

Tariffs, Trust, and Tough Choices: Navigating Supply Chains, A Conversation with Elyse Dickerson, CEO of Eosera

Podcast Episode Release – July 2025



Elyse Dickerson, 
CEO of Eosera

eosera[®]



Rusty Ray 
Managing Partner, Head of US Healthcare

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Episode Highlights

- Elyse and Rusty discussed the surprise scale and speed of new tariffs, especially on imports from China. While Elyse anticipated some increase, the severity created significant strain for mid-sized businesses like Eosera
- During COVID-19, Eosera explored reshoring manufacturing to the U.S., but found it economically unviable. The experience helped the company prepare for future disruptions like the current tariff spike
- Despite political rhetoric, Elyse emphasized the value of her Chinese supplier relationships, referring to them "entrepreneurs just like us." Eosera and its suppliers worked collaboratively to navigate cost-sharing, delays, and logistics challenges
- Retailers have resisted allowing price increases, with some sending formal notices refusing to accept them. Elyse expressed concern about passing costs onto consumers and emphasized the importance of brand integrity
- While Eosera manufactures in the U.S., componentry (like bottles and caps) still comes from overseas. Elyse noted that true 100% domestic sourcing is rare, even among companies promoting the "Made in USA" label
- Elyse predicts headwinds for premium products amid consumer spending slowdowns. She expects more public companies to revise financial forecasts, especially those absorbing tariff-related costs

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Episode Transcript

**Rusty Ray (00:06):**

Hi, I am Rusty Ray with Alantra. I head up the US healthcare investment banking team here in New York, and you are listening to Crossroads by Alantra, our podcast that focuses on the healthcare segment with a special series of content dedicated to consumer health. We're joined here today by Elyse Dickerson. Elyse is the founder and CEO of Eosera, a consumer health company focused on ear care.

(00:30):

A few weeks back in a regular catch-up with Elyse, we began discussing the impact of tariffs. And as an owner of a business with supply chains expanding into China, we asked her to come visit us here on Crossroads and talk a bit more about how tariffs are impacting her business and what the future holds.

**Elyse Dickerson (00:48):**

So I'm Elyse Dickerson, and I am the CEO and co-founder of Eosera, Inc. We are an ear care company based in Fort Worth, Texas, and we are passionate about developing ear care products and bringing them to market over the counter in the United States.

**Rusty Ray (01:06):**

Thank you. And I followed Elyse's company for quite some time. We've done a lot of work in the consumer health and OTC space and had the opportunity to catch up with Elyse, I guess it was maybe three or four weeks ago, just as tariffs were kicking in. And she made a very striking comment to me that over the past she had tried to onshore manufacturing with some challenges to doing that.

(01:30):

So I thought today would be great to catch back up with her and really dig into her view on tariffs and how that's relating to not only her business, but to consumer health more broadly. So let's talk a little bit about tariffs. Elyse, I guess first question is were you surprised? I think we all were that this was actually coming to fruition. But as a business owner and someone working with in and around contract manufacturing, suppliers, et cetera, were you better prepared than the rest of us in some of these actions?

**Elyse Dickerson (02:05):**

No. I can tell you I have learned to expect the unexpected and learn to focus on what we can control and try to block out some of the things we can't control. So I did assume that we would see some increase in tariffs. Did I expect the rapid unleashing and the high percent? No. That I think really put all business owners in a really tough predicament of how to manage this going forward.

**Rusty Ray (02:39):**

Yep, understood. I think it definitely was a bit of a shock and awe campaign across the board. Personally, we were working on a transaction that had quite a bit of supply coming from South Korea in the dermatology space, and that had to be put on ice because of some of the uncertainty around that. I think the uncertainty is hitting players both mid-size like yourselves as well as many of the larger international strategics that are thinking about how to play this and deal with price and suppliers, et cetera, and whether they can actually move some of the manufacturing onshore into the US.

Episode Transcript

**Rusty Ray (03:12):**

I guess one question I had right off the bat was there are winners and losers in this tariff war. I guess when I look at it because we're dealing with global supply chains, et cetera, I assume most people are probably feeling a lot of pain on this. Are there bright spots to this for your business, or is it really a question of finding new suppliers or increasing prices, et cetera? Are there benefits that you see longer term or short term to some of these actions to your business or consumer health more broadly?

**Elyse Dickerson (03:44):**

So for my business directly, I do not see benefits. We are a US manufacturer. However, we import all of our custom-made bottles and caps from China. And so during COVID, we actually explored options of making those molds and making those custom bottles and caps in the United States and in other countries just because we were seeing backup in the ports and we really didn't know what the world would look like 18 months from then.

(04:15):

What we learned through that actually helped us make decisions in this most recent trade war because we learned pretty quickly that on-shoring the custom-made bottles and caps was not going to be possible. A mold for one bottle was anywhere from \$200,000 to \$500,000, and that's just for the mold. And then the required quantities to purchase, like the minimum order quantities, they were in the millions at a time.

(04:51):

And so when you're a mid-sized company and you have let's say 10 to 20 custom molds, those numbers don't make any sense. Most recently, we've stuck with our Chinese suppliers. They've been amazing partners. I guess the only bright spot to come back to your question is we feel like we have really trusted and reliable partners in China and we're all trying to make it work together.

**Rusty Ray (05:22):**

So you said a lot right there and I want to unpack some of this because... No, it's really awesome. Actually during COVID, we had clients that had supply disruptions. It was some of the wackiest supply disruptions that I've ever seen. Hey, we can't get the foil to wrap the caps for our liquid products. So it was just the things that you take for granted and became really hurdles to getting product on shelf.

(05:51):

And as a result of that, I would say immediately following COVID, some of the folks we work with thought long and hard - Do we need to go back to a more vertically integrated organization and strategy or have second supply sources, et cetera? You mentioned something about COVID maybe preparing you for this. Did you build in redundancies? Were there lessons learned?

(06:14):

Did you beef up supply chain that maybe helped to get over some of these hurdles faster than you otherwise would have if you'd gone in cold?

Episode Transcript



Elyse Dickerson (06:24):

I think we knew what was possible because of living through COVID. And so we looked for redundancy in other countries and it wasn't going to be possible. We did find an alternate source if we were to abandon our custom-made packaging, which is not ideal. We could source in the United States, but that would require all new filling equipment. You invest in one side or the other.

(06:51):

So if we were to go with an off-the-shelf type bottle, we would have to re-engineer all of our equipment. By going through all of that thought process and investigation during COVID, it prepared us to know what was possible in this scenario and allowed us to double down on what we knew could work.



Rusty Ray (07:13):

I think a lot of folks have seen similar scenarios. I think the idea of moving supply, which usually takes anywhere from 12 to 18 months for most OTC consumer health products to get verified and so forth, it felt like many of the folks we talked to were more prepared to do that, less scared of the outcome, more certain of moving supply and more quick to make that decision. So really interesting.

(07:45):

And I get the sense that folks would not have been prepared had we not just lived this about four and a half years ago. You mentioned something else that I want to dig down on, and that you have a Chinese supplier for some of your componentry. And I know China's often put up as the bad actor, the bogeyman in this, but the fact is we get a lot of inexpensive goods well-made from that part of the world and the tariffs are hitting those suppliers quite dramatically.

(08:18):

But you used a word that I thought was really interesting and that is partnership. You have a good relationship with your Chinese supplier. I'm just curious, not to put words in their mouth, but how are you engaging with them to overcome this or mitigate this? Or is it just holding hands and saying, "We'll get through this together," or are there ways that you're working with them that are different now than it was before?



Elyse Dickerson (08:44):

I think there is more trust and there is more communication right now because there has to be. And I think you are correct, that there has been this sort of persona put out there that China is bad or China's the boogeyman. And I am here to declare in our instance, these are just entrepreneurs. They are people just like us. They're feeding their families. They're building their businesses, and they're amazing humans.

(09:15):

And so when we've come together now in the last few months, they want to make it work just as much as we want to make it work. And I think when you connect on a human level rather than a country level, it really makes business much more fulfilling and much easier because it's complicated and you need a lot of smart people in a room to figure it out. That's what we've done is just communicate more.

Episode Transcript

**Rusty Ray (09:43):**

And kind of along those lines, some people's immediate reaction is fear that their suppliers are going to immediately raise price. We'll get to price in a second for the US retail market, but I'm just curious how did you manage that? Because obviously it's hitting their margin. Is it a matter of a really collaborative conversation to say, "Look, these tariffs are hitting both of us and we both have to deal with margin impact?" Is one side being hurt more than the other? How do you manage that with that relationship given what you said?

**Elyse Dickerson (10:15):**

So the reality is the impact is hitting American businesses, not the Chinese businesses. We are responsible for paying those tariffs, not the Chinese supplier. I can't emphasize that enough because I think there's a lot of misinformation out there that somehow China is paying these tariffs and it's not true. The US companies pay it on import. So when it hits the port, we are given a bill and we've been surprised by the rates. They have fluctuated dramatically.

(10:46):

The conversations have been more around trying to share the expense, whether it's the freight, are there things that they could help bring the freight down, potentially share in the cost impact of the tariff. But at the end of the day, it's my responsibility. And for orders we had already placed, that they were just sitting there in containers ready to come over. And we said, "Please pause because it's 145% tariff right now."

(11:12):

At the end of the day, it was really our responsibility. But they were willing to come to the table and say, "Hey, we'll help pay for part of this and let's share." But only a true partnership would do that, right? If we were just a transaction, they would have no reason to want to do that.

**Rusty Ray (11:32):**

Yep. That's interesting because I think in an odd way, some of this tariff nonsense could actually push some of the supply relationships closer because you really do have a more collaborative relationship. You can't be transactional and arm's length and be successful. Not in this market.

**Elyse Dickerson (11:50):**

That's right.

**Rusty Ray (11:51):**

So it may do just the opposite of what some people think it might. So let's talk a little bit about pricing. I don't want to get into your strict product pricing or any individual strategy, but I'm just curious more holistically. The tariff is falling on you. It's impacting your margin. Obviously the knee-jerk reaction is, well, we can take price at our retailers. How have those conversations gone?

(12:15):

Because I know during COVID retailers allowed some price action, one or two, depending on who you were. And then shortly after COVID, they told the manufacturers like, "Hey, no more. That's enough." Are we starting to see retailers relax some of that and accept, hey, some of the price has to increase and has to fall back to consumer, or are retailers not ready to have that conversation yet?

Episode Transcript

**Elyse Dickerson (12:42):**

Yeah, interesting because we did take price during COVID because we were getting hammered with air freight costs just to get components into the country, and so our costs were going up very quickly. Those did come back down once the supply chain shook out and normal freight rates ensued. Recently, we have actually gotten email notices from some of our retailers, and I won't name them, but some of them have been proactive and said, "We will not accept your price increase. If you try to pass it through, we'll just take you..."

**Rusty Ray (13:17):**

That must be a nice letter to get.

**Elyse Dickerson (13:20):**

Exactly. And they sent it to my CFO and to me and to my retail person. They just blasted it out. Most of the retailers have asked us not to take price. I don't want to take price. Our consumers are already under a tremendous amount of financial pressures. It can eventually hurt the brand if we have to continue raising prices. So my intuition right now is let's not take price.

(13:46):

Let's try to absorb some of this for the short term. If this goes on for a year or more, we will absolutely have to take price. But I'm hoping that cooler heads prevail and this is a short-term blip. It's definitely easier to raise your price than lower your price. So if you take price and then everything comes back to a normal balanced marketplace, it's hard to bring your price down again once you've taken it up.

**Rusty Ray (14:14):**

For sure. The retailer just wants more margin, right?

**Elyse Dickerson (14:17):**

That's right. That's right.

**Rusty Ray (14:20):**

On that price, I mean, obviously there was some pretty big news from Walmart recently saying, "Hey, it's coming. Get ready." And then there was the equally interesting reaction from the White House and, "No, you better not raise prices," which I think was an interesting perspective to take. Walmart, do they have the scale with this administration, the heft to make those claims and not be impacted? What do you think of that comment by Walmart? Is it just matter of fact or was there something more behind that?

**Elyse Dickerson (14:55):**

No, I think it's very matter of fact. Walmart takes a smaller margin than any other retailer. So they're working on slimmer margins to start. And there are some product lines that they're so razor-thin they would be losing money with every unit they sell. And that's not good for the country. That's not good for Walmart. That's not good for anybody.

Episode Transcript

**Elyse Dickerson (15:16):**

In a category like consumer healthcare, there are bigger margins built in on both the manufacturer side and the retailer side. I believe there's a little more room to absorb, but I think those comments were more for commodity type products that everyday Americans are buying on a regular basis that they are going to have to take price.

**Rusty Ray (15:40):**

You had talked about an example where mold costs were exorbitant. MLQs or maybe minimum more quantities were quite large for mid-sized businesses. Is it really a function of scale that one's not able to bring these call it plastic componentry that's cheaply made elsewhere on the globe back to the US? Or is it a matter of, hey, we just don't make that stuff anymore in the US, and therefore this is a special thing that we're going to have to do, and if we're going to do it, what's going to be expensive? Have we lost that skill set here? What's driving some of those behaviors, do you think?

**Elyse Dickerson (16:19):**

I don't know for sure, but my instinct is that we have lost that skill set. It's very expensive to bring that back at our labor rates and the tooling that's required. And so it's easier for them, the few manufacturers that still exist, to say, "It's just going to be really expensive. If you want to do it, we'll do it, but it's going to be super expensive," because it's probably not worth their time.

(16:43):

As someone that is a business owner and has been in business my whole career, I think it's okay that the US has lost some of these industries because we're building more profitable industries in its place. And I think we pushed for a global economy in the '70s and '80s and we got it, and now we're trying to undo 30, 40 years worth of work that really the US pushed for. It's fascinating to think about the predicament we're in.

**Rusty Ray (17:13):**

For sure, of our own doing. And what's really interesting is days after the tariffs were announced, how quickly the rest of the world started to realign and rethink their own supply chains and their own strategic interests, which I can only feel is going to leave the US out in the cold. If those supply chains and if those realignments do set, we can't undo those. So it just feels very dangerous where we are right now.

(17:40):

Is there a silver lining for some of the companies that really tout the made in the USA? I mean, I know a lot of folks say made in the USA, but they still get componentry and they may assemble outside of the US, be it Mexico, Canada, China, what have you. But for those that are able to manufacture in the US or put the American flag on their products, do you see them as winning in all this?

(18:04):

I mean, I'm sure you talked to other business owners. Are they excited or do they see this as an opportunity to benefit here? And does the Made in USA label now just carry a lot more weight going forward?

Episode Transcript



Elyse Dickerson (18:16):

I think the reality, and I do have a lot of friends that are manufacturers in the United States as are we, and we can put the American flag on our product, but the reality is most companies are still getting some of their componentry from other countries, that not every ingredient or every screw or nut and bolt is made in the United States.

(18:42):

And so you can still be an American manufacturer, but we are still globally integrated in the supply chain. And I think that's the misnomer. I think it'd actually be very challenging to find a US manufacturer that everything in their product is sourced in the US. Maybe farmers, right?



Rusty Ray (19:03):

Right.



Elyse Dickerson (19:04):

But the reality is something is coming from another country.



Rusty Ray (19:08):

I have not come across a product that doesn't get either bulk ingredients or some component that is manufactured outside the US more efficiently, cheaply, and then shipped here for assembly.



Elyse Dickerson (19:22):

Like your example of the foil, right? It might just be that little foil that keeps it stable while it's being shipped, but that's coming from another country.



Rusty Ray (19:31):

Exactly. As these componentry pieces become more specialized, fewer and fewer people make them. So there might be one or two folks in the world that make these very unique little pieces of components that people rely on. And you start to put up trade barriers like this and it makes them very hard to continue. Then you almost have to start to game out, do we need to redesign our product, et cetera, et cetera, which obviously gets very expensive and time-consuming and can lead you to being off shelf, which nobody wants.



Elyse Dickerson (20:01):

That's right.



Rusty Ray (20:02):

So last question, an unfair one, but I guess being in the mix here, talking with your suppliers, talking with your retailers, trying to balance the two, where do you see all this going in 2025? Do you see a softening? Are people starting to relax into a new norm? How do you see this playing out given your conversations to the best of your thinking?

Episode Transcript

**Elyse Dickerson (20:29):**

I don't have a crystal ball, but I think we are definitely seeing a slowdown in consumer spending, and I think all premium products which we would consider ourselves a premium product are going to see headwinds because of consumer sentiment. Do I think that will last forever?

(20:46):

No, but I do think 2025 and beginning of 2026 could be very challenging for brands and for our profitability because most people I've talked to are trying to absorb these tariffs in the short term. We're already seeing public companies start to change their projections for next quarter. And I just think that's trying to be realistic about what all the indicators are pointing to.

**Rusty Ray (21:11):**

Yep. I'd say there's a little bit of luxury being in consumer health. Some of these products are necessary, and the elasticity is not quite as material as say other disposable consumer goods that might be more of a luxury, but still very, very difficult. And I think you're right. If consumer sentiment is starting to sour, it's going to impact us across the board and people will delay ultimately or make choices and move to private label or other types of more economical solutions for their health, which has its own implications.

(21:46):

I don't want to take up too much of your time today, Elyse. I know you're busy, and I thank you very much for doing this. I'm really glad you agreed to do this because it came from an offhand comment you made just a few weeks ago, but this was really, really informative. And it's always just great to hear what someone who's in the thick of it is dealing with on a day-to-day basis. So really appreciate it.

**Elyse Dickerson (22:10):**

Thanks. Pleasure.

**Rusty Ray (22:13):**

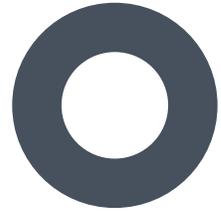
Thanks again for joining us today, Elyse. That was a fascinating conversation. It was frankly quite eye-opening hearing your perspective on the impact of tariffs and what that means for many of our well-known consumer health products we all use every day. If you ever want to hear more about our thoughts on where we're headed within the consumer health space and some of the work we've done there, please reach out to us.

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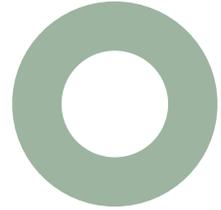
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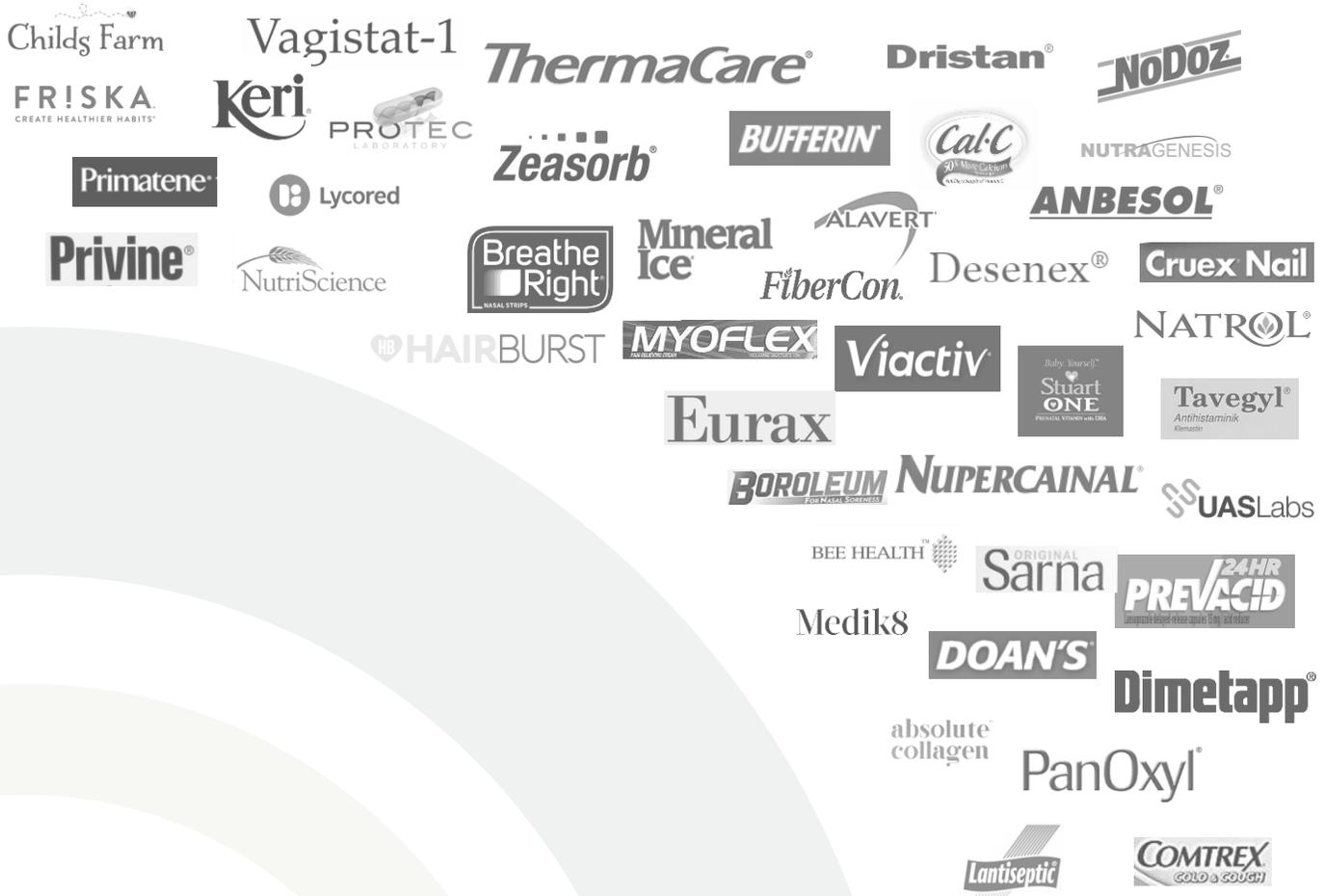
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 <p>Rusty Ray Managing Partner rusty.ray@alantra.com</p> 	 <p>Frederic Laurier Managing Director frederic.laurier@alantra.com</p> 	 <p>Matthew Wiseman Partner matthew.wiseman@alantra.com</p> 
 <p>Justin Crowther Partner justin.crowther@alantra.com</p> 	 <p>Fabrice Scheer Managing Director fabrice.scheer@alantra.com</p> 	 <p>Franck Noat Managing Director franck.noat@alantra.com</p> 
 <p>Michael Maag Managing Partner michael.maag@alantra.com</p> 	 <p>Jonas Bauréus Managing Director jonas.baureus@alantra.com</p> 	 <p>Gianni Casanova Partner gianni.casanova@alantra.com</p> 
 <p>Saad Ashraf Managing Director saad.ashraf@alantra.com</p> 	 <p>Zeke Navar Managing Director zeke.navar@alantra.com</p> 	 <p>Pedro Serrano Director pedro.serrano@alantra.com</p> 



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