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Domestic and Import Sourcing Strategies and Their Impact on Business Performance in the Acrylic Sheet Trading Industry

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Abstract

Sourcing strategy is a critical operational and strategic determinant of business performance in trading industries. This study examines the comparative impact of domestic and import sourcing strategies on business performance within the acrylic sheet trading industry in India. Using a case-based, applied research design grounded in internal business data from an established trading firm (Kavery Acrylic & Co., Bengaluru), the study evaluates six key performance dimensions: procurement cost, lead time, supply reliability, quality consistency, working capital requirements, and operational risk. A structured comparative and descriptive analytical framework is employed in lieu of large-scale statistical modeling, given the qualitative and semi-quantitative nature of the data. Findings reveal that import sourcing offers a relative cost advantage on a per-unit basis, while domestic sourcing outperforms across the remaining five dimensions—delivering shorter lead times (15–20 days versus 45–60 days), higher supply reliability, more consistent product quality, lower working capital commitment, and reduced operational risk. Based on these findings, the study concludes that no single sourcing strategy is universally optimal; rather, a hybrid sourcing approach that combines cost advantages of import procurement with the operational stability of domestic procurement is most conducive to long-term business performance. The study contributes practically relevant insights for small and medium trading enterprises navigating sourcing decisions in price-sensitive, competitive markets.

Keywords: Domestic Sourcing, Import Sourcing, Business Performance, Acrylic Sheet Trading, Strategic Procurement, Supply Chain Management

INTRODUCTION

The acrylic sheet trading industry occupies a vital position across multiple downstream sectors, including signage, interior design, advertising, construction, and display manufacturing. In India's fragmented and fiercely competitive trading environment, businesses operating in this segment must simultaneously manage complex operational challenges: fluctuating raw material prices, supplier reliability, transportation costs, credit cycles, and the demands of multi-state distribution networks. Against this backdrop, sourcing strategy has emerged as one of the most consequential determinants of business performance.

Sourcing decisions in trading organizations extend well beyond procurement pricing. They affect lead times, inventory planning, working capital requirements, logistics coordination, risk exposure, and ultimately customer satisfaction. In an industry where margins are compressed by price sensitivity and competitive pressure, even marginal variations in sourcing costs or supply reliability can exert significant effects on business outcomes.

The competitive landscape of the Indian acrylic sheet market has been transformed by the growing availability of imported products from China, Vietnam, Thailand, and Indonesia. These goods are typically channeled to domestic traders through established importers who act as intermediaries. While import sourcing promises cost competitiveness, it also introduces challenges including extended

lead times, increased working capital commitment, logistics complexity, and exposure to global supply chain disruptions. Domestic sourcing, conversely, tends to offer operational stability and faster turnaround but may not consistently deliver pricing advantages comparable to imported alternatives.

The present study addresses this strategic decision-making challenge through a structured comparative analysis of domestic and import sourcing strategies and their respective impacts on business performance. The empirical context is provided by Kavery Acrylic & Co., a Bengaluru-based trading firm with operational antecedents dating to 1991 (formerly Manisha Plastics), which serves both the local market and inter-state customers across Andhra Pradesh, Tamil Nadu, Kerala, and Guwahati. The firm's extensive operational history and current engagement with both domestic and intermediary-based import procurement make it a particularly appropriate site for applied investigation.

This research contributes to the broader literature on strategic sourcing by offering evidence from a small-to-medium trading enterprise in a niche industrial segment—a context that has received limited empirical attention relative to large multinational organizations.

RESEARCH OBJECTIVES

The primary objective of this study is to analyze the role of domestic and import sourcing strategies in influencing business performance in the acrylic sheet trading industry.

The specific objectives are:

1. To compare domestic and import sourcing strategies based on procurement cost, lead time, supply reliability, and quality consistency.

2. To evaluate the impact of sourcing strategies on operational efficiency, inventory management, and working capital requirements.

3. To assess the risk and operational challenges associated with each sourcing approach.

4. To provide actionable insights for sourcing decision-making and long-term business sustainability.

THEORETICAL FRAMEWORK

Three theoretical perspectives collectively inform the analytical framework of this study.

Transaction Cost Economics (TCE), introduced by Williamson (1985), posits that firms select sourcing configurations by minimizing total costs—encompassing both production costs and the transaction costs arising from uncertainty, coordination complexity, and asset specificity. In the context of import sourcing, lower base procurement costs may be offset by elevated transaction costs attributable to geographical distance, extended supply chains, customs procedures, and reliance on intermediaries. Domestic sourcing typically entails higher purchase prices but lower transaction costs through simplified coordination and reduced uncertainty. The TCE lens therefore frames sourcing choice as a cost-risk trade-off rather than a purely price-driven decision.

The Resource-Based View (RBV) of the firm offers a complementary perspective, emphasizing that competitive advantage derives from the firm's capacity to deploy and leverage internal capabilities (Barney, 1991). Applied to sourcing, a firm's operational capabilities—including supplier

relationship management, logistics competency, and demand responsiveness—determine the viability and effectiveness of alternative sourcing strategies. Firms lacking the operational infrastructure to absorb import sourcing complexity may derive greater performance benefits from domestic procurement.

Supply Chain Management (SCM) theory highlights the imperative of integrating sourcing decisions with broader operational processes (Christopher, 2011; Chopra & Meindl, 2016). Lead time, supply reliability, and inventory responsiveness are critical performance outcomes that sourcing strategy must support. SCM theory therefore underscores that cost-efficiency objectives must be evaluated in conjunction with their downstream effects on supply chain performance and customer service levels.

Together, these three frameworks provide a multi-dimensional analytical foundation: TCE guides cost-risk assessment, RBV situates capability-strategy fit, and SCM theory orients evaluation toward operational and supply chain performance outcomes.

LITERATURE REVIEW

The relationship between sourcing strategy and firm performance has been extensively examined in the operations management and supply chain literature. Kotabe and Murray (2004) documented that global sourcing enables firms to exploit comparative cost advantages across national boundaries, particularly with respect to labor and production costs; however, they also noted that such strategies introduce coordination complexity and heightened exposure to supply chain risk. Trent and Monczka (2003) extended this analysis, demonstrating that firms achieving superior outcomes from global sourcing are those that align procurement strategy with long-term strategic objectives rather than responding reactively to short-term cost signals.

The performance implications of strategic sourcing have been empirically confirmed by Gargeya and Brady (2005), who found that systematic sourcing practices improve procurement efficiency and reduce operational costs. Their work emphasizes the importance of structured supplier evaluation over informal, experience-based decision-making—an observation particularly relevant to small and medium enterprises in niche trading sectors.

The concept of Total Cost of Ownership (TCO), advanced by Ellram (1996), provides a theoretical and practical complement to unit-cost comparisons. TCO analysis reveals that import sourcing costs—when comprehensively accounted for, including freight, customs duties, handling charges, and intermediary margins—may erode the apparent price advantage relative to domestic alternatives. This framework is central to the comparative analysis conducted in the present study.

Supplier evaluation and selection have been addressed through multi-criteria decision-making approaches (Ho, Xu, & Dey, 2010), encompassing cost, quality, delivery reliability, and risk as evaluative dimensions. Kannan and Tan (2002) reinforced the role of supplier performance in achieving supply chain efficiency, noting that strong supplier relationships contribute to improved operational outcomes. These findings are consistent with the operational advantages documented for domestic sourcing in this study.

Lead time and supply responsiveness have been identified as critical performance variables by Christopher (2011), who highlighted that the extended lead times inherent in global sourcing reduce supply chain agility and increase stockout risk. The importance of working capital management in sourcing decisions is addressed by Cachon and Terwiesch (2012), who observe that longer procurement cycles and advance payment requirements associated with import sourcing elevate financial exposure.

Supply chain risk—encompassing disruption risk, operational uncertainty, and resilience—has emerged as a central concern in recent literature. Harland, Brenchley, and Walker (2003) categorized supply network risks, while Ivanov and Dolgui (2020) examined supply chain viability under disruption conditions. These studies collectively underscore the heightened risk profile of import sourcing and the operational resilience advantages of domestic procurement.

A notable gap in the extant literature concerns applied, case-based research on sourcing strategy in small and medium trading enterprises operating in niche industrial segments. Most empirical studies address large corporations or manufacturing contexts, leaving the operational realities of trading businesses—where procurement decisions are embedded in daily operational constraints—underexplored. The present study addresses this gap.

RESEARCH METHODOLOGY

Research Design

The study adopts a comparative and applied research design, grounded in the operational context of a real trading enterprise. A case-based approach is employed, enabling analysis of practical business conditions rather than reliance solely on theoretical constructs. The research is descriptive and analytical in nature: the descriptive component characterizes the operational features of domestic and import sourcing strategies, while the analytical component evaluates these strategies across selected performance dimensions.

Data Source

The study relies on secondary data derived from internal business records of Kavery Acrylic & Co., including purchase invoices, procurement records, logistics documentation, and operational observations compiled over recent business activities. The data reflects sourcing practices involving both domestic suppliers and imported materials accessed through intermediaries. Business confidentiality is maintained by presenting data in relative or categorical terms rather than as precise proprietary figures, except where aggregate cost comparisons are reported.

Variables of the Study

The independent variable is sourcing strategy, operationalized as domestic sourcing versus import sourcing. The dependent variables, representing distinct dimensions of business performance, are: (i) procurement cost, (ii) lead time, (iii) supply reliability, (iv) quality consistency, (v) working capital requirement, and (vi) operational risk exposure. A consistent business and industry environment is maintained as a control condition.

Analytical Approach

The analysis employs a factor-wise comparative approach wherein each sourcing strategy is evaluated against the six dependent variables using data from

business records. Given the qualitative and semi-quantitative nature of the data, analysis is conducted through structured descriptive comparison and tabular presentation rather than advanced statistical modeling. This approach is appropriate for the applied, case-based nature of the study.

Hypothesis Testing

The following hypotheses were formulated to guide the comparative analysis:

H_{01}: Domestic and import sourcing strategies do not have a significant impact on business performance in the acrylic sheet trading industry.

H_{11}: Domestic and import sourcing strategies have a significant impact on business performance in the acrylic sheet trading industry.

H_{02}: There is no significant difference between domestic and import sourcing strategies in terms of procurement cost.

H_{12}: There is a significant difference between domestic and import sourcing strategies in terms of procurement cost.

H_{03}: There is no significant difference between domestic and import sourcing strategies in terms of lead time.

H_{13}: There is a significant difference between domestic and import sourcing strategies in terms of lead time.

H_{04}: There is no significant difference between domestic and import sourcing strategies in terms of supply reliability and operational efficiency.

H_{14}: There is a significant difference between domestic and import sourcing strategies in terms of supply reliability and operational efficiency.

Hypotheses were evaluated through factor-wise comparative assessment of domestic and import sourcing data. Consistent and observable differences across multiple performance variables were taken as evidence to reject or retain null hypotheses.

DATA ANALYSIS AND RESULTS

Factor-Wise Comparative Analysis

Table 1 presents the overall comparative profile of domestic versus import sourcing across the six performance dimensions examined.

Performance Dimension Domestic Sourcing Import Sourcing Procurement Cost Moderate (higher unit price, lower logistics cost) Lower unit price; higher additional charges (freight, handling, intermediary margin); overall comparable Lead Time Short (15–20 days) Long (45–60 days) Supply Reliability High (consistent availability, low dependency risk) Moderate (subject to shipping delays, intermediary coordination) Quality Consistency High (consistent quality, low defect risk) Variable (moderate standardization, moderate defect risk) Working Capital Requirement Lower (flexible payment terms, shorter procurement cycle) Higher (advance payments, longer inventory holding) Operational Risk Low (stable supply chain, local control) High (logistics complexity, external uncertainty)

Quantitative Cost Comparison

To contextualize the cost comparison, Table 2 presents aggregate data for a representative procurement cycle: 22 metric tons sourced domestically versus 30 metric tons sourced via import intermediaries.

Factor Domestic Sourcing (22 MT) Import Sourcing (30 MT) Total Cost (INR) ₹63,06,770 ₹69,55,615 Per-Unit Cost (relative) Moderate Lower Lead Time 15–

20 days 45–60 days Reliability High High (under normal conditions)

Quality Consistent Variable Working Capital Commitment Lower (flexible payments, shorter cycle) Higher (advance payments, longer cycle) Risk Level Low High

The data indicate that import sourcing achieves a lower per-unit cost despite the higher total procurement expenditure—attributable to the larger order volume. On a volume-adjusted basis, import sourcing provides a measurable cost advantage. However, this advantage is partially offset by additional charges (freight, customs handling, intermediary margins), extended lead times, and elevated working capital requirements.

Hypothesis Testing Results

Based on the comparative analysis, the results of hypothesis testing are as follows:

Hypothesis Finding Decision H_{01}: Sourcing strategy has no significant impact on business performance Consistent and observable differences across all six performance dimensions were identified between domestic and import sourcing Rejected – H_{11} supported H_{02}: No significant difference in procurement cost Import sourcing demonstrated lower per-unit cost; domestic sourcing offered more predictable total landed cost Rejected – H_{12} supported H_{03}: No significant difference in lead time Domestic sourcing: 15–20 days; Import sourcing: 45–60 days—a substantial operational difference Rejected – H_{13} supported H_{04}: No significant difference in supply reliability and operational efficiency Domestic sourcing demonstrated consistently higher reliability and lower risk; import sourcing showed moderate reliability and elevated risk Rejected – H_{14} supported

Table 3. Summary of Hypothesis Testing Results

DISCUSSION

The findings of this study are consistent with the theoretical propositions advanced by TCE, RBV, and SCM frameworks. The cost advantage of import sourcing, while real on a per-unit basis, is substantially attenuated when total landed costs are comprehensively accounted for—a finding that validates Ellram's (1996) TCO argument. Freight charges, customs handling, and intermediary margins partially offset the price differential, rendering the net cost advantage of import sourcing modest in the aggregate.

The most pronounced and consistent advantage of domestic sourcing emerges across the non-cost performance dimensions. Lead time advantages (15–20 days versus 45–60 days) have direct implications for inventory management and demand responsiveness—critical considerations in a price-sensitive market where customers may have limited tolerance for supply delays. This finding corroborates Christopher's (2011) observations regarding the operational costs of extended supply chains.

The elevated working capital requirements of import sourcing—arising from advance payment conditions and extended inventory holding—represent a significant financial burden for small and medium trading enterprises operating with constrained liquidity. This finding aligns with Cachon and Terwiesch's (2012) analysis of procurement cycle effects on working capital and underscores the importance of financial feasibility assessments in sourcing decisions.

The higher operational risk profile of import sourcing, encompassing logistics complexity, dependency on intermediaries,

and exposure to global supply chain disruptions, is consistent with the supply chain risk literature (Harland et al., 2003; Ivanov & Dolgui, 2020). For businesses operating in regional distribution networks where service consistency is paramount, risk mitigation through domestic sourcing may outweigh the cost advantages of international procurement.

The aggregate pattern of findings supports neither an unambiguous preference for domestic nor import sourcing. Rather, consistent with the hybrid sourcing proposition in the SCM literature (Quayle, 2003; Singh & Power, 2009), the evidence suggests that a balanced strategy—leveraging import sourcing for cost optimization on selected products while maintaining domestic sourcing for operational stability—offers the most favorable performance profile.

CONCLUSION

This study examined the comparative impact of domestic and import sourcing strategies on business performance in the acrylic sheet trading industry, with empirical grounding in the operational context of an established Indian trading firm. The analysis evaluated six performance dimensions—procurement cost, lead time, supply reliability, quality consistency, working capital requirements, and operational risk—and tested four hypotheses through structured comparative analysis.

The primary finding is that sourcing strategy exerts a significant and multi-dimensional impact on business performance (H_{01} rejected). Import sourcing delivers a cost advantage on a per-unit basis, supporting H_{12}; however, this advantage is partially offset by logistics costs and intermediary charges. Domestic sourcing significantly outperforms import sourcing on lead time

(H_{13} supported), supply reliability, and operational efficiency (H_{14} supported), as well as on quality consistency, working capital efficiency, and risk management.

These findings yield two principal implications. Theoretically, they reinforce the argument that sourcing strategy assessments must be multi-criteria in nature, integrating TCE, RBV, and SCM perspectives rather than relying on cost comparisons alone. Managerially, they suggest that small and medium trading enterprises should develop a structured sourcing framework—rather than relying on experience-based judgment—that explicitly weights cost, operational, and risk dimensions according to the firm's strategic priorities and financial constraints. A hybrid sourcing model, strategically allocating procurement between domestic and import channels based on product characteristics and demand patterns, is recommended as the most viable approach to long-term performance optimization.

The study acknowledges several limitations. The case-based design constrains generalizability; the qualitative and semi-quantitative data framework precludes advanced statistical inference; and the focus on intermediary-based import procurement may not fully capture the dynamics of direct importing. Future research should address these limitations through multi-firm quantitative studies, direct import comparisons, and longitudinal analysis of sourcing strategy performance under varying macroeconomic conditions.

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Performance Dimension	Domestic Sourcing	Import Sourcing
Procurement Cost	Moderate (higher unit price, lower logistics cost)	Lower unit price; higher additional charges (freight, handling, intermediary margin); overall comparable
Lead Time	Short (15–20 days)	Long (45–60 days)
Supply Reliability	High (consistent availability, low dependency risk)	Moderate (subject to shipping delays, intermediary coordination)
Quality Consistency	High (consistent quality, low defect risk)	Variable (moderate standardization, moderate defect risk)
Working Capital Requirement	Lower (flexible payment terms, shorter procurement cycle)	Higher (advance payments, longer inventory holding)
Operational Risk	Low (stable supply chain, local control)	High (logistics complexity, external uncertainty)

Table 1. Comparative Analysis of Domestic and Import Sourcing Strategies

Factor	Domestic Sourcing (22 MT)	Import Sourcing (30 MT)
Total Cost (INR)	₹63,06,770	₹69,55,615
Per-Unit Cost (relative)	Moderate	Lower
Lead Time	15–20 days	45–60 days
Reliability	High	High (under normal conditions)
Quality	Consistent	Variable
Working Capital Commitment	Lower (flexible payments, shorter cycle)	Higher (advance payments, longer cycle)
Risk Level	Low	High

Table 2. Quantitative Cost and Performance Comparison (Representative Procurement Cycle)

Source: Compiled from internal business records and purchase invoices of Kavery Acrylic & Co.

Hypothesis	Finding	Decision
H_{01}: Sourcing strategy has no significant impact on business performance	Consistent and observable differences across all six performance dimensions were identified between domestic and import sourcing	Rejected – H_{11} supported
H_{02}: No significant difference in procurement cost	Import sourcing demonstrated lower per-unit cost; domestic sourcing offered more predictable total landed cost	Rejected – H_{12} supported
H_{03}: No significant difference in lead time	Domestic sourcing: 15–20 days; Import sourcing: 45–60 days—a substantial operational difference	Rejected – H_{13} supported
H_{04}: No significant difference in supply reliability and operational efficiency	Domestic sourcing demonstrated consistently higher reliability and lower risk; import sourcing showed moderate reliability and elevated risk	Rejected – H_{14} supported

Table 3. Summary of Hypothesis Testing Results