Local Sourcing: How It Can Benefit Your Business and the Community



Many companies, especially if they're in a developing country, can only source part of their goods and services locally.

It's usually due to at least one of these four issues: a lack of local availability, poor quality, insufficient delivery of products, or uncompetitive pricing. It's possible to tackle these hurdles by working to improve the supply or shifting company demands.

To shift demand, companies could review company selection criteria, putting more emphasis on country of origin rather than price.

This way it's easier to explore logical alternatives to imported products.

To shift country supply, countries can adjust their institutional framework to incentivize local sourcing.

They can also create networks to better match supply and demand locally and to improve companies' access to capital. This way, they're actively building their nations' private sector capacity.

Though it may not be possible to locally source all the raw materials, goods, and services you need to operate your small business in the United States or elsewhere, making an effort to locally source as much as possible can greatly benefit your business.

Let’s take a look at the top 8 benefits of local sourcing.

Reduced Supply Chain Costs

If you tighten your purse strings, it’s a good idea to tighten the supply chain, too. Companies in North American alone spend more than $1 billion a year just on logistics.

These businesses send and receive parts and products all over the continent. These expenses add up fast – and when you add the act that they have to be stored in warehouses until they are either shipped to the next supplier or the customer.

By localizing your supply chain, you can reduce many of these costs.

And because less of your budget goes to logistics, you can either save the money, reinvest it into other areas of your business, or increase your bottom line overall.

Reduced Currency Risk

By sourcing from local suppliers that use the same currency, companies avoid risks associated with fluctuations in currency exchange rates.

It’s possible that exchange rates may fluctuate rather significantly over the course of a supplier contract, which dramatically impacts imported goods pricing.

For companies in countries where the currency is volatile, the currency risk is fairly substantial.

Local sourcing helps these companies avoid non-financial risks, too. These include risks related to unstable regiments abroad as well as trade wars that are often part of global sourcing.

More Flexibility

You never know when opportunities or challenges may come alone. Buyers like to know the growth pattern for the product they are sourcing before choosing a vendor for procurement.

The ability to scale is key. If you receive a lucrative bid from a solid customer, or you have an existing client who needs you to ramp up to meet their demand, will you be ready?

If you source locally, you're more likely to answer yes. Local suppliers tend to be more reactive than suppliers further away, which reduces lead time.

They can deliver products faster. It is easier for suppliers to coordinate shipments across town than across the globe.

Better Control

As the COVID-19 pandemic continues to wreak havoc globally, many manufacturers have been able to maintain business continuity thanks to local sourcing.

Those that relied on other sources found issues within their supply chain, which trickled down to consumers.

The further away you are located from the various parts of your supply chain, the less control you have.

Suppliers may tell you they treat all their customers and purchase orders with the same level of care, but if they anticipate that you'll visit their site or want a drop-in meeting with them, it's likely they'll keep you front of mind.

Visiting in-person allows you to address concerns while also ensuring that all the products meet your standards.

Along with that, there is less of a chance that things will get lost in transition, which often happens when working with big teams – many of whom aren't on the floor and working with your products.

Today’s manufacturers are more likely to use videos of their factory to connect with customers when travel is restricted or otherwise difficult.

> *Local sourcing not only provides company benefits but societal ones, too.*

Reduced Environmental Impact

Each truckload of material or delivery you accept leaves a carbon footprint. When you source items from your suppliers, they don’t have to travel as far to get to you.

That means less of a carbon footprint, and you get what you need faster. Reduced emissions mean more sustainability, too.

But beyond the shipping and fuel it burns, it helps to reduce your storage, which reduces overall energy use, too.

Sourcing locally helps green manufacturing and works to build consumer confidence.

When consumers purchase with confidence, your business benefits from customer loyalty and increased positive brand awareness.

Good for Your Community

Local sourcing from domestic suppliers helps increase your revenue – but also the revenue of your suppliers and other manufacturers in your area.

Ultimately, this translates to a better local economy for everyone who lives there.

Well-paid, happy employees are much more likely to invest in local businesses.

Businesses that are respected and performing well are also in a stronger position to help the local community through sponsored activities, fundraisers, volunteering, and so on.

Additional Revenue

Local sourcing is more than cost-effective. It can help you earn more of it, too.

Companies in your area may like the fact that you're trying to work with local producers and use local products instead of outsourcing, which ultimately, helps you bring in more new customers.

If you include your local sourcing commitment into your marketing efforts, adding it to your unique selling proposition, that could be what separates you from your competition to earn you more business.

Launch Products Faster

Manufacturers who source locally can work with companies in the same time zone. This helps improve fast communication. It's easier to resolve problems quickly and launch products faster to meet customer demands.

Customer demands are reaching new highs, especially in terms of businesses to increase transparency around corporate social responsibility and ethical supply chains. Manufacturers need to take a closer look at the third-party vendor risks and their supply chain as a whole.

As an added bonus, local sourcing can contribute to a country's cumulative productive knowledge base, which is an important part of growth.

When a company can move from producing commodities and other simple products to producing more complex products, it develops more. Generally, they move toward products that are close to what they're already making.

But, by sourcing locally and collaborating with suppliers, multinational companies can help push a country forward in terms of their ability to produce more complex products.

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