

What is overseas sourcing?

Sourcing overseas refers to **buying materials, products or services from manufacturers or suppliers that are located outside of your home country**. While domestic sourcing typically allows for quicker logistics, better production control and shorter time to market, sourcing overseas is generally considered cheaper.

## Advantages of sourcing overseas

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## Benefits of sourcing overseas

Cost-savings are one of the main advantages of global sourcing. Many foreign suppliers and manufacturers offer their services at a **competitive price**, especially in low-cost regions.

Manufacturing costs are generally lower and businesses can often buy goods at a lower unit price. For businesses with tight budgets, this can be a great way to maximize their bottom line. However, keep in mind that other factors can affect any potential cost-savings, such as costly international administration or communication, transport costs or duty rates.

Besides the often-cheaper unit price, other things can tip the scale in favor of sourcing overseas. For example:

- availability of world-class technology that exists in certain markets
- access to cutting-edge research, design or specialized knowledge
- proximity to raw materials that may be unavailable domestically
- manufacturing capabilities that may unavailable domestically
- higher quality goods compared to domestic products
- a great number of potential suppliers you can choose from

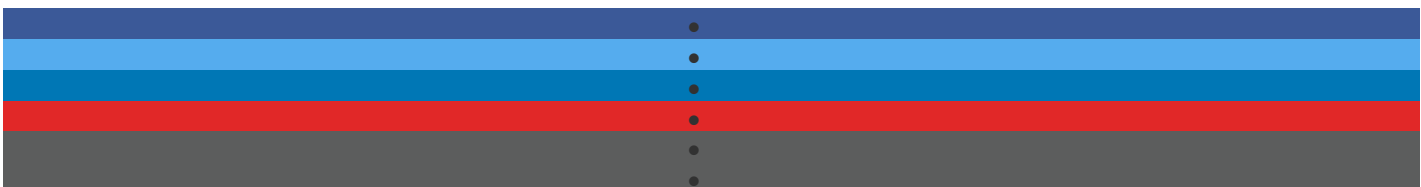
In addition, businesses that source overseas are often able to enhance their **competitive position** in the supplier home country by getting to know the market..

## Disadvantages of sourcing overseas

Global sourcing is typically more complex than purchasing supplies domestically.

While the advantages of sourcing overseas can be obvious, you must carefully consider and manage the **unique issues** and **increased risks**. For example, dealing with increased rules and regulations that apply in international markets, the various customs requirements, cultural and language differences, quality risks, currency fluctuations, complicated logistics, etc. These obstacles are often the reason why many businesses decide to remain with local suppliers.

# Strategic sourcing



Strategic sourcing is an approach to [supply chain management](#) that formalizes the way information is gathered and used so an organization can use its consolidated purchasing power to find the best possible values in the marketplace and align its purchasing strategy to business goals.

Strategic sourcing is growing in popularity, as digital transformation is causing procurement and supply chain processes to evolve. It requires analysis of what an organization buys, from whom, at what price and at what volume. Strategic sourcing differs from conventional purchasing because it places emphasis beyond initial purchase price to focus on [total cost of ownership](#) and optimizing the sourcing process through ongoing market analysis and building relationships with suppliers.

## **How it works**

Businesses [can use strategic sourcing](#) to make their procurement processes less shortsighted and focused on price. A sourcing plan can instead allow them to develop an adaptable system that contributes to the overall value of the business long term. The process begins with analyzing business needs and historical spending, followed by outlining a strategic plan, and then conducting data collection and market analysis that guides selection of a roster of suppliers.

Once selection and negotiations have taken place, strategic sourcing also involves measuring performance and improving the process on a continual basis. Strategic sourcing is generally practiced by large organizations with many suppliers. Outsourcing providers for strategic sourcing exist for organizations that wish to delegate the function to a specialist.