



**UNIVERSITY OF AZUAY**

Law Faculty

International Studies with a major in Foreign Trade

**COMPETITIVE IMPROVEMENT PLAN IN PREPARATION OF THE  
INTERNATIONALIZATION OF THE COMPANY DACHIZ ZUHE C.A.  
IN CUENCA**

Undergraduate work prior to obtaining the degree in Bilingual International  
Studies with a major in Foreign Trade

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## **Dedication**

We dedicate this work with all our love to God and to the Virgin Mary, to our parents and to our brothers, for always being with us; to them, we dedicate our life, our work, and our achievements.

## **Acknowledgements**

We thank God and the Virgin Mary with all our hearts for being the ones who have guided us to the right path, who have protected us as their daughters and given us strength to continue and reach for our dreams.

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## **Abstract**

This community engagement project sought cooperation between academia, the public and private sector, to push the SME “Dachiz Zuhe C.A.” closer to a process of internationalization. In order to accomplish this objective, a complete diagnosis of the company was done based on tools provided by the “Ministry of Production, Foreign Trade, Investment and Fisheries.” Based on the results from the updated diagnosis and the relevant data of the current competitive landscape, an export audit was carried out, which made the most urgent needs apparent. Lastly, this competitive improvement plan focused on identifying key strategic factors and provides measurable and achievable solutions so that the company can enter the international market.



## **Introduction**

Small and Medium Enterprises (SMEs) are an important economic engine since they concentrate the highest income value for the country. Each new enterprise demonstrates the great entrepreneurial creativity and ability of people to raise their families and generate income with new business models, albeit small yet brilliant. Given this fact, the University of Azuay, in one of its many projects, has decided to support these small businesses by sharing its knowledge and experience with the public sector. This is how the Academy collaborates with the Ministry of Production, Foreign Trade, Investment and Fisheries and works together to help improve development of local production.

The main motivation behind this has been the joint and generous outreach program of the University of Azuay with the community which has already undergone two previous phases linking the public and private sector and has shown mutual beneficial benefits. The first objective is to select an SME that is willing to collaborate and work as a team to diagnose its most urgent needs which prevent it from approaching an internationalization scheme. Through this analysis, a Competitive Improvement Plan is developed that will allow it to be a suitable candidate for the international market.

With the selected SME we intend to identify its main critical factors, which must be analyzed and prioritized in terms of importance. The methodology employed seeks to achieve a development set out in an action plan which would direct and inform the company for exporting its product. The first step is to study and understand the theoretical foundations of foreign trade and the contribution of SMEs to the economy, which will be detailed in the first chapter. The second step described in chapter two is the diagnosis of the current situation of the enterprise and its level of innovation. Additionally, it will be determined how close or far it is from pursuing international trade through a tool called “export audit” according to criteria set by Ecuador’s Ministry of Production, Foreign Trade, Investment and Fisheries. The third and final step will consist of the development of a plan, using the information gathered in the first two chapters, which provides proposals focused on improving the company’s competitiveness.

# CHAPTER 1

## Theoretical Foundations of Internationalization

### 1.1 Introduction

This first chapter is a brief introduction to foreign trade and the theories that have been most relevant throughout history. The authors mentioned below have been carefully analyzed for their proposals and form the basis for a clear understanding of what is known as internationalization processes. The theories of internationalization and its benefits are considered and will be analyzed in terms of the importance and influence of SME's in the economy. Some of the challenges that small and medium enterprises currently face will be examined. Finally, the first and second phases of the collaboration project that the University of Azuay carried out alongside with ProEcuador will be detailed and how the company Dachiz Zuhe C.A., has been determined as a suitable company to work with.

### 1.2 Foreign Trade

To begin this work, it is necessary to understand what foreign trade actually is.

Foreign trade is defined as the exchange of goods and services carried out by the economy of a country or regional area with the economies of other countries or regional areas (Calduch Cervera, 2018). Its analysis is supported by theories that, based on history, detail information about its beginnings. Two of the most important theories that have contributed significantly to its study are Adam Smith with the Absolute advantage and David Ricardo with the Comparative advantage.

#### 1.2.1 Foreign Trade Theories

##### 1.2.1.1 Adam Smith. Absolute Advantage

Once the mercantilist model was presented, in which the accumulation of metals was defended, it was shown that it was not a sustainable model and that it did not generate wealth for countries. Adam Smith in 1776 modified the concept of wealth with his book

"The Wealth of Nations" referring to the productive capacity and labor of a country, thus establishing the theory of Absolute Advantage. This theory indicates that, thanks to the specialization of production, the goods of a certain country can be produced more efficiently, with better quality, and fewer resources (Rozas, 2016).

The theory of absolute advantage holds that different countries produce the same goods more efficiently than others, and asks: why should citizens of any country buy domestically produced goods when they can buy them more cheaply from abroad? Smith reasoned that, if trade were restricted, a country would specialize in products that gave it a competitive advantage. Its resources would be channeled to the most efficient industries because they could not compete in the inefficient ones (Daniels, Radebaugh, & Sullivan, 2013).

Several assumptions are considered here:

- a) It is a 2x2 model, as it is limited to two goods and two countries.
- b) There is free mobility of production factors within the country.
- c) Production costs are fixed, in other words, the same amount of resources are needed for each unit produced.
- d) There are no logistical costs.
- e) Resources (land, capital, and labor) are limited.

For Smith, productive capacity is the resource that weighs most heavily in determining the advantages between countries, and therefore it is also the wealth of these countries (Rozas, 2016). Thus, countries that have the absolute advantage over another, export the goods in which they are specialized and import those that require more resources than they have, creating a benefit for both parts (Daniels, Radebaugh, & Sullivan, 2013).

### **1.2.1.2 David Ricardo. Comparative Advantage**

Before Adam Smith came up with his theory of Absolute Advantage, David Ricardo presented his version called Comparative Advantage. This theory proves the validity of absolute advantage and also deepens it. David Ricardo addresses the issue by explaining the possibility of the existence of more efficient countries, producing even more quantity with the same resources. In the country that has Absolute Advantage, the opportunity cost

of producing the goods must be reviewed in order to produce two goods more efficiently (Rozas, 2016).

The comparative advantage, according to Daniels, indicates that there can be global gains if a country specializes in what it can produce most efficiently, regardless of whether other countries can produce the same goods. A country gains if it concentrates its resources on the product it produces best and most efficiently in comparison to other countries. Thus, international exchange is important because it increases the productivity and consumption of each country (Daniels, Radebaugh, & Sullivan, 2013).

A useful example is the situation of the United States and Costa Rica, which have the absolute advantage in wheat and coffee respectively due to their climate and environmental conditions. Even so, the United States has the comparative advantage in wheat over Costa Rica because its production is much larger and less expensive. The essence of the theory lies in the cost of production, the intention is to make the cost lower and in case the product is manufactured elsewhere at a lower price, the production level is always taken into account (Daniels, Radebaugh, & Sullivan, 2013).

### **1.2.1.3 Eli Heckscher and Bertil Ohlin. Two countries, two products**

Another theory comes about between 1919 and 1923, researchers Heckscher and Ohlin propose amendments and deepening of David Ricardo's comparative advantage theory. They claim that comparative advantage is the result of countries having different factors of production and these factors are the amount of resources (land, labor, and capital) a country has. This explains the differences in the costs of each, in particular, the more abundant a factor, the cheaper it is (Hill, 2011).

Heckscher - Ohlin's theory predicts that countries will export the goods that are made with factors they have in their lands and that are better used, and that they will import those that are made with the factors that are scarce or those they definitely do not have. As such, this theory tries to explain the scheme of international trade that we observe in the world economy today. Like David Ricardo's theory, this one states that free trade is beneficial, but unlike Ricardo, Heckscher and Ohlin confirm that the international trade

scheme is determined by the differences in factor endowment, rather than differences in productivity (Hill, 2011).

#### **1.2.1.4 Michael Porter. The Competitive Advantage of Nations**

The theories of Absolute Advantage and Comparative Advantage, according to Michael Porter, must go a step further by focusing on a new theory, the Competitive Advantage of Nations. This theory no longer focuses on countries' production costs (as discussed with Adam Smith and David Ricardo), but on how nations can improve themselves to be more competitive in an increasingly globalized international industry (Porter, 2007). Similarly, this model like the Heckscher - Ohlin's also assumes a constant return to scale, that is, if the factors of production of an industry double, its output will also double (Buendía Rice, 2013).

Porter's theory maintains that competition is dynamic and evolutionary, where "a nation's competitiveness depends on the ability of its industry to innovate and improve" (Porter, 2007). A nation's businesses gain a competitive advantage through innovation, that is, by including both new technologies and alternative ways of doing things. Once a company's innovation is achieved, the only way to remain competitive is through constant improvement. This improvement is explained in four qualities that constitute the "National Advantage Diamond" created by Porter, which explains that some nations are capable of perfecting themselves more and better than others and the reasons for that.

These four qualities are:

- Factor conditions. Nations succeed in creating competitive advantages when they are able to produce and forge production factors with speed and efficiency.
- Demand conditions. The behavior of both local and foreign demand influences how a nation's businesses must gain a competitive advantage.
- Related and Supporting Industries. The supplier or related industries that help the growth and improvement of a nation's businesses.
- Strategy, structure, and competition of companies. The existence of strong local competitors drives the creation of competitive advantage.

(Porter, 2007)

## **1.2.2 Internationalization Theories**

The process of internationalization of a company is more than a simple extension of the geographic boundaries of the market. When a company internationalizes it has to adapt its marketing plan to new markets, analyze the target market and the most appropriate segmentation and positioning strategies. The international sphere must also be a source of competitive advantage over competitors operating nationally (Pérez González & Pérez Narváez, 2018).

### **1.2.2.1 Uppsala model. Gradualist theory**

According to this theory developed by the University of Uppsala in Sweden, the internationalization of a company means increasing resources and progressively exploring the field of foreign trade. Companies that conclude that internationalization is not in their best interest, due to a lack of knowledge or resources, should withdraw in a systematic manner (Brenes Leiva & León Darder, 2008).

The development of the commercial activity abroad will occur as the company gains experience in the industry it operates in, and this, in turn, follows a series of stages that will gradually take it to the international market. As such, it is said that this theory proposes a series of incremental decisions that will increasingly reach a degree of participation in international operations (Cardozo, Chavarro, & Ramirez, 2008).

The stages that a company goes through to internationalize its operations according to this model are set out in four points:

1. Sporadic or non-regular export activities
2. Exports through independent representatives
3. Establishment of a commercial branch in a foreign country
4. Establishment of productive units in a foreign country

The phases mentioned are called "Chain of Establishment". It should be noted that these stages do not apply to all cases, as not all companies are at the same level. There is a concept called "Psychological Distance" introduced in this theory, which explains that one way to enter a foreign market is to find a psychologically close one; that is, to find a country that has linguistic, cultural, political, educational or industrial development similarities, without taking into account the physical distance. With this concept it is

understood that the less psychological distance there is with the country of origin, the less obstacles there are in the flow of information between a company and the target market (Cardozo, Chavarro, & Ramírez, 2008).

### **1.2.2.2 Born Global Theory**

Born Global is the term that defines recently created international companies in which the factors that determine their activity obey a global approach from the very beginning, or which become international in the first two years of its business life cycle. This is a new perspective due to the fact that this phenomenon has been explained several times and there is an abundant bibliography that is very useful for understanding the internationalization of companies in the 21st century (Cardozo, Chavarro, & Ramírez, 2008).

Born Global companies have presence in different parts of the world and in a wide range of industries, although more emphasis has been placed on high-tech and service companies (Brenes Leiva & León Darder, 2008).

The appearance of Born Global companies is related to three important factors:

1. New market conditions
2. Technological developments in production and transport areas and communication
3. Increased development abilities of people, including in this last point the entrepreneur who founded the Born Global company.

In addition, four ways are proposed on how a company can carry out a coherent internationalization process:

1. After Sales Service Partnerships
2. Alliances for the distribution of products
3. Partnerships for product development
4. Alliances to build retail distribution channels in global and local markets

(Cardozo, Chavarro, & Ramírez, 2008)

### **1.2.3 Advantages of the internationalization of a company**

Internationalization has great advantages when applied correctly, in short, it not only serves to seek market opportunities but also to access resource opportunities. It is possible to work in multiple environments, and it also allows a better learning process if the companies have communication systems that facilitate the transfer and integration of new experiences, ideas, and practices (Pérez Gonzáles & Pérez Narváez, 2018).

Internationalization provides what is called competitive leverage, that is, access to global resources and transfer of resources from one market to another. In order to consider competitive advantage in an international context, it is necessary to take into account (in addition to the resources and capabilities of the company and the key success factors of the sector) the conditioning factors of the national environment, especially in relation to the availability of resources in the countries where it operates (Pérez Gonzáles & Pérez Narváez, 2018).

### **1.3 What are SMEs? Importance**

For the development of this study it is of vital importance to understand the functioning and characteristics of the small and medium sized company, since it is the type of company which has been selected to work on during this project. "Small and medium enterprises (SMEs) have a fundamental role in the social and economic development of countries. The concept of SMEs is not uniform or static around the world" (Rivera, 2018).

The Andean Community of Nations (CAN) establishes that small and medium enterprises are central actors in the productive and social fabric of Andean countries, given they are great generators of employment, users of labor intensive technologies and supply processors, mainly national (Andean Community of Nations, 2008).

In 2008, CAN issued Decision 702, which defines small and medium-sized enterprises based on two characteristics: the number of workers and the gross value of annual sales. The decision indicates that preference is given to sales values. Thus, a SME is defined as one that has fewer than 200 workers and sales of less than five million US dollars. Since 2010, Ecuador has formally adopted Decision 702 of the Andean Community of Nations. This was done through the Organic Code of Production, Trade and Investment (COPCI). Given this fact, there are two variables that define an SME: employed personnel and gross sales value (Rivera, 2018).



According to the National Institute of Statistics and Census of Ecuador, the size of the company is defined according to the annual sales volume and the number of employees hired.

It is considered that:

- Microenterprises are those that generate an amount less than or equal to \$100,000 and have a staff of one to nine employees
- Small businesses are those that generate between \$100,001 to \$1'000,000 and have a staff of 10 to 49 employees
- Medium sized companies type "A" are those which generate an amount of between \$1'000.001 to \$2'000.000 and have a staff of 50 to 99 employees
- Medium sized companies type "B" are those which generate between \$2'000.001 to \$5'000.000 and have a staff of 100 to 199 employees
- Large companies that generate more than \$5'000.001 and have a staff of more than 200 employees

(National Institute of Statistics and Census, 2015)

SMEs in the country play a fundamental role in national production and employment, representing around 99 out of every 100 companies. In this sense, Ecuador's economy, like those of Latin America, depends structurally on the development of this sector with contributions to the growth of the country's business network (Rivera, 2018).

According to data from the Superintendence of Companies, Securities and Insurance, there are 52,554 companies that reported their balance sheets at the end of June 2016, out of which 21,922 are SMEs. 31% of these are considered medium sized companies and 69% are small companies. In the year 2015 this sector reported an income of \$259.624 million, representing 26% of the total GDP of the country. This economic performance generated profits of \$13,669 million and a rate of return on income of 5.3% (EKOS, 2016).

Mercedes Onofa believes that a more active intervention of SMEs in the processes of business internationalization should be promoted, given their importance in job creation, innovation, contribution to a better distribution of income, encouragement of entrepreneurship, and the generation of competition in an economy. Currently, much is being said in many countries about the need of the acceleration of the internationalization

processes of SMEs, even from their birth (those previously known as Born Global), so that they are oriented towards large international markets (Onofa, 2014).

Onofa considers that "SMEs in Ecuador have a great potential to produce, generate employment and income and could become the engine of the country's development, reaching higher levels of participation in the international market. The lack of information, technical assistance, training, adequate accounting, marketing knowledge, access to credit, and modernization are some factors that have influenced the inability of SMEs to expand their products in the international market (Onofa, 2014).

### **1.3.1 Challenges for SMEs**

Now that the definition of SME is understood and its importance defined, both in its capacity to generate jobs and contribute to a better distribution of income, and in its capacity to promote entrepreneurship and generate competition in an economy, it is essential to point out the challenges it has faced in recent years. It should be noted that the analysis of these challenges will later serve to study solutions and thus permanently improve the competitiveness of Ecuadorian SMEs and, for the purposes of this work, SMEs from Azuay. The challenges identified by Wilson Araque in his work "SMEs and their current situation" published by the Simón Bolívar Andean University observatory, are listed below:

- Insufficient installed capacity of the SME. Maximizing the use of production capacity, especially in the manufacturing sector, is one of the most significant challenges of a small and medium enterprise because it relies directly on the low volumes of production. Therefore, many times this small industry only covers local needs or demands. This statement is made based on the results of a survey conducted by the Observatory mentioned above, which shows that Ecuadorian SMEs have the accumulated capacity of production and is not being used 100% yet, since on average small and medium industries work 5.3 days a week with a working time of 7 to 8 hours a day. To enhance the production capacity of an SME, the study suggests contributing to the process of evolution of the national production matrix and replace the import of products needed for the manufacture of the final product, or in turn, with the increase in production allow it to export

products to markets in other countries, thus improving the international participation of the SME.

- Associativity. SMEs alone are not capable of competing against large companies in a tough business environment, which is why an association is a safe strategic alternative to improve business competitiveness, so that the SME can position themselves better at a high business level with a view to entering an increasingly globalized world market. The primary objective of partnering between companies is to respond to high product demand that an association of SMEs can address, as well as compete with strong competitors capable of practicing economies of scale at the global level. In this way, the accessibility to credit is facilitated, since it is backed by several companies, SMEs become more reliable. In addition, according to the Economist Luis Tonon and Engineer María Abril, in this competitive environment, the idea that other SMEs are enemies must be left behind since, for this purpose, there are opportunities to cooperate which increases its competitiveness (Abril & Tonon, 2010)
- Improvements in techno production. Investments to improve the technological level of processes, products, equipment, and machines are necessary for companies that wish to progress and perfect their organizational structure. The availability of credit lines has a fundamental role to incentivize technological improvement.
- Promotion of labor certification programs aimed at improving the quality of employment for SMEs. In the area of small and medium businesses, labor certification programs have not been promoted enough, which are necessary to improve the competitiveness of businesses by maintaining qualified and professional personnel.
- Compliance with Quality Standards for substantial product improvement. International quality standards must be followed for the use of raw materials as well as for the manufacturing processes of products.
- Follow-up of strategic plans for the commercialization of the products. Small and medium sized companies must understand that in order to obtain customers they must follow plans that make it easier for customers to buy their product. In other words, the company must seek out the customer, and not the other way around.

(Araque, 2012)

#### **1.4 Food and Beverage Industries of the Canton of Cuenca: Community Linkage Project**

Given the abovementioned theoretical foundation it is possible to start the study and analysis with a clearer vision.

This proposal will make use of information collected in previous phases of the Azuay SME Internationalization Project, which reveals the results of research that was carried out in Cuenca, Ecuador on companies belonging to the food and processed beverage sector of the canton, as well as a selection of companies which the project could collaborate with. These phases were carried out by students from the International Studies Faculty of the University of Azuay, as part of their degree, which will serve as a guide for the continuation of the following phase.

In the first and second phases of the project it was stated that the beverage and processed food sector in the canton of Cuenca's urban areas has a medium export potential, that is, there is infrastructure available that can be exploited. However, there are still important challenges to work on so that the SME sector can effectively internationalize. It has also been shown that a company's potential is related to a series of internal and external aspects that must be strengthened in order to become more competitive (Garzón & Jara, 2018).

Several entities are truly committed to contribute to the development of the sector and this is a relevant point that was achieved through research. On the other hand, it became apparent that most companies have experienced managers, though some of them do not have a university education degree. Nonetheless, most companies have the capacity to increase their production levels. The companies of the sector do apply continuous improvement, but the production area and the marketing area are often neglected. Most companies are in the process of improving their administrative processes (Garzón & Jara, 2018).

As far as the area of foreign trade is concerned, it was determined that there is not enough knowledge of the field within some companies and in those that do, only limited information is available which tends to be only the import levels. Many companies have the ambition to export, but none have strategically focused on projecting the idea. The goal of the entities is to supply the entire national market, which makes it unnecessary for SMEs to obtain international certifications that could highlight the characteristics of their products (Garzón & Jara, 2018).

## **1.5 SME selection process**

In order to choose the SME, the previous phases were taken into account. In the first one, the support of different institutions was requested, such as the Ministry of Industries and Productivity MIPRO (nowadays Ministry of Production, Foreign Trade, Investments and Fishing), the Municipal Company of Economic Development of Cuenca (EDEC), and the Chamber of Small Industry of Azuay (CAPIA), which had a significant participation in this process by providing databases on companies in the food and beverage sector (Garzón & Jara, 2018).

In the second phase, of all the companies in the food sector, only those that met the SME standard according to CAN were filtered out. MIPRO provided a total of 29 companies. Once this information was collected, the Ministry of Industries and Productivity invited these companies through letters to participate in the research project. In addition, CAPIA allowed the use of its establishments for activities related to the monitoring of these companies (Garzón & Jara, 2018).

On the basis of this study, with the support of David Estrella, an official of the Ministry of Production, Foreign Trade, Investment and Fishing, the company producing artisanal chocolates "Dachiz Zuhe C.A." has been selected to move on to the next phase.

### **1.5.1 Selected SME: "Dachiz Zuhe C.A."**

- Name: Dachiz Zuhe C.A.
- Type of company: Unlimited Liability Company
- Category: SME
- RUC: 01090443450001
- Commercial activity: elaboration and commercialization of handmade chocolates filled with natural fruit jam or nuts
- Flagship product: chocolate filled with natural fruit jam
- Address: Huayna Cápac, between Presidente Córdova and Juan Jaramillo
- Contact person: Chicten Sue Rodríguez Flores
- Telephone: 0993582041 / 0980509315
- E-mail: chocolatesdachiz@hotmail.com

## **1.6 Conclusion of the Chapter**

It can be noted that in this chapter we defined the theoretical foundation of foreign trade by mentioning renown authors whose work have defined what is known today as the basis for understanding this field. Among the main theories, Adam Smith with the Absolute Advantage, David Ricardo with the Comparative Advantage, Heckscher and Ohlin with the factors of production are mentioned. These theories have marked the beginning of international trade and have been evolving gradually over time. The contribution of Michael Porter with the Competitive Advantage of Nations was considered, revealing how business competition is dynamic and nations have to innovate their processes.

Additionally, in this chapter, it was determined that accessing the foreign market is much more than crossing borders and trading abroad, since it requires several internationalization processes and the study of theories. Among the most important is the way in which one enters the international market. It shows that the advantages that internationalization brings are primarily the access to global resources and their transfer from one market to another. It was considered essential to define the SME and how it is identified according to the INEC in Ecuador since it is this commercial sector that will be addressed. In the Province of Azuay, Canton of Cuenca, certain common patterns in local SMEs were identified that have restrained growth in production and sales. These points can be corrected to improve competitiveness and bring SMEs closer to the internationalization of their products. Based on this objective, Dachiz Zuhe C.A. was selected to suggest a competitive improvement plan for future internationalization.

## CHAPTER 2

### **Diagnosis and analysis of the SME. Determination of the factors to be considered in the competitive improvement plan for future internationalization**

#### **2.1 Introduction**

Having considered and analyzed the basics of foreign trade and the fundamental role of SMEs in Ecuador, this chapter will start with the description of the company selected for our study. It will detail all the necessary information of the Dachiz company to identify the key factors that will be analyzed in the competitive improvement plan. The history, mission, vision, organization chart, initial diagnosis, work areas and details of the operation of the SME will be laid out in order to proceed with the identification of key factors that need to be addressed. The current reality of the company described through the SWOT matrix will be shown and specific points that the conclusions of this provide will be taken into account.

A diagnosis will also be carried out according to the parameters of the Ministry of Production, Foreign Trade, Investment and Fishing to determine what level the enterprise is at. Likewise, an Export Audit will be carried out to know how close the company is to exporting its product. With the results of this audit, the current state of each area will be revealed, and a CANVAS business model will be made to clarify and deepen our understanding of the current situation. With this information it will be possible to determine the points to be included in the competitive improvement plan.

#### **2.2 General aspects of the company "Dachiz Zuhe C.A."**

##### **2.2.1 History**

Dachiz Zuhe C.A. is a family business that makes organic and handmade chocolate bars with fruit jam filling. It was born in Merida, Venezuela in 2011. Since that date, the business began to grow in their city, but when they were threatened by the political situation of the country they decided to migrate to Ecuador to continue to develop their product. Once settled in Cuenca, Ecuador, they started to search for an appropriate establishment to produce chocolate bars. They are currently located on Huayna Cápac Avenue, between Presidente Córdova and Juan Jaramillo streets. Today, the company is

in the process of commercializing its products in two of the main cities of Ecuador: Guayaquil and Cuenca.

### 2.2.2 Mission Statement

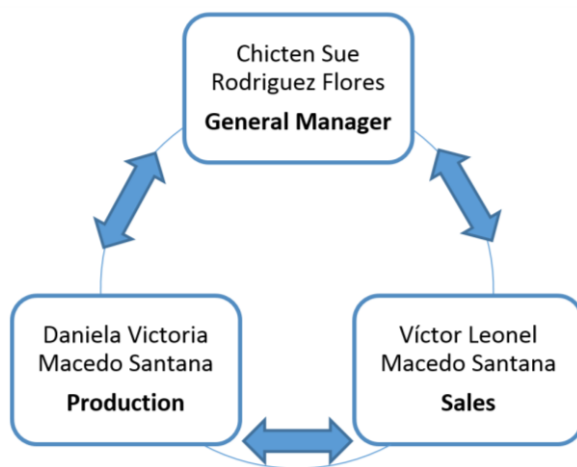
To manufacture high quality chocolates through fair trade and to take care of the environment by supporting small cocoa producers in Venezuela and Ecuador.

### 2.2.3 Vision

To be a company recognized internationally for the quality and innovation of its products.

### 2.2.4 Organization chart

Figure 1: Organization chart



Source: Dachiz Zuhe C.A.

Elaborated by: Isabel Cordero, Karla Valdez

It can be seen in the graph that Dachiz Zuhe C.A. is a small company since its staff has only three people who are distributed among the following departments: Administration, Production, and Sales.



## 2.2.5 Product Portfolio

The products that Dachiz offers are the following:

1. Milk chocolate bar (34% organic cocoa) filled with passion fruit and blackberry jam and with mixed cereals and fruits (peanuts, almonds, nuts, oats, chia seeds and raisins). The product is sold in portions of 7, 27, 60, and 120 grams. "Couche" paper packaging is used for 7, 27, and 120 grams. Cardboard packaging is used for the product weighing 60 grams.

*Figure 2: Chocolate Bars*



Source: Dachiz Zuhe C.A.

*Figure 3: Blueberry Chocolate*

Source: Dachiz Zuhe C.A.



*Figure 4: Passion Fruit Chocolate*



Source: Dachiz Zuhe C.A.

*Figure 5: Nuts Chocolate*



Source: Dachiz Zuhe C.A.

## **2. Chocolate chip cookies**

*Figure 6: Chocolate chips Cookie*



Source: Dachiz Zuhe C.A.

### 3. Banana Cookies

*Figure 7: Banana Cookies*



Source: Dachiz Zuhe C.A.

Currently all products are 100% handmade. The cocoa paste is 100% Ecuadorian.

#### **2.3 Diagnosis Dachiz Chocolates Ecuador under parameters of the Ministry of Production, Foreign Trade, Investment and Fisheries**

Together with the Ministry of Production, Foreign Trade, Investment and Fishing, an initial diagnosis of the Dachiz company was carried out in order to know the current state and potential of the SME for the next step of the competitive improvement plan.

##### **2.3.1 Methodology**

A quick scan of the company introduced details information on the entrepreneur, characteristics of the equipment, data on raw materials, inputs, and supply at local, national, and international levels. Subsequently, we proceeded with the description of the business idea to find out whether it is productive or not.

Based on the results of the following point-based scorecard, we proceed to a diagnosis of the status of development of the project in which the score responds to "yes" or "no" in certain important variables, which doesn't reflect whether it is good or bad. "Yes" being 1 and "no" being 0. Additionally, each of these grades is assigned a percentage: the grade "1" 30% and grade "0" 0%.

The following table of self-evaluation seeks to identify the level of innovation of the company. A weighting has been assigned through response codes: high being "1",

medium "0.5" and low "0". Accordingly, each score was assigned a percentage: score "1" 8%, score "0.5" 4%, and score "0" 0%. Finally, the result is an accumulated percentage, which allows us to know the result at the end of the table.

### 2.3.2 Development

In the survey, the SME Manager answered all the questions. We present the results below.

*Table 1: Self-evaluation: Status of development of the project*

<b>Self-evaluation: Status of development of the project</b>				
#	Description of variables	Rating	%	% accumulated
1	Have you defined your business idea?	1	3,00%	3,00%
2	Are you clear about the profile of your customers and/or potential users?	0	0,00%	3,00%
3	Have you developed the minimum viable prototype or product of your products?	1	3,00%	6,00%
4	Have you made evidence of consumption or market testing?	1	3,00%	10,00%
5	Do you have a brand design and/or logo? Or, have you developed the corporate image of your business?	1	3,00%	13,00%
6	Do you have a model or CANVAS of business?	0	0,00%	13,00%
7	Do you know the market of your product and the competition?	1	3,00%	16,00%
8	Do you have a profile or business perspective?	0	0,00%	16,00%

9	Do you know in detail your costs of production?	1	3,00%	19,00%
10	Do you know what is the required investment amount to run your business?	1	3,00%	23,00%
11	Have you received technical support for the development of your business idea?	1	3,00%	26,00%
12	Does your business have the infrastructure and machinery for the process of production?	1	3,00%	29,00%
13	Do you know your production capacity?	1	3,00%	32,00%
14	Do you have the permits/or authorizations for the operation of your business? Or, are you in the process of obtaining the respective permits? (RUC, trademark registration, LUAE, etc.)	1	3,00%	35,00%
15	Have you registered your trademark/patent in the IEPI?	1	3,00%	39,00%
16	Do you know the costs and expenses that were invested to formalize your company?	1	3,00%	42,00%
17	Does the company have its own working capital?	1	3,00%	45,00%
18	Do you have a line of financing for development of its productive activity?	1	3,00%	48,00%
19	Have you started your sales in a formal way?	1	3,00%	52,00%

20	Do you have a portfolio of clients that buy on a recurring basis?	1	3,00%	55,00%
21	Have you conducted accounting and/or financial studies of your project?	0	0,00%	55,00%
22	Have you participated in fairs and events to test or market your products?	1	3,00%	58,00%
23	Have you received support or technical coaching for the start-up of your business?	1	3,00%	61,00%
24	Do you require technology (technical laboratories, infrastructure) to develop new products or improve your company's processes?	1	3,00%	65,00%
25	Are you registered as an exporter?	1	3,00%	68,00%
26	Do you know how to present your product and/or service to potential customers or investors?	1	3,00%	71,00%
27	Do you consider that your business is competing in the market?	1	3,00%	74,00%
28	Do you have knowledge of warehouse management, inventory, layouts?	0	0,00%	74,00%
29	Have you identified the potential for growth of your business?	1	3,00%	77,00%
30	Have you done any kind of approach with clients from international markets?	0	0,00%	77,00%
31	Have you received mentoring or technical support for the	1	3,00%	81,00%

advancement of your project?			
<b>Total:</b>			81,00%
<b>POST - ENTREPRENEURSHIP</b>			

Source: Dachiz Zuhe C.A.

Elaborated by: Ministry of Production, Foreign Trade, Investment and Fisheries, Isabel Cordero and Karla Valdez.

Table 2: Decision Table

<b>Decision Table</b>		
<b>Self-evaluation: State of development of the project</b>		
<b>Value range</b>	<b>Level</b>	<b>Action to be taken</b>
< 35%	Idea / Product	<b>PRE - VENTURE</b>
35% a 73%	Marketing	<b>ENTERPRISE</b>
> 74%	Growth	<b>POST - ENTREPRENEURSHIP</b>

Source: Dachiz Zuhe C.A.

Elaborated by: Ministry of Production, Foreign Trade, Investment and Fisheries, Isabel Cordero and Karla Valdez.

Table 3: Self-Assessment: Level of Innovation

<b>Self-assessment: Level of Innovation</b>				
<b>#</b>	<b>Description of variables</b>	<b>Rating</b>	<b>%</b>	<b>% accumulated</b>
1	Has the project been tested for feasibility? In other words, is it possible to manufacture the product or provide the service? Has a prototype of the proposal been	1	8,00%	8,00%

	created?			
2	Does the product, process, or service come from scientific and technological research by the entrepreneur?	0	0,00%	8,00%
3	Can the product, process, or service be patented or registered in the IEPI in any of its modalities?	1	8,00%	17,00%
4	Does the product, process, or service represent an innovation for the local market?	0,5	4,00%	21,00%
5	Does the product, process, or service represent innovation for the national market?	0,5	4,00%	25,00%
6	Does the product, process or service represent innovation for the international market?	0,5	4,00%	29,00%
7	Was some kind of specialized academic, technical, or technological training necessary for the development of the product, process, or service?	0,5	4,00%	33,00%
8	Is specialized or tailored machinery necessary for the development of the product, process, or service?	0,5	4,00%	38,00%
9	Can the project be developed with national machinery and resources?	0,5	4,00%	42,00%
10	Does the product, process, or service address a real market need?	1	8,00%	50,00%
11	Can the project be industrialized?	1	8,00%	58,00%



12	Does the entrepreneur have the knowledge or the personnel necessary to implement the business idea?	0,5	4,00%	63,00%
<b>Total:</b>		<b><i>INNOVATIVE</i></b>		<b>63,00%</b>

Source: Dachiz Zuhe C.A.

Elaborated by: Ministry of Production, Foreign Trade, Investment and Fisheries, Isabel Cordero and Karla Valdez.

Table 4: Decision Table

<b>Decision Table</b>	
<b>Self-assessment: Innovation Level</b>	
<b>Value range</b>	<b>Level</b>
< 52%	TRADITIONAL
≥ 52%	INNOVATIVE

Source: Dachiz Zuhe C.A.

Elaborated by: Ministry of Production, Foreign Trade, Investment and Fisheries, Isabel Cordero and Karla Valdez.

### 2.3.3 Conclusion of the diagnosis

According to the information provided by the entrepreneur, it can be concluded that the enterprise has a percentage of 81% of development. This means that it is in the level of growth/post-entrepreneurship. Likewise, in the self-evaluation table shown above, it reaches a percentage of 63% of innovation, which situates it in the "Innovative" level.

These results show that the entrepreneur has a positive attitude and meets the qualification parameters of the Ministry of Production, Foreign Trade, Investment and Fisheries of innovative. The product is not easily found in the local market, but it has a registered trademark with the National Service of Intellectual Rights (SENADI) and it is attractive to the local, national, and international market. This could be increased by including, as

it grows, innovation in the processes. The entrepreneur has technical, academic, and technological training which contributed to the process of developing the product. It is considered that it solves a real need of the market as far as taste, pleasure, health, etc., and it is elaborated without preservatives or chemicals. The company is willing to improve continuously.

## **2.4 EXPORT AUDIT**

### **2.4.1 Export Audit Definition**

The Export Audit is an analytical tool in which you can evaluate the strengths and weaknesses of a company that wants to export, and the threats and opportunities of its target market. It is, therefore, considered necessary to apply this instrument to SMEs because it will facilitate the introduction of their products in the local or international market by applying the rules and procedures governing trade. If the results are favorable, it will be possible to work on a future internationalization plan (Barzallo & Molina, 2009).

### **2.4.2 Export Audit Methodology**

The score is made according to an assessment that is attributed to different statements, classified according to department to be analyzed. The departments are: administrative, production, financial, and sales. The Likert scale is applied for this evaluation, with values from 0 to 5, "0" being the lowest score and "5" the highest.

### **2.4.3 Development of Export Audit**

*Table 5: Export Audit: Administrative*

<b>ADMINISTRATIVE</b>	<b>Rating</b>
1. Type of company	5
2. Strategic business planning with mission, vision, and values.	4
3. Fulfillment of objectives.	3
4. Export within strategic planning.	5

5. Consideration of the needs of the local and international market.	4
6. Differentiation from the competition.	5
7. Efficiency of the organization chart.	5
8. Operational Procedure manual.	0
9. Manual of functions in operation.	0
10. Level of managerial education.	1
11. Experience in the management industry	4
12. Level of education required in the company's headquarters.	0
13. Data management and production system.	5
14. Application of continuous improvement processes in all areas.	5
15. Personnel trained in Foreign Trade.	3
16. English speaking staff.	3
17. Information on potential foreign markets.	5
18. Purchase process.	5
19. Associations or guilds.	0
20. Export promotion in the guild	0
21. Mechanisms used to identify potential markets.	4
<b>ADMINISTRATIVE TOTAL</b>	<b>66/105</b>
	<b>62,86%</b>

Source: Export Audit Tool

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

Table 6: Export Audit: Production

<b>PRODUCTION</b>	<b>Rating</b>
1. Product design potential for internationalization	3
2. Use of patents and industrial designs.	5
3. Percentage of domestic suppliers of raw materials.	5
4. Use of supplier qualification record.	2
5. Infrastructure capacity to increase inventories and machinery	3
6. Capacity of the company to increase its production volume.	3
7. Efficient application of flowcharts of production	4
8. Use of mechanisms for the registration of raw materials, inputs and finished products.	3
9. Process knowledge of packaging for foreign markets.	0
10. Negative impact caused to the surrounding environment.	1
11. Compliance with requirements on environmental management.	2
12. Use of guaranteed clean production systems.	0
13. Use of programs to reuse and reduce waste.	5
14. Certifications in property of the company.	0

<b>PRODUCTION TOTAL</b>	<b>36/70</b>
	<b>51,42%</b>

Source: Export Audit Tool

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

*Table 7: Export Audit: Financial*

<b>FINANCIAL</b>	<b>Rating</b>
1. Budget planning.	5
2. Analysis and review of cash flow reports.	5
3. Analysis and review of financial reports.	5
4. Analysis and review of costs generated in the area of production and break-even analysis.	5
5. Sources of financing for the company.	5
6. Willingness to commit and allocate resources in an export project.	5
7. Type of mechanism to be used to finance an export project	5
8. Credit time offered to foreign customers in case of export.	3
9. Maximum time for which the company would be willing to go into debt for an export project.	5
10. Budget allocated for the improvement in production, both product and process	4
11. Budget allocated to the area of marketing and sales.	4
	<b>51/55</b>

<b>FINANCIAL TOTAL</b>	<b>92,72%</b>
------------------------	---------------

Source: Export Audit Tool

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

*Table 8: Export Audit: Sales*

<b>SALES</b>	<b>Rating</b>
1. Specific export plan.	3
2. Perceived added value of the product.	5
3. Registration of the brand in the competent body.	5
4. Use of slogan.	2
5. Staff in the company focused on marketing and sales.	0
6. Staff focused on product design and brand.	3
7. Information on product demand in foreign markets.	4
8. Capacity of the company's logistics.	4
9. Confidence in international logistics services.	4
10. Information on distribution channels in the target countries	5
11. Advertising material of the flagship product	3
12. Use of advertising media.	3
13. Image of the company projected to the client.	4
14. Defined policies for the application of guarantees and returns.	3

15. Use of website.	2
16. Information on possible prices of the product outside the country.	5
17. Managing of Incoterms	0
<b>SALES TOTAL</b>	<b>55/85</b>
	<b>64,70%</b>

Source: Export Audit Tool

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

## **2.4.4 Export Audit Conclusion**

### **2.4.4.1 Administrative area**

The first interview with the Manager and owner of Dachiz was held in November 2019. The Manager is totally open to improve the administration of the company, as well as all other departments, which is why he looked for support of the Ministry of the Production, Foreign trade, Investments and Fishing on his own initiative. He has accepted with enthusiasm the collaboration with the University of Azuay commenting that the collaboration between the public sector and academia will give many fruits to his company.

Dachiz has all the operating permits and is close to obtaining its first INEN certification. At the time of writing this project, the company participates in workshops provided by the Ministry to improve its conditions like diagnostics, CANVAS workshops, fairs, etc. At this time, they are considered a SMEs. The Manager Chicten Rodríguez is the one who manages, his wife, Daniela Macedo is in charge of the production of the chocolate, and his brother-in-law Víctor Macedo manages the area of sales and promotion of the products.

In the administrative Export Audit, the company obtained a rating of 66/105. This means that the processes in this department are favorable for future exports, with an evaluation of 62.86% of progress in the administrative department.

#### **2.4.4.2 Production area**

The maximum productive capacity is currently set at 360 bars per day, but only 180 are produced. Production is carried out while the premises are open as long as there are no unexpected events. In the establishment there is a sales and exhibition space in the front and the chocolate is produced in the back. The bars have an expiration date of six months after their production. Dachiz has decided to increase the production of chocolate as it has the capacity to do so once it has secured more contracts with distributors and supermarkets.

In the Export Audit the production department obtained a rating of 36/70, which represents that the processes in this area are favorable for future exports, with an evaluation of 51.42% of progress in this department. However, there is room for improvement.

#### **2.4.4.3 Financial Department**

Chicten Rodríguez heads the financial department of the company and manages all legal obligations required by the State. They do not have an external or contracted accounting and financial analysis. The whole economic department is handled within the family.

To launch the project in Ecuador, the company received a loan of \$3,000 from the “Jardín Azuayo Cooperative” with 40-month payments to cover all the initial expenses of the establishment in the country, both legal paperwork (for its constitution) and material infrastructure investments. Adding interests, the debt is \$3,800 of which 57.5% (23 payments) is paid up to date. The formalization of the company in terms of legal paperwork required \$2,900. The product is registered and complies with all SENADI requirements.

In the Export Audit of the financial area it obtained a rating of 51/55, which represents that the processes of the area are favorable for future exportation, with an evaluation of 92.72% of progress in this department.



#### **2.4.4.4 Quality control, marketing and sales department**

Víctor Macedo is in charge of the sales department. Due to the level of production, Dachiz carries out daily dispatches and personally delivers the order to each store or distributor. The company does not have contracted transport.

In Cuenca, it is sold to three Tía supermarkets through direct delivery. Similarly, it delivers to Mega Tienda del Sur (Challuabamba), Comercial Arándanos, Cadelaes, La Bodega, etc. The product is also sold to seven Tía stores in Guayaquil city with a target customer profile of the middle economic class. The shipment is made by urban transport. The Purchase orders are verified by a digital system, the order is then printed, filled and shipped. This value is included in the cost structure (\$4.70 per package).

Dachiz is managed with sales promoters in each store according to the regulations of the different distributors. In the case of "Almacenes Tía" Cuenca, there is a sales promoter during three months in hours of peak customer flow. In Guayaquil, the policy of "Almacenes Tía" is different and certain requirements must be met (the person must be assigned by a modeling agency, must have social security, a letter of commitment, and pass a trial period). In the "Mega Tienda del Sur" (Challuabamba) there are sales promoters once a month. In "Comercial Arándanos" this practice is not allowed.

In the warehouses of these three institutions that are mentioned above, the product has a good level of rotation. "Almacenes Tía" has very good payment liquidity, it does it every 15 days and a 10% discount is required to enter. This makes it easier for Dachiz to acquire raw materials and continue the production. In the "Mega Tienda del Sur" no discounts have been required, neither in "Comercial Arándanos".

In terms of foreign trade, Dachiz plans to start exporting products to Venezuela. Chicten's family has managed the sell to a supermarket in Merida which will distribute the product and the company has also rented a space in a shopping center to make chocolates with Ecuadorian cocoa using the same recipe (the rental value is \$30 per month).

In the Export Audit of sales, it obtained a rating of 55/85, which represents that the processes in this area are favorable for future exports, with an evaluation of 64.70% of progress in this department.

## **2.5 SWOT analysis**

### **2.5.1 Strengths**

- All the products are produced with national raw materials and elaborated in an artisanal way (chocolates, jam made from natural fruit, and cookies)
- Chocolate is made from organic cocoa paste
- The product is differentiated and new to the market
- Little offer of identical products available in the country
- There are a variety of six healthy ingredients in nut bars
- The products have no preservatives
- Product expiration period is six months
- It has a quick delivery service to distributors
- Demonstrations are carried out so that the product is sold quickly, at strategic times and at peak times of customer flow.
- The owner of the company has an entrepreneurial and innovative attitude that will allow him to develop improvements in production for future internationalization, as well as a great openness to work with the Ministry of Production, Foreign Trade, Investment and Fisheries.
- The company has a willingness to give credit to its distributors
- Active management in social networks such as Instagram, Facebook, and Twitter for advertising

### **2.5.2 Opportunities**

- Products are sold at a competitive price
- Diversity of flavors
- Its products are distributed in well-known supermarket chains
- It has a potential market in two cities (Cuenca and Guayaquil)
- Future export of Ecuadorian products for an opening of a chocolate shop and distribution to retailers in Merida, Venezuela
- The owner maintains good contacts in the private and public sector that benefit his company
- The company is registered with Pro-Ecuador, an institution that helps promote the supply of Ecuadorian products for introduction into international trade

- They work together with the Ministry of Production, Foreign Trade, Investment and Fisheries

### **2.5.3 Weaknesses**

- Transportation and production costs are high in relation to the total cost because there is no economy of scale
- The full capacity of the machinery is not used
- Liquidity problems
- There is no formal marketing strategy
- There is no after-sales service or return policy in case of process defects or transport damage
- The company is understaffed
- The physical establishment is not finished

### **2.5.4 Threats**

- The political situation affects the business when there are public protest in the city
- The payment of the commercial chains is slow
- The contracts between big competitors and their brands with strong and important supermarket chains prevent the distribution of the product in those places.
- Other brands in the organic market have a higher percentage of organic cocoa

### **2.5.5 Conclusion of the SWOT Analysis**

The company Dachiz demonstrates in its SWOT matrix a positive behavior in its strengths and opportunities since it has opened up a path in the market with a differentiated product and excellent contacts. The manager of the company has an entrepreneurial and innovative attitude in learning activities regarding its business model, which makes his company grow and be competitive within the Ecuadorian market with an international projection. As it could be noted above, the weaknesses and threats represent a minority of the whole matrix which is overall favorable, since one has to work on issues where there is already a plan of workable solutions according to the representative of this company.

## 2.6 CANVAS business model

A business model describes and logically shapes how an organization creates, delivers, and captures value. The CANVAS business model has become one of the most used tools by entrepreneurs and businesspeople.

CANVAS was created by Alexander Osterwalder in 2004 (Ferreira, 2015) and is composed of nine blocks that contain different important points such as the value proposal, the main characteristics of the company, the identification of the target customers and the revenue architecture. It is an agile tool of strategic business management, which allows:

- Understanding a company's business model at a glance
- Work out the business strategy with a common and shared language
- Outline a business model in nine modules that respond to four strategic lines of action that are decisive in any company's business

(Carretto, Harispe, & Vaz, 2015)

The CANVAS methodology consists of developing, on a hand-held canvas, a list of the nine blocks of the model, so that the entrepreneur can have physical access to the most relevant data and motivate the fulfillment of proposed objectives.

On November 28, 2019, a workshop organized by the University of Azuay was held in the company of representatives from the Ministry of Production, Foreign Trade, Investment and Fisheries, and of the entrepreneurs participating in the collaboration project. Dachiz participated in the workshop elaborating his CANVAS business model.

The nine blocks are detailed below.

1. Segmentation: defines the different groups of people or organizations to reach a business objective. It is segmented to identify needs, define types of relationships, know how to offer the product, etc.
2. Value proposition: describes the package of products and services that create value for a specific customer segment. It helps define what is created for the customer, what problem it is solving and what is being offered. It is the main differentiation factor that companies must develop.
3. Distribution and communication channels: describes how the company communicates and reaches its targeted customer base with a value proposal.

Communication, distribution and sales channels connect the company with its customers. Channels are points of contact with the customer and play an important role in the consumer experience.

4. Customer Relationship: describes the types of relationships established with the company or with established segments
5. Income source: represents the company's cash flow, generated from each customer segment (expenses must be subtracted from revenue to calculate profit)
6. Key Resources: describes the most important assets required to make the business model work
7. Key Activities: describes the most important activities a company must do to run the business model
8. Key Partners: describes the network of suppliers and partners that make the business model work
9. Prices and production costs: describes all costs incurred to operate the business model

(Carretto, Harispe, & Vaz, 2015)

Figure 8: Original picture of the CANVAS Business Model from the workshop.

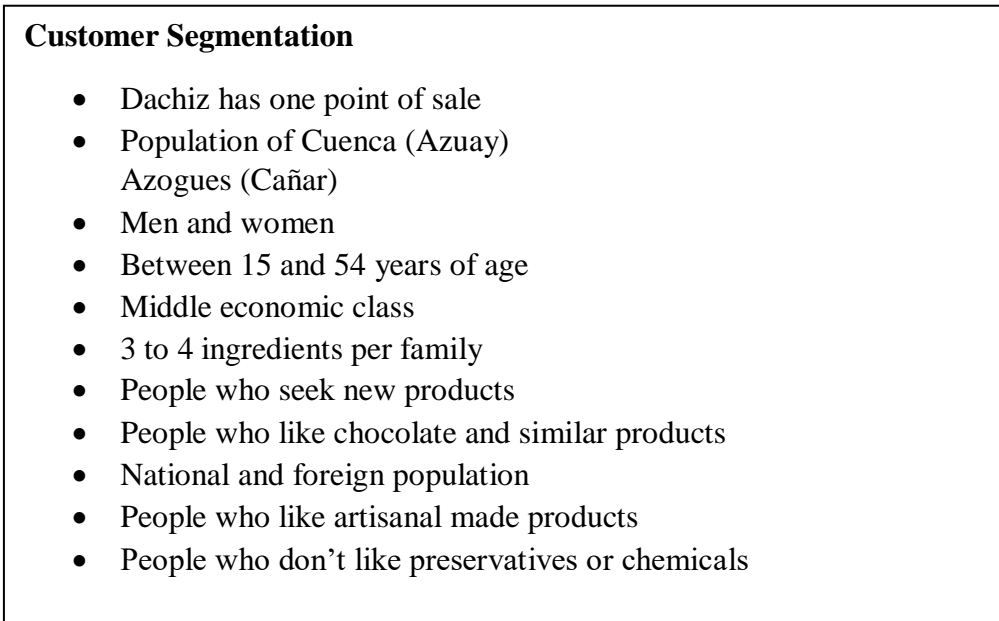
<p><b>8</b></p> <p><u>Socios Clave</u></p> <ul style="list-style-type: none"> <li>Cacao Araucá</li> <li>DASAM</li> <li>Ciudades Taren y Gendro</li> <li>Circay</li> <li>Universidad del Awaay</li> <li>Ministerio de la producción, Comercio Exterior, Inversiones y Pesca.</li> <li>Procuradur</li> <li>Semilaboratory</li> <li>Diferentes canales de distribución.</li> </ul>	<p><b>7</b></p> <p><u>Actividades Clave</u></p> <ul style="list-style-type: none"> <li>Diseño e innovación</li> <li>Campaña y selección de materia prima</li> <li>Distribución y comercialización</li> <li>Servicio postventa</li> </ul>	<p><b>2</b></p> <p><u>Propuesta de Valor</u></p> <ul style="list-style-type: none"> <li>Exclusividad (producto normativo)</li> <li>Fruta natural, artesanal, libre de mermelada</li> <li>Mixión de ganancia de hasta un 40% por el valor agregado artesanal.</li> <li>Tiene un precio competitivo</li> <li>Innovación (membrada natural, cereales, frutos mixtos)</li> <li>Presentaciones cómodas en tamaño</li> <li>Las materias primas con las que se elabora el producto poseen certificaciones orgánicas.</li> <li>Chocolate posee un buen porcentaje de cacao</li> <li>Cacao es 100% ecuatoriano.</li> </ul>	<p><b>4</b></p> <p><u>Relación con clientes</u></p> <ul style="list-style-type: none"> <li>Directa</li> <li>Redes Sociales             <ul style="list-style-type: none"> <li>Facebook</li> <li>Twitter</li> <li>Instagram</li> </ul> </li> <li>Correo electrónico</li> <li>Comunicación directa</li> <li>Recepción de pedidos vía telefónica.</li> </ul>	<p><b>1</b></p> <p><u>Segmentos de clientes</u></p> <ul style="list-style-type: none"> <li>Dachiz tiene punto de venta propio.</li> <li>Población de Cuenca (Awaay) Awaay (Cesar)</li> <li>Hombres y mujeres</li> <li>15 y 54 años de edad</li> <li>Clase media</li> <li>Tres a cuatro integrantes por familia.</li> <li>Personas que buscan nuevos productos</li> <li>Personas que gustan de chocolate y similares</li> <li>Naturales y extranjeros</li> <li>Personas que gustan de productos artesanales</li> <li>Personas que no consumen ni cocinarse ni químicas</li> </ul>
<p><b>6</b></p> <p><u>Recursos Clave</u></p> <ul style="list-style-type: none"> <li>Recursos físicos →             <ul style="list-style-type: none"> <li>Local</li> <li>Mobiliario</li> <li>Equipo</li> <li>Materiales e insumos</li> </ul> </li> <li>Recursos intelectuales →             <ul style="list-style-type: none"> <li>Masca y Actante</li> </ul> </li> <li>Financieros → Crédito</li> <li>Talento humano → 3 personas</li> </ul>	<p><b>9</b></p> <ul style="list-style-type: none"> <li>60% del producto</li> <li>25% empleados</li> <li>15% gastos servicios básicos limpieza, transporte</li> </ul>	<p><b>3</b></p> <p><u>Canales</u></p> <ul style="list-style-type: none"> <li>Supermercados             <ul style="list-style-type: none"> <li>Megatienda del Sur</li> <li>La Bodega</li> <li>General Arcandona</li> <li>Cadellac</li> <li>Almacenes Tca</li> </ul> </li> <li>Mini-market</li> <li>Restaurantes</li> </ul>	<p><b>5</b></p> <p><u>Fuente de Ingresos</u></p> <ul style="list-style-type: none"> <li>Aparte de los chocolates : 95%</li> <li>Aparte de galletas y otros : 5%</li> <li>Financiamiento de la empresa : Crédito Cooperativa Jordán Awaay</li> <li>Formas de pago cliente : efectivo por pedidos directos (10%) y cheques 90% Supermercados.</li> </ul>	
<p><u>Estructura de Costos</u></p> <ul style="list-style-type: none"> <li>Costos Fijos →             <ul style="list-style-type: none"> <li>Alquiler</li> <li>Sueldos</li> <li>Mantenimiento</li> </ul> </li> <li>Costos Variables →             <ul style="list-style-type: none"> <li>Materia prima</li> <li>Servicios básicos</li> <li>Transporte público para entrega</li> </ul> </li> </ul>				

Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

## 2.6.1 Segmentation

Figure 9: CANVAS: Segmentation



Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

The development of CANVAS of the Dachiz company begins with the segmentation of the market and the ideal consumer profile. The objective is to determine the characteristics of the target market.

The identification of these details, in the segmentation and in all the blocks, is divided in two points: Business to Consumer and Business to Business (distributors or retailers).

### Business to Consumer (B2C)

- The target audience is mostly in the population of Cuenca (Azuay), Azogues (Cañar) and Guayaquil (Guayas); men and women between 15 and 54 years old
- Their income level is: middle class
- Chocolate is intended for people who are looking for new products, who like chocolate and natural products (not radical vegans), who like handmade products and who do not consume either preservatives or chemicals
- The product is intended for national and foreign people

## Business to Business (B2B)

- The target distributors or retailers are supermarkets targeting middle class consumers in Cuenca, Azogues, and Guayaquil

### 2.6.2 Value Proposition

Figure 10: CANVAS: Value Proposition

<b>Value Proposition</b>
<ul style="list-style-type: none"><li>• Exclusivity (non-mass made product)</li><li>• Natural fruit, artisanal, jam filling</li><li>• 40% savings on value added product for consumers</li><li>• Competitively priced product</li><li>• Innovation (naturally made jam, cereals, and mixed fruit)</li><li>• Comfortable size in terms of presentation</li><li>• Certified organic high-quality raw materials used in elaboration process</li><li>• Chocolate contains high percentage of cacao</li><li>• Cacao is 100% Ecuadorean</li></ul>

Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

The competitive advantage of the Dachiz product is the elaboration method of its chocolates which is made completely free of chemicals and preservatives, responding to the needs of its target market. It stands out from the competition because of its:

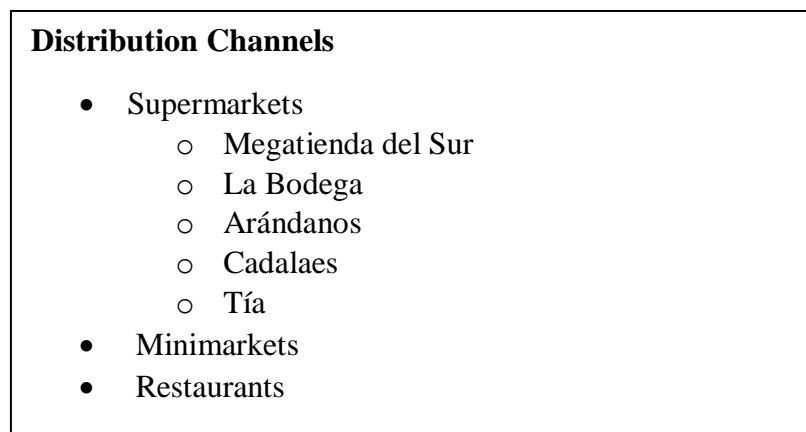
- Exclusivity (non-mass product)
- The fruit used is natural and its jam filling is made by the company.
- The profit margin is up to 40% for customers because of the added value of being an artisan product
- The price of its chocolate is competitive



- There is innovation in all production processes (natural jam, cereals, mixed fruits)
- The presentation of the product has a comfortable size
- The raw materials with which the product is elaborated have organic certifications, which makes it a high-quality chocolate
- Milk chocolate has a good percentage of cocoa (34%)
- The cocoa paste is 100% Ecuadorian of excellent quality, renown as one of the best in the world

### 2.6.3 Distribution Channels

*Figure 11: CANVAS: Distribution channels*



Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

The distributors with which Dachiz currently maintains a commercial relationship are supermarkets, mini-markets, restaurants, and cafeterias with a medium socioeconomic target:

- Mega Tienda del Sur (Challuabamba - Cuenca)
- La Bodega (Azogues)
- Cadelaes (Cuenca)
- Almacenes Tía (Cuenca, Guayaquil)
- Passenger Terminal (Cuenca)
- Vegetarian food store (Cuenca)

- Coco's Café (Cuenca)

Dachiz transports directly from the factory where it takes the order to the customer in its own transport. There are no logistic integrations or post-sales services.

With regard to freelance sales, Dachiz participates in fairs and offers seasonal discounts (black weekend, Christmas, etc.) on its social networking pages.

### Communication Channels

The form of communication that the company handles internally is direct with all areas since it is a 100% family business. The external communication is carried out by Management.

The corporate image that is sought to convey every day is a chocolate handmade with high quality Ecuadorian cocoa with natural fruit jam.

### Business to Consumer (B2C)

The company provides consumers with social networking profiles that are active (Facebook, Twitter, Instagram, WhatsApp)

- Facebook: Dachiz Zuhe C.A. Companies
- Twitter: @dachizchocolate
- Instagram: @dachizchocolate

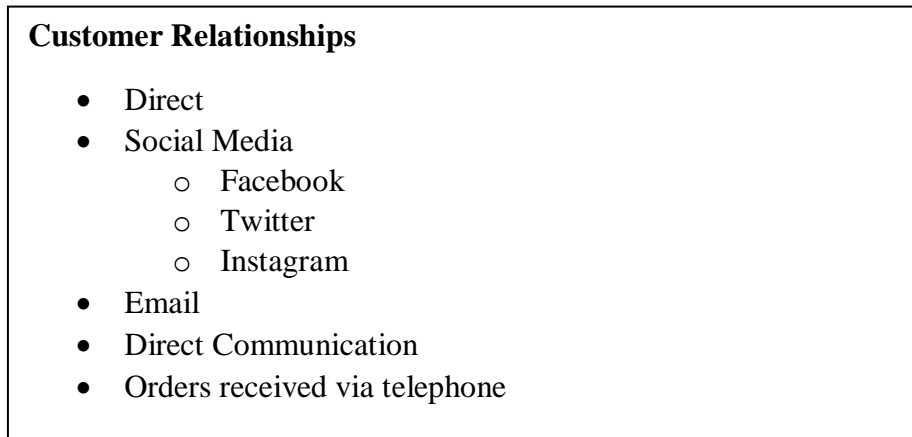
### Business to Business (B2B)

Dachiz has a website and an institutional e-mail address for its distributor or retailer clients

- Website: <https://chocolates-dachiz-ecuador.negocio.site/>

## 2.6.4 Relationship with customers

Figure 12: CANVAS: Customer Relations



Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

Dachiz has set itself the goal of caring for its clients in order to create loyalty and guarantee its production volume.

### Business to Consumer (B2C)

The company's relationship with the final customers is detailed as follows:

- Dachiz focuses on personalized attention through sales promoters at peak hours in supermarkets.
- The company seeks to create a relationship with its customer base.
- Invitations to visit social networks are sent through via social media.
- The products are exhibited in an innovative way sharing additional information about cocoa, interesting facts, and photographs. The aim is to add value by sharing information and show the benefits of its product.

### Business to Business (B2B)

- Regarding its clients, Dachiz knows the cost of each commercial relationship and always tries to have a lower introductory price with each intermediary apart from discounts and promotions.

## 2.6.5 Sources of income

Figure 13: CANVAS: Sources of Income

<b>Income Distribution</b>
<ul style="list-style-type: none"><li>• Income from chocolates: 95%</li><li>• Income from cookies and others: 5%</li><li>• Credit line from Jardín Azuayo Cooperative</li><li>• Payment forms by clients: cash per order (10%) and by cheques (90%) from supermarkets</li></ul>

Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

The company has been financed, for its constitution and operation, from its beginnings by a credit obtained through the Cooperative "Jardín Azuayo" that has been paid with monthly installments.

Chocolate is the product that generates 95% of income. The main form of payment from customers is cash for direct orders (10%) and checks (90%) from supermarkets, mini markets, etc.

## 2.6.6 Key Resources

Figure 14: CANVAS: Key Resources

<b>Key Resources</b>
<ul style="list-style-type: none"><li>• Physical Resources<ul style="list-style-type: none"><li>○ Shop</li><li>○ Furniture</li><li>○ Equipment</li><li>○ Supplies and materials</li></ul></li><li>• Intellectual Property<ul style="list-style-type: none"><li>Brand and patent</li></ul></li><li>• Financial → credit line</li><li>• Human Resources → 3 people employed</li></ul>

Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

There are physical, intellectual, financial, and human resources necessary for the operation of the company.

- The physical resources identified as essential are the physical establishment, furniture, equipment (machinery), materials (kitchen utensils, cleaning devices, etc.), and inputs (raw materials) to produce the product.
- The intellectual resources required for the operation are the registered trademark and patent, a complete database (acquired raw materials, inventory, accounting, etc.), experience, and knowledge of the market
- The main financial resource is the capital worth of the equipment of the factory.
- Human resources made up of three people for production, administration, and sales

### 2.6.7 Key Activities

*Figure 151: CANVAS: Key Activities*

<b>Key Activities</b>
<ul style="list-style-type: none"><li>• Design and Innovation</li><li>• Purchase and Selection of Raw materials</li><li>• Distribution and Sales</li><li>• Post-Sales Service</li></ul>

Source: Dachiz Zuhe C. A.

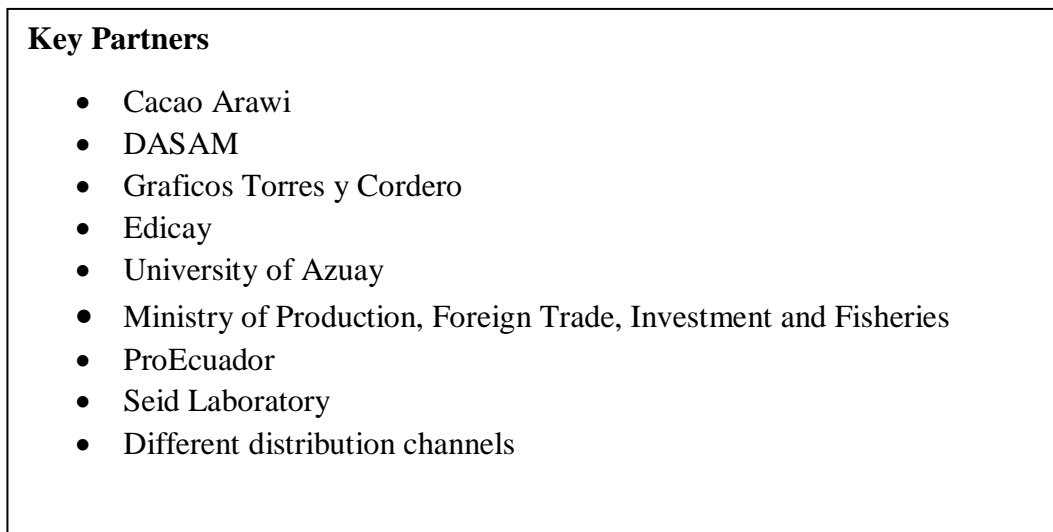
Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

The most important activities for the company are summarized in:

- The purchase and selection of raw materials and suppliers so that the artisan elaboration method is safeguarded
- Handmade chocolate elaboration
- Distribution and marketing
- Post-sales service (to be implemented because currently there are no return policies or post-sales service).
- The marketing plan: (to be implemented). The objective is to design an action plan with activities and goals.

## 2.6.8 Key partners

Figure 16: CANVAS: Key Partners



Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

Dachiz has a team of institutions that allow it to function properly and provide what is necessary for the development of its products. The most important entities are:

1. CACAO ARAWI (Cocoa paste distributor)
2. DASAM (distributor of vanilla, sugar, flour, butter, oil, chocolate coating, and cleaning items)
3. Gráficas Torres y Cordero (printing company that provides packaging)
4. Edicay (printing company that provides packaging)
5. Universidad del Azuay, an institution that promotes community projects. It promotes interaction between academia, the public and private sector to work together to competitively improve the products offered by SMEs in the province of Azuay.
6. Ministry of Production, Foreign Trade, Investment and Fisheries, a public institution that works together with academia.
7. ProEcuador, a public institution that works together with academia.
8. Seid Laboratory (company that performs laboratory analysis and records).

## 2.6.9 Prices and Production Costs

Figure 17: CANVAS: Prices and Production Costs

Cost Structure	
<ul style="list-style-type: none"><li>• Fixed Costs<ul style="list-style-type: none"><li>○ Rent</li><li>○ Wages</li><li>○ Maintenance</li></ul></li><li>• Variable Costs<ul style="list-style-type: none"><li>○ Raw Materials</li><li>○ Basic services</li><li>○ Public transport for delivery</li></ul></li></ul>	<ul style="list-style-type: none"><li>• 60% for product</li><li>• 25% employees</li><li>• 15% maintenance costs cleaning and transportation</li></ul>

Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

While Dachiz drives its business through value creation, operations must ensure that production costs are sufficiently profitable to prosper as a business and grow in the marketplace. There are fixed and variable costs that must be considered in order to produce and obtain profit. The fixed costs are: rent of the establishment of production, staff wages and maintenance of the place (cleaning and basic services). The variable costs pertain to the raw materials used (depending on demand), delivery transport (depending on quantity and weight of the order since it is made directly by the client), marketing, and advertising.

### Most important costs of the business model

The main costs of chocolate processing can be divided into percentages for better understanding:

- 60% of the product's raw material and packaging (net cost)
- 25% of salary to employees
- 15% for utilities, cleaning, and transportation costs

### More expensive key resources

The resources that represent the greatest value in terms of costs are materials and inputs.

### More expensive key activities

The most representative activity in terms of cost is the production time that deserves attention since there is a pause for cooling process for the chocolate before packaging.

### Cost of production

At this point of the CANVAS business model it is important to determine the exact value of total cost of production in order to set goals and objectives to reduce it, as long as it does not affect the quality of the final product. The total cost is as follows:

1. Milk chocolate bars 34% cocoa filled with passion fruit, blackberry, or mixed fruit jam (60 grams): \$0.57
2. Milk chocolate bar 34% cocoa filled with passion fruit, blackberry, or mixed fruit jam (120 grams): \$1.10

Cost of production valid only for the Republic of Ecuador

## **2.7 Conclusion of the CANVAS business model**

The business model is a necessary tool for entrepreneurs since it has clearly established points that had not been given the required importance before. Thanks to the collaboration of the Ministry of Production, Foreign Trade, Investment and Fisheries and the owner of the company, it has been possible to shape a vision of the target consumers' current situation and its main characteristics. This gives a better insight into the market where their value proposal is directed to, which allows it to identify the competitive advantages of their main product and what it creates for the client.

Within the area of distribution channels, it was possible to confirm that Dachiz has commercial relations with supermarkets, mini-markets, and restaurants/cafeterias with a customer base of a medium socio-economic level, and strives to maintain a stable and fruitful commercial relationship. Its sources of income are financed by own capital and a credit line with a good record with chocolate as its product that generates 95% of its income. Dachiz has key tools for its correct functioning and performance such as physical, intellectual, financial, and human resources which are indispensable for the company to have the capacity to continue developing and complement them with key activities, such as the purchase of raw materials, elaboration, and commercialization of the product.

Likewise, there are companies that collaborate with Dachiz's supply chain by providing inputs, materials, raw materials, etc., and without them it would not be possible to



produce. These partners are essential because fixed contracts have been established to ensure availability of all inputs. Finally, it is fundamental to establish the fixed and variable costs that must be considered for the business to remain profitable. These values cannot be excluded from the net cost, and efforts must be made to reduce variable costs without affecting the quality of the product. As can be observed in the image of the physical canvas, these blocks are necessary for any type of enterprise or company. In the case of Dachiz, this tool has provided a guideline that facilitates the fulfillment of the daily activities, and has given sense to the objective of the business.

## **2.8 Conclusion of the Chapter**

Currently, Dachiz Zuhe C.A. is a company that since the beginning of its undertaking has focused on producing and commercializing products of excellent quality, as well as on growing through innovation and adapting to its environment. Its mission and vision contain the short and long term plans, and keeps the focus on what the owner wants for his company.

Based on the results obtained in the initial diagnosis carried out according to the terms of the Ministry of Production, Foreign Trade, Investment and Fishing, Dachiz is considered as an innovative enterprise. This score is a great advantage since it allows for much more concrete objectives in terms of growth and improvements.

The Export Audit is a tool that has helped Dachiz to understand specific aspects that should be included in the improvement plan. It has achieved a favorable score in terms of its presence in the market and the reception it has received from consumers. The four areas of study were analyzed in detail.

The analysis of the SWOT matrix highlights several Strengths and Opportunities that the company holds and recognizes few Weaknesses and Threats. As could be noted, the innovative and entrepreneurial attitude of the owner of the company is mostly highlighted, which has allowed the acquisition of knowledge and good relationships with its stakeholders, and is deemed as one of the great opportunities of its business, with a differentiated, healthy, and innovative product in the market. Despite the fact that it has few personnel, little production capacity, and the enterprise is in a highly competitive market environment, the business has the potential to grow even further. All departments

are in continuous improvement however, a marketing strategy must be implemented as well as the functions distributed in writing so that control can be enhanced.

Finally, as part of the project, a CANVAS workshop was held with the participating SMEs, in which a canvas could be physically created. This business model highlighted nine blocks which give the business orientation thanks to the guidelines that each block provides, such as the identification of the target customers, the relationship with the partners, the value proposal that the owner of the company wishes to provide, etc. The canvas gives a clear idea that responds to the company objectives.

## CHAPTER 3

### Elaboration of the competitive improvement plan

#### 3.1 Introduction

After having completed the diagnosis of the company with the help of tools provided by the Ministry of Production, Foreign Trade, Investment and Fisheries, it is deemed useful to use this information to convey the ideas and initiatives for progress through a competitive improvement plan for future export. This will provide the company an action plan that will bring it closer to internationalization.

In this chapter we will develop the proposal of a competitive improvement plan based on the studies carried out in the previous chapters. The SWOT analysis as well as in the information of the CANVAS business model indicate critical areas such as the lack of liquidity, the lack of a marketing strategy, the lack of post-sales services, insufficient personnel in the areas, etc. The abovementioned analysis also indicated that it is indispensable to create a competitive improvement plan in the administrative and sales department which is deemed imperative to push this SME towards internationalization. A Marketing Mix will be carried out to clarify the current situation and facilitate the identification of key factors. The current financial capacity will be determined and then the economic, cultural, political, and environmental surroundings will be described. The competitive landscape of the company will also be briefly analyzed in order to understand the challenges that Dachiz faces in the market.

After this, the phases of implementation of the plan will be specified. In the administrative department, a proposal of an improved mission and vision statement will be made to refine the objectives of the company, establishing business values that will give identity and direction of all activities, reviewing and analyzing the proposed objectives for the year 2020 due to the volatile situation worldwide. A national and international product return policy will be designed and, through a flowchart, the procedures in the production department will be detailed to improve the order in terms of processes.

In the sales department, the targets will be carefully specified in order to optimize the use of resources. A marketing plan will be developed with branding and sales objectives and a packaging redesign will be proposed in order to improve the image for the desired target market. Afterwards, the export logistics will be analyzed proposing an option of Courier,

Incoterm and payment method. Finally, the regulations for the shipping label (cardboard boxes) will be provided, which will facilitate Dachiz to do business abroad. The set of proposals that will be presented in this chapter are not only aimed at increasing profits, but also concentrate on highlighting the potential that the SME has to open up new markets and thus compete with the large chocolate brands.

## **3.2 Competitive Improvement Plan**

### **3.2.1 Marketing Mix**

In order to have a broader vision of the future of the company and envision its exporting potential, a Marketing Mix analysis is developed below. This analytical tool is a set of operational methods through which the company meets the needs of the different customer segments by facilitating consumer purchase decision processes. Its components are divided into four, namely:

1. **Product:** this refers to the tangible or intangible elements that can be sold, as well as elements such as experience, service, information, etc., and its focus on customer relationship management.
2. **Price:** this is the transaction value for exchanging products in the market so that the company recovers costs and makes a profit. Simply put, this is the amount of money that the company charges the customer for the product.
3. **Place or distribution:** This aspect refers to the placement of the product in the location where the customer wants to buy, in the desired quantity and at the right time.
4. **Promotion:** this component is in charge of transmitting and creating awareness about the product, its advantages, characteristics, and how it addresses a need. The promotion is targeting existing customers so that they do not decide to buy the competitors' products, and for potential customers to provide an incentive to give the product a try.

(Monferrer Tirado, 2013)

Below are the four components of the Dachiz Marketing Mix:

### 3.2.1.1 Product

The product is characterized for being a 100% Ecuadorian chocolate elaborated in a traditional way without the use of preservatives or chemicals that potentially damage the health of the consumer. In order to improve the appreciation in the market, a new package is designed to improve its positioning in the mind of the consumer by highlighting key product characteristics in a visible way which will set their expectations. The aim is to create a natural and organic quality image, which even though it is subjective for each consumer, which tries to satisfy a need.

Figure 18: Marketing Mix: Product



Source: Dachiz Zuhe C.A.

Figure 19: Marketing Mix: Product



Source: Dachiz Zuhe C.A.

*Figure 20: Marketing Mix: Product*



Source: Dachiz Zuhe C.A.

### **3.2.1.2 Price**

The pricing strategy focuses on the product concept. Selling chocolate offers certain implicit emotions that the customer is looking to satisfy at that moment. The Dachiz chocolate in the 60 gram presentation costs \$1 at the distributor (wholesale) and each retailer has freedom to set the final price. In the market it reaches up to \$1.36 depending on the point of sale. It is considered an affordable value and suitable for all audiences. On special dates such as Valentine's Day, Mother's Day, Women's Day, Father's Day or Christmas, 2x1 promotions are offered, without varying the cost to maintain stability and thus achieve a higher percentage of repeat consumers.

### **3.2.1.3 Place**

The company has consolidated itself in Ecuador. Its headquarter is in Cuenca and it has found a market in the city of Guayaquil. After the installing its headquarters, it started sending small shipments to the city of Merida, Venezuela. However, it has not been able to obtain a client that makes regular orders. The distribution channel is handled directly by the company to the supermarkets where it is distributed. Dachiz continues to look for markets where it can insert its product and stand out for its handmade and chemical-free attributes, in addition to its environmental contribution.

#### **3.2.1.4 Promotion**

The company's main campaign goal is to establish the name "Dachiz" in the minds of consumers and position itself among the 10 best known chocolate brands. The aim is to have at least 10% of regular consumers to safeguard a monthly production. At the moment of writing there is no marketing plan or advertising strategy in place, however, the company has decided to promote itself through social networks such as Facebook, Twitter, Instagram, and WhatsApp.

#### **3.2.2 Financial capacity**

In this plan, financial capacity has been considered extremely important. There are several control mechanisms to maintain an adequate level of liquidity in the company, such as: implementing a management structure and cash flow control. This is a responsibility for the person in charge of finance and accounting. Contingency plans should also be available. Additionally, a continuous supervision of the accounting statements must be implemented and maintained (Business Destination, 2015). This paper proposes a way of financing for SMEs that will help them obtain greater liquidity, which will allow it to invest in improvements.

Dachiz Zuhe C.A. began with a credit line of three thousand dollars (\$3,000) by the "Jardín Azuayo" Savings and Credit Cooperative, with 40-month payments and the value to be paid, including interests, is three thousand eight hundred dollars (\$3.800). In this case and according to the company's needs, it is suggested that in order to maintain liquidity, the company should sell to the distributors giving them a maximum term of payment. The suggested term is 45 days with the payment method indicated later in this plan.

#### **3.2.3 Economic, political, cultural and environmental surroundings**

##### **3.2.3.1 Economic**

As mentioned in the first chapter of this paper, the importance of small and medium enterprises within the Ecuadorian business environment is paramount. SMEs give a significant contribution and according to the last National Economic Census of 2010, about 99 out of every 100 establishments are in the category of SMEs (National Institute

of Statistics and Census, 2015). Ten years later, the number of companies still remains a fundamental pillar in the Ecuadorian economy.

In recent years SMEs have been considered the most productive sector in the country's economy. This is reflected in the Gross Domestic Product (GDP) with a rate of over 25%. At the same time, SMEs generate a high level of employment since they comprise 70% of the country's Economically Active Population (EAP). Therefore, they are important for the development of production and a sustainable management of the economy (Ron & Sacoto, 2017).

At the national level, given GDP statistics, trade is one of the most important activities along with construction and manufacturing, except for oil refining (Ron & Sacoto, 2017). On the other hand, the Ecuadorian economy is feeling the impact of the changes in the international scene, as the flow of foreign exchange entering the country is reduced due to the collapse of oil exports (Hurtado & Rivadeneira, 2015).

### **3.2.3.2 Politics**

In 2015, the government approached the business sector with the view of promoting greater private investment, which would compensate somewhat for the drop in public investment. The development of public-private partnerships was promoted to attract investment in strategic sectors. Reforms were also announced to reduce the procedures and paperwork for the incorporation and operation of companies. Officials closer to the private sector were incorporated into the government and a regulatory pause was announced to give a stable and predictable business environment (Hurtado & Rivadeneira, 2015).

The promotion of change in the productive matrix through substituting imports with local production, was seen as a window of opportunity. All this gave way to the motivation of many entrepreneurs and people who wanted to set up their companies, which also benefited SMEs in the food sector (Hurtado & Rivadeneira, 2015).



### **3.2.3.3 Cultural**

The cultural environment in which the Ecuadorian cocoa market operates is truly special because it has important considerations in international trade. Considerations that have given it an international reputation and rated as one of the best in the world. The consumer is aware of the added value of Ecuadorian chocolate (Infogram, 2020).

According to a study carried out in 2020, Ecuadorian consumers clearly show that what most influences their choice of a product or service compared to others is the brand, with 96% score amongst other factors (opinions, advertising, internet, etc.). This is a significant statistic, since it shows that the behavior called "marquismo" (Infogram, 2020) is deeply rooted.

Consumers in Ecuador who make inquiries, prior to purchase, online to find out opinions of other consumers about the product is not significant (17%), but due to the generalization of the use of the Internet as a communication channel among consumers, it will become increasingly important (Infogram, 2020).

### **3.2.3.4 Environmental**

In Ecuador, the trend in applying ecological strategies began in 2009, as Ecuadorian consumers began to buy ecological products, either for novelty or fashion, with two purposes: to lessen the damage to the environment and to protect one's health. The ecological variable has become the added value and a competitive advantage of products, in addition to becoming a strategic point strengthening the corporate image. This is why today's consumers are increasingly looking for an eco-friendly product (El Comercio, 2012).

### **3.2.4 Competitive landscape of the company**

At present, Dachiz's competition within the country is the existing milk chocolate brands in the market, which have differ little in price, packaging, composition, flavors, as well as a high variation in advertising investment since they are aimed at a middle class consumer base. The direct competitors in Ecuador that have been considered for analysis are the following:

1. Bios
2. Nestle
3. Ritter Sport

The reason why this choice was made was because these brands compete directly with the company in terms of the product they offer: chocolates filled with jelly with artificial flavors or filled with pieces of candied fruit, grated coconut, etc. There is a similarity in terms of the main characteristics since other chocolate brands offer other types of presentations: simple chocolates, chocolates filled with cream, hazelnut cream or other toppings, small spheres, unfilled bars, caramel-shaped chocolate and more. These could be considered indirect competitors. Although brands such as Pacari and República del Cacao also offer bars, the target that Dachiz currently manages is not the same since the companies mentioned are recognized as premium bars and are sold at a higher value. The following is a brief description of the companies considered as direct competitors.

#### **3.2.4.1 Bios Chocolates**

On the eve of one of the great world wars, the Olgieser family decided to move from Europe to South America, looking for better conditions to live in and to develop their newly established chocolate company. This is how, they arrived at the port of Santa Elena in Guayas (Ecuador), where they took advantage of their stay to get to know Quito, a city they immediately fell in love with, even more so, when you add to this the magnificent climate all year round, the human quality of the workers and the ease with which they can provide themselves with the best raw material in the world, Ecuadorian cocoa (Chocolates Bios, 2019).

Bios (Quito - Ecuador) produces, since then, three types of chocolates: for cakes, chocolate bars, and chocolates. Currently Bios distributes and sells chocolates nationwide to the main supermarkets, pharmacies and delicatessens in Ecuador, as well as offering chocolate to the main pastry shops, bakeries, and ice cream shops (Chocolates Bios, 2019). They manage social networks and a website. It is sold in the market at a price of \$2.25 per 100-gram bar.

*Figure 21: Competitive Situation: Chocolates Bios*



Source: Website Chocolates Bios

### **3.2.4.2 Nestle**

With the motivation of creating a nutritious and affordable food, which would serve as a restorative and fortifier for the children victims of the hunger that was shaking Europe, the pharmacist Henri Nestle, created in 1867, a combination of powdered milk and wheat flour, which he called "dairy flour". With the production and sale of this lactic flour Nestlé was born as a company. Nestlé expanded throughout Europe, however, the First World War (1914 - 1948) generated the need to locate factories in places far from the conflict. This is why the company came to the United States. In 1920 the first Nestlé plant in Latin America was established in Ararás, Brazil. Soon, the company expanded throughout the continent and arrived in Ecuador (Nestlé S.A., 2019).

Currently, Nestlé is present in more than 100 countries around the world and has more than 278,165 employees working to offer Nutrition, Health and Wellness to its customers. Nestle imported chocolates and candies with its brand, in elegant boxes, from Switzerland. In the year 1963 a peak of sales was achieved: one million Ecuadorian Sucres (Nestlé S.A., 2019).

The Nestlé product is considered a competitor in Ecuador and is available in nine presentations. The first one has 72% of cocoa and the eight additional presentations have 55%, the same ones that have been developed with several flavors: almonds, passion fruit, mint, golden berry, roses, red fruits, banana and salt (Nestlé S.A., 2019). In the market it has a sale price of \$2.75 for each bar of 50 grams. They have a strong presence in social media and have a website.

Figure 22: Competitive Situation: Nestlé



Source: Nestlé website

### 3.2.4.3 Ritter Sport

In the market one can find organic chocolates from the company Ritter Sport, which has a history since 1912 of producing a characteristic variety of chocolate bars with different flavors and packaging. Its worldwide recognition is due to characteristics that the company has developed over the years, such as obtaining its cocoa, which currently comes from a plantation founded by the same company in Nicaragua, employing many natives and considerably reducing the destruction of the forests. Another competitive advantage is their concern for the environment and handling the elaboration of their packaging responsibly which is made with recycled material since 1991 (Ritter Sport, 2020). Its prices vary between \$3.00 and \$3.25 per 100-gram bar. They have an active presence in terms of product advertising on social networks.

Figure 23: Competitive Situation: Ritter Sport



Source: Ritter Sport website

Based on the knowledge of the market and the current competition, the company seeks to compete with brands of premium chocolate and 100% organic cocoa with business models clearly aimed at the international market. It is considered that if Dachiz's improvement plan is followed through, it will be able to compete with companies like Pacari and República del Cacao, who currently lead this market segment, since their sales are concentrated in airports, e-commerce, and Chocolate Boutiques. In addition, they have an international reputation and hold several certifications. General information on these two companies considered as their main competitors in the international field will be presented.

#### **3.2.4.4 Pacari**

Pacari is a chocolate company founded in 2002, which has been exporting its products to foreign markets since 2007 and has been considered the best chocolate in the world according to the international contest "International Chocolate Awards" for several years. Pacari has a good positioning in the national and international market, with a great variety of premium products (Marcial Verdesoto, 2015). They maintain a good relationship with cocoa producers, however, they do not have their own cocoa plantation which prevent them from controlling the quality of their products 100% (Pacari, 2019).

A characteristic that stands out within the company is that they are aware of both the environment and the labor conditions of the workers, thus improving the lifestyle of the community, making their products great competitors in the chocolate industry (Impaqto, 2016). In the national market it costs between \$2.25 and \$2.85 for each 57-gram bar, depending on flavor. It has a website and social media presence in several countries.

*Figure 24: Competitive Situation: Pacari*



Source: Pacari Web Page

### 3.2.4.5 República del Cacao

This company was born in 2005 with the purpose of maintaining and developing the production of "fine aroma cocoa" or "cacao arriba", which is one of the most appreciated in the world. República del Cacao offers to consumers chocolate bars in different varieties (República del Cacao, 2019). The 50-gram bars have a sales price of \$5,00. This industry has presence on social media, website, and online store with delivery services.

The company has been working with a fine aroma cocoa from the Ecuadorian Amazon region. Like Pacari, República del Cacao does not have its own plantation, therefore it does not maintain strict quality control on the cocoa cultivation. However, it has a high international positioning through an alliance with French companies. It has of a wide variety of products and the design of their packaging are unique (Marcial Verdesoto, 2015).

Figure 25: Competitive Situation: República del Cacao



Source: República del Cacao Website

### 3.2.5 Application phases in work areas

We proceed to detail the implementation phases of the competitive improvement plan in the selected departments.

#### 3.2.5.1 Administrative Department

##### 3.2.5.1.1 Mission and vision proposal

It has been considered extremely important to rethink the mission and vision of the company and establish company values, which are tools that better guide company actions in the administrative, financial, marketing, sales department, etc. It also helps in

case of unexpected events since its managers and employees know perfectly well who they are, who they want to be in the future, and the values to achieve it. Next, we propose a new mission and vision statement aimed at achieving the objectives and setting goals for the next five years.

### **Mission**

To offer our clients 100% Ecuadorian high quality products based on organic cocoa, with continuous innovation in the processes of artisan production, presenting itself in the market as a unique, natural and healthy alternative, protective of its values while taking care of the environment.

### **Vision**

To be a company recognized nationally and internationally for providing an excellent chocolate thanks to the quality of its processes and products based on 100% Ecuadorian and artisanal cocoa, reaching a stable and strong position in the market over the next five years.

#### **3.2.5.1.2 Company values**

It is considered important to propose a list of organizational values for the company in order to have a better orientation in the decision-making processes. As expressed in the article 'Business values, from theory to practice of Carlos Moreno and Susana del Cerro': "values guide and do so in two ways, first, in decision making, and second, in people's behavior." From the ethical point of view, the essential thing is the quality of the decision-making process. After all, the choices made are materialized in actions and the values have to do with the behaviors and decisions of the companies. In short, they are criteria for action that guide decisions and are reflected in people's behavior (Moreno & Del Cerro, 2009).

In the following list proposed, Dachiz is free to alter or add values in its institution if these are in line with its business philosophy.

The suggested values are:

- Labor Responsibility
- Commitment to product quality
- Teamwork
- Clear and honest communication
- Constant creation of value and innovation
- Trust
- Punctuality

### **3.2.5.1.3 Review and update of the specific objectives for the year 2020**

The General Manager of Dachiz, together with his team, has determined a general aim (detailed below) and several specific objectives for the present year and they are as follows:

#### General Objective

To elaborate and distribute chocolates filled with natural jam fruit or nuts, using high quality raw materials and innovating in the creation of filled chocolates.

#### Specific Objectives 2020

- Increase the sale of chocolates in the current markets by 10%
- Entering new national markets that allow for an increase of at least 50% in current sales
- Entering at least one other supermarket chain in Ecuador
- Make at least three chocolate exports, each of at least \$2,000

Given the circumstances that are being experienced worldwide during 2020, it is considered timely and pertinent to suggest, within this plan, a new list of specific objectives detailed below:

#### Proposal of Specific Objectives 2020

- Obtain signature and international electronic invoice for commercial transactions.
- Obtain a contract with a supermarket chain in Merida - Venezuela to make fixed deliveries.



- Obtain a contract with "Corporación La Favorita" and thus increase the volume of sales by a minimum of 15%.
- Start implementing the action plan set out in the marketing plan and achieve at least 30% progress.

#### **3.2.5.1.4 Activities and responsibilities of each partner**

Below, we detail the activities that each manager of the company has in order improve management of the company, and, above all, enhance communication flows.

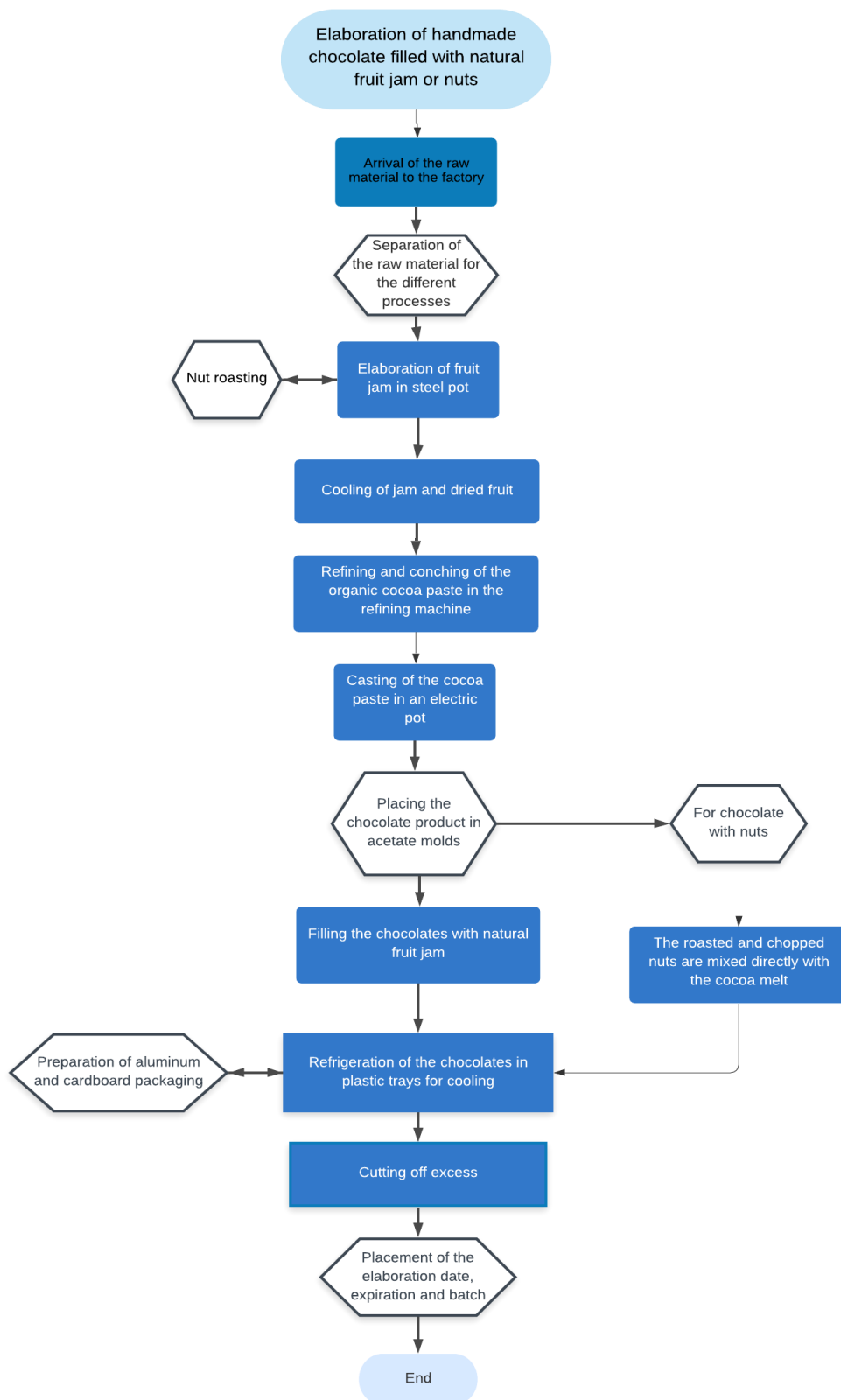
Functions of the managers

1. General Manager Chicten Rodríguez: business management (permits, taxes, accounting, training and related), support of the production process, purchases, sales and distribution,
2. Production Manager Daniela Macedo: production process and management of social media.
3. Sales Manager Víctor Macedo: promotion and sales.

#### **3.2.5.1.5 Procedure Flowchart**

A procedure flowchart will make it easier for the company to acquire future certifications, since this guarantees a good follow-up of the processes and assures a consistent high-quality final product. The flow chart is detailed below:

Figure 26: Procedure Flowchart



Source: Dachiz Zuhe C. A.

Elaborated by: Dachiz Zuhe C.A., Isabel Cordero, Karla Valdez

### **3.2.5.1.6 Proposed policy for return of product in national deliveries**

Dachiz carefully checks its products' quality before making deliveries, with the Manager inspecting the production and packaging processes. However, in the event of finding factory defects in the product (damaged, wet, open packaging, etc.) in national deliveries, the customer (distributor) must follow the following steps:

1. Notify the person who made the delivery of the products within 24 hours. If not notified within this time, the claim will not be accepted.
2. Notification will also be received by email including: time of delivery, product status with photos and details, specifying any problem found.
3. Once the report of the problem has been received and confirmed that the problem stems from the factory, Dachiz will proceed to change the product for another one that is completely new and in the best conditions, without any extra charge for the product or for the shipment which the distributor will make with the product to Cuenca.
4. In case the company or its distributors have not been responsible, no responsibility will be assumed.

### **3.2.5.1.7 Proposed policy for product return in international deliveries**

In case of finding manufacturing defects in the product (damaged, wet, open packaging, etc.) in international deliveries, this policy is suggested in which the customer (distributor) must follow the following steps:

1. Notify by email to the company (General Manager) within 48 hours of receiving the goods. After that time, the claim will not be accepted.
2. The notification will be received with Air Waybill scanner (receipt issued by an international airline for merchandise and proof of transport contract when the shipment is by air), proof of receipt (when multimodal transport, like air-land transport), time of delivery, state of the product with photographs and details specifying any problem.
3. Once the report of the problem has been received and it has been confirmed that it stems from the factory/production, Dachiz will proceed to the immediate

shipment of the product as it was in the original order and in the best conditions without any extra charge on either the product or the shipment.

4. In case it is not the company responsibility (regarding production or packaging), it will take advantage of the Incoterm agreed at the time of the negotiation of the order, which determines the transfer of risk.

### 3.2.5.2 Marketing and sales department

#### 3.2.5.2.1 Proposed "slogan" for the company

The creation of a slogan is considered needed for the company for its advertising label that would make its positioning in the market more effective. The process of choosing for the proposed slogan is presented below.

Figure 27: Proposal of "slogan" for the company

DACHIZ – Brainstorm	1 <sup>st</sup> draft	SEMIFINAL
<ul style="list-style-type: none"> <li>- Chocolate</li> <li>- Happiness</li> <li>- Laughs</li> <li>- Jam</li> <li>- Fruit</li> <li>- Calm</li> <li>- Craft</li> <li>- Sharing</li> <li>- Special</li> <li>- Gift</li> <li>- Give away</li> <li>- Party</li> <li>- Love</li> <li>- Delicious</li> <li>- Happiness</li> <li>- Tasty</li> </ul>	<ul style="list-style-type: none"> <li>- Share smiles</li> <li>- Give happiness</li> <li>- Make people smile</li> <li>- Specially with love</li> <li>- Artisan happiness</li> <li>- Special and artisan</li> </ul>	<ul style="list-style-type: none"> <li>• Artisan happiness</li> <li>• Artisan delight</li> </ul>

	<p>Options</p> <ul style="list-style-type: none"> <li>• Artisan happiness</li> <li>• Artisan's delight</li> <li>• Handmade delight</li> </ul>	<p>WINNER</p> <ul style="list-style-type: none"> <li>• Artisan delight</li> </ul>
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Source: Isabel Cordero, Karla Valdez

Elaborated by: Isabel Cordero, Karla Valdez

Once the brainstorming and the drafts were done, three options were selected of which one was considered best which most conveys the business concept: "Dachiz, Artisan delight".

### 3.2.5.2.2 Definition of the Target Market

It is considered important to define in a more detailed manner the market segmentation, which is, the target market that the product is directed to. This is done in order to tailor the marketing strategies directed towards it, to reach company objectives, and improve its market positioning vis-à-vis its direct competitors. It is extremely important to be able to choose a suitable international market. Chocolates Dachiz would be directed to:

- Population of Cuenca (Azuay) and Azogues (Cañar)
- Men and women between 25 and 50 years of age
- Income level: middle class, upper middle class. Third level of education, with a stable job and a monthly salary of \$900 or more.
- Economically independent
- People looking to do their grocery shopping
- People who like natural products (this does not include radical vegans)
- People who like handmade or artisan products
- People who value environmental responsibility in production
- People concerned of the healthy content of the products they consume
- People who like filled chocolate

- People who like milk chocolate
- People who value nationally produced products
- People who like fruit jam
- People who like nuts
- Gluten-tolerant people
- People who avoid consuming genetically modified products
- People who frequently consume and enjoy desserts or sweets
- People who do not pay attention to the nutritional information to buy products

### **3.2.5.3 Marketing Plan**

Dachiz Zuhe has always concentrated on offering the market high quality chocolate using certified raw materials and the best ingredients. Its strategies have been based on the needs of the moment and according to its financial and production capacities. Thanks to this commitment it has been possible to look for ways to continue growing in this line of work and be able to suggest options that can bring the company closer to entering an international market. The following is a marketing plan with objectives (written using the Smart concept), strategies, tactics (measurable) and Key Performance Indicators (KPIs) to bring the company closer to the international market.

To better understand this plan, it is important to know that a strategy is a process of tactics carried out with the objective of reaching a point in an action plan, responding to a need, taking into account the goals, the operation and the methodology (Parmerlee, 1998). The strategy in turn contains tactics, which are the methods that are developed to execute a plan (Real Academia de la Lengua Española, 2019), through the use of KPIs that will help determine a measurable variable (for example: number of visits, profits, sales, etc.) linked to the aims set within the plan (José, 2013).

#### **3.2.5.3.1 Objectives**

##### **3.2.5.3.1.1 Branding Objective**

Achieve brand awareness of the product with the target market within the span of maximum one year and that its brand is associated mainly to the words natural, artisan,

and organic, in addition to words like pleasant, delight, taste, quality, national, fine Ecuadorian cocoa of aroma.

Keywords: natural, artisan, and organic

## **Price**

Strategy: Total Change. Increasing the price is one step to get closer to compete with those companies holding a market position and sales volume for a middle-upper class market. This is done with the objective that the product is put in a similar brackets as top mind brands in Ecuador and Venezuela.

Tactic 1: carry out the price increase strategy as a previous step to promotion. This way our target audience would not feel the impact of the price increase because they would only focus on the added value.

KPI: quarterly comparison of the sales level after the application of the tactic.

Responsible: General Manager

## **Product**

Strategy 1: package redesign. With a new design, the aim is to improve the image of the brand, to improve the public's perception of the product, to specify the data that, according to the regulations, must be available for export in the near future, and to adapt it to the target audience that the companies wants to reach.

Tactic 1: Be more specific in the information contained on the packaging. Specify if the product contains gluten, transgenic, dairy. It should also contain the percentage of organic cocoa, and if the company is environmentally responsible, fair trade, etc., in order to follow export requirements.

Tactic 2: change the concept of the previous package with the new one. Give a proposal of different colors and design.

Tactic 3: make the packaging less information-laden so that it is easy to appreciate.

KPI: comments collected in Focus Groups with selected people or frequent clients

KPI: customer feedback by answering quick surveys through Instagram Stories.

Responsible: General Manager

Strategy 2: to elaborate chocolates with 46% more organic cocoa, reaching 80% so that the brand has this quality as one of its main characteristics and is recognized in the market as one of the only ones offering chocolates in this category.

Tactic 1: increase the percentage of organic cocoa and promote it as a unique and special feature.

KPI: customer feedback by answering quick surveys through Instagram Stories.

Responsible: General Manager

### **Place**

Strategy: Given that supermarkets are the main point of sale of the product, it is considered important to strengthen the concept of the brand in the minds of the target market as a high quality product by being displayed in a place strategically located on the shelves next to other high quality chocolate brands already positioned in the market that aim at a similar target market.

Tactic 1: pay an additional sum to supermarkets so that the product is displayed on a shelf next to our direct competitors and our target competitors: Ecuador - Nestlé, Pacari, República del Cacao, etc., considering the costs involved and looking at it as a positive investment that can generate impact on the target market.

Tactic 2: Use BTL advertising (below the line) to visually attract our target audience.

Tactic 3: Participate in business events, tourism fairs, graduate programs, etc., as a sponsor to make the brand better known to the target market.

KPI: Number of participations in events and number of sponsorships achieved.

Responsible: Sales Manager



## **Promotion**

Strategy: Show the target market that tasting this product creates a sensory pleasure and a unique experience that will make them relate the brand to a high quality organic and natural chocolate, as well as a pleasant and handmade chocolate. Allow them to discover the fruit jam filling as a "little magic piece" that contains something else which provokes curiosity to keep looking and generate more positive sensory stimulation such as the certainty that you are consuming something delicious and at the same time beneficial for your health.

Tactic 1: Hire a person who can take care of marketing, branding, communication and advertising to maintain a constant improvement process in the brand and positioning of the company without high costs.

Tactic 2: Advertising on social media: Instagram and Facebook through prepaid plans of video ads, attractive colors and phrases, with expositions of the philosophy, concept, processes, characteristics, benefits and its added value as a handmade, natural, and organic product.

Tactic 3: Improve the current content of the company's profiles on social media.

Tactic 4: Participate in artisan fairs exhibiting the product and allowing visitors to taste chocolate made with "Arriba Fine Aroma Cocoa", cocoa recognized internationally as one of the best in the world, and thus, get to know the brand and the artisan production process.

Tactic 5: Set up market stalls outside the best-known supermarkets and in shopping malls where the product can be tasted and the production process can be explained. On the market stall, use sweet-smelling chocolate environments to attract customers with relaxing instrumental music in the background.

Tactic 6: Give the product to the managers of the points of sale on special dates such as birthdays and Christmas, considering the costs and selecting our main partners.

KPI: Document comments from people at tastings

KPI: Take note of number of "Likes" on social media and feedback on the images and videos shared on Facebook and Instagram

KPI: Monitor number of followers on official social media accounts

Responsible: General Manager

### **3.2.5.3.1.2 Sales objectives**

1. To progressively increase the company's production capacity in one year, as well as sales, from 180 chocolate bars a day to 360 bars, efficiently using all its resources.
2. To obtain two more contracts in the next year with the "Corporación La Favorita", "Supermaxi", "Gran Akí", and with a retailer "Comercial Patricia", in order to reach a greater volume of sales and to take advantage of the increase in production without having losses due to expiration dates.

Key word: productivity, efficiency, contracts

### **Price**

Strategy: Prestige strategy. To define the price of sale to the public of the product based on the new perception of the concept of the brand and its added value, while fixing it according to the chosen target market segment and its distribution place. A new P.V.P. would be established, considering all the factors that the company wants to highlight in the product. The P.V.P., would be higher than the current one and the increase would be made in only one step to get closer to compete with those who have a higher market positioning and sales volume.

Tactic: An anonymous survey directed to the target market by electronic email to consult how much they would be willing to pay for an organic chocolate, filled with natural fruit jam and elaborated by hand.

KPI: Monitor percentage of quarterly profits

KPI: Monitor percentage of sales from the change of P.V.P.

KPI: Monitor time (speed) of stock rotation at each point of sale

Responsible: General Manager

## **Product**

Strategy: investment in the purchase of material and in personnel contracts to facilitate their progressive increase.

Tactic 1: Hire a kitchen assistant

Tactic 2: Rent a larger space, at a value that can be paid for without affecting production costs

Tactic 3: Purchase more cooking ware to facilitate production

Tactic 4: Establish an entry policy to the production site by asking visitors to enter with masks, gloves, and hair nets (hair covers) for protection and cleanliness.

Tactic 5: Place the company's logo and slogan at the entrance of the site in a high and visible part.

Tactic 6: Purchase biodegradable cleaning products with the lowest level of environmental pollution regarding use of chemicals.

KPI: Monitor number of bars produced per day.

KPI: Monitor percentage of monthly progressive increase

KPI: Monitor value of monthly expenses

Responsible: Production Manager

## **Place**

Strategy: Apply for the admission of chocolate to the Corporation "La Favorita" and "Comercial Patricia". These distributors handle a middle and middle-upper socio-economic consumer base.

Tactic 1: Place banners in English and Spanish outside the supermarkets as a reminder to the consumer that the product is for sale there.

Tactic 2: Carry out periodic activations in the shopping malls and outside the points of sale.

KPI: Increase in number of new contracts with supermarkets and retailers

Responsible: Sales Manager

## **Promotion**

Strategy: Be more explicit in its advertising (physical and digital) of the great benefits (natural and organic chocolate) of the product and give more reasons why the consumer is paying the price while making the best choice in comparison to its competitors.

Tactic 1: to make the quality of production more known through short and attractive videos, highlighting the natural, organic, and artisanal factors. Simultaneously, it should indicate the potential the product has to make it a great candidate for acceptance abroad.

Tactic 2: To publish on a monthly basis on its official social media short videos, in which the feelings, emotions, or involuntary habits like vice, whim, conceit, etc., are generated with the consumption of the chocolate. An emphasis should be placed mainly on the natural and organic factor and it should demonstrate that when consuming a Dachiz chocolate, the quality of life is improved thanks to its numerous benefits.

Tactic 3: Complement the web site with two languages and add information so that they can contact the company through WhatsApp and purchase the product with payments through transfers and deposits.

KPI: semi-annually review sales report of each distributor

KPI: carry out surveys on the official website to find out the consumer's opinion about the reinvention of the brand, offering rewards (contests, free samples) to their valuable feedback as a process of continuous improvement.

Responsible: Sales Manager

Taking into account the proposed plan, it is considered relevant to use it in the time that the company believes convenient according to its needs and financial situation. However, the proposed strategies respond to objectives that would improve the operation and positioning of its brand in the short term, which would benefit the SME to get closer to an international market.

#### **3.2.5.4 Redesign of packaging for 60-gram bars**

Based on all the studies carried out in this work within the competitive improvement plan, it has been decided to suggest a redesign of the product's packaging. This is done with the purpose of positioning the company in an attractive way so that it can compete with premium chocolate brands. For the new image, we sought to capture the concept of chocolate with ideas such as natural, organic, delight, detail, exclusive, choice, quality, artisan, and premium.

In the annexes of this work three proposals will be attached that seek this goal: to enhance the main characteristics of chocolate (natural and organic).

#### **3.2.5.5 Analysis of the logistics for exporting the product**

The analysis of the logistics in this competitive improvement plan will be based on the shipments that Dachiz Zuhe has handled with contacts of supermarket chains in Venezuela. Likewise, an improved export logistics plan will be proposed considering the current offer.

The first shipments of the chocolate bars were made through a Courier to Merida, Venezuela and the owner's family took care of picking up the product and after that, distributing it to small supermarkets. This method is considered to limit the sale of the chocolate as these sporadic shipments without transportation and customs logistics can raise the costs of delivering the final product.

It is important to know that, in international logistics, air and sea freight has a series of agreements and specifications that facilitate export and import activities. The terms that define the responsibilities of each party in the purchase-sale are called "Incoterms" or "Terms of International Trade". This project proposes an improvement in this logistic process and develops the critical points determined in the initial diagnosis of the project: the packaging for exports, the international trade terms, and a Courier option.

#### **3.2.5.6 Transport**

The Dachiz company has managed its shipping logistics through public transport or going in person to deliver the product to the distributor (supermarkets). Within this plan of

competitive improvement, it is proposed to contract an international logistics service that covers this need and saves the company time to concentrate on other key points. Similarly, it is proposed to contract an insurance service with minimum coverage in case of accidents during the transport journey. For this, after a survey with quotation of services, the company SPU, "Servicio Postal Unificado", located in the city of Guayaquil, has been considered the best option. The following is a detailed quotation and proposal for the design of internal transportation through Courier.

SPU offers door to door service in 4x4 category (4 kilograms up to \$4000) with GPS technology that allows to control the entire process and the location of the merchandise in each point until the arrival to its destination (Unified Postal Service, 2019). After consulting a sales agent of the company by phone, the following value was quoted to send boxes of 3 kilograms containing 47 packages of chocolate bars of 60 grams each. The value is \$2.25 per box. Transportation is by air with constant follow-up.

SPU is considered the best option for Courier since the company has excellent references in terms of punctual delivery and its low prices. Dachiz has previously worked with DHL and "Correos del Ecuador", but has not been able to achieve complete satisfaction due to the high cost and delays in delivery.

### **3.2.5.7 Incoterm 2020 proposal**

For proper logistics, the Incoterm analysis has been carried out, which is considered ideal in this type of merchandise transaction considering the amount that the company's production can cover. The selected Incoterm is called INCOTERM CPT.

Carriage Paid to, means that the seller contracts and pays for the transport of the goods to the agreed point, when it is placed in the hands of the first carrier in the country of destination. The exporter is not obliged to pay the insurance of the goods, so the responsibility for the shipment is held by the importer. This term gives the seller control over the goods, terms, and costs (JCV Shipping, 2020).

With this Incoterm, both the exporter and the importer's responsibilities should be noted. On the one hand, the one who sells his products must pay all the loading costs and is responsible for booking and hiring the carrier who transports the goods. On the other hand, the buyer must insure the goods, since, as seen above, the exporter does not contract

insurance. The importer must absorb the costs except for freight and export customs clearance and all transportation risks are transferred to this person. It is recommended to use the Incoterm CPT when shipping medium to large quantities of both merchandise and transaction amounts (Trade and Customs, 2012).

Understanding Incoterms and their updates is essential to have good export logistics, however, it is not the only thing that should be understood. Obtaining the best exit costs of the merchandise is also a factor that should be paid attention to. There are customs agents that can take care of finding the most convenient rates for the exporter, although researching by oneself the different prices of the cargo market is also an effective option (Trade and Customs, 2012).

#### **3.2.5.8 Proposed method of payment**

The supermarket chains with which Dachiz works manage their own commercial policies regarding the payment methods to suppliers. However, Dachiz has preferred to work with those who carry out their transactions in the shortest possible time once the commercial invoice has been issued. This method is known as open account. Through this form of payment, the company carries out the dispatch and issues the invoice giving the client a credit of X days to make the payment. In the case of international trade, "the exporter sends the merchandise, the invoice, and the shipping documents to the importer and waits for payment; that is, the importer buys now and pays later" (Bonilla, 2019).

It is suggested that the company offer credits of up to a maximum of 45 days to facilitate payment by the buyer without losing liquidity. There are supermarkets that require terms of up to 6 months to pay their suppliers, but being a small company, it is not recommended to wait for that long. It is considered proper that one should start by positioning the product in supermarkets where you can manage these credits and be able to reinvest the profits in improvements.

#### **3.2.5.9 Proposal for labelling in cardboard boxes for shipments**

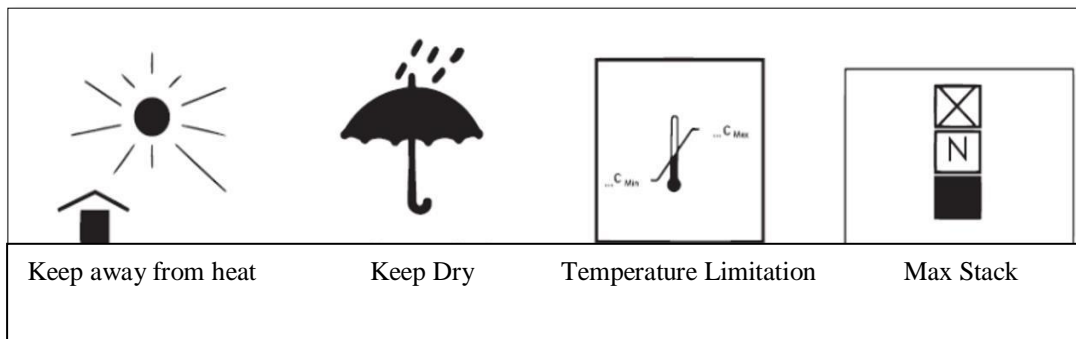
To improve the chocolate export process, it is considered important to promote and propose the use of the symbolism standardized by ISO 780 and 7000 for packaging. Victor Mondragón in his article "The pictograms used in International Trade and their

meanings" explains that, in order to simplify barriers such as language, different interpretations of the same message or simple additional information, the ISO organization developed a set of symbols and pictograms that are used today in the labelling and marking of containers and packages of goods at the time of handling, loading, and transport (Mondragón, 2020).

These symbols reduce the difficulties that arise with marking in various languages, i.e., the iconic development of the pictograms transmits the idea and expression of what is to be done with the load when observing the image. The pictograms on a label can be painted directly on the packaging and in black. The dimensions of the symbols should be 100mm, 150mm, 200mm. For packages of several cubic meters, larger symbols may be used (Mondragon, 2020).

It is suggested that the Dachiz company implement the pictograms on the cardboard boxes it uses for the export of its product, being food and perishable. The suggested symbols are the following:

*Figure 28: Symbols for export*



Source: National Learning Service

The standard also details symbolism for goods with physical or chemical characteristics (National Learning Service, 2019).

### **3.3 Conclusion of the Chapter**

Dachiz Zuhe C.A. has provided all the necessary information for an internal and external analysis, with the purpose of improvement processes to increase its competitiveness, not only at a national level but also to increase its potential as a future exporting company. Regarding the analysis of financial capacity, it was found that, despite having limited



capital, they operate and manage their activities satisfactorily. However, it is essential to seek better ways to maintain liquidity.

The environment in which the company is located is a deterring factor in its activities, because in the country, although the importance and support given to SMEs in their constitution has increased, it is not enough, given that they contribute to the economy in a major way. In the elaboration of this plan of competitive improvement, the situation of the company could be appreciated emphasizing first its direct competitors and those that the company aspires to have. In this paper the main characteristics of each one are noted, the concept in which they operate and their competitive advantages.

Based on the diagnosis made in the second chapter, the critical factors of the company and the internal and external analysis, the application phase was carried out in the areas of work requested by the owner of Dachiz, in which changes were proposed in the administrative, marketing and sales department. It establishes a new concept, which although not radically different from the current one, and actions are proposed to direct the SME towards a competitive improvement by rethinking its strategic foundations and organizing its administrative processes.

It is considered essential to create a basic marketing plan that would help direct their brand with specific and measurable strategies. Within this department, a new packaging design was also proposed with the new concept developed in the marketing plan. Finally, it was considered relevant to establish sales guidelines for the future export of their products, since the objective of these improvements is precisely to make the SME a great competitor in the international market.

#### **4. Conclusions**

In conclusion, this paper managed to develop a project to provide solutions to specific aspects that were considered essential to promote the development of SMEs, and to set new objectives, which are key to approaching a future internationalization of the company.

In the first chapter, the critical and theoretical factors on which foreign trade and the internationalization process are based were analyzed. Through this study it was possible

to indicate that the competitiveness of nations is dynamic, and companies have to be innovative in their processes, since entering the foreign market is more than simply crossing borders and making a purchase or sale. It is understood that internationalizing a company requires the study of theories and processes to be successful, as well as appreciating that this process brings advantages that can be summarized in two points: to have access to opportunities in foreign markets and to allow the company to learn better through experiences and practices that will increase the possibility of growing and become more competitive.

To finish the first chapter, we described the selection process of the SME protagonist of this degree project, which lead us to the chocolate company: Dachiz Zuhe C.A.

In the second chapter, a diagnosis and an internal and external analysis of the company was made, which gave an insight on the current situation and lead to the subsequent development of an action plan that will improve the competitiveness of the company within the model of Uppsala, a model that allows to solve progressively the critical factors analyzed in the situation of the company. In the short time that this SME has been in the Ecuadorian market, especially Azuay, it has demonstrated to have a high competitive advantage, despite the obstacles and challenges that both this company and other SMEs have had to face to carry out its constitution and operation.

The diagnosis could be made through tools such as: initial diagnosis survey and Export Audit, indicating that the company has a percentage of 81% of development, which shows that it is in a level of Growth/Post-entrepreneurship. Its level of innovation reaches a percentage of 63%, which classifies it as an innovative SME. On the other hand, the company Dachiz demonstrates through its SWOT Matrix, a strong position with its Strengths and Opportunities, since it has made its way into a new market with a differentiated product and excellent contacts. In terms of the Weaknesses and Threats, they represent a small percentage of the whole matrix which is overall positive. In addition, at the end of the chapter, the CANVAS business model was developed in a workshop with the owner of Dachiz, obtaining a canvas with nine key points that serve to clarify the mission of the business and accompany those who work within the enterprise on a daily basis.

After having obtained the results of the diagnosis, the critical factors of the company, the internal and external analysis, and the CANVAS made in the second chapter, we

proceeded with the creation of the competitive improvement plan focused on the administrative, marketing, and sales department, since they are the areas of greatest need of improvement at present, and the most requested for advice by the owner of the company. In the administrative department, we proposed to rethink the strategic foundations (mission, vision, values, and objectives) and to organize the administrative processes.

In the marketing and sales department, a basic marketing plan was proposed, directing the company's brand to a clear concept, taking into account segmentation and its target market. The structure of this plan began with articulating its objectives, and for each objective several clear, tangible, and measurable strategies were provided. In this area, a new packaging design was proposed using the new concept projected in the marketing plan. And finally, key points for future exports were identified, such as transport logistics, Incoterms, symbols, and regulations for export labeling.

At the beginning of this project, the management and evaluation of the implementation of the plan was proposed, monitoring the results of the proposed actions. However, due to the health emergency caused by the Covid-19 pandemic, the evaluation of compliance could not be carried out, since field work was required that could not be accessed. However, it was possible to conduct it with a plan that was easy to understand and manage by the business owner and those working in the business. This gives a guide that will allow the company to continue with its growth project motivated by concrete actions that can be executed in the short term in order to move forward with the fulfillment of objectives that lead to internationalization.

It is recommended to the Manager of the company Dachiz Zuhe, to exploit to the maximum the potential of its products, since they have competitive advantages that very few possess. If the improvement plan is developed and applied properly, in a short time they will achieve an excellent and improved positioning in the market. This company is considered close to export if it focuses on addressing the key points mentioned in this paper, since its owners have a positive, innovative, and entrepreneurial attitude, which will allow them to reach great objectives.

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