Research brief - **Capgemini Research Institute 2025**

Tariffs at tipping point

How the trade war is impacting business strategy

Capgemini RESEARCH INSTITUTE

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Who should read this research brief and why?

This research brief will be relevant to a diverse group of stakeholders responsible for navigating the complexities of international trade, supply chain management, and strategic planning. Understanding the implications of tariffs is essential to competitiveness and operational efficiency. Specifically, it will be useful to:

- **Strategic leaders (C-suite):** This report will help C-suite leaders understand how tariffs affect overall business performance, profitability, and competitive positioning. It will also support them in formulating proactive strategies to mitigate these impacts and making informed decisions on market entry, pricing, and investments (including contingency planning for tariff disruptions).
- **Supply chain and procurement leaders:** Professionals in the supply chain and procurement domain are on the front line of tariff impact. This research brief is designed to help them analyze how tariffs disrupt supply chain operations and costs. It analyzes the use of adaptive tactics (e.g., alternative sourcing and inventory strategies) to build resilience. For those involved in forecasting and scenario planning, this report offers insight into how tariffs influence market dynamics.
- **Trade compliance and legal executives:** Trade regulations are complex and dynamic. Legal and compliance executives will benefit from the report's overview of current trends and organizational responses, helping them ensure adherence to trade laws, while minimizing risk.

By bringing together diverse organizational perspectives, this report offers a well-rounded understanding of the challenges and opportunities presented by tariffs. It highlights how different functions within an organization can position their strategies to respond more effectively to trade-related disruptions, empowering them to make informed decisions, adapt with agility, and remain competitive in an increasingly complex global environment.

02 Executive summary

Executive summary

This research brief examines the economic and strategic consequences of current global tariffs on organizations, highlighting both challenges and adaptive responses. In June 2025 we conducted a comprehensive survey of 1,500 executives in organizations from 18 countries and across 14 industries, with annual revenue of $1 billion and above.

Key findings:

Tariffs overshadow recent crises:

64% of executives say tariffs and trade wars are a bigger disruption than even COVID-19 or the Russia-Ukraine conflict, underlining the disruptive power of trade tensions.

Business confidence is fragile:

Business optimism in relation to the next 12–18 months has plummeted to 34%, from 62% at end-2024, as nearly half of leaders fear tariff disputes could push the global economy into recession.

Bottom lines are under pressure:

Roughly half of organizations expect a ~10% drop in revenue and profit due to tariffs, forcing tough choices on pricing and cost-cutting.

Global supply chains are under pressure:

75% of organizations are reconfiguring supply chains to manage tariff impacts, and many are stockpiling inventory to hedge against trade risks.

Executive summary

Customer wallets are impacted:

Nearly half of organizations will pass on tariff costs to customers, and 53% say customers are accepting higher prices.

Global manufacturing shift – China's loss is a gain for the rest of the world:

48% of organizations across the world plan to set up new or expand existing manufacturing facilities in the US. At the same time, over one-third (37%) of organizations globally plan to reduce set up of new or expand existing manufacturing facilities in China.

Organizations use AI to tackle tariffs:

More than three in five organizations are either using or are testing AI to navigate trade-war turbulence and more than half of organizations are investing in agentic AI to navigate the complexities of tariffs.

The preparedness gap:

Fewer than one in three organizations consider themselves prepared for the impact of tariffs.

03

Tariffs – the new global disruption

Tariffs trump pandemic as top business disruption

Two in three organizations rank trade war a bigger disruption than COVID-19 and recent geopolitical events

Figure 1: Tariffs are more disruptive than Covid or geopolitics

Percentage of business leaders who stated the below disruptions had high impact on their organization

Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N= 1,500 organizations.

55%
of organizations believe **rising tariffs and trade disputes will limit competitiveness.**

The disruptive force of tariffs has overridden the impact of the pandemic and global conflict.

Supplier delays have risen to the highest since October 2022, and incidences of price hikes are at their highest since November 2022, blamed in most cases on tariffs."[1]

Chris Williamson
Chief Business Economist, S&P Global Market Intelligence, June 2025

"The level of uncertainty is too high. It's not healthy and it's affecting investment, spending, and planning, and that will have an effect on growth."[2]

David Solomon
CEO, Goldman Sachs, April 2025

"Expansion of tariffs in other geographies or increases in retaliatory tariffs would have a negative effect on Lilly and for our industry."[3]

David A. Ricks
CEO and President, Eli Lilly, May 2025

Tariffs have become a hot-button issue

276%

Increase in the mention of the keyword "tariffs" in the most recent earnings calls of the top 50 Fortune 500 organizations (February to May 2025 and October to March 2025).

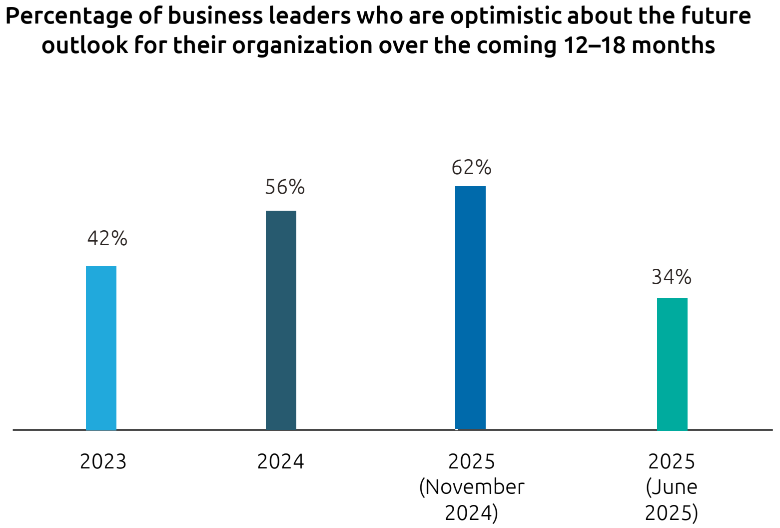
Source: Capgemini Research Institute analysis.

NB: We have excluded a few organizations from the analysis as their transcripts were not available or their report publishing timeline does not align with our analysis.

According to S&P Global Market Intelligence, the count of earnings calls for rated nonfinancial corporations referencing tariffs began to rise starting in Q3 2024. While fewer than 200 such references were recorded in Q2 2024, the number surged to over 850 by Q1 2025.[4]

Business confidence has fallen off a cliff

Figure 2: Organizational optimism has dropped from 62% to 34% after the imposition of tariffs by the US

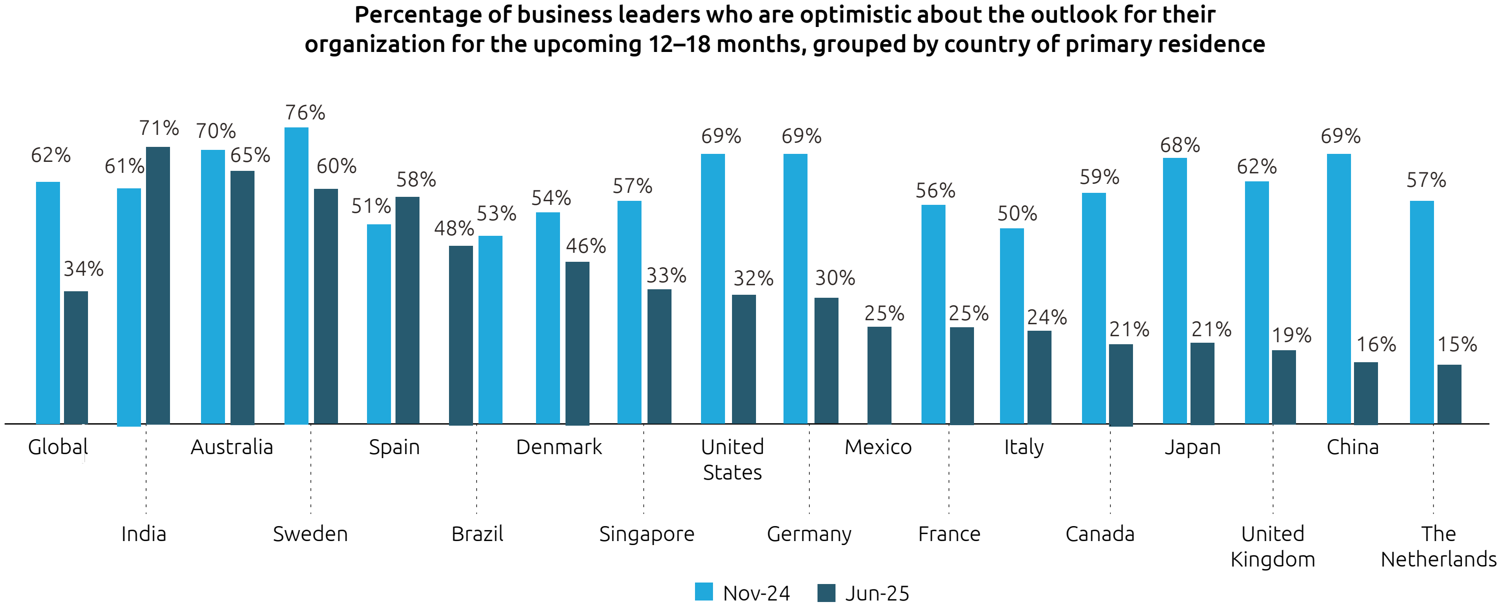


Capgemini Research Institute, Global Investment Research (Edition 3), November 2024, N = 1,750 business leaders; Capgemini Research Institute, Global Investment Research (Edition 2), November 2023, N = 2,000 business leaders; Capgemini Research Institute, Global Investment Research (Edition 1), November 2022, N = 2,000 business leaders. *Outlook for 2025 (November 2024) data in the chart excludes mid-size organizations.

47%

of organizations are concerned that current tariff issues will trigger recession.

Figure 3: Pessimism is pronounced in most western markets, potentially owing to greater impact from tariffs

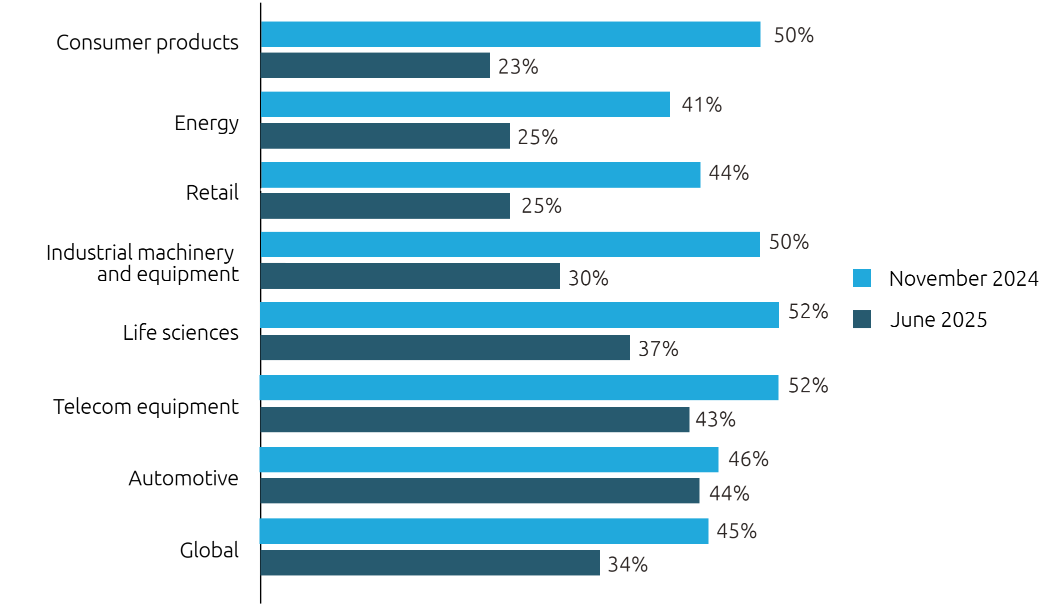


Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations; Capgemini Research Institute, Global Investment Research (Edition 3), November 2024, N = 1,750 business leaders; Capgemini Research Institute, Global Investment Research (Edition 2), November 2023, N = 2,000 business leaders; Capgemini Research Institute, Global Investment Research (Edition 1), November 2022, N = 2,000 business leaders. *Outlook for 2025 (November 2024) data in the chart excludes mid-size organizations.

Optimism levels have dropped across industries

Figure 4: Tariffs have triggered a 25% decline in industry optimism

Percentage of business leaders who are optimistic about their industry, grouped by industry



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations; Capgemini Research Institute, Global Investment Research (Edition 3), November 2024, N = 1,750 business leaders.

I think the tariff impacts that are visible to us right now at a gross level are in the range of $1 billion to $1.5 billion. So, it's not immaterial. For us to offset those in the short term, we have to consider productivity, which we will double down on, and we have a very strong productivity plan over the next three years."[5]

Andre Schulten
CFO, Procter & Gamble, April 2025

For the June quarter, currently, we are not able to precisely estimate the impact of tariffs as we are uncertain of potential future actions prior to the end of the quarter. However, for some color, assuming the current global tariff rates, policies, and applications do not change for the balance of the quarter, and no new tariffs are added, we estimate the impact to add $900 million to our costs."[6]

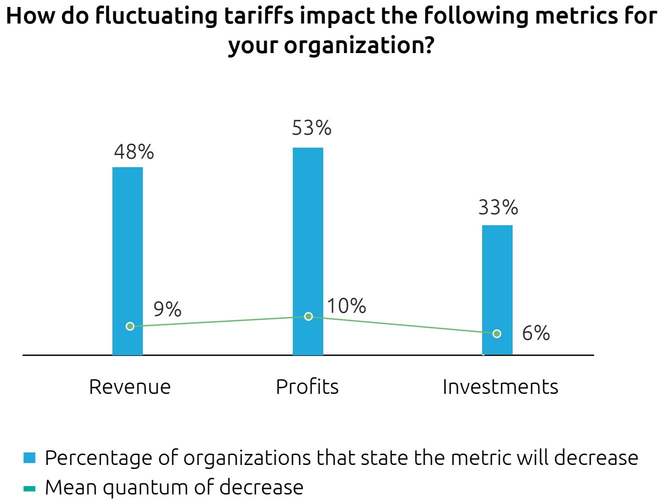
Timothy D. Cook
CEO & Director, Apple, May 2025

04 How are tariffs impacting businesses?

How are tariffs impacting businesses?

The 10% shock: Tariffs are squeezing revenue and profits and impacting investments

Figure 5: Almost 50% of the organizations believe tariffs as a threat to revenue and profitability



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Tariffs are squeezing margins from the cost and revenue ends.

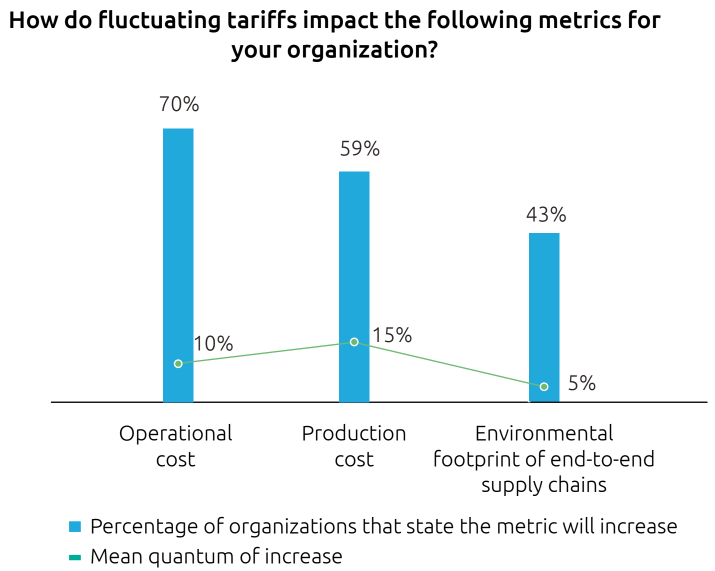
AMD said the company expects to lose $1.5 billion in revenue in 2025 because of restrictions on chip shipments to China.[7]

Toyota said US tariffs erased $1.25 billion in profits during March and April, and it expects a 21% drop in operating income through 2025.[8]

Dutch healthcare technology organization **Philips** cut its profit margin forecast for 2025, citing a net impact from tariffs of €250 million–€300 million ($283 million–$340 million), despite substantial tariff mitigations.[9]

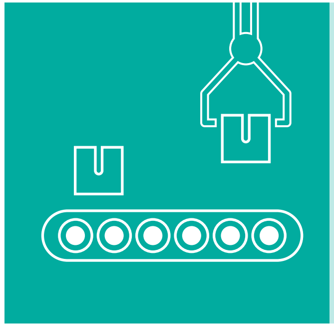
Tariffs are driving up costs across the board

Figure 6: Rising tariffs are inducing significant financial strain on organizations by increasing their operational and production costs



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

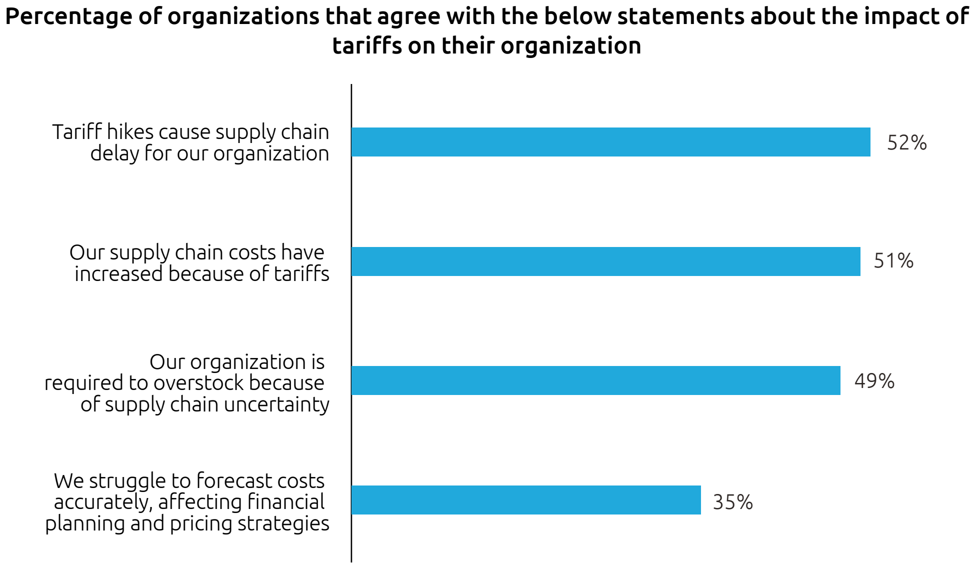
Ford said that tariffs would cost the organization about **$1.5 billion** in adjusted earnings before interest and taxes. Ford expects tariffs to add **$2.5 billion** in costs overall for the year, mainly related to expenses from importing vehicles from Mexico and China.[10]



Apple anticipates a **$900 million** tariff impact and is shifting production to India and Vietnam in response.[11]

Tariffs are disrupting the flow of global supply chains

Figure 7: Around half of organizations report that tariffs are significantly disrupting their supply chains



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations

"Whatever tariff we cannot mitigate, we view that as an input cost. And as our input costs go up, it may require us to adjust prices."[12]

Jeff Clarke
COO, Dell Technologies

"One of the things that was an increased cost during the quarter was higher supply chain costs. We have been continuing to buy more inventory, which we think will be helpful as you think about some of the unpredictability that we've seen in supply chain timing and also with the potential risk around tariffs."[13]

Gary Millerchip
EVP & CFO, Costco Wholesale Corporation, March 2025

Amazon's third-party sellers are increasing inventory levels due to new **145% tariffs** on imports from China. This has prompted organizations, including Amazon, to reassess their supply chains to manage costs.[15]

> *Company has stockpiled enough doses of the cancer blockbuster Keytruda to protect it from any tariffs imposed in 2025."[14]*
>
> **Rob Davis**
> CEO, Merck

> *We have some products that are produced in Mexico and destined for the US, but similar production that occurs in the US where the destination is outside the United States."[16]*
>
> **Christian Rothe**
> CFO, Rockwell

How are tariffs disrupting supply chains?

Key drivers of tariff-induced supply chain disruptions

- **Preemptive buying**: Organizations panic and over-order to beat tariff implementation dates
- **Lead time**: Longer lead times and MOQs (minimum order quantities) from new suppliers increase inventory levels
- **Volatility of policies / announce-ments**: Unpredictability of tariff announcements make demand planning difficult
- **Data validity**: Historical data becomes obsolete while forecasting disruptions like the tariffs
- **Visibility**: Tariffs lead to an environment of uncertainty, which affects the visibility of how suppliers/ customers would react to it
- **Increased customs processing times**: Tariffs often lead to increased inspections and paperwork at points of export/imports
- **Admin delays**: Caused by trade retaliations of nations
- **Sourcing delays**: Risky last-minute sourcing decisions due to tariffs
- **Material availability**: Non-availability of certain materials in certain geographies puts organizations' production/product development at risk

Overstocking

Potential impact

▲Inventory costs ▲Locked-in capital ▲Environmental footprint

Forecasting challenges

Potential impact

▲Undersupply/ overstocking ▲Switching costs ▲Liability for unmet production clauses ▲Production costs ▼Customer satisfaction

Supply chain delays

Potential impact

▲Undersupply/ overstocking ▲Switching costs ▲Liability for unmet production clauses ▲Production costs ▼Customer satisfaction ▲Environmental footprint

Source: Capgemini Research Institute analysis.

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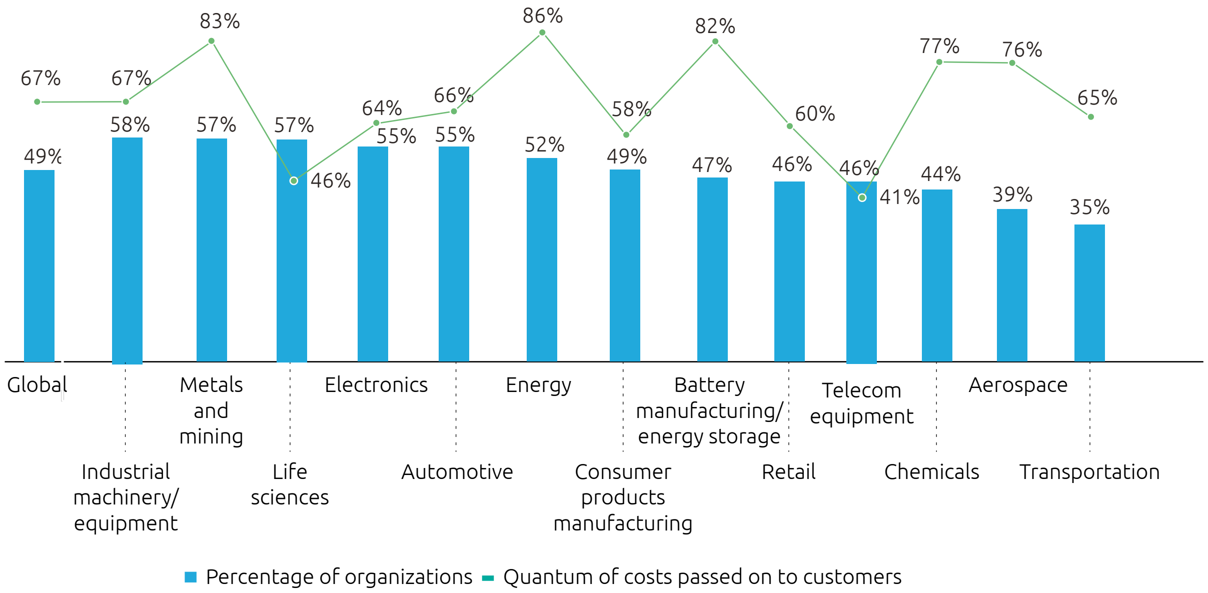
How are organizations reacting?

How are organizations reacting?

To cope with tariffs, organizations are raising prices

Figure 8: As a response to the disruption caused by tariffs, almost half of organizations are likely to pass on tariff-related costs to their customers

Percentage of organizations likely to pass on tariff-led cost increases to consumers, and to what extent, grouped by sector



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

> *Additional costs need to be passed on and, in my view, ultimately hit the end-consumer through a higher sticker price on the vehicles.”*[17]
>
> **Mikael Bratt**
> CEO, Autoliv, a US-Swedish automotive safety supplier

What does this mean for consumers already reeling from broad inflationary trends?

By raising import costs, tariffs trigger a ripple effect of price hikes, disrupting supply chains and stifling economic growth.

Consumer products and retail

In a recent statement, US clothes retailer, Temu mentioned, "Due to recent changes in global trade rules and tariffs, our operating expenses have gone up. To keep offering the products you love without compromising on quality, we will be making a price adjustment starting April 25, 2025."[18]

Procter & Gamble said it would raise prices on some products to cover the impact on input costs from the trade war and lowered its annual forecasts, as consumers cut back spending due to economic uncertainty.[19]

Automotive

Volkswagen will add an "import fee" to the stickers on its cars that are affected by the 25% vehicle tariff.[20]

Ford is increasing the sticker price of certain cars models that are imported from Mexico. An increase between $600 - $2,000 is expected.[21]

Industrial machinery

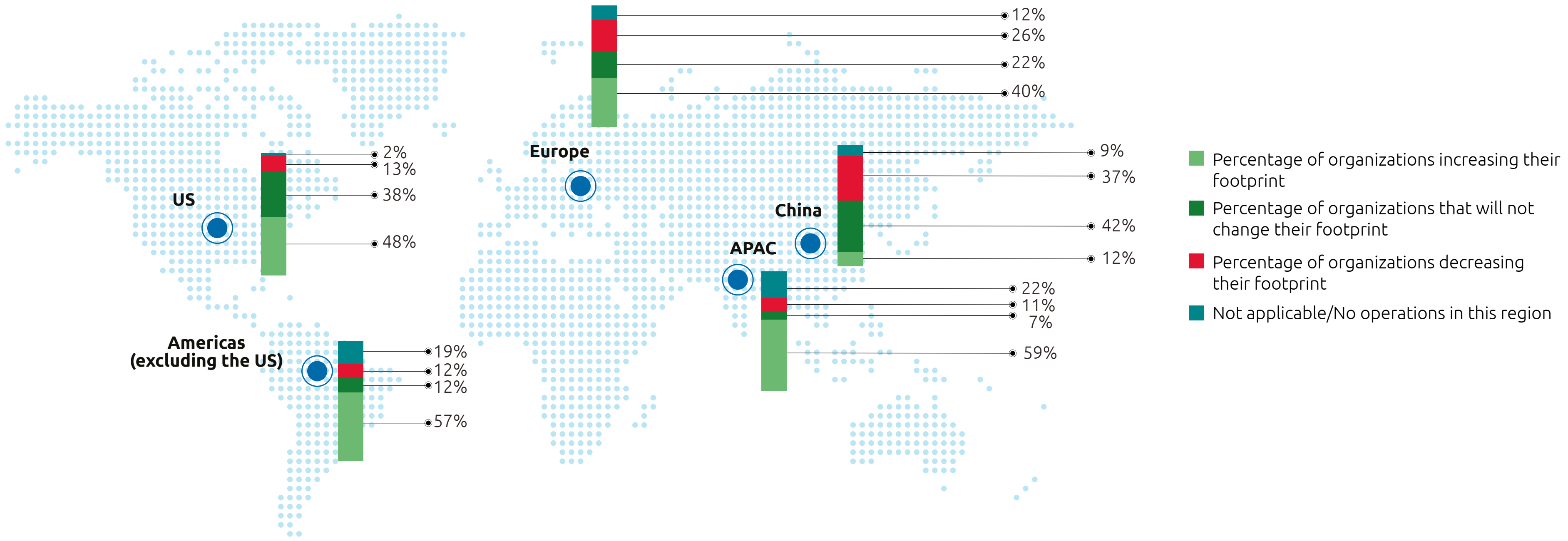
Deere & Co. is considering a reshuffle of its production among existing factories globally, and weighing price increases as it aims to offset more than $500 million in expected costs from the Trump administration's new tariffs.[22]

Komatsu said that it might consider price hikes in the US as a response to tariffs, with the company projecting a 27% drop in operating profit this FY2025-26 because of the levies and currency value.[23]

The great manufacturing rebalancing act

Figure 9: Organizations will increase their manufacturing footprint in the US, APAC, and the Americas as a response to current tariffs

As a response to the current tariffs, where does your organization plan to set up new or expand existing manufacturing facilities?



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N=1,500 organizations.

Made in America: 48% of organizations globally plan to set up new or expand existing manufacturing facilities in the US

Figure 10: About half of organizations surveyed plan to increase their manufacturing footprint in the US as a response to tariffs

As a response to the current tariffs, does your organization plan to set up new or expand existing manufacturing facilities in the US?

Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations. Numbers in green circles indicate the quantum of footprint increase in the US, while numbers in red circles indicate the quantum of footprint decrease in the US.

Half of organizations headquartered in China, APAC, Europe, the Americas (excluding the US), and the US are planning to set up new or expand existing manufacturing facilities in the US

Fifty-six percent of US-based organizations are planning to set up new or expand existing manufacturing facilities in the US. On average, the quantum of footprint increase in the US is **12%** by organizations globally; **14%** of organizations globally plan to increase their manufacturing footprint in 2025, while **55%** aim to do the same by end-2026.

Made in America: Organizations globally plan to set up new or expand existing manufacturing facilities in the US

Johnson & Johnson announced manufacturing, R&D, and technology investments of more than $55 billion in the US over the next four years.[24]

Roche announced investments of $50 billion in manufacturing and R&D facilities in Indiana, Pennsylvania, Massachusetts, and California.[25]

Honda scrapped plans to build the Civic Hybrid in Mexico due to looming 25% US tariffs on imports from Mexico and Canada, instead shifting production to Indiana.[26]

"We will localize more production at our plant in Tuscaloosa, Alabama to protect ourselves from the rising trade tensions."[27]

Harald Wilhelm
CFO, Mercedes-Benz

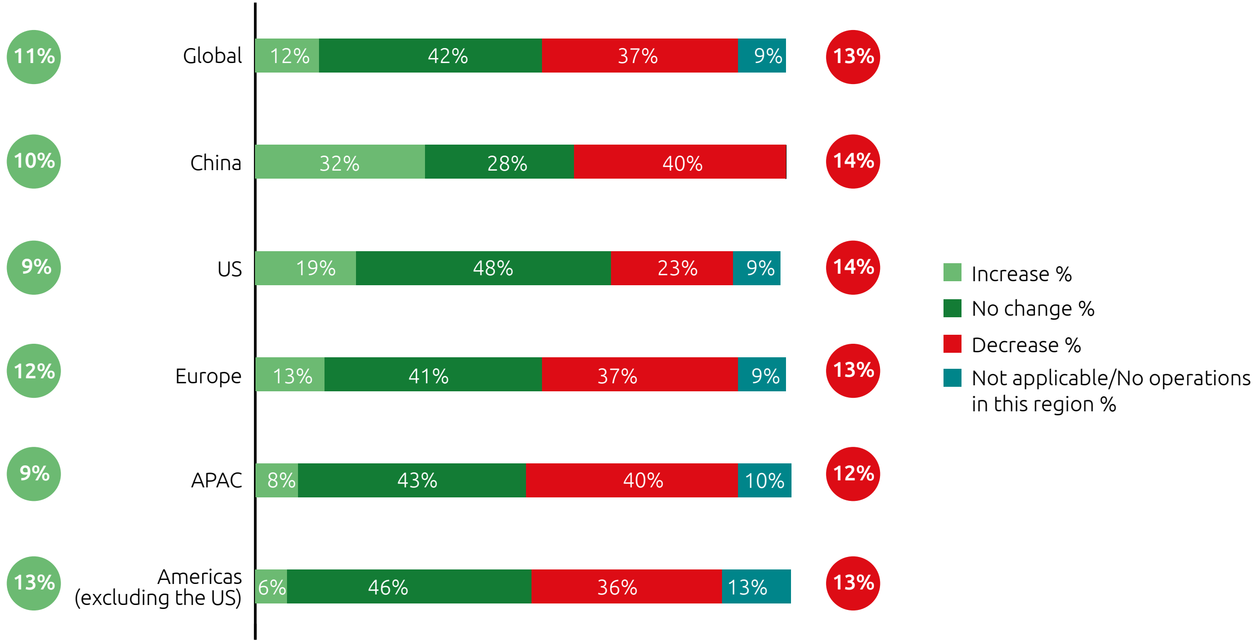
"The company will invest more than $9 billion in US manufacturing over the next four years."[28]

Rob Davis
CEO, Merck

The great manufacturing rebalancing act: 37% of organizations globally plan to reduce the setting up of new or expansion of existing manufacturing facilities in China

Figure 11: Around two in five organizations plan to decrease their manufacturing footprint in China as a response to tariffs

As a response to the current tariffs, does your organization plan to set up new or expand existing manufacturing facilities in China?



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations. Numbers in green circles indicate the quantum of footprint increase in China, while numbers in red circles indicate the quantum of footprint decrease in China.

The great manufacturing rebalancing act: Organizations globally plan to reduce the setting up of new or expansion of existing manufacturing facilities in China

17% of organizations plan to reduce their manufacturing footprint in China by end-2025, while **35%** target end-2026.

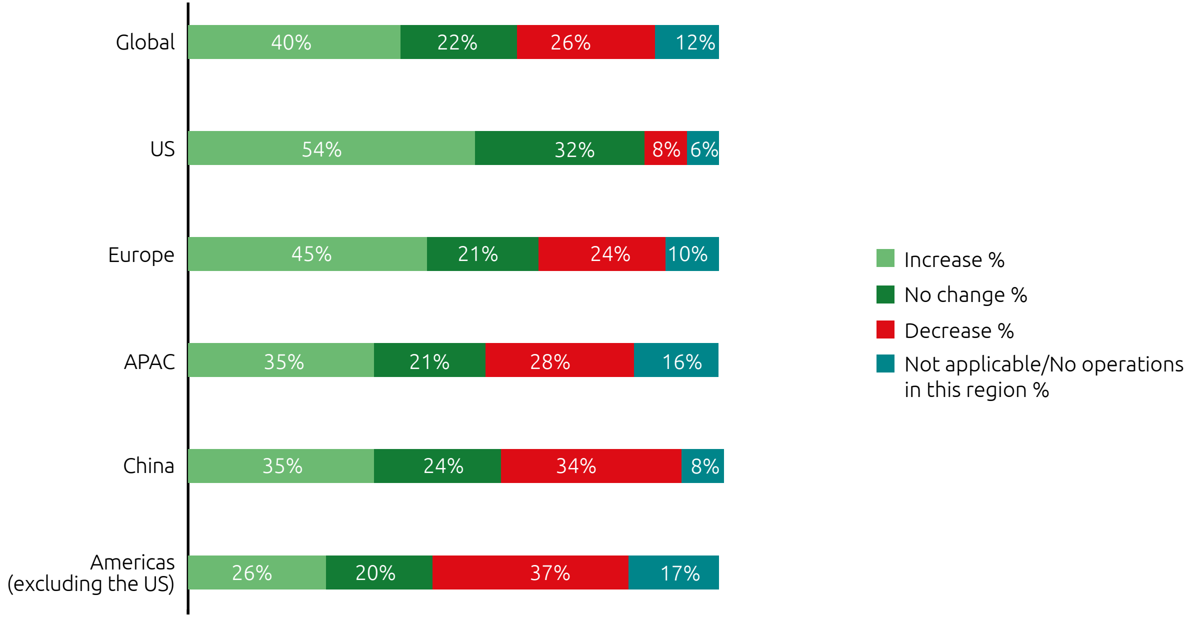
China's exports to the US plunged **35%** in value terms, year on year, in May, the sharpest drop since February 2020, when the outbreak of COVID-19 upended global trade.[29]

53% of Chinese organizations are seeing a reduction in foreign supply chain investments in China. Only **32%** of Chinese organizations plan to increase investments in manufacturing facilities in China.

The great manufacturing rebalancing act: 40% of organizations globally plan to increase the setting up of new or expansion of existing manufacturing facilities in Europe

Figure 12: More than half of US organizations surveyed plan on increasing their manufacturing footprint in Europe (continental Europe and/or the UK) as a response to tariffs

As a response to the current tariffs, does your organization plan to set up new or expand existing manufacturing facilities in continental Europe and/or the UK?



Fifty-four percent of organizations headquartered in the US and 45% of organizations headquartered in Europe plan to increase their manufacturing facilities in Europe. However, this figure is much lower for organizations from APAC, China, and Americas (excluding the US).

Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

The great manufacturing rebalancing act: Organizations globally plan to increase the setting up of new or expansion of existing manufacturing facilities in the Americas (excluding the US)

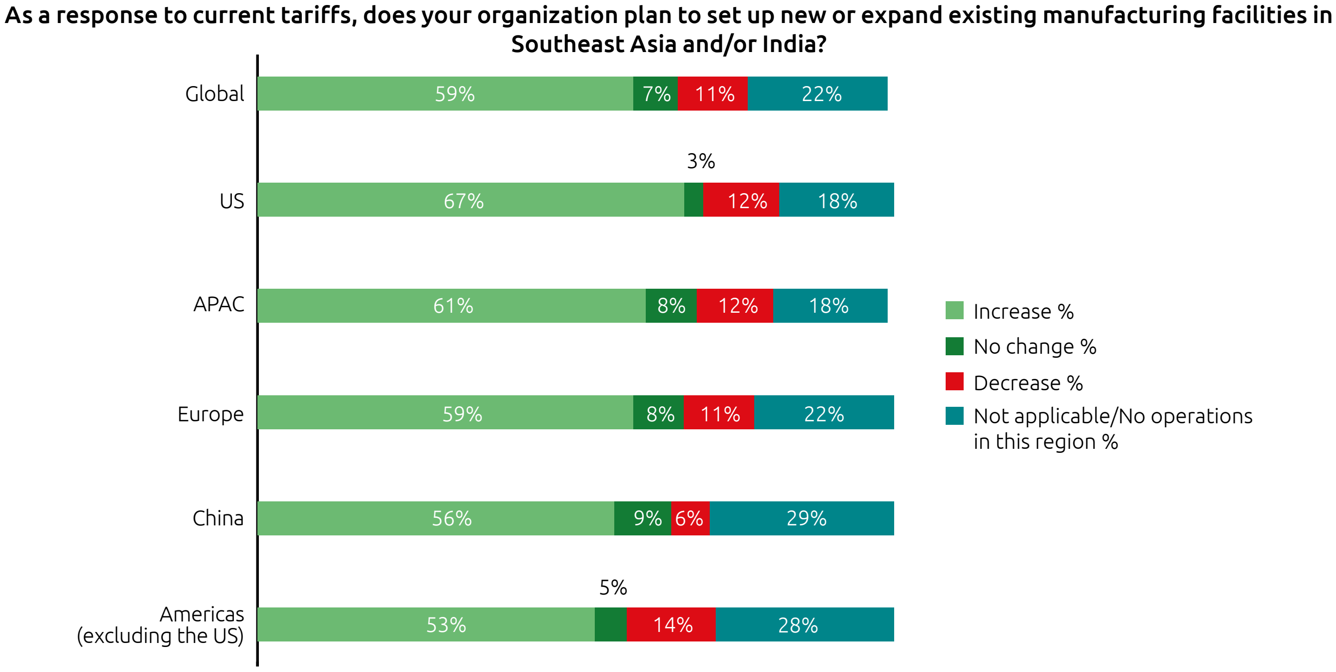
Figure 13: Around three in five organizations plan to increase their manufacturing footprint in the Americas (excluding the US) as response to tariffs

As a response to the current tariffs, does your organization plan to set up new or expand existing manufacturing facilities in the Americas (excluding the US)?

Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

The great manufacturing rebalancing act: Organizations globally plan to increase the setting up of new or expansion of existing manufacturing facilities in APAC

Figure 14: More than two in three US-based organizations plan to increase their manufacturing footprint in APAC as a response to tariffs

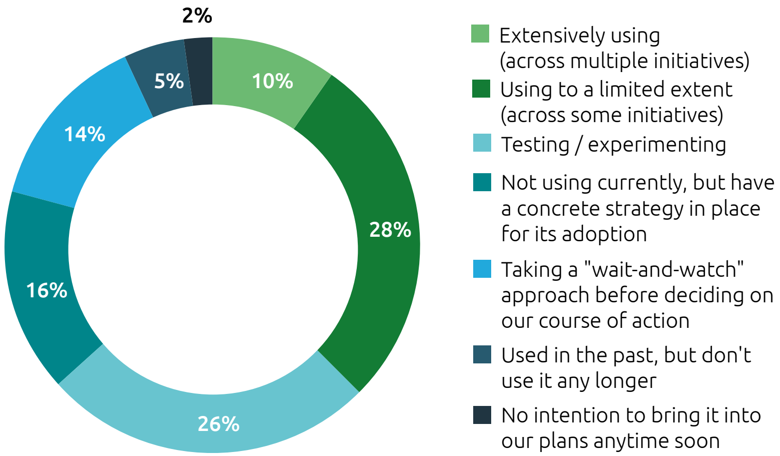


Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Two in three organizations are using AI to mitigate the impact of tariffs

Figure 15: Two-thirds of organizations are either using or are testing AI to navigate trade-war turbulence

To what extent does your organization currently use AI to navigate trade-war challenges?



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

"AI's most visible application will be in handling the trade processes where it has already begun to gain a foothold. New tariffs mean more data handling needs and new trade compliance obligations. The move away from "most-favored nation" principles of common tariffs, largely irrespective of source country, forces businesses to keep far better track of the origin of all components along the supply chain. Indeed, the ability to cope with a dense thicket of rules will become a source of competitive advantage at the expense of direct productive efficiency."[30]

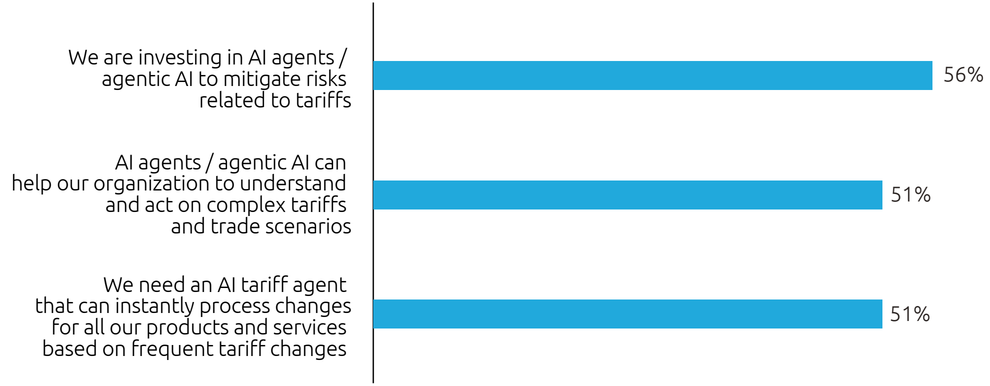
Sean Doherty

Head of International Trade and Investment and a member of the executive committee at the World Economic Forum, April 2025

Organizations are turning to agentic AI to navigate tariffs

Figure 16: More than half of organizations are investing in agentic AI to strategically navigate the complexities of tariffs

Potential of AI agents to mitigate risks related to tariffs



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

94%

of business function executives in supply chain and procurement will deploy or plan to deploy AI agents for demand planning.[31]

Salesforce's Agentforce uses agentic AI to help businesses manage complex tariff systems more efficiently by being able to understand and act on the complex intricacies of government policies – such as reconciling differences between back-to-back tariff adjustments or disparate policies.[32]

ContractPodAi introduced **Leah**, a tariff agent that provides AI-driven analysis of tariff-related contract clauses.[33]

06

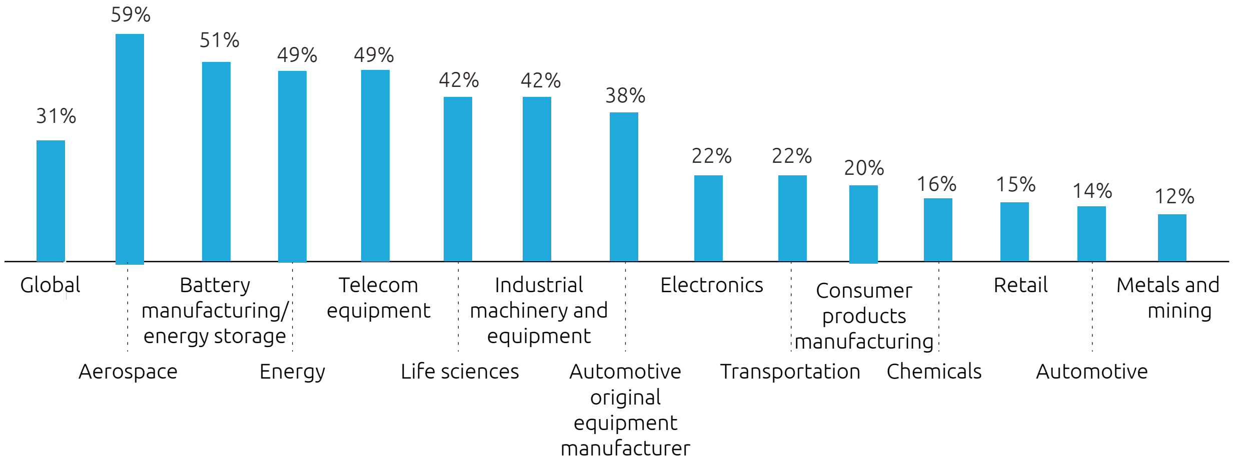
The preparedness gap

The preparedness gap

Only a small fraction of organizations believe they are prepared to mitigate the impact of tariffs

Figure 17: Fewer than one in three organizations consider themselves prepared in mitigating the impact of tariffs

Percentage of organizations who consider themselves prepared to mitigate the impact of tariffs, grouped by sector

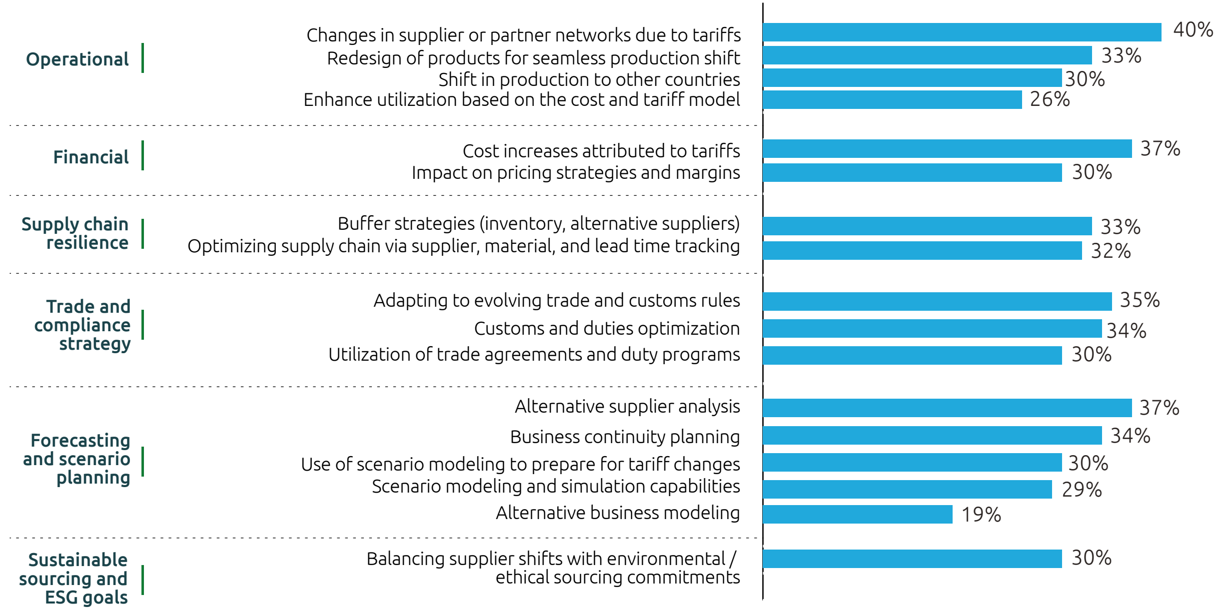


Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Preparedness for tariff disruption is low across most functions

Figure 18: About two in three organizations indicate they are not well-prepared from a business perspective to mitigate the impact of tariffs

How well-prepared is your organization to mitigate the impact of tariffs on the below mentioned areas?



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

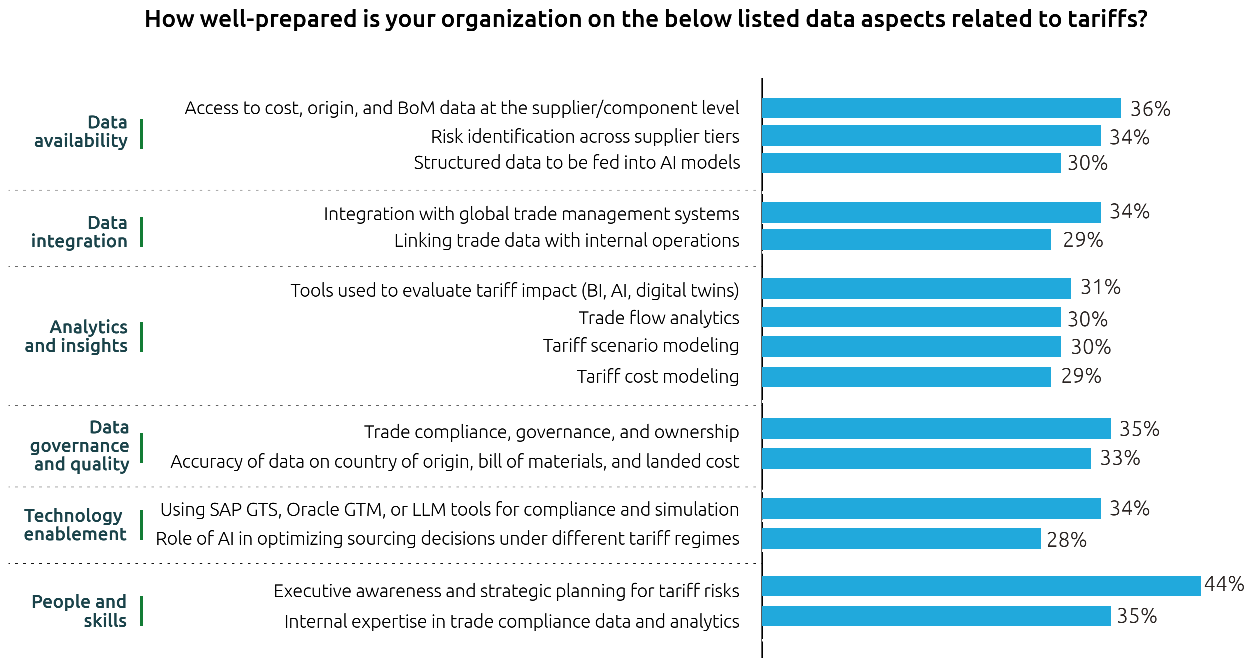
Tariffs jeopardize carefully laid out plans, driving confusion and poor decision-making across operational functions

Given the uncertainty around the negotiations between the US and the different exporting countries, we do not know what the final tariffs will be. Therefore, we cannot make any 'final' decisions on what to do." [34]

Bjørn Gulden
CEO, Adidas

Preparedness for a tariff disruption is low from a data and technology perspective

Figure 19: Organizations are not confident about their preparedness on data and technology aspects



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

A deep dive into the automotive industry

Tariffs have seen vehicle shipping volumes drop by more than 70%[42]

Geographic

The US is the largest export market for Japanese and South Korean automotive manufacturers, accounting for around 20% of sales in South Korea and 7% of Japan's. Regions like Japan and South Korea, where the US is the primary export market, will be disproportionately impacted.[35]

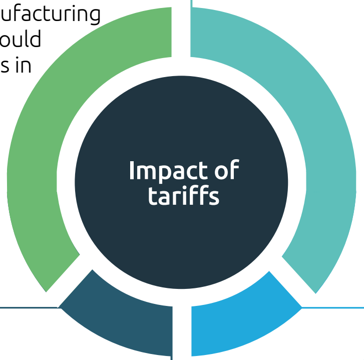
Auto companies that already undertake significant manufacturing in the US, would be shielded from serious impact, and could benefit. Ford, for instance, assembles 80% of its vehicles in the US. However, if primary inputs still need to be imported, the benefits will likely be subdued.[36]

Car dealers in San Diego, Phoenix, and San Antonio are importing "lightly-used" Chinese vehicles from Mexico and delivering them to American buyers as the tariff on used cars is 25%, circumventing the 147.5% tariff on EVs imported from China.[37]

Sales, revenue, and investment

BMW expects to take €1 billion hit from growing tariff war.[39]

Honda postponed an $11 billion production investment in electric vehicles (EVs) in Canada due to the impact of tariffs.[40]



Trade deals

Trade deals that reduce tariffs on car exports from a given country could make that country a viable production base. For example, the US-UK trade agreement reduced tariffs on auto exports to 10% – lower than many other export markets.[38]

Raw materials

Rising trade tensions have led to restrictions on key inputs. Restrictions on rare earth magnets from China, which are critical for production, are a means to retaliate against the tariffs and to leverage a reduced tariff burden.[41]

The global automotive sector is reconfiguring its supply chain

Type of response

Increasing investment and commitments toward new US plants

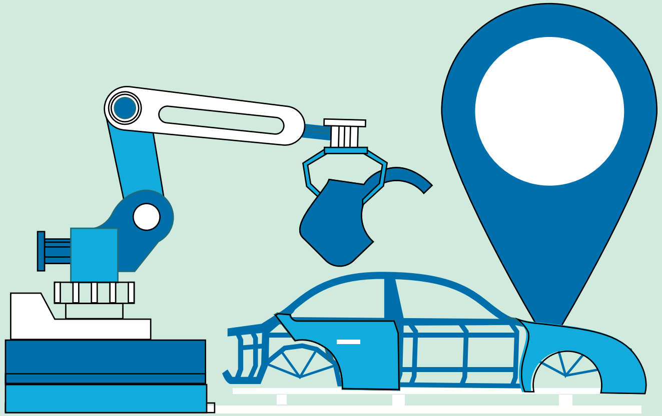
Responses by organizations

Audi plans to set up a US production base to serve the North American market[43]

Hyundai announced a **$21 billion** US investment, including **$9 billion** in vehicle production and **$6 billion** in partnerships to develop AI, robotics, and autonomous tech[44]

Bosch has reaffirmed its commitment to expanding business in North America, focusing on a local-for-local principle for manufacturing[45]

Type of response	Responses by organizations
Expanding, localizing, or shifting production into existing US plants	**Mercedes-Benz** is localizing more production at its plant in Tuscaloosa, Alabama[46]
	General Motors plans to increase production of its light-duty trucks at its Fort Wayne, Indiana plant[47]
	Nissan is shifting production of its Rogue SUV from Japan to its plant in the US[48]
	Volvo is considering shifting production of certain models like the XC60 or XC90 to its plant in South Carolina[49]
	Honda is shifting production from Mexico to the US, indicating that production is shifting away from traditional trade partners like Canada and Mexico since they are under tariff scrutiny[50]
	Toyota plans to move some GR Corolla production to UK from Japan, after a US-UK trade deal that reduced tariffs on UK auto exports[51]
Building up inventory in US (stockpiling) to mitigate short-term impact	**Mercedes-Benz** is building up US inventory levels at the wholesale level and at dealer lots to get ahead of tariffs[52]



Automotive organizations are experimenting with a variety of responses to keep costs low

Type of response

Temporarily restricting exports from tariff-hit countries, halting the sale of certain models, or pausing production at certain plants in non-US regions

Responses by organizations

Nissan has decided to stop taking US orders for its Mexico-made Infiniti QX50 and QX55 SUVs[53]

Mercedes-Benz is considering withdrawing its least expensive models as auto tariffs would likely make their sales economically unfeasible[54]

Volkswagen has paused shipments from Mexico and is holding vehicles arriving from Europe at port[55]

Stellantis has paused production of Chrysler's Pacifica and Voyager minivans for a couple of weeks at the Windsor, Canada plant. Stellantis is also pausing production of two Jeep models[56]

Jaguar Land Rover has temporarily halted shipments to the US[57]

Type of response	Responses by organizations
Auto suppliers are passing their cost increases on to OEMs, potentially squeezing margins and increasing the overall cost burden	**Forvia,** a car parts supplier, plans to pass on cost of US tariffs to customers[58] **Autoliv** intends to pass on the entire cost of new tariffs to its customers[59] **Novares** and **Valeo** also intend to pass on the full cost of tariffs to customers, even demanding advance payments[60]
Chinese automakers have shifted their focus to non-US markets	**Great Wall Motor** plans to boost exports to regions outside the US such as Latin America[61] **BYD** sees "great opportunities" to grow rapidly in Latin American and Southeast Asian countries[62]

07

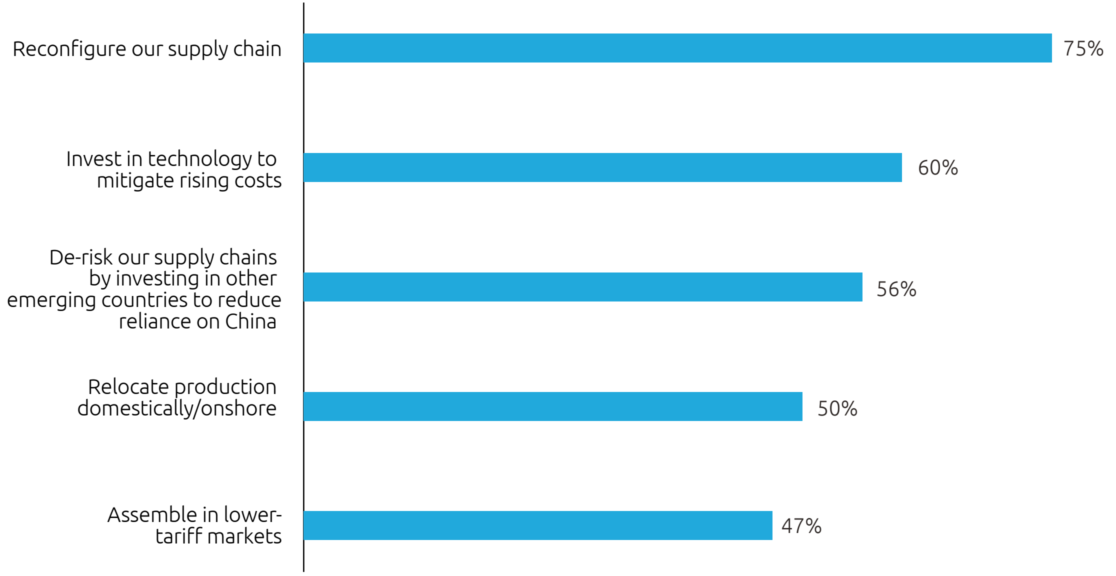
Building tariff resilience

Building tariff resilience

How should organizations navigate global tariff fluctuations?

Figure 20: Organizations are overhauling their supply chain and investing in technology to prepare for an escalating trade war

In the event of an escalating global trade war, how would your organization respond in terms of sourcing and production strategies?



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

There is no single solution to navigating tariff-related disruption – but there is a range of measures that organizations can take.

Relocate. Rebuild. Reconfigure.

Fifty percent of organizations plan to relocate production domestically or onshore, however only 30% of organizations are well prepared to shift in production to other countries. Dirk Elvermann, CEO of BASF, states, *"The high proportion of local production is the reason why the direct impact of tariffs on BASF is likely to be limited."*[63] The production lines that are not located in the right locations need to be shifted to rebalance the manufacturing footprint. For a company to be able to effectively reconfigure the supply chain, they need to first be able to reassess it, to effectively see how raw material and product flows impact cost in terms of transport and trade. Ericsson CEO Börje Ekholm commented, *"The current macro-economic turmoil and tariffs are impacting our industry, and we will not be immune. We've taken actions over the many years to actually build resilience into our supply chain, including how and where we develop and manufacture our products, so our focus remains on controlling what we actually can control, including, of course, pricing and spending and the actions we've taken."*[64]

A full supply chain control tower is one of the most effective toolsets to do this, but companies without that formal infrastructure can also build effective models leveraging existing data, toolsets, and AI. Gerrit Andreas Marx, CEO, Head of Agriculture, and Executive Director at CNH Industrial says, "*As we look through this phase of uncertainty, which will trigger, obviously, resourcing and probably also most likely relocation of certain production facilities of suppliers into countries with more favorable tariff exposure, including, obviously, the United States."*[65]

In order to have a seamless relocation, rebuilding, and reconfiguration, we suggest organizations focus on the following aspects:

- Model the supply chain to understand the product flows and ensure the optimal locations for sourcing, manufacturing, and assembling
- Launch cost saving measures through smart automation and robotics, which will also ease replication across locations
- Identify the key scenarios, tools, and applications that scale across the company and need to be shifted to new locations
- Define business scenarios that are the backbone of the operations and track the key metrics to ensure consistency when relocated.

Reassess supply chain risks

Resilience is essential for organizations to overcome the global black swan events that are becoming more frequent and severe in a BANI (brittle, anxious, non-linear, incomprehensible) world, impacting both top and bottom lines. Imperatives arising from recent geopolitical challenges, consumer preferences, and a societal push for localization are also exacerbating these issues.

Sixty-four percent of organizations plan to identify new suppliers as a risk-mitigation measure for tariff-led supply chain disruptions, and 65% are incorporating tariff clauses into contracts. Only 33% of organizations are prepared to shift the supply chain by tracking availability of suppliers, raw materials, lead time, and traceability. Jeff Mason, Vice President of Operations at Flux Power states, *"We are also focused on supplier diversification, reducing the exposure to high-tariff regions by onboarding qualified suppliers across alternative regions, including North America."*[66]

Focus areas for organizations:

- Optimized supplier onboarding with risk assessment and technical evaluation
  - Reassess supplier's risk maturity
  - Enable seamless transfer of work, allowing safe ramp down/up between suppliers
  - Focus on existing supplier's development and identify new suppliers
- Streamlined logistics with packaging for efficient flows
  - Identify alternate routes and logistics for efficient transport of products
  - Ensure nominal material flow managing end-to-end process from ordering to parts received in warehouse
  - Reduce handling by redesigning existing packaging to optimize filling rate and minimize excess materials
  - Improve reverse logistics, managing return flows from client to supplier to repair parts

Redesign production

Accelerated product engineering for component/material substitution is the need of the hour, as material substitution and redesign of subcomponents may be needed to shift production quickly. We found that only 33% of organizations are well prepared in this respect. Investments are essential for the following capabilities to achieve this:

- Replace high-risk materials and components with tested alternatives to ensure seamless shift of production to new locations
- Leverage partner ecosystems and use AI to identify alternate materials for substitution
- Tariff-aware design-to-cost engineering and value engineering to reduce costly redesigns and understand the cost impact of shifting manufacturing
- Analysis for rapid substitution by pre-validating alternative components with engineering specs, ensuring quick sourcing options
- Performance testing and validation for redesigned products to ensure consistent product quality and engineering support to maintain operational continuity.

Reimagine tariffs with AI agents

Fifty-three percent of organizations say AI enhances their organization's digital and data maturity, thus making them more prepared for tariff management. An actionable view of the enterprise with AI-enabled recommendations is possible when we utilize data to improve business outcomes. Embedding insights deep into the organizational culture with personalized experiences and generative input enables what-if scenarios and simulations, and prediction of unknowns crucial to business decisions. Organizations having the right data is good, but fast decisions based on data is needed. Fifty-one percent of organizations stated they need an AI tariff agent. The AI agents can help organizations monitor tariff changes, assess business impact, help with compliance and documentation, and also recommend action, however only 19% of organizations are prepared to use scenario modeling to prepare for tariff changes. William R. McDermott, Chairman & CEO at ServiceNow says, *"Unlike past disruptions in the global markets, supply chain AI agents now reconfigure business rules in real time."*[67]

In order to get benefits from AI agents, organizations need to:

- Begin with the end in mind and start with core business goals and KPIs
- Leverage pre-existing AI models for predictive insights, and to accelerate AI agent rollouts
- Enable scalability, reliability, and manageability of enterprise-wide AI agents with pre-configured workflows and optimized infrastructure, reducing time-to-market
- Leverage domain-centric data products from disparate ERPs and IT systems and combine AI agent capabilities with existing business applications to unlock new levels of process automation, efficiency, and data-driven decision-making
- Ensure the quality and reliability of data and implement AI agents with robust governance frameworks, ensuring compliance, scalability, and consistent performance.

Realize the power of uncertainties to unlock business opportunities

Disruptions such as the imposition of tariffs hold opportunities for organizations to strengthen their core. Quick fixes often restore stability, but risk reverting the organization to its pre-crisis vulnerabilities. A strong resilience strategy is one that drives lasting adaptability and positions the organization to thrive through change. Organizations can curate such strategies in the following ways:

- Identify strategic differentiators for the organization and strengthen brand perception to secure longtime consumer trust.
- Orchestrate agility into the organization by streamlining processes and enhancing responsiveness, without compromising on quality. Derek Paul Schmidt, CEO, President, and Director at Flexsteel Industries states, *"We also are broadening the amount of product that can be dual sourced from multiple countries to provide additional agility."*[68]
- Hire the right talent across locations by aligning hiring strategies with the dynamic needs of the fast-paced business environment. Reskilling and upskilling of talent is needed as operations shift geographically and technologically.
- Rethink how the organization collaborates with external entities like suppliers, technology providers, or strategic consultants, to become more adaptive and responsive.
- Focus on reducing resource dependency and environmental impact, which might create new opportunities for businesses by promoting local production. Fifty percent of organizations say that they see emerging business opportunities in aligning their trade and sourcing strategies with environmental and social sustainability targets, however only 30% of organizations are prepared to balance tariff-driven supplier shifts with environmental and ethical sourcing commitments. Padraig McDonnell, CEO, President, and Director at Agilent Technologies shared, *"While we remain vigilant amid geopolitical developments, our localized manufacturing, proactive tariff mitigation, and a diversified customer base gives us greater resilience and agility globally than many of our peers."*[69]

Conclusion

The fallout of the rapid and unpredictable global imposition of tariffs has compelled organizations to re-evaluate their preparedness and devise a response strategy to mitigate impact. The cascading effects include declining revenues and curtailed investments, with supply chain disruption giving rise to increased production and operational costs. Coupled with executives' waning optimism around their industry outlook and the global economy, this has created a challenging environment. Organizations are passing on increased costs to consumers, reconfiguring their supply chain, and shifting manufacturing to mitigate the impact of tariffs, which most organizations were not adequately prepared to navigate. Rapid retrenchment in terms of proximity to market, production base, and resilient sourcing will put organizations in the best shape to emerge triumphant from the trade war.

Capgemini offerings

Gen AI Strategic Intelligence System by Capgemini

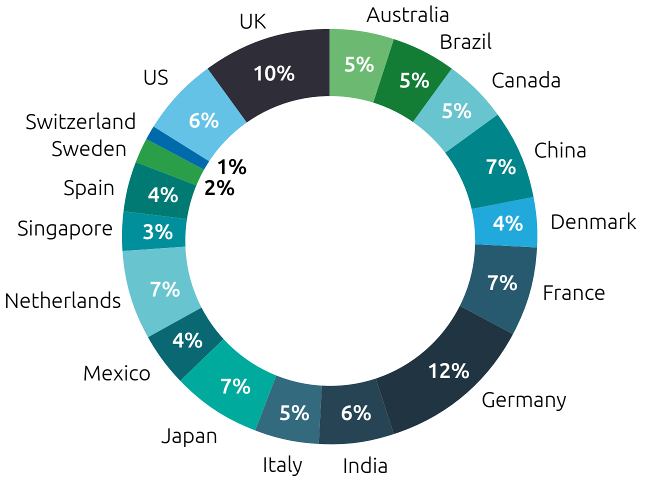
Capgemini's new Gen AI Strategic Intelligence System is an agentic AI advisor that monitors an enterprise's business KPIs, performs root cause analysis of changes, and provides recommendations on how to improve them. This, in turn, elevates business outcomes and unlocks value, enabling organizations to make intelligent, data-driven decisions. The versatile solution is industry-agnostic and integrates across various domains including finance, revenue growth management, supply chain, software development lifecycle, and IT ops. By harnessing next-gen AI agentic architecture, it empowers businesses to optimize performance, enhance efficiency, and drive growth.

Link: Gen AI Strategic Intelligence System by Capgemini

08 Research methodology

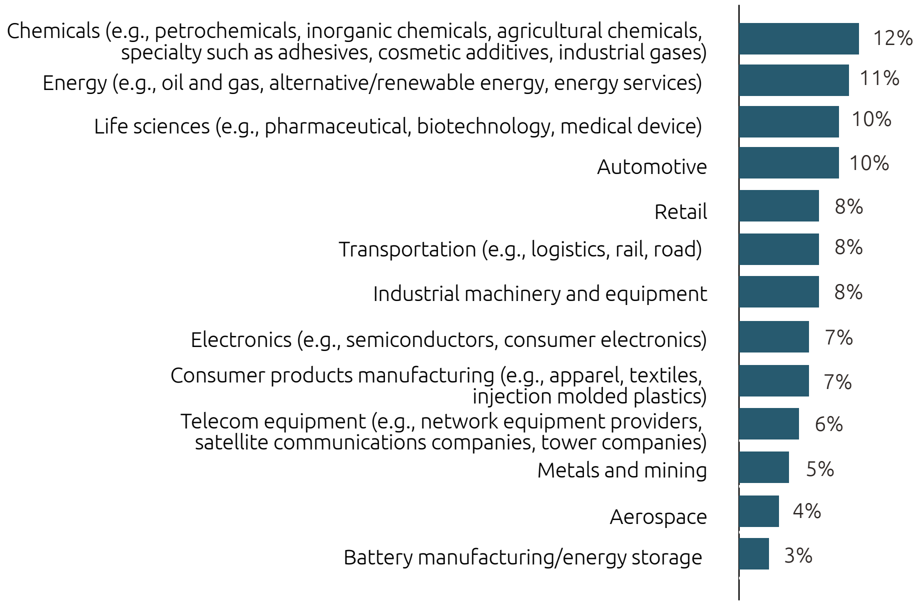
Research methodology

Executives by country in which current organization is headquartered



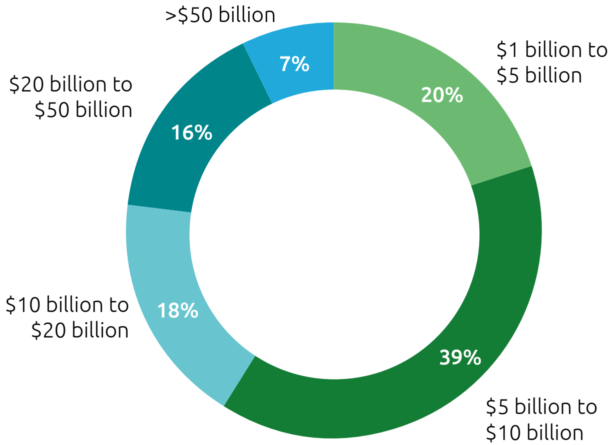
Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Executives by industry



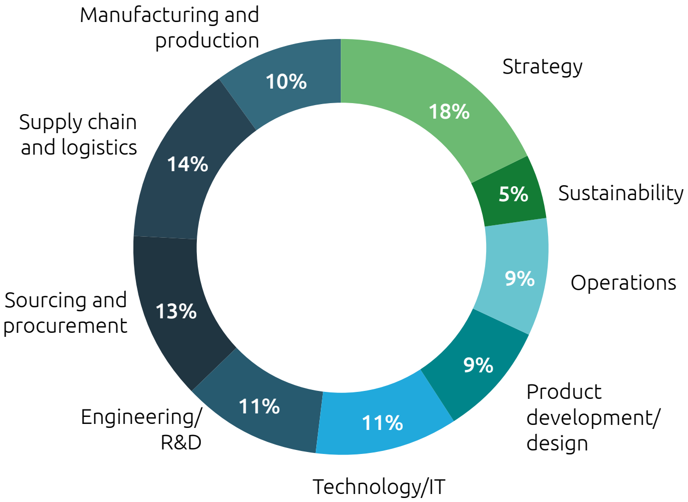
Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Executives by organizational enterprise-level revenue, in USD



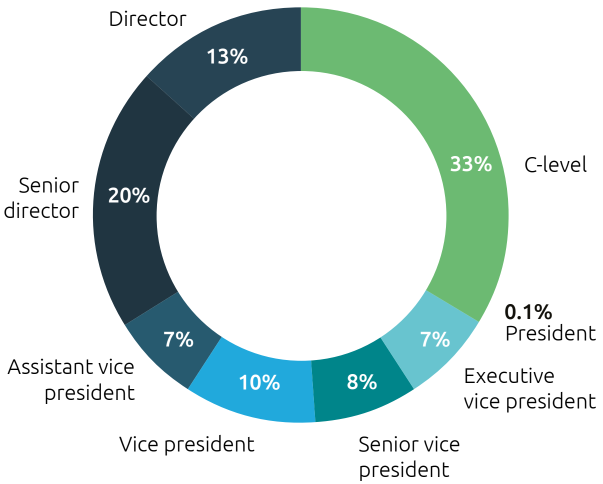
Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Executives by function



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

Executives by current job title



Source: Capgemini Research Institute, Research brief on tariffs, June 2025, N = 1,500 organizations.

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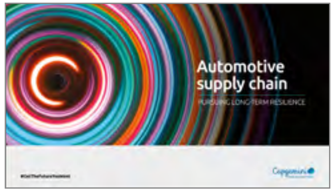

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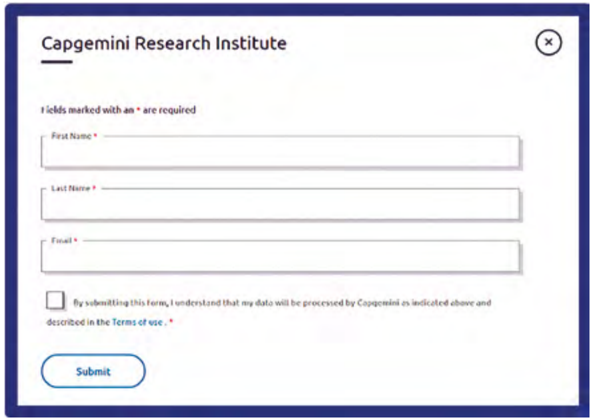
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