Tariffs and the Pets

How CPG Pricing Strategies Affect our Furry Friends

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October 2025

For the better part of a year, U.S. consumers and corporate strategists have been waiting for the tariff shoe to drop. Consumers, so far, have been shielded from drastic price increases – in part by negotiations between consumer products companies and the retailers that sell said products.

Both parties have adjusted assortments and sacrificed a bit on profit margins to avoid raising price at shelf. But industry watchers believe it's only a matter of time before prices have to rise. How can executives navigate this, and what should consumers expect? Big Chalk and its pricing technology partner Northlight Analytics provide some strategies below, using the ~$31 billion pet food and supplies category as an example.

When What Sounds Simple Is Not so Simple

In Economics 101, pricing is easy:

- Raise prices, the amount of a product sold goes down
- Decrease prices, the amount of a product sold goes up

The amount of change in the product volume sold – based on the price changes above – is what determines a product's elasticity. High elasticity means more volume lost or gained with a price change... and in most references this is called "own price" elasticity because it's the result of a manufacturer changing its "own" price. But pricing gets complicated for both manufacturers and retailers when they have to consider where volume goes in the context of a full category of products.

If a manufacturer raises price, and the volume they lose goes directly to their biggest competitor – perhaps the one positioned next to them on the retail shelf – that's bad for the manufacturer. (This is called cross-price elasticity.)

If the manufacturer raises price and the volume goes to another retailer – because shoppers realize the store next door has the same item for less, that's bad for the retailer. (This is called cross-retailer elasticity...)

How manufacturers and retailers navigate these complexities is highly dependent on the competitive strength of their respective brands, and how they navigate them determines what people – or in this case, their pets –can expect.

The good news: Tariffs won't make Duke the Dog or Callie the Cat starve. Based on conversations with Big Chalk clients and data collected from trade associations, only 6-10% of U.S. pet food is imported and subject to tariffs. Americans spent $25.4 billion on pet food in 2024 (per NIQ's xAOC database), which means between $1.5 billion and $2.5 billion may be at tariff risk.

Calculating the effective tariff rate on this risk is hard – as the national origin of the food or its key ingredients subject to tariff is difficult to source, but if we assume a blanket 10% (expecting that both retailers and manufacturers will eat at least *some* of the tariff effect), pet-owning Americans can expect to pay an additional $200 million for their kibble – roughly $2.34 per pet-owning household in the U.S. All-in, not a weight-loss-inducing number for our furry friends.

But how much product volume might manufacturers lose? Big Chalk estimates an elasticity of -1.22 on the U.S. pet category, which means a 10% raise in price will cost manufacturers roughly 12% in lost product volume on the products subject to tariffs. Given the small portion of imported goods, not a large price to pay – but it should be noted that cross-elasticities on those goods will be prevalent. Volume loss will gravitate to direct competitors (and probably those not subject to tariff and thus insulated from price increases).

While Duke and Callie may not go hungry, they may find themselves awfully bored… Unlike the minimal 6-10% of pet food exposed to tariff risk, Big Chalk estimates the pet toys and treats market is between 80-90% import-based – and the primary country of origin is China. This means of the $5.9 billion Americans spent on pet toys and treats in 2024, about $5.1 billion will be subject to tariff – and while the exact tariff rate on China has changed multiple times since the Trump administration's first announcement, the "best guess" rate as of this writing is about 35%. Assuming the above averages hold, U.S. consumers will spend an extra $20.35 per year on pet toys and treats – *if* they continue to buy.

That's a big if. The outlook for toys and treats manufacturers is less optimistic, based on our blended elasticities. We expect a 31% product volume loss for pet toys and treats that are subject to tariffs – which, again, is most of the category.

There's a key difference in dynamic between pet food and pet toys and treats however – while with food, imported goods will be highly subject to cross-price elasticity and consumers will have many non-tariff choices to choose from, with toys and treats nearly every manufacturer will be forced to take price. The winning manufacturers will be the ones that manage their pricing strategy best, but the loser will likely be the category overall… as consumers shy away from the shelf, and Duke the Dog and Callie the Cat go toyless in 2026.

For executives in similar categories faced with similar questions, Big Chalk offers a few simple tips to navigate pricing uncertainty:

- Every category is different, and every brand within each category is unique – sometimes every SKU. Build your price elasticity models at the SKU level to understand cross-price elasticities and price ladders. (Sometimes your biggest competitive threat comes within your own line of products.)
- Every retailer is different. Elasticities in one retailer seldom carry over to another. Even the influence of own-price elasticity versus cross-price elasticity differs notably. See Table 1 below, which shows examples of own-price and cross-price differences for key categories in key retailers.
- Trust the folks who have built SKU-level, retailer-level elasticity models many times over. Pricing is complex, but it's no longer time-consuming or expensive to build elasticities and a strong go-to-market plan.

Table 1: Percentage of Time Own-Price Elasticities Are More Influential than Cross-Price Elasticities, Key CPG Categories, 2024

Category	Publix	Target	Walmart
Dry Cat Food	70%	50%	60%
Laundry Detergent	67%	25%	29%
RTE Cereals	44%	40%	70%
Salad Dressing	38%	50%	33%

Source: Big Chalk Analytics and Northlight Analytics, amalgamated price elasticity studies, 2024-2025

About Big Chalk

Big Chalk is a marketing analytics company based in Chicago, IL. We provide brands in CPG, general retail, quick serve restaurants, and other consumer-facing categories insights, data, and outsourced staff to help them grow their businesses. www.bigchalk.co

About Norhtlight Analytics

Northlight Gazelle is the next generation in AI-powered SaaS price optimization. It provides models for consumer packaged goods and adjacent industries in a matter of minutes delivering a full set of consumer insights related to pricing and promotion.
www.northlightanalytics.com