From Tariff Chaos to Control:

5 Steps Every Wholesaler Must Take Now

Implementation Guide

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Executive Summary

Nelson Valderrama
Founder & CEO

The current tariff chaos represents an existential threat to mid-market distributors generating $25M to $150M in revenue, especially those with limited IT and financial resources.

Negotiations with trade partners may resolve some uncertainties. Yet, too many distributors struggle with this tariff chaos, with some losing up to 7.6% of their margins because of ineffective tariff management.

Every day, you face three critical breaking points. We feel your pain! Positioned at the end of the supply chain, distributors must contend with increased costs, competitive strategies, and fluctuating customer demand. But we see opportunity here!

3 Critical Tariff Information Breakpoints determine your Tariff Impact Assessment Matrix:

1. Vendor Notification Inconsistencies
2. ERP System Configuration Gaps
3. Customer Communication Disconnect

This assessment helps distributors achieve real, measurable results using a framework that balances profitability and customer relationships.

5 Steps Every Wholesaler Must Take Now:

1. Identify which product categories truly need your immediate attention using our Impact Assessment Matrix.
2. Create practical workarounds when vendors won't separate tariff costs in their pricing.
3. Configure your ERP system to track tariff impacts without expensive customizations.
4. Develop clear, confident customer communications that maintain relationships during price increases.
5. Implement a phased action plan that aligns purchasing, operations, and sales around a common approach.

60% of mid-market distributors lack a strategic approach to tariff management—yet forward-thinking companies can turn this challenge into a competitive advantage with AI-powered pricing and inventory optimization. One distributor reduced its price update cycle from 14 days to 2 days! **Click here to read our Use Case.**

You, too, can move from tariff chaos to control, turning radical uncertainty into opportunity!

Nelson

Nelson Valderrama
CEO | Intuilize

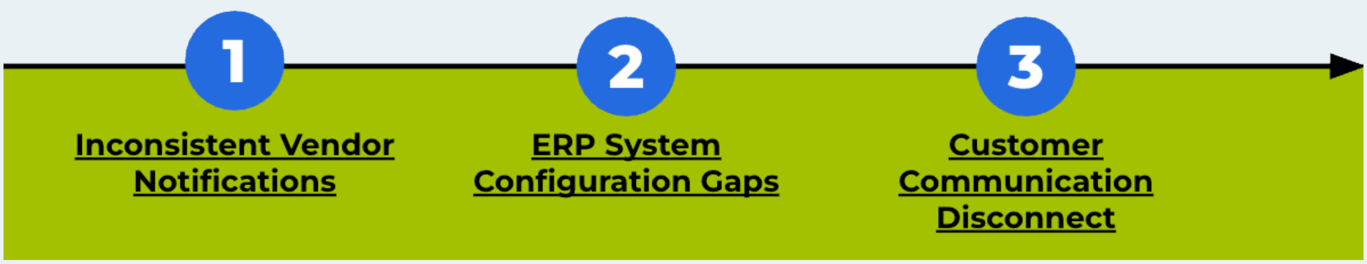
Introduction: The Mid-Market Tariff Dilemma

Distributors with tight 3-7% profit margins face challenges from trade negotiation-related economic uncertainty—90% experience a negative margin impact because of poor pricing execution, affecting 17.7% of their annual revenue. However, forward-thinking distributors gained 4.2% market share during the past trade wars.

Wholesalers have ridden the inflation rollercoaster for a decade. The industry has wrestled with rising costs and volatile markets. Rising and unpredictable tariff rates, coupled with the expansion of taxed goods and materials, pose significant new challenges and could threaten the survival of mid-market distributors.

Successfully navigating the complexities of tariff management requires commitment, adaptability, and agility. The journey begins with a comprehensive grasp of the Three Critical Tariff Information Breakpoints, illustrated in **Figure 1**.

Figure 1: Three Critical Tariff Information Breakpoints



1. **Inconsistent Vendor Notifications**
   - Varying formats and late notifications affect billing, pricing, and inventory.
   - Some vendors embed tariffs in unit costs with zero transparency.
   - Mixed approaches across product categories mislead distributors and customers.
2. **ERP System Configuration Gaps**
   - Many ERP systems lack tariff-specific fields or workflows.
   - Manual workarounds introduce errors and delays.
   - Legacy systems are not designed for today's tariff complexity.
3. **Customer Communication Disconnect**
   - Distributors cannot justify pricing without transparency.
   - Effective communication requires strategy.
   - Balancing price increases preserves customer relationships.

Unprepared distributors risk up to 35% of their annual revenue. They waste 15-30 hours a week on manual tariff processing. Poor tariff management implementation results in a 6.0% margin loss, compounded by a 1.6% margin erosion from delayed price updates.

Tariff Impact Assessment Matrix

Critical Tariff Information Breakpoints identify the challenges before you. The Tariff Impact Assessment Matrix (See **Figure 2**) categorizes business problems based on the combination of their impact (High/Low) and the complexity of their implementation (High/Low).

The assessment begins with answers to practical assessment questions:

- What is your existing inventory position?
- How do vendors currently communicate tariff information?
- What is your customer price sensitivity by segment?
- What are your competitive positioning requirements?

Of course, challenges and solutions do not happen in isolation. Your challenges may lie in a combination of breakpoints or multiple issues at one breakpoint. We designed a Tariff Impact Assessment Matrix to help cut through the challenge.

Figure 2: An Example of a Tariff Impact Assessment Matrix

This matrix prioritizes areas requiring attention based on their impact (High/Low) and complexity (High/Low). This example does not minimize the concerns that fall in quadrants 3 and 4; however, quadrants 1 and 2 need immediate attention.

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The 5-Step Implementation Framework

Every wholesale distributor must act now to take control of the tariff impact chaos. This five-step implementation framework provides actionable strategies for transforming radical uncertainty into opportunity.

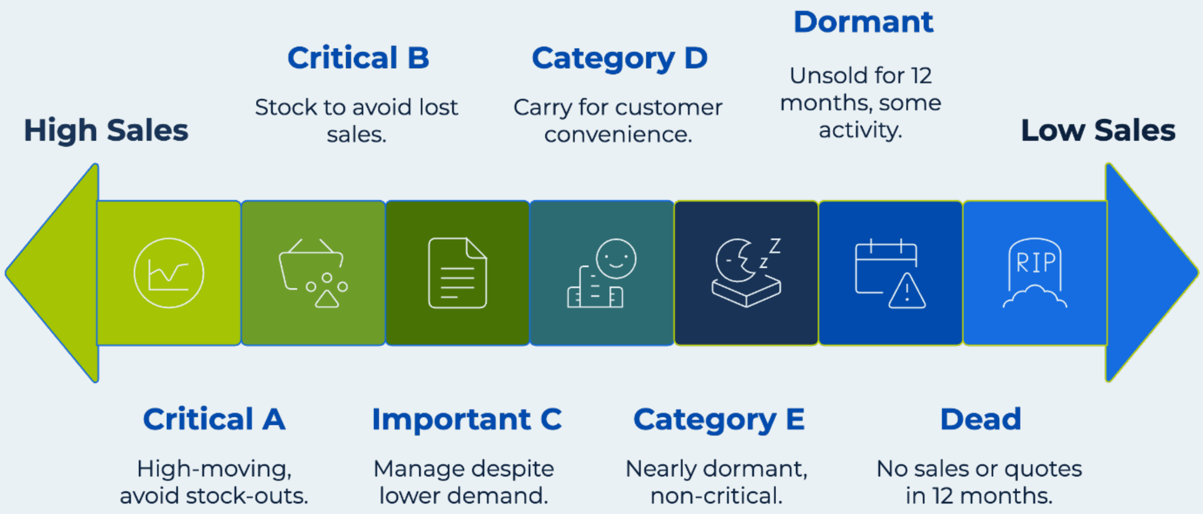
Step 1: Prioritize Key Product Categories

Having a Tariff Impact Assessment Matrix in place lets you proceed confidently, knowing which challenges require immediate attention.

As distributors grow their business, they can lose touch with their inventory. Products multiply; supply and demand fluctuate; competition increases. Complex inventory quickly outgrows manual inventory and pricing management.

Distributors handle thousands of SKUs, making organization essential. **Figure 3** shows a simple product segmentation template (also called "categorization" or "classification") to help you sort and prioritize products. It uses a straightforward scale from Low to High Sales to enable quick decision-making...

Figure 3: Prioritizing Key Product Categories



As suppliers pass tariff costs on to you, you must price products to sell and still sustain your margins. With this tool, you can categorize your challenges and opportunities:

- Critical A and B require immediate pricing action.
- Important C and Category D allow for some flexibility.
- Dynamic pricing may not move Categories E, Dormant, and Dead, but you need a strategy to reduce the load.

With a thorough understanding of current inventory levels, mid-market distributors can classify products based on their tariff impact assessment.

After prioritizing key product categories, you must assess how tariff pricing has affected the current inventory levels. **Figure 4** illustrates three ways tariffs have a direct and indirect impact on your inventory.

Figure 4: Inventory Tariff Impact Assessment on Existing Inventory

- **High Pre-Tariff Inventory:** Existing inventory includes stock procured at pre-tariff pricing. That cost gives you a pricing and competitive advantage.
- **Mixed Inventory Position:** The current inventory likely contains goods acquired both before and after tariff implementation, resulting in varying costs. This helps you pass those costs along strategically.
- **Low/ No Pre-Tariff Inventory:** Inventory secured at post-tariff costs reduces your pricing flexibility. You pass that increase along, phase it in, or absorb the cost.

Data-driven decisions forge better businesses. Inventory management requires ongoing and due diligence attention. Tariff-inflated pricing also demands proactive involvement. For example, future-forward distributors might focus on critical cost capture points.

Step 2: Identify the Three Tariff Critical Cost Capture Points

The 5-Step Implementation Framework continues by addressing crucial cost capture points within your pricing process. These points are where you link your cost to particular inventory items or customer orders.

In wholesale distribution processing, multiple factors influence costs: purchasing, freight, handling, labor, warehousing, and more. Tariffs can affect all these inputs. When you focus on inventory, you must act on the points illustrated in **Figure 5**.

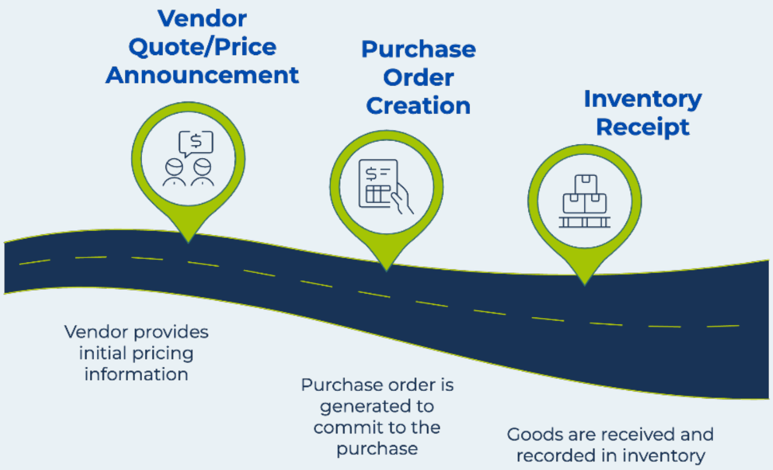


Figure 5: Critical Cost Capture Points

Some suppliers add tariffs as a separate line item. Others build them into unit costs without disclosure.

Vendor Quote/Price Announcement:

A vendor price announcement helps you assess needs and options before updating standard costs and placing orders.

- **Example:** When 3M announces a 15% increase effective April 17th, you can immediately update standard costs for affected items rather than waiting for actual POs.
- **ERP Field to Update:** Standard Cost / Location Cost / Static price / Selling price / Fixed Price
- **Good for:** Forward-looking margin protection

Purchase Order Creation:

When you capture vendor pricing at the time of PO creation, you ensure that cost updates sync with purchasing commitments.

- **Example:** Widget A previously cost $11 but now costs $15. Update the standard cost to $15 when creating the PO, rather than waiting for the receipt of Widget A.
- **ERP Field to Update:** Standard Cost to reflect replenishment cost
- **Good for:** Accurate order-time costing

Inventory Receipt:

If you complete cost updates on physical receipt of the stock, you can capture any last-minute adjustments.

- **Example:** A shipment from China arrives with the actual freight and tariff costs. Update standard costs or final landed cost.
- **ERP Field to Update:** Standard Cost / Landed cost based on tariffs and freight multiplier
- **Good for:** Final landed cost accuracy

The critical capture points are important for your ongoing business, but it is also crucial to review older items (categories D, E, and dead inventory) that you have not purchased in a while. Updating the standard cost for these items ensures you're not missing out on potential income. These older, often overlooked items, especially odd ones, can still be a valuable source of revenue if their standard costs are properly reflected.

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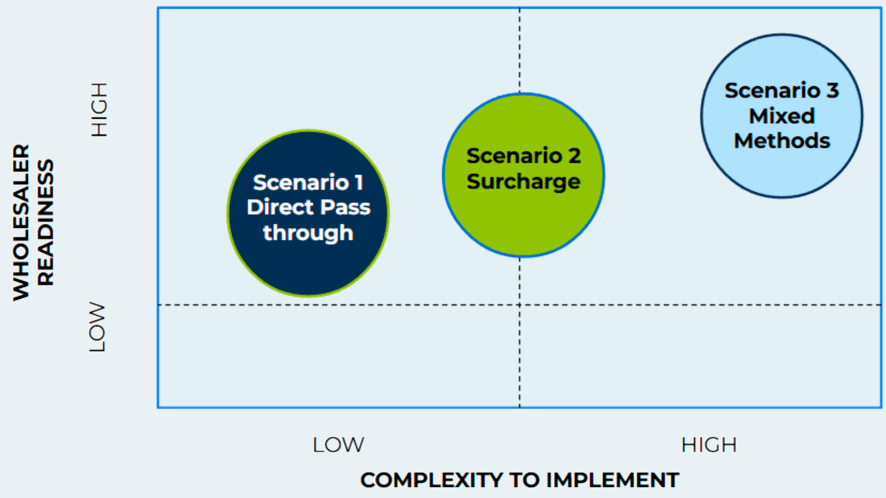
Step 3: Establish Strategic Pricing Adjustments

Figure 6: Tariff Impact Assessment: Pricing Adjustments



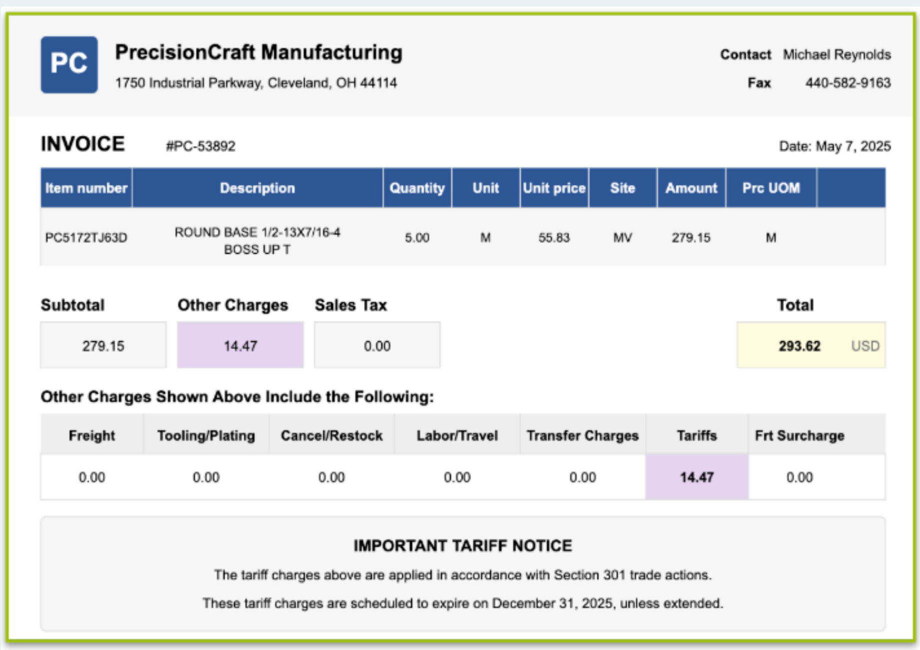
Having identified your Critical Cost Capture Points, you can decide on price adjustment scenarios. **Figure 6** outlines a matrix to analyze potential pricing scenarios by relating organizational readiness for adjustments to the difficulty of their implementation.

Distributors we have known for some time have rushed to deploy pricing without planning and testing.

In **Scenario 1**, you pass the tariff directly through to the customer. If the vendor charges you $15 for a $10 widget, you add that $5 to your price. It is the least complex of the pricing options.

Scenario 2 passes the tariff to the customer as a Surcharge or Tariff Charge. This requires more readiness than **Scenario 1**.

Scenario 3 mixes methods, using **Scenarios 1** or **2** on different products or for specific customers. This is the most complex and least used option, considering the tracking of prices across thousands of SKUs.



PC **PrecisionCraft Manufacturing**
1750 Industrial Parkway, Cleveland, OH 44114

Contact Michael Reynolds
Fax 440-582-9163

INVOICE #PC-53892 Date: May 7, 2025

Item number	Description	Quantity	Unit	Unit price	Site	Amount	Prc UOM
PC5172TJ63D	ROUND BASE 1/2-13X7/16-4 BOSS UP T	5.00	M	55.83	MV	279.15	M

Subtotal	Other Charges	Sales Tax	Total
279.15	14.47	0.00	293.62 USD

Other Charges Shown Above Include the Following:

Freight	Tooling/Plating	Cancel/Restock	Labor/Travel	Transfer Charges	Tariffs	Frt Surcharge
0.00	0.00	0.00	0.00	0.00	14.47	0.00

IMPORTANT TARIFF NOTICE

The tariff charges above are applied in accordance with Section 301 trade actions.

These tariff charges are scheduled to expire on December 31, 2025, unless extended.

Figure 7: A Manufacturer Invoice

In **Figure 7**, a manufacturer adds $14.47 in "Other Charges." On the line below, the manufacturer discloses that the $14.47 is a "Tariffs" charge.

The invoice adds transparency by noting, "The tariff charges above are applied in accordance with Section 301 trade actions."

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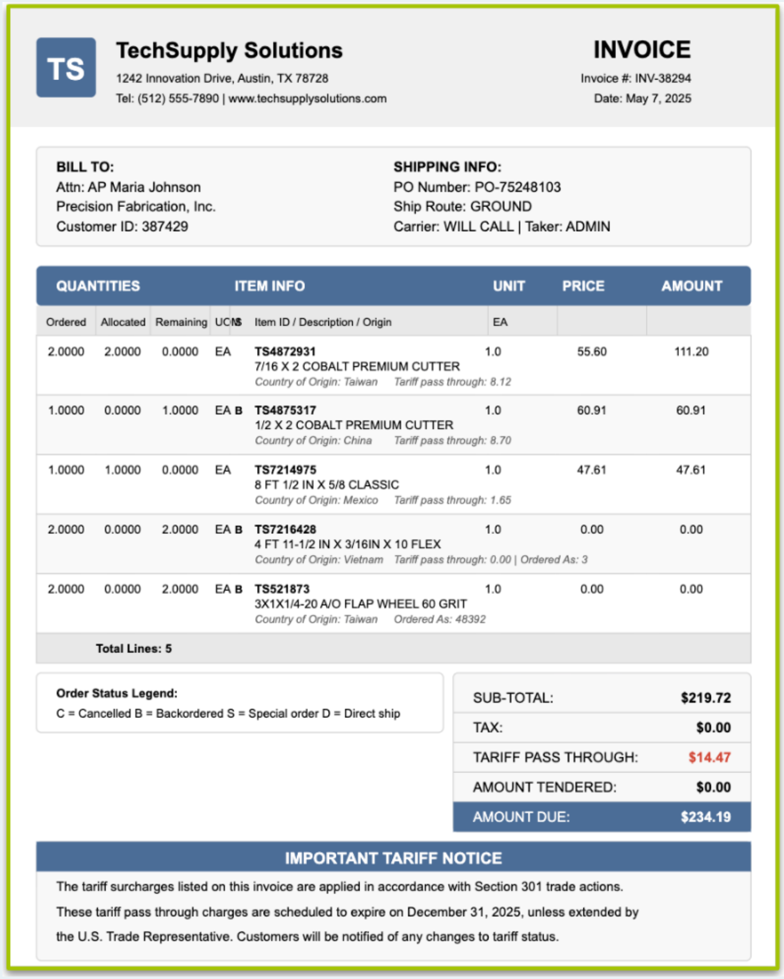
In **Figure 8**, the distributor invoice designates $14.47 as a “Tariff Pass Through.”

This totals the vendor charges on the individual items listed, or it represents the customer’s share of an aggregate tariff impact. This example also uses the “Important Tariff Notice.”

In **Figure 9**, we examine the strategy for implementing Scenario 1, which involves direct tariff pass-through to customers, including the planning and execution stages.

- In the rollout of this Scenario, you see distributor decisions driven by Customer Price Sensitivity. With price sensitivity low, you can opt to pass tariff costs through directly and immediately, or you might inch the pricing up gradually.
- A phased increase with staged price adjustments will work better when Customer Price Sensitivity is medium, and
- When Customer Price Sensitivity is high, pricing requires Strategic Alignment with competitors, the need to absorb some cost, and the drive to protect profit share.

Figure 8: A Distributor Invoice



TS **TechSupply Solutions**
1242 Innovation Drive, Austin, TX 78728
Tel: (512) 555-7890 | www.techsupplysolutions.com

INVOICE
Invoice #: INV-38294
Date: May 7, 2025

BILL TO:
Attn: AP Maria Johnson
Precision Fabrication, Inc.
Customer ID: 387429

SHIPPING INFO:
PO Number: PO-75248103
Ship Route: GROUND
Carrier: WILL CALL | Taker: ADMIN

QUANTITIES					ITEM INFO	UNIT	PRICE	AMOUNT
Ordered	Allocated	Remaining	UOM	S	Item ID / Description / Origin	EA		
2.0000	2.0000	0.0000	EA		**TS4872931** 7/16 X 2 COBALT PREMIUM CUTTER *Country of Origin: Taiwan Tariff pass through: 8.12*	1.0	55.60	111.20
1.0000	0.0000	1.0000	EA	B	**TS4875317** 1/2 X 2 COBALT PREMIUM CUTTER *Country of Origin: China Tariff pass through: 8.70*	1.0	60.91	60.91
1.0000	1.0000	0.0000	EA		**TS7214975** 8 FT 1/2 IN X 5/8 CLASSIC *Country of Origin: Mexico Tariff pass through: 1.65*	1.0	47.61	47.61
2.0000	0.0000	2.0000	EA	B	**TS7216428** 4 FT 11-1/2 IN X 3/16IN X 10 FLEX *Country of Origin: Vietnam Tariff pass through: 0.00 | Ordered As: 3*	1.0	0.00	0.00
2.0000	0.0000	2.0000	EA	B	**TS521873** 3X1X1/4-20 A/O FLAP WHEEL 60 GRIT *Country of Origin: Taiwan Ordered As: 48392*	1.0	0.00	0.00
Total Lines: 5								

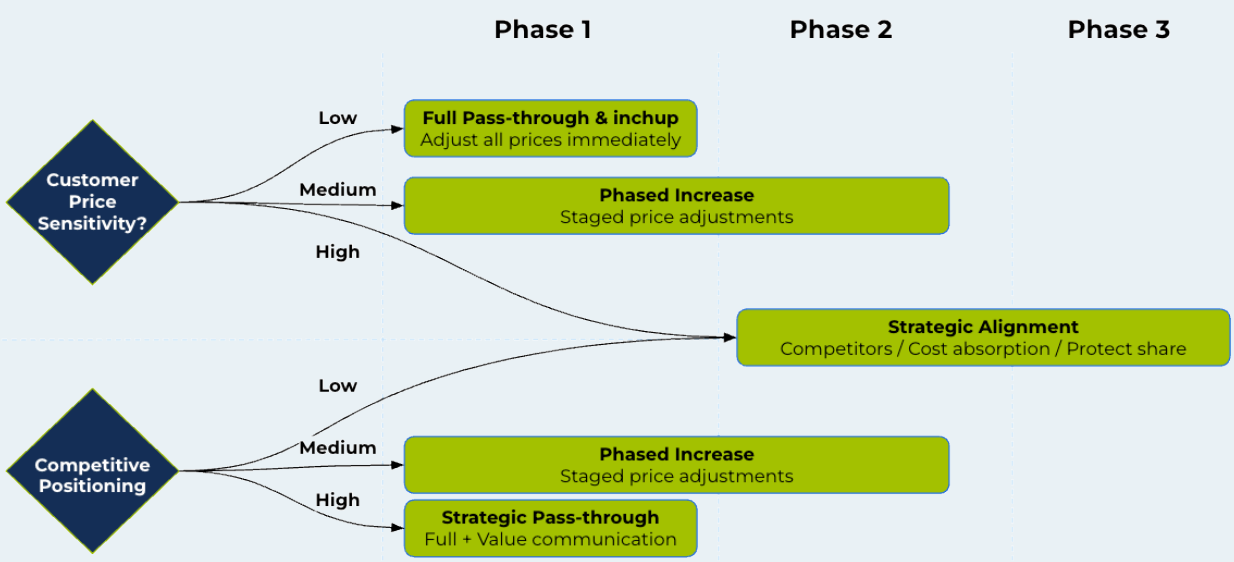
Order Status Legend:
C = Cancelled B = Backordered S = Special order D = Direct ship

SUB-TOTAL:	**$219.72**
TAX:	**$0.00**
TARIFF PASS THROUGH:	**$14.47**
AMOUNT TENDERED:	**$0.00**
AMOUNT DUE:	**$234.19**

IMPORTANT TARIFF NOTICE

The tariff surcharges listed on this invoice are applied in accordance with Section 301 trade actions. These tariff pass through charges are scheduled to expire on December 31, 2025, unless extended by the U.S. Trade Representative. Customers will be notified of any changes to tariff status.

Figure 9: Scenario 1 - Direct Pass-through Decisions



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Step 4: Optimize Your ERP Configuration

ERP systems must handle today's volatile tariff environment. Tariff-driven pricing challenges ERP systems, especially those rooted in manual traditions. You must update legacy systems for cost capture. **Figure 10** includes tips on addressing configuration gaps.

Figure 10: Examples of ERP Configuration

Pricing Adjustment	Pricing Configuration in ERP	Cost Capture Point	ERP system setup for cost capture	Complexity	Tips
Full Pass-through & inchup	Pricing Basis - List Price w/Discounts - Cost+ Pricing Hierarchy: - Customer & Product Level Pricing - Customer & Discount Group Level Pricing - Product Level Baseline Pricing	Vendor Price list increase	Vendor Price Lists (Excel), Update - List Price, Location Cost, Price 1-6 (Static)	Low	Automated Vendor Price List formatting & data parsing Automate price increase file ingestion into ERP
Phased Increase (Staged price adjustments)	Pricing Basis - Standard Cost+ Price & Discounts - Customer & Product Level Pricing - Customer & Product Group Level Baseline Pricing	Purchase Order creation	Purchase Orders/Replenishment Data	Medium	Identify and filter Gap Buys Consolidate vendor/product group/product specific business rules Automate scheduled updates

Wholesale distributors with potential ERP system gaps can use practical workarounds that don't require expensive customization to address the adverse effects of tariffs. **Figure 11** presents an ERP Workaround Matrix assigning actionable responses to vendor transparency levels.

Figure 11: ERP Workaround Matrix

Vendor Transparency Level	Vendor Behavior	ERP Workaround	Additional Actions
Full Transparency	Provides separate tariff line items on quotes/invoices "Some are giving us a line item on invoices..."	Use Landed Cost feature to track tariff as separate component	• Create tariff-specific GL accounts • Set up tariff reporting
Partial Transparency	Indicates percentage increase due to tariffs, but combines in unit price "Mixed approaches across product categories..."	• Split costs during PO entry (base + estimated tariff) • Flag items with tariff component	• Track country of origin
No Transparency	Simply increases prices with no breakdown "Some have already put it into their piece price..."	• Create shadow table with estimated tariff components • Use standard cost updates at all three capture points	• Use HTS codes for estimation • Track historical cost trends

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An actionable roadmap for tariff management and deployment requires distributors to familiarize themselves thoroughly with their ERP systems. Tariff deployment requires adaptivity and agility of advanced technologies with capabilities in analysis, forecasting, and inventory and pricing optimization. **Figure 12** lists some ERP fields you need to get familiar with for the optimal configuration.

Figure 12: ERP Fields: Essential for Tariff Deployment

Vendor
- Vendor ID
- Primary Supplier Flag
- List Price
- Discount
- **Location**

Purchase Order Fields
- Base Unit Cost
- Vendor ID
- **Country of Origin**
- **HTS Code**
- Est. Arrival Date
- Terms (DDP/FOB)
- Customs Flag

Vessel Receipt Fields
- **Landed Cost Driver**
- Tariff Amount
- Tariff Percentage
- Freight Costs
- Other Import Fees
- Tariff Category
- Ship Date
- **Multiplier**

Inventory Receipt Fields
- **Total Landed Cost**
- Standard Cost
- Last Landed Date
- Cost Basis
- Tariff Flag

Pricing Architecture
- **Standard Cost**
- **Pricing Multipliers**
- **Pricing Discounts**
- Pricing Calculation Value
- Breaks

Customer Invoice or item master Fields
- Base Sell Price
- Tariff Surcharge
- Tariff Note
- Invoice Message
- Price Adjustment
- Price Override
- Contract ID

Step 5: Create a Communication Matrix by Customer Segment

Sales teams often lack the tools to explain price increases, putting valuable customer relationships at risk. In **Figure 13**, we have identified customers as “Strategic Accounts,” “Core Accounts,” and “Standard Accounts.” The matrix suggests clear communication templates — the approach, message, format, and timing to maintain customer relationships even during tariff chaos.

Figure 13: Customer Segmentation Communication Matrix

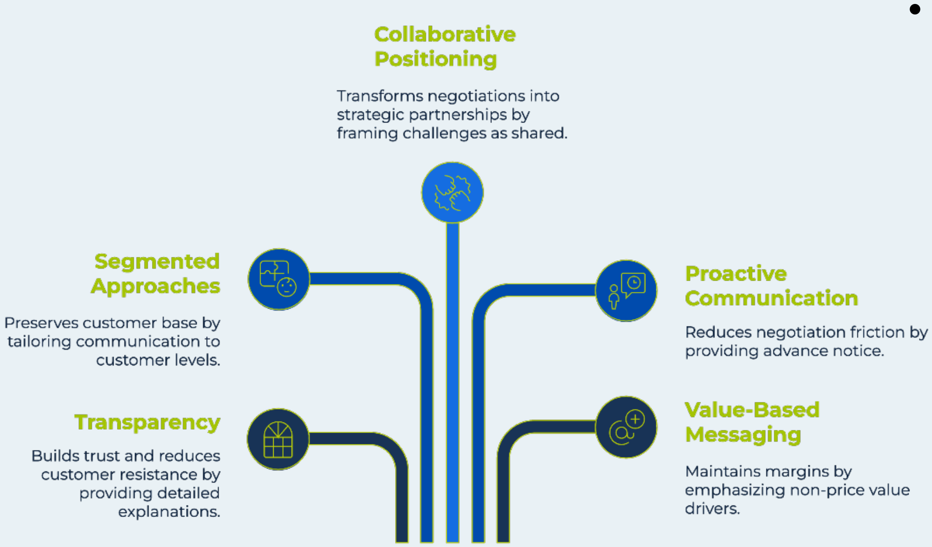
Characteristic	Strategic Accounts	Core Accounts	Standard Accounts
Communication Approach	Full transparency, collaborative	Selective transparency, justification	Streamlined notifications, minimal detail
Key Message	Let's work together	Shared solutions required	Pricing adjustments needed
Format	Executive-to-executive dialogues, briefings	Personalized notifications, supporting data	Email templates, standard explanations
Timing	60-90 days advance notice, multiple touchpoints	45-60 days advance notice, follow-up support	30-45 days advance notice, batch communication

Our research supports this:

- **Transparency Creates Trust:** Companies that thoroughly explain tariff impacts with data face reduced customer opposition and experience better customer retention.
- **Segmented Approaches Work:** A communication approach that considers customer value and sophistication achieves high customer retention rates, outperforming industry averages.
- **Collaborative Positioning Wins:** Reframing price increases as shared challenges that cause collaborative solutions shifts contentious negotiations into mutually beneficial strategic partnerships.
- **Proactive Communication Reduces Friction: Companies** that proactively communicate changes with advance notice encounter considerably less negotiation resistance compared to those using reactive communication strategies.
- **Value-Based Messaging Matters: To** maintain profitability despite competition, it's essential to showcase value beyond just price, focusing on the overall cost of ownership.

Figure 14 illustrates customer communication strategies and techniques based on our research.

Figure 14: Customer Communication Insights



- **Strategic Account:** A Chief Innovation Officer at a well-known chemical manufacturing company said, *"Our most effective approach wasn't explaining the tariff math, but instead creating joint innovation teams with key customers to redesign products and processes to mitigate impacts. This transformed a price conversation into a strategic partnership."*

- **Core Account:** The Chief Revenue Officer of an Industrial Equipment Supplier acknowledged, *"Treating customers according to their strategic value completely transformed our approach. For some, we implemented full pass-through; for others, we phased in increases over six months, with enhanced service levels. The tailored approach preserved 94% of our customer base."*

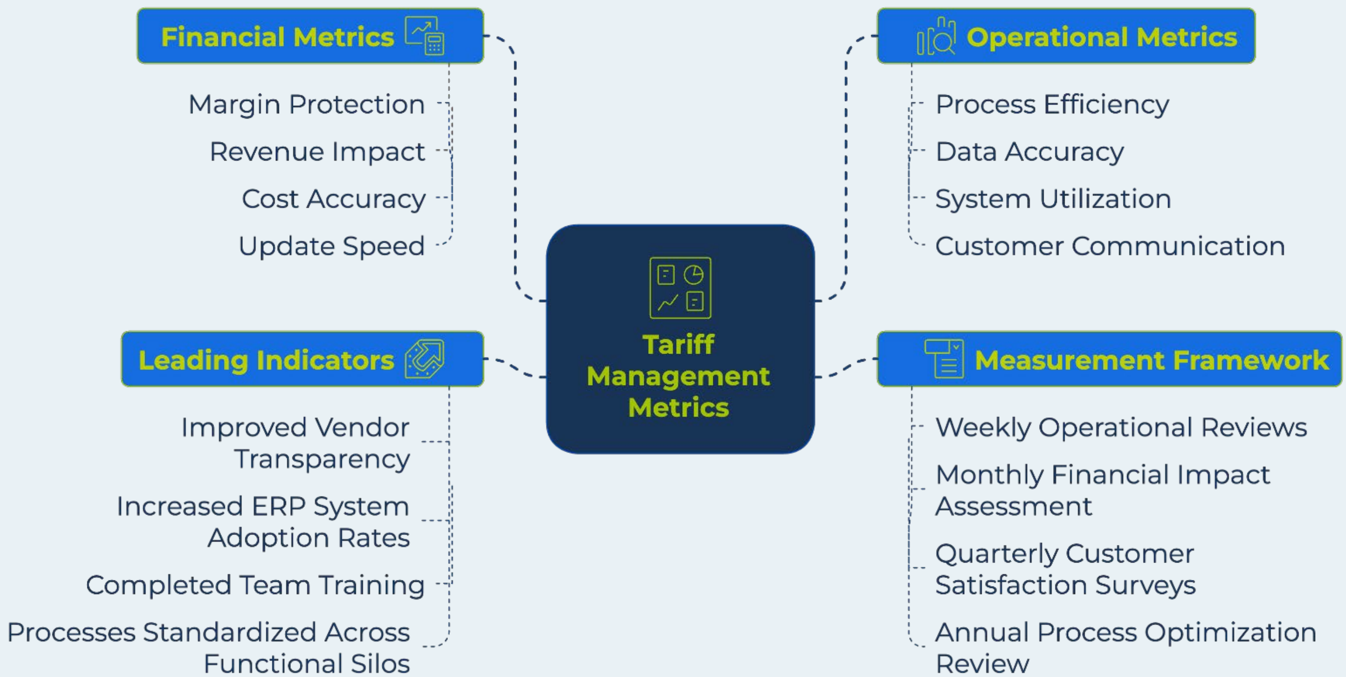
- **Standard Account:** A consumer goods manufacturer's CEO remarked, *"We're trying to be disciplined on price. Customers are wary because they're maybe two years removed from what I would call 'an inflation super cycle'."*

Phased Action Plan

Develop a phased action plan that aligns with your entire team, uniting purchasing, operations, and sales under a cohesive strategy. This structured approach provides a clear, step-by-step progression from your current state to streamlined, optimized operations with a practical implementation roadmap, as shown in **Figure 15**.

Figure 15: 3-Phase Action Plan

Key Performance Indicators:
You're positioned now to monitor your success!



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About Intuilize

Intuilize is the AI-powered pricing and inventory optimization platform designed specifically for mid-market industrial distributors and wholesalers. With over 29 years in distribution, we understand the challenges faced by companies with revenues between $25 and $150 million.

"Within 3 months we saw a return on our investment - and 9 months down the road we're seeing an even larger return. The data is not going to lie."
- CFO of a $145M Fastener Distributor

Intuilize's Key Differentiators:

- **Distribution-Specific Expertise:** Purpose-built for industrial distribution challenges.
- **Fast Implementation:** 5-10 hours' total time investment, not months.
- **No Dedicated Staff Required:** Works with your existing team and systems.
- **Proven ROI:** 3-5% margin improvement within 12 months after full implementation.
- **Flexible Contracts:** Quarterly agreements allow ROI verification.

Tariff Management Capabilities:

- Automated cost volatility management since 2019.
- AI-powered and agile price and inventory optimization adapts to market conditions.
- Seamless ERP integration (P21, NetSuite, and others).
- Customer-specific pricing balances profitability with relationships.

Your Next Steps:

- Schedule a complimentary **tariff management consultation**!
- **Request a demo** of our AI-powered pricing and inventory platform!
- Access additional resources at **intuilize.com**!

Contact:

info@intuilize.com | (469) 844-5505

"One of the things we really enjoyed about working with Intuilize was their commitment to providing a solution with an actual function that we could begin using right away. They didn't just leave us on our own to figure it out. Intuilize connected with us as humans. It boiled down to humans on both sides of the equation trying to figure it out together." *- CEO of a $50M Industrial Distributor*

