Other positive economic aspects? → Compared to global sourcing? |
| | Do you experience challenges while pursuing or implementing a local sourcing strategy? | → If yes, what kind of challenges? → How did you deal with these challenges? (e.g., certain processes/regulations) → Do you have specific requirements from an economic perspective on your suppliers? If yes, which? |
| Economic sustainability - local sourcing | How do you ensure that local sourcing is profitable and economically viable? | |
| | Do you think local suppliers can compete with global suppliers in the future regarding price, risk, reliability, and flexibility? | → Do you think that with a global sourcing strategy, a more significant price advantage can be achieved? → Can you explain the economic motivation for local sourcing? |
| | Do you think mindful and sustainable sourcing strategies can be profitable (have a positive economic impact)? | → Also considered on the long run. |
| Closing Question | What are the future plans of your company regarding your local sourcing practices | → Which trends do you see in the food industry in Germany for local sourcing in general? |

C. Appendix XX: Overview of participating companies

Left out due to confidentiality.

D. Appendix XX: Transcripts of Interviews

Left out due to confidentiality.

E. Overview of Companies Interviewed – anonymized

| company | country | company | job title | lengths (in min) | Interviewee | Organic | Category |
|---------|---------|----------------------------|--|------------------|-------------|---------|--------------|
| A | Germany | event-caterer (small) | butcher / purchasing manager | 45 | 1 | Partly | food service |
| B | Germany | restaurant-caterer (large) | head of purchasing department | 86 | 2 | Partly | food service |
| C | Germany | elderly-care home | chef / purchaser / housekeeping manager | 43 | 3 | No | food service |
| D | Germany | kindergarten | head of association for care day centre | 44 | 4 | No | food service |
| E | Germany | supermarket | head of purchasing department | 32 | 5 | No | reseller |
| F | Germany | central market | head of purchasing department | 20 | 6 | Partly | reseller |
| G | Germany | online drugstore | purchaser | 30 | 7 | Partly | reseller |
| H | Germany | large food manufacturer | head of purchasing department | 45 | 8 | No | manufacturer |
| I | Germany | vegan supermarket chain | chairwoman - head of purchasing department | 25 | 9 | Yes | reseller |

F. Interview results of economic benefits experienced through local sourcing – Coding

| Categories | Codes | Company | | | | | | | | |
|---|---|---------|---|---|---|---|---|---|---|---|
| | | A | B | C | D | E | F | G | H | I |
| Production Benefits | known value chain (1) | | X | | | | | | | |
| | transparency (4) | X | X | X | | | | | | X |
| | logistics (3) | | X | | X | | | | X | |
| Managerial Benefits | communication (2) | | X | | | | | X | | |
| | well-networked companies - reputation (1) | | X | | | | | | | |
| | differentiation (1) | | | | | | X | | | |
| | sustaining/ forcing "marketplace position" (2) | | | | | | X | | X | |
| | meets high standards (internal) (6) | X | | X | | X | | X | X | X |
| Marketing Benefits | environmentally friendly, external high standards (6) | X | | X | X | X | | X | X | |
| | fresh and high-quality products (5) | X | X | X | | | | X | X | |
| | ethically sourcing (2) | | | X | X | | | | | |
| | brand image (3) | | | | | | X | X | X | |
| Financial Benefits | (decreased costs) less waste (1) | X | | | | | | | | |
| | labor costs - cost efficient (2) | X | | | | | | X | | |
| | less transportation - costs (3) | X | | | | | | X | X | |
| | transparency of prices (2) | | | X | | | | | X | |
| | better use of goods = higher turnover with higher selling price (1) | | X | | | | | | | |
| Risk and Survival Benefits | customer satisfaction - high demand (5) | X | X | X | | X | | X | | |
| | certainty - reduced risk for lack of resources (3) | X | X | | | | | | X | |
| | support local economy (farmers) (2) | | | X | X | | | | | |
| | trust & reliability - long term buyer-supplier relationship (2) | | | X | | | | X | | |
| | flexibility (2) | | | | | | | X | | X |
| | quality standards - hygienic risks (1) | | | | | | | | X | |
| Problems associated with local sourcing | ! profitability not a priority for local sourcing! (3) | | | | X | X | X | | | |
| | Resource availability - seasonality, general conditions needed (6) | X | | X | X | | | X | X | X |
| | depended on weather conditions (2) | X | | | | | | | X | |
| Other Findings | Experienced enhanced economic viability | X | | | | | | X | | |

G. Comparison of Empirical evidence to Qualitative research results of economic advantages experienced through LS

| Empirical advantages | | Academic advantages | | | | | | | | | | | | | | | | | |
|----------------------|---|---------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 1 | logistics | x | | | x | | | | | | | | x | | | | | x | x |
| 2 | transparency | x | | | | | | | | | | x | | | x | | x | x | x |
| 3 | known supply chain | x | x | | | x | x | | | | | x | | | | x | x | | |
| 4 | well-networked companies - reputation | | | | | x | | x | x | | | | | | x | x | x | | |
| 5 | communication | | x | | x | x | X | | | | | x | x | | x | x | x | | x |
| 6 | differentiation | | x | | x | | | x | X | | x | | | | x | | | | |
| 7 | sustaining/ forcing "marketplace position" | x | x | x | x | | | x | x | | x | | | | x | | x | x | |
| 8 | meets high standards (internal) | | | | | x | x | x | | | x | | | | | x | x | | |
| 9 | brand image | | | | | x | | X | x | | x | | | | | | x | | |
| 10 | fresh and high-quality products | x | | | | | | x | x | | | | | x | x | x | | x | x |
| 11 | environmentally friendly, external high standards | | x | | | | | x | x | | x | | | | x | | | | x |
| 12 | ethically sourcing | | | | | x | | x | x | x | x | | | | | | | | x |
| 13 | transparency of prices | | | x | | | | | | x | | x | x | x | x | | x | x | x |
| 14 | (decreased costs) less waste | x | | x | x | | | | | x | x | | x | X | x | | | | x |
| 15 | less transportation - costs | | | x | | | | | | x | x | | x | x | | x | | | x |
| 16 | labour costs - cost-efficient | | | x | x | | | | | | | | | x | | | | x | |
| 17 | better use of goods = higher turnover with higher selling price | x | | x | x | | x | | | | | | x | | x | | | x | x |
| 18 | support local economy (farmers) | | | | | x | | x | x | x | | | | | x | | | x | |
| 19 | trust & reliability - long term buyer-supplier relationship | | x | | | x | x | | x | | | | x | x | x | x | x | x | |
| 20 | certainty - reduced risk for lack of resources | x | | | | | | | | x | | | x | | x | x | x | x | |
| 21 | flexibility | x | x | | | | | | | | | | x | x | x | x | x | X | x |
| 22 | quality standards - hygienic risks | | | x | x | | x | | x | | x | | | x | x | | | | |
| 23 | customer satisfaction - high demand | | x | | | | x | x | x | x | x | | | | x | x | | x | |

Legend:

Figures:

x – correlation found between advantages

X – big correlation found, significant relationship

Colors:

Yellow – production benefits

Light pink – managerial benefits

Red/orange – marketing benefits

Light green – financial benefits

Green – risk and survival benefits

Academic advantages:

1. quick reaction to high demand and supply uncertainty
2. involvement in innovation process – match customer preferences
3. Supply Chain Collaboration - enhancing RoI, Growth of Sales, Profit margin on sales
4. development of supply chain management capabilities
5. knowledge, relationships, motivation
6. communication (through proximity)
7. local reputation, proximity
8. differentiation strategy
9. artificial scarcity - reducing distance between input production and use
10. environmental factors - reduced emissions
11. intimate knowledge of supplier's costs
12. low holding costs
13. decrease of transportation costs, time
14. Local rivalry - better Motivation and Measurement
15. low risk of transportation delay
16. low project failure (costs related to long-term consequences and failures of GS) , LS as consequence
17. increased flexibility - reacting to high demand uncertainty
18. prevention of overstocking