**Capstone Project**

**Export Plan**

**Ulta Beauty Inc. expansion into Canada**



**Cosmetics and Personal Care**

**Mastering International Trade 23F\_MGT1214\_320**

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**1. Introduction**

**1.1 Business history**

Once known as Ulta Salon, Cosmetics & Fragrance Inc. and earlier Ulta3, Ulta Beauty Inc. is the now publicly trading chain of American beauty stores under this well-known name headquartered in Bolingbrook, Illinois (LinkedIn: Ulta Beauty, 2023). Ulta’s product mix includes cosmetics, fragrances, beauty products, haircare, bath and body products, skincare and salon styling tool and has salon services at its locations (Ulta Beauty Inc., 2023). The retailer has a complete line of cosmetics, artistry make up, fragrance, bath and body goodies, haircare products, salon services and other items from both the lower cost and high-end products.

At each of the Ulta Beauty stores, customers can have from a wide range of national brands, including the best known, most that are like MAC Cosmetics, Kylie Cosmetics, and ColourPop cosmetics (Ulta Beauty Inc., 2023).

**1.2a Vision statement**

“To be the most loved beauty destination of our guests and the most admired retailer by our Ulta Beauty associates, communities, partners and investors.” – (Ulta Beauty Inc., 2023) Ever since Ulta Beauty was created, it has prided itself on its originality by doing things to stand out from other companies. In the beginning, Ulta Beauty focused on invention, as it came up with “All Things Beauty, All in One Place” which designed an actual store that fit the way beauty lovers wanted to shop. (Ulta Beauty Inc., 2023).

**1.2b Mission statement**

“Every day, we use the power of beauty to bring to life the possibilities that lie within each of us — inspiring every guest and enabling each associate to build a fulfilling career.” - (Ulta Beauty Inc., 2023)

**1.3 Purpose of the export plan**

The purpose of Ulta Beauty making a presence in Canada is to become a global brand with the ability to win in new geographies, and to expand learnings, core capabilities and value proposition from the US to other parts of the globe. To reach its key objectives and target of sustainable growth that provides for attractive total returns for shareholders, the firm outlined a group of strategic pillars and company initiatives that will guide our growth in the coming years. These strategic pillars include brand positioning, guest experiences, game changing flagship locations, e-commerce expansion plans. And product and services portfolio.

**1.4a Organizational goals and objectives**

Ulta Beauty plans to renew society's idea of beauty and change the perception of it. They are engaged in making the change for leading causes and giving more well-worth drive for the brand, the company, and their guests. They aim to make beauty visible to the world (Ulta Beauty Inc., 2023). The company is dedicated each day to working on holding an environment that is safe and inviting to all of guests, brand partners and our associates (Ulta Beauty, 2023).

*Goals in the context of business operations:*Ulta Beauty plans to continue expanding at a rapid pace. The company expects to add 50 net new stores each year. The company is testing smaller format retail locations of about 5,000 sq. ft. The company also is bringing the “digital store of the future” to life and is building its own editorial operations. Ulta is also launching a new business called UB Media, a retail media network within stores (Collins, 2021).

**1.5 International market goals**

Ulta Beauty has strong intentions of becoming an international company. They were going to expand a few stores to Canada in but due to COVID-19 they had put a halt to that plan. They took that money and put it into upgrading their online shopping portion of the business so that when it comes time for that plan to go into play, they will have more sales coming through online by buying products on there (Bhasin, 2020). However, with this export plan, we believe Ulta beauty is ready to expand internationally and leverage its success and experience in the states to conquer Canadian beauty market as well.

**1.6a Short-term objectives**

* Perform thorough market research to determine the Canadian beauty market, the trends of consumers in that market, as well as the specific regulations associated with the products. Devise an entry to market strategy including information regarding the competitiveness of the beauty industry in Canada and the spending habits of the public.
* To tailor the product mix to the tastes and requirements of Canadian customers, this might involve finding out the most sold local brands, latest fashions, and compliance regulations (UNITED STATES SECURITIES AND EXCHANGE COMMISSION).
* Establish an online presence in Canada to reach a wider consumer base (Ulta Beauty: Annual Report, 2014)

**1.6b Medium-term objectives**

* Plan opening of brick-and-mortar branches in primary Canadian cities for the purpose of enhancing market penetration and thus promotes higher brand awareness.
* To better gain the attention and loyalty of Canadian consumers, develop an efficient marketing strategy a unique selling proposition by starting a “beauty in action” promotions program in Toronto, to allow customer to review and test the products in live setting (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021).
* Discover ways to make partnerships with beauty brands, local suppliers, or influencers to increase product offerings and recognition throughout Canada.

**1.7 Location and facilities**

Presently, Ulta Beauty predominately operates its stores within the American market it was born within. As of January 28, 2023, it had an occupancy of 1,355 stores within all 50 states. In terms of US states with most retail locations, California has the highest inventory of 168 stores, nearly 13% of occupancy. Of all 1,355 locations, approximately 250 stores are within Target (Ulta Beauty Inc., 2023).

Ulta’s distribution density is already quite successful with five huge distribution centers that serve, Romeoville, Illinois; Pheonix, Arizona; Chambersburg, Pennsylvania; Greenwood, Indiana & Dallas, Texas. Each unit is over 300,00 sq. ft. (Utroske, 2016). Ulta's latest e-commerce distribution center is 670,000 sq. ft. and will employ up to 1,200 people to keep up with the demand of the vast online beauty business (Utroske, 2016).

**2. Organization**

**2.1 Ownership & Management**

Ulta Beauty was established three decades ago in 1990 in Bolingbrook by Terry Hanson & Dick George. The corporation has been publicly traded on in 2007 and listed on the NASDAQ stock exchange market with ticker symbol “ULTA” (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021). To put this in perspective the ownership of the company goes across to a wide range of different shareholders who own shares of the company’s stock.

Ulta Beauty is putting together a strategic framework that could help its market leadership progress and make the possibilities of earning profit last even longer (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021).

**2.2 Staffing**

Preceding the Covid-19 epidemic in the year 2020, there was a population of about 44,000 employees (Lublin, 2022). Ulta has reached 54,000 in terms of employees by January 2023. (Petruzzi, 2023).

Ulta Beauty's staffing strategy is oriented around the value of empowering its associates by evolving opportunities for their careers in the firm. The company's career website highlights its commitment to diversity, equity, and inclusion, and its belief in the possibilities of its associates to dream big and chart their own career paths (Ulta Beauty: Careers, 2023).

Ulta Beauty’s staffing strategy supports the company’s vision statement. This is also because the purpose of Ulta’s staffing strategy is to establish a positive work environment for the employees that will help provide excellent customer service. It allows Ulta’s employees to work in an environment that is positive and includes everyone (Ulta Beauty: Annual Report, 2014).

**2.3 Level of commitment by senior management**

Pursuant to core strategy, the senior management team over at Ulta Beauty has pledged to foster positive influence through beauty and further ESG initiatives. Even the aspects of the overall strategic planning of the company are saturated with its environmental, social, and governance goals (Ulta Beauty ESG Report, 2022) (Ulta Beauty Inc., 2023).

The annual reports are a great testament to Ulta beauty's dedication to diversity, equity, and inclusion. The annual reports also boast about giving employees the power to make decisions and make changes in their store, as well continuously developing their skill and investing in their growth (Ulta Beauty ESG report, 2021).

**2.4 Relationship between exporting and domestic operations**

Ulta Beauty ties their domestic operations and exporting efforts together through the company’s strategic focus on brand position, guest experience, product and services assortment and store and e-commerce development (Ulta Beauty: Annual Report, 2014). Ulta’s intent to add stores domestically and grow its e-commerce to get products to guests reflects the company’s intention to protect its domestic hold in the market (Ulta Beauty: Annual Report, 2014). Ulta Beauty’s plans to expand and continue growth initiatives in the U.S., which is a large and growing market, likely to complement its exporting initiatives by enhancing its brand recognition, operating scale, and financial performance (Petruzzi, Ulta Beauty - statistics & facts, 2023).

On top of that, we believe company’s commitment to the well-being of its associates and its attention on ESG influence a holistic approach on its business, which may have a long-term impact on both domestic and international operations, including exporting to new markets like Canada.

**2.5 Corporate experience and expertise in exporting**

Ulta Beauty’s corporate career experience offers a complex, inclusive work climate that fosters brainstorming, teamwork, and progressiveness. Their commitment to diversity, equity, and inclusion is evident in the senior leadership team, 70% of which is female, and in the director-level associates and above, 66% of whom are female and 27% of whom are people of color (Ulta Beauty ESG Report, 2022).

The source of Ulta Beauty's expertise in exporting --is its position as the largest beauty retailer in the U.S. and its authorized agents and agreement with a variety of shipping organizations and manufacturers permits it to provide superior product breadth, value, and convenience, as evidenced by its special-to-industry retailing approach. Ulta Beauty knows what customers want and delivers. This extensive knowledge base can be leveraged in its exporting endeavors (Ulta Beauty Inc., 2023). Ulta Beauty’s commitment to responsible and sustainable business practices is also tied into its brand partners and subcontractors' commitment to ethical, legal, social, and workplace standards, and can therefore be tied into Ulta Beauty’s exporting operations (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021).

**2.6 Strategic alliances**

Some notable and recent strategic alliances of Ulta Beauty are as follows:

* Target Corporation (NYSE: TGT) and Ulta Beauty (NASDAQ: ULTA) have joined together in a long-term strategic partnership. The alliance introduced a shop-in-shop concept that brought Ulta Beauty’s assortment to Target locations nationwide (Target, 2020).
* Ulta Beauty and Haut.AI have teamed up to create even greater experiences for beauty enthusiasts, together, the two industry leaders joined forces to co-create unique, innovative digital skincare tools – spanning improved skin analysis results through enriched data, detailed simulations, and much improved recommendations (Georgievskaya, 2022).
* IRI, the fastest growing big data company partnered with the largest U.S. beauty retailer Ulta Beauty for a strategic, multiyear alliance. The partnership enabled Ulta Beauty to take much wider-angle view of the total beauty market by allowing them to leverage and deploy IRI’s fast growing innovative solution for ecommerce data, consumer insights, and merchandising tools that are helping drive productivity and profitability (IRI, 2022).
* Beauty magazine Allure’s retail & online stores have teamed up with Ulta. Ulta Beauty has set up a specially curated selection of its 25,000 products at the retailer to expand the beauty magazine’s retail offering while also potentially putting itself up for a new audience (Vogue Business, 2023).

**2.7 Labor market issues abroad**

Ulta Beauty’s commitment to its employees and the emphasis it places on the career development of those employees, and the fact it boasts a workforce that includes 80% women and half ethnic minorities, suggests Ulta Beauty prioritizes cultivating a healthy work environment where all are welcome (Ulta Beauty Demographics & Statistics, 2023).

There are no foreign worker controversies at Ulta Beauty, but it’s possible the makeup and skin care company’s leaders may encounter issues related to workforce management — i.e., labor laws, employee/supplier well-being, etc. — when expanding into new markets like Canada which has a diverse set of population (Ulta Beauty: Careers, 2023).

As Ulta Beauty considers expanding internationally into Canada’s markets, the company needs to carefully consider several important labor market issues and ensure the firm is ready for such actions.:

* Labor Shortages and Recruitment Challenges: This could impact Ulta Beauty's ability to staff its stores and operations in Canada.
* Rising inflation: This could increase the cost of labor and other operational expenses.
* Labor Disputes and Strikes: This could potentially disrupt Ulta Beauty's operations if it were to experience such issues with its workforce.
* Unionization: If Ulta Beauty's employees choose to unionize, this could impact the company's labor relations and wage structure.
* Canadian Regulations and Labor Laws.
* Work-Life Balance and Inclusion of Vulnerable Workers.

**3. Products & Services**

**3.1 Description of products and services**

Ulta Beauty, Inc. through its retail outlets offers skincare, haircare, and cosmetics items along with coordinating accessories and services. In addition, the brand offers salon services including hair, skin, makeup, and brow services, as well as nail services (Yahoo Finance, 2023). Ulta sells more than 25,000 distinct products from more than 600 brands that it partners with. Even though the brand is still in the beauty business, they have expanded to cover practically all segments to boost sales. One of their best features is their in-house salon, which is exclusive to their brand (Gatchell, 2022).

**3.2 Key and/or unique features**

One of the best features is their in-house salon, which is exclusive to their brand. Because the salon allows customers to peruse before or after their visit, Ulta's sales have grown. The customer can locate relevant items and the products utilized during the appointment in the store. They may also be able to locate things that day and receive recommendations for them (Gatchell, 2022).

The company organizes yearly fundraising events for research in Breast Cancer, such as the "Gorgeous Way to Give" and "Cut for A Cause" salons (Moné, 2018). One of Ulta Beauty's Diversity, Equity, and Inclusion (DEI) initiatives is to promote, celebrate, and uplift marginalized voices in the cosmetic industry. Within its assortment, the firm has set aside funding to help Black-founded, Black-owned, and Black-led companies; also, the Ulta Beauty Charitable Foundation has made donations to non-profits that focus on BIPOC and LGBTQ+ issues. (Ulta Beauty, n.d.)

Some of the Exclusive Brand partnerships made by the Beauty Retailer:

1. Rabanne- Ulta Beauty is the exclusive US retailer for the luxury fashion and fragrance brand, that sells vegan products, dermatologically tested, and take cues from brand’s own aesthetics that are influenced by the futuristic textiles with glittery accents and metallic finishes (Douglass, 2023).
2. About Face- The multifaceted color cosmetics brand created by Ashley Frangipane has partnered with Ulta Beauty exclusively for retail sales. Ulta Beauty will carry a variety of the brand's highly pigmented cruelty-free merchandise (Gaitan, 2022).

The brand has exclusive partnerships with a lot of brands and some of them are listed above, these alliances provide company with an advantage over their competitors in the market as well as a chance for upcoming brands from minority communities to showcase their products.

**Product adaptation and redesign required for export.**

Ulta Beauty needs to comprehend the domestic regulations of Canada to be in proper compliance of the local regulations. Health Canada comes under Canada Food and Drugs Act's and lays down Cosmetic Regulations which give the criteria for the production, packaging, and preservation of cosmetics sold in Canada. Additionally, these regulations provide vital specifications concerning labelling requirements. Further, the producer of cosmetics is obligated to submit a list of components and notify Health Canada about the product. Regulations state that whenever a new cosmetic product is launched into the Canadian market, it is mandatory for the maker to notify Health Canada within 10 days of the launch by submitting a Cosmetic Notification Form (CNF) (Brock, 2019). The cosmetic items might not be allowed to enter Canada or might be taken off the market if a CNF isn't submitted in due time. (Galbraith, 2021)

All the cosmetics sold in Canada must be made in accordance with the Health Canada Cosmetic Ingredient Hotlist, which enumerates substances whose usage is either limited or outright forbidden. Ulta Beauty is advisable to study this list before exporting anything into Canada and must ensure that it provides a Safety Data Sheet (SDS), which informs consumers about an item's hazards and offers guidance on how to take safety measures to all its consumers. Moreover, SDS's content must be updated whenever there are alterations and should be available in both French and English (Brock, 2019).

Ulta Beauty needs to redesign labels of its products to comply of Consumer Packaging and Labelling Act and the Cosmetic Regulations under Canada's Food and Drug Act. All product labels must be readable and written in both English and French for the duration of the product's life.

Included on product labels should be:

* The producer's name and address
* The cosmetic's generic name and purpose
* A list of the components
* Product development
* Item net quantity, in both English and French, must be expressed in metric units.
* Preventable risks and warnings (Galbraith, 2021)

Ulta Beauty will ensure that its marketing material and campaigns are culture sensitive and resonate with local consumers. Ulta must consider providing customer support in both English and French to cater the Bilingual nature of the Canada and the e-commerce website must incorporate a feature for consumers to change the language when browsing through it.

**3.3 Production of products and services**

Ulta Beauty, Inc. through its retail outlets offers skincare, haircare, and cosmetics items along with coordinating accessories and services (Yahoo Finance, 2023). The store has developed its own brand in addition to carrying others. There are nearly 500 goods available at Ulta Beauty Collection, ranging from cosmetic brushes to lip tints. Most of the items in the collection are reasonably priced, with most under USD 30. (Moné, 2018)

The corporation’s goal is to keep its reputation as a cutting-edge beauty destination strong by offering high-quality, on-trend private label goods. Ulta Beauty oversees the entire product development process of its own collection, from conception to manufacturing, to provide unique formulas and presentation that improve the perception of our brand. Further, brand operates brow bars in most of its stores, full-service hair salons, offers skin care services, and beauty services through their beauty centers in almost every location (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021). To have a sustainable and transparent supply chain, following the terms of its Manufacturing/Formulation Agreement, Ulta Beauty maintains the right to inspect the locations of its suppliers' factories that are used in the production, receipt, sampling, analysis, handling, storage, presentation, and delivery of goods that Ulta Beauty orders (Ulta Beauty, 2021).

**3.4 Future products / services pipeline**

Ulta Beauty is building an innovative digital infrastructure on Google Cloud with Redis Enterprise to enable quick online expansion and customized customer experiences. Redis Enterprise Cloud is being used by the store to offer high-performance services to customers who purchase online (Samuels, 2023). Ulta Beauty makes sure its exclusive selection is inclusive and really represents All Things Beauty for all beauty fans in several ways, one of which is the MUSE Accelerator. With the aim of empowering a fresh group of entrepreneurs and providing them with the means to develop their beauty brands even more, as well as to interact and learn from professionals in the field, the MUSE Accelerator is back (Ulta Beauty, 2023).

**3.5 Comparative advantage in providing Services.**

Ulta Beauty has succeeded in a retail landscape that is continuously changing thanks to several strategic decisions the company has taken.

1. A high-low product assortment: By offering both budget-friendly and high-end cosmetic items in its stores, Ulta cosmetic has benefited from this trend. It acts as a one stop solution for cosmetics and personal care merchandise (McKinnon, 2023).
2. Loyalty Program which consumers crave: The retailer's sales were driven by the program to the tune of almost 95%. Members of Ultamate Rewards earn one point for each dollar they spend in stores or online (McKinnon, 2023).
3. A single stop that fulfills the requirements of customers: Ulta Beauty can be dubbed as the department store for customers who love makeup. Ulta Beauty offers a wide range of services to its clients in addition to selling cosmetics, including in-store hair, nail, and skin care salons. Since salon patrons visit Ulta Beauty stores twice as frequently as non-customers, these salons are a major source of foot traffic (McKinnon, 2023).
4. Digital Innovation: Company invested in GLAM lab Virtual Try-On, an augmented reality technology that allows shoppers to simulate testing of hundreds of beauty items just as they would do in-store, is part of the corporate’s upgrade to its end-to-end ecommerce platform (Poe, 2013).

**4. Market Overview**

**4.1 Political Environment**

Political Environment of Canada is a quite stable and offers foreign companies ease of doing business. Canada's robust and dynamic economy provides a dependable market for US cosmetic businesses seeking to join and/or develop in the cosmetics sector. The revival of the cosmetics, personal care & beauty business in Canada provides an excellent opportunity for US cosmetic product exporters. (International Trade Administration, 2022) Raising minimum wages is a hot topic among today's Canadian workers. Increased pay across the organisation, particularly for entry-level associates, who make up the majority of employees, may have a detrimental impact on corporate’s profitability. At same time, higher wages may have a favourable impact on the customer buying. (ipl.org, 2023)

**4.2 Economic Environment**

Market, interest rates, and rate of employment are all economic elements that affect ULTA Beauty. Canadian credit markets have become more stringent because of market volatility and the recent economic crisis. Increase in the cost of financing because of higher interest rates, can jeopardise company's expansion plan. Such market and financial circumstances may make it challenging for new foreign business owners to secure funding in Canada (ipl.org, 2023). Further, higher rate of inflation will decrease the demand of cosmetics and personal care products irrespective that these are considered essential items as public in these times spend only on necessities.

**4.3 Size of market**

In 2023, the Beauty & Personal Care industry will generate $8.67 billion in revenue. The market is anticipated to expand by 1.63% a year (CAGR 2023-2028). Further in 2023, US$223.60 in revenue will be made per individual. Moreover, in the personal care and beauty market segment about 22.9% of the revenue will be generated from sales via e-commerce platforms. (Statista, 2023)

**4.4 Key Market Segment**

Ulta Beauty's consumer base is wide; however, it is mostly comprised of beauty enthusiasts, women, and Generation Z shoppers. Ulta's mission, according to The Street, is to make the beauty shopping experience more accessible to everyone by offering things that appeal to target client groups while also introducing them to higher-end beauty and skincare options. According to Merrimack ScholarWorks, over 57% of Ulta's customers are "beauty enthusiasts," and the company sells products from over 600 well-known or emerging beauty brands, indicating a diverse customer base. Ulta Beauty's future target market in Canada is the rapidly growing immigrant and student population. As a result, Ulta Beauty's customer base is broad, including beauty enthusiasts, women, and Gen Z customers, with an emphasis on the latter. (*Honors Senior Capstone Projects | Honors Program | Merrimack College*, n.d.)

**4.5 Purchasing process and buying criteria description of industry participants**

**Purchasing Process**

For industry players, the purchasing process often begins with the discovery of a specific requirement or difficulty, which is caused by reasons like as expansion, technical breakthroughs, regulatory changes, or cost-cutting measures. Following the creation of needs through cross-departmental collaboration, suitable suppliers are discovered, and a thorough assessment process is carried out, considering parameters such as the quality of the cosmetic product, reputation, price, delivery capabilities, and service to customers. Formal calls for bids or quotations are frequently sent, leading to talks and agreement finalization. Following that, a formal purchase order is issued, detailing specifics such as quantities, requirements, delivery dates, and payment conditions. (PPPs: Purchasing Power or Producing Power Parities? Main Article, 2012)

**Buying Criteria**

In their search for suitable suppliers, industry players consider a plethora of purchasing factors to assure that best products reach to consumers and enhance brand’s market penetration. The emphasis lies on the quality of product or service. Price is important; nevertheless, a full evaluation includes the entire cost of ownership, which includes maintenance, operating expenditures, and prospective future expenses. Important Criteria is that all the products are safe to use and are certified by the government authorities. A supplier's reputation and dependability are important, as industry players choose those suppliers who demonstrate a track record of prompt delivery and adherence to high quality requirements (Kalajdzieva, 2023). Additionally, sustainable and ethical procurement of ingredients of the cosmetic products, cruelty-free testing of these products and hygiene in the production facilities is paramount for the buyer as Canadian consumers are increasingly focusing on buying sustainable products.

**4.6 Market share held by imports.**

In comparison to other years, the amount of cosmetic and beauty preparation items imported into Canada from the rest of the globe in 2022 totaled approximately 455 million kg. (Petruzzi, 2023)Canada became the ninth highest importer of beauty items in the world in 2021 after importing $1.51 billion worth of merchandise. The United States ($1.05B), France ($166M), China ($45M), South Korea ($40.4M), and Germany ($30.5M) are the top exporters of beauty products to Canada. (OEC World, 2023)

**4.7 Trade Barriers and Non-Trade Barriers**

**Trade Barriers**

Tariffs are essentially taxes. It raises the cost of imported products for customers and is one of various trade policies that a government might implement. Beauty items imported into Canada may be subject to different taxes and levies. Any goods imported into Canada may be liable to the Goods and Services Tax (GST) and/or duty, according to the Canada Border Services Agency (CBSA). The GST is a 5% federal tax that applies to almost all items sold in Canada. Depending on the province of importation, imports may also be subject to provincial sales tax (PST) or the Harmonised Sales Tax (HST). (*Canada - Trade Barriers*, n.d.)

**Non-Trade Barriers**

Non-tariff barriers, such as Canadian governmental and environmental considerations, would prevent Ulta Beauty from entering the market. The business works in a highly regulated industry, and political variables such as government policies, labour laws, and import/export rules can all have a substantial influence on its operations. Furthermore, Ulta Beauty must adhere to environmental standards, since the beauty sector is subject to a slew of them. The organisation must take proactive steps to ensure compliance with applicable environmental laws and regulations. (D. Team, 2023) Furthermore, Ulta Beauty's suppliers must adhere to environmental standards to represent the company's dedication to sustainability and environmental responsibility. Moreover, Cosmetics imported for commercial purposes into Canada must fulfil the standards of the Food and Drugs Act and its Cosmetic Regulations or else they can get banned, according to Health Canada. This includes completing a Cosmetics Notification Form (CNF) before to the arrival of the items in Canada. (Health Canada, 2021)

**4.8 Industry trends and other market factors**

It is anticipated that as people have become more conscious of the advantages of using natural ingredients, the demand for natural and organic products will only continue to soar. Additionally, there is a growing demand in Canada for cruelty-free and non-animal tested products. The industry for natural cosmetics brought about $187.25 million in sales in 2021. By 2026, it is anticipated that the revenue will reach $246.25 million. Additionally, more buyers are selecting goods with creative, environmentally responsible packaging. From 83% in 2021 to 86% in 2022, the percentage of Canadians willing to pay extra for products that use sustainable packaging increased. (Bush, 2023) To meet market demands, manufacturers are providing a vast array of inventive options and inventive technology. (Mordor Intelligence, n.d.)

Beauty product sales have increased in Canada because of certain emerging market trends, these include customizing goods according to the age, gender, and ethnicity of the consumer, utilizing technology to enhance marketing tactics, and creating innovative, environmentally friendly packaging and cosmetic product designs. (International Trade Administration, 2022) Number of cosmetics purchased in Canada has increased because of consumers' growing concern over the health benefits of the beauty routines they follow to achieve attractive personalities and positive attitudes (Mordor Intelligence, n.d.).

**4.9 Market outlook**

Estimates for the Canadian cosmetic product market from 2023 to 2028 indicate a compound annual growth rate of 6.45%. In the long run, it is anticipated that the popularity of natural cosmetics would increase due to growing awareness of the advantages of natural components. The popularity and accessibility of the skincare and cosmetics categories have also grown dramatically thanks to social media and e-commerce platforms, which has fueled the industry's expansion. Significant increases in household spending, people's propensity to spend on looks, and the number of expats settling in the nation have all been seen. (Mordor Intelligence, n.d.)

1. **Market-entry strategy**

**5.1 Target market**

The target market that we have chosen to create this expansion & export plan for is Canada! Ulta Beauty's choice to expand operations into Canada is supported by the sheer potential of the market size which is well- suitable for the Ulta Beauty's entry. The economy of this country leads to generic medicines, so the personal care and beauty products business has so many chances to get revived. Additionally, with Canada's young, diverse, and rising population it will be perfect market to get in because this is exactly the target client market set of Ulta Beauty!

The retail environment was also considered and in Canada, big, large retail stores make strategic sense, especially with the Canadian shopper craving an in-store experience for makeup, over a third of all North American consumers. Ulta’s loyalty program and in-store hair salon services, again, are key market differentiators against owned brands of the U.S. and whatever the vendor community will have. And bear in mind, the Canadian shopper indexes much more for digital purchases than do U.S. shoppers, so that is a play into the omni-channel distribution strategy (Research, Zacks Equity, 2022).

**5.2 Description of key competitors**

The direct rivals of Ulta Beauty in Canada are Sephora, Shoppers Drug Mart, and Walmart (Marchionda, 2019). A more formidable opponent for Ulta Beauty is Sephora. Sephora is the number one cosmetic website visited in Canada (Similarweb, 2023). The upper hand is that there is always a Sephora store nearby, likely in every mall. When shopping at Sephora, you can find an assortment of name brands and easily find the right make-up for different kinds of people.

Shoppers Drug Mart is the second most visited beauty and cosmetics website in Canada (Petruzzi, 2019), along with being the most popular store in Canada for personal care and beauty. Shoppers drug mart being in existence for so long and having an established presence, gives Ulta beauty serious competition. Another massive competitor is Walmart, with all the beauty products that they have to offer, possible at a competitive price and with their long-lasting presence in the Canadian market (Similarweb, 2023).

Included with that is Sally Beauty, Hudson Bay’s beauty department, these are also retailers and brands who can compete with Ulta Beauty. Although this may not be compared, I wouldn’t underestimate the competition.

**5.3 Analysis of competitive position**

Ulta Beauty's competitive standing in the Canadian market is currently evolving, marked by considerations of market share, brand reputation, and digital presence. In terms of market share, Ulta Beauty is in the early stages of its Canadian expansion, facing formidable competition from established players. Ulta Beauty's reputation may help in the long run. Since it is the largest beauty retail chain in the US, it will hope that the same ideas will follow through to Canada. The more Ulta pleases the people, the longer they will be in the market. Ulta Beauty's strong digital strategy will be needed to tap into a tech-savvy Canadian consumer, especially youth, which is showing a stronger inclination for digital shopping.

**5.4 Product positioning**

Ulta Beauty stands out in the beauty and personal care sector with its strong brand recognition and a devoted following. Its unique selection of products, groundbreaking retail designs, and superior customer service set it apart from competitors, providing it with an edge in the market (DCF, n.d.). Brand’s Ultamate Loyalty program stands out from its competitors and helps brand in retaining consumers. The in-store salon service is a unique attribute to the brand.

Incorporating physical stores as well as electronic direct mail to further its position in the marketplace is the first out of three strategic initiatives of Ulta Beauty (Zacks Equity Research, 2021).

**5.5 Pricing strategy**

The pricing of products at an Ulta Beauty Store ranges from $1.50 eyeliner to a six-hundred-dollar Dyson Air Wrap (Ulta Beauty Inc., 2023). The strategy that Ulta Beauty focuses on is to provide high-low shopping. By providing the two different options Ulta can cater to a multitude of different people. The high is the prestige concentration while the low is the mass beauty concentration (Digiday, 2018). To target the Canadian market, Ulta Beauty might look to adopt a similar pricing strategy as the US. A mix of both high-end and affordably priced beauty products would suit the Canadian consumers’ preference. With this pricing strategy, Ulta Beauty would be able to keep its position as a premium beauty retailer while being competitive in the Canadian beauty retail market.

**5.6 Terms of sale**

The purchase of the goods and services enumerated on the purchase order is controlled by these “Terms of Sale” which constitute the whole agreement between Ulta Inc. or its affiliates and the supplier. The terms have control over any additional or different terms contained in any purchase order, routing guide, confirmation, or other document or communication pertaining to the purchase of the goods and services. These terms constitute the full and complete agreement between Ulta and the supplier (Purchase Order Standards, 2022).

The Terms would also imply the relationship between the parties in terms of how the Supplier accepts Orders, and how the Buyer may cancel an Order. It would state that the Order is an offer from the Buyer to the Supplier to buy those Goods subject to the Terms. The acceptance made by the supplier may be issued by either: - (i) emailing the Buyer to confirm acceptance; or (ii) issuing an Order confirmation electronically on a computer screen (Purchase Order Standards, 2022).

**5.7 Distribution strategy**

In Canada, the retail market favors a direct distribution approach, particularly for consumer goods (Privacy Shield Framework, n.d.). The market is dominated by a few major players, geographically divided into distinct regions (Lloyds bank, 2023). With online shopping gaining popularity, a multi-channel strategy that combines physical stores and online platforms is becoming effective. Brand will use omni-channel distribution strategy just like in US to reach consumers across Canada.

Ulta Beauty, in its current operations, uses a global standardization strategy and a multi-channel approach by combining e-commerce and continued physical store expansion. The company has continued growing its physical store count and opened 99 net new stores in 2014, also increased square footage by 14% (Ulta Beauty: Annual Report, 2014).

Primarily to cater to the evolving consumer behavior and preferences continues in both the physical and the digital retail environments, the basis of the Ulta beauty's distribution strategy is to create a cohesive and an integrated shopping experience (Zacks Equity Research, 2021).

**5.8 Promotion strategy / development of sales leads**

Ulta’s marketing strategy breaks through the clutter of traditional retailers by integrating various online and offline marketing tactics and methods to promote its products and brand. Some insights of their promotional strategy are mentioned below:

* It uses the customer's personal information to specially advertise to them on specific occasions like when it is their birthday (Creadits, n.d.). The company also engages in personal selling with frontline employees providing personalized beauty consultations to its customers (DCF, n.d.).
* Ulta offers a beauty magazine online called Ulta Beauty Mix which contains beauty tips and articles for consumers. This way of content marketing helps gets them people from search engines and position Ulta as an expert and valuable source in the beauty industry (Creadits, n.d.).
* Boasting a whopping 40 million members, Ulta's loyalty program, “Ultamate Rewards”, is phenomenal. It is a great way to promote repeat business and develop a rapport with the customers (Ulta Beauty Inc., 2023).
* In 2017, Ulta partnered with MAC cosmetics to offer an Instagram flash sale where certain products were available online before they were in Ulta’s store. Ulta used the fame of several beauty bloggers on Instagram to promote this awesome deal (Creadits, n.d.).
* Launching UB Media is another smart move for Ulta Beauty. UB Media is a retail media network in which Ulta Beauty partners with brands for advertising opportunities and offers the brands data and insights on consumer behavior (Kohan, 2022).

Brand will incorporate the same strategies for promotion of its stores in the first place and then about its online website and numerous products sold on both of these platforms.

**5.9 Description of intermediaries and partners**

Ulta Beauty has intermediaries and partners that they work because they help them out with different things that the company may not be as good at and for product development, such as:

* Brand partnerships: Ulta’s mix of various brand partnerships ensures a broad product range for its customers. Notably, Ulta has partnered with Lush (a retailer of bath bombs, soaps, and skin care products) to its online platform (Jansen, Lush launches wholesale partnership with Ulta Beauty, 2023) and struck a rare 2020 deal with Beautycounter for in-store wholesale retail distribution (Sandler, 2023).
* Retail Partnerships: In addition to Ulta's present stores, the company has been expanding their customer coverage of using strategic partnerships with other retailers, such as the 3 month pop up Allure Store in New York City wherein a selection of beauty and wellness brands are sold (Mccormack, 2022).
* Technology partnerships: Ulta has teamed up with live shopping platform “Buywith” to let its brand partners run live shopping experiences on Ulta's website, through this, Ulta customers will be able to connect with these partners in an entirely new way (Marin-Lopez, 2023).
* Affiliate partnerships: Ulta allows affiliates to display links, banners, and products of Ulta on their personal websites and earn a commission for that (Ulta Beauty Inc., 2023). This allows Ulta to expand its audience and bring more traffic to its website.

**6. Regulatory & Logistical issues**

**6.1 Intellectual property protection**

As Ulta Beauty explores entering the Canadian market, intellectual property (IP) protection becomes critical, currently Ulta Beauty holds a total of eight patents worldwide, three of which have been issued. Ulta Beauty should consider filing trademarks with the Canadian Intellectual Property Office (CIPO) to secure exclusive usage rights and preserve its brand identification. If the firm owns patents for certain items or processes, it must thoroughly analyze their validity and enforceability in Canada, which may need new patent applications. Attention to Canadian copyright rules is critical, especially if Ulta Beauty creates unique creative work, to safeguard marketing materials, designs, and software. (Office, 2023)

**6.2 Other Regulatory Issues**

1. **Product Regulations:** The safety and labelling of numerous items, including cosmetics and beauty products, are governed by a particular legislation in Canada. Ulta Beauty would have to guarantee that its products meet these rules, which involve ingredients, labelling, and product safety (Health Canada, 2022).
2. **Consumer Protection legislation:** It is critical to understand and follow Canadian consumer protection legislation. This contains product warranty terms, return and refund procedures, and other consumer rights’ Beauty must ensure that they do not violate any consumer rights and must adhere to any applicable regulations (Health Canada, 2022).
3. **Labor Laws:** When establishing a presence in Canada, it is critical to follow Canadian labour rules. Employment contracts, working hours, salaries, and occupational health and safety requirements are all factors to consider (Canada, 2023).
4. **Customs and Import restrictions:** Ulta Beauty must follow customs restrictions when importing items into Canada. It is critical to understand charges, taxes, and import regulations to enter the Canadian market smoothly (Health Canada, 2022b).
5. **Data Protection and Privacy regulations:** Data Protection and Privacy Laws: In Canada, data protection legislation is made up of a complex combination of federal and provincial statutes. These laws include general-application federal and provincial data protection acts, as well as sector-specific statutes such as health privacy laws and related laws such as anti-spam and consumer protection statutes. Ulta Beauty must comply with Canadian privacy rules if it collects and analyses client data. To secure consumer information, it is critical to understand and execute suitable data protection methods (Canada - Data Protection Overview, 2023).

**6.3 Modes of transportation & Cargo Insurance**

Ulta Beauty can use two of the following modes of transportation and incoterms when it comes to transportation of merchandise from USA to Canada. Here's an overview:

* **Road Transportation:** Ulta Beauty can rely on truck transportation as an important component of its international supply chain, facilitating the swift and flexible movement of beauty and cosmetic products from production facilities, third-party vendors directly to warehouses and, ultimately, to retail locations. Given the proximity of USA and Canada, ground transportation is cost effective and efficient method for regular shipments. It instrumental in local and regional distribution, ensuring timely deliveries and the efficient restocking of products on store shelves across brand’s stores. if there need be of expedited deliveries company can even use air transportation but it would be costly for a customer. In ground transportation, there is a risk of spillage due to damp roads, so this method works well for the initial presence of Brand in Ontario with numerous international border crossing. Moreover, Purolator will be used as a third-party delivery partner from enterprise warehouse in Canada to consumers.
* **Air freight:** There might occur a need for expedited deliveries for company to meet urgent demand of the products and if customer in Canada wishes to get the product earlier than the standard shipping, so in this case business might use air transportation, but it would be costly for a customer as the expense of the cost of shipping is laid down to them.

Ulta Beauty intends to import items from the United States via road to its retail outlets, they should consider using the "Delivered at Place”. This incoterm states that the vendor or brand itself will bear the responsibility for delivering the products to a particular place in Canada, such as the buyer's address or the retail outlet/warehouse. The company would handle transportation, customs clearance and absorb any losses to the product in transit. The buyer is responsible once goods are delivered to the specified address (buyer’s address) This Incoterm would clarify the obligations and expenses associated with shipping and importing. (CFI, n.d.) This is appropriate term to be used in e-commerce shipping of the brand’s merchandise to the consumers as well as delivery of merchandise to the physical stores.

To safeguard Ulta Beauty from financial loss resulting from cargo damage, loss, or theft, as well as other unforeseen circumstances, cargo insurance is essential to any export transaction. To obtain complete security during the transaction, the brand will employ All Risk insurance. (Flexport, n.d.)

**6.4 Trade Documents**

As a retailer of personal care and cosmetic items, Ulta Beauty participates in international commerce and supply chain operations. Different trade documents are essential in enabling and recording business transactions. Shipping documents are essential in exporting to Canada to ensure the smooth delivery of the cargo. These documents, which include commercial invoices, bills of lading, packing lists, export declarations, certificates of origin, certificates of insurance, and delivery orders, are typically created by transportation handling organization. Date, exporter and consignee names, bill number, commodities description with per unit price, gross weight as well as number of boxes, shipping labels, delivery terms, and payment are all essential on a commercial invoice for customs. Moreover, purchase orders, pro-forma invoices, and agreements for sale are necessary for the export transaction to take place. Additional certificates that are needed are the Certificate for Inspections and the Quality and Safety Certificate. Financial records including bank drafts, bills of exchange, and letter of credit are also involved in the transaction (FEASIBILITY OF INTERNATIONAL TRADE, 2017).

* 1. **Use of trade service providers**
* **Customs Brokers**: Customs brokers will help Ulta Beauty's shipments comply with import and export rules by negotiating the intricacies of customs procedures and documentation. They assist in minimizing delays and penalties by facilitating efficient customs clearance.
* **Freight Forwarders**: Freight forwarders oversee the shipment of commodities, managing numerous components such as booking cargo space, determining the best shipping routes, and handling documentation. They are critical in optimizing the cross-border flow of Ulta Beauty items.
* **Trade Finance Providers:** Trade financing companies give financial solutions to Ulta Beauty's worldwide transactions. This can include services like letters of credit, inventory finance, and risk management tools to control currency changes.
* **E-commerce and Cross-Border Solutions:** With the advent of e-commerce, cross-border solution providers assist Ulta Beauty in navigating the hurdles of international online shopping, such as payment processing, tax compliance, and shipping logistics.

**7. Risk Factors**

* 1. **Market Risk**
* **Regulatory Compliance:** Different countries have varying regulations and compliance requirements. Ulta Beauty would need to comprehend and adhere to Canadian laws related to cosmetics, retail, employment, taxation, and other relevant areas., which are crucial for the smooth operations. These specifications cover many parts of the cosmetic development, registration, and approval procedures like in the case of Ulta Beauty getting its product registered with Health Canada (Leader, 2023).
* **Cultural Differences**: It is critical to understand and adapt to the local culture. Consumer preferences, purchasing behavior, and beauty standards may differ in Canada compared to the United States, even though both nations are in the west and follow the same traditions, but once the brand enters the market, they can see how different target audience is (Capture, n.d.).
  1. **Credit and Currency Risk**
* **Credit Risks:** Credit risk is the danger that a lender might fail to collect the owing principal and interest, resulting in a disruption in cash flows and higher collection expenses. Ulta Beauty may suffer this risk if its Canadian consumers or distributors are unable to make payments for goods or services. Economic conditions, client solvency, and industry-specific variables are to be considered. Credit transactions with suppliers, business partners expose firm to this risk (Team, 2023)
* **Currency Risk:** Currency exchange is one of the most significant dangers that multi-national firms face operating globally, but it is also one that many businesses overlook. The firm might incur gain/loss because of shifting currency rates. Exchange rate fluctuations between the Canadian dollar (CAD) and the US Dollar (USD) can have an influence on the company's financial performance. This covers revenue, expenditure, and profit margin (E. D. Canada, 2018).
  1. **Political and Other Risks**
* **Political and Economic Stability:** Political stability and economic conditions may both have an impact on corporate operations. Changes in government laws, trade agreements, or economic downturns may all have an impact on Ulta Beauty's business in Canada. Political instability is commonly characterized as the possibility that a government would fall because of disagreements or riots between different interest groups in the country (Report, 2023b) Consumers will spend less money on cosmetics in economic downturn.
* **Legal and Intellectual property Risks:** Firms contemplating exporting should build a global IP strategy that is linked to their business plan. Businesses should take actions to preserve their intellectual property assets and utilize them to the maximum degree feasible in accordance with their business plan. Registration of its intellectual property in Canada offers protection to Ulta Beauty to take advantages of its unique products. It is critical to ensure compliance with intellectual property rules and to preserve trademarks (G. A. Canada, 2023b).
* **Inflation Risk:** Pressures can exacerbate market risk by influencing corporate performance, consumer behavior, and investor confidence. Monetary policy may be used by the government to combat inflation by raising interest rates, which might lead to a recession and a slowing of the entire market and affecting product demand of Ulta Beauty. (Hayes, 2023)

**8. Implementation Plan**

Ulta Beauty's implementation plan for its expansion into the Canadian market can be broken down into key activities and evaluation criteria and processes. These are laid down below:

**8.1 Key Activities**

* Market Research- Study of Canadian cosmetic and personal care market is essential for Ulta Beauty to decide on its expansion into the country. In this activity the brand investigates the market trends, competition, risks, trade service providers, local regulations, consumer preferences, future market outlook, etc.
* Product Selection- After local market study, Ulta beauty needs to curate product assortment it intends to launch in the new market that caters to Canadian consumer preferences and decide on the pricing strategy, distribution strategy and set targets for market share it aims to obtain in the market and if need be, with whom it can establish an alliance for smooth running of international operations.
* Regulatory Compliance- The products selected to be launched in the Canadian market are to be adapted as per the local regulations and Ulta beauty needs to register its products and declare the ingredients in its products to Health Canada and changes to the labelling on the products.
* Fund Requirements- A budget needs to be approved by the upper management for the expansion plans of the brand and the source of funding whether internal or external must be decided.
* Selection of the medium of transportation and insurance provider- For the export of Ulta beauty’s product into Canada, brand must make select partners for transportation and insurance provider to cover for potential liabilities.
* Launch of retail outlet- For opening brand’s first retail outlet in the country, a suitable location with high foot traffic in Toronto, needs to be found with the help of retail brokers and corporation then intends to renovate the space as per its requirements, so the interior and construction plan needs to be made with the assistance of local third-party interior and construction service providers. Pre-opening plan for store must be made and marketing plans for the same must be made.
* E-commerce development- Brand wants to establish an omni-channel for distribution of its products in the country and for the same development of an e-commerce website and partners of the process needs be finalized.
* Expansion of stores in other major Canadian cities- In future, company wants to expand its store network by opening new retail outlets in major Canadian cities like Montreal, Vancouver, etc.

**8.2 Evaluation Criteria**

* Sales performance- Brand’s sales performance in terms of both offline and online sales will be a key evaluation criterion. This includes total sales, comparable sales, etc.
* Market Share- Corporate’s market share in the Canadian cosmetic and personal care market will be another important factor.
* Brand reputation- The development and expansion of Ulta Beauty's brand recognition in Canada will be assessed in due course.
* Consumer preferences and Behavior- Ulta Beauty probably will make use of data from its Ultamate Rewards reward program to learn about the tastes and actions of its customers.
* Retention of customers- How many consumers brand can retain and how much resources brand must put in order to attract new consumers.
* Sustainability and Social Responsibility- To evaluate company’s role in the promotion of sustainable cosmetics, the percentage of products in the brand’s product line which are sustainable can be evaluated along with the fact that how brand is uplifting products manufactured by small and fresh group of entrepreneurs.

**9. Financial Plan**

**9.1 Sources of funding**

1. Retained Earnings: The earnings retained by Ulta Beauty at the end of FY 2022, stood at $995,773 which can be used for its expansion initiative into Canada (Ulta Beauty, 2022)
2. Cash Reserves: At the end of FY 2022, company has cash reserves of $651,367 (Ulta Beauty, 2022), this can be used for paying out to various vendors and service providers in the process of opening store first store in Canada.

**Revenue Generation**

|  |  |  |
| --- | --- | --- |
| **Revenue Channel** | **Description** | **Expected Revenue**  **($USD)** |
| Direct sales through retail outlet | These revenues will be generated from initially one retail store that will be operating in Toronto and afterwards expansion of stores in Vancouver, Montreal, Calgary, etc. | 400,000 |
| E-commerce | Will be focused on launching new website for Canadian audience. Plan is to cater whole Canadian cosmetic and personal care market and gradually increase the market share. | 450,000 |
| **Total Projected Revenue** | | 850,000 |

*Table 9.1: Estimated revenue generation*

**9.2 Forecasted Operating Budget**

As Ulta Beauty will be opening a retail outlet in the first phase of its expansion into Canada. Ulta Beauty is entering a new market, thus it is important to think about recruiting outside experts with knowledge of Canadian market's statistics.

*\*\* Refer to Annexure table 9.2 for figures.*

**9.3 Cost of Sales**

These are direct costs that the firm will incur in the process of selling its goods and services to consumers in Canada.

*\*\* Refer to Annexure table 9.3 for figures.*

**9.4 Marketing and promotion costs**

First, organization must make signage to be displayed outside the store, both in English and French. Moreover, interactive displays and promotional videos will play an important role in attracting eyeballs and will persuade people to enter the store. To promote the newly launched Ulta Beauty retail outlet in Toronto, the company will use various advertising channels to promote the store and brand to attract as many ads as possible. Some of the channels will be advertisements in the newspapers across Ontario, in which the cost of advertisement varies with the size and page selected for advertisement in the newspaper. Further, TTC buses and TTC subway are a great place to advertise the opening of a new retail outlet of Ulta Beauty. Additionally, as the target market of brand is GenZ and Millennial population, influencers across different platforms will be a great way to create awareness. Google ads will be a great channel to attract people via digital marketing.

*\*\* Refer to Annexure table 9.4 for figures.*

**9.5 Other expenses or expenditures**

**Forecasted Capital Expenditure**

Setting up the first retail outlet of Ulta Beauty in Toronto involves various capital expenditures to cover initial setup and ongoing operations. As this is a brownfield investment, the company will be looking to lease out commercial space with good foot traffic to open a store. The location and the size of the store influences the total amount of investment brand must make in setting up an outlet. An Ulta Beauty store typically costs about $1.4 million to open (Wilcox Research, 2022). An Ulta Beauty store typically has 10,000 square feet, of which 950 square feet are devoted to a full-fledged salon. (UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2021) Here is a list of potential capital expenditures the company might incur when starting a cosmetic and personal care products retail store with a salon:

*\*\* Refer to Annexure table 9.5 for figures.*

**10. Annexure**

*1. Table 9.2: Forecasted operating budget.*

|  |  |  |
| --- | --- | --- |
| Serial No. | Operating Expenses | Amount ($USD) |
| 1 | Rent | 80,000 |
| 2 | Store utilities | 12,000 |
| 3 | Insurance | 10,500 |
| 4 | Salaries and Wages | 45,000 |
| 5 | Training | 4000 |
| 6 | Store supplies | 5000 |
| 7 | Equipment Maintenance | 3000 |
| 8 | Depreciation | 15,000 |
| 9 | Technology and software Fees | 4500 |
| 10 | Security | 10,000 |
| 11 | Accounting and legal expenses | 7500 |
| 12 | Credit Card Processing Fees | 3500 |
| 13 | Marketing and Advertising | 35,000 |
| 14 | Employee Benefits | 20,000 |
| 15 | Taxes | 150,000 |
| 16 | Miscellaneous Expenses | 7000 |
| 17 | Custom Duties | 10,000 |
|  | **Total estimated operating costs** | 4,22,000 |

*2. Table 9.3: Cost of sales*

|  |  |  |
| --- | --- | --- |
| Serial No. | Head | Amount ($USD) |
| 1 | Inventory costs | 200,000 |
| 2 | Warehousing and storage | 25,000 |
| 3 | Packaging and Labelling | 7500 |
| 4 | Shipping and Handling costs | 20,000 |
|  | **Total forecasted cost of sales** | 252,500 |

*3. Table 9.4: Estimated costs of marketing & promotions*

|  |  |  |
| --- | --- | --- |
| Serial No. | Advertising Tool | Cost ($CAD) |
| 1. | Newspaper Ads (in 82 newspapers across Ontario) | 7255.20 (OCNA, 2023) |
| 2. | Interior ads in TTC Bus (depending on how many vehicles company wants to advertise in) | 5600 (Choros, n.d.) |
| 3. | 1 Billboards (Medium billboard) | 5000 (True Impact, n.d.) |
| 4. | Google Ads | Average 2 dollars per click (2Marketing, n.d.) |
| 5. | Influencer Marketing (Macro influencer – (500K -1 M followers) on Instagram | 5000-10,000 (Dogtiev, 2023) |
| 6. | Advertisement on TTC Subway for a period of 4 week | 10,000 (Choros, n.d.) |

*4. Table 9.5: Estimated capital expenditures*

|  |  |  |
| --- | --- | --- |
| Serial No. | Capital Expenditure | Amount ($USD) |
| 1 | Lease or Purchase of Retail Space | 300,000 |
| 2 | Store Design, Renovation, Fixtures and Display | 675,000 (Edelen, 2018) |
| 3 | Point of sale (POS) system | 3500 |
| 4 | Security Systems | 7500 |
| 5 | License and Permits | 10,000 |
| 6 | Technology and Equipment | 5000 |
| 7 | Signage and Branding | 2500 |
| 8 | Marketing and Advertising Launch | 6000 |
| 9 | Training and hiring costs | 4500 |
| 10 | Salon Equipment | 50,000 |
| 11 | Retail space broker fees | 15,000 |
|  | Total Forecasted Capex | 1,079,000 |

\*\*\* Above figures are sourced from:

Ulta Beauty Annual Report 2022 (https://d1io3yog0oux5.cloudfront.net/\_668d0babd2b661a33e2ac3586afa78fb/ulta/db/1991/18162/annual\_report/ULTA\_AnnualReport\_2022.pdf)

Ulta Beauty Annual Report 2021 (<https://d1io3yog0oux5.cloudfront.net/_668d0babd2b661a33e2ac3586afa78fb/ulta/db/1991/18099/annual_report/ULTA_AnnualReport_2021.pdf>)

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