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ONE VISION, ONE TEAM, ONE PRICE

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ABSTRACT

This white paper explores how companies, particularly in the consumer goods sector, can effectively respond to the growing unpredictability of tariffs and market disruptions. It argues that traditional reactive approaches are no longer sufficient in a landscape marked by sudden policy shifts, evolving consumer expectations, and economic volatility. Through historical context, case studies, and brand analyses, the paper reveals how pricing strategies, brand perception, and consumer behavior intersect to shape outcomes. It emphasizes the importance of integrated commercial planning, linking pricing, marketing, innovation, and demand forecasting to build resilience. The paper also highlights the transformative role of data intelligence and advanced analytics in enabling smarter, real-time decisions. Ultimately, it calls for businesses to shift from fragmented, siloed responses to holistic, insight-driven planning, positioning them to navigate uncertainty with greater clarity, agility, and strategic foresight.

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INTRODUCTION

Tariffs are increasingly shaping the decisions of pricing, sourcing, and supply teams. And yet, we still see many businesses respond to them reactively, treating each new change as an isolated event rather than part of a larger pattern.

To explore why this reactive posture can be risky, let's consider three short stories. Each highlights a different aspect of how consumer expectations, policy shifts, and brand strategy converge, and what happens when that alignment breaks down.

THREE LESSONS IN PRICING, POLICY, AND PERCEPTION

To understand how businesses can better plan for today's tariff-driven disruptions, it helps to take a step back. History, both ancient and recent, offers lessons in how pricing, policy, and consumer perception interact. The three stories that follow are drawn from very different contexts. But together, they illustrate recurring challenges.

KNOWING YOUR CONSUMER

In early 2024, Wendy's announced a plan to trial dynamic pricing across its restaurant network, mirroring surge pricing used in rideshare models. The backlash was immediate. Consumers labeled the move as opportunistic, leading to negative headlines and a wave of social media criticism. The initiative was ultimately walked back.

This wasn't the first time brands underestimated consumer sentiment around perceived fairness. Coca-Cola once floated the idea of adjusting vending machine prices based on weather, charging more during heat waves. That too ended in reputational damage.

More recently, the much-anticipated reunion concerts by Oasis were overshadowed by fan outrage over "dynamic ticket pricing," with media coverage focusing more on "price gouging" than the band's comeback. In each case, the issue wasn't the price itself—it was the perception of unfairness.

These stories serve as reminders that price is not just a number; it is a reflection of brand equity, consumer trust, and emotional value. When the value equation feels off, consumers react. And when they do, the impact extends beyond lost sales to long-term brand damage.

TARIFFS THEN AND NOW

Tariffs are not a modern invention. In fact, some of the earliest known examples date back to ancient Rome. The portoria were customs duties levied on goods moving across borders, entering cities, or passing through ports. These tolls were among the empire's first sources of public revenue, used to fund military campaigns and administrative costs long before more sophisticated tax systems emerged. As with many forms of taxation, their practical use was often undermined by corruption and inconsistent enforcement until a series of legal and administrative reforms attempted to restore integrity.

TODAY, TARIFFS PLAY A REMARKABLY SIMILAR ROLE, THOUGH THE TOOLS AND TACTICS HAVE EVOLVED.

What are tariffs, and how are they used?

At their core, tariffs are taxes imposed by governments on imports (and, occasionally, exports). Historically and today, they serve three main purposes:

- **Protection:** Tariffs raise the cost of imported goods to help shield domestic industries from foreign competition.
- **Revenue:** Before the advent of income taxes, tariffs were a major income stream for governments.
- **Political leverage:** Tariffs can be used to influence trade negotiations or apply pressure in geopolitical disputes.

In the modern era, tariffs have taken on new urgency. Governments are using them more unilaterally and often as part of broader economic strategies, including:

- **Trade wars:** The U.S.-China tariff escalations between 2018 and 2020 are a recent example.
- **Supply chain localization:** Tariffs have been used to encourage domestic manufacturing or regionalize production.
- **Geopolitical responses:** The EU's carbon border adjustments and the UK's post-Brexit realignment have shifted how and where tariffs apply.

How have we managed tariffs historically?

The framework for tariff management has changed over time. In the 19th century, tariffs were a dominant revenue tool. After World War II, however, a global movement began to reduce them in favor of freer trade, leading to:

- The General Agreement on Tariffs and Trade (GATT) in 1947
- The World Trade Organization (WTO) in 1995
- Regional trade agreements such as NAFTA, the EU Customs Union, and ASEAN

Governments have typically managed tariffs through negotiation, retaliation, and countermeasures like quotas or subsidies. But in recent years, that model has been tested by rising protectionism, unilateral actions, and shifting trade alliances.

TARIFFS MAY BEGIN AS POLICY, BUT THEIR IMPACT IS FELT ON THE SHELF, IN THE CART, AND ON THE P&L.

How do consumers respond?

Ultimately, tariffs flow downstream. When businesses face higher import costs, those increases often trickle into consumer prices, especially in categories where margin pressures are already high. Common consumer responses include:

- **Switching to alternatives:** Where possible, consumers substitute tariffed goods for domestic or lower-cost versions.
- **Reducing demand:** Some consumers may delay or forgo purchases entirely.
- **Behavioral shifts:** In higher-cost durable goods categories, like appliances or electronics, consumers may delay purchases or wait for promotions.

PRICING, BRAND STRENGTH, AND CONSUMER ELASTICITY

We may not have had history or data to learn from during the pandemic, but we did see two clear approaches: either competing on the lowest price to stay relevant, or investing in marketing to ensure people knew you existed. Coming out of the pandemic, there are strong trends we can learn from, and clear examples of which brands emerged with renewed strength.

During the pandemic Mondelez significantly increased its advertising and commerce (A&C) spending. In the latter half of 2020, the company boosted its U.S. biscuit segment A&C by 60% compared to the previous year. Additionally, Mondelez tripled its e-commerce investments, resulting in a 200% surge in online sales, which then accounted for 6% of its total sales. This strategy aimed to sustain heightened demand and foster long-term brand loyalty (WARC, 2024).

A comprehensive study analyzing six and a half years of data across 350 brands in 39 fast-moving consumer goods categories found that advertising decreases the magnitude of price elasticity. This effect is predominantly direct (97.5%) and partly indirect (2.5%) through enhanced brand preference. In essence, advertising makes consumers less sensitive to price changes, especially among those who already consider or prefer the brand (Ataman et al., 2023).

The conclusion is as follows: it is essential to invest in brand building (perhaps even more so in tough times) to keep your brand front-of-mind with the consumer, develop equity, and reinforce consumer willingness to pay.

THE TARIFF CHALLENGE: WHY REACTION IS NO LONGER ENOUGH

As we evaluate today's challenges, we must acknowledge the elephant in the room reshaping consumer goods economics: tariffs. Tariffs in their current form are being used more unpredictably and more aggressively than in decades past. With little historical precedent for this level of volatility, traditional approaches offer limited guidance. That means businesses must learn in real time and adapt accordingly.

So, where do we start, and how do we create predictability from the unpredictable?

One thing is certain: we're all in it together. The manufacturer, the retailer, and the end consumer all feel the pressure. But the question is, who absorbs the cost? If manufacturers take the hit, margins erode. If retailers do, they may pass the increase on under the guise of a "tax." And if consumers bear the brunt, demand can drop, or they may switch brands entirely.

None of these outcomes are ideal. Instability affects every corner of the value chain, from input costs and sourcing strategies to demand forecasting. Taking control starts by focusing where we have the most insight: the point of sale. While consumer behavior can appear unpredictable, it is also one of the most modelled and measurable data sets available.

Outside of major black swan events, regression models built on point-of-sale data can provide a high degree of accuracy in forecasting consumer response to price movements. This helps businesses identify which brands or categories are best positioned to absorb a price increase.

If we can predict consumer responses, we can also plan more creatively. Strategic pricing actions like moving price increases selectively across the portfolio can help offset tariff impacts. But, this approach must be tempered with caution. The benefits include stronger alignment across demand, supply, and finance, and greater control over volume shifts. But the risks lie in overestimating brand elasticity or alienating price-sensitive segments.

When modelling price increases leads to unacceptable volume losses, companies need to expand the toolkit. That includes launching new pack sizes to maintain entry-level price points, reformulating products to reduce the cost or tariff burden, and adjusting the channel, brand, or pack mix to shift volume into areas of lower exposure. Each of these levers has implications across supply, finance, and commercial teams. But when used in coordination, they allow organizations to adapt pricing strategy without defaulting to blunt increases that harm competitiveness.

The more precisely we can model demand, the more targeted our mitigation strategies can be. But price alone isn't the only lever, and overuse may come at a cost. Now is the time to rebalance the equation with a broader, data-driven approach.

STRATEGIC RESPONSES TO TARIFF VOLATILITY

It’s worth asking yourself: Are we operating with too narrow a playbook? Strategically moving prices may offer short-term relief from margin pressure, but taken too far, it risks alienating the consumer. We cannot ignore the long-term cost of erosion in brand trust or portfolio health. If we continuously shift pricing without integrating that strategy into manufacturing, we may find ourselves selling products for less than they cost to make. And if we ignore how competitors are responding, we risk becoming irrelevant in the process.

Consumer understanding must remain at the center of decision-making. Those who fail to invest in this insight already risk irrelevance—just look at Blockbuster. By contrast, companies like PepsiCo have used advanced consumer insights to adapt and grow. Identifying a growing preference for healthier products, they launched new ranges including Quaker Oats and Naked Juice. According to Statista, this pivot contributed to a 7% revenue increase in their health-focused segment in 2022.

Modern retailers and manufacturers now sit on an abundance of purchase data, yet too often that data is underutilized. Paying for consumer insights is only part of the equation—unless those insights are embedded in planning and decisionmaking, they deliver limited value.

At minimum, organizations must understand what their customers expect—and then respond through coordinated levers such as marketing, innovation, pricing, promotion, and assortment. When these functions work in sync, companies can unlock sustainable value, guide consumers toward the right decision at the right time, and meet business objectives without eroding trust.

INTEGRATED COMMERCIAL PLANNING: THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS

The ability to integrate decision-making across pricing, promotions, assortment, marketing, innovation, strategic investments, and joint business planning is more than operationally efficient; it is strategically essential. Companies that orchestrate these levers holistically outperform their peers on revenue growth, margin expansion, and consumer relevance in today's world.

Consultancies like McKinsey and Bain have repeatedly emphasized this point. For example, McKinsey reports that companies connecting pricing and promotions through advanced analytics can achieve revenue and profit increases of three to five percentage points while simultaneously improving customer satisfaction and loyalty.

Among these levers, the link between pricing and marketing remains one of the most powerful, yet often underutilized. Investing in brand-building not only drives awareness but also directly strengthens price elasticity. Brands with strong equity are better positioned to command premiums and resist competitive discounting. Consumers become less price-sensitive, more loyal, and less likely to switch. Research from Google and Kantar confirms this effect: brands with strong equity can consistently command prices up to twice those of weaker competitors, even in turbulent markets.

This intangible value, the "je ne sais quoi" of consumer perception, is what allows iconic brands to justify higher price points for similar offerings. However, when pricing decisions are made independently from brand strategy, the result is often short-term promotions that erode long-term value.

Bridging this gap is where the real opportunity lies. When pricing, marketing, and innovation are connected through shared data models, aligned planning cycles, and a unified platform, companies are able to protect and grow their margins without compromising consumer trust. The future of profitable growth depends on this convergence of insight, investment, and execution, supported by real-time analytics and a culture of collaboration across internal teams and retail partners.

OVERCOMING THE BARRIERS: FROM FRAGMENTED DATA TO DECISION INTELLIGENCE

Many consumer goods companies and retailers face a common challenge: fully leveraging the vast amounts of internal and third-party data at their disposal. The barriers are both technical and organizational. Legacy systems, siloed data sources, and inconsistent data quality make it difficult to achieve a unified view of the business. Even when data is centralized, the computational requirements for running complex models like those for personalization, price elasticity, or demand forecasting can be prohibitive.

Beyond technology, there is also the cultural challenge of aligning cross-functional teams. Integrating marketing, sales, supply chain, and f inance around shared, data-driven decisions is still a work in progress for many organizations.

However, the outlook is increasingly promising. Advances in cloud computing, machine learning, planning platforms, and secure data environments like clean rooms are making it easier to analyze large datasets in real time. These innovations are unlocking smarter, faster decisions that are grounded in actual consumer behavior.

The path forward is not about perfection. No company has a flawless data architecture or a fully automated planning ecosystem. But the speed of technological advancement means that transformation is possible, and often faster than expected. The key is to act early, stay adaptable, and build a culture where insights are not just collected but actively applied. In today’s volatile landscape, the real risk is not making a wrong move; it’s standing still.

CONCLUSION

Tariffs may be unpredictable, but your planning doesn't have to be. Brands that rely on fragmented insights and reactive moves will struggle to protect margins or loyalty. But those that connect pricing, promotions, and portfolio strategy with real consumer behavior can navigate tariff volatility with clarity and control. With the right data, tools, and collaboration in place, companies can make smarter trade-offs, strengthen brand equity, and deliver value in ways that last, regardless of what the market throws their way. Simply put: now is the right time to be planning forward.

Convinced or Curious? If your organization faces similar challenges and seeks to unlock significant business value through intelligent planning and decisionmaking capabilities, o9 is here to help.

Discover how o9 can tailor innovative solutions to meet your unique business needs, drive operational excellence, and position your organization for future success.

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