Navigating the post-election landscape: anticipated impacts of tax, trade, labor, and regulations on manufacturing

Webcast Teaser Video Transcript

Tariffs Impact on Manufacturing

All right, so we're going to kick this off with what I call the big Ts, which is taxes and tariffs. So let's start with tariffs. I with many manufacturing companies I have been speaking with lately, they have been telling me their biggest concerns are tariffs, tariffs, Tariffs is what I've been hearing. And so we know and we've been hearing through the campaign that Trump is thinking maybe 60 to 100% on tariffs for China imports somewhere 10 to 20% across the board. So Jonathan, that is a huge cost increase for a lot of our manufacturing clients. How would you suggest to them to handle these and mitigate these significant cost increases?

Well, Kelly, that's a question I have been asked numerous times in the last three to four weeks. And the first thing I would say is simply this. I don't think we know for sure what the tariff is going to be. And you know, on which commodity or which raw material or which country it's going to apply or even how much the, the tariffs are going to be. And so many people have asked me, how much, how soon, how long.

And I think the unfortunate reality is we don't know. But that doesn't mean that there aren't things that we can do to mitigate which I think is the point of your question. And so I think several things come to mind. One is to certainly understand, you know, where does revenue come from within a company as it relates to customer segments, to channels, markets, etc. And not just where that revenue comes from, but where the gross margin, where the money is made in a particular company. And to also then trace back and understand for the products that are sold, where are those raw materials and intermediates?

You know, maybe it's commodities and whatever it is that's going into the, to the production of those particular products to think about, you know, is that something that you have an alternative source of supply for? If not, how did you handle it last time when tariffs came? Did those suppliers raise the price, which they invariably will, if you know and you will be forced to do that too I'm afraid with your customers. And what I have been telling everyone is not focus so much on how much, but what to do and what are the things that you can do now?

And I think understanding, you know, like I said, where those products are made, what goes into them, what your options are, if it exists for alternative sources of supply to consider those. Here's the unfortunate reality though, with alternative sources of supply, other people are going to be seeking the same. And if you were seeking another supplier where maybe it's domestic and a tariff may not apply, you can bet that other people are doing that too. And it becomes a game then of supply and demand.

And so the demand is greater than the supply. And so the price goes up in a different form. And that is very likely to happen. If we see tariffs, I think the reality is that most people will probably need to and try to pass on the tariff through the form of price increases. And I think when I go back to my original statement on understanding customers, customer segments, who is critical and strategic to the overall mission and revenue goals of the company and where you have the permission to extend those price increases.

That's certainly something you want to think about. And I think the thing that companies can and should be doing today is really looking at scenario planning, you know, war gaming, if you will. is executive teams and saying here's the particular failure mode or scenario, and if this happens, what are we going to do? And to have options and think about. Nothing that you know, none of them are going to be silver bullets, but to at least have options and think about how you would handle it, and certainly alternative sources are one thing, price increases are another. But I think working through that and doing it at a product level, customer level…