
# VantageNorth News

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## CANADA'S MOMENT: WHY SMART U.S. BEAUTY BRANDS ARE MOVING NORTH

*An editorial perspective for U.S. beauty leaders focused on efficient growth*

### From Cost Optimization to Risk Management

The global beauty market didn't just rebound, it recalibrated. Across industries, a subtle but decisive shift is underway. Brands are no longer optimizing purely for **lowest cost** or even **best performance**. They are optimizing **predictability**. That shift is visible in everything from sourcing strategies to retail partnerships. At the center of this recalibration sits a simple reality: **Uncertainty has become a line item in every P&L.** Nowhere is that more evident than in supply chains. For years, beauty brands built highly efficient global networks; layered, interconnected, and cost-optimized. But what worked in a stable, globalization-first environment has become harder to manage in a world shaped by tariffs, policy shifts, and geopolitical recalibration.

### The New Mandate is Clear:

Build a supply chain that doesn't just perform in ideal conditions but holds together under pressure. That is why proximity is being revalued. That is why North America is gaining renewed attention, and that is why Canada is no longer an afterthought but is increasingly a strategic choice.

### The Tariff Reality and the Complexity Tax

Let's be clear: tariffs in today's landscape are neither uniform nor applied evenly across categories. However, they are sufficiently broad (particularly under Section 301 measures on Chinese-origin goods) to materially affect cosmetics supply chains, **with additional duties typically ranging from about 7.5% to 25%** depending on classification. The result is a direct and meaningful upward pressure on landed costs. For beauty brands, this creates what operators quietly refer to as **the "complexity tax":**

- Multi-country sourcing strategies
- Layered tariff exposure across inputs and finished goods
- Continuous reclassification and compliance management
- Exposure to policy shifts outside your control

Even when tariffs are avoided or mitigated, the effort required to manage them adds cost, time, and risk. That's why North America, under the United States–Mexico–Canada Agreement (USMCA), remains so valuable. When products meet rules-of-origin requirements, they can move across borders without tariffs, supporting an integrated manufacturing model where ingredients, packaging, and finished goods cross borders seamlessly.

This is not theoretical. The North American personal care market is deeply interconnected, with **billions of dollars in cross-border trade annually and products often moving between countries multiple times before reaching consumers.** In other words: the system works when the system is stable. Which brings us to the critical question facing every growth-focused brand in 2026: *What happens if that stability changes?*

July 1, 2026 marks the first mandatory joint review of USMCA - a structural feature built into the agreement when it replaced NAFTA in 2020. Here's what matters:

- USMCA operates on a **16-year term**, expiring in 2036 unless extended.
- At the 2026 review, the U.S., Canada, and Mexico can agree to extend it for another 16 years.
- If they do **not** agree, the agreement does **not immediately end**. Instead, it **enters annual review cycles** while continuing in force creating a rolling negotiation environment.

This distinction is critical. The risk is not a sudden collapse of trade. The risk is **a prolonged period of uncertainty** and uncertainty has consequences:

- Investment decisions slow
- Long-term supplier commitments weaken
- Retail timelines tighten
- Cost forecasting becomes less reliable

Even small changes; tightened rules of origin, sector-specific enforcement, or administrative shifts, can alter cost structures and compliance requirements across supply chains. For beauty brands, that uncertainty doesn't just affect sourcing. It affects **growth strategy**.

## De-Risking Growth: A Practical Path Forward

There is also a straightforward, often overlooked economic reality at play - one that has nothing to do with theory and everything to do with how your costs accumulate from day one. If your current operation involves importing core inputs, containers, ingredients, pumps, closures, labels, cartons, etc. into the United States or Mexico, those inputs are frequently subject to layered tariffs, depending on origin and classification. Those costs don't appear as a single line item, but they compound quietly across your bill of materials. In contrast, many of these same **inputs can enter Canada with little to no tariff burden, meaning the cost structure for production begins at a lower baseline**. From there, the advantages stack: products manufactured in Canada and structured to meet USMCA/CUSMA origin requirements **can be re-entered into the U.S. tariff-free**, with an additional benefit of U.S.-based brands having a persistent currency advantage.

With the USD typically trading at a meaningful premium to the CAD, effectively operating costs are reduced right from the starting line. Add to that Canada's deep bench of experienced contract manufacturers - many with low minimum order quantities. For the US-based company, that means **no requirement for upfront capital investment in facilities, making the barrier to entry remarkably low.** Brands can pilot production, validate quality, and scale without committing to fixed infrastructure - all at significantly reduced cost and minimal risk.

Beyond North America, the advantage expands even further. **Canada maintains one of the most comprehensive global trade networks in the world**. In addition to tariff preferential access to over 50 countries across Europe, Asia, as well as Australia, Mexico, and the United States, Canada is actively advancing new agreements including ongoing negotiations with India. That could extend the reach of **"Made in Canada" to markets representing ~3 billion people**. That level of access provides something increasingly rare: forward-looking certainty. Just as importantly, Canadian origin carries minimal geopolitical friction thereby avoiding both reciprocal tariff exposure and potential consumer sentiment challenges tied to "Made in the USA" branding.

Taken together, this is not just a manufacturing decision. **It's a disciplined, common-sense approach to risk management and a clear path to more resilient, scalable growth.**

## The Strategic Divide Ahead

As the 2026 review unfolds, the industry is likely to separate into two camps:

**Brands that have already localized intelligently**

- Proximate production
- Strong North American supplier relationships
- Built-in compliance readiness

**Brands still structurally dependent on distant inputs**

- Higher exposure to tariffs and shifts
- Slower operational pivots
- More reactive cost structures

This divide will not happen overnight, but it is already forming.

## The Bottom Line

Canada is not winning on cost alone and that's not the point. It is winning **on certainty, alignment, and readiness**. And in a market where:

- Tariffs fluctuate
- Trade agreements evolve
- Supply chains are scrutinized

those qualities translate directly into:

- More predictable margins
- Faster speed to market
- Stronger retailer confidence
- Greater control over growth

## A Final Consideration

USMCA was designed to support a deeply integrated North American beauty ecosystem. It still does. However, its built-in review mechanism ensures one thing: **stability is no longer assumed; it must be actively secured**. The smartest brands understand this. They're not waiting to see how policy evolves. They're building supply chains that work regardless of how it evolves. Increasingly, those supply chains run north. What distinguishes the leaders in this moment is not just awareness - it's timing. By establishing a Canadian manufacturing footprint now, brands are effectively **"futureproofing" their operations** against a range of scenarios: tighter rules of origin, evolving compliance requirements, or even prolonged negotiation cycles that introduce friction into cross-border trade. They are locking in capacity, building regulatory fluency, and embedding themselves within a North American production model that becomes more valuable as uncertainty increases. In that context, **Canada is no longer simply an alternative geography. It becomes a strategic anchor** that allows brands to move faster, plan with greater confidence, and compete from a position of strength.

# VantageNorth Solutions LLC. - OUR FOCUS

### Empowering American-based cosmetic and personal care businesses to grow their international reach through the "Made in Canada" brand.

**At VantageNorth Solutions LLC, we help American-based cosmetic and personal care businesses access Canadian custom manufacturers to enable their international growth strategy by capitalizing on the credibility and stability of the "Made in Canada" brand. Canadian products are welcomed around the world under preferred trade status through 15 (and growing) honored international free trade agreements (FTAs).**

**Our network of trusted Canadian manufacturers can help provide your company with access to 51 countries representing over 61% of the world's GDP and over 1.5 billion consumers worldwide.**

### Ready for your VantageNorth Solution?
### Let's have a conversation.

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