New Tariffs, New Challenges: How US Trade Policies Could Impact Prices and Profits

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WHAT'S INSIDE

On February 1, 2025, President Trump implemented a 25% tariff on imports from Canada and Mexico, as well as a 10% tariff on all goods from China. However, just days later, the tariffs on Canada and Mexico were paused for a month after the leaders of these countries announced moves to ramp up security at their borders. On the other hand, China has responded with 15% tariffs on coal, gas and other imports from the US; restrictions on some mineral exports to the US; and an antitrust investigation into Google.

What are the implications of the new tariffs implemented by US President Trump, and what measures can retail companies take to lessen their impact? Coresight Research dives into the latest on the tariffs and their impact.

Data in this research report include:

- Proprietary survey data on US consumers' expectations for their household financial situation and the overall economy over the next 12 months
- Top 10 most pressing concerns among CFOs, both pre- and post-election

Companies mentioned in this research report include: Amazon, Burlington Stores, Colgate-Palmolive Company, Costco, Dick's Sporting Goods, The Home Depot, Levi Strauss, Ralph Lauren, Shein, Temu, Ulta Beauty, VF Corporation, Walmart

Other relevant research:

- *2025 Tariffs: What Do US Consumers Think?—Proprietary Survey Insights*
- *Proposed US Tariffs and Their Impacts—Price Hikes Likely, Making Diverse Supply Chains a Must*
- *Retail 2025: US Macro, Consumer and Retail Outlook*
- The US Retail Sales Databank features retail sales values and year-over-year growth, in total and by sector, by year and by month. This Databank is updated monthly.

EXECUTIVE SUMMARY

What are the implications of the new tariffs implemented by US President Trump, and what measures can retail companies take to lessen their impact? Coresight Research dives into the latest on the tariffs and their impact in this report.

Coresight Research Analysis

1. The Impact of the Tariffs—Many Companies To See Higher Costs

- Companies with higher exposure to imported materials and parts, which includes many US manufacturers, are likely to be especially hard hit by the tariffs. While some companies may be able to pass higher costs on to consumers, others will likely find it difficult due to inflation-weariness among consumers. However, some retailers, such as off-pricers, are set to maintain their advantage over their competition due to the fact that much of their assortment is obtained from retailers and brands offloading excess inventory.

2. What Major Retailers Have Said About the Tariffs

- Many major US companies from across the retail space, including **Academy Sports and Outdoors**, **BJ's Wholesale Club**, **Clorox**, **e.l.f.**, **The Home Depot**, **Procter & Gamble**, **Ralph Lauren** and **Ulta Beauty**, have commented on the tariffs, with some stating that they have already started reducing their dependence

on China by shifting their sourcing and production processes to other low-cost regions, while others have mentioned that they have little exposure to imported products.

3. What Measures Can Be Taken? Frontloading and Sourcing Diversification

- A popular short-term tactic to deal with tariffs—one already employed by companies such as **Costco**—is frontloading imports and stockpiling inventory ahead of the implantation of the tariffs. However, while this tactic is effective in avoiding higher import costs, it could also drive up freight rates amid demand spikes. As a result, dual sourcing from China and other locations will likely be a more manageable approach for manufacturers and retailers. Additionally, manufacturing in foreign-trade zones, also known as free-trade zones, is another potential safety net against tariffs. These zones are secure areas located near US ports of entry but are considered outside of the territory of US Customs for tariff purposes.

What We Think

President Trump's new tariffs and potential counter-tariffs present significant challenges and uncertainties for the US retail sector. While the full impact of these tariffs—should they be fully resumed in a little under a month—remains to be seen, it is clear that retailers need to be agile and innovative in their responses, including planning inventory in advance, focusing on diversifying their sourcing options and utilizing emerging technologies to optimize operations. For consumers, higher prices and changes in product availability may accelerate the shift toward omnichannel retail. As the policies of President Trump's administration evolve, brands and retailers will need to adapt their strategies accordingly to navigate the complex and changing environment successfully.

It is also worth noting that tariffs may cause severe disruptions and shifts in retail supply chains as companies seek alternative suppliers in countries subject to lower tariffs (or no tariffs at all). Inventory management could also be challenged as retailers attempt to stock up ahead of tariff implementation. Overall, we expect that these disruptions may lead to temporary product shortages and increased operational costs for many retailers and manufacturers.

On the demand side, consumers remain wary of price increases due to the tariffs, which could lead to reduced spending on discretionary categories in the medium term. In the short term, consumers may buy more big-ticket items in order to avoid price hikes due to tariffs. They will also likely be more willing to substitute "Made in America" products for their typical purchases in order to get better deals, according to proprietary Coresight Research survey findings, which are covered in detail in our separate report, *2025 Tariffs: What Do US Consumers Think?—Proprietary Survey Insights*.

Brands or Retailers Poised to Gain Advantage

- Retailers or brands that rely less on imports from China, such as **BJ's Wholesale Club, Ralph Lauren** and **Ulta Beauty**, could gain advantage in the US retail market as a result of the tariffs, as their products would be competitively priced. Similarly, retailers that have diversified supply chains, such as **Dick's Sporting Goods**, will likely be able to remain competitive as the tariffs will have a smaller impact on them.
- Brands and retailers who have manufacturing facilities in the US or are setting up the facilities in the US, such as **The LEGO Group** and **Procter & Gamble**, could gain advantage in terms of pricing and acquiring market share.
- Retailers and brands that have strong private-label offerings could see traction in the demand and sales for those products as these companies have control over their production, which could help them mitigate the impact of tariffs.
- Brands and retailers that offer more inelastic goods or see greater demand than other retailers will be better positioned to pass on tariff-related costs resulting to consumers, with incremental price increases on inelastic goods protecting their margins.

Brands or Retailers That Risk Losing Advantage

- Retailers and marketplaces that rely heavily on imports from China, Canada and Mexico, such as Shein and Temu, are expected to face the challenge of higher costs. These two platforms may also lose the advantage conferred by *de minimis* exemptions on import duties, given President Trump announced an intention to scrap this benefit, which currently eliminates duties from imports worth $800 or less. This change would exert upward pressure on Shein and Temu pricing, but we would expect them to continue to be price-aggressive, with prices on Temu likely to continue to be subsidized by parent company PDD Holdings and with greater resilience instilled by a diversification of their businesses through onshore and nearshore distribution, an onboarding of local sellers and (in Shein's case) a move toward a third-party marketplace model. Moreover, in a context where the wider mass market will face some additional tariff costs, we expect rock-bottom retail companies to remain rock-bottom. While these changes will pressure profitability at cross-border players, we do not anticipate that the narrative of competitive threats from Shein and Temu will fundamentally change.

INTRODUCTION

On February 1, 2025, President Trump implemented a 25% tariff on imports from Canada and Mexico, as well as a 10% tariff on all goods from China. However, just days later, the tariffs on Canada and Mexico were paused for a month after the leaders of these countries announced moves to ramp up security at their borders. On the other hand, China has responded with 15% tariffs on coal, gas and other imports from the US; restrictions on some mineral exports to the US; and an antitrust investigation into Google. Earlier, in December 2024, Mexican President Claudia Sheinbaum Pardo restricted textile imports through its Manufacturing Industry, Maquila and Export Service (IMMEX) duty-deferral program in response to the then-proposed tariffs.

The tariffs—and the related countries' responses—have the potential to significantly disrupt the US retail sector, with their cascading effects impacting consumer prices and the broader economic landscape. Previously, the China-US trade tensions of 2018–2019 resulted in sizable impacts on various areas of the economy, including the retail sector. As such, we discuss the implications of the new tariffs by sector and explore what measures companies can take to lessen their impact.

THE IMPACT OF PRESIDENT TRUMP'S TARIFFS: CORESIGHT RESEARCH ANALYSIS

What You Need To Know: The Impact of President Trump's Tariffs

During and after the 2024 Presidential election, President Trump made various statements about his tariffs plan; we highlight the President's recent considerations (and responses to these considerations) below and cover all statements in our separate report, *Proposed Tariffs and Their Impacts*.

- On February 1, 2025, President Trump implemented a 25% additional tariff on imports from Canada and Mexico, a 10% tariff on energy resources from Canada and a 10% additional tariff on imports from China. However, days later, the tariffs on Mexico and Canada were paused for a month after the leaders of Canada and Mexico announced they would increase security at their borders.
- In December 2024, Mexican President Claudia Sheinbaum Pardo elected to restrict textile imports through its IMMEX import duty-deferral program, which could put US apparel brands that bring goods in through the country in a difficult position. The IMMEX program is designed to enable foreign companies to operate and manufacture in Mexico with low-tax structures and reduced labor costs. Although, it should be noted that apparel brands that could be impacted by the IMMEX revision can still host goods in Canada.
- Additionally, goods that enter Mexico via courier companies originating from countries that do not have an international treaty with Mexico will be subject to a duty of 19% starting January 1, 2025, according to the Tax Administration Service (SAT) of Mexico. This measure could impact popular Chinese online retailers **Shein** and **Temu**, as Mexico does not have an international treaty with China, where these retailers are based.

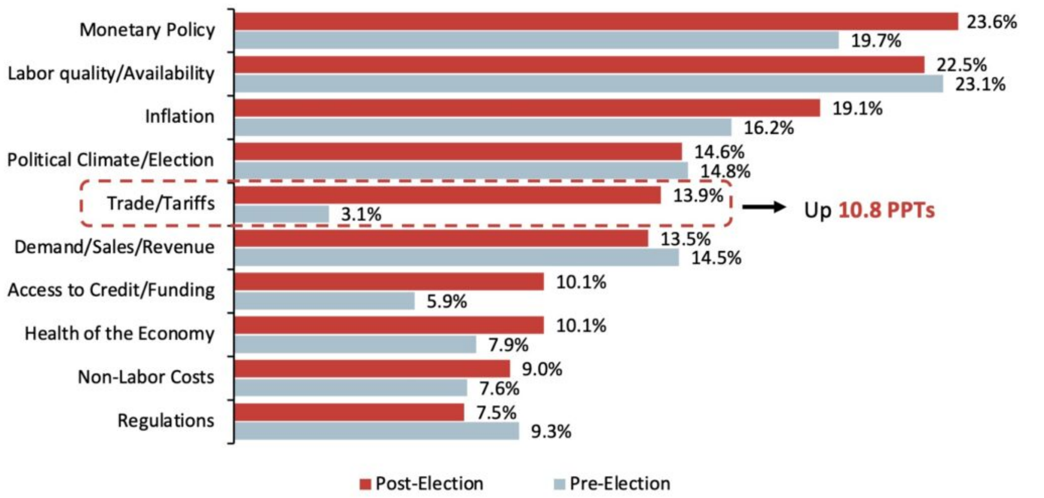
Anticipated Threats and Opportunities

If the tariffs implemented by President Trump are resumed next month, it would amount to an average tax increase of more than $800 per US household in 2025, according to February 2025 estimates from the Tax Foundation, a tax-focused think tank in the US.

A November 2024 survey of CFOs (Chief Financial Officers) conducted by Duke University and the Federal Reserve Banks (FRBs) of Atlanta and Richmond measured how the economic outlook of financial executives changed following the 2024 US presidential and congressional elections.

- In the pre-election survey, the top worry for CFOs was hiring and retaining employees. Following the election, monetary policy jumped to become the top concern, followed by concerns about labor availability, inflation, the political climate and tariffs. Prior to the election, tariffs did not appear in CFOs' top 10 concerns.
- Among the concerns mentioned, the largest change was in trade/tariffs. In the pre-election survey, 3% of CFOs mentioned this topic as a concern, compared to 14% of CFOs in the post-election survey, as shown in Figure 1.

Figure 1. Top 10 Most Pressing Economic Concerns Among CFOs, Pre- and Post-Election (% of Respondents)

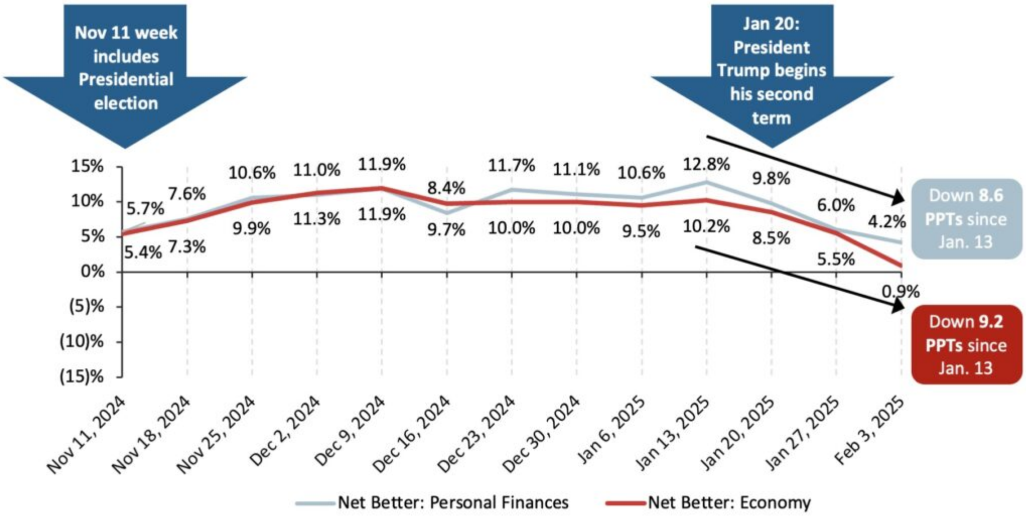


Base: 252 CFOs surveyed October 21–November 4, 2024, and 263 surveyed from November 6–19, 2024

Source: Duke University/FRB Atlanta/FRB Richmond

Furthermore, our consumer sentiment data shows that, since just before President Trump's inauguration (January 20, 2025), sentiment has declined, reaching its lowest levels since November 11, 2024. We will continue to watch this change to determine if it is the start of a long-term downturn or a shorter blip on the radar.

Figure 2: All Respondents: Whether They Expect Their Household Financial Situation/the Economy To Get Better or Worse Over the Next 12 Months—Net Better (% of Respondents, Four-Week Rolling Average)



Data represent total "better" minus total "worse"

Base: US respondents aged 18+ (~400 in each survey)

Source: Coresight Research

Threats

- Companies with higher exposure to imported materials and parts could be hit especially hard by the tariffs; this includes many US manufacturers—when the US levies tariffs on imported steel, for instance, the cost to produce goods that include steel rises. While some companies will be able to pass on the higher costs to consumers, others will likely find it difficult to do so after several years of high inflation rates.
- In the short term, companies may attempt to pull forward orders, restructure their supply chains and supplier contracts, increase inventories and advocate for exemptions. However, it will likely be more difficult to avoid the effects of President Trump's tariffs in the long run.
- The full effect of tariffs will depend on how well companies execute efforts to offset the extra costs. Retailers with high exposure to the sectors impacted by the tariffs—including sellers of apparel and footwear, consumer electronics, beauty products, toys and home furnishings—are already looking for ways to offset these costs by considering sourcing alternatives or importing items before tariffs hit, as covered later in this report.
- Additionally, US apparel brands and retailers who leverage the IMMEX programs for order fulfillment may be directly impacted by Mexico's changes to the program. While some will reconsider their shipping and distribution plans by looking to Canada or parts of Asia that provide similar programs, others are likely to consider relocating back to the US. Chinese e-commerce companies **Shein** and **Temu**, which compete with providers of low-cost marketplaces and retailers such as **Amazon** and **Walmart**, may be especially vulnerable to the effects of higher tariffs on goods that enter Mexico via courier companies originating from countries that do not have an international treaty with Mexico. Shipping low-value goods to US consumers through warehouses in Mexico has allowed Shein and Temu, both of which have production capabilities and supply chains deeply established in China, to take advantage of tax-free imports into North America.

Opportunities

While many businesses in the US will face significant challenges due to the tariffs, a few will see opportunities.

- **Off-price retailers** will have an advantage over their competitors impacted by the tariffs, as a significant amount of their assortment is obtained domestically from retailers and brands offloading excess stock. As such, any move by retailers to stock up on inventory to avoid tariffs could ultimately enhance the merchandise pipeline of off-pricers by creating additional availability of goods at advantageous prices. For instance, in its earnings call for the third quarter of its fiscal 2024, **Burlington Stores**' CFO, Kristin Wolfe, stated that, although the company had directly imported about 8% of its merchandise in its fiscal 2024 (mainly from China), over 90% of its merchandise purchases were sourced domestically.
- The tariffs will likely hit **Shein** and **Temu**, at least in the short term, as these companies try to shift their sourcing base or explore other avenues. During this time, low-cost retailers such as **Amazon**, dollar stores and **Walmart**—along with US apparel retailers that are directly affected by low-cost products from Shein and Temu—may find themselves in a stronger position comparatively.
- Given the rise in input costs that manufacturers and retailers could see as a result of the tariffs, there would likely be new opportunities for domestic sourcing, providing an advantage to domestic suppliers and manufacturers.

What Major Retailers Have Said About President Trump's Tariffs

Coresight Research has discussed tariffs and their potential impacts with major retailers and trade associations over the past three months. Below, we offer selected insights from those conversations.

- In the healthcare sector, the majority of generic drugs are manufactured outside the US, and most active ingredients are sourced from China and India, an executive from the **National Association of Chain Drug Stores** (NACDS) explained. This means that tariffs could lead to higher prices, which would significantly affect the healthcare market as it is already facing high medicine and product prices. Also, the vast majority of prescriptions are paid for via third-party payors; as such, should tariff costs be included in the acquisition costs, they will be passed on to the payor. Since most manufacturers make their products outside the US, there could be an increase in private-label products as retailers have control over where these products are made, growing the private-label value equation further in the US market.
- **BJ's Wholesale Club** stated that it is currently not exposed to imports to a great degree, stating that it directly imports less than 5% of its business.
- **Clorox** stated to Coresight Research that its supply-chain footprint is similar to its sales footprint—mostly domestic. Additionally, due to the size and weight of most of its products, production is typically close to the markets that Clorox sells to, for both its domestic and international markets. However, it does source globally, including from China, although its sourcing from the country is minimal, according to the company.

- In a call with Coresight Research, **Procter & Gamble** mentioned that most of its production is locally sourced, although some of its raw materials are imported from areas outside the US. This combination of locally sourced products and a diversified supply chain gives it an advantage, and, thus, it does not believe the prices of its products will change significantly as a result of the tariffs.
- **Ulta Beauty** explained to Coresight Research that its direct exposure to China is limited. While it has some exposure in areas such as fixturing, lighting and supplies, from a direct merchandising perspective (its Ulta Beauty Collection brand) its exposure is a low-single-digit percentage of the company's total annual sales. In terms of indirect exposure, Ulta Beauty's brand partners likely have varying exposure, according to the company. The company also stated that it will navigate the new tariffs as it did the previous tariffs in 2018–2019 by keeping a close eye on the situation and navigating its brand partnerships accordingly.
- **The Toy Insider**, a trade publication for the toy industry, stated that nearly 80% of all toys sold in the US come from China, although the percentage has decreased slightly in recent months. As such, the tariffs will hit the toy industry hard, given its tight margins and overseas manufacturing base, eventually increasing the retail price of toys in America. In the short term, to circumvent anticipated tariffs, some products have shipped early—but not a lot of them, as it's early in the year. The toy industry has also been exploring sourcing and production outside of China, but it will likely not be the US that benefits; according to Toy Insider, certain toys cannot be produced in the US due to complex tooling processes, labor issues and EPA (Environmental Protection Agency) regulations, among other factors. Instead, production is shifting to countries such as India and Vietnam, despite the fact that they do not necessarily have the capacity the toy business demands, per the publication. Nearshoring to Mexico was a popular option for many companies, but that has also entered the crosshairs due to the tariffs. As a result, **The LEGO Group** is building a facility in Virginia to supply US retailers.

Many major US companies from across the retail space have commented on the tariffs, as detailed in Figure 3, with some stating that they have already started reducing their dependence on China by shifting their sourcing and production processes to other low-cost regions. Additionally, some have indicated that the tariffs would result in increased product prices, which could, ultimately, lead to an inflationary environment in the US, which we covered in more detail in a separate report.

Figure 3. Retailers' Commentary on President Trump's Tariffs

Company Name	Earnings Call Quarter	Commentary
Academy Sports and Outdoors	3Q24	**Academy Sports and Outdoors has reduced its reliance on China by 20% in the last five years.** On a recent earnings call, the company's CFO, Carl Ford, stated, "We have steadily been diversifying our supplier base over the past several years and have moved the percentage of goods we directly source from out of China from over 70% in 2019 to roughly 50% today, and we have an exposure to Mexico or Canada. This translates to approximately 10% of exposure to potential elevated tariffs on which we are the importer of record. We will continue this diversification strategy moving forward and continue to look for ways to further mitigate any risk."
Colgate-Palmolive Company	4Q24	**Colgate-Palmolive has increased its US-based manufacturing facility count by more than 40%.** Company management stated that its long-term supply chain strategy focuses on local manufacturing as the cost of shipping some of its products across long distances can be significant. As a result, the company has increased its US-based manufacturing facility count by more than 40% over the last five years.
Columbia Sportswear Company	3Q24	**Columbia Sportswear is concerned about President Trump's tariffs.** Management stated that it is very concerned about President Trump's tariffs, as the products that it makes—apparel and footwear—will be among the most highly tariffed. In its earnings call for the quarter, Timoty Boyle, Chairman, CEO and President, stated, "Some of [our] product [is] carrying as much as nearly 40% duties and that has not translated into increased investment in domestic production. So we believe that the argument about tariffs improving the domestic production of items, such as footwear and apparels, are fallacious."
Costco	1Q25	**Costco plans to "pull forward" inventory buys amid current uncertainty around tariffs.** CFO Gary Millerchip stated that Costco Wholesale has a plan to deal with expected tariffs despite "a lot of uncertainty around the timing and scope of the changes," which makes it "difficult" to predict the impact of the tariffs. As part of its plan, Costco will pull forward inventory, a process that it has already started due to uncertainty around shipping times and port strike risks. In addition, the company will look to work with vendors to mitigate costs, consider alternative sources of goods and choose different SKUs (stock-keeping units) and products.
Dick's Sporting Goods	3Q24	**Dick's Sporting Goods will revisit its tariff strategy from President Trump's first presidency.** Navdeep Gupta, CFO, stated that "Dick's Sporting Goods plans to use strategies it deployed in 2018 and 2019 to handle any new tariffs. The company is well-positioned because it has a diversified supply chain with little exposure to Mexico and Canada and has moved away from China in recent years."
e.l.f. Beauty	2Q25	**e.l.f. Beauty has reduced its reliance on China by 20% over the last five years.** On a recent earning call, the company's CFO, Mandy Fields, stated, "So if I take you back to 2019, we did experience tariffs at the 25% level. And in order to offset those tariffs, we had a number of levers at our disposal. We have cost savings with our suppliers, cost concessions with our suppliers, foreign exchange moved into our favor, and we also took pricing on about one-third of our portfolio at that time. As we think about where we are today, I would say back in those days, we were about 99% of our products was coming out of China. Today, we are about 80% coming out of China." Management also stated that another point working in the company's favor is its growing base of customers outside the US. Its international business drove 21% of its net sales in the second quarter of its fiscal 2025, up from 16% in the same quarter of the prior year, per its recent earnings call. This change will further reduce its exposure to tariffs on China.
The Home Depot	3Q24	**The Home Depot will leverage its prior experience to tackle tariffs in 2025.** According to its recent earnings call, during President Trump's first term, The Home Depot took a data-driven approach to analyzing tariff impact at the SKU level, allowing it to dramatically decrease costs related to tariffs. As such, it plans to implement similar sourcing strategies to protect itself against any tariffs implemented by the second Trump administration. The Home Depot expects to circumvent some China-related tariffs due to the makeup of its sourcing footprint, according to the earnings call. Although the company does source some goods from China, the company's procurement operations are more heavily concentrated in North America.
Levi Strauss & Co.	4Q24	**Levi's sources just 1% of its products from China and around 5% from Mexico.** Management stated that the company's China-to-US and Mexico-to-US sourcing exposure is less than 1% and around 5%, respectively. Therefore, the company does not expect to be heavily impacted affected by the tariffs.
Ralph Lauren	2Q25	**Ralph Lauren sources just a "high-single-digit percentage" of its products from China.** Management at Ralph Lauren stated that the company has significantly diversified its sourcing footprint over the past seven years, developed alternate production for its key product categories and brought production closer to the US. Currently, its products from China represent roughly a "high-single-digit percentage" of the company's globally sourced units. On its recent earnings call, CEO Patrice Louvet stated, "The company will continue to proactively develop and scale new global supply chain opportunities to mitigate any potential risks and disruptions."
Tractor Supply Company	4Q24	**Only around 12% of Tractor Supply Company's total sales are from directly imported products.** According to its earnings call for the quarter, following President Trump's first administration the company has continued to diversify the number of countries it imports from. Management also stated that only around 12% of its total sales come from direct imports. Additionally, it has been planning for this scenario and is prepared to address the effects of the latest round of tariffs.
VF Corporation	3Q25	**VF Corporation has minimal exposure to Canada, China and Mexico.** On the company's 3Q25 earnings call, management stated that it feels that it is in a solid position in regard to tariffs instituted by President Trump. "We have very minimal exposure of things coming out of China, Mexico, Canada, so the impact for us is very, very small," explained CFO Paul Vogel.

Source: Company reports

3. Measures That Manufacturers and Retailers Can Take to Mitigate the Impacts of Tariffs

As companies await tariff increases, it is time to dissect their supply chains and evaluate where their vulnerabilities to tariffs lie in order to circumvent tariffs or at least minimize their impact.

Short Term: Frontloading Inventory

- A popular short-term tactic to deal with tariffs—one already employed by companies such as **Costco**—is frontloading imports and stockpiling inventory ahead of the implementation of the tariffs. However, while this tactic is effective in avoiding higher import costs, it may also result in increased inventory holding costs and higher freight prices during periods of increased demand. Additionally, this strategy will not address the long-term effects of tariffs and is far from a one-size-fits-all approach, particularly for perishable items such as food.

Long Term: Alternative Sourcing Strategies, Supplier Diversification and Strategic Partnerships

- Tariffs implemented by the last two administrations have led many companies to diversify their sourcing outside of China or to other countries in Southeast Asia, Mexico and, to a lesser extent, Canada. For manufacturers and retailers looking for tariff relief in 2025, dual sourcing from China and other regions will likely be a more manageable approach for manufacturers and retailers, as establishing a mix of domestic and various international suppliers would spread the risk and manage costs effectively.
- Manufacturing in foreign-trade zones, also known as free-trade zones (FTZs), is another potential safety net against the new tariffs. These zones are secure areas located near US ports of entry but are considered outside of the territory of US Customs for tariff purposes. They are established to facilitate international trade and encourage economic activity and job creation by offering companies various benefits in terms of subsidies and duty reduction/elimination. Key benefits of FTZs include:
  - Imported products that are stored, processed or re-exported from an FTZ without entering the US market are not subject to any duties.
  - For goods entering the US market, customs duties are deferred until goods leave FTZ. Upon entering the US market, lower duties are paid compared to directly importing the products from foreign countries.
  - FTZs also often provide better inventory management options, allowing companies to store stock without immediately incurring tariffs.
- "Tariff engineering"—in which the manufacturers of certain products can alter the product design or assembly to classify products under lower-duty tariff codes, resulting in cost savings—is another approach for reducing the impact of tariffs. However, changing a product's design or assembly is often costly and time-consuming, offsetting some of the savings earned.
- Additionally, retailers and manufacturers can look to create partnerships with domestic suppliers, acquire smaller businesses that offer in-house production capabilities or enter joint ventures with companies in tariff-exempt areas to ensure supply continuity.

WHAT WE THINK

President Trump's new tariffs and potential counter-tariffs present significant challenges and uncertainties for the US retail sector. While the full impact of these tariffs—should they be fully resumed in a little under a month—remains to be seen, it is clear that retailers need to be agile and innovative in their responses, including planning inventory in advance, focusing on diversifying their sourcing options and utilizing emerging technologies to optimize operations. For consumers, higher prices and changes in product availability may accelerate the shift toward omnichannel retail. As the policies of President Trump's administration evolve, brands and retailers will need to adapt their strategies accordingly to navigate the complex and changing environment successfully.

It is also worth noting that tariffs may cause severe disruptions and shifts in retail supply chains as companies seek alternative suppliers in countries subject to lower tariffs (or no tariffs at all). Inventory management could also be challenged as retailers attempt to stock up ahead of tariff implementation. Overall, we expect that these disruptions may lead to temporary product shortages and increased operational costs for many retailers and manufacturers.

On the demand side, consumers remain wary of price increases due to the tariffs, which could lead to reduced spending on discretionary categories in the medium term. In the short term, consumers may buy more big-ticket items in order to avoid coming price hikes due to tariffs. They will also likely be more willing to substitute "Made in America" products for their typical purchases in order to get better deals, according to proprietary Coresight Research survey findings, which are covered in detail in our separate report, *2025 Tariffs: What Do US Consumers Think?—Proprietary Survey Insights*.

Implications for Brands/Retailers

- Brands and retailers need to focus on diversifying their operations and supply chains in order to protect themselves from President Trump's tariffs and remain competitive in the US market.
- Brands and retailers also need to re-evaluate their pricing strategies, invest in emerging technologies to optimize their supply chains and enhance customer loyalty programs to remain competitive if price hikes are unavoidable.

Brands or Retailers Poised to Gain Advantage

- Retailers or brands that rely less on imports from China, such as **BJ's Wholesale Club, Ralph Lauren** and **Ulta Beauty**, could gain advantage in the US retail market as a result of the tariffs, as their products would be competitively priced. Similarly, retailers that have diversified supply chains, such as **Dick's Sporting Goods**, will likely be able to remain competitive as the tariffs will have a smaller impact on them.
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NOTES AND METHODOLOGY

Data in this report are as of February 6, 2025.

The companies mentioned in this report are: Academy Sports and Outdoors (NASDAQ: ASO), Amazon (NasdaqGS: AMZN), BJ's Wholesale Club (NYSE: BJ), Burlington Stores (NYSE: BURL), Clorox (NYSE: CLX), Colgate-Palmolive Company (NYSE: CL), Columbia Sportswear Company NasdaqGS: COLM), Costco (NASDAQ: COST), Dick's Sporting Goods (NYSE: DKS), e.l.f. Beauty (NYSE: ELF), The Home Depot (NYSE: HD), Levi Strauss & Co. (NYSE: LEVI), Ralph Lauren (NYSE: RL), Shein, Temu (NasdaqGS: PDD), Tractor Supply Company (NasdaqGS: TSCO), Ulta Beauty (NasdaqGS: ULTA), VF Corporation (NYSE: VFC), Walmart (NYSE: WMT)

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