

2025 Guide to Tariff Pricing

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What to Expect from Incoming Tariffs

	Trend	Why	Examples
1	Tariffs will Stay in Place	Tariffs often outlast disputes, becoming entrenched in trade policy.	<ul style="list-style-type: none"> • 1964 Light Trucks: US tariffs on European imported light trucks are still intact today • 1971 Synthetic Textiles: US tariffs on Japanese synthetic textiles remained for decades • 2018 Steel: US tariffs on Chinese steel remain today
2	Companies not Impacted by Tariffs will Match Price Increases with Tariff Impacted Companies	Tariffs reset consumer expectations around price thresholds as market wide price increases are passed.	<ul style="list-style-type: none"> • 2002 Steel: Unaffected US automakers raised vehicle price, even though supply chains weren't affected • 2018 Washing Machines: Unaffected US appliance manufacturers increased prices in line with foreign competition affected by tariffs • 2020 European Spirits: Unaffected American liquor brands also increased their price
3	Tariff Impacted Companies will Diversify by Seeking New Markets / Clients	Affected companies seek to expand in alternative markets to reduce dependence and offset sales loss.	<ul style="list-style-type: none"> • 1982 Lumber War (US / Canada): Canadian softwood lumber companies increased softwood lumber exports to China, Japan, and Europe • 2018 Chinese Imports: Chinese manufacturers increased exports to LATAM and Africa • 2020 European Spirits: European Spirit producers increased sales to Asia
4	Companies will Adjust Production Footprint and Supply Chains to Avoid Tariffs	Companies mitigate cost increases by relocating production or diversifying sourcing.	<ul style="list-style-type: none"> • 1981 Japanese Auto: Toyota, Honda, and Nissan built US factories • 2018 Chinese Electronics: Apple increased iPhone production in India and announced investment into a US new chip facility • 2019 European Aviation Parts: Airbus expanded production in Alabama
5	Tariffs will Fuel Innovation to Drive Cost Reduction	Tariffs drive innovation as companies explore new manufacturing techniques and use of alternative materials.	<ul style="list-style-type: none"> • 1987 Japanese Semiconductors: Led to US's creation of SEMATECH, a research and development consortium to advance chip manufacturing • 2012 Chinese Solar Panels: US firms accelerated research and investment in thin-film solar panels, which were not subjected to tariffs • 2018 Steel: US Aerospace companies invested in steel alternatives and aluminum composites – improving fuel efficiency

Actions to Take in a Tariff Environment

1



Build price into core product or service

- *Customers will have minimal pushback to increases*
- *Transparency to customers and markets*

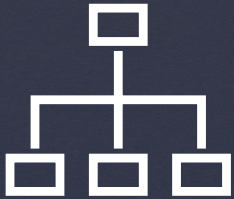
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Maintain your competitive price position

- *Competitors impacted by tariffs will take price*
- *Take price even if not affected by tariffs*

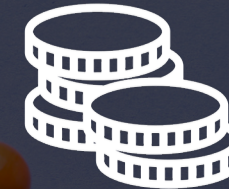
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Ensure new markets are priced correctly

- *Understand new market customer needs, willingness to pay and competitive dynamics*
- *Plan for incumbent competitors anticipated response*

4



Do not pass back cost savings to customers

- *Customer expectations around market pricing will be reset*
- *Capitalize on operational efficiencies driven by innovation and manufacturing footprint adjustments, thus increasing margins*

Preparing for Tariffs: What You Should be Doing Now

Follow this process to maximize profit opportunities associated with incoming tariffs

- 1 **Internal Financial Modelling**
 - Understand cost impact of new tariffs at a granular level (by SKU, brand, region, channel, etc.)
- 2 **Competitive Analysis**
 - Determine competitor impact and anticipate how they are likely to respond to new tariffs
- 3 **Customer Deep-Dive**
 - Understand customer willingness to pay and forecast how they are likely to adjust spending across each area of the portfolio
- 4 **Strategy Development**
 - Leverage insights from steps 1 to 3 to develop likely market adjustment scenarios
 - Design a market-based pricing strategy
- 5 **Customer Planning and Forecasting**
 - Develop granular pricing recommendations by SKU / customer
 - Compile corporate and customer level financial forecasts
- 6 **Execute and Monitor**
 - Develop sell stories and negotiation guidelines to enable sales team
 - Monitor the market closely (i.e., KPIs – share, velocity, etc.) and adjust as necessary

Remember Core Revenue Growth Management Pillars Throughout the Process



Mix Management



Customer Segmentation



Discounts and Promotions



Cross-Selling / Upselling



Loyalty Programs



Value-Based Pricing

About the Authors

Avy Punwasee, Partner

apunwasee@revenueml.com

Revenue Management Labs

Michael Stanisz, Partner

mstanisz@revenueml.com

Revenue Management Labs



revenueml.com