



2025 TARIFF IMPACT ANALYSIS:

STRATEGIC IMPLICATIONS FOR INDIRECT SPEND

Produced by LogicSource Indirect Category Leaders and Center of Excellence

This report leverages insights from 180+ indirect category experts and \$150B+ in pricing data to provide actionable strategies for optimizing procurement, mitigating risks, and addressing the impacts of tariffs and trade regulations.

Learn more at logicsource.com

TABLE OF CONTENTS

Executive Summary	2
2025 Tariff Overview and Implementation	3
Expected Implementation Timeline	4
Impact to Companies	5
Risk Mitigation	5
Category Impact Analysis	6
Impact Analysis – Distribution & Logistics	8
Ocean Freight Transformation	8
North American Ground Transportation (Truckload / Intermodal / LTL – US, Canada, Mexico)	8
Small Parcel Network Adaptation	9
Warehousing and Distribution Evolution	9
Impact Analysis – Information Technology	10
Enterprise Hardware Systems (Laptops, Servers, and Networking Equipment)	10
IT Components (Semiconductors and Chips)	10
Consumer Devices (Smartphones and Tablets)	11
Impact Analysis – Packaging	12
Impact Analysis – Construction and Capital	14
Construction Materials	14
Building Systems and Equipment	15
Impact Analysis – Facility Management	16
Impact Analysis – Corporate Services	17
Impact Analysis – Clinical Services	18
Financial Implications	20
Strategic Mitigation Plan	21
Detailed Breakdown of the Strategic Mitigation Plan	23
Prioritizing Critical Needs	23
Exploring Alternative Sourcing	24
Expanding Supplier Networks	25
Strengthening Negotiation Strategies	26
Enhancing Inventory Management	27
Modifying Specifications	27
Modifying Manufacturing Processes	28
Conclusion	30



EXECUTIVE SUMMARY

On November 25, 2024, the incoming Trump administration announced an immediate 25% tariff on goods from Mexico and Canada and an additional 10% tariff for China. This followed an initial announcement outlining a 60% tariff on goods imported from China and a 20% blanket tariff on all foreign-made products.

LogicSource's analysis shows varied impacts across indirect spend categories, with IT hardware facing cost increases of 20%-30%, plastic packaging rising 15%-25%, and HVAC systems potentially seeing increases of 30%-60%. The analysis reveals that key categories have significant exposure: 90% of IT hardware spend could be affected, 80%-90% of packaging materials across categories, and 80% of construction/capital equipment.

The timing is particularly critical. The proposed implementation begins January 20, 2025, for the Mexico, Canada, and additional China tariffs. Q2 2025 will see initial tariffs take effect on targeted goods such as electronics, industrial components, and packaging materials, followed by expansion to broader product categories in Q3-Q4 2025.

Our comprehensive category analysis identifies specific alternatives for impacted materials. For example, companies sourcing IT hardware from China can explore alternatives in Vietnam, India, and Taiwan. Those relying on Chinese packaging materials might shift to suppliers in Malaysia, Bangladesh, and Turkey. For construction materials, alternatives exist in Mexico, Poland, and Indonesia.

While the likelihood of these tariffs being fully implemented remains uncertain, with many viewing the announcements as strategic bargaining tools, organizations must prepare for potential implementation. LogicSource has developed specific, data-driven recommendations for companies to evaluate their exposure and implement mitigation strategies within the narrow window before these changes take effect.

This report is designed to:

- 1 Provide a comprehensive overview of the 2025 planned tariffs and their implications for indirect spend categories.**
- 2 Analyze the financial, operational, and strategic impacts on large corporations.**
- 3 Offer actionable recommendations to minimize disruptions, manage costs, and maintain corporate resilience.**

2025 TARIFF OVERVIEW AND IMPLEMENTATION

The 2025 planned tariffs, proposed by the Trump administration, aim to protect domestic industries, reduce trade deficits, and counteract unfair trade practices. These tariffs are expected to be imposed:

- + **Broad Tariffs on Imports:** A 10% to 20% levy on all imported goods to incentivize domestic manufacturing.
- + **Targeted Tariffs on China:** Up to 60% tariffs on goods from China, focusing on technology, consumer electronics, and industrial machinery.
- + **Immediate Tariffs:** Trump announced that starting on 1/20/25, a 25% tariff for Mexico and Canada and an additional 10% tariff for China will commence (pending response to illegal immigration and illicit drug flow measures).
- + **Specific Industry Focus:** Key sectors like IT hardware, packaging, construction/capital transportation, fuel, and food services are expected to be significantly affected.

The Trump Administration has recently suggested that potential tariffs could target specific products or categories rather than applying universally to all imports from a given country. Any adjustments to tariff policies would directly affect their impact on US-based corporations.

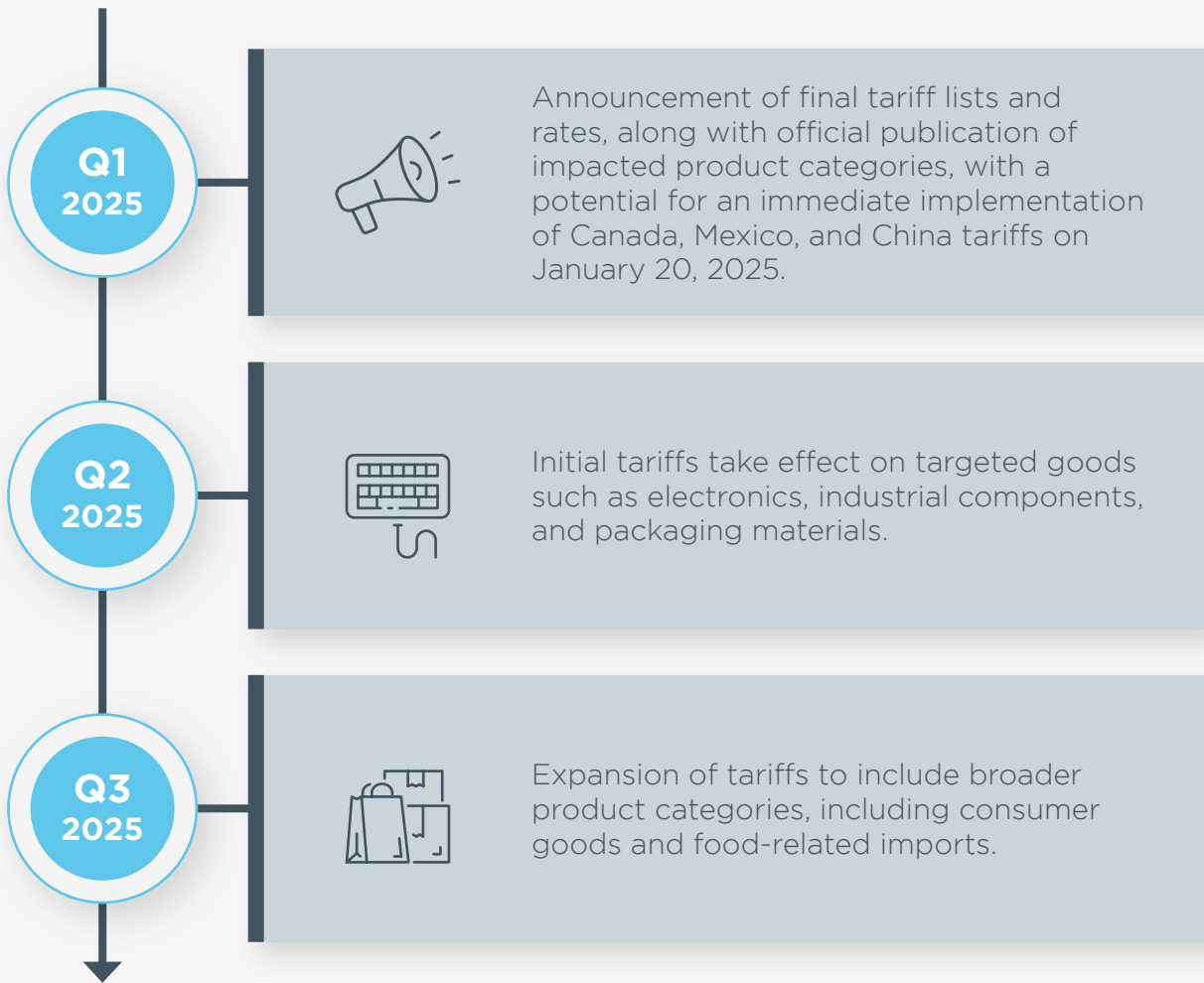
The primary goal is to shift supply chains toward US-based or ally-friendly manufacturing while reducing reliance on countries with perceived unfair trade advantages.



1

EXPECTED IMPLEMENTATION TIMELINE

The planned tariffs may follow a phased rollout to allow businesses time to adjust:



These timelines provide businesses with a narrow window to evaluate, plan, and implement mitigation strategies.

The likelihood of these tariffs being fully implemented remains uncertain. Many view the Trump Administration's tariff announcements as strategic bargaining tools aimed at advancing domestic and foreign policy objectives. To ensure corporations are well-prepared for any outcome, this report assumes the tariffs will be enacted and explores their potential impacts in detail.

2

IMPACT TO COMPANIES

The planned tariffs present significant challenges for large corporations managing indirect spend. Addressing these changes is critical to:

- + **Preserve Profit Margins:** Tariff-related cost increases could erode margins, especially in price-sensitive industries.
- + **Maintain Supply Chain Stability:** Tariffs can disrupt existing supplier relationships and create logistical bottlenecks.
- + **Ensure Competitiveness:** Corporations must adapt quickly to avoid losing market share to competitors who act faster to mitigate tariff impacts.

By proactively responding, companies can turn challenges into opportunities for supply chain diversification, cost optimization, and strategic partnerships.

3

RISK MITIGATION

We've identified five key mitigation strategies that organizations can consider implementing:

- + **Prioritizing Critical Needs:** Companies must identify critical spend areas and focus efforts on mitigating risks in high-impact categories.
- + **Exploring Alternative Sourcing:** Shifting sourcing to low-tariff or domestic regions to reduce dependency on impacted areas and ensure supply continuity.
- + **Expanding Supplier Networks:** Diversifying the supplier base across regions to reduce reliance on single sources and mitigate geopolitical risks.
- + **Strengthening Negotiation Strategies:** Optimizing supplier agreements through shared costs, bulk contracts, and streamlined processes to offset tariff expenses.
- + **Enhancing Inventory Management:** Investing in bulk purchasing and AI-driven tools to enhance inventory management and adapt supply chains to tariff disruptions.

CATEGORY IMPACT ANALYSIS

The chart below illustrates the percentage of spend likely to be impacted by tariffs across key indirect spend categories such as Freight, IT products, Packaging materials, and Construction / Capital, among others. The chart highlights the primary sourcing regions affected, and viable alternative sourcing regions to mitigate cost increases.

Category	Sub-Category	% of Spend Impacted	Primary Source of Impacted Material	Alternate Source of Impacted Material
Distribution & Logistics	Ocean Freight	100%	Multiple	n/a
Information Technology	IT Hardware	90%	China	Vietnam, India, Taiwan
Information Technology	IT Components	88%	Taiwan, South Korea, China	USA, Japan, Germany, South Korea
Information Technology	Consumer Electronics	90%	China, South Korea	Vietnam, India, Taiwan
Packaging	Shopping Bags	85%	China, India, Vietnam	Malaysia, Bangladesh, Turkey, Indonesia
Packaging	Corrugate	80%	China, Canada	India, Poland, Mexico
Packaging	Retail Packaging	80%	China, India, Vietnam	Malaysia, Turkey, Indonesia
Packaging	Plastic Packaging	90%	China, Thailand	Vietnam, Malaysia, Indonesia
Packaging	Metal Packaging	75%	China, Germany, Mexico	USA, Turkey, Italy
Packaging	Glass Packaging	70%	China, India, Mexico	USA, Brazil, Germany, Italy, Poland
Construction / Capital	Fixtures	80%	China, Vietnam	Mexico, Poland, Indonesia

Construction / Capital	Flooring	70%	China, India	Vietnam, USA, Brazil
Construction / Capital	Furniture	85%	China, Vietnam	Malaysia, Mexico, Poland, Indonesia
Construction / Capital	Lighting	90%	China, South Korea	Taiwan, Mexico, USA
Construction / Capital	Visual Merchandising	75%	China, India	Thailand, Indonesia, Turkey, Vietnam
Construction / Capital	Equipment	80%	China, South Korea	Vietnam, USA, Mexico
Corporate Services	Fleet / Vehicles	85%	China, Mexico, Japan	Mexico, Germany, Canada
Corporate Services	Energy / Fuel	55%	Canada, Mexico	Saudi Arabia, Iraq, Brazil (crude oil) Netherlands, UK, Singapore (refined)
Corporate Services	Food / Beverages	70%	EMEA, Mexico, Brazil	Canada, Vietnam, India
Corporate Services	Credit and Gift Cards	90%	China, South Korea	Germany, Poland, Mexico
Corporate Services	Recognition Items	80%	China, India, Thailand	Mexico, Vietnam, Turkey
Corporate Services	Apparel / Textiles	85%	China, India, Vietnam	Bangladesh, Indonesia, Malaysia
Clinical Services	Medical Supplies	60%	China, Malaysia, Thailand	Vietnam, India, Mexico
Clinical Services	Medical Devices	50%	China, Mexico, Germany	Singapore, Ireland, Switzerland
Clinical Services	Clinical Capital Equipment	60%	China, Germany, Japan	Singapore, South Korea, Netherlands

IMPACT ANALYSIS – DISTRIBUTION & LOGISTICS



OCEAN FREIGHT TRANSFORMATION

Trend

Impact on Shipping Patterns

Tariff Impact

Tariffs are likely to shift sourcing to countries with lower tariff rates, reducing demand for long-haul shipping from Asia and increasing logistics needs in Mexico or Canada (pending secondary tariff announcements for these countries). For comparison, the 2018 Tariffs resulted in a temporary 70% increase to Ocean Freight rates, which settled back to pre-tariff rates by late 2019 to early 2020. The actual impact will depend on factors like the timing of tariff implementations, global trade volumes, and the capacity of shipping services.

Capacity Challenges

Ocean carriers may face delays in building capacity at new supply points, and ports in these regions may struggle to handle increased demand.

Pricing and Transit Implications

Changes in shipping lanes could disrupt current pricing models, while altered transit times may impact inventory levels and speed-to-market strategies.



NORTH AMERICAN GROUND TRANSPORTATION (TRUCKLOAD / INTERMODAL / LTL – US, CANADA, MEXICO)

Trend

Shift in Supply Points

Tariff Impact

Increased nearshoring may necessitate expanded transportation capacity along US-Mexico trade routes, with efficiencies needed at border crossing points.

Domestic Network Adjustments

While the overall impact on domestic transportation is expected to be minimal, companies must assess and adapt to potential network shifts.



SMALL PARCEL NETWORK ADAPTATION

Trend

E-Commerce and Regulatory Changes

Proposed adjustments to de minimis thresholds may increase the cost of small parcel shipments from international sellers, particularly affecting cross-border e-commerce.

Pressure on Small Businesses

SMBs may face higher costs for imported goods and components, potentially reducing small parcel shipping volumes and impacting logistics providers like UPS, FedEx, and USPS.

Supply Chain Adjustments

Companies may shift sourcing closer to home or use consolidated freight options, redistributing demand across logistics categories and affecting parcel volumes.

Tariff Impact



WAREHOUSING AND DISTRIBUTION EVOLUTION

Trend

Pre-Tariff Stockpiling

To avoid tariff costs, companies may increase demand for warehousing by overstocking goods before tariffs are enacted.

Shift Toward Domestic Production

Over time, inventory strategies may favor nearshore or domestic production, resulting in shorter transit times and reduced reliance on large warehouse spaces.

Tariff Impact

IMPACT ANALYSIS – INFORMATION TECHNOLOGY



ENTERPRISE HARDWARE SYSTEMS (LAPTOPS, SERVERS, AND NETWORKING EQUIPMENT)

Category

Tariff Impact

Laptops and Servers

Primarily sourced from China, these products face cost increases of 20%-30% due to tariffs on components such as casings, batteries, and processors.

Networking Equipment

Routers, switches, and other networking hardware rely heavily on imported components from China and Taiwan. Tariffs can raise costs by 15%-25%.



IT COMPONENTS (SEMICONDUCTORS AND CHIPS)

Category

Tariff Impact

Semiconductors and Key Components

- + Increased tariffs on semiconductors and key components further exacerbate hardware pricing, as these are integral to most IT equipment.
- + 10%-20% on semiconductors from Taiwan, South Korea, and China.

Chips

Specialized AI and machine learning chips face significant disruption, given their high dependency on advanced fabrication facilities in tariff-affected regions.



CONSUMER DEVICES (SMARTPHONES AND TABLETS)

Trend

Assembly-Based Increases

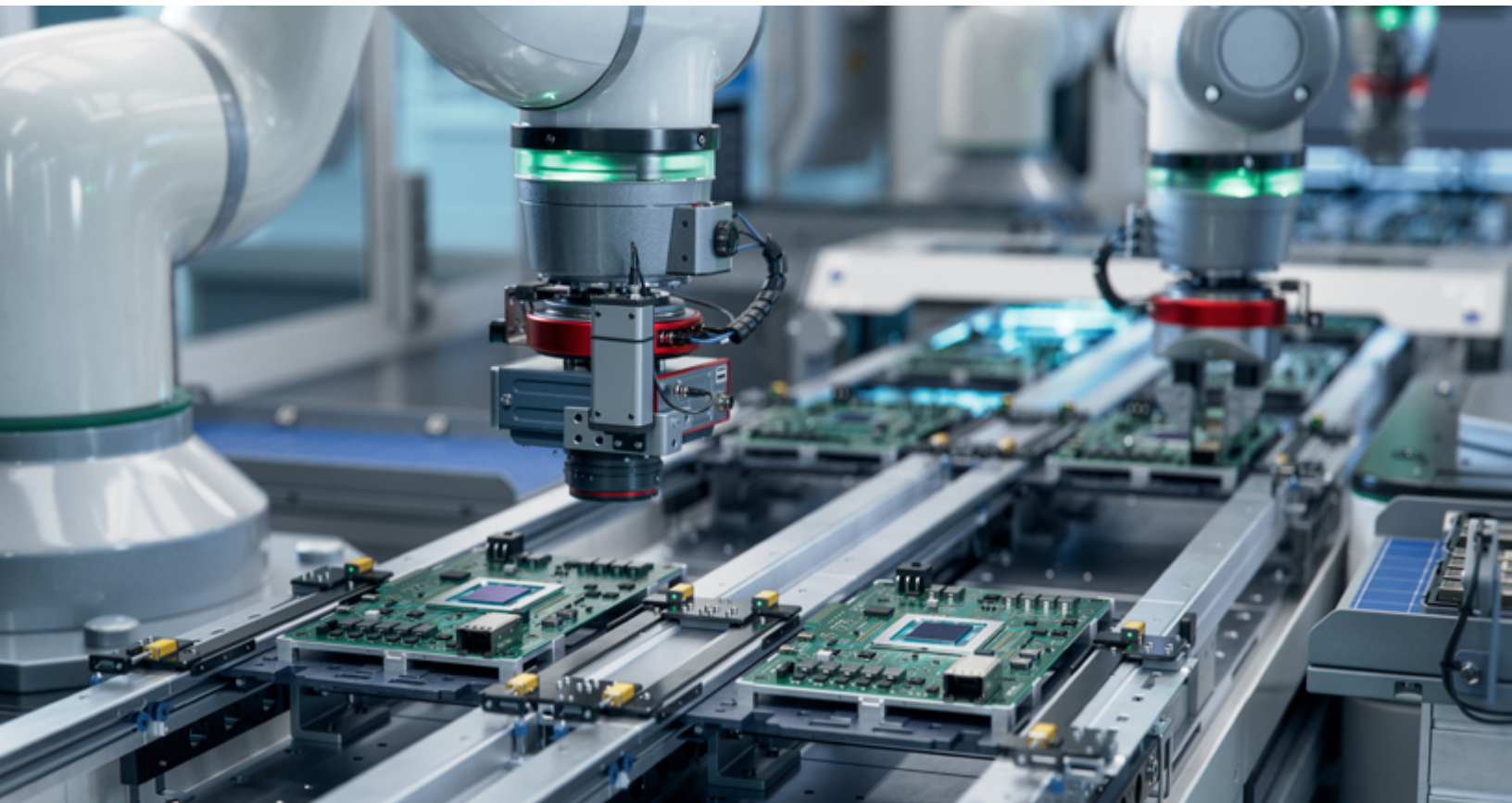
Component Sourcing Challenges

Supply Chain Disruption

Tariff Impact

20%-40% cost variation based on product complexity and material composition (as of the time of writing, smartphones and tablets are largely assembled in China).

- + Displays, batteries, and processors affected.
- + Global sourcing but assembly in tariff-affected countries creates compound effects.
- + Extended lead times expected.
- + High-demand products facing availability constraints.



IMPACT ANALYSIS – PACKAGING



PACKAGING

Category	Key Raw Materials	Primary Import Sources	Tariff Impact
Shopping Bags			
Paper Bags	Paper	China, India, Vietnam	Significant cost increases due to tariffs on raw materials and finished goods.
Non-woven Fabric Bags	Non-woven fabric		
Plastic Bags	Petroleum-based resins (PVC, polyethylene)	China, South Korea	Particularly vulnerable to tariffs on chemical imports because of reliance on petroleum-based resins (PVC or polyethylene).
Corrugate	Pulp, recycled fiber, adhesives	China, US, Canada	10%-20% increase due to tariff on pulp and other inputs. The high demand for corrugate (specifically cardboard boxes) in e-commerce amplifies the impact, as tariffs create supply constraints and cost volatility.
Retail Packaging (includes custom-printed boxes, gift bags, and branded packaging)	Paper, plastic, printing materials	China, India, Vietnam	20%-40% increase, especially for customized or high-quality packaging due to tariffs on imported paper, plastic, and printing materials.

Plastic Packaging
(includes bottles, containers, and flexible packaging)

Polyethylene, polypropylene

China, Thailand

15%-25% increase due to tariffs on raw materials and shipping costs. Flexible packaging used for food, personal care, and pharmaceutical products is particularly affected, as the industry depends on global supply chains.

Metal Packaging
(includes aluminum cans, tinplate containers, and closures)

Aluminum, steel

China, Germany, Mexico

Significant cost increases, especially for aluminum-based products due to reliance on imported aluminum and steel. Aluminum has a 64% import dependency, and tariffs of 10%-25% on metal imports can lead to significant cost increases for beverage cans, food containers, and industrial packaging. Domestic metal suppliers often increase prices to match international rates, further escalating costs.

Glass Packaging
(includes bottles and jars)

Raw materials, energy (natural gas and electricity inputs)

China, India, Mexico

10%-20% increase due to tariffs on raw materials and energy inputs. Specialty glass products, such as cosmetic or pharmaceutical containers, face even higher price volatility due to limited alternative suppliers.



***Note: If the Trump Administration opts to exempt raw materials from the proposed tariffs, the cost increases in the Packaging category will be significantly mitigated.**

IMPACT ANALYSIS – CONSTRUCTION AND CAPITAL



CONSTRUCTION MATERIALS

Category

Key Materials

Tariff Impact

Capital Construction

Tariffs on critical materials like:

- + Steel (China, Mexico)
- + Aluminum (China, Canada)
- + Copper (Chile)
- + Lumber (Canada)

Costs increase across the construction industry. Proposed additional tariffs threaten to push them even higher.

Sectors relying on imported aluminum, glass, steel, and composite materials for curtain walls, roofing systems, and exterior cladding face 20%-40% material cost increases. Dependencies on countries like Canada, Germany, and China amplify tariff-driven price pressures.

Structural / Aesthetic Materials

Tariffs heavily impact structural and aesthetic materials like doors, curtain walls, and roofing systems.

Import dependencies range from 20%-50%. Aluminum (64% import reliance from Canada and China) and steel (21% reliance on China and Mexico) are particularly vulnerable to significant price increases.

PVC-Based Materials

Vinyl flooring and composite piping systems.

Import dependencies of 50%-70% on PVC from China, South Korea, and Vietnam. Significant cost increases, particularly for luxury vinyl tile (LVT) and other flooring materials, with price hikes ranging from 20%-50%.

Thermal Protection Materials

Rigid insulation and waterproofing systems, primarily sourced from Canada and Germany.

Critical for energy efficiency and moisture control. Could see cost increases of up to 30% due to tariffs, further strained by price escalations in roofing systems and vapor retarders.

Lighting and Other Equipment

Tariffs on imported components for LED retrofits and energy-efficient lighting systems from China and South Korea.

Can increase costs by 20%-40%, adding substantial expenses for retrofitting and energy efficiency projects.



BUILDING SYSTEMS AND EQUIPMENT

Equipment Vulnerability: Equipment-heavy projects (e.g., HVAC, solar panels, building automation systems) depend on imported components like aluminum, steel, copper, and electronics, subject to tariff-related price hikes of 15%-60%.

Category

Tariff Impact

HVAC Installations

Tariffs on steel casings, copper coils, and electronic controls sourced from China, South Korea, and Mexico can increase HVAC system costs by 30%-60%. This affects both upfront installation and ongoing maintenance budgets.

Solar Panel Integrations

Tariffs on photovoltaic cells and aluminum frames from China lead to cost increases of up to 60%, deterring renewable energy investments and delaying clean energy projects.

Building Automation Systems

Imported sensors, controllers, and communication modules face tariff-related cost hikes of 30%-50%, driving up the price of energy-efficient systems.

IMPACT ANALYSIS – FACILITY MANAGEMENT

Facility management heavily relies on imported goods such as HVAC systems, lighting, MRO, and cleaning supplies. Tariffs increase costs for replacements, upgrades, and routine maintenance, placing additional strain on operational budgets.



FACILITY MANAGEMENT

Category

Tariff Impact

Equipment and Spare Parts

Imported equipment and consumables like HVAC systems face rising costs due to tariffs, significantly impacting maintenance budgets and operational efficiency.

HVAC Components

HVAC systems, essential for climate control and energy efficiency, depend on components sourced 50%-60% from tariff-affected countries like China, South Korea, and Mexico, with aluminum, steel, and copper being particularly sensitive.

Material-Specific Tariffs

Tariffs on raw materials and specialized components for HVAC systems can raise prices by 30%-60%, especially for advanced systems with IoT-enabled and energy-efficient features.

Spare Parts and Maintenance

- + Spare parts critical for HVAC and other facility equipment, such as filters and compressors, face similar tariff-driven price increases, straining maintenance budgets for facilities with older systems.
- + Tariffs and supply chain disruptions cause delays in sourcing critical components, leading to operational downtime, higher costs, and risks of non-compliance with building standards.
- + Rising spare part prices and reliance on expedited shipping due to delays elevate repair costs, particularly for facilities using just-in-time inventory strategies.

IMPACT ANALYSIS – CORPORATE SERVICES



CORPORATE SERVICES

Category

Tariff Impact

Fuel

Tariffs on imported crude oil and refined products, such as gasoline and diesel, can increase fuel prices by 10%-25%, particularly for imports from key suppliers like Canada, Mexico, and Saudi Arabia. Dependence on imported oil (approximately 20% of US consumption) makes the energy sector vulnerable to price fluctuations driven by tariff policies.

LNG

Tariffs on imported liquefied natural gas (LNG) from countries like Canada and Qatar can increase costs for industrial and commercial users, with price hikes of 10%-20%. Sectors reliant on natural gas for power generation or manufacturing face higher operational costs, impacting profitability and competitiveness.

Fleet / Vehicles

Automotive imports, including fleet vehicles and parts, are subject to tariffs on steel, aluminum, and electronics sourced from China, Mexico, and Japan, increasing costs by 15%-30%. Specialized fleet vehicles and commercial trucks, which rely on imported components like engines, axles, and electronics, face higher procurement costs. Tariffs on vehicle parts affect maintenance expenses, such as replacement tires, filters, and batteries.

Food and Beverage

Imported food and beverage items like coffee, tea, wine, and specialty ingredients sourced from regions such as the EU, Mexico, and Brazil face cost increases of 10%-25%. Tariffs on packaging materials for food and beverages, such as aluminum cans and glass bottles, amplify overall costs. Seasonal or perishable items, including fresh produce from Mexico or South America, experience tariff-driven price volatility, complicating procurement strategies.

Credit and Gift Cards

Plastic cards, including credit and gift cards, rely on imported PVC and other materials from China and South Korea, making them susceptible to tariffs. Tariffs on electronic components for chip-embedded cards can raise production costs by 10%-20%. Custom printing and specialized card designs sourced internationally are also affected, increasing expenses for high-volume programs.

Apparels / Textiles

Tariffs on textiles and apparel are poised to significantly disrupt the industry, particularly for imports from major sourcing countries like China, India, and Vietnam. These nations collectively account for a substantial share of USA textile and apparel imports, making the sector highly vulnerable to increased costs. Tariffs on raw materials like cotton and synthetic fibers, as well as finished goods such as clothing and home textiles, could result in price hikes of 10%-35%. These cost increases are likely to ripple through supply chains, affecting manufacturers, retailers, and ultimately, consumers.

IMPACT ANALYSIS – CLINICAL SUPPLIES AND EQUIPMENT



CLINICAL SUPPLIES AND EQUIPMENT

Category

Medical Supplies

Tariff Impact

Tariffs on medical supplies, such as gloves, syringes, catheters, and other consumables, could significantly increase costs for healthcare providers and distributors. Many of these products are sourced from key manufacturing hubs like China, Malaysia, and Thailand, with import dependencies often exceeding 50%. Tariff-induced price hikes, estimated at 10%-25%, would directly impact operational budgets in healthcare settings, where cost control is critical.

Medical Devices

Tariffs on medical devices, such as implantables (e.g., stents, pacemakers, orthopedic implants), are expected to significantly increase costs for healthcare providers and device manufacturers. With major sourcing regions like Mexico, Germany, and China accounting for a substantial share of USA imports, tariffs could drive price hikes of 15%-30%. Implantables, which rely on high-precision materials like titanium and specialized manufacturing processes, are particularly vulnerable to supply chain disruptions and cost volatility.

Clinical Capital Equipment

Clinical capital equipment, including imaging machines such as MRIs, CT scanners, and ultrasound devices, faces significant cost pressures due to tariffs on key components and finished goods sourced from China, Germany, and Japan. Tariff-induced cost increases of 20%-40% could impact procurement budgets and delay the adoption of advanced diagnostic technologies. Essential components like electronic controls, magnets, and specialized alloys are particularly vulnerable, as limited domestic alternatives exacerbate price volatility. Exploring sourcing options in countries like South Korea, Ireland, and Singapore may help healthcare providers mitigate these challenges while maintaining access to cutting-edge clinical equipment.



FINANCIAL IMPLICATIONS

Tariffs impose significant challenges on sourcing, production, and pricing strategies, directly affecting costs and profitability in areas such as:



SOURCING & PRODUCTION COSTS

Impact

Higher costs due to tariffs on imported goods.

Detailed Breakdown

- + Higher raw material costs (aluminum, steel, plastics).
- + Increased prices for finished goods (laptops, smartphones, packaging supplies).
- + Rising logistics and customs expenses.



PRICING STRATEGIES & PROFITABILITY

Impact

Challenges in maintaining profitability and market positioning.

Detailed Breakdown

- + Potential consumer price increase on finished goods, reducing demand.
- + Reduced profit for businesses absorbing tariff costs, especially for high-volume, low-margin businesses.
- + Higher costs may weaken the competitive advantage of companies reliant on cost-leadership strategies.



BUDGET & FINANCIAL PLANNING

Impact

Businesses must reallocate funds and revise forecasts to manage tariff-induced cost increases.

Detailed Breakdown

- + Adjust financial projections to account for increased costs and potential losses.
- + Higher import costs may affect budgets in other areas (marketing, innovation investments).
- + The necessity for emergency contingency funds to manage unexpected tariff impacts.

Businesses must adapt to higher product and logistics expenses, reevaluate pricing models, and implement budgetary adjustments to maintain competitiveness. Proactive planning and strategic resource allocation are essential to mitigate these disruptions and sustain market positioning.

STRATEGIC MITIGATION PLAN

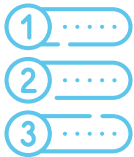
To effectively address the cost and operational challenges posed by tariffs, businesses can implement a comprehensive set of strategies. These measures not only alleviate financial pressures but also enhance supply chain resilience, flexibility, and long-term efficiency.

SUMMARY



PRIORITIZING CRITICAL NEEDS

Companies must strategically evaluate direct and indirect spend categories to identify high-impact areas, focusing resources and efforts on mitigating risks in the most critical categories under tight time and resource constraints.



EXPLORING ALTERNATIVE SOURCING

Shift sourcing to low-tariff countries or domestically to reduce dependency on regions heavily impacted by tariffs and ensure continuity of supply.



EXPANDING SUPPLIER NETWORK

Diversify the supplier base across multiple regions and countries to decrease reliance on single-source suppliers, increasing supply chain robustness and reducing geopolitical risks.



STRENGTHENING NEGOTIATION STRATEGIES

Optimize supplier agreements by sharing costs, negotiating bulk or long-term contracts, and streamlining supply chain processes to offset tariff-induced expenses.



ENHANCING INVENTORY MANAGEMENT

Consider the benefits of bulk purchasing supply prior to the implementation of new tariffs. Invest in advanced tools like AI and predictive analytics to improve supply chain visibility, identify inefficiencies, and make data-driven decisions to adapt quickly to tariff-related disruptions.



MODIFYING SPECIFICATIONS

Partner with suppliers to drive Value Engineering and Spec Optimization initiatives to lower costs and reduce the impact of higher pricing caused by Tariffs.



MODIFYING MANUFACTURING PROCESSES

Split production by importing semi-finished goods and complete final assembly domestically (process-re-engineering). Tariffs will only apply to the cost of semi-finished goods.

This structured approach provides a strong foundation for navigating tariff challenges while driving operational improvements and safeguarding profitability.

DETAILED BREAKDOWN OF THE STRATEGIC MITIGATION PLAN

PRIORITIZING CRITICAL NEEDS

Prioritizing critical needs involves a structured approach to identify and focus on spend categories, suppliers, and operational areas most impacted by tariffs or vital to business continuity.

Here's how companies can do this effectively:

- 1 CONDUCT A COMPREHENSIVE SPEND ANALYSIS**

Evaluate direct and indirect spend categories to understand where tariffs will have the greatest cost and operational impact. Identify high-spend areas and assess their contribution to critical business functions, such as production, sales, or customer satisfaction.
- 2 ASSESS RISK AND DEPENDENCY**

Map supply chains to identify dependencies on tariff-impacted countries or suppliers. Evaluate the availability of alternative sources and the risk of disruption to critical goods or services.
- 3 PRIORITIZE BASED ON BUSINESS IMPACT**

Classify categories into tiers (e.g., high, medium, low) based on their importance to core business functions and the financial or operational risk posed by tariffs and by switching suppliers. Focus resources on mitigating risks in high-priority categories like essential raw materials, key operational supplies, or critical capital equipment.
- 4 CONSIDER TIMING AND RESOURCE CONSTRAINTS**

Develop a timeline for addressing critical needs, prioritizing spend categories that require immediate action due to tariff deadlines, supply disruptions, or contract expirations. Allocate resources, including budget and personnel, to areas with the highest return on mitigation efforts.
- 5 ENGAGE CROSS-FUNCTIONAL TEAMS**

Collaborate with procurement, finance, operations, and supply chain teams to align priorities across the organization. Use collective expertise to identify dependencies, negotiate solutions, and implement mitigation strategies.

6

IMPLEMENT MONITORING AND ADJUSTMENTS

Use analytics tools to track the impact of tariffs and monitor market conditions in real-time. Reassess priorities regularly to adapt to evolving circumstances, such as new trade policies or changes in supplier capabilities.

7

KEEP UP ON CHANGES IN THE TARIFF STRATEGY

Tariff strategies by the US government will continue to change over time, which will make it difficult to do comprehensive planning. Keeping up on changes in the government's strategy will be key to success.



Tariff tracking tools to consider include Amber Road (now E2Open), SAP Global Trade Services, and Descartes Global Trade Content.

EXPLORING ALTERNATIVE SOURCING

Consider alternatives to the status quo, including assessing lower-tariff countries, alternative suppliers, and alternative products/materials to mitigate the overall impact of increased tariffs.

1

IDENTIFYING NEW SOURCING COUNTRIES

Understand incumbent supplier capabilities to pivot to lower-tariff countries and their domestic manufacturing capabilities. Research alternate suppliers and the regions they operate in. Consider issues beyond cost, such as logistical feasibility / lead times, quality of product, and overall supplier reputation.

2

CONSIDER ALTERNATIVE MATERIALS

Exploring substitutes for high-tariff materials can reduce dependency on imports and lower costs. By working closely with stakeholders to identify viable substitutes, businesses can maintain quality standards while minimizing financial impacts.

Examples include:

- + **Advanced Composites:** Replacing traditional metals like aluminum and steel with lighter, durable composites can provide comparable performance at reduced costs.
- + **Domestic Goods:** Investing in domestically produced materials, such as US-made PVC or recycled metals, helps avoid tariffs and supports local industries.
- + **Eco-Friendly Options:** Sustainability-focused alternatives, like bamboo flooring or bio-based insulation, offer long-term cost savings and align with green initiatives.

EXPANDING SUPPLIER NETWORKS

Broadening the supplier base is essential for reducing reliance on specific markets or regions subject to tariffs.

A diversified sourcing strategy includes:

1

REGIONAL FLEXIBILITY

Sourcing materials from countries like Mexico, Vietnam, or Germany can mitigate risks associated with dependence on Chinese imports.

2

MULTI-SUPPLIER RELATIONSHIPS

Establishing agreements with multiple suppliers ensures redundancy and competitive pricing options.

3

DOMESTIC PARTNERSHIPS

Strengthening relationships with domestic manufacturers reduces exposure to international trade risks.

4

SUPPLIERS WITH MULTI-GEOGRAPHY CAPABILITIES

Partner with suppliers that have off-shore and on-shore capabilities, where possible, to keep flexibility and take immediate advantage of changes in the Tariff strategy, if and when they occur.



STRENGTHENING NEGOTIATION STRATEGIES

There are multiple negotiation strategies to deploy with your suppliers to help mitigate the impact of tariffs.

Consider one or more of the following strategies, pending the current relationship and contractual structure with each supplier:

1

VOLUME-BASED DISCOUNTS

Seek volume-based discounts (especially in a bulk purchase scenario) or alternative payment structures (such as supply chain financing programs and / or longer payment terms to help retain working capital within the business).

2

PRIORITIZE LONG-TERM CONTRACTS

Securing multi-year agreements with suppliers is a proven strategy for stabilizing pricing and ensuring predictability in procurement. Long-term contracts can:

- + **Mitigate Market Volatility:** Locking in prices for essential materials protects against sudden cost increases caused by tariffs or fluctuating market conditions.
- + **Ensure Consistent Supply:** Suppliers are more likely to prioritize clients with established long-term commitments, reducing the risk of delays or shortages.
- + **Build Stronger Relationships:** Long-term partnerships foster collaboration, allowing businesses to negotiate favorable terms or jointly explore solutions to tariff-related challenges.

3

ESTABLISH LOW-RISK PRICING MODELS

Adopting contracting models such as Guaranteed Maximum Price (GMP) agreements in the Construction space helps businesses manage financial risks associated with price fluctuations. Key benefits of these models include:

- + **Cost Capping:** GMP contracts establish a fixed maximum price, protecting owners from unexpected cost escalations.
- + **Risk Transfer:** Contractors assume responsibility for price fluctuations, incentivizing them to procure materials efficiently.
- + **Alignment of Incentives:** Collaborative models ensure all parties are motivated to deliver projects on budget and on schedule.

4

EXPLORING COST-SHARING MODELS

Partner with suppliers to co-invest in process improvements or technology upgrades to reduce overall costs.

ENHANCING INVENTORY MANAGEMENT

Developing a more thoughtful inventory management process will help curb anticipated tariff increases.

Effective strategies include:

1

BULK PURCHASING

Acquiring large quantities of high-demand materials before tariff implementation shields you from sudden cost hikes. Be sure to assess the additional warehouse requirements before overstocking on certain items.

2

INVENTORY OPTIMIZATION

Leveraging inventory optimization tools helps balance stockpiling needs with storage capacity and reduces risks of overstocking in the long term.

3

FORECASTING TOOLS

Using predictive analytics to identify material shortages or price fluctuations enables businesses to plan purchases strategically. Tools to consider include FLEXE, Relex, Netstock, ToolsGroup or other built-in ERP tools within SAP, Oracle, Microsoft, etc.

MODIFYING SPECIFICATIONS

Developing a proactive approach to specification management and value engineering can mitigate the financial impact of tariffs while maintaining product quality and performance.

Key strategies include:

1

VALUE ENGINEERING

Collaborate with suppliers and engineering teams to redesign products or components to reduce costs without compromising essential functionality. Techniques may include:

- + **Material Substitution:** Identify and incorporate alternative materials that are less expensive or tariff-exempt while meeting performance requirements.
- + **Process Improvements:** Work with suppliers to streamline manufacturing processes, reducing production time and associated costs.
- + **Component Standardization:** Use common, standardized components across multiple products to leverage economies of scale and simplify procurement.

2

SPECIFICATION OPTIMIZATION

Adopting contracting models such as Guaranteed Maximum Price (GMP) agreements in the Construction space helps businesses manage financial risks associated with price fluctuations. Key benefits of these models include:

- + **Over-Specification Reduction:** Remove excessive tolerances or unnecessary design elements that increase production complexity and costs.
- + **Supplier Input:** Engage suppliers in early-stage design discussions to gain insights into cost-effective manufacturing approaches.
- + **Reassess Compliance Standards:** Evaluate if certain compliance or certification requirements can be adjusted without impacting product quality or regulatory obligations.

By employing these strategies, organizations can effectively reduce costs, minimize the impact of tariffs, and strengthen their supplier relationships for long-term resilience.

MODIFYING MANUFACTURING PROCESSES

Adapting manufacturing processes to split production and optimize the supply chain can significantly mitigate tariff impacts while maintaining operational efficiency.

Key strategies include:

1

SPLIT PRODUCTION STRATEGY

Import semi-finished goods and complete the final assembly domestically to reduce tariff exposure. This approach can offer significant cost savings when structured thoughtfully:

- + **Semi-Finished Goods Sourcing:** Identify components or subassemblies that can be imported at a lower tariff rate compared to fully finished products.
- + **Domestic Assembly:** Establish or enhance domestic assembly capabilities to complete the final manufacturing stages, avoiding tariffs on finished goods.

2

PROCESS RE-ENGINEERING

Streamline production processes to accommodate split production while maintaining quality and delivery timelines:

- + **Production Flow Optimization:** Redesign workflows to integrate semi-finished goods efficiently into the final assembly process.
- + **Lean Manufacturing:** Apply lean principles to eliminate waste and improve throughput during domestic assembly.
- + **Skill Development:** Train domestic teams to handle specialized assembly processes required for the re-engineered production model.

3

SUPPLIER COLLABORATION

Partner with suppliers to optimize the split production approach:

- + **Component Customization:** Work with suppliers to design semi-finished goods that simplify domestic assembly.
- + **Supplier Consolidation:** Reduce complexity by sourcing multiple semi-finished components from fewer suppliers.

4

REGULATORY COMPLIANCE

Ensure that process modifications align with domestic and international trade regulations:

- + **Customs Classification:** Accurately classify semi-finished goods to secure appropriate tariff rates.
- + **Country of Origin Rules:** Verify compliance with rules of origin to avoid unexpected tariff penalties or trade restrictions.

By implementing split production and re-engineering manufacturing processes, businesses can strategically reduce tariff costs, enhance supply chain flexibility, and maintain competitive pricing in the marketplace.



CONCLUSION

The proposed 2025 tariffs present a significant challenge for businesses managing indirect spend, with the potential to increase costs, disrupt supply chains, and create logistical complexities. While tariff policy is evolving and many of these measures may never be fully implemented (or implemented only for a short period of time), historical precedent from the 2018 tariffs demonstrates that such policies typically lead to cost increases that are eventually passed on to consumers, along with cascading effects on supply chain operations. These outcomes emphasize the critical need for businesses to adopt proactive strategies to mitigate risks and maintain operational resilience.

Immediate planning is essential, particularly in high-impact spend categories such as IT hardware, packaging, and construction materials. Companies must prioritize critical needs, negotiate competitively with incumbents, work closely with suppliers on value engineering of specification and process optimizations, and actively research alternative sourcing options to maintain cost control and ensure supply continuity. At the same time, leveraging technology to monitor the evolving tariff landscape in real time will enable businesses to make data-driven decisions and quickly adapt to new developments. By taking these steps, organizations can better position themselves to navigate the uncertainties of the 2025 tariff environment while safeguarding their financial and operational stability.



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The innovative leader in procurement services and technology, LogicSource is purpose-built to drive profit improvement, mitigate risk, and ensure supply chain continuity through better buying. LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represent 20% of an organization's revenue and the area of greatest spending inefficiency. These include complex categories like marketing, packaging, corporate services, facilities, information technology, distribution and logistics, and more, for which organizations often lack the capacity, focus and scale to achieve best-in-class buying. Unlike traditional advice-based consultants, LogicSource is a purpose-built buying utility with assets that are configurable to their clients' needs and ready to deploy. By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes customized solutions that deliver immediate savings and sustainable value.

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ABOUT THE AUTHORS

This tariff report was produced by the LogicSource Indirect Category Leaders and Center of Excellence, which leverages decades of expertise and data to help organizations navigate global trade challenges and optimize their procurement strategies. With a dedicated team of 180+ indirect category experts and access to \$150B+ in indirect pricing data, LogicSource equips our clients with the insights and tools needed to make informed decisions, mitigate risk, and drive sustainable value.

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