

Tariffs, pricing, and power

How leaders stay ahead in
a fragmented market

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The leadership test: Pricing under pressure

Tariffs are once again dominating the global agenda, but their impact extends far beyond policy headlines and diplomatic soundbites. From the C-suite to pricing desks, they are reshaping how businesses think about competitiveness, value, and margin control. Yet while the focus often falls on supply chain responses or trade compliance, a more fundamental commercial reality is emerging:

In a tariff-disrupted world, pricing is the decisive variable.

This guide is not about trade policy or generic cost cutting. It's a strategic primer for CEOs and commercial leaders navigating the complexities of the new tariff era – one where uncertainty is structural, not cyclical, and where clarity in pricing can define the next era of growth.

For commercial leaders, the question isn't just "Are we reacting quickly?" but rather "Are we leading strategically?". We outline seven critical questions that will help you expose hidden risks, unlock pricing power, and build greater resilience, ensuring your strategy is not just reactive, but a driver of commercial advantage.

Are you in control of your pricing right now?

If so, you're in a select group. Most are reacting, few have clarity – and even fewer are asking the commercial questions that turn pricing from a risk into a lever for growth and protection.

Tariffs aren't inflation. They hit selectively, disruptively, and often without warning. That means the instinct to respond quickly with broad price adjustments is tempting – but can be costly.

Leadership teams don't need to micromanage pricing. But you do need to lead the right conversation: Where do we have pricing power? Where are we exposed? How fast can we adapt without losing control?

Read on to explore the questions every commercial leader should be asking – not to manage pricing, but to lead through it.

Question 1

Do we know our pricing power?

As a business leader, this is the first and most urgent question you should be asking because everything else, from cost responses, to margin recovery, to customer communication, depends on the answer.

Pricing power is not a conceptual tool. It's a real-world test. When costs shift suddenly, as they do under tariffs, someone has to absorb the shock. Either the company, the customer, or the supplier. And pricing power is what determines who.

Imagine two companies operating in the same category, both hit with a new tariff on a core input.

Company A raises prices immediately, expecting volume to hold. But within weeks, orders fall sharply as price-sensitive segments defect. Panic sets in.

Company B, by contrast, doesn't move right away – not because of indecision, but because it **knows exactly where it has pricing power**. It adjusts selectively: raising prices in one product category, holding in another, and using promotional mechanics to absorb risk elsewhere.

Six months later, Company A is renegotiating contracts to recover lost volume. Company B is reporting stable margins and gaining share.

**The difference wasn't the cost structure.
It was clarity about pricing power.**

Why this question matters: For CEOs, pricing power is more than a tactical lever – it's a signal of strategic strength. Knowing where you have pricing power lets you shape the market, reset benchmarks, and lead with confidence while others react.

Tariffs don't hit everyone the same way. Depending on your supply chain structure, product mix, markets you serve, and competitive positioning, you may be disproportionately affected, or unexpectedly advantaged. Some businesses are discovering that they can pass through costs with little resistance. Others are finding out, often too late, that even modest price movements result in sharp volume declines. And many don't know where they stand because they've never had to test it.

In a tariff environment, knowing your pricing power is not optional. It's the foundation for every pricing decision that follows.

What pricing power really means: There's a tendency to define pricing power as the ability to raise prices without losing volume. That definition is now incomplete, and dangerous in its simplicity.

In today's market, pricing power is the ability to adapt with precision:

- To adjust pricing differentially across regions, segments, and product lines
- To do so with confidence, backed by data on customer sensitivity
- And to act at speed, without waiting for perfect cost clarity

Pricing power is not a blanket permission to charge more. It is the ability to surgically extract value from the market based on real-time intelligence and disciplined execution. And it doesn't exist uniformly. It exists at the product level, the customer level, the channel level. You may have pricing power in one category and none in another.

Under normal circumstances, pricing teams should be able to answer the pricing power question. They should have models that measure elasticity, track volume response, and map value perception by segment. They should know, with confidence, where the company can move prices, and where it cannot. But pricing power isn't proven in spreadsheets. It's proven in market reality.

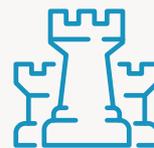
And that's where many pricing organizations will fall short. They've built tools for stable conditions, not for volatility. Old elasticity models won't hold and pricing power needs to be remeasured based on today's asymmetric conditions.

The CEO's role

This question isn't about auditing tactics. It's about ensuring pricing is anchored in reality. Ask your team:

- Where do we have pricing power, and how do we know?
- Where are we vulnerable, and how are we mitigating?
- Are our assumptions based on data, or habit?

If your team can't answer confidently, **you don't have a pricing strategy. You have a risk.**



Question 2

What pricing playbooks are we using?

In moments of disruption, most companies fall back on familiar tools. Some pricing teams might already have dusted off the old inflation playbook: the models, levers, and responses served them well when costs rose broadly and steadily.

But here's the reality: Tariffs are not inflation. And applying the same playbook can do more harm than good.

Inflation builds gradually. Tariffs land overnight. Inflation is economy wide. Tariffs are political, product-specific, and asymmetrical. Inflation affects nearly all inputs at once, often with forewarning. Tariffs, by contrast, strike certain categories, sectors, or trading relationships without warning – sometimes even while goods are in transit.

Inflation allowed companies time to build consensus, stage pricing actions, and align with market norms. Tariffs offer none of that runway. They create sharp cost imbalances between competitors, triggering shifts in share, margins, and customer behavior in real time.

Inflation-era pricing tools tend to assume uniformity: that everyone in the market is experiencing similar cost pressures, and that price increases can be rolled out in waves with relative predictability.

But tariffs create a **fragmented reality**.

- One product line may face sharp input cost increases, while another becomes more competitive overnight.
- Some product lines may even experience deflation, for instance, if surplus supply from tariffed regions like China is rerouted to un-tariffed markets, creating local oversupply and driving prices down.
- One market may absorb price changes easily; another may trigger instant defection to lower-cost alternatives.
- In some cases, the pressure isn't on raising prices – it's on protecting share or even lowering prices to reflect new cost advantages.

Take a European retailer with a footprint limited to the EU. On paper, a wave of US-imposed tariffs shouldn't affect them at all. But behind the scenes, their product sourcing is heavily reliant on Chinese manufacturers – the same manufacturers now impacted by those US tariffs. Supply is redirected to Europe. Prices from producers inch upward.

At the same time, Chinese direct-to-consumer players, facing US barriers, double down on EU markets with aggressive online pricing.

Suddenly, the retailer's pricing playbook, built for stable sourcing and predictable competition, is obsolete. Their traditional model doesn't account for redirected competition, nor does it anticipate supplier repricing dynamics. Instead of dynamic elasticity testing or offer redesign, they apply broad price increases. Volume stalls. Margin slips. Market share erodes quietly, and avoidably.

The failure wasn't just in the response. It was in relying on the wrong playbook for a fundamentally different challenge.

This complexity exposes the limits of legacy pricing logic. A one-size-fits-all response not only risks mispricing but undermines credibility with customers and weakens long-term value perception.

Why this question matters: Pricing playbooks shape decisions. They define who takes action, what tools are used, and how quickly the organization can respond. They're built over years of experience. However, in the wrong context, they can quickly become liabilities.

Asking this question reveals how your organization is framing the problem. If your teams are treating tariffs as just another flavor of inflation, they're likely missing critical nuances and applying tools designed for a completely different challenge. This question helps surface whether your pricing response is grounded in relevance or stuck in repetition.

A CEO who understands how outdated playbooks distort pricing decisions can reframe not just the tools, but the mindset that governs commercial strategy in a fragmented world.

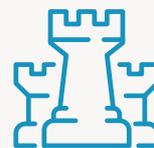
The CEO's role

This question isn't just about playbooks. It's about mindset.

Ask your team:

- Not "Where do we raise prices?" but "Where must we adjust differently, and how fast can we act?"
- Not "How do we maintain margin?" but "How do we preserve positioning while understanding elasticity at a new level?"
- Not "How do we explain cost increases?" but "How do we rebuild our pricing logic from a value-based, customer-informed foundation?"

If parts of your business are still pricing for inflation while others are facing deflationary forces, **the organization needs a new set of rules, and new governance to manage that complexity.**



Question 3

How are we managing the relationship between cost, price, and value in volatile markets?

By the time this question lands on your agenda, you should have already made a key realization: Just because your costs have changed, doesn't mean your prices should. And just as importantly: your prices may need to change, even if your costs haven't.

In this environment, reacting to cost is a losing game. It leads to blunt decisions, undermines customer trust, and often misaligns price with perceived value. The companies that succeed are those that understand: price, cost, and value are not synchronized, and never were.

Picture a premium skincare brand that sources its packaging components from Asia. A sudden tariff increases the cost of certain imported glass containers, but not of the core product formulas themselves. Internally, the procurement team raises a red flag: packaging costs have gone up by 145%. The instinct is to adjust pricing across affected SKUs.

But here's the thing: What customers value is the product performance, brand equity, and trust in quality. They do not value the packaging. The brand realizes that if anything, there's a demand for eco-friendly alternatives. If they switched to a more local and sustainable packaging solution, unaffected by tariffs, some customers would be willing to pay a premium. Cost alone tells the wrong story.

Why this question matters: This question invites a deeper conversation. Not just about whether pricing is decoupled from cost, but about how your business is navigating the complex and increasingly independent relationship between the three elements:

- **Cost** is what you pay to produce
- **Price** is what you ask from the market
- **Value** is what your customer perceives in return

In stable times, these elements may move in parallel. In volatile markets, they diverge, and your job is to manage that divergence strategically. In some cases, a tariff may increase your cost. In other cases, your costs may be flat, but if value perception or supply scarcity shifts, prices should rise to reflect the new reality.

The CEO's role

Price is not just a response to cost but a lever of competitive strategy. Ask your team:



- Are we still reacting to cost inputs, or are we leading with value?
- Do we understand how price, cost, and value are diverging and are we managing those differences deliberately?
- Is our messaging clear, credible, and aligned with our value proposition?

Because in markets shaped by volatility, price must be anchored not in margin mechanics – but in market perception. The smartest leaders don't just respond to costs – they re-anchor pricing strategy around customer value and **turn volatility into a moment of market leadership.**

Question 4

Are we set up to balance speed with strategic control?

In unpredictable markets, moving fast isn't enough. Without strategic coordination, speed can just mean more mistakes, faster. The real question is: Are we using volatility to enable opportunities, or just scrambling to keep up?

Pricing in a tariff-driven world requires speed. It also requires precision, oversight, and alignment. These demands can feel contradictory. And yet, they must co-exist.

Take a global industrials company as an example: Their US division sees a tariff hike and raises prices aggressively to protect margin. Meanwhile, their European business is experiencing cost deflation but holds prices flat. There's no coordination. No shared visibility. Margins diverge. Gray market arbitrage creeps in. Customers operating across regions notice, and trust erodes.

Now imagine the same scenario with a connected pricing model:

- Real-time data sharing across markets
- A central team monitoring shifts and issuing scenario-based guidance
- Local leaders making decisions, but within a defined strategic context

In this version, pricing power is not only preserved – it's amplified.

Too often, pricing organization debates fall into a binary trap:

- Centralized pricing promises consistency, but often slows responsiveness.
- Decentralized pricing enables local agility, but risks misalignment, inefficiency, or internal competition.

But in reality, pricing structures need to be both: centralized in purpose, decentralized in execution.

Think of it as coordinated autonomy:

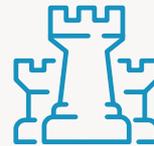
- A global pricing function that defines corridors, boundaries, and scenarios.
- Local teams that act within those parameters, equipped with data, guardrails, and rapid escalation paths.
- G-local governance bodies to address trade-offs and ensure consistency over-time.

Why this question matters: When volatility strikes, whether it's tariffs, trade restrictions, or policy shocks, companies that can move quickly gain an edge. But speed without structure is dangerous. It creates fragmented actions, internal contradictions, and unintended margin consequences across borders. In this environment, agility without coordination is chaos.

Some of the most resilient companies we've seen are those where local teams have clear authority to move fast, but with shared intelligence, aligned goals, and connected systems that ensure one market's gain doesn't become another's loss. Without that coordination, one market's well-intentioned pricing move can undo another's strategy. Worse, you risk creating pricing inconsistencies that invite arbitrage, damage brand equity, or alienate strategic accounts.

The CEO's role

The real challenge for CEOs isn't choosing between centralized or decentralized pricing. It's asking:



- Do we have the governance, systems, and visibility to act quickly, while staying strategically aligned?
- Are our pricing decisions globally visible and strategically coordinated?
- Do we understand where contractual commitments, such as long-term pricing agreements or SLAs, may limit our ability to respond? Have we planned for those scenarios?
- Can local markets act with speed, but within clear strategic corridors?
- Are pricing, procurement, and finance working from a shared understanding of margin dynamics?

Because in this landscape, pricing isn't just about local responsiveness – **it's about global coherence. And those who can balance both will outpace the rest.**

Question 5

Are we leveraging AI to stay ahead of tariff volatility?

Tariffs don't just disrupt margins, they destabilize the assumptions that legacy systems rely on: predictable costs, stable lead times, and consistent sourcing.

Yet, many companies are still managing this volatility with tools built for yesterday's market. Tools that are fundamentally reactive, not predictive. AI has no trouble forecasting price fluctuations or modeling different scenarios. However, it's your organization's ability to act decisively and in real time that determines success.

Leading companies are using advanced technologies, particularly AI and advanced analytics, to move from reactive cost management to proactive commercial strategy.

For example, a global industrial manufacturer facing tariff spikes uses AI to predict supply chain disruptions, simulate margin scenarios, and adjust pricing dynamically. Rather than applying broad price increases, they target specific SKUs and regions, protecting margin without alienating customers.

Sure, AI helps in a crisis, but it's just as valuable for spotting the pricing advantages hiding in plain sight. When AI looks at your pricing history alongside current market dynamics, it can highlight where you're underpricing, where customers see greater value, and where you're losing margin unnecessarily, without sweeping price changes.

Why this question matters: AI's true value lies not in data processing alone, but in its ability to generate strategic foresight – a capability that becomes invaluable in unpredictable markets. It can flag vulnerabilities, simulate scenarios, and provide decision-makers with the clarity and speed needed to stay ahead of disruption. In a fragmented market, the companies that use AI to identify opportunities, not just risks, will pull ahead.

The CEO's role

It's not enough for CEOs to say they have AI. The real test is whether it's actively influencing pricing and profitability decisions. Those who can integrate AI into commercial decision-making will set the pace in volatile markets. Ask your team:



- Are we using technology to predict the next disruption or just explain the last one?
- Have we mapped where AI can unlock pricing power or flag risk across product lines?
- Can we act on real-time data – or are we stuck in reporting mode?

Question 6

Are we owning the story – or letting volatility tell it for us?

Perception can become reality fast. If the pricing narrative is unclear or inconsistent, it can erode trust and signal chaos to the market. CEOs who frame pricing moves as strategic and intentional can control the story, protect the brand, and maintain credibility, even in uncertain times.

This is especially critical when multiple functions are involved in executing the pricing strategy. If each team tells a different story, the narrative fragments, and customers hear mixed messages, undermining credibility.

But this moment is also an opportunity. CEOs who can frame pricing actions as part of a broader commercial strategy, rather than a series of reactive adjustments, can shape how the company is perceived in the market.

But for this approach to work, internal alignment is essential. It's not just about what is said, it's about who says it, how consistently, and with what level of conviction. Leaders who can unify messaging across functions and speak with a single, strategic voice can transform what could be perceived as a sign of weakness into a demonstration of strategic strength.

Why this question matters: Even the most carefully designed pricing strategy can falter at the point of execution. Not because the numbers are wrong, but because the story wasn't told well. How you communicate price changes is just as important as the changes themselves.

Too often, price communication is reactive, triggered only when customer objections arise. But in volatile conditions, proactive messaging is critical.

The credibility gap widens when:

- Price changes are justified by vague references to “external pressures”
- The rationale differs by market or salesperson
- Internal teams are forced to invent explanations

On the other hand, a well-structured pricing narrative does more than defend decisions, it reinforces your value.

Effective communication is:

- **Consistent** – Aligned across functions, regions, and channels
- **Contextual** – Grounded in the specific realities of each customer or segment
- **Value-led** – Framed around what the customer gains, not just what it costs

It's not about explaining cost. It's about reaffirming the fairness, quality, and logic of your pricing, especially when conditions are changing. That's why companies with strong pricing communication capabilities often emerge from disruption with higher customer retention, faster recovery, and stronger commercial relationships.

In uncertain markets, customers don't just hear what you say, they watch what you do. CEOs who lead with clarity, framing pricing moves as purposeful, strategic actions, can shift the narrative from volatility-driven reaction to intentional, value-led leadership.

The CEO's role

For CEOs, pricing can become a strategic statement about how the company intends to lead through volatility.

This requires more than aligned messaging; it requires a top-down approach, asking yourselves:

- Are we shaping the narrative proactively, or letting external volatility define it?
- Are we aligning messaging across functions to maintain a unified, strategic voice?
- Are we communicating commercial changes as part of a long-term vision, not just a short-term reaction

Because pricing power isn't just about what you charge. It's about what your customers believe it's worth. Strong pricing communication isn't just a safeguard – it's a differentiator. **When customers trust your story, they trust your price.**



Pricing: A source of resilience or regret?

Pricing isn't just a commercial lever, it's a signal to the market. It tells customers how you're responding to volatility, how much control you really have, and where you see your future opportunities.

Tariffs have fragmented the market. They've exposed weaknesses, but also created rare, asymmetric opportunities for those ready to think clearly and act boldly.

This is not about returning to stability.

It's about designing for volatility and doing so through the one commercial lever that remains immediately and entirely within your control: pricing.

In a fragmented market, it's the companies that use pricing to reshape the competitive landscape, not just defend margins, that will come out stronger.

So, where does that leave you? Are you playing catch-up, or setting the pace? Are you reacting, or leading with intent?

At Simon-Kucher, we work with leaders to see volatility not as a threat, but as a strategic moment: a chance to redefine pricing, realign commercial priorities, and reset the market narrative. Let's talk about how to turn your next move into a commercial advantage.

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