



Dancing With Tariffs

How Smart Companies Win in the New EU-US Trade Reality

A Strategic Guide to Consumer-Driven Pricing in Times of Trade Disruption

August 2025

Executive Summary

The Trump–von der Leyen trade agreement establishing a 15% tariff on most EU exports to the US represents more than a simple cost increase—it’s a complex market reset that separates strategic winners from reactive losers. Rather than a single price shift, this represents a multiphase market response—more tango than march.

While major brands scramble with increase announcements to appease shareholders and alert the market—Adidas facing \$231 million in costs, P&G raising prices on 25% of products, Mercedes adding €360 million in tariff impacts—the smartest companies are using this disruption to gain competitive advantage through precision pricing strategies based on deep consumer intelligence.

This white paper outlines how consumer–centric companies can navigate the new reality, capitalize on competitors’ reactive mistakes, and emerge stronger from trade disruption.

1. The New Reality: A Market in Motion

Price increases in fast–moving consumer goods (FMCG) and premium imports rarely occur in isolation. Much like an Argentine tango, one partner’s move elicits a response—sometimes mirrored, sometimes in deliberate contrast. The 15% tariff framework has initiated this sequence, disrupting established price indices and strategic positioning across industries.

What the Agreement Means:

For European Exporters to the US:

- 15% cost increase on most products (down from threatened 30%)
- Exceptions for aircraft, certain chemicals, and pharmaceuticals
- Immediate need for strategic pricing recalibration

For US Companies:

- Competitive advantage over EU rivals in the US market
- Unprecedented opportunity for market share gains
- Potential for European market expansion while competitors struggle

The Critical Question: *How do you optimize pricing without destroying market position while competitors make predictable mistakes?*

2. The Reactive Response: Why Current Approaches Are Failing

European Brands Face Critical Decisions

Early responses from European brands reveal the same reactive patterns that consumer behavior research predicts will fail:

Automotive Sector:

- **Mercedes** faces potential €360 million impact, planning direct cost pass-through
- **Volkswagen** adding import fees directly to US vehicle sticker prices
- **BMW and Mercedes** benefit from US production facilities, while VW "still feels the sting"

Luxury Goods:

- **Louis Vuitton and Hermès** raising prices uniformly in response to 15% tariff
- **UBS** estimates luxury brands need 2% US price increases to maintain margins
- **L'Oréal's** luxury division faces disproportionate impact in North America

American Companies Follow Suit

US companies aren't immune to reactive thinking:

- **Adidas:** Warning of U.S. price hikes to offset \$231 million in tariff costs
- **Procter & Gamble:** Raising prices on 25% of products—"more than usual"
- **Walmart, Nike, Ralph Lauren, Mattel:** All announcing uniform price increases

These uniform responses,—passing on tariff related cost increases directly to prices,—create immediate opportunities for European competitors using consumer-driven pricing strategies.



3. When Provenance Becomes a Burden vs. Opportunity

The Premium Perception Challenge

For categories that have long leaned on origin as a key driver of premium perception—French champagne, Italian prosciutto, Irish whiskey—tariffs strike at the heart of value propositions. These products cannot simply shift production without undermining authenticity or regulatory protection.

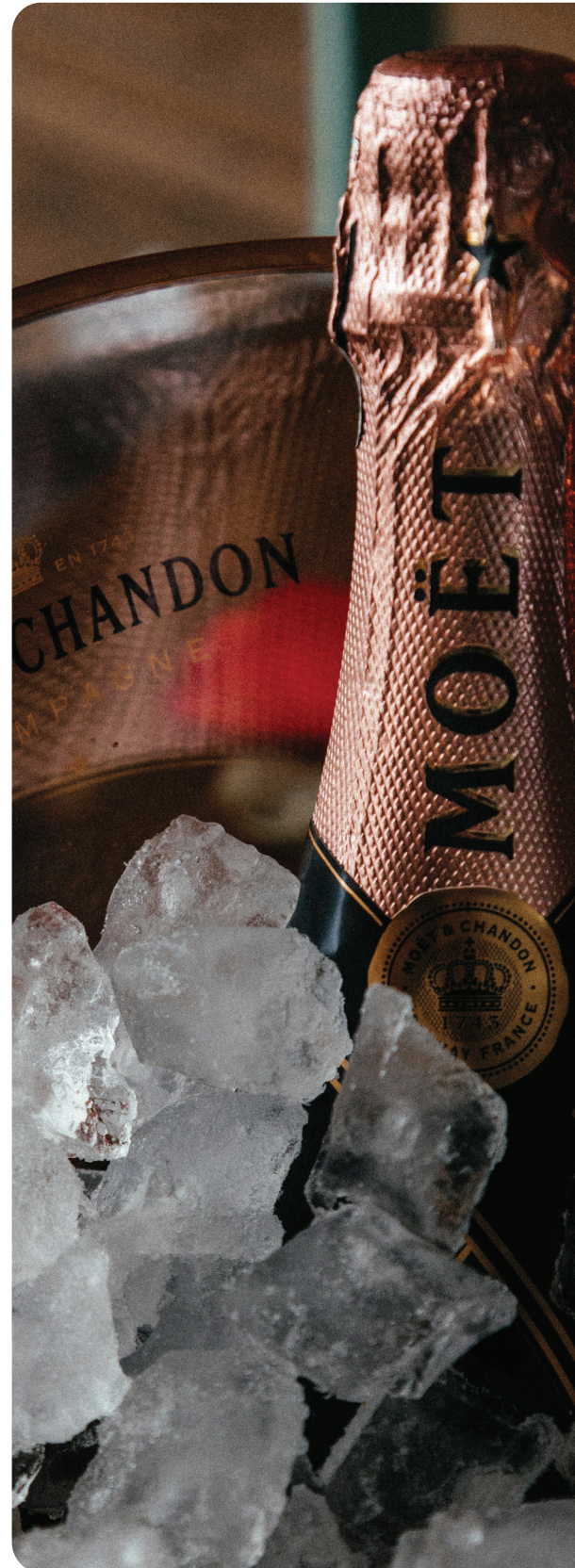
The Binary Decision:

- **Pass through tariffs** to maintain quality and margin, risking volume loss
- **Hold price by reducing quality/format**, risking brand equity and consumer trust

However, this trade-off isn't uniform. Its resolution depends on category elasticity, brand strength, and precise understanding of consumer willingness-to-pay—exactly what consumer behavior analysis reveals.

Sustainability Under Pressure

Tariffs pose direct challenges to sustainability oriented brands already priced at premiums for ethical sourcing. New duties push retail prices potentially beyond mainstream tolerance—unless the value of sustainable sourcing is clearly communicated and reinforced through strategic positioning.



4. The Consumer-Intelligence Advantage: Lessons from Success

At EPIC Conjoint, we've analyzed pricing responses across 900+ projects for global brands including Kraft Heinz, Heineken, and Unilever. Companies that have thrived in previous trade disruptions share one characteristic: *they make pricing decisions based on granular consumer behavior data, not spreadsheet assumptions.*

Proven Success: Food Manufacturer's Strategic Response

When an American food manufacturer faced earlier EU tariff increases, they initially planned uniform price increases across European markets. Our conjoint analysis revealed a completely different optimal strategy:

- **Germany:** Premium products absorbed 8-12% increases with minimal volume loss, but value products needed alternative approaches
- **France:** Package size optimization delivered better outcomes than direct price increases
- **Italy:** Strong brand loyalty provided pricing flexibility for established products
- **Result:** 94% margin recovery vs. 73% with uniform pricing, while maintaining market share

Electronics Success Story: Precision Over Panic

A US consumer electronics brand faced complex decisions about component sourcing and tariff affected pricing.

Our analysis uncovered critical market-specific insights:

- **German consumers:** 6-8% tolerance on premium models, high switching risk on entry-level
- **French/Italian markets:** Different tolerance patterns enabling country-specific strategies
- **Northern Europe:** Feature reduction more acceptable than price increases

Strategic Implementation:

- Product line optimization leveraging available exemptions
- Geographic price differentiation
- Feature tier restructuring maintaining competitive position



5. Strategic Frameworks That Work

1. Market-Specific Pricing Architecture

Not all markets respond identically to price changes. Our proven methodology identifies:

- **Price-tolerant segments** where modest increases preserve profitability
- **Price-sensitive categories** requiring alternative value propositions
- **Competitive dynamics** that create pricing opportunities or constraints

Category Dynamics Insight: One of the few times price increases become palatable to consumers is when everyone is doing it. In such environments, brands with lower cost exposure can quietly bank the difference, building promotional reserves or investing in brand equity.

2. Product Portfolio Optimization

The tariff agreement's exemptions for certain products, and flexible supply chains will create optimisation opportunities:

- **Component strategy:** Leverage tariff-free inputs to maintain cost structures
- **Product reconfiguration:** Reformulate offerings to maximize value perception
- **Production rerouting:** Utilising existing supply chain or integrating 3rd party supply capabilities to reduce impact on key products
- **Feature bundling:** Create new value propositions justifying pricing premiums

3. Dynamic Competitive Response

Market disruptions create windows where established competitive patterns break down. Companies with superior market intelligence can:

- **Capture share** from competitors making suboptimal pricing moves
- **Reposition brands** to take advantage of altered value perceptions
- **Enter new segments** previously dominated by now-disadvantaged rivals



6. Implementation Roadmap: A Structured Approach

Phase 1: Consumer Intelligence Development (Weeks 1-4)

Watch the Leaders: Companies like P&G have acted, but only where they hold clear category leadership—deploying targeted price increases to protect net sales value with minimal share risk. These leadership moves set tone for others but shouldn't be followed blindly.

Market Research Deployment:

- Quantify price sensitivity by product/market for 15% tariff scenarios
- Map competitive landscape and likely responses
- Identify optimization opportunities beyond simple pricing

Phase 2: Measure Behavior, Not Just Sentiment (Weeks 5-8)

Claimed consumer attitudes offer limited insight during rapid change. Instead, emphasis must be on observed behavior:

- **Panel data:** Invaluable for understanding switching dynamics at SKU and retailer level
- **Conjoint studies:** Simulate price trade-offs and map willingness-to-pay across segments
- **Scenario modeling:** Test multiple pricing and positioning approaches

Phase 3: Build Flexibility into Pricing and Promotions (Ongoing)

In volatile contexts, pricing frameworks must be adaptive. The goal isn't locking in one "right" plan but preparing to adjust based on what works:

- Build 3-6 month checkpoints for performance reviews
- Set up decision trees or "if-then" logic for course correction
- Ringfence budget to defend share or recover volume based on performance

7. Strategic Implications: The Bigger Picture

Market Consolidation and Shelf Dynamics

Tariffs aren't just changing pricing—they're reshaping competitive landscapes. Niche, purpose-driven brands may lack buffers to withstand sustained cost inflation, leading to supply disruptions or market exits. Gaps on shelf will appear, and nimble domestic suppliers will look to step in.

Larger players with geographic supply chain advantages are better positioned to acquire distressed assets, leading to consolidation in affected sectors.

The Margin Management Window

P&G's recent mid-single-digit price increases illustrate how even modest inflation can go largely unnoticed by consumers. Companies holding 2024 prices to defend volume may be leaving margin on the table—margin that could be reinvested in innovation, promotion, or price defense as markets tighten.

Critical Timing: Brands should prepare for political or market instability around January 2027 (Midterms) or January 2029 (potential new administration). Margin resilience today enables agility tomorrow.

8. Why Consumer-Centric Companies Will Dominate

The 15% tariff will create a sustainability test for European exporters. Companies that rely on cost-plus pricing will face margin compression or market share erosion if their local competitors choose to accept the pricing advantage offered by tariffs. But companies that understand exactly how their customers value different product attributes can navigate this challenge while competitors struggle.

Here's the competitive advantage equation:

- **Superior market intelligence** = More precise pricing decisions
- **More precise pricing** = Better margin recovery + retained market share
- **Market share retention** = Platform for long-term growth when tariffs eventually change

Current Market Conditions Show:

- **Widespread reactive pricing:** Major brands implementing uniform increases without market-specific analysis
- **Heightened consumer awareness:** 62% of Americans experiencing tariff-related price increases
- **Margin compression accelerating:** Companies "eating costs" before inevitable price hikes
- **Competitive vulnerability:** Brands using blanket strategies vulnerable to precision competitors

9. The EPIC Advantage: From Analysis to Action

Consumer behavior analysis is only valuable if it translates into executable strategies. EPIC Conjoint's proven methodology delivers:

- **Granular Insights:** Understand price sensitivity by product, market, and consumer segment
- **Scenario Planning:** Model multiple strategic approaches before committing resources
- **Competitive Intelligence:** Predict market dynamics and competitor responses
- **Implementation Support:** Translate analysis into actionable pricing and positioning strategies
- **Ongoing Optimization:** Adapt strategies as market conditions evolve

What This Means for Your Business

- **If you're a European exporter to the US:** You need strategies that optimize margin recovery while protecting market position—avoiding the blanket price increases we're seeing from Mercedes, VW, and luxury brands.
- **If you're a US company:** This is your moment to accelerate market expansion with competitive advantages while EU competitors struggle with 15% cost disadvantages.
- **If you're in affected supply chains:** Understanding how consumers value different product attributes will determine which reformulation strategies succeed.

10. The Window of Opportunity: Act Now

Market disruptions create windows of opportunity, but those windows close quickly as competitors adapt. The companies that will emerge stronger are those making strategic moves based on deep consumer insights—not those reacting with generic solutions we’re seeing from major brands today.

Some pricing decisions made today will inevitably prove wrong. The competitive advantage lies in the speed and confidence with which missteps can be corrected.

The Dance Has Already Begun

Whether you choose to move first or follow, the market transformation is underway. In this environment, those who understand the rhythm of pricing, elasticity, and consumer psychology will lead—while others risk being left on the sidelines.

The 15% tariff isn’t just a cost increase. For companies with superior consumer intelligence, it’s a competitive advantage waiting to be captured.





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