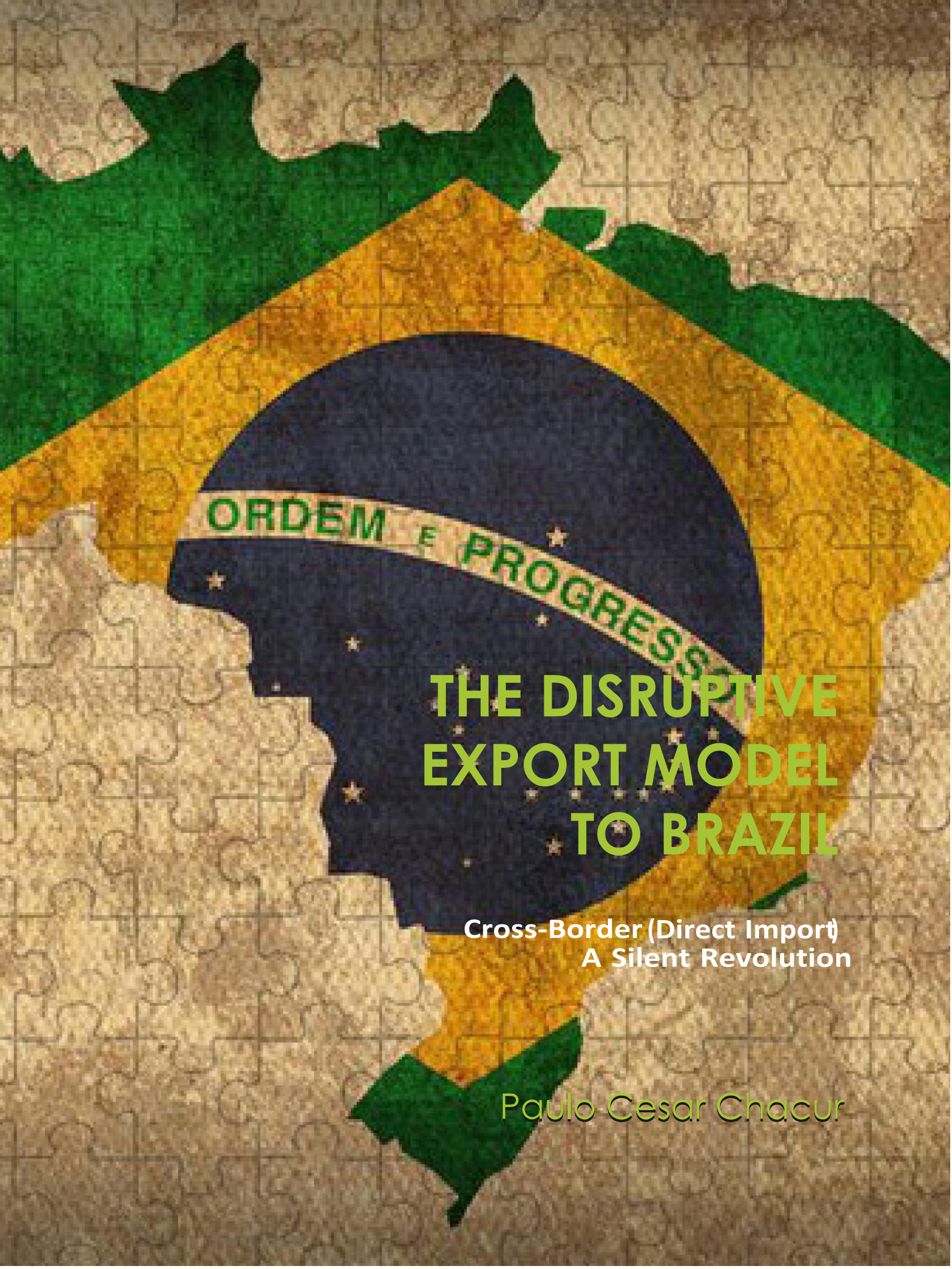

THE DISRUPTIVE EXPORT MODEL TO BRAZIL

Cross-Border (Direct Import)
A Silent Revolution

Paulo Cesar Chacur

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Sao Paulo SP


Sao Paulo - SP

Introduction

It would have been difficult to imagine, fifteen years ago, how disruptive the Marketplace model would be.

The big retailers, with enormous force, were the destiny of every manufacturer and importer, acquiring goods and reselling them to final consumers. They were responsible for the purchase, stock, sale and delivery, both in physical and online sales, in their e-commerce.

Manufacturers projected their sales; their salespeople visited these large retailers and brought order schedules.

Besides that, importers filled their containers with imported goods from foreign manufacturers, and in the same way as manufacturers, their salespeople visited the same retailers, also returning orders.

The big retailers worked as an interface; the model seemed to be perfect, but the problem, however, was that the financial burden of the unsold merchandise, that is, the stock, would fall on the shoulders of the retailer.

Experiencing good sales or not, there would always be a day when the invoice due date for suppliers would arrive, and at this point, retailers realized that in this game, they took the highest risk.

Whoever assumes the greatest risk usually dominates the market chain. The pressure on prices over importers and manufacturers was not enough to alleviate the mismatch between invoice due date and the customer's payment, that, once combined with the costs of occupying space, logistics, employees, bank interest, and other costs, retailers started to realize that sales margins began to dwindle no matter what.

The Marketplace model was the key to transferring inventory costs and product responsibility to the seller, either manufacturer or importer, thus taking advantage of traffic audience to offer an almost infinite number of item variants to online visitors. Hence, the retailer is able to eliminate the inventory cost, customer returns, and also take control of all financial transactions, by retaining a percentage of everything that is sold and not taking responsibility of what is neither sold nor returned. Now they are in heaven.

The business is so good, that what once was the problem became the solution. Instead of having millions of items under your cost and supervision, now they are under the seller's responsibility. Good business indeed!

The huge warehouse of purchased products has become a huge warehouse of borrowed products, and what is not physically present becomes an image of a product on a server that is equally sold, but the entire risk process is also run by the seller.

More products and items, more sales, and then it's time for import-
ed products, but in a different way:

Traditional import companies of consumer products were not prepared for a digital sales process with marketplaces. The amount of consumer items available began to grow in geometric progression, increasing the risk of inventory, and the final blow was one-to-one sales of international websites to the end users.

The products imported through maritime containers is increasingly focused on commodities and basic consumer products, whether durable or consumable, and for this reason, a new branch of importation was initiated: the direct import by the consumer, which now arrives by plane here in Brazil between 15 and 60 days, depending on the logistical model.

Therefore, if you are a manufacturer of a niche product, or of high added value, such as a high power blender, or a high quality juice machine; if you manufacture a security camera that has sensors that differ in price and quality from the others, or a brand of high quality appliances destined to the A/B curve of society, and dreams with an importer who fills containers and assumes the risk of selling in Brazil, I am sure that the probability of it materializing in your business is close to zero.

On the other hand, if you accept this new reality of the distribution model and instead of fighting it, try to understand its dynamics, evaluate tools and possibilities, the chance and probability of your conquering a new market is certainly very high. My goal here is to show you how to be highly successful in the largest consumer market in Latin America, with zero risk, little investment but with some paradigms paradigms shift to the new reality of the digital international market.

Rio de Janeiro RJ

1 Whoever pursues only orders, never conquers a market:

Brazil, despite being the largest consumer market in all Latin America, is the most protectionist country (you can perceive it as an achievement), where the most important thing is to understand its distribution structure in the new digital reality. To start with, in Brazil, you have the possibility to sell to each Brazilian citizen or company up to **USD 3,000.00 per Order - person or company,** with a limit of **USD 100,000 per year per person or company!**

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This means that, you can sell USD 3,000.00 33.33 times a year to one company or person, or if your product costs USD 150.00, you can sell it 666.66 times to the same person or company in a year in a potential market of 200 million consumers.

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That means that, you can sell USD 3,000.00 33.33 times a year to one company or person, or if your product costs USD 150.00, you can sell it 666.66 times to the same person or company in a year in a potential market of 150 million consumers.

However, Brazil is the country whose import tax is by far the highest in Latin America, and the one with the highest financial risk for credit, with a gigantic complexity of certificates and regulatory requirements.

Between hell and paradise there is a safe path, about which we will discuss each step to be taken, a gamechanger strategy that takes advantage from both revolutions: marketplaces and cross-border.

2

The Marketplace's Revolution is The Retail's Evolution:

The Mercado Livre Phenomenon:

In 1999, Mercado Livre emerged, in November 2002, Mercado Livre acquired some strategic assets from Lokau.com, a competing Brazilian business platform, incorporating all registered users of this site into its platform.

At the same month, it was time to acquire some operations from a regional competitor, DeRemate.com Inc. (Arremate, in Brazil), including all its operations in Brazil, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. In August 2007, it held its initial public offering of shares on Nasdaq. On February 22, 2008, Mercado Livre acquired 100% of CMG (Classified Media Group, Inc.).

In addition to its subsidiaries, which operated as an online classifieds platform, mainly dedicated to the sale of automobiles through the website www.tucarro.com in Venezuela, Colombia and Puerto Rico; and real estate in Venezuela, Colombia, Panama, the United States, Costa Rica and the Canary Islands.

In 2003, Mercado Livre created Mercado Pago, which is its privet payment solution.

On January 15, 2013, the company announced MercadoLibre Envios — the company's logistics service. In the following years, it focused on buying startups in the logistics sector, such as Axado, in 2016, and Kangu, in 2020Also in 2020, it announced that it would have its own fleet of planes, Meli Air.

In the second quarter of 2021, the company experienced a strong growth. In total, the company highlights, the sales volume on its platform reached US$ 7 billion (an increase of 46% in the annual comparison) – and the net revenue reached US$ 1.7 billion (up 102.6%).

The Renovated B2W:

Despite being one of the largest e-commerce companies in Brazil, B2W is not a well-known name to the general public. This is because the company is actually a holding company that contains other digital retail giants: Lojas Americanas, Submarino and Shoptime. These brands are much better known. Especially Lojas Americanas, the largest company in the merger which took place in 2006.

B2W was one of the first Brazilian e-commerce companies that was born from the merger of other ventures, that were already digital. Although Lojas Americanas were a relevant player in physical retail, Submarino and Shoptime are always native companies of digital commerce.

As mentioned above, B2W was born in 2006. The controlling interest in the company belongs to Lojas Americanas, while 40% of the shares are traded on the Stock Exchange under the ticker BTOW3. It is estimated that the company's market value today has already exceeded BRL 55 billion, considering the assets of its entire portfolio.

The company's total sales (GMV) was R$ 9.18 billion from October to December last year, which represents a growth of 38.2% in the annual comparison. As a result, B2W saw its net revenue rise by 50%, to R$3.33 billion.

Adjusted Ebitda (earnings before interest, taxes, depreciation and amortization) was BRL 385.7 million in the period, up 51.7% from October to December 2019.

Owner of Americanas.com and Submarino websites, B2W reported that it had an active customer base of 21.4 million at the end of December, 5.4 million more than in the previous year. In its balance sheet, the company stressed that it had several initiatives to expand the product portfolio and create more sales recurrence, including the purchase of Supermercado Now.

The New Carrefour Marketplace:

For a decade to now, we have been following the growing share of online commerce in retail, which, in the last two years, due to the pandemic, has accelerated even faster, reaching the highest historical level of ecommerce sales, breaking the record of 53 billion invoiced (source Edit/Nielsen Web-shoppers).

In 2016, Grupo Carrefour Brasil started its operations in the digital world as well. The brand that is consolidated in the country with its numerous physical operations through the networks of hypermarkets, drugstores, gas stations, banks and other formats, started to offer the site as another modality of serving its customers.

Since then, e-commerce has gained more representation each year, relying on the strength of the brand to bring more traffic to the site and also taking advantage of its high rate of repeat purchases in food retail to retain its customers.

In other words, Carrefour's Marketplace has been growing and increasingly participating in the group's ecommerce sales share.

Vtex - The Brazilian Unicorn:

SAO PAULO (Reuters) - VTEX soared more than 30% in its debut on the New York Stock Exchange, with the Brazilian group predicting that Latin America will be a leader in the next stages of e-commerce.

The latest Brazilian company to access US stock exchanges, after the likes of XP, PagSeguro (NYSE:PAGS) and Stone (NASDAQ:STNE), VTEX was priced at $19 per share, above the IPO's estimated range of 15 to 17 dollars, raising US 361 million.

That gave it a valuation of $4.7 billion, and it climbed even higher in the middle of 2021, with the stock up 24% to $23.60 a share, after having climbed more than 30 %.

The Marketplaces are booming in Brazil!.

Direct Import (Cross-Border) Taxation Comparison:

Custom Taxation:

Let's differentiate now two import models: the traditional, maritime, by containers, which we will call Formal Import, and the air model, practiced by the final consumer, called Direct Import (Cross-Border).

Taxation Summary Brazil

Obviously, the values in tables 1 and 2 are approximate and we are not taking into account the calculation methodology, not even the freight cost per kg ratio, which is obviously lower in the maritime model than in the air model.

But every government, every country, has what I call "tax intelligence", which balances means so that the result is approximately the same. The small difference does not cause imbalance, but what changes is the opportunity that each means offers.

In Formal Imports, as well as in Direct Imports, most products practically double the FOB (Free On Board) value, some have tax incentives from the government, but the bill does not change.

The advantage of sea freight in the Formal model is balanced by the need of the importer to resell the product, as well as its cost of keeping stock. This means that the Formal Model incurs the Resale Tax, whereas in the Direct model, despite the higher air freight, there is no Resale Tax.

"Tax Intelligence" regulates freight differences, and some advantages of the Import Tax of the Formal model, such as the Resale Tax, paid when the Formal Importer sells its product to retail, or to the Final Consumer, is levied on all previous taxes, like a ripple effect.

If we did the math correctly, if the Direct Import Consumer obtained the same purchase price as the Formal Importer, without a doubt the sale price would be much lower, violating the manufacturer's or brand's international pricing policy.

But as in both models there is an intermediary, commissions to be paid, operating costs, and the final values are offset. Later on, we will see where the great advantage of Direct Import lies.

Recife PE

4

Certifications in Brazil:

Brazil has a complex certification system, which, in my opinion, reinforces its protection feature in relation to imported items.

The certifiers in Brazil are the following:

- INMETRO
- IPEM
- ABNT
- ANATEL

The certification process in Brazil is expensive and costly, going against the Marketplace's model, where the more products offered, the higher are the sales.

This explains the fact that importers in the Formal Model bring a small fraction of

Taxation at Formal Import: Depends on the NCM Product CODE	
IMPORT - TAX:	Range from 30% to 60%
VAT TAX - ICMS:	Range from 12% to 25%
PIS TAX:	7,6%
COFINS TAX:	3%
IPI TAX	Range from 5% to 20%
When the Importer resell the goods to a Retail	RESALE TAX + 25%
Then the Retail resell the goods to the Consumer:	RESALE TAX + 25%

Taxation at Direct Import (Cross-Border):	
IMPORT - TAX:	60 %
VAT TAX - ICMS:	Range from 18% to 25%
That is all	

a brand's catalog to Brazil, because all products destined for commercialization need to be certified.

If we add the fact that each imported item practically doubles the F.O.B.'s value, we concluded that the Importer of the Formal Model practically has the same taxes as a local industry to market its products.

The Certification Process and Direct Import (Cross-Border): NO NEED!

Products imported by the final consumer, either a company or a person, as long as

they are intended for their own consumption and not for resale, do not require certifications.

There are exceptions to this rule, such as mobile phones, for example, but the vast majority of products do not require certification in the Direct Import model.

The Brazilian laws understand that the person responsible for the imported goods is the one who performs the import process. When the importer intends it for resale, he is obliged to perform the entire certification process as a protection for himself and customers.

Medicines are Exempt from Import Fees in the Direct Import Model:

If someone who needs a particular drug, including cannabidiol derivatives, by delivering the medical request, with due prescription and report, the imported drug is exempt from taxes in the Direct Import Model.

It is possible to envisage the opportunity that arises in the face of this possibility in the sector of oncological medicines that do not have an equivalent in Brazil, or even those that do, will be able to arrive in the hands of consumers with more competitive prices.

Certification Summary:

The great advantage regarding the certification process of Direct Import in relation to Formal Import is very clear.

While in the Formal model it is advisable to reduce the number of items or variants to be imported, in the Direct model the increase in the number of items offered does not result in cost, on the contrary, it exponentially increases the possibilities of sale, in accordance with the rule of Marketplaces: The more products offered, the higher are the sales.

Through Direct Import, brands and manufacturers can make their entire product catalog available in the Brazilian market, practicing what we call a brand concept store, where the consumer can find every possible product line, with the certainty of purchasing original products

The Law and It's Interpretation:

The Brazilian regulatory agencies do not exempt the seller from not obeying the Brazilian Consumer Defense Code.

Every consumer has rights, and the respect for these rights directly influences the decision of this customer to purchase a product or service.

If someone wants to purchase an imported product and runs the risk of having neither a guarantee, nor the possibility of returning or exchanging the product in the event of a defect, or even not being able to rely on technical assistance when the guarantee period expires, this consumer will choose not to purchase it, even if the product is a dream of consumption.

As the Maxim states: “Think globally and act locally”, respecting consumer rights is acting locally.

Basically, the consumer, in addition to the rights mentioned above, has the “right of withdrawal within 7 working days, after acquiring the product in a non-face-to-face manner” (Brazilian Consumer Code).

Brazilian Marketplaces require from all their sellers, of national or imported products (Cross-Border), to respect the Brazilian Consumer Code, under threat of severe fines, indemnity lawsuits and the banning of the seller.

Non-face-to-face purchases will always be a challenge for consumers.

When it comes to cross-border, imported products, mainly models or brands do not present in traditional retail, the certainty of respect for the laws of the Brazilian Consumer Code, the certainty of guarantee, technical assistance, and the possibility of talking

in the local language to resolve doubts make the difference in the success of the sale, because without these elements the purchase becomes a lottery.

Unless the consumer has a previous experience with the product, he will not risk investing in the unknown.

Belo Horizonte MG

5

Cross-border as a Compliance Operation:

Compliance in a cross-border operation starts in the country where the payment is processed. That is a relevant factor for the Brazilian Tax Code.

Before the advent of e-commerce, there were only two ways to make an international purchase, both of which requiring an international credit card.

Either the consumer was on a trip, and in the visited country he made a purchase; or via telephone, he bought from a reliable retail store, sending his credit card number to the foreign establishment, which in turn, had what they called a “signature in file”. In this way, the credit card was processed in an international acquirer and not in Brazil.

As the financial value of the purchase migrated directly to a company abroad, only the importer consumer was responsible for the operation, as well as for the imported goods.

Currently, international marketplaces use solutions from Brazilian financial institutions to process credit cards or bank slips, that is, regardless of the payment method used, payment processing takes place in Brazil, even though it is a marketplace that does not have a company in Brazil, and the financial value of the sales operation is sent abroad, to the marketplace banking account, which will be later sent to the seller.

This fact of where the payment is processed is a change from the old model (before cross-border) that has really severe tax consequences to the Central Bank of Brazil, which controls and regulates remittances of foreign currency abroad.

If cultural or economic customs change and the law does not, the interpretation of the law must change, or we will have socioeconomic stagnation.

Since 2012, when EBANX was founded, Brazilian banks, as well as the Brazilian Central Bank, only recognized the Formal Import Model as a generator of remittance of foreign currency abroad, i.e., the Brazilian

Importer presented the exporter’s invoice and the Import Declaration, proving

the legality of the operation, and then sent the payment, in foreign currency to their supplier abroad.

No wonder the astonishment of the Brazilian Central Bank when the first financial operations of international marketplaces began to gain volume, and thousands of remittances of small amounts that did not exceed USD 50.00 began to appear in their system. The importer became the consumer, and not a traditional import company. And even worse, the financial entity responsible for the operation did not present the traditional documentation required by the Formal Import operation, but acted within the Law that allows Brazilian consumers to consume products from abroad.

The founders of EBANX were extremely brave to act in an area where the Brazilian Federal Revenue Laws were not ready for such kind of international transactions, and even today (2022) they are adapting to crossborder operations.

In 2020, this promising, new and fearless fin-tech had the great challenge of showing the legality of its operation, and fortunately the Brazilian Central Bank had the wisdom to understand that a new form of commercial transaction between two countries was present.

Every disruptive model is the union of two or more traditional models that interact with each other, through an existing or new technology.

Specifically in Brazil, cross-border is the union of e-commerce with international trade, adapting laws and their respective interpretations from both the Brazilian Federal Revenue and the Brazilian Central Bank, bringing challenges to the Courts and Judges that will evaluate this new modality of international trade.

Balneário de Camburiu

6

The Tale of 50 Tax-Free Dollars:

The number of international orders received by the Post Office daily is not clear. In 2018 the president of the institution stated that they were receiving 100 to 300 thousand international orders daily.

On the 27th of August of the same year, the Post Office announced the addition of 15 reais for the domestic re-dispatch of international parcels.

In December 2019, Correios (Brazilian Public Post Office) began to require International Marketplaces to inform the CPF (TaxID) of importing consumers on invoices and orders.

Today (2022) it is estimated that the Post Office receives between 500 and 700 thousand orders a day, from which only 3% to 7% are taxed.

In the case of taxation, the importing consumer can pay this amount through the Correios website or in person at the agency itself.

But the most important is the "tale that orders up to 50 dollars are tax free", this statement is a half-truth: It is tax free when the sender is a person and not a company, that is, a family member, or a friend abroad who sends a gift to a Brazilian citizen.

However, when it comes from a company, or a marketplace, the Brazilian Federal Revenue considers that a commercial company abroad is carrying out the shipment, therefore, it is liable to taxation.

Currently, and unfortunately for the public coffers, the Post Office does not have the ability to tax all orders that arrive through its import system, failing to collect the approximate figure of 9 billion dollars per year.

But make no mistake, since 2019 it has collected all the TAX IDs from whom it has imported orders. Also, as the tax amount is due, the fact that it is not charged does not mean tax exemption.

There is clearly a slow but continuous movement of the governmental institution to control direct imports, and we must not forget that Brazil is a country with a protectionist culture.

Aeroporto Guarulhos SP

7

The Cross-Border Legal Paradox:

How to justify to the Brazilian Central Bank the sending of payment abroad of orders imported by the importing consumer who did not pay customs taxes, or, better, were not called to pay the uncharged tax, but this tax is due to the Brazilian Federal Revenue?

If these orders neither pay customs taxes, even though the payment for the acquisition was charged in Brazil, nor do they have an Import Declaration, or Brazilian invoice which proves their legal origin of entry into the country, and their amounts are sent abroad with consent of the Central Bank of Brazil, how can it differ from smuggled cargo that is sold on marketplaces?

It is clear in this process the tax evasion in the model, and the marketplaces that participate in import processes where tax evasion occurs have joint and several liability.

On the other hand, an order that has not been reviewed at customs, where the importing consumer has not been called upon to collect taxes, despite being due, cannot guarantee that counterfeit, adulterated, or even prohibited import products will not enter Brazilian soil.

If even the Post Office does not have the capacity to tax orders, how could the Federal Revenue distinguish the difference between an order sent internationally to a customer, and an order originating from smuggling and posted at the Post Office to a Brazilian citizen?

In my humble opinion, it is currently impossible to make this distinction, paving the way for counterfeit products of all kinds, without considering the possibility of illegal remittances of valuables abroad.

Undoubtedly, this breach will not last forever, for the good of cross-border. I believe that it will take at least 2 to 4 years for the entire control system to be configured and perfectly working.

When I chose to work in the Direct Import model, I consulted lawyers specializing in taxes, tax from the Federal Revenue Service of Brazil, traditional financial institutions, and accounting companies, and the conclusion I came to, gathering all this information received, was unanimously as follows:

I- Every order that enters Brazilian soil must pay taxes, whether in Formal or Direct Import,

II - The Import Declaration is the proof of this payment, it is the document that demonstrates the legality of the import, regardless of the imported value (customs value).

This document proves that the imported good was duly inspected by the Brazilian Federal Revenue Service, and collected the taxes due upon entering Brazil.

III - All remittances of values to abroad carried out through any Brazilian bank must have an Import Declaration that justifies it.

The Central Bank, whether in Formal or Direct Import, must have the Import Declaration as proof, proving the legality of the operation.

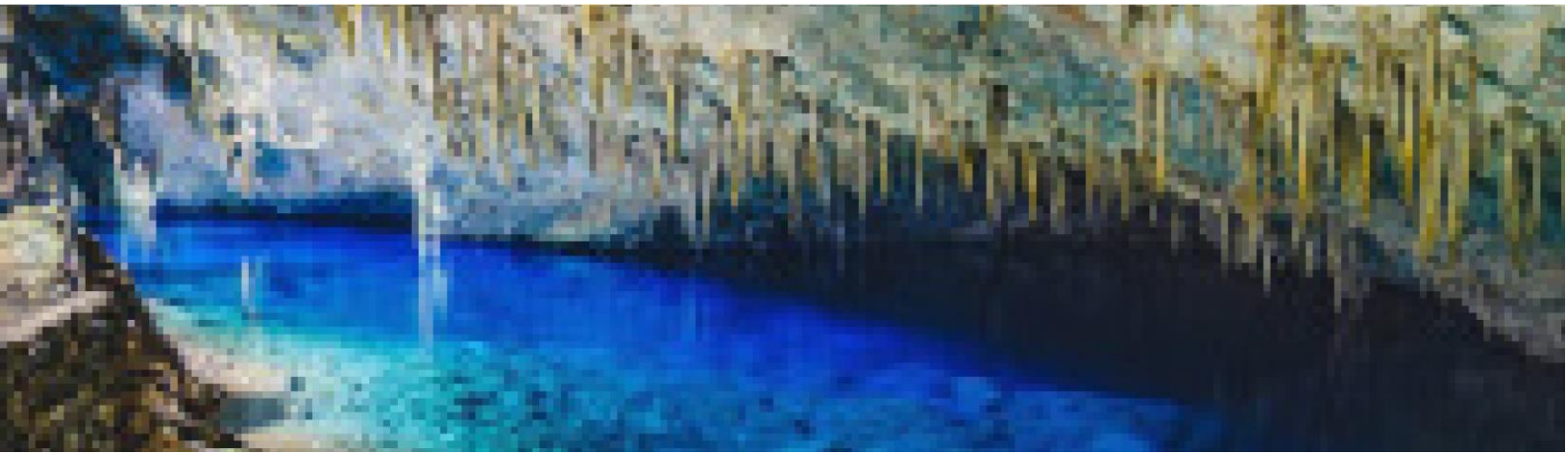
Each transaction sent to the bank or broker that will send the corresponding amount abroad must be linked not only to the importer's invoice, but also to the Import Declaration, or the shipment may be considered illegal by the Brazilian Central Bank.

If today, 99% of direct cross-border imports do not comply with these three rules, they are irregular before the Brazilian government, but if nothing has been done to the detriment of this fact, it is not because they are correct, but because the Brazilian Federal Revenue and the Central Bank are adapting to a new modality of international trade, wisely observing it and deciding the best way to control it.

Mato Grosso

8

Brazil is not a Country for Beginners



Brazil does not follow the logic of Latin American countries, it has typical nuances in its complex tax model, it is very important to carry out a legal study before any decision is made, as many companies that were not properly advised lost where many won.

Why have companies been leaving Brazil for almost 5 years?

by Bruno Martinez.

In recent years we have seen at least 15 companies leaving Brazil for reasons such as high exchange rates, fiscal war and political instability.

In early March, Brazilians were taken by surprise with Sony's announcement that it would end some of its commercial activities in the country. The position, which seemed isolated, joins a movement of several companies leaving Brazil in recent years.

According to an investigation by Showmetech, at least 15 large companies have interrupted part of their activities since 2017, when they decided to give up the country altogether.

There is no shortage of reasons for that, after all, since 2016 the country has been going through a serious economic crisis that has already raised the unemployment rate, accelerated the increase in public debt and has kept the dollar soaring. For 5 years, the exchange rate has been above the range of R$ 3,00 without a truce.

Experts predict that this movement of companies leaving Brazil could be continuous and could incorporate other companies in the coming years, as there is still no prospect of economic growth on the horizon.

For David Kallas, PhD in Business Strategies, some factors explain this stampede of multinationals: place of operation, sector of operation and internal management of the companies. According to him, when the combination of these items does not show a positive scenario, foreign companies prefer to close operations in certain locations. "The uncertainties that exist in Brazil make the business environment very difficult for companies to work. It's one thing for you to keep a company in a place that grows 2% a year with stability. Another thing is when you are in a country that grows 7% and then drops 4% in a year. This is very harmful to organizations." The list of companies leaving Brazil is extensive and includes multinationals from the most varied segments. In general, the main reason for these decisions is supported by an unsustainable business environment. Only at the beginning of 2021, in addition to Sony, two other large companies decided to break away from Brazil

3M (USA): 3M (USA): the multinational 3M announced, at the end of January, the closing of its factory in São José do Rio Preto. The brand predicts that this move

will be completed in the second half of 2021, resulting in the dismissal of 120 employees.

Ford (USA): on January 12th, Ford sent a press release confirming the closure of all its factories in Brazil, still in 2021. The company, which had branches in Camaçari (BA), Taubaté (SP) and in Horizonte (CE), stated that it has suffered losses for years and that the pandemic has worsened the situation.

Mercedes-Benz (Germany): shortly before that, in December, Mercedes-Benz blamed the country's economic situation for its poor performance in car sales. The automaker closed one of its factories, which was opened in 2016, and laid off more than 350 employees. Trucks and buses continue under national production. Wendy's Company (USA): the American chain of square hamburgers arrived in Brazil in 2016 and didn't last long. In 2020, the franchise completed the process of closing its units, with the closure of the largest store, located in São Paulo.

Forever 21: one of the world's clothing retailers didn't work here either. Forever 21 arrived in 2014, but by the beginning of this year it had shut down almost all of its 31 stores. The company, which is also going through a crisis in the United States, was unable to negotiate late payments with a large shopping mall developer.

Walmart (USA): the most traditional American hypermarket sold 80% of its Brazilian operations and had its name changed to "Big" in August 2019. None of the 550 stores in the country bears the name of the retailer, so famous in the world.

Glovo (Spain): the delivery startup Glovo also dropped out in 2019. The Spanish said that the Brazilian market is very competitive and that it would need more time and money to succeed in its business model.

Roche (Switzerland): in March 2019, the pharmaceutical group Roche announced that it would close its factory in Rio de Janeiro, ending the production of medicines on national soil. At the time, the company reported that the Rio de Janeiro operation was unsustainable.

Häagen-Dazs (USA): the ice cream brand announced the closing of its own stores in July 2018, as a way of balancing operations in Brazil. In 2016, Häagen-Dazs had already closed its São Paulo factories and laid off more than 400 employees.

Nikon (Japan): in September 2018 it was the photography giant's turn. The Japanese Nikon announced the end of its performance and stopped selling cameras, lenses and accessories. The brand reported that it was undergoing a restructuring process.

Fnac (France): in October 2018, the Brazilian website of Fnac went offline and provided information on the completion of activities. The company informed that her stock was increasingly unfair in the face of the economic recession that Brazil was experiencing in the period.

Citibank (USA): after completing 100 years on Brazilian soil, Citibank decided to abandon its retail operations in early 2016 and focus only on investments and clients with vast wealth. Banco Itaú took over its 70 branches and a portfolio of almost half a million customers.

Kirin Holdings (Japan): the Japanese beverage company that invested R$ 4 billion in the domestic market le**ft the country 6 years later, in 2017. The company was bought by the Dutch company Heineken, which took over the operations of Brazil Kirin.**

Nintendo (Japan): in 2015, at the beginning of the crisis, the Japanese games company Nintendo said that it would no longer distribute games and consoles in Brazil, given that the local business environment made the distribution model unsustainable. In September of last year, however, the developer decided to return to the national market, with a new product, the Nintendo Switch.

HSBC (United Kingdom): Also in 2015, the British bank decided to end its main operations in Brazil and Turkey. As a result, HSBC sold its portfolio to the Brazilian bank Bradesco and, like Citibank, continues to serve only corporate and wealthy clients.

If you didn't study and failed the test, blame the teacher!

When I was fifteen years old, studying in one of the most traditional schools in São Paulo, Dante Alighieri, which had a reputation for being a school that demanded a lot from its students, I did very poorly on a Combinatorial Analysis test.

During dinner, willing to justify myself, I mentioned to my father the result of my exam, adding the fact that the teacher was not good enough, and didn't explain well, thus making myself a victim of an incompetent teacher.

My father smiled and said: "From this test my son, you can follow two paths for your whole life, blame others for your failures, or learn from them, turning them into future successes."

Globalizing is not replicating. Each country has an extremely different environment from others, and the big mistake is to think that the same equation, where only the values of variables are changed, solves the problem.

In Brazil, it is not enough to change the variables of the equation, but to create a new set of equations, based on an in-depth study.

Brazil is full of successful companies and entrepreneurs, brands that were born in Brazil and spread to the world, brands that came to Brazil and make great profits on their balance sheets

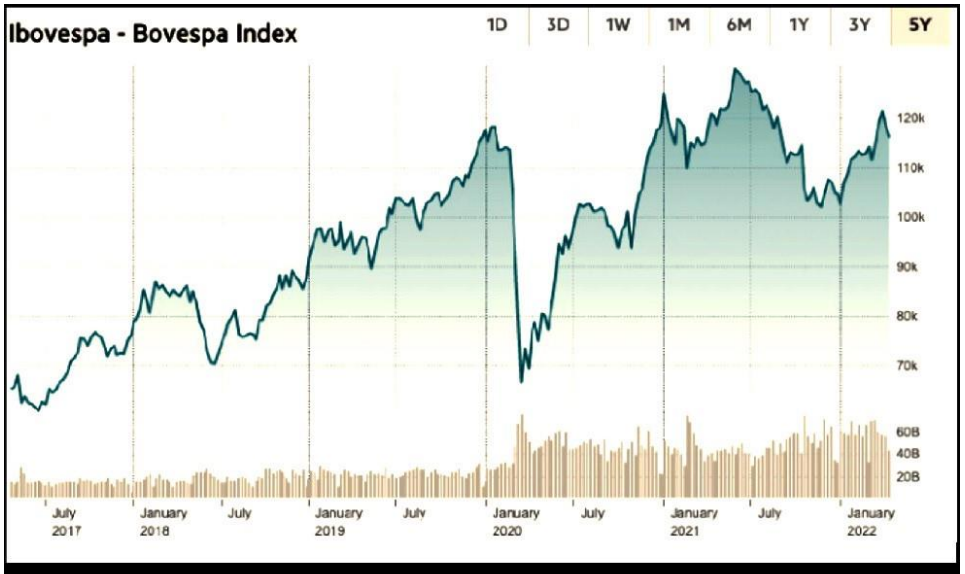
.

In Brazil is that the most important thing is not what you do there, but the way you do it.

And let's face it, if Brazil were the economic hell described by this article, it would not be by far the biggest economy in Latin America.

The real conquests of the foreign market are carried out step by step, learning along the way what can and cannot be done, because mistakes are expensive, and companies cannot afford making a lot of them.

The Direct Import model allows your product or service to be in Brazil, without risks, being the first chapter of your company's book with a happy ending.



Bovespa Stock Market Index in the last 5 years - São Paulo - Not so bad for an

9

The Disruptive Export Model to Brazil:

Direct Import - The Cross-border Revolution:

Which of the possibilities below does your company fits in?

I can imagine some possibilities where your company/brand fits in, with regards to the Brazilian Market:

- Your company has no representation or presence in Brazil;
- A Brazilian importer is responsible for the presence of you brand in Brazil;
- Your company has on office in Brazil but does not import;
- Your company has an office in Brazil and is the importer;
- Your company, for some reason, left Brazil;

No matter which of the above options are close to your brand's situation, the cross-border strategy always adds to, and does not exclude (on the contrary, complements) any structure that already exists in Latin America's largest economy.

But let me relate a brief story of B2C evangelism, that I experienced in 2001:

WhenWhen I founded Escalena, in 2001, the first e-commerce outsourcing company in Brazil, I literally went door to door of big brands and companies, industries and retails, showing that e-commerce B2C was already a present, not a future.

My collection of business cards, from the most variable companies, was so large that I joked that if I earned 1 dollar per card exchanged, I would be a millionaire.

At each meeting, with no exception, the following departments were present: sales, marketing, logistics, legal, finance and accounting, usually two or more people from each department, who watched me carefully and asked questions to see how their department would be affected.

These department leaders used to take a defensive position, because everything that is new, and consequently unknown, causes fear.

The fear among all fears was what we called “channel conflict”: how is a brand going to sell directly over the Internet competing with its own distributors and retailers, especially the big retailers?

The solution found by the sales department was simple - we will sell on the website more expensively than the retailers.

Although I was not in favor of this policy, I was already happy to have managed to bring not only a few, but many companies to B2C e-commerce.

When we sold our operations in 2011, what was just an idea had become a vital strategy.

The most interesting thing is that in 2011, retail chains started to become marketplaces, forcing companies (that used to visit them in order to sell their goods) to expose their products in a new format, the electronic consignment sale - Marketplace.

Many of the directors and CEOs I met began to live a nightmare, because the cost of inventory, previously assumed by retailers, was now under their cost, and the ERP, which was used to issuing a single invoice of many items for a single company, would now issue a single-item invoice for each buyer.

On the other hand, the e-commerce that we created between 2001 and 2010 was vital not only technologically but culturally so that these companies suffered much less from the new distribution reality.

Evangelizing a new strategy, in the eyes of many, is an act of faith, but I see it as a light that illuminates a new path that, in a way, is in everyone’s collective consciousness, but has not yet been meticulously explained and carried out, and is, at the same time, outside of the day-to-day reach of companies, which struggle to hit their targets daily.

If there are no financial risks to follow this new path; contracts can guarantee security for the parties, remuneration is based on success, without any fixed cost. Not following it demonstrates a myopic vision that sooner or later will make the company lose market share.

10

The ". com.br" Suffix Issue – Fear our Jealousy?

Iagine that you are a Brazilian, you are browsing on the Internet and you are interested in a certain product, and when you enter the site, it is written in English (Only 30% of the population speak English in Brazil): "We deliver in Brazil".

The payment solution is international, that is, if your card is not international, you will not be able to buy it (only 25% of the cards issued in Brazil are international). Apart from that, the purchase may be held at customs, and if so, how to release it.

You have no idea how to import this product, what the customs fees will be, you cannot pay in installments in up to 12 times, as it is customary in Brazil, and worse, if everything goes well, and you receive the product, and it is defective, who will you complain to, knowing that if you return the product, you will lose the fees you paid, and the freight cost will be very expensive?

If delivering were the same as selling, Fedex, DHL, UPS would be the biggest retailers in the world!

But there is another situation, even more embarrassing. It is when you appreciate a brand that is not in Brazil and decide to make a purchase, and the e-commerce site communicates that "you are not authorized to buy on that platform", even if you have an international credit card.

There are cases where the IP number from Brazil is barred and you can only access via VPN!

You may also come across a situation in which you are a fan of a brand that is present in Brazil, but the product you wish to purchase is not available locally, only in other countries, but there is no possibility of you acquiring it, as the brand itself does not allow this transaction.

We live in a world where diversity, economic freedom, no segregation by ideology or ethnicity, and gender freedom are preached, and you can't consume because you're Brazilian?

But if you travel, enter a store of the brand and leave it with dozens of packages, the seller of the same brand will carry your purchase for you all the way to the store door!

If you adopt the cross-border strategy, it is essential that your brand has the ".com.br", with local payment solutions, the whole e-commerce site in Portuguese, the site policy clear, as well as clear exchange conditions, the service, either by chat, email or phone in Portuguese, and finally all PDF manuals in the local language.

The Brazilian version of its e-commerce can and must respect the guidelines established by the brand, as well as the price rules, offering the entire portfolio of the available line, bringing confidence to the local consumer, and exposing what marketing defines as "brand concept ".

As only a Brazilian entity can register a domain with a ".br" suffix, any international contract that assures its brand has the ".br" domain solves this problem.

Even if you take it to the last consequences, what's the point of having the ".br" domain of a company or brand if you don't have any product to sell?

I understand perfectly well when a brand or company prohibits the sale on Amazon in the United States, but it is far from my understanding when the directors make the creation of the ".br" version almost impossible, or a super-human effort, despite the fact that a contract can very well guarantee rights of duties on each side, with mutual commercial benefit for all.

Suffixes such as ".br" were born to be used, to be adapted to the culture of each country, bringing greater intimacy between those who sell, what is sold and who buys. Is it only Amazon that practices this doctrine? Why don't we learn from the success of other companies rather than cower, seeing the failure of others?

When a brand provides an international e-commerce with all the adaptation to the country of destination, it is enhancing the local consumers. They feel that their nationality is being respected, because even in a globalized world, nationality is a key consideration.

Currently, we live in a world where presence is much more important than proximity. Enabling the use of the suffix ".br" for your e-commerce in the direct sales model is a matter of presence and respect for the local consumer.

Salvador BA

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After the ".com.br" suffix, it is Marketplaces' Turn:

I hope that I have convinced the reader how important it is for the Brazilian version of your e-commerce to be active for Brazilian consumers, for now it's time for marketplaces.

Selling on marketplaces is easy, but we have attention points that must be taken into account when a seller's contact is brokered by a third party, in addition to the fact that we are offering imported and innovative products.

Customer service is a vast and complex field, and I will restrict myself to a few very important points.

We live in an impersonal connected world, where wealth in quantity gives us the impression of quality, but these two nouns have never gone together in any economy.

Personality is the great key to the success of a service, because Brazilians are a warm people who want to see someone with the power to solve their problem, and not robotic people, much less robots that simulate people. The higher a product's sales ticket is, the more personal it becomes, so communication is the key to avoiding big problems.

All communication with the customer is vital to avoid returns, as well as the logistical follow-up of your order.

Communication in the local language, as well as the communicative process, generate enchantment and trust. Keeping this strategy, the customer "buys with you" and not "buys from you", and both seller and buyer end up on the same side.

Another point to be very attentive to is the day to day of each platform, each communication, because the relationship, as everyone knows, happens on the marketplace platform, and few have the capacity to provide good service. The bigger the marketplaces are, the more generic is your first contact service, and this can frustrate the buyer who is waiting for a response, so follow-up and response speed are critical.

The account matching process, or financial payment reconciliation, is somewhat complex, as each marketplace presents its payment method in a single modality, where a single sale can contain several payment transactions, commission, discounts and chargebacks.

I have already observed in the system a sale generating more than fifteen subsequent transactions, which configures a reconciliation model from 1 to “n”, that is, a sale to “n” transactions on the marketplaces side.

Finally, interaction with sales promoters must be constant and dynamic.

The bottom line is that only a local business can take full advantage of marketplaces for you brand.

Força Aérea Brasileira

12

The change of the distribution channel in Brazil:

In The United States, looking at some statistics, Amazon.com represents approximately 55% to 58% of b2c sales, with a percentage between 35% and 45% of these sales made by third parties in its marketplace.

These expressive figures brought about a big change in the distribution chain of this country, drastically shortening the path between the manufacturer and the consumer.

Often, the price advantages that were offered to distributors, as this market was very well segmented according to purchasing capacity.

Large orders are fulfilled by the manufacturer, medium orders are fulfilled by the wholesale and logically, the small ones are by the retailer.

Currently, I would call Amazon.com a Wholesaler/Retailer, as its ability to buy from manufacturers has grown to such an extent that it has prices that compete with, or are even better than wholesalers.

With the profusion of new technologies embedded in products, Amazon.com began to lead the launch of innovative products, sometimes acquiring the entire production of the first batches manufactured.

This is the reason why many distributors or dealers do not have authorization to sell products on this portal, because only the manufacturer does it, using it as a reference for the sale price, sometimes liquidating inventories, even reserving launches.

If we do a survey on the rankings of Brazilian marketplaces, we will be even more confused, as each survey shows a position, with the undisputed first place of Mercado Livre.

A placement that I would assign 90% of confidence (2021) hit is as follows:

1 – Mercado Livre:

The Mercado Livre is the first on this list because it is one of the e-commerce platforms that Brazilians access the most. In addition, the company is considered the most valuable in Latin America.

With 300 million registered users, Mercado Livre registers more than 10 purchases every second. The platform brings together products from different categories. According to data from Semrush, in the month of May, Mercado Livre received more than 559 million visits.

2 – Americans (B2W):

As part of the B2W group, Americanas is one of the best-known retail chains among Brazilian consumers. So it's no surprise that it ranks second on this list. Even registering the expressive mark of 189 million hits, it is behind Mercado Livre in terms of monthly traffic.

3 – Magazine Luiza:

The Magazine Luiza is among the first retailers in Brazil to sell its products over the internet. By joining the marketplace system, the company expanded its operations, opening space for shopkeepers from different regions of the country to sell their products.

Even with 740 physical stores in 16 states, online sales still represent a large part of the company's revenue. According to the survey, Magazine Luiza's monthly traffic is approximately 136 million.

4 – Amazon (Brazil):

Amazon is a world-renowned e-commerce company. Considered one of the great marketplaces in Brazil, it occupies the fifth position on this list with more than 112 million monthly hits. The platform offers more than 30 product categories, including furniture, beverages and fashion.

5 – Casas Bahia (Via):

Casas Bahia is part of the Via Marketplace group (formerly Via Varejo) along with Pontofrio and Extra. The three platforms add up to millions of hits every month. For over 60 years in the retail market, Casas Bahia has 750 physical stores throughout Brazil. Selling over the internet for 10 years, it is one of the most sought-after marketplaces by online consumers. In the month of May, it recorded more than 89 million visits.

6 – Submarine (B2W):

When it comes to technology, pop culture and sports, the first e-commerce to be remembered is Submarino. The company's website reached the mark of 44 million monthly hits.

The company's operations are geared towards a young audience that is attentive to new trends. Together with Americanas and Shoptime, Submarino is part of the B2W Marketplace group.

7 – AliExpress:

The AliExpress marketplace has been consolidated in Brazil. Considered a leader in cross-border online sales, it is a brand of the Alibaba group. The platform has more than 150 million active buyers, registering a monthly traffic of more than 43 million visits by Brazilians.

8 – Extra (Via):

The powerful Via Marketplace appears again in this list, but now in tenth place with Extra, which in May totaled almost 39 million hits. Linked to the supermarket chain of the same name, Extra has operated its marketplace since 2013, opening space for companies from different market sectors to sell their products.

The cross-border Compliance in the Brazilian Marketplaces:

Before reporting on my experience with marketplaces, it is important to address the compliance of marketplaces in relation to cross-border.

In all the sales transactions that take place on Brazilian marketplaces, payments are processed in Brazil, that is, under the laws that govern the country.

There is an important detail about co-responsibility in relation to these same transactions: the marketplace is co-responsible, even if it contractually transfers this responsibility to the seller.

As a seller, if you really read the contract that most marketplaces send to sellers, your attorney would certainly not advise you to sign it, once no matter what happens, the marketplace always transfers responsibility to the seller.

Many local marketplaces accept sellers who offer products without the inclusion of customs taxes, and as the Post Office Correios (as already mentioned) does not have the ability to tax all orders that transit through it, they end up doing unfair competition.

Retail entrepreneurs and some industry sectors decided to pressure the Brazilian government for measures against websites and platforms that allow direct import of products from China by individuals. Luciano Hang, owner of Havan, and Alexandre Ostrowiecki, CEO of Multilaser, are among the leaders of the movement.

Also, according to the report, names such as Shopee, AliExpress, Wish, Shein and even Mercado Livre were mentioned. The proposal is that the consumer pays import taxes at the time of purchase and not only when the product arrives at the Federal Revenue, as is currently the case.

Free Market: Investment Of Brl 17 Bi Presses Competitors:

The industry is also not satisfied with the market situation. Several institutions have been complaining for years about what they call unfair competition from imported products. The complaints became even more intense after the growth of e-commerce.

According to the newspaper, the president of the Brazilian Association of Toy Manufacturers (Abrinq), Synésio da Costa, articulated support from other entities, such as the Brazilian Association of the Textile and

Apparel Industry (Abit), the Brazilian Association of the Electrical and Electronics Industry (Abide), National Association of Electronics Manufacturers (Eletros) and National Forum against Piracy and Illegality (FNCP).

Brazilians Unite To Counter Attack Foreign Marketplaces:

Another fact reported is the importation for commercial purposes, in which the subsequent sale of products takes place in marketplaces with local operations. The report states that Shoppe and Mercado Livre, specifically, are accused of allowing sales by individuals without issuing an invoice. The companies would not be responsible for the origin of the products sold.

According to the press, some of the e-commerce companies took a stand. In a statement, Shoppe says it has not been notified by any government agency and claims to comply with local laws. Mercado Livre questioned the complaint and said it shares the concern with combating tax evasion and piracy. AliExpress has declared that it respects the local laws of the countries in which it operates.

To be or not to be… Legal or Illegal?

Many newspapers published this event that shook the market in the same week.

The problem is that, in fact, the marketplaces that practice this type of sales without the inclusion of customs taxes, with payments for transactions processed in Brazil, are taking advantage of the Post Office's lack of taxation capacity for the amount of parcel volumes that arrive in the country.

They think as follows, "if the importer consumer is the one who must pay the tax, and he is not called to do so, it is not our fault, we are within the law; we only deliver the purchased products".

In a way, this argument brings a certain truth in relation to the Brazilian Federal Revenue, whose obligation is to evaluate and tax products from abroad.

If there is a lack of capacity due to this institution's failure to comply with the process, it is not the fault of the Marketplaces; they cannot force buyers to pay taxes of their own free will.

On the other hand, we know that the fact that the tax is not collected does not mean that it is not due.

Also, what marketplaces are not seeing is that the value of payments sent abroad have no legal justification, that is, as stated before, the entire payment value of an import, whether direct or formal, must have its justification in the Import Declaration. If thousands of products are paid through Brazilian financial institutions to marketplaces abroad, but have not legally entered the country, i.e., their taxes have not been paid, the remittance of payment abroad will be considered illegal by the Brazilian Central Bank, sooner or later. Later!

Since the Marketplace is co-responsible before the Brazilian IRS for the operations that occurs there, being responsible for the previous five years, imagine if the Federal Revenue in a joint action with the Brazilian Central Bank, instead of deciding to charge importers the due taxes, to facilitate their action, decide to charge the Marketplaces, which in turn will transfer liability for these payments to sellers?

That is already happening in Rio de Janeiro where the local court is charging marketplace for the ICMS (State Tax) not paid by sellers.

Banco Central

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Customers Paying Tax at the Time of Purchase Mistake:

Making the importing consumer pay the tax at the time of purchase is a big mistake.

In the first place, it should not be the Marketplace that assesses the tax due for an imported product, but directly the Brazilian IRS at the time of importation.

This opens an opportunity for many products to enter through the Post Office without taxes. And how is it possible to know which ones were actually sold on marketplaces and prepaid taxes?

If taxes are collected only at the time of sale, what about many items that enter tax-free, expecting the tax to be incurred on purchases from marketplaces, but intended for a sale at a physical establishment, or an ecommerce which is not marketplace?

If within Correios Brasileiro, there is no condition to tax 90% of the international parcels that arrive there, how to integrate the transaction of sale of an order with its corresponding importation and arrival?

This solution will open the door even more to the non-payment of taxes, and new e-commerces will emerge selling goods without taxes.

Manaus AM

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The Postal or Express Model must have equal rights to taxation:

The right way is to equip the Brazilian Post Office to have the same treatment that Courier companies, such as Fedex, USDP, DHL, have at Brazilian airports, where there is a correct and honest inspection by the Inspectors of the Federal Revenue, who not only perform the collection of taxes, but also verify each item that arrives.

If the product received is in accordance with the value registered in the invoice, if the product is within those allowed for importation, as well as redirect to ANATEL or ANVISA, products for appreciation, and these certifiers have a presence at international airports, they can be approved to enter the Brazilian soil.

The Federal Revenue inspection at airports does much more than taxation, it performs an evaluation of the imported product according to Brazilian Laws.

When the order is released, it means, in addition to paying taxes, it is in accordance with the local certifying institutions.

The evolution of cross-border customs taxes, that is, Direct Import, should accompany Formal Import, perhaps with an Import Tax that accompanies the HS - Harmonized System. In this way, the impact of prices as well as tax differences will be much smaller.

In my humble point of view, taxation in any sort of import process should be an attribution of the Internal Revenue Service and its Auditors, who have always carried out this work in Brazil, looks like Brazilian government thinks like that.

The Beginning of the End of Non-Taxation in the Postal Model 08/16/2022

Rio de Janeiro Court of Justice holds marketplaces responsible for ICMS TAX not collected by sellers.

Marketplaces have suffered a setback in an important tax dispute. The Special Body of the Court of Justice of Rio de Janeiro (TJRJ) considered constitutional the law that make companies such as Mercado Livre, Magazine Luiza and Americanas liable for non-payment of ICMS by retailers who sell products on their online sales platforms.

In addition to Rio, Bahia, Ceará and Mato Grosso issued similar laws between 2019 and 2020. The duty to inspect emerged with the growth of these virtual shopping centers. Online sales - owned and from third parties - totaled BRL 161 billion in 2021, 27% more than in 2020, according to research firm Neotrust.

It doesn't matter if it is a sale of an imported or national product, we are watching the Federal Revenue take the first thread, where the Sellers did not collect ICMS - The State Tax on Circulation of products, and use the juridical figure of "Solidarity Responsibility" by the Marketplaces.

The reader realizes that the movement will not "pursue" the Seller, but the marketplace that sold the product, after be charged, the marketplaces will repass the bill to the seller.

There is still an opportunity for Marketplaces to appeal to the courts, but this motive shows that it is much easier to punish a big one than many small ones that fit into their ecosystem.

The same will happen with products whose Import Taxes have not been paid by final consumers, so that Receita, Federal Brasileira will sooner or later ask for proof of payment for each imported product sold on Marketplaces.

Everything indicates that the model is designed as follows: marketplace is free to choose its model, with taxes paid, or without taxes paid on its sales, but it is not exempt from the

responsibility of payment, whatever their choice, being the portal sales department “jointly responsible” whichever you choose.

Porto Alegre RS

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Industrial Property in a Small World:

Let’s imagine a brand called “WWW”, this brand has consumer products of all levels, for kitchen, technology, decoration, automobiles, as it is a publicly traded company on the NASDAQ.

But the most coveted product of the “WWW” is a smart microwave oven, in which you place the food in the compartment, and through the reflection of several beams of light, of wavelength, it identifies which food it is, and the correct time and temperature for its right heating.

As if that weren’t enough, via the APP it still offers you the possibility to adjust parameters to improve the result, according to the consumer’s taste.

The WWW Microwave is a patented product, designed in laboratories in the United States, with more than ten different models from the WWW-00 to the WWW-10, the latter being a hybrid of Air Fryer with Microwave and Electric Oven.

It is being sold on Amazon.com, as well as on AliExpress. And although it has not yet arrived in Brazil, it can be purchased by Brazilians through Direct Import.

But, in the meantime, a Brazilian company “A” wins a “Non-Exclusive Brand” license, to manufacture it in Brazil, for models WWW-01, 02, 03, but not the other models.

At the same time, a Brazilian company “B” starts importing all WWW branded items from an authorized US distributor, bringing a shipment of 1,000 units of all models.

At the same time, as I said above, Brazilian consumers are also importing directly to their homes.

Company A registered its Non-Exclusive Trademark contract with the WWW at the INPI do Brazil - National Institute of Trademarks and Patents.

I am going to predict here, according to what I have observed, what will happen.

Company A will sue company B for “Parallel and Illegal Importation”, accusing it of defrauding prices and taxes in the import process, and alleging it is the owner of the brand in Brazil.

Company B will defend itself by proving that its importation is not only legal but also legitimate by questioning Company A’s “non-exclusive trademark” license, as well as demonstrating that the origin of the products is legal, from an authorized WWW distributor in the United States.

Company A will also hire employees to go through all the marketplaces where WWW products are being marketed to threaten Sellers in exactly the same way that company B threatened, so that they immediately stop marketing WWW products.

The real culprit in all this confusion is not the WWW, which would never give an exclusive license to company A, it is not also company B that did a correct job in the import process, and acquired the product from an authorized distributor in the United States. Not even the Sellers that carry out the intermediation of Direct Imports for Brazilian consumers, but the world that has become too small to give big limits to any company in terms of brands and patents.

There are some legal principles that try to guide the process, such as:

- The International Exhaustion Principle, the National Exhaustion Principle, the Community Exhaustion Principle,
- and the First Sale Principle.

It is a framework of principles that are subject to the interpretation of the Court. Even though the results are not predictable, we have a point in common in the analysis of the situation.

When a certain product such as the WWW, whatever model it may be, was made available for sale, and there was a sale, the WWW loses its right over the marketed product, realize that it is the loss of a tangible possession, as it is understood that their investment was paid for with the sale.

This item or product can now be on every shelf anywhere in the US, physically and digitally.

But notice that the “Intangible Right” of the WWW brand remains, but it loses control over the Tangible Right - that is, over the product, distributor or manufacturer, making it clear that it does not belong to the official WWW distribution network.

But how is it in Brazil? Status of Company B:

It is necessary to know if WWW has authorized its distributor in the United States to export WWW products to company B, and if this authorization is Tacit or Express. (tacit = unspoken)

If there is an authorization signed by the WWW that allows its distributors to export to Brazil, we will have an Express authorization, and Company A is in serious trouble.

If the WWW knows that its distributors export to Brazil, and this has been happening for a long time, let's say a year, we will have the unspoken authorization, and also company A will be in trouble, since "its brand license is non-exclusive".

Amazon.com, if not the largest single customer on the WWW, is the second largest in the US, whereas AliExpress is also the first or second largest in China.

It is clear that Amazon delivers WWW products in Brazil, as well as AliExpress. Just any Brazilian consumer is likely to buy it, whether with an international credit card or not. Therefore, we have an Express authorization by the WWW that the product can be exported. However, now comes the worst-case scenario.

Both companies have an express authorization by the WWW that the product can be exported, because in this game of trademarks and patents no one can argue "sorry, I didn't know". Everyone knows, it's there on the site, just browse it and buy it, take a print of the screen, and you just create a tacit or an almost express authorization.

I still don't know of any internationally positioned brand that has provided full brand exclusivity in Brazil, other than for itself, in rare cases.

In short, the tangible property of a product cannot be confused with the intangible property of a brand and its rights, just as the Principle of Exhaustion National supported by a "non-exclusive" contract or tacit or express authorization of market participation by other companies. companies, will exhaust the marketing property in that country.

Company A will try to prove that the import is fraudulent, that other companies are not able to provide technical assistance services, causing damage to the brand.

Knowing that the import is legal, that the legislation was complied with as by company B, leaves very little margin for company A.

Company B proving that it respects the Brazilian Consumer Code, that it is capable of either repairing the product, or even replacing it in the event of a defect, there is nothing to be done.

Now, imagine when the consumer is the importer himself and is responsible for his importation, which is for his own use and not resale?

Will Company A sue the Marketplaces? Will it sue consumers who imported via Amazon? Or will it force Amazon USA to sell only in the United States, reducing purchases by 30%, in addition to breaking a relationship with the company that owns 57% of retail in the United States?

I wonder if 10 years ago someone predicted the situation of direct import, “without leaving home”, because if a WWW product costs less than USD 500.00, the consumer can go to Walmart, buy it, put it in the bag and bring it to Brazil.

Perhaps company A, in this case, has to put a person to search people’s bags when they leave the airport and verify that the product was properly declared in customs at the time of the luggage search.

Campinas SP

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The difference between an Importer and Your Brand in Digitally in Brazil:

As the number of brands that offer the same products on the same marketplaces grows, consumer loyalty to one specific brand decreases.

We live in an era of abundance. Go back in time, 20, 30 years and realize how many brands and models of coffeemakers there were and today how many there are now, how many new functions and features were added with the help of processors, led panels, bluetooth, wifi, evolution has no limits.

Being digitally present with your brand and products, with a complete customer service, is a decisionmaking factor for the purchase. At this moment, the importer company figure is practically outdated, and a new player is born, the company that “makes the product arrive” directly in the consumer’s hands.

This new player will connect your brand/product to all Brazilian marketplaces, and create the local ecommerce version with full service to all buyers, either companies or individuals.

Any new product launch or spare part will be a few days away, products that have recurring payments, as they also offer services, there will be the Brazilian version not only of payment methods, but also of consumer interfaces.

The idea of putting products in containers, and only reselling them in Brazil is outdated, the digital presence, the pre and post sales service, the possibility of acquiring the entire line of products and services that give the brand identity is the new form of distribution, this process gives the possibility of brands that have never had the chance to be marketed in Brazil, to be present in this country without ever having left their country of origin – a unique opportunity

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The Dealer's Role in Marketplaces:

Many companies in the United States elect other companies to take care of their e-commerce, or they feed offers on Amazon in the United States, when they do not create their own department for this function.

These companies, in turn, function as the brand's new wholesalers, which, instead of focusing on B2B sales on demand, focus on distribution to consumers through the brand's sales website and Amazon sales.

They are focused on performance and ranking of products advertised on marketplaces, playing a digital and logistical role.

When it comes to AliEpress, we have the same behavior. Sellers have this digital function and are always open to new international markets, to increase their sales and, as a consequence, better purchase prices.

The outsourced seller is the new wholesaler of the digital world, and the figure of the old wholesaler is dissolving as distribution models migrate to the digital process.

If the company or brand assumes this role in its sales department, it creates a hybrid model, manufacturer/ wholesaler, so that it ends up being able to sell unitarily to consumers.

Today, marketplaces have the option of discount offers for purchasing in quantities, demonstrating their intention to take up the B2B sales model.

The old model (Manufacturer -> Wholesaler -> Retailer -> Consumer) is giving way to the model (Manufacturer -> Marketplace or brand store -> Consumer), if the discount offer for bulk purchase makes sense.

If we go back in time, I remember that manufacturers and brands had the same fear of channel conflict in the B2C model, and where did this fear go? It disappeared with the change in the distribution model.

B2B Marketplaces are already a reality. According to James Smith of Gepard.io, the top ten and biggest ones are the following:

1. eWorldTrade:

In the list of growing B2B marketplaces is eWorldTrade. It is among the top recommended platforms that are working exceptionally. They have catered to above 500,000 registered users. This platform is specifically designed to cater to customers with fast, reliable, and easy trade transactions.

It is one of the most transparent platforms, having millions of buyers, sellers, and wholesalers under one roof. eWorldTrade has the mission to make B2B business fast and hassles-free by overcoming all the challenges. They promise to deliver businesses with high-scale profits and visibility. They are striving to bring out the best trading solutions.

2. Amazon Business:

Amazon Business operates in more the 14 countries and has a great workforce that works impressively. One of their key identifications is their exclusive discounts and quantity discounts. You can also use their different shipment offers such as business prime, free shipment (on orders of above $25), and Amazon Fulfillment.

They have allowed multiple payment systems to ease the shopping process and exempt tax. They allow their clients to find brands through sponsored ads. Amazon Business has partnered with Delivery Service Partner (DSP), providing vans to SME businesses.

For the high-load businesses, distributing their product content to Amazon might be problematic. Here's where the Gepard to Amazon smooth integration helps. Amazon Selling API connection is open to anyone and empowers businesses with pricing and inventory control, various fulfillment options, and more business insights.

3. Global Sources:

Catering for more than 50 years, Global Sources is one of the internationally recognized B2B platforms. They tailor with the best B2B solutions and connect

with authentic buyers and sellers. On their platform, you have easy access to products through their Find Supplier Online.

In the year 2019, they launched Global Sources Electronics Indonesia, to enhance the connection in the

Asian market. From analysts' choices to ready-to-order, Global Sources have everything. Users can also go for Recommended Suppliers, where there are verified suppliers.

4. DH Gate:

On the DH Gate platform, you can easily find Chinese goods. The goods range from electronics, ornaments, clothes, and other wholesale consumer products. They enable businesses to come and join them to have a hassle-free business experience.

Catering up to 2.2 million sellers, you can find the easiest solution for your business under one roof. They are efficient in providing secure payment, escrow protection services, and logistic solutions.

5. HKTDC:

On HKTDC, you can search for high-quality products in smaller quantities. You can also compare prices and the minimum purchasing quantity to have direct and rapid communication with the supplier. This feature of HKTDC is called miniature Command Zone Small Command Zone.

On the website, you will be able to find all categories of products integrated at the top of their homepage. They maintain respect, trust, and openness with their clients. For a smooth business process, the platform helps in organizing face-to-face business meetings.

The trend is that the entire B2C digitization process that we have seen in the last two decades is transferred to B2B.

These marketplaces have already realized that exporting, in the cross-border model. It is the natural path to growth, as it is much easier to grow with differentiated products for a needy market than to compete in the same market with the manufacturer itself, or with B2B Sellers.

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For Your Brand or Product Only:

There is a difference between the manufacturer or brand directly participating in a cross-border operation, then allowing the outsourcing of this process through international marketplaces.

It is not just a matter of price, or discount that could be marked, but the service that is behind each purchase by a consumer, the guarantees offered, the technical assistance that must be in accordance with the Laws where the sale is processed.

Selling is just the first step in a market, if subsequent steps of the after sale are not validated, the brand will be hurt and depending on the amount sold, the process can be irreversible.

When the brand or manufacturer elects an interlocutor for the cross-border process, coordinating sales processes, digital marketing and branding, success is inevitable.

For this reason, this new export strategy must be taken seriously, just like e-commerce, which was not part of the life of companies before, like social networks and Google, which are now the object of study and vehicles of strategies.

Vitória ES

Pure and Mixed Cross Border:

Cross-Border Strategy Models:

Pure Cross Border:

This model is the starting point for all brands that want to participate in the Brazilian market, without any local experience.

Basically, as orders arrive on the e-commerce platform in Brazil, they are passed on to the Manufacturer or distributor individually, or in batches, to a warehouse responsible for the individual preparation of each delivery, which will later be shipped for consumers in Brazil, in the United States, China and Europe.

This model allows the entire catalog of a brand to be offered, without restriction, increasing the offer and valuing the concept to be transmitted to consumers.

With the digital presence properly “climatized” for Brazil, confidence in the acquisition process is ensured since the guarantee and technical assistance are offered.

Mixed Cross Border:

The presence of the brand in a restricted way makes market giants in some countries have a timid presence in Brazil, which consequently causes a repressed demand. This could be perfectly complemented by the cross-border.

In this way, the brand could market products that have stock in Brazil, and those that do not (direct import), testing new product possibilities, which, if they reach a satisfactory level of sales, can evolve into local stock, if it is advantageous.

Besides, inventories can be kept in Brazil in bonded areas called Dry Port, and as consumers carry out their purchases, they are released for direct delivery.

The Dry Port model has pros and cons, like everything else in our lives. Despite

the freight being consolidated, reducing the cost by the quantities, the storage value is always greater than that of a common warehouse. On the other hand, the delivery is much faster, as well as the customs clearance process.

Fernando de Noronha

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How to Choose the Right Cross-Border Partner for Your Business:

The most important thing in choosing your cross-border partner is the validation of compliance, questioning the methodology of the direct import process in relation to customs taxes.

There is no magic method, shortcut or move to avoid paying taxes in this process in Brazil. The import tax of 60%, as well as State Tax, called ICMS, is due. If there is no proof of payment of these amounts, a tax liability will be created that will reflect, sooner or later, in the process of selling and distributing your product, throwing all the investment made in the process down the drain.

Another fact is the sending of values from Brazil abroad, which must be carried out by an exchange agent authorized by the Central Bank of Brazil, whether this is a Bank or a Brokerage with a well-known name, or your company will not be able to prove money laundry.

If the sale value in any marketplace is paid in Brazil to a local company, this must be an eFX of the Brazilian Central Bank, that is, a “payment facilitator”, which is audited by the exchange agent, or directly by the Central Bank.

It must have policies like KYC - Know Your Customer and validation with organizations like OFAC Sanctions List, for example.

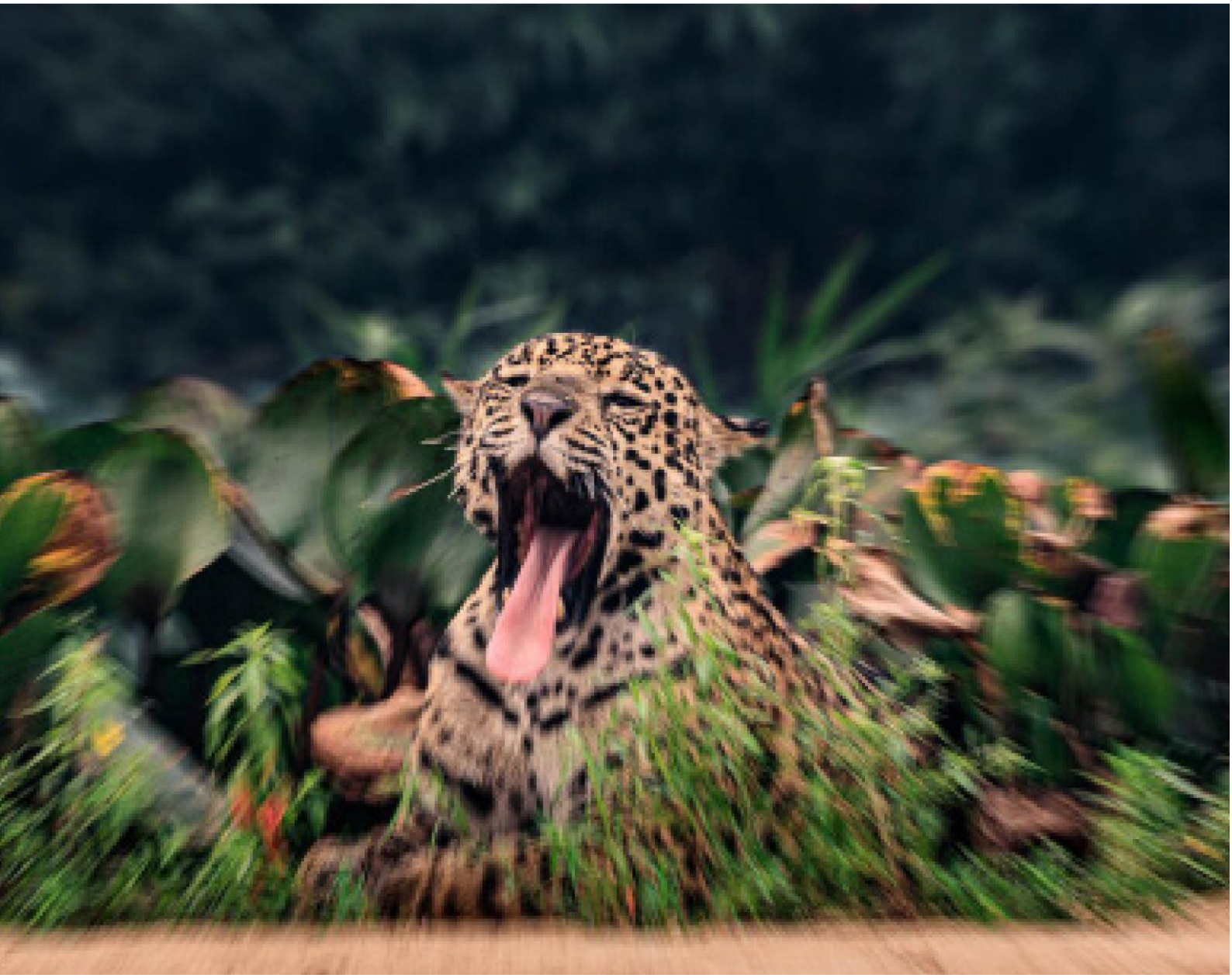
Only after the analysis above, should the commercial part of the process be analyzed: in which marketplaces the products will be exposed, and which pricing policy should be adopted for each of them, since the sales commissions they charge from sellers vary between them.

As Brazil has a tax rate, whether in the Formal Import or Direct Import model, both explained above, and it practically doubles the value of the product when nationalized, it is crucial to understand that the discount to be offered to the Brazilian market must be considerable, so that the products are competitive, and the process reaches qualitative sales maturity.

Carefully format the technical assistance process, with spare parts, and validate with your local partner, verifying their ability to offer a good service to consumers.

In short, you should look for the strategy of gaining market safely and not just selling. A single sale, from a single order, can increase in geometric progression when the compliance rules of the destination country are met, but a container sold to the wrong company can destroy your brand in this same country.

Pantanal



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Brazil Border LLC:

In 2016 we founded BRAZIL BORDER LLC in Florida, US, to become an exporting company in the crossborder business model, that is, exporting to Brazilian consumers, either people or companies, products manufactured or stored in the United States.

With that, we facilitated the contact with international companies, in the logistic and acquisition process.

Apart from that, we inaugurated our own courier service – bbexp.com.br - with flights that can be on a daily or weekly basis from Miami to São Paulo/Guarulhos, already with the customs clearance and last mile delivery in the process.

In São Paulo, we have a subsidiary company of Brazil Border - PCChacur, which performs the entire sales process control operation, integration with marketplaces, creation of e-

commerce platforms, guarantee of products sold, technical assistance and everything necessary for the after-sales.

The Consumer's feeling is as if they were purchasing products in Brazil, since prices include customs taxes and shipping, with local contact, by email, phone or WhatsApp.

The company is not a B2B export, but a complete setup for the export process with sales intermediated by the largest or best Brazilian retailers, with the option of creating an online sales channel specific to your brand or product.

Obviously, orders are passed on to suppliers on a unitary basis, but nothing prevents an inventory from being carried out in the warehouse in Miami so that the delivery process becomes even more efficient.

The entire ecosystem created is geared towards the Direct Import model, including Digital Marketing, outside and inside the local marketplaces. With this structure, your business can act locally without being in Brazil, with an instant time to market, with the possibility of translated manuals, videos with subtitles, or all the local adaptation necessary for Brazilian consumers.

(The security of negotiating with a company in the United States is very important, as it does not bring risk in any sphere, whether financial or compliance, respecting all the premises of a 100% legal process, both in Brazil and in the United States.

With our new Branding sector, your brand, product or service, has a local and unique highlight, with compatible strategies, and the best: without any cost, because our business model is about sales and not about service provided.)

We understand that our investment in service to create your cross-border, demonstrates that the business model works.

Now, with all this information, not only the process is evident, but also the scalability that it can achieve without risk.

Introducing myself:

II was born in São Paulo, 1962, Brazil, my father and mother was also Brazilians, I started my first job with 15 years old at companies family founded in Brazil in 1918 - Passamanaria Chacur Ltda.. www.chacur.com.br . I studied at http://www.colegiodante.com.br/ Colegio Dante Alighieri, since I as 5 years old, then at 18 years old I come into FAAP university, http://www.faap.br/, at Business Administration. A t 21 years old, I start programming and admire Computer Science, so in 1997 I founded in São Paulo a hosting company for web sites.

That hosting company turned into an e-commerce company where I had the opportunity to work with many companies, offering strategic e-commerce consulting, tax adviser, logistics, payment solutions, like.

- TIM BRASIL TELECOM - e-commerce
- CLARO TELECOM - e-commerce
- POSITIVO COMPUTERS - b2b/b2c ASUS ELECTRONICS - e-commerce
- ALCATEL MOBILE - e-commerce
- ELGIN APPLIANCES - e-commerce SINGER SWING MACHINES - e-commerce • BASF CHEMICAL - b2b
- SCHNEIDER ELECTRIC - e-commerce VICTORINOX ARM KNIFES - e-commerce
- CALOI BIKES e-commerce
- BOSCH CONTINENTAL APPLIANCES - e-commerce CONTEM 1G COSMETI

CS - e-commerce

- RENAULT AUTOMOBILE - b2b
- MAGLITE FLASHLIGHTS -e-commerce ROCHE PHARMACEUTICAL - b2b
- FENDER GUITARS IN BRAZIL - consulting
- KLUEBER OIL COMPANY- e-commerce BAYER CHIMICAL - consulting
- SÃO PAULO ALPARGATAS - e-commerce
- GROUP SEB (ARNO BRAZIL) APPLIANCES - e-commerce

  EPSON - e-commerce strategy
- BRITANIA APPLIANCES - e-commerce
- BANCO BRADESCO - payment/billing consulting
- CIELO (CARD INDUSTRY PROCESSOR) - payment belling consulting
- FEDEX (RAPIDÃO COMETA BRAZIL) - CLARO MOBILE OI TELECOM BRAZIL -

e-commerce

- SONY ERICSSON BRAZIL e-commerce
- ENDEAVOR BRAZIL - consulting for young entrepreneurs

ww

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