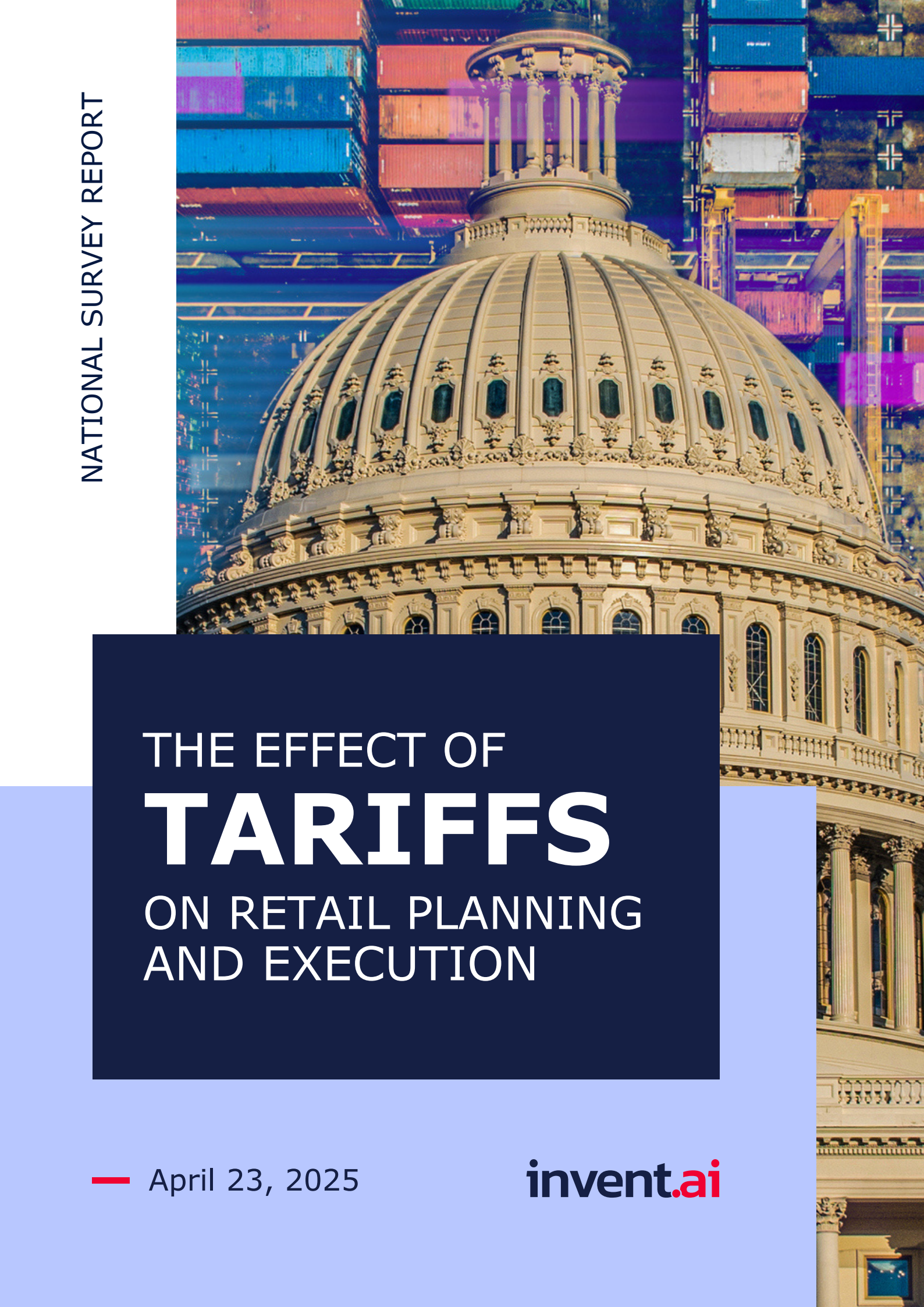




THE EFFECT OF **TARIFFS** ON RETAIL PLANNING AND EXECUTION

— April 23, 2025

invent.ai

Executive summary

The "**Effect of Tariffs on Retail Planning and Execution**" survey reveals critical insights into how tariffs are reshaping strategies for retailers, particularly in **Apparel & Footwear** and **Specialty** segments. With over **60%** of respondents representing companies with annual revenues above **\$1.5 billion**, the survey highlights the challenges faced by major players in navigating tariff uncertainties. **38%** of respondents operate across **Brick & Mortar, eCommerce, and Wholesale**, while **42%** are directly involved in areas like **Supply Chain & Logistics, Merchandising, and Forecasting & Inventory, and Pricing**, indicating that operational teams are at the forefront of addressing these issues.

As tariffs become a permanent fixture, **88% of respondents** agree that tariffs are here to stay, though their long-term effects remains uncertain. While **21%** are already adjusting their **sourcing, manufacturing, and pricing** strategies, **67%** are adopting a more cautious approach. Economic factors like **higher inflation, shrinking margins, and eroding consumer confidence** are major concerns, with **79%** worried about profit margins.

AI adoption is crucial for navigating these challenges, with **67%** of respondents having an **AI roadmap** and **25%** planning to accelerate their **AI initiatives**. This trend is driven by **83%** expecting more **unpredictable consumer behavior**, emphasizing the need for more frequent and granular demand forecasting. Retailers are also incorporating more external data to enhance forecasting accuracy.

In response to rising costs, **83%** are willing to absorb **10-25%** of tariff-related cost increases, demonstrating their focus on maintaining customer loyalty and avoiding price hikes. The willingness to adjust strategies in a flexible, data-driven manner shows that retailers are preparing to weather the storm and emerge resilient in an unpredictable landscape.

The future of tariffs

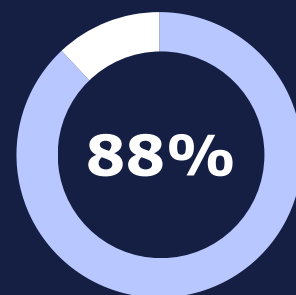
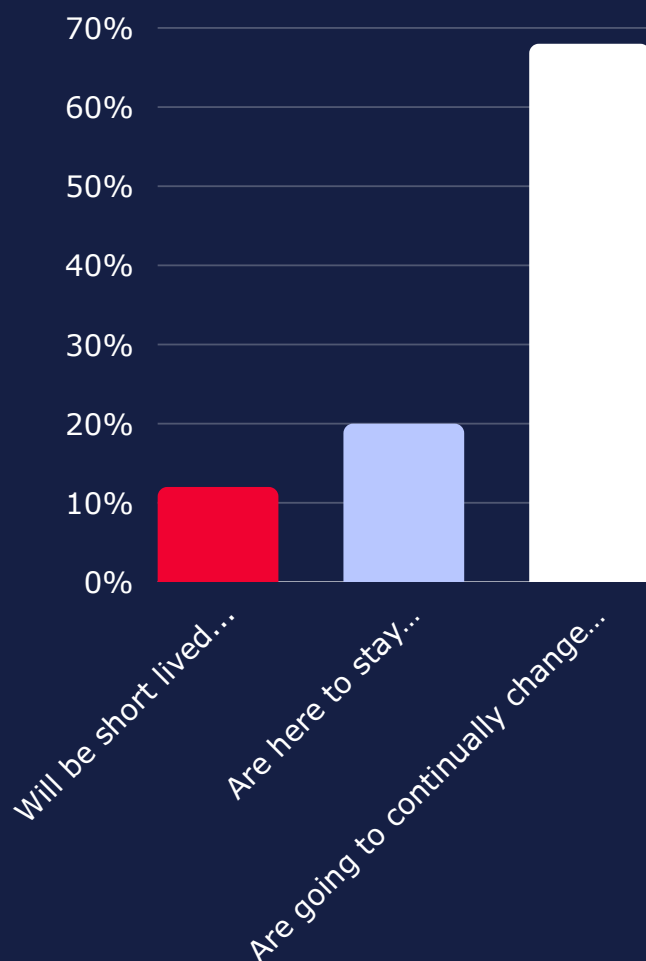
Q: What do you anticipate is the future of tariffs?

88% of respondents believe that tariffs are here to stay. **21%** have already started making changes to their sourcing, manufacturing, and pricing strategies, while **67%** feel that tariffs will continue to change, making strategy adjustments unpredictable and risky. These retailers are proceeding cautiously with their plans.

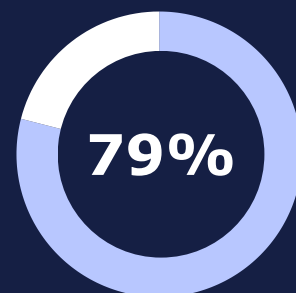
Key concerns for retailers

Q: What are your business concerns about increasing tariffs?

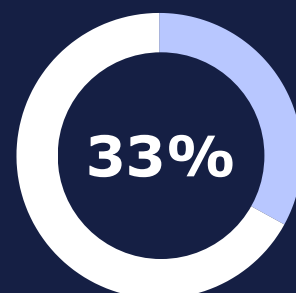
Retailers are most worried about **higher inflation and economic recession**, followed closely by the effect of **shrinking margins and profits**. The concern over **eroding consumer confidence** also looms large, but it is not as pressing for as many respondents. These concerns will significantly shape retail strategies moving forward, with businesses looking for ways to mitigate these risks.



Overall 88% of respondents are concerned about higher inflation and/or economic recession. 38% ranked as #1 and 42% ranked as #2. The remainder ranking it #3.



79% of respondents are concerned about shrinking margins and profits. 46% ranked as #1 and 21% ranked as #2.

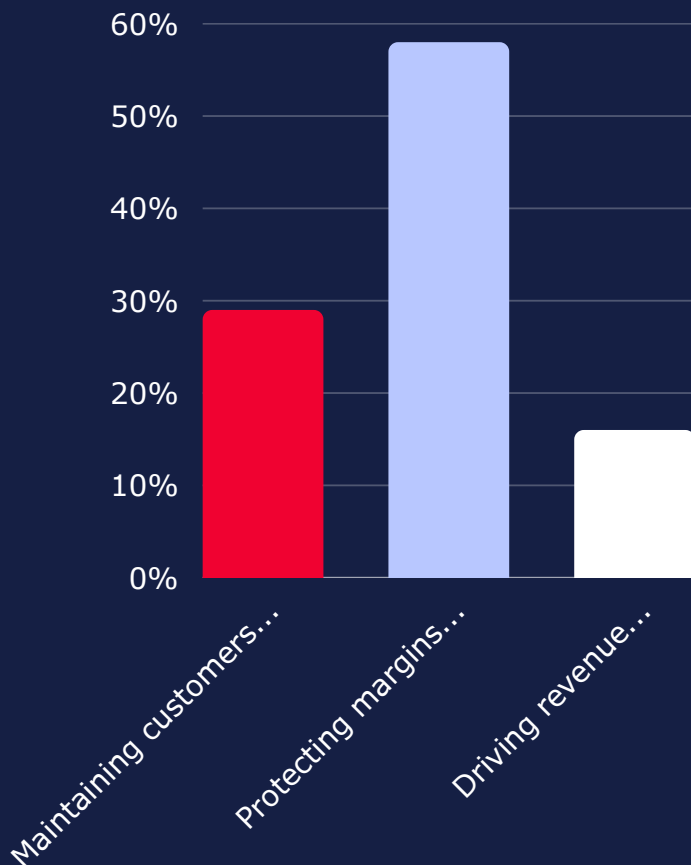


The significant concern is eroding consumer confidence with 33% ranking it and 25% ranking as #3.

Retail strategy focus

Q: What is most important to your strategy?

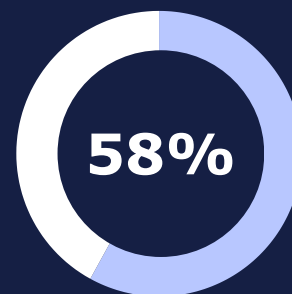
The results show 58% of respondents are focusing on **protecting margins and the bottom line**, with 29% concentrating on **maintaining customers and customer satisfaction**, recognizing the importance of **loyalty** in unpredictable times. Few are aiming to **increase revenues** right now, as stability and resilience take precedence.



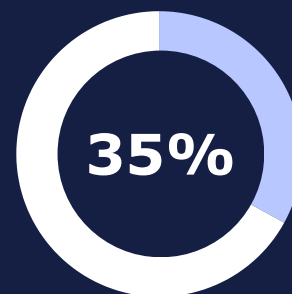
Sourcing strategy changes

Q: How do you expect your sourcing strategy to change in response to tariffs?

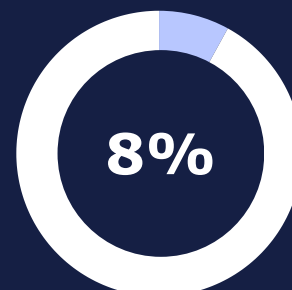
All respondents are planning to change their sourcing strategy in response to tariffs. **58%** are already shifting sourcing to new countries to reduce exposure to higher tariffs, while **35%** are still analyzing their options. This cautious approach aligns with the **67%** of respondents who believe that tariff changes will continue, making sourcing decisions unpredictable and risky.



Shift sourcing to additional or different countries to diversify sourcing and lower exposure to higher tariffs



Not sure yet, analyzing options and tradeoffs

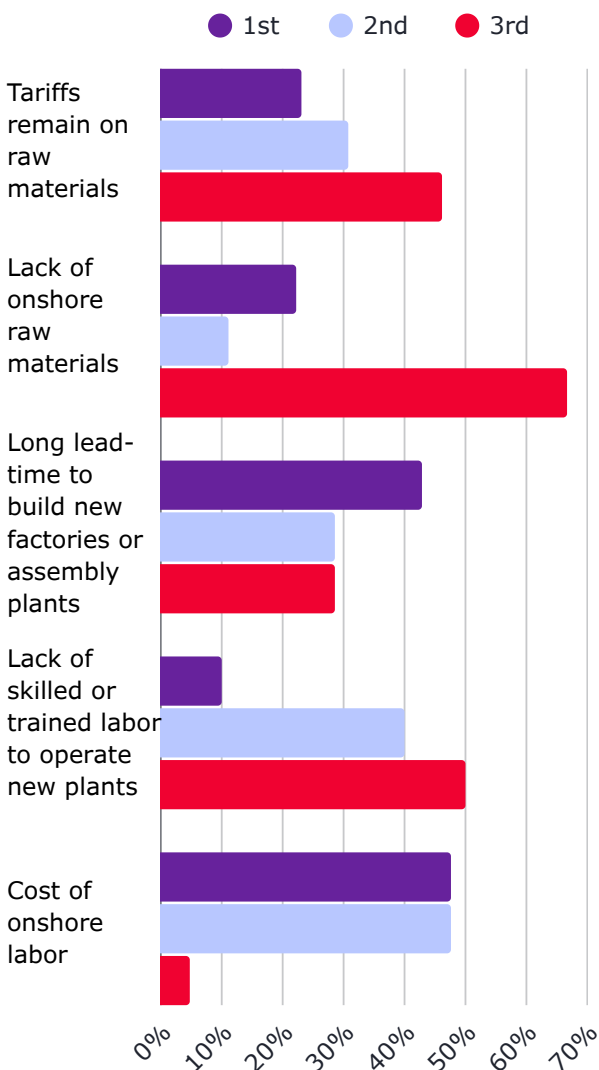


Plan to onshore manufacturing but not all raw material sourcing

Onshoring concerns

Q: What issues does onshoring present?

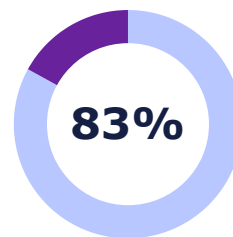
83% of respondents are concerned about both the long lead times to build new factories and the cost of onshore labor, with **38%** highlighting the challenge of finding skilled workers. Additionally, **54%** worry that tariffs will remain on raw materials, and **38%** believe there's a lack of these materials onshore. These concerns make onshoring a challenging strategy for many retailers.



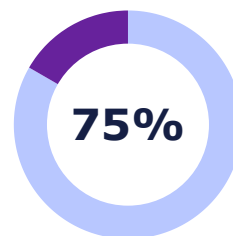
Forecasting and data integration

Q: How do you expect tariffs to affect consumer demand forecasting?

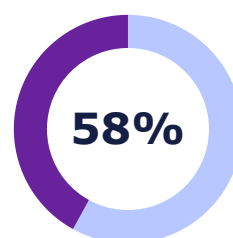
With **83%** of respondents expecting consumer behavior to become increasingly unpredictable due to projected price hikes and potential product shortages, retailers are adjusting their strategies. To better sense trends and react swiftly, **75%** of respondents plan to forecast demand more frequently, while **58%** will integrate additional external data—such as economic, census, competitive, and social factors—into their forecasting models. This shift reflects the growing influence of outside factors on demand, making it essential for retailers to refine their forecasting capabilities with a broader range of data.



Consumer behavior will become more unpredictable



Will need to forecast demand more frequently to sense trends

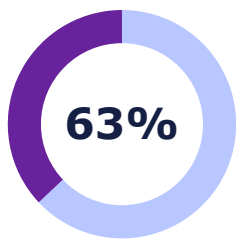


Incorporate more outside data - economic, census, competitive, social, etc.

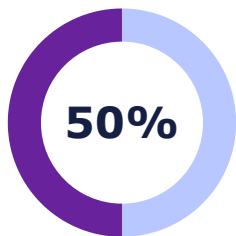
Pricing strategy adjustments

Q: How are tariffs influencing your pricing strategy?

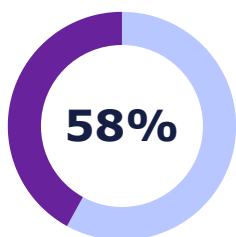
In line with their focus on protecting margins and maintaining customer satisfaction, **63%** of respondents plan to absorb some tariff increases and pass only a portion to consumers. Additionally, **50%** are already gradually increasing prices to manage costs. This strategy highlights retailers' willingness to accept short-term pain to preserve customer loyalty. **58%** are also closely monitoring competitor pricing to ensure their strategies remain competitive. Other pricing impacts were rated similarly by respondents, showing that the focus is on balancing profitability with customer retention.



Absorb some of the tariff increases and pass some through to consumers



Gradually increase prices (have started already)



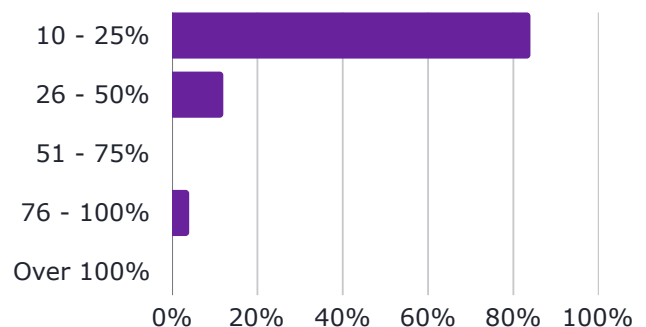
More closely monitor and react to competitive pricing

Cost absorption

Q: How much additional cost are you willing to absorb before passing through to consumers in higher prices?



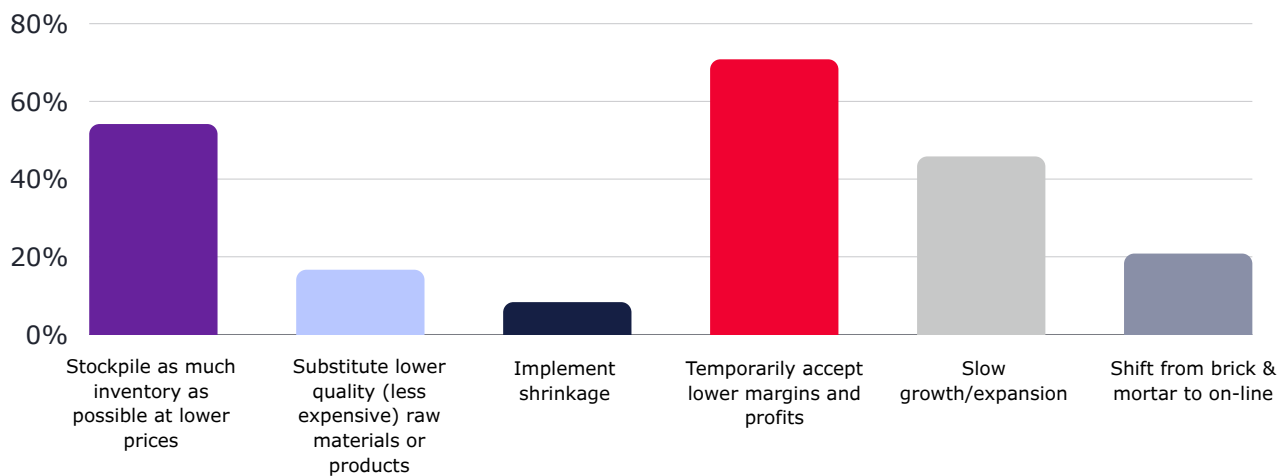
83% of respondents are willing to absorb **10-25%** of additional costs before passing those increases on to consumers. This demonstrates a strong commitment to customer retention and a willingness to endure short-term financial strain in order to avoid losing customers.



Holding prices steady

Q: What options might you consider to hold prices steady for consumers?

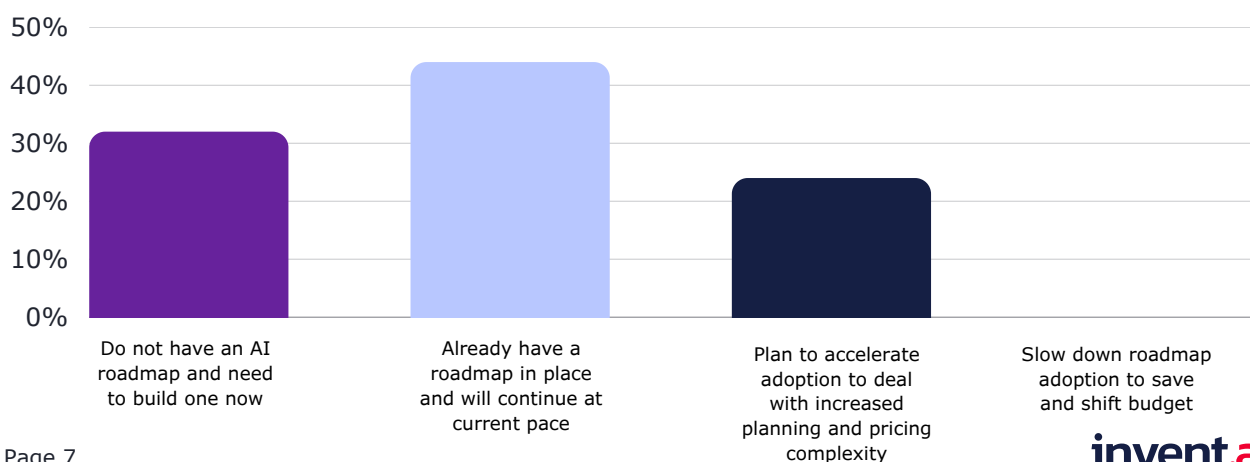
In an effort to hold prices steady, **67%** of respondents are willing to temporarily accept lower margins and profits. **54%** are stockpiling inventory at lower prices, while **46%** expect to slow growth and expansion. Fortunately for consumers, only **25%** are considering substituting lower-quality raw materials or implementing shrinkage.



AI adoption

Q: Will dealing with tariffs change or accelerate your adoption of AI to drive your planning?

None of the respondents plan to slow down AI adoption due to budget concerns, as the need for AI becomes clearer in these unpredictable times. **33%** admit they don't have an **AI roadmap**, while **67%** have one in place, with **25%** planning to accelerate adoption and **42%** continuing at the current pace. These companies are positioning themselves to thrive in the face of tariffs, as AI will be crucial for navigating these challenges.



Take action today

As tariffs continue to shape the retail landscape, retailers must remain agile and adaptable in the face of increasing complexity. The insights from this survey reveal that the focus is squarely on protecting margins, maintaining customer satisfaction, and leveraging AI to navigate these unpredictable times. Retailers are adjusting their strategies in real time—whether through shifting sourcing, absorbing tariff-related costs, or forecasting demand more frequently to stay ahead of shifting consumer behavior.

The key to thriving in this environment is adaptability and data-driven decision-making. Retailers who embrace these changes and continue to innovate will be better positioned to maintain profitability and stay competitive.

Navigate tariff challenges with **invent.ai**

At **invent.ai**, we give retailers superpowers to make the best planning and operational decisions—fast. Our AI-Decisioning Platform connects your data, predicts outcomes, and recommends dynamic actions across inventory, merchandising, and pricing.

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