TARIFFS, TRADE, AND TRANSFORMATION:
STRATEGIES FOR THE C-SUITE

How today's trade policies shape tomorrow's opportunities—and what leaders can do to stay ahead.

AArete

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Executive Brief

As global trade policy enters a new phase of volatility, the strategic implications of tariff shifts are once again front and center for C-suite leaders. Recent developments—including proposed broad-spectrum automotive tariffs—signal a return to aggressive protectionist measures that could impact everything from procurement strategy to supply chain resilience. This e-book explores how business leaders can navigate tariff uncertainty with a forward-looking approach, leveraging data, diversification, and scenario planning to stay agile in an evolving global landscape.

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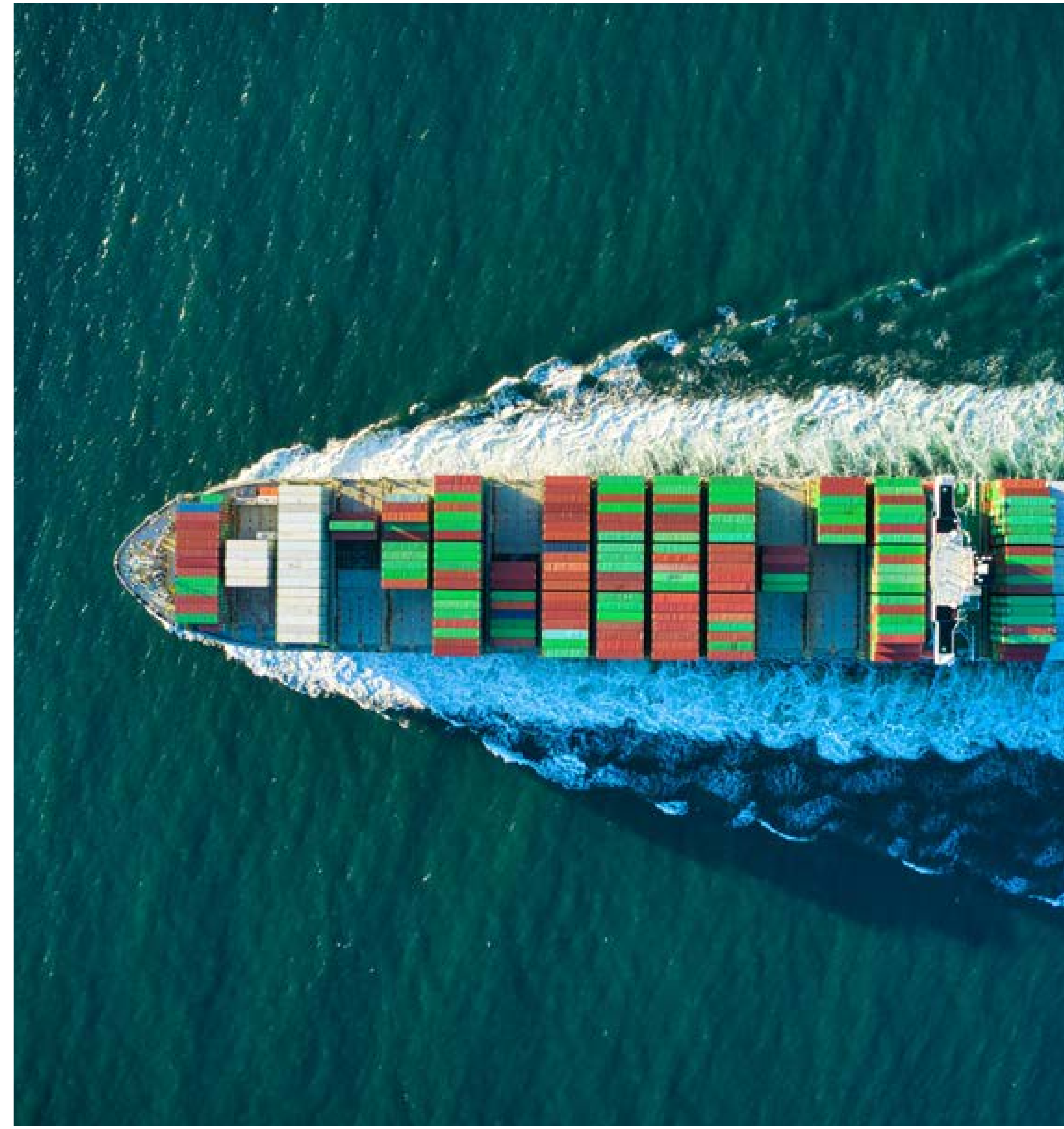

Tackling Tariffs in 2025 and Beyond

Imagine waking up to find that life just became 25% more expensive overnight. That time has come. Now what? Are your suppliers scrambling or your margins shrinking, leaving you with challenging decisions; or were you prepared? Regardless, it's not business as usual and change is imminent. Do you plan on passing the cost onto customers, absorbing the hit, or finding a more strategic way to pivot? Tariffs did not come unexpected and have parallels to disruptions of the past. Organizations that are proactive in strategic planning, supplier negotiations, and creative cost management will come out ahead.

Tariffs may be unavoidable, but they don't have to be devastating. Here are the top strategies companies can implement to offset these costs and stay competitive:

1. ALTERNATIVE SOURCING: DIVERSIFY YOUR SUPPLY CHAIN

A single-source supply chain is a liability in today's volatile trade environment. Businesses are taking proactive steps to shift production to lower cost of trade countries such as Vietnam, Thailand, or Cambodia. All cost-effective alternatives to China. Organizations should have already engaged multiple suppliers across different countries to avoid over-reliance on one market. Companies that prepared for trade instability years ago are already reaping the benefits of diversified supply chains, reducing both costs and geopolitical risk.

2. BALANCE COSTS: SHARE THE TARIFF COSTS WITH MANUFACTURERS

Many businesses assume that when tariffs hit, they must absorb the full impact—but negotiating with suppliers can be a game-changer. Three different ways to approach this include:

• Renegotiating contracts to share the burden of tariff increases between buyers and manufacturers.
• Exploring joint investments in production shifts, where suppliers and buyers work together to move manufacturing to lower-cost locations.
• Leveraging long-term partnerships for better pricing and supplier concessions in exchange for contract stability.

Companies that treat suppliers as strategic partners rather than just vendors are finding ways to distribute costs more equitably.

3. GO BEYOND TARIFFS: TAKE A HOLISTIC VENDOR COST REDUCTION APPROACH

Instead of focusing solely on tariff-affected goods, there is an opportunity to assess company-wide cost reductions offsetting the impact. Considerable strategies include:

• Consolidating purchases to gain volume discounts across a broader range of products.
• Reevaluating total supplier spend to improve your contract structures.
• Investing in automation and technology to drive efficiency and reduce operational costs.

By taking a holistic view of cost reduction, companies can maintain profitability without simply passing tariff costs to customers, aiding customer retention.

4. TARIFF ENGINEERING: OPTIMIZE PRODUCT CLASSIFICATION

A lesser known, analysis intensive but powerful strategy, tariff engineering involves legally adapting a product's design, materials, or assembly process to reduce tariff exposure. This can be done by:

• Modifying components and altering product classifications to qualify for lower tariff brackets
• Changing packaging and labeling to meet the criteria of a lower-duty product category.
• Splitting shipments or modifying assembly locations to take advantage of more favorable trade regulations.

It's important for supply chain teams to work closely with customs experts to effectively meet regulatory compliance while minimizing tariff costs. This is one that may change daily as tariffs expand or shrink to more targeted product lines.

5. MEET MARKET NEEDS: ADJUST PRICING MODELS OR EXPLORE NEW MARKETS

For some businesses, adjusting pricing models can help absorb tariff costs without shocking customers. Minimize customer pushback through slow or gradual price increases. Evaluate bundling products together or explore new markets. There is an uncertainty on the global economy and organizations need to develop different scenarios to understand the price sensitivity of their customer and the potential impact to their business.

> *Organizations that are proactive in strategic planning, supplier negotiations, and creative cost management will come out ahead.*

NAVIGATE TARIFFS WITH TARGETED SCENARIO PLANNING; DO NOT PANIC

The latest round of tariffs are a new, but not an unexpected challenge. Companies that plan strategically can outmaneuver rising costs while maintaining competitiveness. Disruption creates another level to create a competitive advantage from your competitors. By leveraging alternative sourcing, supplier negotiations, holistic cost reductions, tariff engineering, and pricing strategies, businesses can minimize financial strain and strengthen their supply chains for the future. In times of uncertainty, those who adapt quickly and think creatively will emerge stronger than before.

Bracing for the Unknown: How Scenario Planning Keeps You Ready

Tariff disruptions are reshaping the way organizations approach decision-making – forcing scenario planning and agility to the forefront. While organizations have long braced for trade tensions, the latest shifts demand more than just preparation; they require swift, strategic action. We've seen rapid responses, from alternative sourcing to offsetting costs with manufacturers. But are these decisions data-driven? To stay ahead, organizations must not only leverage and enrich their data but also act on real-time insights. Traditionally, scenario planning unfolded over months or even years – but in today's landscape, data-driven agility isn't just an advantage, it's a necessity.

ENABLING DATA-DRIVEN AGILITY THROUGH SCENARIO PLANNING

To navigate tariff uncertainty effectively, organizations must move beyond reactive decision-making and embrace a proactive, data-informed approach. By leveraging real-time insights and strategic scenario planning, businesses can pivot with confidence and minimize disruption. Here are key considerations to enable agility and empower your organization in an unpredictable trade environment:

1. OPTIMIZE DATA VISIBILITY

Start with the simple, yet critical question: do we have full visibility into our data and the right tools to turn it into actionable insights – fast? While large organizations have the luxury of investing in high-powered, costly solutions, that may not ring true for organizations that are smaller or mid-sized. Effective data visibility doesn't have to come with a hefty price tag. Using practical tech solutions, such as AArete's Doczy.ai™, to extract and structure data quickly, and AArete's SpendSphere™, for data enrichment and cost savings visibility, organizations can access and apply data in real-time, enabling targeted, strategic decision-making.

2. UNDERSTAND THE TOTAL SCALE OF IMPACT

Do you truly understand the full extent of how tariff's may impact your business? While the direct effects on manufactured goods are clear, the ripple effects through your supply chain may not be. Do you know where your vendors source their materials or where they manufacture their products? Indirect spend areas present both opportunities and risks – especially if your vendors raise prices by 10% or more+, offsetting any cost controls you've put in place. A comprehensive impact analysis ensures you're prepared for these hidden disruptions before they affect your bottom line that will drastically impact your business.

3. MANAGE RISK

Elevated risk concerns are at an all-time high. Leading companies don't wait for a crisis; they prepare for it. Scenario planning is a powerful risk mitigation tool, enabling organizations to anticipate disruption and develop proactive response strategies. By identifying vulnerabilities and modeling potential outcomes in advance, businesses can turn uncertainty into opportunity.

4. MASTERING THE "WHAT IF" SCENARIOS

The ability to model different tariff rates, country-specific trade restrictions, supplier shutdowns, and shifts in logistics costs is crucial to understanding both financial and operational impacts. A strong "What If" approach requires more than just predictive capabilities – it demands a broad-based view of potential ripple effects and the agility to act swiftly. Organizations that invest in dynamic scenario modeling will be better positioned to navigate uncertainty with confidence.

The businesses best equipped to navigate tariff challenges are those that invest in data-driven scenario planning and agile supply chains. By staying proactive and making strategic pivots, organizations can protect profitability while minimizing disruptions. The message is clear: agility, foresight, and smart data utilization will set industry leaders apart in an era of trade uncertainty. Now is the time to ensure full visibility into your data – because the ability to adapt starts with knowing where you stand.

Lessons from COVID-19: How Supply Chains Can Withstand the Next Trade Shock

The word of the week: tariff. Throughout election season and into the new administration, tariffs have been a hot topic. Now that they are here, the big question is – how are companies responding?

The good news: this isn't a surprise. Retailers, manufacturers, consumer product companies, and other businesses have been preparing for the impact ever since Trump announced his intent to run in the 2024 presidential election.

Just a few years ago, the COVID-19 pandemic upended global supply chains, triggering rapid and often reactionary responses. While tariffs represent the latest challenge in an ongoing strain on supply chains, they raise an important question: Will businesses manage these disruptions the same way they did during the pandemic or are there key differences?

Unlike Covid-19, which blindsided the world, tariffs are something businesses have had time to anticipate. Both events significantly impact the flow of goods and the broader economy, but the strategies for navigating them look very different. Let's explore what businesses have learned and how they're adapting this time around.

GLOBAL SUPPLY CHAIN STRESS TEST, PART 2

The Covid-19 pandemic exposed vulnerabilities across global supply chains, with travel restrictions, factory shutdowns, and labor shortages causing widespread disruption. As economies rebounded, rising ocean freight and transportation costs compounded the challenges. Now, tariffs present a new – but anticipated – stress test. While different from a global health crisis, tariffs are once again putting pressure on supply chains. The good news? Businesses have had time to prepare, and recent disruptions have strengthened supply chain resilience.

HOW TARIFFS ARE STRESSING SUPPLY CHAINS

Unlike pandemic-related disruptions, tariffs are policy-driven measures designed to protect domestic industries. However, they also disrupt global trade by increasing the cost of doing business – particularly with China, Canada, and Mexico. Affected products face price hikes and supply chain challenges, but many organizations have been proactive in mitigating these risks through strategic planning.

5 key strategies businesses are using to adapt:

1. ALTERNATIVE SOURCING

The simple solution continues to be diversifying your supply chain through alternative sourcing strategies. Organizations are constantly reviewing this due to changing costs in labor and the maturity of considerable alternative countries to support manufacturing needs and product development. A shift away from China to Vietnam or Cambodia has already begun and is expected to accelerate as trade costs with China rise.

2. STRENGTHENING SUPPLY CHAIN RESILIENCE

The pandemic taught us how to quickly pivot, evaluate alternative suppliers, and adjust to economic fluctuations. These lessons in agility and resilience are now being applied to navigate tariffs to sustain stable supply chains despite policy changes.

3. SMART INVENTORY MANAGEMENT

Unlike during the pandemic – when companies resorted to stockpiling – many businesses have found that forward-buying inventory hasn't been a necessary response to tariffs. Instead, organizations with strong inventory management strategies are optimizing their stock levels and balancing inventory costs without over-committing working capital.

4. SHARING THE COSTS

Global manufacturers are equally affected by tariffs. The most common response is to go elsewhere but collaboration is key. To avoid friction and the need to onset new relationships, many companies are negotiating shared cost structures with their existing suppliers, ensuring no single party bears the full financial burden while maintaining strong supplier relations.

5. CUTTING COSTS ELSEWHERE

When cost increases are unavoidable, businesses are looking inward to identify other areas for savings. By reassessing margins, optimizing third-party vendor contracts, and streamlining operations, companies are offsetting tariff-related expenses while maintaining profitability.

THE MARKET OUTLOOK

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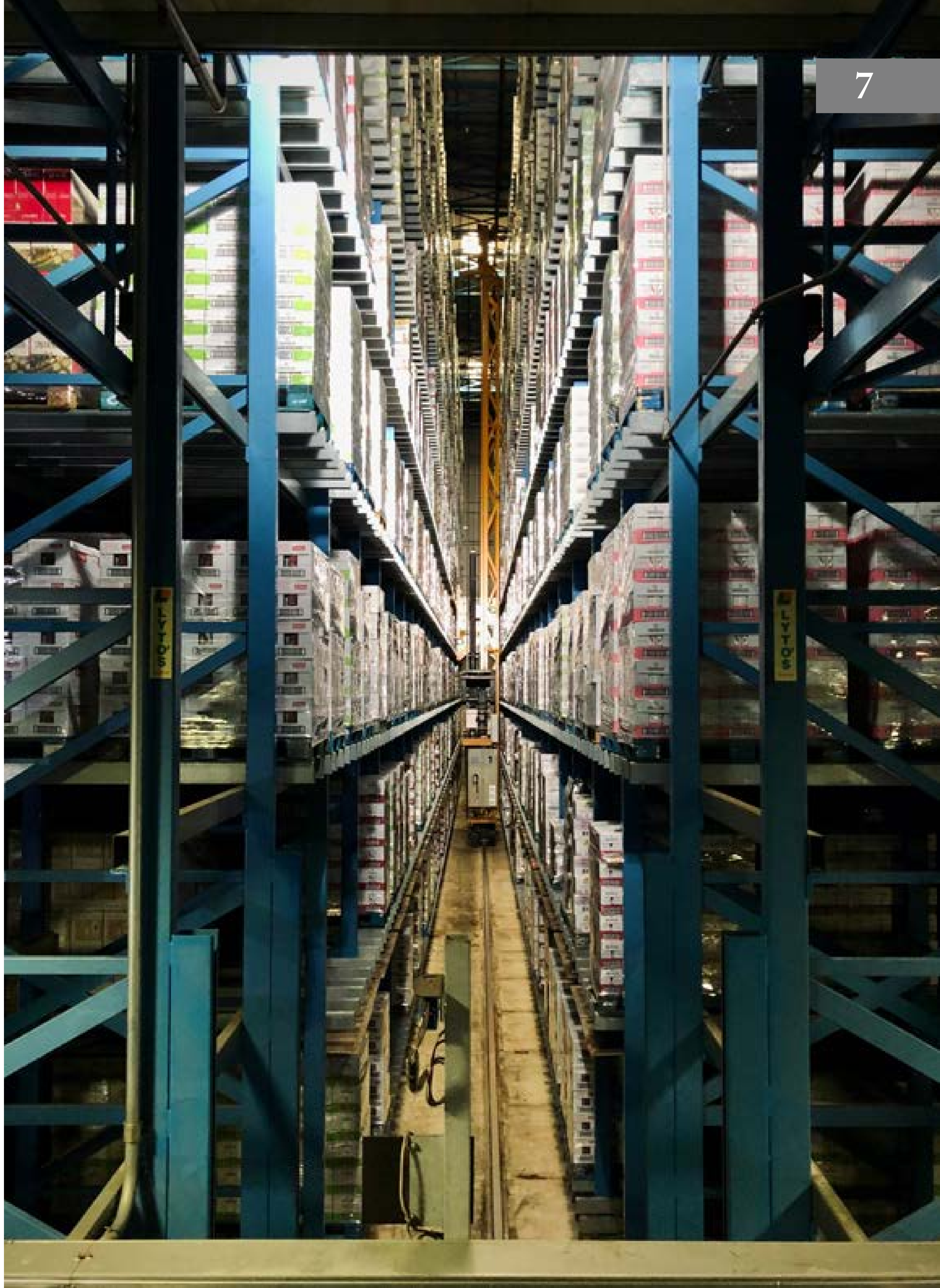
PREPARED FOR TODAY– BUT WHAT ABOUT TOMORROW?

Supply chains are facing disruption once again, but this time, businesses are prepared. Past experiences have provided valuable lessons in resilience and adaptability. However, true preparedness goes beyond responding to the current challenge – it requires anticipating and planning for whatever comes next.



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Tyler is the leader of AArete's Strategic Cost Reduction practice leading transformational expense focused projects across Healthcare, Financial Services, Higher Education, Retail, Consumer Products, Transportation, and Energy sectors. Tyler has experience driving strategic profitability improvements totaling over $1B+. With more than 15+ years of experience in value creation transformation initiatives, he has developed and executed innovative solutions focused on automation, process enhancements, and comprehensive strategic programs.

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