Time *for* Tariffs

What they could mean
for businesses *and* consumers

Martha Gimbel

Ernie Tedeschi

Executive Summary

About the Time for Tariffs report

NIQ's new report provides retailers and manufacturers with guidance on how higher tariffs may affect them and strategies to stay competitive in 2025 and beyond. In collaboration with esteemed Yale economists Martha Gimbel and Ernie Tedeschi, we explore the potential impacts of new tariffs on goods, business strategy, and consumer behavior, specifically addressing the following questions:

- What could potentially influence tariff policy?
- Which product categories will be affected?
- How can business leaders hedge their bets?
- Who is positioned to succeed in the face of new tariffs?
- What are the potential business implications of new tariff policies?

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Key insights

Tariff preparation and response

- One of the most anticipated policy changes of the new U.S. presidential administration has arrived: the implementation of new tariffs.
- While market signals may play a role in how these new policies are ultimately shaped, the strong executive branch authority over tariffs means that any new proposals could be implemented as is.
- Businesses have been preparing for significant shifts in trade dynamics, global costs, and procurement strategies—and this has only intensified.

Consumer reaction to new tariffs

- Historically, businesses have passed on tariff-related price increases to consumers. Mitigating these increases could pose a challenge: Consumers may react to higher costs by consuming less, switching to lower-priced items, or some combination of the two.

Potential retailer and brand adjustments

- Retailers may have to contend with higher wholesale prices and will need to balance price increases with consumers' appetite for higher costs. Some retailers may consider absorbing higher wholesale prices if consumers balk at increases.
- Manufacturers may also face a variety of challenges and opportunities. Those directly affected by tariffs will need to strike a delicate balance in managing price increases, whereas those who are not may have the opportunity to steal market share or increase prices themselves.

Learning from past supply and price disruptions

- The data suggests that those who are selling "nice to haves" in the same category of a tariffed good that is a "need to have" may see sales of their goods go down—even if they themselves are not tariffed.

The path forward

Our report concludes with a series of actionable steps retailers and brands can take to prepare for the effect of tariffs:

- **Determine capacity for price absorption:** If your business is affected by tariffs, determine which costs your organization can feasibly absorb.
- **Ensure promotional structures are on point:** If price adjustments are necessary, then effective promotions can go a long way in easing consumer pressures and driving brand loyalty.
- **Deliver the right brand, right pack, right price:** Our studies have found that manufacturers who make both direct and indirect pricing changes can have **8%** better revenue performance than price increases alone.
- **Recalibrate your value proposition and brand messaging:** Revisit your value proposition through the lens of both conscious and non-conscious drivers—and ensure your brand messaging provides the context consumers need to choose *you*.
- **Identify and fulfill emerging consumer needs through innovation and renovation:** Companies that grow innovation sales are two times more likely to grow their overall sales—meaning that continued innovation and renovation can be critical levers for gaining market share.