



VantageNorth News

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Why Some U.S. Beauty Brands Hesitate to Manufacture in Canada - and Why Those Concerns Are Rapidly Fading

For more than a decade, U.S. cosmetic and personal care brands built their growth strategies around offshore manufacturing primarily in China, with Mexico as the preferred near-shoring alternative. That model delivered scale and low unit costs, but it relied on assumptions that are no longer valid: stable trade policy, predictable tariffs, inexpensive freight, and minimal geopolitical risk.

Today's environment looks very different.

U.S. Section 301 tariffs on Chinese cosmetic goods, Mexico's new tariffs on Chinese-origin components, ongoing freight volatility, and rising consumer expectations for transparency and regional sourcing have **forced brands to reconsider where and how they manufacture**. As this recalibration accelerates, **Canada has emerged as a highly strategic, yet not universally understood, manufacturing destination**.

Despite its growing appeal, many U.S. brands remain hesitant to pursue custom manufacturing in Canada. Some concerns are logical and cost-driven. Others are emotional, rooted in familiarity bias, fear of disruption, or outdated perceptions of Canada's manufacturing ecosystem.

The following are the top 10 reasons U.S. cosmetic and personal care brands hesitate to manufacture in Canada along with the realities that increasingly challenge those assumptions.

The Top 10 Hesitations and the Strategic Reality Behind Each One

1. “Manufacturing in Canada is too expensive.”

Logical concern: Canadian labor costs are higher than China or Mexico, which appears to erode margin.

Underlying emotional concern: Fear of losing cost competitiveness or needing to raise retail prices.

Strategic reality:

Labor is no longer the determining cost driver. When tariffs (7.5–25%), ocean freight, long lead times, inventory carrying costs, and disruption risk are included, total landed cost often favors Canada, particularly for tariff-exposed categories like skincare, color cosmetics, brushes, and packaging-heavy sets. Many brands report double-digit margin recovery after shifting production north.

2. “We’re worried about tariffs, paperwork, and cross-border complexity.”

Logical concern: Customs rules, USMCA qualification, and documentation are unfamiliar and too complicated.

Underlying emotional concern: Risk aversion—fear of regulatory missteps or shipping delays.

Strategic reality:

Canada is one of the most predictable trade partners the U.S. has. USMCA rules of origin are clear, well-documented, and widely understood by Canadian manufacturers. In practice, many brands find Canada easier to navigate than China or Mexico, especially compared to managing changing tariff schedules and country-of-origin risks elsewhere.

3. “Canada doesn’t have enough manufacturing capacity.”

Logical concern: Fear that Canada cannot support scale or large SKU counts.

Underlying emotional concern: Concern about being forced into long waitlists or constrained growth.

Strategic reality:

Canada has significantly expanded cosmetic manufacturing and co-packing capacity over the past decade, particularly in Ontario, Quebec, and British Columbia. Unlike the U.S. where many contract manufacturers are oversubscribed, Canada still offers available, flexible capacity, especially for filling, assembly, and packaging-intensive programs.

4. “Our entire supply chain is built around Asia.”

Logical concern: Rebuilding supplier relationships seems disruptive and risky.

Underlying emotional concern: Sunk-cost bias and reluctance to abandon long-standing partners.

Strategic reality:

Moving manufacturing to Canada does not require abandoning Asia. Many brands continue sourcing components globally while performing final formulation, filling, or assembly in Canada, achieving USMCA eligibility through substantial transformation. Canada often acts as a supply-chain stabilizer, not a replacement for every upstream supplier.

5. “Lead times might get longer.”

Logical concern: Fear that crossing another border slows delivery.

Underlying emotional concern: Memories of pandemic-era delays and port congestion.

Strategic reality:

Canada-to-U.S. transit typically takes days, not months, with far less variability than ocean freight. When total cycle time is measured from PO to delivery, Canadian production often cuts lead times by 30–60% versus Asia and dramatically reduces the risk of missed launches or seasonal deadlines.

6. “Canadian regulations seem stricter.”

Logical concern: Fear of reformulation, additional testing, or compliance delays.

Underlying emotional concern: Anxiety about regulatory surprises.

Strategic reality:

Canadian cosmetic GMP standards closely align with U.S. FDA expectations and are especially well suited for clean beauty, dermo cosmetics, and prestige categories. For many brands, Canadian compliance actually reduces downstream U.S. regulatory risk and improves overall quality consistency.

7. “Our volumes might be too small.”

Logical concern: Belief that Canada only works for large, established brands.

Underlying emotional concern: Fear of being deprioritized as a smaller client.

Strategic reality:

Canadian manufacturers are unusually strong in small-to-mid-scale production, lower MOQs, and flexible batch sizes. This has made Canada especially attractive to indie, DTC, and private-label brands that struggle to meet Asia-based minimums or face rigid production schedules.

8. “This feels like a short-term tariff reaction.”

Logical concern: Expectation that tariffs will eventually disappear.

Underlying emotional concern: Hope that waiting will restore the old cost structure.

Strategic reality:

Trade policy direction in both the U.S. and Mexico suggests tariffs are now structural, not temporary. Brands delaying action risk continued margin erosion, while early movers are securing capacity, relationships, and cost advantages that will persist regardless of policy fluctuations.

9. “Consumers won’t value ‘Made in Canada.’”

Logical concern: Uncertainty about marketing benefit.

Underlying emotional concern: Fear that the shift won’t resonate at the shelf or online.

Strategic reality:

“Made in Canada” increasingly signals quality, safety, sustainability, and transparency particularly in North America and Europe. For clean beauty and prestige brands, Canadian origin often enhances brand equity rather than diminishing it.

10. "Changing manufacturing partners feels too risky."

Logical concern: Operational disruption, onboarding cost, internal workload.

Underlying emotional concern: Change fatigue after years of volatility.

Strategic reality:

Ironically, not changing has become the higher-risk option. Continued reliance on tariff-exposed geographies leaves brands vulnerable to sudden cost spikes, delays, and political shocks. Canada offers what brands increasingly value most: stability, predictability, and control. Consider why some of the world's most successful brands, (L'Oréal S.A., Estée Lauder, Coty, Kenvue, Clarins, etc.) position themselves for success with Canada as a part of their manufacturing strategy.

Final Perspective for Readers

The hesitation to manufacture in Canada is understandable but increasingly outdated. What was once seen as a higher-cost, niche option has become one of the most strategically balanced manufacturing choices available to U.S. cosmetic and personal care brands. As tariffs harden, supply chains regionalize, and consumers demand greater transparency, Canada is transitioning from contingency plan to competitive foundation.

Brands that evaluate Canada through yesterday's assumptions may miss tomorrow's advantage. Those who objectively reassess now stand to gain durability, margin protection, and long-term strategic resilience in an industry that no longer rewards inertia.

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 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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