

Tariff challenges: Supply-chain scenarios that help keep goods moving and costs in check

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Given the current roller coaster of [tariff policy uncertainty](#), middle market companies are looking for strategies that don't just avoid business disruptions — but help them find opportunities for growth.

In the first of our four-part series on tariff solutions, we explored [7 capital strategies to help protect margins and momentum](#). Next, we'll take a detailed look at how businesses can future-proof their supply chain, including specific scenarios — and how working with the right bank and supply chain financing program can help.

When to shift your supply chain strategy

As U.S. trade policy continues to shift under the Trump administration, businesses are faced with a harsh reality: supply

chain adaptation is no longer just an operational issue, but a critical financial decision. With strategic changes in sourcing, inventory management, or manufacturing location on the line, companies must be prepared to navigate the far-reaching financial implications for their working capital, cash flow, and access to credit.

At KeyBank, we're helping our clients explore strategies that can counter this volatility, whether that includes diversifying suppliers, optimizing inventory, or reshoring production.

Read more: [7 capital strategies to help protect margins and momentum against tariff challenges](#)

Scenario 1: Navigating a sudden tariff hike on a key supplier

When it's time to adapt, businesses need more than a one-size-fits-all approach. Let's look at

a few real-world scenarios that are impacting businesses today and explore how customized supply chain financing strategies can help finance leaders stay ahead of the curve.

The challenge

Reliable suppliers are essential for ensuring business continuity, providing the raw materials and components needed to meet customer demand and generate revenue. But tariffs on a key supplier can impact financial and operational efficiency, forcing companies to rethink sourcing strategies and diversify supplier bases.

Take the case of a U.S. electronics manufacturer that relies on a single Chinese supplier for key components of its core product. Overnight, a new 25% tariff has been imposed, threatening the company's margins and production continuity. The manufacturing company needs to evaluate whether it can continue

working with the key supplier or should onboard more suppliers from countries with lower tariffs to combat rising costs.

However, the manufacturing company is worried about having enough working capital to make payments on time while sourcing new suppliers.

The solution

In this situation, working with a bank that can provide working capital tools and risk assurance would allow the U.S. electronics manufacturer to help keep operations running smoothly.

To help the manufacturing company respond quickly, take a dual approach:

1. KeyBank would provide an **Import Line of Credit** to cover immediate working capital needs, helping ensure overseas suppliers are paid on time, even when tariff-related costs reduce available cash flow.

2. **Letters of Credit** — such as an Import Commercial Letter of Credit or Standby Letter of Credit — would be issued to help secure a new supplier with lower tariff costs, leveraging KeyBank’s strong foreign correspondent bank relationships.



When trade rules shift overnight, the biggest advantage a company can have is the financial flexibility to pivot to new suppliers without slowing production. Our role is to bring the right mix of capital and risk assurance to the table so clients can broaden their sourcing options and keep goods flowing.

– **Laurie Muller-Girard**
KeyBank Commercial
Executive

The result

With this strategic financial and operational adjustment, the U.S. electronics manufacturer can:

- Continue operations with a more reliable flow of goods
- Reduce future tariff exposure with a diversified supplier base
- Gain more leverage in vendor negotiations
- Shift sourcing without payment delays or counter-party risk

Companies that can adapt their supply chain strategies quickly are both mitigating risk and positioning themselves for a long-term competitive advantage.

Scenario 2: Increasing strategic inventory ahead of tariff milestone

Let's explore another scenario of a

business looking to get ahead of tariff hikes and inventory challenges.

The challenge

As new tariff deadlines approach, businesses that rely on imported goods for their core products face additional uncertainty. Stockpiling inventory now could secure lower costs, but it would also tie up precious working capital, straining cash flow, and potentially disrupting operations. On the other hand, waiting too long could lead to shortages, margin erosion, and lost sales. For many businesses, the stakes are high, and the margin for error is low.

Consider the case of a furniture importer who has built his business on sourcing high-quality wood products from around the world. After learning that tariffs on wood products will rise in 60 days, the company wants to buy extra inventory now, but doing so would place an unmanageable strain on their cash flow. With thin profit

margins and intense competition in the furniture market, the importer can't afford to get it wrong.

The solution

In this situation, the right financial advisor can provide working capital tools and risk assurance to help the importer keep operations running smoothly amid economic uncertainty. With access to the right financing options, the company can bridge the cash flow gap and stay ahead of the competition.

To give the importer more flexibility before tariffs rise, the right bank can help by:

1. Structuring an **asset-based lending (ABL)** facility that **allows the importer to borrow against existing inventory and receivables.**
2. Streamlining all supplier payments with **integrated payables**, so the company can

time large purchases and disbursements to maximize pre-tariff savings before the new tariff deadline.

The results

By adopting this inventory strategy, the furniture importer can:

- Lock in lower costs for critical inventory
- Maintain a healthy level of cash reserves
- Avoid both stockouts and margin erosion when tariffs take effect

Staying ahead of the tariff hikes requires the right financial visibility and capital support to keep things moving. Companies that can make strategic improvements to their supply chain process today will be better positioned to meet the demand as the market evolves.

Scenario 3: Accelerating reshoring with equipment and facility financing

For some businesses, tariff pressure may accelerate strategies for reshoring production to the U.S. What once seemed like a drastic move could be the right option for some businesses today.

The challenge

While it may relieve the external pressures of tariffs, making the transition to U.S. production is not without significant financial challenges, including high upfront costs for new machinery and facility upgrades.

In the case of a mid-sized packaging company, leadership decided to move production to the U.S. to avoid ongoing tariff volatility. While this move will improve their supply chain control, the upfront investment could be a major hurdle to bring production stateside.

The solution

In this case, working with a bank that can provide flexible financing options and payment solution expertise can be the key to a successful transition. With the right mix of financing, this packaging company will be able to bridge the gap and focus on expediting their new production facilities.

To facilitate this shift to U.S. production, a combination of solutions can help:

1. KeyBank can spread machinery costs over several years with [equipment financing](#) to help manage working capital.
2. KeyBank can also offer [commercial real estate lending](#) to fund the company's plant expansion.
3. Additionally, KeyBank's [vendor payment solutions](#) can automate onboarding and payments for new domestic suppliers, helping prevent any

further production delays and ensuring a smooth transition for new vendor payments.

The results

As a result of this shift, the company has a smooth transition to U.S. production, with ongoing advantages that help:

- Shorten production lead times
- Improve long-term pricing stability
- Maintain supply chain control for ongoing growth

This change not only helps shield the company from vulnerability to new tariffs — but can also create a foundation for stability and future growth. For some companies, mounting tariff pressure may be the push they need to shift production stateside.



Moving production closer to home isn't just a strategic decision — it's a cash-flow puzzle. We structure financing that helps cover facility upgrades, new machinery, and onboarding costs, allowing companies to shorten lead times and gain more control over their supply chains without straining day-to-day liquidity.

– **Brandon Nowac**
KeyBank Commercial
Executive

Final thoughts: Building supply chain finance flexibility

In an unpredictable trade market, mid-sized businesses can't afford to wait and see. Tariff pressures and supply chain volatility are here to stay, but forward-thinking

leaders can leverage a customized supply chain financing strategy to ease margin pressure and stay competitive. With a strategic financial advisor like KeyBank, you can turn disruption into opportunity and emerge stronger than ever.

Read our latest insights to learn how other commercial business leaders are using these [7 recommended strategies to combat tariff volatility and drive growth](#).

For more expert advice on how to strengthen your supply chain strategy, schedule a tailored consultation with your KeyBank relationship manager.

[Speak to a Banker](#)

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