Companies Using President Trump's Erratic Tariff Policies as Cover to Hike Consumer Prices

Introduction

In the nearly four months since so-called Liberation Day, President Trump has raised, lowered, threatened, and paused tariffs dozens of times on dozens of countries. The average effective tariff rate sits at its highest level since Smoot-Hawley, while the promised investment boom has not only failed to materialize, new spending on construction of manufacturing facilities has slumped. After frontrunning Trump's tariffs early in the year, businesses have pulled back on orders and are winding down inventories, trying to wait out Trump. Consumers have pulled back on imports while prices of imported goods like furniture, appliances, and tools and hardware have started to rise. Trade "deals" have thus far failed to secure meaningful wins for workers and businesses, and the global threat of overcapacity and unfair trade practices from China has been largely ignored.

While President Trump has offered many contradictory goals for his tariff policies, it's clear that one group is benefiting from the upheaval caused by Trump's on-again, off-again trade policy: businesses looking to exploit the chaos to extract as much as they can from consumers. While some companies are paying the tariffs out of profit margins and avoiding price hikes as long as possible, many are clear about the opportunity Trump's erratic policies present, while others have signaled intentions to raise prices when the uncertain economic environment becomes clearer.

In a paper recently published in the Journal of Structural Change and Economic Dynamics, *Implicit Coordination in Sellers' Inflation: How Cost Shocks Facilitate Price Hikes*, economist Isabella Weber detailed how the economy-wide supply-side cost shocks provided an implicit coordination mechanisms for companies to raise prices, protecting or increasing profits. Groundwork was one of the first to explore and expose the link between corporate profits, pricing strategies, and inflation. Trump's broad, indiscriminate tariffs and the economic volatility that has resulted present a similar opportunity.

The New York Times covered pricing strategists who noted that tariffs could present a "golden opportunity" for unaffected companies to "take price," using price hikes from competitors as cover for their own increases. "Price optimization" consultants prepared customers to "take advantage" of the window that Liberation Day presented to raise prices. Richmond Fed President Tom Barkin recently embarked on a listening tour of businesses to better understand inflation, where executives were up front: some of their price hikes are "opportunistic," taking advantage of tariff chaos. The possibility for price gouging has also attracted the attention of lawmakers. In May, 35 Senators and House members led by Representative Rosa DeLauro (D-CT) and Senators Ruben Gallego (D-AZ), Sheldon Whitehouse (D-RI), Elizabeth Warren (D-MA), and Cory Booker (D-NJ) wrote a letter to Federal Trade Commission Chair Andrew Ferguson demanding the Commission investigate opportunistic price gouging.

The following report provides examples from earnings calls from major corporations in the first half of 2025 on how companies are using the uncertainty and chaos of Trump's tariffs to strategically raise prices.

Large Companies are Using the Chaotic Trade Policies as Cover to Raise Prices

Turning to today's newly unpredictable economic environment, companies appear once again to be using the confusion and uncertainty of the on-again, off-again tariffs as cover to raise prices for consumers. Excerpts from earnings calls from the first half of 2025 demonstrate that some companies have been "taking price" in anticipation of the higher import taxes. Moreover, certain company executives stated that they have been drawing on lessons from pricing strategies implemented during the COVID-19 pandemic and inflation. For instance, Melanie Hart, the Senior Vice President and Chief Financial Officer (CFO) of POOLCORP, a pool equipment manufacturer, referenced the ease regarding the company's ability to pass through higher prices in the market without having to bring prices back down during the pandemic years:

> "Our largest equipment vendors announced and implemented an in-season price increase that ranged from 3 [percent] to 4 [percent], which took effect in April to address the March tariff announcements, and we increased our selling prices accordingly. **We observed similar patterns during the pandemic years, and those increases passed through the channel with no reversals**."

According to the POOLCORP's quarterly results for Q1 2025, the tariff price hikes will help drive sales revenue: **"[we] expect that currently announced tariffs will positively impact net sales by approximately 1 [percent] based on vendor price increases to-date."**

The following provides examples of strategies and justifications described by company executives in Q1 2025 earnings calls to jack up prices and boost profits in response to the tariffs. The examples draw from companies that operate in a range of sectors including apparel, baby products, footwear, food, retail, security products, vehicles, pool equipment, power generation, and HVAC.

- **Using tariffs as cover to raise prices**: Aaron P. Jagdfeld, Chief Executive Officer (CEO) of Generac Power Systems, a power generation products manufacturer, explained how vendors in the supply chain have used the tariffs as cover: **"[e]ven if we have metals that weren't impacted directly by tariffs, the indirect effect of tariffs is that it gives steel producers and the mills and other fabricators ... great cover for increased pricing in some cases."**[1]

  Stephen Bratspies, CEO of Hanesbrand, a major apparel brand, noted that "from an opportunity standpoint," they are already **"seeing tariff-related disruptions creating incremental revenue opportunities in the market,"** while remaining **"confident in [their] ability to take price as necessary as a part of our broader plan to offset the tariff situation."**[2]

- **Raising prices because consumers "expect" higher prices:** Ralph Lauren Corporation's CFO, Mr. Picicci, indicated that the tariffs created an exploitable expectation of higher prices: "[we're] taking selective pricing actions and strategic discount reductions with a goal of continuing to deliver the best-value proposition for our consumers. **It's really a consumer sentiment and the expectation that the customers have to deal with significant pricing across-the-board as a result of cost inflation."**[3]

- **Raising prices higher than the expected tariffs costs simply because they can (they have pricing power):** Russell Diez-Canseco, the President and CEO of Vital Farms which sells eggs, told investors: "**the price we've talked about, that is more than sufficient to cover the impact of the tariffs**. And with that, I think with the pricing power that we have, with the resilience of the business that we have, I think we're really well positioned for this year despite the tariffs."[4]

  According to Matthew Stevenson, the CEO of Holley, an auto parts manufacturer, market participants in the sector have been dramatically increasing prices: "**in the marketplace we have seen price increases well in excess of what we put out into the market.** I mean we've seen increases as high as 30 [percent] or more on some categories from some competitors."[5]

  Glenn J. Chamandy, the CEO of Gildan Activewear, a clothing company that sells wholesale t-shirts and activewear, stated that higher import taxes are "**not going to**

[1] Generac Holdings Inc Q1 2025 Earnings Call, 4/30/2025
[2] Hanesbrands Inc Q1 2025 Earnings Call, 7/1/2025
[3] Ralph Lauren Corporation Q4 2025 Earnings Call, 5/22/2025
[4] Vital Farms Inc Q1 2025 Earnings Call, 5/8/2025
[5] Holley Inc Q1 2025 Earnings Call, 5/7/2025

even move the needle" regarding profits yet announced price increases regardless: "our basic ... bread and butter T-shirt is selling for $2.30. So ... even if there's a slight price increase of $2.30, it's not going to even move the needle because by the time our products get sold ... they're selling for between $20 and $25."[6]

Lennox International, an HVAC and climate control provider, was congratulated by an analyst during its Q2 earnings call for "**quote-unquote getting more price than you need**," which Lennox CEO Alok Maskar noted was possible through data collection and AI tools to set precise prices by geographies and zip codes.[7]

3M CEO Bill Brown outlined how 3M raises prices over and above its material cost hit, explaining that if 3M passes tariffs "through in price, which we've done, that's 50 basis points. We're getting about 70 basis points. **So it's a little bit of an extra lift.**"[8]

- **Folding higher tariff costs into guidance assumptions for the fiscal year that underlie pricing**: Jim Watkins, the CFO of Boot Barn, emphasized that higher import taxes–30 percent tariff on China, 10 percent global tariff, and 0 percent on Mexico–and resulting price increases in the summer of 2025 were built into the assumptions for fiscal year 2026 guidance: "[b]oth the low and high end scenarios of our fiscal '26 guidance contemplate increased tariffs resulting in price increases this summer, which we believe could lead to softer consumer demand."[9] Boot Barn's CFO claimed to have a goal of keeping prices "as low as [they] can", however, the company executive also touted the "potential upside" of the built in assumptions for the second half of the year. In other words, using the threat of tariffs as a basis for higher prices could result in higher gross profit than forecasted if the White House fails to follow through on its tariffs policies.

- **Blatantly raising prices even if tariffs are paused or decreased**: According to Thomas Robertson, the Chief Operating Officer (COO) and CFO of Rocky Brands, the business planned to implement higher prices regardless of the Administration's actions on China, **"we certainly welcome a reduction in the Chinese tariffs, but we'll be announcing a price increase here regardless of any changes of the Chinese tariffs over the next week or two to go into effect in June."**[10]

- **Hiding price increases throughout the supply chain:** Nicholas Fink, the CEO of Fortune Brands Innovations Inc, a company that manufactures home security and

[6] Gildan Activewear, Inc Q1 2025 Earnings Call, 4/29/2025
[7] Lennox International Q2 2025 Earnings Call, 7/23/2025
[8] 3M Company Q2 2025 Earnings Call, 7/18/2025
[9] Boot Barn Holdings, Inc. Q4 2025 Earnings Call, 5/14/2025
[10] Rocky Brands, Inc. Q1 2025 Earnings Call, 4/29/2025

digital products told investors: "**[w]e are price leaders and the majority of our sales are through complex channels, which allow us to more effectively pass along price increases where and as-needed.**"[11]

- **Folding anticipated tariff costs into pricing for products potentially unaffected by tariffs:** James S. Brooks, the CEO of Rocky Brands indicated that the company would use "inventory investments pricing actions" raising prices across products in inventory to compensate for higher China tariffs: "**there might be some places that if we think we can get a little bit better [pricing] there, we might take that because we can't take that kind of price increase out of something that is still coming out of mainland China.**"[12]

[11] Fortune Brands Innovations Inc Q1 2025 Earnings Call, 5/6/2025
[12] Rocky Brands, Inc. Q1 2025 Earnings Call, 4/29/2025