

Tackling Tariffs: Pricing Strategies and Best Practices for Retailers

New tariffs and changing trade policies have many retailers feeling uncertain of what the impacts will be and how to best adapt their pricing strategies to mitigate negative outcomes.

This guide provides some strategy considerations and best practices to help you strengthen your approach to the coming cost changes and limit the impacts to your business.

In many scenarios, the strategies you have been leveraging to mitigate inflation will apply to managing tariffs. First, let's look at a common use case.

Say one of your Key Value Items (KVI) has a major cost increase because of taxes or tariffs. Here's how we would recommend approaching this situation:

- First assess if your competition has passed cost increases on to the consumer. If not, look for other items where you can adjust pricing to preserve margins, allowing you to stay competitively priced on the KVI while potentially exploring cheaper sourcing.
- However, if the market goes up on this item because your competition also has the same problem, now is the time to reevaluate your strategy. Do you move up with the market or stay lower for price image and make up the margin loss on other items? Keep in mind, your approach may be different for different markets.
- If you choose to increase your prices along with competitors, leverage data-driven forecasts to predict how consumers will react to shifts in the market and make decisions accordingly.

Of course, this is a simplified use case and doesn't cover every challenge you may come across with the new tariffs. The list of considerations and best practices below is a great starting point to prepare for any resulting cost changes or market shifts.

Here are some key strategies and tips for determining options and creating new opportunities:

Consider your Data Structure. Make sure data is structured in a way that allows for quick identification of products by country of origin. This will help you analyze your exposure to risk. One good approach is to create data categories that indicate high and low tariff risk, and then create strategies for multiple contingencies, such as conservative, aggressive, and middle-of-the-road pricing responses.

Follow Pricing Best Practices. Scenario planning tools are immensely helpful in these kinds of situations for evaluating the impact of pending tariffs across your portfolio. You can also use optimization to ensure that price increases are applied based on consumer demand and elasticities across items and zones, rather than a 'one-size-fits-all' price increase. And as cost increases may be significant, it may be time to reevaluate key pricing rules, thresholds, and guidelines.

Negotiate with Suppliers. If and when your suppliers pass on cost increases, use AI to model how higher price points may affect sales. Armed with this visibility, you can determine whether you can drive more sales if you negotiate a smaller increase to pass on to the consumer.

Expand Private Label. Consider creating new private label opportunities, especially if a national brand raises costs by 20% or 25%. Even if the price gap is lower, moving customers to private labels gives you more control over margins.

Rethink Everyday Promotions. Focus on highly elastic products that consumers love to drive traffic to stores. Eliminate ineffective promotions to lower operational costs and free up funds to invest in your everyday price position.

Slow Roll Markdowns. Instead of doing the usual markdown approach on long life products, do nothing. Since you will have purchased the product some time ago, it is already a good deal compared with the market price increases that will be coming.

Use Conversational Analytics. As GenAI becomes heavily integrated into pricing solutions, it is now possible to ask questions of your data to get answers faster, like: Which items come from China? Which competitors have followed me the most on price in the past six months on this item?

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Uncertainty is one area where data-driven price optimization platforms like Revionics provide a leg up against the competition. For over two decades, our solutions have proven to be effective in supporting retailers during times of tariffs, inflation and commodity cost swings.

If your organization needs an industry-leading AI price optimization solution to help guide you through the coming uncertainty, [reach out to speak to our pricing experts today.](#)

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Leading retailers around the globe trust Revionics to guide them on the lifecycle price optimization journey. Backed by best-in-retail AI and unmatched expertise, our powerful solutions for Base Price, Promotions and Markdown deliver sustained value for our clients year after year.

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