

## Pricing Under Pressure: Tariffs, Costs, and the New CPG Margin Equation

Category: Markets & Industry Perspectives

### Executive Summary

Rising tariffs, persistent input cost volatility, and shifting trade dynamics are reshaping pricing strategies across the CPG sector. What was once a periodic cost shock has become a structural challenge, forcing brands to rethink how pricing, assortment, and margin management are governed. In this environment, pricing effectiveness depends less on broad-based increases and more on precision, timing, and consumer insight.

### Market Dynamics

- **Tariff-driven cost asymmetry:** Tariffs are affecting categories unevenly, creating margin pressure that varies by sourcing model, ingredient mix, and supplier geography.
- **Heightened price sensitivity:** Consumers remain value-conscious following inflationary cycles, limiting the ability to pass through costs without volume or share impact.
- **Retailer negotiation leverage:** Retail partners are pushing back on price increases while demanding clearer justification tied to category performance and shopper behavior.

### Strategic Implications

- **Precision pricing over blanket increases:** Successful CPGs are using SKU-level elasticity, pack-price architecture, and targeted promotions to offset cost pressure selectively.
- **Assortment as a pricing lever:** Portfolio simplification, pack-size rationalization, and private-label competition require tighter coordination between pricing and assortment strategy.
- **Governance and timing matter:** Pricing decisions increasingly require cross-functional alignment across finance, sales, insights, and supply chain to manage risk and credibility.

### Key Questions for Leaders

- Which products and segments can absorb price actions without eroding demand or brand equity?
- How well do we understand tariff exposure across our supply chain and portfolio?
- Are pricing decisions informed by real-time elasticity and shopper insights, or lagging financial results?