Rethinking Raw Material Management

Tariffs, Trade Risk & the New Resilience Code for Smarter Sourcing

Industrial Goods

Key Insights

Foreword

Raw materials have shifted from a cost line item to a boardroom topic. Once shaped primarily by market dynamics, raw material procurement is now defined by trade policy volatility, regulatory intervention, and systemic supply fragility.

In this environment, strategic raw material management is no longer about transactional efficiency. It is about building resilience into the design of how businesses source, operate, and grow.

This white paper presents a resilience code tailored to the realities of today's supply context. It is not a snapshot of the 2025 market – though it draws from Inverto's latest Raw Materials Study. Rather, it outlines **five imperatives that will remain relevant through market shifts and policy cycles.** Each is rooted in implementation experience and backed by evidence from companies already leading the way.

Whether managing dual sourcing, adapting product design, or governing tariff exposure, the message is clear: resilience is not reactive. It is intentional, structured, and embedded.

Executive Summary

This white paper combines study findings with strategic takeaways. The following insights highlight both the risks observed and the actions needed to build resilience in raw material management:

- **Policy beats price:** Trade barriers have overtaken pricing as the top external risk to raw materials procurement.
- **Execution gap persists:** Although 81% source from tariff-affected regions, only 45% have adapted their strategy.
- **Structural resilience lags:** Close collaboration with R&D on material substitution, the use of BI tools, and alignment between procurement and sales on contracts and pricing remain underutilized – despite their proven strategic relevance.

> "Executive leadership must close the gap between strategic intent and operational execution — transforming pricing, substitution, and tariff management into levers of competitive advantage. This calls for focused enablement, clearly defined accountability, and KPIs that measure outcomes, not just effort."
> **Justus Brinkmann, Principal at Inverto**

- **Digital and governance capabilities are key:** Companies that embed real-time monitoring and cross-functional governance will outperform in raw material management and cost optimization.
- **Resilience must be designed in:** Five strategic imperatives guide companies in moving from cost-defense to strategic agility.

Facts & Figures 2025:
Market Pulse and Performance Gaps

81%
source from tariff-affected regions – but only **45%** have adapted their strategy

77%
expect raw material prices to increase in 2025

71%
expect stable supply, but **23%** are already preparing for volatility

While **31%**
consider material substitution a key lever, only **21%** apply it

Price and Supply Risks for Key Commodities persist

	Risk of price increase	Change to 2024	Expected supply problems	Change to 2024
Chemicals	21%	↗ +5%p	20%	↗ +12%p
Iron and steel	19%	↗ +5%p	11%	↗ +4%p
Crude oil	17%	↗ +6%p	12%	→ +2%p
Aluminum	17%	→ ±0%p	13%	→ -2%p
Agriculture products	17%	↗ +12%p	1%	↘ -9%p
Energy sources	16%	→ ±0%p	11%	→ -4%p
Rare earth	16%	↗ +8%p	14%	↗ +6%p
Precious metals	15%	↗ +6%p	12%	→ ±0%p
Natural fibers	15%	→ +2%p	11%	↘ -5%p
Mineral raw materials	14%	↗ +7%p	10%	→ -2%p
Copper	14%	→ -2%p	13%	→ +1%p
Paper / wood / fiber	13%	→ -3%p	12%	→ +4%p
Plastics	13%	↘ -6%p	14%	↗ +5%p
Synthetic fibers	12%	n/a	13%	n/a
Animal products	11%	→ +3%p	10%	→ -1%p

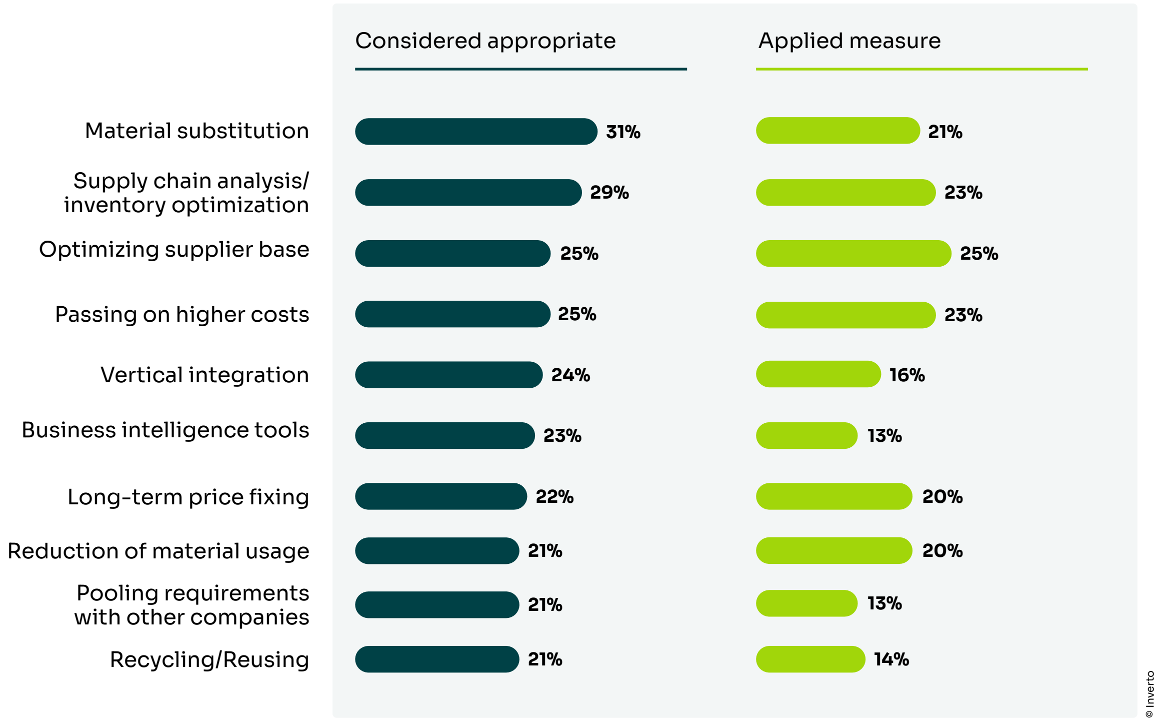
↑ Increase ≥ +25%p ↗ Increase < 25%p and ≥ +5%p ↗ Change < +5%p ↗ Decrease ≥ +5%p

The Execution Gap in Core Levers

Companies consistently identify substitution, supplier base optimization, and supply chain analysis as effective levers. Yet implementation remains limited.

Strategic Levers: Recognised vs. Applied

"What measures do you consider appropriate for developing the management of raw materials? And what measures do you use?[1]"



[1] Multiple answers possible

Trade Risk & Pricing Realities

“How does your company manage dynamic developments in global trade regulations?[1]”

[1] Multiple answers possible

The most common responses to trade uncertainty – supplier diversification, preemptive stockpiling, and internal monitoring – are gaining traction. But fewer than 40% have formalized these approaches. The rest still rely on ad-hoc mitigation.

Want to dive deeper?
Access all survey charts and detailed figures by scanning the QR code.

Access
all survey charts

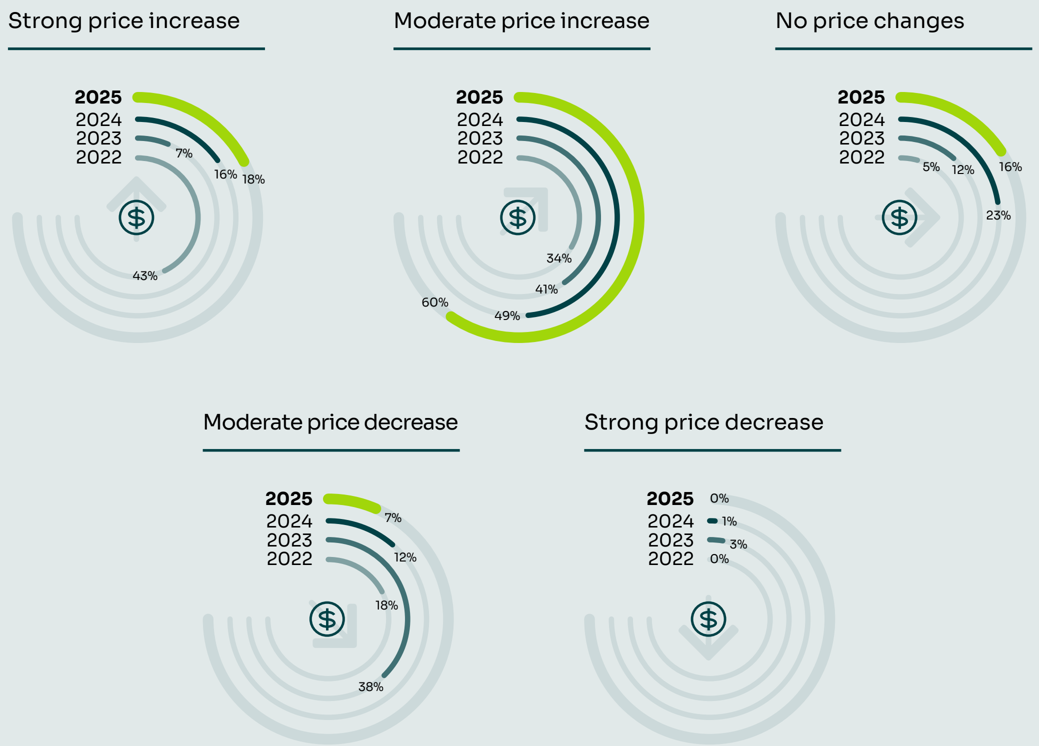
From Price Volatility to Policy Exposure: Redefining the Risk Landscape

Procurement executives no longer face just cyclical raw material price increases – they are navigating an era of structural, policy-driven disruption.

According to our study, **tariffs and trade barriers are now the most impactful external risk,** cited by 35% of respondents – outpacing raw material prices and geopolitical uncertainty.

- **77% of companies expect prices to rise** in the next 12 months, with 18% forecasting significant increases (see chart below).
- Supply-side expectations remain cautiously optimistic: **71% anticipate stable supply**, yet 23% are preparing proactively for shortages, particularly in **chemicals, rare earths,** and **plastics.**
- The response gap is clear: While 81% source from tariff-affected regions, **less than half have adapted their sourcing strategy.**

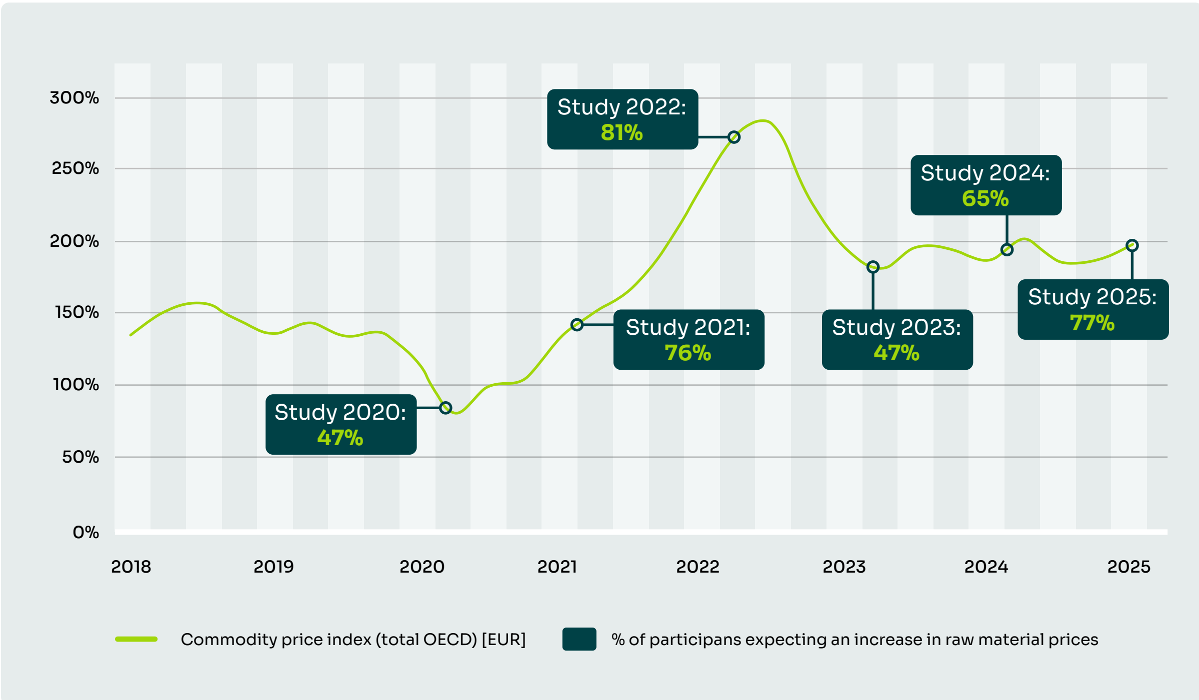
"What type of price trends are you anticipating for raw materials (which are relevant for you) over the next 12 months?"



As global market access becomes more fragmented and policy environments shift rapidly, CPOs and COOs must treat trade policy risk as a structural planning parameter – not a temporary headwind.

Rather than scenario-based forecasting, many companies anchor decisions in current sentiment.

Raw Material Price Index Development between 2015-2025



Raw material price expectations remain elevated. But when viewed over time, a clear pattern emerges: **expectations tend to follow recent market trends, rather than anticipate fundamental shifts.** The diagram illustrates this recurring dynamic – showing how past years' expectations have frequently diverged from actual market outcomes.

This gap does not mean expectations are always wrong – but it reveals a reactive pricing mindset across industries. **Rather than scenario-based forecasting, many companies anchor decisions in current sentiment.**

This reactive mindset points to a broader structural issue. In many organizations, procurement contracts – even those with index-linked pricing – are not sufficiently aligned with commercial sales strategies. Especially for high-cost materials, **disconnects between input cost models and customer pricing create margin exposure.**

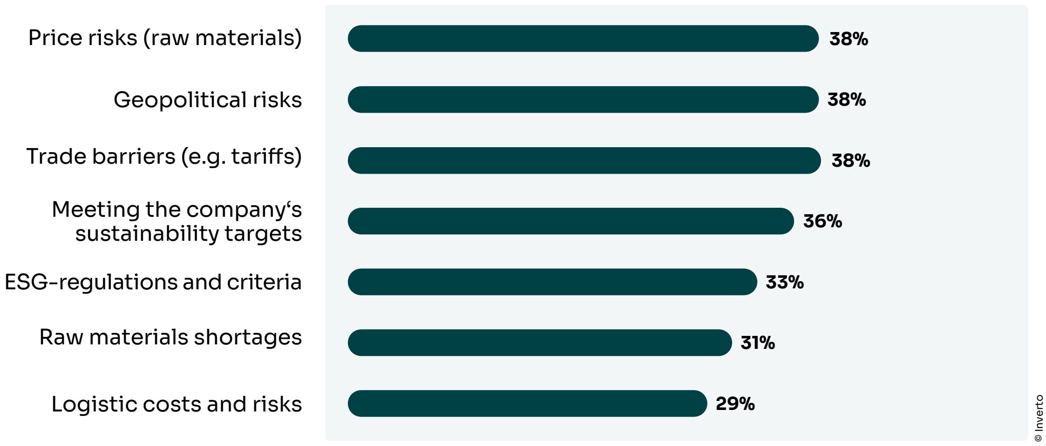
To mitigate this risk, organisations need more integrated pricing architectures – linking supplier agreements to downstream pricing logic, and enabling procurement and sales teams to align contracts, timing, and escalation mechanisms.

Navigating a Poly-Risk Environment: Why Resilience Must Be Designed In

Modern procurement leaders face concurrent risks: economic instability, trade friction, commodity volatility, ESG obligations, and supply chain fragility. What's more, these risks interact – creating compounding effects that challenge reactive mitigation strategies.

The impact of this evolving risk landscape is already visible in procurement decision-making. Price volatility, geopolitical tension, and trade policy are now the dominant factors driving changes in supply markets. At the same time, regulatory and ESG considerations have become mainstream, with a growing number of organizations citing sustainability targets and compliance as sourcing drivers.

"What are the main reasons for a change in your supply markets?[1]"



[1] Multiple answers possible

What this demands from leaders is clear: a shift from reactive contingency plans to structural resilience – embedded across sourcing models, governance systems, and data capabilities.

Strategic Imperatives

for Resilient Raw Material Management

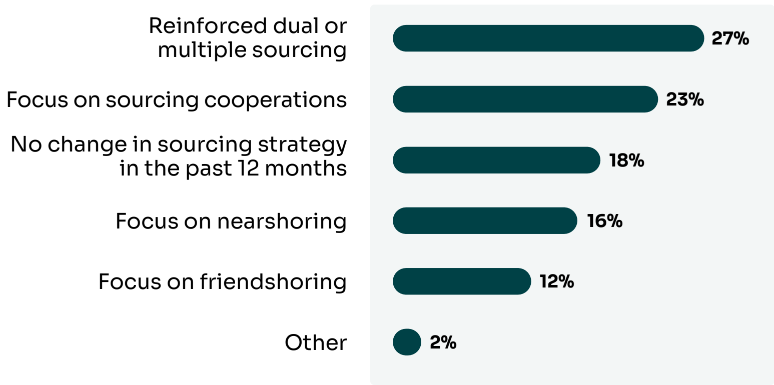
To move from reactive mitigation to structural resilience, companies must take deliberate, proactive action across **five key dimensions:**

1

Redesign Sourcing Models for Resilience

- Move beyond cost-centric models toward geopolitical risk mitigation
- Scale dual and multi-sourcing strategies to reduce concentration
- Regionalize supply chains to avoid tariff-prone exposure
- Establish long-term, trust-based partnerships with key suppliers

"To what extent has your sourcing strategy changed?[1]"



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[1] Multiple answers possible

Strategic sourcing transformation is beginning to take hold across the market. As illustrated in the chart, 27% of companies have reinforced dual or multiple sourcing, while 23% have entered sourcing cooperations – two of the most direct levers to improve supply continuity and reduce exposure to tariff-sensitive regions. However, the overall adoption level still highlights a significant opportunity for structural change.

2

Embed Flexibility into Product Design

- Collaborate cross-functionally to ensure procurement input early in product lifecycle
- Enable modularity, substitution, and recycled material usage
- De-risk development processes with scenario-driven material planning

3

Align Pricing Strategies Across Procurement and Sales

To manage input cost fluctuations effectively and protect margins, organizations must adopt differentiated, material-specific pricing strategies. Index-linked pricing, fixed-price contracts, and spot market mechanisms each serve a role – but must be applied based on material sensitivity, supply market dynamics, and product cost share. Critically, these mechanisms cannot operate in isolation.

In many organizations, **procurement's pricing logic is not consistently reflected in commercial models** – particularly when index-based supplier contracts are not mirrored in customer agreements. This disconnect can lead to timing mismatches, unhedged exposure, and commercial decisions made without full cost transparency. To close this gap,...

... companies should rethink pricing architecture at the interface between procurement and sales.

This includes:

- **Structuring** hybrid pricing portfolios tailored by material risk profile
- **Embedding** index logic into both upstream supplier contracts and downstream customer agreements
- **Aligning** escalation and pass-through clauses across the full value chain
- **Building** feedback loops to track contract performance and adjust pricing models dynamically

By linking procurement logic with commercial execution, companies gain greater resilience – not just in cost control, but in margin stability and customer trust.

4

Institutionalize Trade Policy Monitoring

- Set up a cross-functional tariff control tower to monitor policy changes
- Simulate scenarios using digital tools (e.g. Inverto's Tariff Simulator)
- Establish preemptive measures such as stockpiling or rerouting

To manage increasing regulatory complexity, companies are beginning to institutionalize tariff oversight. In the chart on page 5, 38% have already established dedicated teams or monitoring processes, and another 38% report diversifying suppliers outside tariff-affected regions. Additional tactics include stockpiling materials preemptively (37%) and seeking exemptions or rerouting trade flows (35%). Yet despite these advances, the fact that only one-third have taken structured action underscores a pressing need to elevate trade risk governance into a central procurement capability.

5

Scale Digital Enablement and Transparency

- Leverage SCM, ERP, and BI platforms to integrate risk and spend visibility
- Address data gaps and train teams to interpret insights for sourcing strategy
- Foster a digital-first culture in procurement to support agile execution

Leading organizations are investing in SCM, ERP, and BI platforms not only for spend visibility but also to inform strategic levers such as material substitution and price tracking. Business intelligence tools can help procurement teams assess substitution potential by modelling market trends, input volatility, and comparative material costs – creating decision transparency where gut feel alone once guided action.

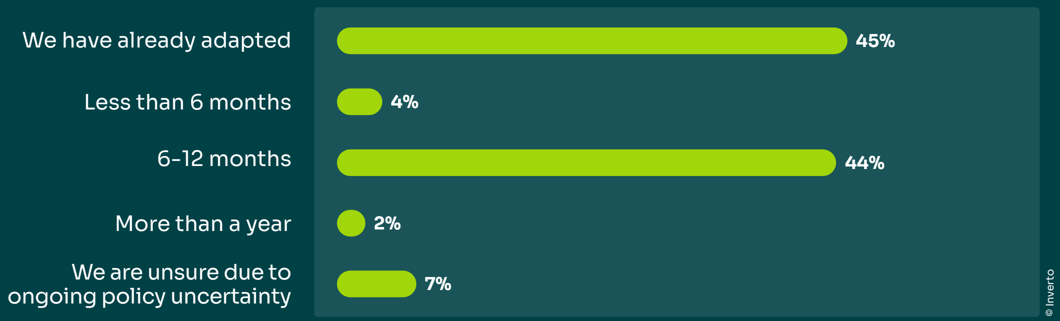
From Insight to Action:

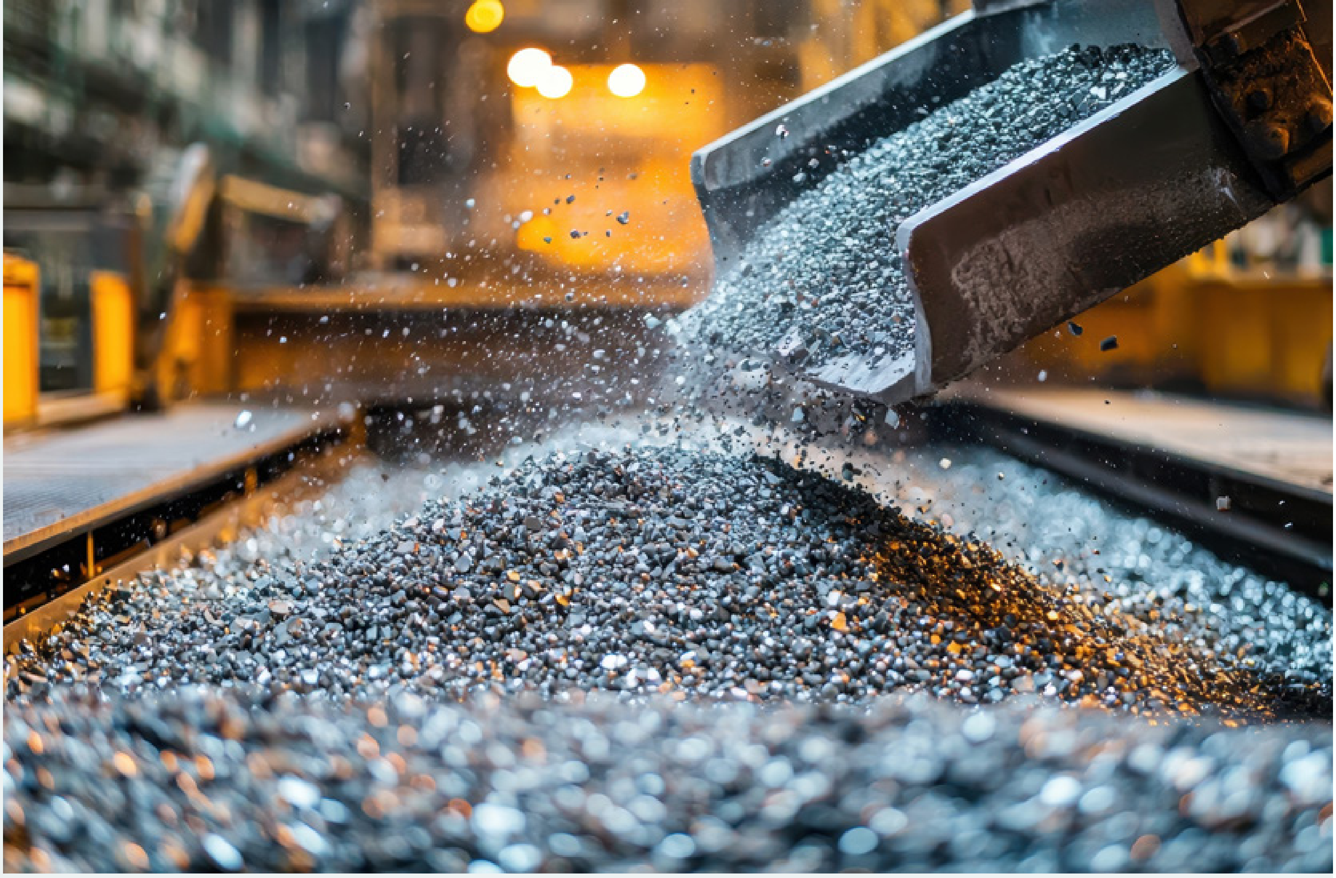
A C-Level Roadmap

The 2025 Raw Materials Study highlights a crucial reality: most companies are aware of the challenges but lag behind in execution. Bridging this gap requires clear leadership, accountability, and the ability to act across strategic, operational, and digital dimensions.

The data underscores this disconnect. While **45% of companies report they've already adapted to recent tariff changes,** another **48% expect to do so within the next 12 months** (see chart). Only 2% anticipate taking longer than a year – showing strong intent but also a narrow margin for delayed action.

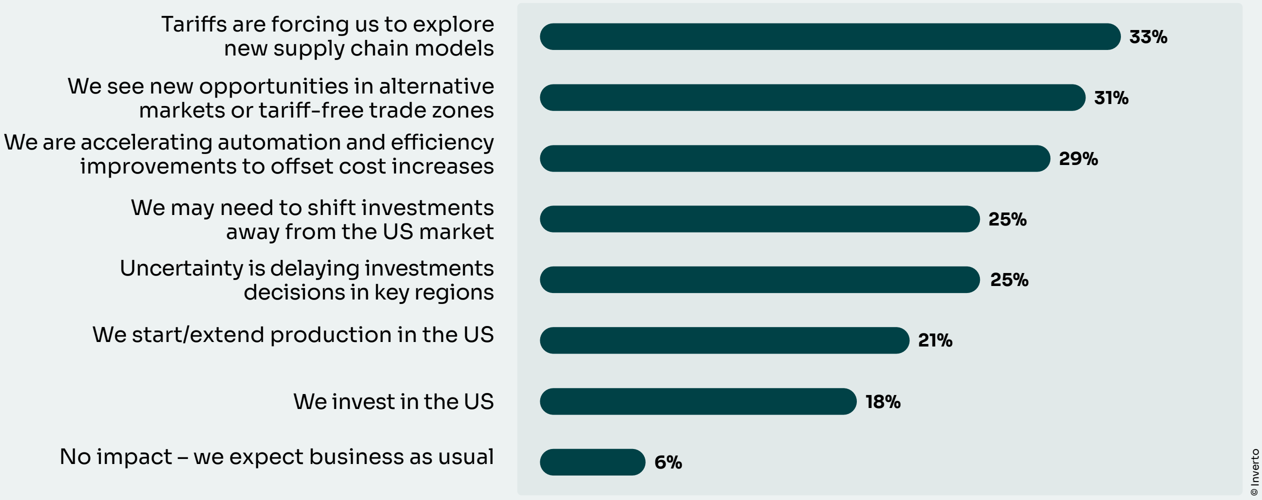
"How long do you estimate it will take your company to fully adapt to the latest tariff changes?"





Looking further ahead, many companies expect **tariffs** to drive more **fundamental shifts in strategy.** According to the study, 33% are exploring new supply chain models, 31% are considering expansion into alternative markets or tariff-free zones, and 25% are evaluating shifts in investment away from the U.S. market.

"How do you expect tariffs to influence your company's long-term growth, competitiveness and investment decision?[1]"



[1] Multiple answers possible

These signals confirm: procurement is no longer a back-office function. It is a key lever for business continuity and growth. But realizing this potential depends on executive-level enablement.

Executive leadership must:

Set a clear direction and define ownership for resilience levers

Break down silos between procurement, engineering, finance, and supply chain

Accelerate investment in tools and capabilities – from predictive analytics to scenario planning

Move beyond "firefighting" by embedding agility and forward planning in category strategies

The path to resilience isn't theoretical. It's measurable, repeatable, and anchored in execution. And the opportunity is clear: companies that act early can convert volatility into competitive advantage.

Conclusion: Building Competitive Advantage through Resilience

The volatility of raw material markets is no longer a crisis. It is a condition of doing business. In this environment, procurement must evolve from a sourcing function into a strategic enabler of resilience.

Companies that act now to regionalize supply chains, digitalize decisions, and institutionalize governance will emerge not only protected – but positioned to outperform.

This white paper is a call to action. To build resilience not as an afterthought, but as a design principle.

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About Inverto

Inverto is a leading global consultancy specializing in strategic procurement and supply chain management. The consultancy goes beyond pure cost management to deliver business value and a competitive edge for its clients. Inverto transforms procurement and supply chain functions, enabling long-term success by fostering innovation, resilience, and sustainability.

Operating under the umbrella of BCG, Inverto expands BCGs extensive offerings with a comprehensive array of procurement optimization solutions. Inverto currently employs more than 600 experts across three continents. Clients are globally renowned brands from all industries, as well as the world‘s leading private equity firms.

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