

Tariff Impacts and Mitigation Strategies: What Corporate Executives are Saying

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Highlights

- **In partnership with Andersen Consulting, we use Palantir Foundry/AIP to deploy large language model (LLM) earnings call transcript analysis to “survey” S&P 500 corporate executives on the impact of tariffs on business outcomes and on tariff impact mitigation strategies.**
- **About one-quarter of S&P 500 firms discussing tariffs this year say that their profitability has been negatively impacted – but there are significant differences across sectors. The survey results align with observable business profit margin outcomes year-to-date.**
- **Businesses are employing a variety of mitigation strategies – the most commonly deployed mitigation strategies are supply chain shifts (i.e., tariff engineering) and output price increases. A smaller share of businesses is seeking to offset rising costs due to tariffs with increases in productivity (i.e., cutting other costs). Firms’ responses to tariffs show only modest variability across the first three quarters of 2025.**
- **Regarding supply chain shifts, very few companies explicitly discuss plans for U.S. reshoring – companies mentioning supply chain shifts either describe shifting production or sourcing to non-U.S. countries with comparatively lower tariff rates or they do not offer specifics on the nature of their supply chain shifts.**

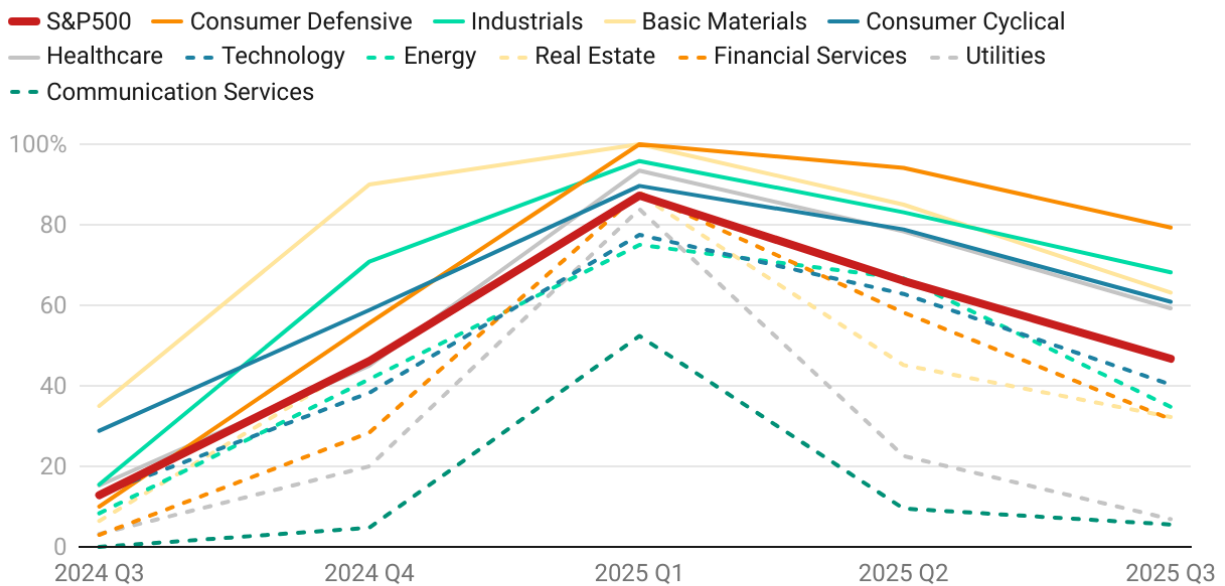
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Under the new Administration, the U.S. in early 2025 implemented the largest tariff increase since the Great Depression. Consistent with these newly imposed tariffs being a significant economic shock, as shown below, the share of companies where corporate executives discussed tariffs in their earnings calls skyrocketed in 2025 compared to 2024, particularly during the first quarter of 2025 when uncertainty about tariff policy was especially high. Corporate executives' commentary in these quarterly earnings calls can provide valuable insight into how companies are being impacted by these tariffs and into what actions U.S. firms are taking to mitigate the impacts from the newly imposed tariffs and tariff uncertainty.

The rest of this note uses large language model (LLM) earnings call transcripts to “survey” corporate executives on tariff impacts and mitigation strategies.² This “survey” of publicly listed U.S. corporates covers all S&P 500 firms from the first three quarter of this year, nearly fifteen hundred earnings call transcripts.

Share of Companies Where Corporate Executives Discussed Tariffs in Earnings Calls Skyrocketed in 2025

Percent of Earnings Call Transcripts Discussing Tariffs



Andersen Institute Calculations

Created with Datawrapper

Note: First quarter 2025 earnings cover companies' financial performance pre-Liberation Day tariffs (announced April 4th, 2025) but the majority of first quarter earnings calls occurred after the tariff announcement.

² The methodology builds upon the paper [Goeconomic Pressure](#) from Christopher Clayton, Antonio Coppola, Matteo Maggiori, and Jesse Schreger. Thus, we first flag earnings call transcripts for tariff discussions (or semantically similar discussions) and then check each flagged transcript for discussion of tariff impacts and mitigation strategies. The prompts utilized are minor variations of the original ones. This methodology is implemented prompting Gemini 2.0 Flash model on the Palantir Foundry platform.

The note below covers the following topics:

1. **Section 1 - Full market overview:** Overall, how have U.S. corporates been impacted by tariffs and how are they mitigating the effects?
2. **Section 2- Details on sector-by-sector impacts:** Which sectors are experiencing the most impact? Which sectors appear to be largely unaffected?
3. **Section 3 - Further granularity on mitigation strategies employed:** Do mitigation strategies vary by sector? What other details are available regarding how companies are taking action to mitigate tariff impacts?
4. **Section 4 – Survey results vs realized business outcomes:** We show our survey's results regarding tariff's impact on businesses profitability aligns with realized business outcomes year-to-date.

Section 1 - Full market overview: What are companies saying about tariff impacts and mitigation strategies?

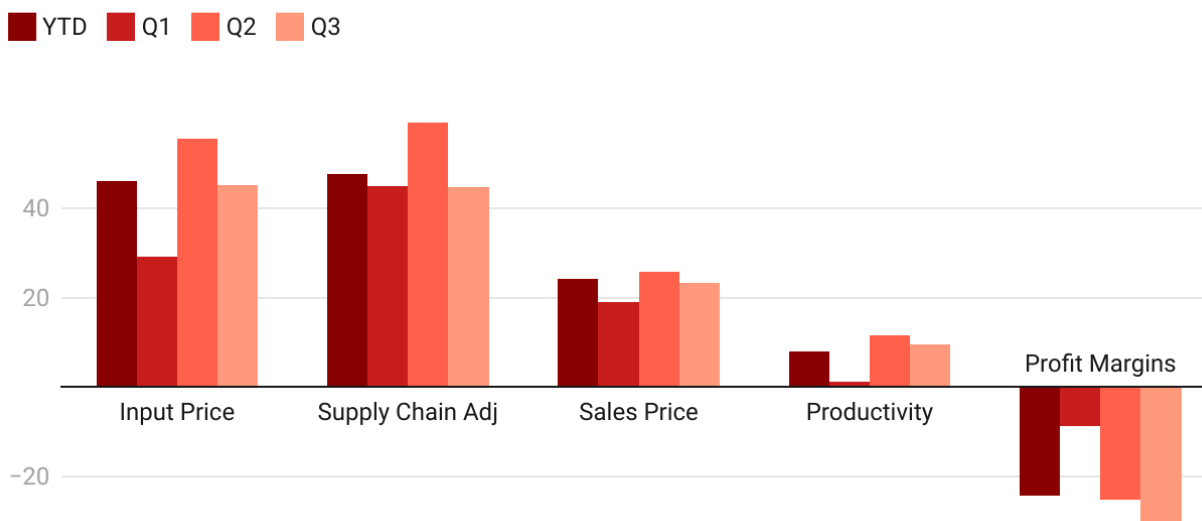
More than half of companies that discuss tariffs indicate that they are experiencing rising input costs attributable to tariffs, but at the same time only about **a quarter of companies note that the tariffs are adversely affecting profit margins in 2025**. This result suggests some companies have been able to mitigate the profitability impact of the tariff costs. In particular, companies can mitigate the tariff-induced input cost increases by utilizing a variety of strategies. They can:

1. **Shift supply chains** (sometimes known as “tariff engineering”) to source inputs or products from countries facing relatively lower U.S. tariffs or even from a U.S. based production facility. If a company already has production facilities or a comparable supplier exists in a more favorable location, this shift can happen quickly. For other companies, shifting supply chains may be a drawn out process (i.e., Apple began producing iPhones in India 2017 and by 2025, [reportedly](#) only about 20 percent of iPhones are produced in India).
2. **Pass on the additional input costs to their customers** (whether those customers are end consumers or other businesses).
3. **Cut other costs** to offset the rising input costs due to tariffs. In other words, if a company improves productivity, then it can produce the same level of output with lower production costs (e.g., labor costs, energy costs, etc.), offsetting at least in part the tariff costs. Of course, realizing higher productivity is not easy, and often requires investment of some sort. For example, companies could invest in automation or artificial intelligence (AI) in order to maintain production while saving on labor costs.

As shown below, companies are reporting that they are pulling all of these levers in response to the newly imposed U.S. tariffs, with only modest variation in the average firm response across the first three quarters of 2025. Given the relatively modest variability in firm’s responses across quarters, throughout the rest of this note, we focus on firms’ net responses year-to-date, without focusing on any one quarter in particular.

Significant Share of Firms are Discussing Tariff Impacts and Mitigation Strategies Across Quarters in 2025

Net Average Firm Response to Tariffs by Quarter (% Increasing minus % Decreasing)



Source: Andersen Institute Calculations • Created with Datawrapper

The box below selects some excerpts from earnings calls that help highlight the key points illustrated in the chart above.

Supply Chain Shifts: *“We expect to continue to meet targeted reductions in U.S. goods from China. We plan to reduce from 2024 levels, when approximately 15 percent of our U.S. supply was sourced from China, to less than 10 percent by the middle of 2026 and to less than 5 percent by the end of 2026. These milestones are essential for achieving targeted gross margin objectives and for improving supply chain resiliency.” Stanley Black and Decker (3Q25)*

Output Price Increases: *“We plan to mitigate approximately 60 percent of this impact in fiscal 2026 through a number of actions, including continued inventory management, supplier collaboration, alternative sourcing opportunities, productivity, and cost savings, and where absolutely necessary, **surgical and responsible pricing actions.**” - Campbell Soup Company 2Q 2025*

Productivity: *“We will look for every opportunity to mitigate these impacts, including sourcing flexibility, **productivity improvements** and pricing with innovation in affected categories and markets.” - Procter & Gamble 2Q 2025*

*Really, the cost savings that we are talking about are really the efforts underway to **drive better efficiencies through our innovation that we are doing, focusing on the basics, rationalizing contractors like we talked about, reducing unplanned downtime, getting better asset efficiencies.** Freeport-McMoRan Q3 2025*

Section 2 - Details on sector-by-sector impacts

Not all sectors have been equally impacted by the tariffs nor have firms been able to equally mitigate the impacts.

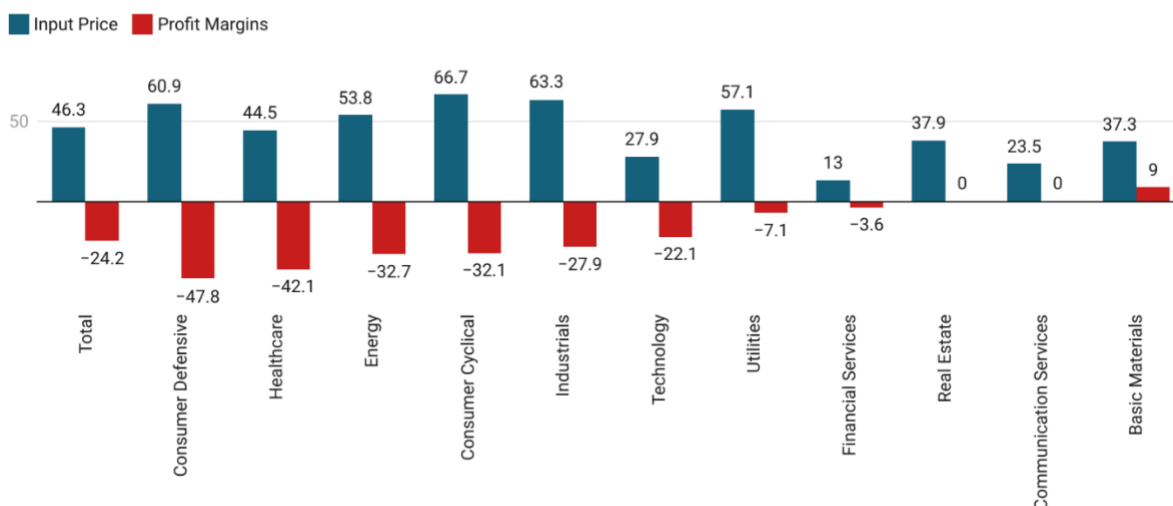
For example, as shown below, relatively few financial services firms or communication services firms are reporting they are seeing rising input costs due to tariffs – an unsurprising result since the most significant input cost for these industries are labor costs, which are unaffected by the newly imposed tariffs. Of course, these firms might still experience some cost increases due to tariffs (for example, they have to purchase computers for staff), but any input cost change due to tariffs has probably little impact on these businesses’ profitability.

On the other end of the spectrum, consumer defensive companies (i.e., non-cyclical consumer categories, such as staples, dollar stores) are for example highly impacted – not only do a majority of consumer defensive companies who mention tariffs say their input costs are rising, but about half of the companies in this sector who mention tariffs also report that their profitability has taken a hit due to tariffs. This is somewhat unsurprising as the costs associated with goods make up a larger share of total costs for these businesses.

In general, for the sectors where a larger share of businesses indicate that input costs are rising, a larger percentage of firms is also more likely to say that profitability is negatively impacted by tariffs. However, the relationship is not one-to-one, as some sectors are apparently able to deploy more effective mitigation strategies compared to others.

Not All Sectors Have Been Equally Impacted by The Newly Imposed Tariffs

Companies Saying Tariffs Impacting Profits and Input Prices by Sector (% Increasing minus % Decreasing)



Source: Andersen Institute Calculations • Created with Datawrapper

Section 3 - Further granularity on mitigation strategies employed

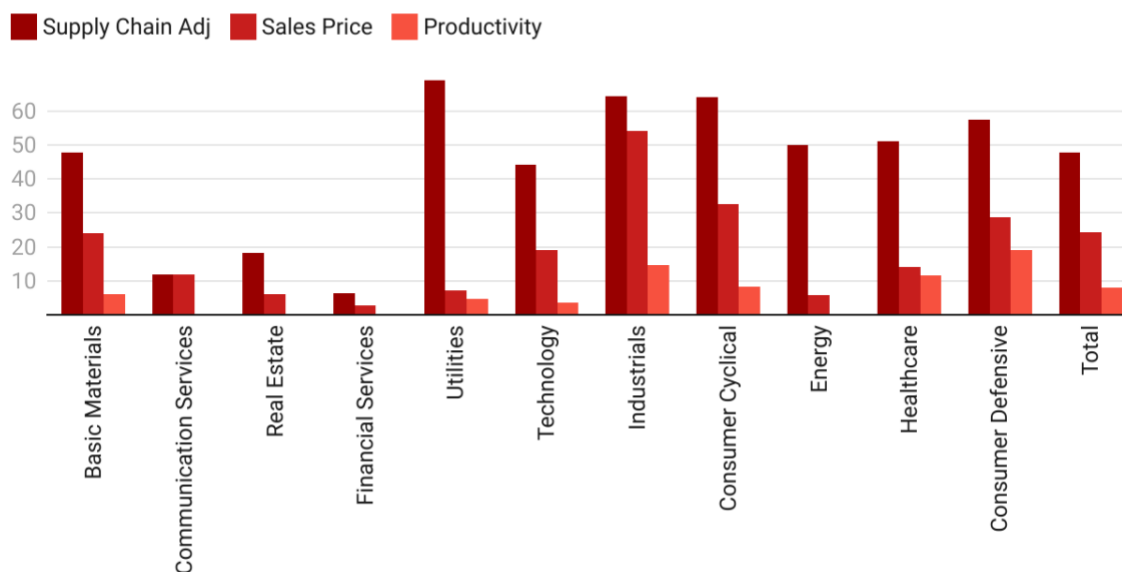
As discussed, businesses have various levers to mitigate tariff impacts. They can shift **supply chains** (i.e., mitigating at least in part the input cost rise they would have otherwise experienced), they can **raise output prices**, or they can find other ways to cut costs (**increase productivity**).

As shown below, the net frequency of responses for these choices is fairly consistent across sectors. Of the various mitigation strategies deployed, almost every sector is most likely to mention supply chain adjustments. This result may indicate that many businesses tend to look first to mitigate the higher input costs with supply chain shifts and thus undercut competitors and/or avoid uncompetitive pricing compared to competitors. That said, it does appear that many businesses are passing along the higher input costs to some extent (the second most common mitigation strategy). Fewer businesses are saying they are increasing productivity to offset the tariff impacts – that is not surprising, as it is difficult to increase productivity especially in the short term.

In the chart below, the dark, medium and light bars report the net percentage of responses indicating adjustments to supply chains, increases in sales prices, and increases in productivity, respectively, as tariff mitigation strategies.

Average Sector Response Regarding Tariff Mitigation Approaches

Average Sector Response Regarding Tariff Mitigation Approaches (% Increasing minus % Decreasing)



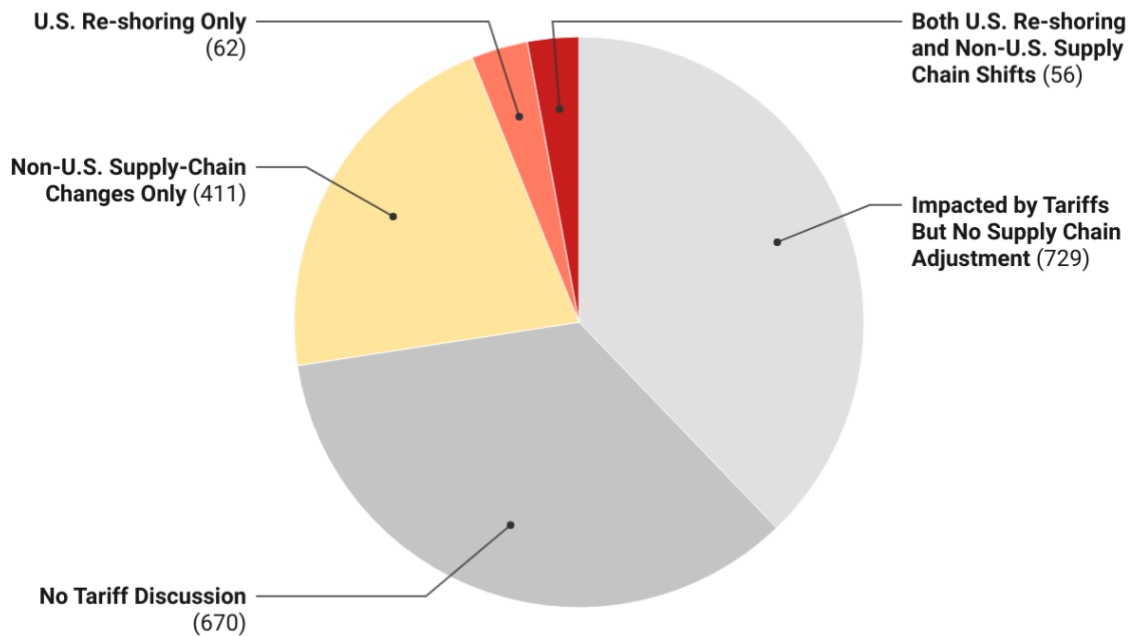
Source: Andersen Institute Calculations • Created with Datawrapper

What do we know about which types of supply chain adjustments are happening?

We surveyed earnings call transcripts for whether companies are shifting supply chains to increase U.S. production and/or sourcing share from the U.S. or not. As shown by the yellow shaded area in the chart below, for the most part companies that are adjusting supply chains are shifting production and sourcing but not necessarily increasing U.S. production and U.S. sourcing (i.e., likely moving sourcing to lower-tariff from higher-tariff countries, or to countries with free trade agreements for which imported goods would be free from tariffs).

Supply Chain Adjustments in Response to Tariffs Include US-Reshoring, but More Commonly Involve Shifting Supply Chains Between Non-US Countries

Supply Chain Adjustment Strategies Transcript Count



Source: Andersen Institute Calculations • Created with Datawrapper

Note: If companies mention that they are moving supply chains but do not include any further details and / or do not explicitly mention increasing their U.S. production / sourcing, we include those companies in the “friend-shoring” only category.

The sample quotes provide additional details about the strategies of corporates discussing supply chain strategies in relation to tariffs.

Many companies describe shifting production or suppliers to countries of origin with lower tariffs or even where there are tariff-free opportunities (for example, products exempt from tariffs under USMCA).

*The tariffs to date, and I know there's some negotiations that are ongoing, but we're currently estimating potential to have a 5 percent impact on our costs. That's something we're monitoring. **We're going to look for ways to modify our supply chains, if possible, and work closely with our vendors to make sure that we're sourcing the material as much as possible that's tariff-free.** - Freeport-McMoRan Q3 2025*

***We have continued to diversify the countries of origin as part of our direct foreign sourcing strategies in recent years.** Importantly, we have successfully reduced our China exposure to less than 70 percent of our direct imports. And we estimate less than 40 percent of our indirect imports are sourced from China. While we have relatively low exposure, **we are working diligently to mitigate the impact of current tariffs on our business as much as possible using many of the same tactics** that we used successfully in 2018 and 2019. - Dollar General Q1 2025*

*We pair these technologies with **regionalized manufacturing in Mexico, Eastern Europe, and Southeast Asia to shorten supply chains** and reduce tariff exposure. - Jabil Circuit Q4 2025*

*As I think about bridging into the future, the other component that we're keeping a close watch on are tariffs, where **our HealthTrust team continues to work through a very diligent effort to manage the tariff risk, both in terms of sourcing, the way that we negotiate with contracts, our vendor partners on contracts, and then also in terms of moving products and moving choices of products across countries of origin.** A lot of work in flight with supplies that I think you've seen not only help us manage supplies over the last several years, but we believe will continue to give us a very strong platform moving forward in our ability to manage supplies. - HCA Holdings Q3 2025*

*Our resilient operating model has allowed us to proactively respond to shifting global trade policies, allowing us to keep our customers connected with minimal impact to our operations and profitability, **thanks to our in-region, for-region integrated supply chain network,** underpinned by the end-to-end global visibility provided by our comprehensive supply chain digital twin. - Aptiv (APTV) Q3 2025*

*As expected, our business continues to be impacted by ongoing trade policy changes. Encouragingly, **we fully mitigated direct cost increases through strategic sourcing adjustments** and select pricing surcharges. - Avery Dennison's Q3 2025*

*Our direct exposure to tariffs is minimal, in large part because of a **high compliance with USMCA and our low level of non-USMCA imports** into the United States. - Aptiv (APTV) Q3 2025*

Some companies do explicitly mention utilizing existing U.S. production or future re-shoring plans as a mitigation strategy (or even as an opportunity).

We can bring finishing capabilities into the U.S. for both Series 6 and for Series 7. The other thing that does for us is we can get to market faster with new volume, which is great, but it helps mitigate the exposure to the tariffs because at these price points that we're seeing, you do simple math. At a 25 percent tariff, the tariffs are pretty hefty. The opportunity to bring it into the U.S. - First Solar Q2 2025

Because of the unique relationship we have with our customers, we are partnering with them to tailor how we help them navigate and thrive in the current environment. For some customers, this means expanding U.S. capacity for drug production and supporting their reshoring efforts. - Thermo Fisher Q2 2025

First, it's important to reiterate that our views reflect tariffs as they currently stand. It is also worth calling out that we purchased over 17,000 unique materials from over 90 countries and no single commodity has a disproportional material impact on our cost of goods sold. Importantly, we have also focused over the last number of years on decreasing our reliance on any one geography. Across The US, Canada, China and our largest markets in Europe, more than 85 percent of what we sell in those countries is made in those countries. Specifically in the US, it's more than 90 percent. - McCormick & Co's Q2 2025

What actions may companies have to take in order to realize higher productivity or to build out new supply chains less exposed to tariffs?

In order to raise productivity or to build out new supply chains (either in the US or in countries with lower new tariff rates imposed), businesses may need to take other actions, such as:

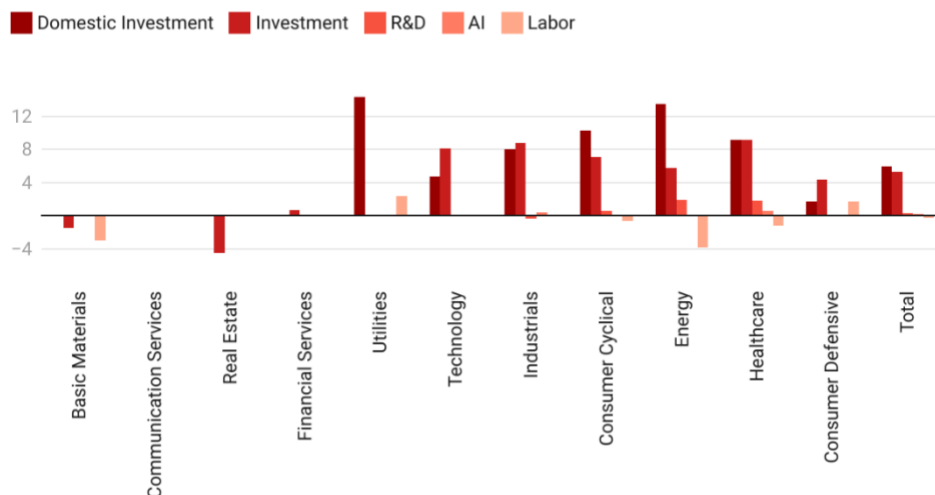
1. Invest in new capital and equipment (e.g., while some supply chains shifts can occur seamlessly, others require investment in production capacity in new locations), or
2. Deploy process changes (e.g., automate process and cut labor costs to realize productivity gains).

As shown in the chart below, in aggregate, a small share of businesses indicate that they are increasing investment (domestic or otherwise), pushing harder on R&D or AI automations, or cutting labor costs.

However, within the sectors most affected by tariffs, businesses are more likely to discuss some of these strategies. For example, a sizable share of companies in the healthcare sector (which includes pharmaceutical companies) are talking about increasing domestic investment (9 percent). Below, we show details on a few actions businesses may be taking in order to make long-term supply chain shifts or in order to realize greater productivity.

Some Companies Describe Tariffs Leading to an Increase in Investment, R&D, or Other Innovative Measures

Average Sector Response - Taking Specific Actions in Response to Tariffs (% Increasing minus % Decreasing)



Andersen Institute Calculations
Created with Datawrapper

Below, we include an additional selection of illustrative quotes from business executives who describe efforts to increase productivity. Efforts which describe using AI, innovation, or additional investment in order to realize increased productivity are highlighted with bolding.

*Really, the cost savings that we are talking about are really the efforts underway to drive **better efficiencies through our innovation that we are doing**, focusing on the basics, rationalizing contractors like we talked about, reducing unplanned downtime, getting better asset efficiencies. - Freeport-McMoRan Q3 2025*

*We will look for every opportunity to mitigate these impacts, including sourcing flexibility, **productivity improvements** and pricing with innovation in affected categories and markets. - Procter & Gamble Q2 2025*

*Our competitors are facing similar challenges. Earlier this year, we formed a cross functional team dedicated to monitoring trade policy developments and implementing mitigating actions that position us well for both the short term and long term. As a result, we are executing on plans to offset these costs through **sourcing plans supported by advanced analytics**, including alternative sourcing locations for certain raw materials and cost savings and **operational efficiencies** across the P and L.*

The platform is also evolving with an AI-driven roadmap that includes new capabilities such as end-to-end supply chain footprint mapping, disruptive event management, and advanced tariff analytics. These features will build on the intelligent dashboards and alerts that are already in place, giving our teams and our customers even greater resiliency, transparency, and speed to action. We also use AI in our proprietary procurement intelligence platform, which brings together billions of data points from millions of parts and suppliers. With this data, we can benchmark costs, run sourcing scenarios, and negotiate with much greater speed than ever before. In one particular case, we reduced the sourcing cycle from two weeks to one day across hundreds of thousands of parts, freeing up our teams to focus on far more strategic efforts. Through Ideate Global, our joint venture with Cypher, a native AI SaaS provider, we're advancing even further. Jabil Circuit Q4 2025

*We've also been working on securing additional supply chain from non- China-based suppliers, but it will take time. Also note that irrespective of all the impact on the U.S. from tariffs on the energy business, we do have mega-factory China, which just started operations in Q1, and that should take care of our business outside of the U.S. **There's also an important impact of tariffs on our capital investments.** I know this is going to sound counterintuitive since in order to [inaudible 00:26:35] manufacturing or expand lines, we have to bring equipment from outside the U.S., because there is not that much capacity in U.S. - Tesla Q1 2025*

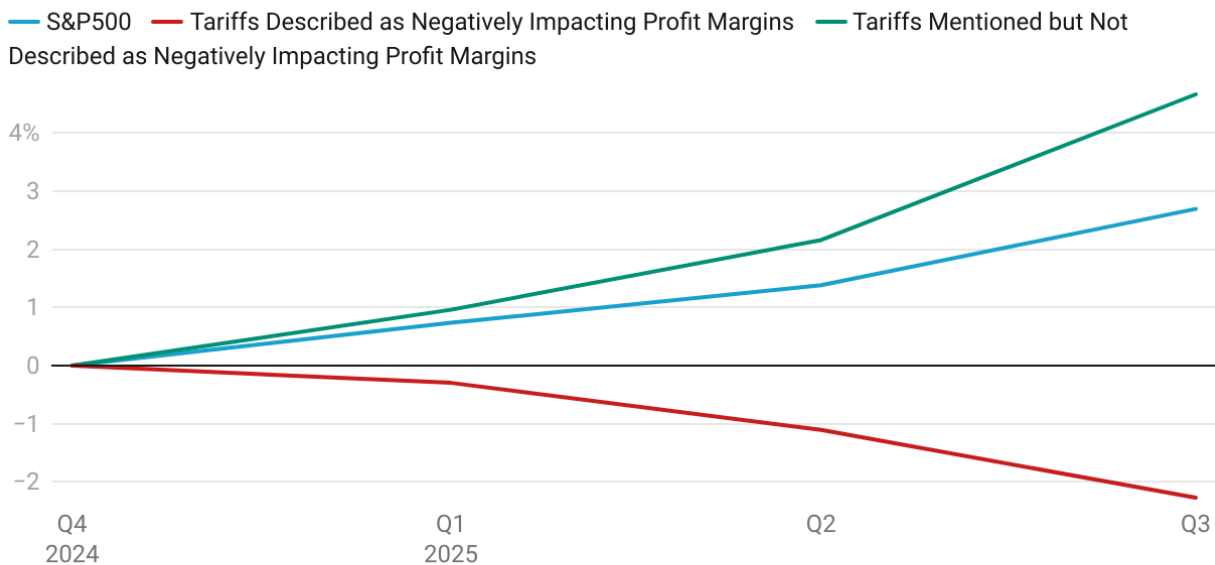
Section 4: Is the survey of business earnings calls indicative of true business outcomes?

While tariffs are not the only factor affecting business margins, there is a reasonable relationship between realized year-to-date gross margin changes and survey results from corporations describing tariffs as negatively impacting their profitability.

As shown below, when dividing companies into groups—those reporting that tariffs have negatively impacted profit margins vs those who discuss tariffs but do not report negative profit margin impacts —companies reporting negative profitability impacts due to tariffs have in fact seen their gross margins (i.e., percentage of money a company keeps from its sales after covering the direct costs of producing its goods or services) contract year to date.

LLM Earnings Call Survey Results Align with Realized Business Outcomes

Gross Margins (Indexed to Q4 2024)



Source: Andersen Institute Calculations • Created with Datawrapper

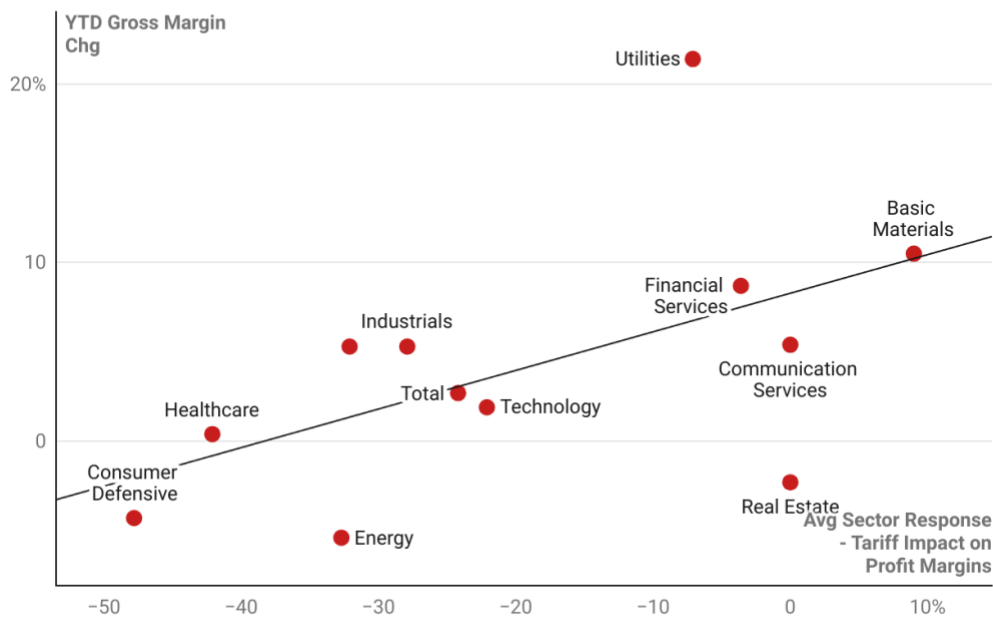
This is also a reasonable relationship between various sectors’ aggregate year-to-date gross margin changes and the share of businesses in the same sector saying that tariffs are negatively impacting their profitability.

As the chart below shows, if a sector has more companies who discuss tariffs negatively impacting profits, those same sectors have seen more margin compression in 2025, indicating that our survey results are indicative of realized business outcomes.

Of course, one would not expect this relationship to be perfect. A sector could in aggregate be experiencing negative profitability impacts due to tariffs, but those impacts could be offset by other dynamics boosting profitability unrelated to tariffs (and the earnings call analysis specifically looks for corporate executives' comments on profitability impacts related to tariffs) – though this is one reason to compare survey results to gross margins instead of comparing to companies' overall operating margins (which will have even more mitigating pressures that could offset rising input costs).

Earnings Call Survey Responses Align with Realized Reported Earnings Data Across Sectors

YTD Gross Margin Change vs Net Share of Companies by Sector Who Say Tariffs are Increasing / Decreasing Profit Margins



Source: Andersen Institute Calculations • Created with Datawrapper