Impact of Tariffs on Consumer Spending

2025 Insights Report

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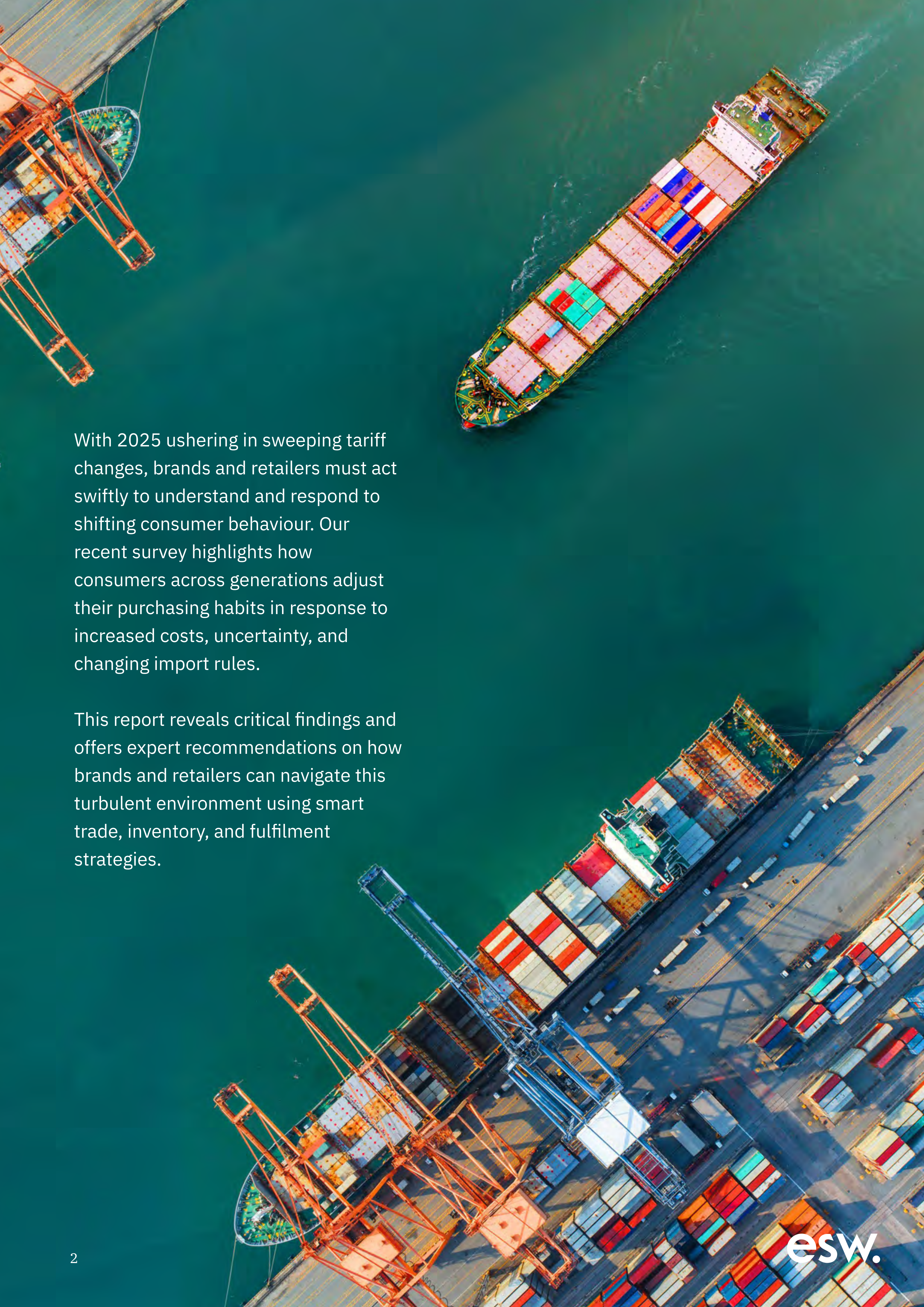


With 2025 ushering in sweeping tariff changes, brands and retailers must act swiftly to understand and respond to shifting consumer behaviour. Our recent survey highlights how consumers across generations adjust their purchasing habits in response to increased costs, uncertainty, and changing import rules.

This report reveals critical findings and offers expert recommendations on how brands and retailers can navigate this turbulent environment using smart trade, inventory, and fulfilment strategies.

The Spending Slowdown Begins

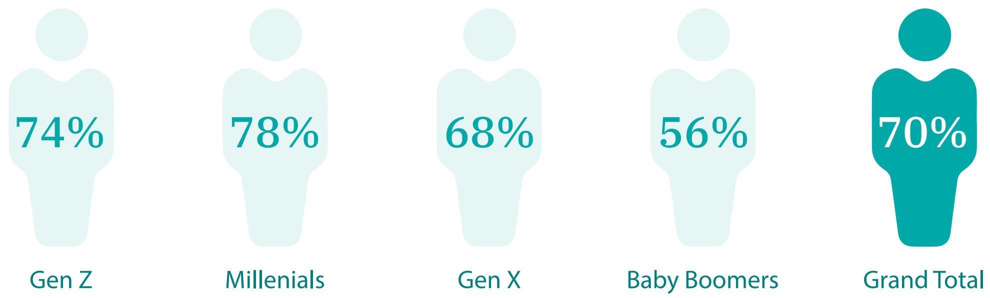
Consumers tighten their wallets as tariffs loom

Our survey found that **70%** of consumers will reduce overall spending once new tariffs take effect. Millennials are most likely to cut back (78%), while 54% of Boomers say they will stop purchasing certain imported products altogether.

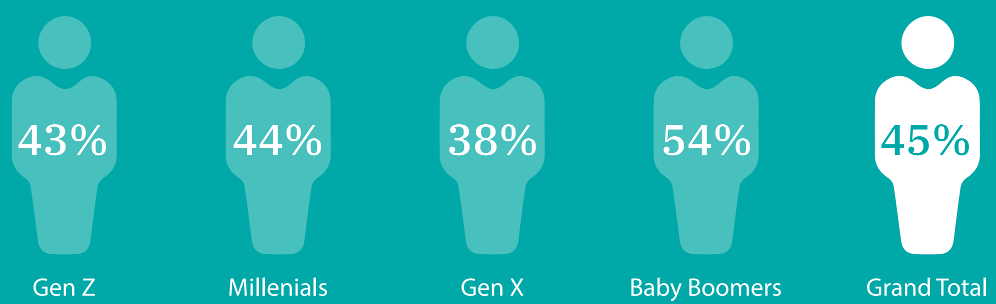
What's driving this?

New U.S. tariff measures, such as the 10% baseline tariff on all Rest of World imports and the removal of the $800 de minimis threshold for China-origin goods are **increasing costs for both businesses and shoppers.** For many, this means fewer purchases and more caution.

Consumers planning to reduce spending, by generation.



Stop purchasing certain imported items.



Where Brands Can Win

Shift to in-region fulfilment

Reduce exposure to tariffs and customs delays by storing inventory closer to end customers. This also enables faster delivery and fewer surprise fees at checkout.

Use real-time duty and tax tech:

Show accurate, fully landed costs in the cart to avoid surprises and reduce cart abandonment.

Gen Z's Shopping Sprint

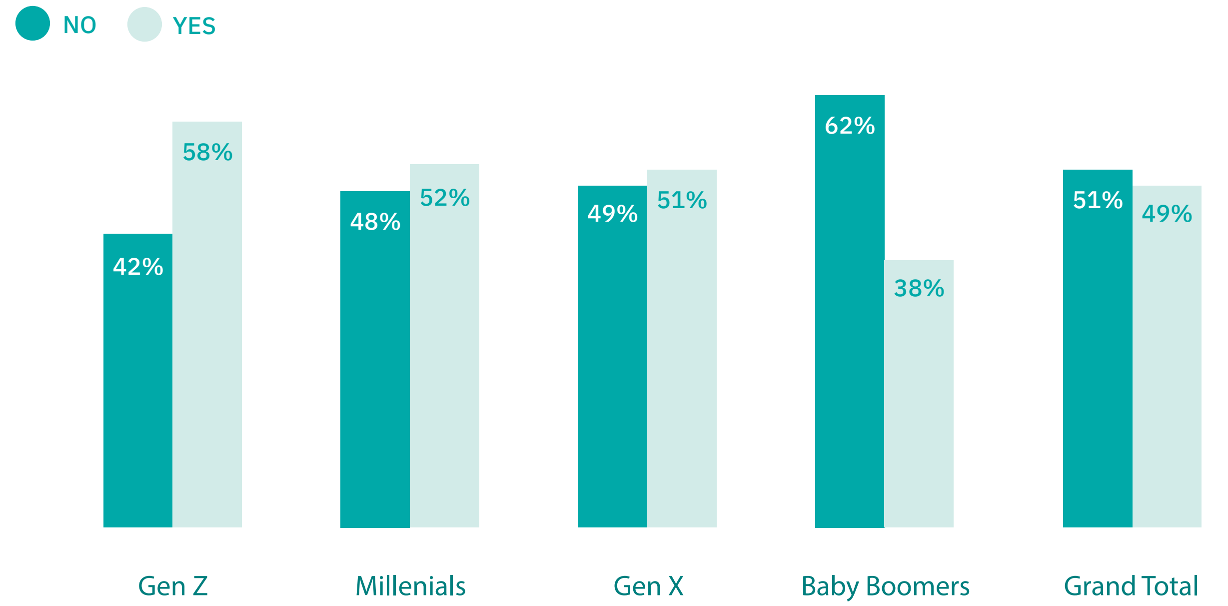
Young buyers race to beat rising prices

While many consumers are tightening their belts, Gen Z is sprinting ahead, buying now to avoid paying more later. Our data shows that 58% of Gen Z shoppers are accelerating purchases of high-ticket items such as smartphones, laptops, and even luxury goods like Champagne. Across all generations, 45% are pulling forward electronics purchases, and 37% are stocking up on groceries.

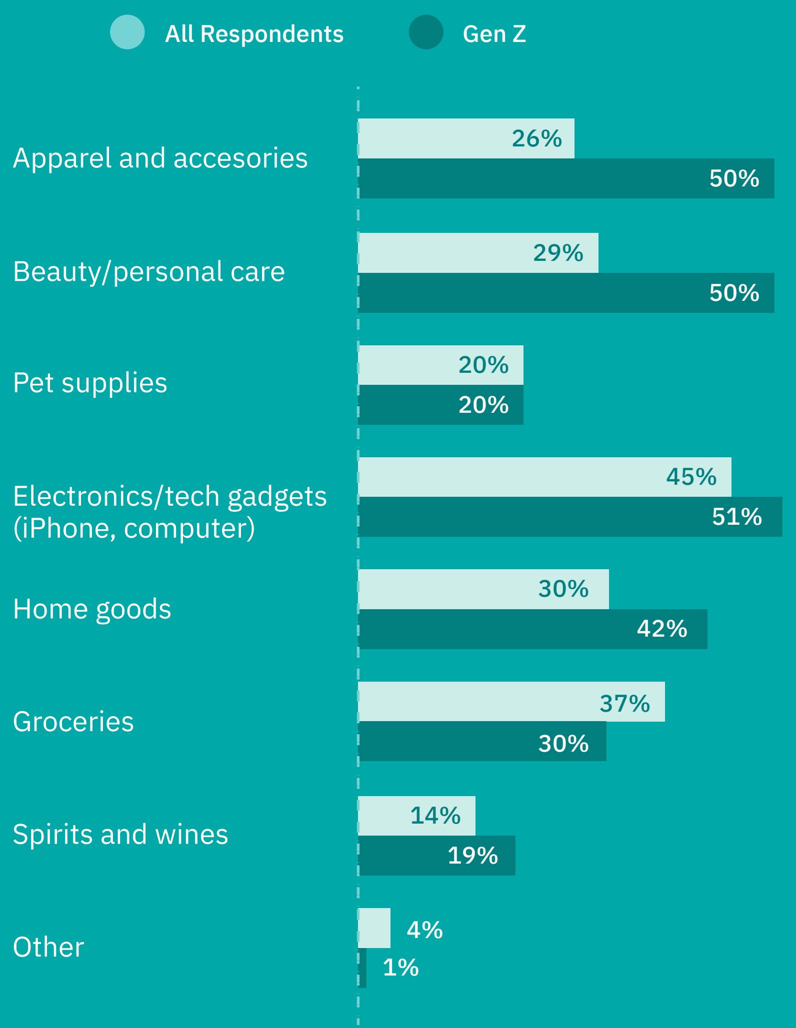
This behavior signals a unique blend of price sensitivity and digital savviness. Gen Z, often considered the most budget-conscious generation, is acutely aware of looming price hikes. Their instinctive response? Lock in value now, before tariffs raise the cost of everyday essentials and must-have tech.

This "buy now to save later" trend echoes past economic cycles, where inflation or uncertainty triggered temporary spending surges. But in 2025, the driver is tariffs—and brands that recognize and respond to this urgency can win short-term volume and long-term loyalty.

Has the threat of higher prices led you to pull forward your spending on high priced purchase (i.e. iPhone, computers, Champagne, etc.)?



Categories consumers are accelerating purchases in



Where Brands Can Win

The next few months present a rare opportunity to capture accelerated demand, if you're ready for it. Merchandising, messaging, and fulfilment must all align to convert urgency into revenue without compromising margins.

Strategic Response:

- Lean into limited-time campaigns and use messaging that validates urgency.
- Bundle high-margin add-ons: Encourage larger baskets by pairing big-ticket items with accessories or essentials.
- Offer price-lock guarantees: Give hesitant shoppers the confidence to commit now, especially for pre-orders.
- Fulfil from in-region inventory: Shorten delivery windows and avoid customs friction by dispatching from local stock hubs

The Great Cutback

Electronics, fashion, and home goods on the chopping block

As tariffs begin to bite, consumers are pulling back hardest in non-essential categories. According to our research, **68%** of shoppers say that if prices increase because of tariffs, they're likely to reduce spending on electronics, 61% on fashion and accessories, and 51% on home goods. These could become significant drops, particularly for brands in sectors already under pressure from inflation, discount dependency, and supply chain volatility.

Price-sensitive consumers, especially Millennials and Gen Z, are quick to reassess purchases that can be delayed or substituted. For brands, this means long purchase cycles will get even longer, average order values may decline, and demand could become more volatile and seasonal.

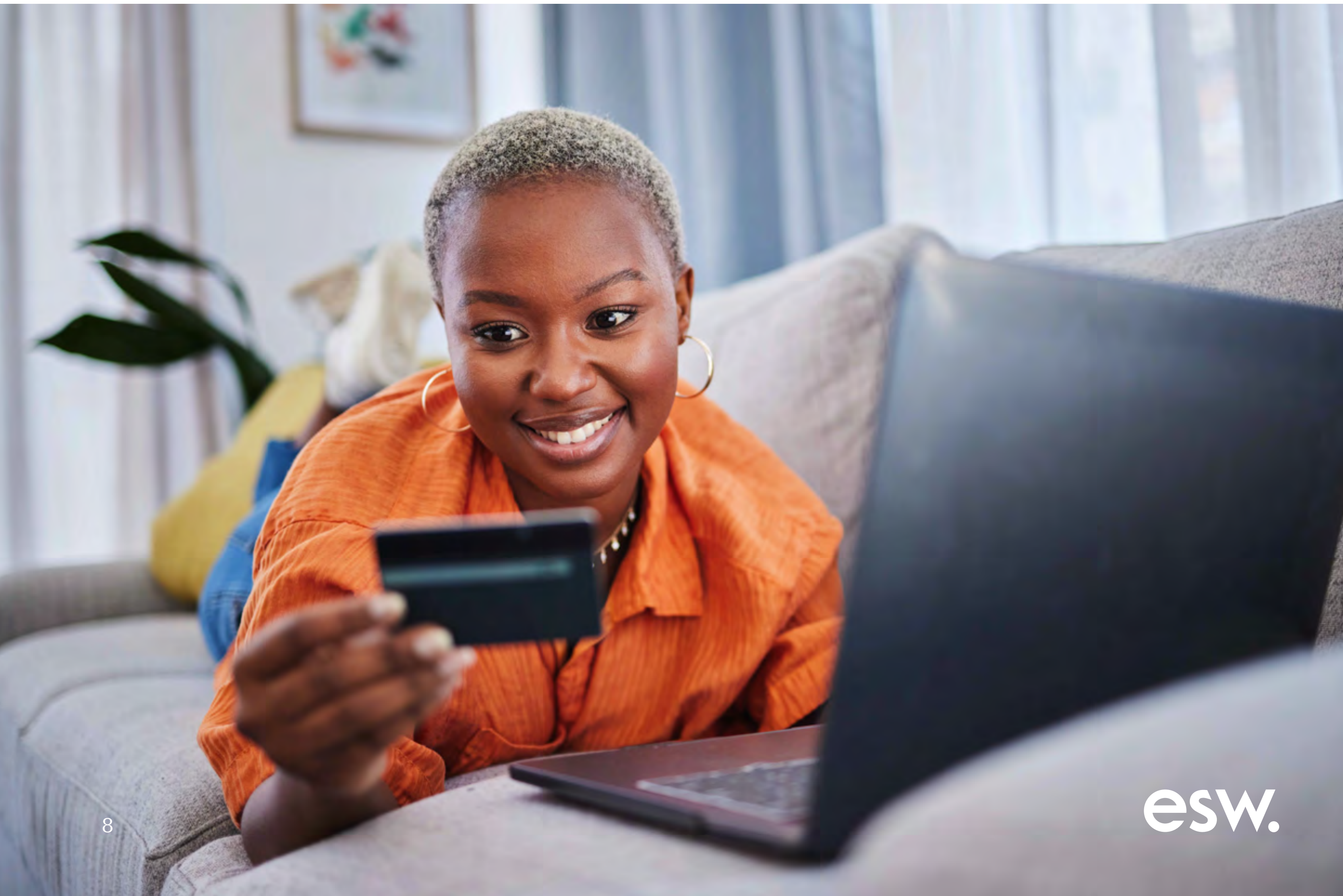
Retailers with high exposure to electronics and apparel imports from China face the most significant disruption. With the removal of the $800 de minimis threshold, formerly duty-free shipments from China now face a 30% tariff and full customs clearance — costs that often get passed on to the consumer.

Where Brands Can Win

Retailers need to rebalance pricing and fulfilment strategies to protect both margin and conversion in this high-pressure landscape.

Strategic Response:

- **Shift high-volume items to in-region fulfilment**: Avoid excessive duty costs and long clearance delays by storing bestsellers in U.S. or EU hubs.
- **Bundle and promote strategically:** Create value-driven offers that protect AOV without margin erosion.
- **Segment your shopper base:** Tailor promotions to loyal or high-LTV customers, who may be less price-sensitive.
- **Communicate price changes clearly:** Shoppers are more forgiving of increases when the “why” is explained, especially in the context of tariffs.



Top 5 categories consumers plan to reduce spending on if prices increase because of tariffs.

Electronics/ Tech Gadgets	Apparel and accesories	Home goods	Beauty/ personal care	Spirits and wines
66%	61%	51%	46%	38%

Buy Now, Stress Later

Millennials turn to BNPL to cope with cost surges

As tariffs are expected to drive up prices, many shoppers aren't just pulling forward purchases, they're spreading out payments. Millennials, in particular, are leading the shift toward Buy Now, Pay Later (BNPL) services, over-indexing other generations by 36% in their preference for these flexible options.

For this group, BNPL is more than a payment method, it's a financial coping mechanism. Faced with higher costs on electronics, apparel, and everyday goods, Millennials are using BNPL to preserve cash flow while maintaining access to the brands and products they love.

Retailers are already seeing BNPL usage expand beyond luxury or discretionary categories. From household essentials to high-value tech, more baskets now include deferred-payment options—even when shoppers weren't previously using them.

Buy now, pay later options

Gen Z	Millenials	Gen X	Baby Boomers	Grand Total
18%	27%	19%	8%	19%

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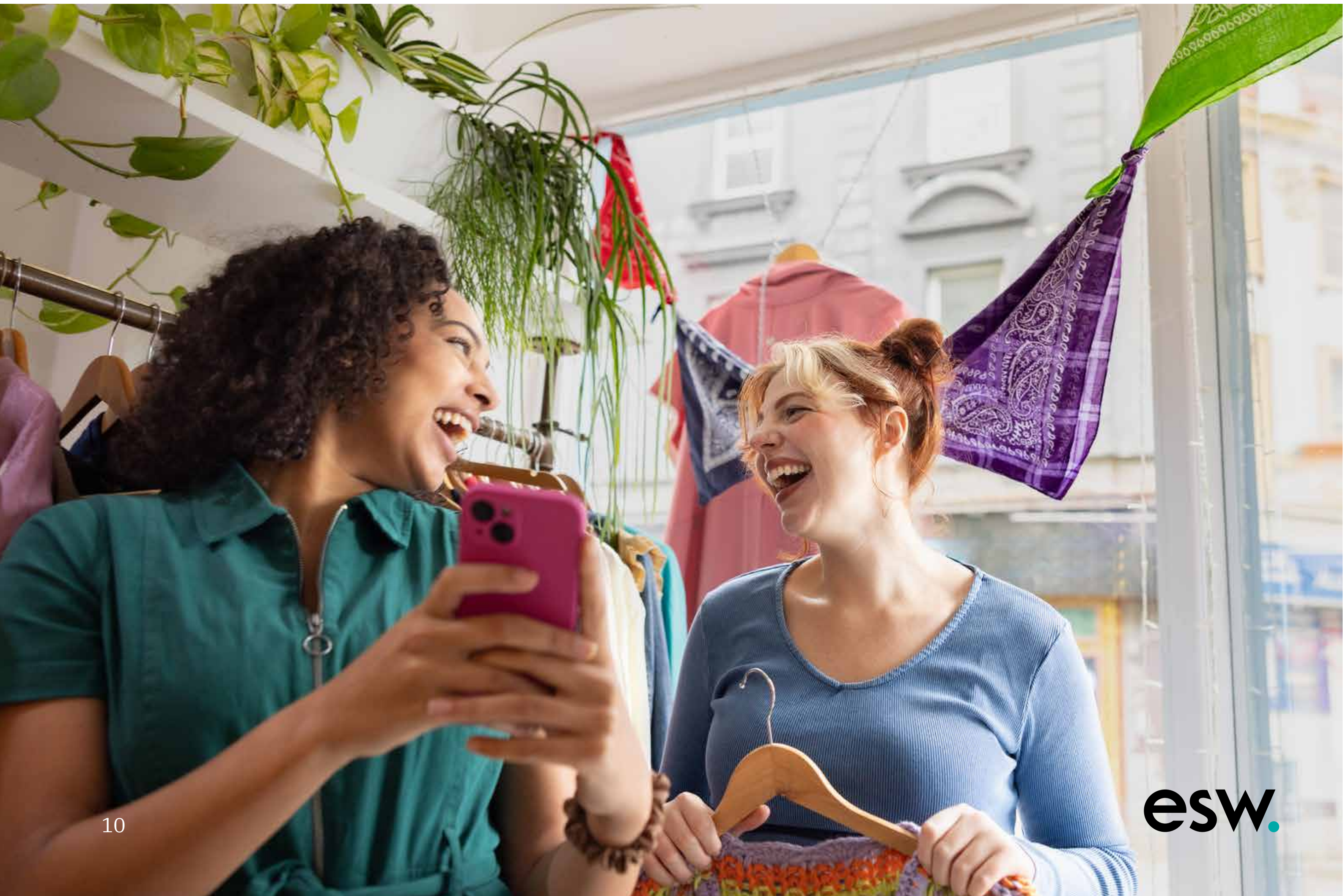
Where Brands Can Win

BNPL is no longer a “nice to have.” It’s a critical conversion tool—especially when price sensitivity is climbing and consumer confidence is wavering.

Strategic Response:

- **Integrate BNPL at checkout:** Ensure availability across markets where tariff-related costs are rising.
- **Highlight BNPL on PDPs and cart pages:** Make it easy for shoppers to understand how affordability options apply.
- **Pair BNPL with transparent landed costs:** Reduce drop-off by showing full duties and taxes alongside installment breakdowns.
- **Monitor BNPL data for insight:** Use uptake rates to inform pricing, category strategy, and consumer sentiment tracking.



The Tariff Trade-off: How To Keep Customers Loyal

What shoppers really want in return for rising prices

Rising prices are rarely welcomed, but they're not necessarily a dealbreaker. While conventional wisdom suggests shoppers simply want lower prices, our survey paints a more nuanced picture. Most consumers understand that external factors like tariffs can push prices up. What they're looking for in return is a fair value exchange.

Rather than walking away, customers are willing to stay loyal if brands meet them halfway. The top asks? Free shipping, meaningful discounts, loyalty rewards, and honest communication. These aren't extravagant perks; they're practical gestures that show empathy and respect. Clear value, flexibility, and transparency go a long way in preserving trust when affordability is at stake.

Interestingly, the least popular response in our survey was "nothing, I just want lower prices," selected by fewer than one in five respondents. This tells us something important: shoppers don't expect perfection, but they do expect fairness. For brands, this opens the door to strengthen relationships through smart loyalty mechanics, flexible payment options, and transparent messaging.

What would you like retailers to offer in exchange for higher prices due to tariffs? - top 5 choices

Free shipping

52%

Discounts or promo codes

52%

Loyalty rewards or points

42%

Clear communication about price changes

37%

Bundle deals or suscriptions

22%

Where Brands Can Win

Your customers aren't just shopping with their wallets, they're shopping with their expectations. In a high-tariff environment, loyalty isn't lost on price alone; it's lost when shoppers feel taken for granted. This is your opportunity to show that you're listening and to build brand equity even in uncertain times.

Strategic Response:

- Offer perceived value in ways that don't just absorb cost but enhance the customer experience. Whether it's free shipping thresholds or transparency about tariff-related changes, the brands that win will be those that stay proactive and human.

Expert Strategies To Weather The Storm

How retailers can adapt and thrive

Consumer behavior is only part of the picture. Smart brands are acting now to reduce tariff exposure and maintain profitability. Based on expert recommendations, here's how to stay ahead:

- **Analyse HS codes, duties & global exposure:** Reclassify goods strategically, explore tariff-exempt sourcing markets (like Mexico or Canada), and calculate accurate landed costs upfront.
- **Shift to in-region fulfilment:** Reduce exposure to tariffs and customs delays by storing inventory closer to end customers. This also enables faster delivery and fewer surprise fees at checkout.
- **Use hybrid fulfilment models:** Combine cross-border flexibility with regional warehousing for popular SKUs to control costs and mitigate risk.
- **Deploy real-time duty & tax tech:** Offer fully landed costs in-cart to preserve trust and prevent cart abandonment.
- **Ensure customs compliance:** Stay ahead of regulatory changes and avoid costly delays or penalties with proactive import/export management.
- **Diversify your market reach:** Reducing dependence on any single region—like the U.S.—can stabilise revenue and hedge against future trade volatility.

Conclusion

Tariffs are reshaping the way consumers shop—and how brands sell. While spending may slow and prices rise, brands that adopt a proactive fulfilment and trade strategy can maintain trust, loyalty, and margin. Your customers may be navigating uncertainty, but you don't have to.

Want tailored advice on your fulfilment and trade strategy?
⟶ Let's talk.

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