Chief Supply Chain Officer Exchange

Navigating uncertainty and product portfolio complexity

April 24, 2025

The better the question. The better the answer.
The better the world works.

Introduction

In an era marked by shifting trade policies, the US economy stands at a crossroads. The Trump administration's tariff moves have instigated a crisis of confidence among businesses, compelling many to adopt a cautious wait-and-see approach. As consumer sentiment plummets to levels not seen since the 1980s and business confidence wanes, the implications for the financial markets are profound. While consumer spending and business investment have yet to show signs of significant decline — bolstered in part by anticipatory spending — rising market instability and a tepid appetite for dollar-denominated assets threaten to undermine the economic landscape. In response to these challenges, Ernst & Young LLP (EY US) and the Consumer Brands Association (CBA) convened industry leaders at the CBA's Chief Supply Chain Officer Exchange to explore strategies for navigating this uncertainty, including the complexities of product portfolios within supply chains. This edition of the Supply Chain Exchange Debrief encapsulates the critical takeaways from our recent discussions, offering a strategic framework to navigate the evolving trade landscape.

Response to tariffs

In the face of escalating tariffs, businesses are swiftly evaluating their cost structures and identifying potential mitigation strategies. This includes scrutinizing pricing actions while preparing for proactive feedback from customers and retailers regarding any anticipated price increases. Companies are also exploring minor product reformulations to develop tariff-friendly alternatives that maintain product integrity. Nonetheless, supply chain uncertainties remain, particularly in agriculture, where suppliers are not planting seeds, due to apprehension about future market conditions.

As consumer sentiment plummets to levels not seen since the 1980s and business confidence wanes, the implications for the financial markets are profound.

Medium-term strategies

With near-term levers being pulled, organizations are now pivoting to medium-term strategies for the coming year. This entails refining supplier contracts to clearly outline how tariff impacts will be addressed and by whom. Firms are aligning their sourcing decisions with their expectations of tariff stability and broader trends, including sustainability and resilience. Furthermore, businesses are re-evaluating capital investments on a more frequent basis — both funding in the pipeline and recently approved — confirming they possess comprehensive visibility and documentation regarding the potential ramifications of tariffs.

Engaging with the Trump administration

The Consumer Brands Association (CBA) has engaged in constructive dialogue with the Trump administration, advocating for pragmatic solutions to mitigate the adverse effects of tariffs on US manufacturers and consumers. Acknowledging the challenge posed by unavailable natural resources, the administration is striving to minimize carve-outs that could undermine its negotiating leverage.

In these discussions, the CBA has emphasized the importance of adhering to the United States-Mexico-Canada Agreement (USMCA) in the short term, while recognizing the need for a new agreement to address evolving trade dynamics in the future. This action underscores the necessity of maintaining a stable trade environment as businesses navigate the complexities of tariff uncertainty.

Macro outlook

As businesses brace for a potential recession, expectations are shifting toward a more cautious economic landscape. Companies anticipate that consumers will trade down to smaller pack sizes and private labels, drawing on insights from previous downturns. There is a glimmer of hope that finalizing a trade deal would foster renewed optimism in the market.

In response to these challenges, businesses are taking proactive measures to enhance flexibility in their assets, enabling them to adapt to changing customer demand patterns, whether for home or away-from-home consumption.

Additionally, firms are reviewing their portfolio mix to better cater to cash-strapped consumers. Capital investments are increasingly being redirected toward productivity enhancements, often prioritizing efficiency over innovation to navigate the uncertain economic terrain.

Investments in digital and automation

Companies are prioritizing investments in automation and artificial intelligence (AI) to secure a favorable long-term cost position. Despite economic uncertainties, there are no plans to curtail these investments; rather, organizations are committed to expanding their automation initiatives while increasing their focus on AI technologies.

The rationale behind these investments is further reinforced by the labor market uncertainties stemming from the immigration crackdown, which have heightened the need for efficient automated solutions. By embracing digital transformation, businesses aim to enhance operational resilience and adaptability in an ever-evolving economic landscape.

As businesses brace for a potential recession, expectations are shifting toward a more cautious economic landscape. Companies anticipate that consumers will trade down to smaller pack sizes and private labels, drawing on insights from previous downturns.

Spotlight on private label

Ongoing economic uncertainty is driving value-seeking consumer behavior, evidenced by a notable shift toward private label goods. Previous years of price increases pressured consumers, while concerns about tariffs, unemployment, and the stock market dampen optimism. As a result, shoppers are increasingly focused on maximizing value for their dollar.

As price-sensitive consumers increasingly view private label products as viable alternatives to national brands, retailers' investments in differentiating private labels through non-price attributes could enhance consumer retention, even as economic pressures begin to ease.

National brands can recapture lost market share, as many consumers remain open to switching back. Both reported purchase intentions and actual buying behavior indicate a strong reconversion potential for national brands. Key drivers for this switchback include superior product benefits and enhanced value perception.

What to do

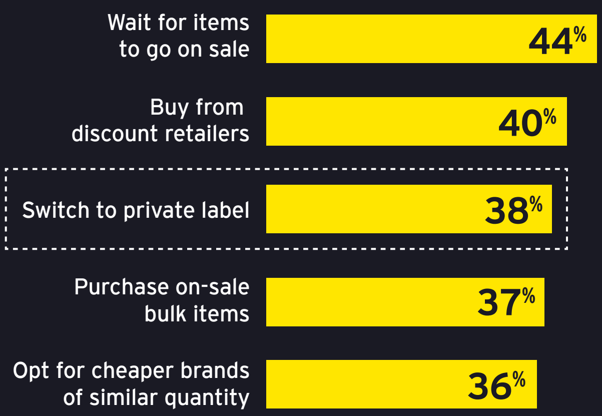
Considering the newly imposed tariffs, companies in the consumer products sector must reassess their long-term strategies. Key actions include diversifying product lines, improving sourcing and manufacturing, and developing strategic cost mitigation measures.

To thrive amid economic uncertainty, successful organizations will prioritize resilience and adaptability. By focusing on evolving market conditions and pursuing breakthrough productivity, these companies can position themselves for sustained growth rather than simply respond to the immediate effects of tariffs.

Private label brands: a strategic shift

In an era of economic uncertainty, consumers are increasingly turning to private label products for value, with 38% willing to switch brands. Rising prices and concerns over tariffs, unemployment and stock price volatility dampened consumer sentiment between November 2024 and April 2025.

Actions US consumers take to get better value when shopping, % of consusers surveyed, (2025)



Retailers are investing in the differentiation of private labels, emphasizing quality, sustainability and unique branding to enhance consumer loyalty. Yet national brands can still reclaim market share, as 60% of consumers remain open to switching back. Notably, 55% have returned to branded products after trying private labels.

Key drivers for this switch back include superior product benefits — such as performance and innovation (48%) — and a stronger perception of value (34%). To counter private labels, national brands should focus on distinctive product attributes, explore impactful brand-building opportunities, optimize pricing strategies and invest in innovation to create differentiated offerings.

Source: Euromonitor; EY Future Consumer Index, February 2025; University of Michigan Consumer Sentiment Index

Click to learn more about
EY Supply Chain Services
or contact us to discuss further:

Robert Holston
robert.holston@ey.com
EY Global and Americas
Consumer Products Sector Leader

Sameer Anand
sameer.anand@parthenon.ey.com
EY-Parthenon Americas
Supply Chain Leader

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2025 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 27149-251US

2410-12582-CS
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com