
PERCEPTION OF SMALL AND MEDIUM-SIZED HOTEL MANAGERS ON THE ECONOMIC FEASIBILITY OF PROCURING LOCAL AGRICULTURAL PRODUCTS

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ABSTRACT

The study examines the economic feasibility of procuring local agricultural products in small and medium-sized hotels, emphasizing key factors influencing managerial decision-making. By integrating perceived cost savings, supplier reliability, customer demand, and regulatory support, this research provides a comprehensive framework for understanding the benefits and challenges of local sourcing in the hospitality sector. The empirical analysis is based on a survey conducted among hotel managers in Serbia, utilizing structural equation modeling (SEM) to assess the significance of proposed relationships. The findings confirm that supplier reliability and customer demand play a crucial role in shaping procurement decisions, while cost savings and regulatory support also contribute to economic feasibility. These results align with existing studies on sustainable procurement and local supply chains in tourism, reinforcing the importance of fostering stable partnerships between hotels and local producers.

Introduction

The hotel industry increasingly recognizes the importance of optimizing procurement chains to enhance business efficiency and improve service quality. One of the key aspects of this process is the procurement of local agricultural products, which can contribute to cost reduction, better quality control, and strengthened collaboration with local suppliers. Research has shown that managerial procurement decisions depend on various factors, including supply reliability, perceived economic feasibility, and regulatory support (Ghafourian et al., 2022; Gajić et al., 2023a,b). Additionally, adapting business models to market and consumer needs can be crucial for hotel competitiveness

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(Wong, 2022). Although numerous studies have examined procurement strategies in the hospitality industry, the specific context of Serbia remains underexplored. There is a lack of data on how hotel managers perceive the economic feasibility of procuring local products, what factors influence their decisions, and to what extent regulatory frameworks facilitate or hinder this process. Previous studies suggest that business models can be adjusted to local conditions through innovative strategies and partnerships (Mehrotra & Jaladi, 2022; Gajić et al., 2023b), yet it remains unclear how willing hotel managers are to implement these approaches in practice.

The aim of this study is to analyze the key factors influencing hotel managers' decision-making regarding the procurement of local agricultural products. Specifically, the focus is on supplier reliability, perceived cost feasibility, expected guest demand, and regulatory support. By analyzing these factors, the study seeks to fill a gap in the literature and provide a deeper insight into the specific challenges and opportunities that arise in this process in Serbia. Unlike previous research that predominantly focuses on procurement practices in large hotel chains or international markets, this study offers a novel perspective by examining small and medium-sized hotels in Serbia. These establishments face distinct economic and logistical constraints that influence their procurement strategies, yet they are often overlooked in academic discussions. By analyzing the interplay of supplier reliability, cost efficiency, guest demand, and regulatory support, this study provides an integrative framework that captures the complexities of local procurement within this unique market segment. Furthermore, it offers practical insights into how procurement strategies can be optimized in response to market-specific conditions, thereby contributing to the growing discourse on sustainable supply chain management in the hospitality sector. Despite the recognized benefits of local procurement, hotel managers face multiple challenges when making sourcing decisions, ranging from cost considerations to supplier reliability and regulatory constraints. Understanding their perceptions of economic feasibility and the factors shaping their procurement choices is crucial for developing sustainable procurement strategies. In this context, the key research question arises:

To what extent do hotel managers perceive the economic feasibility of sourcing local agricultural products, and what are the main challenges influencing their procurement decisions?

Although several studies have examined procurement strategies in the hospitality industry, this study provides a unique contribution by specifically analyzing small and medium-sized hotels in Serbia. Unlike previous research that focused primarily on large hotel chains or international markets, this study highlights the specific economic and regulatory challenges faced by local hotel managers. By integrating managerial decision-making factors into a structured framework, it extends existing literature on sustainable procurement and hotel supply chain management.

Theoretical background

The importance of integrating local agricultural products into the hotel industry

The integration of local agricultural products into the hotel industry represents a significant strategic approach that enables the enhancement of gastronomic quality, cost optimization, and the strengthening of connections between hotels and the local community (Thomas-Francois et al., 2017). Small and medium-sized hotels, in particular, can benefit from using local products, as this allows them to differentiate their offerings and align with contemporary tourist preferences, which increasingly emphasize authenticity and sustainability (Chen, 2022; Prevolšek et al., 2024).

Short supply chains play a crucial role in the economic aspect of sourcing local products, as they reduce dependence on intermediaries and facilitate direct collaboration with producers. This model not only contributes to lowering transportation and storage costs but also increases the freshness and quality of ingredients used in hotel restaurants (Berti, 2020). Additionally, transparency in the supply chain fosters guest trust, as tourists are increasingly interested in the origin of their food and the methods of its production (Sigala, 2014).

Beyond economic advantages, integrating local products enhances the competitive position of hotels by creating unique gastronomic experiences. Authentic cuisine becomes an essential component of the tourism offer, allowing guests to engage with the local culture and traditions through gastronomy (Vukolić et al., 2023; Recuero-Virto & Arróspide, 2024). Hotel restaurants that feature dishes made from local ingredients can foster greater guest loyalty, as tourists increasingly prefer hotels that provide sustainable and high-quality food adapted to local specificities (Baratta & Simeoni, 2021).

In addition to economic and marketing benefits, the use of local agricultural products contributes to the sustainability of hotel operations (Chung, 2020). Reducing the transportation of goods over long distances has a positive impact on environmental protection by lowering carbon dioxide emissions and minimizing the negative ecological effects of global supply chains. Sustainable food procurement approaches are becoming part of a broader strategy for responsible hotel operations, which can enhance brand perception and attract environmentally conscious tourists (Han, 2020; Wong, 2022).

Despite numerous advantages, the process of integrating local agricultural products can be challenging due to the seasonality of supply, variations in product quality, and logistical constraints. Small and medium-sized hotels often face difficulties in maintaining a consistent supply, as local producers may not always have the capacity to meet constant demand (Panno, 2020). Moreover, the higher price of local products compared to mass-produced alternatives can pose a challenge to achieving optimal economic sustainability.

Managing these challenges requires well-planned procurement strategies, the development of partnerships with producers, and the adaptation of menus to seasonal products (Sutomo & Mukhlis, 2023). Hotels that successfully integrate local agricultural products into their offerings can achieve long-term benefits, including increased attractiveness of their gastronomic offer, improved relationships with the local community, and enhanced sustainability in an increasingly competitive tourism sector (Enzenbacher, 2020; Meneguel et al., 2022).

Economic feasibility in the hotel industry

Economic feasibility represents one of the key factors in the sustainability and successful operation of hotels, with particular attention given to cost optimization, revenue growth, and efficient resource management (Khalil et al., 2024). Small and medium-sized hotels face challenges in achieving financial stability, as they often operate with limited budgets and depend on seasonal fluctuations in demand (Okeke et al., 2024). Therefore, efficient management of economic feasibility is crucial for the long-term sustainability of their business operations.

One of the fundamental aspects of economic feasibility in the hotel industry relates to the rationalization of operational costs through procurement optimization, waste reduction, and efficient inventory management. Direct collaboration with local producers can contribute to lowering food procurement costs, eliminating intermediaries, and improving the quality of products used in hotel services (Obrenovic et al., 2020; Bhattacharya et al., 2024). Additionally, investments in energy-efficient systems and sustainable operational practices can reduce fixed costs in the long run and increase hotel profitability (Pantić et al., 2021; Orynych & Tucki, 2021).

Revenue growth through service diversification and adaptation to market trends is another important aspect of economic feasibility. Hotel restaurants, wellness centers, event organization, and additional tourist activities can help generate new revenue streams, thereby reducing reliance on accommodation services alone (Scheyvens & Laeis, 2022; Khalil et al., 2024). The personalization of services and the application of digital technologies in guest communication enable more precise targeting of customer segments and increased satisfaction, leading to higher rates of repeat visits and recommendations (Das et al., 2024).

Seasonality presents a significant challenge to economic feasibility in the hotel industry, particularly for small and medium-sized hotels located in destinations with pronounced seasonal fluctuations. To mitigate the risk of revenue decline during off-peak periods, hotels implement flexible pricing strategies, create special packages for guests, and develop loyalty programs that encourage bookings throughout the year (Dalir, 2024). Additionally, service diversification through the organization of themed events, gastronomic festivals, or business conferences can significantly reduce the impact of seasonality on business performance (Kwiatkowski et al., 2024).

Labor cost management is another factor that significantly affects the economic feasibility of hotels (Yacoub & ElHajjar, 2021). Optimizing workforce deployment through efficient shift planning, investing in employee training, and utilizing automation technologies for certain operations can lead to substantial reductions in operational costs. The implementation of modern software solutions for reservation and hotel operations management contributes to better cost control and increased business efficiency (Dyshkantiuk et al., 2020).

The long-term sustainability of economic feasibility in the hotel industry depends on the ability to adapt to market changes, innovate in service offerings, and strategically manage resources. Hotels that successfully balance cost optimization with service quality improvements can gain a competitive advantage and achieve long-term financial stability in a dynamic and challenging business environment (Bardukova, 2023; Khalil et al., 2024).

Sustainability and local supply chains

Sustainability in the hotel industry is becoming one of the key factors for long-term development, with local supply chains playing a central role in achieving ecological, economic, and social responsibility (Achmad & Yulianah, 2022). The use of local agricultural products in hotel offerings not only contributes to reducing negative environmental impacts but also strengthens the economic stability of local communities and improves the quality of gastronomic services (Maynard et al., 2020).

Local supply chains enable hotels to reduce carbon dioxide emissions resulting from the long-distance transportation of goods, thereby directly contributing to environmental protection. Using products sourced from the immediate surroundings helps preserve biodiversity, reduce packaging waste, and support sustainable agriculture (Xia et al., 2022). Moreover, eliminating long distribution chains reduces the need for storage and extended food processing, thereby improving the nutritional value of products used in hotel restaurants (Xia et al., 2022; Omar et al., 2024).

The economic sustainability of local supply chains is reinforced by the fact that direct collaboration with producers eliminates intermediaries, allowing hotels to procure fresh products at competitive prices (Ciulli et al., 2020). At the same time, this cooperation fosters the development of small and medium-sized agricultural enterprises, strengthening the local economy and reducing dependence on global market fluctuations. The hotel sector, particularly when relying on local resources, can contribute to creating a stable market for small producers, thereby promoting sustainable economic development in rural areas (Polukhina et al., 2021).

In addition to ecological and economic benefits, local supply chains enhance the destination's identity through an authentic gastronomic offering. The use of local products allows hotels to develop unique menus based on traditional recipes and seasonal ingredients, increasing the destination's attractiveness and encouraging guest interest in local culture (Vukolić et al., 2023; Stalmirska, 2024). This practice can positively

influence the perception of service quality, increase guest loyalty, and contribute to better hotel promotion through recommendations and digital communication channels (Van Huy & Thai Thinh, 2024).

Although local supply chains offer numerous advantages, their implementation in the hotel industry can be challenging due to the seasonality of production, inconsistent product quality, and limited capacities of small producers (Liu & Li, 2024). Hotels often need to adjust their procurement strategies to ensure a continuous supply and align their offerings with market fluctuations (Santa et al., 2025). Maintaining long-term partnerships with local producers, investing in logistical infrastructure, and flexibly adapting menus to seasonal products are key strategies for successfully integrating local supply chains (Marusak et al., 2021; Liu & Li, 2024).

Sustainability in the hotel industry is becoming an increasingly important criterion for guests, who are increasingly considering ecological and social aspects when choosing accommodations (Floričić, 2020). The integration of local products into hotel offerings is not only an economically viable practice but also a way for hotels to respond to the growing demand for sustainable and authentic tourism experiences (Chen, 2022).

Theories of managerial decision-making in procurement

Managerial decision-making in hotel procurement is a complex process that requires the analysis of multiple factors, including cost efficiency, supply reliability, customer preferences, and regulatory frameworks. Procurement decisions affect not only the operational performance of hotels but also their competitive position, business sustainability, and guest perception of service quality (Vasilakakis & Sdrali, 2023). Efficient procurement management enables hotels to optimize costs, ensure a stable supply chain, and respond to market trends that shape demand for specific product categories (Ceynowa et al., 2024). In a theoretical context, managerial procurement decisions can be examined through several key dimensions: perceived cost savings (Perceived Cost Savings – PCS), supply reliability (Supplier Reliability – SR), customer demand (Customer Demand – CD), and regulatory support (Regulatory Support – RS). These dimensions play a crucial role in shaping hotel procurement strategies, with each factor having a different impact on operational and financial performance (Mohammed et al., 2022; Ceynowa et al., 2024).

Cost efficiency is one of the most important factors in procurement decision-making, as it directly influences hotel profitability. Managers choosing between global and local suppliers consider perceived cost savings a critical factor, as reducing expenses on transportation, eliminating intermediaries, and securing more flexible payment terms can improve financial outcomes (Cho, 2021). The use of local agricultural products, therefore, represents a potential cost-saving strategy, particularly in markets where logistics costs significantly impact overall operational efficiency. However, uncertainties related to price volatility, supply seasonality, and the limited production capacity of local suppliers may create financial risks that need to be managed strategically (Mishra et al.,

2022). Given that perceived cost savings play a crucial role in determining procurement feasibility, this study examines whether hotel managers' cost perceptions positively influence their willingness to source locally, thereby reinforcing the assumption that cost efficiency is a key determinant of procurement decisions.

H1: Perceived cost savings positively impact the economic feasibility of local procurement.

Supply reliability plays a crucial role in hospitality, as a consistent procurement process directly affects service quality and operational efficiency. Hotel managers must assess the stability of their suppliers, their ability to deliver products on schedule, and the consistency of product quality to ensure uninterrupted business operations and guest satisfaction (Le et al., 2021). While traditional global distribution networks offer stable supply chains and standardized products, they remain vulnerable to market fluctuations, transport disruptions, and external crises, which can jeopardize procurement efficiency (Vasilakakis & Sdrali, 2023). In contrast, sourcing from local suppliers may enhance flexibility and responsiveness, but it also introduces risks related to production capacity, seasonal availability, and infrastructure limitations. Since procurement decisions depend on the perceived reliability of suppliers and their ability to consistently meet demand, this study examines whether hotel managers prioritize supply stability when selecting local producers. This assumption is empirically tested through:

H2: Supplier reliability significantly influences hotel managers' procurement decisions.

Guest demand has a direct impact on managerial procurement decisions, as hotel restaurants and food service sectors must adapt their offerings to market preferences to ensure high satisfaction and customer loyalty. The increasing awareness of healthy eating, sustainability, and food origin has led to growing demand for local, organic, and seasonal products, prompting hotels to reconsider their sourcing strategies (Kim & Han, 2022). Consumers, particularly those seeking authentic and environmentally responsible experiences, increasingly prefer hotels that incorporate locally sourced ingredients into their menus. This shift in consumer expectations not only influences purchasing trends but also pressures hotels to align their procurement decisions with market demand. Given that guest preferences directly shape the feasibility of local sourcing, this study examines whether increasing demand for local products encourages hotel managers to integrate them into their supply chains. This assumption is empirically tested through:

H3: Guest demand plays a crucial role in determining the feasibility of sourcing local products.

The regulatory framework and institutional support play a significant role in shaping hotel procurement strategies. Government policies, subsidies, and support programs for local producers can significantly influence hotels' decisions to incorporate domestic agricultural products into their offerings (Japutra & Situmorang, 2021). In many countries, initiatives encourage hotels to use local resources through tax incentives, financial support, and regulations promoting sustainable agriculture (Li et al., 2024).

Hotel managers must monitor regulatory changes, collaborate with relevant institutions, and leverage available incentives to maximize the economic and operational benefits of a sustainable procurement strategy. Proper alignment with the legal framework ensures hotels' long-term business stability and better integration into the local economy (Hussein et al., 2024).

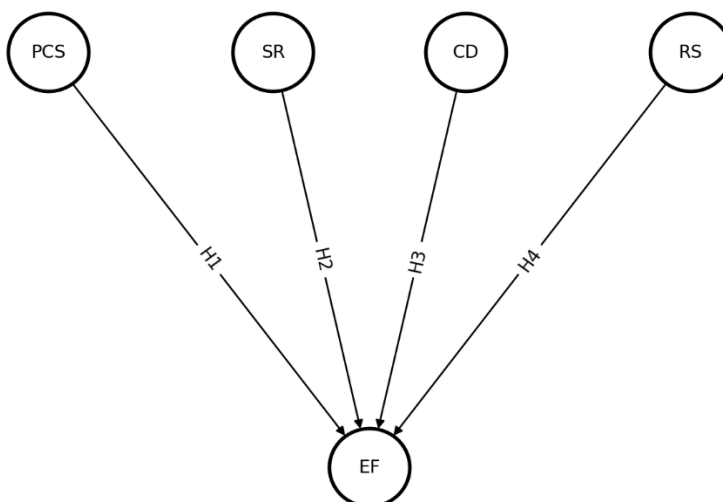
H4:Regulatory support facilitates the integration of local agricultural products into hotel supply chains.

Existing literature on integrating local agricultural products into the hotel industry presents varying perspectives and findings, highlighting the complexity of this topic (Ammirato et al., 2020). While many studies emphasize the benefits of using local products, such as enhanced service quality, support for local economies, and reduced environmental impact, others point to challenges and potential drawbacks of this approach (Cvijanović et al., 2020).

One of the key arguments against local product integration relates to economic feasibility. Some studies suggest that procuring local products can increase hotel operational costs due to higher prices, seasonal supply variations, and limited capacities of local producers (Alrawabdeh, 2021). These factors can negatively impact profitability, especially for smaller hotels with constrained budgets.

These contradictory findings underscore the need for further research and careful consideration when making decisions about integrating local agricultural products into hotel offerings. Each hotel should conduct a thorough analysis of its operational capacities, market characteristics, and the availability of local resources to determine the most optimal approach that balances the advantages and potential challenges of this concept (Khalil et al., 2024).

Figure 1. Theoretical model

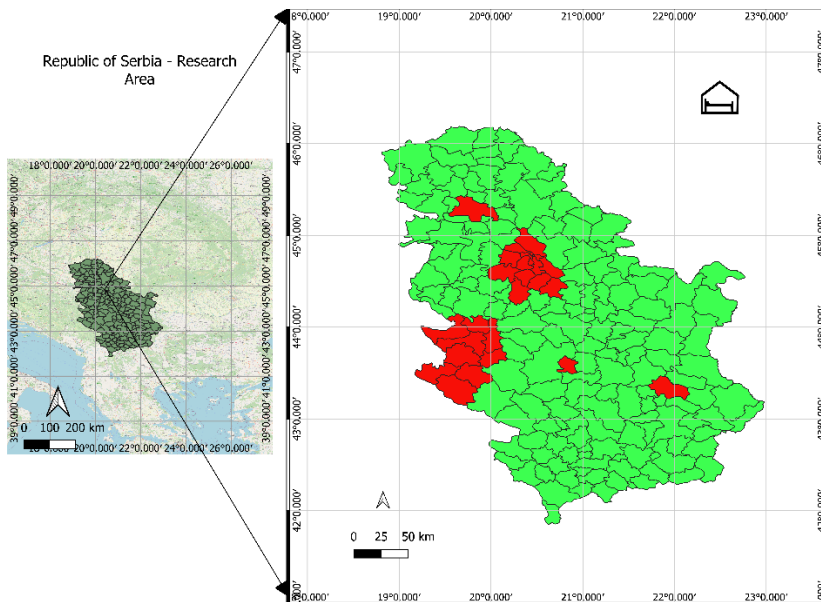


Methodology

Sample and procedure

The study was conducted on a sample of 463 managers employed in small and medium-sized hotels in Serbia, aiming to analyze their perception of the economic feasibility of procuring local agricultural products. The sample was carefully designed to include managers from various hotel business sectors, including general managers, F&B managers, operations managers, and procurement managers, ensuring a comprehensive overview of attitudes and challenges related to the integration of local products into hotel offerings. Data were collected exclusively in the field through face-to-face surveys conducted between August and December 2024 across five key tourist destinations in Serbia: Belgrade, Novi Sad, Kopaonik, Zlatibor, Niš, and Vrnjačka Banja. These destinations were strategically selected as they represent major urban and mountain tourism centers with a well-developed hospitality industry and significant potential for collaboration with local agricultural producers. Respondents were approached through direct hotel visits, with prior announcements and coordination with managerial teams to ensure active participation and relevant responses.

Figure 2. Research area



The data were collected through structured, on-site surveys. The questionnaire was designed to include demographic information about respondents, their attitudes toward the procurement of local agricultural products, and the key factors influencing their perception of the economic feasibility of this supply model. To mitigate moral hazard, which can arise in studies of this nature, responses were collected anonymously, with respondents explicitly informed that there were no correct or socially desirable answers.

The purpose of the research was to provide an objective analysis of market conditions and managerial perspectives. A pilot study was conducted in July 2024 with a smaller sample of 30 managers from Belgrade, Novi Sad, and Zlatibor to test the clarity and relevance of the questionnaire. The results indicated that some questions required additional refinement and adaptation to industry-specific terminology. Based on respondent feedback, minor adjustments were made to improve the clarity and precision of statements, ensuring that the final questionnaire aligned with the study’s objectives. Most respondents had between six and fifteen years of experience in the hospitality sector, with an average age ranging from 34 to 43 years. The educational background of the sample revealed that the majority held undergraduate and master’s degrees, while a smaller portion had secondary or doctoral education. The hotels in which they were employed primarily belonged to the 2- to 4-star category, with capacities ranging from 10 to 80 rooms. The most represented positions among respondents were operational and general managers (Table 1).

Table 1. Socio-demographic characteristics of respondents

Position	Hotel Size	Location	Years of Experience	Age	Education	Hotel Category
Operations Manager	20-50 rooms	Tourist region	11	38	MSc	3*
Procurement Manager	10-30 rooms	Urban	12	37	Bachelor’s	2*
General Manager	30-50 rooms	Rural	6	35	High School	4*
Operations Manager	20-50 rooms	Urban	8	39	Bachelor’s	3*
F&B Manager	10-30 rooms	Rural	8	38	Bachelor’s	2*
General Manager	30-80 rooms	Urban	14	41	MSc	4*
Procurement Manager	10-30 rooms	Tourist region	9	36	PhD	3*
General Manager	20-50 rooms	Rural	15	43	Bachelor’s	4*
Operations Manager	10-30 rooms	Urban	10	35	High School	2*
F&B Manager	30-80 rooms	Tourist region	7	34	Bachelor’s	3*

Source: Authors’ research

Measurements

The study employs a structured questionnaire to measure key constructs related to hotel managers’ perceptions of the economic feasibility of procuring local agricultural products. The measurement items were adapted from existing literature to ensure construct validity and relevance to the hospitality industry. Specifically, statements related to Perceived Cost Savings (PCS) were modified from studies on procurement

efficiency in tourism supply chains (e.g., Chatzitheodoridis & Kontogeorgos, 2020), while Supplier Reliability (SR) constructs were derived from research on supply chain stability (e.g., Susila et al., 2024). Customer Demand (CD) items were adapted from studies analyzing tourist food preferences (Scheyvens & Laeis, 2022), and Regulatory Support (RS) constructs were modified based on prior research on policy incentives for local sourcing (Yi et al., 2024). The dependent variable, Economic Feasibility (EF), was developed based on studies evaluating the financial benefits of local procurement in the hospitality sector (Wondirad et al., 2021). A five-point Likert scale was used to measure all constructs, ranging from 1 (strongly disagree) to 5 (strongly agree). This approach ensures consistency in responses and allows for reliable comparison of managers' perceptions. The questionnaire consisted of 15 items distributed across five constructs.

Data Analysis

The data were analyzed using SPSS 26.00 for descriptive statistics and SmartPLS 4 for structural equation modeling (SEM). In the initial phase, a thorough examination of the data was conducted to assess response characteristics and ensure the initial validation of variable distribution. Mean values (M) and standard deviations (SD) were calculated for all questionnaire items, allowing an analysis of central tendency and data variability. Particular attention was given to identifying potential outliers and extreme values to ensure that the dataset was not subject to significant deviations that could impact further factor analysis. An Exploratory Factor Analysis (EFA) was performed to identify the latent structure of the variables reflecting hotel managers' perceptions of the economic feasibility of procuring local agricultural products (Widaman, & Helm, 2023). The suitability of the data for factor analysis was confirmed using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.861) and Bartlett's test of sphericity ($\chi^2 = 512.376$, $df = 105$, $p < 0.001$), indicating appropriate correlations among variables (Sürücü et al., 2022). Factors were extracted using the Principal Component Analysis (PCA) method, retaining only those with eigenvalues greater than 1, in accordance with Kaiser's criterion (Marsh et al., 2019). A Varimax rotation was then applied to improve factor interpretation and reduce cross-loadings. The final factor solutions included only indicators with factor loadings greater than 0.30, while those with high cross-loadings were eliminated to ensure clear differentiation between factors (Sürücü et al., 2022). The obtained factor structure identified five key dimensions influencing managers' perceptions of economic feasibility in local procurement, forming the foundation for further Confirmatory Factor Analysis (CFA) and construct validity assessment (Widaman & Helm, 2023). For CFA, validation metrics were tested to confirm convergent and discriminant validity, as well as overall model fit. The results showed that the Average Variance Extracted (AVE) for all factors exceeded the recommended threshold of 0.50, confirming that the indicators adequately explained their latent constructs (Canivez et al., 2020). Correlation analysis among factors further demonstrated that none exhibited overlap greater than their AVE values, ensuring that constructs measured distinct concepts and confirming discriminant validity (Marsh et al., 2019). To evaluate the model fit, standard goodness-of-fit indicators were analyzed.

The Chi-square test yielded $\chi^2 = 254.678$ with 84 degrees of freedom ($p < 0.001$) (Beauducel & Wittmann, 2005).

The Comparative Fit Index (CFI) was 0.945, while the Tucker-Lewis Index (TLI) was 0.932, both exceeding the recommended threshold of 0.90. Additionally, the Root Mean Square Error of Approximation (RMSEA) was 0.054, falling within the acceptable range of < 0.08 , while the Standardized Root Mean Square Residual (SRMR) was 0.048, confirming adequate model fit (Canivez et al., 2020). These results further validated the factor structures identified in the EFA phase, ensuring the reliability and validity of the constructs used in the study. As part of the CFA, a multicollinearity check was performed to ensure the independence of indicators and reduce the risk of redundancy among variables. The Variance Inflation Factor (VIF) values ranged between 1.24 and 3.32, indicating no serious multicollinearity issues, as all values remained below the critical threshold of 5. Additionally, Standardized Regression Weights (SRW), measuring the strength of relationships between latent factors and their indicators, ranged from 0.67 to 0.88, confirming that all indicators reliably predicted their associated factors (Marsh et al., 2019).

Finally, SEM analysis in SmartPLS 4 was used to examine the relationships among key factors influencing the economic feasibility of local procurement in small and medium-sized hotels (Pering, 2020). The model was evaluated to confirm construct validity and reliability, as well as to analyze direct, indirect, and total effects among the studied variables.

Results

Results of descriptive and factor analysis

The results of the reliability and convergent validity analysis confirm the consistency and stability of all measured factors. All constructs demonstrated satisfactory Cronbach's alpha (α) values, indicating strong internal consistency (Table 2). The perceived cost savings (PCS) factor showed moderately high mean values, with the highest-rated statement being that local product transportation is cheaper than imported products ($m = 4.89$, $sd = 0.90$), highlighting managers' recognition of economic benefits. Supplier reliability (SR) exhibited strong reliability ($\alpha = 0.902$), with managers acknowledging the feasibility of long-term cooperation with local suppliers ($m = 4.55$, $sd = 0.98$) and their overall reliability ($m = 4.36$, $sd = 1.10$). Customer demand (CD) emerged as a significant factor, with high mean values and strong correlations. Guests strongly prefer meals made from local ingredients ($m = 4.20$, $sd = 0.88$), and their use positively influences guest loyalty ($m = 4.10$, $sd = 1.02$). Regulatory support (RS) showed slightly lower mean scores, with the highest-rated statement regarding government subsidies ($m = 3.85$, $sd = 1.15$), suggesting limited institutional support for integrating local products into hotel operations. Economic feasibility (EF) demonstrated the highest reliability ($\alpha = 0.941$), with strong managerial perceptions of the financial benefits of local procurement. The statement that collaboration with local producers improves hotel economic sustainability ($m = 4.50$, $sd = 0.78$) further reinforces managers' recognition of the long-term advantages of this approach.

Table 2. Reliability and convergent validity test

Factor	Abbreviation	Statement	m	sd	α	λ
Perceived Cost Savings (PCS)	PCS1	Procuring local products reduces costs compared to imported ones.	4.44	1.21	0.756	0.714
	PCS2	Collaboration with local suppliers enables more flexible pricing.	3.84	1.44	0.715	0.766
	PCS3	Transporting local products is cheaper than transporting imported products.	4.89	0.90	0.743	0.800
Supplier Reliability (SR)	SR1	Local suppliers regularly deliver high-quality products.	4.91	0.80	0.902	0.700
	SR2	The reliability of supply from local producers is high.	4.36	1.10	0.802	0.858
	SR3	It is possible to establish long-term cooperation with local suppliers.	4.55	0.98	0.895	0.831
Customer Demand (CD)	CD1	Hotel guests prefer meals prepared with local ingredients.	4.20	0.88	0.918	0.820
	CD2	The use of local products increases guest satisfaction.	4.45	0.76	0.873	0.812
	CD3	Marketing local products contributes to guest loyalty.	4.10	1.02	0.929	0.854
Regulatory Support (RS)	RS1	Government subsidies encourage the use of local products in hotels.	3.85	1.15	0.815	0.741
	RS2	There are incentives for hotels that use local agricultural products.	3.75	1.22	0.789	0.760
	RS3	The regulatory framework supports short supply chains in the hospitality industry.	4.00	1.10	0.854	0.799
Economic Feasibility (EF)	EF1	The use of local agricultural products contributes to increasing hotel revenue.	4.35	0.90	0.941	0.881
	EF2	Collaboration with local producers improves the economic sustainability of hotels.	4.50	0.78	0.922	0.859
	EF3	Integrating local products reduces overall hotel operating costs.	4.25	0.95	0.903	0.832

*Note: m – arithmetic mean, sd – standard deviation, α - Cronbach alpha, λ – factor loading

Source: Authors' research

The reliability and convergent validity analysis confirm the robustness of the measured constructs (Table 3). Cronbach's alpha (α) values for all factors exceed the acceptable threshold of 0.7, indicating strong internal consistency. Composite reliability (CR) values further validate the reliability of each construct, with all exceeding 0.8, confirming the stability of the measurement model. The average variance extracted (AVE) values range from 0.522 to 0.710, meeting the recommended threshold of 0.50, which suggests that

the indicators adequately explain their respective latent constructs. Eigenvalues confirm that each factor explains a significant portion of the variance, with perceived cost savings (PCS) explaining the highest proportion (23.252%), followed by supplier reliability (SR) (21.842%) and customer demand (CD) (20.893%). The cumulative variance explained by the factors reaches 99.673%, demonstrating the strong explanatory power of the model.

Table 3. Reliability and convergent validity test for the factors

Factor	m	sd	α	Eigen Value	% Variance	Cumulative %	CR	AVE
Perceived Cost Savings (PCS)	4.39	1.18	0.738	3.402	23.252	22.859	0.860	0.710
Supplier Reliability (SR)	4.46	0.92	0.864	3.195	21.842	45.166	0.844	0.643
Customer Demand (CD)	4.01	0.93	0.810	3.057	20.893	65.777	0.822	0.522
Regulatory Support (RS)	4.50	0.77	0.857	2.904	19.852	86.317	0.916	0.646
Economic Feasibility (EF)	3.89	1.03	0.839	2.072	14.161	99.673	0.852	0.696

*Note: m – arithmetic mean, sd – standard deviation, α - cronbach alpha, CR - composite reliability, AVE - average variance extracted.

Source: Authors' research

The matrix displays correlations among variables, with all values being positive. The strongest relationship is between PCS and SR (0.775), while the weakest is between PCS and EF (0.378). Correlations range from moderate to high, with no indications of extreme multicollinearity (Table 4).

Table 4. Correlations among variables

	PCS	SR	CD	RS	EF
PCS	1.000	0.775	0.666	0.599	0.378
SR	0.775	1.000	0.733	0.601	0.654
CD	0.666	0.733	1.000	0.406	0.391
RS	0.599	0.601	0.406	1.000	0.446
EF	0.378	0.654	0.391	0.446	1.000

*Note: the diagonal is the AVE square root of each construct

Source: Authors' research

Results of SEM analysis

Table 5 presents the results of the Fornell-Larcker criterion (below the diagonal) and Heterotrait-Monotrait (HTMT) values (above the diagonal), while the diagonal contains the squared AVE values. All square roots of AVE values (diagonal) are higher than the corresponding correlations between constructs, confirming discriminant validity according to the Fornell-Larcker criterion. Additionally, all HTMT values remain below the 0.85 threshold, further supporting construct differentiation. These results indicate that each latent construct measures a distinct concept without overlap with others, reinforcing the model's reliability in analyzing the relationships between variables.

Table 5. Fornell-Larcker and HTMT values

	PCS	SR	CD	RS	EF
PCS	0.843	0.853	0.733	0.659	0.416
SR	0.775	0.802	0.806	0.661	0.719
CD	0.666	0.733	0.722	0.447	0.430
RS	0.599	0.601	0.406	0.804	0.491
EF	0.378	0.654	0.391	0.446	0.834

Source: Authors' research

The results of the model fit analysis indicate that the χ^2/df ratio of 2.249 suggests an acceptable fit of the data to the model. The RMSEA value of 0.078 further confirms a good fit, while the high CFI value of 0.966 indicates that the model effectively explains data variability. The low SRMR value of 0.054 suggests minimal differences between the predicted and observed values, and the NFI value of 0.950 confirms the adequacy of the model structure. The coefficient of determination (R^2) of 0.531 implies that the model explains more than half of the variance of the dependent variable, while the Q^2 value of 0.583 demonstrates the model's strong predictive relevance.

The structural path analysis confirms all proposed hypotheses, highlighting significant relationships between key factors and the economic feasibility (EF) of procuring local agricultural products. Supplier reliability (SR) has the strongest influence on EF ($\beta = 0.770$, $t = 2.849$, $p = 0.027$), confirming that the perceived stability and reliability of local suppliers play a crucial role in managerial decision-making. Similarly, customer demand (CD) positively impacts EF ($\beta = 0.639$, $t = 2.727$, $p = 0.022$), suggesting that managers recognize the benefits of integrating local products into hotel offerings in response to guest preferences. Perceived cost savings (PCS) also show a significant positive effect on EF ($\beta = 0.425$, $t = 5.330$, $p = 0.016$), supporting the idea that managers value the potential for cost optimization through local procurement. Finally, regulatory support (RS) has a moderate but significant impact on EF ($\beta = 0.559$, $t = 2.734$, $p = 0.015$), indicating that government subsidies and legal incentives play an important but not decisive role in procurement decisions. All obtained results show appropriate effect sizes (f^2), with SR exhibiting the highest effect ($f^2 = 0.276$), while the other factors demonstrate moderate to low effects. These findings confirm that managers recognize the value of local procurement through cost efficiency, supply reliability, guest demand, and regulatory support, thereby validating the proposed model (Table 6).

Table 6. Path analysis and hypothesis testing

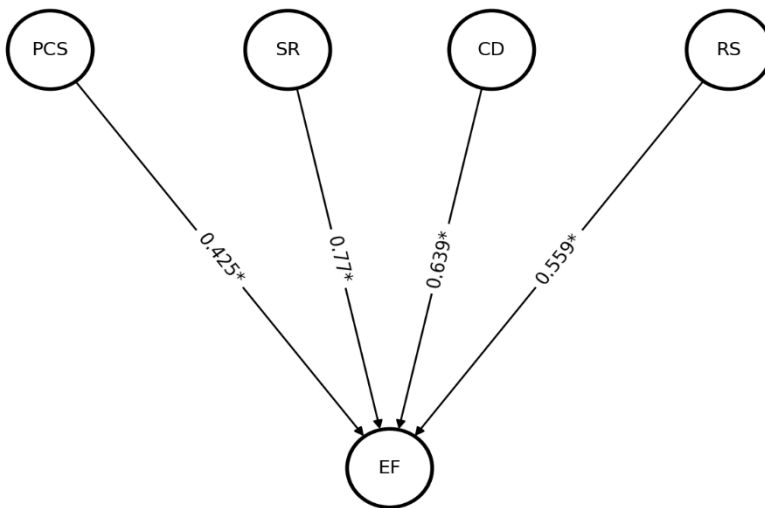
Hypothesis	Path	β	m	sd	t	p	f^2	Confirmation
H1	PCS \rightarrow EF	0.425	0.436	0.921	5.330	0.016	0.149	supported
H2	SR \rightarrow EF	0.770	0.734	0.996	2.849	0.027	0.276	supported
H3	CD \rightarrow EF	0.639	0.618	0.514	2.727	0.022	0.198	supported
H4	RS \rightarrow EF	0.559	0.546	1.179	2.734	0.015	0.132	supported

Source: Authors' research

The final model demonstrates significant positive relationships between the four predictor variables (PCS, SR, CD, and RS) and economic feasibility (EF). Supplier reliability (SR) has the strongest impact ($\beta = 0.770$), highlighting the crucial role of dependable local suppliers. Customer demand (CD) and regulatory support (RS) also contribute significantly ($\beta = 0.639$ and $\beta = 0.559$, respectively), while perceived cost savings (PCS) shows a moderate but significant effect ($\beta = 0.425$).

These results confirm the validity of the research framework, emphasizing the importance of these factors in hotel managers' decision-making regarding the procurement of local agricultural products (Figure 3).

Figure 3. Final model



Source: Authors' research

Discussion

The findings of our study provide valuable insights into the economic feasibility of procuring local agricultural products for small and medium-sized hotels. The results emphasize the key role of cost reduction, supplier reliability, customer demand, and regulatory support in shaping managerial decisions, aligning with previous research. The strong positive impact of supplier reliability on economic feasibility highlights the importance of stable and efficient supply chains. These findings are consistent with Susila et al. (2024), who underscored the significance of interconnectivity and efficient supply chains in agro-tourism development. Our study confirms that supplier reliability is not only crucial for agro-tourism but also plays a decisive role in procurement decisions in the hospitality industry.

The influence of customer demand on economic feasibility further indicates that hotels recognize the importance of adjusting to guest preferences, particularly when it comes to local products. This is in line with Scheyvens and Laeis (2022), who emphasized

the importance of integrating local food production into tourism offerings to support sustainability goals. Similarly, Wondirad et al. (2021) highlighted that culinary tourism contributes to regional economic growth and socio-cultural revitalization, reinforcing our conclusion that demand for local products positively affects economic feasibility. A moderate yet significant impact of perceived cost savings on economic feasibility highlights the financial appeal of local procurement. These findings are in agreement with Chatzitheodoridis and Kontogeorgos (2020), who demonstrated that small-scale tourism ventures can leverage local resources to maintain economic stability during periods of uncertainty. Our study further confirms that opportunities for cost reduction through local sourcing can contribute to the financial sustainability of the hospitality sector.

Regulatory support also plays a crucial role in improving economic feasibility. These results align with Yi et al. (2024), who emphasized the importance of government incentives and support mechanisms in promoting rural tourism and strengthening linkages between local communities and the tourism sector. Our study extends this understanding by highlighting the role of regulatory frameworks in shaping managerial decisions regarding the integration of local products. Overall, our findings validate the proposed research model, demonstrating that cost efficiency, supplier reliability, customer preferences, and regulatory incentives collectively influence managerial decision-making. By aligning with the findings of Susila et al. (2024), Scheyvens and Laeis (2022), Wondirad et al. (2021), Chatzitheodoridis and Kontogeorgos (2020), and Yi et al. (2024), this study contributes to the growing body of knowledge on sustainable procurement strategies in the hospitality industry.

The findings indicate that hotel managers generally perceive the economic feasibility of sourcing local agricultural products as a viable strategy for improving business efficiency and guest satisfaction. However, their procurement decisions are significantly influenced by concerns related to supplier reliability, cost stability, and regulatory support. While managers acknowledge the potential benefits of local sourcing, such as cost reduction through lower transportation expenses and enhanced guest experience due to fresh and authentic ingredients, they also highlight challenges such as seasonal availability, price fluctuations, and logistical constraints. Addressing these barriers through strategic supplier partnerships, flexible procurement models, and targeted policy incentives can enhance the feasibility and long-term sustainability of local procurement in the hospitality industry.

Conclusion

The study has demonstrated that procuring local agricultural products can be economically viable for small and medium-sized hotels, provided key factors such as supplier reliability, expected guest demand, perceived cost savings, and regulatory support are in place. The findings emphasize the importance of collaboration between the hospitality industry and local producers, which not only enhances business efficiency but also contributes to the development of local communities. The results suggest that strategic planning and the integration of local resources are crucial for strengthening

hotel competitiveness, serving as a model for other markets and sectors. This study provides a unique perspective on the economic sustainability of local procurement, integrating managerial, market, and regulatory aspects. The clearly presented findings make it accessible and useful not only to researchers and industry professionals but also to non-experts seeking practical guidelines for business improvement. The study contributes to global knowledge on tourism economics, offering direct benefits to students, researchers, and hotel managers. It is recommended for anyone interested in sustainable tourism strategies, as it enhances understanding and provides a foundation for improving practices in the hospitality sector.

Theoretical and practical implications

This research significantly contributes to both theory and practice in hotel management, particularly by analyzing the economic feasibility of local procurement. It expands existing theoretical knowledge on managerial decision-making by highlighting the importance of supplier reliability, guest demand, cost efficiency, and regulatory support. Unlike previous studies that have primarily focused on procurement strategies in large hotel chains or global markets, this study provides a unique contribution by addressing the specific challenges faced by small and medium-sized hotels in Serbia. By integrating economic, managerial, and regulatory aspects into an analytical framework, the research offers a nuanced understanding of how procurement strategies can be optimized in the hospitality sector.

From a practical perspective, the findings offer clear and actionable recommendations for hotel managers to enhance the feasibility of local sourcing. Establishing long-term partnerships with reliable local suppliers is essential to mitigating risks associated with seasonality and supply chain disruptions, ensuring a consistent and high-quality product supply. Additionally, flexible procurement strategies should be implemented to balance cost optimization with supply stability, particularly in response to potential price fluctuations and market volatility. Hotels can also leverage guest preferences for authentic and sustainable products by strategically incorporating local food offerings into their marketing and branding efforts, reinforcing consumer demand and strengthening customer loyalty.

While the benefits of local procurement are well-documented, this study also acknowledges the key barriers that may hinder its implementation. Supply chain disruptions, logistical constraints, and price volatility remain significant challenges for hotel managers seeking to integrate local products into their procurement strategies. To address these concerns, collaborative models such as cooperative purchasing agreements and regional supplier networks can help improve distribution efficiency and cost-effectiveness. Moreover, technology-driven solutions, including digital inventory management and predictive analytics, can assist in optimizing procurement decisions and mitigating potential risks associated with local sourcing.

Beyond hotel operations, the study emphasizes the role of policymakers in facilitating a more supportive regulatory and economic environment for local procurement. Policymakers should consider implementing targeted incentive programs, such as tax reliefs, financial subsidies, and investment in logistical infrastructure, to enhance the economic feasibility of sourcing local products. Additionally, the promotion of best practices from real-world case studies—such as government-backed farm-to-hotel initiatives or collaborative supply chain models—can provide industry stakeholders with concrete strategies for successful implementation.

These insights extend beyond Serbia, as the challenges and solutions discussed in this study are relevant to a wide range of tourism destinations where small and medium-sized hotels play a crucial role in the local economy. By offering an integrative approach that balances theoretical contributions with practical applications, this research provides valuable guidance for hotel managers, local producers, and policymakers seeking to enhance the sustainability and economic viability of local procurement in the hospitality industry.

Future research directions

Future research should focus on comparative studies across different regions and industries to assess the generalizability of the model. Additionally, longitudinal studies would provide deeper insights into the long-term economic benefits of local procurement. Particular attention should be given to the impact of product seasonality and the role of emerging technologies in procurement logistics. Further investigations could also explore guest perceptions of authenticity and quality in local products, as well as the environmental impact of local sourcing practices.

Limitations of the study

A key limitation of this study is its focus on the hotel industry in Serbia, which may restrict the generalizability of the findings on a global scale. Additionally, as the research is based on a cross-sectional study, it does not account for the long-term effects of local procurement on hotel performance. Furthermore, sample selection may influence the overall applicability of the results, as not all types of hotels or varied levels of guest preferences were included. Future research should address these limitations to further validate the economic feasibility of local procurement in the hospitality sector worldwide.

Conflict of interests

The authors declare no conflict of interest.

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