



# Investigation of cosmetic distribution in Germany

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## **ABSTRACT**

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This thesis is about what things should be considered when expanding business abroad, especially from the perspective of distribution. Thanks to European Union's free movement of goods, it is easy to enter to a new market area. Distribution is key part of the process and there are various ways to execute it. Key things that business should have before expanding business abroad are solid brand, plan how to enter a new market, market research about the new market area, time and patience.

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Key words: distribution, expanding business, business in Germany

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## 1 INTRODUCTION

Every country differs from another and therefore all the regulations and rules differ from another countries. Even though European Union has common legislation, all countries can have their own regulations on top of that. Therefore, it might be overwhelming what to take concern when expanding business abroad, what to take concern and how everything differs from another countries. This thesis is a guidance how one can expand business abroad and in this case the example will be a cosmetic company starting to sell cosmetic products online in Germany.

Throughout the thesis there is a business that all the information is referred to. Because it is for now a start-up business and the business idea is confidential, it will be referred as a “business X” in this thesis. The origin of the business X in this thesis is Finland. The business itself is about cosmetic products for men and the target segment is males aged from 30 to 45. The twist in this company is that the main target is men who associates in alternative culture.

Business X is focused on haircare products and later skin care as well. Products are organic and the environmental aspect is taken concerning when developing the products. Business X idea is to be sustainable, environmentally friendly and provide products that are easy to use for a reasonable price: one product is planned to be around 8-12 €. Therefore, business X wants to offer easy solutions and be transparent about everything that happens in the business. For example, many brands don't want to tell the origin of their ingredients, or they use ingredients, that has ethical problems (to environment or people).

The main target for this thesis is to how to find a distributor when expanding business abroad, what kind of process it is or is it necessary to have an outsourced distributor. Because the subject is large, there are topics covered also from the point of view of what needs to be done before selling products abroad, legislation, and Germany as a market area.

## 2 WHERE TO START?

When thinking about expanding a business, it refers to a stage whereas a result the business is getting new clients, makes more profit or other factors. Important fact is that there is not only one metric used to measure growth: business growth is a combination of growth in sales, revenue, profits, number of customers, number of employees, and value. Although, business can grow in some metrics but not in others. For example, your sales might increase but the number of employees may stay the same. This all is depending on the business model and overall business strategies the business is implementing. The growth of business can be organic or inorganic. Organic growth is usually slower and happens within the company. Inorganic growth is external growth that is usually result of mergers and acquisitions. (Forbes 2024.)

In a long term, it is crucial for companies to grow for their willingness to survive. Growing a business can give also new opportunities to a company: it may acquire new customers, hire additional employees, expand offerings, and increase profits. This can also put a business in a position to become more stable, reputable organisation. Furthermore, it can give the company leading position on the market and capture more market share. As a bonus, for the owners of the company, it can lead to personal satisfaction and fulfilment. (Forbes 2024.)

Many businesses don't start by developing an international plan for their product/service. Common way is that they start by having an export sale because of unsolicited order or having an odd component or product. Therefore, this is the way to the international market without considering how to enter to the international market. However, developing an international plan can assist a company entering to new markets. Topics that should be taken concern when making an international plan for a business:

- Goal definition
- Market research (including geographical aspects)
- Choosing the best channels for the business
- Finding partners
- Legislations and regulations

- Management commitment to the international market
- Assuring the internal preparedness of the company
- How does the international plan fit overall to the company plans (Koslow 2017, 32-33.)

Growing a business is a process that doesn't happen overnight. First, it is crucial for a business to do market research. This way the company knows, where the business stands on the market, gets better understanding of the customers and competitors. This way business can benchmark their position on the market and know their competitor's strengths and weaknesses. While growing the business, it is crucial to take care of the current customers and keep them happy while acquiring new ones. For a business it costs less to keep their current customers than indent new customers. (Forbes 2024.)

The visibility of brand is playing important role in business growth. Therefore, market research is important: this way businesses should know how and where to reach their customers. Relationships between stakeholders, customers and other important networks are essential to business – especially when expanding the business. Strategic partnerships that are not directly competitive to your business are ideal. (Forbes 2024.) For example, based on Forbes (2024) business X could have a partnership with a jewelry company, dermatologist or independent entrepreneur such as hairdresser or beauty therapist.

Ethics is important factor to customers and many organisations in 2024. Therefore, it should take concern how the business wants to identify when talking about employee's wellbeing, social aspect, and environment. People are more aware of these days and customers don't buy just a product/service – they want to have a story behind it. In general, it is good to be creative with the growth: there might be a whole new market for a new product, business could have unexpected partner, or franchise model could be the answer. There are many ways to grow the business. Thinking outside the box, seeking new opportunities and ways to do the business is advisable. Businesses should always be curious about new things and not settle because of "this is the way we have always been working". (Forbes 2024.)

### 3 EXPANDING BUSINESS ABROAD

There are several things to take concern before expanding business abroad. First, the main goal should be to increase the value of the business. There are about 58 000 businesses in Finland that export products or services across the borders of Finland. Most of the companies are from the beginning international. Thanks to the European Union you can basically work wherever and from anywhere you want to. However, international markets differ from domestic market, therefore it is advisable to make international business strategy. Culture, behaviour, values, and demand might variate a lot from domestic market. One of the most important aspects of expanding business abroad is to have a long-term business strategy and plan key principles. In the beginning of the plan, is significant to have an overall goal for the business and how the operation mode supports this goal. (Yrittäjät 2024.)

Before expanding a business there needs to be a strong foundation, know your market well and stand out from the competitors. It is recommended to build a unique selling proposition (USP). Organizing and planning the growth is necessary and the company should have timeline when, how and what needs to be done. It is also recommended that everything shouldn't be done by one person: if there are experts who knows what they are doing, in a long term it usually is cheaper and more importantly, cheaper, to hire the right people to do the job e.g., website or marketing. The road to success isn't usually straight forward. Therefore, it is good to stay flexible and be prepared for changes – sometimes all the risks are not even predictable, even though how good the planning was done. (Entrepreneur 2022.)

Every country should be considered as a new market since the variation inside the borders might differ. Because of this, the business should do a closer look up for the market and have even deeper understanding of the country they want to expand the business. There are straight affects to the business which are customers and competitors but also non-direct affects (legislation, politics, economy and culture). Because of the market research takes time, mental resource and money, it should be done properly before entering to a new market. More the

business is prepared the better risk control they have. It is also important to keep record about the important numbers and how the actions affect controlling the business, following up and reports. (Yrittäjät 2024.)

The following list is a good example of what should be considered when doing marketing and exporting plan for a business:

- What kind of products/services the business is offering? Where and how?
- How is the data collected and what information is needed (domestically and abroad)?
- What is the target group, what are the distributors and exporters? Should some of these be outsourced or done by self?
- How the business should be doing the marketing and how they are going to improve the sales?
- What kind of contracts are needed (insurances for products, distribution and employment)? (Yrittäjät 2024.)

To have a successful business, highlighting the strategy isn't too much. For a successful brand there are multiple things to take concern when planning the strategy. One of these is the logo and brand identity. Both logo and brand identity should be cohesive and reflect the brand's image and personality. This will attract more new customers and builds the trust to businesses' brand. Secondly, marketing should be planned as well. There should be a budget and timeline for campaign and if there are other features the business wants to emphasize, it should be clear how they can deliver their message to the customers. Here again it's important to keep track on results and make changes if needed. (Entrepreneur 2022.)

Third important aspect of strategy is to have key players and relationships with them. Networks are important since no business can't work by itself. Therefore, these networks can give you access to valuable resources and feedback to boost business' profile. Promoting online and being active on social media is the fourth aspect. It's important to remember that if business is on social media and online in general, it should be on platforms that supports your business, where the customers are and be active on the platforms that are used. If business is small, there is no point to have every social media presence, but the one's that business

is actively updating. Fifth but not least print media is still an excellent for of advertising. But again, business should have advertisement on print media where they can reach their current and possible new customers. (Entrepreneur 2022.)

### **3.1 Legislation, regulations and taxation in European Union**

In the global trade European Union has prime position. Because of the openness of EU trade arrangements have made it biggest player on the global trading scene. Therefore, it is a good region to do a business with. There are hundreds of millions of euros worth of goods exported from the EU every day. (European Union 2024c.) However, there are certain rules for goods such as chemicals that have specific rules. Depending on what the business is selling, to whom and where the goods are transported to, there might be different VAT obligations. (European Union 2024e.)

Because of the nature of the EU open market, there are requirements and regulations for the products that business must meet before selling them in EU area. If there are no EU-wide rules for the sold products, the company must only follow the valid rules of the EU country the products are sold. The requirements concern humans' and animals' health, environment and consumer rights. Companies are free to define their terms and conditions of sale, including limitations on delivery. However, all the customers based in the EU must have same access to goods as your local customers and e.g., the special pricing must be same throughout the whole EU. (European Union 2024e.)

After meeting all the relevant EU rules, the products are freely traded in the EU. If business meets the requirements in one EU country, other countries cannot: forbid the sale of products, demand the business to change the products in any way nor force to undertake additional tests. (European Union 2024e.) When goods are sold to another, VAT paying, company in EU it is called "intra-Community trading". Usually in this kind of trading, businesses don't have to pay VAT. There are certain rules that need to be fulfilled when selling products to another business is VAT-free. These rules are:

- Products are transported physically from Finland to another EU country

- Business who is the buyer must be a VAT taxpayer in EU country (in this case not Finland)
- Parties must be registered for VAT in their own EU country and therefore must have valid VAT numbers. (Vero 2024.)

However, there is a possibility that the buyer has informed a different EU country than where the goods are delivered. Because in every country the registered VAT number is different, buyer could have been made the bill without VAT. For example, German buyer is purchasing goods from Finland, and they deliver the goods to Netherlands. In this case buyer needs to pay the VAT to Finland if they can't prove to Finnish Tax Administration that the goods are delivered straight to Netherlands and the company has paid the VAT to Netherlands government and followed their rules and regulations. (EY 2023.)

### **3.2 Distribution and supply chain**

A distributor is individual or legal person who must make sure in the supply chain that the product follows the EU requirements. A distributor can be also a retailer (sells the product to end-users) or wholesaler (supplies products to re-tailers). Therefore, it is important to the distributor to make sure that the products are following all the rules and regulations before placed on the market. (Your Europe 2024.) In cosmetic industry this means that all products must follow the cosmetic regulation (EC) N° 1223/2009. It includes all the main rules that final cosmetic products must follow. This regulation (1223/2009) ensures that cosmetic products on the EU market are safe, all the products have in-line tags, and have the contact information to distributor if needed. (European Commission 2024a.) There is no specific information written in this thesis about cosmetic law in Germany. This is because the legislation is in Germany, and it is complex text to translate. This is related to the interview later in this thesis at chapter 8.

Because of the nature of EU free movement for goods, there aren't a strict rule how to distribute products. Both parties can determine the contract and the contract can be as specific as business wants. However, there are rules and regulations in the EU and the contract must follow the EU legislation. It is important to

pay attention that when selling products abroad, there can be several contracts that must be made to protect both companies. For example, different contracts can be about: distribution, license, transportation, insurance and/or co-operation. (Yrittäjät 2024.)

To avoid major risks, it is important to have contract that protects the sale from the beginning till the product reaches the final customer. There are several international contract layouts that can be used but, in many situations, companies must edit these at least a little bit. Important is that the contract is as specific as possible, it is in written form, and it is signed by both parties before the sale. In long-term contracts it is suggested to have help from a lawyer while planning the contract. (Yrittäjät 2024.)

There are a few steps what to do before finding a distributor in Europe. First one is to decide where. Not all the European markets and customers are the same. Therefore, it is mandatory to know which country business wants to operate. Second step is to make market analyse. For the business it is crucial to know the market they are going to entry. Third is to make a list of potential partners. Not all the companies are the same nor the best for one's business. It is good to know their differences and pick the right for one's business. Next step is to contact these companies. They should know what the advantages are of working with you. Final steps are to select the right distributor and make contract with them. (Masson International 2021.)

### **3.3 Partners**

When domestic business is solid and all the necessary market research has been done, concept is tested and the product is final, business can move on and have some partners. Key thing is to think beforehand about the future partners and how they can make your brand better. Good relationships with other partners are important and businesses should spend time on partnerships. When thinking about the partnership it's important to recognize who are their future partners customers and how they make your business grow. It's important here to understand difference how business is done in domestic and international markets: all

countries have their own habits, and these should be taken concern. Some companies appreciate straightforward action, and some cultures appreciate long talking, friendship kind of way and even having business dinners together. (Inc. 2014.)

There is this possibility to have own supply chain done by for example UPS. They have end-to-end solution, and they operate in more than 220 countries. They offer freight, customs brokerage, warehouse and distribution services. Also, they have one of the world's largest transportation and logistics services and they offer these services to small and mid-size companies. They also are well known brand around the world. (UPS 2024.)

## 4 GERMANY AS A BUSINESS AREA

Europe's most powerful economy and most populous country is Germany. The standard of living is very high in Germany, and it has comparatively strong welfare system that ranks Germany very highly in terms of human development, equality and freedom. Germany has played major role in determining the course of world history, through innovation, cooperation and politics. (Statista 2024a.) The population of Germany was 84,4 million in 2023. There are 16 states, and every state has their own constitution and are largely autonomous regarding their internal organisation. The GDP (Gross domestic product) per capita is 41 300 € and ranks Germany eight in the European Union in terms of GDP. (European Union 2024b.) The inflation rate in Germany was 6 % while in whole European Union it was 5,4 % in 2023 (European union 2024a).

Because of the geographical location of Germany in northern central Europe, Germany has easy access to Nordic countries and United Kingdom. Also, Germany shares borders with nine other European countries. Therefore, Germany's position is one of the world's active trading zones. One of the world's top three exporters is Germany, therefore business culture is important in this country. Because the area of Germany is large, the climate and temperatures may vary by depending on region and season. All four seasons are common in throughout Germany. (Passport to trade 2024.)

All the Eu member countries are allowed to do business in the Federal Republic of Germany. There are agreements between Germany and several other countries, and those agreements are essential to the citizen of those countries which want to do business in Germany. For example, these agreements are about double taxation and the agreement on the right of establishment convention and the promotion of investment. (IHK 2024.)

There are two options how companies may be organised: capital companies or partnership. Partnership is characterized by the partners personal liability and the capital companies is limited to the assets of the company. Two most popular forms of capital companies are stock corporations and companies with limited

liability. Other forms of capital companies are European stock corporations and partnerships limited by shares. These last two forms are comparable to stock corporations. In the beginning of 2023, the Conversion Directive Implementation Act was adopted. This provides a legal framework for cross-border conversions, mergers and divisions. In the end of 2023, the Financing for the Future Act was introduced and the reason for this was to make it easier for companies to entry into the markets. (Icig 2024.)

The management board or the managing directors have responsibility for disclosure and transparency. Annual financial statements and the management report are mandatory to an audit by and external auditor while doing business in Germany. The auditor has the responsibility to make sure that the annual accounts have been prepared in compliance with all the rules and regulations and reflect as a true and fair view of the company. (Icig 2024.)

#### **4.1 Economy**

Gross Domestic Product (GDP) in Germany was 4,186 billion Euros in the year of 2023. This makes Germany after United States and China the third-largest economy in the world. Therefore, it is the largest economy in Europe. The biggest industries are vehicles, vehicle parts and chemical products. These make Germany also the third-largest exporting nation in the world. Germany is a top destination to investors, and they are attracting increasing number of companies to make greenfield investments there. International Monetary Fund (IMF) is forecasting the economic growth to be 0,8 % in year 2025. This is because of the US election and the war in Europe. (KPMG 2024.)

Germany's government attempts to encourage fair play between management and labour. Government is also taking care of the relationship between the capitalist participants in the market, especially to avoid monopolies. Because of the globalization businesses at the national level, or even at the transnational level of the EU, can't be regulated by government that easily. Even though Germany has a free market, the federal government plays an important role in the economy. The capital and operating costs of the economic and social infrastructure

are covered by the government. Because of the varied tax system, Germany has relatively high tax rates compared with other countries. Taxes are paid by the national, state, and local levels. (Britannica 2024b.)

## **4.2 Culture and habits**

Germany has played an important role in Western culture for a long period of time. Despite the political division, the cultural and artistic traditions have remained detectable the same in German culture. West Germany is more influenced by the western Europe and North America. On the other hand, East has stayed more conservative in its some aspects of traditions and ideology. Traditions might not be seen in the normal everyday life, but in the events and festivals the traditional costumes are more visible. (Britannica 2024a.)

Globalization has weakened the traditional arts, entertainments, and customs of regional and rural Germany. However, the southern Germany has kept their older arts and the old and the new coexist in an incongruous compatibility. Like other Western countries, family life has gone through many changes in Germany. Many of the married German couples never become parents and the remainder have only one or two children. Numbers of the people getting married has declined and divorce numbers has increased. Gender roles in marriage has changed radically: women have been employed outside the home and not responsible of the household shores and childcare alone. (Britannica 2024a.)

People in Germany have free will to practice their faith by the Germany law. A big percentage as 35 % of the population identify as having no religion and 9 % preferred no to say. (Study in Germany 2024.) Main religions in Germany are Protestant and Roman Catholic (Passport to trade 2024). Despite of declining number of religious connections, some of the religious traditions and practices can be seen in Germany to this day. The most common holidays like Easter and Christmas one can notice the religious influence throughout the country. (Study in Germany 2024.)

Working culture in Germany is all about precision, efficiency, and maintaining a professional attitude. The work ethic is strong and strict in workplaces, but they also have among European countries one of the best work-life balance and social security policies. Common work on average is 40,5 hours per week, 5 days a week. Germans have straightforward boundaries between work and home lives. In social interactions, Germany has informal and formal way of speaking to each other. They are polite and it is common courtesy to say “hello” and “goodbye” when interacting with people. Gift-giving is common in Germany but mainly within personal relationships. (Study in Germany 2024.)

Germans have strong sense of community and taking care of one another. For example, if you spot a lost item hanging from a tree, someone might have put it there so it can be found more easily. Germans follow the rules and are in general polite people. If one is ordering or stand in a queue, they expect order and silence. People in Germany are environmentally conscious, and they take recycling seriously. In general, Germans appreciate order, straightness, quiet environment and efficiency. (Study in Germany 2024.)

## 5 COSMETIC MARKET IN GERMANY

The value of European cosmetic market was 78,6 € billion in 2018. This made the Europe the largest cosmetics market in the world. The largest market for cosmetic products was Germany by 13,8 € billion (in 2018). The second largest was France by 11,4 € billion and third UK by 10,9 € billion. The largest product groups were skincare and toiletries by the worth approximately 20 € billion combined. The total retail sales of haircare products were 14,92 € billion in 2018. (Cosmetics Europe 2019, 15.) The biggest skincare sector in Germany is facial care category. Three top companies in German skincare sector are L'Oreal S.A., Beiersdorf Ag, and Clarins Group. (Market Research, 2022.)

Beauty and personal care product market size in Germany is estimated to 18,96 (USD) billion in 2024. It's expected to increase to 23,06 billion (USD) by year 2029. The overall trend is that people are willing to spend more on products that improve their appearance and well-being. Disposable income in private households has increased 7 % from 2021 to 2022 according to Statistisches Bundesamt. Social media plays important role in consumer buying behaviour, especially among the younger demographics who are more active on social media. (Mordor Intelligence 2024a.)

Cosmetic market in Germany has a tremendous range of products for men and women. This also includes various pricing: products that are sold in supermarkets or drugstores to high-end luxury options. Products are divided to fragrances, body care, skin care, face or facial care, hair care and make-up which is the largest part of decorative cosmetics. Competition between brands is increasing mainly because of consumer behaviour and inflation. Inflation is increasing product prices and therefore consumers views might change. German consumers interest to cosmetics hasn't change, except interest in skin care and body care showed slight degree. (Statista 2024b.)

Sustainability is valued between cosmetic users. Cosmetic companies and industry are changing and seeking environmentally friendly options in products and production. The term "natural cosmetics" is not protected in Germany by law.

Therefore, labels or seals on the packaging are only indicators whether the product fulfils the appropriate criteria for natural cosmetics. These seals and labels must follow the EU cosmetic regulations. By this said, natural cosmetics is nor better or worse than synthetic cosmetics. Germans are more aware of the health and therefore they are seeking products that are non-toxic and good for health. This means that consumers are more aware of used ingredients and how products may affect in long-term use. Because of the popularity of social media and consumers want to be part of the brand story, it is important how they can share their experiences with a given product. If one post goes viral, it can make or break the success of any product. This is something to take concern in the future of cosmetic market. (Statista 2024b.)

Cosmetic products must meet rules about their ingredients, packaging, labels, and information to be sold in the European Union. Manufacturers or importers are responsible for following these rules. They must notify the authorities when they first import a product and follow up with regular checks to ensure compliance. Manufacturers are responsible to follow requirements in the preparation of a product safety and they need to notify their product to EU cosmetic product notification portal. When placing new product on the market, it must have a responsible person, who is legal or natural person and responsible that the product is manufactured correctly and followed by the EU safety rules. Responsible person is also obligated to notify national authorities if the product is causing undesirable effects. (European Commission 2024a.)

## **5.1 Hair care market, trends and competition**

More specifically, hair care market in Germany is expected to have CAGR (compound annual growth rate) around 2,37 % in five years (Mordor Intelligence 2024b). In 2022 men's skincare and haircare market was valued of 207,2 € million in Germany (Mintel 2023). Natural and organic products and avoiding harmful chemicals is growing trend in hair care category as well. Because of this people want to take care themselves more at home which has led to decline visits in salons. Therefore, do-it-yourself culture rise radically during COVID-19 crisis.

Online shopping is an increasing trend, and it is expected to grow significantly during next five years. (Mordor Intelligence 2024b.)

Hair-related issues and fashion trends among the hair products is predicted to increase over the upcoming years. Because of the number of hair salons and the demand for professional products around the world is increasing, this trend might affect positively on haircare market upcoming years. Technology evolve in production processes and new grooming trends are forecasted to contribute the hair-care market forward. Consumer awareness and fashion trends towards new, more effective and safer haircare products has boosted the sales in Germany. (Mordor Intelligence 2024b.) Consequence of rising costs of living, consumer budgets are tight. Because of inflation and all the rising costs, consumers don't use as many products as they used to. This has made it hard to brands to prove to customers why they should pay more. (Mintel 2023.)

There are small and big companies in haircare market in Germany. Market leaders in haircare products in Germany are Henkel, L'Oreal, Beirdorf, Unilever and Shiseido. Therefore, these big companies have major market share and because of that dominate the haircare market. Companies have recognised the trend of natural/organic products and added these types of products to their range. To get a better market share and increase the number of customers, companies are focusing on for example innovation, rapid market expansion and partnerships. Market leaders focus is more on new products and expanding their presence in other markets to get even bigger market share. (Mordor Intelligence 2024b.)

Men's haircare trend in Germany is increasing trend. Especially facial (beard) and haircare are promising value for sales growth. More specifically, hair growth supporting products are high in demand. However, innovations in this category are still small and offers companies a lot of opportunities. In Germany, almost half of men aged 16-34 enjoy exploring haircare and skincare products. In the same age group, 37 % of men find educational social media content trustworthy and they would buy products directly on social media. Most men are willing to spend 10 € on haircare and skincare products. (Mintel 2023.)

## 6 RESEARCH METHODS

The difference between quantitative and qualitative research is that one focuses more on details and the other on the bigger picture. Quantitative studies can be surveys, questionnaire forms and are focused to collect the data in numerical form – statistically. Qualitative studies are more flexible, and information can be collected in a creative way such as texts, diaries, photos, poems, paintings and so on. Therefore, it can be said that quantitative is focused on mass and qualitative on smaller targets. (TAMK 2024a, slide 6.)

Despite which method is chosen, quantitative or qualitative, both methods have similarities. Both methods start from population and sampling: why this research method and what is my goal with it. The second step is to collect the data using the methods for each research. After data has been collected, the next step is to analyse the data and interpret it. One should understand what this data means, and it should answer to the research question(s) and give even new perspectives. Finally, there is the results and reporting phase. It is important to understand how to deliver the analysis of the research, what does this mean, how to improve it and what could be the next step. (Sonyel 2017, 5.)

In both cases the important fact is that these methods should give one answer to the research question(s) and meet the objectives of the research. Important is that these are methods to collect data. Therefore, it is important to use scientific validation in the study and try to minimize the risks of tainting the data when collecting it. Quantitative and qualitative methods are samples of collecting the data, but there are so-called mixed methods, which combine both. (Felix & Smith 2019, 93.)

There are various methods to collect data for qualitative research. This can have only one method or can be a mixed with other methods. These methods usually are:

- Interviews (theme or open)
- Group interviews
- Participatory observation or systematic observation

- Open questionnaires
- Discussions
- Written materials (should be specifically produced for the research or done earlier such as histories)
- Drawings, photographs and so on
- Or mixed data such as reports, statistics, documents, interviews and/or photographs. (TAMK 2024b.)

Action research is participatory and democratic process. The aim of this research method is to bring change and advance through the reflective process. In a nutshell, action research is approach to professional development and problem-solving skills. It involves cycle of planning, acting, observing and reflecting. Therefore, it can be a dynamic and empowering method to use. This way participants can process issues directly relevant to their own professional context. Because it is so versatile and has a different stage, it challenges to reflect and emphasises on participatory. (McAteer 2013, What Is This Thing Called Action Research.)

The foundation of action-based research is that writer's self-reflection is combined in the best possible way with the professional theory and practise. Therefore, the whole process is like a dialogue between theory and empirical findings. It is important that writer has a good understanding from the practical side and theoretical side of the subject. One could say that it is going back and forth between theory and data. (TAMK 2024a, slides 10–11.)

There are various ways to analyse the collected data and it could be useful to think this in advance before analysing. Some approaches seek more meaning and development, such as going to the field and subjecting this data with the question "what is going on?". Other way to analyse the data is listing or classifying items: percentages, frequencies, ranked order or whatever works best for the research. Throughout the process of collecting data, it's important to remember what you are doing and why. (Grbich 2012, Design methodologies, data management and analytical approaches.)

There are couple of important sides when analysing qualitative data. First thing to consider is describing the procedure of data analysis as clearly as possible.

The second thing is to apply all the categories that were said in the beginning of the research methods section that you are going to use in thesis. (Houghton 2014, 98.) It's important to stay organized from the beginning. Preparing and organizing the data ready for the analysis, especially in large studies, this might involve a lot of work e.g., scanning documents, sorting data into different types and transcribing interviews. Reading through the data gives one a general understanding about the information and possibility to reflect the information its overall meaning. (Houghton 2014, 102.)

The method used in this thesis was qualitative and data was collected by using mixed data. More precisely the mixed data included interview and benchmarking. Since only one company answered to the interview it was necessary to have another method to get the needed data in the thesis. Interview was the primary method because it gives valuable information from companies that have sales abroad and they have possibly done the distribution process already. Benchmarking came up during the process because lack of information from companies and it was the second-best method to use. Therefore, both these methods work well together and complete each other. Both methods will be covered more in chapter 7 and 8 in this thesis.

## 7 BENCHMARKING

Benchmarking is the act of measuring the quality of your business process and performance metrics comparing it with other same/similar businesses. It is typically measured by quality, time and cost. Usually, benchmarking is compared to the businesses that have the best practice on the field. This way businesses can challenge their way of thinking, learn about their own business and question about their own work. Benchmarking can lead to superior performance by searching the best practices for the industry. (Mouton & Claasen 2002, 16-17.)

There are two major processes how the benchmarking can be done: user process and management process. Usually, the user process is multi-step process that companies can edit to their own environment and corporate language. The purpose of user process is to complete a benchmarking investigation. User process is about the benchmarking team to finish the user process, the management process is about to ensure that the benchmarking is followed proficiently. Benchmarking becomes valuable tool after the benchmarking studies have been successful. (Mouton & Claasen 2002, 17.)

Like mentioned above, benchmarking is an organisation's process to improve their quality assurance systems. However, other processes that includes transformation, benchmarking is playing crucial role. Benchmarking process is based on five elements:

- The first is to find benchmarking partners (organisations) that agreed to share data with others.
- The second component is the list of performance indicators to be assessed and analysed, which may include some or all activities within the organization.
- The third essential component is a collection of specialised reports in which the benchmarking partners gather the required data.
- The fourth key element is the evaluation committee, which collects, analyses, and processes data from partners before preparing the final report.
- The final element, probably the most important, in a benchmarking process is the combination of two fundamental traits: trust and confidentiality,

which must closely align with the other four components. (Moraru & Grecu 2015, 198-199.)

There are misunderstandings when talking about benchmarking. One of these is that the benchmarking isn't a one-time event. Employees who see benchmarking this way, the benchmarking wasn't integrated successfully. Second is that it provides solutions. When trying to copy another company's practices hoping that it will improve current situation, is not what benchmarking is about and it might be harmful for the business. What works for one company is not necessarily good for another. Therefore, it is better to adopt collected information and modify it to work in a company. (Mouton & Claasen 2002, 18-19.)

One of the misunderstandings is that the benchmarking is a quick and easy process. While benchmarking itself is not complicated, it does require careful project planning, process support, clear guidance, and a commitment of resources such as time, money, and personnel. Among all these factors, time is likely the most crucial element to consider. The last misunderstanding is that benchmarking is a passing trend. If the studies that benchmarking takes (attention, training, support and funding) is done poorly it might end up to mediocre results. Consequently, benchmarking could be abandoned by companies. (Mouton & Claasen 2002, 19.)

## 8 DATA COLLECTION PROCESS

The interview process started in September 2024 by contacting companies to have an interview with. The number of companies that were reached was in total 19. From that number, there were 13 companies distributing cosmetic products in Germany or in Germany and 6 Finnish companies that sell products abroad. Because the distribution companies didn't respond, in the early November 2024 questions were modified to companies that sell products. Out of these 6 companies, 5 sell cosmetic products and one is electronic device company. All these companies informed on their website that they hope all the contact to be via e-mail or by their own contact sheet on their website.

For distributors the questions were about the distribution process, how a new company can have them as a distribution partner and what the process includes (appendix 2). To the Finnish companies, the questions were more focused on the process from expanding the business and what does it take from a company's side (appendix 1). Mutual questions were related to the legislation side and where to get more information about that and free word, if they had something extra to say about the topic.

Even though there were several companies contacted, the only company that answered to these questions was CaTe. CaTe is a Finnish cosmetic company, and their co-founder Carl Fagerudd answered these questions via e-mail. The interview happened on 22nd of November in 2024. Fagerudd agreed that it is fine to use their company's and his name in this thesis as a resource.

The first question was about the process when selling products in another country. Fagerudd said that because managing in the EU, there are no extra work with product registration process. Fagerudd said that the information labels must in every language of the target country. Also, he would like to highlight that a new country is a new market area. He said that therefore, in the point of view of marketing it is the same than launching a new brand/product anywhere.

The second question was about the distribution channels in Europe and what kind of business partners CaTe has. Fagerudd said that currently they don't have distribution. This question should have been composed differently, because the meaning behind this question was more about the supply chain. After the interview it was discovered on their website, at least they have Posti (Finnish mail system) as a part of the supply chain. This was done by going on their website (<https://www.catenordicbeauty.fi/>), adding product in the cart, and going to the checkout. There is this option where you can select your pickup location, and the parcel pickup locations are controlled by Posti.

The next question was about that where they sell their products: physical stores, online stores or both (and more precisely abroad). Fagerudd answered that currently their products could be found in Finland and in couple of beauty salons online store in Sweden. There was also this question about legislation, rules and regulations and where does CaTe find their information for that. Fagerudd said that cosmetics has the same legislation within EU. Because of the legislation in EU, distributor must register all the new products to the CPNP (Cosmetic Products Notification Portal) and this needs to be done only once within EU. (European Commission 2024b.) Because of the registration process must be done only once and the legislation itself is mostly common within EU, entering to the new market in EU is quite simple and this supports the Fagerudd's words.

One of the questions was about giving some tips to a start-up business who wants to expand their business outside of own country. It is assumed that Fagerudd missed this question by accident. Because of that, unfortunately, he didn't answer to this question. Lastly, there was this free word or any advice you could give to a start-up business. Fagerudd said: "If you use a distributor, you will get knowledge of the market. This helps to customise the marketing to fit in the market area."

After all, the interview gave a good perspective to this thesis and highlighted the same points that was found in the research part. It is understandable that, especially before holidays, companies are in a hurry. Therefore, longer answers could have given more information, and it would have been better if at least one other company/distributor would have given the interview. Some of the questions could

have been worded differently because there was a misunderstanding in couple of questions. Also, some of the words should have been simplified to avoid misunderstanding. After all, the interview was important part of the thesis and gave valuable information.

Like mentioned above, the interview was the best method to use in this process. Interview gives versatile information from companies how they have solved the problems when expanding business abroad and especially what kind on solutions were best for them in terms of distribution. The questions to the companies were thought in the way that it gives a lot of information, and it supports the goal of the thesis. In this way the goals of this work could be fulfilled. Thankfully the one interview was comprehensive enough that it gave at least one perspective from company's side.

## 9 COSMETIC DISTRIBUTORS IN GERMANY

Because there was only one company who answered to the interview questions, the information about distribution needed to be done differently. The main goal with this part was to find more information about the distribution and the process. This could have been covered with the interviews. Because there was only one interview, this part was done to get more knowledge of the distribution from the companies' websites. Benchmarking played an important role at this stage, as no more interviews were obtained. Benchmarking was the second-best way to get more information about the distribution and the process.

Like mentioned above, it is crucial to find partners that make your business grow. There are multiple distributors in Germany that business X could partner with, as an example: Orbico Beauty, Beauty Sales Expert, Artis and Agata Barro. These companies have different brands, and they sell products in online stores. However, many of these online stores sell mainly well-known brands. While writing this thesis, all these companies were contacted for an interview about their distribution and how they accept new brands to their selection. Unfortunately, they didn't got time for the interview for more information about their partnership for new businesses. In this part, there will be a closer look at on these companies and what information was found on their website about distribution.

The first one to look closely at is Orbico Beauty. They are specialised company to distribute beauty products. They operate in 20 countries in Europe and that makes them the leading beauty industry distributor in Europe. Their revenue was 209 million euros in 2018. In their portfolio they have 6 different beauty categories, and their partners are well-known international companies. Furthermore, they operate in retail business in their own stores. They also inform that they work closely with their partners, and they have different strategies for each brand. (Orbico Beauty 2024.)

Orbico Beauty is part of bigger supply chain that is called Orbico Supply. Including beauty, they distribute for example food, electronics and fashion. This company

offers tailored supply chain management solutions to businesses from warehouse option to distribution. Their main goal is to provide supply chain solutions digitally and operationally synchronized across Europe. Therefore, they offer whole supply chain management and logistics combining people, process and technology. (Orbico Supply 2024.)

**OUR PARTNERS**

Orbico Beauty companies have a long term business relationship with many international companies and enable brands in their portfolio to connect to customers and consumers in the local markets.

Most of the brands in our portfolio are world renowned and have strong market value, high brand awareness and retailers desire to have them in their assortment.

Our company and our business partners are aligning the business strategy in order to successfully launch, position, revitalize, track and manage brands in order to enable them to reach significant value and great impact for all included parties: producer, distributor, customer and consumer.

**COTY**

**IP**  
PERFUME HOLDING

**ISADORA**

**AIR-VAL**

**ESTÉE  
LAUDER**  
COMPANIES

**Elizabeth Arden**  
SINCE 1915

Figure 1, Orbico Beauty partners (<https://www.orbicobeauty.com/en/brands>)

Because Orbico Beauty is part of the Orbico Supply, they are handling their supply chain and the logistics behind it. They have the contact sheet on their website where it is said that if one has business proposals and plans you can get in touch with them. This company could be an excellent business partner: they have large supply chain management, revenue is huge, they operate in many countries, and they operate most of the supply chain themselves. It is usually a good sign if business is operating in many countries. However, they have highly known brands like seen in Figure 1. Therefore, for business X this might not be the best partner in the beginning because they work with well-known brands like mentioned above. Although, they might be a good partner in the future, especially if business X wants to expand their business in other countries as well where they operate e.g., Croatia, Poland, Hungary and/or Belarus.

The second company to take a closer look is Beauty Sales Expert. They are specialised to support sustainable growth of cosmetic brands and they offer a sales agency as well. It is encouraged to contact them via e-mail, if one has a start-up cosmetic brand or one is seeking a new distributor partner in their region. It is

also mentioned that their target groups are wholesalers, distributors, drugstores, perfumeries, department stores, teleshopping, online shops. (Beauty Sales Expert 2024a.)

Our portfolio:

Services	Projects, Brands
✓ Acquisition of distribution partners	✓ Hair Care – professional and retail
✓ Product- and Sales training of distribution partners	✓ Skin Care – professional and retail
✓ Ordering and Administration	✓ Apparative cosmetics – devices and accessories
✓ Consulting and Marketing	✓ Pharmacy and Healthstore cosmetics
	✓ Body Care – SPA and retail
	✓ Nail Cosmetics – professional and retail
	✓ Supplements
	✓ Private Labels
Operation Area	Target Groups
✓ Germany	✓ Wholesalers
✓ Europe	✓ Distributors
✓ USA	✓ Drugstores, Perfumeries and Department stores
	✓ Teleshopping
	✓ Online Shops
Languages	
✓ German	
✓ English (native speaker)	

Figure 2, Beauty Sales Expert information about company (<https://www.beautysalesexpert.de/en/services.html>)

Beauty Sales Expert have a distribution network in Europe and especially around Germany, Austria, Switzerland and Benelux region. They know all these region's requirements, specific regional need and language. (Beauty Sales Expert 2024b.) Beauty Sales Expert mention also on their website (2024b) that all the market areas are different, have different requirements and cultural characteristics. They assist international manufacturers to grow their business and establish successful business relationships. (Beauty Sales Expert 2024b.)

Beauty Sales Expert doesn't mention anything on their website about the brands that they have in their portfolio, which stores or online stores they distribute the products. After searching about these, there wasn't more information about these. However, they mentioned that they are working with small brands as well and this could be a good thing for business X. Because business X is interested expanding business to Germany, Beauty Sales Expert mentioned that they know about the market, region and language. These are advantages that should be taken concern. They also mentioned about the sustainability aspect, which is in line with business X's values. There are multiple good reasons that Beauty Sales Expert could be a promising business partner for business X to work with.

The next distributor is Agata Barro. She is a market strategist in beauty and cosmetic industry. Barro is offering her services on distribution strategy, marketing support, listing process and post-listing support. In the webpage is mentioned that she is a good partner for example if one is looking retailers in Germany or your approach "one fits all". She says that she is taking care of the entire process from the strategy till the product reaches the end user. One of her claims is that one is "I want to safe you time and money" which probably is a typo, and she means save money. (Agata Barro 2024.)

## About me

- I love and live beauty
- I am a marketer & sales person in my heart
- I am a citizen of the world, originally from Poland, living in Germany for over 20 years
- My energy is my treasure
- Yoga is my passion
- Family and Friends are my foundation
- To deliver energises me

Figure 3, Agata Barro: information about her (<https://www.agatabarro.com/>)

There is no more information about what brands Barro is working on with nor the stores that the products could be found. There is this contact sheet on the website where one can fill the information and get in touch with her. This kind of partnership sounds promising on many levels. The biggest concern about this is that there are no brands mentioned, not any supply chain or her professional aspect

isn't proven by sales, revenue, stories nor educational facts. There is a possibility that this could be a good partner but there is no evidence for the claims she is saying.

The last company to take a closer look at is Artis. They are a medium-sized company from Germany. They distribute innovative cosmetic brands and beauty accessories from international manufacturers. Their target groups are drugstores, department stores and pharmacies, mail-order houses and wholesalers. They offer their services throughout the whole supply chain: importing the goods to distribution services up to sales management. In Artis website is also mentioned that they support their international trading partners with developing and realisation of marketing concepts taking concern for local markets. (Artis 2024.)



Figure 4, Artis's beauty brands (<http://www.artis-beauty.de/en/beauty-brands/>)

Their website isn't giving a much of information and there isn't anything more about where these products could be bought. It is not said that which kind of supply chain they are having or who are the companies they are working with. As an example, online store called Douglas (<https://www.douglas.de/de>) are selling one of Artis brands (Maui Moisture). They are operating with DHL and Hermes transportation companies. Because there isn't a lot of information about which kind of partners they are looking for and their "contact us" page doesn't have any form, it might be possible that they are looking for medium-sized companies like they are.

As a conclusion, there are cosmetic distributors operating in Germany, but the information they provide for outsiders is lacking information. However, all these businesses have said that they are distributors, or they can help with distribution.

For a business X, out of these options the best partner could be Beauty Sales Expert, because they work with small businesses, they know language and they have the knowledge of the market area. Potentially, business X could make also their own contract with some other transportation company e.g., DHL.

## 10 CONCLUSION

Despite all the bad luck that was followed while working on this thesis, I'm pleased and grateful about this journey. I was aware of that the thesis process could change during the time, but I wasn't expecting this big change. I had to change the aspect during the process, and I can tell it wasn't as simple as I thought or hoped it would have been. Although, it was necessary since the lack of information and interviews.

Major problem with the information was also that I didn't realise that many of the statistics cost something and I didn't have access to them. Before I started working on this, I was happy that there were a lot of statistics about everything needed to this thesis. Because I couldn't get access to all the information I hoped for, there was some information about statistics and especially about the men's cosmetic market in Germany.

One of the problems were that I didn't get interviews as many as I hoped for. In total from all the 19 companies I contacted with, three of them answered and rest of them didn't reply anything. Therefore, if I would start this process again, I would make sure that I have some guaranteed interviews or have more time to find some companies that could help with the information. Timing was problematic kind for two reasons. First, this time of the year is difficult for interviews since many companies have a lot going on before holidays and it usually is the busiest time of the year. Second thing was that there was a tight schedule and for sure with more time this could have been upgraded. Also, how to phrase the questions is important. There were some problems with the only interview I had, and I didn't realise some professional terms don't mean the same thing to everyone as they do to me.

After all, expanding business to abroad isn't that hard on European Union since the same legislation we have here. There are similarities but there are differences as well. This was also hard tried to find about the cosmetic legislation in Germany because all the information was only in German. Although, if you produce the products in EU, it must fulfil the rules and regulations which means that it can be

sold in any EU country. This helps a lot since business X don't have to think about the product itself, except the language labels. EU makes it easier to expand abroad because of the free movement, mainly same rules and regulations and taxation is easier.

One of the major things when thinking about expanding a business is the market knowledge. It could save money, time and nerves to have some local business helping with entering to the market. Many of the information can be found online, but language barrier could be a problem and with some help there is less chance for misunderstanding for example with taxation and legislation. When working with language that isn't one's mother tongue, it is good to have help with contracts to make sure that it pleases all the parties. Also, all the contracts should be read carefully and make sure that all important things are covered such as insurance(s).

The most important part was that this was helpful to business X and this thesis was helping their company. They got many great ideas while developing their products and what things to take concern when expanding business to abroad. First, the business should have solid foundation and strong brand before even thinking about expanding abroad. The next step to business X what they could think about is that could it be easier first to expand to Nordic countries since our legislation is more like each other. Other thing to think about is the retail places and distribution: where the customers can be found, and which channel is the best for business X to work with.

Because the men's cosmetic market and natural cosmetic is expected to grow in Germany, this is good news for the business X. Especially the environment aspect should be considered and think about the package, supply chain and so on, because customers are more aware about the environmental aspect. Also, because social media, business X could have celebrity or a band who they could co-operated with.

Overall, I learned a lot, and this was helpful for me and for my future. I'm pleased how the whole thesis turned out. I can proudly stand behind this and say, that this was helpful for me, my professional growth and to business X.

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## APPENDICES

### Appendix 1. Interview questions for companies

- What kind of process it is to start selling products abroad?
- What kind of distribution system you have in Europe? Who are your main partners?
- Do you sell your products in physical stores, online stores or both?
- Where do you find the needed information about legislation, rules and regulations when distributing abroad the products?
- What kind of advice could you give to a business that wants to expand the business outside their own country?
- Free word (especially about distribution) or any advice you could give to a start-up business.

## Appendix 2. Interview questions for distributors

- What does it require to accept new brands in your distribution channels and what kind of process it is?
- Do you distribute to physical stores or online stores or both?
- What kind of business partners you have? Can you name a few? (E.g., stores, transportation companies, etc.)
- Where do you find the needed information about legislation, rules and regulations when distributing abroad the products?
- What kind of advice could you give to a business that wants to expand the business outside their own country (within EU, especially Germany if possible)?