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Tariffs and Turbulence: Navigating Supply Chain Risks in CPG and Household Goods

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The global trade landscape has entered a period of unprecedented volatility, with an evolving U.S.-China [trade war](#), plus tariffs targeting imports from Canada, Mexico, and other trading partners. For consumer packaged goods (CPG) and household products manufacturers, these developments pose particular challenges given their reliance on globally distributed supply networks. The impact extends across the entire value chain—from raw ingredients sourced internationally to specialized packaging materials and finished goods manufacturing.

With many essential inputs impossible to source domestically, CPG leaders face difficult strategic choices as they attempt to balance cost management, product quality, and supply continuity.

Tariffs and Their Supply Chain Ripple Effects

Consumer goods manufacturers face particular vulnerability in the face of tariff implementations, given their reliance on irreplaceable globally sourced inputs. For food manufacturers, essential ingredients such as [vanilla from Madagascar and coffee beans from Brazil](#) cannot be domestically produced due to climate requirements. Similarly, packaging components like aluminum for beverage cans and polypropylene for containers are subject to duties when imported.

The [Consumer Brands Association notes](#) its members operate within mature markets where price sensitivity significantly constrains their ability to pass costs to consumers. With grocery inflation already a concern, [companies hesitate to implement price increases](#) that could reduce market share. Instead, many are exploring alternative strategies:

- Reformulating products with alternative ingredients
- Redesigning packaging to use different materials
- Reducing product size or quantity ("shrinkflation")
- Shifting production methods or locations

[Coca-Cola has indicated](#) it might increase the use of plastic bottles rather than aluminum cans in response to metal tariffs. Other companies are evaluating potential shifts in their supply networks, though such transitions require careful consideration of quality, compliance, and operational feasibility.

For executive decision-makers, tariff navigation extends beyond tactical responses to fundamental strategic questions about [supply chain resilience](#). CPG executives must weigh competing priorities including cost competitiveness, product quality, supply continuity, protection of export markets, and long-term positioning. These challenges are particularly

acute for smaller brands with limited financial flexibility, who often lack the scale to pivot sourcing strategies or absorb margin compression.

Operational and Financial Impacts

The ripple effects of tariff policies extend beyond immediate cost increases. Key challenges include:

- **Cost volatility:** Frequently shifting duties complicate financial forecasting and pricing stability, creating unprecedented uncertainty for financial planning
- **Supply chain delays:** [Customs bottlenecks](#) create unpredictable lead times, forcing companies to maintain higher inventory levels as a buffer, increasing carrying costs and tying up working capital
- **Sourcing disruptions:** [Companies](#) like Basic Fun! have halted Chinese shipments while athletic footwear brands face difficulties with Vietnamese tariffs affecting up to 90% of their production
- **Compliance complexity:** Trade teams must monitor and interpret rapidly evolving regulations across multiple jurisdictions, creating administrative burden and increasing compliance risk

Diversifying supply chains as a risk mitigation strategy often proves more challenging than anticipated. Finding suppliers who meet quality standards, navigating unfamiliar regulations, and establishing reliable logistics networks represent significant hurdles. For many companies, especially those with complex manufacturing requirements, relocation presents a costly and slow response with uncertain outcomes.

The financial markets have registered their concern about these disruptions. Following tariff announcements, [European markets tumbled significantly](#)—the FTSE 100 dropped 3.3%, Germany's DAX fell 4%, and the French CAC 40 lost 4%. As Vitaliano Tobruk, Supply Chain Industry Practice Lead at Moody's, observes: "The focus is shifting from purely cost-driven sourcing to prioritizing geopolitical resilience."

Leadership and Talent Implications

The tariff landscape is reshaping talent requirements and leadership roles. As supply chain complexity intensifies, Chief Supply Chain Officers (CSCOs) find themselves increasingly central to strategic decision-making. [According to Bain](#), approximately 75% of operations leadership teams now juggle six or more competing priorities rated as "extremely" or "more" important—a significant expansion of responsibility beyond traditional metrics like cost and efficiency.

Leading organizations have elevated supply chain management from a purely operational function to a strategic imperative requiring direct C-suite attention and cross-functional collaboration. This shift has intensified demand for specialized talent across multiple disciplines:

- Trade compliance expertise for navigating complex regulatory environments across multiple jurisdictions
- Global sourcing specialists with knowledge of alternative supply markets to provide critical insights on diversification strategies
- Risk modeling proficiency for quantifying potential disruptions and developing effective mitigation plans
- Cross-functional experience linking supply chain with finance, marketing, and product development functions

Hiring patterns are evolving in response to these needs. Forward-thinking organizations are prioritizing executive candidates with procurement and supply chain experience across diverse market environments and proven ability to adapt to volatility. The CSCO role continues to evolve, with successful leaders demonstrating what Bain describes as the ability to "solve the operations equation as a multivariate system" rather than optimizing individual variables in isolation.

Organizations [are recognizing that](#) "supply chain reinvention is an urgent transformation imperative—one that will require a very different set of capabilities than in the past." The most forward-thinking executives are investing in upskilling existing talent while strategically acquiring new capabilities to thrive in a volatile trade environment.

Strategies for Resilience and Adaptation

Future-focused CPG leadership teams are implementing multifaceted approaches to supply chain resilience, recognizing that [tariff volatility represents "a multiyear, dynamic event"](#) rather than a temporary disruption. According to Gartner, "CSCOs who anticipate that current tariff volatility will persist for years, rather than months, should also recognize that their business operations will not emerge successful by remaining static or purely on the defensive."

Key strategies include:

1. **Supplier diversification:** Implementing what the [ASCM calls](#) a "China-plus-one strategy," establishing alternative supply relationships without severing existing partnerships
2. **Digital transformation:** Investing in advanced analytics and real-time monitoring capabilities to identify disruptions earlier and respond more effectively

3. **Scenario planning:** Mapping multiple potential futures including policy shifts, countermeasures, and de-escalation pathways
4. **Sustainability synergies:** Aligning trade policy adaptation with sustainability goals through near-shoring that simultaneously reduces carbon footprints through shorter transportation distances

The ASCM's CEO Abe Eshkenazi emphasizes that while these strategic adaptations require significant investment, the disruptions of recent years have positioned companies better for the uncertainty ahead: "Those organizations that have experienced the disruptions, I think we're in an environment of adaptability and resiliency."

What Forward-Looking Organizations Are Doing

Top-performing CPG companies have moved beyond tactical responses, treating the current environment as an opportunity for strategic supply chain reinvention. For these leaders, supply chain strategy has become an explicit boardroom priority rather than a supporting operational function. [According to Gartner](#), the most effective CSCOs recognize this reality and proactively engage broader leadership teams in strategic supply chain decisions.

A global household products company exemplifies this approach, having redesigned its supply chain following earlier trade disruptions. Rather than optimizing solely for cost, the organization prioritized responsiveness and agility. After extensive scenario modeling using digital twin technology, the company diversified manufacturing capabilities while expanding co-manufacturing partnerships, improving time-to-market while reducing operational costs by over 2%.

Leading companies are also positioning talent and leadership development as central to supply chain transformation rather than viewing it as a discretionary investment. ASCM research projects a [potential shortage of 2 million supply chain professionals by 2030](#), underscoring the importance of sustained workforce development. As Eshkenazi explains, "Too often we've seen organizations pull back on professional development if they're not meeting their financial objectives as if this is a spigot that you can turn on and off and get those individuals trained in a short time period. Professional development and investing in your workforce is an ongoing activity."

This talent focus is reflected in evolving executive hiring patterns, with organizations increasingly prioritizing cross-functional experience and geopolitical literacy in supply chain leadership roles. This approach recognizes that effective navigation of today's complex supply chain environment requires multidimensional perspectives and broad strategic vision.

Bottom Line

Tariffs have emerged as a critical C-suite concern for CPG companies, transcending their traditional categorization as a specialized trade issue. Organizations that continue to treat tariffs as a temporary inconvenience to be managed reactively risk significant competitive disadvantage as volatility persists.

The most successful leadership teams recognize that effective navigation of today's complex trade environment requires a fundamentally different approach to supply chain management. Rather than viewing tariffs as an isolated challenge, these executives see current disruptions as an opportunity to accelerate broader transformation initiatives that enhance organizational resilience.

Perhaps most importantly, leadership talent represents the crucial differentiator in adapting successfully to an uncertain global landscape. Organizations that embrace this challenge—treating current disruptions as a catalyst for fundamental reinvention rather than a crisis to be weathered—will emerge better positioned not just to survive in a volatile trade environment, but to thrive amidst ongoing uncertainty.