Enterprise Ireland

Value Pricing And Contracts In A Time Of Tariff

Strategies for Managing Costs and Agreements

May 2025

Colm Reilly

AGENDA

01: INTRODUCTION
02: MARKET DRIVERS TO U.S. TARIFFS
03: HOW DO WE ADDRESS THIS?
04: PRICING CONSIDERATIONS
05: MANAGING CONTRACTS
06: KEY LEARNINGS
07: CRITICAL ACTION POINTS

Executive Summary

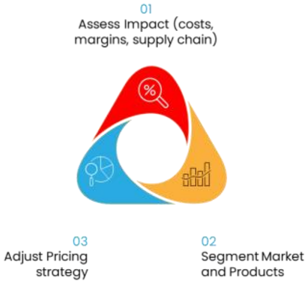
1. Tariffs are taxes imposed on imported goods – they can be hidden or overt.
    - Increase the cost of goods entering certain markets.
    - Affect pricing, supply chains, and profitability.

2. Tariffs are the way that the structural vulnerabilities of countries and their companies are exposed and must be tackled. And this is the key point for Irish business.

3. There is a strategic framework that can be used and this is discussed here.

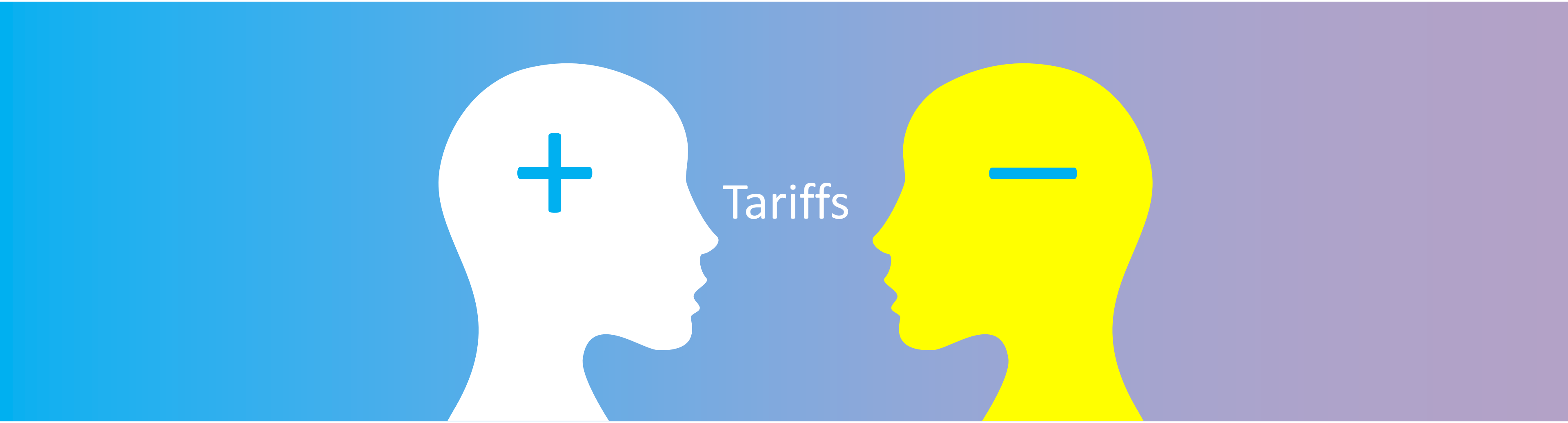
4. Existing contracts must be discussed, and future contracts will change.

5. There are rules of engagement:
    - Be transparent about tariff impacts on pricing
    - Offer detailed explanations for any price adjustments
    - Provide alternative product options or bundles
    - Strengthen relationships through consistent communication



01: INTRODUCTION

What is the Real Thinking Here ?



01

Tariffs are taxes imposed on imported goods – they can be hidden or overt

02

Increase the cost of goods entering certain markets

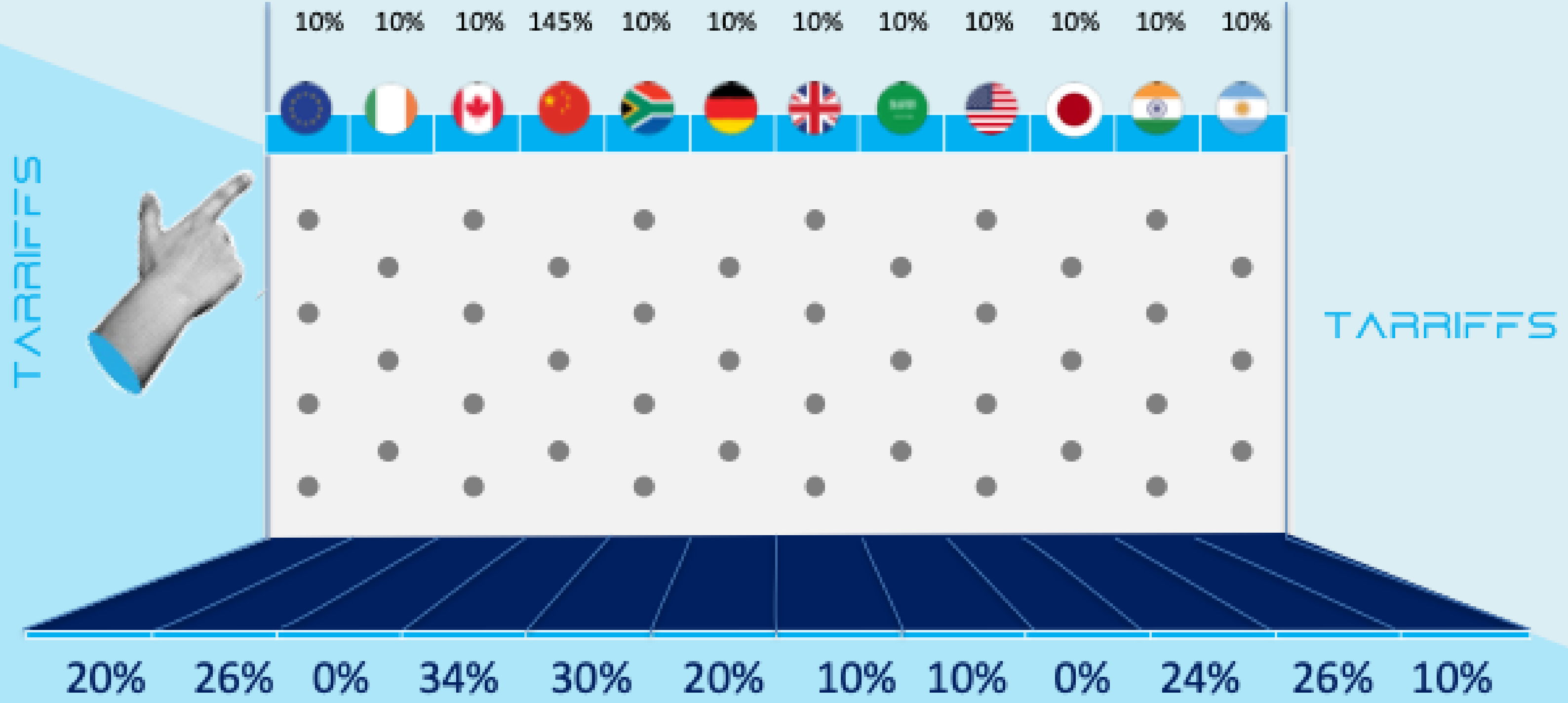
03

Affect pricing, supply chains, and profitability

04

Can be imposed suddenly due to trade disputes or policy changes

PRICES, TARIFFS & CONSUMER DEMAND
A NEW PARADIGM IN GLOBALISATION



There will be an attempt to get to the off-ramp, but it may not work ....

1789: **U.S. Tariff Act**
First Major U.S. tariff law for revenue and protection.

1816: **Protective Tariff (U.S.)**
Protective American industries post-war of 1812.

1846: **Repeal of UK Corn Laws**
Marked UK's shift to free trade.

1890: **McKinley Tariff**
High U.S. tariff on imports to protect domestic industry.

1930: **Smoot-Hawley Tariff**
Contributed to global trade decline during the Great Depression.

1947: **GATT Signed**
Start of global tariff reduction efforts

1960s-1970s: **GATT Rounds**
Major tariff reductions (Kennedy, Tokyo rounds)

1995: **WTO Established**
Promoted tariff reductions and dispute settlement.

2002: **U.S. Steel Tariffs**
Temporary Bush-era tariffs on steel imports.

2009: **U.S. Tire Tariff**
Obama administration tariffs on Chinese tires.

2018-19: **U.S. China Trade War**
Broad mutual tariffs during trade conflict.

2023: **EU Carbon Border Tax**
New tariff aimed at reducing carbon leakage.

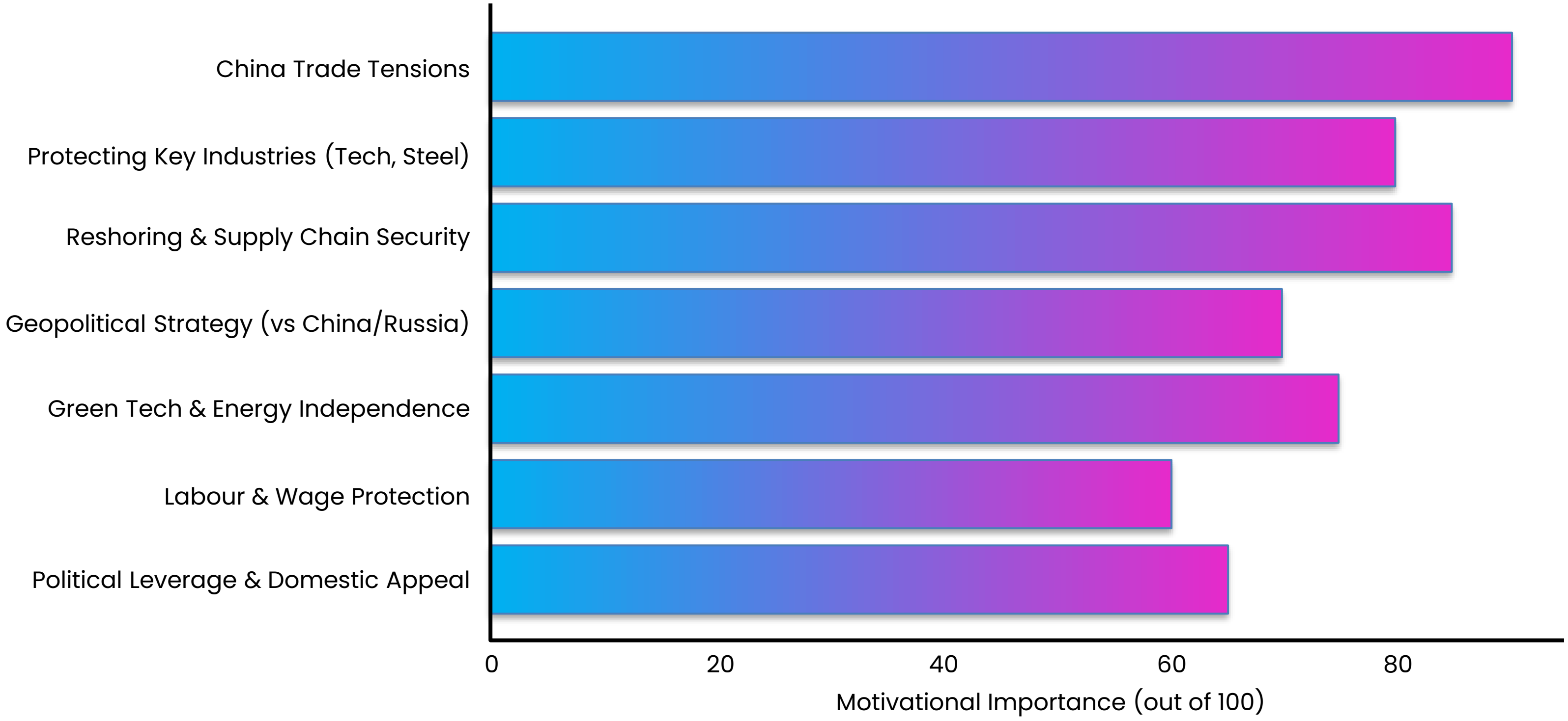
2024-25: **Strategic Tariffs**
Focus on tech and critical mineral tariffs.

Tariffs are the way that the structural vulnerabilities of countries and their companies are exposed and have to be tackled. And this is the key point for Irish business.

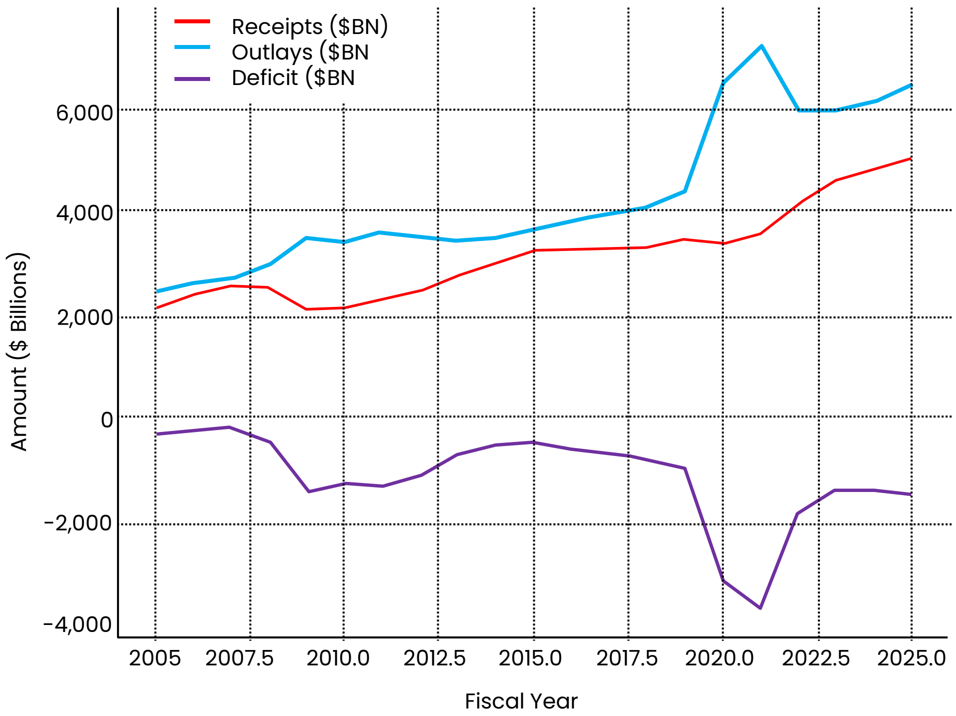
Are tariffs an obstacle or a strategic opportunity for a business to pivot?

02: MARKET DRIVERS TO U.S. TARIFFS

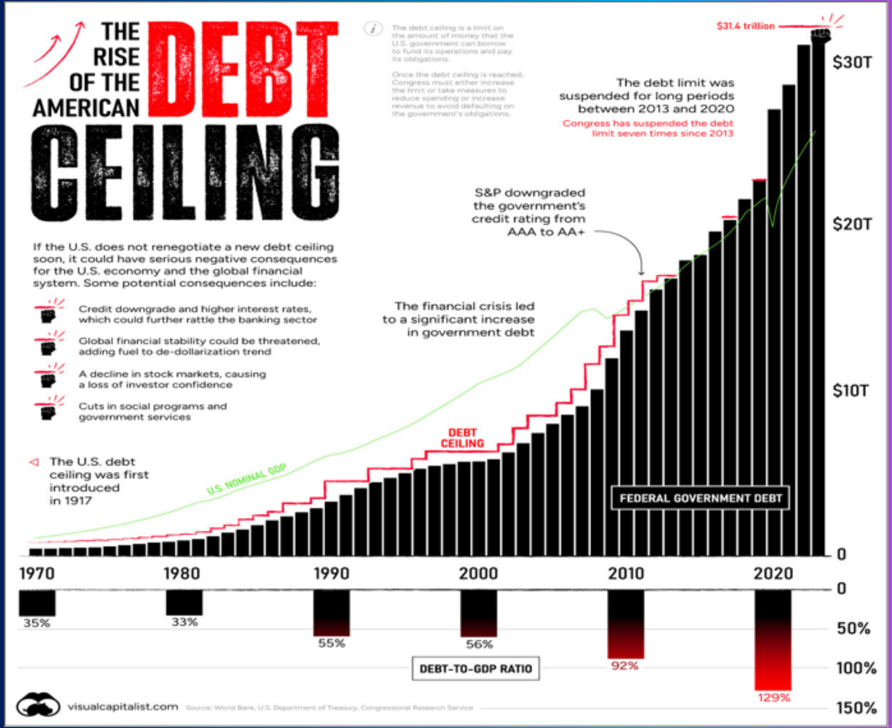
Motivations Behind Current U.S. Tariff Policy (2024–2025)



U.S. Federal Budget (2005-2025)



U.S. Debt Ceiling



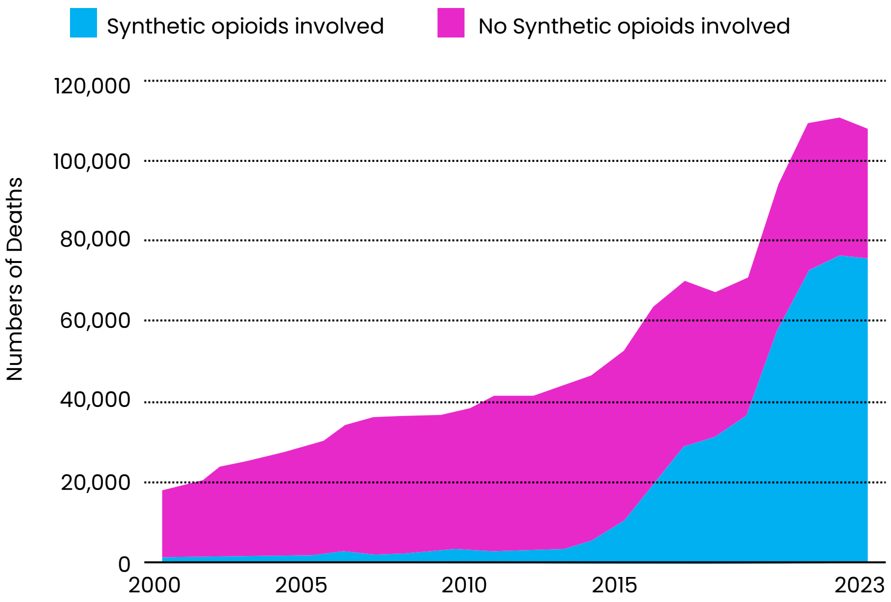
ASCE Report Card for US Infrastructure

Infrastructure Category	Grade
Ports	B
Solid Waste	C+
Rail	C+
Bridges	C
Drinking Water	C
Roads	D
Transit	D
Stormwater	D
Broadband (new)	C+

American Society of Civil Engineers (ASCE)

Fentanyl Fuels Surge in U.S Drug Overdose Deaths

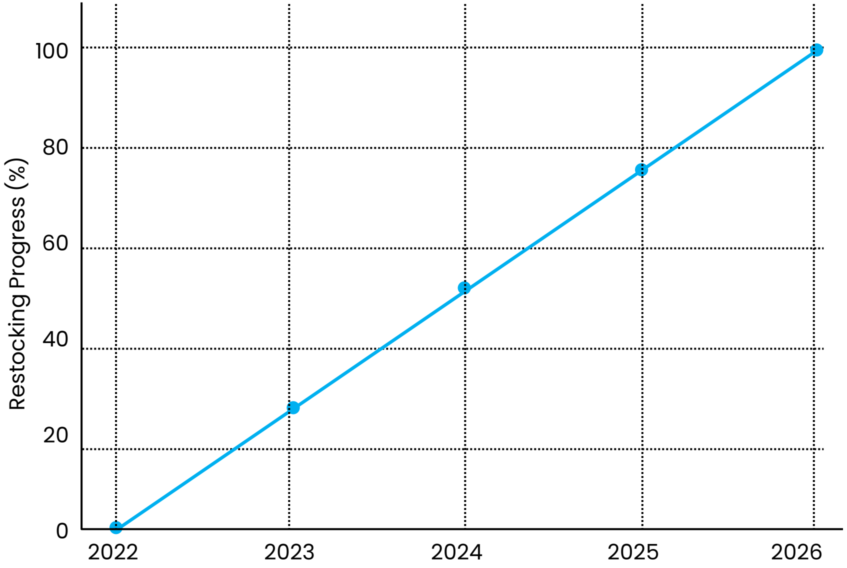
Estimated number of drug overdose deaths (not) involving synthetic opoids in the U.S.*



* Synthetic opioids (e.g. Fentanyl) exclude methadone, figures from 2020 onwards are provisional estimates adjusted for reporting delays

Source: Centres for Disease Control and Prevention

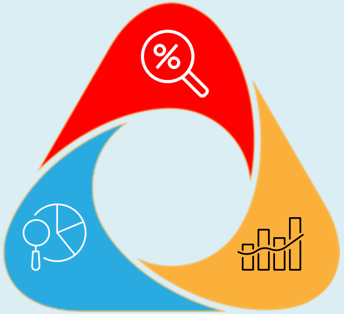
Estimated Timeline for US Stinger Missile Restocking (2022 – 2026)



03: HOW DO WE ADDRESS TARIFFS?

Strategic Framework

01
Assess Impact (costs, margins, supply chain)



03
Adjust Pricing strategy

02
Segment Market and Products

Understand and Quantify Impact

01

Analyse cost increases per SKU or region

02

Forecast margin compression

03

Identify high- and low-risk segments

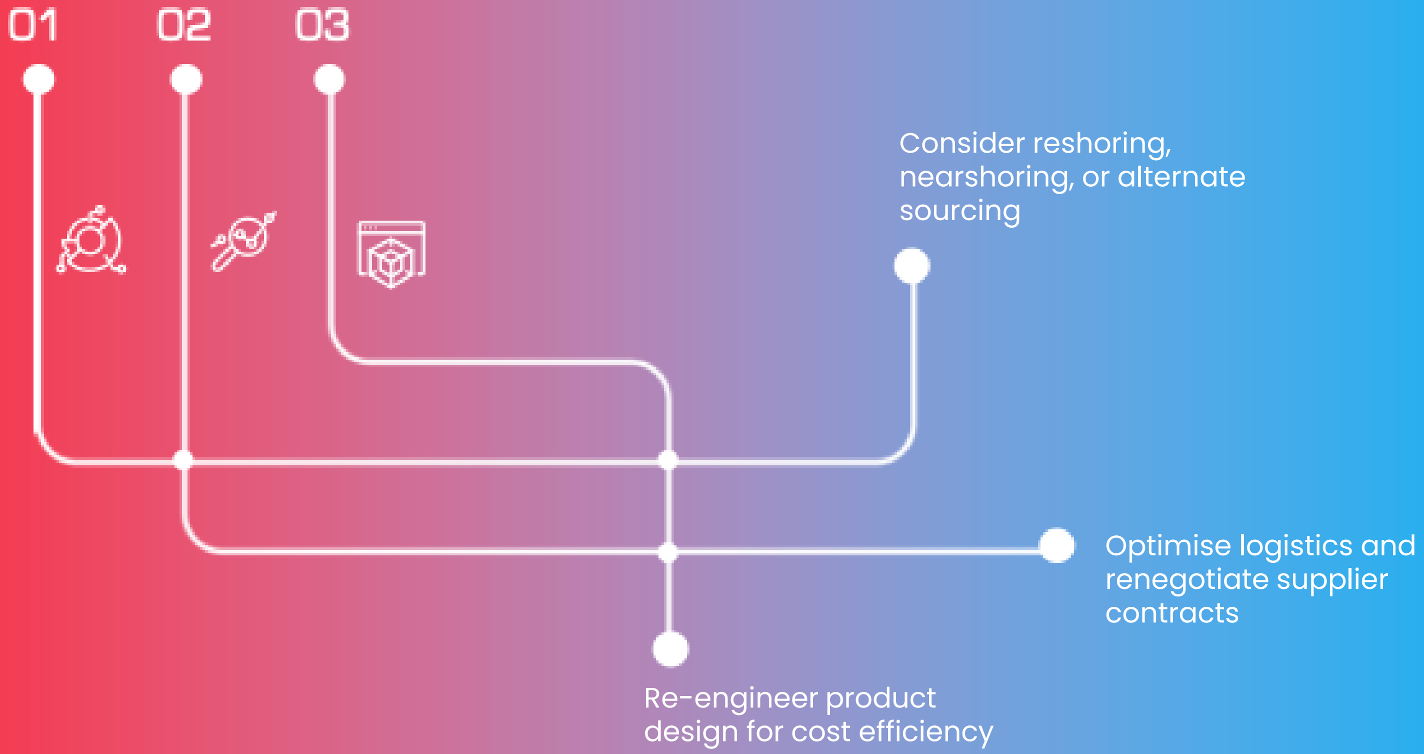
Pricing Strategy Adjustments

- Move from cost-plus to value-based pricing
- Use tiered or dynamic pricing models
- Launch lower-feature, tariff-resistant SKUs

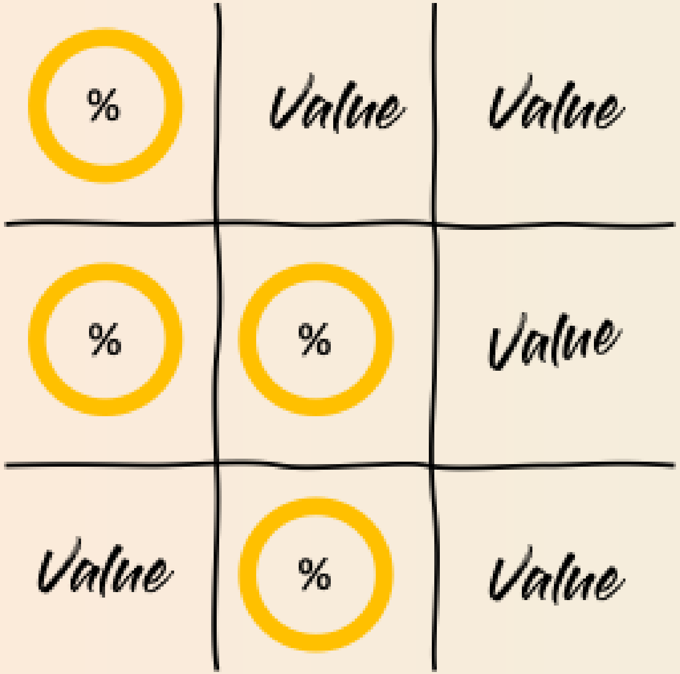
Communicating Value

- Reinforce product/service differentiators
- Transparent communication on price changes
- Use value storytelling and comparisons

Supply Chain & Cost Mitigation

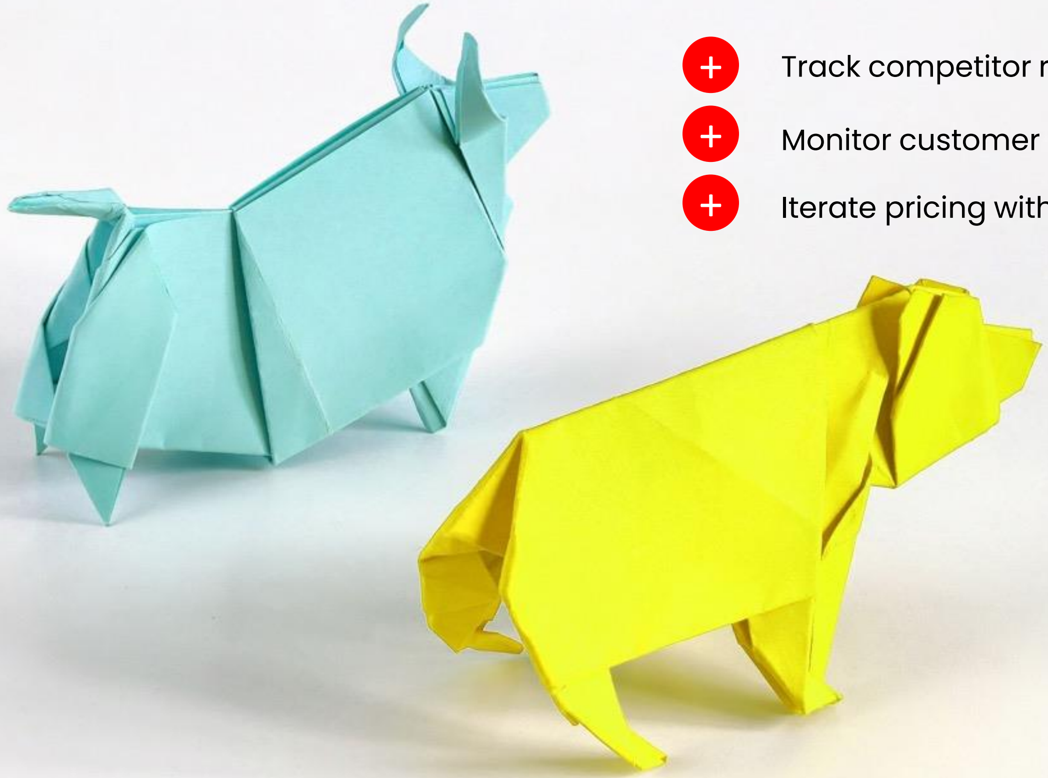


Enhance Non-Price Value



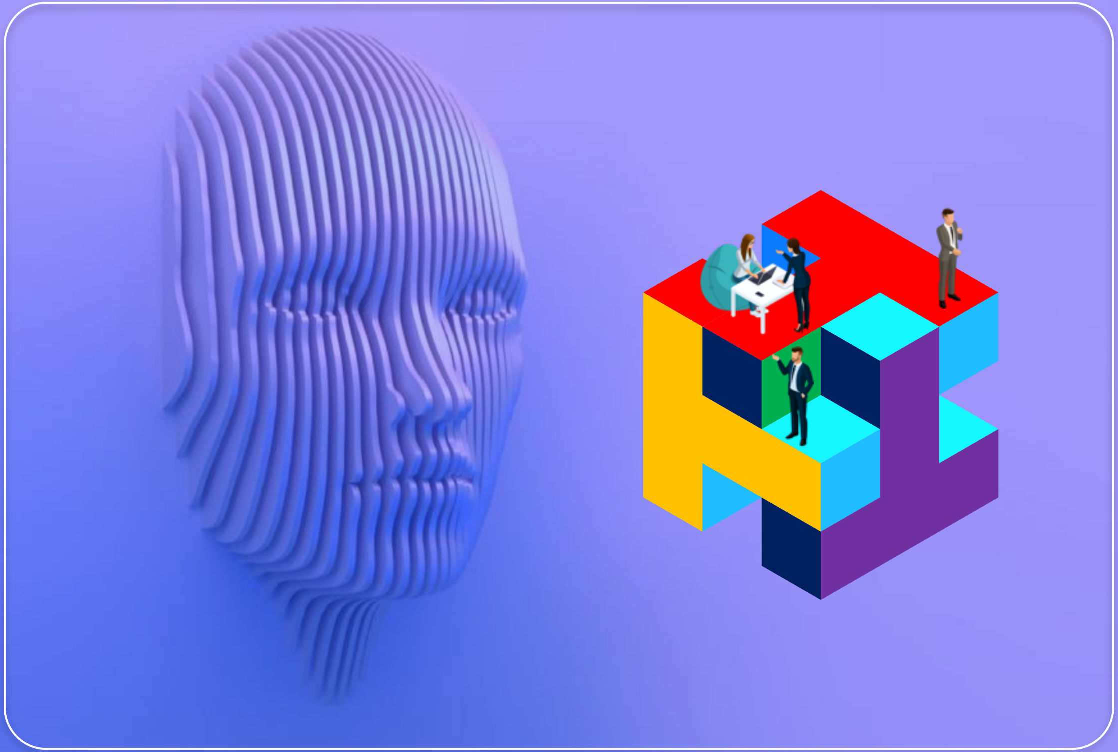
- Add bundles, warranties, services
- Offer loyalty programs or flexible financing
- Improve delivery speed or customer service

Monitor & Adapt



- Track competitor responses
- Monitor customer sensitivity
- Iterate pricing with real-time market data

Leverage Technology & Data



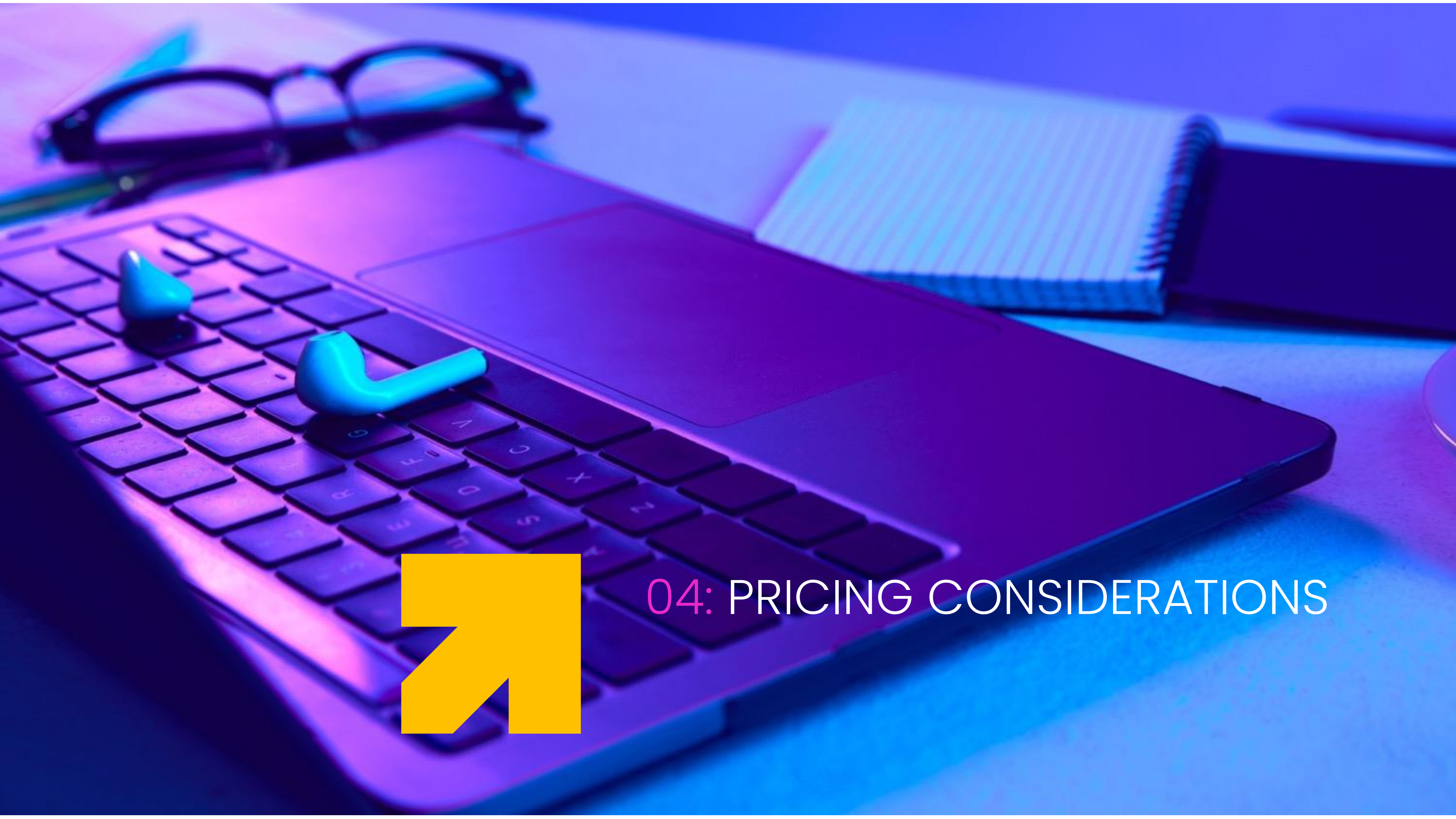
01 Use pricing optimisation tools

02 Implement AI and predictive analytics

03 Integrate real-time dashboards

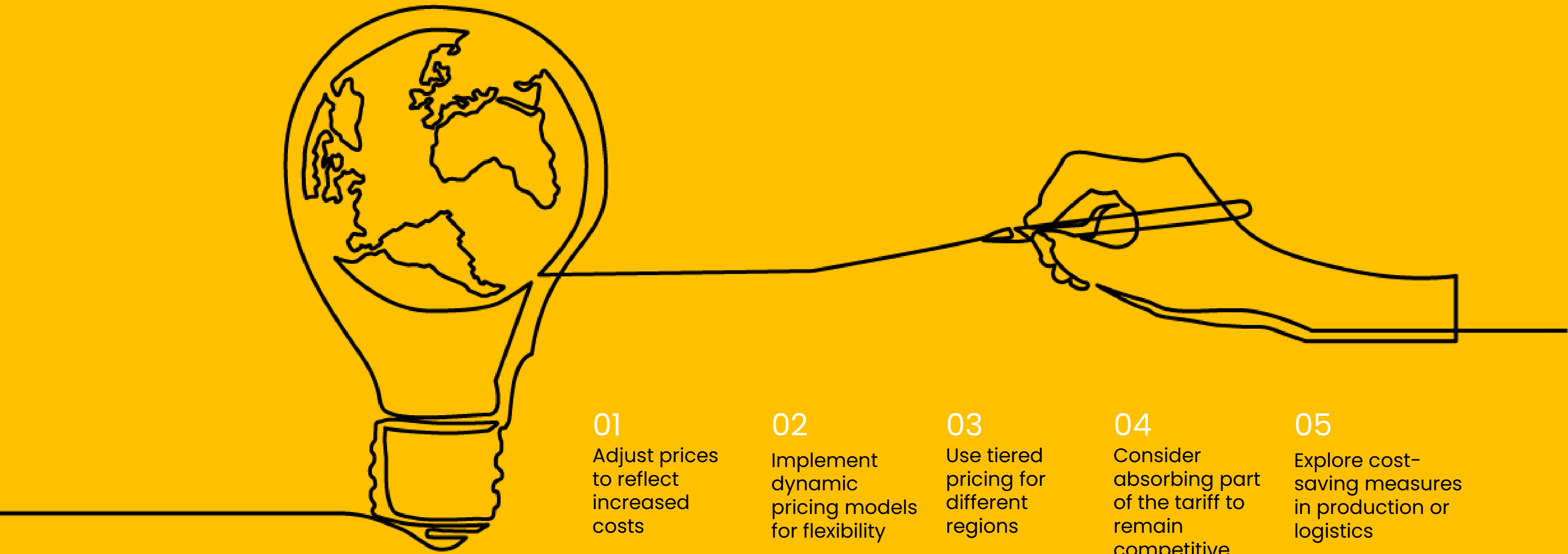
Action Plan & Takeaways

- 3–5 immediate steps for companies
- Long-term resilience strategies
- Key success metrics to track



04: PRICING CONSIDERATIONS

Pricing Strategies During Tariffs



01
Adjust prices to reflect increased costs

02
Implement dynamic pricing models for flexibility

03
Use tiered pricing for different regions

04
Consider absorbing part of the tariff to remain competitive

05
Explore cost-saving measures in production or logistics

05: MANAGING CONTRACTS

Contractual Considerations

01

Include **tariff clauses** to allow price adjustments if tariffs change

02

Use **force majeure** clauses to cover unexpected tariff increases

03

Define responsibilities for tariff costs (Buyer vs. Seller)

04

Specify delivery terms (Incoterms) clearly

05

Regularly review and renegotiate contracts based on tariff changes

06: KEY LEARNINGS

Risk Mitigation Approaches

- Diversify suppliers across different regions
- Shift production to countries with favourable trade agreements
- Stockpile inventory before tariffs take effect
- Collaborate with logistics partners to optimize routes
- Monitor trade policies and stay informed

07: CRITICAL ACTION POINTS

Communication with Customers

- Be transparent about tariff impacts on pricing
- Offer detailed explanations for any price adjustments
- Provide alternative product options or bundles
- Strengthen relationships through consistent communication

08: APPENDIX

What Next for Sectors – Localise or Lose

Historically, transatlantic trade has been resilient – even during the 2018-2019 tensions, U.S. companies continued to invest in Europe (and European FDI to the U.S. also grew),

AUTOMOTIVE

- **Key Point:** *Localise to survive tariffs.*
- U.S. automakers like **Ford** and **Tesla** will **boost EU-based EV and battery production** to avoid tariffs and benefit from EU subsidies.
- **Parts manufacturers (e.g. Lear, Johnson Controls)** may expand in Europe to maintain supply chain continuity.
- **Net effect:** Increased U.S. in EU auto plants, especially EV-focused, but profit pressures may constrain available capital.

AEROSPACE & DEFENSE

- **Key Point:** *Political alignment drives production localisation.*
- Firms like **Boeing** and **Lockheed Martin** may **increase co-production and component manufacturing in Europe** to retain market access and win contracts.
- Defense exemptions reduce direct tariff impact, but **goodwill investments and joint ventures** likely rise.
- **Net effect:** Moderate uptick in aerospace FDI in Europe, driven by strategic alignment and procurement politics.

CHEMICALS & PHARMACEUTICALS

- **Key Point:** *Resilience through duplication.*
- Pharma giants like **Pfizer** may **expand European facilities (e.g. in Ireland)** to secure EU access amid tariff threats.
- **U.S. chemical firms (Dow, Dupont)** could localise EU production to avoid costs and serve the EU market directly.
- **Net effect:** Tariffs accelerate an already high level of FDI – driven by security of supply, tax, and regulatory compliance.

What Next for Sectors – Localise or Lose

"Build where you sell"

FINANCE & SERVICES

+ **Key Point:** *Indirect exposure through macro conditions.*
+ **Tariffs don't directly affect finance**, but broader slowdown could reduce demand for services, delaying expansions.
+ **U.S. PE firms** might pursue **opportunistic buyouts** if EU firms weaken.
+ **Net effect:** Limited change to U.S. financial services; macro uncertainty is the bigger variable.

TECH & DIGITAL

+ **Key Point:** *More about regulation than tariffs – but local presence matters.*
+ **Meta, Amazon, Google** may expand **cloud, data, and R&D assets in Europe** to meet local rules and insulate against tech retaliation.
+ Possible **acquisitions of EU tech startups** as a hedge against digital sovereignty measures.
+ **Net effect:** Continued growth in U.S. tech driven by regulatory localisation and reputational investment, not tariffs per se.

CROSS-CUTTING INSIGHT: STRATEGIC REALLOCATION

+ **Key Point:** *Tariffs reshape rather than reduce demand.*
+ Firms may **treat Europe as a standalone market**, building local production and R&D.
+ Sectors like **auto, chemicals, and pharma** likely see **higher intra-firm investment** to avoid cross-border costs.
+ Quote to use: *"Build where you sell"* (3M, Caterpillar).

Thank-you