

# Publications

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## Shelf Space: How CPG Founders Can Use Termination Clauses to Stay Flexible

*A founder-focused look at how to negotiate termination clauses and build flexible contract terms in CPG vendor and service agreements.*

In the fast-moving world of consumer-packaged goods (CPG), founders make big bets early. CPG founders are fueled by a desire to see into the future, and to set everything in motion to get there as quickly and efficiently as possible.

That urgency fuels decisions — so, founders sign contracts. Manufacturing agreements. Distribution deals. Marketing retainers. These founder agreements are currency, access, opportunity. In many ways, they feel like the “answer.”

But in consumer goods, where market conditions and vendor performance can shift quickly, what once felt strategic can start to feel suffocating. Needs change. Vendors change. And performance fails to meet expectations. In fact, according to a recent survey by KPMG, the consumer goods sector is leading the way in renegotiating supplier contracts, with 77% of respondents doing so in response to shifting tariffs — well above the cross-industry survey average of 51%. It’s no surprise then that many a founder’s closet is wallpapered with burdensome, disappointing and inescapable vendor contracts with limited flexibility.

For sure, contract term length is a pill CPG founders will have to swallow from time to time (if not all the time). But in the rush to scale, the long-term risks of rigid contract structures often go overlooked. Many founders don’t think about termination-for-convenience clauses or exit options until they’ve already signed. The question becomes: when should I push back on contract length, and how can I negotiate vendor terms that give my company room to adapt?

We caution founders, before signing an agreement, to ask themselves a few questions.

### **Three Questions CPG Founders Should Ask Before Signing a Vendor Contract**

These questions can help you evaluate whether a vendor agreement is built for flexibility

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or likely to box you in:

1. How long will it take to evaluate vendor performance?
2. How much leverage does my vendor have in negotiating terms?
3. What will it mean if I can't get out of this agreement?

## How to Use Termination Clauses Strategically in CPG Agreements

Leaving aside whether a termination-for-convenience clause is mutual (as it often is), if a vendor's proposed value proposition should be proven quickly, then asking for a termination-for-convenience provision soon after an effective date is reasonable and smart. The vendor knows you won't leave if they're performing or try to use the termination right to renegotiate. So they're motivated. And if they don't perform, you can quickly undo a mistake and avoid a longer-term commitment.

Of course, if the vendor is one-of-a-kind (shoutout to many of our service side clients!), then they may have the leverage to require a longer commitment. If, on the other hand, they're one of many performing a commoditized service, they should be comfortable earning your continued business over time — with many more months of fees.

## Why Contract Flexibility Matters for CPG Founders

Why is this worth considering? Because being stuck in a contract is never fun. Less fun if it's expensive. Even less if there's some exclusivity.

There are always other factors, but before entering into a new agreement, a CPG founder can weigh these questions and decide whether they're in a strong enough position to push for flexibility.

And of course, if this feels a bit too ethereal, nebulous or otherwise in the clouds, you can always find a time on **Shelf Space** to pick our brains — a relationship with no minimum term!