

# Professional Services

## Tariff Impact Analysis for Procurement Leaders

While traditional tariffs primarily target physical goods, the Professional Services category is experiencing significant indirect impacts due to escalating trade tensions, cross-border service restrictions, and cost pressures on service providers with global delivery models.

This analysis examines how current tariff policies affect this critical indirect spend category and provides actionable strategies for CPOs to mitigate rising costs and risks in the evolving trade landscape of 2025.



# Key Findings & Strategic Recommendations



## Indirect Cost Impact

8-14% cost increase on professional services delivered via global delivery models, with immigration and visa restrictions adding 15-25% to costs for onshore augmentation of offshore resources



## Compliance Costs

Digital services taxes and cross-border data flow restrictions creating additional 5-12% in compliance costs, while specialized technical services with manufacturing linkages experience 10-18% cost increases



## Mitigation Potential

Contract structure modifications can mitigate 20-30% of potential impact through multi-region delivery models, automation initiatives, and restructured contracts with tariff escalation clauses





# Professional Services Category Overview

## Definition & Scope

Knowledge-based services including consulting, IT services, legal, accounting, engineering, marketing, and research services that provide critical intellectual and operational augmentation.

## Organizational Spend

Average 8-12% of total indirect spend, ranging from \$2,000-\$5,000 per employee annually for SMBs to \$5,000-\$15,000 for large enterprises.

## Strategic Importance

Critical for strategic direction, technology capabilities, regulatory compliance, innovation, and addressing specialized expertise gaps in the organization.



# Tariff Impact Analysis by Service Type

Service Subcategory	Impact Level	Average Cost Impact	Key Impact Mechanisms
IT Services & Development	High	18.5% (15-25%)	Immigration/visa restrictions, data localization requirements
Engineering Services	High	16.3% (12-20%)	Visa restrictions, export controls, IP restrictions
Management Consulting	Medium	10.7% (8-15%)	Travel/immigration restrictions, data flow limitations
Research Services	Medium	11.2% (7-16%)	Data sharing restrictions, intellectual property limitations



# Supply Market Analysis

## Market Concentration

Varying concentration across subcategories: IT Services (32%), Consulting (28%), Legal (16%), Accounting (75%), Engineering (22%)

## Service Delivery Concentration

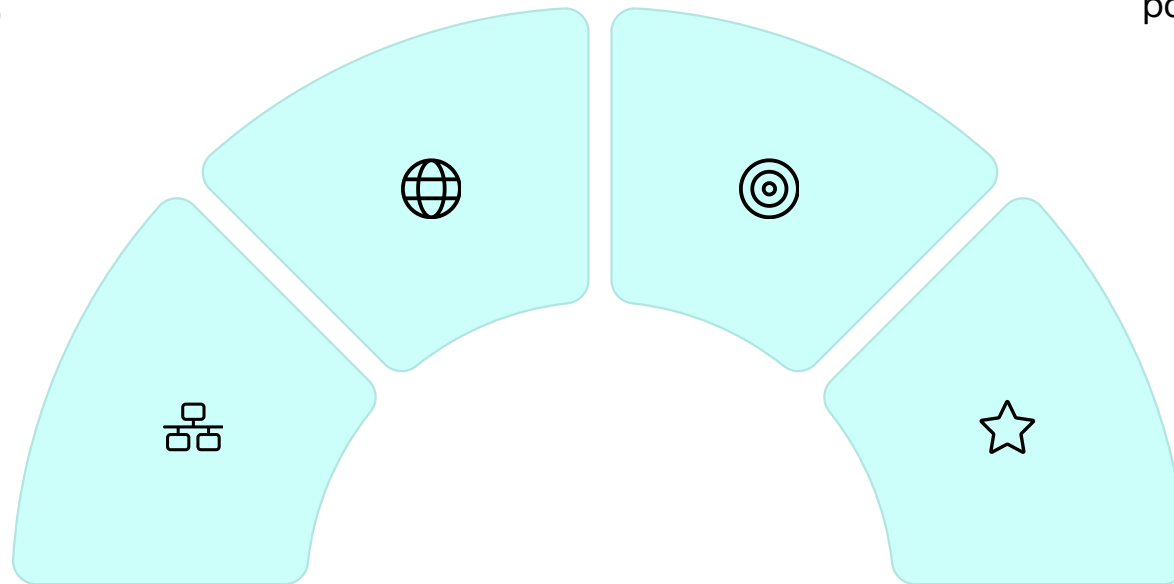
65% of IT providers rely heavily on Indian delivery centers, 42% of engineering services leverage Asian resources

## Supplier Response Strategies

Direct rate increases (75%), delivery model restructuring (85%), service scope reduction (42%), automation acceleration (68%)

## Provider Agility

High agility providers (multi-region delivery, advanced automation) better positioned than those with concentrated delivery locations



# Risk Assessment & Market Changes



## Short-Term Price Risk (0-6 months)

Immediate visa/immigration impacts on IT and Engineering services



## Medium-Term Supply Risk (6-18 months)

Specialized technical services facing talent constraints



## Long-Term Market Structural Changes

Delivery model evolution, service composition changes, pricing model shifts

The professional services market is undergoing significant transformation in response to trade policies. Organizations must prepare for accelerated nearshoring, increased automation, shifts to outcome-based pricing models, and the development of regional centers of excellence to maintain service quality while managing costs.



# Mitigation Strategies



## Sourcing & Supplier Strategies

- Develop portfolio of providers with diverse delivery locations
- Implement trade policy impact clauses with thresholds
- Create joint automation and efficiency initiatives



## Service Model & Demand Management

- Reduce customization in routine services
- Evaluate fully automated alternatives for routine processes
- Implement tiered strategies by service criticality



## Commercial Model Innovation

- Shift from hourly to outcome-based agreements
- Combine high and low-risk services in integrated packages
- Create integrated solutions with mixed delivery models



# Implementation Roadmap

1

## Immediate Actions (0-30 Days)

Inventory current service providers and delivery locations, request trade impact mitigation plans from key providers, brief finance on potential budget impacts

2

## Short-Term Strategy (1-3 Months)

Implement trade policy impact clauses, qualify alternative providers/regions, review service needs for optimization

3

## Long-Term Resilience (3+ Months)

Implement multi-region provider strategy, integrate trade analysis into sourcing process, reset provider relationships around shared risk

Best-in-class organizations are achieving 25-35% mitigation of tariff impacts through integrated service model transformation, strategic insourcing of critical capabilities, and cross-functional collaboration between business, IT, finance, and procurement teams.

