

**Louvain School of Management**

# **Balancing global and local sourcing, what factors determine the sourcing allocation?**

Confronting scientific literature to business reality

Author : Bonchoux Elise  
Supervisor(s) : Blome Constantin  
Academic year 2019-2020

## **Foreword**

I would like to thank Prof. Dr. habil Constantin Blome, my thesis supervisor, for his support, advice and valuable feedback in the process of writing this paper.

My thoughts go to my dear mother, Brigitte, who unfortunately will not be able to see me graduate but who has transmitted me the values of hard-work and perseverance that were necessary to the fruitful completion of my studies. Furthermore, I would like to express my thankfulness to my husband, Thierno, my sister, Marie, my godmother, Lucienne, and to all my relatives who supported me throughout this journey and who accepted to make the sacrifices necessary to my accomplishment. Also, a special thanks to David, the best working partner and a true friend.

Finally, I would like to thank all the interviewees who took their precious time – especially in this particular period of sanitary crisis – to provide me essential insights and contributed to the quality of this paper.

## Table of contents

<b>I.</b>	<b>INTRODUCTION</b> .....	<b>1</b>
<b>II.</b>	<b>PART 1: THEORETICAL BACKGROUND</b> .....	<b>2</b>
<b>1.</b>	<b>CHAPTER 1: SOURCING, ITS STRATEGIC ROLE, AND VARIANTS</b> .....	<b>3</b>
A.	SECTION 1: STRATEGIC ROLE OF SOURCING .....	3
B.	SECTION 2: LOCAL, REGIONAL AND GLOBAL SOURCING .....	3
C.	SECTION 3: FIVE LEVELS OF SOURCING .....	4
<b>2.</b>	<b>CHAPTER 2: LOCAL AND GLOBAL SOURCING</b> .....	<b>5</b>
A.	SECTION 1: COST-AGILITY TRADE-OFF .....	5
B.	SECTION 2: GLOBAL SOURCING, RATIONALE, ADVANTAGES AND DRAWBACKS .....	7
C.	SECTION 3: LOCAL SOURCING, RATIONALE, ADVANTAGES AND DRAWBACKS .....	9
D.	SECTION 4: ALTERNATIVES TO LOCAL AND GLOBAL SOURCING STRATEGIES .....	13
<b>3.</b>	<b>CHAPTER 3: PURCHASING AND SUPPLY DEVELOPMENT MODEL</b> .....	<b>14</b>
<b>III.</b>	<b>PART II: CONFRONTING THE SCIENTIFIC LITERATURE TO BUSINESS REALITY</b> .....	<b>16</b>
<b>1.</b>	<b>CHAPTER 1: METHODOLOGY</b> .....	<b>16</b>
A.	SECTION 1: RESEARCH METHOD .....	16
B.	SECTION 2: LIMITATIONS OF THE METHODOLOGY .....	19
<b>2.</b>	<b>CHAPTER 2: GLOCAL SOURCING STRATEGIES OF THE SELECTED FIRMS</b> .....	<b>20</b>
A.	SECTION 1: PROXIMUS (TELECOMMUNICATION) .....	20
B.	SECTION 2: SOLVAY (CHEMICALS) .....	21
C.	SECTION 3: ALSTOM (RAIL INDUSTRY) .....	22
D.	SECTION 4: DELHAIZE (FOOD RETAIL) .....	23
E.	SECTION 5: AB-INBEV (BREWING) .....	23
F.	SECTION 6: RADISSON HOTEL (HOSPITALITY) .....	24
G.	SECTION 7: SUMMARY OF THE CASES .....	25
<b>3.</b>	<b>CHAPTER 3: FACTORS DETERMINING THE ALLOCATION BETWEEN GLOBAL AND LOCAL SOURCING</b> .....	<b>27</b>
A.	SECTION 1: TYPE OF DEMAND AND NATURE OF GOODS .....	27
B.	SECTION 2: CONTRIBUTION OF INFORMATION AND MANUFACTURING TECHNOLOGIES .....	28
C.	SECTION 3: CLUSTER OF LOCAL SUBCONTRACTORS .....	29
D.	SECTION 4: LONG-TERM RELATIONSHIP WITH SUBCONTRACTORS .....	30
E.	SECTION 5: PRODUCTION VOLUME AND FIRM SIZE .....	32
F.	SECTION 6: PRICE OR VALUE OF THE GOOD .....	32
G.	SECTION 7: ADDITIONAL FACTORS .....	33
H.	SECTION 8: SUMMARY OF THE PROPOSITIONS .....	34
<b>IV.</b>	<b>CONTRIBUTION AND LIMITATION OF THE STUDY</b> .....	<b>36</b>
<b>V.</b>	<b>CONCLUSION</b> .....	<b>37</b>
	<b>REFERENCES</b> .....	<b>39</b>
	<b>LIST OF APPENDICES</b> .....	<b>41</b>

## List of figures and tables

FIGURE 1 – SIX LEVELS OF SOURCING .....	5
TABLE 1 – THE BENEFITS OF GLOBAL SOURCING .....	8
FIGURE 2 – GLOBAL SOURCING DOWNSIDES FRAMEWORK .....	9
TABLE 2 – RESHORING MOTIVATIONS (ONLY THOSE DECLARED AT LEAST 10 TIMES) .....	11
FIGURE 3 – THE PURCHASING AND SUPPLY DEVELOPMENT MODEL .....	15
TABLE 3 – CHARACTERISTICS OF FIRMS CONSULTED FOR THE MULTIPLE-CASE STUDY .....	18
TABLE 4 – SUMMARY OF THE SOURCING STRATEGIES OF THE DIFFERENT CASES .....	25
FIGURE 4 – THE PURCHASING AND SUPPLY DEVELOPMENT MODEL AND THE INTERVIEWED FIRMS.....	26
FIGURE 5 – GLOCAL SOURCING FRAMEWORK FOR BALANCING GLOBAL AND LOCAL SOURCING .....	35

## I. Introduction

In the 1980s, companies essentially used international marketing which consisted of marketing programs that were adapted to every local market. But in the 1990s, in the search for new competitive advantages, economies of scale and cost reduction, companies changed their strategy to global marketing by standardizing their campaigns for all the markets. However, this strategy was too insensitive to local needs and weakened their brand image. Therefore, in the 2000s, there was a shift towards localized global marketing where companies basically used a standardized marketing strategy with some local adaptations. And from the 2010s on, this trend was even more accentuated with a return to local marketing (Schuiling, 2018). This evolution of marketing is interesting, but why is it relevant in a paper about sourcing? Simply because sourcing has experienced a similar trajectory: at first, companies mainly sourced domestically because there were high tariff barriers and trade constraints. But with the globalization of the economy, companies could more easily fall back on international sourcing. Then, in the search for competitive advantage and the ever-increasing cost pressure, international sourcing intensified and became more integrated, leading to widespread global sourcing (Christopher *et al*, 2011). Although this practice had numerous advantages, it also had significant drawbacks, notably regarding agility. Today, as responsiveness has become a determinant factor in the competitiveness of firms, companies are increasingly adopting a sourcing strategy that both combines global and local sourcing, namely *glocal sourcing*. In the pursuit of this profitability optimization, there is a trade-off between cost and agility, and it is therefore crucial to find the right balance between global and local sourcing. More particularly, a Forbes article has highlighted that the COVID-19 crisis is goading companies to rethink the way their supply chain is designed, notably by reviewing the local, national or global character of their supplier base (Lheureux, 2020). More than ever, balancing global and local sourcing seems to be at the forefront of supply concerns.

However, despite its growing importance, glocal sourcing has received little attention from researchers and the parameters that are used to determine the right balance between global and local sourcing remain unclear. In an attempt to bridge this gap, the goal of this paper is to confront the factors that are cited in the scientific literature as being

determinant in allocating global and local sourcing to the business reality. To that end, the first part of this paper will set the necessary theoretical background by introducing sourcing, the trade-off between global and local sourcing, their respective advantages and drawbacks as well as their implications regarding costs and agility. Then, the second part will be dedicated to the research question per se. The methodology that was used here consists of a multiple-case study based on the interview of 6 sourcing professionals. The research method was designed following the theoretical replication logic, where cases were selected because they were believed to yield contrasting results as all the selected firms operate in different sectors. The rationale behind this choice lies in the willingness to cover as many factors as possible, and that's why the study was purposefully not limited to a specific industry. Regarding the case selection, it was made following heterogeneous purposive sampling since the goal was to get insights from large companies (criterion 1) active in Belgium (criterion 2) and operating in different sectors (criterion 3). This selection process combined with the availability of the respondents resulted in the interviews of Proximus (telecommunication), Solvay (chemicals), Alstom (rail industry), Delhaize (food retail), AB-InBev (brewing) and Radisson Hotel (hospitality). Each case will be analyzed individually before being compared in a cross-case analysis. Then, several factors that were found in the scientific literature will be confronted to the insights gathered during those interviews, allowing to formulate some propositions that would guide business professionals when balancing global and local sourcing. Finally, the last part will review the contribution of this paper to the academic research and summarize the different findings.

## **II. Part 1: Theoretical background**

This first part is aimed at setting the theoretical background necessary to understand the trade-off between global and local sourcing that lies at the heart of this paper's research question. The first chapter will be dedicated to introducing the definition of sourcing, its strategic role as well as its local, regional and global variants. It will also present the typical evolution of sourcing through the Five Levels of Sourcing Framework. Afterward, the second chapter will deal with the cost-agility trade-off and will also expose the advantages, drawbacks and rationale of global and local sourcing, respectively. It will close with a small focus on multi-sourcing, for which glocal sourcing is a specific case.

Finally, the third chapter will present the Purchasing and Supply Development model, as it will be used as the research framework for the second part of this paper.

## **1. Chapter 1: Sourcing, its strategic role, and variants**

### **a. Section 1: Strategic role of sourcing**

Sourcing is defined as “*the set of business processes required to purchase goods and services*” (Chopra & Meindl, 2013, p.54). This activity plays a crucial role in companies’ operations given that it can influence their supply chain in terms of costs, efficiency and responsiveness. The importance of sourcing also comes from the fact that it can be a source of competitive advantage. As emphasized by Byoungho (2004), sourcing encompasses soft factors such as supplier relationships that are usually unique and hard to reproduce. And as opposed to hard factors like equipment or technology, those soft aspects inherent to sourcing allow building the long-term competitiveness of a firm over its competitors. Therefore, sourcing definitely has a strategic role and that’s why it is important to set the right strategy, notably regarding the balance between global and local sourcing.

### **b. Section 2: Local, regional and global sourcing**

Sourcing can take the form of different variants depending on where products or services are sourced compared to the market of reference. In that respect, local sourcing refers to the sourcing of products from the domestic market while regional sourcing is defined by Byoungho (2004) as the sourcing that is made in countries close to the domestic market. When it comes to sourcing that would come from further away, Frayer, Petersen and Scannell (2000) make a clear distinction between international sourcing and global sourcing. While the former only consists of purchasing from foreign suppliers, the latter involves integration and coordination across worldwide locations. Although this distinction is important to make as these two types of sourcing involve different capabilities and resources, it should be noted that those terms are usually used interchangeably.

One can directly notice that these definitions are highly dependent on what is defined as the “market of reference” or “close countries”. For instance, if Belgium is considered to be the domestic market, then sourcing from France can be labeled as regional sourcing while sourcing from Russia will fall into the international/global sourcing. However, if the EU is considered as the domestic market, then sourcing from France becomes local sourcing and sourcing from Russia becomes regional sourcing. Moreover, these definitions are applied regardless of the size of the domestic market and one can wonder whether local sourcing in Belgium can be compared to local sourcing in the USA. This illustrates how these definitions of local, regional and global sourcing are relative and contextual, and they should therefore be used with caution.

### **c. Section 3: Five levels of sourcing**

The typical evolution of sourcing within a company is described by the well-known framework of the Five Levels of Sourcing that was created by Monczka and Trent (2005). As implied by its name, this framework is divided into 5 different levels by which a firm might go through as it becomes more mature and more competent in its sourcing strategy.

On the first level, companies are in the most basic stage of their sourcing strategy and only use local sourcing. Then, those companies are pushed by external factors (incompetent domestic suppliers, increased competition, the evolving economic situation in the home market, etc.) towards international purchasing, which corresponds to the second level. Next, as companies understand that international purchasing can be beneficial for them in many ways, they start using it more proactively and move to the third level. At this stage, their main focus is usually on cost reduction. But the fourth level marks the shift from international purchasing to global sourcing, where the sourcing strategy becomes integrated and coordinated across worldwide locations. Finally, the fifth level goes one step further because companies now also consider functional activities like marketing or engineering as they try to standardize their practices worldwide to seize opportunities wherever they appear (Monczka & Trent, 2005).

This framework is really valuable in understanding how moving from local to global sourcing can be a lengthy process that requires a drastic change in how a company apprehends its sourcing function. To move from one stage to another, a firm needs to gain

specific capabilities, mobilize different resources and gain maturity in developing its sourcing strategy. This explains why all the companies do not evolve at the same pace and also why some companies are stuck on some levels. This may also suggest that larger companies can more easily develop their sourcing function.

However, this framework implies that the only way a company can improve its sourcing strategy is by renouncing to local sourcing to gradually reach the stage of global sourcing, which is depicted as the ultimate form of sourcing. It seems to omit that global sourcing can also have some significant drawbacks and to overlook the benefits that local sourcing can bring. Therefore, one could suggest an improvement to this fifth level where companies would move away from this global focus to also incorporate the benefits of local sourcing in their sourcing strategy. This would introduce a sixth level to the framework, glocal sourcing, where firms would optimize their sourcing strategy by combining global and local sourcing. This new framework proposition of the Six Levels of Sourcing can be visualized in the following figure:

**Figure 1: The Six Levels of Sourcing**



*Source: the first 5 levels are retrieved from Monczka & Trent (2005) p.28*

## 2. Chapter 2: Local and global sourcing

### a. Section 1: Cost-agility trade-off

When considering the allocation between local and global sourcing, the issue that immediately emerges is the trade-off between cost and agility, where global sourcing is usually associated with the former and local sourcing with the latter. But before

discussing this trade-off more deeply, it is first important to understand what we mean by agility. As explained by Byoungcho (2004), agility is composed of two elements: (1) speed, the time required to transfer goods and (2) flexibility, the extent to which a company can modify this time. These two components are linked and influence each other in the sense that speed is better realized within a flexible structure and flexibility is pointless if the goods are eventually not delivered in due time.

With that in mind, one can easily understand that, at equal capabilities, a local supplier will necessarily be more agile than a global supplier, given that speed will be greater due to the shorter distance. However, the condition “at equal capabilities” is crucial here: if a global supplier has a higher speed or flexibility due to for instance more resources, better technologies or extended network, then although the local supplier might have an advantage on the speed dimension, it remains unclear on who, between the local and the global supplier, will be more agile in the end. By breaking down the agility concept into its two core components, one can therefore see that even if agility is intuitively associated with local sourcing, its superiority regarding agility is not always necessarily verified.

Regarding the cost aspect of the trade-off, global sourcing is commonly associated with reduced costs; this is even why most firms start to engage in international purchasing in the first place. However, a survey conducted by Monczka and Trent (2005) has found that 25% of the unit cost reduction that is obtained thanks to global sourcing is actually absorbed by the extra costs incurred by the difficulties associated with handling international contracts. Moreover, Marzetti, Segnana and Tomasi (2010) point out that turning to global sourcing increases the quality heterogeneity of suppliers, resulting in higher screening costs. Therefore, although prices might be lower abroad, one should not forget all the extra costs that global sourcing might involve.

Also, the fact that costs are lower abroad should not be taken for granted. Even China, which is most likely the first place that pops up in minds when talking about lower costs countries, is experiencing wage increase. And as underlined by Hongbin *et al* (2012), this increase is growing faster than productivity, especially in labor-intensive sectors, meaning that prices are not as competitive as they used to be. Hongbin *et al* (2012) predicted that, if the past annual growth rate of wages is kept, China will become a middle-

wage country (average real wage of \$20,000 US dollars) by 2020. And even if the increase in wages only follows the productivity growth rate, this status will be reached by 2022.

This demonstrates that the allocation between global and local sourcing goes way beyond the simple trade-off between cost and agility. Although deep-rooted beliefs suggest that global sourcing is a synonym of reduced costs and local sourcing of agility, one can understand that these assumptions might evolve with time and conditions. One should therefore always address the issue by first considering the particularities of their context. Moreover, as the next two sections will highlight, there are other advantages and drawbacks associated with global and local sourcing.

### **b. Section 2: Global sourcing, rationale, advantages and drawbacks**

As explained by Christopher *et al* (2011), the reason why global sourcing became a widespread practice is mainly due to two concurrent phenomena: (1) the decline of trade barriers and (2) the pursuit of reduced costs. They state that “*lower labor, land, raw materials and facility costs are the most commonly accepted reasons for global sourcing*” (Christopher *et al*, 2011, p.69) and that’s certainly true, at least for the companies that operate in countries where all those resources are more expensive. But what about the others? Global sourcing is not the prerogative of some companies located in certain countries. So, what is the rationale for a Chinese or Brazilian firm to undertake global sourcing? It might be a short-sighted view to only see global sourcing through this “low-cost” lens.

One way to consider global sourcing in a larger sense can be found in Frayer, Petersen & Scannell’s (2000) work as they state that the purpose of global sourcing is actually to allow a firm to simultaneously capitalize on its competitive advantage and on the “*comparative locational advantages of various countries in global competition*” (Frayer, Petersen, & Scannell, 2000, p.31). This view directly alludes to Collis’ (2014) theory of country-specific advantages, which are defined as benefits that arise from being active in a certain country for factor market conditions (raw materials, labor, capital), institutional conditions, technology, consumer preferences or industry structure. With that in mind and by recalling the strategic role sourcing can have on the competitiveness of a firm

(chapter 1, section 1), global sourcing can be seen as a way for companies to enhance their competitive advantage by tapping into the country-specific advantages that exist around the world. In that perspective, global sourcing becomes applicable to all firms, regardless of what their home country is.

Moreover, this viewpoint is aligned with the relative and contextual character of the global sourcing definition (chapter 1, section 2). Given that global sourcing is relative to the country of reference, the advantages that are associated with it should also be relative and all the country-specific advantages that exist can potentially become a benefit of global sourcing. However, not all of the benefits are relative and some directly stem from the nature of global sourcing itself, namely: accessing new markets, introducing competition against the local supplier base and multiplying the number of available resources. The following table from Christopher *et al* (2011) summarizes the main benefits – relative and non-relative – that are cited in the literature:

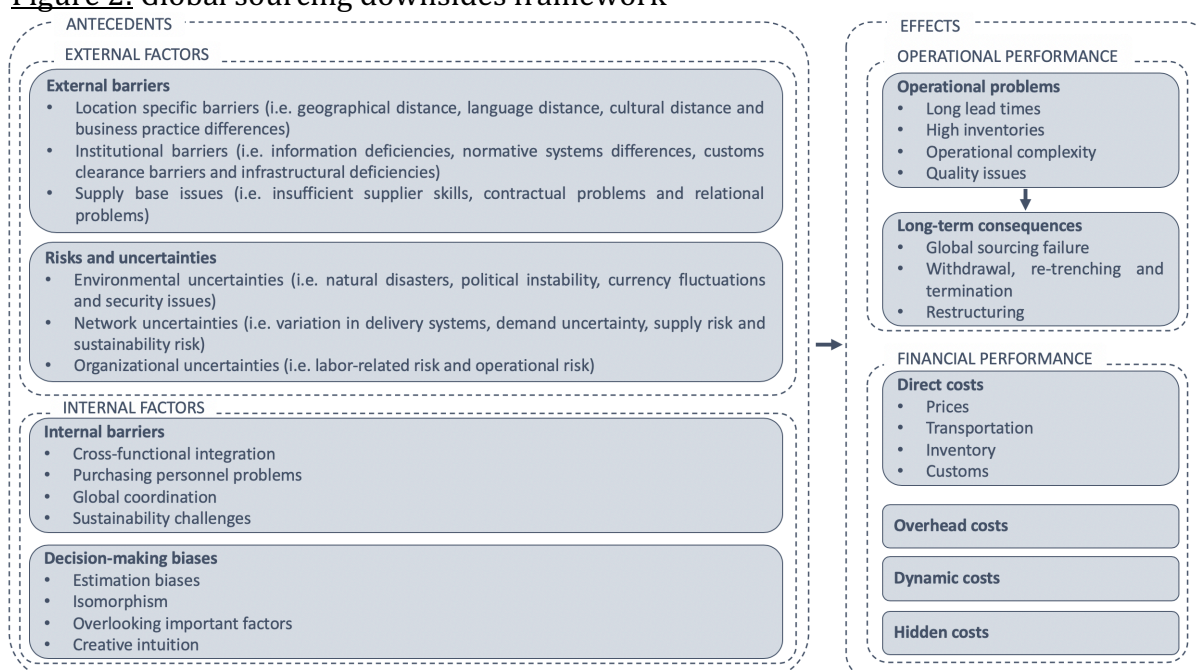
**Table 1:** The Benefits of Global Sourcing

BENEFITS	AUTHORS
Lower costs ( <i>relative</i> )	Fagan (1991); Humphreys <i>et al</i> (1998); Monczka and Morgan (2000); Zeng (2003); Liu <i>et al</i> (2008), Tsai <i>et al</i> (2008)
Greater access to new technologies and emerging markets ( <i>relative</i> )	Fagan (1991); Monczka and Morgan (2000); Ettl and Sethuraman (2002); Trent and Monczka (2003)
Better quality ( <i>relative</i> )	Fagan (1991); Humphreys <i>et al</i> (1998); Monczka and Morgan (2000); Lawson (2001); Ettl and Sethuraman (2002); Trent and Monczka (2003)
Higher speed and flexibility ( <i>relative</i> )	Fagan (1991); Humphreys <i>et al</i> (1998) Ettl and Sethuraman (2002)
Guaranteeing the availability of limited resources	Fagan (1991)
Introduction of competition to the domestic supplier base	Trent and Monczka (2003)
Improved political and regulatory environments in supply markets ( <i>relative</i> )	Preston (2004)

Source: Christopher *et al* (2011) p.70. Note: the mention « relative » was added

From the same perspective, drawbacks that are associated with global sourcing can be viewed as being the result of the country-specific *disadvantages*, which could be defined as downsides that are inherent to a country's situation. Once again, all the country-specific disadvantages that exist can potentially be considered as a drawback of global sourcing. A comprehensive literature review conducted by Stanczyk *et al* (2017) allowed to identify external and internal factors related to global sourcing that influence firms' operational and financial performance. Based on that, the authors created the following framework:

**Figure 2: Global sourcing downsides framework**



Source: Stanczyk *et al* (2017) p.47

### c. Section 3: Local sourcing, rationale, advantages and drawbacks

In what pertains to local sourcing, the reasoning might be different. As shown by Monczka and Trent's (2005) Five Levels of Sourcing framework (chapter 1, section 3), local sourcing is usually the primary sourcing strategy. For obvious reasons of proximity and familiarity, sourcing locally appears as a comfortable and direct solution when it comes to set a sourcing strategy up. Since local sourcing is the "by default" strategy, it is therefore more interesting to look at the reasons that push companies to either (1)

maintain their local sourcing even when they have the opportunity to undertake global sourcing or (2) to return to local sourcing after having experienced global sourcing.

In the first case, there is one absolute prerequisite for a firm to continue its local sourcing strategy despite the global sourcing alternative: the home supplier base must fulfill all the basic requirements in terms of resources, quality and technology. If for one reason or another, no domestic supplier can provide the company with the right product or service, then the firm will necessarily have to turn to global sourcing (or at least, international purchasing). But once this elemental condition is met, what is the rationale behind favoring local sourcing over global sourcing?

Of course, one straightforward answer would be to avoid the risks incurred by global sourcing, especially the non-relative ones that directly stem from the nature of such practice. First, avoiding the extra transaction and screening costs: if the company can find a product locally that fulfill its requirements and that, when considering all the costs, is at par with products that would come from abroad, there is no incentive for the firm to opt for global sourcing. Regarding transport, local sourcing is the practice that has shorter transport distances, which might lead to increased agility based on the speed dimension (chapter 2, section 1) but certainly to a lower impact on the environment. Given the increasing concerns about that topic, maintaining local sourcing could be a way for firms to meet their environmental targets. Moreover, the threat of losing know-how might deter companies from undertaking global sourcing since it is easier to jointly develop a strategic competence with a local supplier. Finally, the differences in terms of culture and time zones might appear as an obstacle to some firms. It requires specific competences to operate in a multicultural context or over several time zones and some firms might simply not be willing to make such efforts when a local solution also exists. But apart from that, is there a reason that would go simply beyond risk avoidance or familiarity?

One suggestion can come from the work of Byoungcho (2004) who has put Bucklin's (1965) postponement and speculation principles from the perspective of local and global sourcing. As he explains, the rationale behind this postponement theory is that the modification of products should happen as close to the time of selling as possible, to more easily adapt to market changes and therefore diminish inventory risk. On the other hand,

the speculation principle considers that adjustments should occur as early as possible to benefit from economies of scale, decrease the sorting and transportation costs and reduce stock-outs. For Byoungcho (2004), global sourcing is related to the speculation principle while local sourcing can be associated with the postponement principle. Therefore, one explanation could be that companies that follow the postponement principle will be more likely to use local sourcing.

Concerning the second scenario, the return of a firm to local sourcing after having experienced global sourcing, this directly refers to the practice of reshoring. As explained in the Eurofound report (2019), reshoring encompasses two strategies: back-reshoring, which consists of reshoring in the domestic market, and near-shoring, which is about reshoring in neighboring countries. And those two strategies directly relate to the concepts of local and regional sourcing (chapter 1, section 2).

The reshoring phenomenon has soared in recent years, as evidenced by the Reshoring Initiative 2018 Data Report that states that the year 2018 has seen a record in the number of US companies that have engaged in such practice. And Europe is also concerned given that the Eurofound report (2019) has identified no less than 247 reshoring cases on the continent between 2014 and 2018. Regarding the incentives that push companies to undertake reshoring, here is a ranking of the most cited reasons:

**Table 2:** Reshoring motivations (only those declared at least 10 times)

	MOTIVATIONS	OCCURRENCE
#1	Firm's global reorganization	61
#2	Delivery time	55
#3	Automation of production process	51
#4	Poor quality of offshored production	48
#5	Proximity to customers	43
#6	'Made in' effect	40
#7	Know-how in the home country	30
#8	Implementation of strategies based on product/process innovation	28
#9	Production flexibility	27

#10	Change in total costs of sourcing	26
#10	Untapped production capacity in the home country	26
#12	Logistics costs	24
#13	Labor costs' gap reduction	19
#14	Economic crisis	18
#15	Improve customer service	17
#16	Government support to relocation	15
#17	Proximity to suppliers	13
#18	Loyalty to the home country	11
#19	Quality control	10

*Note: Multiple motivations can be indicated for a single reshoring case  
Source: Eurofound Report (2019) p.22*

Not surprisingly, the vast majority of those motivations refer to the risks that are usually associated with the practice of global sourcing like agility, quality concerns and costs. However, some reasons listed in the table highlight new aspects that have not been evoked so far. First, the “*automation of production process*”: given that one of the first drivers of global sourcing is the reduced prices that result from lower labor costs, when the production process is automated, it becomes less labor-intensive and therefore the labor costs become less relevant, questioning the global sourcing strategy. Also, the “*made in effect*” seems to play a role in the sense that the local character of sourcing can become a marketing argument in itself. With the increasing popularity of local products, this effect is likely to become more prominent. Moreover, the “*economic crisis*” argument underlines the fact that in times of economic downturn, countries tend to close up, dampening the global sourcing initiatives. Finally, “*loyalty to the home country*” and “*government support to relocation*” highlight the increasing protectionist behaviors that the world has experienced lately, favoring local sourcing. In addition to that, one aspect that is not cited here but that emerged with the current sanitary crisis could be added: the COVID-19 outbreak has shed light on the importance of having local production facilities for strategic items that are crucial to secure a nation’s health security (e.g.: masks) and many countries decided to revive certain industries that had been offshored for a long time. Therefore, the criticality of a product to a country’s national security appears to be an extra incentive for reshoring.

#### **d. Section 4: Alternatives to local and global sourcing strategies**

The two previous sections have outlined that local and global sourcing strategies both involve advantages and drawbacks. In an attempt to optimize the outcomes, one can therefore consider falling back on a mixed sourcing strategy which would consist of a combination of global and local sourcing, namely, glocal sourcing. And this solution is not unrealistic given that the risks of one strategy can roughly find a counterpart in the benefits of the other. Although this perspective of tapping into the best of both worlds can be appealing, glocal sourcing has not substantially been researched in the scientific literature. The focus has rather been put on discussing the advantages and drawbacks of global sourcing, and this makes sense considering that local sourcing is usually perceived as the “by default” strategy and global sourcing as the only alternative. However, this dichotomic view might come to an end given that the growing criticisms against global sourcing and the advent of the reshoring trend are progressively questioning the traditional forms of sourcing.

The glocal sourcing strategy falls of within a broader concept that represents an alternative to the traditional forms of sourcing, namely: multi-sourcing. As indicated by the name, the multi-sourcing strategy consists of using several suppliers for the same product or service. The rationale behind this practice is to mitigate risks by diversifying the sources of supply. Given that the majority of the supply risks are relative and inherent to a country or a specific supplier, this diversification process can happen in only one type of sourcing (global or local). That’s the reason why glocal sourcing only constitutes a specific case of multi-sourcing, or more precisely, glocal sourcing can be defined as a multi-sourcing strategy that combines both local and global suppliers. This specific case somewhat represents an improvement of the initial multi-sourcing strategy to that extent that on top of mitigating the relative risks, it is also a technique that attempts to neutralize the intrinsic drawbacks of both global and local sourcing.

Now that glocal sourcing appears as a real alternative that would address the shortcomings of the traditional sourcing strategies, the most important question remains on how to optimally determine the degree to which a sourcing strategy should be localized and globalized. What is the right allocation? How should this balance be

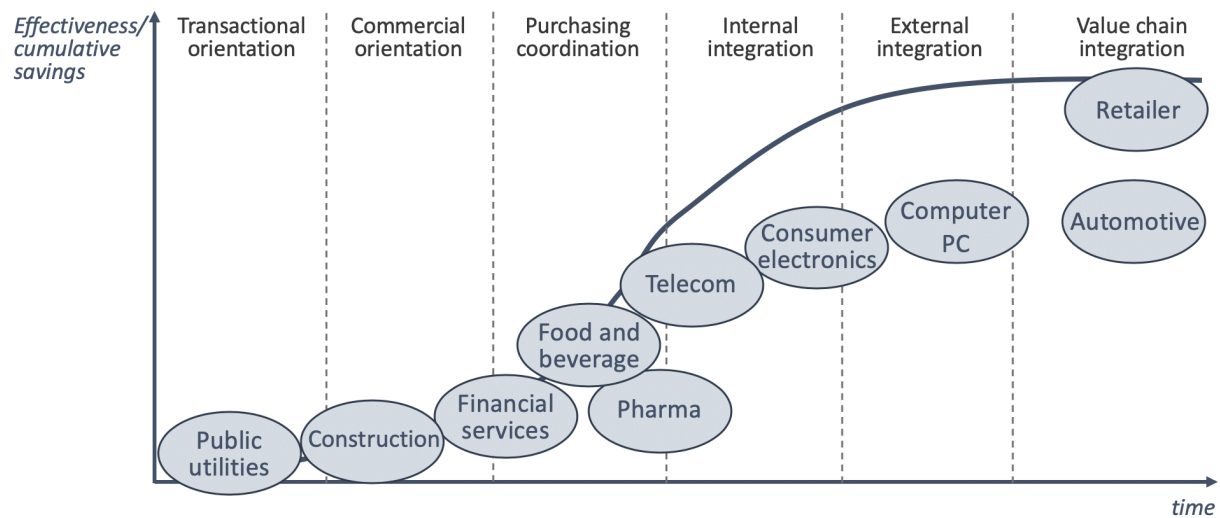
determined? In that sense, one approach to answering these questions can be found in the work of Allon and Van Mieghem (2010) with their analysis of the Tailored Base-Surge (TBS) in establishing the right balance between nearshore and offshore production. This model derives from the cost-agility trade-off and argues that sourcing should be allocated in the following manner: based on forecasting methods, a fixed quantity should be sourced to global suppliers who are competitive cost-wise, while demand peaks should be sourced to local suppliers who are responsive enough to quickly address demand changes. By doing so, a firm could ensure production while controlling the costs.

However, as already mentioned, the cost-agility trade-off is not that unequivocal (chapter 2, section 1) and the TBS theory does not take into account other elements that might influence the optimal allocation between global and local sourcing. Therefore, the second part of this paper will focus on presenting the factors that are cited in the scientific literature as being determinant in this allocation process and confronting them to the actual business reality.

### **3. Chapter 3: Purchasing and supply development model**

Before moving to the next part that will be dedicated to answering the research question per se, it is important to mention a last theoretical concept related to sourcing: the Purchasing and Supply Development model. As explained by Van Weele (2010), the purchasing function within a company evolves with time by developing its scope of activities and shifting its focus, thereby increasing effectiveness. Based on several sources, Van Weele (2010) has established a six-stage model about the development of the purchasing function. As shown on the following figure, the model integrates Keough's (1993) theory that postulates a chain of causation between the sector in which a firm operates and its purchasing development level:

**Figure 3:** The Purchasing and Supply Development model



Source: Van Weele (2010), p.69

In the first level, called “*transactional orientation*”, the focus of the purchasing function is to ensure the basic supply of the firm, in a reactive manner; there is no real sourcing strategy behind. Then, in the second stage, “*commercial orientation*”, the purchasing activity becomes more proactive as it is used in a cost-reduction perspective. Beyond simply ordering goods, the purchasing function now uses tendering processes, negotiates terms and prices, and builds a list of recognized suppliers. While entering the third level, the company’s purchasing strategy still seeks savings but does it through the creation of synergies between its units. The purchasing function is usually uniformed and centralized, and typically falls back on global sourcing. In the fourth stage, “*internal integration*”, the focus shifts from unit price to total cost of ownership; suppliers become problem-solving partners and a real integration takes place. The purchasing function takes on a strategic character within the company. Then, in the fifth level, “*external integration*”, the purchasing function seeks to optimize the supply chain by outsourcing certain activities, investing in information technologies or using e-commerce. Finally, in the last stage, “*value chain integration*”, customer satisfaction is put at the center of all activities. The sourcing strategy is now made of a global network of suppliers, who are usually developed and accompanied by the firm (Van Weele, 2010).

Just like the Five Levels of Sourcing framework, the Purchasing and Supply Development model demonstrates that sourcing is a progressive process which expands its scope of activities and becomes more elaborate with time. However, unlike the former,

the latter model offers a new perspective which postulates that the stage of sourcing of a firm is linked to the industry in which it operates. This approach could therefore constitute an interesting research framework to guide the data collection of this study: if the sourcing development of a firm relates to its sector of activity, it might be judicious to select companies from different industries to get a more comprehensive view on the factors that are used in balancing local and global sourcing. The second part of this paper will follow this direction to answer the research question at stake.

### **III. Part II: Confronting the scientific literature to business reality**

This part will be dedicated to the research question of this paper, namely confronting the factors that are cited in the scientific literature as being determinant in balancing global and local sourcing to the business reality that was captured through a series of interviews. The first chapter will explain the research method that was used and its limitations. Then, the second chapter will provide an overview of the main findings for each case as well as a comparison of their sourcing strategies in a dedicated section. Finally, the last chapter will review the factors that were found in the theory in order to formulate a set of propositions that could be used by business professionals when balancing global and local sourcing.

#### **1. Chapter 1: Methodology**

##### **a. Section 1: Research method**

Given that the goal of this paper is to confront the factors that are cited in the scientific literature as being determinant in the allocation between global and local sourcing to the business reality, the approach that was selected is the multiple-case study method. This decision was motivated by the fact that Yin (2014) describes that this approach is particularly suitable to analyze a topic in light of the reality and can therefore confirm, invalidate or moderate theoretical findings through "*analytic generalization*" (Yin, 2014, p.41). Based on the Purchasing and Supply Development model, it was important to acknowledge the influence of the industry on the sourcing strategy. Therefore, to be able to cover as many factors as possible, the research question was purposely not limited to

a specific sector and the multiple-case study focused on companies operating in different industries. In that sense, the research method adopted follows the logic of “*theoretical replication*” (Yin, 2014, p.57) which consists of selecting cases that are anticipated to yield different results (due to their distinct line of business, for instance). Regarding the sampling of the cases, non-probability sampling was used based on Saunders *et al*’s (2019) recommendations that state that if a sampling frame is not available or if there is no need for making statistical inference, then this should be the preferred method of sampling. More particularly, heterogeneous purposive sampling was employed because this practice allows to “*select cases that are particularly informative [...] [and] choose participants with sufficiently diverse characteristics to provide the maximum variation possible in the data collected*” (Saunders *et al*, 2019, p.321).

The Purchasing and Supply Development model was chosen as the research framework for this study because it provided an interesting angle to explore the research question: the industry. The goal was to interview firms that operate in different sectors to gather the most comprehensive view on the glocal sourcing strategies and the factors that determine the allocation between global and local sourcing. Based on this method, it was decided to only select companies active in different industries that met two criteria: (1) being a large firm (min. 10,000 employees) and (2) being headquartered in Belgium. The reason why the choice was made to only select large firms is mainly due to the fact that, as seen in the literature review, glocal sourcing requires maturity, resources and capabilities and those are more likely easily acquired by large companies. The second criterion was set because the background researches have highlighted the importance of the domestic market in the definitions of local and global sourcing, so the cases needed to share the same home country. However, it should be noted that one selected firm is located in France. This was not seen as a major issue given France’s proximity with Belgium in terms of geography, socio-economic level and culture. Moreover, the person who was interviewed was based in the company’s site in Charleroi, Belgium. The following table regroups the main characteristics of the interviewed firms:

**Table 3:** Characteristics of firms consulted for the multiple-case study

	Sector	Headquarters	Turnover in 2019	Employees	Interviewee's position
Proximus	Telecom	Brussels	€5.686 m	12,931	Procurement Manager
Solvay	Chemicals	Brussels	€10.24 bn	24,500	Head of Purchasing
Alstom	Rail Industry	Saint-Ouen (France)	€8.072 bn	36,300	Sourcing Manager
Delhaize	Food Retail	Brussels	€5.096 bn	161,000	VP Commercial Unit Fresh
AB-InBev	Brewing	Leuven	€46.7 bn	170,000	Logistics Process Manager
Radisson Hotel	Hospitality	Brussels	€999.3 m	44,600	Procurement Manager

*Sources: Proximus (2020), Solvay (2020), Alstom (2019), Ahold Delhaize (2020), AB-InBev (2020), Radisson Hotel Group (2020)*

Beyond meeting the sampling criteria, those companies were also selected for additional characteristics that would reinforce the heterogeneous character of the sample and provide interesting insights. Proximus was chosen because it is the historical telecommunication company of Belgium, and it was believed that this long experience would encompass a mature sourcing strategy. Regarding Solvay, its extensive worldwide presence was a determining factor for its selection, as it might have pushed the company to consider glocal sourcing strategies. For Alstom, the firm was selected because it is the market leader in all of its segments, meaning that its sourcing strategy might be well-developed. Regarding Delhaize, the company was chosen because it is well-known for promoting local products so having their view on the trade-off between global and local sourcing would be valuable. AB-InBev was for its part selected for its global presence and large product portfolio that contains some of the most famous brands. Finally, Radisson Hotel was chosen because of its numerous hotels and its upper-scale positioning which might influence its sourcing strategy. Of course, the availability of the interviewees was also a determinant factor.

Once a relevant company was identified, a manager working in the supply chain/sourcing department was contacted to request an interview. Given the COVID-19 outbreak, a lot of employees were teleworking during the time of this research and that's

why managers were mainly contacted via LinkedIn. More than 30 people were contacted, but only 6 interviews could eventually be conducted. This low response rate is of course due to the sanitary crisis and more specifically the fact that supply chain/sourcing professionals were particularly affected by the situation. To ensure consistency, an interview guide (Appendix 1) was written beforehand and to make the interviews time-efficient, the questionnaire was sent one week in advance to the interviewees. Those interviews were conducted via phone call or Skype/Zoom and lasted around 40 minutes. Despite the interview guide, some questions were adapted or added based on the specific answers given by the professionals. For the sake of reliability, the interviews were recorded and then transcribed (Appendix 2 – 7).

Concerning the theoretical part, the approach mainly consisted of reading articles from the scientific literature to gather the potential factors for the sourcing allocation between global and local sourcing. However, given that global sourcing is not a well-researched topic, there were few sources tackling this issue. Therefore, the analysis was mainly based on Byoungcho (2004) "*Achieving an optimal global versus domestic sourcing balance under demand uncertainty*" and Marzetti, Segnana and Tomasi (2010) "*Global sourcing and business and social networks: quality heterogeneity and firms' efficiency*". Thanks to these two articles, 6 different factors were identified and further researched.

## **b. Section 2: Limitations of the methodology**

Although the approach was built to be as comprehensive as possible, the limited number of interviews that were conducted constitute a significant limitation to the methodology for two reasons: (1) not all the industries are represented and (2) even when they are represented, it is only by one specific company. One way to improve this would be to conduct several interviews per sector and for all industries. This would be time-consuming but would probably cover more factors, allow sectoral generalization and cross-industrial comparison. Therefore, this should be considered for further researches on the topic.

## **2. Chapter 2: Glocal sourcing strategies of the selected firms**

Before diving into the analysis that will focus on the factors used to determine the allocation between global and local sourcing, this chapter will first introduce each selected firm and present a short summary of their sourcing strategies. The final section will also provide a comparative overview of all the cases.

### **a. Section 1: Proximus (Telecommunication)**

Proximus is a Belgian company active in the telecommunication and ICT sectors, providing services to individuals and companies. It is the historical phone, Internet and TV provider of the country and the Belgian state still owns 53,51% of the company. Headquartered in Brussels, it has around 12,931 employees and its turnover was €5.686 millions in 2019 (Proximus, 2020).

Given that the company offers different types of services and products, it has different sourcing managers. The one who was interviewed, Mrs Sophie Ickowicz, is the Procurement Manager specialized in IT security solutions, both for internal and reselling purposes. The sourcing strategy used for these products can be associated to glocal sourcing because they generally fall back on a global developer combined with a local integrator. However, the strategy does not result from a reflection on the trade-off between global and local sourcing, but rather directly from the nature of IT products: on the one hand, most of the suppliers are located abroad and on the other hand, the complexity and criticality of IT security solutions require on-site implementation and local support in Belgium or at least in Europe. When developing the sourcing strategy, everything starts from the need. Then, the next step is to look for a supplier who is capable of fulfilling it. When sourcing for internal purposes, they usually use request for proposals and select the best alternative in terms of support (possibility to have a local integrator), price and quality. When it is for reselling purposes, they rather use a multiple-sourcing strategy, by sourcing 3 to 4 different technologies for the same need (Ickowicz, 2020).

The effectiveness of the sourcing strategy is measured through a supplier relationship management survey that assesses both the suppliers' performance and Proximus as a

customer and which is then discussed by both parties. The assessment of the sourcing strategy is exclusively supplier-focused and the trade-off between global or local sourcing is never considered. In terms of challenges, the biggest that they encounter is the dynamism of the IT security sector. It is a fast-paced environment and solutions become quickly outdated so they really need to stay aware of the new trends and innovations. Another one is that some suppliers get acquired by other firms, with which Proximus might not necessarily want to work. Finally, regarding future outlook, the green trend and particularly the increasing interest for circular economy are believed to foster local sourcing in the coming years (Ickowicz, 2020).

### **b. Section 2: Solvay (Chemicals)**

Solvay is a chemical company originating from Belgium. It is specialized in performance chemicals, advanced chemicals and composite materials. Although it is present in 64 countries, it is still headquartered in Brussels. It has 24,100 employees around the world and in 2019 its turnover amounted to €10.2 billions (Solvay, 2020).

The company is divided into business units, each producing specific products and having different sourcing managers. The one who was interviewed, Mr Jérémie Cappellano, is the Head of Purchasing for the Peroxides business unit. Compared to other chemicals produced by Solvay, hydrogen peroxide is rather basic and less innovative. The main sourcing strategy used here does not relate to glocal sourcing, and this is due to the fact that they source raw materials that are only available in specific regions. Moreover, the company takes advantage of its size to benefit from a leverage effect on volumes by sourcing for the whole group when possible. Therefore, it has to rely on suppliers with large capacities, which are generally big international players. As a result, they rather fall back on global sourcing. However, for products that are available both locally and globally, Solvay relies on a glocal sourcing strategy where they mainly source globally but have a local back-up to account for uncertainties. Finally, when it comes to items for which the transport costs are high compared to their value (e.g. : pallets) or to specific services (e.g.: maintenance), the firm relies on local sourcing. Given the great discrepancies that exist between the different products sourced, the sourcing strategy is developed by following

a category strategy. For a spend above 100.000€, the sourcing strategy is organized on the group level (Cappellano, 2020).

The effectiveness of the sourcing strategy is mainly assessed through contract compliance and effect on P&L. The biggest challenge they face is to make global suppliers accepted by local sites, which usually prefer to stick to their local suppliers with whom they have built a long-term relationship and who might offer more interesting prices. However, although those lower prices might be beneficial for the local site, they undermine the volume-based group strategy, leading to a misalignment of objectives between site and group levels. In terms of future outlook, the increasing supply risks and their mitigation represent a major concern. Also, the growing importance of CSR policies will influence future sourcing strategies (Cappellano, 2020).

### **c. Section 3: Alstom (Rail Industry)**

Alstom is a French company that designs transport solutions like fast trains, trains, metros and trams, and provides all the services related to it. With its worldwide presence, it is the market leader in all of its product segments. In total, the company employs 36,300 people and achieved a turnover of €8.072 billion in 2019 (Alstom, 2019).

The person who was interviewed here, Mr Igor Zanga, currently works for Siemens but used to be Sourcing Manager at Alstom. He left this job less than 1 year ago so that's why he is more qualified to talk about Alstom's sourcing strategy. Moreover, he mentioned that Siemens only uses local sourcing so insights from that company would not really be valuable for the subject of this paper. On the contrary, Alstom is a good example of a developed glocal sourcing strategy because product prototyping is locally sourced while pre-series and series production is globally sourced to lower-cost countries. This strategy is mainly driven by the fact that the know-how is local while production is a labor-intensive process. However, with the increasing sustainability concerns, long-distance transport will challenge the benefits associated with global sourcing, most likely leading to more regionalization. Moreover, the current sanitary crisis is questioning firms' dependency on China, and this might encourage the

introduction of contingency plans based on local and multi-sourcing strategies (Zanga, 2020).

#### **d. Section 4: Delhaize (Food Retail)**

Delhaize is a food retailer that is part of the Ahold Delhaize Group. Founded in Belgium, it opened the first European self-service supermarket in 1957 in Brussels. The chain proposes five store formats that fulfill different customer needs, but overall the emphasis is put on proximity and high-quality products (Ahold Delhaize, 2020).

The person who was interviewed is Mr Raffael Li Preti, VP Commercial Unit Fresh. The sourcing strategy used here consists of a mix between global and local sourcing, where within each product category, a strategy is developed per brand. What is specific about that sector is that they have “emotional categories” which are products that are less processed and for which customers are likely to know someone who works in that industry (e.g.: milk, egg, seasonal fruits and vegetables). For those types of products, their origin really matters so local sourcing is favored. More generally, local sourcing is an integral part of Delhaize’s strategy in terms of positioning, as it is used as a marketing argument. However, they fall back on global sourcing for more processed goods or for discount brands. Being competitive with a local product is the biggest challenge they face. Price pressure is high due to the fierce competition in the sector and the size of Belgium makes it difficult to leverage volumes for local products. In terms of future outlook, indicating ingredients’ origin on packaging even for processed products might become mandatory and this could disrupt the current sourcing strategies (Li Preti, 2020).

#### **e. Section 5: AB-InBev (Brewing)**

AB-InBev is a Belgian brewing company that is present in more than 50 countries. Its product portfolio is composed of some of the most famous beers like Stella Artois, Hoegaarden, Budweiser and Corona. The firm has 170,000 employees around the world and its turnover amounted to €46.7 billion in 2019 (AB-InBev, 2020).

Although brewing is the core business of the company, a great deal of its activities also consists of ensuring the supply of its products to its customers (retailers, wholesalers or special events) as well as getting back the empty crates to the breweries. The person who was interviewed, Mr Matthias Calmeyn, is Logistics Process Manager. He is in charge of order management, inventory deployment and transport planning for Benelux and France. The sourcing strategy used here pertains to glocal sourcing given that they use global sourcing for cross-border transport and local sourcing for intra-country transport. This allocation results from the intention of benefitting from global efficiency and local expertise at the same time (Calmeyn, 2020).

To develop that strategy, they first start from the goal they want to achieve and break it down into smaller objectives that will then be translated into requirements that will constitute the basis for suppliers' selection. The effectiveness of the sourcing strategy is assessed through service level, costs and contract compliance. The main challenge that is encountered here is the misalignment of short- and long-term goals because spending extra millions to improve the sourcing strategy today might harm the viability of the company. Not surprisingly, sustainability is predicted to have an ever-increasing influence on the future sourcing strategies. The development of tracking system, the price-pressure induced by the customers and the product diversification might also change the sourcing rationale (Calmeyn, 2020).

#### **f. Section 6: Radisson Hotel (Hospitality)**

With 387 hotels and 84,800 rooms, Radisson Hotel is one of the largest hospitality companies in the EMEA. With its 8 different hotel brands, the company is positioned in the upper-scale segment, where providing exceptional hotel experience is key. Headquartered in Brussels, Radisson Hotel employs 44,600 people worldwide and achieved a turnover of €999.3 millions in 2019 (Radisson Hotel Group, 2020).

The person who was interviewed, Mrs Vinciane De Coen, is the Procurement Manager in charge of all the expenditures related to the operations of the hotels. The company's strategy in terms of positioning is made of two key features: (1) each hotel brand needs to have a consistent image wherever in the world, and (2) each hotel has to provide a local

flavor to the customer experience. As a result, the company uses a glocal sourcing strategy where brand integrity is ensured through the global sourcing of general items (e.g.: furniture, bedding) and local adaptations are made through the local sourcing of specific goods (e.g.: food, beverage). The development of the sourcing strategy happens at the group level for the global sourcing and at the country level for the local sourcing. Given that 70% of the hotels are actually owned by independents, the acceptance of the sourcing strategy by all the hotels is the biggest challenge here. The current COVID-19 crisis has considerably disrupted the firm's supply chain and this might question its overall reliance on China in the future and encourage the further adoption of local sourcing (De Coen, 2020).

#### g. Section 7: Summary of the cases

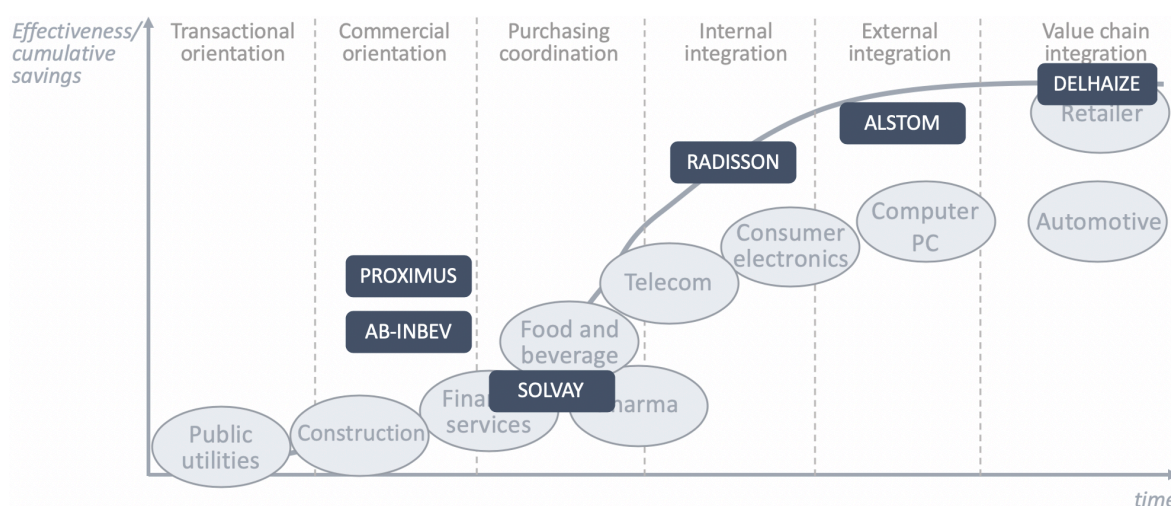
The previous sections have shown the different sourcing strategies of the interviewed firms and how those can vary due to their specific logic. All the selected companies use a form of glocal sourcing, except Solvay. This is mainly due to the type of product sourced, which have limited suppliers. All the other companies use a glocal strategy for several reasons, and those greatly vary between them. The following table summarizes the different sourcing strategies and their rationale behind it:

**Table 4:** Summary of the sourcing strategies of the different cases

	Glocal	Sourcing strategy	Rationale global (G) local (L)
Proximus	Yes	Global developer combined with a local integrator	G: Suppliers' availability L: Criticality of product
Solvay	No	Global suppliers with local back-up when available	G: Suppliers' availability and capacity (volume effect) L: Uncertainty avoidance
Alstom	Yes	Local prototyping and global production	G: low labor costs L: know-how
Delhaize	Yes	Global sourcing for certain products, local sourcing for others	G: price pressure L: consumer sensitivity
AB-InBev	Yes	Global suppliers for cross-border transport, local suppliers for intra-country transport	G: Efficiency, large resources L: expertise
Radisson Hotel	Yes	Global sourcing for certain items, local sourcing for others	G: worldwide brand integrity L: local flavor

Putting the cases' results in light of the Purchasing and Supply Development model, it is interesting to see to what extent the firms' sourcing strategies coincide with their theoretical stage of development. The following figure shows the model with the different cases:

**Figure 4:** The Purchasing and Supply Development model and the interviewed firms



Delhaize's sourcing strategy is centered around customer satisfaction and therefore lies in the final stage of "value chain integration", which is in accordance with the retailing industry's position in the model. On the other hand, Proximus greatly differs from the theoretical development stage of the telecom industry since it operates with distinct purchasing units that are driven by cost-reduction, adopting a "commercial orientation". The same situation applies to AB-InBev, which sourcing strategy also belongs to the "commercial orientation". This does not correspond to the food and beverage industry's position and this is due to the fact that the company does not seek synergies. Regarding the other companies, their sector is unfortunately not represented in the model, hindering any comparison. Nevertheless, their sourcing strategies can be associated with the following stages: given that Alstom falls back on outsourcing for its production, it can be categorized into the "external integration" level and since Radisson operates with cross-functional purchasing department, it probably belongs to the "internal integration" stage. Finally, Solvay seeks synergies to reduce costs so it can be categorized in the "purchasing coordination" level. This is aligned with pharma's position in the model, which is very similar to the chemicals sector.

The Purchasing and Supply Development model was selected as the research framework for this paper as it allowed to interview companies from different industries to get a broad overview of the factors that determine the allocation between global and local sourcing. In that sense, the sampling method and case selection were appropriate because they provided contrasting results. Moreover, the firms cover 5 of the 6 purchasing development stages, which confirms the heterogeneity of the sample.

### **3. Chapter 3: Factors determining the allocation between global and local sourcing**

After carefully reviewing the scientific literature, the following six factors were identified as being potentially determining in the allocation between global and local sourcing: (1) type of demand and nature of goods, (2) contribution of information and manufacturing technologies, (3) cluster of local subcontractors, (4) long-term relationship with subcontractors, (5) production volume and firm size, and (6) price or value of the good. Each will be explained in a dedicated section and then confronted to the insights gathered from the business professionals. Subsequently, a section will present the supplementary factors that were mentioned during the interviews but not in the literature. This chapter will be concluded with a summary of the findings in the form of a sourcing framework.

#### **a. Section 1: Type of demand and nature of goods**

According to Byoungcho (2004), the sourcing strategy should be adapted depending on the type of demand: products that present a highly fluctuating demand should be sourced locally while those with a stable demand should be sourced abroad. The rationale behind this proposition is that products with great demand uncertainty require agility whereas those with a predictable demand can be sourced where it is more cost efficient. As a result, Byoungcho (2004) states that *“the greater the demand uncertainty, the higher the portion of domestic sourcing required in a mixture of global and domestic sourcing strategies”* (Byoungcho, 2004, p.1300). This view is aligned with the HBR article about functional and innovative products where Fisher (1997) describes that functional products, which present a predictable demand, a relatively long life cycle and few variants, should be produced in an efficient supply chain. On the other hand, innovative products, which have

an unpredictable demand, a short life cycle and multiple variants, should be produced in a responsive supply chain.

Despite those theoretical grounds, no business professionals who were interviewed seem to use the type of demand as a factor to determine their allocation between global and local sourcing. One possible explanation could be that none of them source items that could be qualified as being innovative in Fisher's terms. Still, if they were implicitly using that rule, then they should mainly fall back on global sourcing, which is not the case. And Delhaize is probably the most striking example: food is the archetype of a functional product, but still, Delhaize is the company that uses local sourcing the most in our sample. As explained in the interview summary, this is mainly because consumers value the local character of products and local sourcing is used as a marketing argument by the company. But this also shows that the type of demand is not used as a determining factor here.

The reason why Buyongho's (2004) proposition about the type of demand did not fully translate in the business reality might come from the assumption that lies behind it. Actually, what is implied by this hypothesis is that agility and responsiveness are achieved through local sourcing while global sourcing provides cost-efficiency. Yet, as discussed above (part 1, chapter 2, section 1), this is not necessarily true. As shown with the case of Solvay, local sourcing might sometimes be more cost-efficient when taking into account the transport costs (Cappellano, 2020) whereas for AB-InBev, global sourcing might allow for more responsiveness given that international transport companies have more resources (Calmeyn, 2020). Therefore, the proposition should rather be adapted so that if local suppliers are more agile, then the major part should be sourced locally, and vice versa:

*Proposition 1: the greater the demand uncertainty, the higher the portion of sourcing that should be allocated to the most agile supplier.*

## **b. Section 2: Contribution of information and manufacturing technologies**

The contribution of information and manufacturing technologies constitutes another factor in the allocation between global and local sourcing according to Byoungcho (2004)

as he states that *“the greater the contribution of information and manufacturing technologies to the manufacturing phase, the higher the portion of domestic sourcing that may be used”* (Byounggho, 2004, p.1301). A potential reasoning for this proposition can be found in the fact that companies usually source globally in the pursuit of cost reduction through lower wages. As a result, if firms invest in information and manufacturing technologies, the process will become less labor-intensive and global sourcing might not be an interesting option anymore.

Although this factor was not directly verified during the interviews, the sourcing strategy of Alstom partially confirms that hypothesis because the reason why pre-series and series production is sourced globally is that it is a labor-intensive process that is less costly in low-wage countries (Zanga, 2020). One could therefore consider that if the process was made less labor-intensive, through information and manufacturing technologies for example, then the firm might source it locally. However, these are only assumptions and it remains unclear whether it would be the case in reality.

Nevertheless, there is one key condition to the development of that proposition in the business context: the costs involved in implementing those information and manufacturing technologies should be outweighed by the associated reduction of labor-costs. If the cost of developing such technologies is too high or if the labor-intensity of the process is not significantly reduced, then it makes no economic sense to follow this proposition. Therefore, it could be adjusted in this way:

*Proposition 2: the greater the contribution of information and manufacturing technologies to the production process, the higher the fraction of local sourcing that may be used, as long as such technologies are able to induce a significant improvement, big enough to outweigh the costs associated with their development.*

### **c. Section 3: Cluster of local subcontractors**

The existence of a cluster of local subcontractors, which can be understood as a group of suppliers and related industries, is viewed by Buyonggho (2004) as an element that would support a larger share of local sourcing as he states that *“the higher the local*

*subcontractors cluster a firm has, the higher the portion of domestic sourcing in its balance of global and domestic sourcing strategies”* (Byoungho, 2004, p.1301). This argument is based on the idea that the concentration of several firms active in the same sector positively stimulates their competitiveness. This notion is compliant with the Business & Social Networks (BSN) theory of Marzetti, Segnana & Tomasi (2010) that indicates that such networks enhance information transfer, firms’ efficiency and productivity. In this approach, it is assumed that local BSN are more advanced thanks to the firms’ similarity in terms of culture and location. This leads to the fact that local suppliers’ quality is more homogeneous, meaning that the screening costs are lower than for suppliers outside the BSN.

Unfortunately, no firm from the sample is active in a sector where a local cluster would exist in Belgium, so this factor could not be verified. Nonetheless, the question of the cultural gap was raised in three interviews, and none of the companies perceive it as a serious impediment to global sourcing: for Proximus, the gap is not really present because everything in the IT sector happens in English (Ickowicz, 2020), for Solvay, they acknowledge that great differences exist but these are not taken into account when choosing between global and local sourcing (Cappellano, 2020) and for Alstom, they believe that individual personalities matter more than cultural background when developing a supplier relationship (Zanga, 2020). As a result, culture does not seem to be a determining factor here, meaning that the local character of a cluster might not be so relevant. Therefore, one could consider that a cluster is beneficial wherever it is located, and the proposition could be modified in these terms:

*Proposition 3: the more developed a subcontractor cluster is, the higher the portion of sourcing a firm should dedicate to suppliers who are part of that cluster.*

#### **d. Section 4: Long-term relationship with subcontractors**

According to Byoungho (2004), the long-lasting character of a supplier relationship is a determining factor in the trade-off between global and local sourcing: *“the higher the long-term relationships with subcontractors a firm has, the higher portion of domestic sourcing in its balance of global and domestic sourcing strategies”* (Byoungho, 2004,

p.1302). This proposition is based on the idea that long-term relationship allows to reduce transaction costs, cost of inventory and delivery thanks to the reciprocal trust that emerges with time.

Although this was not directly confirmed by the interviews, it makes sense to believe that building positive and long-lasting relationship with a supplier could yield some benefits. However, as shown by the case of Solvay, long-term relationship can also engender some drawbacks, for instance by creating a lock-in effect that deters the firm from changing its sourcing strategy, missing other interesting opportunities. Therefore, companies should make sure to avoid being blinded by such relationship. Also, it remains unclear why Byoungcho (2004) made the assumption that long-term relationship would necessarily be built with a local supplier. Although it might require more time and efforts, a long-lasting relation could also be established with a global supplier. Therefore, it seems that long-term relationship is not a determining parameter in balancing global and local sourcing, and the proposition should be rejected.

However, an aspect that is linked to this idea and that might actually play a role in the allocation between global and local sourcing is the past experience regarding sourcing practices. If a company has a long experience with global sourcing, then it might benefit from positive learning effects that minimize some of the drawbacks that are associated with this practice. For instance, additional costs associated with communication or coordination issues, cultural and regulatory aspects or fluctuating exchange rates can be reduced with time and experience. On the contrary, the lack of experience and knowledge about global sourcing could deter a firm from extensively using that practice. One could therefore suggest that a company should start with a small share of global sourcing and then increase this portion as it gains in expertise:

*Proposition 4: the more experience a firm has with global sourcing, the higher portion it should dedicate to global sourcing.*

### **e. Section 5: Production volume and firm size**

The volume of production is also evoked as a determining parameter in the allocation between global and local sourcing by Byoungho (2004), as he explains that smaller volumes would be best sourced locally despite the nature of demand. The rationale behind is that all the additional costs associated with global sourcing (extra transaction costs, higher transport costs, etc.) are diluted as the number of units sourced increases. Although this was not confirmed by the interviews, this reasoning makes economic sense. Also, according to Marzetti, Segnana & Tomasi (2010), large firms would be able to benefit more from global sourcing, as their extended resources help them to reap the full potential of such practice. Although this affirmation would require further researches to be confirmed, the interviews revealed that the size of the firms definitely plays a role in their sourcing strategies, given that it drives them to source larger volumes. In the case of AB-InBev, these large volumes imply that the company has to partner with suppliers that have a sufficient capacity and those are usually big international firms (Calmeyn, 2020). For Solvay, big volumes allow the company to benefit from more interesting conditions and prices and this usually happens with large global suppliers (Cappellano, 2020). As a result, the size influences the volumes sourced which limit the potential suppliers to those with a large capacity or oblige the firm to source to multiple small suppliers. However, the second option is less optimal given that involves increasing transaction costs. Therefore, the following proposition could be made:

*Proposition 5: the greater the volumes sourced, the more interesting global sourcing becomes, especially for large firms*

### **f. Section 6: Price or value of the good**

The last factor mentioned by Byoungho (2004) as being determinant in the allocation between global and local sourcing pertains to the price or value of the good. As an example, the author takes a premium fashion item that is produced in limited copies and explains that in that case, the cost of materials outweighs the cost of labor and therefore responsiveness should be favored over cost saving. This is an interesting view, and this could explain why certain high-end items are rather produced in specific places, like the Koenigsegg cars that are hand-crafted in Sweden. However, when asked to Radisson Hotel

– the only company in our sample that is positioned in the upper-scale segment – this prestige dimension does not seem to play a role in their sourcing strategy, as they think that today even China can produce high-quality goods (De Coen, 2020). Therefore, although this might be the case for some luxury items, this assumption is not always verified. On the other hand, the example of Delhaize also demonstrates that origin can have a repercussion on the perceived quality of a good, even if the product in itself is not of high value. As a result, it seems that it is more a matter of locational reputation than a question of value. The following proposition can thus be made:

*Proposition 6: the higher the reputation of a sourcing location, the larger portion of sourcing should a firm dedicate to that place.*

#### **g. Section 7: Additional factors**

During the interviews, additional factors that were not identified in the scientific literature were mentioned as being determinant in assessing the trade-off between global and local sourcing. This section will cover them.

First, the parameter that almost always emerged in the interviews is the growing influence of sustainability concerns. The increasing ecological awareness of people, the constraining measures promulgated by governments and the ambitious targets proclaimed by companies necessarily encourage sourcing professionals to reconsider their sourcing strategies. In terms of the trade-off between global and local sourcing, they all agree on the fact that this green trend will push for more local sourcing, or at least regional sourcing. The reason behind certainly comes from the fact that the focus is usually put on CO<sub>2</sub> emissions, and reduced transportation appears as a direct mean to decrease a firm's carbon footprint. Another reason could be that certain countries have more lenient environmental regulations, allowing more polluting production processes. But beyond ecological concerns, it is the whole CSR dimension that appears to have an influence on the sourcing strategy, as explained by Solvay or AB-InBev, where the suppliers need to meet certain standards. However, it should be noted that one of the interviewee mentioned that the current sanitary crisis could harm this positive trend and

deter companies from investing in green transformation (De Coen, 2020). Nevertheless, the following proposition could be made:

*Proposition 7: the higher the environmental concerns, the greater portion of sourcing should be allocated to local sourcing*

In addition to that, other factors were also indicated by the business professionals, but those are more specific to the area of activity of each firm. Therefore, those won't be subject to any proposal, but they will still be mentioned for the sake of completeness. First, Proximus faces the question of security in its sourcing strategy, because GDPR rules which are promulgated by the EU might not be followed by foreign suppliers from China or the US (Ickowicz, 2020). And regulations are also a major concern for Solvay, because safety rules for industrial sites might vary from countries to countries or even locally, challenging the compatibility of foreign suppliers (Cappellano, 2020). Another issue raised by Alstom is the obsolescence management, because trains have a long life cycle, the production of replacement parts needs to be ensured for years and this is sometimes hard to secure with foreign suppliers (Zanga, 2020).

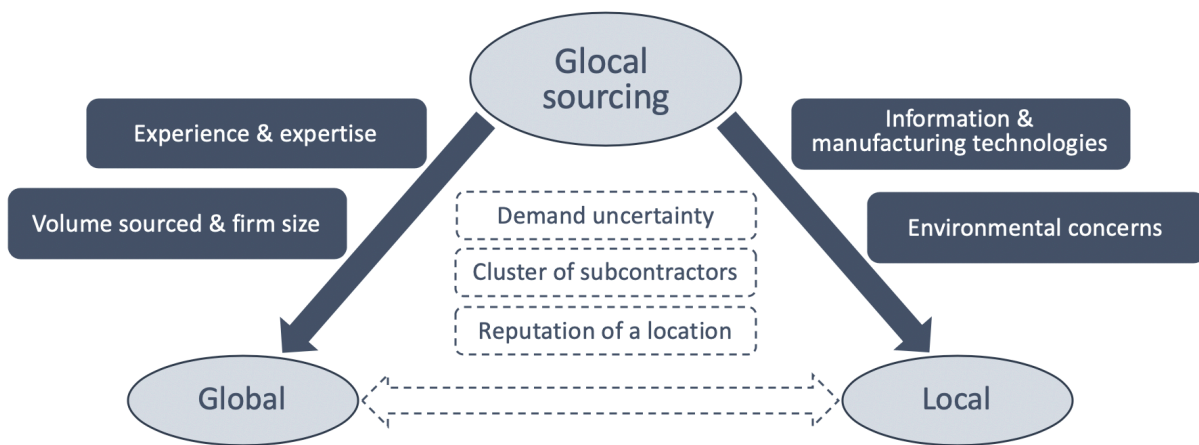
Finally, a concluding remark could be made on the fact that the business professionals did not have a closed view on global versus local sourcing. None of them ever stated that global suppliers are necessarily better on one dimension and that local suppliers are superior in another aspect. Rather, several interviewees insisted on the fact that it is more a matter of size, resources and willingness: a small local supplier can be an expert in its field while a large global supplier can be really poor agility-wise because they do not put the necessary resources. Therefore, the sourcing strategies should not only be considered according to the dichotomic view that opposes global to local sourcing, but also based on the intrinsic characteristics of each supplier, regardless of their origin.

#### **h. Section 8: Summary of the propositions**

Confronting the factors found in the scientific literature to the business reality allowed to formulate some propositions that could be used to guide sourcing professionals in the trade-off between global and local sourcing. Based on the 6 factors that were initially

identified in the theory and the content of the interviews, 7 parameters that should be considered when balancing global and local sourcing were determined. More particularly, the positive influence of informational and manufacturing technology on local sourcing was confirmed. The importance of volume and firm size on global sourcing was also validated. On the other hand, the long-term character of a supplier relationship was not established as being determinant in the global-local balance. Rather, a positive link between experience and global sourcing was suggested. The positive influence of increasing environmental concerns on local sourcing was also highlighted. Although this relation might be obvious, it is an important factor that has to be mentioned. Finally, the uncertainty of demand, the existence of a cluster of subcontractors and the reputation of a sourcing location were all confirmed as having an influence on the sourcing strategy, although they might support both global and local sourcing depending on the context. The following figure summarizes these propositions into a framework for balancing global and local sourcing:

**Figure 5:** Glocal sourcing framework for balancing global and local sourcing



As shown on this figure, experience and expertise as well as volume sourced, and firm size encourage a larger share of global sourcing. On the other hand, information and manufacturing technologies and environmental concerns favor a larger portion of local sourcing. Regarding demand uncertainty, the existence of a cluster of subcontractors and the reputation of a location, those also have an influence on the glocal sourcing strategy but can advocate either global or local sourcing depending on the circumstances. Above all, this framework demonstrates the complexity of balancing global and local sourcing in a glocal strategy.

#### IV. Contribution and limitation of the study

The first part of this paper constitutes a comprehensive and accessible overview of the theory behind glocal sourcing. More than just a compilation of theoretical content, this section engaged in challenging the definitions of local and global sourcing by highlighting their limits. Where Frayer, Petersen and Scannell (2000) or Byoungcho (2004) take those definitions as given, the emphasis was put here on highlighting their relative and contextual character. This study also proposed an updated version of the well-known 5 Levels of Sourcing framework. Rather than considering, like Monczka and Trent (2005), that global sourcing is the ultimate form of sourcing, this paper proposed to integrate glocal sourcing to the model, as an improvement of the last stage. Moreover, this part also questioned the validity of the cost-agility trade-off in the context of global and local sourcing. Its well-established implications were notably nuanced by combining the works of Monczka and Trent (2005), Marzetti, Segnana and Tomasi (2010) and Hongbin *et al* (2012). Besides, the benefits and risks associated to global sourcing were presented from a new perspective – through the lens of locational (dis)advantage – and they were discriminated according to their relative character whereas authors like Christopher *et al* (2011) usually present them in absolute terms. Regarding local sourcing, it was suggested to envisage it as the “by default” strategy, which allowed to expose the reasons that would encourage a firm to not opt for global sourcing as well as the motivations behind reshoring. But first and foremost, this part was also the opportunity to formally define glocal sourcing and to popularize the usage of this term, which is, for the moment, not widespread in the scientific literature nor in the business world.

The second part of this paper brought some insights on the sourcing strategies of 6 companies active in different sectors, providing new material for further researches in the domain. Given the very limited – almost non-existing – sourcing data that are publicly available, these interviews constitute a valuable contribution in themselves. They also enabled to confront the scientific literature to the business reality by comparing the theoretical factors that determine the allocation between global and local sourcing to the actual decision-making processes of business professionals. Contrarily to Byoungcho (2004) who mainly built its assumptions on theoretical reflections, this study bridges the gap between theory and practice. Through this research, 7 propositions could be

developed and those constitute a reasonable guide for firms when balancing between global and local sourcing. As a managerial implication, this study could be used as a tool to further develop an advanced sourcing strategy. These findings also allowed to create a glocal sourcing framework, which did not exist before. This is a beneficial academic contribution to the existing literature.

The main limitations of this study lie in the methodological shortfalls that were discussed in the dedicated section above. Interviewing a larger panel of companies could provide a more comprehensive answer to the research question and undertaking the same analysis but for a specific industry could allow to make sectorial recommendations. Moreover, it should be acknowledged that the content of the interviews was a bit limited, and the study could certainly have improved in multiplying the interviews. This nevertheless shows that glocal sourcing, although intuitively used by firms, remain a subject that is not really thought through. Another important aspect is the context in which this study took place. Due to the COVID-19 outbreak, the libraries were not accessible, and the researches were mainly conducted online. However, the resources that were available with the University access were very restricted and might have therefore limited the extent to which newer content could be accessed and used in this paper. Finally, the analysis only targeted companies active in Belgium. Given the importance of the domestic market in glocal sourcing strategies, this is an important limitation as the findings might vary depending on the focal country. Nonetheless, this study contributes to add valuable insights on the subject of glocal sourcing, and first and foremost, it constitutes an invitation for further researches.

## **V. Conclusion**

Although marketing is nowadays returning to local strategies, it is very unlikely that sourcing will follow the same path. As shown by this study, glocal sourcing constitutes an interesting alternative to the dichotomic view that opposes global to local sourcing. This sourcing strategy allows to balance the different benefits and drawbacks associated with both practices, and most of the firms that were interviewed actually use it to some extent. However, despite its widespread use, glocal sourcing is not a well-researched topic and the factors that are used to find the right balance between global and local sourcing

remain unclear. In an attempt to bridge this gap, this paper confronted the parameters that are cited in the scientific literature as being determinant in the allocation between global and local sourcing to the business reality that was captured in a series of interviews of business professionals working in different sectors. Thanks to this analysis, a hands-on guide composed of 7 propositions was built, and a glocal sourcing framework was created. Although this analysis was made to be as comprehensive as possible – notably by not focusing on a specific industry – these propositions are not claimed to provide a clear-cut answer to the allocation issue between global and local sourcing. Rather, they constitute some reflection tracks that can be followed by sourcing professionals when developing their strategy, in addition to simply considering the advantages and drawbacks of both practices. Moreover, it is important to keep in mind that the sourcing choices should always be made according to the inherent attributes of the suppliers, beyond their global or local character.

## References

- AB-InBev. (2020). *Rapport annuel 2019*. Leuven.
- Ahold Delhaize. (2020). *Eat well. Save time. Live better - Annual report 2019*. Amsterdam.
- Allon, G., & Van Mieghem, J. A. (2010, January). Global Dual Sourcing: Tailored Base-Surge Allocation to Near- and Offshore Production. *Management Science*, 56(1), pp. 110-124.
- Alstom. (2019). *Document de référence 2018/2019*. Saint-Ouen.
- Byounggho, J. (2004). Achieving an optimal global versus domestic sourcing balance under demand uncertainty. *International Journal of Operations & Production Management*, pp. 1292-1305.
- Calmeyn, M. (2020, March 27). Glocal sourcing strategy at AB-InBev. (E. Bonchoux, Interviewer)
- Cappellano, J. (2020, March 11). Glocal sourcing strategy at Solvay. (E. Bonchoux, Interviewer)
- Chopra, S., & Meindl, P. (2013). *Supply Chain Management - Strategy, Planning and Operations*. Pearson.
- Christopher, M., Khan, O., Mena, C., & Yurt, O. (2011). Approaches to managing global sourcing risk. *Supply Chain Management: An International Journal*, pp. 67-81.
- Collis, D. (2014). *International Strategy: Context, Concepts and Implications*. Wiley.
- De Coen, V. (2020, March 30). Glocal sourcing strategy at Radisson Hotel Group. (E. Bonchoux, Interviewer)
- Eurofound. (2019). *Reshoring in Europe: Overview 2015-2018*. Luxembourg: Publications Office of the European Union.
- Fisher, M. L. (1997, March-April). What is the Right Supply Chain for Your Product? *Harvard Business Review*, pp. 105-116.
- Frayser, D. J., Petersen, K. J., & Scannell, T. V. (2000). An Empirical Investigation of Global Sourcing Strategy Effectiveness. *The Journal of Supply Chain Management*, pp. 29-38.
- Hongbin, L., Lei, L., Binzhen, W., & Yanyan, X. (2012, Fall). The End of Cheap Chinese Labor. *Journal of Economic Perspectives*, 26(4), pp. 57-74.
- Ickowicz, S. (2020, March 10). Glocal sourcing strategy at Proximus. (E. Bonchoux, Interviewer)

- Lheureux, F. (2020, May 6). *Covid-19 : Comment La Crise Pousse Les Entreprises à Repenser Leur Supply Chain*. Retrieved from Forbes France: <https://www.forbes.fr/politique/covid-19-comment-la-crise-pousse-les-entreprises-a-repenser-leur-supply-chain/?cn-reloaded=1>
- Li Preti, R. (2020, March 25). Glocal sourcing strategy at Delhaize. (E. Bonchoux, Interviewer)
- Marzetti, G. V., Segnana, M. L., & Tomasi, C. (2010). Global sourcing and business & social networks: quality heterogeneity and firms' efficiency. In B. Dallago, & C. Guglielmetti, *Local Economies and Global Competitiveness* (pp. 242 - 256). Palgrave Macmillan UK.
- Monczka, R. M., & Trent, R. J. (2005). Achieving Excellence in Global Sourcing. *Management Review*, pp. 24-32.
- Proximus. (2020). *Rapport Annuel 2019*. Brussels.
- Radisson Hotel Group. (2020). *Annual Report 2019*. Brussels.
- Reshoring Initiative. (2018). *2018 Data Report*.
- Saunders, M. N., Thornhill, A., & Lewis, P. (2019). *Research Methods for Business Students*. Pearson.
- Schuiling, I. (2018). *International Marketing Management*. Unpublished lecture, Louvain School of Management, Louvain-la-Neuve.
- Solvay. (2020). *Progress Beyond - Rapport Annuel Intégré 2019*. Brussels.
- Stanczyk, A., Cataldo, Z., Blome, C., & Busse, C. (2017). The dark side of global sourcing: a systematic literature review and research agenda. *International Journal of Physical Distribution & Logistics Management*, 47(1), pp. 41-67.
- Van Weele, A. J. (2010). *Purchasing and Supply Chain Management: Analysis, Strategy, Planning and Practice*. Thomson.
- Yin, R. K. (2014). *Case Study Research Design and Methods*. Thousand Oaks: Sage.
- Zanga, I. (2020, March 13). Glocal sourcing strategy at Alstom. (E. Bonchoux, Interviewer)

## List of appendices

APPENDIX 1 – INTERVIEW GUIDE .....	42
APPENDIX 2 – INTERVIEW 1: PROXIMUS (TELECOMMUNICATION) .....	42
APPENDIX 3 – INTERVIEW 2: SOLVAY (CHEMICALS) .....	50
APPENDIX 4 – INTERVIEW 3: ALSTOM (RAIL INDUSTRY) .....	61
APPENDIX 5 – INTERVIEW 4: DELHAIZE (FOOD RETAIL) .....	69
APPENDIX 6 – INTERVIEW 5: AB-INBEV (BREWING) .....	74
APPENDIX 7 – INTERVIEW 6: RADISSON HOTEL GROUP (HOSPITALITY) .....	85

## **Appendix 1 – Interview guide**

1. Could you give me a brief overview of the company?
2. What is your role in this company? What are your key responsibilities?
3. Regarding your sourcing strategy, do you use local, global or mixed (glocal) sourcing? Why?
4. How do you develop your glocal sourcing strategy?
5. What are the factors or parameters that influence your glocal sourcing strategy?
6. Do these factors (or their importance) have evolved over time (past 2 years)? If so, how?
7. How do you assess the effectiveness of your glocal sourcing strategy?
8. What are the biggest challenges to your glocal sourcing strategy? How do you deal with them?
9. According to you, what factors will become more important in determining your glocal sourcing strategy in the future (5 years)?

## **Appendix 2 – Interview 1: Proximus (Telecommunication)**

This interview was conducted on the 10<sup>th</sup> of March 2020 with Ms Sophie Ickowicz, Procurement Manager at Proximus, who more specifically works in the IT security sector.

*(E) Elise Bonchoux – interviewer*

*(S) Sophie Ickowicz – interviewee*

(E) First, could you give me a brief overview of the company you work for?

(S) Of course. So Proximus is a Belgian group. The state is still a shareholder of the company: 63% of the shares are detained by the state. We are a telecom operator, this means that we deliver telecommunication services, fixed services, mobile services, internet services and television platform. In a nutshell, I can add that we have many daughter companies and I won't enumerate them here, but we are also present for example in the Netherlands and in Luxemburg where we do offer some services there. And especially regarding my activity we also resell IT services in B2B. We have right now around 10,000 employees within the Proximus group.

(E) Ok, I see. So what is your role exactly in the company and what are your key responsibilities?

(S) I am part of the procurement department and the procurement department within Proximus is a division of the finance department. And within the procurement department, I'm especially in charge of the purchase of security solutions, both for internal purposes and also for reselling purposes.

(E) Ok, and what do you mean by "security solutions" exactly?

(S) By security solutions I mean IT security solutions so related to informatics and not physical security like the guards and Securitas contracts which are not managed by me. But the firewalls, the anti-viruses and anti-spying solutions, that's what I am purchasing.

(E) Ok, so it's kind of very strategic, right?

(S) Yes. Everything that's around cybersecurity is very hyped for the moment. So, it is crucial but also not in the core telecom business.

(E) Ok, I see. And regarding your sourcing strategy, do you use local, global or mixed sourcing strategy? So global sourcing strategy?

(S) First of all, I want to be sure that my definition of global and local are the same than yours. So local is Belgium or European or what do you mean by "local sourcing"?

(E) I mean, it really depends on your perspective. In my view, local would be really when you source in the same country that you serve. So, if you are in France and you serve France then local would be France. But I can understand that Belgium is a small country so we could also talk about regional sourcing where you could source more regionally so on a European level, so in contrast with a global level that would be elsewhere outside Europe. But it really depends on you also.

(S) Ok. So, we have clearly a mixed sourcing approach, that's for sure. Mixed in the sense that we have local players, global players. So global players worldwide spread or European companies that are our suppliers. So, it's really a mix. And sometimes within a project you can have even for example a global manufacturer – and that's very often the case – to source a global technology but with a local integrator, so someone who is present in Belgium or at least in Europe to help me install the solution, support the solution, to deliver the solution,... So sometimes it can be a mix, a glocal solution I would say more than a global and a local partner, it is really a glocal solution.

(E) And how do you develop your glocal sourcing strategy?

(S) It's a little bit the basics: what are the needs? Who can deliver the solution to fit the needs? So, if for example the best solution is a US product, we would theoretically prefer to have at least a European contact who could source it or at least maintain, support and install in Belgium. It's not always the case but it's very often the case. It depends a little bit. For internal purposes, so for internal security purposes we mainly use the request for proposal kind of sourcing model so we do request for information on the market, evaluate the solutions that are present on the market, and then really assess those solutions then ask for a quotation and then compare the quotation so it's a really classic approach. Regarding the reselling purposes, it's a little bit more complex because we will choose for various solutions to be resold. This means that we won't choose one, but we will choose 3-4 different technologies serving the same purpose for example.

(E) Ok I see. And therefore, what factors or parameters influence your glocal sourcing strategy? I could understand that you first look at your needs and have preferably

someone who could help you install it in Belgium or at least at the European level but do you have other factors that are taken into account?

(S) Do you mean to define if we go global or local? Or in general?

(E) I would say for both because it is probably linked, right?

(S) It can be linked but not always. It will always be quality and price of course for our needs. But it really depends on the aim of the project and what we want to achieve because sometimes we are even influenced by the technologies that have been chosen by our biggest customers for example. We could also be influenced by the references the suppliers have in our regions or in another country but it's a reference within a customer we know, and we can contact it, it's always easier. So, the references are important, the price of course very important, the support model is very important, and there are new factors that are developing but that are very specific and that are extra factors, extra parameters. For example, we have the new European GDPR which is clearly one of the new factors we have to get along with. For example, a very new factor that is not yet integrated but will be integrated very soon in our sourcing strategy is the circular economy. So, we are working on a specific manifesto on circular economy, we want to be validated by our suppliers. We also have very strict security guidelines for working with us. So that means that you have to agree and accept all security rules so that can be a factor of choice as well.

(E) So, regarding the trade-off between local and global, it's really depending on the product offer?

(S) Yes, it is. Because you know the evolution for example 5 years ago there was no possibilities to have Chinese products. Then 2 years ago, Chinese products were very cheap and very interesting and so everyone has made contracts with Chinese firms and now it is a little bit looping back. So, it is a little bit less Chinese because Chinese are very easy, very cheap but the guarantees that they can give on the security level, their ability to really respect the security rules is very difficult. So, it evolves. Once you only have one product coming from America and then you have to apply GDPR which is really a

European regulation and so if you have an American solution in the cloud, it's very difficult to have a real guarantee that your data will stay in Europe and will be hand over correctly. It's also a factor GDPR, but it's very specific and very crucial for security.

(E) And are there any cultural aspects that also come into account, maybe regarding languages or things like that?

(S) I must say that everything in the security world happens in English. And we have services contract with huge firms for example Indian companies and everything happens in English so it's not really an obstacle I would say. It's more on a savings mode so this means that if an offering is more interesting on price-level then we will go for it, even if the cultural gap is important, it's not really a factor. Price is at this time still the first parameter.

(E) And regarding responsiveness, I assume that this is really important for security matters. So do you also consider time differences or things like that?

(S) Do you mean regarding support?

(E) Yes

(S) You know the main global companies with whom we do work for global contracts they do have follow-the-sun support so it's not really a problem. They do manage to be always available for us and even if we know that we will have a contract with East Coast America then we know there is a time difference but we will adjust to have the contact in the mid-afternoon or in the morning depending on the location of the company. So, it's not really a factor. What we mainly ask is to have 24 hours 7 days a week support for sure. So, they will have to have someone answering our demand but if we do have to have a commercial discussion with someone we will adjust, and they will adjust so we will find a way to have contacts.

(E) Ok I see, perfect. And how do you assess the effectiveness of your glocal sourcing strategy? What do you measure to say it's effective? What do you take into account?

(S) We have a kind of complex supplier relationship management survey. So it's a meeting and before the meeting we send a kind of survey to all the internal business owners so the responsible of all the different projects to ask them about the performance, the availability of the people, if they do their work as it has to be. So, it's a kind of assessment, we also send a questionnaire to the suppliers for them also to give their feedback on Proximus as a customer and on the relation and then this survey is discussed with the management and the suppliers. So, it's more an assessment of the relationship more than an assessment of the contract. But the pure operational assessment happens in the business, so it's not managed by procurement. We have two levels of kind of measurement: the operational level, for example I open the ticket and this ticket was not handle as it should be, this is more operational, and we have a global discussion with the suppliers to see what are the strong points, what are the week point, to try to improve the relationship.

(E) Ok, so from my understanding it's more about an assessment of the supplier but not really about whether we should have taken the supplier rather locally than globally? This question is not really assessed, right?

(S) No, never. Sometimes it happens that we have a big failure and sometimes it happens that we really assess the choice of the supplier but usually not about global or local. I know, but it's not my part of the business, that attempts have been made for example to have some contact centers in Morocco for the French-speaking part and so on and it was not really a success, so this can happen but not really within the security world.

(E) Yes, I guess that since it's more about services and intangible goods, it makes sense.

(S) Yes, so contact centers that's for sure, is something in which they are looking for often to nearshoring, offshoring, so IT services in general, but security not really.

(E) Ok, and what would you say that are your biggest challenges for your glocal sourcing strategy, and how do you deal with them?

(S) The biggest challenge within security strategy is the changes. So, it means that something that is accurate at one moment is not accurate anymore the day after because

there is a new solution or a new player. So, we try to anticipate as much as possible the changes on the market and to be always as early adapter as possible of new technologies. But I think the evolution of the technology that makes it very difficult. There are for me tools that I can use to try to stay informed about the new technologies and the new partners. For example, all the Gartner studies and so on, so that's very important for me but lucky for me I have many security specialists in-house to help me. And also, that's a very difficult point as well: sometimes you contract with a company and this company is acquired by another one, a bigger one or by a company in another country so this is very difficult. And how do you deal with it, you cannot anticipate everything so we try to have clauses in our contracts that allow us to terminate a contract if the company is acquired for example by one of our competitor or so, we have always the possibility to terminate the contract if we don't want to work with the new company.

(E) And would you say it's easier to check your suppliers if they are closer to you than if they are further away or you don't see any differences?

(S) I have a mixed answer on this one because you could think that it's easier if you have a Belgian supplier for example and theoretically it should be but it's not always the case. So, it is really depending on the supplier itself, its organization and also the contact person you have. Because you could have a global company but because Proximus is a big customer for them so very often we have our own contact person, so it's not really difficult to have a contact even with a global supplier because we have really someone entitled to answer all our questions. So sometimes it does not really make the difference whether the company is abroad or in Belgium. Sometimes it is even more difficult to have a contact with for example a very small company of 3 people in Belgium and because they are always travelling or on the road visiting customers so they are sometimes even more difficult to contact than big company in which we have our own account manager spending his time in our facilities. So really, I'm always very surprised, it's not the case of my suppliers, it's mainly for services, that they have an account manager for Proximus and he spends a lot of time with us.

(E) That's interesting. And to come back on the innovation part, so you need to stay aware and to be a first adopter, but are you the one to ask your suppliers to bring that new technology or do your suppliers propose you new technologies as well?

(S) It's always a little mix of everything so I can ask them to for example present their road maps to explain what's coming, what's next for the future. The business, so my security colleagues within Proximus, they are aware of the new solutions of the new technologies, so really we have specialists who can also ask suppliers to come and to present a new technology but sometimes it is always for suppliers interesting to call me and say I have something new to present. So it's really a mix and we are very fond of new concepts and things like that to test new things.

(E) Ok, great. And do you see a difference between your local and global supplier in terms of innovation proposition?

(S) To be honest, there are not a lot of Belgian companies within my business. Within security manufacturing and solutions, I don't really have a lot of Belgian suppliers that are really developing, producing and so on. So, integrating, yes, there are some specialists but the main suppliers I have are a lot of American companies, the majority I would say and then it's a little bit spread all over the world. Israel is also very strong in security, to give you an idea, it is a very high level. So yes, not so much in Belgium. The last one I would say really is the circular economy that will have an impact on the glocal strategy. So, the green trend to try to avoid transportation, to avoid wastes, and so on. This could, I think, probably within a few years it will be crucial to have a really green logistics organization.

(E) So, you think that it will favor local sourcing more?

(S) Yes, of course.

(E) And how will you deal with the fact that you only have a few suppliers available locally or at a European level?

(S) It's a global strategy so first for example the delivery could be done with another transportation than with a truck for example, they could use a train or electric vehicles, so it could be an argument. Also, the wastes, so the packaging could be done differently. Also, for transport, they could have a contract with a local contact that would be available for us in Belgium to avoid taking a flight to visit us, things like that.

(E) Perfect, thank you for your time.

### **Appendix 3 – Interview 2: Solvay (Chemicals)**

This interview was conducted on the 11<sup>th</sup> of March 2020 with Mr Jérémie Cappellano, Head of Purchasing – Peroxides at Solvay.

*(E) Elise Bonchoux – interviewer*

*(J) Jérémie Cappellano – interviewee*

(J) Solvay c'est un groupe d'une dizaine de sociétés. Chiffre d'affaires de Solvay 10.200 millions d'euros je pense, quelque chose comme ça et environ 10 à 12.000 employés dans le monde.

(J) Je m'appelle Jérémie Cappellano, je suis Head of Purchasing chez Solvay. J'ai rejoint Solvay il y a un peu plus de 3 ans maintenant, initialement dans l'équipe Achats Corporate en Purchasing Excellence. J'étais responsable de projets transversaux pour le groupe Solvay, principalement orienté sur des projets de working capital donc génération de cash pour la société au travers de notre service Achats. Et j'ai rejoint la division Peroxides en octobre dernier, donc là je suis Head of Purchasing de cette division. Solvay c'est un groupe de sociétés, dont la division Peroxides qui fabrique de l'eau oxygénée principalement. C'est une société qui a un chiffre d'affaires 640-650 millions d'euros par an. On va dire que ce n'est pas la plus grosse Business Unit de Solvay par contre c'est l'une des Business Units qui contribue le plus en termes de marge au niveau du groupe. Et sur ces 650 millions d'euros, on a un spend d'environ 500 millions d'euros. Donc on voit l'importance des Achats au niveau de cette GBU. On a 19 sites de production partout dans le monde, en allant des US jusqu'à l'Australie, en passant par la Chine, la Thaïlande, et un

peu partout en Europe. Dans mon équipe j'ai 4 personnes qui sont en charge des achats de matières premières, donc vraiment ce qui rentre dans le processus de fabrication de notre produit fini, et j'ai une équipe d'environ 11 personnes qui sont sur les sites et qui s'occupent principalement des achats de service et des achats locaux, donc tout ce qui n'est pas matière première.

(J) Donc en termes de responsabilités, quand je dis que je suis responsable d'un spend de 500 millions d'euros, la responsabilité principale c'est de définir les stratégies d'achat pour être sûr qu'on dépense l'argent de Solvay de la bonne manière, ça c'est un premier point. Deuxième point, s'assurer que la sécurité de supply donc d'approvisionnement de matières premières en termes de risk mitigation. Et ensuite il y a différents axes, différents piliers on va dire : il y a un pilier qui va être la sustainability, s'assurer que les fournisseurs avec lesquels on travaille sont les bons fournisseurs d'un point de vue social responsibility, respect des lois du travail des différents pays, des projets de développement durable, ce genre d'éléments. On va aussi avoir un pilier digitalisation, être sûr que les achats utilisent au maximum tous les outils digitaux pour mener à bien leur mission. Et un axe, bien sûr, sur people et team, plus axé sur le développement des équipes et développement des capacités.

(E) Et est-ce que vous êtes rattaché au département finance ou pas du tout ? Parce que je sais que dans certaines entreprises c'est le cas.

(J) Alors il y a deux choses. Les Achats chez Solvay sont l'une des 5 BSA, donc cela veut dire que c'est une fonction transversale et on rapporte indirectement au Chief Procurement Officer de Solvay. Par contre, moi je suis à l'intérieur d'une Business Unit et mon boss direct c'est le Directeur Industriel, donc je rapporte à la partie industrielle. Mais mes trois personnes d'interaction quotidienne vont être le Président de la GBU, la Directrice Financière et le Directeur Industriel, en plus du CPO que j'ai mentionné juste avant.

(E) Ok, je vois. Donc on va pouvoir passer à votre stratégie de sourcing à proprement parler et voir si vous utilisez plus un sourcing local, global ou un mix des deux qui serait du coup un glocal sourcing.

(J) On est effectivement une société globale. Donc il y a deux choses : il y a la partie matière première, et il y a la partie des achats indirects, donc tout ce qui ne rentre pas dans la composition des produits finis comme le packaging, la logistique, des travel, de la consultance, des temporary labor, donc vraiment tous les services que l'on peut avoir. Donc si on prend le gros du sujet pour Peroxides qui est l'achat des matières premières, on va avoir, on va dire, une stratégie qui dépend du produit. Dans la plupart des cas, c'est des contrats globaux, donc du global sourcing, pour différentes raisons : la première c'est que quand on fait un effet de levier sur nos volumes, on peut obtenir des prix beaucoup plus intéressants et des conditions beaucoup plus intéressantes de nos fournisseurs, qui sont en général aussi des groupes assez grands et qui ne sont pas forcément nos voisins de sites de production. Deuxièmement, il y a aussi un contexte de marché où on achète des matières premières qui sont disponibles uniquement dans certaines régions du monde.

(E) Comme quoi par exemple ? Juste pour avoir une idée

(J) Alors je ne sais pas si cela va te parler mais des produits comme du XXXXXXXX, c'est une des matières premières qui va entrer dans notre composition de produits finis et ça malheureusement il y a un fournisseur disponible dans le monde.

(E) Ok, je vois

(J) On va acheter des métaux rares, comme le palladium. Or, le palladium, c'est comme l'or, le platinium etc, on n'est pas en contact avec les fournisseurs mais on est en contact avec des banques. Donc on fait des deals avec des banques pour acheter le palladium. Les banques encore une fois, il n'y a pas énormément de banques qui vendent du palladium, donc on va travailler avec une banque canadienne, avec une banque anglaise et c'est les deux banques avec lesquelles on travaille principalement sur cet achat. Donc si on résume, il y a un aspect effet de levier sur les volumes où on travaille avec des sociétés qui peuvent nous offrir des conditions intéressantes et il y a un aspect marché/produit par rapport à la disponibilité de certaines matières premières.

(E) D'accord, ok

(J) Par contre quand on regarde les achats de services, encore une fois il y a deux types d'achat de services, on a les achats de service que l'on peut globaliser au niveau de Solvay, donc toutes les Business Units pourront bénéficier du même fournisseur, et donc dans ce cas-là on se retrouve un peu dans la première partie que j'expliquais pour les matières premières, donc faire un effet de levier, avoir des conditions financières beaucoup plus intéressantes. Donc par exemple sur le freight forwarding, ce sont les agents qui vont nous organiser le transport de nos matières premières et de nos produits finis d'ailleurs aussi, et ça ce sont des sociétés qui sont globales, pas forcément une société du coin. Par contre, sur des achats de palettes, là ça va être des fournisseurs qui sont beaucoup plus locaux parce que c'est pas un marché qui est ni Européen, ni régional parfois même pas national. C'est vraiment des plus petites sociétés avec lesquelles on travaille parce que c'est le modèle de fonctionnement de ce type d'achat.

(E) Ok et ça c'est essentiellement à cause du petit volume ou bien pas ?

(J) C'est la structure du marché, c'est qu'il n'y a pas de sociétés globales de palettes parce que c'est trop cher à transporter donc c'est un marché vraiment local et il vaut mieux travailler avec le petit fournisseur du coin on va dire, qui pourra donner beaucoup plus de flexibilité sur le lead time, donc la période nécessaire pour approvisionner le site, et aussi des prix plus compétitifs parce qu'encore une fois même faire venir une palette de Biélorussie même si localement en Biélorussie ça va coûter moins cher qu'en Belgique, il faudra quand même la faire venir jusqu'en Belgique, ça nous coûtera beaucoup plus cher en transport.

(J) Donc là on arrive sur un troisième élément qui est aussi l'approche TCO – total cost of ownership – où tu fais l'analyse où est-ce que ça fait sens d'acheter.

(E) Et du coup, vous avez déjà donné un peu des éléments de réponse pour la question qui concerne le développement de votre stratégie de sourcing, mais concrètement comment la développez-vous ?

(J) Donc on a ce qui s'appelle des category strategy, où on a vraiment une analyse donc c'est une revue qui se fait de manière régulière sur une catégorie de spend en particulier,

donc cela peut être sur une matière première en particulier, ça peut être sur un groupe de produits comme par exemple les équipements de sécurité ou ça peut être encore sur uniquement les palettes, et c'est un processus qui va reprendre les éléments de marché, comment le marché est organisé, quelle est la demande, quelle est l'offre, quel est le pouvoir de l'acheteur sur ce marché ou le pouvoir du fournisseur. Donc on va utiliser différentes analyses, Krajlic, SWOT, les 5 forces de Porter, etc. On va prendre une analyse de la demande de Solvay, quel poids on pèse, donc regarder le spend des différentes Business Units de Solvay, voir si ça vaut la peine de faire aussi un effet de levier sur toutes les GBUs ou alors si on doit travailler avec un groupe de GBU ou alors une seule GBU. Et ensuite définir qui prendra le lead, quelle GBU prendra le lead dans la négociation avec les fournisseurs. Et ensuite voilà c'est ce qui nous permet de définir si c'est global, si c'est local et à quelle échelle chez Solvay ça va être.

(E) Ok, je vois.

(J) Donc c'est tout un processus et encore une fois en fonction de la catégorie ou du domaine que l'on analyse, et la situation du marché, on va décider que cette catégorie est valable pour 3 ans ou 1 an. Et on la revoit de manière régulière. Parfois, on décide de changer d'approche. Un exemple très concret sur les équipements de sécurité : dans la dernière category strategy, il y avait été décidé d'avoir une approche européenne sur ce type d'achats donc on s'est dit qu'on allait négocier avec des groupes plus gros, plus conséquents, mais cette stratégie n'a pas fonctionné, parce que chaque pays, chaque site parfois, a des spécifications différentes sur les équipements de sécurité, dépendant des produits qu'ils manipulent. Donc difficile de travailler avec une société qui peut offrir toutes les spécifications et qui soit en même temps compétitive au niveau du prix. Donc là la nouvelle category strategy qui a été définie a été de dire on arrête l'approche européenne et on revient vers une approche locale ou en tous cas nationale.

(E) C'est intéressant ça car en Europe on pourrait croire que ce soit plus ou moins harmonisé mais en fait pas du tout.

(J) Non, pas du tout. Et même parfois dans un même pays on peut avoir des réglementations différentes. Encore une fois c'est vraiment dépendant du site sur lequel on travaille.

(E) Ok, d'accord. Et au niveau de l'évolution des facteurs que vous prenez en compte, si vous regardez un peu les deux dernières années, est-ce que vous trouvez qu'il y a eu une évolution dans l'importance qui est accordée à certains facteurs ou pas vraiment ?

(J) Honnêtement le seul facteur qui pourrait prendre un poids plus important c'est l'aspect sustainability. Et c'est vrai que si on pouvait avoir des conditions plus intéressantes en faisant un sourcing global mais que le fournisseur n'atteint pas les critères nécessaires au niveau sustainability, alors il ne sera pas retenu. On ira plus vers une société locale si cette société-là atteint ces objectifs.

(E) Ok. Et du coup comment vous mesurez l'efficacité de votre stratégie ?

(J) Alors déjà on mesure quand on rentre dans ce type de démarche en générale on fait un appel d'offres aussi pour vérifier les conditions des différents acteurs du marché donc bien sûr on peut comparer les conditions. Et le deuxième point c'est qu'on va mettre en place des contrats avec des bénéfices attendus en terme d'émission de prix, augmentation des termes de paiement, etc. On va vérifier si on retrouve ces éléments dans notre P&L, si l'on voit notre P&L impactée par cette réduction des prix ou au niveau du working capital de l'extension des termes de paiement. Et aussi on va mesurer au niveau des sites la compliance au niveau du contrat. Donc on va mettre un contrat au niveau global, au niveau de Solvay par exemple, mais ces contrats sont ensuite implémentés au niveau du site. Quelqu'un pourrait très bien dire « Non moi je continue à acheter à mon petit fournisseur du coin parce qu'il est moins cher » mais parfois même si le site va acheter avec son fournisseur local ça va porter préjudice au niveau du groupe parce qu'on atteindra pas les volumes attendus et donc la stratégie tombe un peu à l'eau parce qu'on n'atteint pas ce qu'on souhaite et on n'offre pas aux fournisseurs les volumes qui étaient attendus donc ça peut aussi avoir un impact sur le prix. Donc c'est la contract compliance et les benchmark de prix qui sont aussi effectués.

(E) Ok. Et sinon par rapport aux challenges que vous pouvez rencontrer, selon vous quels sont les plus gros challenges que vous pouvez rencontrer justement dans votre stratégie de sourcing et par rapport à ce trade-off entre local et global ?

(J) Typiquement ça peut être une résistance du site à changer de fournisseur donc là c'est vraiment un travail avec le site à effectuer et ça c'est dans toutes les sociétés. Un site qui est habitué à utiliser un fournisseur spécifique par exemple local aura du mal à vouloir switcher vers un autre fournisseur qui est recommandé par le groupe, par exemple. Après c'est vrai que le marché aujourd'hui est quand même impacté par différents éléments, notamment le Coronavirus, la chute du baril de pétrole, etc. Donc c'est pas des situations qui sont très stables, qui ont un impact sur la supply chain et donc parfois on doit aussi savoir anticiper le besoin, et même si on a un fournisseur global, s'assurer qu'on puisse avoir éventuellement un fournisseur local qu'on puisse utiliser en cas de besoin.

(E) Ok, je vois. Donc vraiment le recours au local ce serait plus une solution de back-up pour vous assurer de toujours avoir vos produits ?

(J) Tout à fait. Surtout au niveau des matières premières oui.

(E) Et sinon en termes d'innovation, je ne sais pas si c'est vraiment très adéquat dans votre secteur étant donné que peroxydes/eau oxygénée c'est pas forcément hyper innovant et vous achetez plus des commodités d'après ce que je peux comprendre, mais est-ce que vos fournisseurs vous proposent certaines innovations ou est-ce que c'est vous qui proposez des innovations aux fournisseurs et si c'est le cas, est-ce que vous voyez une différence entre les fournisseurs au niveau local et au niveau plus global ?

(J) L'innovation on va la travailler en interne, enfin il y a une partie qui est faite en interne ça c'est sûr, notamment au niveau du processus de fabrication de l' $H_2O_2$ , notamment l'utilisation de moins de matières premières, d'autres matières premières, etc. L'innovation avec les fournisseurs en fait c'est plus sur du co-développement : on va développer des fournisseurs qui vont répondre à nos besoins, qui vont dédier une certaine partie de leur capacité – parfois 100% de leur capacité – et pourquoi on fait ça, pour s'assurer d'avoir différentes sources de matières premières, dans les premiers exemples que je t'ai donné parfois il n'y a qu'un seul fournisseur donc sur une matière première en particulier dans les quatre dernières années on a développé deux fournisseurs pour justement s'assurer d'un multisourcing et d'éviter les risques supply. Donc oui l'innovation on la travaille avec eux mais on leur apporte quand même beaucoup.

Et après par contre au niveau des achats indirects, par exemple le packaging, on achète des gros containers en plastique dans lesquels on mettra le produit, là on va travailler sur pas forcément de l'innovation avec nos fournisseurs mais par contre sur des révisions de spécifications pour être sûr qu'on achète ce dont on a besoin et pas juste on achète ce qu'on a toujours acheté et on s'est jamais posé la question est-ce que c'est les bonnes spécifications. Donc ça, ça va être un travail de collaboration avec le fournisseur. Donc pas vraiment de l'innovation en tant que telle mais par contre cela aura un impact conséquent sur la relation avec le fournisseur. Et par contre, là je donne l'exemple de Peroxides, il y a d'autres Business Units qui travaillent beaucoup plus sur des projets d'innovation avec leurs fournisseurs parce que ça fait beaucoup plus de sens par rapport aux produits qu'ils fabriquent.

(E) Ok, je vois. Et en matière de différences culturelles, est-ce que vous trouvez que c'est plus difficile de travailler avec certains fournisseurs qui se trouveraient à l'étranger dans certains pays plutôt que des pays un peu plus proches de vous culturellement ou est-ce que ça vous ne le ressentez pas au niveau du business ?

(J) Alors ce qui est sûr c'est que ça soit aussi bien au niveau interne dans la société ou externe sur le marché, c'est sûr que l'aspect culturel a une dimension énorme. Ça c'est clair. Encore une fois il y a sur le même job dans mon équipe il y a beaucoup de nationalités différentes on va dire et personne n'a la même manière de voir les choses, la même manière de travailler. Donc ça l'aspect culturel a une importance énorme. Au niveau relation avec les fournisseurs, travailler avec des japonais ça va être très long, mettre en place des contrats, des discussions, etc. Faut savoir passer 5 heures juste sur un sujet en particulier et finalement on n'aura même pas répondu à la question, faut pas être pressé. On va dire que les indiens c'est très difficile de valider des choses, même s'ils disent oui, le lendemain cela peut changer, ou alors en tous cas se mettre d'accord sur des timelines ce n'est pas forcément très bien respecté. Les allemands et les finlandais vont être beaucoup plus carrés, fin c'est un peu les stéréotypes qu'on a mais c'est la réalité, ils sont beaucoup moins ouverts à la négociation, beaucoup moins flexibles on va dire, même si après on peut toujours arriver à un accord. Mais c'est ce type de différences qu'on peut identifier. Donc là clairement oui la réponse est oui il y a des différences culturelles à prendre en compte mais c'est pas ça qui va impacter la décision du sourcing par contre.

(E) Ok donc même si ça augmente fortement tout ce qui est transaction costs, c'est pas forcément quelque chose que vous prenez en compte au final ?

(J) Non, enfin c'est sûr que si on sait qu'on n'arrivera jamais à mettre en place un contrat avec un chinois, parce que les chinois n'aiment pas forcément les contrats, alors on ne va pas forcément se battre pour mettre en place un contrat. On va se mettre d'accord sur les conditions, on va les mettre dans un mail et on ne va pas forcément se blinder juridiquement, chose qu'on fait chez Solvay de manière générale mais bon il faut aussi comprendre la réalité du marché. Donc oui et non, on prend en compte mais c'est pas ça qui va vraiment impacter notre décision.

(E) Ok. Et justement en parlant de se blinder juridiquement, est-ce que vous rencontrez des problèmes de respect des contrats qui sont plus difficiles à faire respecter en dehors de l'Union Européenne plutôt que dedans par exemple où là vous êtes mieux protégé je suppose ?

(J) Disons que non, enfin je n'ai pas forcément expérimenté la situation. Mais ce qui est plus dur à mettre en place c'est le contrat lui-même, surtout les clauses juridiques qui sont compliquées à être acceptées soit par Solvay, soit par le fournisseur, parce qu'il y en a forcément un qui se fait léser. Et un des points les plus complexe on va dire de se mettre d'accord pour deux fournisseurs qui ne sont pas forcément dans le même pays, c'est la juridiction de validité du contrat. Solvay SA va forcément insister pour avoir la juridiction belge parce qu'on est une entreprise dont le siège est en Belgique et on est une société connue et reconnue en Belgique, alors on a un poids beaucoup plus important et si on en venait à venir à un litige avec une société américaine, on souhaiterait fortement être représenté par la juridiction de Bruxelles comparé à la juridiction du Texas car Solvay aux États-Unis est beaucoup moins importante et le droit serait plus en faveur du fournisseur américain.

(E) Ok, je vois. Et en termes de flexibilité, est-ce qu'il n'y a pas justement un peu moins de flexibilité de la part de vos fournisseurs qui se trouveraient un peu plus loin, plutôt qu'un fournisseur qui serait juste à côté ?

(J) Eh bien si c'est le fournisseur juste à côté en général cela ne pose pas de problèmes parce que, que ce soit la loi française ou belge ou allemande, cela reste l'Union Européenne. Bon effectivement il y a beaucoup moins de problématiques au niveau mise en place de contrat sur ce point spécifique, mais cela ne veut pas dire qu'il n'y en a pas d'autres sur d'autres points, mais encore une fois ce n'est pas plus facile avec notre voisin plutôt qu'avec une société à l'étranger, surtout sur des gros montants.

(E) D'accord mais en terme de flexibilité par exemple si demain vous vous rendez compte qu'il vous faut 10 tonnes de plus d'un certain produit, niveau réactivité et responsiveness, est-ce que vous voyez une différence ?

(J) Non pas vraiment car ça en général c'est aussi des éléments qui sont anticipés dans le contrat. En cas de besoin supplémentaire, et en cas justement si de notre côté on ne respecte pas nos volumes anticipés. Mais c'est quelque chose qu'on essaye de booker dans les contrats.

(E) D'accord. Et sinon, dans le futur, est-ce que vous pensez que certains facteurs deviendront un peu plus déterminants que d'autres dans votre stratégie de sourcing ou pas ?

(J) Ce qui est certain c'est que l'aspect supply chain, mitigation du risque, a un poids de plus en plus important. On doit faire face à tous types de situation sur le marché. Donc encore une fois on pourrait très bien décider de changer notre stratégie d'achats. On se pose de plus en plus la question aussi sur le make or buy sur certains types de produits. Donc ça, ça va clairement impacter notre stratégie d'achat si on fabrique. Les éléments mentionnés au niveau de CSR donc Corporate Social Responsibility, la partie sustainability a un poids de plus en plus important. Demain, si un fournisseur n'a pas un score acceptable, on ne travaillera plus avec lui s'il ne mène pas des actions correctives nécessaires. Donc voilà oui, cela peut évoluer, ce sont des facteurs qui vont influencer nos décisions mais maintenant il faut aussi être clair, l'aspect prix et conditions que l'on peut négocier a un poids quand même considérable. Même si on peut aussi être parfois prêt à payer un peu plus pour être sûr de limiter ce risque de supply.

(E) Ok. Et justement tous ces changements de perspectives viennent plutôt d'où ? De vous ? Ou plus de la direction ? Ou de toutes parts ?

(J) Je pense que cela vient d'un peu partout en fonction des éléments que l'on regarde. Les éléments marché vont nous pousser, donc l'équipe achat, à vraiment développer ces mitigation risques, et vraiment définir l'aspect sourcing qui va fonctionner. Les aspects corporate responsibility, ce sera plus une approche top-down qui vient du Groupe, du Comité de Direction, en disant que c'est un élément clé. Et on doit s'assurer que cela soit pris en compte dans notre sourcing process, donc là on doit l'implémenter. Puis après il y a aussi l'aspect marché, disponibilité des matières, et développement du marché.

(E) D'accord. Donc juste pour être sûre, votre stratégie de sourcing c'est soit local soit global, ou parfois global avec du local en back-up mais jamais une stratégie vraiment mixte où on aurait une partie globale et une partie locale ?

(J) Donc je pense qu'un des éléments à mentionner c'est le threshold de spend. Donc en général si c'est une dépense de plus de 100.000€, on va considérer une approche qui est en tous cas globalisée ou en tous cas regarder les options qui sont globales. Si c'est une dépense qui est en-dessous de 100.000€, et qu'il n'y a pas de contrat global qui est mis en place au niveau de Solvay, donc si l'achat d'un site est inférieur à 100.000€ et il n'y a pas de contrat en place, là ça va être plus une stratégie qui est locale et ce sera le site buyer qui est en charge d'acheter le produit ou le service. Mais on peut avoir les deux cas, par exemple sur la maintenance, on va avoir des contrats globaux avec des sociétés type Pal, Emerson, HoneyWell, qui sont des sociétés globales et on a des accords globaux au niveau de Solvay pour couvrir toutes les GBUs et là on parle de contrats de plusieurs milliers d'euros. Par contre, ces contrats ne vont pas couvrir toutes les informations ou tous les postes de dépenses d'un site et on peut avoir des besoins qui sont effectivement inférieurs à 100.000€ et donc là on aura une approche locale sur le même type de domaines mais parce que notre fournisseur global ne peut pas fournir le produit.

(E) Très bien, merci beaucoup d'avoir pris le temps de répondre à mes questions.

### **Appendix 4 – Interview 3: Alstom (Rail Industry)**

This interview was conducted on the 13<sup>th</sup> of March 2020 with Mr Igor Zanga, former Sourcing Manager at Alstom.

*(E) Elise Bonchoux – interviewer*

*(I) Igor Zanga – interviewee*

(I) What I was thinking looking at your subject is that basically right now I am working for Siemens, but I've been here for just a year now. I don't think Siemens is going to be the right layout for your questions. But if you want, I can talk to you about the previous company I was working for, which is Alstom Transport. I was working there as a Sourcing Manager for the site in Charleroi. So, this will be more representative of what happens in an industrial world regarding the various initiatives and what can push a company to work globally or locally. Because here in Siemens it's mainly services and maintenance and stuff like this so actually by definition it is local. In certain cases, we might go global when there is a shortage of competencies. That would be the only occasion where we would take foreign companies to come and perform certain tasks because it's really based on competency and availability of local market. Else it makes absolutely no sense because you pay a lot of transportation fees and all this kind of things. So, it would not be relevant.

(E) Ok, perfect. Can you start by giving me a brief overview of the company please?

(I) So, if I give you a brief overview of Alstom, Alstom is a company which is making about 8 billion euros of turnover yearly, selling train solutions, railways, tram, metro, regional trains and highspeed trains. The location in Charleroi is a center of competence for both running stock components and signalization and train life services. And basically, it is important to take all this into consideration and railways is a good example, a good case because a lot of different factors intervene. First, for example in Charleroi we have mainly power solutions, power conversion and power for the motors and engines and signalization for both trackside and onboard but the trains are made elsewhere, either in China, India, Poland, North of France, some are being made in South Africa, others in Brazil, in America. But one site does not do everything. It's just the level of subcontracting

and externalization that changes. So, the key point is that you have to acknowledge certain facts regarding the industrial reality. Especially for companies like Alstom which are doing big products: a train, like an airplane, qualifies as a big product. It's not highly movable, although it is easier to move a train than it is to move an airplane. A train you can put it at the back of a special truck but an airplane it would be much more complicated. But what matters a lot is the product psycho and the product technicalities. Basically trains, if you look at it from the outside, all the trains are the same, each train goes on rails, but in the reality all the trains are different. There are no two systems that really work. Actually, what I did when I arrived at Alstom was to foresee trucks for certain commodities and I arrived very quickly for instance for the kind of products that we're producing, I took 8 projects that were fairly similar, and I compared the bill of materials. And basically, what I found is that you had 30% of the materials which were used on two different configurations, and there were overall only two parts which were used full range on the 8 projects, and it was only screws. And I am talking about one equipment for basically 3.000 references by bill of materials. So, it gives you an idea of the complexity between the different projects where there's very very little carriage between the projects. That's the industrial reality of this industry. It's the worst-case scenario in terms of industry. When you're doing phones, computers, you always have some parts which are reused, the key technological lead items will change but the basics behind it will stay the same. But here with trains, no. So, it will show you the worst-case scenario. This is one of the realities. The other reality is that we are not in the 50s or in the 60s anymore where a state placed an order for trains, and they could wait 5 to 10 years to receive the trains. Now the world is getting much faster and basically from the moment where we get a notice to proceed from the contractual standpoint, we usually have 1 year to produce a prototype, after which we have 1 year to start delivering what we call the pre-serial, which is a small series of item which will serve to validate the technical functionalities and the viability of the product on the market and after that you have the full series. So, in the railway it will be one prototype, if you're lucky, then it would be 3 to 6 equipment for the pre-serial and after that you would have between 50 and 400 trains. So it goes very fast, it is very hard and what will happen in a company like Alstom that has an international footprint, has locations across the world, we will decide what is the PIO, which is basically the industrial identity card of the product, where strategically from the start of the project, even from the start of the tenders phase, they will define who is doing what, where and

when. So you will have a site like Charleroi, who is a design site and has some products facilities, they will be ordered to do the prototype and the pre-series and after that this serial will be moved to another location, with a preference for a low-cost country of course, because it is labor-intensive so it makes sense that we use cheaper labor. So it brings in a different set of challenges because not like phones or something like this where they contact Foxconn in China and maybe Foxconn will decide to do the first prototype in Taiwan but we all know that from the first one in the serial it will be done in China. So, the problem I think is a little bit different. Here we need to find suppliers who are capable to first give us the technical lead that we need or the technical know-how that we need to produce the product. And then we have to find a solution for the localization. So we have different ways to find this : it's either we don't care about it and we start with a local supplier who has the know-how, who can produce a prototype that we validate and then we will go in the resourcing to find another solution more on a global scale. Then we have the other type, which is the best type, is to have a supplier who has both: who has the local facilities for engineering and prototyping and then has a facility in a low-cost country where they can do the product in serial. Then we have two specific cases where first, there's nobody who has the technical know-how to achieve what is required or there's only one or two on the local position because we're in Europe and this is where the know-how is, in which case we will have to buy locally, we won't have a choice. The other case is, in state contract you may have an obligation to have localization. For example, we had a contract with South Africa for metros there, we designed it in Europe, we started the pre-serial in Europe and after that we had to create a factory in South Africa to produce the trains and we had to impose – it was 90% of all the products that were used inside of the train that had to come from South Africa. And of course, South Africa doesn't have the industrial mapping like here in Europe, so we had to ask a lot of our suppliers to open facilities there. So, this is a very specific side I would say, but else what would really define the necessity between a local or a more global approach is really two things: it's the capacity and the cost. If we find somebody locally who is capable to work as cheaply as a Chinese, or in Europe, we will go locally, because there's a lot of factors, for example the crisis that we have now, it's part of the risk factor that we have to take into consideration in our projects. We have to be sure that the supply chain will be able to hold on. Because for this kind of projects for example we have very very high liquidate damages, penalties based on delivery performance, we cannot take the risk. And the way that we cover this

risk is basically having a local/global supplier so we're trying to have either a supplier who is capable to do both or to have double sources. Because then we have another issue, because it never ends, because for example for phones or computers, a company will keep a service and a warranty system for 5-6-7 years before declaring it obsolete and unrepairable but for trains, we have to do obsolescence management up to 45 years: we have to keep parts available for a minimum of 25 years and it can go up to 45-50 years. So, this is something that we have to keep, and this is something that is much more easily maintained on a local level.

(E) Why?

(I) I think this is a question of trust, I think there is a question of proximity. You know "keep your enemies closer". So, this is everything. So the lifecycle of the product, we have prototyping which is usually made locally even if we try as much as possible to input products that we know either we can directly buy globally or we know we will be able to source globally and in that sense we're going to be able to push and to assist the suppliers into doing this. For example, we have paid several suppliers for them to open facilities in every country to accompany us on these projects. But really the end thing is related to costs.

(E) Ok and is it taken into account when you design the trains this dimension of being able to do it on a global scale or not really?

(I) This is a bit another subject, but it matters to me which is basically the transformation of the purchasing and sourcing activities within companies. In certain companies, still today, purchase and sourcing are cost elements, they are here only to cost money, which is an antiquated view. Now the truth is, for large companies and I guess it has to go further down to SMEs and TPEs it's basically sourcing purchasing is a center of competitiveness and performance for companies. A company, even a start-up, they know it actually. There's a moment where a company will plateau in terms of performance, sales and they cannot continue to gain more and more customers indefinitely, it doesn't work like this. So, in the end what we have to increase their bottom-line, to increase their profit margins, to increase their EBIT, they have to act on what costs money and transform it into a center

of competencies and center of excellence. And basically, what happens, my primary role when I was working for Alstom, was basically to do the interface between the engineering, the project and the purchasing supply chain work. I was holding the hand of the engineering during all the development phase, telling them “guys, don’t forget, this thing is very nice but this is only produced here at 50 km from site and it’s completely out of scope, out of range, and if you use this, we’re never going to reach our target and we’ll have problems for the full lifetime of the train”. So, this is something where we insist on telling them “no, don’t do this, take something else, use something else”. The other thing is when we don’t have the choice, then we’ll go full sourcing negotiation with suppliers to develop new solutions or to extend the range of the company. We do it very often for powering tools, power components for electronic boards and all this kind of things. So, we force the people to try to get the purchasing involved as early as possible. And the earliest is the tender because more often 70% of what will be the end product is decided in the tender phase.

(E) Ok, I see. And when you say that you can better trust the local suppliers ...

(I) No, that’s just a view of the mind.

(E) Yeah, I know, but I mean is it also in terms of contract enforcement, which is maybe easier if it’s in the same country than abroad?

(I) Definitely. I said that the fact of having a local supplier is being much more trustworthy, that’s a view of the mind. There are very competent and very trustworthy people everywhere, and there are a lot of crooks locally also. But in terms of law, it’s much easier to sue somebody or to do contract management with somebody who is just next to you than somebody who is across the world, definitely. What would happen if we were to sue a Chinese manufacturer, I don’t know what would happen, probably nothing. If we attack them here in the Belgian court, they would not even come. And I don’t know what would be the level of safety and security of people who go to China to defend our interests. For this case, for example companies like Alstom, like Siemens, we have offices in this kind of locations, we even have factories there to assist in this kind of thing. But yes again, it’s not an easy task.

(E) And is it also to bridge the cultural gap to have those offices pretty much everywhere, so that you also have people working for Alstom but from the country or not really?

(I) I'll tell you what. Understanding the cultural gap is essential. I've spent 12 years of my life in Asia and I know what it is. But unless you go there with an open mind to understand where they are coming from, it doesn't happen. And basically, what I feel, seeing the big groups, the large groups and seeing their HR policy and all things, this is all mumble jumble, just to say, "we are an inclusive company", it has no sense in the facts. It doesn't really add value. For example, in Alstom we had the chance to have a Chinese colleague who was working for Alstom in China, came here in Charleroi to work with us and her views and her ways of working have never been taken seriously by the management. So, it's like the fact of somehow having colored people or women in management position or whatever, it's more for the show than for the real competency of the person or to take in their specific and their special view of the subject. So, I agree with that it is very important to have this but yet it's not really truly used in a meaningful way by organizations. It's just for the show.

(E) Ok. And so, the cultural differences do they have an influence on your relationship with the suppliers or not really?

(I) Yeah... Beyond cultural differences, you have people who have different perspectives on subjects, and for me the fact of buying or to have this buyer-seller relationship is really based on personal people. You can have a company like Alstom facing another company, if the guy from Alstom is not a good person or the guy from the other side is not a good person, it's not going to work, it is beyond cultural. Now, this kind of company tend to give also some small trainings and guidelines on how to behave in certain occasions. I do believe it's more based on EHS perspective, it's more on how to behave when you are in a Muslim country, or something like this, not so much about how you have to handle the negotiation with a Chinese supplier or an Arabic supplier or whatever.

(E) Ok, I see. And regarding innovation, do your suppliers often propose you some innovations or not really? And if so, do you see a difference between your local and your global suppliers in that perspective?

(I) Yes, there were some suppliers doing this. We had put in place a strategy where our suppliers would give us their ideas. It was a little bit like an idea box. And we gave them the possibility to give us either improvements of existing solutions that we were using, so seeing some ways to produce cheaper or to make them more performant, and also to give us insights on new capabilities, on new technologies. So, this is of course very important. The new way of doing procurement and purchasing is really based on possibility to incorporate inside from the suppliers as well. And what we did very often was meeting with suppliers who were just coming to present their new facility or their new products or their new technology, and likewise on the other side, we were inviting suppliers to come and see the feasibility of new ideas that we had.

(E) Ok. And in that regard, was it easier to do it with local or global suppliers? Or was it the same?

(I) It is the same. Basically, as long as people are willing to discuss and to work, it's the same. In terms of innovation, both things were made openly. Now, small structures are far more interested into sharing this kind of information to give themselves a competitive edge. Large companies are slower to move. You have to request more for this kind of information. Smaller companies are more flexible.

(E) Ok, I see. And regarding the factors you take into account in your sourcing strategy, do you think that they have evolved regarding the past two years?

(I) During the past two years, not really to be honest. I don't think really something has changed. Now, what I'm sure of is that the current pandemic is going to change a lot of things the way we have our supply chain. And I do also believe that at some point environmental concerns will also impact the way we choose global suppliers. I think it's good to have a supplier who has a global footprint, but I think the global side of things has to be understood locally. In a way, it's good to have a company, a bit like the German industrial way of working, having small production units a little bit everywhere rather than have two very very large units which force a lot of transportation and a lot of environmental damages.

(E) Ok, I see. And regarding the pandemic, you said that it will probably change the way we view the supply chain, but how?

(I) I mean, today if we look at it with a bit of honesty, China is the manufacturer of the world. Something happens in China, the world starts to have problems. And there are a lot of companies who are already claiming they have disruptions in their supply chain, in their livelihood capabilities, because we are not receiving products from China. So yes, it will have an impact but how, I think it's too early. Now, there's the human factor also in the equation. We're saying now it's a pandemic, let's see in 3 months how it goes, hopefully everything will be back to normal and people will say "ok, this happens once a century, we had the black plague, the black flu, and then let's go back to normal business", that's probably what's going to happen. But I think that contingency plans will have to be developed accordingly and we'll have to be much more serious.

(E) And those contingency plans, do you think that they will be more about localizing more or just multiplying the sources?

(I) Both. I think it's a necessity. It will be both. I think that the business model has to evolve a little bit and I think again that the multiplication of small production units is somehow going to be more valid than having big single unit. Yet again it depends on the industry, it depends on the type of investment because if you have to multiply your tooling, it changes a lot on the bottom line. Also, I think it's time to reconsider the overall reliance towards China in a lot of ways.

(E) Ok. And finally, what would you say are the biggest challenges to your sourcing strategy and how do you deal with them?

(I) The biggest challenge in sourcing today is really I would say based on cost evolution and the real problem is that China was very very competitive at one point and now if you order things from Shanghai for example, the hourly rate is more expensive than the hourly rate in Poland, and already Poland is the most expensive in Eastern Europe. So, I think it will be more a question of reevaluating all the suppliers and see if there's still a sense in the way to continue doing it as we do, I think that's the major point. Now we'll have to see.

Everybody is saying that – and I am part of these actually – we are quite overdue for the next crisis. America has been like a Swiss watch for the past 40 years with basically a crisis every ten years. It should have happened a couple of years ago. Now, we'll have to see what is going to happen and if the pandemic isn't the match to light it all up. So, this is going also to be quite interesting.

(E) Ok, thank you. I think that we've covered all the key points. Do you have anything to add?

(I) No, I think that my key point and what I'm trying to tell to all my customers and to everyone I have the opportunity to talk to, is really to create and pursue the change about the purchasing view of things, that purchasing is not a cost center but really a competitiveness center. It's really where the companies can save and increase a lot their profitability and I hope that we'll use this extra cash or positive results to be more creative about the whole supply chain instead of all going at the same place and creating bottom life and issues and environmental concerns for everyone.

#### **Appendix 5 – Interview 4: Delhaize (Food Retail)**

This interview was conducted on the 25<sup>th</sup> of March 2020 with Mr Raffael Li Preti, VP Commercial Unit Fresh at Delhaize.

*(E) Elise Bonchoux – interviewer*

*(R) Raffael Li Preti – interviewee*

(E) Donc du point de vue de votre stratégie de sourcing, est-ce que vous utilisez plus une stratégie de sourcing local, global ou un mix des deux ?

(R) Même dans l'alimentaire, on a des produits qui sont plus sensibles que d'autres donc je dirai qu'il y a une matrice qui est type de produits/marque que l'on va utiliser. Et donc d'un côté, au niveau marque, on peut très facilement dire dans le cadre de Delhaize on a la marque 365, la marque Delhaize, la marque Bio, donc voilà. Donc on peut, et c'est pas toujours vrai à 100% mais globalement, on peut dire c'est que pour les marques premier

prix, on est moins regardant par rapport à l'origine du produit. Donc et là je ne parle pas de la qualité du produit mais bien l'origine, où sur ce genre de produit en général on est prêt à sortir de notre beau pays. Et puis il y a aussi une partie, ce que nous on appelle en interne « les catégories émotionnelles », qui sont des catégories qui sont de 1) globalement moins transformées que d'autres, je pense entre autres aux fruits et légumes, le lait, les œufs, et 2) pour lequel le client a l'impression de savoir d'où vient le produit et potentiellement peut connaître quelqu'un qui travaille dans ce secteur-là. Et donc sur ces catégories-là, on est très sensible à l'origine et c'est pour ça que par exemple sur le lait, les œufs, sur les fruits et légumes en fonction des saisons et en fonction du type de produit, on est sur des origines belges. Une fois qu'on est sur des produits un peu plus transformés, je prends une lasagne par exemple, là en règle générale, la provenance des ingrédients est moins sensible.

(E) D'accord.

(R) Autre exemple de catégorie émotionnelle c'est la viande évidemment, où là aussi on essaie de vraiment se focaliser sur des produits locaux.

(E) Donc vous utilisez vraiment un mix entre le global et le local je vois ?

(R) Oui, tout à fait. Et donc d'un côté il y a ce côté émotionnel qui joue et puis de l'autre côté c'est le positionnement prix qui joue. Et puisque je parlais des marques, c'est surtout une question de prix. Si la Belgique est capable de nous fournir un produit 365 qui correspond aux prix du marché, on va privilégier évidemment la Belgique mais ce qui compte-là, la clé d'entrée c'est plutôt le prix plutôt que l'origine sur la marque.

(E) Et du coup comment est-ce que vous construisez votre stratégie de sourcing en fait ?

(R) Donc la stratégie de sourcing est vraiment faite par catégorie et par marque. Donc dans chaque catégorie, on a une stratégie de marque et en fonction de ces stratégies de marque alors à ce moment-là cela nous donne je dirai le résultat de se dire ok pour tel produit on est d'accord d'aller sourcer en dehors de nos frontières et pour tel produit on n'est pas d'accord.

(E) D'accord. Et sinon, par rapport à l'évolution des facteurs que vous prenez en compte, ou bien juste leur importance, est-ce que vous voyez une évolution par rapport aux deux dernières années par exemple ? Est-ce qu'il y a des facteurs qui ressortent un peu plus que d'autres ? Par rapport justement à ce trade-off global/local ?

(R) Ce que l'on voit peut-être, je dirai qu'au niveau des catégories émotionnelles c'est une tendance qui existe déjà depuis quelques années, donc je dirai au moins transformé, au plus local on veut avoir les produits. Ce que l'on voit c'est que même maintenant tout doucement dans certains produits transformés, le client est de mieux en mieux informé, recherche de plus en plus l'information et donc est aussi beaucoup plus en demande de transparence et donc cette demande de transparence nous oblige dans certains cas à aller vers des produits d'origine belge même dans les plats transformés. De nouveau si je prends un plat préparé plus classique, le client veut savoir si les pommes de terre c'est des pommes de terre belges ou si la viande, si le porc qu'on met dedans, est bien du porc élevé ici en Belgique.

(E) Ok, je vois.

(R) Donc ça je dirai que c'est l'évolution qu'on voit un petit peu c'est que les produits transformés 1) le client veut de moins en moins de produits transformés – donc avec ça je vais dire aussi qu'on utilise de moins en moins d'additifs, de conservateurs, de produits pour stabiliser le produit final – et 2) c'est le côté connaissance des ingrédients, provenance des ingrédients.

(E) D'accord, ok. Et comment est-ce que vous mesurez l'efficacité de votre stratégie de sourcing ?

(R) Bonne question. Je dirai qu'un des critères importants c'est qu'on compare les prix de vente évidemment avec la concurrence et assez rapidement on peut se rendre compte si quelque part le choix de notre sourcing est le bon ou pas, si on achète à des prix corrects ou pas. Voilà si la concurrence vend à un prix que nous suivre ce prix en marge pratiquement nulle, ça nous donne déjà une indication sur le fait que potentiellement il y a quelque chose-là qui n'est pas ok et qu'on doit revoir.

(E) D'accord. Et justement par rapport à la concurrence, est-ce que vous regardez juste par rapport au prix ou est-ce que vous regardez aussi un peu l'origine de leurs produits ?

(R) Donc ça aussi on regarde évidemment l'origine des produits aussi. C'est là où aujourd'hui Delhaize est certainement le plus loin dans tout ce qui est origine belge. Donc ça aussi on regarde. Souvent le premier indicateur est le prix de vente et souvent cet indicateur-là je dirai allume une petite alarme en disant tiens, on a l'impression de ne pas être exactement dans les mêmes standards et ça nous permet alors d'aller voir tiens est-ce que le problème est l'origine, est-ce que c'est des spécifications de produits qui sont différentes et des choses comme ça. Donc c'est souvent ça. Après, on fait aussi régulièrement – fin deux fois par an – on fait ce que l'on appelle une révision de catégorie complète où on va faire des benchmarks de la totalité de l'assortiment de la catégorie chez la concurrence, et où on regarde quelle est la structure de l'assortiment, quel est le grammage, quelles sont les origines des produits, le prix évidemment,... Donc tout ça en benchmark et ça nous donne des indications sur la qualité de notre sourcing ou en tous cas ça fait remonter certaines questions et dans certains cas on décide de dire ok, nous on maintient notre origine belge et on ne souhaite pas revenir là-dessus et dans d'autres cas on se dit peut-être que là il y a quelque chose à faire.

(E) Ok. Et justement est-ce que cette origine belge elle fait aussi de manière plus générale partie de la stratégie de Delhaize ?

(R) Oui, tout à fait. C'est un point important et on en est assez fier et donc on communique par exemple dans la viande, 90% de notre viande est d'origine belge, dans les œufs on est à 100%, dans le lait on est à 100%. Donc cela nous tient à cœur, cela fait partie de la stratégie et on essaie de le communiquer le mieux possible. Pas toujours évident mais en tous cas c'est un point important pour nous.

(E) D'accord. Et sinon quel est le plus gros challenge diriez-vous que vous rencontrez dans cette stratégie de sourcing par rapport toujours à ce trade-off local/global ?

(R) Le gros challenge c'est le prix. On est dans un marché hyper concurrentiel où je dirai qu'il y a une bataille pour celui qui sera le moins cher, avec des joueurs sur le marché belge

qui sont des joueurs allemands, je pense entre autre à des Aldi et des Lidl qui viennent pour certains produits avec leur sourcing allemand et où je dirai les proportions en Allemagne sont tout à fait différentes et donc ça permet d'avoir des meilleurs prix et donc c'est vraiment ça le challenge. Le challenge c'est d'arriver à être concurrentiel avec un produit local.

(E) D'accord, ok.

(R) Qui est de temps en temps un challenge parce que sur certains produits la Belgique est vraiment bien, mais il y a des produits où c'est plus compliqué.

(E) Comme lesquels par exemple ?

(R) Par exemple le lait. Le lait en Belgique versus le lait en Allemagne est différent. Dans certains types de fromage, surtout des fromages à tartiner, sur certains biscuits, sur certains yaourts, des yaourts pour enfants où il y a des usines spécialisées en Allemagne là-dessus, hyper industrialisées, qui permettent de sortir une productivité très élevée.

(E) Et sinon dernière petite question, selon vous quels seraient les facteurs qui pourraient devenir beaucoup plus importants dans le futur dans cette stratégie de sourcing, toujours par rapport à ce trade-off global/local ?

(R) Le challenge je pense que les gens voudront, et c'est ce que je disais là tantôt, de plus en plus de transparence le produit, cette transparence dans les produits des catégories émotionnelles versus les autres c'est que dans les catégories émotionnelles c'est un produit peu transformé et donc c'est mono-ingrédient souvent donc c'est assez facile à avoir une origine et à se renseigner sur l'origine. Mais on voit que sur les autres produits qui sont plus transformés, le client il a envie de savoir, il a envie de connaître et je crois que ça, ça va être le challenge. Il va nous demander de plus en plus de transparence et cette transparence quelque part va obliger les retailers à se poser des questions sur certains produits où peut-être qu'aujourd'hui dans certains produits, de nouveau pour rester sur le même exemple sur la lasagne, peut-être qu'aujourd'hui on ne se pose pas la question de savoir si le porc vient d'Allemagne ou si le porc vient de France ou d'ailleurs

ou de Pologne, mais peut-être que demain le jour où on devra le mettre sur notre packaging que le porc vient de Pologne, les questions vont se poser différemment et se dire est-ce qu'on est vraiment toujours à l'aise de le noter tel quel sur notre packaging et donc est-ce que cela nous obligera à revoir notre sourcing.

### **Appendix 6 – Interview 5: AB-InBev (Brewing)**

This interview was conducted on the 27<sup>th</sup> of March 2020 with Mr Matthias Calmeyn, Logistics Process Manager at AB-InBev.

*(E) Elise Bonchoux – interviewer*

*(M) Matthias Calmeyn – interviewee*

(E) So first could you give me a brief overview of your company?

(M) So, AB-InBev I suppose the company as such you partially know. So, what the company does is of course, our key thing is in the beer industry. So, I'll explain a little bit more what that means. That is of course not only in Belgium, that's where we have Stella Artois, Jupiler or Hoegaarden, but across the globe we have I think more than 250 different brands so that means we also have a strong hold in the United States for example with Budweiser if you might know the brand, or in Brazil we also have a strong hold. So, if we look a little bit historically, Belgium is one of the key angles of the company which used to be the key shareholder and then we merged with the Brazilians so that Interbrew became InBev, so together with AmBev it became InBev. Then a couple of years later, we acquired Anheuser-Busch, which is the guys behind Budweiser for example, so then we had a strong hold in the United-States and that's why it became AB-InBev. And then a couple of years later, we invested in buying Grupo Modelo, which is the brewer behind Corona for example in Mexico. And then the latest big change that has been done is when we merged with SABMiller, which is in fact a South African brewers' group which is very active in Africa of course but also in Australia and Asia. So that's a bit where we are. So, when we're talking about selling beer, then we do it on every market almost.

(E) Yes, I see. It's very global. And what is your role exactly in the company? What are your key responsibilities?

(M) My current role I am Logistics Process Manager, which in fact means that I am taking care of the teams working on order management, that means receiving of orders from the customers. So, for example if Colruyt in Belgium wants to order beer from us, somehow they need to communicate with us so my team receives those orders and will make sure that gets processed. But that doesn't only mean for the big retailers, that can also be for example for a wholesaler and those kinds of things. That's the first part for the management. Then we do inventory deployment, that means that's for the network of warehouses that we have. So, we have a warehouse in Leuven of course where we have the Stella Artois brewery, but we also have some other warehouses. Those guys they monitor the stock levels on all those different locations, and they will take decisions on which product we will store where, for which quantities to ensure that we always can cover the demand from certain customers that want to order on that warehouse. So that's inventory deployment. And then the two things together of course that means that they need transportation: we need to bring it from the brewery to the customers, from the brewery to the warehouses. So the third thing that I am managing is transport planning, which we do for finished goods, so that means a bottle of beer which you would buy in the supermarket, but of course also the other way around, if you bring back your empty crate to the shop, those crates need to get back to the brewery as well. And if you ever have been to Rock Werchter for example, or Tomorrowland, then you see road tankers of beer supplying the beer stands, that is also planned by my guys. So those three things – order management, inventory deployment and transport planning – I look after it for Belgium, the Netherlands, Luxemburg, France and also for Italy but that I recently gave away to a new colleague because that market is growing quite fast, to allow more focus to that country.

(E) Ok, I see. So, you are not really in the sourcing part of the business, right?

(M) So, sourcing it depends on what you source. If you are talking about sourcing of grain and sorghum that we need to brew the beer, no, that I am not doing. Of course, I do need to source transport service, and I am also involved in warehouse services that we need to

source for. So that's where I am interested in because there, I need to have correct cooperation and good contract with external companies to provide me those services.

(E) Ok, I see. So, regarding your sourcing strategy, would you say that you use more local, global or a mix of both so a glocal sourcing strategy?

(M) I would say it's more a global strategy. So, as the company has a global scale, we follow certain guidelines sent by the company. For example, if a supplier in one country is doing illegal business, we will not cooperate with them in another country. That's also for example if you see the mission of the company, we have an ambition on CO<sub>2</sub> reduction for example so there also the company on a global level will put for every country a certain ambitious goal. It will be different in Belgium versus Russia versus South Africa because depending on local legislation or on I would say how evolved the country is, you will change differently. And where the local angle does kick in the sourcing is on certain suppliers we will cooperate with. For example, in France, what we see as very important point is certain transport companies, they know certain regions that well that it's an advantage to cooperate with them. So the procurement team needs to, next to those global goals, also focus on understanding what is market specific, what do we try to learn locally, and if suddenly you ask a huge multinational to do the same than another company it might fail because it doesn't have the ability to know the details of that market. So, the market research of course needs to happen on a local level in order to ensure that you don't make mistakes by just blindly following a global goal.

(E) Yes, I see. And how do you develop your sourcing strategy then?

(M) In the end, the sourcing strategy it comes forward from where do we want to go as a company. For example, if you take back the CO<sub>2</sub> emissions we want to reduce, we say for example by 2025, we want to have reduced with 25% of our emissions. If we take that goal, that's 5 years from now, then we are going to break it down in ok, what does that mean for the next 3 years? For the next 2 years? For the next year? In order to build towards that longer-term goal. And then how do we put it in practice? For example, for my transport companies typically I will make arrangements with them to have a one-year, two-year or three-year contract. So, for example currently we're in the process of

renewing those contracts for the Belgian scope. So that means the carriers I'm currently using in a couple of months might be changed. Why do we do that? Because that helps us to renegotiate prices, because the supply chain changes so maybe we want to review our prices. And also, to develop towards those goals of course. In the preparation, we will go through different steps: so at that moment the procurement team or the sourcing team they will come towards my team and they will ask "hey guys, what do you need?" because sourcing one shipment, one truck is different than sourcing 5,000 trucks. Then we give some information so we see that next year we will have an increase in needs to transport from Leuven to France. So ok, what does that mean? Ok, it will grow with 20%. We will put a statement towards the sourcing team: "hey guys, we need to find carriers that can do that 20% on top". Ok, there will be some requirements on safety, on CO<sub>2</sub> for example. And a little bit all those requirements we have put together they will send note requests to tender prices like we say. So, all those carriers that we are interested in cooperating with we will ask them "hey guys, do you want to give your price? Give us your quotation in order to start negotiating". So then in multiple rounds we will say yes but that company they're willing to give this price but you're asking more, why is that? Ok, this is because I offer better quality. So, based on that we will try to understand who is offering higher quality, who can help us on doing same quality for lower price for example. And also ensure in those different rounds, because depending on how a company puts its price, it also shows whether it has interest or not in that part of doing business with us. If they're like "oh no, we don't want to do this", they will put extremely high prices, hoping that we won't select them as a company for it. So based on those different rounds, we will give feedback to those suppliers and we will say "hey guys look our internal goals, you need to give more explanations on your goal towards CO<sub>2</sub>. How are you going to do that?". It can also be on technology, "What technology are you going to use?", and so on. And then, it takes 4-5 months and then by then in the end we're going to sign new contracts with them. Once the contract is signed, both parts need to follow upon of course. So, we don't give a promise on everything but yes you can't buy thousands of shipments and then next week say to that transport company you will do zero. So, you need to have some rules that you are going to follow in order not to make your supplier go bankrupt neither. In that contract it will also be stated when we're going to pay our bills. Because if they drive a shipment for me today for crates, it's not by end of day they will have the money on their bank account. Once a month we will make the summary of how much they drove, they will

send us an invoice then we say ok guys we're going to pay you X days later so they know when they can expect their money back for forecasting their cash flow for example. So that's a bit how it goes but it also starts with where do we want to be in 5 years from now, you break it down into what does that mean for the next 3 years, 2 years and next year and based on that you're going to review the contracts and therefore the quote you are asking from different suppliers to do so. The same happens if you would need ingredients for the beer. The same happens there. So, if you need to have grains, then we also need to have a solid supplier that cooperates with the different farmers to provide us good quality. So that will be very specific in that contract, they need to reach certain standards. If the grain is out of those specifications, we will refuse the delivery. So, they need to respect certain limitations and they need to be able to follow our requirements. If you want to brew for example in Leuven 7 million or 8 million hectoliters of beer on a yearly basis, you can't have a supplier that can only supply you with one truck of grains a week for example. So that's a bit how you need to see it. And based on that we're going to try to reduce the risks of disrupting our supply chain or the financial goals we have put ourselves. If you have a supplier that every month comes back with extra costs or things like that, you can't guide your performance to deliver the goals at the end of the month or at the end of the year where you need to share your results with your shareholders.

(E) Perfect, it's clear. So, regarding the trade-off between local and global so you've talked about the parameter of expertise and also quality, but do you have other factors that could influence your choice? Like maybe volume or something?

(M) Yes, indeed. Volume of course. We're gonna select suppliers that are able to work on our scale partially. So, for example, if in France the yearly basis is around 100 truck loads going to different customers, I am not going to do that with 100 different suppliers. That would simply not work, right? So, we're gonna choose based on how big are certain companies to ensure that they can deliver the certain activity we want them to do. So, volume is one, quality we already have discussed, better quality might allow better price. It can also be a strategic choice. For example, currently we're investing a lot in online tracking of where are our shipments. If you order a book on Amazon, you can look up exactly where your book is, right? If you order a truck of beer, you can't. But in the end our customers more and more are expecting this, so we need to evolve the same way. So

certain suppliers that are more advanced on I would say technology might be preferred partner for the contract in that case.

(E) And would you say that there's a difference between the local and global suppliers regarding that technological advance or not really?

(M) So, on technology there can be one. Last year we chose to cooperate with certain start-ups because there might be competitive advantage in the future, or it can be the reason why a smaller supplier drops out and where bigger multinationals is able to bear that cost of that investment of technology for example.

(E) I see.

(M) Another aspect that we look at is that if we already have cooperated with those guys, we're gonna look at past performances. When I go into new negotiations, I'm not just gonna ignore what happened last year. I'm gonna give my preference to the sourcing team and say "hey guys, that company are really great guys, we really love working with those ones because of these reasons". So, if they want to change that one just to cut the costs, then I'm like "hey guys, then you need to give me a guarantee that another supplier can show the same performance". So, performance would be a reason as well. And then duration of the contract. For certain businesses, we only want to do short term contracts because the business is very flexible and we want to be the same, we don't want to do contracts of 5 years because we don't know how the beer industry will look in 5 years from now. So, if the company which we're working with doesn't agree about that one, it won't work. That's a bit the different aspects we want to look at. Of course, they need to be legally correct. So also, when prices volatility and so on seems to be good, we will screen them, whether they are trustworthy. So, if they have like a shady link with a dictator I don't know somewhere, we will do an investigation whether they are trustworthy. Also, on finance, if they have history of fraud, we will prefer not to cooperate with them. If you have farmers doing child labor for example to harvest, that will also be if we do the investigation and we come out on those kind of topics, we will try to keep those suppliers out of the discussion because that's not what they want to support for example.

(E) Ok, I see. And regarding that responsiveness side, would you say that local suppliers would be more responsive than global ones or not really?

(M) It depends. I would not say it's the one or the other. I would say that certain local suppliers, they're so good in what they're doing and therefore they're very responsive. But you might also have certain local suppliers that are not professional enough and therefore they fail to respond fast enough. The other way around, a bigger player I would say has the resources to do so but also from their end, it's their choice to decide how much people they put on certain activities in their company. So, if they are great on global scale but they don't have enough people in the right departments, they might still fail to be responsive enough. So, I would say it depends on how that supplier wants to treat you that they will put the right effort there but that has nothing to do with the scale necessarily.

(E) Ok, I see. And would you say that the factors that you take into account in your sourcing strategy have evolved during the past two years let's say and if so, how?

(M) Yes. I would say the key thing that has changed is on the one hand, the ecology. I think we've already touched upon that one. The other thing is especially in Belgium we have invested a lot the past years in our production sites, so the breweries they have grown a lot. They have built new brew houses, they've installed extra packaging lines, so our total volume of what we need to transport in my case for example what we need to warehouse has grown a lot. So, we have been obliged to really change our requirements in terms of volumes towards this sourcing strategy. And then the third thing is a little bit more as of this year is technology that's for example the tracking GPS obligation because that means that every transport company will be obliged to share the data of the GPS in the truck of their drivers. Otherwise we can't link it with our shipment data and so on but that of course requires a big shift in what we are sourcing for, and therefore also the negotiation with those companies will change because they might need to put an initial investment and they're like "yes but guys we have a different technology we are already using, can't we use this one?" and then we're like "no, you can't" and that becomes more and more important, that end-to-end visibility of our supply chain, including external companies such as a transport company.

(E) Ok. And how do you assess the effectiveness of your sourcing strategy?

(M) First thing would be our service level. Service level I would say is your measure of how good we are delivering your customers. So, if we change also our sourcing strategy and after we have implemented that change, we see that we are worst in delivering our customers, then we have a problem. So, we will closely monitor our service level, that's the first thing. Second point will be of course we will closely monitor our costs because we have agreed upon prices so that means that we should be able to predict how much money we're gonna spend on certain services, that's the second angle. And then a third is more on qualitative parameters. For example, in the contract it's agreed that the carrier needs to be able to take on average 100 shipments a day, if he starts to refuse the day before he needs to do those 100 shipments "hey guys, I don't have capacity, I can't do it, I can only drive 50", then we will come back on the capacity agreement he or she has made. So, we will compare towards that, and then also on safety for example. We expect our people to be safe in the breweries so that means also that a truck driver needs to respect the rules. If there are safety incidents reported by the breweries, then we will take this as a negative score to the contracted party for example. So that's being followed up I would say on a monthly basis, in which we have a kind of KPI dashboard, let's put it like that, which we review. And every month, for example my team has calls with the different transport companies to discuss those results "hey guys, you are doing good on this one but this one is not ok" and if it's too often not ok then we will go back to the sourcing procurement team to put, I would say, contractual pressure. And then if it really goes bad, then we're gonna use it to break the contract. So ideally that does not happen of course but that can be. And then if you would talk more for the sourcing overall materials, or for example for packaging materials, you need to have cardboards or stickers or bottles, they will do quality checks before they use these goods in the production. So every time there is a truck arriving with new bottles, they will take a few bottles out of that truck, they will do some tests on it to see whether those bottles are ok and those data we save it, to see the history of that supplier, whether he's always within the quality specs that we request from them. And there again, if the supplier for example of packaging materials would fail, for example a couple of years ago, when I was working in Hoegaarden in the brewery, I had a supplier that had delivered bottles that break when they are packaged. So, I had broken bottles in the boxes of beer. And then after the investigation, the root cause was

that one of the production lines of the supplier was producing a defect. So, at that moment, we had to recall products from the market, meaning that our customers are angry with us because they can't buy our beers because we can't sell non-qualitative beers. So that's again going back to service level in the end.

(E) Yes, I see. And what would you say are the biggest challenges in your sourcing strategy and how do you deal with them?

(M) The biggest challenges, I think on one hand is finding when you put all your requirements together before you go into this sourcing period I would say, you will find out that you're asking so much that typically it won't fit the price you want to pay for. That's the same if you want to buy a new car, you want to put all those options on it and then at the end you see the bill and you're like ok maybe I should buy a second-hand car. So of course, that's a challenge, you need to find the balance between how much you want to change in one or two years versus long term goal without just putting millions and millions of euros on top in your spend. And the second challenge sits more on the timeline of doing these changes. For example the tender or the sourcing that is now ongoing for the Belgian transport entity I would say, we started with that exercise on October last year, in which we started to calculate how much do we need, what are the extra requirements we want to put, in order to go to the different suppliers in March latest because we review our requirements 10 times before we go to suppliers and then in the timeline we put our internal targets to then implement those changes by the month of May, which is in fact very fast. The moment it goes a little bit slow on negotiations, you take already delay. And there is never a good time to do such a big change. If suddenly you want to change all your contracts, in that case, you need to closely follow-up on that transition because you need to phase-out the cooperation with one company and scale-up with another company while during that transition your end customer should not notice the change. And then changing all the contracts in the month of May, and this year will be different, but typically in the month of May people start to barbecue a lot and all those kinds of things so we start to sell more beer. So, in the end it's our peak season in which we change our contracts. So that's a big risk because if those new suppliers can't follow from the beginning, you have immediately a huge impact on your customers. You could say "but why don't you do it towards the end of the year then when it's a bit more

quiet” typically that’s more difficult. It’s the same, I can imagine your parents at the end of the year they take holidays the last two weeks of the year, something like that. So, once you’re reaching December, companies are less responsive or have more people on holidays to follow-up on the change. So, if you do your timeline later, you’re gonna fail and you’re gonna postpone it to Jan/Feb and then in the end you don’t make it neither.

(E) Ok, I see. And finally, if you take a look at the future what factors would become more important in determining your sourcing strategy?

(M) Sustainability. Whatever you do, we need to be more sustainable. If we look for AB-InBev, you might have seen somewhere on the website a logo stating 100+ and that logo means that we want to build a company that will still be there in 100 years from now. How do you do that? By being sustainable. How do you do sustainable? That means you need to make sure your shareholders remain happy of course, but also by not destroying your planet. That’s where the green energy is important, so those kinds of things. And the market becomes more complex. For example you have growth of non-alcoholic beers and I don’t know whether you enjoy or not non-alcoholic beer in your student time but a couple of years ago, when we introduced non-alcoholic beer everybody said “who’s gonna drink that?” but by now 10% of the Belgian beers we’re selling in Belgium is non-alcoholic. So that means we’re gonna start to deliver to other types of customers, so customers have new requirements. And also next to that, there is more and more hard discounters playing in the retail market, think about Jumbo that is now in Belgium, and next to that you have the big boys of Colruyt, if there is one thing that matters for them it’s price. And then supermarkets such as Lidl, they are changing their model. In the past, who was going to Lidl, that’s only if you want to have white-label products, that’s no longer true: they’re also selling Jupiler, they’re selling Coca-Cola, the A-brands. And those guys they’re all about the costs. So, their demands become more and more difficult for us to meet. They want to have their products on different pallets because that’s more efficient for their warehouses, they only want to have lowest price, so they don’t care about what is sold in other retailers, they want to have their specific products. So, you have a diversification of the market that will trigger new demands with customers which we don’t know how they want to operate with us. The same is happening in France. The French retailers they’re very keen on penalties. What does a penalty mean? If you’re late or you don’t supply

according to the contract, they put you a huge fine. Those fines from time to time, they're that high that they even could give the truck of beers for free. So, it's really ridiculously high. So, for us as a company we're growing in France, we're growing at 20% year on year in the French market, so I need to start to get used to French retailers putting huge penalties, so that means a change in how we source. I need to be more specific in the requirements for companies going to supply those French customers. Because if you fail there, it's great but it costs me 10 times more than failing a truck load in Belgium. So those are things that are changing so the customers are becoming more strict with us and as we're diversifying our portfolio, we're gonna have new customers that we didn't cooperate with in the past so we need to learn what they require from us and therefore that will change how we need to do things.

(E) Ok. And regarding the trade-off between global and local suppliers, would you say that these factors will push more local or global suppliers?

(M) I think that it will push both. I think it will in my case it will push global suppliers in the long-distance transport because a lot is being produced in Belgium, but it needs to go further out of the country for the countries in which we're growing. And typically, those companies they can supply you those services of long-distance transport because they have other companies with which they're cooperating with to drive back in the other direction. So, if you look, you're on the highway, you're gonna see certain companies that drive everywhere in Europe. For example those yellow blue trucks of Waberer's or Ziegler the green ones, they're driving everywhere in Europe so that's the guys we need to make it work, while for those very demanding customers for example, it might be that we source a very local player that is just that good in providing that specific service for that one customer to make the difference. If I would do all my shipping with DHL, I could do so. I could outsource all my transport to DHL, but DHL will give me maybe a one size fits all approach and that might be a risk. Of course, the more you pay to DHL, the more people they put, the more diversified their activities and so on. So looking from my point of view, on the cross-border transports the multinationals will gain to my opinion while within the country, I am willing to invest in cooperation with local players in order to invest know-how on how to operate in the local markets.

## **Appendix 7 – Interview 6: Radisson Hotel Group (Hospitality)**

This interview was conducted on the 30<sup>th</sup> of March 2020 with Ms Vinciane De Coen, Procurement Manager at Radisson Hotel Group.

*(E) Elise Bonchoux – interviewer*

*(V) Vinciane De Coen – interviewee*

(E) Could you give me a brief overview of the company?

(V) Radisson Hotel Group is of course a hospitality company. The mission the company has is to be the best partner for the guests of the owners because the hotels are very often independent entities and we have a contract with them. We also want to be one of the first employers to attract people. We have 8 unique hotel brands and all of them are in the upper-scale segment. So the purpose is really to provide exceptional hotel experience and there is of course at the basis of this the Scandinavian heritage so with SAS hotels and on the US side the Carlson hotels and Radisson. We have a mission statement : “Every moment matters”. So the purpose is really to leave a positive remembering when the guests leave the hotels. So if we look at the size, we have more than 1,400 hotels around the world, with 500 in EMEA. About the brands you might know: Radisson Collection, Radisson Blue, Radisson – mostly in the US, Radisson Red – there is one in Brussels, you know Park Plaza in London maybe, Park Inn, Country Inn and Suites. So we have headquarters in Brussels, Minneapolis and Singapore and that has an impact on how we operate. So it’s of course based on history because SAS was a Nordic brand and they decided to have their headquarters in Brussels because of the fiscal set up a long time ago and that’s why they continue to go for this set up even right now. Even if we have more and more entities in Europe, there is a new entity in Spain, with a lot of back-up functions, even Procurement has a new group there, so that’s of course more and more how companies operate to reduce costs, but the headquarters will remain in Brussels. There is a 5-year plan that has been created when the European group merged with the American group but the two legal entities stayed – that’s why we still have the headquarters in Brussels – but the management team is based in Brussels and they have created one central plan to really transform the company applicable to the two entities. That has been

created based on an audit done after the merger, which really pointed out the fact that the brands didn't have an image which was clear enough for the customers. So that means that if you go in a hotel in Brussels you would not recognize the same brand than if you go in another location. So the brand message was not clear enough and also not consistently executed. So even for the same brand which is usually a group of special items and a group of special services, in different hotels you could find different services. So not a clear image and not a consistent image. So because of that they created a 5-year operating plan to transform the company and make sure that we have a consistent strategy across the globe. So the long-term vision is to be one of the top 3 hotel companies in the world. So again, the first choice for the guests, owners, investors and the talents.

(E) What is your role in this company?

(V) I am Procurement Manager here at the headquarters in Brussels so I am in charge of all the OPEX, so all the expenditures related to the operations of the hotels.

(E) Regarding your sourcing strategy, do you use local, global or mixed – glocal – sourcing?

(V) I would say that until 2019, it was more local because of the set up. So we had two separate entities – the US entity and the European entity – so the sourcing strategy was not global but for each entity. But in 2019 one of our shareholders had to sell his shares and we were bought by a Chinese company. So now we are on the stock exchange, we are a private listed company and because of that we are now more trying to have a global approach. For some goods it is not the case, we remain local. We have a strategy to have a local touch in our hotels so to give a local touch for instance you source food and beverages locally. Also in Africa you have a lot of import taxes, sometimes up to 30%, so it does not always make sense on an economic perspective to source globally. By the way, not only in Africa, Norway also has very high import taxes.

(E) Ok, I see. And how do you develop your glocal sourcing strategy?

(V) So we have a procurement department here in the headquarters but we also have procurement teams in the different countries. So as I said, a lot of the hotels are owned by

independent so we need local procurement teams to answer to their questions and help them in the local sourcing. But for furniture and bedding for instance, we have a global sourcing to have a consistent image of our brands.

(E) Ok, and what parameters do you take into account for your glocal sourcing strategy?

(V) So as I said the nature of the goods. For food and beverage, we source locally but for furniture, we source globally. Also the regulation with import taxes. If we see that import taxes are very high for something that we usually source globally then we make an exception and we try to find a solution locally.

(E) Yes, I see. And given that you operate in the upper-hand segment, would you say that prestige and quality are also factors in the trade-off between local and global sourcing? Because sometimes local is being perceived as being of better quality than when we buy something abroad?

(V) Well you know, today 90% of everything is manufactured in China. China has really become the manufacturer of the world and they can produce pretty much everything. They have become really good in producing quality goods so I don't think that we can see the difference now.

(E) Ok. And would you say that the factors have evolved over time?

(V) I've been working here since only 2018 so I cannot really tell but of course with the change in 2019 we have moved from a regional strategy to a more global strategy. But I can tell you that with the situation we have now with the Covid-19 crisis, the factors will change. With this crisis we have seen how dependent we were from China. Already in February when all the factories closed we could feel it. So this will probably influence our sourcing strategy in the future.

(E) How? Do you think that it will push more for local sourcing or more for multi-sourcing?

(V) Local sourcing, definitely. You can see if you look at the French news and the French government is already announcing that they will bring back some industries so yes, this crisis will push more for local sourcing.

(E) And do you think that in the future, environmental concerns and CSR will become more important in the sourcing strategy?

(V) So a few months from now I would have said yes but I am afraid that with the Covid-19 crisis this will change. The hospitality sector is really losing a lot of money with this crisis now and CSR policy also costs money. We wanted to become more environmentally friendly with for instance washing less often the towels or plastic reduction. But single-use items remain cheaper, and I am afraid that we will have to control the costs even more after the crisis.

(E) Ok, I see. And how do you assess the effectiveness of your glocal sourcing strategy?

(V) Oh this is not easy to say because I haven't been working here for too long but one of the thing is how we manage to make the independent hotel owners use our sourcing contract. As I told you most of our hotels are independent – 90% in the US and 70% in EMEAS – so it is really a challenge for us to make them accept to use our suppliers. This is probably the biggest challenge. And we deal with it by having a grading system in which if a hotel does not use the right item, it loses points and then this will lead to penalties. But it's not easy because when you have different stakeholders they can have different interests and it is not easy to convince them to use our global sourcing when they already have local suppliers.

(E) Ok, thank you very much for your time.

