



The Impact of Tariffs

Insight From Manufacturers and Distributors in the
Home Improvement Sector on Steel and Aluminum Tariffs

Overview

Current and proposed tariffs on imported aluminum and steel are expected to continue impacting the U.S. home improvement industry.

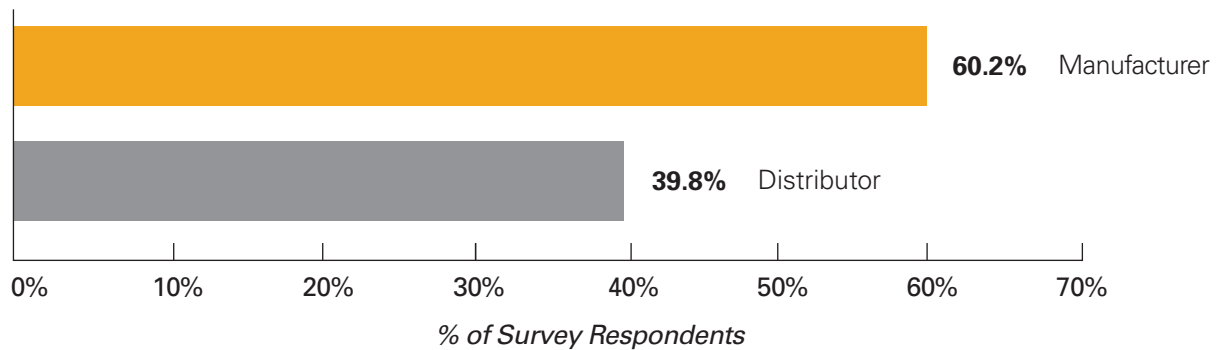
The North American Retail Hardware Association (NRHA) surveyed more than 75 of the top manufacturers and distributors in the U.S. channel to better understand how the tariffs could impact them. The association distributed an online survey to businesses via email in July 2018.

The data show that about 70 percent of the companies expect the tariffs to impact their operations, and nearly 80 percent of those respondents anticipate the effects to be negative. As a result, most participants believe they will have to increase their prices.

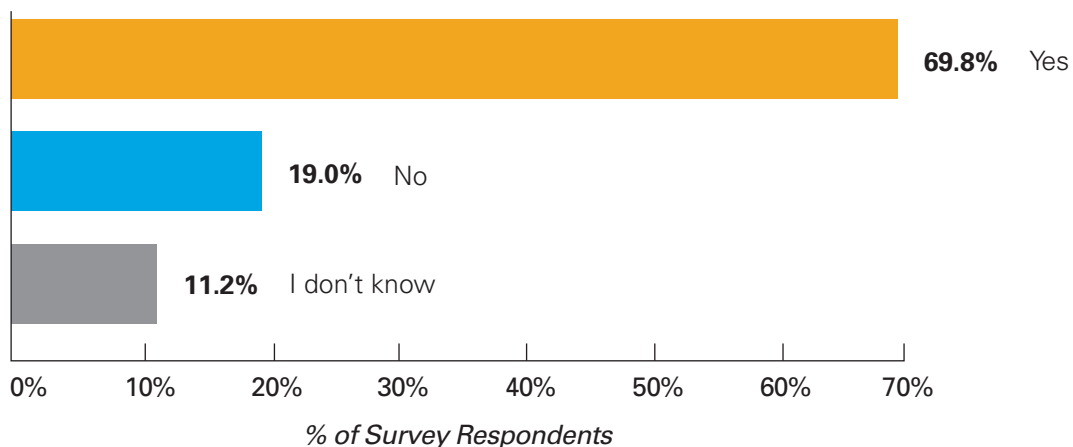


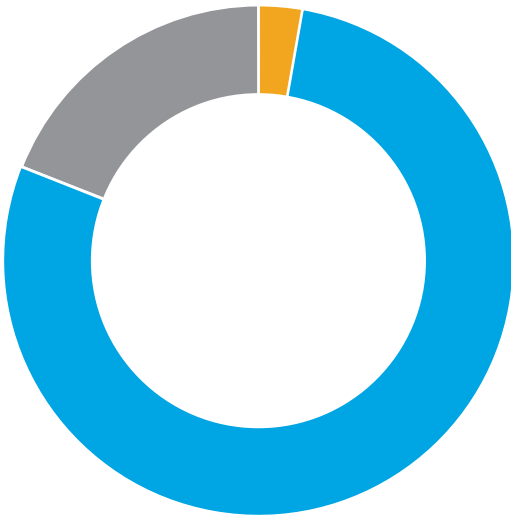
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What kind of business do you operate or work for?



Will the tariffs on aluminum and steel impact your business?





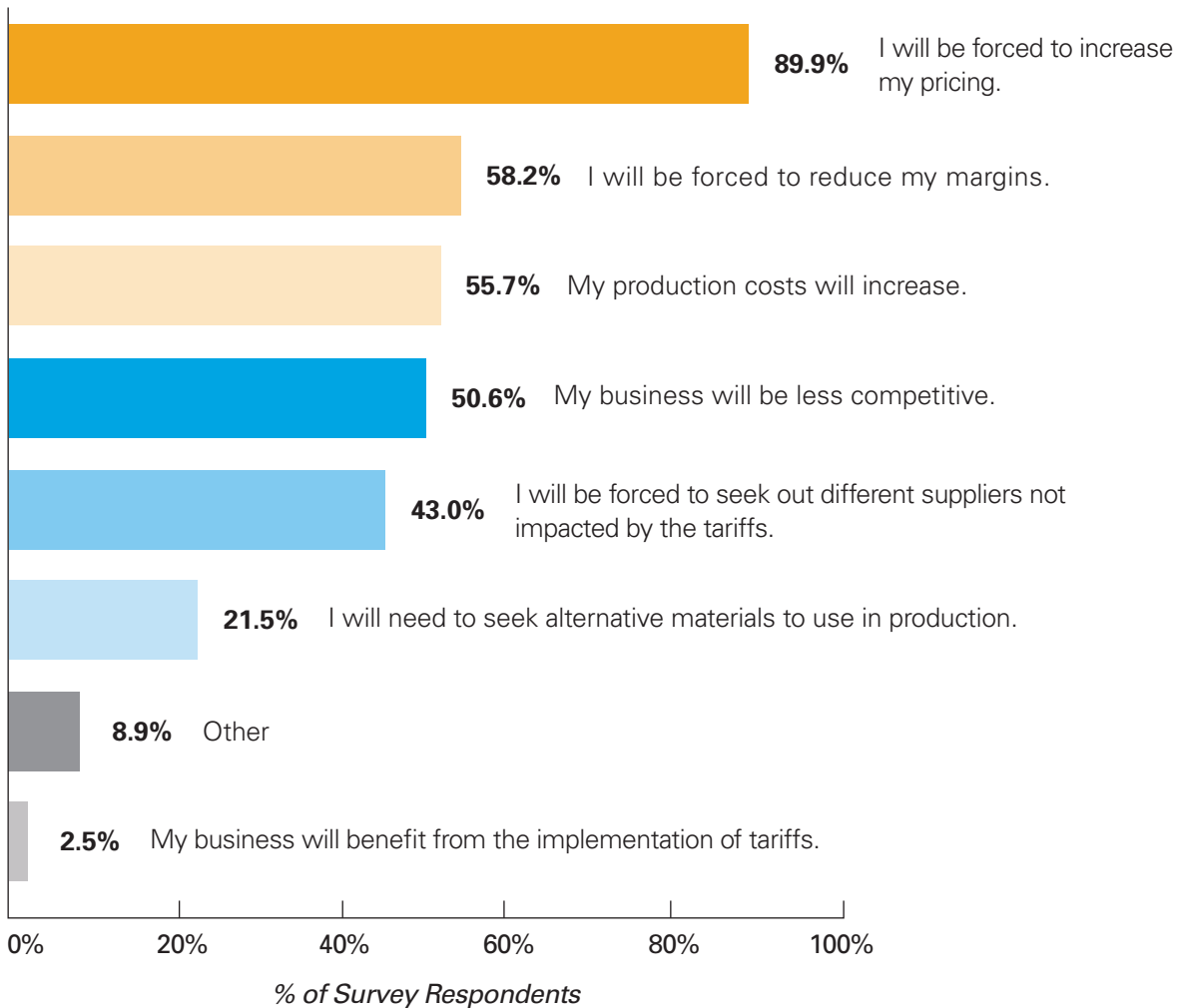
Please select one answer to complete the following sentence:

The steel and aluminum tariffs will have a _____ impact on the business I own or work for.

- **Positive** 2.5%
- **Negative** 78.5%
- **I don't know** 19.0%

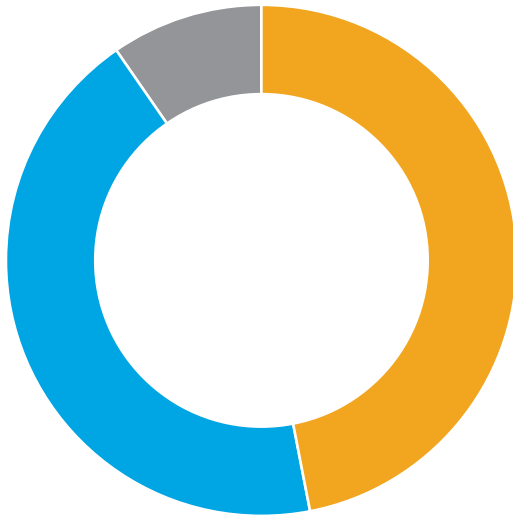
In what ways will the implementation of tariffs on imported steel and aluminum impact your business?

Respondents selected all answers that applied to them.



Industry Perspective

Respondents who answered "Other" say they will see costs rise on raw materials, evaluate margins to make needed corrections or they do not know what the impact on their companies will be.

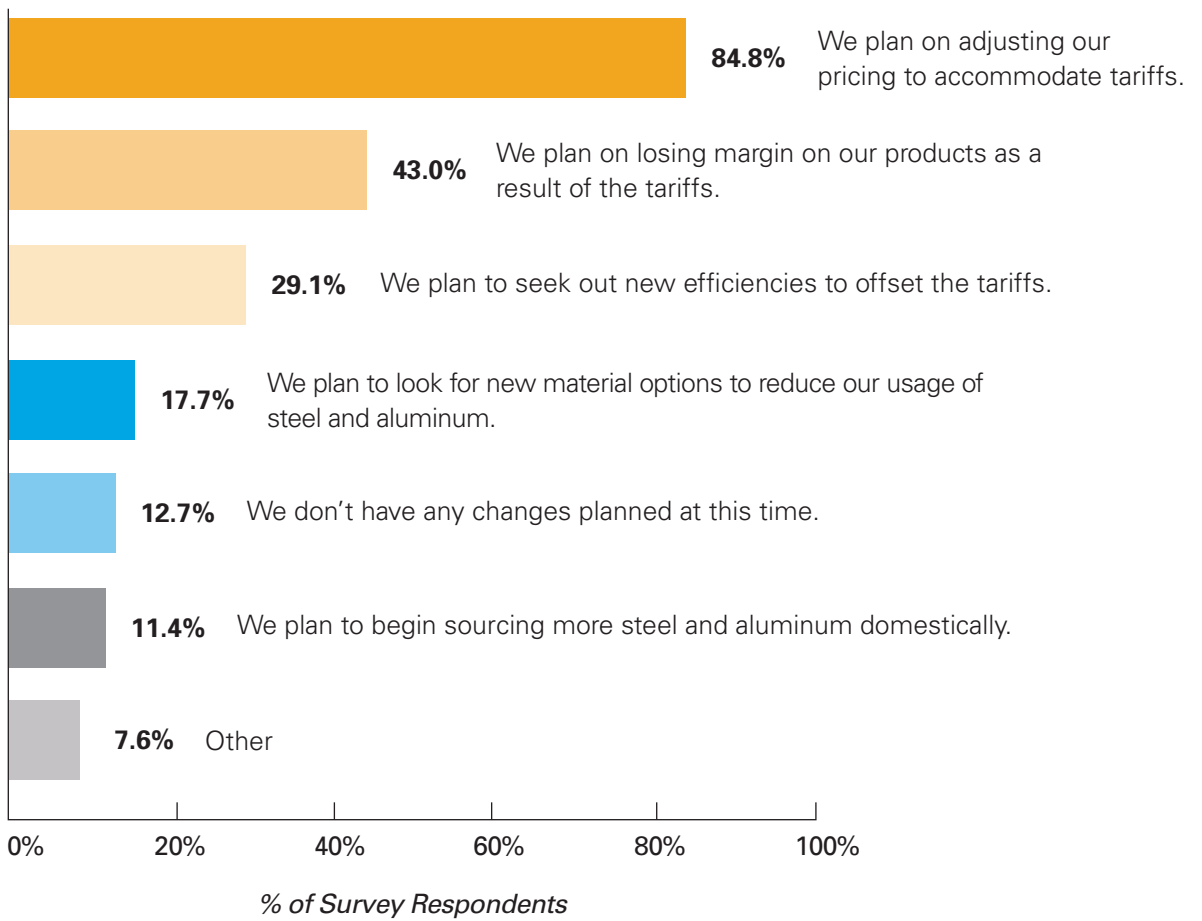


Before tariffs came into play, were you sourcing raw materials domestically?

- Yes..... 46.8%
- No..... 44.3%
- I don't know 8.9%

How does your company plan to respond to the steel and aluminum tariffs?

Respondents selected all answers that applied to them.



Respondents who answered "Other" say they will have to raise prices on finished goods, communicate with customers, source parts offshore and produce more domestically.

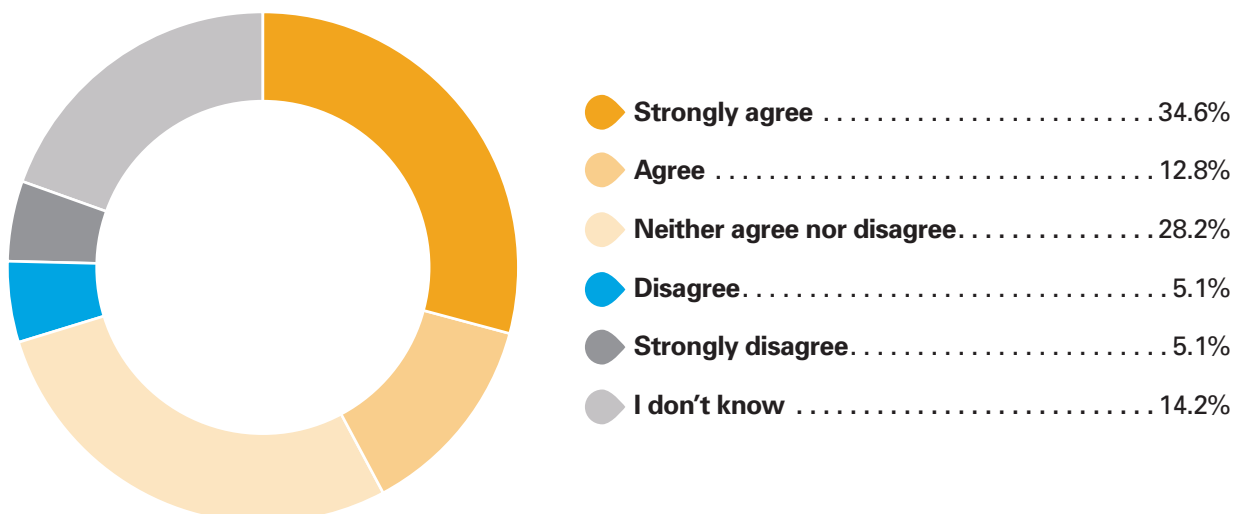
Are there any other ways your company plans to offset the costs associated with tariffs?

Respondents wrote their own answers to the question. Answers are summarized below.

Look for stronger domestic suppliers.
Try to buy only domestic products.
Buy from Taiwan instead of China.
We do not know yet/To be determined.
Absorb some of the costs.
Carry less inventory in reserve.
Look at production in countries less impacted by the tariffs.
Adjust pricing.
Ask suppliers to help absorb added costs.
Pass some of the costs on to customers.
Wait and see.
Increase assembly and manufacturing staff.

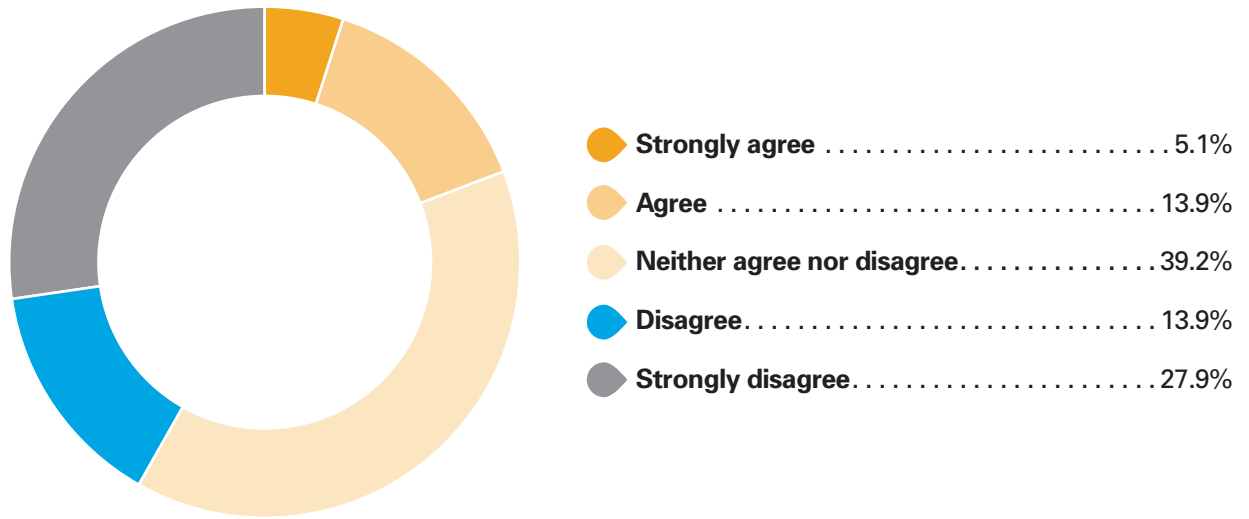
Please rate your level of agreement with the following statement:

I'm CONCERNED that domestic producers won't be able to supply enough aluminum and steel for my company to maintain current production.



Please rate your level of agreement with the following statement:

I am OPTIMISTIC that domestic producers will be able to supply enough aluminum and steel for my company to maintain and grow production.



How could tariffs help your company's position? By...

Respondents wrote their own answers to the question. Answers are summarized below.

Reducing the trade imbalance with China.
Increasing the prices and revenue for other products.
Increasing prices without lowering margins.
Potentially reducing the amount of low-quality, low-price items on the market.
Making Chinese finished goods more expensive in the U.S.
Possibly squeezing my competition.
Giving advantages to producers in other countries, such as Mexico, India and Vietnam.
Causing price-related turmoil with customers that opens new business opportunities for us.
Making more products in the U.S.
Letting us improve margins on high-volume items because customers expect price increases.
Making it easier to sell Made in America products.
Reducing how much we have to import and store.

How would you describe your company's position on the new steel and aluminum tariffs?

Respondents wrote their own answers to the question. Answers are summarized below.

The tariffs are necessary to keep a competitive playing field fair.
The tariffs are unnecessary and cause us uncertainty.
We are against them/strongly opposed to them.
They are ridiculous and should be reversed.
We are in favor if they bring balance to trade.
They are not good for business.
We do not understand how product that is unavailable in the U.S. is getting the tariffs.
Manufacturers will shift production to other countries, causing problems with supply and, possibly, with quality.
The impact is negative because the tariffs force supplier price increases on us.
We are waiting for more information.
We are neutral.
We will support our country's policies, regardless of political parties.
Tariffs are never a good thing.
We support the tariffs.
We are glad they happened.
These are a distraction from our plans.
We are OK with tariffs as long as we have time to adjust.
They are shortsighted and create numerous problems.
It's about time. This is a temporary situation and the tariffs are a negotiating tool that the president is using to gain lower tariffs from trading country partners.

Industry Perspective

The North American Retail Hardware Association and *Hardware Retailing* have compiled many reports and studies on the home improvement industry. A library of this research can be found under the Research tab at nrha.org.

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Brought to you by the North American Retail
Hardware Association