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Review Article

The Green Beaver Company Expands and Operates a Challenging Global Supply Chain Implementation Plan Strategy to Brazil- A Case Study on a Canadian Company Towards Export Perspectives

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Abstract

Green Beaver is an export dominated entrepreneurship. It believes their business will rapidly evolve and plans to expand their business into other countries. To grow into international markets, they have partnered up with Export Development Canada (EDC). Green Beaver's export implementation plan is getting very much competition to enter Brazil. It has six stages of exporting, including creating an organization, seeking information on the export market, creating an export marketing plan and assessing risks, assessing regulations, creating export operations, and finally implementing it all. In global perspectives, it carries a challenging operation strategy to implement expected turnover.

Keywords: Global; Export; Operation; Strategy; Implementation

Introduction

The Green Beaver Company is a Canadian company founded in 2002 by Karen Clark and Alain Ménard. Ménard was a microbiologist, and Clark was a biochemist, and their mission is to create household and personal care products that are environmentally friendly and support a sustainable lifestyle [1]. Currently, they sell products such as deodorants, shampoos, creams, toothpaste, and cleansers in approximately 1000 health food stores. They use organically sourced ingredients found in Canada to manufacture their products and avoid harmful chemicals found in most retailers' products [5]. Their manufacturing facility is located at 760 Tupper St., Hawkesbury, ON K6A 3H2, and the global markets that they currently export to are the United States, China, Hong Kong, and Taiwan. 90% of Green Beaver's sales are from Canada, and 10% are from international markets [6].

Export implementation plan

Step 1: Preparing for export

The need for upper management

For Green Beaver to be successful in exporting, there must be a key success factor indicating why exporting will benefit the company. This statement should be established in a corporate document by the export manager [18]. By expanding the business abroad, Green Beaver will gain exponential growth as pharmacies and grocery stores request more natural and organic products to sell. Green Beaver's founders state that they are expecting a significant increase as those markets are growing rapidly. Ménard's research shows that the majority of the products in stores are imported from Europe and the United States, yet none from Canada [2].

An organization for export

Some factors to consider when moving business overseas is if the company has the overall market knowledge in the foreign country and if they have any support from the domestic and host governments. Green Beaver took part in the federal government's Accelerated Growth Service program, allowing them to partner up with EDC. This program is dedicated to economic development, innovation, and science. Advisors are there to stimulate and encourage the growth of the company. Green Beaver deals with a U.S. distributor, which makes it riskier. Menard invested in credit insurance to protect the company in the instance that a customer defaults on a payment. They also took part in EDC's Export Guarantee Program because of the lengthy processing times when an order is placed; this program would help them with some additional money. Moreover, Green Beaver has also worked with the National Research Council of Canada, Industrial Research Assistance Program, and Business Connection Program to assist potential future markets [6].

Duties of the export manager

For the exporting plan to Brazil to be successful, the export manager must be highly skilled. They will be responsible for the export division and solve any problems that arise. Some of their duties include:

- Prepare resources for export
- Hire and train additional staff to handle any new or other export business: Hire staff with a Portuguese background or an interpreter (some staff will be working in the local office in Brazil, further explained in Step 4 [20].
- Handle the level of controls of marketing: Conduct market research and planning
- Manage marketing activities: TV advertising, sponsorships, trade shows, etc.
- Determine foreign agents, partners and modes
- Order taking and processing
- Negotiate contracts [7]
- Documentation: The exporter manager will work with the freight forwarder
- Finance and Insurance: The export manager will work with RBC and freight forwarder
- Shipping and Delivery: The export manager will coordinate with the freight forwarder
- Attain good relationships with home and host government officials and customs brokers.

Step 2: International market research

Market trends

The key market trends in Brazil are focused expenses on R&D and, not surprisingly, an advertisement with some competitors highlighting the "emotional" connection on digital advertising instead of "conventional" methods [22]. With Covid-19, the rise in digital purchases has dramatically impacted the industry.

The distribution network has improved, allowing growth in the market. Distribution has been steady for luxury products in specialty or exclusive stores [8]. The rise in e-commerce has been a formidable competitor in providing premium products directly to more consumers [22]. This steady growth in improved distribution channels has been attributed to the increased sales of personal care products.

Brazil e-shoppers "increased by nearly 37 percent in 2020, while the total orders through digital platforms reached over 300 million that year" [11]. The upward trend in digital purchases puts the Green Beaver Company in a competitive position with their established website that enables consumers to make online purchases. Digital purchases have made a significant impact on market penetration [9].

Target market

The target market that would benefit Green Beaver's business model is environmentally friendly consumers that are looking for natural products to fit their lifestyle. Brazilians are well known for paying close attention to their physical appearance [11], which plays a significant role in deciding the correct market.

Those who tended to lean towards the healthier lifestyle and consumers of organic food tend to be "women, with higher education level, are older and aware of the benefits provided by this type of food to their health and the environment, and who are willing to pay more" [21]. Marketing to women who are aware of the many benefits of a healthier lifestyle would be advantageous to Green Beaver Company. Moreover, according to [4], "organics were bought at least once by 75.9 percent of upper and higher-middle class families, by 49.1 percent of middle-class families, and by 39.5 percent of families belonging to the lower-middle classes". The focus should be on consumers who can understand the benefits of healthier food and who have the means to purchase at a higher price point [10].

Purchasing behaviors and motivators

While the trend for healthier options and lifestyle are increasing, "the high price, difficult access, irregular supply and availability of products in few establishments were highlighted as the main limiting factors for not consuming organic food, with a higher average for the high price" [21]. This has a great impact on the barriers that foreign players may need to consider. The study further notes that the drive to choose organic food was that "they were tastier, more nutritious ...contributing to improving quality of life and being healthier" [21].

The demonstration of consumers leaning towards a healthier diet with fruits, vegetables and natural products was observed in a study, but "Some participants did not know what the term organic meant, and most of them think that organic products are still costly, are not easily available in the supermarkets" [29]. The lack of education and exposure to such a lifestyle can be detrimental to the market's growth. Consumers want to be healthier but lack the knowledge, and financial constraints can play a crucial role. The study further suggests that more information on the benefits of organic agriculture has to be passed on to consumers in order to contribute to higher consumption of such products" [29]. Motivation may be further enhanced if consumers were educated on what organic products are and how they are cultivated. This step may be vital in expanding the market [12].

A study highlights that "Brazilian consumers of organic products look for stores that offer quality products, convenience, and low prices, which are characteristics that are mostly found in supermarkets; however, trade fairs more closely meet consumer demand" [4]. This trend in purchasing at trade fairs and the usual supermarkets reflects the positive demand for organic products.

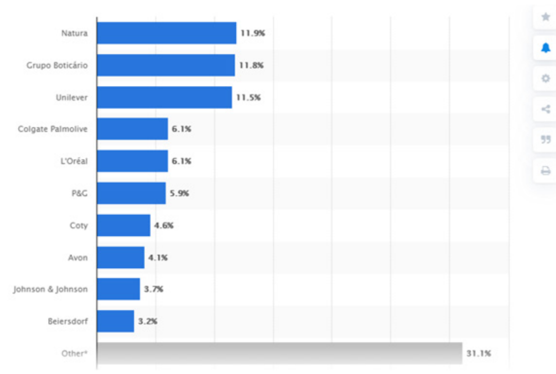
Industry competitors

Although there are many beauty companies in Brazil from foreign countries, it appears that domestic companies dominate the market. In 2020 the top domestic player Natura and Co's "net revenue rose by 76 percent despite economic effects of Covid-19" [11]. Another domestic player is Grupo Boticario, with brands Beautybox and Quem Disse, for example, which had an upward trend in revenue in 2020 [13].

International players are entering Brazil with expansion and acquisition as their strategy to garner market share [15]. Expertise in distribution networks gives a competitive advantage to expand Brazil's growing demand for personal care and beauty products. 2019 distribution chart (See Appendix A) for personal care products reflects Unilever's comparable market share to the top two domestic leaders. Colgate Palmolive and L'oreal do not fall too far behind [30].

Appendix A

Figure: Distribution of the cosmetics and personal care market in Brazil in 2019 (Statistica Research Development, 2019).



Doing business in Brazil

When doing business in Brazil, Green Beaver should create strong relationships with potential customers/partners. To establish a good relationship, it is important to remember businesses in Brazil negotiate with people, not companies. Having face-to-face interactions is necessary when discussing business matters [14]. Brazilians prefer to establish an ongoing working relationship, ideally with multiple visits and meetings. Brazilians also take pride in their work and control; therefore, reacting poorly in any way will result in a bad look as a business. All negotiations are to be discussed during lunches or meals, not necessarily during meetings. Brazilians business is structured hierarchically. A long wait time is expected for a final agreement as the highest executive makes the final decision. Brazilians see Canadians as very trustworthy and honest; therefore, Green Beaver should use this to an advantage [16].

Step 3: Creating an export marketing plan and assessing risks: INCO terms

The marketing plan

Product strategies

The Green Beaver Company creates healthy and organic products without chemicals, preservatives, fragrances, dyes or any other potentially harmful ingredients. The company formulates products that are effective and environmentally friendly. Back in 2002, when Green Beaver first started the business, they only sold natural deodorants without aluminum and toothpaste. Today, they sell around 86 products. Their product selections include shampoos, conditioners, body washes, lotions, soaps, sunscreens and many more. Their uniqueness is presented by incorporating 100% organic ingredients within their products while also ensuring natural methods. All products are non-GMO, gluten-free, vegan, biodegradable, cruelty-free, free of Sodium Lauryl Sulfate, artificial fragrances, dyes, phthalates and parabens [11]. Though many other companies label their products as "organic" though still containing synthetic products, Green Beaver is fully transparent and always ensures that their quality and safety are not compromised [17]. In addition, Green Beaver also holds a major certification and Ecocert. Based on international marketing research, Brazilian consumers are highly concerned about certified products, therefore having an organic certification will add to the value of the product's uniqueness [18]. There are a large number of companies that sell organic foods in Brazil; however, a small amount sells actual organic products. Brazilians also perceive Canadians as honest and trustworthy; therefore, the company will utilize this as an advantage by assuring the potential consumers of the authenticity of the organic products. Green Beaver will tackle this segment with unique features and will use that as differentiation as a basis of competition.

Pricing strategies

To maintain a high-profit return when exporting to Brazil, pricing strategies should be established. Price is a big factor when perceiving the uniqueness of the product in the export market [19]. Cost advantages help provide a unique method of production which can help with price advantage. A production advantage that Green Beaver possesses would be the increased operational efficiency. The majority of its employees have been a part of the company for an extended period of time. These employees have mastered the manufacturing facility and have a high level of training. This has increased efficiency, increased production, saved time spent developing the products and eliminated errors and reduced production costs. Moreover, Green Beaver should issue a two-tier price tactic on their products. Based on international marketing research, consumers of organic foods and products are willing to pay more, given the benefits to their health and environment. The company will first penetrate the market, build a strong market presence, and charge at a premium price point. Based on research, Green Beaver will be the only Canadian personal care company that will sell in Brazil; therefore, it is important first to test out the demand and work towards charging more. A premium price point will be issued because they also provide uniqueness in the Brazilian market, specifically towards the personal care niche. This creates the uniqueness of exclusivity, which will allow the company to price at a premium. By charging at a high price point, Green Beaver will be able to generate a high-profit return.

Distribution strategies

Green Beaver is a certified company that sells 100% organic products, all manufactured in Canada. These features help perceive the uniqueness of the company's products in the export market. Therefore, the company must choose to keep control of the distribution and contract a foreign agent with technical capabilities to represent the company's products in the export market. When exporting to the US or China, the Green Beaver Company has contracted an international distributor (ID). This is because the company has gotten prior requests from partners in those markets. Since they are exporting to a foreign market without introducing potential affiliates, Green Beaver should hire a foreign agent to help guide them in the right direction with possible candidates and promotional and sales activities [22]. The company will still have ownership, have a say with marketing guidelines, and the agent will help the company find prospective customers. Moreover, building partnerships in Brazil is key to having a successful long-term business. Therefore, contracting an agent will also allow the company to create personal relationships with its customers and ensure long-term success [23].

Promotional strategies

Promotional tactics are essential as they can make or break Green Beaver's success in the export market. As stated before, the company will be hiring a foreign agent to help with all promotional activities. Firstly, focusing on cultural norms and regulations and the uniqueness of the products will aid in the promotional activities as it will show how the company is perceived. Green Beaver will pivot towards television advertising as it is the way to reach the entire population of Brazil. The majority of the public watches television, especially fotonovelas and sports. The promotions will focus on the ideas of being "true" and "transparent," which will be enforced by utilizing Canadian culture, the use of organic products and implementing ways to be environmentally friendly. Because Canadians are also perceived as honest individuals, this will leverage the accurate perception of Green Beaver's products in Brazil.

Brazilians often think of moose, beavers, maple syrup, and these ideas will be incorporated into the promotional activities [24]. Furthermore, highlighting the common and well-known organic products in Brazil will assure reliability. Excessive scientific vocabulary will not be used as it tends to confuse and non interest consumers. Products will also be registered with the National Sanitary Surveillance Agency (ANVISA), which will, later on, be discussed. To strengthen this promotional strategy, sponsorships of major sporting events, specifically towards soccer, will be enforced, and celebrity endorsements, more focusing on famous athletes and actors. In addition, Green Beaver will be attending and participating in trade shows to promote the business, review competition and further expand on market research. Consumers of organic products in Brazil seek out stores that offer high-quality items, convenience, and reasonable pricing; nevertheless, trade fairs are more closely aligned with consumer demand [4]. Brazilians prefer face-to-face to any other type of communication as it allows them to know the person [3]; thus, trade shows will allow the company to build strong and personal relationships with potential customers and partners, which will help increase the company's profile.

Keys success factors

Transportation mode

Exporting internationally consists of four types of transportation: road, sea, rail and air. The main methods to transport Green Beaver's products will be both road and sea. Green Beaver already utilizes road transport when moving products within Canada and the US. Using roads and sea is the most cost-effective way to transport the products. More importantly, the company will hire a freight forwarder to help mitigate any risks and help manage the shipment of the products. Freight forwarders will provide a point of contact for all shipping processes, such as negotiating rates, coordinating pick-ups and deliveries, submitting documents and reporting customs. The freight forwarder that will be hired will be Latin American Cargo. They are a well-known international shipping company that specializes in cargo transportation to and from Latin America. Their ocean transportation covers all major ports in Canada. When exporting to Brazil, Green Beaver will first use a truck to carry their products from the manufacturing facility to the Port of Montreal (see Appendix B). Port of Montreal is already a standard port to Green Beaver as it is the closest to their manufacturing facility, and they transported products to other global markets like China. Then, Latin American Cargo will arrange all shipping processes and be transported to Santos Port. Green Beaver will also use LAC's ground transporting services to carry their products to buyers [25].

Packaging and labeling for shipment

LAC offers two types of containers, 20 ft and 40 ft. Green Beaver will use a 20 ft full container load (FCL) as it is the safest and most cost-effective shipping method. The company will have complete control of the container; it will not be shared, and only the company's goods will be packaged. The company must package and label all products to avoid any damage, careless storage, rough handling, thieves or weather. To avoid any breakage of any products, it is essential to package the products with solid materials. Because most of Green Beaver's products are liquid, the goods must have a double seal and padded packaging. In addition, since moisture and weather are a common concern when shipping overseas, the products must be waterproof. Since Green Beaver's products are already waterproof packaged, moisture does not raise any concern, though it is crucial to prepare for the worst. When shipping, packages must be labelled appropriately with directions on how to handle the goods (see Figure B2 in Appendix B) and labelled with proper handling marks.

Appendix B

Distribution Strategies

Figure B1: Green Beaver's manufacturing facility to Port of Montreal.

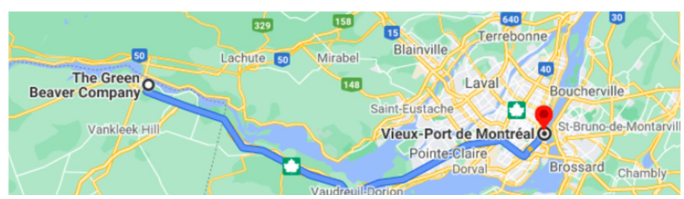
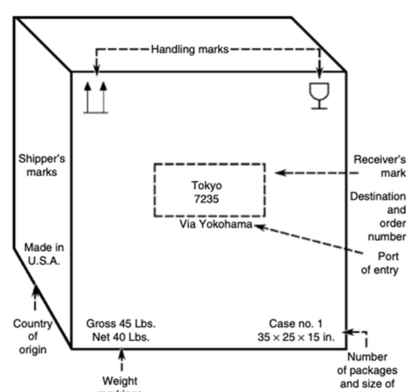


Figure B2: Sample of Markings (Nelson, 2009).



Finance

It is essential to establish financing options to ensure the Brazilian transactions are secured and guaranteed. When Green Beaver first decided to expand to global markets, they were introduced to Export Development Canada (EDC) through the federal government's Accelerated Growth Service (AGS) program [6]. Because they were dealing with international distributors, they wanted protection. Alan Menard, the founder of Green Beaver, stated that to mitigate any financial risks, they use credit insurance to help protect the company if a customer defaulted on a payment [6]. Green Beaver also made sure to utilize the Export Guarantee Program, given that it takes roughly around 3 to 4 months to ship their products entirely. This ensures they are guaranteed extra cash flow. Essentially, the company will do the exact procedures when doing business in Brazil. Fortunately, two EDC regional offices are located in São Paulo and Rio de Janeiro, co-located with the Canadian Consulate General in both cities. It will be easy to coordinate with as Green Beaver will be opening a local office in São Paulo. Moreover, the company is already a Royal Bank of Canada (RBC) client and a part of RBC Global Connect. RBC Global Connect ensures that payments are received quickly and securely. RBC offers foreign exchange solutions and will aid through the processes of receiving payments in foreign currencies. To collect payments, a letter of credit will be issued by the buyer's bank to guarantee that the company will be paid for the products that have been transported according to the letter of credit's terms [26].

Contractual obligations and agency agreements

This part of the export process will briefly discuss an overview of the components and considerations within the international contract. Reaching an agreement with a Brazilian partner will be the next step. The primary language of communication will be Portuguese. The export manager will coordinate by hiring employees with a Portuguese background and an interpreter. Though many businesses in Brazil speak English, their native language is preferred as that is the language of choice when negotiations are conducted. Green Beaver should focus on creating and maintaining personal relationships with Brazilian partners as they value that the most. Moreover, in Brazil, the currency used for international trade is US dollars; therefore, it will be used for payments. The minimum order quotation will be provided to the buyer and will proceed with negotiations. After negotiations, the buyer will issue a purchase order, and Green Beaver will issue a pro forma invoice [27]. The company will be hiring a foreign agent; therefore, an agency agreement will be issued to help mitigate risks. The agency agreement will be in writing and will list the rights and responsibilities.

Assessing risks

Conducting business internationally comes with risks; therefore, it is important to analyze any potential uncertainties and evaluate how to mitigate them. There are externally and internally driven risks that are identified as financial, strategic, operational and hazardous. When exporting to Brazil, there are different external risks that Green Beaver is bound to face. Common external risks could include financial risks. Essentially, Brazil has experienced an economic crisis that has impacted business and consumer demand. This resulted in a significant decline in Brazil's currency, thus potentially lowering Canadian goods' purchasing power. This means the economic fall might raise the price of Canadian goods for Brazilian consumers, thus reducing its purchasing power [15]. This can potentially delay Brazil's infrastructure plans. Though, given the fact that Brazil is the largest economy in South America, its plans are said to assist its recovery. Green Beaver must look to do business with Brazil long-term. They should focus on creating solid partnerships with Brazil as it will help long-term success. Another financial risk that Green Beaver will face will be Brazil's complex tax system and high tariffs. Green Beaver should be aware that Brazil has one of the highest tax rates in the world [26]. Imports to Brazil are subjected to federal and state tax fees, which may double the costs of imported goods [15]. For Green Beaver to manage the tax system correctly, it is advised to pair up with local partners or legal firms. Moreover, Brazil is known for having unpredictable tariffs. Brazil may raise its tariff rates which can cause uncertainty for Green Beaver (see Appendix C for an estimated cost breakdown.).

Moreover, external risks Green Beaver may face are strategic risks. Dealing with customers or partners' changes may impose some risks as they decide to cancel the shipment. Brazil prefers doing business with Brazil. It is a more effortless transaction for companies to work with locals as it benefits their economy. Local companies find it challenging to deal with foreign companies. Therefore, Green Beaver should determine a highly beneficial and trusted partnership. As stated before, they must establish strong relationships with Brazilian businesses. When finding the right partners, working with export development organizations is essential. Luckily, Green Beaver already works with EDC. EDC has already

Appendix C
Estimated Costs

Description	Product Canada	Product Brazil
F.O.B	100,000.00	100,000.00
Freight:	2,000.00	
Insurance:	510.00	
Capatazias / THC	182.18	
CUSTOMS VALUE:	**102,692.18**	**100,000.00**
Import Tax (Ex: 15.00%)	15,403.83	
IPI (EX: 12.00%)	14,171.52	16,494.85
PIS (Ex: 1.65%)	2,395.03	2,268.04
COFINS (Ex: 7.60%)	11,031.64	10,446.74
ICMS (Ex: 18.00%)	31,994.39	24,742.27
Warehousing	667.50	
Collect Fee	68.32	
SDA (Custom's Broker's Union Fee)	293.64	
Custtoms Brokerage Fee	300.00	
Storage	300.42	
Warfage	182.04	
AFRMM - Merchant Marine Tax	548.05	
Siscomex Fee	26.36	
Bank Charges (1 to 3% of FOB)	2,000.00	
TOTAL	182,074.90	153,951.90
Landed Cost Ratio	182.07	153.90

Table: Estimated Cost Breakdown of US$100,000 goods exported from Montreal (The Canadian Trade Commissioner Service, n.d).

The Import Duty or Tariff, is payable on the customs clearing of foreign goods into the country, and its rate may be increased or decreased in order to meet the interests of the Brazilian economy.

IPI (Duty Over Industrialized Products) is the federal excise tax applied to all manufactured products, both locally produced and imported. Rates vary according to the type of good.

ICMS (State Tax - Tax on Circulation of Goods and Services) is a state-level value added tax applied to most products, both locally produced and imported. The average rate is 18% (as in the case for the main importing states of São Paulo, Rio de Janeiro, etc.)

PIS (Federal Tax - Private Company Employee Fund) Current rate: 1.65% or 2.30%

COFINS (Federal Tax - Social Security Financing Contribution) Current rates are: 7.60% or 8.65%.

helped them in the China and US market; therefore, it is certain that they will help by establishing a beneficial partnership in Brazil. With external risks, there also comes internal risks. One internal risk when exporting to Brazil can be an operational risk. Brazil has poorly developed infrastructure, and Green Beaver might expect delays in transporting goods. Brazil is ranked 108 out of 137 in infrastructure quality [32]. Therefore it is essential to prepare to spend a long time transporting the goods to customers.

INCO terms

When shipping goods to Brazil, it is vital to know the risks and charges that will be transferred to the company. This can be done by establishing INCO terms, also known as International Commercial Terminology. INCO terms are essential when conducting an international business as they can help exporters and importers understand the risk in a cross-border commercial agreement [28]. INCO terms will identify the risks between Green Beaver and the buyer throughout the shipping process, distinguish the costs between both parties, identify who is responsible for handling operations and establish the responsibilities for proper documentation and duty taxes. Moreover, Green Beaver must build a strong relationship with the buyer to negotiate a less risky INCO term. However, if the company cannot do so, they'd have to reach an agreement with a riskier INCO term. There are roughly 1000 INCO terms in existence; however, Green Beaver should focus on the most common ones (see Appendix D for a list of common INCO terms used during exporting/importing).

Appendix D
INCOTerms - Ownership and Risk

Group E – EXW – ExWorks: Limits liability of exporter to making goods available to the importer at the exporter's site.

Group F – FCA – Free Carrier: Exporter is responsible for delivering goods into the custody of the carrier named after the INCOterm.

Group F – FAS – Free Alongside Ship: The exporter is responsible for delivering the goods to a location immediately alongside a ship or boat.

Group F – FOB – Free On Board: the exporter is responsible for delivering the goods on board the transportation vehicle or ship.

Group C - CFR - Cost and Freight: ownership transfer occurs at the point of export, whereas cost responsibility transfer occurs later at the point of importation

Group C - CIF - Cost of Insurance and Freight: same as CFR except that it includes one more cost, the cost of insurance

Group C - CPT - Carriage Paid To: The ownership transfer occurs at the point the shipment is given into the custody of the first carrier.

Group C - CIP - Cost of Insurance and Freight for All Forms of Transport: the seller arranges not only to deliver to a destination place but also arranges cargo insurance, usually on behalf of the buyer

Group D - DAT - Delivery at Terminal: the seller arranges for the goods to be delivered to an agreed place of destination, on the agreed date or within the agreed period. The seller is responsible for unloading the cargo at that point. The importer imports custom clearance and post-carriage.

Group D - DDP - Delivered Duty Paid: Simply extends the responsibilities of the seller for all aspects of delivery to an agreed point to specifically including imports, customs clearance and important requirements as well as any duties and taxes.

The group of INCO terms that Green Beaver will follow are groups C and D, depending on their relationship with buyers. Group E will not be focused on, given the amount of risk it will put on the buyer. Being new to the market and looking for ways to expand, it does not seem ideal to use Ex-Works as it is the highest risk INCO term for potential buyers. Ex-Works carries the least amount of risk for the seller, but if new relationships are formed with importers, this may not be an option. It is strongly advised that a solid partnership be formed with potential buyers. If Green Beaver has established a good relationship with the buyer, the INCO terms from group C will be used. In addition, because Green Beaver will ship their products by sea, it is possible to use INCO terms from group C. Given that Green Beaver cannot develop a secure relationship, the INCO terms from group D will be used [29]. The potential INCO terms that will be negotiated will be:

- **CFR, Port of Santos, São Paulo, Brazil** - This INCO term is where Green Beaver is responsible for clearing the goods for export, delivering the goods to the freight forwarder with the addition paying all costs. When delivering them to the carrier, the risk will transfer to the buyer.
- **CIF, Port of Santos, São Paulo, Brazil** - This INCO term is similar to CFR with the addition of Green Beaver providing minimum insurance to protect against any lost or damaged goods. Green Beaver will negotiate with the buyer if they want to opt-in for a higher level of coverage.
- **DAP, São Paulo, Brazil -** Green Beaver is responsible for unloading the goods at the agreed destination from both parties. Green Beaver will bear the risk they reach the desired port, and from there, the risk shifts to the buyer.
- **DAT, São Paulo Brazil -** Green Beaver is responsible for delivering to the desired terminal, such as a warehouse or container yard. The buyer is responsible for import formalities and any applicable local taxes or import duties.
- **DDP, São Paulo, Brazil** - This INCO term is where Green Beaver will bear the most risk. They are required to deliver the goods ready for unloading to the agreed destination on the agreed date. In addition to that, Green Beaver must clear the goods for export and import and pay for all customs formalities.

Though INCO terms entirely depends on the relationship between the buyer, Green Beaver should look to focus on using DAT, São Paulo, Brazil. Green Beaver will be responsible for delivering and unloading the goods to the buyer's preferred destination, and they will be responsible for all importing fees. This will provide a competitive advantage within the domestic market and may secure relationships with potential buyers [30].

Step 4: Assess regulations and identify barriers to trade and how to overcome them

Personal care product regulations

Based on the International Trade Administration, Brazil's Ministry of Health controls pharmaceuticals, vitamins, cosmetics and medical equipment or any product that may affect the human body. Imported products sold in Brazil must either establish a local Brazilian manufacturing unit, Brazilian distributor or a local office [15]. Green Beaver will not be opening up a manufacturing unit because they want all products to be made in Canada to ensure its Canadian authenticity. Therefore, Green Beaver will be establishing a small local office in São Paulo, Brazil, which will be the same state where the majority of the business will occur. The export manager will be responsible for hiring employees to manage the office. Moreover, personal care products or products that can affect one's skin should be registered with the National Health Surveillance Agency or ANVISA (Agência Nacional de Vigilância Sanitária). ANVISA protects Brazil's health by enforcing sanitary standards in the manufacturing, marketing and distribution of products. Brazilian Ministry of Foreign Affairs controls its international sanitary surveillance from ports, airports and borders. Personal care products are divided into two different categories based on risk (see Appendix E for classification of degrees).

For products that fall under Class I do not have to register with ANVISA, but simply need to notify the ANVISA's website with a form providing basic information about the products. In most cases, products are marketed within one month of receiving the online notification [25]. Thus, Green Beaver can simply export their products as soon as the buyer informs ANVISA's website. However, products that fall under Class II will have to undergo a different procedure. Class II classifies products as more complex and must have proof of safety. Before Green Beaver exports its products, the importer must submit all products and be approved by ANVISA pri-

Appendix E

Table: Personal Care Products, Cosmetics and Perfumes ANVISA Classification (Global Regulatory Partners, n.d).

CLASSIFICATION	DESCRIPTION	EXAMPLES
Class I	➢ Products with basic or elementary properties ➢ They do not require detailed information on their labeling regarding their mode of use and their restrictions of use	➢ skin moisturizers (without sunscreen; except those for stretch marks), ➢ face cleansing creams, ➢ lotions, ➢ gels and oils (except those for acne skin), ➢ perfumes, lipsticks (without sunscreen), ➢ fingernail polishes, ➢ eye and facial makeup preparations(without sunscreen), ➢ eyelash mascara ➢ cleansing shampoos and hair conditioners.
Class II	➢ Product's have specific indications that require proof of safety and/or efficacy, as well as more information on their labeling on their mode of use and restrictions of use.	➢ children's products; ➢ sunscreen lotions and creams ➢ products for straightening ➢ curling and/or dyeing hair ➢ products for wrinkles ➢ antiseptic soap ➢ insect repellent products

or to going on the market. This process can take up to 60 days for the local agency to make the initial disclosure [25]. In addition to documents, the importer must pay a fee to ANVISA. Green Beaver must wait for ANVISA to publish a report regarding all products before they export.

Labeling regulations

The Brazilian Protection Code requires any imported products must present the consumer with clear and readable information regarding the product's quality, price, shelf life, origin and health and safety issues [15]. Products must also have information translated into Portuguese. When claiming and importing organic products, products are allowed a small percentage of chemical components, but the raw materials need to be fully organic [25]. ANVISA does not permit companies to advertise on any label that a product is an "organic product" [25].

Barriers to trade

Businesses exporting to Brazil are likely to face barriers that include tariffs and non-tariff. Brazil is known for being a challenging market due to its complicated system. Their high taxes, high tariffs, and complex tax system have created major obstacles. With personal care products falling in a highly regulated market, Green Beaver may find Brazil's regulations challenging. As stated before, Brazil applies federal and state taxes on imports, resulting in costs increasing exponentially. Furthermore, on December 7, 2018, the Brazilian Foreign Trade Council (CAMEX) issued Resolution 90, which establishes best practices for formulating and reviewing regulatory actions affecting international trade. The resolution encourages competent Brazilian regulatory bodies and entities to develop regulatory agendas, conduct regulatory impact analyses, evaluate regulatory alternatives, apply international standards, and hold 60-day transparent public consultations on all regulations with international trade implications. Essentially, it is to ensure that all regulations comply with Brazil's international trade commitments, notify regulations to the World Trade Organization (WTO) via the inquiry point, make evidence-based decisions, coordinate with other relevant regulators to ensure coherence and compatibility with other regulations, and review and manage regulatory stock [15]. To improve the execution of rules in Brazil, Casa Civil (the Brazilian Executive Branch) developed a Regulatory Impact Analysis (RIA) Guidelines and Elaboration Guide for Brazilian regulators in March 2018. The rules were written with input from all of Brazil's relevant federal regulatory authorities at the time, including the Ministry of Finance, the Ministry of Planning, the Ministry of Economy, and INMETRO. The agency promotes in charge of metrology and standardization in Brazil. Since then, the Finance and Planning Ministries have been merged into the Ministry of Economy. Brazil has been more open to consulting the business sector on new legislation frequently.

Overcoming trade barriers in Brazil

There is still a lot of permanent pasture in Brazil that can be turned into arable agriculture. Green Beaver has to cut logistical costs, enhance financing access, and better coordinate the various actors in the food chain to expand food production and exports. Because the food industry is becoming increasingly concentrated around the world, FDI may play a significant role in fostering the growth of this crucial section of the tradable sector. Promoting competition is essential not only for tradable but also for non-tradable sectors shielded from international competition. A non-tradable industry with high rents distorts resource allocation to the detriment of the tradable sector. Argentina, Brazil, and Chile's competition policies have progressed from enforcing competition based on private claims to advocating for competition and assisting in formulating regulatory reforms. On the other hand, Argentina, Brazil, and Chile still need to improve their competition policies and regulatory frameworks, notably in the infrastructure sector. In Argentina, Brazil, and Chile, the tradable industry faces numerous market restrictions. Tariff peaks and non-tariff barriers exist in OECD countries for homogeneous items in which South America has its primary comparative advantages. South America confronts natural market barriers for unique products due to the high costs of R&D and advertising. While trade agreements can help eliminate trade policy barriers, the only way to overcome endogenous market barriers is to join worldwide production networks through joint ventures, subcontracting, and, probably most crucially, foreign direct investment (FDI). Fixed or quasi-fixed exchange rate regimes in Argentina and Brazil have distorted the relative price between tradable and non-trading sectors in the past, pushing the economy's centre of gravity away from the tradable sector. Chile's experience with a more flexible exchange rate regime illustrates the opposite of these impacts.

Step 5: Create export operations: documentation, insurance and methods of payment

The Government of Brazil (GOB) is particularly strict with documentation regarding importing products in Brazil. Once the products have been shipped, Green Beaver and the buyer must send the necessary documentation for customs clearance and Brazilian customs. All documents sent are to report the INCO term type and value of the shipment, the amount of tariff to be paid, and who is responsible for that payment [20]. Before commencing any export operation, Green Beaver must know the methods and procedures to put any product on the market. Products can often get delayed for multiple reasons, even if there is the slightest error in the documentation. Brazilian customs will charge large fees and will be held at the border if documents are incorrect. Customs also has the authority to impose fines and penalties as it sees fit [15]. The GOB has set up a computerized information system to track imports and make customs clearance easier. SISCOMEX (Integrated System of Foreign Trade) is a platform that connects the GOB with agents that actively participate in export and import operations. Green Beaver must report the tariff classification in Brazil on SISCOMEX. Exporting to Brazil will have two categories of documentation:

- **Shipping documents:** Canadian and Brazil Export licenses, Packing lists, Bills of lading, Export declarations
- **Collection documents**: Commercial invoices, Consular invoices, Certificate of origin, Inspection certificates, Bills of lading [31].

Export documentation

Shipping documents will be prepared by Green Beaver and Latin American Cargo, the freight forwarder. Before shipping the goods, Green Beaver must send the original international documents to the importer in Brazil. A Bill of Lading must be provided as it contains all details regarding the freight shipment and invoice. An Order of Bill Lading will be used where each carrier will have the right of possession and will transport the cargo to its next destination without first being paid [19]. Shipping to Brazil, Green Beaver will most likely experience setbacks with customs; therefore, using an Order of Bill Lading will ensure that distribution will not cause delays. Furthermore, the following documents listed below are required when exporting to Brazil:

- Proforma Invoice: In which the price, INCO terms, payment conditions, freight and insurance are determined
- Commercial Invoice: It must be made under current law, Customs Regulations, Article 557, regulated by decree 6.759/2009
- Packing List
- Certificate of origin
- Certificate of Insurance
- Export license.

Import documentation

- Import license
- Commercial Invoice: It must be made under current law = Customs Regulations, Article 557, regulated by decree 6.759/2009
- Certificate of Origin
- ANVISA Documentation (Original document and copy of the Authorization Petition Form, Collection Form from ANVISA/ Ministry of Health).

Insurance

It is a risk mitigation process in international trade. Usually, exporters use it to mitigate risk by transferring obligations to an insurance company that will charge a premium for this service. It encourages and facilitates export imports of international goods and capital [16]. To have protection from any losses, Green Beaver will use marine insurance. Given that goods will be transported by sea, issuing a marine insurance policy will allow the company to be compensated in the event of any loss. In addition, insurance will help manage all risks and provide financial stability. Marine insurance will only be purchased on a one-time basis as Green Beaver plans to export on a less frequent basis [31].

Method of payment

Dealing with international distributors, Green Beaver had made sure to use credit insurance with all financial transactions [6]. Essentially, they used it for protection if a customer defaulted on their payment, in which they do not want to take that risk. When shipping to Brazil, it is important to ensure the same thing. There are multiple methods of payment to review (see Appendix F). The only payment method that Green Beaver will accept to protect themselves from any risk will be a confirmed irrevocable letter of credit. This form of credit ensures that the company will be paid. Accepting a simple letter of credit may be risky because even though the bank may agree to pay Green Beaver, the customer/importer can terminate their instructions to the bank and withdraw the letter of credit at any time. This could happen after the shipment has left the home country. In addition, depending on the buyer, Green Beaver will most likely use risky INCO terms; therefore, this payment method will not be negotiated. Eventually, as the relationship between the buyer develops, an open account will be considered [30].

Appendix F

Table: Comparison of Methods of Payment (Nelson, 2009).

(In order of decreasing risk to exporter and increasing risk to importer)

Method	Goods Available to Buyers	Usual Time of Payment	Exporter Risk	Importer Risk
Open account	Before payment	As agreed	Most: relies on importer to pay account	Least
Consignment	Before payment	After sold	Maximum: exporter retains title	Minor inventory cost
Time draft	Before payment	On maturity of draft	High: relies on importer to pay draft	Minimal check of quantity/quality
Sight draft	After payment	On presenting draft to importer	If unpaid, goods are returned/disposed	Little if inspection report required
Authority to purchase	After payment	On presenting draft	Be careful of recourse	Little if inspection report required
Letter of credit	After payment	When documents are available after shipment	None	None if inspection report required
Cash	After payment	Before shipment	Least	Most

Overall trade and investment budget analysis

Canada's trade and investment has a steady growth relationship with Brazil. In recent years, the major two-way foreign investment has established bilateral flows toward trade of goods and services. In this contest, Canada is currently in negotiations for a Free Trade Agreement (FTA) with the Mercosur trading bloc, in which Brazil plays a major role. Launched in March 2018, the Canada-Mercosur FTA negotiations continue to be a priority for Canada and Brazil. Brazil is Canada's third largest trading partner in the Americas after the U.S. and Mexico. Canada and Brazil totaled $7.7 billion in 2019 by merchandise trade. Top merchandise trade for Canada and Brazil include fertilizers (45.4%), machinery and parts (11.8%), mineral fuels and oils (7.1%), and aircraft and parts (5.9%). Canada's main merchandise imports from Brazil include inorganic chemicals, (27.1%), precious stones and metals (23.5%), machinery (7.7%) and iron and steel (4.7%). Services both ways trade in 2019 was $1.4 billion. Canadian direct investment in Brazil stood at $12.2 billion in 2019, making Brazil Canada's 15th largest destination for investment. Brazil's stock of foreign direct investment in Canada was $15.4 billion in 2019, making it the 10th largest investor in Canada. Brazil-Canada agricultural research bilateral Memorandum July 2020 is also a good outcome [31].

Step 6: Implementation

This export implementation plan has been created to outline the best way for Green Beaver to export to Brazil. After doing an extensive amount of research and analysis, Brazil may be challenging to navigate around; however, it is South America's economic powerhouse, and there is excellent potential for long term success. Green Beaver should be ready to devote time and energy to fulfill this export plan as Brazil will create big opportunities for the business [29].

Conclusions

The export implementation plan outlines all steps regarding the export process to mitigate risk at the lowest possible cost. It outlines all the preparatory steps, the international market research, a marketing plan while assessing the risks and identifying the INCO terms, the country's regulations, barriers to trades and finally, export operations. This plan simply outlines what to follow when exporting to Brazil. However, the company may face some other obstacles and possibly take a different route. It is essential to review and revise as time goes on continually.

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