

## **Frequently Ask Questions: New Tariffs & Surcharges at CreativeCo-Op**

### **1. Have prices been raised due to new tariffs?**

- No.
- Printed prices in our catalogs, on our website and in our showrooms have not increased due to tariffs

### **2. What products are affected by the new tariffs requiring a surcharge?**

- All imported products are affected including these brands:
  - Creative Co-Op Home Décor
  - Creative Co-Op Seasonal
  - Bloomingtonville
- New tariffs on these brands range from:
  - 30%-45% new tariffs on products from China
  - 10%-45% new tariffs on products from non-China countries
  - 45% new tariffs apply to products with certain metal components from any country
  - The above %s are all new incremental tariffs to existing tariff rates that existed on 1/1/25

### **3. What products are not affected by the new tariffs?**

- These brands are produced in the USA and not materially affected by the new tariffs:
  - Illume candles
  - Finch + Fennel giftable food
- Both brands import some raw materials which are affected by tariffs
- These raw materials are a small % of the cost of the goods
- **No surcharges are being applied to Illume or Finch + Fennel branded products**

### **4. When did Creative Co-Op start paying new tariffs?**

- China tariffs began in February at 10%, increased to 20% in March, then 145% in April and are now at 30% under a 90-day pause which is scheduled to end on 8/14/25
- Non-China tariffs began in April at various rates by country and are now at 10% under a 90-day pause
- 45% tariffs on certain metal products began 3/12/25
- The above %s are all new incremental tariffs to existing tariff rates that existed on 1/1/25

### **5. What happens when the 90-day pause is over?**

- No one knows
- We hope for a resolution at best or at least a continuation of the pause
- Even if tariffs revert back to 145% we remain committed to supporting our retailers by importing our Seasonal and new products into the country in time for the important holiday season

**(next page)**

## 6. Beyond the new tariffs are there other reasons for surcharges?

- Yes
- 145% tariffs on products from China created a new supply chain crisis
- When tariffs reached 145% the flow of goods from China stopped for more than 30 days, creating a backlog of container volume similar to the supply chain crisis of a few years ago after COVID
- Container pricing has already increased dramatically and will reach COVID supply chain crisis levels
- During the COVID supply chain disruption a 6.5% surcharge was necessary to offset these incremental costs

## 7. What tariff surcharges will I see on my invoice and when do they start?

- Starting: June 1, 2025
- All shipments & their invoices will have a **15% tariff surcharge** applied to imported brands:
  - Creative Co-Op Home Décor
  - Creative Co-Op Seasonal
  - Bloomingville
- Tariff surcharge applies to product cost only, **not** freight
- Tariff surcharge will appear on each line item and be totaled at the bottom of the invoice
- All invoices include shipments from:
  - Open Orders / Future ship date orders
  - Pre-booked Seasonal Orders
  - Backorders
  - New Orders
- Tariff surcharge is **not applied** to domestically produced brands:
  - Illume candles
  - Finch + Fennel giftable food

## 8. Is the tariff surcharge applied to my freight costs?

- No. Tariff surcharge applies to product cost only, **not** freight

## 9. Why are you using tariff surcharges vs. price increases?

- To provide flexibility, transparency and ease of removal when the situation stabilizes
- The new tariff situation has been fluid and rapidly changing
- Using surcharges allows us flexibility to address these changes while ensuring you continue to have:
  - Extensive new product introductions
  - Printed catalogs to shop from
  - Flexibility to stop using surcharges versus artificially inflating prices

(next page)

## **10. Why are there tariff surcharges applied to orders placed prior to 6/1?**

- We have exhausted our non-tariffed inventory; the products shipped from our warehouse after 6/1 will have arrived under these new tariffs
- New tariff costs started in February and have been increasing since
- Until 6/1 there were no invoice surcharges
- All available backorders have been shipped and invoiced prior to 6/1
- Our warehouses typically hold 3 months of product
  - Inventory levels are timed to our customers' needs
  - Based on this timing we have:
    - the most inventory in January and August
    - the least inventory in April and May
- Pre-tariff buying at existing pricing dramatically increased sales beyond normal in April and May
- Today, our warehouses have the lowest levels of inventory since COVID
- The vast majority of inventory we will ship for the balance of the year is newly arriving and all subject to the new tariffs
- We have held off surcharges as long as possible, allowing customers to take advantage of our pre-tariff inventory throughout April and May

## **11. Why can't Creative Co-Op absorb the tariff impact vs. passing it to your customers?**

- These new tariff rates are an enormous increase to our cost structure and strain on our cash flow
- At a 15% tariff surcharge we are only offsetting some of the impact, not all of it
- Uncertainty around the 90-day pause and supply chain costs increases our risks
- We serve our retailers by providing them:
  - thousands of new products each year
  - healthy inventory stock levels (usually)
  - aggressive Advantage / Loyalty discount programs
  - regular and aggressive freight programs
- Without this tariff surcharge our ability to provide these services going forward would be severely limited particularly in new products and inventory levels
- We are taking a long-term approach that ensures our ability to continue to service you, our retailers

## **12. Are new tariff costs being marked up? Is Creative Co-Op making more money?**

- No. A 15% tariff surcharge does not offset all of the new incremental tariff costs
- Creative Co-Op's margin % and margin \$s are being reduced today
- Uncertainty around the 90-day pause and supply chain costs increases our risks

**(next page)**

### **13. Why are some other companies not charging a tariff surcharge?**

There are a wide variety of reasons. Every company's situation is unique to them.

Here are a few potential reasons:

- **Domestically produced products.** We are not charging a surcharge on our domestically produced brands Illume and Finch + Fennel
- **Price increases.** While we believe in the flexibility of surcharges other companies have elected to just increase their prices to offset new tariff costs
- **On-hand inventory.** Until now, we have held prices utilizing our on-hand inventory. Some companies are overstocked and have more pre-tariff inventory
- **Lack of new products.** We always have a wide range of new skus each season. New skus mean new inventory. Companies with less new skus and more pre-tariff inventory may have less exposure to tariffs

### **14. I pre-booked Seasonal many months ago, couldn't you have bought my inventory before these tariffs?**

- Pre-booked, 12/1 dating, orders placed in December and at the January shows are put into production in February and take +90 days to produce: usually starting to ship in May
- The April 2<sup>nd</sup> "reciprocal" tariff announcement occurred in the middle of production; timing could not have been worse for Seasonal production
- +90% of the skus in our Creative Co-Op Seasonal catalog are new every year
- To support all of these new products we aim to finish each year sold out of our Seasonal inventory and have very little carryover inventory each year

### **15. Since 145% tariffs have been paused why haven't you reduced your surcharge?**

- Although the 145% tariff was paused, there are still tariffs in place that range from 10% to 45%
- A 15% tariff surcharge does not offset all of the new incremental tariff costs, even at today's rates
- Creative Co-Op's margin % and margin \$s are reduced at today's rates
- Uncertainty around the 90-day pause and supply chain costs increases our risks

### **16. Will I receive my Seasonal (Christmas) order? Will my order be on time or late?**

- Seasonal products for Christmas are all expected to arrive in time for the holiday season
- As usual retailers can expect to receive:
  - 1<sup>st</sup> Seasonal shipment in late July
  - 2<sup>nd</sup> Seasonal shipment in August
  - Final shipments in September
- Depending on the severity of the supply chain challenges shipments may be delayed by a few weeks, but in time for the holiday selling season

**(next page)**

**17. Will I receive my Fall / Halloween order? Will my order be on time or late?**

- Most Fall and Halloween goods will arrive as expected and in time
- Some Fall and Halloween goods have been canceled when tariffs reached 145% the flow of goods from China as they would have arrived after the selling season for these holidays
- These cancellations are reflected on your orders when viewed at [www.creativecoop.com](http://www.creativecoop.com)

**18. Why can't I add to backorders? Why are you canceling backorders?**

- On 6/1/25 we resumed accepting backorders
- While pre-tariff prices were held during April & May and our freight programs were extended for in-stock products ONLY, we did not accept backorders to ensure accuracy between pre-tariff pricing and go-forward orders with tariff surcharges

**19. Is Creative Co-Op looking at alternative sourcing options to China to mitigate tariffs?**

- For the past +10 years, we have diversified our supplier base away from China
- We remain committed to diversifying our sourcing and have accelerated these efforts; currently we import from over 12 countries worldwide
- Our teams have visited new factories in new countries as recently as this month
- While we have less imported skus from China than most vendors, there are still certain categories that can only be purchased from China at reasonable and competitive prices today
- We will continue to try and find replacement sources for those skus types, but this is a multiple year process and China will never be zero

**20. Will Creative negotiate on the surcharge based on order size?**

- Unfortunately, this is not an option. We are already sharing in over half the cost of the current tariff rate