



The Impact of Tariffs on Small Non-Technology Businesses Catherine Lewis

Abstract

This study examines how small non-technology businesses respond to the 2025 tariff policies, with a focus on pricing strategies, supply chain adjustments, and the timing of responses. Understanding these effects is important because small businesses play a vital role in the economy and often have fewer resources to absorb sudden cost increases compared to larger firms. Additionally, tariffs are a major policy tool, but their real-world impacts on smaller businesses are not always well understood. Mixed-methods data was collected through a survey of 30 businesses and five in-depth interviews. Fisher's Exact Tests revealed a statistically significant relationship between price increases and revenue decreases, suggesting that passing costs onto consumers can reduce demand. Businesses also responded more quickly than expected, often within one to three months, challenging the initial hypothesis. Future research could collect larger sample sizes amid a national scope and explore longitudinal studies tracking how businesses fare over time in the aftermath of tariffs.

Keywords: Trade policy, tariffs, supply chain, firm-level effects, small-and-medium-sized enterprises (SMEs)

Introduction

Tariffs are a tax levied on imports from other countries and are used as a method to collect money for the federal government and protect domestic industries (Siripurapu & Berman, 2025; Bomboy, 2025). Although policymakers often have good intentions when setting tariff policy, the reality is that businesses, particularly small businesses, are adversely impacted. Research consistently shows that small firms are disproportionately vulnerable to economic shocks because they have limited capital reserves, less bargaining power, and higher sensitivity to input price volatility (Celestin, 2023).

Small businesses play a vital role in the US economy – 99.9% of all firms in the US are small businesses, and they make up almost half (43.5%) of GDP (SBA Office of Advocacy, 2023). Since 1995, small businesses have contributed to 62.7% of net new job creation, generating 17.3 million new jobs compared to 10.3 million new jobs from large businesses. (SBA Office of Advocacy, 2023). Furthermore, small businesses account for 44% of economic activity and are at the forefront of innovation and competition. Therefore, they are often an indicator of economic health; when the economy suffers, so do small businesses, and vice versa (Eggers, 2020). While large corporations tend to have more resources to absorb or mitigate tariff shocks (such as renegotiating contracts or shifting suppliers), small businesses often lack this flexibility.

It is clear that small businesses play a crucial role in our economy; therefore, it is important to understand how fiscal policy, specifically tariffs, impacts these businesses and how they function. Despite this vulnerability, the experiences of small businesses are given minimal consideration in current literature. Media and academic analyses often focus on large

multinational corporations because they are more visible, provide public earnings reports, and are more attractive for media coverage.

For these reasons, this paper investigates how small non-technology businesses respond to the 2025 tariff policies in terms of supply chain shifts, price changes, and the timing of their response using mixed-methods data analysis.

To understand the 2025 tariff policies, it is important to understand the 2018 tariffs – in 2018, President Donald Trump imposed a 25% tariff on steel imports and a 10% tariff on aluminum imports (Sachdev & Rao, 2025). The president also announced additional tariffs on \$200 billion worth of Chinese imports, including consumer electronics (USTR, 2018). The tariffs primarily impacted raw materials and intermediate inputs, thus affecting the downstream supply chain. For example, many businesses were forced to raise prices for their customers and shift their sourcing and production strategies to countries other than China, allowing some businesses to circumvent the tariffs (Celestin, 2023; Grossman et al., 2024).

In 2025, the tariffs implemented by the Trump administration seemed to be a continuation of the 2018 tariffs. These tariffs included a blanket 10% tariff on all imports, as well as higher retaliatory tariffs on certain countries like China, Canada, Mexico, Japan, and dozens more (Lowell et al., 2026). A major reason that was cited for the implementation of the 2025 tariffs was retaliation against foreign countries for perceived unfair trade policies imposed on the US. The 2025 tariff policy was much more comprehensive, covering more countries with higher rates and essentially closing loopholes left open by the 2018 tariffs, such as the circumvention tactic mentioned above, in which companies shift production from highly-tariffed countries to lower-tariffed countries to mitigate the taxes. Although the effects are being felt across all types of businesses, this paper focuses on the impact of tariffs on small businesses and how they respond.

Furthermore, there are several gaps in the existing literature. Currently, sources primarily cover the broader, macroeconomic impacts of tariffs. Amiti et al. (2019) provide a clear picture of tariff pass-through and welfare effects from a major modern U.S. tariff era. Their detailed analysis of the 2018 tariffs shows that the tariffs covered roughly \$283 billion of U.S. imports and that importers and consumers absorbed most of the costs, rather than foreign sellers lowering prices to fully absorb the tariffs. These costs totaled about \$3.2 billion per month in additional costs to U.S. firms and consumers by December 2018. These statistics support the claim that tariffs are a domestic price shock with immediate impacts on welfare.

Additionally, Furceri et al. (2020) demonstrates that tariff shocks create significant long-run macroeconomic costs beyond the immediate price changes seen in Amiti et al. Furceri et al. conduct a broad macro panel analysis across 151 countries from 1963 to 2014 and report persistent negative growth effects. For example, the source finds a 3.6 percentage point increase in tariffs, reducing GDP by about 0.4% five years later, higher imported input costs, and adverse exchange-rate adjustments.

The structural effects on supply chains are captured by Mbonigaba Celestin's supply-chain analysis. This study finds a 133% increase in reshoring activity from 2018 to 2022 (shifting production back to the home country), 34% of surveyed firms adopted nearshoring strategies (shifting production to a neighboring country), and supplier diversification was adopted by about

58% of firms in the compiled samples. Celestin also finds that capital-intensive sectors like automotive and electronics were much more likely to diversify suppliers.

Taken together, these sources demonstrating cost pass-through, global growth costs, and network/reshoring strategies suggest that tariffs raise import prices, trigger costly supply-chain readjustments (reshoring/nearshoring/diversification), and can have significant, damaging effects on the global economy at the macro level.

Some emerging literature also covers the preliminary impacts of the 2025 tariffs. The Bank for International Settlements (Kohlscheen et al., 2025) includes scenario estimates and short-run projections for the 2025 tariff policies, noting that U.S. tariff revenues had quadrupled by July 2025 relative to pre-2025 receipts, and implying that near- to medium-term GDP growth in the United States could fall by about 1 percentage point under typical tariff/retaliation scenarios. It also documents how tariffs amplify inflationary pressures by raising import prices and creating supply chain frictions.

Ignatenko et al. (2025) in the *Journal of International Economics* model the 2025 Liberation Day tariffs and find that, under optimal foreign retaliation scenarios, U.S. welfare can decline by up to 3.38%. This statistic demonstrates significant welfare risks once retaliation and input-output linkages are accounted for to capture economic disruptions. The authors also propose an “optimal uniform tariff” benchmark of 19%, which differs sharply from the 2025 tariff rates.

Carreras-Valle and Ferrari (2025) measure the real operational costs to businesses from delivery delays and supply-chain disruptions that worsened during the 2018–2024 period and show that the average U.S. import shipping delay increased by 21 days from 2018 to 2024. Their model links those delays to aggregate costs of about 2.6% output loss and about 0.4 percentage points of higher prices. These delay-cost numbers show that, beyond tariffs themselves, logistics slowdowns and lead-time rises are important ways tariffs raise producer and consumer prices.

Across these sources, the consistent theme is that the 2025 tariffs raised tariff revenues, but also produced welfare losses (Ignatenko et al., 2025) and output and price costs (Carreras-Valle & Ferrari, 2025). Notably, none of these studies examine effects at the small-business level; they only quantify broader recent effects of the 2025 tariffs.

Finally, the existing literature documents the challenges faced broadly by small businesses, as well as their role in communities and economies. Hasan et al. (2024), in the *American Journal of Industrial and Business Management*, present national small-business aggregates and show that U.S. small businesses collectively employ about 56.4 million workers and generated over \$16.2 trillion in revenue by the end of 2021, highlighting their vital role in keeping the economy thriving. This also highlights that shocks that disproportionately hurt them will have broad social consequences. The paper also reports that small firms contributed about 12.9 million net new jobs during a recent period, as shown in their compiled data.

Malesu and Syrovátka’s (2025) systematic PRISMA review in *Future Business Journal* synthesizes 72 peer-reviewed studies on small- and medium-sized enterprise (SME) success factors. It finds that over 80% of those studies identify the availability of financial resources, networking, and digital adoption as the top three critical factors for SME resilience and survival. These characteristics determine how readily a small business can cope with tariff-induced shocks to cost and supply chains. The clear implication is that when tariffs raise input costs and

force changes in suppliers, the firms lacking capital and network access are far more likely to suffer.

Fabian Eggers, in the *Journal of Business Research*, conducts a broad literature synthesis of 69 manuscripts on how SMEs fare in crises and highlights the “liability of smallness,” or the idea that SMEs typically have smaller cash cushions, more limited access to credit, and less managerial bandwidth to handle large shocks. Eggers’ review supports empirical findings that SMEs suffer larger percentage declines in revenue and take longer to recover after systemic shocks than larger firms.

Taken together, these studies make it clear that small firms are economically central to economies and communities but structurally less able to absorb tariff shocks because they lack substantial capital, depend on localized supply relations, and operate on thin margins. These all make the price increases and supply-chain reconfiguration costs generated by tariffs especially damaging.

The literature above documents macroeconomic-level price pass-through, increasing consumer costs, and growth losses; the general impacts of the 2025 tariffs on supply chain delays and GDP loss; and the unique struggles faced by small businesses amid economic (tariff) shocks. However, despite this abundant quantitative data, there is a clear lack of first-party, small-business-level data on the 2025 tariffs. Macroeconomic indicators show the scale of the problem (national revenues, welfare losses, supply chain shifts) but do not show how a local restaurant, independent distributor, or small manufacturer experienced cost passthrough, shifted suppliers, or changed pricing and labor decisions in response to the 2025 tariffs, and the toll this took on their business. Therefore, this project fills that gap by collecting mixed-methods primary data through a survey capturing small non-tech business responses (price changes, supplier resourcing, sales/revenue impacts) to the 2025 tariffs, as well as interviews to gain deeper insights into their experiences.

Methods

This study used a mixed-methods research design to examine how tariffs impact small businesses. In this study, a small business was defined as having less than 500 employees, consistent with the definition outlined by the Small Business Administration (SBA Office of Advocacy, 2023). Both quantitative and qualitative data were collected in order to understand not only measurable economic effects but also how business owners interpret and respond to these policy changes in practice. The scope was limited to non-technology businesses as they do not rely on venture capitalist funding and because they tend to feel the impacts of tariffs directly since they rely heavily on imported raw materials, whereas technology companies rely on digital products and services and are typically not subject to tariffs (IBIS World, 2024).

The primary data collection method was a survey distributed to small non-technology businesses in California, including the Bay Area. 30 responses were collected through Google Forms, and the questions consisted primarily of multiple-choice and rating-scale items. These questions asked respondents to report baseline information such as their industry, business size, and level of knowledge about tariffs, as well as tariff-specific information such as supply chain structure and whether tariffs had affected pricing, costs, or business strategy. Several questions also included percentage ranges in order to capture the magnitude of changes in

costs or revenue. The survey also included two short-response questions where participants could briefly describe how tariffs have affected their business.

Participants were recruited through professional networks and in-person outreach to business owners by knocking on doors. Response rates are unclear because there was not a specific count of people collected who viewed the survey link but did not complete it. However, it is reasonable to assume that outreach through professional and personal networks was most successful, as 17 of 30 responses came from this method. In-person store outreach to business owners was also successful, as 13 of 30 responses came from this method.

Before beginning the survey, participants were presented with an informed consent form that explained the purpose, procedures, confidentiality, and voluntary nature of the study. The purpose of the research was to examine how small non-tech businesses respond to tariffs by adjusting their supply chains, pricing, and operations. Giving consent was mandatory before continuing onto the survey, therefore all 30 participants gave their consent. All participant responses were kept confidential in a file only accessible to the researcher.

The survey was supplemented by five interviews with small-business owners, managers, and assistant managers. Interview participants were recruited out of the survey participants who reported that they made changes to their business as these participants could provide firsthand insights into the decision-making processes underlying tariff-related adjustments. Participants were selected based on the diversity of their business characteristics and experiences with tariffs in order to capture a range of perspectives on how small businesses responded to the tariff environment. The five selected participants were then contacted directly and agreed to participate in the interview portion of the study. The interviews allowed participants to discuss their experiences with tariffs in greater depth and explain how these policies have influenced their business decisions. Interview responses provided more detailed explanations of how businesses respond to cost changes, uncertainty, and supply chain disruptions, and why they made the choices they did.

Quantitative survey data was analyzed using descriptive statistics and statistical testing. Descriptive statistics were used to summarize the distribution of responses and identify common patterns across the sample. To examine potential relationships between categorical variables, Fisher's Exact Tests were conducted as they are well-suited for analyses with small sample sizes. The test examines whether there is a statistically significant association between two categorical variables. After running Fisher's Exact Tests, Cramer's V was calculated to measure the strength of any statistically significant associations identified. This measure helps indicate how strong the relationship between the variables is beyond simply determining whether it exists. Values around 0.1 indicate low strength, values around 0.3 indicate moderate strength, and values around 0.5 indicate strong association.

Qualitative data from the five interviews were analyzed using content analysis. Interview transcripts were imported into qualitative coding software (Ligre) and coded according to a structured codebook developed for the study. The codebook was developed using two sources: topics directly addressed in the survey and recurring patterns observed in survey responses. Survey questions addressing pricing changes, input costs, supply chain adjustments,

profitability, revenue, and timing of responses were used to establish initial themes. Additional themes were developed when notable patterns emerged in the survey responses. For example, frequent references to uncertainty about changing tariff policies and concerns about future business conditions led to the inclusion of the themes “Uncertainty” and “Future Concern and Perception for the Future.” The codebook was reviewed and refined before completing the interview coding to ensure that the themes and subcategories were distinct and applicable to the interview responses. Due to time and resource constraints, a full iterative coding process with multiple coders was not conducted. If this research were extended, a second coder could independently code the interviews and Cohen’s kappa could be calculated to measure inter-rater agreement.

The codebook contained eight main themes: timing of adjustments, uncertainty, pricing adjustments to customers, input cost changes, supply chain adjustments, profitability perceptions, future concern and perception for the future, and changes to existing business operations. Each theme included several subcategories that captured specific types of responses. For example, pricing adjustments included product price increases, decreases, or minimal change, while supply chain adjustments included reshoring, nearshoring, or offshoring (Celestin, 2023). Segments of interview text were coded according to these themes to identify recurring patterns in how businesses described their responses to tariffs. Because the interview sample consisted of five participants, subcategories with seven or more coded segments were included in the summary table. This threshold was chosen because seven coded segments represents an average of at least one mention per interview if distributed evenly across the five participants, providing a useful benchmark for identifying patterns that appeared repeatedly across the small sample rather than being concentrated in only a small number of responses. Subcategories with fewer than seven coded segments were retained in the codebook but omitted from the summary table. The resulting frequencies were used to identify the most common patterns in how participants described their responses to tariff-related economic pressure.

<i>Theme</i>	<i>Subcategory</i>	<i>Frequency</i>
1) Timing of Adjustments	1-3 months	7
2) Uncertainty	Uncertainty About Tariff Environment	26
3) Pricing Adjustments to Customers (Product-side)	Product Price Increases	14
4) Input Cost Changes	Increased Input Costs	27
	No Change/Minimal Change to Input Costs	8
5) Supply Chain Adjustments	Reshoring	8

6) Profitability Perceptions	Perceived Decrease in Profitability	7
	Perceived Decrease in Revenue	7
7) Future Concern & Perception for the Future	Negative Outlook/Concern for Future of Business	9
8) Changes to Existing Business Operations	N/A; frequencies not higher than 7	

Table 1. The table shows the eight themes and subcategories used to categorize participants' responses in the interviews and code for common frequencies. Note that frequencies lower than 7 and their subcategories were omitted.

Results

To better understand how small non-tech businesses responded to tariffs, the results from both the survey (n=30) and interviews (n=5) were organized into key themes.

Price Changes

By approximately what percentage have the costs of your imported materials changed due to tariffs?

30 responses

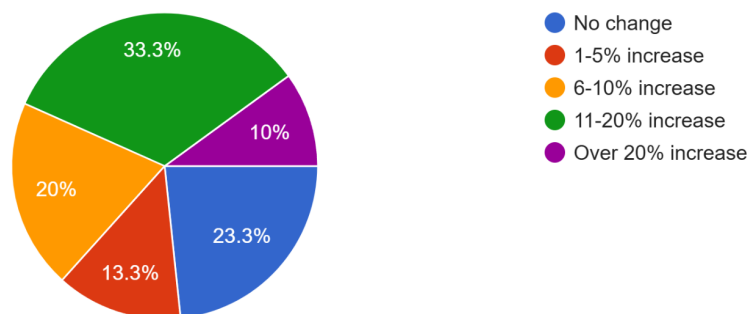


Figure 1. Participants from the survey (n=30) most commonly indicated that they experienced an 11-20% increase in prices of imported materials.

Have you raised the prices of your products/services as a result of tariffs?

30 responses

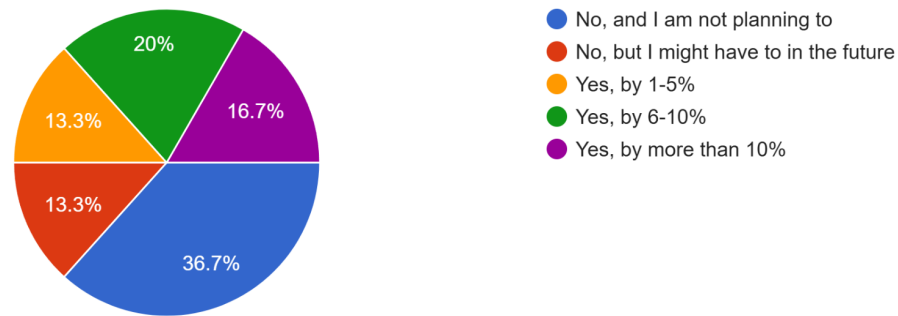


Figure 2. Participants from the survey (n=30) most commonly indicated that they either did not raise prices or they raised prices by 7-10% due to tariffs.

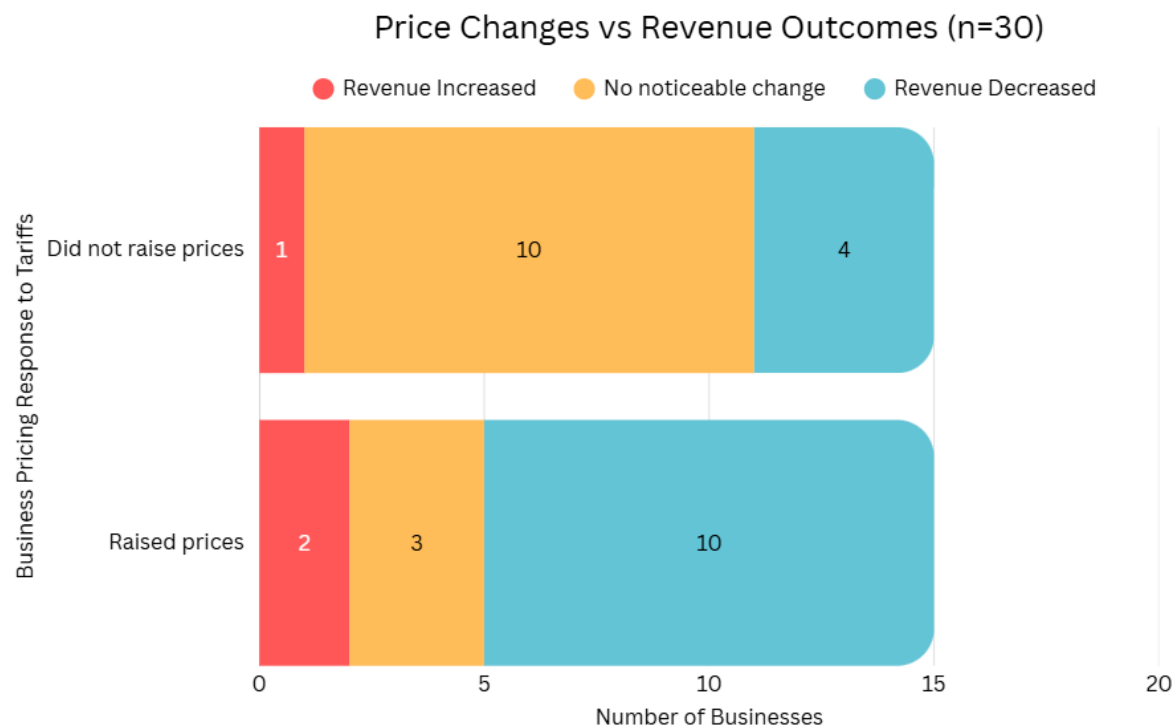


Figure 3. Participants from the survey (n=30) who did not raise prices usually did not experience a noticeable change in revenue. Participants who raised prices tended to experience a decrease in revenue.

Among the 30 participants, 23 (76.7%) reported experiencing increased input costs, most commonly between 11-20% (Figure 1). These rising costs corresponded with increased prices:

15 participants (50.0%) reported raising prices, and four additional participants (13.3%) reported that they had not raised prices yet but might in the future (Figure 2).

Six of the nine businesses that reported that they did not make tariff-related changes to their business offered services, not goods (legal services, healthcare, consulting services). However, this did not necessarily mean that these businesses were not impacted by the tariffs: two businesses reported slight changes in profitability or revenue as a result of downstream effects of tariffs (e.g., decreased demand for their services due to decreased spending by consumers in the face of perceived inflation), expressed uncertainty about the future of their business due to tariffs, and expressed that they may need to make changes in the future if conditions worsen.

The Fisher's Exact Test examining price increases and revenue produced a p-value of 0.025, indicating a statistically significant relationship. The Cramer's V value of 0.40 suggests a moderately strong association. Together, these analyses suggest that businesses that raised prices were significantly more likely to report decreases in revenue. This relationship is depicted in Figure 3, which shows that 10 businesses raised prices and reported decreased revenue, while another 10 did not raise prices and reported no noticeable change in revenue.

The qualitative data from the interviews further support these findings. Price increases were the most common response, with 14 coded references indicating that businesses raised prices to offset higher costs. However, not all businesses passed these costs directly to customers. Four segments indicated no change to product prices, as some owners preferred to absorb small increases in costs in order to maintain customer loyalty and purchasing power. Additionally, one coded segment described a price decrease, where a business focused on internal cost reductions rather than increasing prices. These responses suggest that while price increases were common, businesses also considered customer demand and competition when deciding how to respond.

Supply Chain

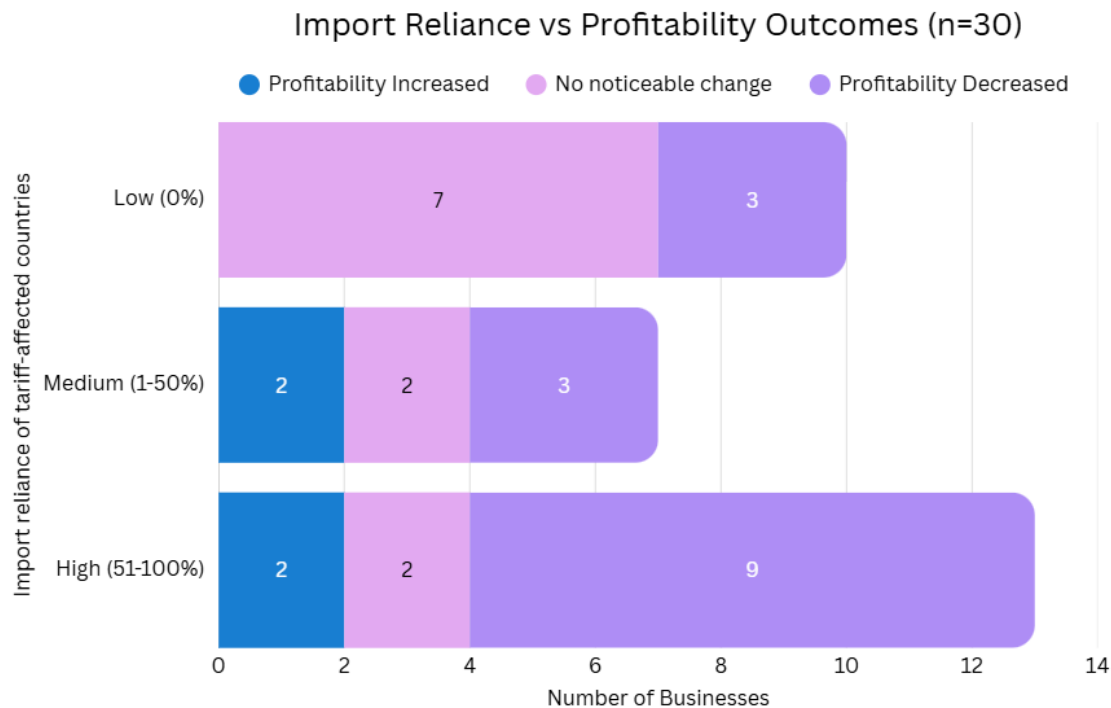


Figure 4. Participants from the survey (n=30) whose businesses rely heavily on imported materials experienced a decrease in profitability. Participants whose businesses do not rely on imported materials did not experience a change in profitability.

Businesses' supply chains were also heavily impacted: 18 out of 30 businesses (60.0%) reported that they import intermediate goods/raw materials from abroad, and 10 businesses (33.3%) reported that 76-100% of their imported products come from tariffed countries.

The second Fisher's Exact Test examined the relationship between import reliance and changes in profitability. It produced a p-value of 0.057. While this p-value exceeds the traditional threshold for statistical significance, this value suggests a potential marginal relationship. Of the 30 participants, nine businesses had a high import reliance (falling in the 51-100% reliance category) and reported decreased profitability, seven businesses had no import exposure and saw no profitability change, and three businesses had no import exposure and still saw decreased profitability. In general, businesses with higher reliance on tariff-affected imports (51-100%) were substantially more likely to experience declines in profitability, while businesses with no import exposure were more likely to remain stable (Figure 4). The calculated Cramer's V value of 0.39 indicates a moderate association between the variables.

In interviews, businesses described several changes to their supply chains in response to tariffs. The most common strategy was reshoring (6 coded segments), followed by switching to different international suppliers/offshoring (4 segments). The survey and interview data corroborate that offshoring and reshoring were the preferred strategies over nearshoring, likely because tariffs on Canada and Mexico were still highly volatile and subject to too much

uncertainty (Harker et al., 2025). These strategies were often used to avoid tariffs on goods from specific countries or to improve supply chain stability.

Timing of Adjustments

If your business was impacted by the 2025 tariffs, how long did it take to implement any strategic adjustments?

29 responses

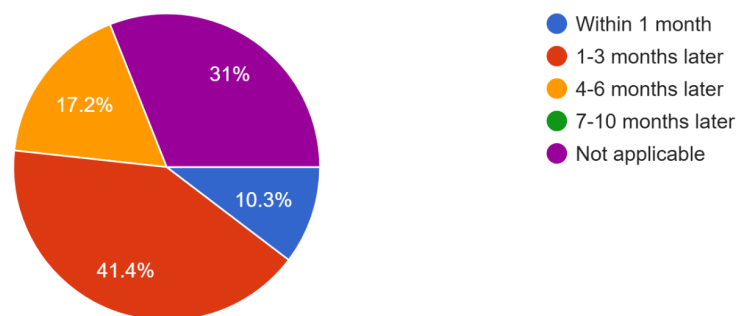


Figure 5. The majority of participants from the survey (n=30) whose businesses were impacted by the 2025 tariffs responded that they reacted within 1-3 months of being impacted by tariffs.

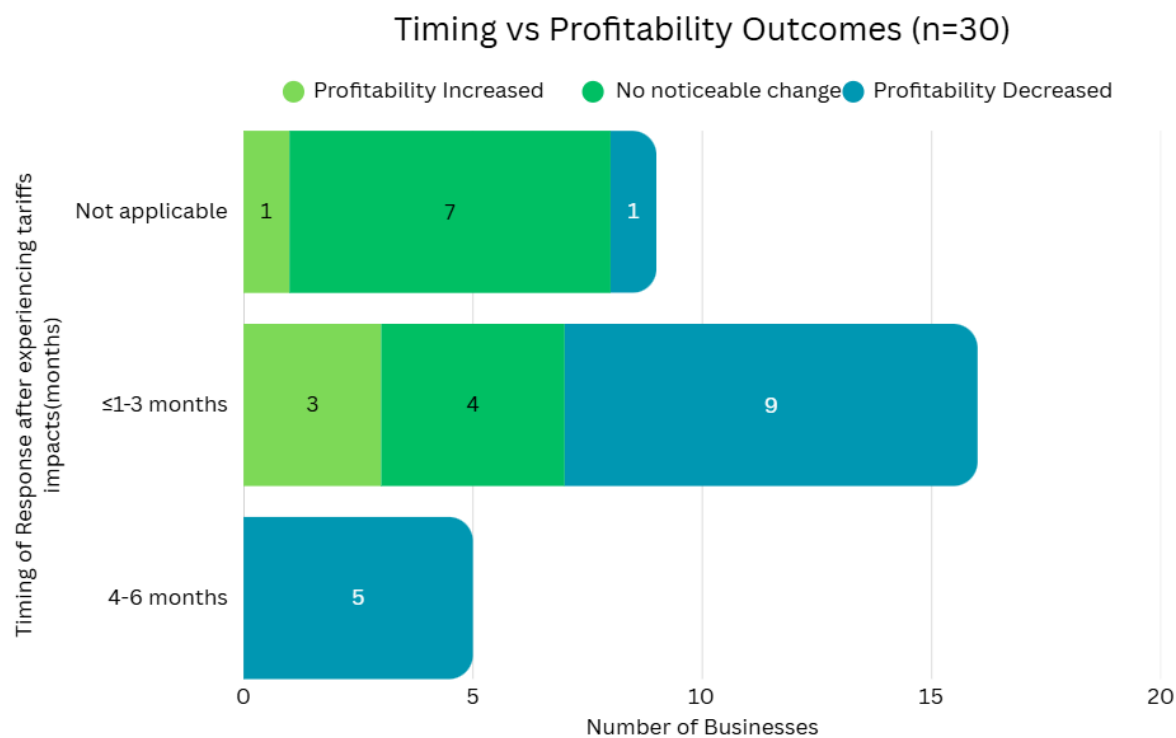


Figure 6. Participants from the survey (n=30) who responded to the tariffs within 1-3 months and within 4-6 months experienced a decrease in profitability.

Businesses began to experience effects from the 2025 tariffs at different times, yet all businesses that made adjustments (63.3%) reported that they reacted within 1 month (10.3% of respondents), 1-3 months (41.4%), or 4-6 months (17.2%) (Figure 5).

A third Fisher's Exact Test analyzed the relationship between the timing of business adjustments and profitability outcomes (Figure 6). The p-value for this test was 0.084, which did not reach statistical significance. The calculated Cramer's V value of 0.28 suggests a moderate relationship between these variables.

The interview data reinforced this finding: of 11 coded segments under the Timing of Adjustments theme, roughly two-thirds indicated adjustments within 1 to 3 months, and about one-third indicated adjustments within 1 month. No business reported waiting longer than three months to act in the sample size of five interviewed businesses, and no business reported waiting longer than six months to act among the 30 surveyed businesses.

Uncertainty & Concern

While not directly measured in the survey, participants' uncertainty emerged as a strong theme in the study. For example, responses indicating the potential need for future action highlighted hesitation and uncertainty in decision-making. When asked if they have made adjustments to their business strategy in response to tariffs, 4 businesses responded "No, but I might have to in the future." When asked if they have raised prices, another 4 businesses responded the same way. This demonstrates that caution and uncertainty remain important factors for some businesses in the study.

In the interviews, uncertainty was the second most common theme, with 26 segments coded as "Uncertainty About Tariff Environment," including unpredictable tariff policies and political instability. Participants described uncertainty as influencing how businesses responded to tariffs, including making them more cautious about changes to their business strategies and more hesitant to take action.

Notably, businesses also expressed concern for the future of their business: when asked if they are concerned about the short-term and long-term impacts of the tariffs on their business, 23 businesses responded affirmatively.

Outlook for the Future

Respondents also expressed concern for the future outlook of their business. Across both the survey and interviews, the most common outlook was negative. Interviews produced 8 coded segments, with concerns about long-term sustainability and continued tariff policy uncertainty. However, three businesses that had successfully adapted to the tariffs had neutral outlooks (4 segments) and even positive outlooks (3 segments). The survey data overwhelmingly supports the interview results, with 23 respondents expressing concern over the future long-term and

short-term impacts to their business. Two of the seven businesses that did not express concern likely responded this way because they offer services rather than concrete goods, meaning that they are not directly impacted by the tariffs, or because they had successfully adapted to the tariffs.

Other Key Observations

Additional patterns emerged beyond the most commonly coded themes. From the survey, five of seven businesses that did not make changes were service-based, meaning that they were less directly affected by the tariffs. However, even these businesses still experienced indirect effects like reduced demand and uncertainty due to customers' perception of inflation in the economy.

Both the surveys and the interviews revealed business model adjustments beyond pricing and supply chains, such as changing product offerings (6 businesses), delaying/canceling investments (5 businesses), and reducing workforce/hours (5 businesses). These adjustments suggest that small businesses consider several approaches to adjust to the tariffs and remain competitive.

Finally, across the interviews, maintaining product quality was a consistent motivation behind business decisions. Whether businesses raised prices, absorbed costs, or adjusted suppliers, all five interviewees cited maintaining quality for customers as a priority. There was palpable pride observed when interviewing owners, directly translating to decisive, thorough action to combat the tariffs.

Discussion

The results from the survey and interview data reveal several implications for the three categories of the hypothesis: supply chain restructuring, price changes, and timing of response.

Price Changes & Timing of Business Responses

The interview and survey data appear to echo previous literature by Amity et al. (2019), and similarly suggest that small businesses would raise prices in response to tariffs.

One of the most notable findings was how quickly businesses responded to the impacts of tariffs. Most surveyed businesses reported making adjustments within one to three months, while only a small number waited longer than three months to respond.

This finding contradicts the initial hypothesis of the study. Based on Fabian Eggers' concept of the "liability of smallness," it was predicted that small firms would react slowly to tariffs because of limited resources and uncertainty surrounding policy changes. Instead, the results suggest that small businesses often respond quickly once they experience rising costs. One explanation is that small businesses may not have the financial buffer to absorb higher costs for long periods of time, forcing them to act quickly. Several coded segments in the interviews revealed that businesses acted quickly to avoid losing revenue and to get ahead of input cost increases.

Supply Chain Shifts & Uncertainty

The survey and interview data revealed that small businesses usually offshored or reshored their supply chains, supporting the hypothesis that businesses would shift their supply chains in

response to tariffs. An additional nuance appeared in delays at customs for many respondents, confirming Carreras-Valle et al.'s (2025) finding that delivery delays worsened and shipping delays increased by 21 days as a result of previous tariff policies from 2018. Participants expressed that customs agents were often confused about which goods receive certain tariffs, causing delays in shipping intermediate goods. This contributed to the level of uncertainty that businesses faced and caused them to be cautious of making changes.

Interestingly, the results contradict Celestin's (2023) findings showing that 34% of companies nearshored their supply chains. The survey and interview data indicate that nearshoring was not a preferred strategy by most firms, instead revealing that companies preferred to reshore or offshore their supply chains. One possible explanation for this contradiction could be that Mexico and Canada were still highly tariffed during the 2025 tariffs. Celestin's study examines the time period from 2018 to 2022 when tariffs on Mexico and Canada were not highly tariffed, meaning that nearshoring to these countries would be appealing and possible for companies. However, Mexico and Canada were highly tariffed in 2025, making nearshoring to these countries unappealing and complicated. This could explain why Celestin recorded 34% of companies nearshoring while the present study records minimal mention of nearshoring. Another possible explanation for this contradiction could be the methodology and the difference in the populations studied. Celestin (2023) studies multinational corporations and large, capital-intensive industries through secondary data, while the present study focuses on the actions of small, non-technology businesses in California. Celestin also synthesizes broader industry trends from 2018 to 2022, while the present study obtains firsthand data on how small businesses responded specifically to the 2025 tariffs. Therefore, it may be plausible that Celestin's synthesis of broader trends on a broader population would yield different results from the present study.

The uncertainty expressed by participants also aligns with prior literature on SME crisis response and decision-making. Similar to Eggers' (2020) findings, which show that SMEs often adopt cautious strategies during periods of crisis due to limited resources and reduced ability to absorb costly mistakes, participants in this study described delaying major decisions while waiting for more clarity about future tariffs. This suggests that uncertainty surrounding policy changes influenced business responses in addition to the direct financial effects of the tariffs.

Another layer of uncertainty comes from the recent February Supreme Court ruling that proclaims President Trump's tariffs illegal and entitles businesses to seek refunds (Hals, 2026). Although this event occurred after data collection ended, it proves the existence of major uncertainty in the tariff environment. In fact, in 2025 alone, the US tariff schedule changed 50 times, making it near impossible for importers to predict how their operations would be affected and how they could adjust (Lincicome et al., 2026). In the face of the bureaucratic refund process, Hals 2026 indicates that small businesses/importers are likely to forgo the claims process because they simply cannot afford the thousands of dollars in legal fees. This illustrates the unique challenges of uncertainty faced by small businesses.

Perceived Experience of Large Businesses

Interviewees had mixed perspectives on how large businesses experience effects differently from small businesses, but generally perceived that small businesses experience tariff impacts more directly than large firms because they operate with smaller financial capacity. However, some participants noted that large companies may also face challenges due to bureaucracy involved in decision-making and managing much larger finances. Although this is subjective reporting from small businesses, the idea that small businesses suffer disproportionately from tariffs is supported by existing literature including Eggers (2020), Miklian & Hoelscher (2021), and Mulholland et al. (2025).

Limitations

While this study provides insight into how tariffs impact small businesses, several limitations should be acknowledged.

One limitation is the regional scope of the study. The survey primarily collected responses from businesses in California and the Bay Area. Since economic conditions and industry makeup vary across different regions of the United States, the experiences reported in this study may not represent the experiences of small businesses in other regions. Therefore, the findings should be interpreted as reflecting trends within this geographic context rather than the entire national small business landscape.

Another limitation is the relatively small sample size. The study collected approximately 30 survey responses and conducted five interviews. While this sample size allowed for meaningful insights and qualitative depth, it limits the ability to generalize findings to the broader population of small businesses. A larger sample size would provide greater statistical power and deeper quantitative analysis.

A third limitation relates to the timing of the research. During the course of this study, a Supreme Court ruling determined that the tariffs implemented under the Trump administration were unconstitutional and required repayment of tariff related revenue to businesses (Hals, 2026). While this development may change the long term policy landscape, the findings of this research remain relevant because for over a year many small businesses experienced significant uncertainty, financial pressure, and operational disruption as a result of these tariffs. Understanding how businesses responded during this period of instability is important for evaluating the broader economic consequences of trade policy.

Another limitation is the reliance on self-reported data from survey participants. Because responses are based on the perceptions and experiences of individual business owners, there is a possibility that responses may include subjective interpretations or estimation errors when reporting financial impacts.

Despite these limitations, the study still provides valuable insight into how small businesses interpret and respond to tariff-related economic pressures.

Conclusion

This study examined how small non-technology businesses respond to tariff policies, focusing on pricing decisions, supply chain adjustments, and the timing of these responses. The results show that tariffs primarily increased input costs, uncertainty, and supply chain volatility, causing businesses to adjust their operations. Survey and interview findings indicated that most businesses responded relatively quickly, typically within one to three months after experiencing tariff impacts, which contradicted the original expectation that small firms would react slowly.

Statistical analysis revealed a significant relationship between price increases and revenue decreases, suggesting that businesses that raised prices to offset tariff costs were more likely to experience declining revenue. The interview data supported these findings, with participants frequently mentioning rising input costs and supply chain adjustments. Overall, the results suggest that while small businesses are able to adapt to tariff-related challenges, these policies can create financial pressure and force difficult operational decisions.

This research has important implications for both policymakers and the understanding of small business behavior. The results show that tariffs do not just raise costs, but also force businesses to make decisions about pricing, supply chains, and overall operations. Compared to large firms, small businesses often have less access to capital, fewer resources, and less flexibility to absorb sudden cost increases (Abraham et al., 2017). This means that they are more immediately affected by tariffs and have fewer options when responding. For policymakers, this highlights the importance of not designing trade policies based only on how large firms operate, since small businesses may face faster and more direct impacts that threaten their ability to stay competitive.

More broadly, this study suggests that small businesses may respond to tariff-related pressures in different ways depending on their circumstances – for example, some may react slowly while many respond quickly and adjust in different ways (Alshebami, 2025). Understanding these real-world responses can help policymakers and economists better evaluate how tariffs actually work in practice and create policies that better account for the unique limitations that small businesses face.

Future research could build on this study by expanding both its scope and depth in order to produce more generalizable and detailed conclusions. Ideally, a larger study would include a significantly bigger sample size across the entire United States, allowing for stronger statistical analysis and a broader understanding of how tariffs impact small businesses nationwide. In addition, collecting enough data for businesses in specific industries would make it possible to compare how different sectors are affected, since tariff impacts likely vary based on each industry's supply chain structure and import reliance. Finally, a longitudinal approach would be especially valuable, tracking the same businesses over time to see how their strategies, profitability, and outlook change as they continue to adapt to tariffs and evolving policy conditions. Since the study primarily captures the initial effects of the 2025 tariffs, it would be valuable to track how businesses adapt in the long term, especially after major policy changes like the Supreme Court ruling the tariffs unconstitutional and requiring refunds to companies that paid tariffs. Together, these approaches would provide a more complete picture of the short-term



and long-term effects of tariffs on small businesses, which could help policymakers design more effective trade policies and allow businesses to make more informed decisions.

Ethics Statement

This study was conducted through Leland High School as part of a student research project. According to the research requirements provided by the school, formal Institutional Review Board (IRB) approval was not required for this study, and no formal IRB review was obtained.

Before participating, all participants were presented with an informed consent form explaining the purpose and procedures of the study, the voluntary nature of participation, potential risks and benefits, and the confidentiality of their responses. Participants were required to provide consent before proceeding with the survey. No compensation was provided, and participants were informed that their responses would be reported only in aggregate form. Participant and business names were kept confidential and stored in a password-protected file accessible only to the researcher.

The five interview participants were selected from survey participants who reported making tariff-related changes to their businesses. Interview participation was voluntary, and participants were informed of the purpose of the interviews and how their responses would be used. Identifying information was not included in the presentation of the findings.

Conflict of Interest

The author declares there are no conflicts of interest related to this work.

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