Thriving amid tariff uncertainty

How consumer goods companies can mitigate immediate and long-term risks

As consumer goods companies navigate the uncertain tariff landscape, addressing tariffs on US imports and exports requires a thorough strategy that goes beyond assessing immediate exposure. To safeguard financial performance, it is essential to adopt a strategic, cross-functional approach that involves key departments such as tax, trade, supply chain, merchandising, and sourcing. This strategy enables companies to manage both near-term impacts and broader strategic challenges for resilience and competitiveness in the market.

Near-term—Determine impact and approach

Companies need to assess immediate and future exposure, including from potential retaliatory tariffs.

- **Assess tariff impact and scenarios:** Analyze trade data to evaluate current and potential tariff impacts. Conduct scenario planning to develop contingency plans.
- **Regulatory monitoring:** Track trade policy changes and engage with trade associations and advisors.
- **Evaluate country of origin and harmonized tariff classifications:** Accurate assessment of duties requires correct classification and origin determination. Analyze tariff impact at the SKU level and classify/re-classify accordingly.
- **Duty Mitigation:** Explore strategies such as First Sale for Export, valuation, Foreign Trade Zones (FTZ) and other duty recovery programs to identify potential savings.
- **Reconciliation:** Use the CBP customs reconciliation program to adjust customs values post-entry, allowing time for due diligence to uncovering saving.
- **Stakeholder Communication:** Keep stakeholders informed and aligned on tariff impact and strategic planning.

Medium-term—Mitigate costs

Companies will need to mitigate tariff costs from manufacturing and sourcing abroad.

- **Duty mitigation strategies:** Implement savings solutions that generate high return on investment.
- **Cost mitigation:** Identify savings in supply and procurement operations. For example, force majeure clauses may stipulate tariff changes as grounds for contract renegotiation. Cost mitigation may also be found indirectly in other parts of the business, such as reducing energy, logistics, and labor costs to offset margin pressure. Assess end-to-end costs, including freight, tariffs, and other factors. Consider using both primary and secondary sourcing options to manage tariff risks.
- **Commercial strategy and product design:** Analyze current pricing to determine if higher costs can be passed on to retail customers. Evaluate product mix to optimize margins and volume. Find alternative materials or components that are subject to lower or no tariffs.
- **Tax strategies:** Mitigate tax-related costs with transfer pricing and value chain management planning.
- **Re-evaluate product designs:** Find alternative materials or components that are tariff-free or subject to lower tariffs.

Long-term—Diversify supply chains

The tariff landscape may require diversifying where companies manufacture and source materials.

- **Current state assessment and future state modeling:** Evaluate the current country of origin mix and cost profiles based on emerging regulatory and geopolitical risks. Develop a future country of origin framework that balances cost, risk, and capacity. Create simulation models to determine the optimal mix for each product category.
- **Tax planning:** Explore tax structures that enable tariff and federal income tax savings.
- **Implementation roadmap:** Create a clear action plan to move toward optimal country of origin strategy.
- **Ongoing duty optimization and compliance:** Align duty savings programs with origin strategies. Implement trade data monitoring and regular compliance reviews for continuous optimization.

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How KPMG can help

KPMG can provide wide-ranging support to help adapt to tariffs

- **Interdisciplinary team:** Trade, Tax, strategy, procurement, and pricing specialists help companies determine current/future exposure and model and implement mitigation actions
- **Data & analytics:** Trade data and technology to provide better visibility into tariff impacts and mitigation scenarios
- **Industry experience:** Deep experience within the consumer goods sector to help address the unique challenges of tariffs

Learn more: Stay up-to-date on tariff changes and how to adapt with insights from KPMG

>> Trade and Tariff Reform Insights

Case study:

Global sourcing analytics for a consumer company with over $50 billion in revenue.

Challenge

Over 50% of client revenue on products from a single country-of-origin.

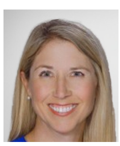
Actions

- Conducted baseline assessment of current risks
- Modeled new sourcing scenarios for optimal mix
- Developed implementation roadmap

Outcome

76%	2.7%
Reduction in single-sourced products	Improvement in net margin over 5-year horizon

Our team



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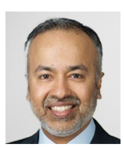

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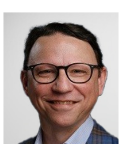

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