

ARE YOU READY TO BUY-LOCAL? SURVEY RESULTS

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ABSTRACT

This paper reports the results of a survey of 29 purchasing managers including manufacturing, retail grocery and sales, educational, governmental, non-profit, logistics and healthcare organizations regarding their current practice and willingness to buy-local. This survey was conducted as part of a student class project with students administering a face-to-face survey with local purchasing managers. Results of the survey indicate that many organizations already source much of their purchases locally and that overall there appears to be a willingness to increase local buying.

INTRODUCTION

In recent years social and economic forces have fostered the development of a set of individual and organizational purchasing behaviors which can be described as ethical consumption. [1] [2] Manifestations of both individual and organizational ethical consumption include purchasing behaviors that are not totally based on economic considerations, but also include an intent to express ethical beliefs. There is a broad spectrum of efforts, causes, boycotts and campaigns expressing various ethical statements such as support for conservation of natural resources, support for local producers/owners, support for political or social causes such as breast cancer research, responsible sourcing from third world countries, humane treatment of animals as sources of food, etc. This study focuses on a commonly heard ethical appeal, "Buy-local." [7] Buy-local is defined by these authors to be purchasing from organizations that are located "within 100 miles of the buyer that are owned and operated by a local resident." We report the results of face-to-face interviews with 29 purchasing managers regarding current local purchasing practices and intentions and willingness to increase local purchasing.

The literature regarding ethical purchasing behaviors can be divided into theory regarding personal ethical consumption and organizational ethical purchasing as part of Corporate Social Responsibility (CSR). These literatures are reviewed in the full paper available from the authors.

METHODOLOGY

The purpose of this project was to determine the level of local purchasing engagement of businesses with local suppliers. As a preliminary step in support of community driven buy-local initiatives, this project was aimed at analyzing current purchasing practices of various organizations and further identifying the underlying motivation which hinders local procurement.

Students participated in this effort through a class project in an undergraduate Operations and Quality Management (OQM) class. Two sections of OQM were enlisted to survey the organizations which were provided by a group of local business and community leaders. Seventy five students conducted the project throughout the semester and reported their findings on twenty nine organizations.

At the beginning of the spring semester in 2015, students formed teams and selected organizations from a list of the largest regional organizations. Throughout the semester, students followed project guidelines and time schedule provided by the instructor. Student teams reported their progress to the instructor according to the timeline provided to them (e.g., identification of contact person/week6, interview arrangement/week7, organization visit/week11, final report/week14, and etc).

The survey script included 27 questions that covered organizational demographics (6 questions) and overall purchasing/procurement practices (21 questions). As a pilot study lacking any previous information, survey scripts included open ended questionnaires to find out purchasing patterns of local organizations.

Demographics of the Organizations

Initially, 32 organizations were considered for this project. After the elimination of organizations which were unwilling to participate in this survey and the addition of two local companies, the final count of organizations to be considered in this project was 29. Table 1 summarizes these organizations according to their appropriate categories (e.g., industry, presence, profit/nonprofit). As shown from the table, these organizations represent eight different industry sectors and four geographic locations in their operations, and cover both profit and nonprofit organizations.

As shown in the table, 9 out of 29 organizations operated on a global scale, eight operated nationally, two statewide and 10 locally. These organizations were categorized into 11 nonprofit and 18 for profit organizations as illustrated in the following chart (Figure 1). Additional demographic information regarding sector, presence, # employees, # suppliers, purchasing volume (\$), # SKUs and purchase types is detailed in the full paper available from the authors.

Table 1. Summary of Organizations

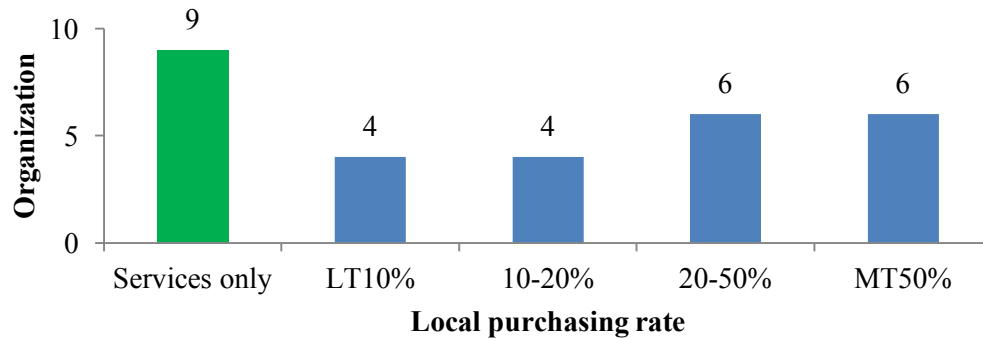
Industry	Presence	Profit/nonprofit	Industry	Presence	Profit/nonprofit
Public service	National	Nonprofit	Food	National	For profit
Public service	Local	Nonprofit	Food	Local	For profit
Public service	Local	Nonprofit	Retail & grocer	National	For profit
Public service	Local	Nonprofit	Retail & grocer	National	For profit
Healthcare	State	Nonprofit	Retail & grocer	National	For profit
Healthcare	Local	Nonprofit	Retail & grocer	Global	For profit
Manufacturing	Local	Nonprofit	Logistics	Global	For profit
Manufacturing	Global	For profit	Logistics	National	For profit
Manufacturing	Global	For profit	Service	Global	For profit
Manufacturing	Global	For profit	Service	Global	For profit
Manufacturing	Global	For profit	Education	State	Nonprofit
Manufacturing	Global	For profit	Education	Local	Nonprofit
Manufacturing	National	For profit	Education	Local	Nonprofit
Manufacturing	National	For profit	Education	Local	Nonprofit
Manufacturing	Local	For profit			

Local Purchasing Practices

These organizations bought locally at varying levels. Figure 1 categorizes organizations according to their levels of purchasing from local suppliers and provides an overall picture of local commitment. As

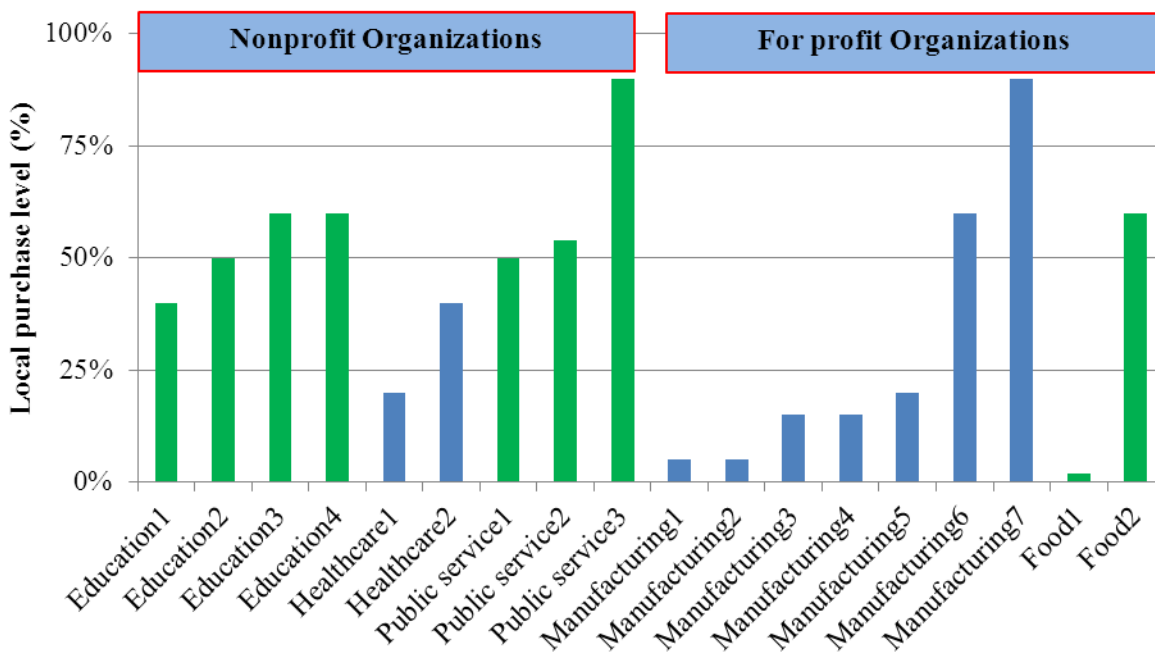
illustrated in the figure, 9 out of 29 organizations, (2 manufacturers, 3 retailers, 2 logistics and 2 service companies) indicated that they only purchased contracted services locally, i.e. no local goods purchases. On this question, 6 organizations responded with more than 50% of local purchasing and another 6 organizations indicated their purchasing volume was 20-50% from local suppliers. Eight organizations purchased less than 20% locally.

Figure 1. Level of Local Purchasing (29 organizations)



We further detailed the level of local purchasing by type of organization (for profit and nonprofit) and by industry as shown in Figure 2. On this question, 9 businesses that only purchased services and 2 additional organizations that did not provide specific information were excluded from this analysis.

Figure 2. Level of local purchasing (18 organizations)



The figure illustrates the local purchasing commitment of each organization and shows industry purchasing patterns in terms of local purchasing rate. Overall, nonprofit organizations (e.g. education, healthcare, and public service) displayed higher levels of local purchasing as compared to manufacturing organizations.

In this survey, one public service organization responded with an exceptionally high local purchasing volume (90%). Also noteworthy, is that a manufacturing company which moved to the region in recent years expressed its intentions to purchase locally more than 90% as it becomes fully operational. The company intends to explore local opportunities, thus potentially being a benchmark for future development.

Reasons for Not Purchasing Locally

To find out the underlying causes of non-local purchasing activities, all 29 organizations were asked to select the appropriate categories: lack of suppliers, price, quality, and policy. For this survey question, the majority of respondents pointed out lack of suppliers (49%, 19) followed by policy (21%, 8), price (20%, 8), and quality (10%, 4). The majority of local and manufacturing organizations responded with the first three categories while nonlocal service organizations (e.g., retail and grocery, logistics, IT services) indicated corporate policy as a main reason for not purchasing locally. Figure 3 summarizes the responses on this crucial question. For a subsequent question regarding intention to increase local purchasing commitments, 41% of the organizations showed favorable responses, however most of these responses were based upon alleviation of the aforementioned concerns.

Figure 3. Nonlocal Motivation and Future Intention (29 organizations)

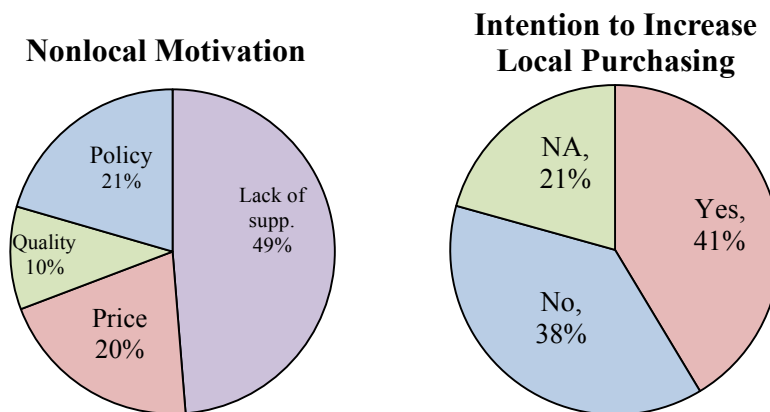


Table 3 summarizes non-motivational factors for each organization and future intentions to improve local purchasing. As shown in the table, lack of local suppliers is a dominant reason followed by price and cost competitiveness. Some organizations pointed out that non-competitive price/cost of local suppliers prevent them from purchasing local, even when local suppliers were available. Purchasing managers of public organizations pointed out non-local preference in their bidding process as pursuant to purchasing policies.

Partially due to these reasons, most of the respondents did not provide positive responses to the future increase of local purchasing. Roughly half of the organizations expressed their willingness to increase local purchasing in the future. However, as stated earlier, a resolution of two major obstacles (e.g., lack of suppliers and competitive price) seems to be a prerequisite to improving local purchasing practices as evidenced in the table.

Table3. Nonlocal Motivators and Future Intention

Organization	Nonlocal motivator				Intention to increase		Remarks
	A	B	C	D	Yes	No	
Education1	●	●				x	Major local items: maintenance
Education2	●		●			x	Major local items: maintenance, office products
Education3	●				x		Major local items: maintenance, gen. supplies
Education4	●	●				x	Purchasing policies
Healthcare1		●			x		Major local items: waste control, pest control
Healthcare2		●		●	x		Major local items: bottled water, sanitary supply
Public service1	●	●				x	No local preference
Public service2	●	●	●			x	Purchasing policies
Public service3	●	●				x	Procurement policy
Manufacturing1	●					x	Major local items: mostly services
Manufacturing2	●				x		Major local item: scrap metal, consumables
Manufacturing3	●				x		Major local item: Steel, sheet metal, services
Manufacturing4	●			●		x	Corporate strategy (centralized)
Manufacturing5	●				x		Major local item: raw material, finished goods
Manufacturing6	●				x		Major local items: consumables, non-specialized parts, labor, catering, food, utilities
Manufacturing7			●		x		Major local items: steel (if fully operational)
Food1	●				x		Major local items: milk, green chili
Food2			●		x		Major local items: flour

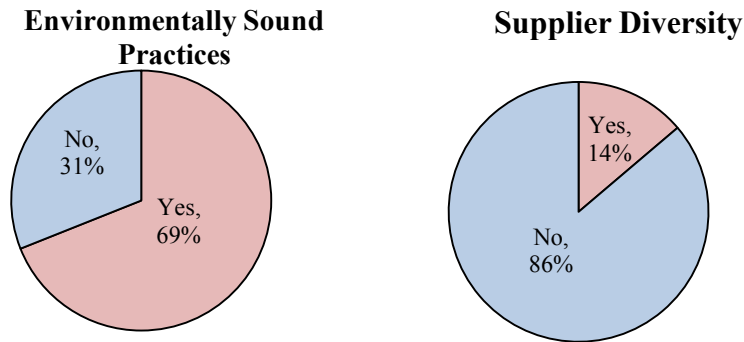
Note. A: lack of suppliers, B: price/cost, C: quality, D: Other

Other Purchasing Practices

Two important questions were presented to the organizations in order to discover their commitment to emerging aspects of purchasing management; green sourcing and supplier diversity. As the survey results show in Figure 4, these practices are still at the early stage and are yet to be fully implemented in future purchasing and procurement practices.

In regards to their green sourcing practices, the majority of organizations described their awareness and commitment to environmental practices through their participation in recycling and waste management. A few organizations expressed more active environmental practices; a local public service organization has a Green Team approach and one local company utilizes solar energy for their production process. One company considers environmental practices (e.g., recycle and use of solar energy) as one of their supplier selection criteria. Two respondents pointed to the potential increase of costs in implementing green practices.

Figure 4. Environmental Practices and Supplier Diversity



Regarding supplier diversity, only four organizations responded with somewhat limited awareness of the practice. Two respondents mentioned that they follow state guidelines regarding supplier diversity. One public organization commented that selecting suppliers based on diversity would reduce the pool of competing suppliers. Only one organization mentioned a small number of diverse suppliers.

DISCUSSION AND CONCLUSIONS

The purpose of this project was to explore purchasing practices of selected local organizations. As a pilot study, this project intended to assess support for buy-local initiatives. The results provide overall purchasing patterns of businesses and identify underlying issues to be resolved for the enhancement of buy-local practices. Despite the limited number of organizations being considered, they covered diverse industry sectors, geographic orientations, and profit/nonprofit organizations.

The information aggregated from student surveys revealed three general purchasing patterns:

- First, the majority of retailers and service organizations purchased only services from local vendors. The retail stores in the sample didn't make independent purchasing decisions and they usually followed corporate policy. However, local purchasing of meat products by a retailer even in a modest quantity implied the potential for improvement in the future.
- Second, public organizations (e.g., education and public services) were engaged in local purchasing at a moderate rate with the majority within a range of 20-50%. Generally for this group purchasing policies did not allow local preference.
- Third, most of the manufacturing firms showed a modest level of local purchasing, mostly less than 25%. As stated earlier, lack of suppliers was pointed out as the dominant reason for this low purchasing level. Furthermore, inferior price competitiveness of local vendors was pointed out as another important obstacle in pursuit of local purchasing for manufacturers and other organizations as well. In addition, as hinted by a manufacturer, some firms can potentially attract more industry customers as a prominent supplier. The survey results also indicated a minimal level of green sourcing practices and commitment to supplier diversity.

In conducting this survey, student teams encountered challenges during the course of the project. As mentioned earlier, some companies declined to participate in the project due to unwillingness to disclose proprietary information and security concerns. Arranging an interview with purchasing managers or responsible parties was not an easy task for students. Even after setting an interview, many of the respondents were reluctant to provide complete information. Overcoming these difficulties, our students diligently carried out this project.

References are available from the authors as part of the full paper.