

# WILL THEY, WON'T THEY?

US Tariffs and how to mitigate their effect

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# TODAY'S EXPERT PANEL

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# **WILL THEY, WON'T THEY?**

Uncertainty in U.S. Policy creates a Loss of  
Predictability

# **TODAY'S GOAL:**

To provide Practical Strategies and Insights



# WHO ACTUALLY PAYS FOR TARIFFS?

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U.S. TARIFFS  
AHEAD

## What tariffs are:

- Duties imposed on imported goods.

## Why tariffs are imposed:

- Protect domestic industries
- Address trade imbalances
- Serve as leverage in trade negotiations
- To raise income for an administration



# UNDERSTANDING TARIFFS

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## Common Misconception

- Tariffs are paid by foreign producers

## Reality

- Costs passed down through the supply chain to importers, and the store shelf
- Tariffs are a tax on the citizens of the importing country



# A DOUBLE PUNCH

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## **Selling to the US**

- Your products will be more expensive on US shelves

## **Buying materials from the US**

- importing ingredients/equipment from the U.S might be more expensive because tariffs often drive up inflation

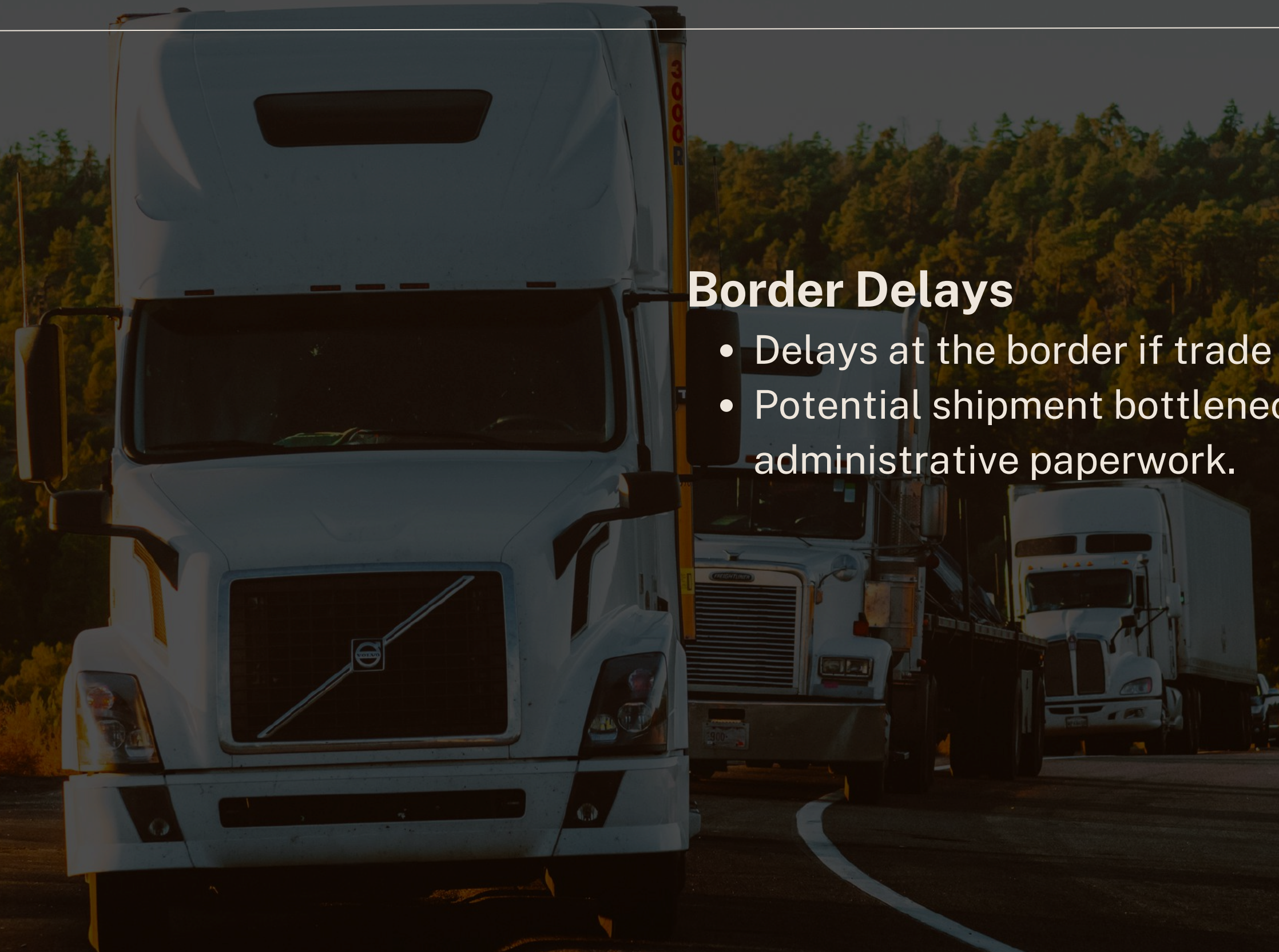


# SUPPLY CHAIN DISRUPTIONS

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## Border Delays

- Delays at the border if trade tensions escalate.
- Potential shipment bottlenecks and increased administrative paperwork.





# OTHER ISSUES

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## Market Volatility and Uncertainty

- Difficulty in forecasting and budgeting due to unpredictable trade policy shifts
- The current U.S. administration is not known for stability



# PRACTICAL STRATEGIES:

How to Mitigate the Impact of Tariffs & Things  
You can do Today



# YOU HAVE 2 CHOICES

- Absorb the cost = lower margins
- Justify the higher cost to the U.S. buyer



# MITIGATION

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## **Reduce cost**

- Check for potential savings in formulation, packaging, marketing
- Reduce spend on non-essentials



# MITIGATION

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## Negotiating Cost-Sharing Agreements

- Work with your suppliers to split tariff-related costs rather than bearing them all - try and get your partners to share the burden
- Explore volume discounts or longer-term contracts for more predictable pricing



# MITIGATION

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## Look Elsewhere

- Reduce reliance on U.S. suppliers
- Investigate domestic or international suppliers



# MITIGATION

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Canada 

## Leverage Government Programs

- Check with Federal and Provincial programs (e.g., Export Development Canada (EDC), Trade Commissioner Service)
- Grants, low-interest loans, or tax incentives might be available for export-driven businesses



# BUILD A STRONG BRAND

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## Maintaining Customer Loyalty

- Emphasize brand loyalty, quality, and uniqueness to retain customers
- Strengthen brand storytelling around local sourcing, sustainability, or premium quality.
- Transparent communication about why prices might change.
- Offer promotions or bundle deals to soften perceived price hikes



# COMMUNICATE CLEARLY

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## Value Demonstration

- Clearly articulate your product's unique selling points — organic, artisanal, ethically sourced, etc.
- Use social media and direct marketing to reassure customers of continued value despite potential price fluctuations
- Use data and AI to fine-tune both your product attributes and your marketing messages to resonate with consumers



# PRACTICAL STRATEGIES:

Medium to long terms



# DON'T WASTE A GOOD CRISIS

- The next Four Years will be Unstable
- Look for Opportunities in this Crisis



# STOP PLAYING THE VICTIM

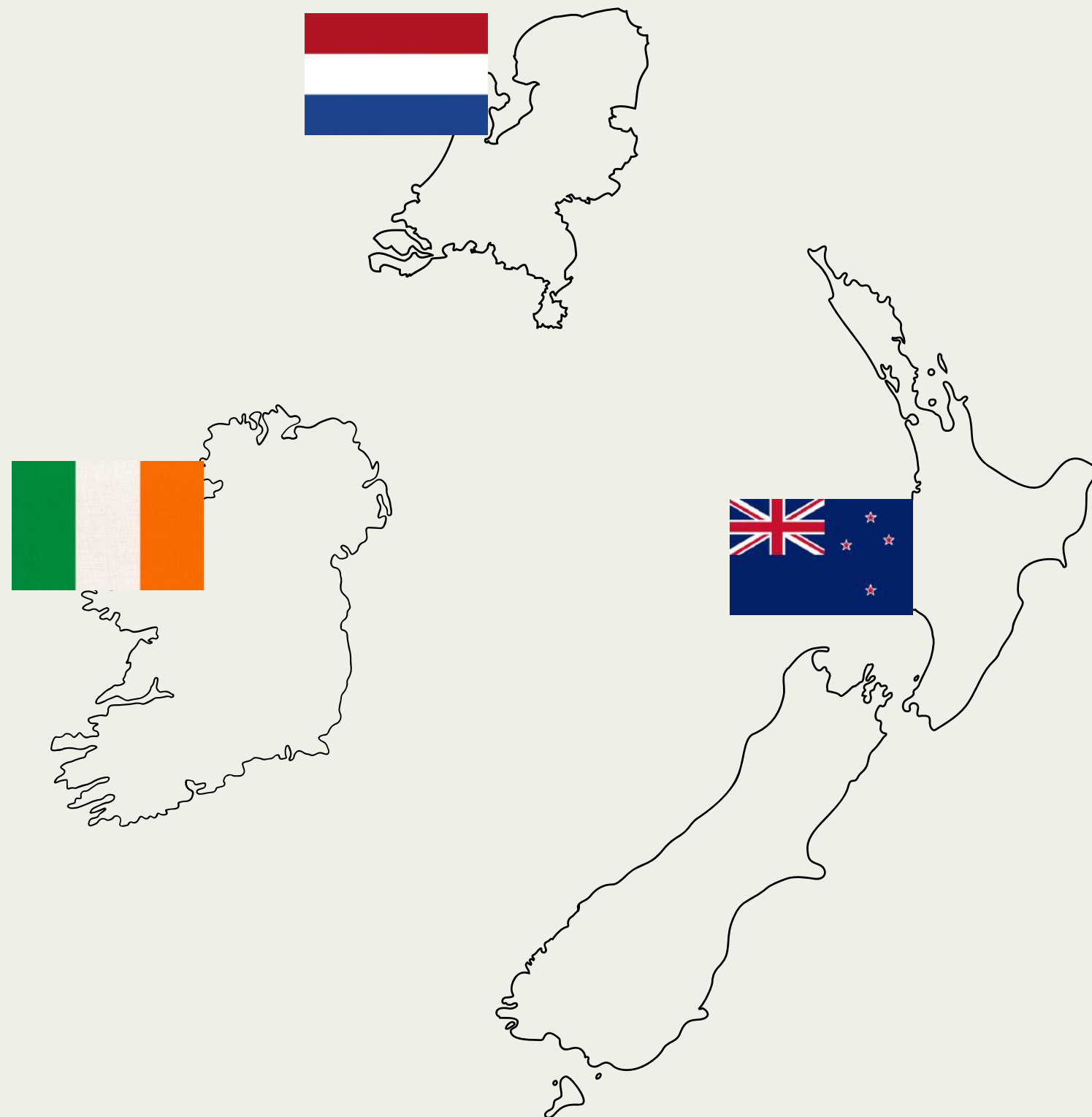
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## Canada has been Complacent

- Many Canadian businesses have taken free access to the U.S. market for granted - it's easy, why try harder?
- Meanwhile, the U.S. frequently expressed frustration with Canada
  - Protectionist attitude (milk, sugar, softwood, NATO contributions)
- Inter-Provincial trade barriers
- Policy geared towards commodity reliance
- Value created elsewhere

# LEARN FROM OTHER COUNTRIES

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- The Netherlands creates 70x the amount of value from each acre of farmland that Canada does
- Ireland and New Zealand have built internationally recognized brands
- Where is Brand Canada?



# GLOBAL MARKET DIVERSIFICATION

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- Leverage Canada's free trade agreements (e.g., CETA with the EU, CPTPP in Asia-Pacific)
- Before entering markets, use data and AI tools to understand customs, labeling requirements, and consumer preferences
- Connect with trade commissioners or join trade missions to build local partnerships
- Take on a European mindset, where small businesses often punch way above their weight in export markets

# INTERNATIONAL PARTNERSHIPS

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- Collaborate with established distributors who have market knowledge.
- Utilize existing trade networks to reduce entry barriers and logistical headaches.



# KEY TAKEAWAYS

# STAY INFORMED

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- Monitor policy developments; agility is crucial
- Diversify & Collaborate in supply chains, markets, and financing strategies
- Innovate: Adjust products and pricing to retain competitive advantage
- Understand the market and deliver against real needs
- The stronger your brand, the better your position



**NIO**



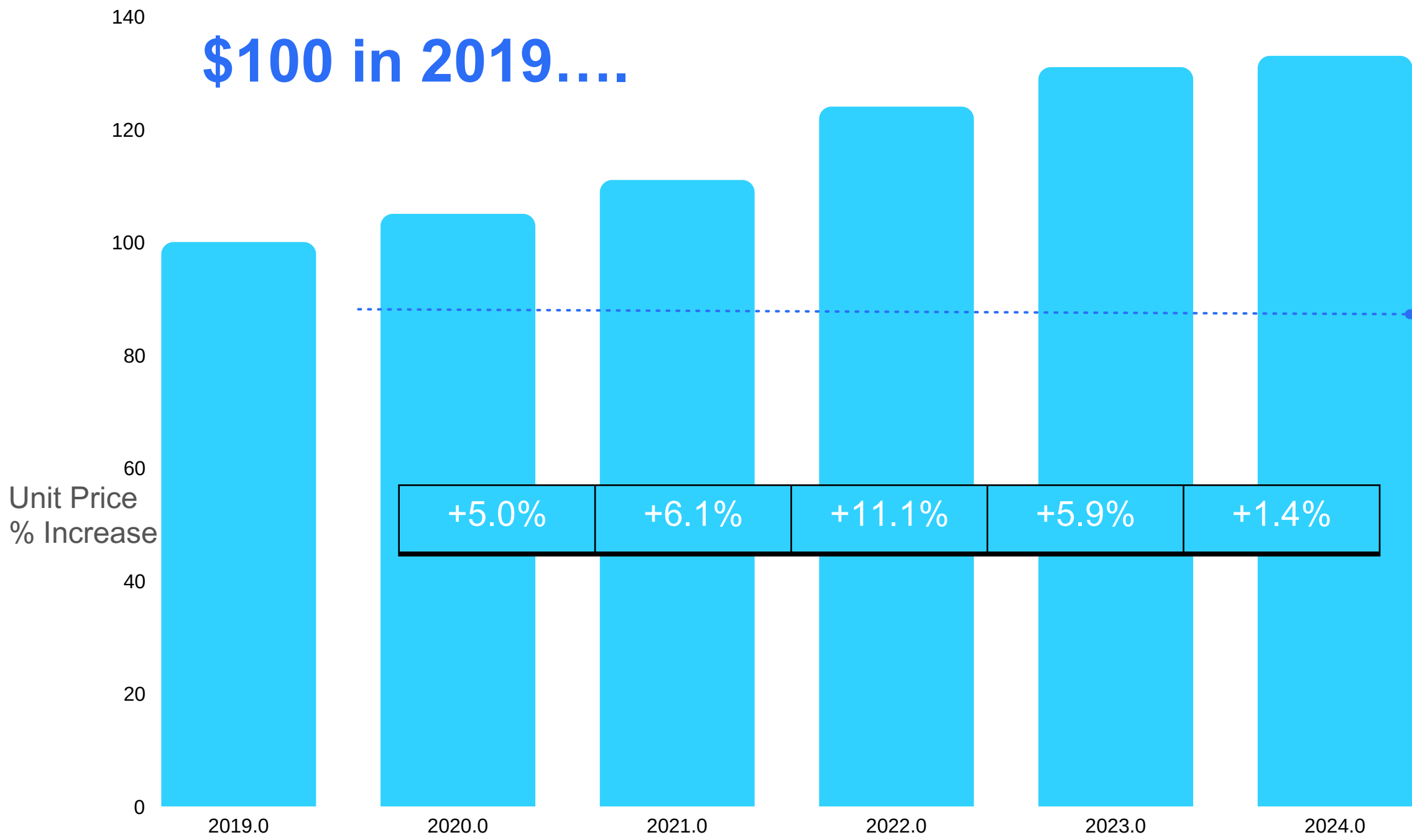
# Economic Pressures on Canadians & Americans

Understanding the pressures & anticipating the impact of tariffs

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# Despite lower current inflation rate, it's still having a compounding effect for consumers – but year-over-year impact is slowing



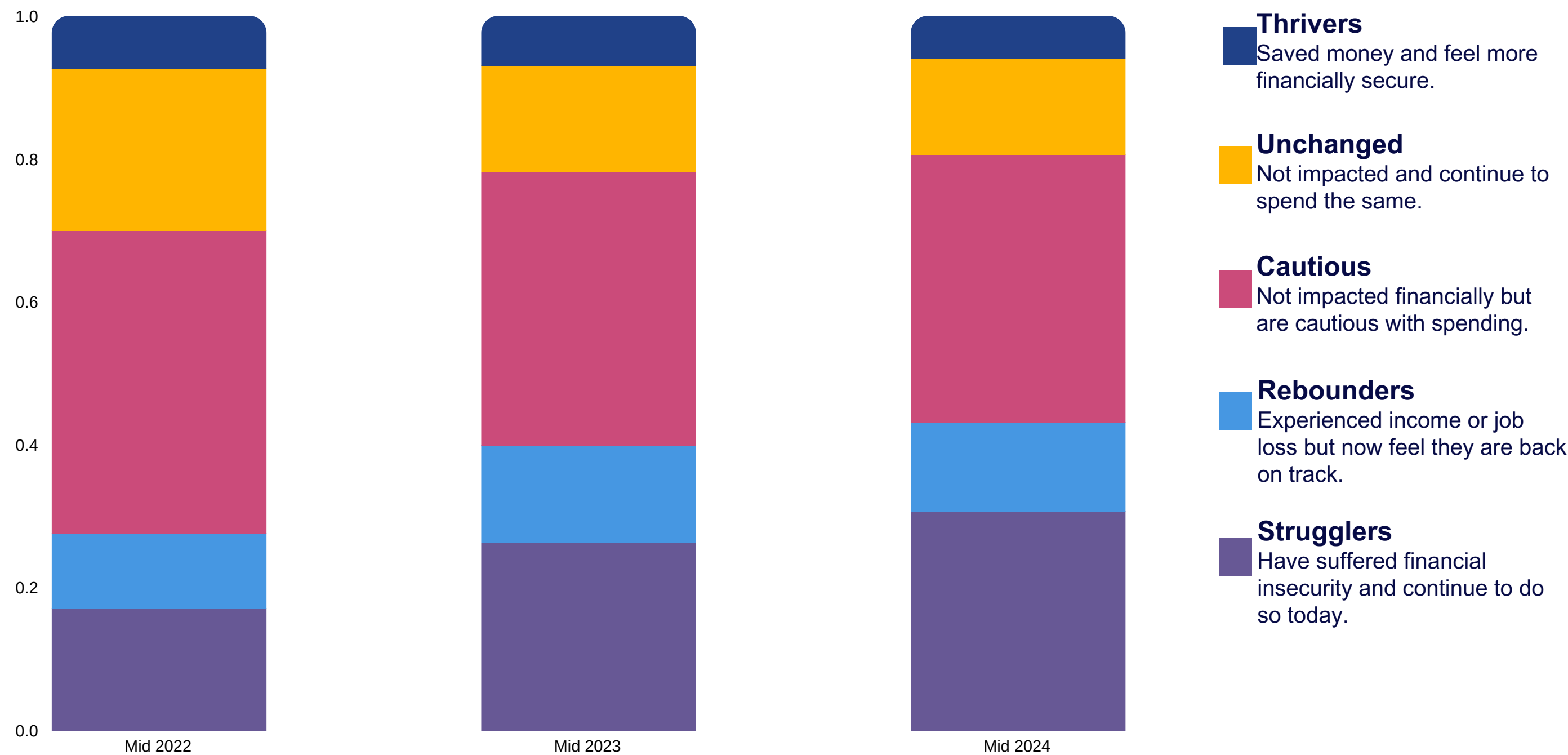
Consumers are spending **33% more** in the past **4+ years**

# The 2024 economic divide



Financial insecurity among US consumers continues to climb in 2024

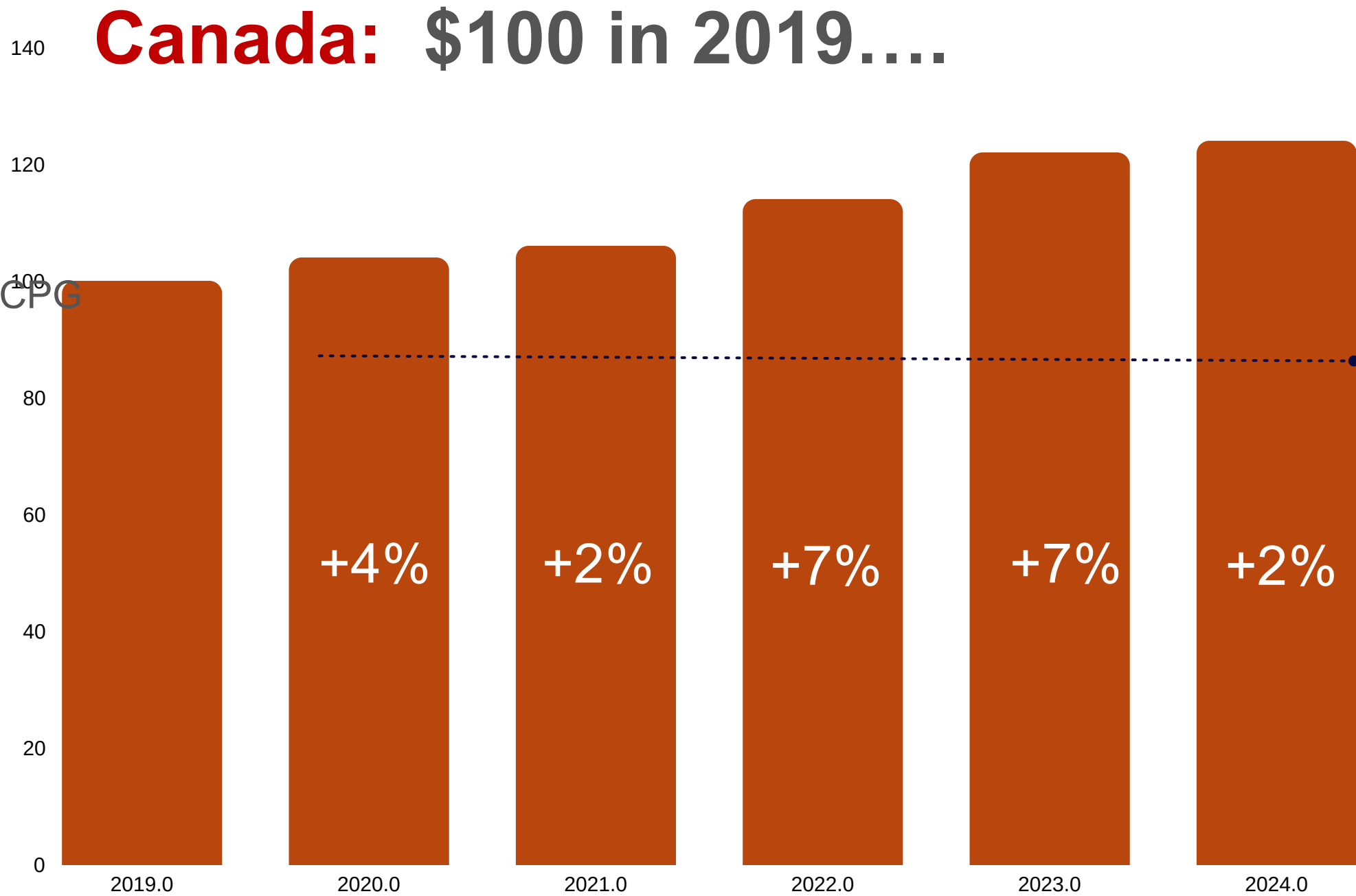
1.2



19% of consumers surveyed are either unimpacted financially or thriving in 2024 vs. 22% in 2023



Despite the slowing rate, we can't forget about the compounding effects of rising CPG prices



Consumers are **spending 25% more** than pre-pandemic  
(U.S. 33% more)

# Given the unpredictability over the last few years, Canadians are cautious in their spending



1.2

1.0

0.8

0.6

0.4

0.2

0.0

Jan 2023

Mid 2023

Mid 2024

- Thrivers**  
Saved money and feel more financially secure.
- Unchanged**  
Not impacted and continue to spend the same.
- Cautious**  
Not impacted financially but are cautious with spending.
- Rebounders**  
Experienced income or job loss but now feel they are back on track.
- Strugglers**  
Have suffered financial insecurity and continue to do so today.



17% of consumers surveyed are either unimpacted financially or thriving in 2024 vs. 22% in 2023





# Taking Action



- Tariffs are not the only consumer pressure in town – the pressures have been building up for years
- Both Canadian & US Consumers have a significant amount of “vulnerable” consumers who are struggling economically – and who will likely be hit hardest by additional economic shocks like tariffs
- Amid this uncertainty, how do you take evidence-based, strategic action:
  1. Understand who your consumer is (in US & Canada):
    1. Do they tend to be the more “vulnerable” consumers, or more “thriving”?
  2. Understand who your competitors are:
    1. As a Canadian brand in the US...
      1. How many of your competitors are US-based, and thus likely less impacted by tariffs?
    2. As a Canadian brand in Canada...
      1. How many of your competitors are from the US, and thus likely more impacted by tariffs?
  3. The above can inform your conversation with your retailer partners
    1. Can you pass along some or all of any price increases to consumers, or do you need to eat into margins?



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