

A Market Entry Strategy for Korean Company NBBIO in France



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EXECUTIVE SUMMARY

This report aims to define an entry strategy for NBBIO, a South Korean cosmetics company, to expand into the French market, particularly in Aix-en-Provence. The objective is to capitalise on France's robust cosmetics industry and the growing demand for natural products.

We conducted a market analysis using PEST and Porter's Five Forces frameworks to understand the macro and micro environmental factors. Our analysis revealed that France's strict cosmetic regulations and high standards present both challenges and opportunities. Favourable trade policies between France (EU) and South Korea and governmental support for innovation create a conducive environment for NBBIO. The increasing demand for natural and ethical cosmetics in France aligns well with NBBIO's offerings.

Our key recommendation is for NBBIO to enter the French market through a joint venture with a local partner. This strategy accentuates NBBIO's innovative strengths and the partner's market knowledge, ensuring compliance with local regulations and consumer preferences. The joint venture will focus on both standardised and locally customised products.

In conclusion, while the French market offers significant growth opportunities for NBBIO, navigating the competitive landscape and regulatory environment will require strategic local partnerships and careful planning. By leveraging its strengths and aligning with market demands, NBBIO can achieve successful market entry and growth in France.

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PART 1 - INTRODUCTION

1.1 Background and Context

The worldwide revenue for the cosmetic industry is growing at an important rate and is estimated to reach an all time high of over 128B USD by 2028, a 19% increase from 2024 (Statista, 2024). A rising-star, unexpected actor of the cosmetic market, is South Korea, fourth biggest global exporter in this industry in 2022 (Gouv.fr, 2024). However, the first exporter of cosmetic products remains France (OEC World, 2024), with a strong history linked to luxury goods and beauty products (Briot, 2011).

The purpose of this report is to define an entry strategy for a South Korean company in the cosmetic sector in an expansion scenario in France, offering them a growth opportunity. Personally, I hope to learn more about applying international business theories onto real world organisations, and to share this report with the South Korean company to potentially bring them insights. The reason I chose to analyse this business is because I had the opportunity to tour its facilities during my visit in South Korea.

1.2 Introduction of the Chosen Business

The company that will be discussed is called NBBIO and was established in 2017 with the creation of its own laboratory for raw material research for cosmetics. In the following years, they expanded their research department, and currently offer their contract manufacturing services of customised cosmetics products (NBBIO, 2024). Find more information on the story of NBBIO and contract manufacturing in appendices A and B.

1.3 Introduction of the Chosen Market

The international market we will look into expanding to is the city of Aix-en-Provence, France. It is a hub for cosmetics, with renowned expertise in the industry and high-quality ingredients (InvestInProvence, 2024). The region is centred toward innovation and quality, aligning well with NBBIO's goals in cosmetic manufacturing (PAAP, 2024 ; NBBIO, 2024).

NBBIO might want to expand to France to capitalise on the growth of the European cosmetic market, and France's dominating presence in the industry (Data Bridge, 2024 ; OEC World, 2024), while leveraging the popularity of K-Beauty in France (Gouv.fr, 2024).

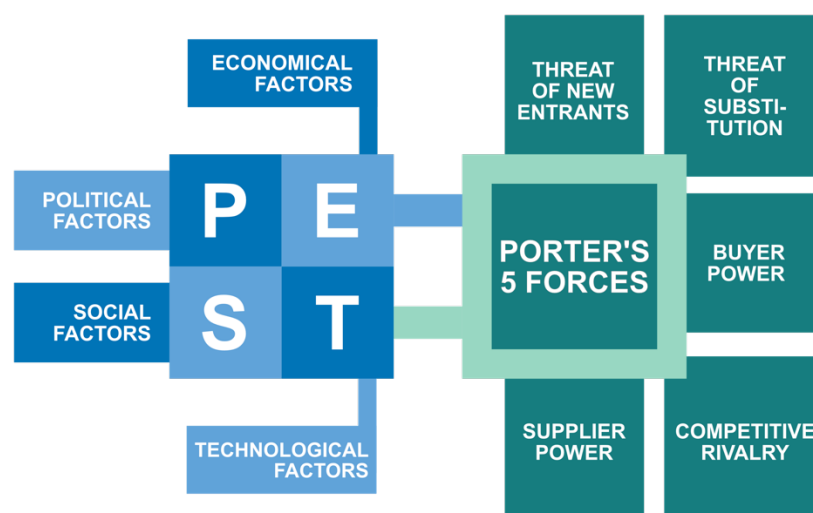
1.4 Following Sections

In this report, we will cover a market analysis of France, as well as the local environment of Aix-en-Provence and the cosmetic personal care contract manufacturing industry. We will define an entry strategy for the South Korean company, covering Marketing, Operations, and Human Relations (HR) strategies. Finally, a section will be dedicated to personal reflections on my learning throughout this research.

PART 2 – BUSINESS STRATEGY DEVELOPMENT

2.1 Market Analysis

In a dynamic cosmetic industry, understanding the market forces at play is crucial for any organization looking to expand. As part of this assessment, we conducted a PEST analysis of France's macroenvironment and a Porter's Five Forces analysis of the microenvironment of the contract manufacturing and cosmetic industry of Aix-en-Provence area, France. home to renowned expertise in cosmetics. The analyses (Appendices C & D) provided insights into the opportunities and challenges that exist in this new market. This section summarizes the mixed key findings from these two analyses.



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France's strict cosmetic regulations, including the EVE-VEGAN certification for cruelty-free products, present both a challenge and an opportunity for NBBIO to align its offerings with these high standards, enhancing market appeal (Eission, 2009 ; EVE-VEGAN, 2024). The favourable trade policies between the EU and South Korea, including the free trade agreement that reduces tariffs and simplifies market entry, provide NBBIO with easier access to the extensive European market (European Commission, 2024). Additionally, the French government's support for innovation through grants and up to 50% tax exemption on R&D investments is particularly advantageous for NBBIO, enabling them to enhance their innovative capabilities (InvestInFrance, 2024).

Economically, France's position as the largest global cosmetics exporter and its stable economy provides a promising environment for NBBIO. The personal care industry in France is expected to grow by over 2% annually until 2028, offering significant market potential (Statista, 2024 ; OEC World, 2024). The stable economic conditions within the Eurozone ensure predictability in financial planning and transactions, providing a secure business landscape for NBBIO (European Central Bank, 2024).

Socially, the increasing demand for natural, organic, and ethically produced cosmetics aligns well with NBBIO's product offerings. French consumers are increasingly aware of the adverse effects of synthetic chemicals, which drives their preference for innovative natural compounds (MordorIntelligence, 2024). The global clean beauty trend, which originated strongly in South Korea, also impacts French consumer preferences, further enhancing the market potential for NBBIO. More generally, the K-Beauty trend in France also presents a significant opportunity for NBBIO (Gouv.fr, 2024).

Technologically, France's strong R&D infrastructure and innovation clusters present collaboration opportunities for NBBIO. The country's strong focus on research and development, supported by government incentives, fosters a conducive environment for cosmetic innovation (CNRS, 2018; InvestInFrance, 2024).

Despite the opportunities, NBBIO faces several challenges in entering the French market. The high level of competitive rivalry in Aix-en-Provence, driven by established local and international brands known for innovation and high-quality natural products, requires NBBIO to leverage its innovative strengths to differentiate and compete effectively (NAOS, 2024; Cosmetic Provence Industry, 2024). Additionally, this sets the tone for the importance of a potential joint-venture for NBBIO with a local partnership. Compliance with France's strict cosmetic regulations, including significant investment in safety, labelling, and marketing claims, could pose a potential barrier (Coslaw, 2024). However, NBBIO website mentions allowing indirect exporting of most of their products in Europe (NBBIO, 2024), indicating that they already have the capacity of producing to European standards.

Establishing manufacturing facilities and conducting necessary R&D demands significant capital investment. The presence of strong local players with economies of scale and customer loyalty further heightens these barriers (Cosmetic Provence, 2024; Cosmétique en Provence, 2024). Additionally, the strong loyalty of French consumers towards local, sustainable, and ethical brands may challenge NBBIO's market entry, emphasising the importance of local partnerships (Emarsys, 2022).

The high bargaining power of buyers in the Aix-en-Provence region is another significant challenge. The availability of numerous alternatives in the cosmetic contract manufacturing sector and the high demand for premium quality, natural, and organic cosmetics give consumers leverage to negotiate better terms and demand higher standards (InvestInVaucluse, 2024). Large retail chains purchasing in bulk further amplify this bargaining power, creating a competitive environment for NBBIO (L'Oréal Group, 2024).

However, the low threat of substitutes for contract manufacturers like NBBIO in Aix-en-Provence is an advantage. The specialized services offered, including custom formulation, regulatory compliance, and scalable production, are not easily replicated

by generic or alternative solutions (Cosmetic Provence, 2024). The presence of established and reputable manufacturers ensures high service standards and quality, which substitutes struggle to match, providing a stable market environment for NBBIO's innovative solutions (Pole Cosmetique, 2024; Cosmetic Provence Industry, 2024).

In conclusion, this analysis shows that NBBIO's entry into the French cosmetics market presents a significant opportunity to leverage its innovative strengths and align with the growing demand for natural products. However, the company must navigate the competitive landscape and stringent regulatory environment, emphasizing the importance of strategic local partnerships to ensure successful market entry.

2.2 Entry Strategy

Now, based on the market analysis, we can identify and describe an entry strategy. The reason NBBIO might want to develop this expansion plan is to follow a growth opportunity, as there is a strategic advantage to enter in one of Europe's leading cosmetic hubs (InvestInProvence, 2024). The choice of entry strategy for NBBIO would be a strategic alliance, specifically a joint venture (JV), leveraging the strength of both the South Korean and a local French partner, to facilitate smooth market entry (Glaister & Buckley, 1996).

The reason of this entry strategy choice is to ease the market entry, with the local partner providing essential market knowledge, local networks, and regulatory insights (Hennart, 2007). NBBIO offers its research capabilities, experience, innovative product lines, and expertise in working with K-Beauty companies. Combining those technologies and product development with the local partner's market ability to make good decision locally, and the strength of network and distribution, this creates synergy and competitive advantage (Grant & Baden-Fuller, 2003). Additionally, the rationale for JV is for both companies to share risk, and therefore mitigating financial and operational individual risks associated with international entry (Griffin and Pustay, 2020).

In finding the local partner, NBBIO should undertake a comprehensive search on cosmetic manufacturing companies in the Aix-en-Provence city area (Rose, 2023). Potential partners have a strong market presence and align with the goals and values of NBBIO. Ethical products, based on nature and research. A people-centred management, transparent information, an emphasis on customer satisfaction, and innovation being at the heart of product development (NBBIO, 2024). Practical steps to find a partner can be to attend local industry events, visit local business chambers, and finding professional consulting services. Once the partner has been identified, an agreement should clearly outline ownership, contributions, responsibilities, profit sharing, and roles for both parties.

The joint venture will be located in Aix-en-Provence city, France, it can leverage the region's expertise in cosmetics and high-quality ingredients. Additionally, the region facilitates talent acquisition due to the proximity to top universities and research centres (InvestInProvence, 2024).

In terms of responsibilities, the JV's role is for both parties to be complementary to each other. Therefore, the responsibilities of the local partner would be to provide local market knowledge, help network expansion by establishing relationships with local key stakeholders, ensuring smooth supply chain management locally, making sure of the joint venture's general regulatory compliance with French laws, to find buyers and taking care of sales and distribution in the country, and finally to supervise local operations management (Trade Council, 2023). On the other hand, NNBBIO responsibilities would be to provide technological and financial investments, R&D and product innovation, to

ensure quality control on products for EU standards, to provide training and development to local teams, as well as adjusting marketing and branding to the local's team needs.

Finally, we have to be critical and recognise that there is a risk involved in NBBIO entry in France, due to potential cultural and operational differences between the partners, which may cause misunderstandings and misalignments. Additionally, there is always a risk of market entry failure if consumer preferences and competitive dynamics are not accurately anticipated and addressed. However, with diligent planning, clear communication, and a shared vision, NBBIO can navigate these challenges and capitalise on the growth opportunities in the French cosmetic market.

2.3 Marketing Strategy

An International Marketing Strategy is the process of successfully identifying, anticipating and supplying customer requirements (CIM UK, 2015). It is important in order to identify the client's needs abroad.

The approach that is suggested for NBBIO to use is the geocentric marketing strategy. aligning with the joint-venture strategic alliance, the geocentric approach is characterised as having some elements of the marketing mix being standardised, such as product design, brand name and product positioning, while other elements such as local marketing programme review, customisation implementation, promotion and distribution would be taken care of by local managers (Smithson, 2017).

To comprehensively describe the marketing strategy, we will follow the 4P model (Borden, 1984).



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Starting with Products, we suggest following the geocentric approach by offering a mix of standardised and locally customised products. Utilising existing standardised product lines from NBBIO's offering, South Korean formulas already adjusted to European standards (NBBIO, 2024) would allow NBBIO to play on their strength and create a unique selling point (USP). The USP would aim to leverage the K-beauty trend in France as well as the country of South Korea's reputation as a cosmetic hub (Gouv.fr, 2024). Additionally, it is suggested that NBBIO's introduce adapted products with local ingredients from Provence to appeal to the French market's preferences (Emarsys, 2022). Those new products could be developed in collaboration with the local partner to leverage their regional expertise and get help in identifying consumer preferences. On the branding aspect, we suggest implementing a dual branding strategy, emphasising on the label both the local production and the innovative roots of the products, for example: 'Crafted in France with Korean Innovation'.

On an additional note for products, it is suggested that NBBIO could also take advantage of exporting those potential newly developed products and formulas from Provence back to South Korea to also try them on NBBIO's initial market. This is because trend-analysis shows that French healthcare and cosmetics products are projected to gain in popularity in South Korea (Chosun, 2024).

In terms of Price, the suggested pricing strategy would be to match local competitors to ensure market penetration. This would be considered as the penetration pricing, and as NBBIO establishes a brand and reputation in the sector, increasing demand and sales volume, this pricing strategy can be reviewed to widen the profit margin (Deland, 2022). Market price analysis will be necessary to determine the optimal price points to balance NBBIO's competitive penetration pricing with a high-quality offering. Taxes will also have to be taken in consideration for pricing, as they will be different from NBBIO's usual market. This is another point on which NBBIO will be able to rely on the local partnership.

Considering Promotion, the targeted audience would be focused on local cosmetic companies looking for contract manufacturing services in Aix-en-Provence. To reach this audience, NBBIO would have to use promotional channels. Applying its current promotional strategy, NBBIO usually participates in local and national cosmetic industry related events, as they did in Korea and Thailand with the INCOSMETICS fair (NBBIO, 2024). For instance, the event Cosmetic 360 is planned to happen in Paris in October 2024, and is an global event of showcase of innovation for cosmetics (Cosmetic 360, 2024). Attending such events are a particularly relevant way for NBBIO to showcase innovation, products, research and to build a network of potential clients in France, and more locally in the Aix-en-Provence area. This is also a way to engage in public relations and to build brand reputation and trust, while promoting NBBIO's values. Another method that NBBIO could exploit is the commercial outreach, reaching out directly to Aix-en-Provence potential clients.

On the Place of distribution, as NBBIO's contract manufacturing sector is focused on Business to Business (B2B) sales, there is no need for a physical shop. However, on a focus on public relation and brand image, it would be interesting to create the possibility for potential clients to visit the French laboratories, factories and other infrastructures, as well as an office to formally welcome clients. Distribution-wise, NBBIO could rely on the local partner for logistics, taking advantage of their established networks. In terms of sales-channel, focus on direct sales to contracted French cosmetic companies, and maintain an online presence for visibility and to showcase their offering in Aix-en-Provence.

2.4 Operations Strategy

This section details the operation strategy for NBBIO's entry into the French cosmetics market. Given the entry strategy of forming a joint venture with a local French partner, the operation strategy will focus in on integrating NBBIO's innovative capabilities with the local partner's market knowledge strengths.

Operations management transforms inputs like materials and labour into final goods (Griffin and Pustay, 2020). For NBBIO, providing that the company offer a line of products standardised, as well as customised local ones, the standards will have to be imported from South Korea, which involves managing these activities across borders, adding complexity.

The core functions and performance objectives on NBBIO, using the five-goal model (Slack and Brandon-Jones, 2019), aligning with their current goals and brand image would be: focused on quality, dependability and flexibility. Quality is ensuring products conform or exceed customer expectation requires employee involvement, the use of high-quality materials and quality controls, up-to-date technologies, and efficient processes (Barone, 2023). Dependability would be NBBIO's ability to set up reliable operations to delivery products as promised and when promised, maintaining customer trust and satisfaction. Finally, flexibility would be a crucial element for NBBIO, which is the capability to adapt operations to meet changing demands, particularly relevant for customised products. Focusing on those performance objectives necessitates trade-offs, due to organisations limited resources. Prioritising quality and dependability over speed might mean longer production times to ensure product excellence, and might lead to high costs due to premium materials and rigorous quality control.

NBBIO's French operations will focus on production management. Although contract manufacturing involves a mix of products and services (see Appendix B), the current report highlights the tangible outputs (cosmetic products) of NBBIO's operations, which is one of the characteristics of production management.

Looking at designing an operation management process has to be strategic and methodical. The first step is the acquisition of resources, an upstream process (University of Tennessee, 2018). On supply chain (SC) management, establishing a reliable SC is a critical point. NBBIO will have to collaborate with both several local and several international suppliers to ensure the consistent quality and dependability of raw materials. This dual approach will help mitigate risks associated with SC disruptions (McKinsey, 2019). On make-or-buy decisions, the choice of producing in-house or outsourcing certain productions will be based on cost-efficiency and on-site availability of technologies. Instances of products that would be outsourced at first, then made in-house could be: if a client request cannot be produced locally on time, if a new product is introduced and NBBIO's factory still requires development to produce it, or if it more

cost-efficient to outsource a specific material. Those decisions will also have to be aligning with NBBIO's branding goals (example: products which are made in France with Korean innovation).

In terms of location decisions, Aix-en-Provence in France has been chosen due to its renowned cosmetics industry and innovation (InvestInProvence, 2024). On product R&D, NBBIO can leverage the strong research capabilities of the region and collaborate with local institutions. Navigating through French regulations and taking advantage of government incentives are strategic and NBBIO should benefit from the local partner knowledge on that regard.

Logistically, using reliable transportation with proven track record options, such as GEODIS, to ensure timely and safe delivery of raw materials from suppliers to the factory unit, and ensuring deliverability to clients (Mordor Intelligence, 2024). Other logistic management involves flow of material, inventory level management and packaging (ensuring that packages comply with French and EU regulations and labelling). Optimal downstream processes can be reached through a strong customer relationship management.

2.5 Human Resources Strategy

Considering the Human Resources (HR) strategy for NBBIO's expansion to France, it is suggested that they opt for a mix of polycentric and geocentric principles. NBBIO primarily adoption for a polycentric approach with a local management is to leverage local expertise, cultural sensitivity, reduced language barriers, and cost-efficiency as it is less expensive than relocating expatriates (Perlmutter, 1969). However, for key positions, a geocentric approach is recommended, to ensure hiring the best talent regardless of nationality (Powoh Techo, 2016). That might mean for example to expatriate a South Korean manager to Aix-en-Provence, or to hire a local French manager, depending on the position. Decentralised operations will be operated by local managers, while strategic decisions still have to remain centralised to ensure harmonisation and alignments with NBBIO's global objectives.

For job roles and recruitment strategy, key roles will include the local country manager, the sales and marketing team, the production and quality control staff, the research and development team, and the human resources & administration staff. Recruitment will focus on local French job portals, industry events, universities, as well as professional networks (InvestInProvence, 2024). Leveraging the local partner's network will also be key. To ensure market integration, local talents should be hired for roles with regard to local operations or supervision. Strategic positions such as international imports and R&D team may include if necessary international hires or Korean expatriates to maintain high standards and innovation.

In terms of training and development, implementing cross-cultural training programs for both local hires and expatriates employees are to ensure the alignment of NBBIO's values and standards and ease knowledge transfer. In any case, NBBIO will have to ensure to comply with French labour laws through monitoring and relationships with local labour unions, which can be helped by their local partner through the JV. For expatriates, support and integration programs targeted at preventing expatriate failures are to be considered (Griffin and Pustay, 2020). They will have to be carefully selected to ensure they have the necessary motivation and skills, including adaptability. For their compensation, and performance appraisal, NBBIO's JV can implement systems to cultural norms while aligning on global standards: for instance, competitive compensation packages for expatriates can reflect local market conditions, which include cost-of-living adjustments and benefits like hardship premiums and tax equalizations (Griffin and Pustay, 2020).

Another important point is the social responsibility of NBBIO, to engage with key stakeholders of the business, including suppliers, employees, customers, local communities, government bodies, and the local business partner (Freeman, 1984). This involves keeping transparent communications, understanding and aligning with stakeholders' interests, and ensure Corporate Social Responsibility (CSR).

Human Resources Management in an international venture does not come without challenges, and NBBIO will have to address cultural differences. Giving one example, using Hofstede cultural dimensions (The Culture Factor, 2023), France has higher individualism than South Korea, meaning that the JV should focus on promoting personal career development opportunities in France, while the strategy might differ in the Asian country. Continuous training and HR practices will be needed to adapt to local economic levels and legal systems to blend the local market and global expertise. Potential risks include cultural misunderstanding between local and home-country managers, which can be mitigated through cross-cultural training. Expatriate failure is also a risk to be mitigated, as mentioned.

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APPENDICES

Appendix A: Story of NBBIO

The founder was working in the cosmetic industry for over 10 years. He wanted to do better than current actors in the industry and to be independent. He first founded ISTY ON NATURE in 2012 to be a raw material wholesale reseller for cosmetics. Five years later in 2017, ISTY ON NATURE expanded into NBBIO with the establishment of a laboratory and a factory for research on cosmetic products and transformation of raw materials. In 2018 and 2019, the company was recognised as a research institute, and created its R&D marketing department (NBBIO, 2024). From 2019 to 2022, NBBIO received several certifications, including the EVE-VEGAN, a label founded in France to recognise animal-free products (EVE-VEGAN, 2024).

Today, NBBIO works as a consultant, researcher, and contract-manufacturer, developing and selling customised formulation for cosmetic companies and factories (NBBIO, 2024).

Their business model offers a mix of products and services (see Appendix B).

Appendix B: Definition of Contract Manufacturing Cosmetics

‘Contract manufacturing cosmetics is a business model in which a cosmetics company, known as a brand owner or client, hires a third-party manufacturer, also known as a contract manufacturer, to produce cosmetic products on its behalf. The cosmetics manufacturing process allows the brand owner to outsource the production of their cosmetics to a contract manufacturer and leverage their resources and expertise without needing to set up their own manufacturing facilities.’

~ Excerpt from Audrey Morris Cosmetics, 2024.

Contract manufacturing is a process that involves hiring a manufacturer to handle the full production operations for a company. Hiring contract manufacturers can help businesses save money, produce larger amounts of goods and have access to more production resources. Learning about what contract manufacturing is and how to conduct business with them may help you decide if outsourcing production is a good choice for you.

~ Excerpt from Indeed, 2023.

Appendix C: Detailed PEST Analysis of France macro-environment relative to cosmetics.

To conduct a comprehensive macro-environmental market analysis of France in regards to NBBIO's entry strategy, we need to examine the relevant Political, Economic, Social, and Technological factors (PEST analysis).

1) Political Factors

a. Regulations and Standards:

Firstly, France has strict regulations regarding cosmetics, with a focus on safety, labels, and marketing claims, as mentioned by the European Union's Cosmetics Regulation (Eission, 2009). The country also has rigorous standards on animal testing, product safety. The EVE-VEGAN certification is significant as it aligns with France's strong stance on ethical and cruelty-free products (EVE-VEGAN, 2024).

b. Trade Policies and Relations:

France is part of the European Union, which means that belonging to the French market also provide access to a single larger market with harmonised standards across the member countries of the European Union (Europa, 2024).

Now, the relationship between South Korea and the EU is already favourable, facilitated by trade agreements that reduce tariffs and simplify market entry (European Commission, 2024). There is a free trade agreement (FTA) between the EU and South Korea, officialised in 2015. It was the first FTA between EU and an Asian country. A chapter of this FTA is dedicated to sustainable development.

c. Government Support and Initiatives:

A positive aspect of France macro-environment for innovation in the sector of cosmetics is that the French government supports innovation through grants and incentives for research and development. France also offers up to 50% tax exemption on newly implanted companies investing in R&D (InvestInFrance, 2024).

2) Economic Factors

a. Market Size and Growth:

France is one of the largest cosmetics markets globally, being the first worldwide exporter of cosmetics (OEC World, 2024). The personal care industry in France is predicted to grow by an annual compound rate of over 2% per year until 2028 (Statista, 2024).

It is also important to mention that the personal care contract manufacturing market is growing in Europe, opportunity which NBBIO can take advantage of, as an actor of this market (Data Bridge, 2024).

b. Economic Stability:

France has a stable economy, being one of the largest in Europe. It has developed economic resilience through fiscal policies and reforms. This stability provides a secure environment for business operations relative to other EU nations (Europa, 2023).

Currency stability within the Eurozone ensures predictability in financial planning and transactions (European Central Bank, 2024). The most recent European Central Bank (ECB) financial stability review of May 2024 indicates that financial stability conditions have improved, although the outlook remains fragile due to the context of geopolitical conflicts.

3) Social Factors

a. Consumer Trends and Preferences:

We mentioned that the personal care industry in France is predicted to grow in the following years (Statista, 2024). One of the drivers is an increasing demand for natural products by French consumer, shown in a 2016 survey where personal care (hygiene) products were the most likely to be chosen due to their natural ingredients or label (Gouv.fr, 2017). Research data shows that there is a strong and rising trend in consumer preference for natural, organic, and ethically produced cosmetics in France (MordorIntelligence, 2024). It also shows in France the increasing public awareness concerning the adverse effects of synthetic chemicals, thus pushing french consumers to prefer innovative natural compounds.

b. Cultural Factors:

Culturally, studies describe an unprecedented phenomenon which appeared with globalisation, social media and hyper-connectivity of people around the world: the creation of a global culture, with increased cross-cultural references and overall, less strong local identities (Tang and Chan, 2020).

In terms of cosmetics, a growing inter-generational and cross-cultural trend was the clean beauty, which emerged strongly in South Korea and is described as the desire for sustainable, ethical and healthy personal care products (Shim *et al.*, 2024). This trend has also impacted France, as shown indirectly by the shifting of consumer preferences towards clean alternatives (MordorIntelligence, 2024), and directly, due to the K-Beauty influence on France (Gouv.fr, 2024).

4) Technological Factors

a. Research and Development:

France is a hub for cosmetic innovation, with numerous research institutions and a strong focus on R&D (CNRS, 2018). The country promotes R&D via incentives for businesses and has a system of innovation cluster to bring together key players of the same region and industry (InvestInFrance, 2024). Collaboration with French Institutes via innovation clusters or other actors like the CNRS can benefit companies looking to innovate and enhance their product development in France.

b. Technological advancements:

They play a crucial role in the French cosmetics industry, fostering innovation and competitiveness. France's position as a global leader in cosmetics is bolstered by significant investments in research and development, supported by government incentives for companies investing in R&D (InvestInFrance, 2024). The industry benefits from cutting-edge technologies in product formulation and manufacturing processes, ensuring high standards of quality and safety. Additionally, advancements in digital marketing and e-commerce platforms have revolutionized consumer access and engagement, facilitating the promotion of natural and ethically produced cosmetics to meet the rising demand for sustainable beauty products (MordorIntelligence, 2024).

5) Conclusion

In conclusion, France's stringent regulations, favourable trade policies, and government support create a conducive political environment for NBBIO. Economically, the stable and growing cosmetics market offers significant opportunities. Social trends favouring natural and ethical products align well with NBBIO's offerings, bolstered by the cultural influence of clean beauty. Technologically, France's robust R&D infrastructure and advanced digital platforms support innovation and market engagement. Overall, France presents a strategic and supportive environment for NBBIO's entry and growth in the cosmetics sector.

Appendix D: Detailed Porter's Five Forces Microenvironment Analysis

Detailed Porter's Five Forces Microenvironment Analysis of the Cosmetic Research & Manufacturing Industry and Aix-en-Provence Local Environment

To make a complete market analysis for NBBIO entry strategy in France, it is important to regard the microenvironment: the local environment and the cosmetic industry. To proceed, we will use Porter's Five Forces (Porter, 1980).

1) Competitive Rivalry (High)

Aix-en-Provence's cosmetic industry is highly competitive, driven by established local and international brands like NAOS and Cosmétique Provence Industry, known for innovation and high-quality natural products (NAOS, 2024 ; Cosmetic Provence Industry, 2024). The presence of supportive industry networks such as COSMED enhances competitiveness by fostering connections and staying updated with trends (COSMED, 2024). Additionally, strict consumer preferences for natural and ethical cosmetics compel continuous innovation, intensifying market rivalry (NAOS, 2024). NBBIO must leverage its innovative strengths to differentiate and compete effectively in this dynamic environment.

2) Threat of New Entrants (Low)

Regulatory Barriers: France's strict cosmetic regulations require significant investment in compliance with the French national health agency (ANSM), posing a substantial barrier to new entrants (Coslaw, 2024).

High Capital Requirements: Establishing manufacturing facilities and conducting necessary R&D demands significant capital. For example, the EU regulations require every batch to go through several stages of safety testing, including microbiological testings (Cosmetics Business, 2019). Those testings can represent a significant cost for a company, as they are usually done by outsourcing to specialised laboratories (Interfek, 2021). NBBIO would already benefit from their ability to offer quality control, and more generally to already have hands on several aspects of the cosmetics business such as development, efficacy evaluation (NBBIO, 2024).

Established Players and Networks: The region of Aix-en-Provence features several strong local players in the cosmetics industry. The cosmetic contract manufacturer Cosmetic Provence Industry is an example, with 40 years of experience in the market, taking care of R&D and production (Cosmetic Provence, 2024). Another actor is Cosmétique en Provence Laboratories (a different company despite a similar name) which conceive, develop and produce cosmetic products for professionals (Cosmétique en Provence,

2024). Those instances of long-term actors benefit from economies of scale and already acquired customer base, which contributes to make the barrier to entry higher to unexperienced businesses. Those established companies also benefit from local supportive ecosystems and innovation clusters like Eurobiomed, a group of actors of the health-tech sector. Those networks could be seen as either an opportunity or a threat for new entrants, depending on their resources (AmpMetropole, 2024).

Local loyalty: French customers have a stronger consumer loyalty towards sustainable, ethical, and local brands (Emarsys, 2022). This might create a conservative environment on product sourcing, highlighting the importance of local partnerships to benefit from locally sources products.

While opportunities exist, these factors collectively increase the barriers to entry in Aix-en-Provence's cosmetic industry, making the threat of new entrants relatively low.

3) Bargaining Power of Suppliers (Low to Moderate)

The bargaining power of suppliers in Aix-en-Provence is low to moderate due to several factors:

Abundant Local Resources: The Provence region offers an abundance of high-quality natural ingredients like lavender and sage, providing multiple sourcing options and reducing individual supplier power (InvestInVaucluseProvence, 2024). Presence of supplier networks such as the 'Sustainable Communities', helping to source from ethical suppliers (L'occitane Group, 2024). Annual events such as the 'Salon des agriculteurs de Provence' cultivators and suppliers of the Provence area, helping to create networks and source locally (Mercantour Events, 2022).

Competitive Supply Chains: Established local suppliers create a competitive environment that diminishes any single supplier's leverage. Local competitions such as the 'Innovation Awards' help promote innovation in suppliers and drive competitiveness, which is beneficial for the supply chain of NBBIO if they were looking to implement themselves in Provence (Mercantour Events, 2022). Other competitive events such as the 'Agricultural Award of the Provence Product' also contribute in innovation and quality production from Provence suppliers (MadeInMarseilles, 2024).

Supportive Business Environment: Local organizations like CCI Aix-Marseilles-Provence support Provence businesses in developing networking for sourcing and product marketing. (CCI AMP, 2024)

Overall, the rich local resources and competitive supplier network lower the bargaining power of suppliers.

4) Bargaining Power of Buyers (High)

The bargaining power of buyers in the cosmetics industry in Aix-en-Provence region is notably high due to several factors:

Availability of Alternatives: The numerous actors in the cosmetic contract manufacturing sector of Aix-en-provence offer alternative possibilities to buyers, which heighten their bargaining power.

Demand for Quality: There is a high demand for natural, organic, and ethically produced cosmetics. Consumers in this region expect premium quality, giving them leverage to negotiate better terms and demand high standards (InvestInVaucluse). The high level of competition among cosmetics companies empowers consumers to demand higher quality products at lower prices.

Retailer Influence: Large retail chains that purchase in bulk exert pressure on manufacturers, amplifying the bargaining power of buyers. Similarly, big chains like l'Occitane already have their supply chain and networks in place (L'Occitane Group, 2024). This might create disadvantageous situations for the contract manufacturer due to strong actors concurrence.

These factors collectively enhance the bargaining power of buyers, compelling manufacturers to continuously innovate and meet high consumer standards.

5) Threat of Substitutes (Low)

The threat of substitutes for contract manufacturers like NBBIO in Aix-en-Provence is low due to several reasons:

Specialized Services: Contract manufacturers offer highly specialized services, including custom formulation, regulatory compliance, and scalable production, which are not easily replicated by generic or alternative solutions (Cosmetic Provence, 2024).

Established Industry: The presence of established and reputable manufacturers like Pole Cosmetique (2024) and Cosmetic Provence Industry (2024) ensures a high standard of service and quality that substitutes struggle to match.

Innovation and Customization: Companies in this region excel in innovative solutions and customization, providing unique value that cannot be easily substituted by off-the-shelf products or alternative manufacturing methods. This is an advantage for NBBIO which can bring innovation to the sector due to its experience.

These factors ensure that the threat of substitutes remains low for contract manufacturers in this specialized and high-demand market.