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Databender



FREE GUIDE

# Respond to Tariffs Fast

Pricing Agility for Uncertain Markets

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# 48 hrs

## Response Time

Respond to tariff changes within 48 hours instead of weeks.

### Tariff Response Timeline



The announcement hits at 6 PM. 25% tariffs on steel imports. Effective in 30 days.

Your phone starts ringing. Suppliers asking about orders. Customers asking about prices. Sales reps asking what to quote. Everyone wants answers you don't have yet.

By the time you update spreadsheets, recalculate costs, and push new prices to the field, three weeks have passed. Deals closed at old prices that don't cover new costs. Customers who bought early feel they got a deal. Customers who bought late feel gouged. Your margin on affected products went negative before you could respond.

This is the tariff response gap. The time between cost change and price change. Every day in that gap costs money.

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## Why Speed Matters

When costs rise, distributors face a window of vulnerability. Products bought at old cost sit in inventory. Products ordered at new cost will arrive soon. The price charged to customers determines whether you make money or lose it during the transition.

If you can update prices the day a tariff takes effect, vulnerability is minimal. Products sold after the announcement at new prices carry new margins. The transition is clean.

If price updates take three weeks, three weeks of sales go out at margins that don't reflect actual cost. At 10% tariff impact on a \$2 million monthly sales volume in affected categories, that's \$200,000 in margin at risk per month of delay.

Speed isn't about being greedy. It's about survival. Distributors operate on thin margins. When costs rise 10-25% and prices don't move proportionally, the math stops working. Slow response can turn a profitable quarter into a loss.

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## The Spreadsheet Problem

Most distributors manage pricing in spreadsheets. Master price lists maintained by product managers. Customer-specific pricing maintained by sales. Discount matrices and exception logs. Multiple versions floating around.

This works fine in stable markets. When costs are predictable and changes are infrequent, manual processes keep up.

It breaks down in volatility.

A tariff announcement affects thousands of SKUs. Each SKU has a base price, multiple customer-specific prices, and potentially dozens of discount rules. Updating all of them manually takes weeks of labor. During those weeks, the spreadsheets diverge from reality.

Sales reps quote from outdated information. Orders enter the system at prices that don't reflect costs. Finance discovers the margin erosion at month-end. By then, the damage is done.

One fastener distributor tracked their tariff response time during the 2018-2019 trade conflicts. Average time from tariff announcement to full price update across all affected SKUs: 47 days. Average margin loss during the gap: 4.2 percentage points. On their affected volume, that was \$340,000 per tariff round.

## Scenario Modeling Before It Hits

The best tariff response starts before the tariff takes effect.

When a tariff is announced, you typically have notice. Thirty days. Sixty days. Sometimes longer. That's time to model, not just react.

**Cost impact by SKU.** Which products come from affected countries? What's the tariff rate?

What's the cost increase in dollars per unit? Build the impact model at the SKU level.

**Margin impact by customer.** Which customers buy affected products? What's their current margin? What will margin become at new costs with current prices? Identify who's at risk.

**Price increase scenarios.** If you pass through 100% of the cost increase, what do prices become? If you absorb 20% and pass 80%, what's the margin impact? Model multiple scenarios.

**Competitive positioning.** Are competitors affected similarly? If everyone's costs rise, everyone's prices will rise. If you're uniquely affected, price increases become harder. Understand your competitive context.

**Customer communication timing.** Which customers need advance notice? Which can handle day-of changes? Build the communication plan before you need to execute it.

With modeling done in advance, the day the tariff takes effect becomes execution day, not discovery day. Prices update immediately. Customers were pre-notified. The gap shrinks to hours instead of weeks.

## Updating Pricing at Scale

Manual price updates don't scale. When thousands of SKUs and hundreds of customer-specific prices need to change, you need systems.

**Cost-based pricing rules.** Instead of setting prices manually, define rules. Price equals cost plus margin percentage. When cost changes, price changes automatically. The rule does the math.

**Bulk update capabilities.** When you need to increase prices on a category by 8%, you shouldn't have to touch each SKU individually. Bulk updates by category, vendor, or cost change let you move thousands of prices in minutes.

**Customer price inheritance.** Customer-specific prices should reference base prices with a discount percentage, not hard-coded numbers. When the base price increases 10%, the customer price increases 10% automatically. No manual recalculation needed.

**Exception management.** Some customers have contract prices that can't change mid-term. Some products have market-driven pricing that doesn't follow cost. The system should handle exceptions without breaking the bulk rules.

**Approval workflows.** Large price changes should have oversight. Build approval steps into the update process so someone reviews before prices go live. But make the approval fast. A 24-hour turnaround beats a three-week turnaround.

A plumbing distributor set up cost-based pricing rules for their import-heavy product lines. When tariff changes hit, price updates happened within 48 hours for 3,200 affected SKUs. Previous tariff rounds had taken six weeks.

## Margin Guardrails That Adjust

Static margin floors break during cost volatility. A 20% minimum margin that made sense at old costs might be impossible at new costs. Or it might be unnecessarily generous if competitive prices have also risen.

Dynamic guardrails adapt to conditions.

**Cost-aware floors.** Minimum margin expressed as a dollar amount, not just a percentage. When costs rise, the floor rises proportionally. A \$5 minimum margin floor holds regardless of whether cost is \$20 or \$30.

**Market-aware ceilings.** If you're monitoring competitive prices, guardrails can reference market position. Price no more than 5% above market average. Or no less than market average on commodity items.

**Scenario-specific rules.** During tariff transitions, temporary guardrails might apply. Looser floors to allow for competitive response. Tighter controls on exceptions to prevent margin leakage. The rules should flex with the situation.

**Alert thresholds that matter.** When a deal comes in below normal margin, the alert should indicate whether it's below normal or below emergency. A 15% margin deal might be acceptable during a tariff transition when normal is 22% but old cost inventory exists.

An electrical distributor built a tariff response mode into their pricing system. When activated, margin floors dropped 3 points, exception approval moved from regional to national, and any quote below the adjusted floor required VP sign-off. This gave field flexibility while maintaining control.

## Tracking Whether Price Increases Stick

Announcing a price increase is easy. Making it stick is hard.

Customers push back. Competitors don't follow. Sales reps give exceptions to "save the relationship." The announced increase leaks away through deals that don't capture it.

You need visibility into price realization.

**Price increase capture rate.** If you announced a 10% increase, what percentage are you actually realizing? Track average price before and after the announcement. Compare to the announced change. The gap is leakage.

**Exception tracking.** How many exceptions are being approved? At what discount from announced prices? Are exceptions concentrated in certain customers, reps, or product lines? Patterns indicate where discipline is breaking.

**Competitive intelligence.** Did competitors raise prices similarly? If your prices went up 10% and competitors stayed flat, your increase won't stick. You need market context to understand what's achievable.

**Customer-level realization.** Some customers absorb increases. Some fight them. Track realization by customer to understand where you're capturing value and where you're giving it back.

**Time-based decay.** Price increases often stick at first, then erode. The initial announcement holds. Then exceptions accumulate. Track realization over time to catch decay before it becomes standard.

A building materials distributor tracked price realization after a tariff-driven increase. Announced increase: 8%. Realized increase at 30 days: 7.2%. Realized increase at 90 days: 5.8%. The 2.2 point decay over 90 days was concentrated in 12 customers who had received exceptions that became sticky. Armed with that data, they addressed the specific customers rather than announcing another round of increases.

## Supplier Cost Pass-Through

When your suppliers raise prices, your prices should follow. But the timing and mechanism matter.

**Notification windows.** Supplier agreements should include notification requirements. A supplier who raises prices without notice leaves you selling at a loss until you can react. Negotiate notice periods that give you time to respond.

**Pass-through mechanics.** When supplier cost rises, how does that flow to customer price? Automatic pass-through based on cost change formulas minimizes delay. Manual review and approval adds time but provides control. Choose based on the product's price sensitivity and your competitive position.

**Inventory valuation.** Products you already own were bought at old cost. Products arriving next week come at new cost. How do you price during the transition? FIFO, LIFO, or weighted average approaches each have implications. The choice affects margin during cost transitions.

**Customer communication.** When you pass through supplier increases, customers want to know why. "Raw material costs increased" is more palatable than "we're raising prices." Be prepared to

explain the driver. Share supplier communications when appropriate.

**Holdback strategy.** Sometimes absorbing part of a cost increase buys customer loyalty. Sometimes passing through 100% is necessary to maintain margin. Sometimes passing through more than 100% captures delayed margin recovery from past absorption. The right strategy depends on customer relationships and competitive dynamics.

An industrial distributor built supplier cost tracking into their pricing system. When a PO received at higher cost than expected, the system flagged affected SKUs for price review. Product managers could approve pass-through or exception with one click. Average response time to supplier increases dropped from 21 days to 4.

## Building the System

Pricing agility requires infrastructure that most distributors don't have out of the box.

**Pricing master data management.** One source of truth for prices. Base prices, customer prices, discount rules, and exception logs in one place. When the master changes, everything downstream reflects it.

**Cost integration.** Real-time cost data flowing from purchasing and receiving. When a PO lands at a different cost than expected, the system knows immediately.

**Rules-based pricing.** Logic that calculates prices from costs rather than storing static numbers. Cost + margin = price. Change cost, price changes automatically.

**Scenario modeling tools.** The ability to model "what if" scenarios before committing changes. What happens to margins if costs rise 15%? What if we pass through 80%? Model before acting.

**Bulk change management.** Update thousands of prices in controlled batches. Preview changes before committing. Approve and execute in one workflow.

**Realization tracking.** Compare quoted prices to announced prices. Compare realized prices to quoted prices. Measure the gaps at every stage.

Some of this exists in modern ERP systems. Some requires additional CPQ or pricing management tools. Some requires custom analytics built on top of existing systems. The right approach depends on your current technology and the complexity of your pricing.

## Getting Started

You don't need sophisticated systems to improve pricing agility. Start with process discipline.

**Week 1: Map your current process.** When costs change, what happens? Who does what? How long does each step take? Document the actual flow, not the theoretical one.

**Week 2: Identify the bottlenecks.** Where does time disappear? Manual data gathering? Approval queues? System updates? Rank the delays by impact.

**Week 3: Attack the biggest bottleneck.** If pricing updates take three days because someone has to manually edit 500 rows, find a way to bulk update. If approvals take a week because the approver is traveling, create a backup approver. Fix the constraint.

**Week 4: Measure response time.** Time from cost change to price change. Track it. Set a target. Improve toward it.

**Month 2 and beyond: Build scenario capability.** Before the next tariff round or supplier increase, model the impact in advance. Prepare communications. Pre-approve price changes contingent on cost changes. Turn response into execution.

The goal is shrinking the gap between cost change and price change. Every day in that gap costs margin. Every improvement in response time protects margin.

## What Changes

Organizations with pricing agility respond differently to cost volatility.

Tariff announcements prompt action, not panic. The scenario was modeled. The communication is ready. The price updates are queued. Execution takes days, not weeks.

Supplier increases flow through cleanly. Cost change triggers price review triggers update triggers customer notification. The process is systematic, not scrambling.

Margin stays protected. When costs rise, prices rise. The delay is minimal. The leakage is tracked and addressed.

Customers experience consistency. Price changes are communicated clearly. The rationale is explained. Surprises are minimized.

Leadership sleeps better. Volatile markets don't mean volatile margins. The business has the capability to adapt.

*Ready to respond to cost changes faster? [Talk with our team](#) about building pricing agility into your distribution operation, or explore our full [wholesale distribution solutions](#).*