STARTUP

3 Strategies to Navigate Tariffs, According to Dieux's Charlotte Palermino

In an ever-changing landscape, here's how to protect your bottom line without breaking the law.

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Charlotte Palermo. Photos: Courtesy subject, Getty Images

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"Let me explain to you what is going on and why we're all royally f**ed," Charlotte Palermino told her 450,000 TikTok followers back in April, in a clip that's since been viewed more than 600,000 times. "Because we're all finding out that this is how tariffs work."

Palermino, co-founder and chief product officer of the Brooklyn-based skincare line Dieux, goes on to explain why certain products aren't likely to be manufactured in the U.S. anytime soon. That reality—paired with the and the on-again, off-again nature of President Donald Trump's tariff policies—has left many business owners scrambling to determine how to adapt their supply chains and adjust their budgets.

It's like "trying to build a house in a hurricane," Palermino told Inc. "As a business owner, volatility is the worst environment to be making decisions, because you're trying to make informed decisions."

Recently, Palermino joined Inc. for a subscriber-only Inc. Live webinar and shared her best advice for navigating the ever-changing landscape.

Work with your vendors—but don't commit fraud

With tariffs increasing costs by up to 50 percent, business owners are looking for ways to improve their bottom line. It's a good idea to discuss with your vendors whether they will reduce their prices to share some of the tariff burden or help find other ways to reduce costs.

Palermino warns against some illegal strategies that unethical vendors may suggest. For example, some vendors may offer to sell goods at well below cost, and then separately bill customers for high consulting or research and development fees, since services are not subject to the new tariffs. If your items suddenly appear on customs forms with a value far, far below their normal value, that could be a red flag for customs agents.

Some vendors and logistics companies might suggest shipping orders from a country with high tariffs to a country with lower tariffs, then trying to pass the goods off as coming from the lower-tariff country. That strategy is known as country-of-origin fraud, and if you're caught, your company could face steep fines, or in extreme cases, criminal prosecution.

Customs and Border Protection officials are on the lookout violations, Palermino says. "I don't recommend it, because then you have much bigger problems on your hands than just tariffs," she adds.

Quiz your vendors about their suppliers

One of Dieux's signature products is its Instant Angel moisturizer, which comes in an aluminum tube. In 2020, Palermino thought she'd secured a domestic supplier for those tubes, but when her delivery was delayed, she started asking questions. As it turned out, the supplier misled her. The tubes were manufactured in China—only the labels were added in the U.S. And the factory could not find enough workers to complete Dieux's order.

In the end, the vendor refunded her order, but it's a reminder to know where your suppliers are sourcing their items. If they're secretly bringing in goods from abroad, those items could be subject to delays or price hikes as tariffs kick in.

Be upfront about price changes

"I've never been so happy to be price transparent," Palermino told Inc. Dieux regularly shares information with its customers about how much it costs to develop, package, and fulfill orders as well as its own markup.

So far, Dieux, which sources most of its materials from the U.S. and Europe, has not had to raise its prices, although the company has pulled back on marketing spending and new product development. If Dieux were to need to raise prices, she says she would communicate directly to customers about why the company was doing so, and where the increased costs were coming from.

And if customers are mad about price hikes? "I'd say, 'I'm angry, too,'" Palermino says. She'd explain that new tariffs have increased the company's costs and processing fees so much that she had no choice but to raise prices.