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A GUIDE TO THE PROCEDURES FOR
IMPORTING KOREAN COSMETICS
PRODUCTS TO FINLAND

Case study: Company X.

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ABSTRACT

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The primary objective of the study was to investigate the detailed procedures undertaken by company X during different stages of importing South Korean cosmetics products from Q-Depot company to Finland. The research also provided in-depth insights into the Finnish cosmetics market through the PESTEL analysis and evaluated the feasibility of the market potential through the attitudes of local customers.

The theoretical framework of reference included the Import Cycle by Thomchick et al. (2004) which gave the audience a general understanding of different activities within a standard importing process. The study was conducted using qualitative research method by an interview with Finnish Customs and quantitative method through an online questionnaire to uncover and qualify the attitudes of Finnish customers towards Korean cosmetics products. The secondary and primary sources of the literature review are extracted from academic research studies, reliable scholarly articles, government reports, and statistical bases.

In conclusion, the research highlighted the step-by-step importing procedures, which included the selection of supplier and products, wholesale purchasing order, the selection of incoterm, method of payment, transportation method, drafting the contract, preparing the necessary trade documents, and guidelines to complete customs declaration using E-Services by Finnish Customs.

Keywords¹ Importing procedures, South Korea, cosmetics, market research, Finnish market.

LIST OF ABBREVIATIONS	6
1 INTRODUCTION	9
1.1 The purpose of the research	10
1.2 Research questions	10
1.3 Methodology	10
1.4 Thesis layout	11
2 THEORETICAL FRAMEWORK OF REFERENCE.....	13
2.1 Import Cycle	13
2.1.1 Pre-Transaction activities	13
2.1.2 Transaction activities	14
2.1.3 Post-transaction activities	17
3 METHODOLOGY	18
3.1 Research methods	18
3.2 Sampling framework and methods	19
3.3 Limitations	20
3.4 Reliability and validity	20
4 EMPIRICAL STUDY: COMPANY X	22
4.1 IN PRIOR TO IMPORT	22
4.1.1 Product selection: Korean cosmetics products.....	23
4.1.2 Supplier selection: Q-Depot.....	27
4.1.3 Market assessment - PESTEL analysis	29
4.1.3.1 Political factors	30
4.1.3.2 Economic factors	32
4.1.3.3 Socio-cultural factors	34
4.1.3.4 Technological factors.....	37
4.1.3.5 Environmental factors.....	39
4.1.3.6 Legal factors	40
4.1.4 The feasibility of Korean cosmetics products in Finland and the analysis of Finnish cosmetics customers' attitudes towards the products	41
4.2 IMPORT TRANSACTION	44

4.2.1	Wholesale purchasing	44
4.2.2	Communicating and agreeing on tasks between parties	47
4.2.3	International Sales Contract	52
4.2.4	Deposit to Q-Depot	53
4.2.5	Receiving the commercial documents and submitting a customs declaration.....	53
4.2.6	Paying import taxes (Customs duty & VAT).....	55
4.3	POST IMPORT TRANSACTION	58
5	CONCLUSION	60
6	REFERENCE	62

FIGURES

Figure 1.	Import Cycle by <i>Thomchick et al. (2004)</i>	13
Figure 2	Most traded products between EU and South Korea. (<i>Source: Eurostat, 2020</i>)	24
Figure 3.	COSRX AHA/BHA Clarifying Treatment Toner 150ml. Price: 12\$. (<i>Picture source: Q-Depot.com, 2021</i>).....	25
Figure 4.	Commodity code for make-up preparations. (<i>Source: Finnish Customs/FINTARIC</i>).	26
Figure 5.	Corruption Perceptions Index of Finland. (<i>Source: Transparency International, 2021</i>)	31
Figure 6.	Finland Consumer Confidence. (<i>Source: Statistics Finland, 2021</i>).	33
Figure 7.	Total revenue in Beauty and Personal Care market (Finland). (<i>Source: Statista 2021</i>)	35
Figure 8.	Historic Growth Rates for the European Market for Natural Cosmetics in € billion. (<i>Source: Cosmetics Europe</i>).....	36
Figure 9.	Performance of EU Member States' innovation systems. (<i>Source: EIS, 2020</i>)	38
Figure 10.	The import transaction for company X.....	44
Figure 11.	Instructions for creating a new declaration via the Customs Clearance Service. (<i>Source: Tulli.fi, 2021</i>).	55

Figure 12. Finnish Customs' calculation for VAT and Customs duty to be paid. (Source: Tulli.fi, 2021).....	57
Figure 13. Payment to be made by company X during customs clearance process.	58

TABLES

Table 1. Customs duty and VAT rate for cosmetic products imported from South Korea. (Source: Finnish Customs, 2021).....	26
Table 2. Wholesale Supply Rate Offers. (Source: Q-Depot).....	28
Table 5. Sample wholesale order sheet.	45
Table 6. Labelling requirements for imported cosmetics under Article 19 of EC No 1223/2009. (Source: CTPA 2021).....	48
APPENDIX 1	75
APPENDIX 2.....	76
APPENDIX 3. Questions and answers from the online survey	77
APPENDIX 4. Interview questions with Finnish Customs authorities (1).....	82
APPENDIX 5. Interview questions with Finnish Customs authorities (2).....	83

LIST OF ABBREVIATIONS

AI: Artificial Intelligence.

AWB: Airway Bill.

BOL: Bill of Lading.

CAGR: Compound Annual Growth Rate.

CAS: Chemical Abstracts Service.

CCAC: Climate & Clean Air Coalition.

CI: Color Index.

CO: Certificate of Origin.

CPI: Corruption Perceptions Index.

CPNP: Cosmetic Product Notification Portal.

CSR: Corporate Social Responsibility.

CTPA: The Cosmetic Toiletry and Perfumery Association.

EINECS: European Inventory of Existing Commercial Chemical Substances.

EPI: Environmental Performance Index.

EU: European Union.

FTA: Free Trade Agreement.

G7: Group of Seven countries – Canada, France, Italy, Japan, Germany, the United Kingdom and the United States of America.

GDP: Gross Domestic Product.

GMP: Good Manufacturing Practice.

GNP: Gross National Product.

HR: Human Resource.

ICT: Information and Communications Technology.

INCI: International Nomenclature of Cosmetic Ingredients.

ISO: International Standard Organization.

IUPAC: International Union of Pure and Applied Chemistry.

NTB: non-tariff barriers.

OECD: The Organization for Economic Co-operation and Development – an economic organization with 38 member countries.

PCP: Personal Care Product.

PCPC: Personal Care Products Council.

PPP: Purchasing Power Parity.

R&D: research and development.

RP: Responsible Person.

SAD: Single Administrative Document.

SLCPs: Short-lived climate pollutants.

SMEs: small-and-medium enterprises.

TUKES: Finnish Safety and Chemical Agency.

Tulli: Finnish Customs.

VAT: Valued Added Tax.

WHO: World Health Organization.

YoY: Year-on-year.

Q2: second quarter.

1 INTRODUCTION

The cosmetics industry has witnessed an astonishingly rapid growth in recent periods due to the increasing popularity of social media channels such as Instagram or YouTube (*M.Ridder, 2020*). The main categories of this “sought-after” industry include skincare – estimated to be \$189.3 billion by 2025 (*Statistics, 2021*), makeup, haircare, fragrances, toiletries, and deodorants. In fact, a recent report from Allied Market Research (*2019*) indicates that the global cosmetic industry was valued at \$380.2 billion in 2019 and is estimated to reach \$463.5 billion by 2027, with a CAGR of 5.3% from 2021 to 2027. In Finland, the cosmetics segment generates an amount of €191.9 in revenue in 2021, growing at an annual rate of 3.41% (*Statistics, 2021*).

The South Korean cosmetics industry, a market share projected to value at \$21.8 billion by 2026, has become the fourth-largest export nation for global cosmetics and has been thriving in spreading its reputation and innovation globally, especially in Europe; Korean beauty products have emerged as a growing trend among Finnish young generations due to the flourishing Korean wave, subsequently driving the acceleration of recognizing the benefits and uniqueness of K-beauty products for vast expansion opportunities. In fact, K-beauty products with an emphasis on wellness and health are renowned for innovative formulas, natural ingredients with a major focus on skincare while simultaneously ensuring affordable prices.

Company X, a newly established Finnish limited liability company, is located in Helsinki, Finland and specializes in distributing Korean cosmetics products to local consumers. The process of importing products from outside EU to the territory of EU for reselling purposes is perceived as more time-consuming and complicated than the standard process of trading between EU countries. Hence, it is essential for company X to acknowledge necessary importing regulations and procedures to ensure the highest level of compliance with the customs procedural requirements for a successful importation. A deliberate analysis of Finnish market in advance plays a pivotal role in identifying external favourable and unfavourable factors affecting the future prosperity and profitability of company X. Furthermore,

acknowledging in advance the attitudes of Finnish cosmetics customers towards the primary imported products to assess the feasibility for these products is also considered indispensable to the success of a cosmetics business in Finland.

1.1 The purpose of the research

The main purpose of this research aims to acknowledge readers with a full detailed overview of necessary initiatives and procedures undertaken by the case company, company X, during different stages of the importing process from a non-EU country – South Korea to Finland. Furthermore, a detailed explanation for choosing Korean beauty products as the product for importation and for determining Q-Depot, a prominent South-Korea-based distributor specialized in wholesaling Korean cosmetics products from various brands, as the supplier, and the potential of the imported products in the Finnish Cosmetics industry will also be assessed and explored.

1.2 Research questions

The study aims to provide answers to the following questions:

1. What kind of information, requirements and regulations should a business acknowledge and prepare prior to an import process with a non-EU country?
2. Through the market assessment, what is the feasibility for Korean cosmetics products in Finland?
3. What are the procedures for importing cosmetics products from South Korea to Finland?

1.3 Methodology

A combination of primary and secondary data is used during the implementation of this thesis. The secondary data is mainly conducted and gathered from primary and secondary sources of literature review, which include academic research studies, scholarly articles, statistical records, and government reports. A literature review plays such a crucial role since it assesses the research area and provides an overview of the particular topic, the content for the aim of the thesis, the research questions,

and the framework of reference (*Snyder H., 2019*). Meanwhile, the primary data comes from the interview with Finnish Customs (Tulli) about the importing and customs clearance procedures and the data analysis of Finnish customers' attitudes towards Korean Cosmetics products using an online survey, which is utilized to assess the market potential in prior to importing and evaluating the chance of success for company X after importation.

1.4 Thesis layout

The thesis consists of five primary sections, which are the Introduction, Theoretical Framework of Reference, Empirical Study, and Conclusion.

The Introduction section summarizes the background of the research idea, the purpose of the research, the research primary questions, and a description of the methodology used.

The Theoretical Framework of Reference introduces readers to the Import Cycle by Thomchick et al. (*2004*), which then provides a solid understanding of necessary activities and stages in importing process.

The Methodology section provides the detailed methods of research used within the thesis, the sampling framework and methods, the limitations of the study, and the reliability and validity of the results.

The Empirical Study section presents a full case-scenario of importing Korean cosmetics products to Finland. It explores the inducements behind the selection of imported products and the supplier as well as an assessment of the Finnish market using the PESTEL framework to gain insights into the external opportunities and unfavorable factors. The section also includes the primary data analysis from the online questionnaire to evaluate the feasibility of market potential for imported Korean cosmetics products through analyzing the Finnish customers' attitudes. Furthermore, crucial activities that company X should undertake within an import process from South Korea to Finland, including sending a wholesale purchase request, drafting an international sales contract, agreeing in common terms with the supplier, handling customs clearance procedures with Finnish Customs using E-

Services, and payment to relevant authorities (Posti, Finnish Customs, and Tax Administration) are also included and discussed. Ultimately, the final aspect of the empirical study presents the activities after an importing process from the perspective of the importer, company X.

The final chapter – Conclusion – discusses the summarization of the research while including recommendation for company X.

2 THEORETICAL FRAMEWORK OF REFERENCE

2.1 Import Cycle

Thomchick et al. (2004) classified the Import Cycle into three crucial segments: Pre-Transaction, Transaction, and Post-transaction activities, as shown in Figure.

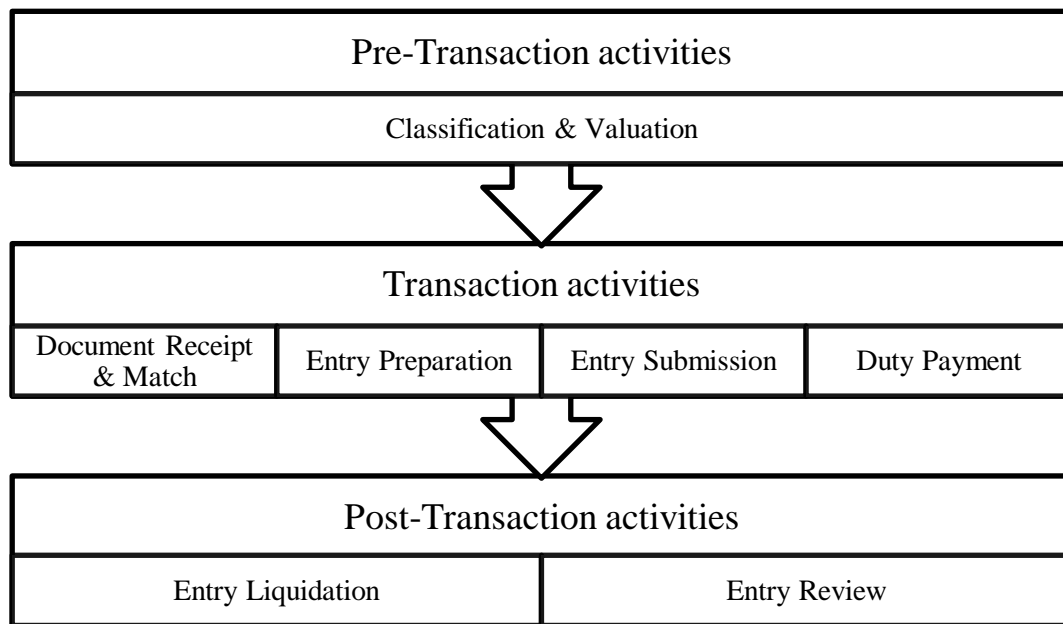


Figure 1. Import Cycle by *Thomchick et al. (2004)*

2.1.1 Pre-Transaction activities

Under this cycle, selecting an appropriate product for importation and a virtuous long-term supplier to cooperate with are perceived as the utmost critical prerequisites for firms and individuals in pursuit of importing business. The selection process and other factors aimed for a more enhanced result of selection must be considered and executed with the greatest of attentiveness to ensure the favorable outcome and to eliminate potential risks of disruptions in the supply chain procedure (*Tektas & Aytakin, 2013*). Importers are also favourably propounded to undertake various actions such as identifying the potential items for imports, the potential suppliers, the country of origin, and the commodity code for the products – TARIC code in this case (*Tulli, 2021*) – together with researching the relevant tariff and duty fees.

The importers can also acknowledge in advance certain import regulations and restrictions, relevant laws regarding the specific products intended for importation, the requirements for any other market surveillance authorities, whether an import license is required, non-tariff barriers, and preferential trading agreements and treatments for the country of origin – which affect the duty rate. The pre-entry classification gives the importers an in-depth insight into the imported goods and their intended uses (*Thomchick et al., 2004*) together with an overview of estimated duty costs for further estimated budget preparation.

Both *Thomchick et al. (2004)* and *Seyoum (2008)* suggested a purchase of a sample of the selected imported item and the obtaining of price lists from different potential suppliers during this stage for an accurate evaluation of the suppliers' ability to fulfil the requirements and expectations and a verification of the product quality for better determinations. Furthermore, an advance scrupulous research and analysis of the market for importation, which provides firms with an insight into different factors of the foreign market using primary or secondary data, is perceived to recognize future potentials affecting the trade activities and increase the success rate for importing firms while mitigating the risk of failure due to lack of necessary understanding, as pointed out in studies by *Seyoum (2008)* and *Puth (2018)*.

2.1.2 Transaction activities

This stage of the cycle requires a close alignment and cooperation between the exporter and importer through multiple activities, from the transaction and transportation process to different customs procedures for goods clearance (*Thomchick et al., 2004*). Within the transaction process, after sending a request for wholesale purchase and receiving the closing price quotation from the supplier, the importer should work closely with the supplier to draft a sales contract, determine which currency to use, which payment term is appropriate, agree on the mutual delivery terms, pay attention to the exchange rates, EU laws and necessary regulations and consider other possible foreign exchange risks as well as solutions to mitigate the risks beforehand (*Seyoum, 2008*).

A variety of trade documents are prepared and used during the import process, especially in custom procedures. The number and type of documents submitted may differ according to the importing country and the completion of the submission of these documents are required for a successful delivery, fulfilment to the relevant regulations, and customs declaration (*Seyoum, 2008*). The failure to assure the quality and fulfil accuracy of the documents submitted during this stage affect not only the cooperation and success of commercial venture but also the degree to which the importer is compliant to the government regulations and other international activities in which the importer participates (*Thomchick et al., 2004*). Importers in Finland can look up information from or contact the Finnish Customs to acknowledge accurate document requirements. Some of the documents disclosed in the process are (*Seyoum, 2008; Thomchick et al., 2004; Tulli, 2021*):

(1) **Commercial Invoice:** A legal document or a bill, provided by the seller to the purchaser, includes information about names and contacts information from both parties, the country of export, the country of manufacture, the country of destination, and such information regarding the purchased merchandise as the names, quantity of items purchased, total weight and the total value of the merchandise. The Commercial Invoice is necessary for the Customs of the destination country during the import clearance process to determine further customs duties and taxes assessment based on the value of the merchandise (*Seyoum, 2008; International Trade Association, 2020*).

(2) **Bill of Lading (BOL):** Defined as a contract between the owner of the merchandise and the assigned carrier, a Bill of Lading is required to certify the ownership of the merchandise and contains such information as the basic and contact information of the sender and the receiver, package quantity, total weight of the merchandise, and necessary terms. A straight BOL, issued when the consignment is made directly to the purchaser and hence not negotiable, and an order BOL, negotiable and hence is eligible to be bought and sold during transit, are two types of BOL (*International Trade Association, 2020; Seyoum p.198, 2008; Zodl, 1995*).

(3) **Certificate of Origin (CO):** Perceived as a significant trade document, a Certificate of Origin states and certifies the consignment is wholly manufactured in a particular country. A CO commonly contains information about the consignee, consigner, the certifying authority, declaration made by the consigner, and the certification made by the authority. Custom requests a CO for customs clearance procedures, especially during the case when the merchandise is eligible for free trading treatment (*International Chamber of Commerce, 2020*).

(4) **SAD (Single Administrative Document) Form:** A SAD form, used for customs declaration purposes in the EU, is required for trading activities between an EU country with a non-EU country and for movements of merchandise within the territory of the EU (*European Commission, 2012*).

(5) **Packing List:** A Packing List, which itemizes the items within each package, is a required document for the Custom to verify the consignment, for the forwarders to determine the freight cost, and for the consignee to assess the total weight, total volume and the correct quantity of the shipment (*Seyoum, 2008; International Trade Association, 2020*).

(6) **Airway Bill (AWB):** A crucial non-negotiable document – a contract between the shipper and the air carrier – is issued by the air carrier to serve as a receipt for the shippers. Since the Electronic Airway Bill Resolution 672 (MeA) eliminates the needs for a print version of AWB, e-AWB has now become a default contract of carriage (*IATA, 2021*).

According to Finnish Customs (*2021*), an Entry Summary Declaration (IE315) is mandatory to be submitted by the carrier for merchandise delivering from a non-EU country to an EU country, regardless of the mode of transport, and is submitted electronically on Tulli and to the Customs Safety and Security System AREX. The declaration is critical for the Custom to perform electronic risk analysis regarding the safety and security involved, and hence must be performed within the prescribed time limit before the enter of the merchandise to the EU territory. Within the declaration, the goods description can be provided according to the common trade name published by European Commission or if not, the four-digit commodity code

can be provided alternatively. After the consignment arrived in Finland, the authorized carrier is required to submit an Arrival Notification (IE3470), using so-called Entry Key data, and a Presentation Notification (IE347).

Regarding the duty payment, private customers and businesses in Finland can get an estimated amount of custom duty fee through Finnish Custom Duty calculation on Finnish Customs website. The payment can be made electronically through the Finnish Customs website once the goods have been cleared (*Tulli, 2021*).

2.1.3 Post-transaction activities

This stage of the cycle is perceived as the most onerous stage, in which the importer, the Custom involved, and the government have an opportunity to review and validate various aspects during the transaction stage.

Liquidation is defined as the “final ascertainment” of the transaction phase, detecting possible errors in duties or drawbacks (*Seyoum p.430, 2008*). Entry liquidation procedure is mandatory for all imported merchandise, except special circumstances, and involves the validation of the consignment value, the classification, the documents submitted, and the duty fee paid. The Custom then determined whether the importer had underpaid the duty and any additional customs duty fee needed to be made or whether any excess amount of fee eligible for refunds; the Custom may request further documents from the importer if necessary. The importer would then be informed about such liquidation and have an opportunity to select between paying the additional duty and filing protests (*Thomchick et al. 2004; Seyoum, 2008*).

3 METHODOLOGY

3.1 Research methods

The thesis utilized a combination of both quantitative and qualitative research methods. Though researchers in the past tended to either employ a quantitative or qualitative method in a research project or study, there here has been prompt growth in the use of the combination of both research methods in recent years to ensure the advantages of both methods while mitigating the limitations.

There are four common approaches defined in combined method research, which are (1) the triangulation of methods to double-check the findings while enhancing the validity and confidence of the research; (2) the use of multiple methods to deliver the research objective and answer the research questions from multiple perspectives; (3) the combination of both methods to enhance generalization; and (4) the facilitative combination of methods sequentially (*Spicer, 2004*).

The research hence employed the use of the facilitative combination of research methods, in which the quantitative research method and the qualitative were used simultaneously. The quantitative method was first utilized to collect primary data from an online questionnaire in measuring the attitudes of Finnish cosmetics customers, which facilitated addressing one of the primary research questions regarding the feasibility of the imported products. Furthermore, the research was also conducted using the descriptive qualitative research method with the primary information extracted from an interview through emails with Finnish Customs authorities about the importing and customs clearance procedures.

Meanwhile, the author also adopted the usage of desk research, or so-called secondary research, to collect and analyze primary and secondary data from reliable sources such as government reports, official statistical data, relevant academic studies, scholarly articles, and company data. Such secondary data provided a solid foundation for the research and predominantly used in the theoretical framework of reference.

3.2 Sampling framework and methods

The population of interest chosen for the questionnaire refers to the entire inhabitants in Finland, including both Finnish citizens and residents. According to the latest data from Statistita (2020), 11 percent of Finnish customers purchase cosmetics products online and people within the age group of 25 to 54 years are perceived to be the strongest online cosmetics purchasers. Meanwhile, customers ranging from 12 to 24 years old contribute about 12 percent to the total cosmetics and well-being products consumption online. Hence, the sampling frame includes only the Finnish individuals who satisfy the following conditions: (1) in the age group of 12 to 54 years old and (2) currently using at least some cosmetics products.

Due to limited resources, non-probability sampling methods are utilized for the questionnaire, which include convenience sampling – a method in which the responses are obtained based on the availability and willingness of the respondents in taking participants in the survey, and snowball sampling – a sampling method in which the author or the researcher requests the investigated respondent(s) to share or send the survey to family members, friends, and acquaintances to increase the sample size. The online survey was sent to all the business students at Vaasa University of Applied Sciences through emails. Furthermore, the author also shared the survey with her friends on Facebook, WhatsApp, and other social media platforms.

Furthermore, the research also relied on purposeful sampling for the qualitative research method. Purposeful sampling is a sampling technique in which the participants are selected only if they fulfil a certain number of qualifying factors and criteria as well as being able to provide in-depth information and insights into the subject of the research. The recruited participant for this thesis hence is Finnish Customs authorities, who have large knowledge and experience concerning importing procedures as well as customs clearance process in Finland. Due to limited time and resources, the author was unable to have a face-to-face interview with the Finnish Customs directly. The interview was conducted through email

(yritysneuvonta.lupa-asiakkaat@tulli.fi) with the procedure-specific business information services of Finnish Customs.

3.3 Limitations

Regarding the feasibility for imported Korean cosmetics products in Finland through an online survey, the questionnaire only receives a small number of responses and hence the findings cannot be representative of the entire population of Finland. Furthermore, most of the responses come from university students due to the method of data collection, which also affects the generalizability of the study. Meanwhile, the convenience sampling and snowball sampling affect are prone to inevitable volunteer and selection bias of the author due to (1) the differences between those who chose to not respond to participate in the questionnaire and those who have responded and (2) the similarities of a number of participants who hold the same characteristics. Ultimately, the online questionnaire also includes several limitations such as the inability to ask questions if the respondent found the question in the survey unclear and the risk of inaccuracy in the “scale” questions since the respondents might be hesitant to select such extreme answers as “very unlikely” and “very likely”.

This thesis focused only on the importing and customs clearance procedures for cosmetics products from South Korea, hence the guidelines and instructions within the research are not applicable to other imported products to Finland as well. Furthermore, the procedures within trading activities experience continuous changing hence the research is not considered as absolute in the next few years.

3.4 Reliability and validity

The primary purpose of the research is to find out about the importing procedures of Korean cosmetics to Finland, hence reliability and validity are such significant aspects of the research. The information and data collected in this research are up-to-date and extracted from reliable sources, which are government reports, Finnish Customs instructions, scholarly articles, and academic reports. Furthermore, in

order to enhance the reliability of the research, the information was also double-checked and confirmed with the Finnish Customs authorities.

4 EMPIRICAL STUDY: COMPANY X

Company X is a limited liability company, which was established in 2021 and is currently located in Helsinki, Finland. The management board of the company has a plan of importing Korean cosmetics products to Finland for reselling purposes. Since the company does not have previous experience in importing and customs clearance procedures with a non-EU country, the empirical study hence describes and discusses the step-by-step guide into importation of cosmetics from South Korea, which is in accordance with the three stages of the Import Cycle by Thomchick et al. (2004). To ensure the long-term profitability for the business, a deliberate analysis of the Finnish market and cosmetics customers was conducted to determine the potential for imported products from company X. Meanwhile, other aspects of importation procedures such as the crucial document to prepare and submitted to the Finnish Customs, the labelling requirements for imported cosmetics products, and potential challenges during the import process would also be reviewed.

For the empirical study, the author utilizes both quantitative method and qualitative method. The quantitative data within this chapter were collected from an online questionnaire about Finnish customers' attitudes towards Korean cosmetics products. Meanwhile, the author also conducted an interview with Finnish Customs authorities through emails to gain in-depth information and insights into the importing and customs clearance procedures.

4.1 IN PRIOR TO IMPORT

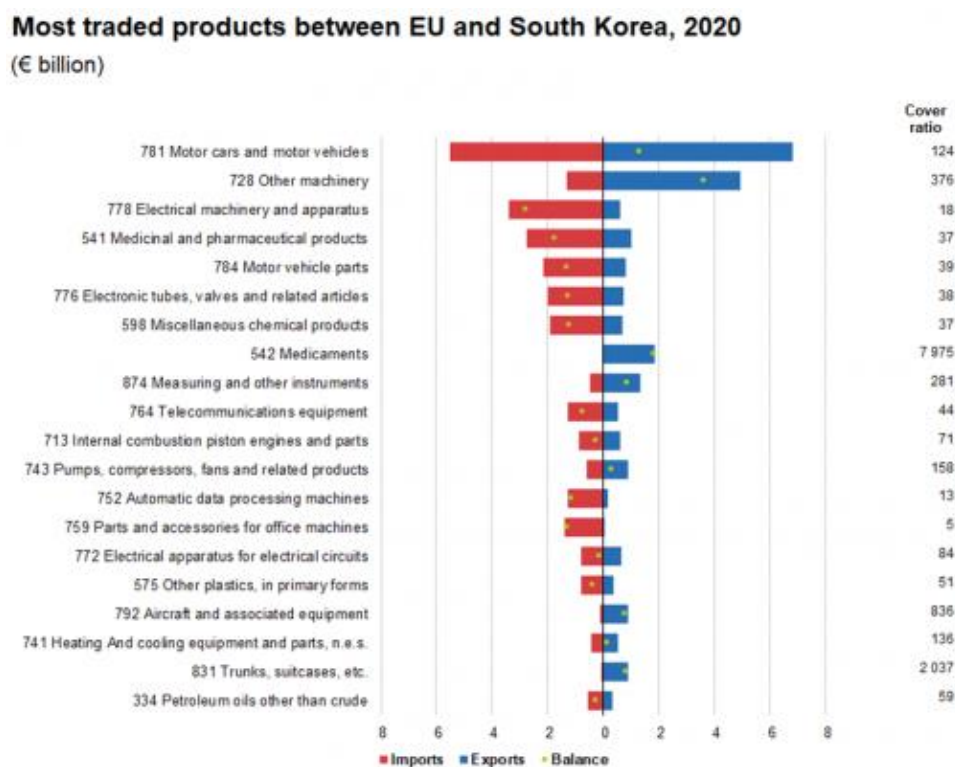
This section aims to introduce readers to the necessary actions and initiatives company X need to undertake in prior to starting an import transaction. The product and supplier selection would provide general definitions and relevant considerations as well as motivations leading to such choices. Meanwhile, a scrupulous PESTEL analysis and an online questionnaire about the attitudes of Finnish cosmetics customers would also be conducted and discussed to provide readers with in-depth understanding and potentials of the Finnish cosmetic market while pointing out external opportunities and unfavourable factors.

4.1.1 Product selection: Korean cosmetics products

Seyoum (p.407-409, 2008) described four types of products, which are assumed to acquire a high potential success, for importation: (1) Unique Products, (2) Affordable Products – Products that are demonstrated to be equally or more effective but at a much lower price than those from rivals, (3) Available Products – Products that are in such high demand that the original home country is unable to provide an adequate amount of quantities or that are not produced or available in the home country, and (4) Better-quality products.

As noted by *Asgari & Hosseini (2015)*, Korean cosmetic products have experienced prompt and vast expansion throughout these latest years due to notable high demands and escalated purchasing power from both Korean and international consumers. The incentives for this remarkable enlargement in popularity of K-beauty cosmetics are attributed to increasing awareness about taking care of appearances among young generations, to the availability and growth of commercial advertising especially through social media platforms (*Jin and Yoon, 2017*), and to the impact of “the Korean wave” – also known as *Hallyu* in Korean, referring to the global popularity of Korean culture primarily through the entertainment industry that stimulates the purchasing motivation of Korean-made products among international customers (*Lita & Cho, 2013; Asgari & Hosseini, 2015*). The prominent penetration of Korean culture in an international position could be expressed and demonstrated through the prevalence of K-pop (Korean Popular Music) considering global band – BTS and through K-drama, with examples of *Parasite* – Oscar winner and *Squid Game* – Netflix's most popular series with more than 100 million viewers worldwide (*Cho, 2021*). South Korea is also known as the ninth-largest cosmetic market in the world with a value estimated at 9.4 billion USD growing at a 4.3 percent CAGR (*ITA, 2020*). In fact, Korean skincare products have become remarkably prevalent worldwide in the last few years, especially for the ten-step skincare routine. Korean cosmetic products are perceived to have affordable prices while ensuring flawless results and using innovative formulas and natural ingredients (*Kuan Lin et al., 2021*).

Sung (2014) and Cho (2021) in their studies also pointed out the growth in demand and consumption of Korean-made products in European countries in recent years. Benefited from the great influence of EU-South Korea FTA, South Korea has now become the eighth-largest trading partner with EU with a total value of imports amounted to 44 billion EUR (Eurostat, 2020). Furthermore, the same statistical data from Eurostat indicate that cosmetic products or pharmaceutical products account for a majority part of the total most trade goods between EU and South Korea (see figure 2).



Note: While the trade balance provides information on the absolute value of trading positions, the cover ratio provides a relative measure that is based on the ratio (expressed in percentage terms) between the value of exports and the value of imports; if exports are higher than imports then the cover ratio will be above 100.

Source: Eurostat (online data code: DS-018995)



Figure 2 Most traded products between EU and South Korea. (Source: Eurostat, 2020)

Since European in general and Finnish consumers are becoming more aware of possible unfavorable effects due to toxic ingredients in the cosmetic products and hence are switching up their preferences to vegan and organic products, the ideal

targeted product for importation in the case of company X would be **Korean organic and natural cosmetics products**; furthermore, a consideration to cruelty-free factor should also be taken into due to the increasing attentive care to this matter from European people, especially after EU ban animal testing for experiment purposes. Some of the well-known and cruelty-free Korean beauty brands using natural ingredients are COSRX, Klairs, Benton, Purito, A True, Skin & Lab, and Aromatica.



Figure 3. COSRX AHA/BHA Clarifying Treatment Toner 150ml. Price: 12\$.

(Picture source: Q-Depot.com, 2021)

Company X should acknowledge the commodity code for the selected products in advance to estimate the correct amount of customs duties and value-added taxes (VAT) needed to pay. The commodity code for beauty or make-up preparations for the care of the skin on FINTARIC is 3304 with the sub-code for lip make-up

preparations, eye make-up preparations are 3304100000 and 3304200000 respectively (see figure 4).

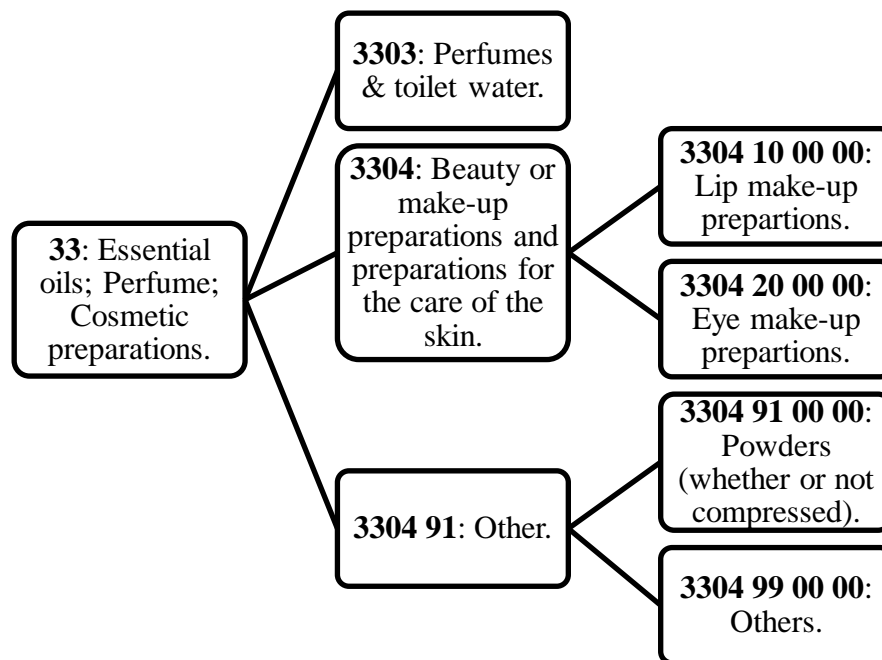


Figure 4. Commodity code for make-up preparations. (Source: Finnish Customs/FINTARIC).

As stated above, acknowledging relevant regulations and restrictions regarding the import activities while estimating the calculated customs duty and VAT are prerequisites for effective planning and preparations for importation. The cosmetic products if imported from South Korea are eligible to 0% duty fee under the preferential treatment – “South Korea – EU Free Trade Agreement” (see table 1).

Table 1. Customs duty and VAT rate for cosmetic products imported from South Korea. (Source: Finnish Customs, 2021).

Regulation	Type	Rate
R2261/98 (C103) and D0265/11	A00 (Duty)	0%

Q1501/93 (P305)	B00 (Value Added Tax)	24%
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When purchasing or intending to bring sample goods prior to making a wholesale purchase, for evaluating the quality of the products only and not for sales purposes, company X is eligible to be exempt from customs duty and value-added taxes; however, company X and the supplier should declare and state clearly in advance of delivering to Finland that the goods are samples by adding sample stamps, tearing or punching the marked goods (*Finnish Customs, 2021*).

4.1.2 Supplier selection: Q-Depot

In early study regarding factors and choice criteria that managers take into consideration the most in supplier selection, *Ghymn and Jacobs (1993)* induced a list of such factors as the quality of products, delivery time and price while noting that corporations and organizations with a higher scale prioritized trading and government restrictions. *Seyoum (p.412-p.414, 2008)*, *Chan & Chan (2010)* and *Chao et al. (1993)* pointed out a variety of essential determinants to evaluate in the process of determining a suitable supplier, including an ability to deliver quality products, competitive pricing offer, delivery time and expense, reliability and creditability, perceived risks, and ability to meet other standard requirements. Aware that prior studies on supplier selection criteria limited to only domestic sourcing, *Tektas & Aytakin (2013)*, on the other hand, developed a comprehensive hierarchy of International Supplier Selection Criteria by extending the existed literature with global characteristics and elements, for example, environmental concerns of suppliers and global factors such as the political, geographical, economic and social environment. Meanwhile, previous studies and regression analyses from *Uddin, Rahman, and Pavin (2009)* put an emphasis on the country-of-origin factor, which is perceived to have a positive effect on pricing and delivery time (*Nagashima, 1977*).

After completing research into different suppliers of Korean cosmetic products, Q-Depot appears to be the most appropriate supplier for the following reasons:

High reputation and credibility: Originally established in South Korea in 2012, Q-Depot has now become the prominent wholesale supplier offering Korean PCPs from more than 300 brands to more than 25000 customers worldwide. With four regional offices in different countries and with outstanding customer service and support, Q-Depot has also been perceived as the top-rate satisfied supplier on different social media platforms (Google Review, Facebook, Trust Pilot, and Reseller Rating).

Product quality: Q-Depot only offers authentic Korean cosmetic products manufactured and delivered directly from South Korea. The company also delivers to the customers Certificate of Origin issued by the Korean Chamber of Commerce for authenticity and customs procedure purposes.

Short lead-time: Lead time is defined as the difference between the time a supplier receives the purchase request and the time when the goods are shipped to the customer. Q-Depot has a lead time of 1 to 2 weeks for most brands, which is perceived as one of the shortest lead times among those of Korean cosmetic suppliers.

Competitive Prices: Apart from offering the retail prices directly on its website, Q-Depot also has a separate pricing offer for wholesalers, with the supply rate ranging from 68% to 49% (see table 2). The supply rate is calculated by subtracting the discount rate from the initial retail price. For example, an order entitled to a supply rate of 49% would have a discount rate of 51%.

Table 2. Wholesale Supply Rate Offers. (Source: Q-Depot).

Brand	Minimum Order Amount	Supply rate for order valued from \$500	Supply rate for order valued from \$1000	Supply rate for order valued from \$2000	Supply rate for order valued from \$5000

COSRX	\$500	68%	66%	65%	63%
Skin&Lab	\$500	53%	52%	51%	49%
Benton	\$500	59%	58%	57%	56%
Purito	\$500	67%	66%	65%	63%
Dear, Klairs	\$500	vary	vary	vary	vary

Quick delivery: Stated on its current website, Q-Depot agrees to deliver orders to every country in the world while ensuring that customers would receive the products needed within 3-5 business days or 8 days at the latest. The current carrier partners that Q-Depot is working with are DHL, TNT, EMS, Fed-Ex, UPS, etc.

Guaranteed custom handling: Q-Depot also assists the wholesaler customers in custom handling to ensure that the commercial goods are conveniently passed through the Customs of the imported country involved. Customers can discuss further with Q-Depot in choosing the most appropriate delivery term (incoterm) and other related customs issues.

4.1.3 Market assessment - PESTEL analysis

The acceleration in the significance of values and in the demands of goods that are manufactured and produced outside national boundaries has resulted in such an increasingly essential role of international competition (Eren, 2002). Seyoum (p.74, 2008) indicated that one of the most common mistakes often led to failure that a manager made in exporting or importing decisions is the lack of a proper international assessment beforehand of the destination market and other differences in external forces abroad. Hence, the presence of a framework that investigates the relevant external incentives and environmental forces, which enable firms to recognize and exploit business opportunities while anticipating and mitigating unfavorable threats, has growingly proven to be indispensable during the integral

stages of strategic planning of a firm (*Ülgen & Mirze, 2007; Dinçer, 2004*). One of the most well-known and significant frameworks extensively undertaken by firms to get an overview of external factors prior to the entry of a new foreign market is PESTEL analysis (*Rothaermel, 2014*).

PESTEL Analysis is defined as a crucial strategic framework that reveals the Political, Economic, Socio-Cultural, Technology, Environmental and Legal factors at the macro environment and hence gives an in-depth understanding of relevant opportunities and threats that directly or indirectly influence the operations and prosperity of company X, especially in the planning stage of launching a new product to the market (*Ülgen & Mirze, 2007; Corporate Finance Institute, 2021*). İhsan (2012) in her study of PESTEL Analysis suggested that the PESTEL framework also serves as a precondition analysis or a valid predictor, allowing firms to get an overview of potential circumstances occurring in the future and hence to build a superior vision for the business. Stated below is the PESTEL analysis for Finland:

4.1.3.1 Political factors

Political environment: Finland is a parliamentary republic country under the framework of an indirect democracy. Having had most of its dependence on a semi-presidential system, Finland, however, has witnessed the power of the President within the country diminished since the constitutional was rewritten in 2000. Instead, the Prime Minister – Sanna Marin since 2020 – is the most influential person in the country, leading the nation's executive branch, the Finnish Government.

Finland has a multi-party system ensuring that no single party is entitled to the entire power alone (*Nordea, 2020*), hence it is unquestionable that Finland ranked the first in political freedom (*Freedom in the World 2021*) and the second out of 180 countries in the freedom of the press (*2021 World Press Freedom Index*). Research conducted by A.M. Best Company (2009) suggests that the political risk in Finland is remarkably low. Furthermore, the index from Transparency International (2021) points out that the Corruption Perceptions Index (CPI) in Finland is relatively low

– 85 in 2020, which is perceived as the third-least corrupt nation in the world. These factors all suggest that Finland overall has a stable political environment and is safe to be an imported destination country.

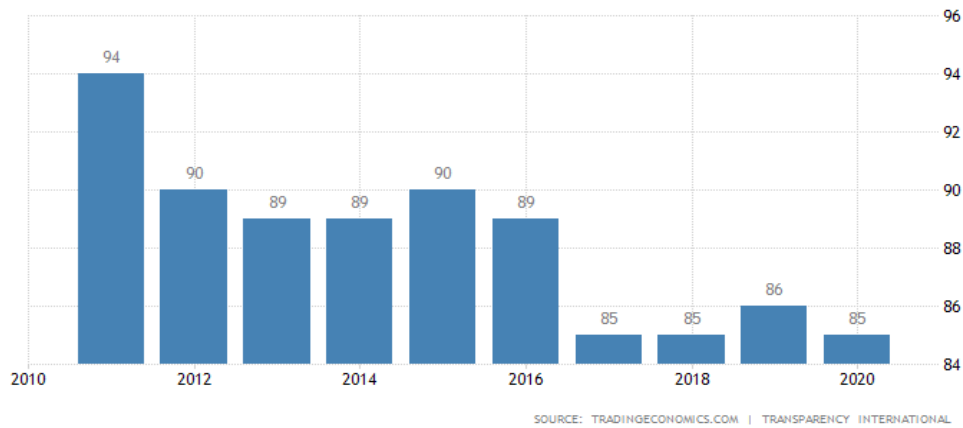


Figure 5. Corruption Perceptions Index of Finland. (Source: Transparency International, 2021)

Relevant Trading Agreement: The EU-South Korea FTA on four sectors – electrical and electronic equipment, pharmaceutical products, and motor vehicles and parts – went into effect in 2011 and since then has eliminated customs duties on 98.7% of products, removed trade barriers, simplified customs procedures, and facilitated trade while reducing expenses for businesses. Since K-Beauty products belong to the pharmaceutical industry and hence are qualified for zero preferential tariffs (*Official Journal L 127, 2011, p.1344*) and enjoyed multiple benefits from the FTA such as improved transportation security and procedures, duty drawback, mutual administrative assistance in customs matters, and self-declaration by the exporter for consignment valued under €6,000 (*European Commission, 2021*). However, under Article 13 of the Protocol of European Official Journal, it is required for the exporter and importer to comply with direct transport rule – originating products must be transported from EU to South Korea (or vice versa) without undergoing operations in a third country other than unloading, reloading and other actions belonged to the customs surveillance. Other requirements needed to be fulfilled beforehand to be qualified for the stated benefits above are the origin declaration in Korean, English or Finnish and the presence of an Approved Exporter

who makes and submits an origin declaration remained valid for 12 months from the date of issue together with Certificate of Origin.

Custom duties and value-added tax (VAT): Import taxes on imported goods are made up on custom duty and VAT. Zero custom duties are collected in this case due to the EU-South Korea FTA. However, since the products are delivered from outside the EU's customs and fiscal territory, they are subjected to the standard VAT rate – 24% of the custom value which consists of the purchase price and other transportation and insurance costs (*Finnish Custom, 2021*). Due to new changes made in July 2021, all the goods arriving from outside the EU must be declared regardless of the value. For the purchases of goods valued over €150, the importer must declare the goods and pay the VAT himself or herself (*HE 18, 2021; Finnish Custom, 2021*).

4.1.3.2 Economic factors

Strong economy growth: Dampened by the COVID-19 pandemic, the real GDP (Gross Domestic Product) of Finland fell by 3.1% in 2020, primarily due to the decrease in private consumption. However, Finland is recognized as one of the least affected countries due to the epidemic in both economic and health care terms. The Finnish economy is expected to grow by 2.6% in 2021 and 2.7% in 2022 through the remarkable increase in consumption and export (*OECD Forecast Summary, 2021*). An article from Nordea – *Nordea Economic Outlook 2021* suggests that the economic growth in Finland will grow by 3.5% in 2021 and 3% in 2022 since the recovery rate of Finland was prominent in summer, followed by the fact that the Q2 GDP rose by 2.1% and 7.5% YoY – surpassing the pre-COVID19 pandemic level. Furthermore, the Finnish Consumer Confidence indicator – which grew from 4.0 in August to 6.0 in September 2021 – reaching the highest since December 2017 (*Statistics of Finland, 2021*), and the increasing salary – up to 6.5% compared to two years ago – resulted from the fast recovery in employment together contributed to a strong purchasing power (*Nordea, 2021*).

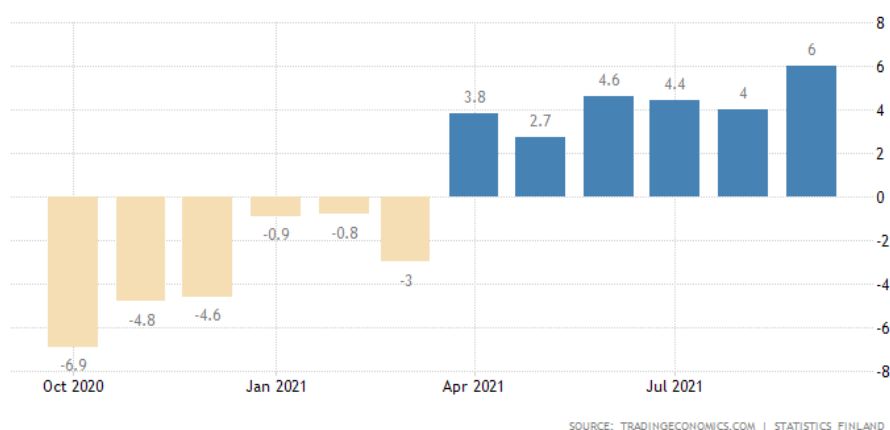


Figure 6. Finland Consumer Confidence. (Source: Statistics Finland, 2021).

Potential unfavorable factors: Rising inflation rate – commodity prices increased by 1.9% in July 2021 - is one of the factors that curb the consumer spending along with the risk of third wave of the COVID-19 pandemic, which might result in longer recovery time. In fact, the outlook for trade remains quite uncertain due to potential unexpected disruptions in supply chain sector such as those in Q1, 2020 (OECD, 2020). Furthermore, the general government deficit remains relatively large and is forecasted to continue growth with the debt ratio reaching 73% in 2023 (Bank of Finland, 2021).

Opportunities for imports: With the revenue from international trade accounted for a third of the overall GDP, Finland is highly integrated into multiple trade activities (International Trade Association, 2021). In fact, the total value of Finnish exports in July 2021 was 5.4 billion EUR and the value of imports was 5.9 billion EUR (Finnish Custom statistics, 2021). Prominently, imports to Finland have risen by 20.3% YoY in July 2021, contributing to a favorable environment for international trade for Finland (Trading Economic, 2021). A report from Statistics Finland (May 2021) pointed out that while imports from mineral fuels, machinery, and vehicles decreased, the imports from pharmaceutical products notably increased, contributing to 0.1 to 0.3 percent points to the overall growth of imports. Furthermore, the EU notably is South Korea's third-largest export destination and the trade between the EU and South Korea had increased to a value of €90 billion five years after the South Korea - EU FTA (European Commission, 2016).

4.1.3.3 Socio-cultural factors

Welfare system: Finland has one of the most advanced welfare systems in the world since the 80s, exhibiting a good deal of factors that are congruent with other Scandinavian countries such as the large scope of social policy, a large emphasis on full employment, the high social expenditures of GNP, the high tax rate, and earning-related benefits and services for employed persons (*Kautto et al. 1999*). Ranked as the happiest country in the world for four consecutive years (UN Report, 2021), Finland stood out by performing remarkably well on several indexes of well-being and welfare, for example, GNP per inhabitant, income distribution and transfer, access to healthcare, access to education, and investment in education and human resources (*Nygård, 2013*). The advanced welfare state has enhanced employability and wealth as there is an intergenerational link between education and income (*Andersen, 2015*). In an economic survey, OECD (2016) highlighted the high living standards and well-being indexes of Finland with a solid economy progress. Furthermore, an article from ReportLinker (2021) has attributed the improving quality of life and high literacy of customers to relevant factors that promote a propelled cosmetic market growth in the future.

Gender equality: A Labour Survey from Statistics Finland (2021) stated that the employment rate of people aged 15 to 64 years old in Finland in June 2021 was 72.4% while the unemployment rate was only 7.6%, which is 0.1% lower than the rate of last year. Benefited from the advancement of the individual social security model, Finland has an equal and high employment rate for both genders, resulting in the lowest gender inequality in the OECD (*OECD, 2016*) and equal income distribution (*Susanne & Annika, 2019*). With the female individuals accounting for roughly half of the total population and a high purchasing power from the targeted group consumer – a significant part is employed females (*Outi & Pekka, 2011*) and a minor part is enthusiastic-about-physical-appearance Finnish males (*FCDTA, 2006*), Finland has highlighted a robust growth from one of the fastest-growing consumer markets – the revenue from the Beauty and Personal Care products (PCP) was valued at 1 billion EUR in 2021 – in line with the growth in the capita of

personal income (*Global Insight Inc., 2007*), suggesting Finland as an ideal destination for cosmetic businesses.

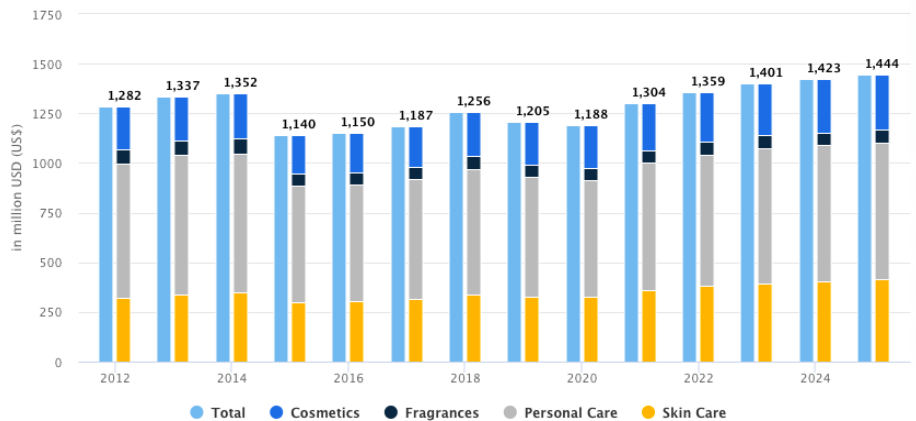


Figure 7. Total revenue in Beauty and Personal Care market (Finland). (*Source: Statista 2021*)

Population structure: The total population in Finland was estimated to be 5.5 million in 2020, with the 20-to-30-year-old (1.3 million) and 40-to-59-year-old (1.3 million) groups accounting for half of the population (*Statistics Finland, 2021*). The steady increase in the number of individuals who are over 60 years old (22.6%) in recent years reflects the old population structure in Finland, which is known to have one of the oldest populations in Europe (*THL, 2011*), and is regarded as a factor eroded growth potential (*OECD, 2016*). However, information from a report by *Cosmetics Europe (2019)* revealed that older consumers tend to spend substantially more on cosmetic products than younger ones; indeed, there has been a steady growing demand for anti-aging products in Europe in recent years (*ReportLinker, 2021*). Meanwhile, *Statista analyst (2021)* has attributed the strong generation shift – more young customers enter the PCP consumer market – to primary reasons that led to the immense growth of this industry in Finland.

Latest trends and preferences: The global pandemic has significantly influenced and changed the purchasing patterns of consumers (*ReportLinker, 2021*) while providing a vast number of opportunities for e-commerce businesses. Indeed, a survey from *Forea* reviewed that 96% of cosmetic consumers spent more on skin-

care products than on makeup during the epidemic and that purchases for skin-care products sector have increased from 10 to 20% in 2020 (Mordor Intelligence, 2021). An article from McKinsey (2020) reported that the revenue for PCP sector increased by 50% compared to that before the pandemic and Zalando (2020), a giant e-commerce company, also highlighted that the self-care beauty categories went up by 300% in April 2020.

In a study of European Cosmetics Industry, *Global Insight Inc.* reported that Finnish cosmetic consumers have recently expressed strong adulation towards cosmetic products that contain natural ingredients and formulas due to the rising concerns about possible allergic reactions from harmful chemicals (Boxall et al., 2012). A survey by *Pro Luonnonkosmetiikka ry* (2017) with 24 Finnish companies reported that revenue from organic and natural cosmetic products rose by 13.4% in 2017, compared to last year's sales, and that managers from these companies predicted an enormous potential for this highly innovative and sales-driven sector in Finland.

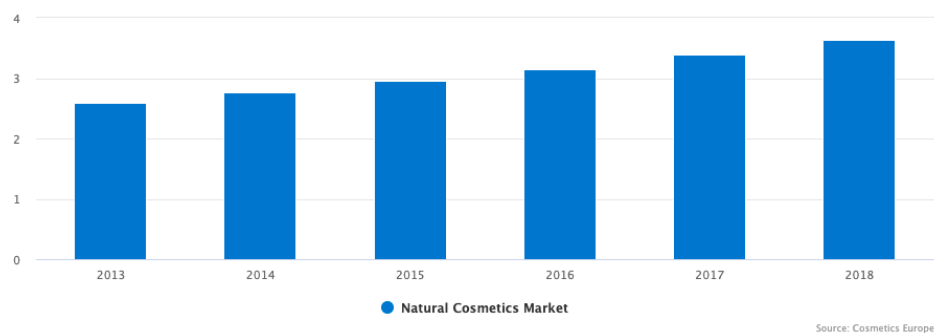


Figure 8. Historic Growth Rates for the European Market for Natural Cosmetics in € billion. (Source: Cosmetics Europe)

Chang & Lee (2017) in their study about Korean wave phenomenon indicated that Korean popular culture has remained tremendously popular in western countries in the last few years, which then stimulates the sales of Korean-made related products. Previous studies from *Santander Trade* (2021), *The Association of Finnish Work and Kuudes* (2019), and *Nordlund N.* (2021) reported that Finnish consumers put a remarkable priority on such factors as price, quality, security, country of origin, and brand image in determining purchasing decision. While Finnish people tend to

prefer domestic cosmetics products (*Global Insights, 2007; Hanane, 2020*), *Nordlund N. (2021)* in her study argued that Korean beauty products have still managed to initially enter the Finnish cosmetic market thanks to the natural ingredients, high quality, and affordable prices. Indeed, various e-commerce to brick-and-mortar stores that dedicate to offer Korean cosmetic products have opened in Finland in recent years, such as Bearal, Kokoskin, Yeppo, Eleven.fi, Desertcart.fi, etc.; luxury shopping mall Stockmann in Helsinki, Finland also includes a line of K-beauty products, responding to the growing demands for K-beauty products from customers. Hence, to achieve certain success in the Finnish market, company X should focus primarily on offering a line of Korean organic or natural skincare and cosmetic products as well as a minor line of premium products and ensure that the ingredients comply with the EU laws and meet the preferences from Finnish customers.

4.1.3.4 Technological factors

Statistics Finland (2021) reported the total investment in R&D activities was approximately 2.4 billion EUR, falling by 22% compared to last year's fund. A research paper from *OECD* indicated that set a target for its R&D intensity of at least 4% of GDP by 2030 (*Government Program 2019*); past activities and successful accomplishments of Finland within this field have strengthened the success rate of the plan (*Matthias, Kai & Arho, OECD, 2021*).

Finland has been well-known for its high-technology manufacturing and considered as the forefront performer in vast developments of technology field in the last few years. Indeed, Finland was the first country that developed an official AI (Artificial Intelligence) strategy in EU, impressively surpassing even G7 countries, and aimed to be the leading nation in practical application of AI (*Ministry of Economic Affairs and Employment of Finland, 2017*). The annual European Innovation Scoreboard (*EIS, 2020*) suggested that Finland, together with Denmark, Sweden, Netherlands, and Luxemburg, is one of the few innovation leaders which performed robustly well above the average of EU countries based on 27 such indicators as investment in innovation and research, HR, innovation in companies, etc. Furthermore, the same assessment from EIS also highlighted SMEs from Finland with a huge number of

innovative products and services and with a high degree of flexible innovation capabilities.

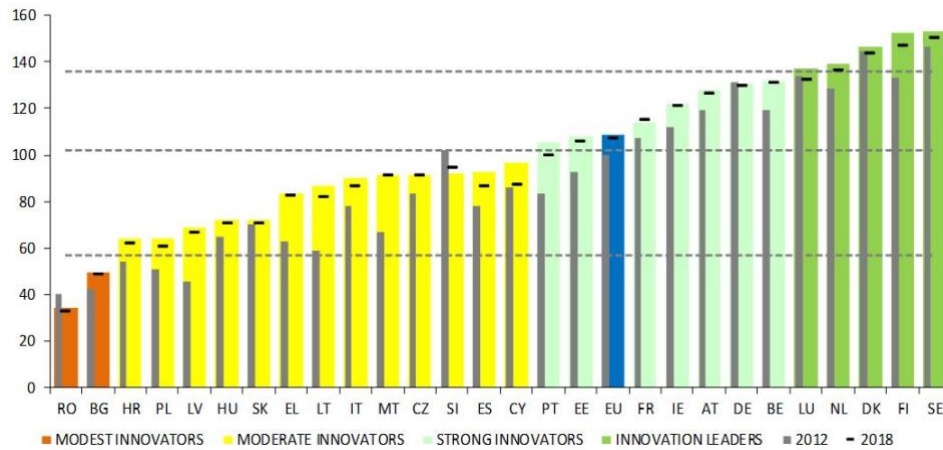


Figure 9. Performance of EU Member States' innovation systems. (Source: EIS, 2020)

The Digital Economy and Society Index (2018) featured Finland as the top performer in terms of different such aspects as: (1) digital skills, (2) connectivity – speed and affordability – to the Internet, (3) integration to digital technology and (4) digital public services. A front-runner in smart technology environment, Finland is also known as an early adopter of ICT infrastructure and a nation with high knowledge of digitalization from the public, resulting in considerable regional development (Randall & Berlina, 2019, Nordregio, 2019). From an economic perspective, digitalization has a significant influence on the labour market as the consequences of automation might be an increase in job loss (Autor, 2015), shortages in newly required skills or professionals with such skills (Berger & Frey, 2016), however, Alm et al. (2016) and Randall & Berlina (2019) also argued and pointed out that a high level of digitalization of a nation also creates huge opportunities for high-skilled jobs and the growth of organizations which employ AI and other high-function forms ICTs. From a social perspective, digitalization as an entire process of social change (Leppiman, Riivits-Arkonsuo & Pohjola, 2021) reflects a widespread usage of technology with equal access from each individual in that society (Randall & Berlina, 2019). For example, a person from a rural area and another person from an urban area should have equal access to the best product

at the most affordable price. Therefore, the digital divide – a circumstance in which there are recognizable disparities in terms of access to available digital infrastructure and technologies between rural and urban areas – is a crucial task for any nation that adopts a high degree of digitalization, especially in government services. The Ministry of Transportation and Communications of Finland, hence, announced a plan in October 2018, which would address the digital divide problem and achieve substantial developments in digital infrastructure by aiming to provide every household with access to at least 100Mbps or even 1 Gbps connections by 2025.

4.1.3.5 Environmental factors

World-class green country: Finland has a global reputation for taking initiatives and activities to protect and preserve the natural environment. Data from Environmental Performance Index (*EPI, 2020*) also suggested that Finland performed the best on environmental health measurement and are forefront ranker on distinct categories such as Air Quality, Sanitation, Marine Protected Area, Wastewater Treatment, etc. With the highest score on EPI in 2016, Finland is once regarded as the greenest and the most environmentally friendly country (*Turunen, 2017*). Indeed, Finland has adopted different measurements and efforts into reducing the short-lived climate pollutants (SLCPs) since being a part of CCAC (Climate & Clean Air Coalition) in 2012. Furthermore, Finland also aims to reduce black carbon emissions from the 2013 level by 25-33% by 2015, to reduce food waste by half by 2030, and to reduce greenhouse gas through the replacement of fossil fuels with renewable and low-emission power sources (*CCAC, 2020*).

Sustainability, CSR, and Young Finns: Hence, it is unquestionable that Finnish people overall also consider the act of protecting and of preserving the environment significant. Indeed, a survey from *Sitra (2019)* suggested that 78% of Finns highly valued sustainable living lifestyle and 69% are aware that over-consumption choices can have a negative impact on climate changes. The same survey also pointed out that the majority of young Finns – pioneers in taking actions to preserve the environment and mitigate climate changes – have adopted the conscious and reasonable consumption lifestyle and have been more active in encouraging others

to take the same initiatives and actions; indeed, one in three people have expressed preferences to purchase and use environmental-friendly products and services regardless of the prices.

In a survey with 20000 responders from *Unilever (2017)*, the results indicated that consumers prefer to purchase cosmetic products from brands that are perceived as ethical and sustainable, again confirming the significant role of sustainable habits and lifestyles in our present day. Earlier studies from *Mohr & Webb (2005)*, *Grimmer & Bringham (2013)*, and *Sen & Bhattacharya (2001)* also suggested that the CSR (Corporate Social Responsibility) initiatives and activities of firms can have a positive influence on purchase intentions and brand loyalty (*Kämäräinen, 2019*).

4.1.3.6 Legal factors

Cosmetics laws – EC No 1223/2009 and 492/2013: According to EU's regulations, it is essential for any cosmetics sold within the EU territory to comply with the Regulation EC 1223/2009 of the European Parliament, hereafter referred to as the EU Cosmetics Regulation (*CTPA, 2021*); particularly, for cosmetic products intended for sales in Finland, an individual or an organization must comply with the act on cosmetic products (*492/2013*) which lays down on the provision of EC No 1223/2009 above (*Ministry of Social Affairs and Health of Finland*) to ensure the highest degree of customer safety.

Under section 2(5) of the *Finnish Act on Cosmetic Products - The Act on the Use of Animals for Experimental Purposes (62/2006)* and 2(6) - the Act on the Use of Animals for Experimental Purposes (*497/2013*), the use of animal testing of cosmetic products intended for sales within the EU and of the ingredients contained has been banned. South Korea in 2018 also officially passed a bill to ban animal testing of any cosmetic product produced or imported in South Korea, responding to the changes enforced in EC No 1223/2009 (*The Korea National Assembly, 2016*). Hence, cosmetic products imported from South Korea would not fall into the rejection category due to violation of animal testing for cosmetics purposes.

4.1.4 The feasibility of Korean cosmetics products in Finland and the analysis of Finnish cosmetics customers' attitudes towards the products

As a vital aspect of the market assessment, analyzing the attitudes of Finnish cosmetics customers in advance is crucial for company X to identify the market potential and interests of customers for Korean cosmetics products. Since the market assessment through PESTEL analysis has mainly relied on secondary data, the author decided to collect primary data that is tailored to company X's imported products through an online questionnaire, which opened on October 25th, 2021 and closed on October 31st, 2021, to gain a more in-depth understanding of the potential Finnish cosmetics customers while evaluating the sales potential for imported products and the suitable pricing range.

The questionnaire received a total of 102 responses. However, 27 responses were excluded from the findings below due to the following reasons: (1) they are not cosmetics customers and hence do not belong to the sample group, (2) they indicated that they are interested in trying Korean cosmetics products by answering question 10 and 11 but then also answered question 12, which is aimed only at those who do not intend to try these products in the future, (3) they indicated that they already use some of Korean cosmetics products in their routines but at the same time answered question 9 – which is aimed at those who haven't used the products yet, and (4) they haven't finished the survey.

The full questionnaire and general results could be found in the Appendix. Following is the summary of the data analysis and discussion from the online questionnaire:

Factors influencing the purchasing intention and decision: Identifying in advance a variety of factors, which have influences on potential Finnish customers to make purchase decisions for cosmetics products and hence stimulate the overall sales, is essential to the success of any cosmetics business. The findings from the questionnaire agreed with multiple factors indicated by *Santander Trade (2021)* and *The Association of Finnish Work and Kuudes (2019)* such as price, quality, country of origin, and brand image; however, the results disagree with the level of priority

of these factors since the research revealed that brand image and country of origin are considered relatively unimportant during the purchasing process while price and quality remain top priorities. This finding is understandable since the majority of the respondents are university and college students in their twenties, with a dominant part having a monthly income of 0-1000 euros and a monthly budget for cosmetics from 0-30 euros.

Furthermore, the results highlighted other factors such as previous experiences, product knowledge, and the use of word-of-mouth and e-word-of-mouth marketing. The findings also found both similarities and differences with an indication in a study of the European Cosmetics Industry (*Global Insight Inc., 2007*), which reported that Finnish customers are now more favoring natural and organic cosmetics products due to the increased concerns of harmful effects caused by chemical and toxic ingredients, and with the findings from a survey by *Sitra (2019)*, which reported that many young Finns highly value the sustainable living lifestyle and sustainable products. While the results suggested that “sustainability” and “natural ingredients” as well as “cruelty-factors” are moderately important factors affecting the purchasing intentions, more than half of the total respondents did not perceive them as the most dominant factors.

Finnish Consumer Attitudes towards Korean cosmetics products in general: The findings from the research are in accordance with previous studies by *Chang & Lee (2017)*, *Cho (2021)*, and *Nordlund N. (2021)* regarding the tremendous growth in popularity of South Korean cosmetics products among European customers in general and Finnish customers specifically. 82.7% of the total respondents have prior knowledge of Korean beauty products while 30.7% have already purchased and used them. However, only half (n=26) of the respondents who have not employed the use of Korean cosmetics products in their routine (n=52) showed positive attitudes toward Korean cosmetics and expressed relatively strong intentions in future purchasing. One of the prominent reasons and incentives that contributed to the reluctance of the few respondents, who are unenthusiastic in becoming future purchasers of Korean beauty products, is the preference for products from Finnish and European brands. This finding shared similarities with

previous studies about Finnish cosmetics consumers by *Global Insight Inc. (2007)* and *Hanane (2020)*, in which indicated that Finnish customers are more appealing to domestic brands.

Potential challenges for Korean cosmetics products in Finland: The findings agreed with *Ajzen & Fishbein (1977)* in their study indicating that prior knowledge regarding products is crucial during the process of customers' attitudes formation. The result showed that the respondents who lack previous sufficient knowledge and experience in Korean beauty products are uncertain about the quality and hence do not hold strong positive attitudes and interests for future purchases. Furthermore, the questionnaire results also aligned with the findings from *Argyriou & Melewar (2021)* about the significance of personal past experiences in forming attitudes towards products. Some respondents expressed low interest in unfamiliar products since they have been using Finnish, European, and American brands for a long time or since they have already found the most suitable products for their skins.

Feasibility of the market for Korean cosmetics products: Overall, the positive attitudes and future purchasing intentions for Korean cosmetics products are moderately stronger than the negative ones, thereby confirming the feasibility of profitability of these products after importing to Finland. Though the interests and demands from local customers for Korean beauty products were not enormous as initial thought, Finland remains as the potential market for imported Korean natural cosmetics products. Specifically, affordable prices of Korean beauty products could be utilized as the key element to induce and make the products more appealing to the customers since the research found that price is considered the most significant factor influencing purchasing patterns and intentions and that a large half of the respondents in question 11 (see appendix 3) hold positive attitudes to the postulated sample prices. Furthermore, as the results also suggested that products from Skin&Lab and COSRX appeal the most to the respondents who hold positive intentions in purchasing Korean cosmetics products, company X is advised to import a relatively larger number of products from these brands. There were some respondents who indicated no recognition or awareness about Korean cosmetics products as well as the place of distribution. Hence, the use of effective marketing

techniques and strategies should also be employed by company X to ensure that potential customers have sufficient sources to acquire knowledge and to increase awareness about Korean natural cosmetics products.

4.2 IMPORT TRANSACTION

This section presents to reader with the necessary activities within an import phase to Finland.

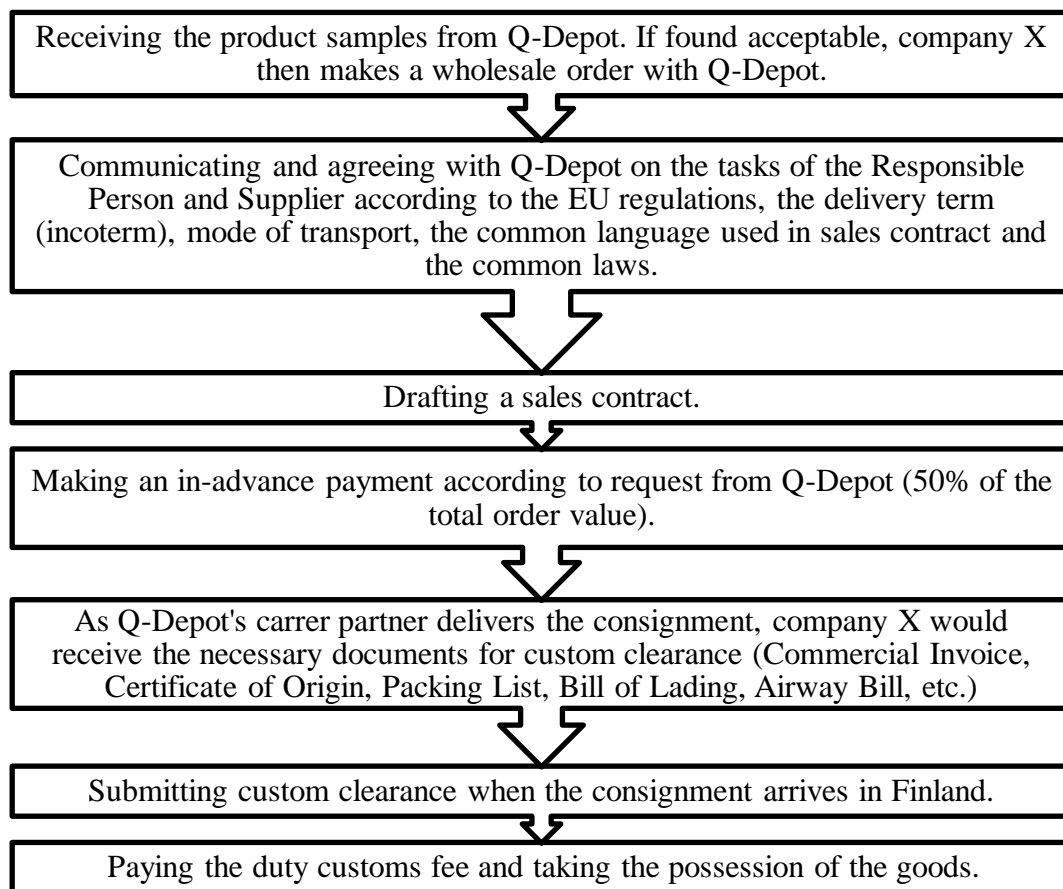


Figure 10. The import transaction for company X.

4.2.1 Wholesale purchasing

Q-Depot has designed specific order sheet for wholesale customers, which can be filled and easily uploaded online. Company X should make a purchase with the minimum amount of \$500 in order to be eligible for the wholesale discounts. Below

is an example of the wholesaling purchase order sheet of numerous natural and cruelty-free Korean cosmetics products:

Table 3. Sample wholesale order sheet.

Name of the product	Barcode	Number of psc. ordered	Total weight	Retail price	Wholesale price
Skin & Lab K-Plus Red X Moisturizer 30ml	8809292441 919	30	1.5 kg	\$463.4	\$221
Skin & Lab Glacial Clay Facial Mask	8809348119 496	50	5 kg	\$818.1	\$390
COSRX AC Collection Calming Foam Cleanser 150ml	8809598450 547	50	7.5 kg	\$590	\$372
Promotion COSRX Set Find Your Go to Toner RX Brightening / ABC Toner 150ml + Hydrium Toner 30ml +	N.A	12	10 kg	\$163	\$103.09

Propolis Toner 30ml					
COSRX Refresh AHA/BHA Vitamin C Daily Toner 50ml	8809598450 844	48	2.4 kg	\$261	\$164.95
Benton Snail Bee High Content Lotion 120ml	8809540510 152	50	10 kg	\$928.5	\$496.3
Benton Snail Bee High Content Mask Pack 1ea	8809242275 519	50	1 kg	\$119.05	\$63.64
Purito Pure Vitamin C Serum 60 ml	8809563100 293	12	1.2 kg	\$205.4	\$126.2
Purito Unscented Recovery Cream 50 ml	8809563100 408	24	1.8 kg	\$423.7	\$260.4
Total:		326 psc.	40.4 kg	\$3972.1	\$2197.58

The estimated retail price for the aforementioned order is approximately \$3972.1 while the wholesale price is estimated to be only \$2197.58 or €1906, which has a discount rate of approximately 44%.

4.2.2 Communicating and agreeing on tasks between parties

As aforementioned, the second stage of import cycle requires attentive cooperation and close alignment between the importer – company X and the supplier – Q-Depot. Hence, it is significant for two parties involved to discuss about the tasks undertaken during the stage. Company X should contact Q-Depot, either through emails or social media platforms, to inform about the tasks of Responsible Person (company X) and distributor (Q-Depot) as well as the crucial laws involved – EC 1223/2009 for enhanced preparations and reducing unfavourable possible mistakes.

In the guide to *What You Need to Know About Supplying Cosmetic Products on the EU Market* by CTPA (The Cosmetic Toiletry and Perfumery Association), there are two significant defined roles during the importing and placing the product on the Community Market process: A Responsible Person (RP) – which is the EU/EEA importer, company X in this case – is responsible for ensuring that the products comply with the regulations, submitting the product registration on CPNP (Cosmetic Product Notification Portal) database, co-operating with the authorities, and for preparing the PIF (Product Information File) (CTPA, 2021; TUKES, 2021). A Distributor, Q-Depot company supplying the cosmetics in this case (*Article 2 of EU No 1223/2009*), is required to fulfill the regulations under Article 6 of EU No 1223/2009, such as verifying the RP, the batch number, and the ingredients on the products; ensuring that the labelling is in Finnish and Swedish as well; taking appropriate measurements in any suspect of non-compliance circumstances; and co-operating with the authorities – Tulli, TUKES (CTPA, 2021; TUKES, 2021).

In mid-October 2017, the Finnish Customs, which is responsible for supervising the imports of cosmetics outside the EU/EEA, published an article stating that nearly half of the imported cosmetic products to Finland are not fully compliant with the cosmetic regulation EC 1223/2009 or 492/2013 and hence are subjected to be rejected. Therefore, company X must take into consideration significant principles

of EC No 1223/2009 beforehand and inform Q-Depot about such information to avoid non-compliance activities leading to the rejection of the merchandise. These considerations include:

1. **Ingredients:** The ingredients or substances used in the cosmetics must not fall into the lists of prohibited (*under Annex II of the EC 1223/2009*) or restricted (*under Annex III of the regulation*) substances. The manufacturer and the Responsible Person must have appropriate evidence and data to ensure the safety of the final product in accordance with the standards and regulations of EU.
2. **Good Manufacturing Practice (GMP):** Products are manufactured in a clean environment and do not lead to contamination in or after production. Manufacturers are presumed compliant if abiding by the International Standard Organization (ISO) Guidelines on Manufacturing Practice ISO 22716 or equivalent GMP to the ISO 222716 Guidelines.
3. **Safety Assessment:** Each cosmetic product before entering the Consumer Market must go through a safety assessment performed by a qualified professional Safety Assessor; the assessment can be in house or if not, then be performed by a qualified third party.
4. **Labeling:** The labelling requirements for cosmetics must be compliant with the requirements under Article 19 of the EC 1223/2009:

Table 4. Labelling requirements for imported cosmetics under Article 19 of EC No 1223/2009. (Source: *CTPA 2021*).

Cosmetics Regulation	Labelling Requirement	Container (a bottle or a jar, etc.)	Packaging (a carton, a box, etc.)
19.1 (a)	EU Address of the Responsible Person.	Yes.	Yes.
19.1 (a)	Country of Origin.	Yes.	Yes.

19.1 (b)	Declared quantity of contents.	Yes.	Yes.
19.1 (c)	Date of minimum durability.	Yes.	Yes.
19.1 (c)	Period After Opening (PAO).	Yes.	Yes.
19.1 (d)	Warning statements and precautionary information.	Yes.	Yes.
19.1 (e)	Batch code.	Yes.	Yes.
19.1 (f)	Function of the product. Declaration of the ingredients.	Yes.	Yes.
19.1 (g)	Declaration of the ingredients.	No.	Yes.

The ingredient labelling must use the common name – the INCI (International Nomenclature of Cosmetic Ingredients) name in accordance with the Commission Decision (EU) 2019/701 (*Official Journal of European Union, 2020*); alternatives for INCI name include the International Cosmetic Ingredient Dictionary published by PCPC (Personal Care Products Council), the chemical name, European Pharmacopoeia name, International Non-Proprietary name by WHO, EINECS, IUPAC or CAS

identification reference. Coloring agents are eligible to list using Color Index (CI) number. Furthermore, TUKES (Finnish Safety and Chemical Agency) stated that the Responsible Person would be responsible for preparing the required labelling in Finnish and Swedish as well.

5. Claims: Any claims made for cosmetic products must be compliant with Article 20 of EC 1223/2009 using the Six Common Criteria (Legal compliance, Truthfulness, Evidential Support, Honesty, Fairness, and Informed Decision Making) for Justification of Claims published in Commission Regulations (EU) 655/2013. The Natural and Organic terms are not defined in the Cosmetics Regulation and hence there is no legal pre-defined requirement for such claims. However, individual(s) and organization(s) must not use false claims to mislead consumers and all claims must be compliant with the common criteria under ISO 16128 (CTPA, 2021).

Apart from tasks aforementioned, company X and Q-Deport should agree on a variety of principles and terms included in the sales contract such as mode of transport, the delivery term, the applicable laws and regulations governed the contract, and the common language used in various documents, etc.

Mode of transport: While Q-Depot offers various modes of transportation such as carriage of goods by air, road, or sea, air freight is demonstrated to be the most appropriate option. Despite being priced at a higher expense than other modes, the delivery of consignment via air cargo is the fastest and most flexible option for clients, especially with consolidated air freight and for long-distance delivery.

However, a notable consideration is that the COVID-19 pandemic has led to a significantly unfavorable impact on the air freight market due to government restrictions, possible lockdown, closures on ports, flights cancelled, and long delays than usual. Even though the circumstance under the pandemic is quite unpredictable, the air cargo industry is longer under such an intensively adverse position as the industry-wide cargo tonne-kilometres increased by 12% in April

2021 when compared to the pre-pandemic level. Furthermore, exports from South Korea accelerated by 34% in August 2021 compared to that of last year and overall exports to the EU increased by 41.6% (Roh, 2021); Finnish Customs also assure to run commercial traffic smoothly as usual (Finnish Customs, 2021). Hence, air transportation remains the most suitable selection for the case of company X's importation, especially when taking into consideration that the consignment would arrive in 3 to 5 business days through air freight (Q-Depot, 2021). The agreed carrier is DHL due to its high reputation as a global logistics leader and fast delivery time.

Incoterms: Incoterms or International Commercial Terms are a set of 11 widely used terms defined and published by Chamber of Commerce. The incoterms play such a significant role due to the wide acceptance by authorities worldwide and clearly stating the roles and responsibilities of the seller and the purchaser. In the case of company X, **CIP – Carriage and Insurance Paid to Place** is the most appropriate option. Under CIP incoterm, Q-Depot would deliver the consignment to the carrier nominated by Q-Depot at an agreed place and Q-Depot bears all the related risks until the goods are handed over to the carrier. Q-Depot is also responsible for drafting the contract with the carrier, paying the transportation costs and obtaining an insurance contract (Institute Cargo Clause A) with a minimum cover of 110% the value of the consignment (Chamber of Commerce, 2020). The purchaser, company X, takes over the risk of damage or loss when the goods are passed to the carrier and undertakes tasks such as unloading the consignment at the destination and paying necessary customs duties and import taxes.

Method of payment: Q-Depot offers a variety of payment options such as through bank transfer, PayPal, TransferWise, Western Union, and MoneyGram. Regarding the payment term, Q-Depot stipulates that half of the order value must be paid in advance (within 10 days) as the deposit and the remaining half would be paid when the consignment is ready to be delivered. In this case, TransferWise is perceived as the most suitable option as it offers quite lower exchange rates compared to those offered by the banks while ensuring the convenience of online payment; the transfer cost on TransferWise is remarkably low as well, with only 30.2 EUR fee for a transfer of 5000 EUR.

Q-Depot only accepts payment in KRW (Korean Won), USD (United States Dollar), and HKD (Hong Kong Dollar) for international orders. Therefore, to mitigate the currency risk that occurred due to currency exchange rate fluctuations, it is advisable for company X to consider putting a large amount of deposit into the wholesaler account to Q-Depot at one time when the exchange rate is quite low and keep it as credit to use in the future, thereby reducing the amount of exchange costs and mitigating the severity of exchange rate fluctuations in the future.

The common language: With two parties from different countries involved, it is vital to have a common language in the contract and other trade documents to minimize unnecessary misunderstandings. English remains as the most appropriate choice as both parties possess a high level of proficiency in and English is also the language accepted by the government, authorities, and the Customs of two countries involved.

The applicable law governed in the contract: The parties should agree in advance which rules and laws to be followed and governed in the contract. The applicable law should be the EU laws as it expresses and indicates a strong bargaining and protecting position for company X (Seyoum, 2008).

Dispute handling: In the event of any dispute, company X must contact and report to Q-Depot about the related issues and problems within three months of the transaction time (*Q-Depot, 2021*).

4.2.3 International Sales Contract

After communicating and agreeing on different terms and clauses above, it is crucial for company X and Q-Depot to prepare a well-drafted sales contract, which indicates the responsibilities of both parties, to ensure the success of the importation and to minimize the presence of unwanted risks or conflicts. It is the agreement between the supplier and the overseas customer for the specific purchase and other activities within the import transaction. A typical international sales contract should include the details of products sold, the standards of performance and quality to be met, the scope of work, the pre-defined purchase payment and delivery terms above,

the scope regarding the inspection of goods and rejection, shifting the risk of loss or damage as defined in the incoterm chosen, force majeure clauses – excusable delays, termination, disclaimer of warranties, limitation of liability, severability, waiver stipulated by Q-Depot, remedies and legal fees, governing law and jurisdiction – EU laws and the legal and binding agreement (*Seyoum, 2008*).

4.2.4 Deposit to Q-Depot

At this stage, half of the order value payment should be made in 10 days, from when the purchase request is submitted, by company X as the deposit to Q-Depot and the remaining along with the shipping fee would be paid when the consignment is ready to be delivered to a third-party carrier. Once Q-Depot finishes preparing the imported products and a final commercial invoice is issued, company X is required to make the final payment within two months or entailing the risk of losing the pre-paid deposit.

4.2.5 Receiving the commercial documents and submitting a customs declaration

After the consignment is delivered, company X would then receive a variety of crucial commercial documents for customs declaration and business purposes, such as Commercial Invoice, Bill of Lading, Packing List, Certificate of Origin, etc. Regarding the number of required documents to be prepared and submitted to the Finnish Customs, the author had sought advice from Finnish Customs authorities through the interview. The Finnish Customs stated that only the **Commercial Invoice** and **Arrival of Notice** from responsible transport company are mandatory while other commercial documents and certificates could be presented though not mandatory. Furthermore, the Finnish Customs authorities suggested import businesses in Finland generally, company X in this case particularly, use the **Invoice and Origin declarations document**, which is a simplified alternative to Certificate of Origin while containing the same information in Commercial Invoice, upon imports from South Korea. In other words, the Certificate of Origin to be eligible for preferential tariff treatment in accordance with the EU-South Korea FTA is usually written in the same Commercial Invoice, using the template below.

“The exporter of the products covered by this document (customs authorization No (1)) declares that, except where otherwise clearly indicated, these products are of (2) preferential origin.

..... (3)

(Place and date)

..... (4)

(Exporter’s signature with an added clarification of signature)

(1) When the declaration is submitted by an approved exporter, the customs authorization number is mandatory for the consignment with a value of over 6000 EUR. An authorization number is not mandatory for shipment under 6000 EUR in value or when the declaration is not submitted by an approved exporter and hence the words in brackets shall be left blank or be omitted.

(2) The origin of products must be clearly indicated.

(3) The section might be omitted if the information is already contained elsewhere in the document itself.

(4) When the exporter is not required to sign, an exemption from signing implies an exemption from the obligation to indicate the name of signatory.” (*Official Journal of European Union L 54, 2013; Finnish Customs, 2021*).

The Invoice and Origin declarations shall be prepared and signed by the exporter – Q-Depot and hence company X is responsible for notifying Q-Depot company in advance to ensure that the document is well-prepared.

Regarding the next task of company X within this stage, a customs clearance is required. When the consignment arrives in the territory of Finland, it is not located in Finnish Customs’ facility but in the warehouse of Posti or other transporting companies. Company X would be then informed by the responsible transporting

company about such event – “*Lähetys on Tullissa*” (the consignment is in the Customs) or “*Held by Customs*” – and notified a need for a customs clearance submission. The submission can be made either using E-Services for businesses on Finnish Customs website (**Customs Clearance Services**) free of charge and at any convenient time; using message declaration; or using the SAD Form. The author suggests the usage of Customs Clearance Services as it remains the most simplified and convenient option. Company X can easily login to the E-Services (<https://asiointi.tulli.fi/asiointipalvelu/ext-auth/warehousing?lang=en>) using Finnish Business identification and undertakes several steps below to lodge a new custom declaration:

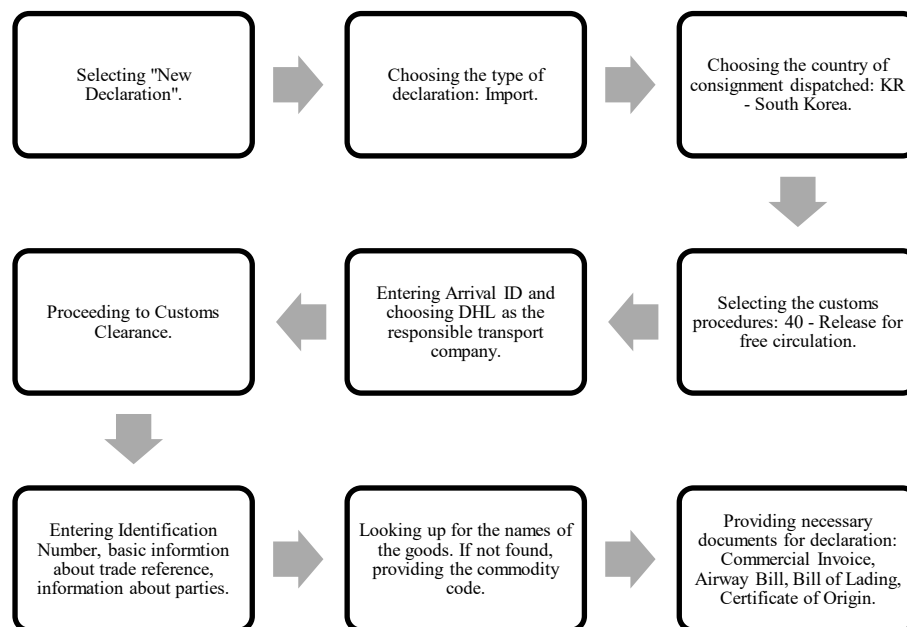


Figure 11. Instructions for creating a new declaration via the Customs Clearance Service. (Source: *Tulli.fi*, 2021).

4.2.6 Paying import taxes (Customs duty & VAT)

Since July 1st, 2021, every item imported from outside the territory of the European Union must be declared and the importer is obligated to pay VAT and customs duties, if applicable, for such items. As mentioned in the “Prior to Import Transaction” sub-section, zero customs duty fee is levied on the cosmetics products imported from South Korea, under the regulation R2261/98 (C103) and

D0265/11. However, company X is obligated to pay import VAT (24%) under the Value Added Tax Act – Q1501/93 (P305) using the formula below:

$$\text{Import tax} = (\text{total price of the consignment} + \text{the delivery fee} + \text{Posti's handling fee}) \times 0.24$$

The estimated transportation fee from DHL Korea for package weighed at 40.4 kg to Finland (Zone 6) is 735,728 KRW or 538 EUR (see appendix 1 and 2 for DHL Korea shipping rates).

According to the latest information from Finnish Customs, Posti's handling fee – €2.9 per item – is applicable to goods delivered from a non-EU country, which requires customs clearance procedures, and company X is obligated to pay such fee within 20 days from the arrival date. Since the consignment is quite heavy, it seems more appropriate to divide the consignment at least into two boxes, which results in a Posti's handling fee of €5.8 (*Posti, 2021*). Such payment could be made on OmaPosti – Posti's digital services using Posti username and Finnish Business ID.

In relation to the information that the value of consignment is €1906 and the delivery as well as Posti's handling fee as aforementioned, the import VAT for the

consignment, in this case, is estimated at €587.95 and hence the total purchase of the consignment costs €3037.75.

Estimate of the total price

Your purchase will cost

3 037,75 €

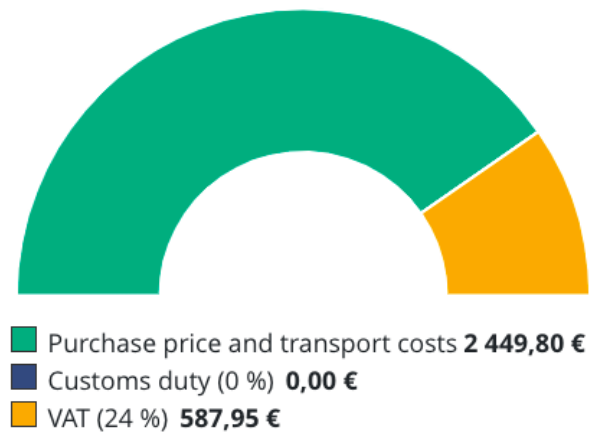


Figure 12. Finnish Customs' calculation for VAT and Customs duty to be paid. (Source: *Tulli.fi*, 2021).

Since the customs duty is 0, company X is not liable to any payment to Customs authorities. The customs clearance is complete and company X is entitled to take possession of the imported goods as soon as the Posti's handling fee is paid and Finnish Customs authorities generate a so-called Release Decision (*Finnish Customs*, 2021).

Regarding the amount of importation VAT, since January 1st, 2018, the scope of Customs competence regarding import VAT was significantly changed – the payment for importation VAT was transferred from Finnish Customs to the Tax Administration in the case where (1) the importer is a Finnish VAT payer, whom could be found in the Finnish VAT Register system, and (2) the importer is a business trader and the goods are used for reselling and other business purposes. In other words, company X, the importer in the customs clearance, is liable to pay such VAT to the Tax Administration, not to the Finnish Customs. Since VAT is a self-assessed tax, company X is responsible for reporting the amount of VAT on

importation in MyTax – a digital service of Tax Administration in Finland. The information reported must be consistent with the date of the first decision on customs clearance and the amount of VAT along with tax return basis must be filled under “Imports of goods from outside the EU” and “Tax on import of goods from outside the EU” sections. The payment for import VAT can be made in MyTax, using Finnish Business ID company X to login (*Tax Administration, 2021*).

In conclusion, the payment made by the importer – company X within this stage could be divided into three categories, as shown in the figure below:

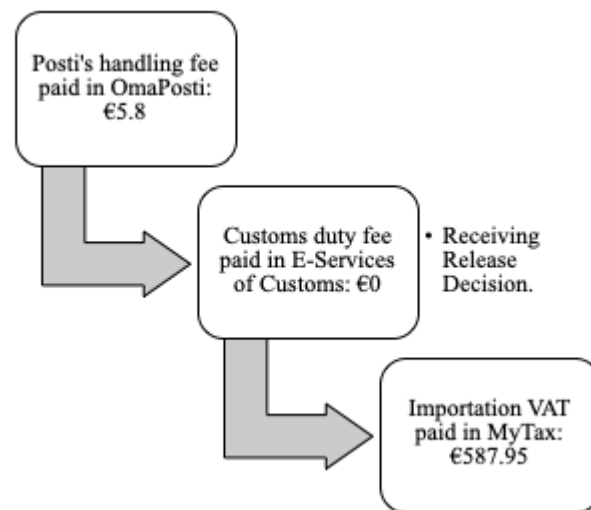


Figure 13. Payment to be made by company X during customs clearance process.

4.3 POST IMPORT TRANSACTION

Perceived as the most onerous stage with the involvement of three parties – Company X, Finnish Customs, and the Government, the final stage of the Import Cycle is in which the liquidation takes place. Finnish Customs during this stage would review and validate the amount of consignment value and the customs duties & VAT paid. If there are any consistencies and mistakes found, Finnish Customs would then inform company X about such event and request additional duties payment to be made providing that adequate evidence shows that the prior payment is not enough.

Company X, during this stage, is also eligible to apply for revision of a customs clearance decision issued by Finnish Customs or even lodge an appeal with Helsinki Administrative Court at its own expense. The application for revision is appropriate if company X has adequate evidence provided (1) that Finnish Customs had charged an overcharged amount of customs duties and VAT, (2) that the products are faulty and not subject to the quality requirements in the contract, that the Finnish Customs had made errors in the decision, or (3) that the customs debt was incurred (under exceptional circumstances). A revised decision against Finnish Customs can be made using the same E-Services – Customs Clearance Services with message FI439A – Free Form Contract or with contact in the E-Services using reason code “001 - request for amendments”. In the case in which the products are found faulty and do not meet the requirements in the contract, an application for revision must be made within one year. On the other hand, if company X finds an error made by Finnish Customs or believes the amount charged exceeded the correct one, a revised application should be submitted within three years from the date of decision (*Finnish Customs, 2021; EU No 952/2013; Commission Delegated Regulation EU 2015/2446; Commission Implementing Regulation EU 2015/2447*).

In the case that there is no request for revision made from company X or Finnish Customs, it is advisable for company X to review the importing process and its performance to acknowledge what could have been improved and what should be continued in the next transaction. Recognizing positive achievements and admitting mistakes previously made play such a significant role in continuous improvement, which is the backbone of long-term success for business activities.

5 CONCLUSION

The research examined the detailed process of importing South Korean cosmetics products to Finland, from the perspective of a Finnish import business – company X.

Korean cosmetics products – the import product within the study – have experienced high demands and interest from international customers in recent years due to the growing popularity, innovative ingredients, and affordable prices. The Q-Depot company, a leading Korean cosmetics supplier, had been chosen as the supplier for the study due to the high reputation, short lead-time, multiple delivery carrier partners, and high discount rate for wholesale customers. Since the commodity code appears in multiple commercial trading documents as well as in the customs clearance process, the method of classifying such code was provided. Furthermore, the audience would gain an in-depth understanding of the Finnish market through the analysis of the PESTEL framework and the attitudes together with purchasing intentions of a number of Finnish cosmetics customers, thereby assessing the feasibility of Korean cosmetics products in Finland.

Finland has benefited from a stable and secure political environment, a dynamic economy with a steady annual growth rate and the Finnish cosmetics industry has demonstrated an enormous feasibility for future development and prosperity, contributing to a healthy environment for business growth and a high purchasing power from local inhabitants. Furthermore, the free-trade agreement between the EU and South Korea has eliminated customs duties on pharmaceutical and cosmetics products and simplified the customs procedures for company X. The Finnish Customs is also continuously working to ensure that trade activities between Finland and South Korea proceed smoothly despite the undesirable effects and consequences of the COVID-19 pandemic.

The European Union in general and Finnish Customs have moderately strict requirements for imported cosmetics products from outside EU countries to ensure the highest level of customer safety. Hence, the research also presented different crucial regulations and requirements for importing cosmetics products to Europe

for sales purposes, such as the relevant principles and scopes under regulation EC 1223/2009, the labelling requirements for imported cosmetics products, and the tasks performed by the Responsible Person and the Supplier. As an international sales contract is such a significant aspect of the trading, general terms and scopes within such contract between company X and Q-Depot were also discussed and highlighted. Meanwhile, a set of necessary documents submitted in the customs clearance process using E-Services of Finnish Customs and the method of calculating import taxes and payment instructions were also provided to ensure the compliance to the requirements while reducing expenses by not paying for third-party agents to clear the consignment.

Therefore, the research has fulfilled the objective and is eligible to consider as a guide for Finnish import businesses which consider the importation of cosmetics products from a non-EU country in the future.

Recommendation for company X:

Though the global popularity of South Korean cosmetics products has been growing at an immense level, the interest of these products in Finland as well as the purchasing intentions from local cosmetics customers has not been remarkably large since Finns are more appealing to local cosmetics brands. While the study has demonstrated a relatively high feasibility for Korean cosmetics products, after importation, to draw sales and profitability for company X, company X should make a substantial effort to eliminate the hesitations of Finnish potential customers in making purchasing decisions; these hesitations include the unreliability of the quality, limited range of different products, product unfamiliarity, and uncertainty in the place of selling. For example, in the future, company X is encouraged to invest more in marketing strategies to familiarize targeted local customers with the products and to make the distribution channels clearer for customers to select. Furthermore, giving-away sample promotions are considered important strategies to ensure potential customers about the quality of the products.

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APPENDIX 1

All values in KRW



KG	Zone1	Zone2	Zone3	Zone4	Zone5	Zone6	Zone7	Zone8
0.5	33,711	35,505	34,856	39,520	33,446	34,561	36,336	47,161
	37,455	39,406	39,140	44,424	37,239	40,913	43,510	55,158
1.5	39,598	42,081	42,771	48,839	40,617	46,275	50,128	62,925
2.0	41,737	44,756	46,398	53,261	43,999	51,640	56,739	70,694
	43,879	47,432	50,031	57,675	47,374	57,000	63,354	78,460
3.0	45,676	49,842	53,166	61,653	53,557	61,481	69,115	85,638
3.5	47,471	52,250	56,298	65,631	58,535	65,956	74,875	92,810
4.0	49,268	54,656	59,432	69,600	63,699	70,429	80,632	99,986
4.5	51,065	57,066	62,566	73,578	69,051	74,908	86,392	107,160
5.0	52,858	59,473	65,697	77,556	76,461	79,381	92,151	114,332
5.5	54,500	61,381	68,568	90,405	85,847	83,564	97,483	121,274
6.0	56,147	63,290	71,432	94,131	89,644	87,740	102,815	128,219
6.5	57,792	65,203	74,300	97,856	93,436	91,924	108,146	135,167
7.0	59,432	67,111	77,166	101,585	97,222	96,099	113,478	142,110
7.5	61,076	69,026	80,034	105,305	101,019	100,279	118,810	149,054
8.0	62,719	70,935	82,898	109,032	114,339	114,339	124,139	155,997
8.5	64,363	72,847	85,769	112,761	118,475	118,475	129,471	162,939
9.0	66,006	74,756	88,632	116,485	122,617	122,617	134,803	169,883
9.5	67,650	76,671	91,497	120,207	126,753	126,753	140,133	176,832
10.0	69,295	78,581	94,365	123,937	130,886	130,886	145,465	183,774
10.5	125,116	141,774	170,234	200,227	167,690	221,047	265,706	336,214
11.0	127,945	144,876	173,945	204,756	171,765	228,247	274,706	348,117
11.5	130,779	147,981	177,655	209,295	175,840	235,447	283,707	360,022
12.0	133,611	151,074	181,358	213,832	179,914	242,647	292,713	371,931
12.5	136,444	154,184	185,074	218,369	183,993	249,851	301,714	383,833
13.0	139,279	157,287	188,784	222,902	188,068	257,051	310,715	395,742

13.5	142,113	160,389	192,489	227,437	192,143	264,256	319,721	407,647
14.0	144,942	163,492	196,200	231,975	196,217	271,456	328,717	419,556
14.5	147,774	166,589	199,910	236,512	200,303	278,661	337,722	431,456
15.0	150,608	169,697	203,619	241,042	204,376	285,854	346,724	443,364
15.5	153,442	172,798	207,329	245,581	208,450	293,060	355,725	455,268
16.0	156,276	175,902	211,040	250,117	212,531	300,260	364,731	467,176
16.5	159,103	179,005	214,744	254,654	216,604	307,464	373,726	479,082
17.0	161,937	182,102	218,453	259,186	220,679	314,664	382,732	490,985
17.5	164,771	185,203	222,171	263,722	224,753	321,869	391,733	502,888
18.0	167,605	188,311	225,873	268,261	228,832	329,068	400,735	514,797
18.5	170,439	191,415	229,584	272,798	232,914	336,268	409,740	526,708
19.0	173,271	194,516	233,295	277,331	236,988	343,468	418,736	538,610
19.5	176,100	197,613	237,005	281,866	241,061	350,672	427,742	550,519
20.0	178,934	200,715	240,715	286,407	245,142	357,872	436,743	562,418
20.5	183,252	205,173	246,242	292,851	250,613	365,717	446,265	574,499
21.0	187,571	209,621	251,776	299,303	256,089	373,557	455,792	586,578
21.5	191,887	214,073	257,308	305,758	261,571	381,393	465,319	598,663
22.0	196,200	218,518	262,835	312,205	267,042	389,232	474,839	610,743
22.5	200,518	222,976	268,363	318,649	272,518	397,076	484,363	622,822
23.0	204,835	227,427	273,897	325,103	277,994	404,915	493,892	634,897
23.5	209,153	231,874	279,424	331,551	283,471	412,758	503,411	646,979
24.0	213,465	236,334	284,956	338,003	288,947	420,597	512,940	659,057
24.5	217,782	240,779	290,490	344,453	294,424	428,438	522,465	671,139
25.0	222,100	245,232	296,018	350,897	299,894	436,279	531,989	683,224
25.5	226,418	249,684	301,544	357,349	305,376	444,118	541,513	695,304
26.0	230,729	254,135	307,077	363,798	310,847	451,961	551,038	707,379
26.5	235,053	258,589	312,611	370,244	316,324	459,796	560,561	719,460
27.0	239,365	263,032	318,137	376,695	321,800	467,640	570,086	731,539
27.5	243,684	267,487	323,671	383,142	327,278	475,478	579,614	743,618

APPENDIX 2

28.0	247,994	271,945	329,198	389,603	332,747	483,322	589,133	755,703
28.5	252,319	276,390	334,731	396,049	338,229	491,157	598,663	767,783
29.0	256,631	280,844	340,265	402,498	343,700	499,000	608,188	779,858
29.5	260,948	285,289	345,792	408,949	349,182	506,839	617,707	791,939
30.0	265,260	289,747	351,319	415,395	354,658	514,681	627,236	804,018

Countries to Zone List

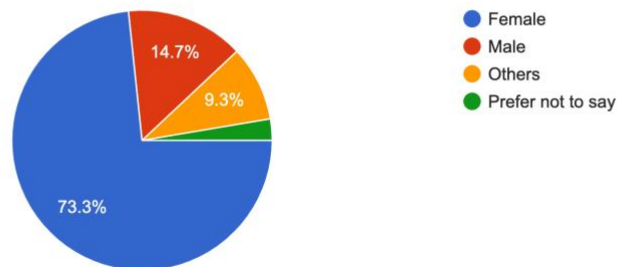
Countries & Territor	Zone	Countries & Territ	Zone	Countries & Territ	Zone	Countries & Territ	Zone
Afghanistan (AF)	8	East Timor (TL)	4	Libya (LY)	8	San Marino (SM)	6
Albania (AL)	7	Ecuador (EC)	8	Liechtenstein (LI)	6	Sao Tome And Prir	8
Algeria (DZ)	8	Egypt (EG)	8	Lithuania (LT)	6	Saudi Arabia (SA)	7
American Samoa (A)	8	El Salvador (SV)	8	Luxembourg (LU)	6	Senegal (SN)	8
Andorra (AD)	7	Eritrea (ER)	8	Macau (MO)	1	Serbia, Rep. Of (RS)	7
Angola (AO)	8	Estonia (EE)	7	Madagascar (MG)	8	Seychelles (SC)	8
Anguilla (AI)	8	Ethiopia (ET)	8	Malawi (MW)	8	Sierra Leone (SL)	8
Antigua (AG)	8	Falkland Islands (F)	8	Malaysia (MY)	3	Singapore (SG)	1
Argentina (AR)	8	Faroe Islands (FO)	8	Maldives (MV)	8	Slovakia (SK)	6
Armenia (AM)	8	Fiji (FJ)	8	Mali (ML)	8	Slovenia (SI)	6
Aruba (AW)	8	Finland (FI)	6	Malta (MT)	7	Solomon Islands (S)	8
Australia (AU)	4	France (FR)	6	Mariana Islands (M)	8	Somalia (SO)	8
Austria (AT)	6	French Guyana (GI)	8	Marshall Islands (M)	8	Somaliland, Rep O	8
Azerbaijan (AZ)	8	Gabon (GA)	8	Martinique (MQ)	8	South Africa (ZA)	8
Bahamas (BS)	8	Gambia (GM)	8	Mauritania (MR)	8	South Sudan (SS)	8
Bahrain (BH)	7	Georgia (GE)	8	Mauritius (MU)	8	Spain (ES)	6
Bangladesh (BD)	4	Germany (DE)	6	Mayotte (YT)	8	Sri Lanka (LK)	4
Barbados (BB)	8	Ghana (GH)	8	Mexico (MX)	5	St. Barthelemy (XY)	8
Belarus (BY)	8	Gibraltar (GI)	7	Micronesia (FM)	8	St. Eustatius (XE)	8
Belgium (BE)	6	Greece (GR)	6	Moldova, Rep. Of	8	St. Kitts (KN)	8
Belize (BZ)	8	Greenland (GL)	8	Monaco (MC)	6	St. Lucia (LC)	8
Benin (BJ)	8	Grenada (GD)	8	Mongolia (MN)	4	St. Maarten (XM)	8
Bermuda (BM)	8	Guadeloupe (GP)	8	Montenegro, Rep	7	St. Vincent (VC)	8
Bhutan (BT)	8	Guam (GU)	8	Montserrat (MS)	8	Sudan (SD)	8
Bolivia (BO)	8	Guatemala (GT)	8	Morocco (MA)	8	Suriname (SR)	8
Bonaire (XB)	8	Guernsey (GG)	6	Mozambique (MZ)	8	Swaziland (SZ)	8
Bosnia & Herzegovir	7	Guinea Rep. (GN)	8	Myanmar (MM)	3	Sweden (SE)	6

Botswana (BW)	8	Guinea-Bissau (GV)	8	Namibia (NA)	8	Switzerland (CH)	6
Brazil (BR)	8	Guinea-Equatorial	8	Nauru, Rep. Of (NF)	8	Syria (SY)	8
Brunei (BN)	3	Guyana (British) (C)	8	Nepal (NP)	8	Tahiti (PF)	8
Bulgaria (BG)	7	Haiti (HT)	8	Netherlands, The (N)	6	Taiwan (TW)	1
Burkina Faso (BF)	8	Honduras (HN)	8	Nevis (XN)	8	Tajikistan (TJ)	8
Burundi (BI)	8	Hong Kong (HK)	1	New Caledonia (NC)	8	Tanzania (TZ)	8
Cambodia (KH)	3	Hungary (HU)	6	New Zealand (NZ)	4	Thailand (TH)	3
Cameroon (CM)	8	Iceland (IS)	8	Nicaragua (NI)	8	Togo (TG)	8
Canada (CA)	5	India (IN)	4	Niger (NE)	8	Tonga (TO)	8
Canary Islands, The	7	Indonesia (ID)	3	Nigeria (NG)	8	Trinidad And Tobago	8
Cape Verde (CV)	8	Iran (IR)	8	Niue (NU)	8	Tunisia (TN)	8
Cayman Islands (KY)	8	Iraq (IQ)	8	North Macedonia	7	Turkey (TR)	7
Central African Rep(8	Ireland, Rep. Of (IE)	6	Norway (NO)	6	Turkmenistan (TM)	8
Chad (TD)	8	Israel (IL)	7	Oman (OM)	7	Turks & Caicos (TC)	8
Chile (CL)	8	Italy (IT)	6	Pakistan (PK)	4	Tuvalu (TV)	8
China (CN)	1	Jamaica (JM)	8	Palau (PW)	4	USA (US)	5
Colombia (CO)	8	Japan (JP)	2	Panama (PA)	8	Uganda (UG)	8
Comoros (KM)	8	Jersey (JE)	6	Papua New Guinea	4	Ukraine (UA)	8
Congo (CG)	8	Jordan (JO)	8	Paraguay (PY)	8	United Arab Emirates (UAE)	7
Congo, DPR (CD)	8	Kazakhstan (KZ)	8	Peru (PE)	8	United Kingdom (UK)	6
Cook Islands (CK)	8	Kenya (KE)	8	Philippines, The (PH)	3	Uruguay (UY)	8
Costa Rica (CR)	8	Kiribati (KI)	8	Poland (PL)	6	Uzbekistan (UZ)	8
Cote D'Ivoire (CI)	8	Korea, D.P.R. Of (KP)	8	Portugal (PT)	6	Vanuatu (VU)	8
Croatia (HR)	6	Kosovo (KV)	7	Puerto Rico (PR)	8	Vatican City (VA)	6
Cuba (CU)	8	Kuwait (KW)	7	Qatar (QA)	7	Venezuela (VE)	8
Curacao (XC)	8	Kyrgyzstan (KG)	8	Reunion, Island Of (RE)	8	Vietnam (VN)	3
Cyprus (CY)	7	Laos (LA)	3	Romania (RO)	7	Virgin Islands-British (VG)	8
Czech Rep., The (CZ)	6	Latvia (LV)	7	Russian Federation (RU)	8	Virgin Islands-US (VI)	8
Denmark (DK)	6	Lebanon (LB)	8	Rwanda (RW)	8	Yemen, Rep. Of (YE)	8
Djibouti (DJ)	8	Lesotho (LS)	8	Saint Helena (SH)	8	Zambia (ZM)	8
Dominica (DM)	8	Liberia (LR)	8	Samoa (WS)	8	Zimbabwe (ZW)	8
Dominican Rep. (DO)	8						

APPENDIX 3. Questions and answers from the online survey

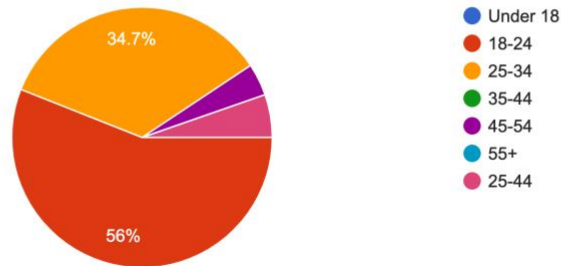
1. What is your current gender identity?

75 responses



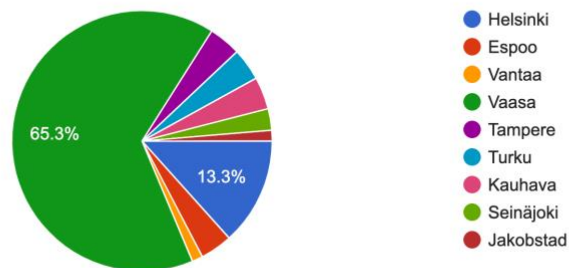
2. What is your age group?

75 responses



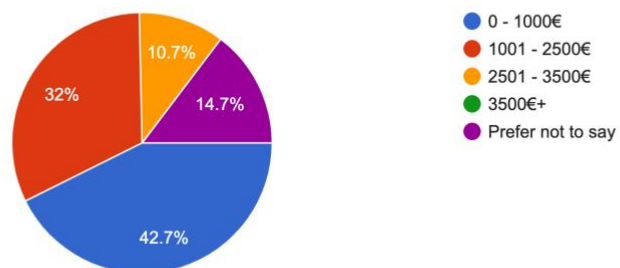
3. In which city of Finland do you currently live?

75 responses



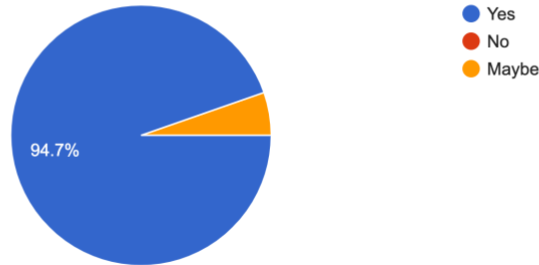
4. What is the range of your monthly income?

75 responses



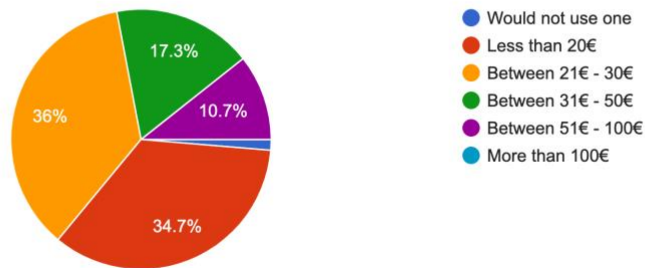
5. Do you use cosmetics products (facial cleanser, toner, serum, moisturizer, masks, make-up, etc.) ?

75 responses



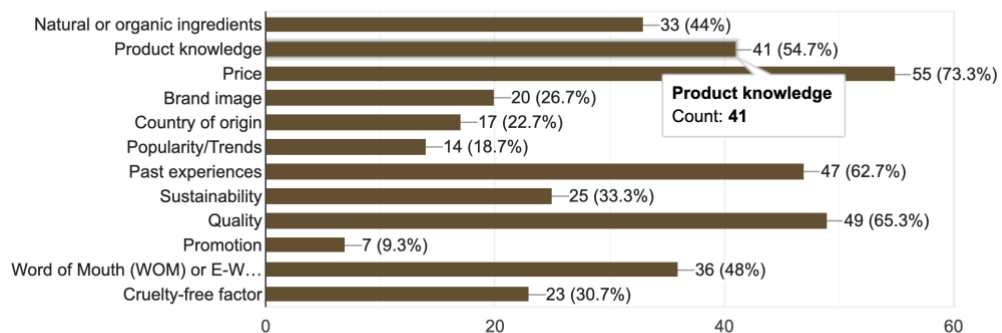
6. How much money do you usually spend for cosmetics products per month?

75 responses



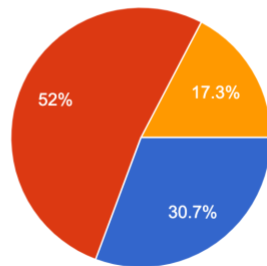
7. What are the factors that influence your purchase intention/decision the most when buying cosmetics products? (please choose at least three options)

75 responses



8. Have you ever heard or used any of Korean products in your skincare or makeup routine?

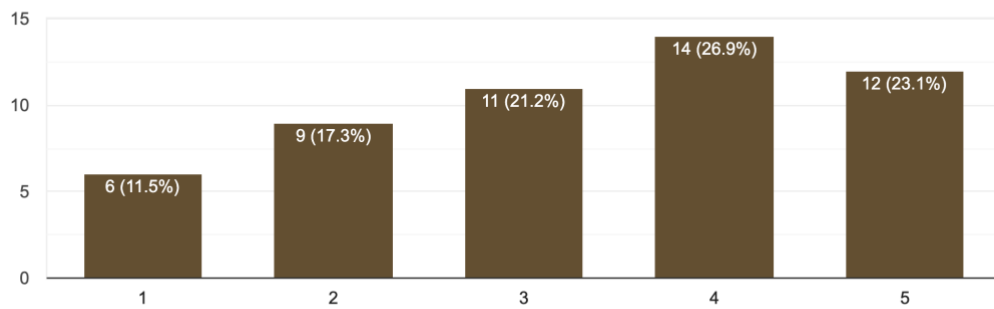
75 responses



- Yes, I have heard about them and I already use some of Korean cosmetics products in my routine.
- I have heard about them but I'm not using any Korean cosmetics products in my routine.
- No, I haven't heard or used any Korean cosmetics products in my routine.
- I do not use cosmetics products.

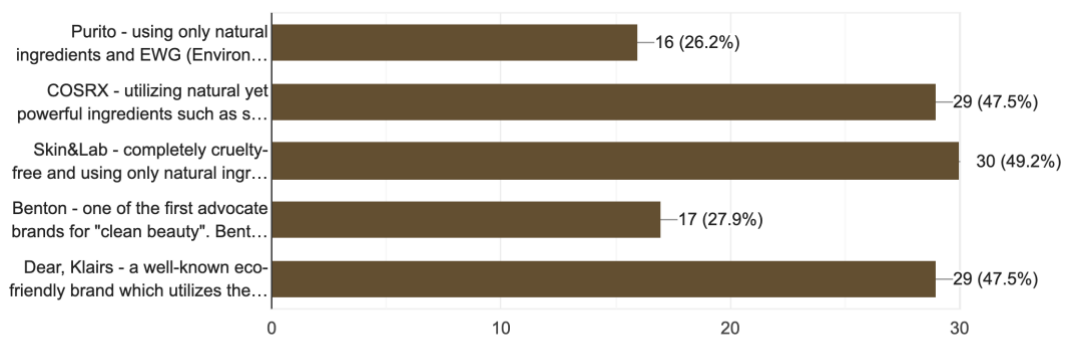
9. For those who haven't used Korean cosmetics products, on a scale from 1 to 5 (very unlikely to very likely), how likely are you to try Korean cosmetics products in the future?

52 responses

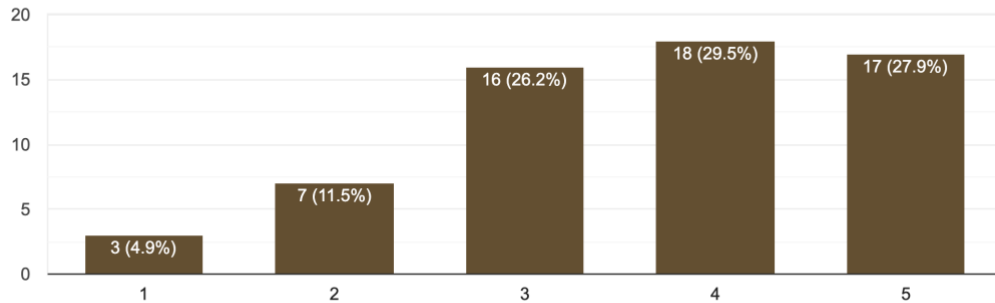


10. For those intended to try or already use Korean cosmetics products: A study of European Cosmetics Industry (Global Insight Inc., 2007) reports... select the brand(s) you are interested the most.

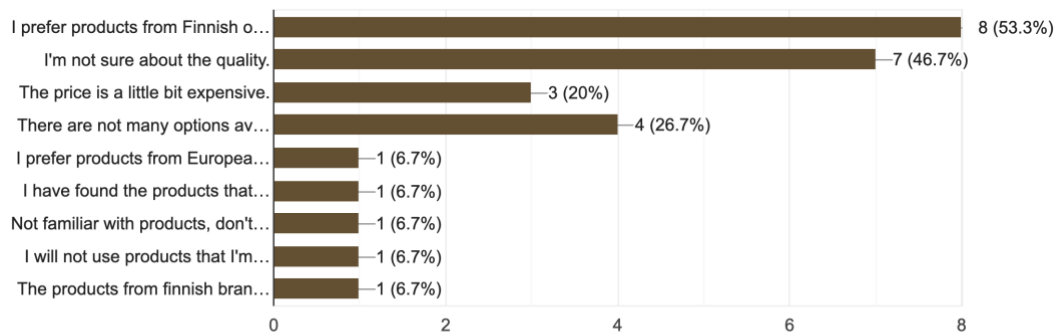
61 responses



11. For those intended to try or already use Korean cosmetics products: On a scale from 1 to 5 (very unlikely to very likely), how likely are you to... masks are only 1.5€ & cleansers ranging from 9-15€?
61 responses



12. For those who do not intend to try or purchase the Korean cosmetics products in question 10, please indicate reasons why you are not interested in trying? (you can choose more than one)
15 responses



APPENDIX 4. Interview questions with Finnish Customs authorities (1)



yritysneuvonta.lupa-asiakkaat@tulli.fi
to me ▾

Fri, Nov 5, 9:35 AM (6 days ago) ☆ ↶ ⋮

Good Morning Thanh

1 .customs require an Invoice . other certificates can be present to customs as well even that it's not mandatory

2. certificate of origin are mainly written on same invoice and between Eu-Korea it's as model below.

customs authorization number is mandatory if value is more than 6000 euro on shipment. otherwise not

The exporter of the products covered by this document (customs authorization No (1)) declares that, except where otherwise clearly indicated, these products are of (2) preferential origin

(2) preferential origin
..... (3)

(Place and date)..... (4)

(Exporter's signature with an added clarification of signature)

Cosmetics belongs as jurisdiction to Customs protection unit and it can / or could be that customs would require and customs laboratory sample to products.

link. to advises concerning certificates of origin : <https://tulli.fi/en/businesses/export/how-to-provide-proof-of-origin>

link to customs customer protection information : <https://tulli.fi/en/businesses/import/controls-of-food-and-consumer-goods>

APPENDIX 5. Interview questions with Finnish Customs authorities (2)

1. When the consignment arrives at the Finnish Customs, the import company would then receive a notification from Finnish Customs (Tulli) to declare the goods, are the documents (Commercial Invoice, Bill of Lading, Certificate of Origin, Airway Bill, and Packing List) adequate for the declaration? Are there any documents required? (in the case of importing Korean cosmetics products to Finland). Foreign item tracking services often notify "Lähetys on Tullissa" (the consignment is in the Customs) or "Held by Customs". The consignments, however, are not located in any Customs facility, but they are located in a warehouse of Posti or another transport company. If the consignment has to be declared, Posti or some other transport company in Finland will send you a notification saying that you need to declare the consignment. Documents you need for declaration : Arrival of notice from transport company, Invoice and declaration of origin in order to get preferential treatment. Invoice declaration is used upon imports from Korea.
2. Since July 1st, 2021, every item imported from outside the EU must be declared. However, as the Free-Trade Agreement between the EU and South Korea went into effect in 2011 and has levied the customs duty fee (tariff) since then, a Finnish importing company only needs to pay import VAT (24%) and the Posti's handling fee, is that correct? **Even if you have invoice declaration from Korea you have to paid VAT and Posti's handling fee.**
3. Regarding the payment for VAT in question 2 using E-Services, what is the due date for such payment after the importing business receives notification from Tulli?
On 1 January 2018, value added taxation on importation was transferred from Customs to the Tax Administration in situations where the importer is included in the register of VAT payers.
 - As of 1 January 2018, value added tax is collected by the Tax Administration if the importer is included in the register of VAT payers at the time when Customs approves the customs declaration lodged for releasing goods into free circulation, or for applying the temporary admission procedure with partial exemption from customs duty.
 - Importers included in the register of VAT payers must use a VAT declaration on their own initiative, to provide the Tax Administration with information on import VAT.
 - **Further information** is available on the Tax Administration website under the section '[Value added taxation on imported goods](#)'
4. How many days would it take for Finnish Customs to release the goods and for the Finnish import company to take the possession of such goods after the payment is made? **As soon, as the import declaration have been handled and payment made.**
5. The COVID-19 has affected multiple aspects of the trading activities. Does COVID-19 affect any aspect of the customs clearance process at the moment? **Not for cosmetics product from Korea. You will find more information of COVID-19 here: [Coronavirus \(COVID-19\) and Customs activity - Finnish Customs \(tulli.fi\)](#)**