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DEPARTMENT OF COMMERCE SCIENCES



## Thesis Title

*The impact of international trade policies on the  
Cosmetic Industry supply chain*

*Study case : group of Cosmetic producers*

A Thesis Submitted to the Department of Commerce Sciences as Partial Fulfilment for the  
Master's Degree in Commerce Sciences. Option; Finance and international Trade

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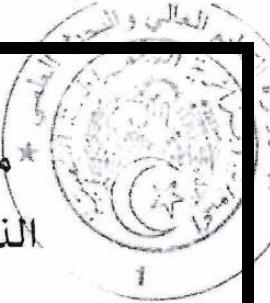
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إمضاء الأستاذ المشرف



## **Dedication :**

In the name of Allah, the Most Gracious, the Most Merciful.

I dedicate this humble work:

To Allah, the Eternal Source of knowledge and light, for granting me the strength and clarity  
to pursue this journey.

To the Messenger of Allah, Prophet Muhammad (peace be upon him), whose guidance  
continues to inspire hearts and minds.

To my beloved parents, whose sacrifices, unconditional love, and prayers carried me through  
every challenge.

To myself, for the resilience to keep moving forward despite the weight of doubt and  
exhaustion.

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RIM

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## **Liste of Abbreviations :**

Abbreviation	Full Form / Meaning
WTO	World Trade Organization
RTA	Regional Trade Agreement
CAPS	Collaborative Application Provisioning System
COGS	Cost of Goods Sold
FDA	Food and Drug Administration
FTA	Free Trade Agreement
USMCA	United States-Mexico-Canada Agreement
GDP	Gross Domestic Product
NTM	Non-Tariff Measures
AHA	Alpha Hydroxy Acid
BHA	Beta Hydroxy Acid
FZLLC	Free Zone Limited Liability Company
FCPA	Foreign Corrupt Practices Act
GDPR	General Data Protection Regulation
SCC	Standard Contractual Clauses
CCPA	California Consumer Privacy Act
COPPA	Children's Online Privacy Protection Act
DECIEM	The Abnormal Beauty Company
CNF	Cosmetic Notification Form
INCI	International Nomenclature of Cosmetic Ingredients
MoCRA	Modernization of Cosmetics Regulation Act
FSC	Forest Stewardship Council
CETA	Comprehensive Economic and Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CEPA	Comprehensive Economic Partnership Agreement

## **Abstract :**

The globalization of markets has reshaped the structure and operation of supply chains across various industries, including the rapidly evolving cosmetic sector. This thesis examines how international trade policies affect the supply chain in the cosmetic industry, particularly through the lens of trade tools such as tariffs, free trade agreements, non-tariff barriers, ethical sourcing regulations, and digital trade policies. These mechanisms directly influence sourcing, manufacturing, logistics, and compliance strategies for global beauty brands.

Using a theoretical framework supported by a comparative case study of Huda Beauty, an international beauty brand based in the United Arab Emirates, and The Ordinary, a Canadian skincare company under DECIEM, the research analyzes how each company is shaped by its geopolitical and regulatory context. While both brands face similar trade-related pressures—ranging from customs procedures and regulatory compliance to digital data restrictions—their responses differ. Huda Beauty leverages regional trade agreements and logistic partnerships to manage trade frictions, whereas The Ordinary adapts through regulatory alignment, sustainable sourcing, and digital infrastructure enhancement.

The findings highlight that trade policies significantly influence the efficiency, adaptability, and competitiveness of cosmetic supply chains. The research concludes by offering strategic recommendations for international cosmetic brands to enhance resilience through supplier diversification, regional trade alignment, sustainable compliance practices, and digital innovation.

## **Keywords**

Trade policy, Cosmetic supply chain, regulatory challenges, Huda beauty company, The Ordinary company

## **ملخص:**

أعادت عولمة الأسواق تشكيل هيكل سلاسل التوريد وآلية عملها في مختلف الصناعات، بما في ذلك قطاع مستحضرات التجميل سريع التطور. تبحث هذه الأطروحة في كيفية تأثير سياسات التجارة الدولية على سلسلة التوريد في صناعة مستحضرات التجميل، لا سيما من خلال منظور أدوات التجارة مثل التعريفات الجمركية، واتفاقيات التجارة الحرة، والحواجز غير الجمركية، ولوائح التوريد الأخلاقية، وسياسات التجارة الرقمية. تؤثر هذه الآليات بشكل مباشر على استراتيجيات التوريد والتصنيع والخدمات اللوجستية والامتثال للعلامات التجارية العالمية في مجال التجميل.

باستخدام إطار نظري مدعوم بدراسة حالة مقارنة بين هدى بيوتى، وهي عالمة تجارية عالمية في مجال التجميل مقرها ، يحل البحث كيفية DECIEM الإمارات العربية المتحدة، وذا اوردينارى ، وهي شركة كندية للعناية بالبشرة تابعة لشركة تأثير سياق كل شركة على سياقها الجبوسيسي والتنظيمي. في حين تواجه كلتا العلامتين التجارية ضغوطاً تجارية متشابهة - تتراوح من الإجراءات الجمركية والامتثال التنظيمي إلى قيود البيانات الرقمية - إلا أن استجاباتها مختلف. تستفيد هدى بيوتى من اتفاقيات التجارة الإقليمية والشراكات اللوجستية لإدارة الخلافات التجارية، بينما تتكيف ذا اوردينارى من خلال التوافق التنظيمي، والتوريد المستدام، وتحسين البنية التحتية الرقمية.

تسلط النتائج الضوء على تأثير سياسات التجارة بشكل كبير على كفاءة سلاسل توريد مستحضرات التجميل وقدرتها على التكيف وتنافسيتها. ويختتم البحث بتقديم توصيات استراتيجية للعلامات التجارية العالمية لمستحضرات التجميل لتعزيز مرونتها من خلال تنويع الموردين، ومواءمة التجارة الإقليمية، ومارسات الامتثال المستدامة، والابتكار الرقمي.

**الكلمات المفتاحية:** سياسات التجارة، سلاسل توريد مستحضرات التجميل، التحديات التنظيمية، شركة هدى بيوتى، شركة ذا اوردينارى.

# **The general framework of the study**

## **Introduction :**

The cosmetics market is among the most globalized and networked industries, such as skincare, makeup, perfumes, and personal care items. It depends on consumer trends, innovation, and branding but is very much dependent on international trade and forces of the global supply chain. From procuring raw materials to delivering the finished goods, the cosmetic supply chain traverses various countries and continents, hence making it highly sensitive to fluctuations in trade policies.

International trade policies play an important role in the movement of cosmetic products across borders. Tariff regimes, import/export policies, trade agreements, and non-tariff barriers such as product standards and certification requirements all contribute to the operational complexity of companies in this industry. These policies not only influence the cost and speed of supply chain operations but also market accessibility and competitiveness worldwide.

In recent years, the cosmetic industry has faced mounting pressure to adapt with shifting trade policy contexts, mainly as a result of developments in global economies, regional free trade agreements, and greater emphasis on sustainability and digitalization. For instance, tougher regulations regarding product ingredients and responsible sourcing habits have led companies to rethink their purchasing strategy. Similarly, policy facilitation of e-commerce and policies of digital trade have begun revolutionizing how cosmetic products reach final consumers.

With international trade turning more policy-led, the supply chain of the cosmetics business is under the pressure of a strategic change. Companies have to navigate through a thick web of trade regulations without compromising on product quality, regulatory compliance, and customer satisfaction. The inter-dependence of international trade policies and supply chain management has thus become a sector of utmost concern for cosmetic producers, distributors, and policymakers.

Understanding the intricate dynamics between trade policy and the cosmetic value chain is central to ensuring long-term sustainability and stability for the industry. The evolving world trade environment still presents both challenges and opportunities, and therefore industry players must be more agile, open, and policy-aware in their responses in the face of heightened regulatory and economic uncertainty.

## **Research Problem :**

The research problem is established by the following general research question:

**How do international trade policies influence the supply chain of the cosmetic industry ?**

The general question is responded to by the following sub-questions :

**Q1.** How do international trade regulations (tariffs, FTAs, non-tariff barriers) affect the supply chains of Huda Beauty and The Ordinary?

**Q2.** What are the similarities and differences in how Huda Beauty and The Ordinary adapt to international trade challenges ?

**Q3.** How do sustainability and ethical sourcing regulations influence the supply chain operations of both companies ?

**Q4.** What digital and e-commerce-related trade challenges do the two companies face ?

## **Hypotheses of the Study :**

To address the research questions, the study tests the validity of the following hypotheses:

**H1:** International trade policies significantly affect the operational cost and logistics strategies of both Huda Beauty and The Ordinary.

**H2:** Both companies have adopted different adaptation strategies in response to trade disruptions, reflecting regional and structural differences.

**H3:** The presence of Free Trade Agreements enhances supply chain flexibility and market accessibility for both companies.

**H4:** Huda Beauty and The Ordinary differ in how they approach sustainability, regulatory compliance, and ethical sourcing due to their regional and corporate structures.

## **Significance of the Study :**

- This study offers valuable insights into the influence of global trade policy mechanisms on one of the most globally integrated industries : cosmetics.
- It identifies key risks and opportunities within the cosmetic value chain amid shifting trade environments.
- The research is particularly relevant for cosmetic companies, policymakers, and trade authorities seeking to align trade policies with sustainable and efficient global business practices.
- For developing countries aiming to enhance their cosmetic export sectors, the findings provide strategic guidance on regulatory compliance, supply chain competitiveness, and exposure to trade vulnerabilities.

## **Objectives of the Study :**

- To discuss the most important principles of international trade policies relevant to the cosmetic industry.
- To assess the nature and characteristics of the global cosmetic supply chain, with emphasis on skincare products.
- To analyze how the different tools of trade policies impact sourcing, production, and sales in the cosmetics industry.
- To analyze the influence of sustainability, ethics, and digital regulations on reshaping the trade landscape of the industry.
- To make strategic suggestions for supply chain optimization in cosmetic industry that suits the trade policies

## **Scope of the Study :**

This study focuses on analyzing the impact of international trade policies on the supply chains of cosmetic companies, with particular emphasis on Huda Beauty and The Ordinary. The research is conducted within the framework of international trade and finance, examining how tariffs, trade agreements, non-tariff barriers, and digital trade regulations influence cost structures, logistics, compliance, and sustainability strategies in the cosmetic sector. The geographical scope includes the companies' operational markets across North America, Europe, the Middle East, and Asia, during the period from 2016 to 2025. These two brands were selected due to their global presence, contrasting supply chain models, and relevance to current trade policy discussions.

## **Previous Studies :**

**Study :** Lee, M., & Kim, S. (2022). "Trade Policy Effects on Cosmetic Product Distribution in Asia."

This study analyzes the impact of East Asian regional trade agreements on the beauty industry's logistics networks. It found that the tariff reductions under the ASEAN-Korea FTA led to increased cross-border shipments of skincare products with faster customs clearance and lower costs.

**Study :** Afnan, L. (2021). "Global Supply Chain Resilience in the Beauty Sector."

This research explores how multinational cosmetics firms reconfigured their supply chains following COVID-19, particularly under the influence of trade disruption, regulatory stringency, and sustainability pressures. It finds that supplier diversification and adherence to trade regulations became critical strategies.

**Study:** OECD Report (2019). "Non-Tariff Measures in the Cosmetics Sector: Trade and Regulatory Practices."

The report discusses how non-tariff measures such as ingredient bans, testing requirements, and labeling requirements are hidden barriers to trade. It advocates for regulatory harmonization to boost trade in cosmetic products globally.

Although previous research has examined the relationship between world trade and supply chains in general, and specific studies in the cosmetic industry, there is nonetheless a clear gap in terms of the overall effect of international trade policies on the supply chains of cosmetic goods, specifically in the skincare industry.

This study offers a fresh contribution by basing its interest on the direct impact of trade instruments such as tariffs, free trade agreements, non-tariff barriers, and sustainability regulation on the cosmetic supply chain.

Moreover, drawing upon a real case of Huda Beauty and then comparing it with The Ordinary the study sheds new light on how global trade policies influence sourcing, manufacturing, compliance, and distribution strategies in the global beauty industry.

This thesis, thus, fills a critical void by linking international trade mechanisms to the realities of cosmetic brand performance, which has not previously been given sufficient attention in the literature.

### **Study Structure :**

This study is structured into two main chapters:

Chapter One: Theoretical Framework of International Trade Policies and the Cosmetic Industry

Sub-chapter One: Fundamentals of International Trade Policies in the Cosmetic Industry (Definition, Evolution, Key Organizations and Agreements)

Sub-chapter Two: The Global Cosmetic Supply Chain (Structure, Sourcing, Manufacturing, Distribution, Digitalization)

Sub-chapter Three: Trade Policy Instruments and Their Impact on Cosmetic Supply Chains (Tariffs, FTAs, NTBs, Sustainability, E-commerce)

Chapter Two: Case Study : - Analyzing the Impact of International Trade Policies on the Cosmetic Supply Chain among a Group of Cosmetic Producers -

Sub-chapter One: Analyzing the Impact of International Trade Policies on Huda Beauty Supply Chain

Sub-chapter Two: Analyzing the Impact of International Trade Policies on The Ordinary Supply Chain

Sub-chapter Three: Comparative Evaluation

# **Chapter one :**

# **Theoretical**

# **Framework of**

# **International Trade**

# **Policies and the**

# **Cosmetic Industry**

**Preamble :**

The cosmetic industry operates within the framework of international trade policies, which shape the rules around market access, product standard, sourcing practices, and distribution channels. Raw material procurement to final sales of products – everything in between is affected by how cosmetic companies operate across borders based on trade policies. Now, with the globalization, the trade agreements, tariffs, duties, and regulations are more complicated. In the cosmetics industry, companies have to go through a complicated web of international trade laws to stay competitive and conform with the governments' regulatory framework.

This chapter presents a complete framework to grasping the relationship between international trade policies and the cosmetic industry and it discuss this following sub chapters :

Sub-chapter One: Fundamentals of International Trade Policies and the Cosmetic Industry .

Sub-chapter Two: The Global Cosmetic Supply Chain .

Sub-chapter Three: Trade Policy Instruments and Their Impact on cosmetic Supply Chains .

## **Sub-chapter One: Fundamentals of International Trade Policies and the Cosmetic Industry**

International trade policies play a pivotal role in shaping the flow of goods and services across borders. For industries that operate globally—such as the cosmetics sector—understanding these policies is crucial to navigating regulatory frameworks, accessing markets, and maintaining competitiveness. This sub-chapter provides a foundational overview of international trade policies, highlighting their core principles and examining their relevance to the dynamics of the global cosmetic industry.

### **1. Definition and objectives of International Trade Policies**

#### **1.1. definition**

Foreign trade policies are defined as "the measures taken or the laws enacted by the government with the aim of directly or indirectly influencing the volume of trade exchanges between it and other countries, or affecting the quality or direction of trade exchanges." In other words, they represent the strategies adopted by a state within the framework of foreign trade that connects it with a specific country or multiple countries with which it has trade relations.

From this perspective, two main policies fall within the framework of regulating a country's trade relations: the protectionist trade policy and the free trade policy.

The protectionist trade policy is one of the oldest policies in economic history and is defined as a set of rules, measures, and procedures that impose direct or indirect restrictions—whether quantitative or non-quantitative, tariff or non-tariff—on the flow of international trade across a country's borders.

Unlike the protectionist trade policy, the free trade strategy represents a general approach by the state to encourage trade exchanges with foreign markets. The free trade policy is defined as a set of rules, measures, and procedures aimed at removing or reducing direct or indirect restrictions—whether quantitative or non-quantitative, tariff or non-tariff—thus facilitating the flow of international trade across the country's borders. (375,376، الصفحات، 2022، خديجة،)

International trade policies refer to the set of laws, regulations, agreements, and practices adopted by governments to regulate the flow of goods and services across international borders. These policies can include tariffs, import/export restrictions, trade agreements, subsidies, and standards intended to protect domestic industries, promote exports, or ensure fair competition and compliance with global norms. (WTO, n.d)

Trade policy is defined as "the set of measures that regulate a country's foreign economic relations." It is also defined as "the set of measures taken by a state within the framework of its trade relations with other countries to achieve specific objectives."

Trade policy is integrated with other policies, such as fiscal and monetary policies. Its primary goal is to develop the national economy by striving to achieve full employment, self-sufficiency, and balance in the trade deficit.

## 2.2.objectives

Additionally, trade policy aims to achieve various economic, social, and strategic objectives, including:

### Economic Objectives:

- Increasing government revenues through the collection of customs duties, which are used to finance various public expenditures.
- Protecting local industries from foreign competition.
- Shielding the economy from the risk of dumping, which is a method used to monopolize international markets. Therefore, trade measures are implemented to counteract such practices.

### Social Objectives:

- Protecting the interests of certain social groups, such as farmers or producers of essential goods.
- Redistributing national income among different social groups and classes, which is one of the key objectives of trade policy in this regard.

### Strategic Objectives:

- Ensuring national security in terms of economic, food, and military resources.
- Maintaining a minimum level of production and energy sources, particularly during periods of war and crises.

It is important to note that the objectives of trade policy complement those of fiscal policy, monetary policy, and employment policy. In other words, trade policy is part of a broader framework known as the national economic policy. (كبير، 2007-2008، الصفحات 8,9)

## 2. Historical evolution of Beauty industry

(Anthony,2024) says, In ancient civilizations, beauty rituals played a significant role in society, serving as a symbol of status, power, and identity. (Anthony,2024). Egypt shows a big story about the beauty industry. Since ancient times, the people have given a special place for the beauty industry. In particular, the beauty industry started from ancient Egypt time. There is a big and interesting history in that time about the beauty industry.

(Brandon,2024) mentions that Egypt is the starting point of the beauty. Egypt country is located in the northern corner of Africa. The first beauty cosmetic products appeared in Egypt 5000 years ago. At that time Egyptian people used natural things for their beauty treatments and cosmetics to enhance their appearance. (Brandon,2024). (Rice&, Fisher,2022) mention that the people in ancient times, used lemon to make balm for a pleasant scent and get the softness of the skin. Women used white lead to protect their faces from the sun. (jayarathne, 2024, p. 3)

(Jacolene, 2020) mentions that good skincare was of high importance for the Greeks and they used a mixture of pure honey and olive oil to cleanse and moisturize their skin and would afterward smother it in chalk or white lead to lighten their skin tone.

The Greeks mainly wore makeup daily for expressing social status and their appearance, but even though makeup was created from scratch, it was quite expensive and was therefore only worn by the riches mostly. (jayarathne, 2024, p. 5)

As in Egypt, the Greeks often kept their best cosmetics and perfumes to accompany the dead in their tombs. Lekythoi, the slim one-handled jugs used for storing fine oils and perfumes were especially dedicated to the deceased and are often decorated with themes related to burial and traveling to the next life. Other common grave goods include the circular lidded box known as a pyxis which was a typical storage place for cosmetics while the squat alabastron was a favorite for creams and unguents in Minoan, Mycenaean, and Classical Greece. (jayarathne, 2024, p. 6)

(Brandon, 2024) says that during the war, the beauty industry took a practical turn, with a focus and emphasis on creating sunscreen for soldiers. The basics of sun protection can now be found in several different beauty products and is a cornerstone for most facial cosmetics.

During the 1980s and 1990s, the beauty industry experienced major transformations due to advances in marketing and the rise of global media. This period played an important role in shaping modern beauty trends with procedures. (jayarathne, 2024, p. 9)

(Pcip,2023) mentions that the cosmetics and beauty industry earns over \$600 billion annually and is expected to reach \$800 billion by 2024. Its growth is driven by younger consumers, especially women, who prefer natural, organic products and move away from big, traditional brands. Thanks to social networks and online sales, new, creative cosmetic companies are being created. Big companies buy these smaller brands to stay competitive. The beauty industry is very trend-driven. But it's hard to predict what will be the next trend.

However, during the Renaissance, people began to appreciate the best things in classical art. Companies like Revlon, Estée Lauder, and L'Oréal have become brands that produce makeup and makeup products for everyone. Today, the world's beauty industry is huge, and many brands and products match every person's taste and needs with a big competition. (jayarathne, 2024, p. 10)

### **3. Key International Trade Organizations and Agreements (WTO, GATT, Regional Trade Agreements) :**

#### **- General agreements on tariffs and trade :**

The General Agreement on Tariffs and Trade (GATT) was a multilateral treaty established in 1947 with the primary aim of promoting international trade by reducing or eliminating trade barriers such as tariffs and quotas. Initially signed by 23 countries in Geneva, Switzerland, GATT came into effect on January 1, 1948, and remained in force until it was succeeded by the World Trade Organization (WTO) on January 1, 1995.

GATT is a legal agreement between multiple countries designed to foster international trade by minimizing trade barriers. Its overarching goal was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.

**- World trade organizations :**

World trade organization is an organization for liberalizing trade. It's a forum for governments to negotiate trade agreements. It's a place for them to settle trade disputes. It operates a system of trade rules,

Above all, it's a negotiating forum ... Essentially, the WTO is a place where member governments go, to try to sort out the trade problems they face with each other. The first step is to talk. The WTO was emerged from negotiations, and everything the WTO does is the result of negotiations

It's a set of rules ... At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations. These documents provide the legal ground-rules for international commerce. They are essentially contracts, binding governments to keep their trade policies within agreed limits. Although negotiated and signed by governments, the goal is to help producers of goods and services, exporters, and importers conduct their business, while allowing governments to meet social and environmental objectives.

And it helps to settle disputes ... This is a third important side to the WTO's work. Trade relations often involve conflicting interests. Agreements, including those painstakingly negotiated in the WTO system, often need interpreting. The most harmonious way to settle these differences is through some neutral procedure based on an agreed legal foundation. That is the purpose behind the dispute settlement process written into the WTO agreements.

**- Retional trade agreements :**

RTAs in the WTO are taken to mean any reciprocal trade agreement between two or more partners, not necessarily belonging to the same region. As of June 2016, all WTO members now have an RTA in force.

Regional trade agreements (RTAs) are a key fixture in international trade relations. Over the years RTAs have not only increased in number but also in depth and complexity. WTO members and the Secretariat work to gather information and foster discussions on RTAs to enhance transparency and to increase understanding of their impact on the wider multilateral trading system.

Regional trade agreements (RTAs) have risen in number and reach over the years, including a notable increase in large plurilateral agreements. Non-discrimination among trading partners is one of the core principles of the WTO; however, RTAs, which are reciprocal preferential trade agreements between two or more partners, constitute one of the derogations and are authorized under the WTO, subject to a set of rules. (WTO, n,d)

## Sub-chapter Two: The Global Cosmetic Supply Chain

The cosmetic industry operates within a highly complex and globally integrated supply chain that spans raw material procurement, manufacturing, distribution, and retail. As consumer demand grows and international markets expand, understanding the dynamics of the cosmetic supply chain becomes essential for both industry practitioners and researchers. This sub-chapter provides a comprehensive overview of the global cosmetic supply chain, examining the origin and sourcing of key raw materials, production and distribution networks, and the role of retailers. It also discusses the major challenges faced in managing cosmetic supply chains, including regulatory compliance, sustainability concerns, and logistical hurdles. Furthermore, the chapter explores how digitalization and technological advancements are reshaping supply chain operations, offering innovative solutions to enhance efficiency, traceability, and customer satisfaction.

### 1. Overview of the cosmetic Supply Chain

In the cosmetic industry, managing the supply chain efficiently and effectively is crucial for cosmetic companies to gain a competitive advantage. They must employ a multi-step logistics function to manage retailer requirements to help overcome the challenges caused by supply and demand inherent in the cosmetic industry.

Due to the nature of cosmetics, their consumers are persuaded by demanding products that are hot today, that may go out of fashion tomorrow. We see cosmetic companies drive this consumer behaviour by promoting the latest trends, and often using celebrities to endorse their products. Once cosmetic companies have generated demand, they need now to make sure those products are available for purchase. The process for handling products through to the final sale is critical. It requires reliable transportation, storage and distribution. This is also important as managing the supply chain plays a pivotal role in driving customer satisfaction. By having the in-demand products available to purchase, the cosmetic company creates a competitive advantage. (melanie, 2018)

**Fig(01)** :understanding the beauty supply chain

### Understanding the Beauty Supply Chain



تحسين سلسلة التوريد في صناعة : إدارة سلسلة توريد مستحضرات التجميل، (fastercapital، 2024) أفضل الممارسات : التجميل

## 2. Key Raw Materials and Sourcing Locations :

Global sources for these raw materials are of immense importance to the beauty industry. Key raw materials like natural oils, kinds of butter, and botanical extracts are sourced from diverse regions including :

**Table(01) : Key Sourcing Regions and Their Contributions to the Skincare Supply Chain**

region	Key Contributions to Skincare Supply Chain
Africa	provides various natural oils like shea butter, marula oil, and baobab oil, which are increasingly popular in high-end skincare formulations
Asia	Countries like China, India, and Thailand are major sources of plant-based ingredients such as aloe vera, tea tree oil, and herbal extracts
Europe	home to many key cosmetic and skincare product manufacturers, particularly in countries like France, Switzerland, and Germany

**Source :** (mahawa, 2024)

The availability and quality of these materials depend on factors such as climate, soil conditions, sustainability practices, and extraction techniques employed in different regions.

High-grade raw materials are essential for product quality, influencing supplier relationships and quality assurance processes. Fluctuating material costs greatly impact production costs and pricing strategies. The dependence on reliable suppliers is crucial for production schedules and inventory management.

Meeting the demand for ethically sourced materials requires transparency and certification of fair labour with environmentally friendly practices. Adhering to local and international regulations complicates procurement processes and a rising demand for sustainable practices forces strategic changes in sourcing policies.

R&D investment for new, sustainable materials leads to shifts in the supply chain and supplier relationships. Furthermore, global sourcing necessitates reliable transportation and logistics amidst potential disruptions in the supply chain. (mahawa, 2024)

## 3. Manufacturing and Distribution and retailers

- Manufacturers

- Definition: Manufacturers are the creative engines behind beauty products. They conceptualize, design, and produce cosmetics, skincare items, fragrances, and haircare products. These companies range from large multinational corporations to smaller boutique brands.

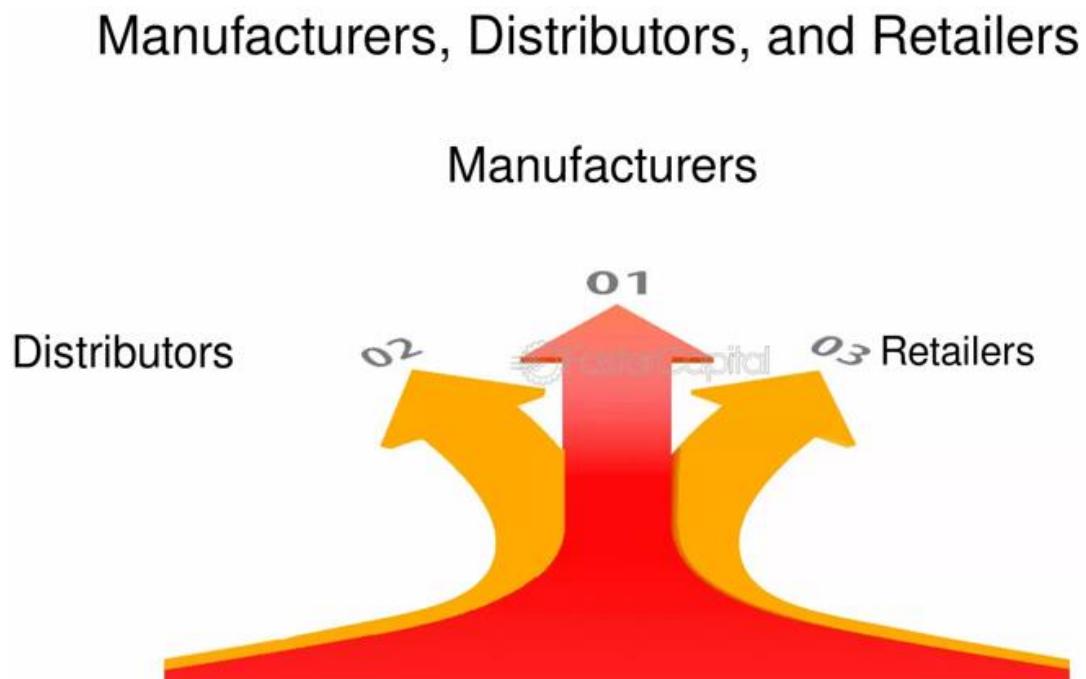
- Nuances:

- Research and Development (R&D): Manufacturers invest heavily in R&D to innovate and create new formulations. They experiment with ingredients, textures, and packaging to meet consumer demands.
- Quality Control: Ensuring product safety and efficacy is paramount. Manufacturers rigorously test their products for allergens, stability, and compliance with regulations.

- supply Chain management: Manufacturers coordinate raw material sourcing, production, and distribution. They collaborate with suppliers of ingredients, packaging, and machinery.
- Example: Consider L'Oréal, a global beauty giant. They operate research centers worldwide, constantly innovating and launching new products like the Revitalift Anti-Aging Cream.
- Distributors
  - Definition: Distributors bridge the gap between manufacturers and retailers. They handle logistics, warehousing, and transportation. Distributors can be regional, national, or international.
  - Nuances:
    - Channel Partners: Distributors work closely with manufacturers to ensure timely delivery to retailers. They negotiate pricing, manage inventory, and optimize supply routes.
    - Market Insights: Distributors have their finger on the pulse of consumer trends. They provide feedback to manufacturers about product performance and demand.
    - Risk Mitigation: Distributors absorb risks related to inventory management, stockouts, and fluctuations in demand.
  - Example: Sephora, a renowned beauty retailer, collaborates with distributors to stock its shelves with a diverse range of products from various brands.
- Retailers
  - Definition: Retailers are the face of beauty products for consumers. They operate physical stores, e-commerce platforms, and specialty boutiques.
  - Nuances:
    - Assortment Curation: Retailers curate product assortments based on their target audience. They choose which brands and products to feature.
    - Customer Experience: Retailers create a welcoming environment for shoppers. They offer personalized consultations, samples, and loyalty programs.
    - Marketing and Promotion: Retailers invest in advertising, promotions, and events to attract customers. They showcase new launches and seasonal collections.
  - Example: Ulta Beauty, a popular U.S. Retailer, combines a wide range of brands under one roof, offering everything from drugstore to luxury products.

In summary, the beauty supply chain thrives on collaboration among manufacturers, distributors, and retailers. Their collective efforts ensure that consumers have access to an array of beauty products, from everyday essentials to luxurious indulgences. Remember, behind every lipstick shade and skincare serum lies a complex network of passionate professionals shaping the beauty industry. (fastercapital, Beauty product sourcing Navigating the Global Beauty Supply Chain: Sourcing Strategies and Trends, 2024)

**Fig (02):** Manufacturing and Distribution and retailers



**Source :** (fastercapital, Beauty product sourcing Navigating the Global Beauty Supply Chain: Sourcing Strategies and Trends, 2024)

#### 4. Challenges in Cosmetics Supply Chain Management

With such complex supply chains, companies in the cosmetics industry can face many unique challenges. And just like any challenges, the first step in managing them is to start by recognizing them...

- Short Product Life Cycles

With a rise in social media presence and online influencers constantly promoting new, trendy products cosmetic companies looking to succeed need seamless and flexible supply chains. As consumer preferences constantly change product life cycles are shorter than ever, making it difficult for organizations to manage supply chain shifts.

- Ingredient Sourcing and Compliance

When it comes to sourcing high-quality ingredients cosmetics companies may find it difficult to connect with suppliers and retailers that meet regulatory standards and consumer expectations for sustainability. This process is tedious and requires open communication to meet changing regulatory compliance.

- Global Supply Chains

With increased product variations and SKUs, supply chains are extending across the globe. As a result, beauty brands must manage international suppliers, regulations, and shipping complexities.

- Temperature-Sensitive Products

Many cosmetic products, such as creams, serums, and natural formulations, are sensitive to temperature variations. As a result, companies must be aware of temperature control disruptions during production and distribution to ensure that products are safely delivered to end consumers.

- Sustainability Demands

No matter what industry you are in the topic of sustainability has likely gained popularity. When it comes to the beauty industry companies must address the increasing consumer expectations and regulatory requirements that come along with developing beauty products and managing supply chain logistics. (tom, 2024)

## 5. Role of Digitalization and Technology in Supply Chains

Supply chain management is closely linked to information technology tools and systems, as the latter provide numerous systems and software solutions that contribute to the integration, planning, and execution of supply chain elements. This is achieved through:

- Systems: Information technology supports supply chains with various decision support systems, such as:
  - Communication-Driven Decision Support Systems (CDDSS)
  - Data-Driven Decision Support Systems (DDDSS)
  - Model-Driven Decision Support Systems (MDDSS)
  - Knowledge-Driven Decision Support Systems (KDDSS)
- Software: Different software solutions allow for the segmentation of programs for various institutional applications, including:
  - Supply Chain Planning Program (SCP): Offers numerous advantages, such as determining product volumes to meet various customer demands.
  - Material Requirements Planning (MRP): Assists in supply chain planning and coordination, ensuring the synchronized arrival of required production components.
  - Enterprise Resource Planning (ERP): Helps maximize benefits by optimizing fixed supply resources and linking demand with shipping formats and phased capacity operations.
  - Distribution Requirements Planning (DRP): Essential for inventory management and distribution planning.
  - Supply Chain Execution Program: Manages the entire process electronically, from factory orders to supplier fulfillment.
  - Communication Networks in Supply Chains: Relies on modern communication tools, including business networks.
  - Supply Chain Member Integration Programs: Several programs have emerged in this regard, such as Numetrix, Logstice, and CAPS. (حسام و موسى، 2019، صفحة 45)

## **Sub-chapter Three: Trade Policy Instruments and Their Impact on cosmetic Supply Chains**

Trade policy instruments play a pivotal role in shaping the structure, efficiency, and resilience of global supply chains, particularly in industries like cosmetics that rely heavily on cross-border operations. This sub-chapter delves into the various trade mechanisms that influence the flow of goods and services within the cosmetic industry. It begins by examining traditional tools such as tariffs, duties, and import/export regulations, and their implications for cost, market access, and competitiveness. The discussion then extends to free trade agreements and how they facilitate or restrict the movement of cosmetic products across regions. Attention is also given to non-tariff barriers, including product standards and labeling requirements, which often present significant compliance challenges. Furthermore, the sub-chapter explores the rising importance of sustainability and ethical trade regulations, as well as the transformative effects of digital trade policies and e-commerce platforms on the beauty industry. Together, these elements offer a comprehensive understanding of how trade policy shapes the modern cosmetic supply chain.

### **1. Tariffs, Duties, and Import/Export Regulations**

- Tariffs duties and skincare industry :

Cosmetics & personal care companies are under threat of new tariffs. Tariffs can affect costs of goods sold (COGS), supply chains and consumer behavior. Costing is uncertain and tariffs add to that uncertainty. An example is potential US-levied tariffs of 25% on goods from Canada and Mexico, and, for products from China, an additional 10% tariff on top of existing duties. Europe has not escaped either, as the US seeks to reduce its trade deficit with the EU by potentially adding new tariffs there as well. Higher tariffs lead to increased costs of raw materials and in turn, finished product.

Tariffs can squeeze profit margins as brands struggle to absorb additional costs without raising retail prices, in order not to lose cost-sensitive consumers. Modern software offers the means for companies to analyze their cost structures in real time. With these tools, cosmetics manufacturers can simulate various tariff scenarios to understand the financial implications, enabling them to make informed decisions about pricing strategies and cost management. This proactive approach maintains a competitive edge even in a challenging economic environment.

Tariffs can disrupt established supply chains, leading to delays and increased logistics costs. Companies relying on international suppliers may face significant bottlenecks resulting in stock shortages and decreased sales. Platforms that offer enhanced visibility, give companies the tools to track sourcing in real-time. This identifies potential disruptions early on, so brands can pivot and explore alternative vendors or sourcing options. Fostering a more resilient supply chain mitigates some of the risks associated with tariffs and other disruptions. (TRB news team, 2025)

- Import and export regulation and skincare industry :
  - Global Harmonization and Divergence:
    - The cosmetic industry operates in a global marketplace, where products are manufactured in one country, packaged in another, and sold worldwide. However, achieving harmonization in import and export regulations remains an elusive goal. While some countries align their standards with international guidelines (such as the EU Cosmetics Regulation), others maintain unique requirements.
    - Example: The European Union (EU) has a centralized system for cosmetic product safety assessment, whereas the United States relies on a decentralized approach through the Food and Drug Administration (FDA) and the Cosmetic Ingredient Review (CIR) panel. This divergence creates challenges for companies seeking to comply with multiple sets of rules.
  - Documentation and Compliance:
    - Importing or exporting cosmetics necessitates meticulous documentation. Companies must submit detailed information about product composition, labeling, safety assessments, and manufacturing practices. These documents serve as evidence of compliance with local regulations.
    - Example: A South Korean skincare brand exporting its popular snail mucin essence to the United States must provide a comprehensive dossier, including safety data, ingredient lists, and labeling translations. Failure to comply can result in delays at customs or even product recalls.
  - Ingredient Restrictions and Bans:
    - Different countries maintain varying lists of prohibited or restricted cosmetic ingredients. These lists evolve over time based on scientific research, consumer safety concerns, and cultural preferences.
    - Example: Hydroquinone, a skin-lightening agent, is banned in the EU due to potential health risks. However, it remains permissible in some Asian markets. Companies must navigate these disparities when formulating products for global distribution.
  - Customs Tariffs and Duties:
    - Importing cosmetics often involves paying customs duties and taxes. These charges vary based on the product type, value, and country of origin. Understanding tariff codes and trade agreements is crucial.
    - Example: A French luxury perfume brand exporting its fragrances to China may benefit from the China-France Double Taxation Treaty, which reduces tax liabilities. However, navigating these treaties requires legal expertise.
  - Labeling Requirements:
    - Labels play a pivotal role in compliance. They must convey essential information in the local language, including product name, ingredients, usage instructions, and safety warnings.

- Example: A Japanese sunscreen brand exporting to Australia must ensure compliance with the Therapeutic Goods Administration (TGA) labeling guidelines, which differ from Japan's requirements.

➤ Testing and Certification:

- Cosmetics entering certain markets (such as the EU) undergo rigorous safety assessments. Companies must collaborate with accredited laboratories to conduct tests on stability, microbiological safety, and efficacy.

- Example: A Brazilian haircare brand seeking EU market access must perform in vitro and in vivo tests to demonstrate product safety and efficacy.

- Post-Market Surveillance:

- Compliance doesn't end at the border. Companies must monitor adverse events, conduct product recalls if necessary, and stay informed about regulatory updates.

- Example: When a U.S.-based cosmetics company discovers a batch of contaminated eyeliners, it promptly recalls the affected products and notifies the FDA.

In summary, the import and export of cosmetics involve a delicate dance between legal requirements, cultural nuances, and business imperatives. Companies must embrace a global mindset while respecting local intricacies. As we continue our journey through cosmetic legal compliance, remember that adherence to import and export regulations ensures not only market access but also consumer safety and trust. (fastercapital, Import And Export Regulations, n.d)

## 2. Free Trade Agreements and Their Impact on Global Supply Chains

Trade agreements are binding agreements between two or more countries or regions. They promote trade and economic cooperation through eliminating or reducing barriers like tariffs, quotas, or duties. These agreements are often referred to as Free Trade Agreements (FTAs). They can be established through a written agreement or occur as a laissez-faire trade. That means there are no trade restrictions or formal agreements enforced. The classifications for FTAs are as follows:

- Unilateral Trade Agreement – This is a one-sided, non-reciprocal agreement that helps developing countries improve economic development.
- Bilateral Trade Agreement – A mutually beneficial agreement between two countries to reduce trade barriers.
- Multilateral Trade Agreement – Also referred to as a regional trade agreement, it acts in the same way as a bilateral or free trade agreement, but with three or more countries. Examples of multilateral trade agreements would be the USMCA or the European Union.

Trade agreements create a need for global supply chains by providing incentives for countries to export more goods. When countries encourage trade, the parties involved have seen growth in Gross Domestic Product (GDP) and citizens of those countries have greater access to goods. The reduction of trade barriers results in more affordable products for end-consumers. Imports to the United States have boosted the purchasing power of the average American household by approximately \$10,000/annually.

The U.S. has also seen success with its exports due to trade agreements. According to the U.S. Department of Commerce, approximately half of all U.S. exports are with the 20 countries it has trade agreements with. Exports to Chile and Morocco increased by over 300% in the first five years after an agreement was implemented.

Trade agreements also standardize shipping requirements between countries. The WTO facilitates these agreements with many of them referencing or copying portions from WTO agreements. Implementing these practices results in faster and more streamlined supply chains by reducing clearance times and administrative burdens. (evansdist, 2023)

### **3. Non-Tariff Barriers**

Many factors unrelated to NTMs (Non-Tariff Measure) also affect costs and prices at different points in the supply chain. For instance, the “free-on-board” (f.o.b.) price at the point of export includes the cost of transport to the point of export as well as the costs of loading the goods, while the “cost-insurance-freight” (c.i.f.) price also includes the cost of international transport and insurance. Furthermore, the price after border procedures includes any tariffs charged on the product. Finally, wholesale

and retail prices include internal transport costs and distribution margins. These factors must be removed from the observed price difference before the mark-up can be attributed to non-tariff measures.

However, different NTMs occur at different points in the supply chain, which means that the price impact of a particular NTM can only be identified by comparing two prices at the relevant stages in the production and distribution process. For example, customs procedures affect the difference between the c.i.f. price and the landed duty-paid price. In sum, it is possible but not straightforward to measure and compare the restrictiveness of different types of NTMs (wtr, 2012)

### **4. Sustainability and Ethical Trade Regulations**

The United Nations (UN) developed a global sustainable framework which set 17 Sustainable Development Goals. The main objective is to protect the planet. These goals are considered the “blueprint to achieve a better and more sustainable future for all”. A more sustainable production and consumption represents a critical step in this process.

Innovation and sustainability go hand in hand. The cosmetic industry continues to innovate and find new ingredients, not always considering its entire supply chain and their environmental impact. Formulation, production, use and disposal of packaging of cosmetic products can all have a big impact on the planet. Therefore, biodegradable, natural and organic products are more and more demanded by consumers.

Consumers want more transparency from cosmetic companies. Many of them demand to know which ingredients are used and which supply chains were chosen (especially the sources). Furthermore, they claim for clearer language and informations used in the labelling.

The beauty industry is under increased scrutiny by society and more responsible sourcing is being demanded across all markets. Environmentally-friendly ingredients, increased transparency practices and use of recycled (or recyclable) packaging are essential keys to achieve the sustainability status and actually contribute to make the difference.

Cosmetic companies should consider the traceability of natural ingredients and the degree to which they have been sourced in a sustainable fashion (e.g. ethical and responsible sourcing, fair-trade). It is essential to work with third parties (e.g. suppliers, manufacturers) that can provide documentation to support supply chain transparency. Non-sustainable sources of ingredients, such as animal, petrochemical and endangered plants, should be increasingly avoided at all costs. (emanuel, 2021)

## 5. Digital Trade Policies and E-commerce in the Beauty Industry

The beauty industry has undergone a significant evolution with the rise of e-commerce. The transition from physical storefronts to digital spaces has been both rapid and profound. By 2025, the global beauty e-commerce market is expected to expand to \$675 billion, boasting a compound annual growth rate of 7.6%.

This growth is fuelled by a growing preference for online shopping, where convenience and product variety reign.

Several factors have propelled this e-commerce explosion. The widespread availability of smartphones and robust internet connections has expanded access to online shopping. Additionally, the COVID-19 pandemic has pushed consumers toward online stores in search of safer purchasing options. Beauty brands have responded by enhancing their digital presence and streamlining the online shopping experience.

The ascent of e-commerce in the beauty sector reflects shifts in consumer behaviour and tastes. Modern shoppers are better informed and more selective, craving personalised products and unique experiences. E-commerce platforms are meeting these needs with advanced technology and tailored, data-informed approaches. (jain, 2024)

## Summary

Chapter One provides a detailed theoretical foundation necessary for understanding the complex interaction between international trade policy and the cosmetic industry, in particular the supply chain dimension. It begins by defining the fundamentals of international trade and the important function that trade policies play in facilitating or discouraging cross-border trade. The chapter then discusses the nature of the global cosmetic industry, highlighting its growth, competitiveness, and the high influence of international trade on its development. Special attention is given to cosmetic supply chain organizations, characterized by internationalization, reliance on diverse sources of raw materials, and demands for efficient logistics and regulatory compliance. Furthermore, the chapter discusses the different instruments of trade policy, such as tariffs, quotas, trade agreements, and technical standards, and examines how each instrument may affect the cross-border trade in cosmetic products and ingredients. Through this analysis, the chapter offers a sound theoretical foundation for understanding how global trade policies not only affect the business plans of cosmetics companies but also their supply chain resilience, access to markets, and global competitiveness. This background is essential in providing the tone for the remainder of the study that will tackle the empirical impact of these policies on the supply chain activities of the industry.

# **Chapter Two : Case Study - Analyzing the Impact of International Trade Policies on the Cosmetic Supply Chain among a Group of Cosmetic Producers -**

### **Preamble :**

This chapter provides a practical examination of how international trade policies affect cosmetic supply chains, through two in-depth case studies: **Huda Beauty** and **The Ordinary**. These companies were selected due to their contrasting geographical bases, supply chain structures, and strategic responses to global trade dynamics. The chapter begins by mapping the global sourcing and distribution frameworks of both brands and evaluates how key trade policy instruments—tariffs, free trade agreements, non-tariff barriers, sustainability regulations, and digital trade policies—have impacted each company's operations. This comparative analysis sheds light on their unique adaptation strategies and highlights common trends and differences in how cosmetic companies navigate complex international trade landscapes.

The chapter is structured into the following sub-chapters:

Sub-chapter One: Analyzing the Impact of International Trade Policies on Huda Beauty Supply Chain

Sub-chapter Two: Analyzing the Impact of International Trade Policies on The Ordinary Supply Chain

Sub-chapter Three: Comparative Evaluation

## Sub-chapter One : Analyzing the Impact of International Trade Policies on Huda Beauty Supply Chain

### 1. Company and supply chain mapping

#### 1.1 Company overview

**Building a community :** Launched by award-winning beauty blogger Huda Kattan in 2013, Huda Beauty is one of the world's fastest-growing beauty brands. Beginning as a blog in 2010, Huda Beauty has fast become the number 1 Beauty Instagram account in the world with over 26 million followers and counting! A lifelong passion for beauty lead Huda to enrol at a prestigious makeup training school in Los Angeles, cultivating a roster of clientele including A-list celebrities and members of a royal family. Soon after, Huda set up her beauty blog HUDBEAUTY.COM and later launched a YouTube channel and an Instagram account by the same name.

**Innovation & Inspiration :** 2013 was the turning point for Huda as she and her sisters Mona and Alya worked together to create a collection of false eyelashes under the Huda Beauty brand name, which would later launch at Sephora in Dubai Mall. Huda's experience in the beauty industry has allowed her to expand the range of complexion products - all of which have been instant best-sellers across the globe. (Huda Beauty, n,d)

#### 1.2 Key cosmetic products

Huda Beauty offers a wide range of high-performance cosmetics and skincare products that have earned global recognition. Among its most popular makeup products are the Easy Bake Loose Baking & Setting Powder, known for its brightening and long-lasting finish, and the FauxFilter Luminous Matte Foundation and Concealer, praised for full coverage with a natural look. The Easy Blur Natural Airbrush Foundation, infused with niacinamide, offers buildable coverage and skincare benefits. Other bestsellers include the intensely pigmented Power Bullet Matte Lipsticks, the versatile Legit Lashes Double-Ended Mascara, and the brand's signature false eyelashes like "Samantha #7." Huda Beauty also co-founded Kayali Fragrances, a perfume line designed for scent layering. In addition to its makeup line, Huda Beauty launched a skincare range under the brand name WISHFUL. This line includes standout products such as the Yo Glow AHA & BHA Enzyme Scrub for gentle exfoliation, the Thirst Trap Cocoon Mask for deep hydration, the Get Even Rose Oil for evening skin tone, the Clean Genie Cleansing Butter for effective makeup removal, and the Honey Whip Peptide Moisturizer for nourishment and skin firmness.

**Table(02) :** Summary of Huda Beauty's Key Products and Feature

The following table presents a selection of Huda Beauty's most prominent cosmetic and skincare products, categorized by type and their key features.

product	type	Key features
Easy Bake Loose Baking & Setting Powder	makeup	Brightening effect, long-lasting finish
FauxFilter Luminous Matte Foundation and Concealer	makeup	Full coverage, natural look

Easy Blur Natural Airbrush Foundation	makeup	Buildable coverage, infused with niacinamide (skincare benefits)
Power Bullet Matte Lipsticks	makeup	Intense pigmentation, matte finish
Legit Lashes Double-Ended Mascara	makeup	Volumizing and lengthening (dual-ended)
Signature False Eyelashes ("Samantha #7")	makeup	Popular for dramatic eye looks
Kayali Fragrances	fragrance	Designed for scent layering
Yo Glow AHA & BHA Enzyme Scrub (WISHFUL)	skincare	Gentle exfoliation, smoother texture
Thirst Trap Cocoon Mask (WISHFUL)	skincare	Deep hydration, revitalizing
Get Even Rose Oil (WISHFUL)	skincare	Evens skin tone, brightening
Clean Genie Cleansing Butter (WISHFUL)	skincare	Effective makeup removal, nourishing
Honey Whip Peptide Moisturizer (WISHFUL)	skincare	Skin nourishment, firmness

**Source :** (Huda Beauty, Huda Beauty Home page, n,d)

As shown in the table, Huda Beauty offers a comprehensive product portfolio spanning makeup, skincare, and fragrances. The brand combines performance with skincare benefits demonstrating a strategic alignment with modern consumer demand for multifunctional beauty solutions.

Manufacturing and packaging are primarily conducted in the United Arab Emirates, leveraging the region's strategic location for efficient distribution to international markets. (Huda Beauty, n,d)

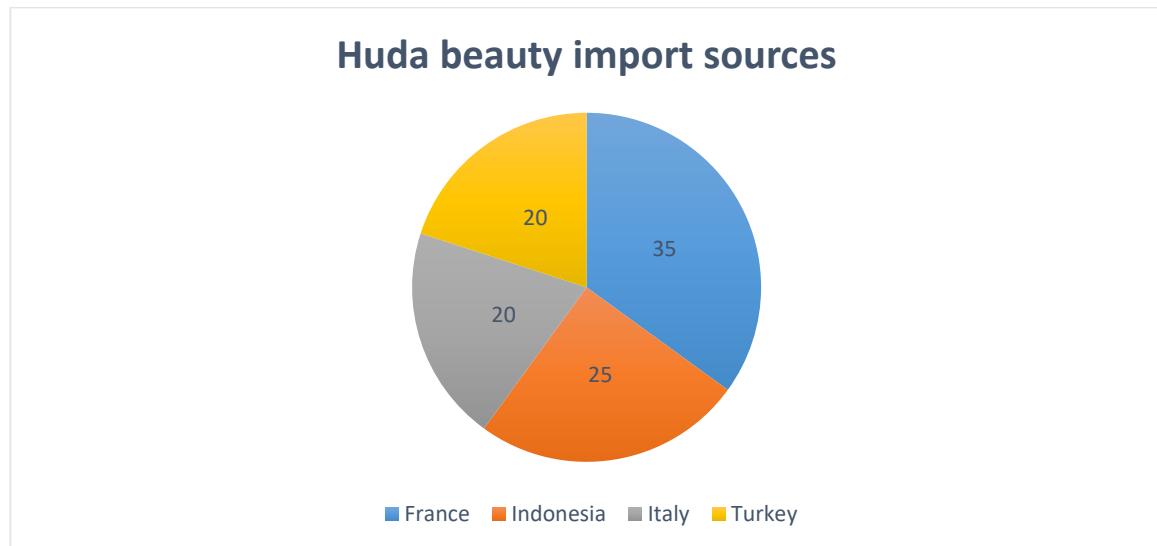
### **1.3 Global trade dependencies (key supplier countries, export/import markets)**

Huda Beauty FZ LLC(free zone limited liability company) , headquartered in Dubai, United Arab Emirates, operates a global supply chain with distinct import and export dynamics.

- Key Supplier Countries (Imports): Huda Beauty sources its products and materials from several countries :
  - France : A primary supplier, notably through companies like Manifesto Factory Groupe Superga In.
  - Indonesia : Provides various cosmetic components.
  - Italy : Supplies cosmetic products and materials.
  - Turkey : A significant source, accounting for a substantial portion of imports.

### Fig (03) : Huda Beauty Key Supplier Countries (Imports)

The following figure provides a visual representation of the main countries supplying imported goods to Huda Beauty's operations.



**Source:** Adapted from Trademo Global Supply Chain Intelligence Database, n.d.

This pie chart illustrates the proportion of imported materials sourced by Huda Beauty from four major countries. France leads as the largest supplier with 35%, followed by Indonesia at 25%. Italy and Turkey contribute equally at 20% each. This distribution highlights Huda Beauty's reliance on European and Asian countries for critical cosmetic components and raw materials, reflecting a diversified but regionally concentrated sourcing strategy.

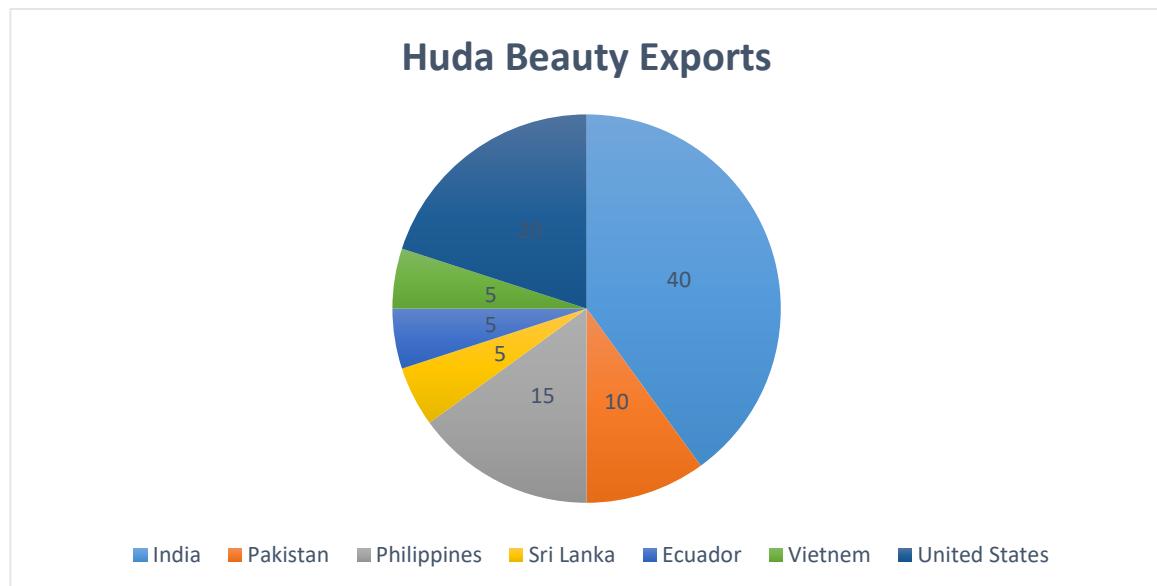
#### - Export Markets :

Huda Beauty exports its products to numerous countries, with the following being the most prominent:

- India : The largest export market, receiving the majority of shipments.
- Pakistan : A significant destination for exports.
- Philippines : Receives a notable share of exports.
- Sri Lanka : An important export market.
- Ecuador : Among the countries importing Huda Beauty products.
- Vietnam : A destination for exports.
- United states : Included in the export markets

**Fig (04) : Huda Beauty exports**

The following figure illustrates the distribution of Huda Beauty's main import sources



**Source:** Adapted from Trademo Global Supply Chain Intelligence Database, n.d.

This pie chart illustrates the distribution of Huda Beauty's exports across seven international markets. India represents the largest share at 40%, indicating it as the brand's most significant export destination. The United States follows with 20%, while the Philippines accounts for 15%. Other notable destinations include Pakistan (10%), Sri Lanka, Ecuador, and Vietnam, each comprising 5% of total exports. This diversification across regions highlights Huda Beauty's strategic expansion and market penetration in both Asian and Western markets.

Despite this, the chart effectively demonstrates the brand's strategic orientation toward key Asian and emerging markets. These export trends reflect Huda Beauty's regional demand strength and its targeted international expansion beyond the Middle East.

- Logistics and Distribution :

In the United Kingdom, Huda Beauty has partnered with Wincanton Group to enhance its e-commerce fulfillment operations. This collaboration involves managing direct-to-consumer supply chains from a dedicated warehouse in Northamptonshire, aiming to improve service to UK retailers and consumers.

Huda Beauty's reliance on a diverse range of supplier countries and its expansive export network, reflecting its global presence in the beauty industry. (trademo, n,d)

## 2. Analysis of trade policies and their effects

### 1.1 Tariffs and Import/Export Regulations

Trade and tariff policies exert significant influence over the cost profile of companies like Huda Beauty, particularly its global distribution and sourcing business model. Tariffs incurred on raw materials—pigments, packaging, and cosmetic ingredients purchased from France, Italy, and Indonesia—have the potential to increase production expenses while entering tariff entry barrier-heavy markets.

Similarly, when exporting finished products to target markets like the European Union, the United States, and parts of Asia, Huda Beauty faces various import duties that can impact ultimate retail prices and profit margins. For instance, the European Union imposes import duties on non-EU cosmetic goods, commonly between 0% and 6.5% depending on the product category. In the United States, tariffs imposed on Chinese goods have hit an effective tariff rate of 145%, which influences the imported cosmetics price. In Asia, the regulations are highly heterogeneous ; countries like China impose heavy labeling for foreign-imported cosmetics, whereas India and Vietnam could have moderate to high tariffs and bureaucratic customs processes. These regulatory differences and trade barriers compel Huda Beauty to make its prices, packaging, and entry strategies responsive to remain competitive and compliant with the policies (jessica, 2025)

### 1.2 Impact of Free Trade Agreements (FTAs)

Free Trade Agreements (FTAs) are a strategic driver of Huda Beauty's procurement and market expansion plans. With headquarters in the United Arab Emirates, which has entered into a number of FTAs through the Gulf Cooperation Council (GCC), Huda Beauty avails itself of lower tariffs and easier customs clearance with partner countries. Such alliances enhance the ease of importing Asian and European raw materials and finished goods for exporting to major consumption markets like India, Singapore, and European Free Trade Association member countries. An example is the 2022 UAE–India Comprehensive Economic Partnership Agreement (CEPA), which eliminated customs charges on over 80% of commodities, like cosmetics, making it easier and less expensive access to one of Huda Beauty's biggest markets. (ministry of economy UAE, 2022) Likewise, the UAE's bilateral trade negotiations with ASEAN and its bilateral trade agreements with nations like Indonesia and Turkey aim to increase bilateral trade in products such as beauty and personal care. (Gulf news, 2023)

### 1.3 Non-Tariff Barriers and Regulatory Compliance

- **Huda Beauty's Mission** : Huda Beauty is committed to conducting its business in accordance with the highest ethical standards and in compliance with all applicable laws and regulations in the territories in which we do business. We aim to exceed requirements of applicable environmental, health and safety laws and regulations, corporate standards and other standards and we reasonably expect our business partners to do the same. Our business partners shall comply with all applicable laws and regulations of the countries and territories in which they conduct their business operations. Our business partners shall strive to comply with industry standards and international standards regarding fair business operations, human rights, labor and the environment (as described more particularly below).

- **Compliance with Applicable Laws** : Huda Beauty's business partners are expected to comply with the law in all circumstances. In cases where applicable law conflicts with the provisions in this policy, our business partners are expected to

comply with the law, while seeking to meet the underlying spirit and principles of this policy.

- Anti-Bribery and Corruption (including gifting) : Huda Beauty requires full compliance with the Foreign Corrupt Practices Act (FCPA), the UK Anti-Bribery Act 2010 and any other applicable anti-bribery and anti-corruption legislation in any territory where our business partners operate. relevant anti-bribery and corrupt payment provisions of applicable legislation make illegal any corrupt offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value to any foreign official, any foreign political party, candidate or official, or any person for the purpose of influencing any act or failure to act, in the official capacity of such a foreign official or party, or inducing such a foreign official or party to use influence to affect a decision of a foreign government or agency, in order to obtain or retain business for anyone, or direct business to anyone, or to obtain a competitive advantage.

- Improper Payments, Gifts and Entertainment : Notwithstanding the provisions of any anti-bribery or related legislation, business partners should be aware that Huda Beauty's employees may not give or receive gifts or entertainment unless such gifts are: not provided in exchange for goods or services; modest in value; infrequent; unsolicited; given on a customary gift giving occasion; reasonable and customary in our business' and permissible under the rules of the suppliers' organization.

Cash and cash equivalents such as gift cards and gift cheques are never acceptable. Gifts of tickets for entertainment of any nature (theater, sporting event, etc.) require that the donor attend the event with the recipient.

Huda Beauty understands that gifting can be an acceptable courtesy especially in cultural or educational contexts. However, gifting must never be provided for the purpose of influencing a third party's any act or failure to act to obtain or retain business for anyone or to obtain a competitive advantage.

- Money laundering, trade restrictions and international sanctions : Huda Beauty requires its business partners to commit to taking all appropriate measure to prevent their operations (especially those involving Huda Beauty's business) from being used as vehicles for money laundering. Money laundering may occur where efforts seek to mask or hide the origin of money or assets associated with criminal or other illegitimate activities.

Huda Beauty commits to respecting and complying with trade restrictions especially international sanctions. Therefore, our business partners must respect international trade restrictions and sanctions considering any changes in these measures, especially export restrictions.

- Respecting Competition Law : Huda Beauty seeks to comply with applicable competition laws, such as anti-trust laws. Consequently, our business partners must be committed to compliance with applicable competition laws including without limitation those around concerted practices, unlawful agreements and abuse of dominance. (Hyda Beauty, n,d)

#### **1.4 Sustainability and Ethical Sourcing Regulations**

- Ethical labor practices and social responsibilities :

- Overall : The nature of our business is such that we are committed to providing a transparent approach to our supply chain scrutiny, including where applicable publishing statements under prevailing legislation to demonstrate our compliance with (inter alia) The Modern Slavery Act 2015 (UK); Modern Slavery Act 2018 (Commonwealth Act); and the California Transparency in Supply Chains Act, among others.

We apply the requirements, principles and spirit of the above legislation to our global business; and our business partners are required to be compliant with the same requirements and principles or their equivalent local legislation (regardless of where they are based).

- Child Labor : Huda Beauty's suppliers must not employ child labor under any circumstances. The term "child" means any person under the age of 15 or under the minimum age for employment in the relevant country where our business partner operates, whichever is greater. In addition, business partners shall take sufficient care to ensure that there will not be any prevention of the opportunity for education to be provided to children.
- Forced labor: business partners shall not be involved, in any way, in any forced labor, including labor under conditions of slavery, labor with physical or psychological constraint, and human trafficking.
- Voluntary employment : In hiring their employees, business partners shall explain the employment conditions so that employees will be able to enter the business partner based on their own discretion after having fully understood such conditions. Further, business partners shall grant their employees the right to freely leave their employment with the business partner in accordance with prevailing legislation. (Hyda Beauty, n,d)

Unless otherwise expressly set forth in the laws or regulations, suppliers shall not restrict the freedom of their employees, including by way of unduly imposing fees or advance payments relating to their employment, or confiscating or destroying passports, identification documents or work permits, etc.

- Working conditions: In relation to employment conditions, business partners shall comply with all applicable labor-related laws and regulations of the countries and territories in which suppliers conduct their business operations and shall agree to conditions under which human rights are respected.
- Working Hours : Huda Beauty's business partners must uphold the local legal limit on hours worked.
- Wages: Huda Beauty's business partners must pay their employees the legal minimum wage (where applicable in the relevant territory) or the prevailing industry wage (whichever is higher) as well as any legally prescribed benefits. Workers must not be subject to financial penalties for poor performance or face illegal deductions.
- Discrimination : Huda Beauty's business partners must not subject their workers to any unfair or unjustified discrimination with regard to hiring, remuneration, promotion or termination. Any employment decisions must be based on worker ability and not on personal characteristics such as race, creed, color, religion, gender, age, national origin, alienage or citizenship status, sexual orientation, gender identity or

expression, marital, partnership or familial status, disability, genetic information, veteran/military status, domestic violence victim status or any other characteristic protected by law.

- Harassment or abuse : our business partners must treat their employees and contractors with respect and dignity; moreover, they must not tolerate or engage in any corporal punishment, physical, verbal or psychological harassment or any other kind of abuse at any time.
- Freedom of Association: Huda Beauty's business partners must recognize applicable laws which protect the right of employees to freely associate and to select or not to select workplace representatives whether under collective agreements or otherwise.
- Health and Safety : Huda Beauty's business partners must ensure that their workers perform their work in clean, healthy and safe environments. Any residential facilities must be similarly maintained. Work areas must be of a standard to prevent accidents and illnesses and to ensure an adequate level of sanitation. These standards shall also apply to any housing provided by our business partners to those workers.
- Communication : Huda Beauty business partners must make all reasonable efforts to communicate these Ethical Standards to workers, contractors and sub-contractors and must ensure that those workers have the opportunity to ask questions and make complaints under these Ethical Standards.
- Human Rights : Huda Beauty's suppliers must always treat their workers with respect and dignity. They must not engage in any kind of physical, verbal, psychological or sexual abuse or misconduct. (Hyda Beauty, n,d)

Business partners shall respect the land rights, culture, custom, and religion of indigenous people and shall conduct their business operations based on such respect. Business partners shall respect the traditional knowledge and the rights in relation to genetic resources of indigenous people and shall strive not to exploit the interests of indigenous people in a one-sided manner.

Business partners shall treat migrant workers in the same capacity as local workers. In addition, business partners shall treat foreign workers and migrant workers in a just manner and provide such workers with transparent employment conditions as well as good working and living conditions. (Hyda Beauty, n,d)

Business partners shall also: reimburse migrant workers' employment-related commissions, etc.; not hire any illegal migrant workers; neither confiscate ID documents of migrant workers nor keep migrant workers' money in trust; and understand the scope of this Ethical Standards includes workers employed through an agency or contractor. (Hyda Beauty, n,d)

- Environment protection and ethical testing

- Overall: Business partners shall recognize the importance of preserving the environment, and, through their business activities, shall maintain a proactive stance toward such preservation and work to contribute to the development of a sustainable society through measures such as preserving biodiversity, controlling greenhouse gas emissions, reducing waste materials and drainage, conserving resources, recycling, and preventing pollution.

Business partners shall comply with all environment-related laws and regulations applicable to the countries and territories where suppliers conduct their business operations and the Responsible Sourcing of Palm Oil standards as set out by the Round Table on Sustainable Palm Oil.

- Animal Testing: Huda Beauty is fundamentally opposed to any animal testing in its product supply chain and suppliers will be required to comply and collaborate with us in our auditing activities under these Ethical Standards and Leaping Bunny compliance requirements. Huda Beauty will review its continued business partnership where we consider that a business partner's activities may detrimentally impact our reputation (including any certification or similar approvals).
- Reduce waste and materials: our supply chain business partners in particular will continuously improve to minimize their use of raw materials and packaging materials as well as maximise the use of recycled and recyclable materials in the production of Huda Beauty products. (Hyda Beauty, n,d)

### **1.5 Digital Trade and E-commerce Challenges**

- The European GDPR and others like it

The EU GDPR is one of the world's strictest privacy laws, and several other regions have laws based on it.

It outlines strict requirements for the cross-border transfer of personal information in Chapter 5, Articles 44 - 50, and several of those other laws adopted similar guidelines.

The European Commission can make 'adequacy decisions' to deem third countries or international organizations as ensuring adequate protection over the data, legally permitting the flow of information to those regions.

For example, the adequacy decision allowing the transfer of data from the EU to the US is the EU/US Data Privacy Framework.

In other words, if no adequacy decision exists, data can only be transferred internationally if the controller or processor can prove they've: Implemented appropriate security measures and safeguards to protect the data in line with the GDPR requirements, and On the condition that the data subjects can still fully follow through on all of their privacy rights outlined by the Regulation.

This can be achieved by creating standard contractual clauses (SCCs) with international organizations receiving the data, requiring them to honor these GDPR guidelines.

Below is a list of other laws from around the world that adopted similar data transfer guidelines as the EU GDPR:

- UK General Data Protection Regulation (UK GDPR)
- Australia Privacy Act
- Brazil's General Data Protection Law (LGPD)
- China's Personal Information Protection Law (PIPL)
- New Zealand Privacy Act 2020
- South Africa Protection of Personal Information Act (PoPIA)

E-commerce businesses subject to these laws must follow all international data transfer requirements.

Otherwise, you risk getting fined for noncompliance and the cessation of all data processing.

- North American privacy laws

Several privacy laws in North America impact how e-commerce businesses process personal data from consumers.

While some of these laws don't explicitly address cross-border transfers of data in the same way as the GDPR, they could still apply to your business, making you subject to meeting all legal obligations. (masha, 2025)

For example, in the U.S., state-level laws like the California Consumer Privacy Act (CCPA) protect consumers in specific states. These laws can impact your business no matter where you're located, including outside the U.S.

The same goes for federal laws like the Children's Online Privacy Protection Act (COPPA), which apply to any business globally targeting children in the U.S.

In Canada, laws like the Personal Information Protection and Electronic Documents Act (PIPEDA) and Quebec's Law 25 dictate how data is collected, processed, and transferred to third countries. (masha, 2025)

Huda Beauty has taken legal action to protect its brand against counterfeit products. The company secured a permanent injunction against entities infringing on its trademark, highlighting its commitment to enforcing intellectual property rights in the e-commerce space (manisha & angelina, 2024)

## Sub-chapter two : Analyzing the Impact of International Trade Policies on the Ordinary Supply Chain

### 1. Company and supply chain mapping

#### 1.1 Company overview

The Ordinary is a Canadian skincare brand introduced in 2016 under the parent company DECIEM, which is highly reputed for its commitment to ingredient transparency, ethics, and science-driven skincare. The brainchild of visionary founder Brandon Truaxe, the brand was envisioned to disrupt traditional beauty industry norms by offering effective products with minimalist formulations and clear labeling. With a focus on affordability without compromising on quality, The Ordinary quickly garnered international acclaim for disrupting the premium skincare market and setting a new standard for consumer transparency. The brand has expanded globally through partnerships with leading retailers and, in 2021, was acquired by Estée Lauder Companies in a majority stake, further cementing its status as a modern leader in the global skincare industry. (the ordinary, n d)

#### 1.2 Key cosmetic products

The Ordinary offers a range of skincare products formulated with active ingredients to address various skin concerns. For facial care, their lineup includes serums like Niacinamide 10% + Zinc 1%, which targets oil control and brightens the skin; Hyaluronic Acid 2% + B5, known for its hydrating and plumping effects; and Multi-Peptide + HA Serum, designed to combat early signs of aging. Exfoliation and texture improvement are addressed by products like Glycolic Acid 7% Exfoliating Toner and AHA 30% + BHA 2% Peeling Solution. For body care, The Ordinary has extended its formulations to cater to broader skin concerns, ensuring comprehensive skincare solutions. (the ordinary, the ordinary home page, n d)

**Table(03) : The Ordinary's key cosmetic products**

The following table presents a selection of The Ordinary's key cosmetic products :

Product name	Primary benefits
Niacinamide 10% + Zinc 1%	Oil control, brightens, smooths skin
Hyaluronic Acid 2% + B5	Deep hydration, plumps skin
Multi-Peptide + HA Serum	Targets early signs of aging
Glycolic Acid 7% Exfoliating Toner	Evens texture and tone, enhances radiance
AHA 30% + BHA 2% Peeling Solution	Exfoliates, improves skin texture
Natural Moisturizing Factors + HA	Supports skin barrier, hydrates
Squalane Cleanser	Removes makeup, softens skin
Caffeine Solution 5% + EGCG	Reduces dark circles and puffiness
Multi-Peptide + Copper Peptides 1%	Addresses advanced signs of aging
Natural Moisturizing Factors + PhytoCeramides	Nourishes and plumps skin

**Source :** (the ordinary, the ordinary home page, n d)

This table illustrates The Ordinary's focus on evidence-based skincare through active ingredients that address hydration, aging, exfoliation, and skin barrier support. The brand's product line reflects its commitment to minimalism and effectiveness across both facial and body care categories.

### **1.3 Global trade dependencies (key supplier countries, export/import markets)**

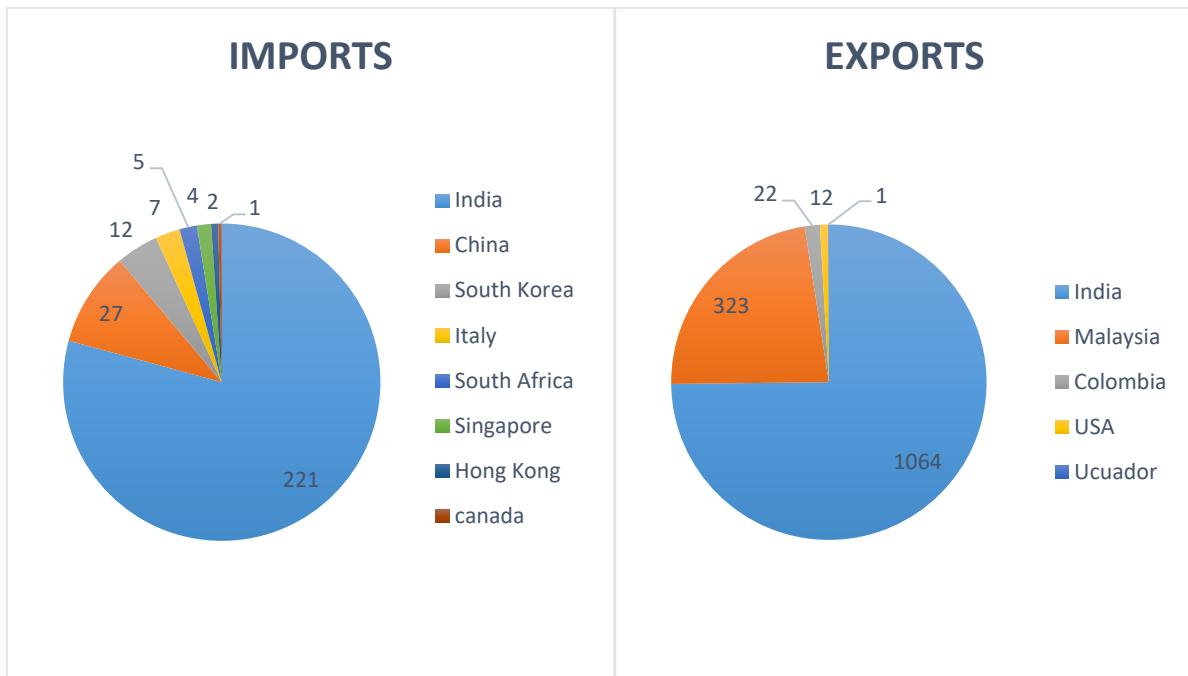
The Ordinary, operating under DECIEM, is headquartered in Toronto, Canada. The company maintains a comprehensive global supply chain, importing essential materials and exporting finished products to various international markets.

- Key Supplier Countries (Imports) :DECIEM sources its products and materials from several countries:
  - China: A primary supplier, providing various cosmetic components.
  - India: Supplies a range of cosmetic materials.
  - South Korea: Offers advanced skincare technologies and ingredients.
- Export Markets :DECIEM exports its products to numerous countries, with the following being the most prominent:
  - India: The largest export market, receiving the majority of shipments.
  - Malaysia: A significant destination for exports.
  - Colombia: An important export market (volza, 2025)
    - Global Logistics and Distribution :The Ordinary's global operations are supported by in-house manufacturing facilities located in:
      - Canada (headquarters & major production)
      - United Kingdom
      - United States
      - Switzerland and Belgium (minor production or formulation hubs)

This setup enables The Ordinary to maintain product consistency, reduce lead times, and meet compliance standards across different regions. (The Estée Lauder Companies, 2024)

#### **Fig(05) :the ordinary imports and exports**

This Figure illustrates the import and export distribution of The Ordinary's cosmetic supply chain across key countries.



**Source:** Adapted from Volza trade analytics platform (2025)

This figure presents two pie charts comparing The Ordinary's key import and export partners. On the left, India stands out as the leading supplier country with 221 recorded transactions, followed by China with 27, and South Korea with 12. These values suggest strong sourcing ties in Asia, reflecting the region's role in raw material and cosmetic component supply.

On the right, exports show an even stronger focus on India, which receives over 1,060 shipments—by far the largest share—indicating that India is not only a supplier but also a major consumer market. Malaysia (323) and Colombia (22) are also significant export destinations. This export structure highlights The Ordinary's strategic focus on emerging markets and high-demand regions.

## 2. Analysis of trade policies and their effects

### 1.1 Tariffs and Import/Export Regulations

The Ordinary, under its parent company DECIEM, operates a global supply chain that is sensitive to international tariffs and trade regulations. While the company strives to maintain "sensible pricing" to keep skincare accessible, fluctuations in tariffs can influence product costs. For instance, in 2025, The Ordinary announced price adjustments in markets like Korea and Mexico to align with global pricing strategies, reflecting the company's response to varying economic and regulatory landscapes (amanda, 2025). Additionally, DECIEM acknowledges that international orders may be subject to customs fees, brokerage charges, and taxes, which are the customer's responsibility. These factors underscore the complexities The Ordinary faces in navigating global trade policies while aiming to provide affordable skincare solutions (the ordinary, the ordinary FAQ, n.d.).

## 1.2 Impact of Free Trade Agreements (FTAs)

The Ordinary, under its parent company DECIEM Inc., benefits from various Free Trade Agreements (FTAs) that Canada has established with other countries. These agreements facilitate smoother international trade by reducing tariffs and simplifying customs procedures.

### - Key FTAs Benefiting DECIEM

- Canada-European Union Comprehensive Economic and Trade Agreement (CETA): This agreement eliminates 98% of tariffs between Canada and the EU, allowing DECIEM to export products like The Ordinary's skincare line to European markets with reduced costs.
- United States-Mexico-Canada Agreement (USMCA): Formerly known as NAFTA, USMCA provides DECIEM with tariff-free access to the U.S. and Mexican markets, streamlining the export process and reducing costs.
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): This agreement includes countries like Japan, Australia, and Malaysia, expanding DECIEM's reach into the Asia-Pacific region with favorable trade terms.

### - Effects on The Ordinary :These FTAs enable DECIEM to:

- Reduce costs associated with exporting products, leading to more competitive pricing in international markets.
- Simplify customs procedures, resulting in faster delivery times and improved customer satisfaction.
- Expand its global footprint by entering new markets with reduced trade barriers.
- By leveraging these agreements, DECIEM enhances its operational efficiency and strengthens The Ordinary's position in the global skincare industry.

## 1.3 Non-Tariff Barriers and Regulatory Compliance

The Ordinary, under its parent company DECIEM Inc., navigates a complex landscape of non-tariff barriers and regulatory compliance across its global operations. These non-tariff measures, including stringent regulatory standards, labeling requirements, and ethical sourcing mandates, significantly influence the company's product development, supply chain management, and market entry strategies.

- Regulatory Compliance in Key Markets
- Canada

In Canada, Health Canada mandates that all cosmetic products be notified through a Cosmetic Notification Form (CNF) within 10 days of sale. This process requires disclosure of a complete ingredient list and company details. Additionally, Health Canada maintains a Cosmetic Ingredient Hotlist, which outlines prohibited or restricted substances. Manufacturers must ensure their products do not contain any ingredients that pose health risks or violate this list. Bilingual labeling (English and French) is also mandatory, along with International Nomenclature of Cosmetic Ingredients (INCI) names, product function, and net quantity.

- United States

The U.S. Food and Drug Administration (FDA) oversees cosmetic products under the Modernization of Cosmetics Regulation Act (MoCRA), enacted in 2023. Under MoCRA, cosmetic companies must register their manufacturing facilities and list their products with the FDA. The FDA also requires companies to maintain safety substantiation for their products, ensuring they are safe under intended use. Labeling requirements include ingredient lists, product identity, and contact information for a responsible person. Future rulemaking is expected to introduce fragrance allergen disclosures. (Andrew, 2025)

- European Union

The European Union's Cosmetic Products Regulation mandates comprehensive safety assessments for all cosmetics before they can be marketed. The EU maintains a list of banned and restricted substances to ensure consumer safety (PMR, 2024). Additionally, the EU requires the disclosure of certain fragrance allergens within the list of ingredients when present above specified limits. Health Canada aligns with these EU requirements to support trade and regulatory convergence. (Government of Canada, 2024)

- Ethical Sourcing and Supply Chain Transparency

DECIEM is committed to ethical sourcing and supply chain transparency. The company requires all suppliers to comply with its Supplier Code of Conduct, which prohibits child labor, human trafficking, and other unethical practices. Suppliers are subject to evaluations and, in some cases, third-party audits to ensure compliance. Non-compliance can lead to corrective actions or termination of business relationships. (the ordinary, the ordinary ethical sourcing policy, n.d)

- Impact on The Ordinary

Navigating these non-tariff barriers requires The Ordinary to invest in regulatory expertise, adapt product formulations to meet regional standards, and maintain rigorous documentation. While these measures ensure product safety and ethical practices, they also introduce complexities in product development and distribution. However, compliance with these regulations enhances consumer trust and facilitates smoother market entry across different regions.

#### **1.4 Sustainability and Ethical Sourcing Regulations**

DECIEM, the parent company of The Ordinary, acknowledges the inherent challenges in achieving full sustainability within the beauty industry but is actively working to minimize its environmental impact through several initiatives. The company has set ambitious packaging goals, aiming for 85–100% of its packaging to be recyclable, refillable, reusable, recycled, or recoverable by 2025. Additionally, DECIEM plans to increase the amount of post-consumer recycled material in its product packaging and ensure that 100% of its forest-based fiber cartons are Forest Stewardship Council (FSC) certified. To further promote sustainability, DECIEM offers an in-store recycling program, allowing customers to recycle product empties from any beauty brand, although this program is currently unavailable in South Korea and California. In terms of ethical sourcing, DECIEM enforces a strict Supplier Code of Conduct, which prohibits practices such as forced, trafficked, child, prison, indentured, or bonded labor,

and any form of coercion or abuse. All new suppliers are required to acknowledge and comply with this code, and the company conducts evaluations and, in some cases, third-party audits to ensure adherence. Non-compliance can result in corrective actions or termination of business relationships. Furthermore, DECIEM has taken steps to reduce the risk of slavery and human trafficking within its supply chains by implementing policies and procedures that require both the company and its contractors to conduct business in a lawful, ethical, and responsible manner. These efforts reflect DECIEM's commitment to sustainability and ethical practices within its operations and supply (the ordinary, the ordinary about us, n d)

### **1.5 Digital Trade and E-commerce Challenges**

DECIEM, the parent company of The Ordinary, has faced several challenges in adapting to the rapidly evolving digital trade and e-commerce landscape. Initially, the company's homegrown e-commerce platform lacked essential features such as product filters, recommended products, and a guided product selector experience. This limited automation necessitated manual intervention for processes like inventory management and content updates, hindering scalability and reducing the velocity of updates . To address these issues, DECIEM partnered with Valtech to enhance its digital infrastructure, aiming to improve inventory management, content updates, and overall customer experience . Furthermore, DECIEM's commitment to transparency is evident in its launch of "The Truth Should Be Ordinary," a platform providing free access to scientific white papers to combat misinformation in the beauty industry . These initiatives underscore DECIEM's proactive approach to addressing the complexities of digital trade and e-commerce in the global market (valtech, n d)

## Sub-chapter three : Comparative Evaluation

### Comparative Evaluation of International Trade Policies on Huda Beauty and The Ordinary

**Table (04):** Comparative Overview of Trade Policy Impacts on Huda Beauty and The Ordinary

This comparative analysis evaluates how international trade policies influence the operations of two major cosmetic brands, Huda Beauty and The Ordinary. The assessment considers five key policy areas, highlighting their impact on costs, supply chain disruptions, compliance, and adaptation strategies.

Policy Area & Impact	Huda Beauty	The Ordinary
Tariffs and Import/Export Regulations - Costs	Tariffs from EU, US, and Asia raise costs. Adjusted prices to remain competitive.	Adjusts prices in markets like Korea and Mexico. Customs fees handled by customers.
Tariffs and Import/Export Regulations - Supply Chain Disruptions	Tariffs from EU, US, and Asia raise costs. Adjusted prices to remain competitive.	Adjusts prices in markets like Korea and Mexico. Customs fees handled by customers.
Tariffs and Import/Export Regulations - Compliance & Documentation	Tariffs from EU, US, and Asia raise costs. Adjusted prices to remain competitive.	Adjusts prices in markets like Korea and Mexico. Customs fees handled by customers.
Tariffs and Import/Export Regulations - Adaptation Strategies	Tariffs from EU, US, and Asia raise costs. Adjusted prices to remain competitive.	Adjusts prices in markets like Korea and Mexico. Customs fees handled by customers.
Free Trade Agreements (FTAs) - Costs	Utilizes UAE FTAs (e.g., CEPA with India) for cheaper access and streamlined customs.	Benefits from CETA, USMCA, CPTPP for reduced tariffs and better market reach.
Free Trade Agreements (FTAs) - Supply Chain Disruptions	Utilizes UAE FTAs (e.g., CEPA with India) for cheaper access and streamlined customs.	Benefits from CETA, USMCA, CPTPP for reduced tariffs and better market reach.
Free Trade Agreements (FTAs) - Compliance & Documentation	Utilizes UAE FTAs (e.g., CEPA with India) for cheaper access and streamlined customs.	Benefits from CETA, USMCA, CPTPP for reduced tariffs and better market reach.
Free Trade Agreements (FTAs) - Adaptation Strategies	Utilizes UAE FTAs (e.g., CEPA with India) for cheaper access and streamlined customs.	Benefits from CETA, USMCA, CPTPP for reduced tariffs and better market reach.
Non-Tariff Barriers & Regulatory Compliance - Costs	Enforces strict ethical codes, anti-bribery, compliance across all markets.	Complies with Health Canada, FDA (MoCRA), EU regulations. Adapts formulations as needed

Non-Tariff Barriers & Regulatory Compliance - Supply Chain Disruptions	Enforces strict ethical codes, anti-bribery, compliance across all markets.	Complies with Health Canada, FDA (MoCRA), EU regulations. Adapts formulations as needed.
Non-Tariff Barriers & Regulatory Compliance - Compliance & Documentation	Enforces strict ethical codes, anti-bribery, compliance across all markets.	Complies with Health Canada, FDA (MoCRA), EU regulations. Adapts formulations as needed.
Non-Tariff Barriers & Regulatory Compliance - Adaptation Strategies	Enforces strict ethical codes, anti-bribery, compliance across all markets.	Complies with Health Canada, FDA (MoCRA), EU regulations. Adapts formulations as needed.
Sustainability and Ethical Sourcing Regulations - Costs	Applies Modern Slavery Act principles globally. No child labor. Zero tolerance for abuse.	Targets 100% recyclable packaging by 2025. Enforces ethical supplier code with audits.
Sustainability and Ethical Sourcing Regulations - Supply Chain Disruptions	Applies Modern Slavery Act principles globally. No child labor. Zero tolerance for abuse.	Targets 100% recyclable packaging by 2025. Enforces ethical supplier code with audits.
Sustainability and Ethical Sourcing Regulations - Compliance & Documentation	Applies Modern Slavery Act principles globally. No child labor. Zero tolerance for abuse.	Targets 100% recyclable packaging by 2025. Enforces ethical supplier code with audits.
Sustainability and Ethical Sourcing Regulations - Adaptation Strategies	Applies Modern Slavery Act principles globally. No child labor. Zero tolerance for abuse.	Targets 100% recyclable packaging by 2025. Enforces ethical supplier code with audits.
Digital Trade & E-commerce Regulations - Costs	Adheres to GDPR, combats counterfeits legally. Partnered with Wincanton for fulfillment.	Faced platform limits, rebuilt e-commerce with Valtech. Follows global data privacy laws.
Digital Trade & E-commerce Regulations - Supply Chain Disruptions	Adheres to GDPR, combats counterfeits legally. Partnered with Wincanton for fulfillment.	Faced platform limits, rebuilt e-commerce with Valtech. Follows global data privacy laws.
Digital Trade & E-commerce Regulations - Compliance & Documentation	Adheres to GDPR, combats counterfeits legally. Partnered with Wincanton for fulfillment.	Faced platform limits, rebuilt e-commerce with Valtech. Follows global data privacy laws.
Digital Trade & E-commerce Regulations - Adaptation Strategies	Adheres to GDPR, combats counterfeits legally. Partnered with Wincanton for fulfillment.	Faced platform limits, rebuilt e-commerce with Valtech. Follows global data privacy laws.

**Source:** Compiled by the student based on data from official company websites, regulatory sources (Canada.ca, FDA.gov, MoCRA), and news publications (Gulf News, Amanda 2025, Valtech).

This table compares how Huda Beauty and The Ordinary respond to various trade policy challenges. While both aim to ensure ethical, sustainable, and globally compliant operations, Huda Beauty leans heavily on UAE bilateral agreements and regulatory controls, whereas The Ordinary benefits from Canada's global trade agreements and focuses on sustainable innovation, digital infrastructure upgrades, and region-specific product adaptation.

## Summary

Chapter Two analyzes the supply chain models of **Huda Beauty**, headquartered in the UAE, and **The Ordinary**, based in Canada under DECIEM, to evaluate the impact of international trade policies. The chapter finds that both companies rely on globally dispersed sourcing and face challenges due to tariffs, import/export duties, and regulatory disparities across regions. **Huda Beauty** benefits from FTAs under the Gulf Cooperation Council, allowing smoother access to Asian and European markets, while **The Ordinary** leverages Canadian agreements such as CETA and USMCA to reduce costs and expand into the EU and North America.

Regarding non-tariff barriers, both brands invest heavily in compliance and ethical sourcing, with **Huda Beauty** focusing on detailed ethical standards and **The Ordinary** implementing sustainability targets and responsible sourcing protocols. Digital trade policies, such as GDPR and e-commerce data privacy laws, further shape their marketing and customer service models. Despite differences in strategy and scale, both companies share a commitment to transparent supply chains, regulatory compliance, and digital innovation.

# General Conclusion

## **Conclusion :**

Worldwide trade policy—from tariffs and custom duties to free trade pacts, product testing, and digital commerce regulation—has become influential forces in shaping the nature of cosmetic supply chains. They dictate where businesses purchase, produce, price, and access their customers. At the same time, non-tariff barriers such as safety certificates, green passports, and ingredient restrictions both create operational challenges and quality objectives which businesses walk tightly to maintain competitive advantage worldwide.

The global character of the cosmetics supply chain is an inherent aspect of the business. Raw materials are likely to be sourced in one country, made in another, assembled in a third, and distributed in dozens more. The global interconnectedness renders the industry highly vulnerable to the pressures of geopolitical tensions, trade wars, shifts in tariff regimes, and evolving sustainability requirements. Compliance with regulations becomes more complicated when companies have operations across several jurisdictions, each with its own demands of product safety, ethical sourcing, and environmental stewardship.

Among these pressures, a pattern of strategic adaptation is emerging. Power brands have begun to diversify supply bases, deepen alliances with local distribution partners, invest in digital infrastructure, and integrate sustainability as a core part of value chains. These actions are defensive responses to pressures of trade policy as well as precautionary moves toward building more open, resilient, and consumer-synchronized global supply systems.

The connection between trade policy and supply chain management is no longer at the margins of the cosmetics market—it is in the center. Governmental policies regarding trade rules, bilateral trade agreements, and environmental policy directly affect product availability, cost drivers, and global brand expansion. As international trade becomes more digital, data-oriented, and green, those companies that embrace regulatory foresight and supply chain ingenuity will be better positioned to thrive in an aggressive, rapid-paced marketplace.

Overall, the cosmetics industry is now an open reflection of how global policy settings determine industry performance. Not only will success in the skincare and cosmetic industry in the future depend on product excellence and marketing savvy, but also on exemplary management of global commerce, flexibility in compliance, and prowess in transforming the complexity of regulation into operational excellence.

The subject of the research focused on the impact of international trade policies on the cosmetic industry's supply chain , we have addressed this issue by combining theoretical study and case study. We reached the following results and recommendations.

### **Testing of Hypotheses :**

H1 was validated as both companies experienced cost increases due to tariffs, but the magnitude differed: Huda Beauty sourced more from tariff-heavy regions, while The Ordinary was more exposed to North American policies.

H2 was confirmed, as Huda Beauty diversified sourcing and improved regional logistics, while The Ordinary invested in digital operations and aligned pricing strategies.

H3 and H4 were partially validated, showing that FTAs benefited both, but their sustainability and ethical sourcing responses were shaped by different regulatory and brand values.

### **Key findings :**

- Trade policies significantly shape operational costs – Tariffs on raw materials and finished goods impact pricing strategies for both Huda Beauty and The Ordinary, necessitating periodic price adjustments.
- Free Trade Agreements (FTAs) offer crucial cost and access advantages – Huda Beauty benefits from GCC and bilateral FTAs (e.g., UAE–India CEPA), while The Ordinary utilizes Canada's FTAs like CETA and CPTPP for cost reduction and faster market access.
- Regulatory compliance and ethical sourcing are central to supply chain sustainability – Both brands enforce supplier codes of conduct and implement internal audits to ensure alignment with global labor, environmental, and safety standards.
- Digital trade regulations such as GDPR and CCPA require companies to restructure digital practices – Data governance frameworks affect consumer engagement strategies and impose compliance costs.
- Strategic adaptations vary between companies – Huda Beauty emphasizes logistics partnerships and supplier diversification, while The Ordinary prioritizes manufacturing proximity and investment in digital infrastructure.
- Both brands show resilience by aligning business models with shifting trade environments – This includes reshoring initiatives, supplier flexibility, and consumer-centric transparency efforts.

## **Recommendations :**

- Enhance Policy Sensitivity Throughout Supply Chain Functions :Cosmetic businesses must integrate monitoring of trade policy into supply chain management. Maintaining specialized staff or hiring trade consultants can allow for policy change anticipation and advance planning in adapting operations.
- Diversify Supplier Networks and Localize Where Possible :To reduce dependence on single-source vendors or politically sensitive regions, companies must seek supplier diversification. Where possible, regional or local production hubs can also reduce the impact of tariffs and delays.
- Invest in Compliance and Regulatory Expertise :With the diversity of product regulation globally, companies must invest in in-house or third-party regulatory experts who can manage certifications, labeling, and health standards efficiently. This not only ensures compliance but accelerates time-to-market.
- Leverage Free Trade Agreements for Market Expansion :Firms need to align sourcing and export planning with FTAs in action. Familiarity with the tariff benefits and origin requirements of each agreement can lead to new markets with lowered trade barriers.
- Implement Sustainable Sourcing and Transparent Practices :Consumer and regulatory pressure will continue to push cosmetic brands toward more sustainable practices. Integrating ESG values into the supply chain will not only reduce regulatory risk but also brand loyalty.
- Enhance E-commerce Trade Abilities :With online selling channels growing, brands must comply with online trade regulations like data protection, cross-border taxation, and e-commerce labelling. Investment in digital infrastructure and agile logistics will be central.
- Promote Public-Private Partnership on Trade Advocacy :There should be involvement of the industry leaders in national and regional trade consultations in order to assist in developing more harmonized and business-conducive policies. Public-private partnership will assist in simplifying non-tariff barriers as well as encouraging regulatory coordination.
- Construct Risk Management and Scenario Planning Models :To react quickly to potential future trade disturbances, cosmetic businesses ought to employ scenario-based models of risk that take into account various tariff, regulatory, or logistical scenarios. This increases supply chain resilience and strategic choice-making.

### **Future research prospects :**

The dynamic nature of global trade policies and increasing global supply chain complexities offer infinite avenues to investigate further in the cosmetic industry. While this thesis has investigated just one case, more extensive studies need to be established to further knowledge and strengthen industry conclusions. Future studies should be set in preparation and opening the door for other investigations with the following:

1. The Impacts of Currency Volatility on Global Cosmetic Supply Chains
2. Trade Finance Concerns in the Beauty and Personal Care Industry
3. The Facilitation Role of Export Credit Agencies for Global Expansion of Cosmetic Brands
4. Impacts of Customs Duties on Margins in Cosmetics International Trade
5. Regional Trade Agreements and Their Fiscal Consequences for Beauty Startups
6. Multinational Cosmetic Supply Chains' Financial Risk Management
7. Impacts of Import Tariff Strategies on Investment Tactics in the Cosmetic Sector
8. Cross-border Payment Systems and E-commerce Expansion in the Global Skincare Industry
9. The Influence of International Tax Agreements on Cosmetic Brands Operating Across Jurisdictions
10. The Contribution of Trade Liberalization to Foreign Direct Investment in the Beauty Sector

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## General conclusion

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