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SUPPLY CHAIN LOCALISATION AND FIRM PERFOMANCE IN MALAWI'S RETAIL SECTOR: EVIDENCE FROM A FOREIGN-OWNED DISCOUNT RETAILER

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ABSTRACT

Supply chain localisation has become an important strategic response for foreign retailers operating in developing economies where currency instability, import dependence, and logistical constraints frequently disrupt business operations. In Malawi, persistent foreign exchange shortages and rising import costs create pressure on retailers to adopt sourcing strategies that sustain performance, yet empirical evidence on how localisation contributes to organisational performance within Malawi's retail sector remains limited.

This study examined the relationship between supply chain localisation and firm performance among foreign-owned discount retailers in Malawi, using a quantitative cross-sectional design. Primary data were collected through structured questionnaires administered to managers, employees, and customers of a foreign-owned retail chain in Lilongwe City, and analysed using descriptive statistics, Pearson correlation, and multiple regression.

The findings show that respondents generally perceived localisation as contributing positively to performance, with local sourcing associated with lower operational costs and stronger supplier partnerships. Regression analysis identified local supplier cost reduction as the only statistically significant predictor of operational performance ($\beta = 0.399$, $p = 0.012$), while correlation results revealed persistent challenges with product availability, pointing to capacity constraints within local supply networks.

The study concludes that supply chain localisation is an effective strategic capability for improving firm performance in Malawi's retail sector, particularly through cost efficiency, and recommends greater investment in local supplier development, stronger supplier partnerships, and supportive domestic sourcing policies.

KEYWORDS: Supply chain localisation; firm performance; retail sector; foreign retailers; Malawi.

1. INTRODUCTION

Foreign retailers expanding into developing economies frequently encounter operational challenges that differ substantially from those experienced in developed markets, including unstable exchange rates, high import costs, weak transport infrastructure, and changing regulatory environments (Barnard, Amaeshi, & Vaaler, 2023). These conditions affect inventory availability, operational efficiency, and customer satisfaction, making effective supply chain management an important strategic priority for multinational retailers operating in Africa. Retail businesses have increasingly responded to these challenges through supply chain localisation, defined as the strategic process of sourcing products, services, and operational inputs from suppliers within the host country or surrounding region instead of relying predominantly on international imports (Mutangili, 2024). Localisation reduces transportation costs, shortens delivery lead times, and decreases exposure to foreign exchange volatility, and firms capable of adapting their sourcing strategies to local conditions generally achieve stronger performance during periods of economic uncertainty (McDougall & Davis, 2024).

The retail sector in Malawi presents a particularly challenging operating environment for foreign-owned firms. The Reserve Bank of Malawi (2024) reported persistent foreign exchange shortages and rising inflation, conditions that have increased operational constraints for import-dependent businesses. The contribution of Malawi's wholesale and retail trade sector to gross domestic product declined from 12.4 percent in 2021 to an estimated 11 percent by 2024, driven largely by foreign exchange shortages and import dependency (Center for Investigative Journalism Malawi, 2026). At least one major regional retail chain has already exited the Malawian market as currency depreciation and rising import costs eroded profitability (Cambaza, 2024), while others have continued operating by adapting their sourcing strategies and strengthening local supply networks.

Existing literature on international market entry has traditionally concentrated on the selection of entry modes such as wholly owned subsidiaries, joint ventures, and franchising, with comparatively less attention given to the implementation of operational strategies after market entry (Fasanya, Ingham, & Read, 2022). As a result, there remains limited empirical evidence explaining why firms operating under similar ownership structures often achieve different performance outcomes within the same business environment. Previous studies suggest that local sourcing contributes to improved product availability, lower operating costs, and stronger supplier relationships (Arora & Brintrup, 2021), yet the mechanisms through which these benefits translate into measurable performance outcomes remain insufficiently understood.

Relatively few studies have examined this relationship within Malawi specifically, despite the country's distinctive economic conditions and heavy dependence on imported consumer goods (UNCTAD, 2023). Consequently, retail managers have little empirical guidance on which dimensions of localisation cost reduction, supplier partnerships, or broader sourcing decisions contribute most strongly to performance, even though retailers operating under similar conditions have pursued markedly different outcomes, ranging from sustained operation to complete market withdrawal.

This study addresses that gap by examining the relationship between supply chain localisation and firm performance within Malawi's retail sector, using evidence from a foreign-owned discount retailer operating in Lilongwe City. Rather than focusing on market entry mode selection, the study investigates how the implementation of localisation strategies contributes to operational performance through reduced costs, improved product availability, and enhanced operational efficiency. The findings provide practical insights for retail managers seeking to strengthen supply chain resilience, while offering policymakers evidence on the benefits of promoting domestic supplier development as part of broader industrial and investment policy.

2. Literature Review

2.1 Conceptual Review

Supply Chain Localisation

Supply chain localisation refers to the strategic practice of sourcing goods, services, and operational inputs from suppliers within the host country or surrounding region instead of relying predominantly on international suppliers. The approach aims to reduce transportation costs, shorten delivery lead times, improve supply chain flexibility, and strengthen resilience against external disruptions. Within the retail sector, localisation has become increasingly important because it enables firms to respond more quickly to changes in customer demand while reducing dependence on imported products.

For multinational retailers operating in developing economies, supply chain localisation extends beyond procurement. It includes developing relationships with domestic suppliers, investing in local warehousing and distribution networks, improving logistics coordination, and adapting inventory management systems to local market conditions. These practices allow firms to reduce operational risks associated with exchange rate fluctuations, border delays, and international shipping disruptions.

In countries such as Malawi, where businesses frequently experience shortages of foreign currency and rising import costs, supply chain localisation provides an opportunity to maintain operational continuity while improving cost efficiency. Local sourcing can also contribute to broader economic development through employment creation, supplier development, and increased participation of domestic businesses in formal retail supply chains.

Firm Performance

Firm performance refers to the extent to which an organisation achieves its strategic and operational objectives. In retail businesses, performance is commonly assessed using financial and non-financial indicators. Financial measures include profitability, revenue growth, and cost efficiency, while operational indicators include inventory availability, customer satisfaction, service quality, and operational efficiency.

Modern performance assessment recognises that operational capabilities often influence financial outcomes. Effective inventory management, reliable supplier relationships, and responsive logistics systems improve product availability and customer experience, which subsequently support sales growth and profitability. Consequently, improvements in supply chain management frequently translate into stronger organisational performance.

For retailers operating in volatile environments, operational resilience has become an additional dimension of firm performance. Organisations capable of maintaining product availability and controlling operating costs despite economic uncertainty are generally more competitive than firms relying heavily on imported products or inflexible supply chains.

2.2 Theoretical Review

Resource-Based View (RBV) Theory

The Resource-Based View (RBV), developed by Barney (1991), argues that organisations achieve sustained competitive advantage by acquiring and effectively utilising valuable, rare, inimitable, and non-substitutable resources. Rather than relying solely on market positioning, firms improve performance by developing internal capabilities that competitors cannot easily replicate. Within supply chain management, these capabilities include supplier relationships, procurement expertise, logistics systems, information systems, customer service, and distribution flexibility. These resources enable organisations to improve operational efficiency while reducing logistics costs and enhancing service delivery (Morash, 2001; Hadi & Parubak, 2016).

For foreign retailers operating in Malawi, supply chain localisation represents a strategic capability rather than merely a procurement decision. The ability to identify reliable local suppliers, maintain product quality, coordinate distribution networks, and respond to customer demand constitutes a valuable organisational resource. According to Muslimin et al. (2017), firms with stronger supply chain capabilities achieve better business performance because they improve customer service, productivity, and operational efficiency. These capabilities enable retailers to remain competitive despite challenging economic conditions.

Dynamic Capabilities Theory

Dynamic Capabilities Theory, proposed by Teece, Pisano, and Shuen (1997), explains how firms maintain competitive advantage by continuously adapting their resources and operational processes in response to changes in the external environment. Organisations capable of sensing market changes, seizing new opportunities, and transforming their operations are better positioned to sustain performance under uncertain conditions.

This theory is particularly relevant to developing economies such as Malawi, where retailers frequently experience foreign exchange shortages, inflation, import delays, and changing consumer demand. Supply chain localisation reflects a dynamic capability because it enables retailers to adjust procurement strategies, strengthen supplier relationships, and improve supply chain responsiveness. According to Cohen and Roussel (2005), responsive supply chains reduce lead times and improve customer satisfaction by ensuring products reach customers more quickly. Similarly, flexible procurement and distribution systems, supported by continuous supplier evaluation (Wisner, Tan, & Leong, 2012), allow retailers to respond effectively to changing market conditions, thereby improving organisational performance.

Institutional Theory

Institutional Theory, developed by DiMaggio and Powell (1983), argues that organisational behaviour is influenced by the formal and informal institutions within the external environment, including government regulations, economic policies, legal frameworks, and societal expectations. Organisations adapt their strategies to comply with institutional pressures while maintaining competitiveness.

In developing countries, institutional conditions strongly influence supply chain decisions. Import regulations, taxation policies, customs procedures, infrastructure quality, and foreign exchange availability determine the feasibility of international sourcing. Consequently, many retailers increasingly integrate domestic suppliers into their procurement strategies to minimise operational risks.

Within Malawi's retail sector, persistent foreign exchange shortages and policy uncertainty have increased the attractiveness of supply chain localisation. Institutional Theory therefore explains why foreign retailers strengthen local sourcing networks as a strategic response to external economic pressures rather than purely internal managerial preferences.

2.3 Empirical Review

Empirical evidence consistently demonstrates that supply chain management significantly influences organisational performance across industries, although the effectiveness of localisation depends on supplier capability, operational flexibility, and the broader economic environment.

Mutangili (2024) examined supply chain localisation strategies within African public procurement systems and found that firms investing in local supplier development reduced import dependency and built greater resilience against external shocks, although limited industrial capacity and financing constraints remained persistent challenges. The United Nations Conference on Trade and Development (UNCTAD, 2023) similarly reported that African economies with stronger regional and local sourcing linkages demonstrated greater resilience to global supply chain disruptions and foreign exchange volatility than economies that remained heavily reliant on imports.

PwC (2024) found that businesses which localised key elements of their supply chains achieved improved responsiveness, lower costs, and stronger resilience against geopolitical and logistical disruptions. McDougall and Davis (2024), reviewing 91 studies on local supply chains during periods of disruption, found that firms with developed local supply networks demonstrated faster recovery from shocks such as the COVID-19 pandemic than firms depending primarily on global supply chains, indicating that localisation shifts from a back-up strategy to a core resilience mechanism during sustained disruption.

Arora and Brintrup (2021) found that firms positioned closer to their local supply sources experienced greater stability in cost and delivery performance, while Benrqya (2021) found that inefficient logistics and replenishment structures significantly increased retail stockouts, underscoring the importance of local supply chain design for maintaining stock availability. Pepkor Holdings Limited (2024) reported that its Africa Direct Sourcing strategy improved supply chain efficiency and reduced dependence on imported goods, demonstrating that localisation enhanced operational stability in markets experiencing severe foreign exchange constraints.

By contrast, Cambaza (2024) found that Shoprite's continued dependence on imported goods and centralised sourcing left the retailer highly exposed to currency volatility and rising import costs, contributing to its eventual withdrawal from several African markets, including Malawi, illustrating the risks facing retailers that do not localise their supply chains. A feasibility study for South Africa's Localisation Support Fund (2026) found that deepening local sourcing among retailers could substantially increase manufacturing output while improving lead times and supply chain risk mitigation, and Letsema (2024) similarly found that firms operating in unstable import environments achieved measurable cost and resilience benefits by shifting toward local sourcing.

Despite these contributions, several research gaps remain. Much of the existing literature focuses on developed economies or large emerging markets, limiting its applicability to smaller developing countries such as Malawi, and previous studies have largely examined market entry mode selection rather than post-entry operational strategies. Although recent studies highlight the importance of supply chain resilience and cost efficiency, empirical evidence on supply chain localisation within Malawi's retail sector specifically remains limited. The present study addresses this gap by examining how supply chain localisation through local sourcing, supplier partnerships, operational capability, and cost efficiency influences firm performance within Malawi's retail sector.

3. METHODOLOGY

3.1 Research Design

This study adopted a quantitative cross-sectional research design to examine the relationship between supply chain localisation and firm performance within Malawi's retail sector. A quantitative approach was selected because it enabled the objective measurement of the study variables and facilitated statistical analysis of the relationship between supply chain localisation practices and organisational performance. The cross-sectional design involved collecting data at a single point in time, making it appropriate for examining existing operational practices and their association with performance outcomes within the retail sector. This design also allowed the study to generate empirical evidence efficiently while operating within the available time and resource constraints.

3.2 Research Setting

The research was conducted in Lilongwe City, Malawi, using a foreign-owned discount retail chain as the empirical research setting. Lilongwe is Malawi's commercial and administrative capital and hosts several large retail businesses serving diverse consumer segments. The city was selected because it provides an appropriate environment for examining retail supply chain practices, given the increasing operational challenges associated with foreign exchange shortages, inflation, import dependency, and changing consumer demand. To comply with publication ethics and protect organisational confidentiality, the organisation is presented as a research setting rather than the primary subject of the study, consistent with the university's publication guidelines.

3.3 Population and Sampling

The study targeted managers, employees, and regular customers because these stakeholder groups possessed direct knowledge of the retailer's sourcing practices and operational performance. Managers provided information regarding procurement decisions and supply chain management, employees contributed operational perspectives on inventory and supplier relationships, while customers offered insights into product availability and service delivery.

The original study population consisted of 50 participants distributed across the three respondent groups. Using Yamane's (1967) sample size formula, a minimum sample of 45 respondents was determined. A census approach was used for managers because of their relatively small number, while simple random sampling was applied to employees and systematic random sampling was used to select customers. Ultimately, 51 valid responses were included in the final analysis following the completion of data collection.

3.4 Data Collection Instrument

Primary data were collected using a structured questionnaire comprising closed-ended questions measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). For the purposes of this journal article, only questionnaire items directly related to the selected research objective were included in the analysis. These items measured respondents' perceptions of supply chain localisation through indicators such as local sourcing, supplier partnerships, operational cost reduction, and product availability. Firm performance was assessed using operational measures including efficiency, stock availability, and customer service outcomes.

The questionnaire was pilot-tested before the main survey to improve clarity and identify ambiguous items. Feedback obtained during the pilot exercise informed minor revisions to the instrument prior to full-scale data collection.

3.5 Data Analysis

The collected data were analysed using the Statistical Package for the Social Sciences (SPSS). The analysis focused exclusively on variables relevant to the relationship between supply chain localisation and firm performance.

Descriptive statistics, including frequencies, means, and standard deviations, were used to summarise respondents' perceptions of localisation practices. Pearson correlation analysis examined the strength and direction of relationships among localisation variables, while multiple regression analysis determined the extent to which supply chain localisation predicted operational performance.

The regression model estimated operational performance as a function of localisation-related variables:

Operational Performance = $\beta_0 + \beta_1$(Local Sourcing) + β_2(Supplier Cost Reduction) + β_3(Local Partnerships) + ε

Statistical significance was evaluated at the 5% significance level ($p < 0.05$). Variables with statistically significant coefficients were interpreted as meaningful predictors of operational performance. This analytical approach enabled the study to identify the specific localisation practices that contributed most strongly to firm performance.

3.6 Reliability and Validity

The reliability of the localisation scale was assessed using Cronbach's Alpha. Although the coefficient obtained indicated relatively low internal consistency, the individual indicators represented distinct dimensions of supply chain localisation rather than a single homogeneous construct. Consequently, the variables were retained because they reflected different operational aspects of localisation, including local sourcing, supplier relationships, cost reduction, and product availability.

Content validity was supported through the alignment of questionnaire items with the study objective and existing literature on supply chain management and firm performance. The pilot study further strengthened the instrument by confirming that respondents clearly understood the questionnaire items before the main data collection exercise.

3.7 Ethical Considerations

The study adhered to accepted ethical research standards throughout the research process. Participation was voluntary, and respondents were informed about the purpose of the study before providing consent. Confidentiality and anonymity were maintained by excluding personal identifiers from the questionnaire and reporting findings only in aggregate form.

In line with the university's publication guidance, the identity of the participating organisation has been anonymised in this journal article because the focus is on generating sector-level knowledge rather than publishing identifiable organisational findings. All data were used exclusively for academic purposes and stored securely to protect participant confidentiality.

4. RESULTS

This section presents only the findings that address the selected research objective: to examine the relationship between supply chain localisation and firm performance in Malawi's retail sector. In accordance with the journal publication guidelines, only variables directly related to this objective are reported.

4.1 Descriptive Analysis of Supply Chain Localisation

Respondents were asked to evaluate four statements relating to supply chain localisation using a five-point Likert scale, where 1 = Strongly Disagree and 5 = Strongly Agree. The results are presented in Table 1.

Table 1. Descriptive Statistics for Supply Chain Localisation.

Variable	Mean	Standard Deviation
Local sourcing improves organisational performance	3.75	0.977
Local suppliers reduce operational costs	4.78	0.541
Localisation improves product availability	4.33	0.622
Local partnerships improve operational efficiency	4.25	0.688

The findings indicate that respondents generally perceived supply chain localisation as contributing positively to organisational performance. The highest mean score (M = 4.78, SD = 0.541) was recorded for the statement that local suppliers reduce operational costs, demonstrating strong agreement that sourcing from domestic suppliers improves cost efficiency.

Respondents also agreed that localisation enhances product availability (M = 4.33) and improves operational efficiency through stronger local supplier partnerships (M = 4.25). Although respondents agreed that local sourcing contributes to overall organisational performance (M = 3.75), this variable recorded the lowest mean score among the four indicators, suggesting that respondents perceived cost reduction as the primary benefit of localisation.

Overall, the descriptive statistics demonstrate that supply chain localisation is viewed as an important operational strategy capable of improving efficiency and supporting organisational performance within Malawi's retail sector.

4.2 Correlation Analysis

Pearson correlation analysis was conducted to determine the relationships among the supply chain localisation variables.

The analysis revealed a moderate positive relationship between local partnerships and operational cost reduction ($r = 0.366$, $p = 0.008$). This finding suggests that organisations maintaining stronger relationships with local suppliers are more likely to achieve lower operating costs.

Similarly, local partnerships showed a moderately strong positive relationship with operational performance ($r = 0.456$, $p = 0.001$), indicating that collaborative supplier relationships contribute to greater operational efficiency.

However, the analysis also identified statistically significant negative relationships involving product availability. The relationship between localisation and product availability was negative ($r = -0.318$, $p = 0.023$), while local partnerships and product availability also showed a stronger negative association ($r = -0.530$, $p < 0.001$).

These findings suggest that although localisation improves efficiency and reduces operational costs, some local suppliers may face capacity limitations that affect their ability to maintain consistent product availability. This highlights the importance of strengthening supplier capabilities alongside localisation initiatives. Overall, the correlation analysis indicates that supply chain localisation has multiple dimensions, with positive effects on operational efficiency and cost management but continuing challenges related to inventory consistency.

4.3 Multiple Regression Analysis

Multiple regression analysis was conducted to determine the extent to which supply chain localisation predicts operational performance.

The regression model produced an R value of 0.556, indicating a moderate relationship between the predictor variables and operational performance. The coefficient of determination ($R^2 = 0.309$) shows that approximately 31% of the variation in operational performance is explained by the localisation variables included in the model. After adjusting for the number of predictors, the Adjusted R^2 was 0.249, indicating that the model explains approximately one-quarter of the variation in operational performance. The overall regression model was statistically significant ($F = 5.143$, $p = 0.002$), demonstrating that the selected localisation variables collectively explain a significant proportion of organisational performance.

Table 2. Regression Results.

Predictor	Beta (β)	p-value	Interpretation
Local suppliers reduce operational costs	0.399	0.012	Significant
Management capability	0.220	0.098	Not significant
Government policy influence	0.101	0.553	Not significant
Local sourcing improves performance	−0.169	0.222	Not significant

Among all predictor variables, local suppliers reducing operational costs emerged as the only statistically significant predictor of operational performance ($\beta = 0.399$, $p = 0.012$). This finding indicates that cost savings achieved through local sourcing make the strongest contribution to improved organisational performance.

Although management capability recorded a positive coefficient ($\beta = 0.220$), its relationship with operational performance was not statistically significant. Likewise, government policy influence did not significantly predict operational performance within the model. The variable measuring general perceptions of local sourcing recorded a negative but statistically insignificant coefficient, suggesting that broad localisation initiatives alone are insufficient to improve performance unless they generate measurable operational efficiencies such as cost reduction.

These findings demonstrate that the performance benefits of supply chain localisation arise primarily through improved cost efficiency rather than through localisation itself. Retail organisations are therefore likely to realise greater performance improvements when localisation strategies focus on reducing procurement and operating costs while maintaining supply reliability.

4.4 SUMMARY OF FINDINGS

The findings indicate that respondents perceive supply chain localisation as an important contributor to organisational performance within Malawi's retail sector. Local sourcing was associated with reduced operational costs, stronger supplier relationships, and improved operational efficiency. Regression analysis identified local supplier cost reduction as the only statistically significant predictor of operational performance, highlighting cost efficiency as the principal mechanism through which localisation contributes to firm performance.

While localisation strengthened operational efficiency, the negative correlations involving product availability suggest that domestic supplier capacity remains a challenge. These findings indicate that successful localisation requires not only increased local sourcing but also continued investment in supplier capability development to achieve sustainable improvements in retail performance.

5. DISCUSSION

This study examined the relationship between supply chain localisation and firm performance within Malawi's retail sector. The findings demonstrate that localisation contributes positively to operational performance, particularly through cost reduction and stronger supplier relationships, although localisation alone does not guarantee improved product availability, suggesting that supplier capability remains an important consideration.

The descriptive results showed that respondents strongly agreed that local suppliers reduce operational costs, with this variable recording the highest mean score among all localisation indicators, while local partnerships were also seen to improve operational efficiency. These findings suggest that retail managers perceive localisation primarily as a strategy for improving operational efficiency rather than simply replacing imported products. In the Malawian context, where businesses regularly face foreign exchange shortages, rising transport costs, and import delays, local sourcing appears to provide an opportunity to reduce procurement costs and strengthen operational continuity.

The regression analysis reinforces this interpretation by identifying local supplier cost reduction as the only statistically significant predictor of operational performance. This indicates that the benefits of localisation are realised when it generates measurable operational savings; merely increasing the proportion of locally sourced products does not automatically improve performance unless those decisions enhance efficiency. This aligns with the Resource-Based View, which argues that organisations achieve competitive advantage through valuable organisational capabilities rather than through resources alone – here, the capability to identify reliable local suppliers and manage procurement efficiently represents a strategic resource that contributes directly to improved performance.

The results also support Dynamic Capabilities Theory, which suggests that organisations sustain competitiveness by adapting their operational strategies in response to environmental changes. Malawi's retail sector operates within an environment characterised by currency instability, inflationary pressures, and import dependency, and under these conditions, retailers that develop flexible sourcing strategies and strengthen relationships with local suppliers are better positioned to maintain operational continuity. Rather than relying exclusively on imported merchandise, retailers that diversify their supply base through domestic sourcing appear to improve organisational resilience and operational effectiveness.

At the same time, the correlation analysis revealed negative relationships involving product availability. Although localisation improved operational efficiency and reduced procurement costs, increased reliance on local suppliers did not consistently improve stock availability, suggesting that some domestic suppliers experience production, quality, or distribution constraints that limit their ability to supply retailers consistently. This is particularly relevant within the Malawian context, where many local manufacturers continue to face financial, technological, and infrastructure challenges. Localisation strategies should therefore be accompanied by supplier development initiatives, including technical support, quality improvement programmes, and long-term purchasing agreements that strengthen supplier capability.

The findings are broadly consistent with previous empirical studies reviewed in this article, which reported that supply chain localisation contributes to lower operating costs and stronger organisational performance among retailers operating in developing economies. The present study extends this evidence by demonstrating that cost reduction represents the primary mechanism through which localisation improves firm performance within Malawi's retail sector, while adding a more nuanced perspective by showing that localisation does not automatically improve every aspect of operational performance, and that its effectiveness depends on the strength and maturity of domestic supply networks rather than on sourcing decisions alone.

From a managerial perspective, the findings suggest that retail organisations should prioritise strategic partnerships with reliable local suppliers capable of delivering consistent quality and competitive prices, evaluating suppliers on long-term operational performance rather than short-term procurement costs alone. The findings also carry policy implications: government agencies responsible for trade and industrial development should continue supporting programmes that strengthen domestic manufacturing and supplier capability, since policies encouraging local production, access to finance for small and medium-sized enterprises, and infrastructure development can increase the competitiveness of domestic suppliers and enhance the effectiveness of localisation strategies across the retail sector.

6. CONCLUSION AND IMPLICATIONS

Conclusion

This study examined the relationship between supply chain localisation and firm performance in Malawi's retail sector using evidence from a foreign-owned discount retailer operating in Lilongwe City. The findings indicate that supply chain localisation is positively associated with firm performance, with local sourcing perceived as an effective strategy for reducing operational costs, strengthening supplier relationships, and improving operational efficiency. Among the localisation variables examined, local supplier cost reduction emerged as the only statistically significant predictor of operational performance, demonstrating that the performance benefits of localisation are primarily achieved through improved cost efficiency rather than through an increase in local sourcing alone.

The study also found that localisation did not consistently improve product availability, suggesting that local supplier capacity remains a constraint within Malawi's retail sector. Localisation should therefore not be viewed simply as increasing domestic procurement, but as developing reliable supplier networks capable of meeting retailers' quality, quantity, and delivery requirements. The findings support the Resource-Based View by demonstrating that effective supplier relationships and procurement capabilities represent valuable organisational resources, and support Dynamic Capabilities Theory by showing that retailers which adapt their sourcing strategies to changing economic conditions improve operational resilience. The study extends the literature on retail internationalisation by shifting attention from market entry mode selection to post-entry strategy implementation, contributing to the limited body of empirical research on supply chain localisation within Malawi's retail sector.

Practical and Policy Implications

Retail organisations should prioritise long-term partnerships with reliable local suppliers rather than relying predominantly on imported merchandise, invest in supplier development programmes that improve production capacity and delivery reliability, continuously monitor procurement costs to maximise the operational benefits of localisation, and integrate supply chain localisation into broader business strategy rather than treating it solely as a procurement activity.

Government institutions should promote local manufacturing through targeted industrial support programmes, improve access to finance for domestic suppliers and small and medium-sized enterprises, invest in transport and logistics infrastructure, and support supplier training initiatives that improve product quality and production capacity. Such measures would strengthen domestic supply networks while increasing the effectiveness of localisation strategies across the retail sector.

Limitations and Future Research

The study was conducted using data from a single foreign-owned retail organisation operating in Lilongwe City and adopted a cross-sectional design, so the findings may not fully represent all retailers operating within Malawi, and they capture localisation practices at a single point in time. Future research should compare localisation practices across multiple retail chains and sectors in Malawi, incorporate qualitative interviews with managers and suppliers, and examine longitudinally how the performance benefits of localisation evolve as domestic supplier capacity develops.

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