GEP CASE STUDY

Global Pharma Giant Mitigates $3B Spend Exposed to Tariffs by Partnering With GEP



A major U.S. pharmaceutical company, facing heightened supply chain risks, rising costs, and exposure to high-tariff suppliers, partnered with GEP to analyze $12 billion in spend, assess vulnerabilities, and develop targeted mitigation strategies. GEP carried out a holistic tariff liability assessment across categories, identified $3 billion in tariff-exposed spend, delivered a risk assessment model, and a dynamic tariff monitoring dashboard. GEP is now developing prioritized mitigation plans along with an implementation roadmap to help the company protect margins and enhance supply chain resilience.

OBJECTIVES

- Analyze $12 billion spend base to quantify tariff exposure and liability across global suppliers
- Identify direct and indirect tariff risks/liabilities across U.S. and global operations for each impacted category
- Build a heat map and scenario-based modeling tool for risk visibility and impact forecasting/monitoring
- Identify tariff impact on the company's P&L
- Develop strategies to mitigate tariff-related impact and an implementation roadmap

APPROACH

- Analyzed $12 billion spend to diagnose tariff exposure (spend impacted) across categories, materials, suppliers and trade lanes
- Mapped global trade flows, identifying high-cost dependencies on China, India, EU and LATAM
- Estimated tariff liability (incremental cost impact) for impacted categories for all materials and suppliers
- Reviewed supplier contracts and pass-through clauses for transparency
- Carried out risk profiling based on tariff liability and criticality to business continuity
- Developed heat maps by regions, categories, suppliers, etc.
- Built a dynamic dashboard to monitor tariff exposure and liability in real time across various scenarios

ONGOING

- Identifying short- and long-term mitigation strategies as per risk profile for categories, materials and suppliers
- Prioritizing mitigation actions using a decision matrix (impact vs. feasibility vs. speed)
- Developing a detailed business case for high-impact mitigation strategies
- Quantifying P&L impact on business units and enterprise
- Building a phased implementation roadmap across short-, mid-, and long-term horizons

RESULTS

- Identified $3 billion, which is ~25% of total spend, in tariff-exposed spend across direct and indirect materials
- Built a dynamic dashboard to update tariff liability in real time
- Developed a risk framework and heat map based on cost and business continuity to prioritize mitigation plans
- Developed communication strategies to initiate negotiations and discussions with prioritized suppliers
- Modeled tariff-exposure scenarios to assess impact on costs and operations
- Evaluating and recommending strategies to reduce/eliminate tariff liability
- Assessing P&L impact and building a business case for each mitigation strategy

NAVIGATING COMPLEXITY IN A SHIFTING TRADE LANDSCAPE

Rising ingredient costs have been an area of concern for pharmaceutical companies. A sudden spike in the cost of a single critical active ingredient can result in significant margin erosion. As global trade tensions flare and tariff threats loom large, a leading U.S. drugmaker decided to take a deeper look at its $12 billion spend.

Its supply chain exposure to high-tariff countries like China, other APAC countries and the EU was high, and many of its suppliers were not being transparent about how tariff costs would be passed through.

Aware of its vulnerability, the Fortune 500 company wanted to assess and manage its tariff risk before it impacted operations or financial performance. The company was also actively considering shifting away from its approved supplier base for all direct materials and select indirect categories.

It partnered with GEP for a comprehensive assessment and mitigation plan.



FROM EXPOSURE DIAGNOSTICS TO RISK MODELING

GEP deployed its tariff assessment framework to build a full diagnostic of tariff exposure across direct and indirect spend.

The team analyzed all landed cost components, including material, freight, tariffs, duties, warehousing and customs fees, at the L3/L4 category and SKU level. To accurately quantify tariff exposure, the team mapped trade flows by material category and business unit and assigned harmonized tariff schedule (HTS) codes to each item. Additionally, the team assessed reliance on key geographies, layered with demand forecasts, in order to estimate true liability.

The evaluation is based on three layers of exposure/liabilities: direct (importer of record), secondary (U.S.-based distributors sourcing globally), and tertiary (cross-border flows impacted by reciprocal tariffs). This detailed lens allowed the team to pinpoint how and where the company was vulnerable — not just to immediate cost hikes, but also to supply disruption and working capital inefficiencies.

Supplier contracts, trade routes and lead times were reviewed and business and cost impact risk for each category and material was evaluated. Due to the fluid nature of tariffs, sensitivity analysis was done to model potential cost fluctuations, following which GEP developed a comprehensive risk heat map highlighting priority areas.

BUILDING THE BUSINESS CASE FOR ACTION

The analysis has revealed tariff vulnerability for nearly a quarter of the pharma giant's material spend — more than $3 billion of a total $12 billion spend.

To deal with the constantly evolving tariff situation, a dynamic dashboard has been developed to help monitor exposure and liability in real time. This gives the decision-makers visibility into where urgent action is needed and what can drive the greatest value.

It does not stop at diagnostics. GEP is translating these findings into mitigation strategies and evaluating each through a decision matrix that weighs feasibility, impact, regulatory complexity and speed to execution. GEP can then recommend the highest-priority, best-suited strategies that will reduce/eliminate tariff liability.

The team is also building business cases for the top five to seven strategies that will address both short- and medium-term needs. Simultaneously, GEP is quantifying the P&L benefits of these action plans by business unit and consolidating the results at the enterprise level.

To guide execution, an implementation roadmap is being developed for all planned actions, from quick wins to mid- and long-term steps.

By combining real-time visibility, strategic evaluation, and actionable strategies, GEP is equipping the pharma giant to minimize tariff impact, boost supply chain resilience and protect margins.

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Built on a foundation of big data, artificial intelligence and machine learning, GEP NEXXE is next-generation software that helps enterprises make supply chain a competitive advantage.

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