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Emerging retail and consumer trends

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Introduction

As the trade landscape shifts with the introduction of new tariffs, retail and consumer goods businesses may face uncertainty related to cost, profit margins, and growing complexity across global supply chains. According to a study from SGB Media, some consumers are expected to react to anticipated changes: 30%[1] of shoppers surveyed say that any price increase would cause them to shift spending habits, and 79%[2] have pledged loyalty to brands that fully absorb the potential cost of tariffs. To stay competitive, some companies are prioritizing two key strategies: investing in technology to modernize and increase the agility of their supply chains, and adopting consumer-focused approaches in pricing, promotion, and assortment planning. By combining supply chain innovation with data-driven marketing and value-driven pricing, businesses can better navigate uncertainty and strengthen customer loyalty.

Trend 1

Agile and resilient: Supply chain modernization in an evolving global marketplace

Sourcing agility: Negotiation, diversification, and inventory tactics

Retailers are assessing various alternatives to offset the potentially higher costs associated with tariffs.[3] Some are requesting suppliers to absorb a portion of any increased costs,[4] while others are exploring alternative production locations to mitigate risk. These actions reflect a shift from traditional vendor negotiations to more frequent, and sometimes contentious, efforts to preserve margins and supply chain stability in an uncertain trade environment.

Vendor negotiation

One global active wear brand has requested a 3.5% cost reduction from its vendors. Many of the brand's suppliers are located in countries such as Vietnam, Bangladesh, and Cambodia, where profit margins are already relatively thin. As a result, the request for cost-sharing shifts a portion of the financial impact to suppliers.

Supply chain diversification and "Made in the USA"

According to publicly available data, Macy's is taking a multilayered approach to manage the potential impact of new tariffs, combining selective price increases with strategic sourcing decisions. As of early February, about 20% of Macy's products were sourced from China; however, the company has been actively working to reduce its reliance on Chinese imports, particularly for its private-label brands, by diversifying its supplier base.[5]

Certain brands are also exploring sourcing their products onshore, thereby increasing domestic manufacturing. For example, Williams-Sonoma aims to move more of its production back to the United States, which is already the company's second-largest source of inventory, accounting for about 18% of its goods.[6] This also allows companies to market their products with the "Made in USA" label,[7] marking their commitment to supply chain resilience and growing their domestic footprint.

Inventory front loading

Alongside shifting the manufacturing location of its private-label products, a large wholesaler also pulled orders forward, holding 10% higher inventories versus the historical average.[8] Other major players with warehousing capabilities,[9] such as Amazon, have adopted similar actions. However, this could potentially introduce the risk of excess inventory should consumer demand soften.

Technology investment and supply chain agility

Companies are also placing an emphasis on accurately anticipating shifts in consumer demand using AI-powered predictive analytics to enable smarter decisions on inventory, sourcing, and pricing. By prioritizing digital investment, organizations can build more responsive supply chains, manage risks better, and maintain competitiveness.

As part of its forward-looking strategy, one American fashion brand plans to allocate 5% of its 2026 revenue to technology and AI initiatives, nearly double its 2025 allocation, aiming to improve inventory planning and offset any volatility.[10] It plans to leverage its current AI and analytics platform to enable more efficient inventory planning while simultaneously investing in new cost-saving initiatives, highlighting the value of ongoing technological improvement, even during periods of uncertainty.

Trend 2

Keeping consumers first: Delivering value while preserving trust

Marketing and communications

In response to rising consumer concern over price uncertainty, many retailers have pledged to bear part of any potential price increases associated with tariffs while pursuing value-driven strategies elsewhere, reflecting a broader industry effort to shield consumers from tightening margins. As of June 13, Macy's has committed to absorbing necessary costs to avoid hurting sales,[11] though CEO Tony Spring notes they are "being incredibly surgical"—while their strong first-quarter performance showed few signs of price adjustment related to tariffs, "limited" price increases may begin to appear.[12] Home Depot's executive vice president of merchandising announced that the company intends to "maintain pricing across our portfolio," though it may result in products disappearing from shelves. Across the industry, resounding sentiment reflects Target's statement that raising prices for consumers will be the "very last resort."[13] Instead, retailers acknowledge they have many levers to use in navigating the effects of tariffs and their options are more nuanced than "raise-or-absorb."

Pricing and promotion

According to a study, surveyed respondents suggest, that among other actions, retailers can maintain trust amid potential price changes with two key actions: 1) clearly communicate any price changes, and 2) offer increased value through loyalty programs and promotions.[14] Some brands have already employed a combination of these strategies, rebranding promotions as pre-tariff sales to encourage immediate purchases. An American spice importer rebranded its routine spring promotion as a "Tariff Sale" with discounts up to 20% off, which drove a 500% to 1,000% increase in daily sales.[15]

Businesses can consider adopting several other pricing strategies to maintain trust and relationships with their customers:

- Preserve low prices on essential items such as key grocery SKUs to drive traffic while recouping losses through increased prices on discretionary categories such as fashion apparel.
- Roll out multitiered product offerings and utilize "good-better-best" pricing on tariffed items to remain in customers' shopping carts.
- Create discounted bundles that combine high-tariff products with low-tariff products, smoothing the overall price increase while incentivizing customers to purchase more.
- Highlight low-tariff products as "better value" alternatives.
- Lean on loyalty programs and points to enhance customer experience and encourage engagement.

Product assortment restructuring

Resilient assortment planning has emerged as a strategy for some retailers such as TJX Companies, owner of discount department store chains TJ Maxx, Marshalls, and HomeGoods. CEO Ernie Herrman expressed confidence in managing possible impacts from tariffs through effective assortment planning: "The good thing with our flexibility is, we will just take advantage of an adjacent category."[16] Unlike traditional retailers, TJX isn't bound to specific brands or items—its core promise is value. As Herrman put it, "Our only contract to the customer is that we will have great value on the goods that we put out there."[17] Even so, other retailers have seen successes too. Target cited that it will be committing to reevaluating assortment decisions, diversifying production origin, and adjusting order timing and prices as possible levers in mitigating potential price increases.[18]

Other retailers are prioritizing private labels as a strategy to build more price-stable product mixes. Private-brand products cost 20% less than national brands and the price gap is only growing,[19] having increased by 38% since 2019.[20] Discount grocer Aldi touts store-owned brands as key to maintaining visibility and control in the midst of economic uncertainty—90% of Aldi's products are store-owned and its chief commercial officer contended only 4% of its assortment has been "impacted by tariffs."[21] He recognizes Aldi's ability to negotiate terms with suppliers and reduce production costs as a key differentiator in minimizing impact.

Conclusion

There is no universal approach to navigating the potential challenges resulting from tariffs and market volatility. The most effective strategies are highly dependent on a company's industry, size, supply chain structure, and risk tolerance. While investments in AI, predictive analytics, and digital tools can provide significant advantages in agility and decision-making, these must be complemented by sourcing agility, collaborative vendor negotiations, supply chain diversification, inventory management, and domestic manufacturing where feasible.
It is important for each company to weigh its own unique circumstances and capabilities to determine the right mix of strategies across assortment, pricing, and promotion. The landscape of tariffs is rapidly changing, so success within this environment will come from a flexible, multifaceted approach, balancing innovation with operational pragmatism in response to the evolving realities of global trade.

Contacts

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