

# Rethinking Supply Chains

## The Strategic Advantage of Local Sourcing in Australia



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# Introduction

The COVID-19 pandemic exposed critical vulnerabilities in global supply chains, forcing businesses worldwide to rethink their reliance on traditional overseas sourcing strategies.

Prolonged staff shortages in key manufacturing hubs like China, coupled with shipping disruptions and container shortages, left Australian businesses grappling with extended lead times and rising costs.

More recently, renewed geopolitical instability has added fresh urgency to this shift. Uncertainty surrounding U.S. trade policy—particularly proposed tariff increases—has reignited concerns about the reliability and cost of offshore sourcing. These developments serve as a reminder that even long-standing trade routes can be upended with little notice, reinforcing the value of a resilient local supply base.

This eBook explores the shifting dynamics of supply chain strategies, focusing on the growing relevance of an "Australia +1" approach. Rather than defaulting to a "China +1" model, which relies heavily on offshore suppliers, Australian businesses are now seeing the benefits—often hidden or overlooked—of prioritising local supply chains as their primary sourcing strategy.



# The Global Supply Chain Landscape Post-COVID

The COVID-19 pandemic disrupted supply chains across the globe, exposing significant weaknesses in the traditional “just-in-time” model. Manufacturing hubs like China faced prolonged shutdowns due to strict quarantine measures, causing production delays that rippled through industries worldwide. These issues were compounded by shipping bottlenecks, container shortages, and port restrictions, leaving countries like Australia struggling to secure essential components.

Beyond the pandemic, rising geopolitical tensions—such as trade disputes, conflicts in Europe and the Middle East, and fluctuating international relations—have added further layers of risk. Recent developments, including proposed tariff increases under Donald Trump’s re-election campaign, have renewed concerns about global trade instability and the cost of offshore manufacturing. Together, these factors have forced businesses to rethink their supply chain strategies, recognising that efficiency alone is no longer enough.

To thrive in this new environment, businesses need supply chains that are not just efficient but also diversified, resilient, and adaptable to unforeseen disruptions.



# Rethinking the +1 Approach

For years, many Australian businesses have followed the “China +1” strategy. This model diversifies sourcing by maintaining primary suppliers in China while adding secondary suppliers from another region, often in Southeast Asia. The goal has been to reduce risks tied to over-reliance on a single country, particularly in the face of geopolitical tensions, natural disasters, or pandemics.

However, the vulnerabilities exposed during the COVID-19 pandemic—and the ongoing unpredictability of global events—have revealed the limitations of this approach. Businesses are now shifting towards an “Australia +1” strategy.

This model prioritises domestic suppliers as the core sourcing base, supplemented by an additional offshore supplier if needed. The benefits are clear:

- > Reduced dependency on offshore sources
- > Stronger support for local industries
- > Greater supply chain resilience during global disruptions

The “Australia +1” approach is not just a risk mitigation strategy—it’s a competitive advantage in an increasingly volatile global market.

# The Case for Local Sourcing

Local sourcing has evolved from a cost consideration to a strategic imperative. A 2023 report by the Capgemini Research Institute found that 71% of businesses are actively investing in regionalising and localising their supplier base to insulate against global risks. Why is this shift happening?

## **Because local sourcing offers tangible benefits:**

- > Faster lead times and improved operational agility
- > Reduced costs associated with logistics and inventory
- > Ethical and sustainable practices backed by stringent Australian labour and environmental laws

For Australian businesses, local sourcing is more than a supply chain decision—it’s a resilience strategy that supports economic growth, sustainability, and long-term competitiveness.

*2023 report by the Capgemini Research Institute*



# Aligning with Industry Trends

Global supply chain trends are increasingly favouring diversification and regionalisation. The same Capgemini report projects a 7% decline in offshore procurement by 2025, with nearshoring and domestic sourcing on the rise.

Additionally, 82% of surveyed organisations believe their supply chains will need to change significantly to meet future challenges.

## Key drivers of this shift include:

- > **Supply Chain Resilience:** Reducing reliance on vulnerable offshore hubs
- > **Cost Efficiency:** Minimising hidden costs tied to international logistics, tariffs, and currency fluctuations
- > **Sustainability:** Lowering carbon emissions through shorter transportation routes
- > **Digital Transformation:** Leveraging data analytics to improve supply chain visibility and decision-making

**The message is clear:** businesses that fail to adapt risk being left behind.



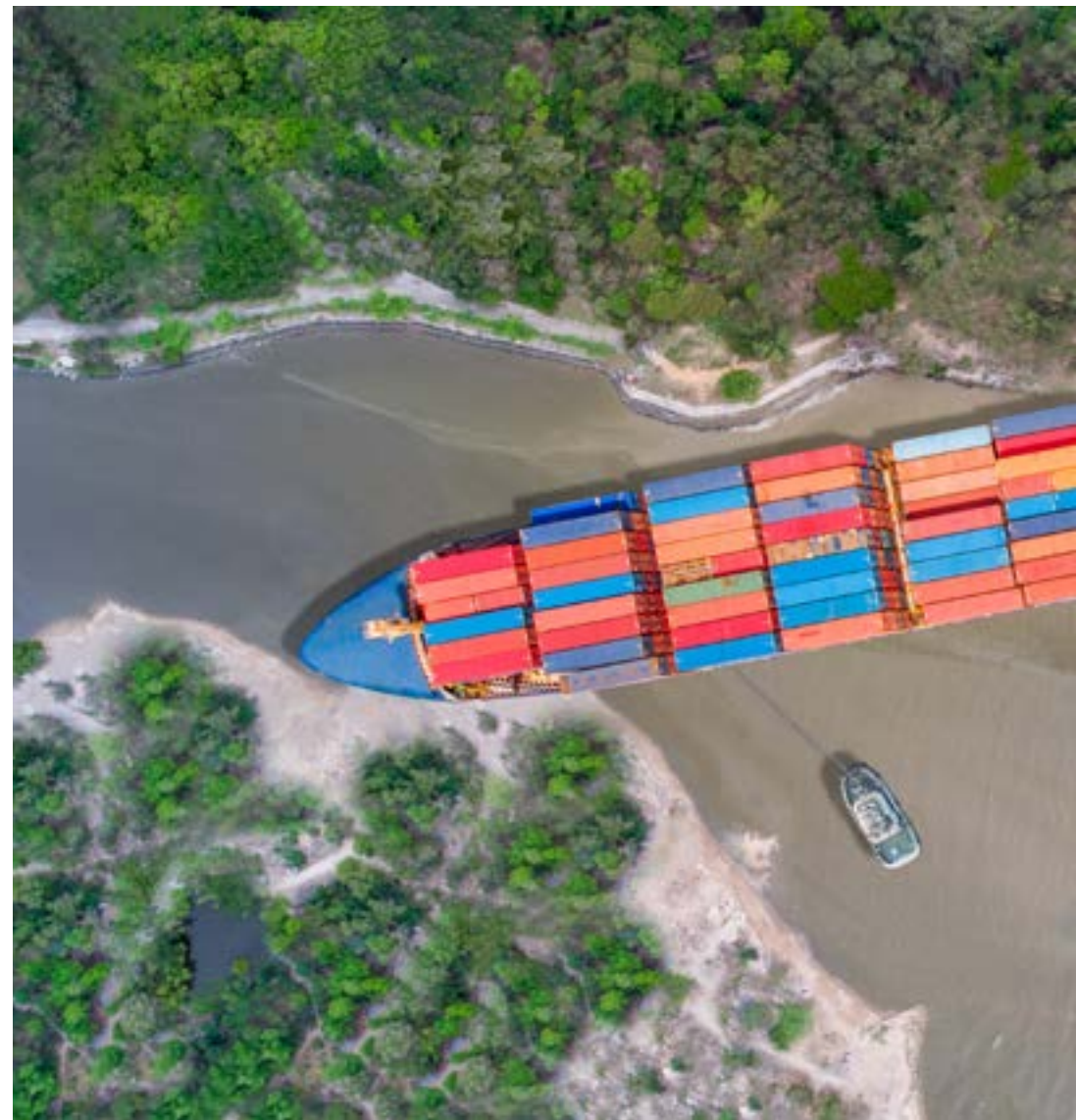
# The 8 Major Benefits of Local Sourcing vs Offshore Channels

While offshore sourcing may seem cost-effective at first glance, the true value of local sourcing lies in benefits that extend beyond the initial purchase price. Here are eight critical advantages of sourcing locally:

## 1. Resilience Against Global Economic Events

Local sourcing offers a buffer against global economic uncertainties, foreign exchange fluctuations, and geopolitical risks. Offshore supply chains are vulnerable to disruptions caused by wars, natural disasters, and regional conflicts—events like the 2021 Suez Canal obstruction highlighted just how fragile global logistics can be.

In contrast, Australian manufacturers experienced fewer interruptions, showcasing the stability of a localised supply chain. Additionally, domestic purchasing eliminates the complexities of foreign currency transactions, ensuring greater financial predictability.





## 2. Certainty of Quality Raw Inputs & Ethical Sourcing

Committing to sourcing raw materials locally ensures consistent quality and adherence to ethical standards. Australian producers are bound by internationally leading employment and industrial relations laws, reducing the risk of unethical practices and modern slavery. This commitment enhances business reputations and ensures compliance with global quality benchmarks.

Australian manufacturers source local raw materials where availability and quality are more consistent, contributing to superior product outcomes.

## 3. Reducing Lead Times for Your Customers

Localising the supply chain significantly reduces lead times, enabling businesses to streamline operations. Quicker lead times minimise inventory stockholding and warehouse overheads, contributing to efficient working capital management and reducing costs associated with inventory and stock management.

Local suppliers often provide lead times up to 50% shorter than their offshore counterparts, reducing the capital tied up in inventory and lowering labour costs associated with stock management.

## 4. Greater Responsiveness and Support to Product Design Challenges

Local suppliers offer invaluable support in navigating product design changes and improvements. Leveraging local technical expertise expedites the development process, ensuring a competitive speed to market. This is particularly advantageous compared to offshore suppliers who may face communication challenges due to time zone differences and reliance on virtual meetings.

A quality, locally based supplier will have technical support teams capable of providing face-to-face assistance, rapidly reducing development time compared to remote consultations with offshore advisors.



## 5. Dealing with a Supplier Well-Versed in the Australian Market

Long-standing local suppliers offer more than just products—they provide valuable insights grounded in their deep understanding of the Australian market, regulatory environment, and consumer preferences. This expertise influences every stage of the supply chain, from product development to delivery.

Operating within Australia's stringent safety, quality, and environmental regulations, local suppliers ensure compliance, reducing the risk of non-conformance, costly recalls, or certification delays. They also stay ahead of regulatory changes, providing businesses with added peace of mind.

Additionally, local suppliers are attuned to Australia's unique consumer demands. Whether it's designing for extreme weather conditions, meeting industry-specific performance standards, or responding quickly to emerging trends, local suppliers can adapt more effectively and offer valuable feedback during the product development process.

## 6. Quicker Engagement with Transportation and Supply Chain Intermediaries

Local suppliers have established strong relationships with domestic transport companies, providing flexible speed-to-market options. This proves invaluable when unforeseen delays arise, offering a distinct advantage over foreign manufacturers. Proximity allows for efficient communication and coordination, reducing the likelihood of transportation-related disruptions.





## 7. Elimination of Language Barriers and Time Zone Challenges

Clear communication and real-time problem-solving reduce delays caused by miscommunication or time differences common in offshore dealings. Local suppliers can swiftly address quality issues and product non-conformances, ensuring rapid resolution and continuity of supply.

## 8. Timely Response to Non-Conformance Issues

Local suppliers are better positioned to address and solve issues without excessive wait times. Unforeseen product quality issues are inevitable; however, resolving them quickly and efficiently is easier with local suppliers. This minimises downtime and reduces the burden on internal teams managing corrective actions.



# Economic Efficiency Beyond Cost Per Unit

Focusing solely on unit costs can be misleading. The Total Cost of Ownership (TCO) provides a more comprehensive picture by considering:

- > **Logistics and freight costs**
- > **Currency conversion fees and import duties**
- > **Risk management and insurance**
- > **Inventory holding costs due to extended lead times**

While offshore sourcing may offer lower upfront prices, hidden costs quickly add up. Local sourcing reduces these overheads, improves cash flow, and supports Australia's economic growth. It also contributes to sustainability goals by cutting down on transportation-related emissions.

# Marsh's Business Model – Delivering Reliable Manufacturing Solutions

For over 70 years, Marsh has been a trusted Australian manufacturer of springs and metal components. While we prioritise local sourcing where possible, global supply challenges have made some reliance on imported materials necessary. Today, over 70% of our material is sourced internationally to maintain consistent supply.

Our commitment remains unchanged—to deliver high-quality components with industry-leading lead times, often within three weeks for raw items not requiring outsourced finishing. With in-house technical, quality, and jobbing capabilities, we provide end-to-end support across the product lifecycle.

Beyond our core expertise, we also offer high-precision laser cutting, engraving, and advanced fabrication through MasterCut Technologies—a wholly owned subsidiary and key part of Marsh Alliance. These expanded capabilities enable us to deliver comprehensive local manufacturing solutions and help Australian businesses diversify and strengthen their supply chains.

At Marsh, we're committed to building a stronger Australian manufacturing sector—through the products we make and the resilient, ethical, and sustainable supply chains we support.



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