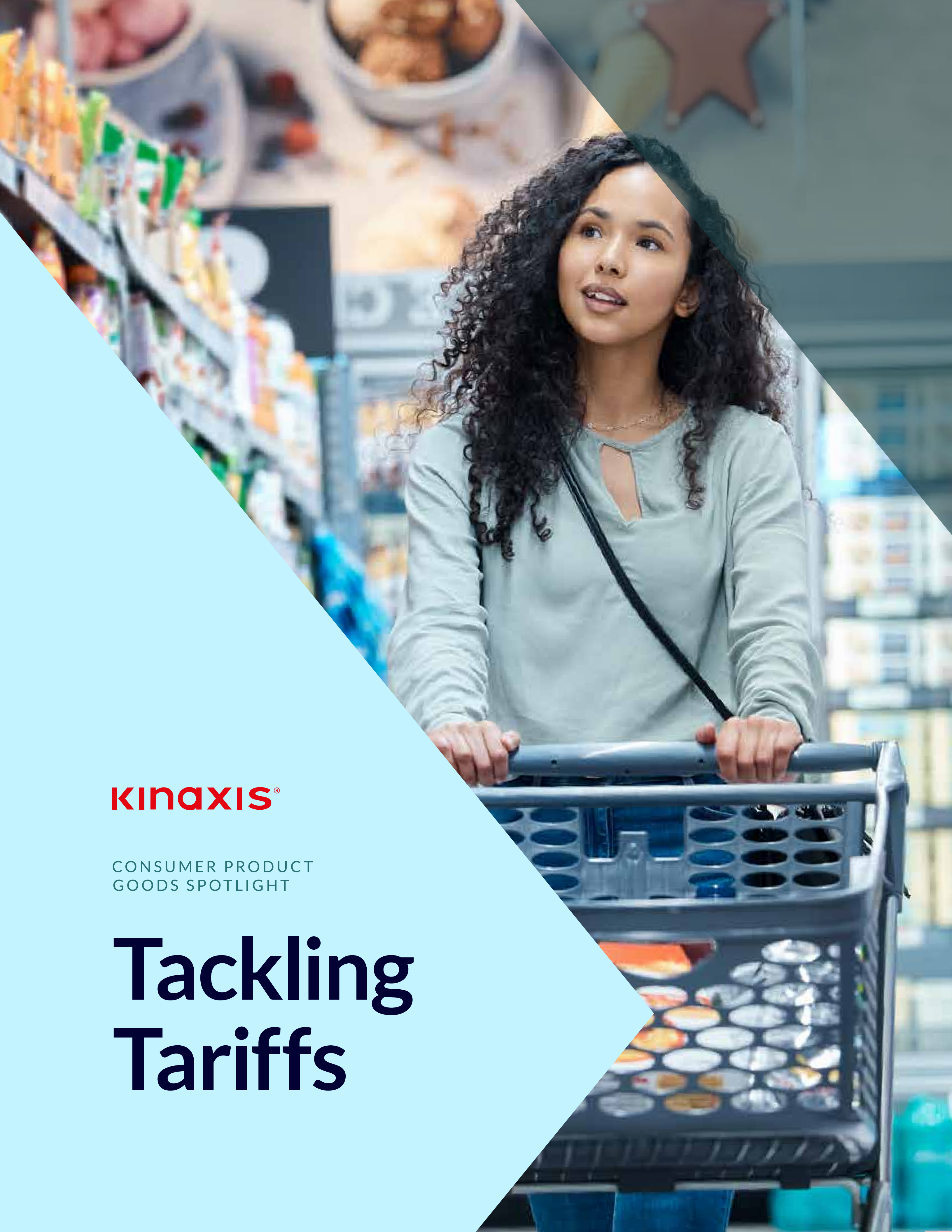


Kinaxis®

CONSUMER PRODUCT
GOODS SPOTLIGHT

Tackling Tariffs

How Consumer Products Goods (CPG) brands can turn tariff uncertainty into an advantage

What happens when consumer product brands gain millions of customers overnight? Tariff uncertainty is forcing organizations across all industries to make rapid shifts to their supply chains. In the CPG industry, businesses must be ready to not only make changes to address cost increases and product availability, but also be prepared to support rapidly rising demand.

The tariff challenge comes from uncertainty and volatility. Supply chains need to adapt to the rapidly changing conditions while still maintaining efficiency and profitably. Without the right preparation, this could be a recipe for disaster. However, with the right supply chain processes and technologies, it can transform into a significant opportunity, turning uncertainty into a competitive advantage.

In today's rapidly changing, tariff-driven landscape, there's a clear opportunity for companies that help consumers navigate these shifts to drive brand growth. Consumers are increasingly seeking alternatives that align with their values and pocketbooks.

To capitalize on this opportunity, CPG companies must embrace supply chain technologies that provide visibility, foster collaboration, rapidly sense demand shifts, and streamline the integration of mergers and acquisitions.

Failing to do so risks leaving them behind, unable to adapt fast enough. Worse, they might miss the moment and opportunity.

To capitalize on opportunity, you must overcome the legacy challenge

The new reality of tariffs means that all businesses must be prepared for sudden and significant cost fluctuations. Shipments that once were reliable and affordable can become prohibitively expensive overnight, forcing companies to rethink their sourcing and production strategies. This unpredictability extends beyond costs, impacting demand planning, pricing strategies, and market viability.

Tariffs also put pressure on execution and logistics. Even if consumers are gravitating towards your brand in the tariff fluctuation climate, you still face key decisions about whether to reroute a shipment to avoid high-tariff ports, to shift to regional fulfilment to cut delivery times and costs, or to make your transportation network more flexible to adapt to changing plans. The ability to respond quickly and confidently to these challenges is essential for maintaining stable distribution plans, controlling costs, and protecting margins, as well as to mitigate consumer risk and win their favor.

It all stems from having intuitive, advanced technologies at your disposal.

Many businesses are still rely on outdated processes and tools to manage their supply chains in this new tariff-driven environment. Spreadsheets, disconnected systems, and manual calculations are no longer sufficient to keep up with the rapid changes and complexities of modern supply chains. Each time a tariff shifts, supply chains are forced to spend hours sourcing plans, recalculating costs, and updating production timelines, often without a complete picture of the situation.

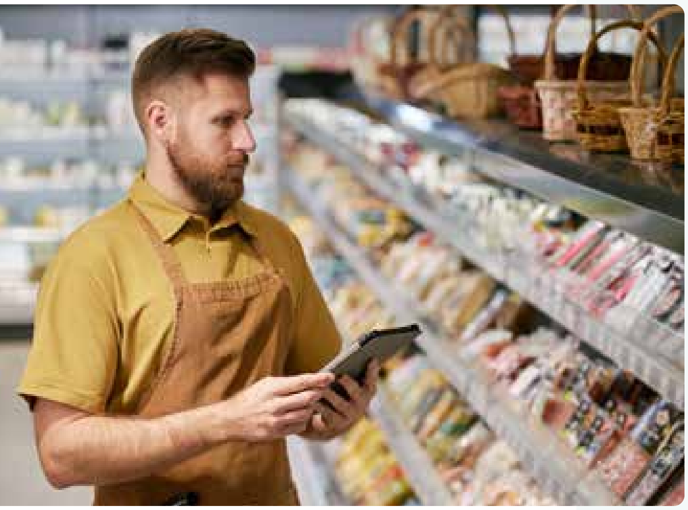
This reactive approach can often be time consuming, resource heavy, and prone to errors, leading to inefficiencies and increased risk. In order to overcome the challenges and capitalize on the opportunities, CPG businesses must balance inventory, lead times, and customer promises with newfound agility that offsets tariff uncertainty.

The pressure to stay agile and responsive without the right tools has become one of the biggest challenges in today's supply chain landscape. CPG operators that fail to adapt risk eroding margins, rising inventory risks, inaccurate demand forecasts, lost revenue, and missed opportunities.

CPG lessons and strategies in the face of tariff uncertainty

Lesson 1

Consumer products companies will try to avoid impressions of shrinkflation after pushback from consumers in 2022 and 2023. They will instead focus on reducing waste within the packaging process itself, whether that's by cutting back on the volume of packaging, updating the materials it's made with, or using changing markets as an opportunity to debut more sustainable options that might have felt risky at another moment.



Lesson 2

In the long term, consumer products companies should respond to tariffs and regional demand shifts with more structural changes to their supply chains. These approaches require significant upfront investment but, if done right, they will provide better stability and long-term opportunities..

STRATEGY 1

Integrating financial and operational planning

Some consumer products companies will integrate financial and operational planning to optimize tariff responses, if they haven't already. Food and beverage businesses have been encouraged to practice some of these responses even prior to tariffs, but many will double down. These could include measures like using currency hedging to mitigate exchange rate fluctuations, using predictive analytics to identify proper responses to trade policy shifts before they occur, evaluating and renegotiating contracts to include price adjustment clauses, and locking in contracts while exchange rates are favorable.

Integrating financial and operational planning allows businesses to make financial and supply chain adjustments simultaneously, providing maximum protection against tariff impacts.

STRATEGY 2

Localizing or diversifying geographic production

Companies concerned about the longevity of tariffs are making fundamental changes to their supply chains. Some global brands have already established or expanded facilities to localize production, while others may pursue strategic acquisitions of regional manufacturers.

STRATEGY 3

Reformulating products

Product reformulation has emerged as another strategy for navigating tariffs. CPG brands are reformulating products to incorporate cheaper or locally sourced ingredients, and some are creating market-specific variants. This approach often involves collaboration between R&D, procurement, and marketing teams to ensure reformulated products maintain quality standards while highlighting their local credentials.

STRATEGY 4

Mutually beneficial partnerships

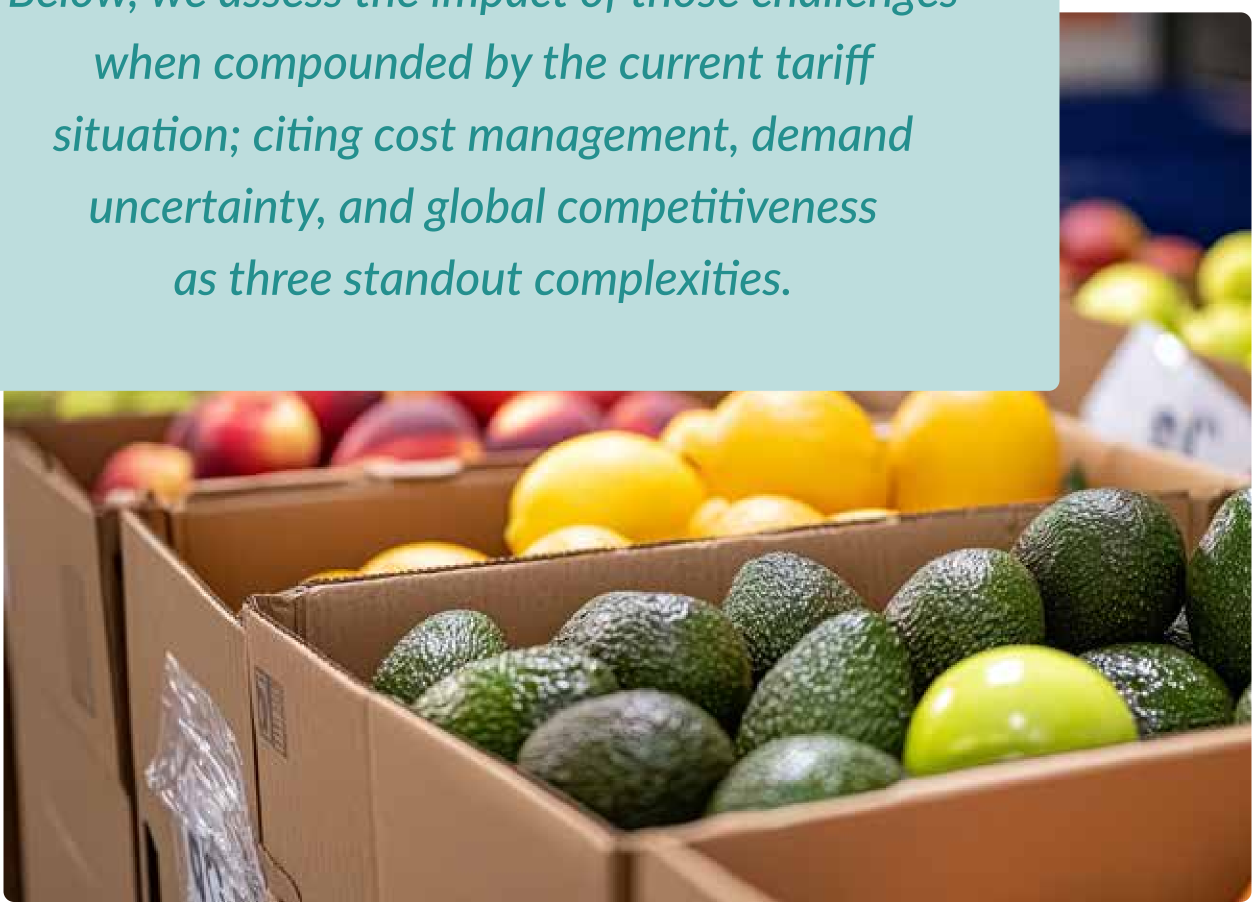
For many global food and beverage brands, licensing and franchising models could also provide market access without the complications of direct cross-border operations. By transferring production knowhow and brand rights to local operators while collecting royalties, companies maintain market presence and brand awareness while minimizing tariff exposure. Businesses may also form joint ventures, technology-sharing agreements, and co-investment arrangements with their suppliers and logistics providers to create plans that ensure stability, cut costs, and drive opportunities for all participants.

SET THE SCENE FOR FOUR

Tarriff challenges for CPG brands

The CPG industry is particularly sensitive to the impacts of tariffs due to its reliance on global supply chains and the price-sensitive nature of its products. It is this financial strain that sets the scene for four overarching challenges in the current tariff climate.

Below, we assess the impact of those challenges when compounded by the current tariff situation; citing cost management, demand uncertainty, and global competitiveness as three standout complexities.



1

Increased costs

Tariffs on imported raw materials and finished goods lead to higher costs, which are often passed on to consumers, affecting demand, satisfaction, and - ultimately - sales. The CPG industry must navigate these cost pressures while maintaining competitive pricing and meeting consumer expectations.

Packaging tariff costs

2

Food & Beverage CPG companies that source their ingredients domestically may still face cost impacts from rising tariffs on imported steel, aluminum, and glass. This creates an additional, unforeseen expense across their supply chain specifically for packaging products.

Supply chain complexities

3

Another challenge is the complexity of managing a diverse and global supply chain. The CPG industry sources ingredients and materials from various countries, and tariffs can disrupt these supply chains, leading to delays and increased costs. Companies may need to find alternative suppliers or adjust their sourcing strategies accordingly. Reviewing alternate sourcing strategies can be a time-consuming and resource-intensive process, requiring careful planning and coordination. Additionally, the need to comply with different regulatory requirements in various markets adds another layer of complexity.

4

Price elasticity and demand uncertainty

The CPG industry relies heavily on understanding consumer behavior and demand sensitivity to price changes. Tariffs can lead to price increases, which can significantly impact demand, especially for non-essential or luxury items. Companies need to communicate transparently with consumers about the reasons for price changes, and take steps to maintain product quality and availability. This clear communication can only come from supply chain resilience and agility, enabled by advanced technologies.

Introducing Maestro

How Kinaxis can help you transform your supply chain, capitalize on opportunities, and tackle those tariffs

To overcome all four challenges, while turning attention to a vast influx of customers, CPG businesses need smarter, connected supply chain planning and execution tools. These tools can model tariff impacts in real-time, predict shifts in customer demand, simulate sourcing and production scenarios, and enable faster, better-informed decisions. By leveraging advanced technologies, companies can quickly pivot to alternate routes, control costs, and maintain agility in the face of disruptions.

Kinaxis Maestro represents the future of this more resilient, adaptable supply chain, allowing you to navigate tariff-induced challenges, seize opportunities, and to ultimately stay ahead of the competition no matter the headwinds—all through one platform.

Navigating Tariffs with Kinaxis Maestro

MODEL THE IMPACT OF NEW TARIFFS INSTANTLY

CPG companies can see how costs, lead times, and inventory positions shift across their network in real-time. This allows for immediate adjustments to sourcing strategies and supply chain operations, ensuring minimal disruption to product availability and pricing.

FORECAST DEMAND WITH GREATER ACCURACY USING AI AND REAL-TIME SIGNALS

By leveraging AI and real-time data, CPG companies can anticipate shifts in consumer behavior, simulate pricing scenarios, and align supply with evolving market needs. This helps in avoiding overproduction or stockouts, ensuring that the right products are available at the right time.

EVALUATE MULTI-TIER SUPPLIER NETWORK, SOURCING, AND PRODUCTION ALTERNATIVES

With guided decision-making tools, CPG companies can evaluate risks and prioritize objectives such as cost, margin, service, or sustainability. This is crucial in an industry with complex supply chains and a high dependency on global sourcing.

BALANCE TRADE-OFFS INSTANTLY USING OPTIMIZATION

Maestro enables CPG companies to find the smartest path forward in minutes when facing new constraints. This includes balancing service levels, costs, and lead times to maintain optimal production and delivery schedules.

COLLABORATE IN REAL-TIME ACROSS TEAMS AND GEOGRAPHIES

CPG companies often operate across multiple global sites. Maestro enhances collaboration by creating a unified, real-time data environment, enabling synchronized planning and execution across functions and borders, especially when responding to tariff-induced disruptions.

ADAPT LOGISTICS AND ORDER FULFILLMENT STRATEGIES IN REAL-TIME

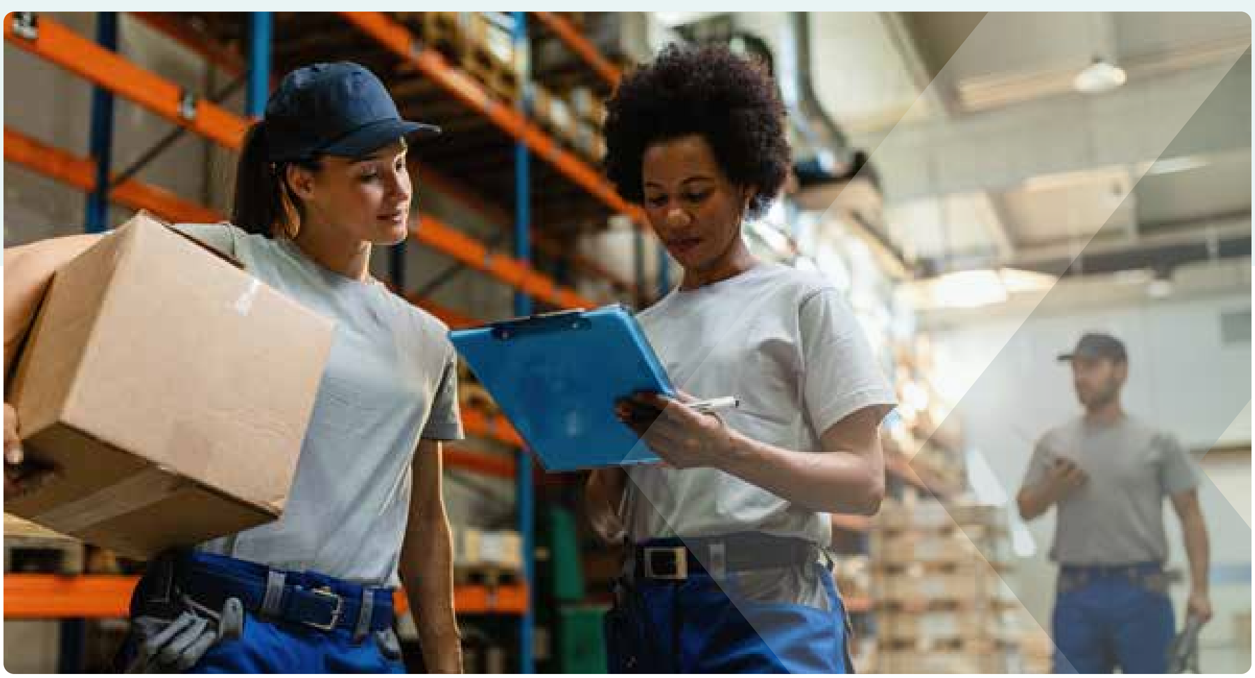
Maestro facilitates real-time monitoring and allows users to reroute shipments, adjust fulfillment, and optimize inventory positioning. This ensures that CPG companies can maintain service levels even as port costs or lead times fluctuate due to tariff changes.

DESIGN RESILIENT SUPPLY CHAIN NETWORKS

Given the long lead times to shift production, resilience must be built into planning. Maestro supports this by identifying vulnerabilities, running simulations, and suggesting strategies to strengthen network agility, preparing CPG companies for future tariff shifts before they hit.

STAY AHEAD, NOT JUST AFLOAT

In a world where tariff rules shift rapidly, Kinaxis Maestro moves CPG companies from reactive to proactive planning. By leveraging real-time insights and AI-powered scenario planning, manufacturers gain the foresight and agility needed to lead through disruption, rather than lag behind it.



No matter where you are in the world, you want to know whether today's shifts represent temporary disruptions or permanent changes to market fundamentals. The short answer, unfortunately, is that only time will tell.

However, while the future isn't set in stone, one thing is certain: consumer products businesses that analyze, adapt, and act swiftly will be the first to see what's coming. Forward-thinking companies won't just weather these changes. They'll turn them into powerful competitive advantages, redefining the market on their terms.

In today's volatile consumer goods market, that's an opportunity you can't afford to miss.

To learn how Kinaxis can be implemented quickly to accelerate the strength of your supply chain, request a personalized demo.

www.kinaxis.com