INDUSTRY INSIGHT

You Can't Control Tariffs. You Can Control What You Spend.

How a disciplined approach to indirect procurement gives small businesses a way to fight back against rising costs.

By Todd Dudas, Principal Consultant | Stillwater Procurement Partners | May 2026

The Numbers Are Hard to Ignore

If you own or operate a small or mid-size business, April 2, 2025, changed your cost structure in ways you're probably still working through. That was the day the Trump administration announced sweeping new tariffs — quickly dubbed 'Liberation Day' — that triggered the most significant shift in U.S. trade policy in decades.

The data that has emerged since then is striking.

$306K	3x	$85B	90%
Additional tariff costs paid by the avg. small-business importer in the 12 months following Liberation Day	*Increase in monthly tariff bills for small businesses from 2024 to 2025*	*Estimated total annual direct tariff cost burden on U.S. small businesses*	*Share of tariff costs ultimately borne by U.S. businesses and consumers, not foreign exporters*

Sources: Center for American Progress (March 2026); American Action Forum (October 2025); New York Federal Reserve (2025)

According to analysis by the Center for American Progress, the average small-business importer paid roughly $306,000 more in tariffs in the year following Liberation Day than in the comparable prior period. The American Action Forum estimates the direct annual tariff burden on small businesses nationwide at approximately $85 billion.

Research from the New York Federal Reserve found that roughly 90 percent of tariff costs have been absorbed by American businesses and consumers — not foreign exporters, as the administration has claimed. For small businesses, that math has been especially brutal.

> *"Small businesses are like the canary in the coal mine here. They're going to get hit first." — Kent Smetters, Faculty Director, Penn Wharton Budget Model (CNBC, October 2025)*

Why Small Businesses Bear the Brunt

Large corporations have tools that small businesses simply don't. They stockpile inventory ahead of tariff announcements. They shift supply chains across continents. They negotiate volume-based exemptions and pass costs downstream to retailers. When their quarterly results come in, investors barely flinch.

Small businesses don't have those levers. According to CNBC reporting from November 2025, small business owners interviewed cited thinner margins, less diversified supply chains, and significantly lower purchasing leverage with suppliers as the core reasons tariffs hit them disproportionately hard. ADP employment data from September 2025 showed private employment at small businesses had declined for five consecutive months — while large business employment was growing.

The Federal Reserve's Small Business Credit Survey found that rising costs were the most frequently cited financial challenge, with more than 4 in 10 small businesses reporting that tariff-related price increases were directly affecting their operations.

Where the Real Opportunity Hides

Here's the thing most business owners don't realize: while tariff costs are landing on direct imports and manufactured goods, there's another category of spending that represents a massive, largely untapped source of recoverable savings — indirect spend.

Indirect spend is everything your business buys to operate: IT and software, facilities and janitorial services, marketing agencies, professional services, logistics and shipping, office supplies. It's the category of spending that keeps the lights on, the computers running, and the team supported — and in most businesses without a dedicated procurement function, it is almost entirely unmanaged.

What Tariffs Do	What Smart Procurement Does
Raise the cost of imported goods and materials	**Reduce the cost of what you buy to operate the business**
Hit your direct cost of goods — largely outside your control	Target indirect spend categories — where you have significant leverage
Affect all competitors similarly (a level playing field)	**Create a competitive advantage — not everyone manages spend well**
Require supply chain restructuring to address	Can be addressed in weeks, not months or years
Average cost increase: $306,000 for a typical small-business importer	**Average savings opportunity: 15–25% of unmanaged indirect spend**

Indirect spend typically accounts for 20 to 27 percent of business revenue, according to industry research. For a company generating $20 million annually, that's $4 to $5 million in spending on goods and services that are rarely scrutinized with the same discipline applied to direct costs or labor.

And unlike tariff costs — which are largely determined by geopolitics — indirect spending is something you can actually control.

What Disciplined Procurement Can Recover

The research on indirect procurement savings is consistent and compelling across multiple independent sources:

- Organizations that implement structured spend analysis programs report cost reductions of 5 to 10 percent in the first year, according to research cited by Zycus.
- Companies with mature supplier relationship management programs achieve 8 to 12 percent cost savings compared to those with purely transactional supplier relationships, per Deloitte research.
- Alvarez & Marsal's private equity research finds that up to 20 percent of indirect procurement savings can be achieved within the first 100 days of a focused effort.
- Oliver Wyman research indicates that a comprehensive indirect spend program can reduce costs by 10 to 15 percent over three years — equivalent to 50 to 100 basis points of margin improvement.
- Industry benchmarks consistently show 15 to 25 percent savings available in unmanaged indirect spend categories.

Sources: Zycus (via Concord, 2025); Deloitte CPO Survey (2025); Alvarez & Marsal (via Varisource, 2026); Oliver Wyman (2025)

Put that in concrete terms: a business with $4 million in annual indirect spend — entirely typical for a $20M revenue company — has a realistic savings opportunity of $600,000 to $1,000,000 per year through disciplined procurement. That range is larger than the average tariff burden faced by a small-business importer in 2025.

> *The tariff problem is real — but for most small businesses, the indirect procurement opportunity is larger. The difference is that one is imposed on you and the other is yours to capture.*

Five Procurement Actions That Offset Tariff Pressure

1. Conduct a Spend Analysis

Before you can manage indirect spend, you need to see it. A structured spend analysis pulls 12 months of payment data and organizes it by category and supplier — revealing who you're paying, how much, and whether the pricing is competitive. Most businesses are surprised by what they find. Duplicate vendors, expired contracts still auto-renewing, above-market rates on services they've never renegotiated — it's all there once you look.

2. Run Competitive Sourcing Events on High-Spend Categories

The single most reliable way to reduce what you're paying a supplier is to introduce competition. A structured RFP process that puts 4 to 6 qualified suppliers side by side consistently produces pricing reductions of 10 to 25 percent. Most small businesses never run formal sourcing events on indirect categories — which means their suppliers have never had to compete for the business. That changes the moment you issue an RFP.

3. Audit Your Supplier Contracts for Auto-Renewal and Escalation Clauses

A surprising share of indirect spend is governed by contracts that silently auto-renew — often with embedded price escalation clauses that increase your costs by 3 to 5 percent per year without any negotiation. Identifying these contracts and addressing them before renewal is one of the highest-ROI actions a business can take. It requires no new suppliers, no competitive bids — just attention to what the contract actually says.

4. Consolidate Your Supplier Base

Most businesses have more suppliers than they need. Fragmented purchasing across multiple vendors in the same category eliminates volume leverage and increases administrative burden. Consolidating spend to fewer, strategically chosen suppliers creates negotiating leverage and often unlocks volume discount tiers that were never previously available. This is particularly impactful in categories like IT, facilities, and office supplies.

5. Establish Ongoing Procurement Oversight

One-time savings erode without ongoing management. Suppliers raise prices at renewal. New vendors get added without competitive bidding. Contracts expire unnoticed. The businesses that maintain the gains from initial procurement work are those that have someone actively managing the function — tracking renewals, benchmarking prices, and keeping suppliers competitive on an ongoing basis.

The Bottom Line

Tariffs are a real and significant cost pressure on small and mid-size businesses — and the data makes clear they are far from over. But businesses that respond by looking only at direct cost reductions — the tariffed goods themselves — are missing the larger opportunity sitting in their indirect spend.

The companies that will emerge from this period in the strongest competitive position will be those that treat cost pressure as a catalyst for procurement discipline — not just on what they make or sell, but on everything they buy to run the business.

That's exactly what Stillwater Procurement Partners was built to help businesses do.

Find Out What's Available to Your Business

Our Procurement Health Check is a fixed-fee engagement that identifies exactly where your indirect spend savings opportunity lies — and delivers a prioritized action plan to capture it.

Schedule a free 30-minute consultation: todd@stillwaterpp.com

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Sources & Further Reading

The statistics and research cited in this article are drawn from the following publicly available sources:

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