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**PLAN TO IMPROVE NUAMA'S  
COMPETITIVENESS WITH A VIEW  
TOWARDS INTERNATIONALIZATION**

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## **DEDICATION**

To my parents

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I dedicate this work to my family, my parents Nancy and Remigio, and my sister Pamela for always being present and supporting me when I have needed it most. Thanks to them I have been able to overcome the adversities that have come up during this long journey and have guided me in the right direction to meet the goals and objectives that I had set for myself. Without them this effort would not have been possible.

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my parents

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## ABSTRACT

This research focuses on designing an internal improvement plan for MSMEs in Cuenca's precinct, on behalf of Nuama. The company is dedicated to the production and marketing of cookies made with quinoa and amaranth. This plan aims to improve the competitiveness of the company to strengthen itself in the local environment and set guidelines for possible internationalization. First, a diagnosis was made taking into account the critical success factors, which make up their activities in the administration, finance, operations, and marketing department. Subsequently, an internal improvement plan focused on the marketing department was developed. The main strategy adopted was digital marketing. This is due to its reach and the cost reduction that it renders. Afterwards, an action plan was introduced, beginning with the improvement of the corporate image through a new design of the company logo and the packaging of the cookies. Finally, the results of this step were evaluated through a survey to measure the acceptance of Nuama's new corporate image.

**Keywords:** competitiveness improvement plan, corporate image, critical success factors, digital marketing, international commerce.

## CONTENTS

### List of Contents

<b>DEDICATION.....</b>	<b>III</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>IV</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>V</b>
<b>ABSTRACT.....</b>	<b>VI</b>
<b>Chapter 1 .....</b>	<b>1</b>
<b>1.1. Definition of International Commerce.....</b>	<b>1</b>
<b>1.2. Theory on MSMEs.....</b>	<b>1</b>
<b>1.3. Theories on Foreign Trade.....</b>	<b>2</b>
1.3.1. Theory on absolute advantage .....	2
1.3.2. Theory on comparative advantage.....	4
1.3.3. Heckscher and Ohlin Model .....	4
1.3.4. The Leontief Paradox .....	5
1.3.5. Porter's Diamond.....	6
1.3.6. Theory on Internationalization .....	7
1.3.7. UPPSALA model .....	7
1.3.8. Hofstede's Theory on Cultural Dimensions .....	9
1.3.9. Born Global Model.....	10
<b>1.4. Analysis of the Food Sector in Cuenca.....</b>	<b>12</b>
<b>1.5. Canvas's definition and composition .....</b>	<b>13</b>
1.5.1 Infrastructure Section .....	13
1.5.2 Offer Section .....	13
1.5.3 Customer Focus Section.....	14
1.5.4 Financial Viability Section.....	14
<b>Chapter 2 .....</b>	<b>17</b>
<b>2.1. Selection process of the company .....</b>	<b>17</b>
<b>2.2. Introduction to the company selected .....</b>	<b>18</b>
<b>2.3. Critical factors taken into account for diagnosis .....</b>	<b>20</b>
2.3.1. Administrative Factor .....	21
2.3.2. Financial Factor .....	21
2.3.3. Production Factor .....	21
2.3.4. Marketing Factor .....	21
<b>2.4. Diagnosis of current state of the company.....</b>	<b>22</b>
2.4.1. Interview with the owner of Nauma .....	22
2.4.2. Diagnosis of the MIPYME Nuama in the Ministry of Industries .....	24
2.4.3. Auto-evaluation: state of development of the project .....	25
2.4.4. Administrative Department .....	25
2.4.5. Finance Department.....	26
2.4.6. Marketing Department.....	27
2.4.7. Operations Department.....	28
2.4.8. Decisions Table .....	29
2.4.9. Level of Innovation .....	29

<b>2.5. Results from the trainings and workshops lead by the Ministry of Industry</b>	<b>31</b>
2.5.1. Diagnostics of Nuama based on Canvas .....	31
2.5.2. Customer Department .....	31
2.5.3. Sales Department.....	32
2.5.4. Infrastructure Department.....	33
2.5.5. Finance Department.....	33
2.5.6. Test of potential export distributor, ExportAudit .....	35
2.5.7. Company survey per department.....	36
2.5.8. Administrative Department .....	36
2.5.9. Finance Department.....	38
2.5.10. Production Department.....	40
2.5.11. Sales Department.....	41
2.5.12. Summary of Export Audit .....	43
2.5.13. Workshop My First Certificate INEN .....	43
2.5.14. Conclusions Workshop My First Certificate INEN .....	45
<b>2.6. Conclusions.....</b>	<b>45</b>
<b>Chapter 3 .....</b>	<b>47</b>
<b>3.1. Strategic Plan to improve Nuama's competitiveness.....</b>	<b>47</b>
<b>3.2. Improvement plan on local level.....</b>	<b>47</b>
3.2.1. Improvement plan in the administration department .....	47
3.2.2. Definition and proposal for Nuama's mission.....	47
3.2.3. Definition and proposal for Nuama's vision .....	48
3.2.4. Nuama's objectives.....	48
3.2.5. General objectives .....	48
3.2.6. Specific objectives.....	49
3.2.7. Goals.....	49
3.2.8. Internal policies .....	49
3.2.9. Quality Policies .....	49
3.2.10. Uniform Code.....	50
3.2.11. Environmental policies .....	50
3.2.12. Health policies .....	50
3.2.13. Organization Management .....	50
3.2.14. Responsibilities of Nuama's departments .....	51
<b>3.3. Improvement plan for marketing department.....</b>	<b>53</b>
3.3.1. Executive summary of Marketing Plan .....	53
3.3.2. Product levels .....	54
3.3.3. Base Product.....	54
3.3.4. Real Product .....	54
3.3.5. Augmented Product .....	54
3.3.6. Competitive Analysis .....	56
3.3.7. Analysis of Quinoa Fit.....	56
3.3.8. Analysis of Wipala Snacks .....	57
<b>3.4. PESTEL Analysis Ecuador .....</b>	<b>58</b>
3.4.1. Political Analysis.....	58
3.4.2. Economic Analysis .....	61
3.4.3. Social Analysis .....	67



3.4.4. Technological Analysis .....	68
3.4.5. Environmental Analysis .....	70
3.4.6. Legal Analysis .....	71
3.4.7. Conclusions of PESTEL Analysis.....	72
<b>3.5. Marketing Strategy .....</b>	<b>73</b>
3.5.1 Definition and proposal of positioning statement .....	73
3.5.2. Focus of marketing strategy .....	73
3.5.3. Digital marketing.....	73
3.5.4. Elements of digital marketing.....	74
3.5.5. Action Plan .....	76
<b>3.6. Results internal improvement plan .....</b>	<b>84</b>
<b>3.7. Corporate Identity Manual.....</b>	<b>85</b>
3.7.1. Aspects taken into account in design of Nuama's new corporate image .....	85
3.7.2. Presentation of Nuama's new logo .....	88
3.7.3. Concept of Nuama's new logo .....	88
3.7.4. Color palette .....	89
3.7.5. Package presentation .....	90
3.7.6. New package concept .....	90
3.7.7. Logo applicability .....	91
<b>3.8. Measuring results.....</b>	<b>93</b>
3.8.1. Brand perception survey .....	93
3.8.2. Conclusions drawn from obtained survey results.....	93
<b>3.9. PESTEL analysis for European Union to consider for internationalization of MIPYMES of Azuay province.....</b>	<b>95</b>
3.9.1. Political analysis.....	95
3.9.2. Economic analysis .....	98
3.9.3. Social analysis .....	105
3.9.4. Technical analysis.....	107
3.9.5. Environmental analysis .....	110
3.9.6. Legal analysis .....	110
3.9.7. Selection of market objective .....	112
<b>3.10. Conclusions chapter.....</b>	<b>116</b>
<b>CONCLUSIONS .....</b>	<b>118</b>
<b>RECOMMENDATIONS.....</b>	<b>121</b>
<b>BIBLIOGRAPHY</b>	

## List of tables

Table 1. MIPYMES Classification .....	2
Table 2. Absolute Advantage: Production Factors .....	3
Table 3. Absolute Advantage: Exchange of Production Factors .....	3
Table 4. General Information of the company .....	19
Table 5. Auto evaluation of the administrative department.....	26
Table 6. Auto evaluation of financial department .....	27
Table 7. Auto evaluation of Marketing department.....	28
Table 8. Auto evaluation Operations Department .....	29
Table 9. Decisions Table.....	29
Table 10. Level of Innovation.....	30
Table 11. Table on decisions on innovation level.....	31
Table 12. Canvas Customer Section .....	31
Table 13. Canvas Sales Department .....	32
Table 14. Canvas Infrastructure Department .....	33
Table 15. Canvas Finance Department .....	33
Table 16. Export Audit .....	36
Table 17. Export Audit Administrative Department.....	37
Table 18. Export Audit Financial Department.....	39
Table 19. Export Audit Production department .....	40
Table 20. Export Audit Sales Department .....	42
Table 21. Table Summary of Export Audit .....	43
Table 22. My first certificate INEN.....	44
Table 23. Parameters for Index Ease of Doing Business (Ecuador).....	59
Table 24. Basic Family Basket: groups, costs, and family income .....	65
Table 25. Evolution of Basic Family Basket: 2019 - 2020.....	66
Table 26. Action Plan .....	76
Table 27. Summary plan of action.....	79
Table 28. European Union imports globally by tariffs .....	103
Table 29. European Union imports from Ecuador by tariff.....	103
Table 30. GDP growth projection per region.....	104
Table 31. Criteria matrix for selection of target export market .....	114
Table 32. Qualitative-quantitative matrix for selection of target export market .....	114

## List of figures

Figure 1. Suggested organizational chart.....	51
Figure 2. Product levels .....	55
Figure 3. Quinoa Fit Logo .....	57
Figure 4. Picture from Wipala Snacks’s website .....	58
Figure 5 . Index Ease of Doing Business in Ecuador .....	60
Figure 6. Ecuador’s GDP and its composition by sector .....	63
Figure 7. Ecuador Index.....	64
Figure 8. Global Innovation Index Ecuador .....	69
Figure 9. Marketing mix .....	75
Figure 10. Nuama’s new logo proposal .....	88
Figure 11. Nuama’s new packaging proposal.....	90
Figure 12. Application of Brand on tote bags.....	91
Figure 13. Application of Brand on products of potential partners .....	92
Figure 14. Application of brand on office utilities .....	92
Figure 15. Ease of Doing Business Index for the European Union .....	98
Figure 16. Global GDP .....	100
Figure 17. Ecuador’s exports globally .....	102
Figure 18. Percentage of people making online purchases in the European Union .....	108
Figure 19. Selection of target market.....	115

# **CHAPTER 1**

## **1.1. Definition of International Commerce**

The industrialization and interconnection in which the world is immersed today has generated growth in markets on a global scale. As such, foreign trade has dynamized to such an extent that the flow of goods and services are ever-increasing. Thus, foreign trade is defined as any economic activity in which goods, services, and capital are exchanged by a country in conjunction with the rest of the world, all operating in a field regulated by trade agreements and international standards. While international trade is any economic activity regulated by international standards in which all the countries of the world participate among themselves (Román, 1999).

## **1.2. Theory on MSMEs**

The Organic Code of Production, Commerce and Investments (COPCI) defines MSMEs as follows: micro, small and medium-sized companies are all natural or legal persons who, as a unit of production, carry out a productive activity, trade and/or services, and complies with the number of workers and gross value of annual sales, indicated for each category, in accordance with the ranges that are established in the regulations of this Code.

MSMEs, whose constitution criteria are established by the Andean Community of Nations (CAN), play a primary role in the world economy since they represent on average 80% of businesses, generate 70% of employment and participate in 50% of production. Some characteristics and classification of MSMEs are shown below (Grupo Enroke, 2019).

- Capital is provided by a small group of people who establish a company.
- The company in some cases is family-owned and its owners are the ones who manage it.

- The State tends to provide tax benefits to these companies, since they are considered the largest sources of employment generation (Grupo Enroke, 2019).

*Table 1. MIPYMES Classification*

Variables	Micro	Small	Medium	Large
Number of employees	1 - 9	10 - 49	50 - 99	100 - 199
Gross value of annual revenue in US Dollars	≤ 100,000	100,001 to 1,000,000	1,000,001 to 2,000,000	2,000,001 to 5,000,000

Source: Andean Community of Nations, 2009

Made by: Authors

According to the RUC Cadastre of SRI Revenue Service of 2016, Ecuador counts with 32,899 MSMEs of which 33% belong to the wholesale and retail trade sector, 17% to various services, 10% to the manufacturing industries sector, 9% to the construction sector, 6% to the transport sector and the rest of activities occupy 25%. On the other hand, it is worth mentioning that the percentage of workers receiving job training in Ecuador is 12%, which falls below the average for the entire region, which is 14% (Ministry of Industry and Productivity, 2015).

### **1.3. Theories on Foreign Trade**

#### **1.3.1. Theory on absolute advantage**

Throughout history, different theories on foreign trade have been postulated and developed. First of all, the theory of absolute advantage developed by Adam Smith in his book *The Wealth of Nations*, maintains that each country should specialize in the goods that it can produce most efficiently, that is, those that have an absolute advantage, and import goods that cannot be produced similarly (Smith, 1776). As such, the factors of production or *input* (hours of work, hectares of land, etc.) are taken into account to produce the greatest number of finished products or *output*. For example:

In Canada, three tons of rice or two cars can be produced for each production factor or *input*. Japan can produce one ton of rice and four cars with a production factor. That is why Canada has the absolute advantage in rice production (3-1)

and Japan has the absolute advantage in car production (4-2). According to the theory of absolute advantage, both countries should allocate their resources to the product in which they are most efficient so that they use the least possible number of production or *input* units and can exchange the final units or *output* with each other.

*Table 2. Absolute Advantage: Production Factors*

Product	Canada	Japan
Rice (in tons)	3	1
Cars	2	4

Source: Wealth of Nations

Made by: Authors

Canada would have a surplus of three tons of rice and Japan a surplus of four cars that they can exchange. In this case, the rice producer receives 1.3 cars for each ton of rice, which represents 0.6 more than what it would receive from a national manufacturer; in the same way, automobile manufacturers receive 0.75 tons of rice for each automobile sold, that is, 0.25 tons more than they would receive in the national market. Both nations have won thanks to the exchange. The quantities of finished products for each production unit are presented below (Cantos, 2016).

*Table 3. Absolute Advantage: Exchange of Production Factors*

Product	Canada	Japan
Rice (in tons)	3	3
Cars	4	4

Source: Wealth of Nations

Made by: Authors

The theory also maintains that the market does not have government control, but that it is determined by itself, which is known as a natural law called the invisible hand. This law proposes that the liberal economic order is imposed by itself through the competition of companies that specialize in specific tasks (Rice, 2013). In sum, Adam Smith's theory holds that each country uses production units to create a certain good; however, in certain cases, these are not used efficiently and therefore, some countries reach a higher level of development than others.

### **1.3.2. Theory on comparative advantage**

On the other hand, David Ricardo claimed that, although countries must specialize, they must also take into account the reality of other countries, compare themselves with them, and produce goods that might not necessarily have an absolute advantage, but are relatively scarce or difficult to produce for other nations (Ricardo, 1817). In this manner, international trade gets boosted considerably. If a nation has an absolute advantage in several goods and compares itself to other countries that similarly produce these same goods, one can direct all its efforts to produce only one of these in greater quantity, and thus allow a third party to manufacture another good more efficiently. David Ricardo exemplifies it in the following way, taking into account two nations: Portugal and England in their textile and wine production.

For textile production, Portugal can produce one unit of cloth using 90 units of labor and one unit of wine with 80 units of labor. England produces the same quantity of textiles with 100 units and wine with 120 units. In this case, Portugal has the absolute advantage in both goods, but without a doubt, a greater advantage in the production of wine; in this way, it is convenient to exchange products with England, which will produce textiles. Thus, Portugal specializes and dedicates all its resources to wine production, and England will do the same with textiles (Ricardo, 1817).

### **1.3.3. Heckscher and Ohlin Model**

The Heckscher and Ohlin model or the so-called neoclassical theory of international trade, mention the factors of production as determining elements for the elaboration and specialization of goods. In other words, each country will see its production closely related to factors that are found in abundance and will import the good whose factors are relatively scarce. Previously, Adam Smith and David Ricardo did not consider capital as a determining element, they assumed that the quantity of capital was proportional to the quantity of labor; subsequently, Heckscher and Ohlin's model

considers capital as a fundamental element (Rubio, 1996). The model takes into account the following assumptions

1. Two countries, two goods, two factors of production.
2. There is perfect competition in each country.
3. There is no mobility of factors.
4. The quality of the factors is the same in both countries.
5. It is possible to quantify the amounts of factors in both countries.
6. The production techniques are identical for the same goods.

The Model takes into account the abundance of production factors within countries and the intensity in the use of factors. The first element refers to the fact that there may be countries that have a greater quantity or abundance of labor in terms of capital or countries that have a greater capital in terms of labor. As for the second element, the production of the different goods is not identical. There are goods that need more capital than labor, and others that require more labor than capital. For this reason, we refer to the intensity in the use of factors. For example:

There are two countries, Ecuador and the United States.

There are two goods, cars and cocoa.

There are two factors, labor and capital.

The United States has a higher capital/labor ratio than Ecuador.

In other words, car production requires a greater amount of capital than cocoa production. Therefore, the United States uses capital intensively and can export this type of goods.

#### **1.3.4. The Leontief Paradox**

In 1953, the German Wassily Leontief carried out an analysis based on the model proposed by Heckscher and Ohlin on the commercial structure of the United States. In this study Leontief states that labor is a relative factor of production and does not imply the same costs in all countries. The research results explain how the United States



produced goods in which labor was very expensive and not in which capital was abundant, thus generating a paradox (Duchin, 2000).

### **1.3.5. Porter's Diamond**

In chapter six of Michael Porter's book *Competitive Advantage*, the "diamond of national advantage" or the commonly known as "Porter's Diamond" is discussed. This research deals with the reason why some countries had more competitive advantages than others (Porter, 1987). The findings are as follows:

1. *Factor conditions*: Refers to the nation's situation vis-à-vis production factors, including infrastructure, information, research, labor, etc. that are necessary to compete within a certain sector.
2. *Demand conditions*: This characteristic refers to the nature of the demand for the product in relation to the internal market.
3. *Key and supportive sectors*: Refers to the presence or absence in a nation of industries that support the production of other companies, for example, the suppliers of a particular business. In addition, belonging to a cluster reduces costs in the purchase of supplies. All this helps to improve the competitiveness of a country.
4. *Strategy, Structure and Rivalry of companies*: This factor refers to the internal competitiveness of companies as well as the way in which they are created, organized, and managed.

The factors mentioned are the determining factors to create a national environment in which companies can launch and learn to compete with each other. That is why, Porter established that those companies within a nation that take these factors into account will have a better chance of competing globally (Porter, 1987).

### **1.3.6. Theory on Internationalization**

The theory of internationalization refers to a set of operations that allow the establishment of links between a company and markets at the international level. The theory of the internationalization of companies, according to Buckley and Casson in a work published in 1976, establishes that organizations that have reached an international level must have met two conditions:

- 1) Existence of advantages when locating activities abroad.
- 2) Determine if the activities to be carried out abroad are beneficial for the company, or if they can be sold or transferred to another organization.

In the first case, a reference is made to the comparison between the costs of producing in the national country and exporting the merchandise or creating the products in a foreign country with its own production in that country. Operating costs, production factors, tariffs, government intervention, the possibility of generating economies of scale in certain products, and the structure of the destination market are taken into account. In addition, economic, administrative, operational, environmental, social (among others) advantages are analyzed. In the second case, reference is made to transaction costs, which according to Buckley and Casson can be: aspects related to international trade such as tariffs or restrictions on the movement of capital, conflicts generated by a bilateral concentration of power, etc. (Buckley, 1976).

In sum, the theory of internationalization has as its main foundation the circumvention of requirements that exist in international markets while seeking sustainable economic alternatives for a company to establish itself in new markets. The internationalization of companies not only seeks to enable them to maintain their commercial activities, but also allows them to expand globally, diversify risks, find new markets and acquire prestige to better position themselves in the local environment.

### **1.3.7. UPPSALA model**

The Uppsala Model, also called the Gradualist Model, was first coined in Sweden by Johansson and Wiedersheim in 1975, where, based on different case studies of Swedish companies, a model was created that aims to explain the steps to take for internationalization (Malca & Donet, 2012). This model indicates that the company will gradually increase the resources committed in a foreign country as it gains experience from the activities they carry out in that local environment; and that the activity abroad will take place through a series of stages that represent an increasing degree of involvement in its international operations. The main obstacles encountered abroad are the lack of knowledge and resources (Cardozo, Chavarro, & Ramírez, 2007). In other words, it is taken for granted that companies must start their activities in their own territory, but as they acquire knowledge and experience, internationalization becomes the final link for the total development of the company. From this study, different models were developed, but from its conception, it consists of 4 stages:

1. Sporadic exporters - there are no regular export activities
2. Export through independent representatives or agents
3. Establishment of a sales subsidiary
4. Establishment of production units, meaning to manufacture abroad.

In the first instance, since they do not have the necessary knowledge, the activities of the companies will be more irregular, with casual or sporadic exports. Afterwards, through exports with agents and sales subsidiaries, a production unit can be established. As companies gain more experience and become more cognizant of the internationalization process, they will commit more resources. As such, the resources that are allocated progressively in each phase will serve as an indicator throughout the process (Malca & Donet, 2012).

On the other hand, the creators of the model introduce the concept of psychological distance; which maintains that companies tend to export, invest or market their products, in the first instance, to countries that are psychologically closer. Psychological factors are understood as all elements that may hinder or favor the link between two or more countries, which can be: linguistic, cultural, political, educational

differences, development programs etc. In this sense, it is important to mention the geographical location of the companies (Cardozo, Chavarro, & Ramírez, 2007).

Finally, the authors identified three situations that eliminate or decrease this psychological factor: the amount of company resources, market conditions, and the experience of a company with previous internationalization processes. This contrasts with small businesses with limited resources whose increased commitment to the internalization process increases the risk involved.

The second situation the authors refer to engages with the stability and homogeneity of markets. If the situation is such that knowledge can be easily acquired then that information will allow a wider range of action. For example, the European Union can be considered a stable and homogeneous market, meaning that research that is initially carried out in any country of the bloc, undoubtedly opens the doors to other countries in the region. Third, the experience that a country has with previous export processes will undoubtedly set the tone and provide the necessary information to avoid making the same mistakes and maximize profits, reducing time and costs (Cardozo, Chavarro, & Ramírez, 2007).

### **1.3.8. Hofstede's Theory on Cultural Dimensions**

The social psychologist, Geert Hofstede, carried out a study focused on the cultural factors that influence international negotiation methodologies of each region. Based on his research, Hofstede concluded that there are cultural groupings at the regional and national levels that affect the behavior of societies and organizations. In the same way, the psychologist provides information through five dimensions in order to understand the different cultures and be able to compare them with ours (Hofstede, 2011).

1. **Distance to power:** Refers to the degree in which people in low hierarchical positions accept inequality.
2. **Individualism - collectivism:** There are societies in which the "I" predominates, where the individual has a central and priority position. On the

other hand, there are also societies in which the community comes first and the sense of belonging to a group is paramount.

3. **Masculinity - Femininity:** A society is masculine when emotional roles are clearly defined, while it is feminine when these roles are mixed.

4. **Evasion of uncertainty:** There are cultures that are willing to take risks, while others prefer security.

5. **Long-term orientation - short term:** Refers to the pursuit of virtues oriented towards future rewards, as well as planning, and focusing on the past.

It is essential to know about the culture of different countries when focusing on international business. With the help of the Hofstede model it is possible to analyze each cultural dimension in a holistic way in order to have a better understanding of the different realities of the world environment.

### **1.3.9. Born Global Model**

*Born Global* are "small (usually) technology-oriented companies that operate in international markets from the earliest days of their establishment" (Knight & Cavusgil, 1996). In the 70s and 80s, internationalization was understood as activities only intended for large and consolidated companies. However, the accelerated growth of SMEs in the following decade, modified this traditional conception, and opened new opportunities for small companies with a view to internationalization.

The Born Global, also known as accelerated internationalization companies, make the decision to transit to external markets from its conception or shortly after starting operations in the local market. Although innovation is a characteristic feature of Born Global companies, there are other factors that determine the emergence of these companies. Factors such as the globalization of the economy, the increase in the use of information technologies, and technological advances in areas of production and logistics, allow increasingly more companies to expand rapidly from their beginnings (Leiva & Darder, 2008).

The traditional model of business internationalization, Uppsala, maintains that the main obstacles to a process of international expansion are: the lack of knowledge of external markets and the lack of resources. However, the current context shows that there is an alternative for new ventures as access to information is becoming more and more public and logistics costs are lowering. On the other hand, the organizational structure of the Born Global companies is constantly in flux given the fact that from its conception the company was created under the premise of internationalization. In other words, given that these are mostly new start-up companies, they tend to not have a rigid or consolidated structure, so the changes in their organization will be determined by technological advances and preferences of the markets they engage in (Leiva & Darder, 2008).

The country, regarding the food aspect, mainly seeks to respect public health, which is supported by the Constitution of the Republic “Art. 32.- Health is a right guaranteed by the State, whose realization is linked to the exercise of other rights, among them the right to water, food, education, physical culture, work, social security, healthy environments and others that support good living.” (National Assembly of Ecuador, 2008).

According to the data obtained from the INEC business directory for 2018, food and beverage companies are within the economic sector of manufacturing industries, which represented 8.38% of national participation this year (Superintendency of Companies, Securities and Insurance, 2018).

As for the province of Azuay, it has various productive sectors that represent 6.18% of the companies in the national participation (National Institute of Statistics and Censuses, 2018). For this reason, Azuay contributes 3.2% of the country's total income tax. The city of Cuenca is the only city in the country where the manufacturing sector contributes and produces more than the commercial sector (Ekos, 2018). In 2017, the province of Azuay reported 305 companies in the manufacturing sector and contributed 6.2% of the employment generated by the sector at the national level (Superintendency of Companies, Securities and Insurance, 2018).

Ecuador as a mega-diverse country presents a wide range of elements that can be used in different industries, including the food sector. The possibilities offered by soil biodiversity can be beneficial to create novel foods with great benefits in terms of nutritional composition.

#### **1.4. Analysis of the Food Sector in Cuenca**

Ecuador, in terms of the food sector, mainly seeks to respect public health, which is backed by the Constitution of the Republic “Art. 32.- Health is a right guaranteed by the State, whose realization is linked to the exercise of other rights, among them the right to water, food, education, physical culture, work, social security, healthy environments and others that support good living.” (National Assembly of Ecuador, 2008).

According to the data obtained from the INEC business directory of 2018, Food & Beverage companies are included in the economic sector of manufacturing industries, which represented 8.38% of national participation (Superintendency of Companies, Securities and Insurance, 2018).

As for the province of Azuay, it has various productive sectors that represent 6.18% of the companies in terms of national participation (National Institute of Statistics and Censuses, 2018). For this reason, Azuay contributes 3.2% of the country's total income tax. The city of Cuenca is the only city in the country where the manufacturing sector contributes and produces more than the commercial sector (Ekos, 2018). In 2017, the province of Azuay reported that 305 companies in the manufacturing sector contributed 6.2% of total employment generated by the sector at the national level (Superintendency of Companies, Securities and Insurance, 2018).

Ecuador is a very diverse country, which presents a wide range of elements that can be used in different industries, including the food sector. The possibilities offered by the biodiversity of its soil can be beneficial to create innovative foods with great benefits in terms of its nutritional content.

## **1.5. Canvas's definition and composition**

The Canvas Model was developed in 2011 by Alexander Osterwalder and Yves Pigneur in the book "Generation of Business Models", where they analyze the different types of strategies and establish which is best to use in each case. The Canvas model, consists of a scheme that allows analyzing and deepening a commercial activity in order to obtain information about innovation, improvements, synergies, etc. (Osterwalder & Pigneur, 2011). The Business Model Canvas is made up of 9 key sections that are divided into 4 groups: Infrastructure, Offer, Customer Focus, and Financial Viability, which are discussed below.

### **1.5.1 Infrastructure Section**

Key activities: it is essential to know what is most important to carry out in order for the business model to work. With the help of value proposition, the distribution channels, and the relationship established with customers, it is possible to define which key activities need to be carried out.

Key resources: this point focuses inward on the company, with data obtained from areas such as value proposition, customer segmentation, distribution channels, customer relationship management, and revenue stream, management can find out exactly what elements are needed so that the company is able to deliver its products.

Key partnerships: It is essential for the company to make alliances, either with other companies (Joint Ventures), with government entities or with suppliers.

### **1.5.2 Offer Section**

Value proposition: it aims to identify the added value of the product or service that is to be commercialized and to identify which customer segment it is targeting. The user, when making a purchase, evaluates the merits of the product, if it meets their needs;



and if the exchange between what one gives and receives is fair. This is known as perceived value.

### **1.5.3 Customer Focus Section**

Customer segmentation: customers with similar characteristics such as needs, geographic information, demographics, tastes and preferences, etc., should be grouped together. This information is essential to direct product advertising. For example, in the different digital platforms, you can tailor and set the target audience so that the information you wish to promote reaches the targeted segment directly.

Channels: This refers to the manner in which contact is established between products and customers. A suitable channel is one that distributes the company's value proposition in a fast, efficient, and profitable way.

Customer Relationship: In order to guarantee the success of a business, companies must identify what type of relationship they intend to have with their customers. This varies depending on the segment of clients to which the attention is focused. For example, if a product or service has a high cost, clients expect to have a better treatment and a closer relationship with the company.

### **1.5.4 Financial Viability Section**

Cost structure: At this point the costs of the company are specified and are related to each of the different sections of analysis. Costs are generally separated by customer segment in order to analyze earnings separately.

Revenue Sources: Describes how companies capture revenue from each of the customer segments. Income can be from product sales, commissions, licenses, etc. In this way, the different customer segments can be analyzed in terms of profitability (Osterwalder & Pigneur, 2011).

## **Conclusions**

The dynamics of international trade have changed throughout history. It is increasingly interconnected, and it is clear that countries cannot distance themselves from this reality anymore without adapting. Internationalization of companies is therefore an extremely important step, not only for its growth, but also for the development of a country and the world; however, to take this step, companies must be clear about their current situation and analyze how beneficial it is to expand their activities to foreign markets. There are several ways to sell a product abroad, either through export or production in the country you want to enter. Regardless of the manner in which a product is sold abroad, logistics costs, tariffs, government interference, capital restrictions, cultural aspects, etc. must be taken into account.

The internationalization process will depend on the nature of each business, since some companies such as Born Global seek to penetrate external markets from its inception, and the planning of their business model takes this reality into account from the very beginning. On the other hand, UPPSALA's traditional model seeks to strengthen the company in the local environment, so that it can then progressively market it in other countries. This model is the one that will be used for the development of this project with the company selected, since both its business model and the current capabilities of the company require local adaptation and strengthening to enable targeting of foreign markets in the future. As mentioned above, internationalization can be approached from different points, but in any case, the context of the market in which it intends to penetrate must be kept in mind. For this, it is important to mention Hofstede's theory of cultural dimensions. This theory describes different cultural aspects that may influence the moment of negotiation in another country. According to this theory, a country tends to commercialize with the countries whose cultural aspects are closest to it. Therefore, it is necessary to analyze not only the economic reality or market volume of other countries; the behavior of foreign companies must also be weighed and how these benefits or damages the commercial activity of the company in question.

To appreciate the current situation of a company, it is necessary to carry out a detailed study of the departments and activities that comprise it. Tools that deepen our understanding of the business model have been used to this end, not only to know the

current state of the company but also to project new strategies that will keep it in the market. In this sense, the Canvas Business is a scheme made up of 4 main areas: infrastructure, supply, clients and finances, which in turn are subdivided and reach a total of 9 sections that, in a didactic way, visualize the strengths and weaknesses of a business and allows the formulation of a plan that mitigates the negative aspects and consolidates those that have been carried out efficiently.

For the aforementioned and taking into account the reality and importance of MSMEs at the national level, it is concluded that; it is necessary to analyze and in some cases, redefine the current business model to face the dynamics of international trade. Given the fact that when companies are not prepared or do not have a solid structure, their business activities might be jeopardized over time.

## **CHAPTER 2**

### **2.1. Selection process of the company**

The Competitive Improvement Plan with a view to the internationalization of Nuama, is part of a macro project called "Internationalization of MSMEs in Azuay". This has been a collaboration between the Ministry of Industries and students from the Universidad del Azuay in different stages. The first stage was carried out in 2017, through the publication of research paper called "Diagnosis of the exportable supply of MSMEs in Azuay", where different companies in the province were analyzed in order to identify those with the best projections for internationalization. In the second stage, a benchmarking study was carried out, in which the processes, products, services and activities of these companies were compared with other foreign companies. Its findings were transferred to the business community who then filtered out the necessary knowledge for internal improvement of businesses.

In this sense, this work constitutes the third phase of this project, which seeks to bring companies closer to the internationalization frontier; however, it should be emphasized that the company in question has not participated in the previous stages. Therefore, a data update is required to channel all the information corresponding to the previous phases, which will serve as a basis for the internal improvement plan to be drawn up. Although Nuama was not part of these stages, the company has worked closely with the Ministry of Industries since its inception.

In an interview with a Ministry of Industries representative, the different criteria were explained which were taken into account for the selection of companies. First, the company must be registered with the Ministry of Industries or have worked with it, and have all the corresponding permits for its operation. Given that everything is registered in an official database, this would facilitate access to information. In terms of facilities and production, the company must have the infrastructure and production systems necessary

to carry out its economic activities at the local level, while at the same time be able to project itself for possible internationalization.

In terms of the product, this must already be in the growth stage and marketed. The product must also have all the permits and the corresponding sanitary registry. Likewise, it must present a considerable level of innovation so that it can be competitive in international markets. Finally, the owner of the venture must express his predisposition to work in collaboration on this project. In other words, the company must provide the information necessary for a correct diagnosis, be open for on-site visits to collect data, and have time available to attend the training and workshops that will take place throughout the project. As mentioned, the Nuama company has already been linked to the Ministry of Industries, therefore, all the information related to the formal constitution of the venture, the characteristics of the facility's installed capacity and those of its products are already registered in its database.



## **2.2. Introduction to the company selected**

The company selected is called Nuama, which was born from a start-up by Alejandro Ñauta in 2017. Nuama is dedicated to the elaboration and commercialization of artisan cookies based on quinoa, amaranth, and egg. The project was born as part of the entrepreneur's research as an environmental engineer when he found native species that remedies soils such as amaranth. He then sought advice from nutritionists and chefs to create the cookie. During the second stage, the company carried out tests to create products that provide the same degree of nutrition and innovation, such as quinoa and amaranth-based pasta.

Ñauta's vision uses Andean grains and healthy foods that are increasingly sought after not only in the local market but also internationally, so the owner projects exponential growth for his entrepreneurship within the coming years and expects it to be on par with the market demands of the time.

Nuama has also had the opportunity to participate in events such as "Negotiating with pumas" in Ambato and the "Macro business conference" in Guayaquil, in order to obtain contacts and networks that could allow them to strengthen locally and strengthen their company's position geared towards the international market (Ñauta, 2019).

*Table 4. General Information of the company*

General Information of the company	
Name of the company	Nuama
Logo	
Product(s)	Cookies made of quinoa y amaranth
	Noodless made of quinoa y amaranth
Packaging	

Production facilities	
Location	Barrio el Triunfo Vía Ochoa León
Contact person	Alejandro Ñauta
Email address	<a href="mailto:alejonauta@hotmail.com">alejonauta@hotmail.com</a>

Source: Nuama

Made by: Authors

### 2.3. Critical factors taken into account for diagnosis

Critical Success Factors (CSF) are key elements that allow understanding of vital aspects of a company to support the creation of strategies that minimize risk and help achieve success both nationally and internationally. Identifying the CSFs of an organization is essential to obtain accurate information about the environment and the internal situation in order to establish appropriate strategies as an anchor, so that the company can better carry out its activities, meet its objectives, and avoid possible mistakes (Murillo, 2016).

Through the correct usage of this tool, one obtains a support for the growth and expansion of the organization with a clear and in-depth analysis of the factors to be developed in order to reach successful performance with a view towards internationalization (Murillo, 2016). The critical success factors vary according to the

departments in which they are found, however, for the diagnosis of the company, the following areas will be taken into account: administrative, financial, productive and marketing.

### **2.3.1. Administrative Factor**

The administrative area consists of a series of activities related to the business structure, internal organization, responsibilities, human resource management, distribution channels, logistics, etc. which facilitates the company to be productive and financially sound, and thus be able to increase its benefits over time. For this, the department in charge of these activities must have a broad vision of the company and identify points for improvement (Studios, 2017).

### **2.3.2. Financial Factor**

The financial area within a company is mainly in charge of managing financing, investment, and the flow of economic-financial information. The monetary aspect is present in each of the operational decisions and in all areas of the company. Among the objectives in this area are: supporting growth, evaluating investments, financing activities, ensuring liquidity and solvency, managing risk, among others. The financial area is also often subdivided into finance, administrative, and fiscal accounting (Veiga, 2015).

### **2.3.3. Production Factor**

The production area consists of operational activities that carry out the transformation of raw material into finished products. This activity must be executed with the help of an operational production plan that consists of the know-how to manufacture the product or service, quantity to be produced, production time, resources needed (material, technical, human, economic, etc.) to produce the product in an effective and efficient manner (Acero, 2015).

### **2.3.4. Marketing Factor**

The Marketing department aims to generate value for the client in order to generate a profit. The American Marketing Association has defined marketing as “an



organizational activity, and a set of processes to create, communicate, deliver and exchange offers that have value for customers, partners, and for society in general” (American Marketing Association, 2007). Marketing within a company is in charge of several activities such as: marketing or commercialization, customer loyalty, distribution channels, points of sale, setting the price, establishing strategies for promotion, as well as brand positioning, among others (Suárez, 2012).

## **2.4. Diagnosis of current state of the company**

The purpose of this diagnosis of the current situation of Nuama is to identify the different departments of the company and evaluate whether they are managed efficiently. This diagnosis is the basis on which the competitive improvement plan will be developed. It should also be noted that the areas in which we will work directly are those that are most relevant in the internationalization process. This analysis was carried out as follows: personal interview with the owner in the company, meeting at the Ministry of Industries with a public official and the owner of Nuama. Finally, two workshops were held and attended: preparation of a Company Canvas and Obtaining My First IENEN Certification.

### **2.4.1. Interview with the owner of Nuama**

At first instance, an interview was carried out in the production facility, which permitted insights on the location, infrastructure, product development from raw material to packaging, and its marketing strategy. The open questions posed allowed the researchers to understand, from the owner's perspective, how the business model is managed and if the company's departments are integrated into a single idea and point towards the same objectives. In addition, the questions served to find out to which extent the owner is knowledgeable of all the regulations regarding the establishment, product, etc.

Environmental Engineer Alejandro Ñauta, owner of Nuama, carried out an investigation in which he realized that Andean cereals such as amaranth and quinoa, in addition to their nutritional properties, also have the power to regenerate soils. This is

how his business idea emerged, which consists of the elaboration and commercialization of a product whose benefits reach the population and spread to the environment. In the future, Nuama intends to plant these cereals on their own land and thus have control throughout the production chain in order to better manage their resources.

Given that Nuama had no capital of its own, the company was financed with the support of BanEcuador from the very beginning. However, the financial aspect remains one of the biggest problems of the company. The lack of capital has prevented it to expand and position itself better in the environment. Nuama needs more personnel in charge of sales and the administrative area; however, the additional costs that this would incur would compromise the profitability of the product. Likewise, in the face of increased demand, Nuama does not have the means to produce with its financial resources, and is forced to negotiate payment terms with its suppliers.

Another problem caused by the lack of own capital is the dependence on Retail payments. Many times, large supermarket chains are behind in payments, and one risks falling into arrears with suppliers. Although the loan with BanEcuador can be restructured to reinvest and boost the business, the company does not have a strategic plan that could allow it to identify the necessary amount, time needed for the return of investment, nor the areas to which the money could be allocated.

Regarding production times, sometimes there are delays due to not having permanent staff working in the plant. Employees work sporadically for certain production batches. A packing machine is necessary and would reduce the working time by 50%, while increase its production significantly. However, the price of the machine is approximately \$30,000 and due to the lack of capital it is impossible to acquire it.

Regarding the final product, although it differs from the competition for its high nutritional value and its use of Andean cereals, the traffic light symbol on the package indicates it is high in sugar. This undoubtedly reduces competitiveness and does not allow one to enter public educational institutions. It is therefore necessary to reformulate the product, since this would expand the market considerably. Another important factor

to take into account is the composition of the cookie. Quinoa and amaranth, in the local market, are not products consumed on a massive scale, so the population is not aware of its flavor which can present a risk in the acceptance rate of the product.

In terms of marketing, Nuama has identified its market niche as follows: children from 2 to 12 years old, athletes, and office workers. It has focused on the advantages of a product with high nutritional value and aims to take advantage of distribution channels: retail, early education institutions, and sports centers. The company has agreements with sports centers and sponsors athletes from different disciplines, however, there is no network management that could allow promotion all the different elements presented in the brand. The company, although it has identified its market niche, does not allocate resources to build customer loyalty, nor does it implement any complaints and suggestions mechanism. Marketing is the department that needs further development in Nuama since there is no manager in that area.

The owner of the company, as is characteristic of entrepreneurial ventures, is in charge of all the departments. Although this allows him to reduce personnel costs and while fully understand his business model, it reduces efficiency in the medium to long term. As such it was possible to identify some shortcomings in the administrative area. The company keeps its accounting, financial, supplier, and logistics records in a rudimentary way and much important information has no digital copy. There is no knowledgeable person in this area who can take over the administration when the owner is working in production or marketing (Ñauta, 2019).

#### **2.4.2. Diagnosis of the MIPYME Nuama in the Ministry of Industries**

As the second step of the analysis, a diagnosis of the Nuama company was carried out in the offices of the Ministry of Industries. For this end, an evaluation template divided into two parts was taken as a reference. The first corresponds to a questionnaire of a self-evaluative nature that addresses, through specific questions, all departments of the enterprise. The questionnaire is made up of questions with a YES / NO answer, and the score is 1 if yes and 0 if no. The second part is also a questionnaire, which allows

identifying the level of innovation of the product through questions with a greater range of possible responses. The evaluation of this section is divided as follows: 0 in case of non-existent requirements posed by the question, 0.5 if one has it in part; and 1 when the product complies with the stated.

The self-evaluation section allows one to get an insight on the state of development of the project. Each answer, if affirmative, as mentioned, obtains 1 point and thus acquires a percentage of the total. At the end of the evaluation, the percentages are added and depending on the result, and with reference to pre-established scales; the following can be identified. If the company obtains <35% of the score it is in a pre-start-up stage, 35% to 73% entails an entrepreneurial start-up; and if the evaluation results in >74% it will be classified as post-start-up. Next, a diagnosis divided by company departments will be analyzed.

#### **2.4.3. Auto-evaluation: state of development of the project**

#### **2.4.4. Administrative Department**

To a large extent, the questions regarding the administration delve with all the permissions and intellectual resources that Nuama must have for its operation. For example: municipality's operating permits, land use approval, how it registers its economic activity, in this case, through the RUC. Intellectual properties refer to those traits that allow Nuama to differentiate itself from its competition and protect its brand, for example: compiling an exporter register, registered trademark or patent in the IEPI, obtaining certifications for both the company's processes and the product, etc. Another element is the technical support that the company has received for the formulation and implementation of its business model. In this sense, technical support not only relates to the operations area, it can also refer to training, workshops, and any type of advice that improves all areas of the venture.

The results of the questionnaire, in the abovementioned aspects, are outstanding. The company has covered the most important points in the administrative area. Of the 8 questions asked, Nuama obtained 1 point for each, which means that the company is formally established, keeps its records in order, and is knowledgeable about inventory

management. Likewise, it has made use of state benefits that allow the growth of the product, brand, and company to accelerate; through coaching and workshops at the Ministry of Industries.

*Table 5. Auto evaluation of the administrative department*

Auto evaluation: Development status of project			
Department	Variable Description	Grade	Percentage
Administration	Have you received technical support for the formulation of your business idea?	1	3,23%
Administration	Do you have or are you in the process of obtaining the corresponding permits and/or permission for the operation of your business (RUC, Brand license, LUAE, etc.)?	1	3,23%
Administration	Have you registered your brand/patent at IEPI?	1	3,23%
Administration	Do you have a client registry of all those that buy your product on a regular basis?	1	3,23%
Administration	Did you receive technical support or coaching to set up the start-up?	1	3,23%
Administration	Is your business listed as an exporter?	1	3,23%
Administration	Do you have the knowledge to manage storages, inventories, layouts?	1	3,23%
Administration	Have you received guidance o technical support to speed up the project?	1	3,23%
<b>Total department</b>			<b>25,84 % out of 25,84 %</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing

Made by: authors

#### **2.4.5. Finance Department**

The questions related to this area aim to identify the level of knowledge of the business owner regarding production costs, investment calculations, and the different fixed and variable costs that it incurs day by day. Although the qualification is satisfactory in most of the questions, it is worth noting some shortcomings such as: lack of in-depth knowledge of production costs, and lack of financial analysis that allows the company to project both its production and sales. This supposes a greater risk in case of requesting a new credit or restructuring the one that the company already has. Without a

financial plan or sales projection, it will be difficult to assess where money should be allocated to in case it obtains a new loan.

*Table 6. Auto evaluation of financial department*

Auto evaluation: Development status of project			
Department	Variable Description	Grade	Porcentaje
Finance	Do you know your production costs in detail?	0	0,00%
Finance	Do you know the quantity of investment required to launch the business?	1	3,23%
Finance	Do you know the costs and outflows incurred in order to formalize the business?	1	3,23%
Finance	Do you possess private capital?	1	3,23%
Finance	Do you have a credit line for the development of your production activities?	1	3,23%
Finance	Did you conduct studies and accounting analysis and/or financial projections of your project?	0	0,00%
<b>Total department</b>			<b>12,92 % out of 19,38 %</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing

Made by: authors

#### **2.4.6. Marketing Department**

This diagnosis highlights the importance of marketing in a business model, so this area covers the majority of questions of the entire questionnaire. In this section, you have questions that range from the conception of the business idea to the approach of international markets. In this sense, the diagnosis aims to identify if Nuama has a marketing plan that allows it to know in detail its market niche, communication and distribution channels, corporate image, and the perspective of its business.

Nuama's marketing department is the one that needs most work, the following shortcomings have been identified. Given the lack of a financial plan, business model or Canvas, the company has difficulties assessing the true potential of its product, and where the company is headed. Although the company has defined its business idea, it has carried out several market studies and has even participated in fairs that allowed it to approach potential international buyers. However, due to lack of a strategic plan, all these

activities lose continuity. The company has a logo and trademark; however, it does not use it on digital platforms or in sponsorships. The owner has had sporadic international contact, but communication with those contacts has been lost.

*Table 7. Auto evaluation of Marketing department*

Auto evaluation: State of Development of the project			
Department	Variable Description	Grade	Percentage
Marketing	Is the business idea well defined?	1	3,23%
Marketing	Do you have a clear target market of your customers and/or potential consumers?	1	3,23%
Marketing	Have you developed a prototype or minimum amount of viable products?	1	3,23%
Marketing	Have you conducted a survey of consumers or tested the market?	1	3,23%
Marketing	Do you have a product design and/or logo or have you developed the corporate image of your business?	1	3,23%
Marketing	Do you have a model or Canvas?	0	0,00%
Marketing	Do you know the market of your product and competition?	1	3,23%
Marketing	Do you have a profile or vision of the business?	0	0,00%
Marketing	Have you formally started sales?	1	3,23%
Marketing	Have you participated fairs and events to try and commercialize your products?	1	3,23%
Marketing	Do you know how to present your product and/or service to potential customers or investors?	1	3,23%
Marketing	Do you consider that your business is positioned well in the market?	0	0,00%
Marketing	Have you identified the potential growth of your business?	0	0,00%
Marketing	Have you had contact with clients from international markets?	1	3,23%
<b>Total department</b>			<b>32,30 % out of 45,22 %</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

#### **2.4.7. Operations Department**

According to an interview with the owner of Nuama, some bottlenecks were identified in the production area. However, in this questionnaire the questions are very

general and do not address different points that may highlight some other shortcomings. In this case, the 3 questions were answered affirmatively.

*Table 8. Auto evaluation Operations Department*

Auto evaluation: State of Development of the project			
Department	Variable Description	Grade	Percentage
Operations	Do you have the infrastructure and machinery for the operations process?	1	3,23%
Operations	Do you know the capacity of production?	1	3,23%
Operations	Do you require technology (technical laboratories, infrastructure) to develop new products or improve the processes of your business?	1	3,23%
<b>Total</b>			<b>9,69 % out of 9,69 %</b>
<b>Overall Total</b>			<b>81 % out of 100 %</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

## 2.4.8 Decisions Table

This table allows one to identify the state of the project based on the analysis above. According to the score obtained, the start-up can be categorized as pre-start-up, start-up or post-start-up. Satisfactorily, Nuama obtains 81% of the total evaluation and is classified as post-start-up, that is, the company has managed to meet all the basic requirements for the implementation of the project and is now in a growth stage. It is important to mention that it is here that most ventures stagnate and disappear, since after the growth phase, empowerment or in some cases redirection of the value proposition is required.

*Table 9. Decisions Table*

Decisions table according to percentages obtained (81 %)		
Value Range	Level	Course of Action
< 35%	Idea/Product	Pre-start-up
35% to 73%	Comercialization	Start-up
> 74%	<b>Growth</b>	<b>Post-start-up</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

## 2.4.9. Level of Innovation

In the table shown below indicates the degree or level of innovation that one or more company products have. In this case, the only product made and marketed by



Nuama is cookies. The questions address issues related to the market studies necessary to know the feasibility of the project, the contribution that the product can give to the local and international environment, the degree of differentiation with the competition, and the necessary resources both in terms of machinery and intellectual property for the start-up of the venture. As mentioned, the score in this questionnaire, unlike the previous one, is divided into three categories.

*Table 10. Level of Innovation*

Level of Innovation		
Description of Variables	Grade	Percentage
Have you checked the feasibility of the project? In other words, is it possible to make the product or lend the service? Has a prototype of the proposal been developed?	1	8,33%
Can the product, process, or service be patented or registered in the IEPI in any modality?	1	8,33%
Does the product, process, or service solve any real need of the market?	1	8,33%
Can the project be industrialized?	1	8,33%
Does the product, process, or service come out of a scientific or technological research from the entrepreneur?	0,5	4,16%
Does the product, process, or service present a novelty to the local market?	0,5	4,16%
Does the product, process, or service present a novelty for the national market?	0,5	4,16%
Is the product, process, or service a novelty for the international market?	0,5	4,16%
Is it or was it necessary to have an academic, technical or technological background to develop the product, process, or service?	0,5	4,16%
Does the development of the product, process, or service require specialized or personalized machinery?	0,5	4,16%
Can the project be developed with local machinery and resources?	0,5	4,16%
Does the entrepreneur have the knowledge or personnel necessary to execute the business idea?	0,5	4,16%
<b>Total general</b>		<b>67 % out of 100 %</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

The results of previous analysis can be observed in the following table. According to the framework the analyzed product of Nuama is classified as innovative, obtaining

67% of the total and passing the 52% barrier that separates it from being a traditional product.

*Table 11. Table on decisions on innovation level*

Table on decisions based on percentage obtained (67 %)	
Level of Innovation	
Value Range	Level
< 52	Traditional
≥ 52	<b>Innovator</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

## 2.5. Results from the trainings and workshops lead by the Ministry of Industry


### 2.5.1. Diagnostics of Nuama based on Canvas

An additional diagnosis was made jointly with the company based on a Canvas Business workshop given by an official from the Ministry of Industries at the Universidad del Azuay. The following analysis is divided into four areas: customers, supply, infrastructure, and finance. These areas in turn are subdivided into 9 final segments, which this Canvas presents. The results of the Canvas are displayed in the same way as it was done in the workshop.

### 2.5.2 Customer Department

*Table 12. Canvas Customer Section*

Clients	
Customer Relationship 	Customer segmentation 

<p>Customer loyalty through prizes for sports competitions (products), product delivery, sponsorship, deliveries without additional surcharge, offer of changes without additional charge.</p>	
<p>Channels</p> 	<p><b>B2B</b> Geographically: Azuay - Cañar Cuenca - Azogues Urban sectors Retails</p>
<p><b>Distribution:</b></p> <ul style="list-style-type: none"> <li>• Fairs</li> <li>• Retail</li> <li>• Gyms and sports centers</li> <li>• Service stations</li> <li>• Educational centers</li> </ul> <p><b>Communication:</b></p> <p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Mail</li> <li>• Memos</li> <li>• WhatsApp</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Phone</li> <li>• Mail</li> <li>• Social Media (Instagram, WhatsApp, Facebook)</li> </ul>	<p><b>B2C</b> Geographically: Azuay - Cuenca Urban sector Gyms, Educational centers, direct clientele</p> <p><b>Demographically:</b> Children from 2 to 12 years old (motivator) Men and women from 18 to 60 years old (buyer) Socio-economically: Average, above average</p> <p><b>Psychographic:</b> Athletes, healthy life style, higher educated, beliefs and preferences related to: organic, natural, ecological, vegetarian, certified</p>


Source: Canvas workshop, 2019

Made by: authors

### 2.5.3. Sales Department

Table 13. Canvas Sales Department

Sales
Value Proposal






<p>Value proposal</p> <p>Nutritious, healthy, Andean cereals, (important properties) no conservatives nor chemicals, natural, local product, support local producers, generates employment</p> <p>Corporate image:</p> <ul style="list-style-type: none"> <li>• Logo and registered brand</li> <li>• Informative talk</li> <li>• Sponsorships of sports events</li> <li>• Home delivery with no additional costs</li> <li>• Guarantee</li> </ul>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Source: Canvas workshop, 2019

Made by: authors

## 2.5.4. Infrastructure Department

Table 14. Canvas Infrastructure Department

Infrastructure	
Key partners 	Key Activities 
<p>Public Institutions:</p> <ul style="list-style-type: none"> <li>• Ministries</li> <li>• ARCSA</li> <li>• MIPRO</li> <li>• EDEC</li> </ul> <p>Suppliers</p> <p>Distribution Channels</p> <p>Others MIPYMES</p>	<ul style="list-style-type: none"> <li>• Design and Innovation of products</li> <li>• Purchase and selection of raw material from national suppliers</li> <li>• Production</li> <li>• Distribution and Commercialization</li> <li>• Post-purchase service</li> <li>• Marketing: participation in fairs, business rounds, informative talks</li> </ul>
	Key Resources 
	<p><b>Physical Resources:</b> Infrastructure, car, oven, dispenser, mixer, cutter, sealer.</p> <p><b>Intellectual:</b> trademark registration, supplier database, certifications (My first certification in process)</p> <p><b>Human:</b> minimum 3 people to produce, 5 people in total, basic training.</p> <p><b>Financial resources:</b> bank loan by BE.</p>



Source: Canvas workshop, 2019

Made by: authors

## 2.5.5. Finance Department

Table 15. Canvas Finance Department

Finance
---------

Cost Structure 	Source of Income 
<b>Fixed costs:</b> <ul style="list-style-type: none"> <li>• Basic services (water, electricity, telephone)</li> <li>• Maintenance of machinery</li> <li>• Wages and salaries</li> </ul> <b>Variable costs:</b> <ul style="list-style-type: none"> <li>• Purchase of raw materials</li> <li>• Indirect manufacturing costs</li> <li>• Unforeseen labor costs</li> </ul>	Current source: Cookies with chocolate chips based on quinoa and amaranth - RRP \$0.50. There are problems with liquidity available for wholesale payments (30 - 60 days), the payment of small consumers is immediate.

Source: Canvas workshop, 2019

Made by: authors

## Conclusion of Canvas

After the analysis of the company through Canvas, it can be concluded that Nuama has defined a market segment that covers, in demographic terms, boys and girls from 6 to 12 years old and adults up to 60 years old. Although in theory the market segmentation should be as specific as possible, Nuama's product, by satisfying a basic need, allows its target to be wider. However, to develop future marketing strategies, it is necessary for the company to define a specific segment in order to target this through a marketing plan since each segment requires a different strategic approach. For example, a strategy directed at athletes will be different from one directed at office workers. As for the relationship with customers, Nuama seeks to approach athletes through incentives and sponsorships. However, it does not have a comprehensive loyalty program that covers its entire market segment. Nuama supplies its product to gyms, nurseries, and neighborhood stores. This allows a more personalized treatment with the consumer, even though the highest volume of sales is through retails. Therefore, it is recommended to develop a strategy that consolidates the relationship with the client.

Nuama's value proposition is related to the ingredients of its product, since it contains high nutritional value while also highlighting cultural aspects of the region. However, the company does not adequately communicate this added value to the consumer. It does not have a consolidated corporate image nor adequate social media management. On the other hand, it is important to mention that Nuama has been in

contact with public institutions that have supported it from the beginning of the venture and its growth. In addition, the owner has participated in business rounds that have facilitated contact with suppliers.

On a final note, it has been observed that one of the main problems of the company is in its financial area. The company must cover fixed and variable costs through a single source of income, the sale of cookies. It also has problems with revenue collection from retails, these can take between 30 and 60 days, so the company lacks liquidity.

#### **2.5.6. Test of potential export distributor, ExportAudit**

The test of a potential export distributor is a qualitative and quantitative tool that allows identifying, considering, and evaluating the most relevant areas within an export process based on previously established minimum requirements. There is no single established origin or methodology since this depends on who conducts the evaluation. However, the model used in this work is one provided by the Ministry of Production, Foreign Trade, Investments and Fisheries. This tool goes beyond being a diagnosis since it is capable of measuring the potential of companies according to the exporter's route and thus identifying aspects that require attention in order to prepare the company before entering international negotiations.

The information collected serves as a starting point for proposing improvements in the areas where they are most needed and those that have the greatest influence when it comes to internationalizing the company. The departments that are considered in this analysis are: administrative, financial, marketing, and production. The rating is divided as follows: 0 points if it does not meet the requirement, 3 points if it partially meets it, and 5 points if it does so in its entirety. The aspects to be taken into account and their assigned weight per department are summarized in the following table.

*Table 16. Export Audit*

Export Audit		
Department	Aspect	Weight
<b>Administrative Department</b>	Organization, management and systems Strategic plan Document and process management Export planning	0.5
<b>Finance Department</b>	General accounting and financial information Financing Debt capacity Working capital	1
<b>Sales and Marketing Department</b>	Marketing plan Market studies Added value of the product Customer Service	2
<b>Production Department</b>	Production system Product characteristics Product availability Logistics and Inventory Environmental Management	1,5
<b>Total</b>		<b>5</b>

Source and made by: authors

### **2.5.7. Company survey per department**

### **2.5.8. Administrative Department**

Considering the table shown below, in reference to the administrative area, the following can be mentioned. The owner, who performs functions varying from the elaboration to the distribution of the product, manages Nuama. As such, the administrative department, like other departments of the company, is under the management of the owner and founder of Nuama, who takes charge of the organization, document management and processes, as well as general management.

The Nuama company throughout its history and since its inception has created business ties that have helped it grow day by day, such as increasing production for

different product distribution centers. However, several of these activities and fundamental aspects such as the strategic plan that would include a mission, vision, values, objectives and strategies are not documented.

*Table 17. Export Audit Administrative Department*

Export Audit		
Administrative Department		
1	Organization, management and systems	R.
	Does the company have recognition and prestige in the local market? (Years of operation)	3
	Are there managers in each of the critical areas of the company?	3
	Is there an adequate level of technical/administrative competencies of those responsible for the key areas of the company?	3
	Do you have sufficient and trained personnel for each of the critical areas of the company?	3
	Do you have a control/supervision system for the different administrative, financial, commercial, and operational activities carried out in the company?	3
	Do you have a control/supervision system for production activities, costs, and inventories?	3
	Does the company have an effective communication system (internet, cell phone, etc.) for its work?	3
	Are you willing to assign a person or team of people to control and monitor the export project?	3
	Is the company up-to-date regarding the latest information on the food sector?	5
2	Strategic Plan	R.
	Do you have a Strategic Plan that clearly sets out aspects such as Mission, Vision, and Values?	3
	Does your Strategic Plan clearly describe the objectives and strategies in the short, medium, and long term?	3
	Does your Strategic Plan clearly describe the Management Indicators for the success of your business?	3
	Does your Strategic Plan contain objectives and initiatives to promote exports?	3
	Has the Strategic Plan been communicated to the different key positions in the organization?	3
	Does your Strategic Plan consider the needs of local as well as export markets?	3



<b>3</b>	<b>Record and Process Management</b>	<b>R.</b>
	Do you have an up-to-date organizational chart?	0
	Do you have manuals for procedures or functions?	0
	Have you participated in certification projects, Quality Management (ISO), BPM, Continuous Improvement, etc.?	5
<b>4</b>	<b>Export Plan</b>	<b>R.</b>
	Does the company have an export plan for the future?	0
	Does the export plan have clear and measurable objectives?	0
	Are there personnel with experience in managing foreign trade?	0
	Are there staff who speak or can communicate in multiple languages?	3
	Are you willing to take the risks and the learning necessary for exporting?	5
	Are you affiliated with a guild/chamber that promotes the export processes of its members?	5
	Would you be willing to partner with other companies to carry out a joint export plan?	5
	Are you aware of the requirements and procedures necessary for exporting?	3
<b>Total</b>		<b>73</b>
<b>Grade</b>		<b>0,25</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

### 2.5.9. Finance Department

In the beginning the company received a loan from BanEcuador in order to start its activities. A loan through which the company was able to buy the machinery and supplies necessary to start its activities, since more professional supplies were needed to develop a high-quality product that could meet the needs of consumers. Similar to the previous stage, Nuama is fully aware, in practice, what activities must be carried out, however, documents such as general accounting and financial information are not formally recorded. It is of vital importance that this gets done in order to guarantee and protect the business, serving as a basis to expand on the company's objectives.

The company is currently going through a phase of lacking working capital, which is considered a disadvantage for production and innovation. This situation could be solved by means of an additional loan. It is essential, however, to evaluate if it is really

necessary or, through means of study, determine whether those resources can be used for another purpose such as additional machinery.

*Table 18. Export Audit Financial Department*

Export Audit		
Finance Department		
1	General Information	R.
	Can we state that the company is adequately capitalized? (Sufficient capital, human resources, etc.)?	3
	Could the company make new investments if it were deemed necessary?	3
2	Accounting & Financial Information	R.
	Do you have a General Budget for the current year?	0
	Do you have an up-to-date Cash Flow statement?	3
	Do you have an up-to-date Balance Sheet & Results statement?	0
	Do you have Cost Analysis per Product?	3
	Do you have a Break-Even Analysis?	3
	Do you analyze the Accounting data on a frequent basis?	3
3	Debt Capacity	R.
	Do you run on private finance?	0
	Is the company willing to allocate resources to co-finance an export project?	5
	Is the company willing to apply for a loan/line of credit to implement an export plan?	5
	Does the company have proper guarantees (collateral) to obtain new credit for the implementation of an export plan?	5
	Are you up-to-date in all the tax obligations, financial, personal, commercial, legal, municipal, etc.?	3
<b>Total</b>		<b>36</b>
<b>Grade</b>		<b>0,5</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

### 2.5.10. Production Department

The Nuama company uses Andean cereals that are considered a super food. These are produced naturally and contain a high nutritional value and regenerative properties for the soil. This, without a doubt, adds value to the product, which will allow it to enter international markets whose idiosyncrasy values the method of production and the nutritional characteristics of the product. On the other hand, Nuama's infrastructure and production system is designed to supply the local market and isn't efficient in terms of installed capacity given that there is no daily production. The company shows some shortcomings in production times, even though the owner of the company has identified possible solutions, no changes have yet been made due to lack of capital. Similarly, faced with a possible expansion of markets and internationalization, the company will need to improve and expand its infrastructure and production system.

Nuama has fixed number of suppliers that meet the requirements, which it has set out, though no signed agreements ensure its supply. In terms of total production, the company does not have a registry that allows identifying the minimum and maximum quantity of production at any given time.

*Table 19. Export Audit Production department*

Export Audit		
Production Department		
1	System of Production	R.
	Is the production facility automated or mechanized?	5
	Are improvement projects on production processes done on a continuous basis?	0
	Is there staff that conducts quality controls throughout the process including in terms of product characteristics?	3
	Do you have the production capacity for export?	0
	Can you tailor production to specific design requirements from clients or potential export markets?	3
	Are continuous on-the-job trainings for production staff in place?	0

	Do you have technically equipped employees for the maintenance of machineries and equipment?	3
<b>2</b>	<b>Product Characteristics</b>	<b>R.</b>
	Is it easy to transport?	5
	Does it need to be modified in order to adapt to new markets?	3
	Is it consumed the same way in every market that it engages with?	5
<b>3</b>	<b>Product Availability</b>	<b>R.</b>
	Do you have the productive capacity to attend demand from abroad, without affecting the supply to the local market?	0
	Do you meet the delivery times set?	5
	Can you respond to extra demand within an established time frame?	3
<b>4</b>	<b>Logistics and Inventory</b>	<b>R.</b>
	Do you have sufficient sources or suppliers of critical raw material to manufacture the products?	5
	Do you have an evaluation registry of suppliers in terms of the different supplies and services needed by the company?	5
	Is the purchase of raw materials based on some technical criteria such as a reordering point, production forecast, demand estimates, etc.?	3
	Do you have a procedure for the proper handling of materials and records of inventory balances for supplies, raw materials, and finished products?	3
	Do you know and manage the packaging procedure of the product?	5
	Do you have a distribution channel?	5
<b>5</b>	<b>Environmental Management</b>	<b>R.</b>
	Do you comply with the proper handling/use of the by-products of your production?	0
	Does the company's manufacturing processes cause discomfort to the surrounding communities?	5
	Do you have a clean production system?	3
	Does the company have programs to reuse waste?	0
<b>Total</b>		<b>69</b>
<b>Grade</b>		<b>0,9</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

### 2.5.11. Sales Department

Based on the diagnosis made first with the Ministry of Industries, and then with the company and INEN, it was found that the main failure of the Nuama company is in the marketing area. The company does not have a local or international marketing plan. As such, it is necessary to prepare a marketing plan that strengthens it in the local environment and sets guidelines that allow it to venture into the international arena.

Likewise, it is necessary to create a history of the product, improve its corporate image, and provide added value to the product.

*Table 20. Export Audit Sales Department*

Export Audit		
Sales Department		
1	Marketing and Sales	R.
	Do you have a person or team that manages the areas of Marketing and Sales?	3
	Do you have advertising material about the product and its competitive advantages?	3
	Do you have a website or social networks to approach the client?	0
	Do you have a commercial slogan or designed logo with which you advertise your products and company?	5
	Do you frequently promote the company's products?	3
	Do you have a defined budget for Marketing and Sales activities?	0
	Do you currently have the option to sell based on credit?	5
	Could you sell products for export on credit?	5
	Would you be interested in participating in international fairs?	5
2	Customer Service	R.
	Would you be interested in participating in international fairs?	3
	Do you have clear policy for the application of product guarantees and refunds?	0
3	Market Study	R.
	Have exploratory surveys been carried out in the local market?	5
	Have exploratory surveys been conducted in potential export markets?	3
	Are you aware of the market research tools available on the web?	0
4	Added Value of Product	R.
	Can you improve the perception of added value of the product through new designs, packaging, presentations, sizes, etc.?	5
	Does the product have the certifications, INEN standards, etc. required in the local market?	5
	Do you have a marked difference from your competitors?	3
	Do you have a registered trademark?	5
	Do you protect the designs or prototypes of your products?	5
<b>Total</b>		<b>63</b>
<b>Grade</b>		<b>1,32</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

### 2.5.12. Summary of Export Audit

Once the weighting of the different areas and the corresponding evaluation of different points within them have been carried out, a department grade is obtained with the following results: administrative department 0.28/0.5, finance department 0.55/1, production department 0.9/1.5, and the marketing department obtained a score of 1.32 / 2. The final result is 3.02/5, which indicates that the company shows general shortcomings, though if focus is put on the marketing and sales department and through the development of a marketing plan, one can improve this grade and empower the company for future internationalization.

*Table 21. Table Summary of Export Audit*

Expor Audit	
Summary Table	
Department	Grade
Administrative	0.28/0.5
Finance	0.55/1
Production	0.9/1.5
Marketing	1.32/2
<b>Total</b>	<b>3.02/5</b>

Source: Ministry of Production, Foreign Trade, Investments and Fishing, 2019

Made by: authors

### 2.5.13. Workshop My First Certificate INEN

In 2018, My First INEN Certification was approved free-of-charge, which has as its main objective strengthening micro, small, and medium-sized companies, but also organizations belonging to the Popular and Solidarity Economy in terms of the management of their processes. For this purpose, a workshop was held at the University of Azuay, taught by a public official from INEN, where the owners of different companies were invited, including Alejandro Ñauta, owner of Nuama. In the workshop, the survey of questions that will be presented below and the benefits of having this certification for the company were explained in detail: increase local competitiveness, strengthening of process management, greater ease of entering international markets, etc.

Table 22. My first certificate INEN

Workshop: My first certificate INEN		
Survey		
1	Legal Requirements	Val.
1.1	Maintains legalized employment contract (SUT platform)	N/A
1.2	Complies with the provisions of the Law on Linking Human Talent with Disabilities	N/A
1.3	Evidence of non-employment of minors under 15 years of age	3
1.4	Trademark registration at SENAI (Ex - IEPI)	3
2	Finance Management	
2.1	Annual financial projection (budget)	3
2.2	Financial balance sheets	3
3	Human Resource Management	
3.1	Evidence of staff training focused on meeting customer commitments	3
3.2	Maintains records of staff training	3
3.3	Periodic evaluation of the performance of its employees	N/A
4	Customer Service	
4.1	Register the commitments or any modification or new commitments established with the clients	3
4.2	Inform the client about the properties of the products	3
4.3	Management of complaints, feedback, and suggestions	3
5	Sales Management	
5.1	There's a purchasing process that ensures its timely supply of raw materials and supplies	3
5.2	Lists and/or technical sheets of raw materials and supplies	3
5.3	A check of conditions of raw materials and supplies upon reception	3
5.4	There are mechanisms in place to manage inventories	3
5.5	There are contracts or agreements in place with the suppliers	3
5.6	There are supplier selection and qualification mechanisms in place	3
6	Production checks	
6.1	Adequate infrastructure (basic services) available	3
6.2	Production planning process	3
6.3	Legal norms and applicable standards for the product or service offered have been identified	3
6.4	Product Traceability	3
7	Quality of product or service	

7.1	Verification mechanisms of product norm compliance are in place	3
7.2	Verification mechanisms of service offered along defined technical specificities by the client are in place	N/A
7.3	Inspection equipment and calibration tests are in place	1
7.4	A quality control lab or process is functional	1
8	<b>Storage and delivery of product or service</b>	
8.1	Storage products are maintained, managed, and delivered to the customer in conditions that prevent it from deteriorating.	3
8.2	Preserva los documentos que evidencia la prestación del servicio y cumplimiento de requisitos especificados por el cliente	N/A
9	<b>Innovation and entrepreneurship</b>	
9.1	Innovation and/or entrepreneurial indicators on short to medium term (record of continuous improvement is a minimum)	3
10	<b>Health and safety</b>	
10.1	Offers worker's protection kits (EPP) to employees according to the needs of the company	3
10.2	Trains employees in occupational health and safety issues	3
<b>Total points</b>		<b>74</b>
<b>Percentage effort</b>		<b>94,87</b>

Source: National Standards Body of the Republic of Ecuador, INEN, 2019  
Made by: Authors

#### 2.5.14. Conclusions Workshop My First Certificate INEN

As can be seen in the table above, the percentage obtained by Nuama is satisfactory for the objectives of the workshop. Afterwards, the information was verified through a visit of an INEN public official to the company's production plant, to corroborate all the data, see Annex 2. On this first visit, Nuama was unable to obtain the certification due to lack of some documents, however, these are few and another visit will be scheduled once these are obtained.

## 2.6. Conclusions

According to the different diagnoses performed through: a survey by the Ministry of Industries, personal interview with the owner of Nuama, workshop on Canvas, ExportAudit, and My First INEN Certification, the following conclusions can be drawn.



Nuama with its product of cookies based on quinoa and amaranth finds itself in the growth stage. Although the company shows general shortcomings in all the departments of the company, they can be corrected with an internal improvement plan, given that the gap that separates it from optimal performance is not very big.

All departments were weighted in order to identify which ones have the greatest influence on the internationalization process. The marketing department has been identified as the one that plays a fundamental role for possible internationalization, which in Nuama's case is its greatest shortcoming. As a priority, a marketing plan is required that would support it in the local environment while laying the foundation along with guidelines for external markets.

Within what has been evaluated in the marketing area, the following shortcomings have been noted. The corporate image of the company is lacking; it does not have an optimal product image for entering new markets. The company logo does not comply with any effective study on the use of colors or contrasts. In terms of communication, there is no website and social networks are not used. Although there have been sporadic approaches with potential buyers, the demand for the product abroad has not been identified in numbers.

## **Chapter 3**

### **3.1. Strategic Plan to improve Nuama's competitiveness**

While the primary focus of the internal improvement plan for Nuama is in the marketing department, there are other departments of the company with shortcomings for which some changes and/or adaptations are suggested. To this effect, the administrative department and the corporate image of the company will also be taken into account. In the marketing department, some of the elements of the marketing plan have already been addressed while others need to be reinforced or added. Finally, a PESTEL analysis from the European Union will be carried out, which will serve as a reference for a possible internationalization of MSMEs in Azuay. This analysis will complement the project, which the company will be able to resort to once the internal improvements have been implemented allowing it to strengthen itself locally.

### **3.2. Improvement plan on local level**

#### **3.2.1 Improvement plan in the administration department**

From its inception until now, the administrative department of Nuama has been managed by a single person, who in turn, also takes care of the rest of the departments. It is therefore recommended to hire a manager of this department with defined responsibilities and periodic accountability to the CEO of the company. Although the company has operated in this way for two years, certain parameters and guidelines have not been formalized such as general and specific company objectives, goals, internal policies, mission, vision, etc. which would allow the company to prosper better.

#### **3.2.2. Definition and proposal for Nuama's mission**

The mission describes the concept of the company, the nature of the business, the people it serves, along with the principles and values under which it operates. It is the

step by step of how an institution distinguishes itself from other similar ones (Abril, 2018). The company does not have an established mission statement, so the following is suggested:

We are a company dedicated to the production and distribution of cookies made from Andean cereals. We are committed to providing consumers with high nutritional value, unique flavor, and high-quality products. Likewise, we seek to contribute to the development of the country's agriculture, the progress of the community, the enthusiasm of our suppliers, and the satisfaction of our customers.

### **3.2.3. Definition and proposal for Nuama's vision**

The vision is a set of general ideas, which provide the frame of reference of where a business wants to be in the future. It is the path the company aims towards in the long term and serves to guide strategic growth decisions along with competitiveness. The vision guides the way and gives direction to where it intends to go (Abril, 2018). The Nuama company does not have an established vision statement, so the following is suggested:

To become one of the largest industries, recognized and positioned in the area of healthy eating within and outside the country. Nuama is always committed to maintaining excellence in our dealings with suppliers, employees, and customers, with our competitive advantage being the nutritional value, naturalness, and quality of our products.

### **3.2.4. Nuama's objectives**

The company must set goals that can be measurable, achievable, challenging, clear and realistic in order to keep the company on the right track. The objectives can be modified as the company grows over time, as the company periodically reaches its goals, it will need to set new objectives in order to maintain continuous growth.

### **3.2.5. General objectives**

The main objective of Nuama is to be the leading company in the country that provides foods with an authentic flavor containing high nutritional value which is healthy for the body using ingredients produced from agriculture that respects nature.

### **3.2.6. Specific objectives**

- Position the Nuama brand in the minds of consumers.
- Consolidate a corporate image that represents the origin, philosophy, and values of the company.
- Provide nutritious and organic food that meets the required quality standards, without coloring or preservatives.
- Structure a marketing department that strengthens the company in the local market and guides it towards internationalization.
- Capture market share by developing new products.

### **3.2.7. Goals**

- Establish contracts with the main Retailers in Ecuador.
- Achieve a 15% increase in monthly profits.
- Design a customer loyalty plan.
- Increase the product portfolio through a market study.
- Build partnerships with brands related to Nuama.

### **3.2.8. Internal policies**

Internal policies promote order within a company and set guidelines for company behavior in different departments. They must also comply with legal parameters that do not violate the rights of workers. The type of policies applied will depend on the model or nature of the business (Joseph, 2018). NUAMA is committed to the following:

### **3.2.9. Quality Policies**

Customer satisfaction is one of Nuama's main objectives and the quality policy is responsible for exceeding consumer expectations regarding the quality of its services and products. The company offers a high-quality product with the best materials available in

the market in healthy relations with suppliers, clients and employees. For this, Nuama has managed to acquire My First Certification granted by INEN, whose purpose is to guarantee the quality of the company's processes.

### **3.2.10. Uniform Code**

Plant workers use appropriate clothing at all times during production, complying not only with the established uniform code, but also ensuring the required sanitation parameters. Although Nuama is committed to the aforementioned, it is also suggested to adopt the following policies:

### **3.2.11. Environmental policies**

In future strategic plans, the company could promote policies that are respectful of the environment, such as: recycling, reduction of pollution, and the creation of an environmentally sustainable production system, among others.

### **3.2.12. Health policies**

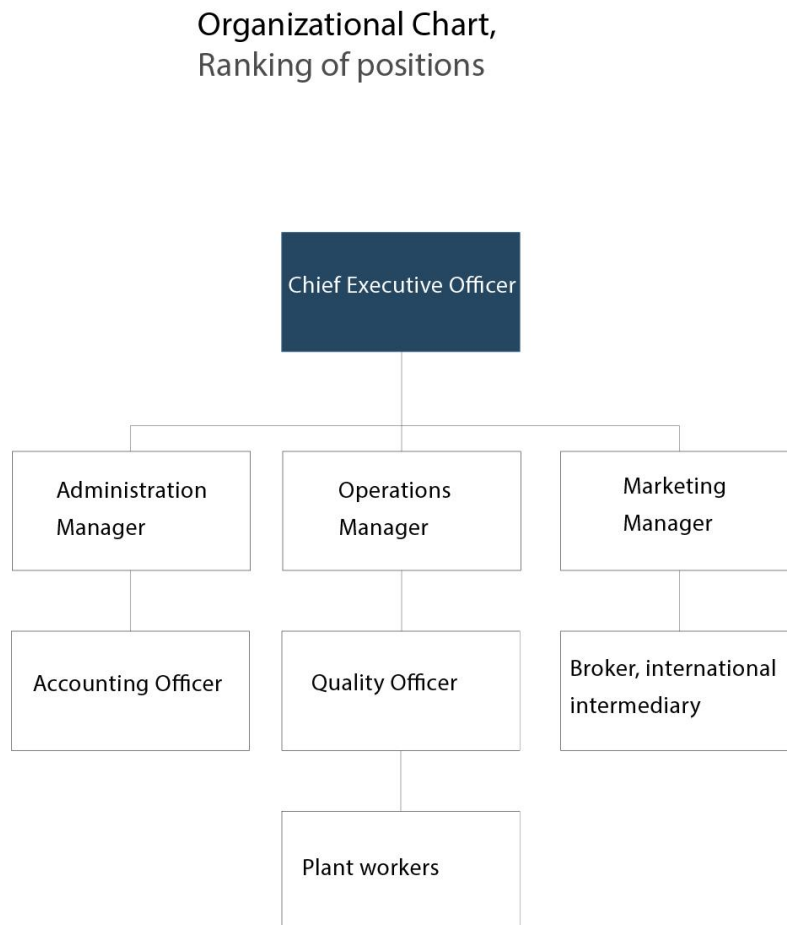
Although reference is made to the health policy in the uniform code it is essential to establish clear and strict guidelines for handling food. This prevents or minimizes the risk of possible diseases, contamination, and other health risks. The company must inform its customers, suppliers, and the general public about its management, including policies such as these, through social networks and on the company's official website.

### **3.2.13. Organization Management**

As for the organization, the company must define job profiles that need to be carried out in order to enhance control of the administration. Nuama is currently in a growth stage so it does not produce every day of the week, which in practice means that the people who work in the company are not formal workers and come to the plant only on the days required. However, in order for the tasks to be distributed in a more orderly manner, it is recommended to hire personnel responsible for the administration, production, and marketing departments. This would alleviate the workload of the owner

and manager allowing him to dedicate fully to the main activities of the company. The following organizational chart for the company is suggested below, along with the responsibilities of each one.

Figure 1. *Suggested organizational chart*



Source: Authors, 2020

Made by: Authors

### **3.2.14. Responsibilities of Nuama's departments**

The manager of the company, in this case the owner, must take charge of purchasing raw material, formalizing agreements with suppliers, retailers, distributors,

and all the strategic companies of vital importance for the operation of the company. He will also be in charge of supervising all the departments with periodic evaluations of the managers. He will be in charge of setting the objectives, goals, and the forecast the direction that the company will take for a defined period of time. He will also be in charge of appointing managers for the departments. It is suggested to hold periodic meetings with those in charge of the other departments to review the status of goals and seek solutions in case these are not met within the established deadlines. Similarly, directors must be trained in each department so that they, in turn, can train their staff. It is of utmost importance that the CEO knows how to delegate tasks to each area director, so that the company is more efficient.

The administrative management will be in charge of formalizing and acquiring all legal permits for the operation of the company. It will also work hand in hand with the manager in terms of organization and planning of internal processes. It will be responsible for the handling of both physical and digital files of the company, the monitoring of certifications, permits, and any other procedure that the company is requested. The administrative management will also be in charge of matters related to Human Resources such as payroll, recruitment, etc. The person in charge of this area must monitor, send, and respond to emails, messages, suggestions, etc. that the company receives. As the figure indicates, an accounting assistant role has been added who will always keep company records in order. It's possible to outsource this function.

The manager of the Production Department will be in charge of defining the appropriate process for each product, such as calculations, record, control, optimization of production times and reduction of costs. The manager should be responsible for verifying raw materials, compliance with the established requirements, appropriate storage to avoid any type of cross contamination. A checklist is therefore suggested which details the supply of raw material and its characteristics. This will afford the company control over what comes in and what was agreed with the suppliers. As detailed in the organizational chart, a quality assistant role is suggested. Given the stage that the company is in, should a lack of resources occur then the manager of the production area must make the quality checks that the company requires.

The marketing department, given its strategic priority that needs the most reinforcement, needs a manager with relevant work experience in the area. In case there are no resources to cover a full-time manager, outsourcing it to an external agency is suggested. The main objective of reinforcing this department is to be able to work on the R+D+i concept (Research, Development, and Innovation). The Nuama product is depicted as innovative and with in-depth research on health and environmental issues. Due to today's market dynamics, however, it needs to be constantly growing. Although it is an innovative product in the local market, in the international arena there are many brands that are difficult to compete with due to the resources that they manage and if no full-time work is put to developing Nuama's concepts.

A broker or intermediary is also suggested in the organizational chart. This arises from the need to expand the product to external markets. This intermediary will be the one who initiates contact with retailers and other companies that may be interested in the product. Costs of this intermediary can be relatively exorbitant; it is therefore suggested for a manager to take on this role. It is recommended that the CEO and Marketing Department manager have close ties through periodic meeting, where the concepts of Research, Development and Innovation can be developed in-depth and aim the company towards international markets.

### **3.3. Improvement plan for marketing department**

#### **3.3.1. Executive summary of Marketing Plan**

The marketing plan that will be presented below aims to improve the competitiveness of Nuama in the local environment, and serve as the basis so that Nuama can project itself to international markets in the future. Thus, the strategic marketing plan, while focused on the local environment, adds a brief study of the international environment, specifically the European Union. The objective of this section is to provide the company with research parameters and a matrix for selecting target markets. Nuama has already carried out a previous investigation on the Ecuadorian market, in which it has established its market segment, the price of its product, and managed its distribution channels. Thus, the strategic plan for the local environment will cover the following:



production levels, market positioning, competition, PESTEL analysis, and action plan. The main strategy for the action plan revolves around digital marketing which strengthens the corporate image with greater precision.

### **3.3.2. Product levels**

First of all, it is important to know the different levels of a product in order to identify in which of the three Nuama is in. Each level aims to generate a new value for the user that one can identify it. These are: base product, actual product, and augmented product (Kotler & Armstrong, 2008).

#### **3.3.3. Base Product**

The base product is created, from its genesis, to satisfy a specific need that a client seeks. To this end, the base product answers the question: what is the consumer really buying? It's cookies in the case of Nuama. Their product satisfies a specific physiological need<sup>1</sup>. At first instance, when a consumer, regardless of his tastes and preferences, buys a cookie, he seeks to feed himself (Kotler & Armstrong, 2008).

#### **3.3.4. Real Product**

At the second level, the real product adds value to it so that a purchase desire is generated. This desire may be due to the brand, packaging, or characteristics that differ from their peers in the market. In Nuama's case, the cookies are healthy because of their ingredients. Likewise, the natural elaboration of the product and the use of local ingredients can change the purchasing decision of some consumers. In reference to the European market specifically, this would contribute significantly to position itself in that market. Another feature that adds value to the Nuama product is the creation of a brand history or philosophy (Kotler & Armstrong, 2008).

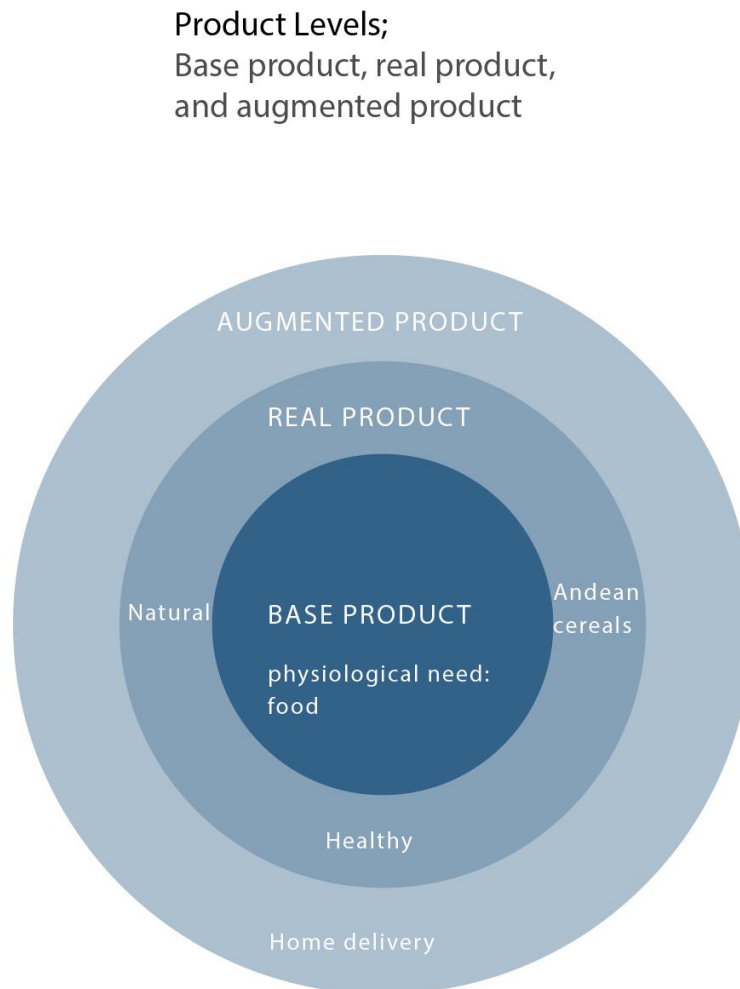
#### **3.3.5. Augmented Product**

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<sup>1</sup> Physiological needs according to Abraham Maslow: breathing, food, rest, sex, and homeostasis.

Finally, the augmented product refers to all the additional benefits or services that can be offered apart from the abovementioned. Generally, the most common service is to offer a guarantee within a defined timeframe. In the case of Nuama, although home delivery is offered, it is necessary to generate additional benefits so that the consumer sees that the product satisfies not only a need, but that it comes in a bundle. Thus, Nuama meets the first two levels and it would be necessary to reinforce the third (Kotler & Armstrong, 2008).

Figure 2. *Product levels*



Source: Kotler, 2008  
Made by: Authors

### **3.3.6. Competitive Analysis**

According to the diagnosis made during the first stage of this project, Nuama was identified as an innovative company. However, there are other companies with similar characteristics in their business model, which have had a longer journey and are better positioned in the market than Nuama such as Quinoa Fit and Wipala.

### **3.3.7. Analysis of Quinoa Fit**

Quinoa Fit, with its first product Quinoa Fit Cookies, was born in 2016 in the city of Loja. This brand makes quinoa-based cookies, gluten-free, and without artificial sweeteners. The ingredients they use are 100% Ecuadorian, and they seek to transmit to the consumer market the concept of a healthy snack with high nutritional value. The traffic light on the product's packaging is yellow, which means a greater opening in different points of sale. In 2017, they participated in different fairs held in Ecuador: 186th International Fair of Loja and Loja Sobre Tablas; where the product was very well received, and they decided to industrialize it (Quinoa Fit, 2020).

Currently it distributes its product to more than 50 points nationwide in the main cities. Quinoa Fit's points of sale are shops and cafes with concepts related to ecological, organic, healthy, green, and committed to the environment. Its product distribution strategy is not linked to large retailers, its relationship with customers is more personal, and it is based on the experience that the client has. In this sense, its target market will be segmented into medium/medium-high economic strata (Quinoa Fit, 2020).

Quinoa Fit's corporate image is presented to the public in a friendly and professional manner, both the logo and its website highlight the use of blue, white and green elements. According to the study of color psychology they represent the following. Blue: stability, harmony and confidence; white: positive, purity and transparency; green: health, natural, hope (Heller, 2004). The main communication strategy is its website and social networks where they not only promote their product, but also publish articles, recipes, experiences, etc. In this way, Quinoa Fit maintains a closer contact with its customers and at the same time seeks to retain them (Quinoa Fit, 2020).

Figure 3. Quinoa Fit Logo



Source and made by: Quinoa Fit, 2020

### 3.3.8. Analysis of Wipala Snacks

Wipala snacks is a Guayaquil-based company that is dedicated to the elaboration and commercialization of agro-ecological bars made with Andean cereals (quinoa) and tropical fruits from Ecuador (El Universo, 2015). It began its commercial activities in 2015 and currently distributes its products in different regions of the country and has become international with points of sale in the United States, Russia, Spain, Chile, and Paraguay. The average price of their product is USD 6 per box; containing 6 bars (Revista Líderes, 2016).

The brand concept that Wipala manages is based on the Andean culture and the union of the people. They seek to position themselves in the consumer's mind as a healthy product with high nutritional value, environmentally responsible, agroecological and also highlights the importance of Andean cultural origins. As for production, its eco plant stands out since it has 0% waste, uses natural lighting, and its recycling program is 92% effective. The company has created a project called "Meet Your Bar", which allows the user to trace the origin by using the product batch code (Wipala Snacks, 2020).

The corporate image of the company reflects this. The logo uses green and blue colors as analyzed previously, but also pink and violet, which are related to sensitivity and spirituality. Its main communication strategy is through its website and social media networks. Its website is greatly developed and transmits to its customers the beginnings, objectives, and philosophy of the product. It also contains the aforementioned "Meet

Your Bar” project. The nutritional values of all its products are specified and purchases can be made directly through the website.

Figure 4. Picture from Wipala Snacks’s website



Source and made by: Wipala Snacks, 2020

### 3.4. PESTEL Analysis Ecuador

PESTEL analysis is a business tool that allows businesses to identify external factors that can positively or negatively affect their development. The term was first described in 1967 by Harvard professor Francis J. Aguilar. The initials PEST refer to the Political, Economic, Social, and Technological environment in which a company must engage. In 1986, Liam Fahey and V.K. Narayana add environmental or ecological and legal elements. With this tool, we seek to identify the factors that may affect Nuama, positively or negatively (Bree, 2019). It is extremely important to mention that the analysis started before the health emergency of COVID-19, therefore, the information presented below presents data that changed during the months that followed. It is recommended to monitor the data presented in this work.

#### 3.4.1. Political Analysis

In Ecuador, it is important to take political aspects into account that may have an impact on Nuama and other companies in the country. Among them, a fundamental

change has been the project developed in 2012 by the National Secretary for Planning and Development on the transformation of the productive matrix of Ecuador. This was intended to boost domestic industry so that the products have an added value, as is the case of Nuama. The initiative has been carried out for 8 years and has presented good expectations from the government for local companies (National Secretariat for Planning and Development, 2012).

However, this initiative is in opposition to other analyzes, such as the Doing Business project carried out by the World Bank, which establishes the ease of doing business index and ranks economies from 1 to 190. For the final ranking, a preliminary analysis is made to measure the performance of economies, evaluating 41 indicators that are finally synthesized into 10 themes. For each indicator, a performance limit is established, and based on that limit, it is given a rating of 100. For example, it establishes that the optimal time to obtain electricity is 18 days, some economies will be below or above that number, and based on that result the score is calculated (ease of doing business score and ease of doing business ranking, 2019). According to the parameters above, Ecuador has an unfavorable performance in the final ranking, ranking 129 out of 190. In the following table, it can be observed that Ecuador presents major problems in the following topics: obtaining electricity with a score of 72.3, cross-border trade with 71.2, and opening of a business with 69.1 points. These are considered the biggest challenges of conducting business within the country (World Bank, 2019).

*Table 23. Parameters for Index Ease of Doing Business (Ecuador)*

Topics	DB 2020	DB 2020
	Ranking	Grade
Opening a business	177	69.1
Managing construction permits	114	66.4
Obtaining Electricity	100	72.3
Property registry	73	67.7
Obtaining credit	119	45.0
Protection of minority investors	114	44.0
Tax payment	147	58.6
Cross-border trade	103	71.2
Contract Fulfillment	96	57.5
Insolvency resolution	160	25.5

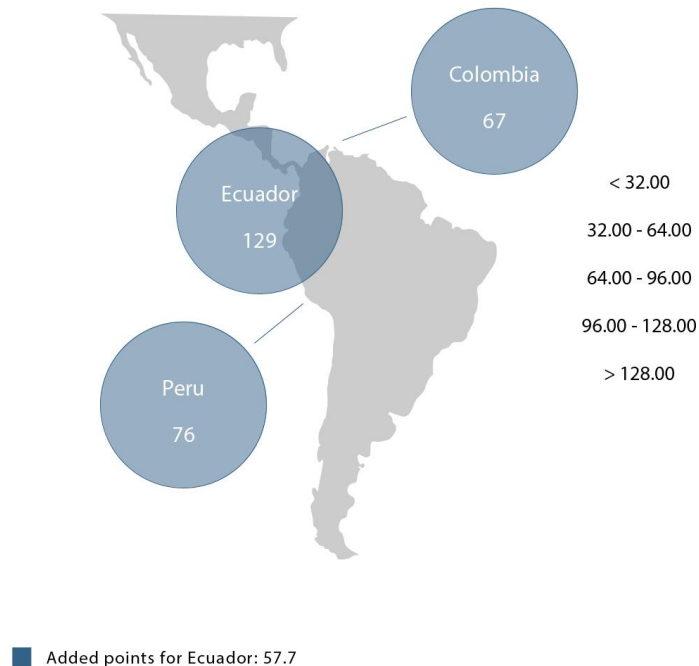
Source: World Bank (Doing Business), 2019

Made by: Authors

The index classifies countries into 5 different categories according to their score as seen in the graph below (World Bank, 2019). Ecuador is in the lowest category due to its score. For this reason, doing business in the country represents a greater challenge than in neighboring countries. Therefore, it is recommended to act with caution and take into account each of the parameters analyzed by the World Bank so that unexpected situations do not arise during the business cycle of the company. In conclusion, although there are initiatives by the governments in power, the statistics of external companies reflect that these attempts have not always shown the expected results.

Figure 5. Index Ease of Doing Business in Ecuador

Index Ease of Doing Business in Ecuador,  
favorable regulations for businesses.



Source: World Bank (Doing Business), 2019

Made by: Authors

In Ecuador, a State of Exception was declared on March 16, 2020 due to the health emergency caused by COVID-19. This caused a great impact on the country's productive sector. One week after adopting this measure, at least 70% of the productive apparatus had to completely halt its activities and the remaining 30% of the companies carried on at limited capacity (Expreso, 2020).

International organizations estimate that Ecuador will be one of the countries with the harshest economic consequences due to the pandemic. Given the context, the President of Ecuador, Lenin Moreno, proposed a package of measures, among which is the creation of a National Humanitarian Emergency Account in order to guarantee food, health, and avoid a massive bankruptcy of local businesses. Among the sources of this fund is a 5% demand of profits of companies that generate revenues above \$1 million and withholding a percentage of the income of the salaried sector (BBC, 2020). The Ecuadorian Business Committee (EEC) that brings together the Production Chambers of Ecuador expressed concern about the measures adopted by the government as they do not address the impacts suffered by the productive apparatus or jobs. For this reason, the government initiative was rejected by both the industry and the country's union sector (El Universo, 2020).

The measures taken in Ecuador at the beginning of April in response to the health emergency do not alleviate the problems that the productive sector is going through. This generates great concern on the part of the business community since there is no "Economic Reactivation Program" to date. On the contrary and unlike other nations, Ecuador is the only one that proposes a sacrifice from its citizens and companies. This situation represents a major problem for the Nuama company. It is expected that, during the second half of 2020, a plan will be created so that the companies can cope with this crisis. However, Nuama must take action and find alternatives in the face of this situation, some of the recommended actions will be mentioned in the following points of analysis (El Universo, 2020).

### **3.4.2. Economic Analysis**

The following economic analysis will take into account different indicators such as GDP and its percentage variation, data related to the level of employment, investment, country risk, among others. The commercial analysis (exports, imports, etc.) is described in the international analysis. It should be noted that the information is backed by

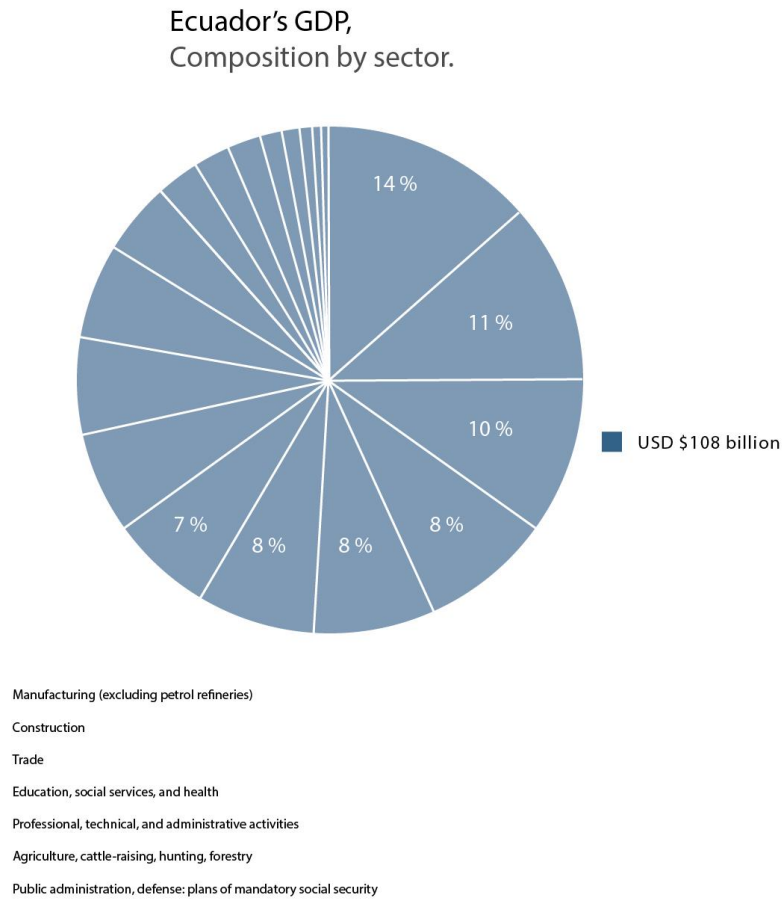


international organizations such as the International Monetary Fund, the World Bank, etc. Certain data excludes the situation of the Covid-19, since the economic reports are released during the last quarter of each fiscal year.

According to figures from the World Bank, Ecuador's GDP is 108 billion dollars and its variation, compared to the previous year, is 1.4%. From the composition of the Gross Domestic Product, distributed by sectors, the following can be highlighted: 14% are based on manufacturing, 11% on construction, 10% on trade, 8% corresponds to teaching, technical activities, and agriculture, 7% on public administration. The remaining activities represent lower percentages than those mentioned above. It is worth mentioning that final consumption expenditure represents 74% of GDP. This index takes into account the final consumption expenditure of families, plus the consumption of the general government (World Bank, 2019, Central Bank of Ecuador, 2018).

As for consumer prices, represented by the inflationary index, from 2018 to 2019 it varied by 0.3%, which is lower in comparison to Colombia (3.5%) and Peru (2.1%) (International Monetary Fund, 2020). However, the low-price increase is not always a positive aspect, since this can be caused by a contracted demand for products. On the other hand, the unemployment rate in Ecuador in 2019 was 3.5% of its economically active population. For 2020, forecasts indicate that this figure may double, the estimate is 6.5% (International Monetary Fund, 2020).

Figure 6. *Ecuador's GDP and its composition by sector*



Source: Ecuador Central Bank, World Bank, 2019  
Made by: Authors

On the other hand, the World Bank, INSEAD, and WIPO, provide indices that allow having an overview of the country's economic aspects, innovation, development, distribution of wealth, etc. The following chart highlights the following: during the first days of March, Ecuador's Country Risk reached its highest score compared to the last ten years with a total of 1,979 points, which places the country in third place in Latin American, right after Venezuela and Argentina. This means that in the eyes of investors, Ecuador represents a very high risk. As a result, those willing to invest or lend money in the country will want a return on their investment as soon as possible. As such, the interest rate of a possible loan will only be issued with very high interests (El Mercurio, 2020).

For its part, the GINI Index measures the level of inequality that exists in a country by taking into account income distribution. Ecuador, on a scale of 0 to 100, where 0 represents perfect equality and 100 perfect inequality, scores 45.4 points (World Bank, 2018). On the other hand, the innovation index takes into account the capabilities of a country such as: infrastructure, investment, human capital, etc. It then contrasts them with the scores in terms of technological, knowledge, and creative production. On a scale of 0 to 100, with 100 being the value with the best results in innovation, Ecuador scores 26.6 points. Its neighbors Colombia and Peru have 33 and 32.9 points respectively (the Global Economy, 2019).

Figure 7. *Ecuador Index*



Source: World Bank; The Global Economy; WIPO, 2019

Made by: Authors

The tables presented refer to the Basic Family Basket until March 2020, including its composition, its evolution in recent months, and its relationship with family income. Based on these, the following can be highlighted: the current cost of the basket is \$713.89 and the average income per family taking into account 1.6 basic wages is \$735.47. This cost-income ratio has been maintained throughout the last quarter of 2019 and the first of 2020. Comparing the current cost in March 2020 with the cost of October 2019, costs have reduced, while income has increased. As a result, it can be stated that, on average, families can consume more products in 2020 than in 2019 (National Institute of Statistics and Censuses, 2020).

Taking the Basic Family Basket as a reference, families spend 32% on food and beverages, 27% in housing, 7% in clothing, and the remaining 33% in education, health, transportation, and others. Regarding the first category of Food and Beverages, the composition is as follows: 22% corresponds to cereals and its derivatives, 16% meat and processed foods, and 14% for milk, dairy products, and eggs. This entails that from the entire family basket, the second highest percentage of expenditures is in food and beverages, the sector to which the product of Nuama belongs, and from that percentage the most consumed category is that of cereals (National Institute of Statistics and Censuses, 2020).

*Table 24. Basic Family Basket: groups, costs, and family income*

Basic Family Basket March 2020		
Consumption groups and subgroups	Current Costs in USD	Current income distribution
<b>Total</b>	<b>713,89</b>	<b>746,67</b>
<b>Food and beverage</b>	<b>229,69</b>	<b>237,55</b>
Cereals and derivatives	51,61	51,73
Meat and processed meats	38,07	38,4
Fish and seafood	11,25	11,75
Fat and edible oils	9,17	9,36
Milk, dairy products, and eggs	33,79	34,17
Fresh vegetables	13,97	16,33

Tubers and derivatives	14,41	14,51
Legumes and derivatives	5,16	6,77
Fresh fruits	12,61	14,39
Sugar, salt, and condiments	10,59	10,61
Coffee, tea, and sodas	7,26	7,52
Other edible food	1,16	1,29
Food and beverages consumed outside the home	20,66	20,72
<b>Housing</b>	<b>194,77</b>	<b>196,79</b>
<b>Clothing</b>	<b>51,19</b>	<b>71,35</b>
<b>Miscellaneous: health, education, transport, others.</b>	<b>238,23</b>	<b>240,98</b>

Source: National Institute of Statistics and Censuses, 2020

Made by: Authors

*Table 25. Evolution of Basic Family Basket: 2019 - 2020*

Evolution Basic Family Basket 2019-2020		
Period	Current Cost in USD	Current Family Income Distribution
October	718,18	735,47
November	715,1	735,47
December	715,08	735,47
January	716,14	746,67
February	713	746,67
March	713,89	746,67

Source: National Institute of Statistics and Censuses, 2020

Made by: Authors

At the end of 2019, a strike in October that lasted approximately two weeks paralyzed activities and cost the country \$821 million. However, the expectations of the central government projected economic growth in early 2020 given by the increase in exports by 5.2% and an increase in household spending by 1.5%. During the fiscal year of 2019 the oil sector increased its production in number of barrels by 2.7% more than the previous fiscal year and the non-oil sector registered a 0.3% increase, which made the government forecast that the economy was beginning to revive and good prospects were visible with an increase of 0.7% in GDP. However, the fall of the price of oil and the expansion of Covid-19 slowed down economic activities (Ecuador's Maritime Chamber, 2020).

According to the report "Prospects for the World Economy" prepared by the International Monetary Fund, the world economy will suffer a recession of -3% in 2020, thus worse than the one that occurred in 2008-2009. As for the region, Latin America in

2020 will suffer a drop in its economy of -5.2% compared to 2019. Assuming that the pandemic dissipates in the second semester of 2020, considerable growth is estimated in 2021 (International Monetary Fund, 2020).

### **3.4.3. Social Analysis**

In Ecuador, there are government initiatives to generate healthy eating habits of citizens, such as the "Food-Based Dietary Guidelines (GABA)". This project was presented in 2018 and led by the Ministry of Public Health and the Food and Agriculture Organization of the United Nations (FAO). The objective of the initiative was to promote healthy eating with nutritious and natural products. In addition, it sought to combat malnutrition and obesity in the country (Ministry of Public Health, 2018).

These changes were not only happening because of the government proposal, 68% of households had changed their dietary habits to a healthier one by 2020, and 60% of them review the nutritional contents of products that they buy (Express, 2020). These trends go hand in hand with Nuama's philosophy. Nutritious foods are increasingly becoming an attractive option for today's consumers, which presents an opportunity to gain market share and position itself as a company that cares about people's health.

Currently in Ecuador, consumers are looking for products that empower a national identity. For this reason, many focus on products and brands that are from a certain territory, which spurs the creation of locally adapted niche brands that start to have regional success and around the world (Fedexpor, 2020). Taking advantage of this trend, Nuama can develop a commercial strategy by identifying itself as a local brand that enhances the use and highlights the benefits of the super foods it uses. Tapping into this could be profitable and allow it to capture the loyalty of national and international consumers.

The purchasing patterns in Ecuador and the world have changed due to the health emergency of COVID-19, and it is expected that they will maintain certain changes even after the crisis. Consumers will prioritize their purchases with the basic necessities such

as food, increase use of mobile applications to make purchases, and carry out electronic banking transactions (Revista Líderes, 2020).

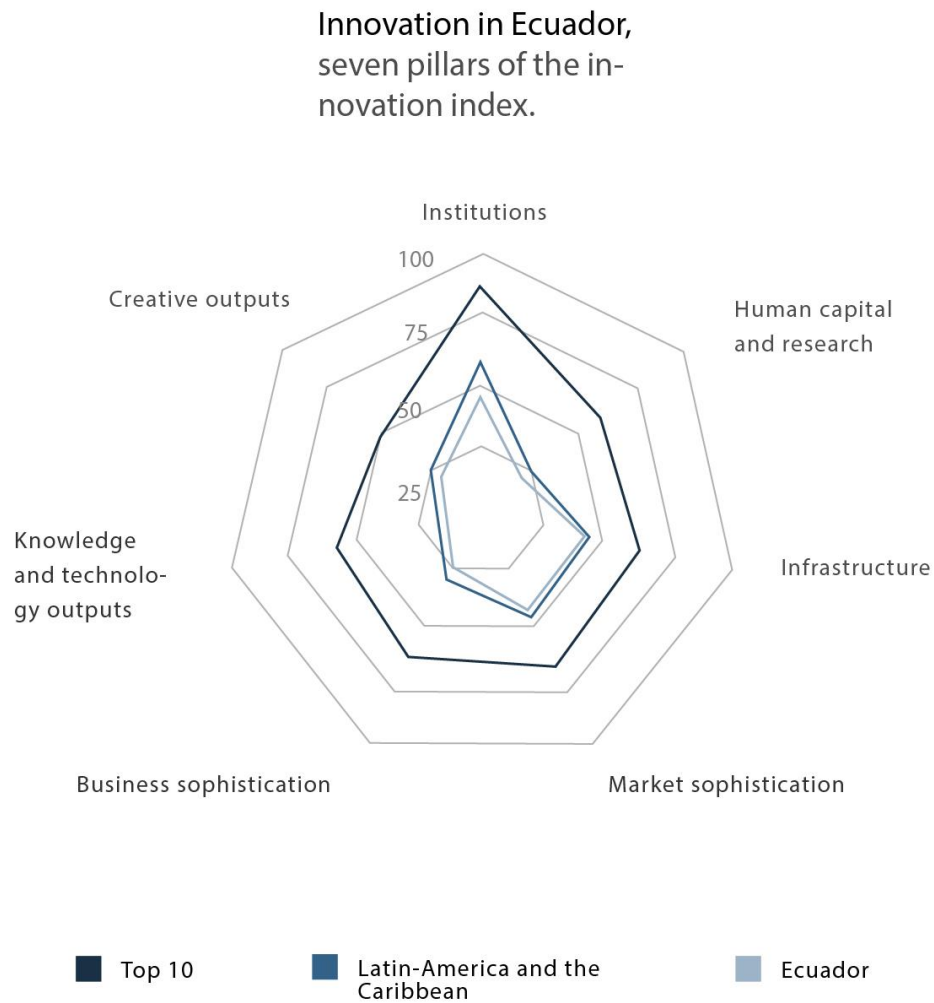
In March, there was an increase of 26% in online purchases in Latin America, 30% in the case of Ecuador. Furthermore, according to a survey carried out by Kantar, it was observed that 70% of Ecuadorian buyers pay more attention to price during this health emergency (Kantar World Panel, 2020). Another study carried out by Advance Consultora, determined that 62% of respondents will continue to make purchases through digital platforms (Advance Consultora, 2020).

In the face of the health emergency caused by COVID-19, companies must react quickly and adapt to all the changes that are taking place in today's world. The health emergency changed the purchasing patterns of consumers meaning that the way of doing business also changed. Consumers fear going outside even after the emergency reaches its peak, so they will turn to technology and home delivery services to make purchases in the same way that they did during the crisis. As a food producing company that seeks to satisfy one of the basic needs of people, Nuama has greater chances of finding alternatives to this problem: promoting its products on virtual platforms, offering home delivery services, and making commercial alliances might be viable ones. Standing still is not an option, Nuama must understand its consumers and satisfy their needs, adapting to the changes that occur in today's world.

#### **3.4.4. Technological Analysis**

Every year the World Intellectual Property Organization (WIPO) develops a report, called: Global Innovation Index. All countries are classified in terms of innovation, which is based on different parameters that include the political, economic, social, infrastructure, and business development environment. This index chooses a different topic for its analysis, which in 2019 was Medical Innovation. In general, the parameters used serve to understand the development of the countries in technological aspects. Below is a chart with the seven pillars that WIPO takes into account for the index (World Intellectual Property Organization, 2019).

Figure 8. *Global Innovation Index Ecuador*



Source: Global Innovation Index, 2020

Made by: Authors

As mentioned, 7 areas are taken into account for the final result, each of these is in turn subdivided into several points. The main seven are: Institutions, Human capital and research, Infrastructure, Market sophistication, Business sophistication, Knowledge and technology outputs, and Creative outputs. The graph shows the result in each pillar taking as reference: Top 10 countries, Latin America and the Caribbean, and finally Ecuador. As becomes apparent, both Ecuador and the region are very far from the Top 10. Ecuador is below the regional average in 6 of the 7 pillars, the only category that is slightly above the average in Latin America and the Caribbean is in Infrastructure. This



segment, mainly, refers to the access to the information and communication technologies (ICTs), the use of them, and government online services (World Intellectual Property Organization, 2019).

The innovation ranking is led by Switzerland, followed by Sweden and the United States. Out of the 129 countries analyzed, Ecuador is ranked 99, while in previous years it was 92 and 97. The report also divides the countries into categories of investment or economic income and contrasts them with the results. There are 4 categories: low income, middle income, upper middle income, and high income. According to the obtained result, the country is classified into three sections: above development expectations, in line with development expectations; and below development expectations (World Intellectual Property Organization, 2019).

Ecuador is among the middle-upper income countries and according to the results obtained in terms of innovation, it was classified "Below development expectations". As result it occupies the 31st position out of 34 of the countries with middle-upper income. Ecuador is ranked 14 out of the 19 economies in Latin America and the Caribbean that fall within this income category. This means that Ecuador produces less innovation results in reference to its level of investment (World Intellectual Property Organization, 2019).

#### **3.4.5. Environmental Analysis**

The Ministry of the Environment, through the Under-secretariat for Environmental Quality, unveiled in 2012 the Unified Environmental Information System (SUIA), which aims to prevent and control the degradation of ecosystems such as water, air, climate, and soil. The system offers environmental, geographic, and administrative indicators necessary to obtain permits and licenses. The requirements for the environmental permit that companies must have and the list of environmental consulting agencies are also reported. The Nuama company with its prime concern for soil degradation and products that contribute to the care of these, must find out about licenses

and certification that can be obtained. This undoubtedly adds value to the product and to the image of the company (Ministry of the Environment, 2020).

#### **3.4.6. Legal Analysis**

In order to comply with the provisions of Ecuador, companies must hold an operating permit, which is a document issued by the National Agency for Health Regulation, Control, and Monitoring (ARCSA). In order for the permit to be issued for a food processing plant, a categorization of the establishment must first be requested from the Ministry of Production (MIPRO). This document can be obtained through an online procedure which speeds up the process in a transparent manner (National Agency for Health Regulation, Control, and Monitoring, 2020).

Regarding its products, processed foods and food additives must have a Health registry in order to be traded in Ecuador. In the case of "Cookies", they must abide by the provisions of Resolution ARCSA-DE-0XX-JCGO-2017 and must comply with the provisions of the requirements chapter currently in force, INEN 2085: 2005 (1R). Likewise, in terms of labeling of processed foods it must comply with the requirements of the Ecuadorian Technical Regulation (National Agency for Health Regulation, Control, and Monitoring, 2020).

It is important that Nuama monitors the annual changes established by the Ministry of Labor regarding the value of the Unified Basic Salary and the value budgeted for social security. In the first case, the Unified Basic Salary for the year 2020 was established on December 27, 2019 and entered into force on January 1, 2020. This value had a salary increase of 1,523% considering economic growth and inflation and was set at \$400 (Ministry of Labor, 2019). Regarding social security, the monthly contributions of an affiliate to the Ecuadorian Social Security Institute (IESS) are the following: in the case of a fixed employee, he will be responsible for delivering a contribution to the IESS of 9.45%, equivalent to \$37.80 of their salary or wage, while the employer must contribute 11.15%, equivalent to \$ 44.60, of the employee's salary (IESS, 2020). This calculation is made on the basis of the Unified Basic Salary for the year 2020, with a

value of \$400. These costs will be updated each year according to variation in the Unified Basic Salary and must be taken into account when the company formally hires personnel.

#### **3.4.7. Conclusions of PESTEL Analysis**

Based on the previous analysis, it can be concluded that Ecuador presents a difficult environment for doing business. the Doing Business project gives the country a score of 129 on a scale of 1 to 190, with 1 being the most favorable result. In other words, Ecuador is not only less attractive to external investors, it also hinders the creation of start-ups and their development. At the same time, the country is heavily affected by the health emergency. Even though this is affecting all countries, international organizations observed that Ecuador would be one of the most affected in the region.

Regarding people's consumption habits, it can be highlighted that they have evolved in favor of Nuama's proposal, while the product satisfies a basic need with a significant added value. As such, the prospects of Nuama's business model are positive. In fact, in 2020 68% of households reflected a trend towards healthier eating habits. It is important for Nuama to monitor the consumption habits of the local environment when it develops new products in the future in order to tap into the tastes and needs of the market.

Although the country scores below average in the levels of innovation, it stands out in its access to information and the use of ICT. The increasing use of internet and online shopping habits presents marketing opportunities for Nuama at reduced costs. Nuama must take advantage of this and empower itself by using digital platforms to better communicate its product.

For the correct operation of the company there are permits and legal regulations that must be met, which have been previously detailed in the legal analysis. Nuama must be up to date with the provisions in order for the business to operate. For this purpose, Resolution ARCSA-DE-0XX-JCGO-2017 has been attached.

### **3.5. Marketing Strategy**

The recommended strategy to be adopted by Nuama corresponds to undifferentiated marketing, which intends to target the entire market or different market segments that the company has selected. In the case of Nuama, the segment is quite wide since it includes children, adults, athletes, etc. The psychographic characteristics also vary. As such the strategy must concentrate to a certain extent on the preferences of the majority. The main advantage is that a large part of the segment can be reached with fewer resources in contrast to what occurs when adopting a differentiated strategy. The objective of this marketing strategy is to position the brand and product in the market, taking into account the perception of consumers (Espinosa, 2016).

#### **3.5.1 Definition and proposal of positioning statement**

The positioning statement is a tool that serves the company internally to project itself in the market. In other words, it details how the company wishes to be positioned in the minds of consumers. There may be different positioning of a single brand due to variations depending on the market segment one wishes to reach. For Nuama, the following has been established.

Nuama seeks to position itself in the consumer's mind as a healthy, nutritious, and environmentally committed product. As such, it highlights the use and importance of Andean cereals such as quinoa and amaranth, which are known as super foods. Through its history and image related to Andean culture, it seeks to generate a sense of belonging with its clients and project the brand to international markets. In addition, by keeping up with the tastes, preferences, and needs of the market, Nuama seeks to be a recognizably innovative company.

#### **3.5.2. Focus of marketing strategy**

#### **3.5.3. Digital marketing**

For the development of marketing tactics, e-marketing or internet marketing has been chosen as the main focus. This is defined as a set of techniques, strategies, and

online media that pushes the sale and positioning of a product/service in a target market. Online marketing has as its main tool the impact that its corporate image can generate, along with the global reach of its channels. These are its characteristics (La Rioja International University, 2018):

- Global reach.
- Space-time barriers are removed.
- Greater interaction with the consumer.
- Flexibility for changes in strategies.
- Cost reduction.
- Immediacy

#### **3.5.4. Elements of digital marketing**

The traditional elements or tools of marketing refer to the 4Ps: product, place, price, and promotion. Kotler and Armstrong define this concept as “the set of controllable marketing tactical tools that the company combines to produce a desired response in the target market. The marketing mix includes everything the company can do to influence demand for its product” (Kotler & Armstrong, 2008).

The *product* refers to both the goods and services that a company sells, which are cookies in Nuama’s case. *Price* refers to the amount of money that customers are willing to pay for a certain product or service. *Place*, also known as *Distribution*, includes all activities of the company that make it possible for the good to reach the final consumer. Nuama has so far used retailers as its main channels. *Promotion* refers to the way in which companies promote how their products can meet the needs of their target audience (Kotler & Armstrong, 2008).

However, it is important to add new tools that complement the aforementioned in order to create a comprehensive plan. These are directly related to digital marketing: Public, Physical presence, and Processes (La Rioja International University, 2018).

The *Public* is our target or segment. At this point, the segment characteristics must be taken into account, and the strategic plan must be based on their preferences, needs, and behaviors. The *physical presence* or *physical evidence* is where we are visible to our clients, where they will find the product, which in this case are social media networks, website, etc. The *processes* refer to the way in which our product will be available to customers, in other words, the facilities where consumers can purchase the product. In the case of Nuama, the current strategy is to have a presence on the retail shelves while it seeks to expand this strategy so that its products can be purchased in different ways (La Rioja International University, 2018).

Figure 9. *Marketing mix*



Source: La Rioja International University, 2018  
Made by: Authors

### 3.5.5. Action Plan

The action plan is a scheme that allows one to visualize objectives, strategies, tactics, activities calendar, and the measurement of the results of a marketing plan. Its main objective is to organize and connect the activities necessary to meet the stated objectives. The action plan that has been drawn up for the Nuama company consists of 4 objectives: to position the brand in the consumer's mind, increase the level of sales, build customer loyalty, and attract new customers. The main strategy used to achieve these goals is digital marketing. Implementation periods may vary due to the health emergency and the restrictions that are applied throughout the country. It is important that the company keep a record of the activities and a measurement of the results, so that rectifications can be made if necessary. In designing the plan, the economic situation of the company has been considered since it does not have a lot of capital that can be allocated to the marketing area. For this reason, efforts have been made to reach the objectives with activities that do not require high costs.

Table 26. Action Plan

Action Plan				
Objective	Strategy	Tactic	Activity Calendar	Measurement of results
Position the brand into the consumer's mind	Digital marketing	<b>Improve corporate image</b> Changes to the logo. Innovate packaging design. Create a website in line with new corporate image to inspire trust and presence in the larger market. The website should be available in both Spanish and English. Social media presence (Facebook, Instagram)	Design and website are ready. New batch of packaging: May - June	Percentage of interaction on social media platforms and website by Spanish and English speaking people.
		Publicity on social media platforms through influencers: athletes.	Holiday period : July – August	Interaction percentage on social media platforms

Increase Sales	Cobranding	Trade Alliance	Selection and contact of companies: May – June. Start trade: July.	Percentage variation of total sales, breakdown by cobranding sales and traditional sales
		Set up a commercial alliance with similar companies, for example: dairy companies for the creation of promotional packages. This gets Nuama new markets and dairy companies improve their corporate image.		
	Retail presence	Price penetration	Start trade: July	
		Acercarse al público y atacar la competencia.  Fijar precios mediante un estudio de percepción precio-calidad en la ciudad de Cuenca		
	Digital Marketing	E-commerce	Information available on website	Increase of total sales, breakdown by retailers invoices
		Facilitate purchases with information on points of sale		
		Establish a commercial relation with retailers with an online platform, available in shopping basket, and save costs on the maintenance of platforms.	Initiate actions: May - June	Percentage increase of Sales with publicity investment
		Banners	Depends on previous actions taken with retailers. Estimates starting time: July	
		Increased communication with user and increased possibility of pushing company messages.  Insert banner on related pages and direct the client to a Landing page (associated retailer website or company website)		
		Publicity on social media		
		Pay for promotion on Facebook and Instagram		
Build customer loyalty		Corporate image	Information available on website	Purchases by repeat customers
	Sell the story and philosophy of the product on website and social media platforms in order to create empathy with the user.			



	Digital marketing	Show obtained certifications, awards, and important engagements for the company	Focus on website and leave space for feedback	Increased interaction on website and social media.
		<p>Enable interaction with different segments on website.</p> <p>For example:</p> <p><i>Blogs</i>: where you can share the day to day of the company, the activities carried out, new commitments, objectives, etc.</p> <p><i>Articles</i>: space where Nuama will share her own scientific articles or those of third parties in relation to her company philosophy; that is to say in matters of nutrition, health, sport, etc.</p> <p><i>Community</i>: section that shows the relationship of the company with society. For example: fair trade with local farmers, product traceability, the impact of Andean cereals in the world, etc.</p> <p>Doubts and suggestions.</p> <p>Points of sale of Nuama products.</p>	Information available on website	Clicks analysis, participation in blogs, downloads of articles, messages, doubts, and suggestions
	Loyalty program	<b>Loyalty program</b>	First launch: July	Increase of delivery orders
		Loyalty points, mechanism that support delivery orders. Points add up with each order. When the points reach a set limit, additional products or a gift are offered: lunch box, thermos, bottle, bags, etc.		
		Boxes for special dates	Have a stock and promote a month in advance	Stock of boxes
	Social responsibility	<b>Project: Feel Nuama's magic</b>	Start point-based loyalty program. Start commercialization from August	Increased home delivery orders and sale of bags
		Traceability of snack Show relation between producer and end product Start producing raw materials in Nuama	Supply chain management: May. Start of project depends on previous actions.	Traceability searches done
		Sales training to employees Attendance/presence at social causes Ecological bags for sales		
Captar nuevos	Expand on distribution channels	<b>Sale to ecological shops</b>	Start action: October.	Contracts with shops, invoicing

clientes		Do cobranding with store products Create nutritious baskets	Start negotiation: November - December	Breakdown of sales to ecological shops by total sales and cobranding
	Promotion and communication of Nuama through conferences	<b>Conferences given by Nuama</b>	Preparation of seminars 2020. Start: January – February 2021	Assisting conferences
		Seminars on nutrition and healthy eating habits, highlight the use of Andean cereals Lectures on awareness of the state of the environment Seminars on ecological production		
		Lectures on entrepreneurship		
	Developing new products	<b>Surveys and blogs</b>	Preparation of surveys 2020. Promote surveys: January - February 2021. Collect and analyze results: March	Number of responses to surveys and participation in blogs
		Channel ideas, behaviors, interaction on social media platforms, etc. and identify needs, tastes, and preferences and develop new products		

Source: Authors, 2020

Made by: Authors

*Table 27. Summary plan of action*

Summary plan of action		
Objectives	Strategies	Tactics
Position the brand in the mind of the consumer	Digital marketing	Redesign Nuama's corporate image
Increase sales	<i>Cobranding</i>	Commercial alliance
	Presence at retailers	Price penetration
	Digital marketing	e-commerce
Build loyal consumers	Digital marketing, loyalty program and RSE	Imagen corporativa y mecanismos para fidelizar (fundas ecológicas, capacitaciones, etc.)
Reach new consumers	Expand distribution channels	Sales in ecological stores
	Communication of Nuama	Conferences given by Nuama
	Develop new products	Surveys and blogs as a feedback mechanism

Source: Authors, 2020

Made by: Authors

The most relevant points in the action plan are detailed below. The first objective that you want to achieve with the marketing plan is to expand and position the Nuama brand in the minds of consumers. As mentioned previously, the main strategy is digital marketing since the costs can be easily adjusted to the company's budget and it is far-reaching with target market due to increasing use of digital devices. Within digital

marketing, it is suggested to strengthen the corporate image. According to the diagnosis made in this work, Nuama has not been able to adequately reflect its identity and value proposition to its entire target market. The corporate image strengthens the bond between the company and its customers, builds trust, and allows you to distinguish yourself from the competition.

To start, the creation of a new company logo is suggested that not only complies with aesthetic standards based on the correct use of proportions, colors, and fonts, but also represents the philosophy of the company. It should be easily applicable to new products that Nuama aims to develop for *merchandising* purposes. Another important point is a redesign of the packaging of Nuama's sole product since original design presents difficulties that can affect the consumer experience (more details on the packaging and the rationale for suggesting the change will be discussed in a next chapter). A new logo and packaging proposal has been prepared, which will be presented in a later section of this work and it will be subject to Nuama's management to decide whether to apply or reject it.

The creation of a website is essential to improve communication with customers and build loyalty. The website should not only be a visual nature, but cover topics related to its origin, characteristics of the product, points of sale, company objectives, corporate clients, etc. The creation of Nuama's website has been suggested, using colors and typography which are linked directly to the logo. The website must also have its content in Spanish and English. The characteristics are specified in a next segment of this action plan. Consistency is necessary for the management of contents on Nuama's social media platforms. Nuama must upload content every day, so it is important to establish a background format and form for the information that is intended to be communicated. For this purpose, it currently possesses the digital formats of the logo, typography, colors, and templates so that the company can maintain a design theme without the need to pay third parties for network management.

For advertising on social networks, Nuama needs to decide which market segment it wants to target given that it has several. If Nuama wishes to reach athletes, it's

recommended to reach an agreement with the gyms and sports centers in which the product is already distributed. This way Nuama's products will be available, and the brand will appear in daily competitions and activities. Nuama should create and keep a photographic record of all the activities in which the brand is viewed and upload as content for social networks and website.

Agreements with *Influencers* are a great option to reach the public, as long as the person fits with the brand, and whose personal qualities can move people's opinions and reach a relevant audience potential. According to the report "Influencers Marketing Benchmark" carried out in 2019 by the NeoReach agency, the following statistics can be highlighted.

In 2015 there were 190 agencies focused on influencer marketing. By 2019 that number reached 740. The average value of earned media per one dollar invested in influencers is \$5.20. From 2015 to 2018, Google searches with the term Influencers grew 1500%. 78% of the 800 surveyed agencies use the social network Instagram as their main channel for influencer marketing. The two most common objectives for using this type of marketing are awareness campaigns with 37% and increased sales with 32%. 60% of the interviewees have an independent budget for influencers, and 92% state that their use is very effective (Influencer Marketing Hub, 2019).

In order to increase the sales of the Nuama company, it is recommended to use a cobranding strategy through a commercial alliance with similar brands. Nuama, a company that offers products with high nutritional value, healthy, and environmentally committed should be link up companies with a similar philosophy.

For this reason, the aim is to create a basket with start-ups or companies that produce: almond milk, butter, flour, and jams. The companies with which it is intended to establish such an alliance are the following:

- Silk: It is an Ecuadorian industry dedicated to the production of almond milk. It has a wide range of products that are characterized for being free of lactose, gluten, soy, cholesterol, saturated fats, dyes, artificial flavors, as well as having fewer calories per

serving and 50% more calcium than cow's milk. Its production plant is located in the city of Guayaquil and can be contacted at the following email address: [ventas@maramar.com](mailto:ventas@maramar.com). Silk, a company with more experience in the market and being better positioned in the local environment, can contribute to the improvement of Nuama's corporate image (Silk, 2020).

- Life choice: It is an Ecuadorian company dedicated to the production and marketing of spreadable creams, flours, and oils. Within its product portfolio are coconut, hazelnut, peanut, almond and tahini (sesame) cream; almond and coconut flour, unsweetened cocoa, and extra virgin coconut oil. The raw material they use has international certifications such as kosher and organic recognized by the European Commission and the United States (USDA). Its production plant is located in Guayaquil, and the contact email address is as follows: [info@lifechoice.ec](mailto:info@lifechoice.ec). The products they offer are free of gluten, sugars, lactose, and are made with Ecuadorian raw materials. Life Choice has numerous points of sale locally in the cities of Guayaquil, Quito, Cuenca, Loja, Machala, Portoviejo, Manta, Santa Elena, Ambato, Riobamba, and Ibarra that could benefit the Nuama company in terms of its expansion (Life Choice, 2020).

- Aghemor: under the umbrella of Muyu Kawsay brand, it is a company dedicated to the production of jam that is known for its exotic range of flavors, including fig with panela, blackberry – strawberry, mortiño, and tree tomato with cinnamon. Its production plant is located in the city of Quito and the contact email is: [comercial@aghemor.com.ec](mailto:comercial@aghemor.com.ec). As a company with products made using traditional recipes and local ingredients, Aghemor shares a philosophy similar to that of Nuama which could work together (Aghemor, 2020).

Through a strategic alliance with the companies mentioned above, Nuama would not only manage to increase its sales, but would also gain a greater presence in the market. Partnering up with companies that have the same purpose would show responsibility, innovativeness, considerate for people's health, which in turn would improve Nuama's corporate image and receive a strategic contribution from each company with which it partnered.

In order to adapt to the current world and increase Nuama's sales, it is recommended to use e-commerce, which would include the following:

- Commercial relationship with retailers: By incorporating Nuama products in a supermarket chain, sales could increase due to the presence of the product in different branches while promotion could increase through their digital platforms. It would save Nuama the expense of adding an online purchasing function on its own website, which due its low product diversification would not be an optimal strategy. Instead it would connect with supermarket chain's regular customers and form of a wide variety of products that are consumed daily.

- Creation of banners: Using this advertising format on the internet is intended to attract traffic to the official website of Nuama. It's a way to attract the attention of potential customers, create awareness of the products it offers and convey the message of the business. In the event that the commercial relationship with retailers suggested in the previous point is achieved, the banner could direct the user to the purchase page of that company. Currently, there are a high number of pages on the internet that allow you to create banners for free. One of them is bannersnack.com where after following simple steps, the advertisement will be ready.

- Advertising on social media platforms: Similar to the previous point, it is intended to reach potential customers through paid ads on different social networks. The main platforms are: Facebook Ads, Instagram Ads, Twitter Ads, YouTube Ads, Snapchat Ads and LinkedIn Ads. These applications allow us to capture clients using demographic data, location, interests and people's behavior, making the segmentation of potential clients accurate and effective.

In the case of Facebook Ads, for example, you have the opportunity to connect with more than 2 billion active users, which represents enormous potential for Nuama (Cyberclick, 2020). The web platform for creating ads on Facebook is as follows: <https://www.facebook.com/business/ads> and in the same way as the previous section, simply follow the steps outlined, select the target audience, and set a budget for the ad.

Another objective of the action plan is building loyalty with Nuama's clients. It is therefore recommended to focus on the content of the website. First, Nuama needs to explain the company's concept and philosophy to generate empathy with the public. This can be done with text combined with images or videos in the first section of the website. Second, you must include Nuama's products with detailed information on their nutritional content, ingredients, etc. The website not only functions to sell a product and promote its characteristics, it also aims to strengthen the relationship with the users who visit it. A Blog section is therefore devoted to the day-to-day of the company, its activities, agreements, products etc.

Due to the academic training of the owner of Nuama, it is recommended to create an articles section, where information relevant to the company is published: environment, nutrition, health, etc. A very important segment should be dedicated to consumer doubts and suggestions. Feedback helps identify what is going wrong and take the appropriate measures in order to constantly improve. These areas that are described serve as a complement, so that people can have a more direct relationship with Nuama.

Likewise, in order to build customer loyalty, the creation of the Feel the Magic of Nuama project is proposed. This allows consumers to know where the raw materials used in Nuama's products come from. A section on the website with the name of the project should be featured. Here consumers can enter the batch number of their product and find out about the geographical location of where the product comes from. It's recommended to do this once the company has a greater product portfolio and a greater variety of raw materials.

### **3.6. Results internal improvement plan**

As became evident, the digital marketing strategy is the one that has the most relevance within the internal improvement plan for Nuama. In this sense, the corporate image plays a fundamental role so that the Nuama product can position itself in the market. Consequently, the first steps to strengthen this corporate identity have been

managed, which is the redesign of the logo, product packaging, and its applications. Next up, the design process of the new image is described.

### **3.7. Corporate Identity Manual**

The corporate identity manual is a document with guidelines that entail all the visual communication elements of a brand, for example, logos, color palette, and fonts. The application of these elements depends on the business model. In the case of Nuama, these will be applied in the first phase to its packaging, social networks, website, office supplies, and business cards. As the company grows in size or activities, applications will need to be created too (imart, 2019).

#### **3.7.1. Aspects taken into account in design of Nuama's new corporate image**

An interview was carried out and an assessment was coordinated with the Designer Sebastián Cadena with the aim of improving Nuama's corporate image including a logo, typography, color palette, applications, etc. For this purpose, Sebastián formulated a list of questions on the philosophy and objectives of the company which would serve as guidelines for the design process. The survey is shown below. Previous diagnosis of the company along with the answers of the survey were taken as a reference to redesign the logo, packaging, and applications of the brand were developed.

What is the history of the company?

Alejandro Ñauta founded Nuama, who produces quinoa, amaranth and egg-based biscuits using 100% organic ingredients. The project was born as part of his research as an environmental engineer when he found native species that remedy soils such as amaranth. He then sought advice from nutritionists and chefs to create the cookie.

The owner's sees that Andean grains and healthy foods are increasingly valued, not only in the local market but also in the international arena. He projects to have



exponential growth within the coming years expects its product to be on par with the market demands of the time.

Why did you decide to start this type of business?

Based on previous research on land use and nutrition. A decision was made to create a product that not only meets nutritional needs, but also provides important nutritional values that behave responsibly with the environment and aligns with business and consumption perspectives of the world.

What is the strong point of the company or product?

The main product is cookies and they are made with Andean cereals known as super foods. They provide great nutritional value that supports a healthy diet. In addition, the raw materials are purchased from local producers.

What are the objectives that the company or product aims to achieve with its corporate image?

- Position itself in the consumer's mind as a healthy, nutritious product, while committed to the environment.
- Highlight the use and importance of Andean cereals. In Nuama's case these are super-foods such as quinoa and amaranth.
- Transmit an Andean origin, history, and context through its image.
- Generate an image that conveys responsibility, health, quality, and consumer friendliness

- What is the composition or ingredients of the product?

The product contains chocolate chip cookies, quinoa, amaranth, and egg.

- How would you define your company or product in one sentence?

Product committed to nutrition, care for the environment, and the Andean tradition.

- What is the target audience for your company or product?

According to the Canvas analysis carried out, it was determined that the target audience of Nuama consists of men and women from the city of Cuenca, between 18 and 50 years of age, medium to medium-high economic stratum.

- How would you like to be perceived by the target audience?

As healthy, nutritious, innovative, committed to the environment, and strengthening the traditional values of cultures.

- Why do you think the target audience would buy the product or service?

For the nutritional value of it, the cleanliness of production, the image of the company, and the traditional values that it rescues.

- Who are your main competitors and what advantages do you have over them?

Nuama's direct competitors are Quinoa Fit and Wipala Snacks. The latter is the one that will be taken as a reference for a benchmarking analysis of the corporate image.

- What are your disadvantages compared to the competition?

The corporate image of the competition is more developed, they have a greater presence and interaction on social networks, and they have also managed to export their products.

- What perception do you have of the current image?

It is not customer friendly. It shows only a dark color at a distance, the logo cannot be clearly identified.

- What factors can affect the success of your company or product?

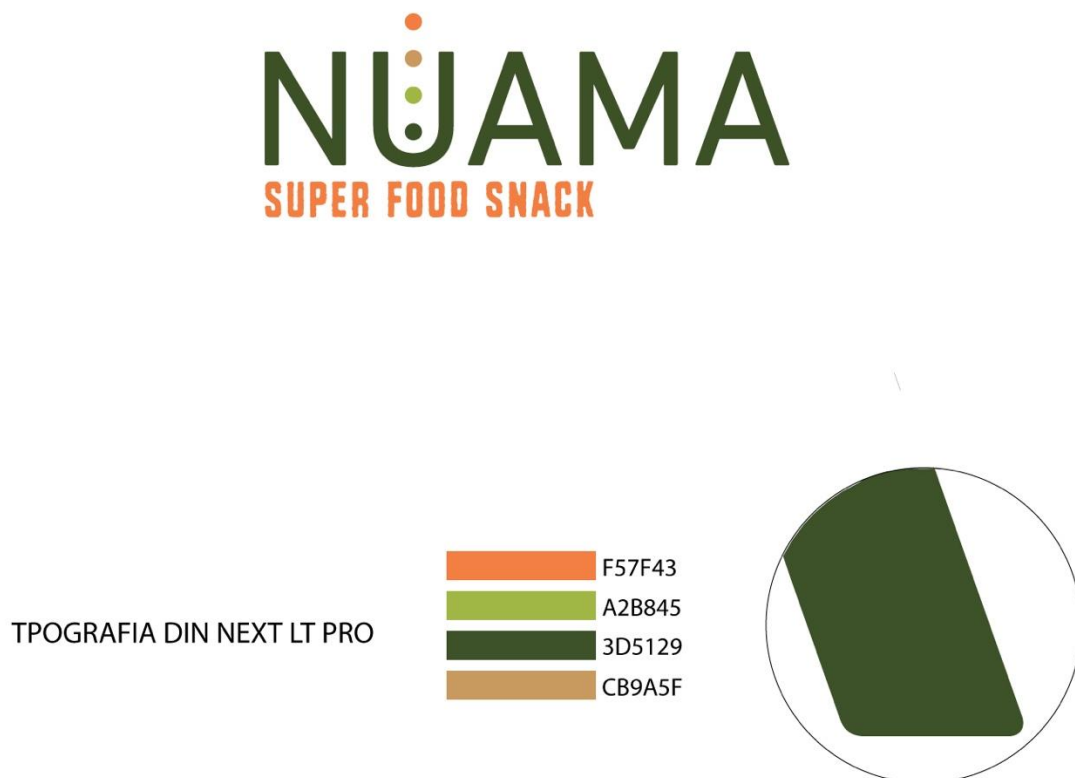
The political and economic instability of the local environment, and the insertion of foreign products in the local market.

- Do you have plans to expand your company or develop new products in the short term?

Strengthen the company in the local environment, and set guidelines for possible internationalization. Nuama is currently making quinoa-based noodles.

### 3.7.2. Presentation of Nuama's new logo

Figure 10. *Nuama's new logo proposal*



Source: Authors, 2020

Made by: Authors

### 3.7.3. Concept of Nuama's new logo

As a starting point, a moodboard was made with images of quinoa and amaranth, its leaves and flowers. This seeks to channel and visualize all the ideas around the

company and its history, what it seeks to communicate with the logo, and thus be able to create a design line.

The typeface chosen is modern and minimalist with rounded finishes that are imperceptible at first glance, however, these finishes generate harmony between the letters and as a whole a more organic design is perceived. The U curve is also organic. On the other hand, both quinoa and amaranth, even cookies, are morphologically circular. This is the origin of the concept of vertically aligned circles in the U. These circles, in turn, represent the planting of the Andean cereals mentioned above.

A balance is sought between organic and modern with the new design of Nuama's logo. The image should communicate its essence and philosophy, while simultaneously be able to adapt to current contexts and other markets, such as the European market.

#### **3.7.4. Color palette**

Andean theme consisting of 5 main colors was taken as a reference for the color palette, out of which 4 were chosen. In the palette, there are two color ranges, green and orange. Green colors represent nature, hope, and balance, while orange and beige represent warmth and food. These are important feelings to convey to consumers. For the color composition, a sober design focused on the European market was sought. As a result, the letters have the same color and the range of colors is present only in the circles.

### 3.7.5. Package presentation

Figure 11. Nuama's new packaging proposal



Source: Authors, 2020

Made by: Authors

### 3.7.6. New package concept

The original Nuama packaging was designed to store four large cookies, so its dimensions did not present any difficulties. However, the company decided to replace large cookies with small or mini cookies. This decision was made after comments and suggestions obtained at fairs and events, where small tasting samples were offered, and people suggested that the mini cookies would have greater acceptance in the market. Therefore, the owner of Nuama decided to change the size. Nuama continued to use the same packaging design for the new cookies, but did not realize that reaching the last third of the cookies was cumbersome and the packaging needed to be rotated. This does not present any inconvenience if one consumes the cookies every once in a while, but if you

are a regular consumer of them it is uncomfortable. In addition, the crumbs that remain on the hands generate a negative experience and could affect the image of the company. For these reasons, it was decided to redesign the packaging from a long one to a square.

### **3.7.7. Logo applicability**

Once the logo and packaging design is finished, it is necessary to know how the logo can be applied to different things such as: office supplies; ecological tote bags, shelving, etc. This strategy is essential to promote the brand and link the company with different concepts, for example the application on ecological tote bags suggests that the company is environmentally-responsible. The elaboration of business cards, office elements, and the connection with other products related to the brand are also an alternative to expand the brand. Below are some examples:

Figure 13. *Application of Brand on tote bags*



Source: Authors, 2020

Made by: Authors

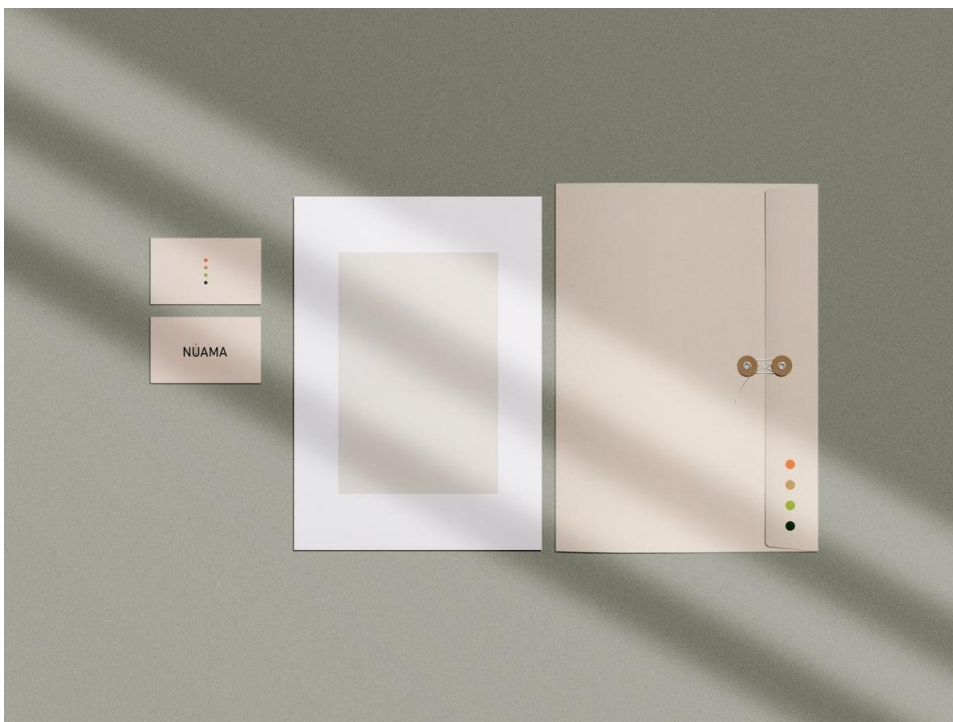
Figure 14. *Application of Brand on products of potential partners*



Source: Authors, 2020

Made by: Authors

Figure 15. *Application of brand on office utilities*



Source: Authors, 2020

Made by: Authors

### **3.8. Measuring results**

#### **3.8.1. Brand perception survey**

In order to find out whether the new Nuama logo would be accepted by the market, the authors of this project carried out a brand perception survey. The main objective was to find out people's opinion on different aspects of the new image, such as the relationship it has with the company's philosophy, visibility in the market, originality, etc. The survey also compares the old logo with the new one in order to find out which of the two has a better reception.

The population in a survey refers to the number of individuals that you want to study, in this case the target market. Men and women from the city of Cuenca whose ages are between 18 and 50 years were taken as a reference, which means a total of approximately 254,000 people. To calculate the amount of surveys, need to be carried out, the population number above is taken into account, the confidence level, which in this case was established at 95% at a margin of error of 5%. From all this it follows that the sample will be 384 people (SurveyMonkey, 2020).

It is important to mention that for the sample size the “sample calculator” tool of the American company SurveyMonkey was used, which facilitates the calculation, synthesizing all the elements required for the formula such as: population, z-score, standard deviation, margin of error, and confidence level (SurveyMonkey, 2020).

The survey was conducted online using the Google Forms tool, from May 6 to 14, 2020. The structure of the surveys began with Nuama's economic activity and the company's objectives, followed by 14 questions, 12 of them multiple choice and the remaining 2 are open-ended questions. Each question is specified in the conclusions of the survey.

#### **3.8.2. Conclusions drawn from obtained survey results**



The first two questions have to do with people's perception of the logo at first glance. Respondents had to describe it in a few words. The words with the highest number of matches for the first Nuama logo were: cookies and chocolate cookies. This shows that cookies are clearly identified, but it conveys a very general concept and the logo doesn't represent everything the company wants to communicate. The same question was asked for the new logo, and the words with the greatest matches were: healthy and organic snacks. This is much more in line with the impression that Nuama wants to generate in the market since Nuama wants to differentiate itself from other brands with traditional cookies that are high in sugar.

The next section is made up of 6 questions, all multiple choice. These address strictly aesthetic themes of the logo. In the questions directed to the original logo of Nuama, the following results stand out: 54% of the respondents think that the logo dislikes something or indifferent, 27% like it slightly, 17% like it a lot, and 2% disliked the logo a lot. While with the new logo, 86% of respondents like or really like the logo. Similarly, 21.6% think that the original Nuama logo is very attractive; while 6% find it extremely attractive. The new Nuama logo in these aspects score: 47% very attractive and 12.7% extremely attractive. In this same section, the question is asked about the creativity of the two logos. 46% think that the first Nuama logo is somewhat or very original, while 76.5% think that the new logo is somewhat or very original. Regarding the perception of respondents about the fit of the logo with the company, for the original logo 77.4% of people agreed in the category "moderately, very well, and extremely well", while for the new logo this figure was 89.2%.

The next section of the survey is about the visibility of the logo in the market. 79.6% of people thought that the current logo is "somewhat, very visibly, or extremely visible". This figure was 86.2% for the new proposal this figure, which suggests a higher probability of purchase. Finally, in the last section respondents are asked how likely they would purchase the product based on the logo. For the first logo, 27.4% of people said they would be willing to buy the product if it were available in the market, while 49.1% of people would be willing to buy it with the new proposal.

### **3.9. PESTEL analysis for European Union to consider for internationalization of MIPYMES of Azuay province**

The following international PESTEL analysis shows an overview of factors that Nuama should keep in mind for possible product insertion in foreign markets. This report takes the situation of countries within the European Union in political, economic, social, technological, environmental and legal aspects into account, which will serve as an advantage over others from the same sector. The following data was collected before and during the COVID-19 health emergency. In this sense, the situation of all countries is constantly changing. Nuama therefore needs to track and monitor this data. On the other hand, it is worth mentioning that the European Union market has been chosen considering the 0% tariff preference and the nature and potential of Nuama's product. Likewise, the European Union is the number one economic bloc of destination for Ecuador's non-oil exports at 25.1% (Economic and Foreign Trade Department - CCQ, 2020). This does not mean that other markets, in the same geographical region for example are discarded. The company is therefore recommended to take the following analysis as a reference and apply it to other markets.

#### **3.9.1. Political analysis**

The European Union has taken different measures to mitigate the effects of the health emergency caused by COVID-19. Although the measures are applicable only to member countries, the political and business stability of the market the product will enter are extremely important factors. This allows companies to have a clear picture of the environment and reduces the risk of commercial operations. The measurements are described below.

Through a fiscal policy, a general safeguard clause of the Stability and Growth Pact was put into force by the European Commission in response to the coronavirus health emergency. The policy aims to help each member country of the European Union in terms of flexibility of its regulations, so that governments can support different groups such as public-sector employees, people affected by the crisis, health systems, and

companies, both small and medium-sized European enterprises (SMEs) and mid-cap companies (European Commission, 2020).

The European Commission adopted a Temporary Framework that allows member states to ensure that companies, regardless of which sector they belong to, have adequate liquidity so that they have continuity during and after the COVID-19 outbreak (European Commission, 2020). The Temporary Framework is in force until December 2020 and includes 5 types of aid that are explained below:

I) Direct subsidies, selective tax advantages, and credit:

Member States may establish schemes to grant up to EUR 800,000 to a company to meet its urgent liquidity needs.

II) State guarantees for loans granted by banks to companies:

Member States may offer state guarantees to ensure that banks continue to provide loans to customers who need them.

III) Public subsidized loans to companies:

Member States may grant loans to companies at reduced interest rates. These loans can help companies meet immediate needs for working capital and investment.

IV) Safeguards for banks that channel state aid to the real economy:

V) Short-term export credit insurance:

The Framework introduces greater flexibility in how to demonstrate that certain countries present non-negotiable risks, thus allowing the State to offer, if necessary, short-term export credit insurance” (European Commission, 2020).

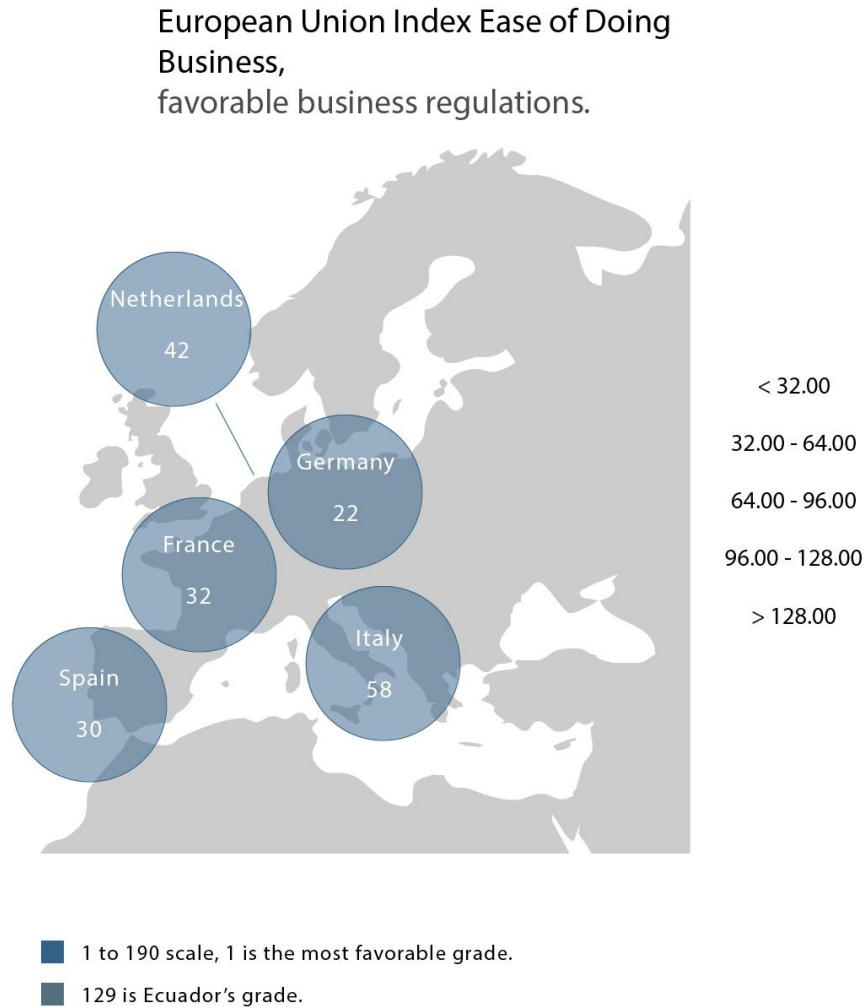
The different types of aid aim to minimize the impact within this economic sector so that companies can continue to work optimally in their future recovery. That is why it is expected that the industrial sector, and especially the food industry in the European

Union, will not experience significant changes in the future and import activities will not be compromised.

The "policies of generosity" that countries of the European Union have adopted with the most affected states within the bloc are not seen or accepted by their members from the same perspective. On the contrary, the COVID-19 health emergency has increased feelings of instability that the European Union experiences after the different crises of the last decade. Experts like Nathalie Tocci, a former advisor to the EU's foreign policy chief, believes "this is undoubtedly a decisive moment for the European project." "If it goes wrong, there is a real risk of ending the European Union" (The Guardian, 2020).

According to data from the Doing Business project carried out by the World Bank in 2019, which measures the Ease of Doing Business Index, it can be seen that the performance of several members is favorable, showing significant stability and sets good prospects for companies that want to export their products to these countries. The Index ranks economies from 1 to 190. According to the ranking, there are 5 different categories as can be seen in the graph below. In the case of the countries of the European Union, these fall within the first and second levels, which indicates that establishing commercial ties with this group of countries is an attractive option for the Nuama company (World Bank, 2019).

Figure 16. *Ease of Doing Business Index for the European Union*



Source: World Bank, 2019

Made by: Authors, 2019

### 3.9.2. Economic analysis

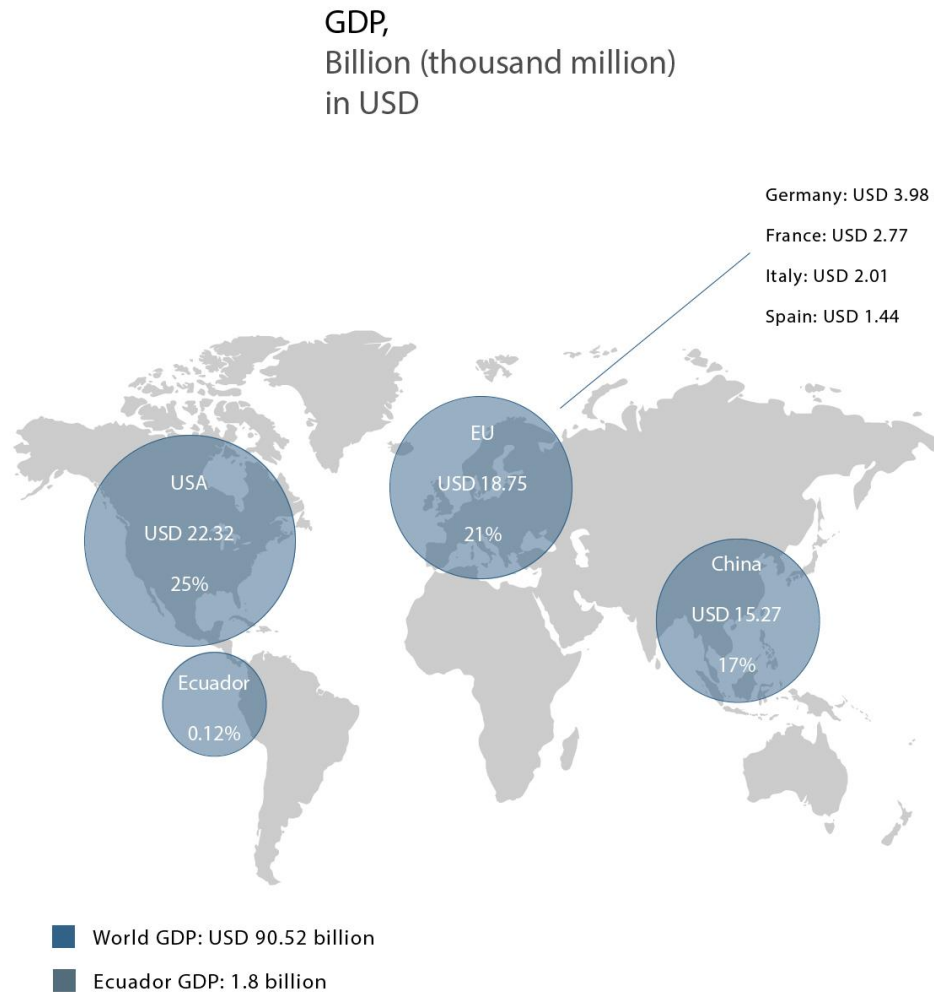
Through the following analysis, Nuama will have a clearer perspective of the international market, especially the economic terms of the European Union which has taken the GDP, employment rate, inflation, commercial transactions, etc. as a reference. Thus, Nuama will be able to select the country or group of countries, whose environment

favors the product for export. It is important to mention that the analysis presented will serve as a basis and starting point. The company must monitor the markets regularly due to any changes that may occur since the data collected corresponds to the situation prior to the pandemic.

The European Union is made up of 27 countries, whose economic policies are aligned towards the same direction. These are intended to remove barriers and facilitate the movement of goods between their countries. Although, its objective is to promote trade among member countries, around 40% of activities are carried out with countries outside the EU. On the other hand, the population of the European Union represents 7% of the whole world with imports and exports constituting approximately 16%. This places the European market among the 3 most important markets worldwide. In 2016, the United States obtained 17.6% of imports in reference to the whole world, while the EU 14.8% and China 12.4% (European Union, 2020).

As shown in the following table, the Gross Domestic Product (GDP) globally is 90.52 trillion (million million) US dollars in the last quarter of 2019. In these terms, the world's largest economies are: United States with 22.32 trillion dollars, European Union with 18.75 trillion, and China with 15.27 billion, while the value of Ecuador is 108 billion. The approximate percentages in relation to the world total of these economies are as follows: United States 25%; EU 21%, and China with 17%. In other words, approximately 63% of all goods and services produced in a year correspond to these regions. Ecuador's production is obviously negligible in comparison with 0.12%. On the other hand, within the European Union the economically strongest countries are: Germany \$3.98 trillion, France 2.77 billion, Italy 2.01 billion, and Spain with 1.44 trillion (International Monetary Fund, 2019).

Figure 17. *Global GDP*



Source: International Monetary Fund, 2019

Made by: Authors.

Inflation is understood as the general increase in prices in a given time. The European Union index is 1.7% as stated in a report from the last quarter of 2019. Specifically, the European countries have the following values: Germany 1.5%, France 1.2%, Italy 0.7%, and Spain 0.7%. Inflation in Ecuador in this period is 0.4%. Another important factor in understanding a country's economy is the unemployment rate. The analyzed population is between 20 and 64 years old, which are considered Economically Active (EA). In Germany 3.3% of the economically active population is unemployed, while in France it is 8.4%. Italy and Spain have considerably higher rates, 10.3% and

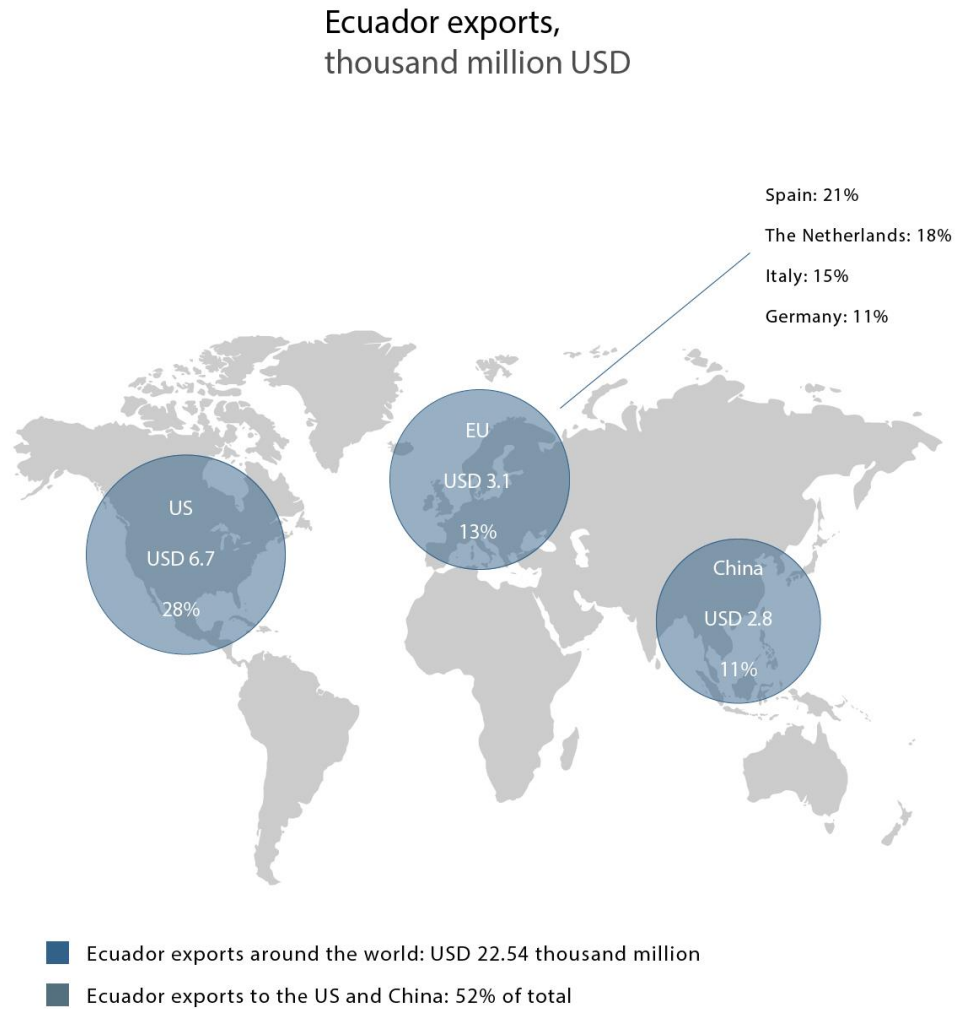
13.2% respectively. Spain is the second country in the EU, after Greece, with the highest unemployment rate (International Monetary Fund, 2019).

In commercial terms, Ecuador exported \$22.4 billion in 2019 that were destined to its main export partners, which, taking transactions as a reference, are: United States with 6.72 billion, European Union with 3.1 billion, and China with 2.8 billion. In other words, of all the exports done by Ecuador, 28% corresponds to sales to the United States, 13% to the European Union, and 11% with China. In sum, of all Ecuador's exports, 52% are traded with these three actors. When breaking down the information of the EU countries, the main partners in terms of sales are: Spain with \$ 638 million, the Netherlands with 571 million, Italy with 472 million, and Germany with 331 million dollars. The participation in respect to the total of the EU is 21% for Spain, 18% Netherlands, Italy 15%, and Germany with 11% (TradeMap, 2019).

Although the main export partner of Ecuador is the United States. If you consider only non-oil exports, the major partner is the European Union and in terms of product imports it sits on 4th place. During the first quarter of 2020, Ecuador exported a total of \$956 million to the EU, which represents 25.1% of all non-oil product transactions (Economic and Foreign Trade Department - CCQ, 2020).



Figure 18. *Ecuador's exports globally*



Source: International Monetary Fund, 2019

Made by: Authors

The tariff that corresponds to Nuama's product is 19059000: bakery, pastry or biscuit products, incl. with the addition of cocoa. The following results were obtained: the European Union imports from all countries a total of 9.8 million dollars a year out of which Germany buys the most with \$1.7 million, followed by with France 1.4 million, Netherlands with \$978,000, Belgium with \$754,000, Italy with \$588 thousand and Spain with \$575 thousand (Trade Map, 2019). The percentages in that same order are: 17%, 15%, 10%, 8%, 6%, 6% respectively.

Imports of the EU with Ecuador show that out of the 28 countries, only 6 of these commercialize with Ecuador. However, out of these 6, Italy is the only major buyer with \$80 thousand, which represents 98% of all imports, and Germany is in second place with \$1.05 thousand, which corresponds to 1.28% (European Commission, 2019).

*Table 28. European Union imports globally by tariffs*

Tariff 19059000: Bakery products, pastry or biscuit products, incl. with addition of cacao		
Main imports with EU with major partners		
Importers	Import value in 2019	Import percentages
<b>European Union (UE 28) Aggregate</b>	<b>\$9,813,117.00</b>	100 %
Germany	\$1,669,834.00	17%
France	\$1,429,330.00	15%
the Netherlands	\$977,767.00	10%
Belgium	\$754,338.00	8%
Italy	\$588,775.00	6%
Spain	\$574,551.00	6%

Source: TradeMap, 2019

Made by: Authors

*Table 29. European Union imports from Ecuador by tariff*

Tariff 19059000: Bakery products, pastry or biscuit products, incl. with addition of cacao		
European Union imports from Ecuador		
Importers	Import value in 2019 from Ecuador	Import percentage
<b>European Union (UE 28) Aggregate</b>	<b>\$82,051.16</b>	100 %
Italy	\$80,387.41	97,97%
Germany	\$1,052.80	1,28%
Spain	\$307.98	0,38%
the Netherlands	\$233.69	0,28%
Sweden	\$62.24	0,08%
Belgium	\$9.82	0,01%

It must be stressed that the information provided so far is based on the annual reports of world economic entities, so additional forecasts must be taken into account due to the new conjuncture of the Covid-19 pandemic. Firstly, the economic sectors are going to contract in 2020, and will recover in 2021. The countries will adopt measures to protect their economy, such as restrictions on certain products, tariffs, etc. For this reason, it is recommended that the company Nuama follow up on the countries previously analyzed, find out about the forecasts, measures it will take, and how this may affect the product.

Below is a table with the economic forecasts of the International Monetary Fund for the different regions.

*Table 30. GDP growth projection per region*

Growth projections (real GDP, percentage variation)			
<b>Economy</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Global product	2,9	-3	5,8
<b>Developed economies</b>	<b>1,7</b>	<b>-6,1</b>	<b>4,5</b>
USA	2,3	-5,9	4,7
<b>Euro Zone</b>	<b>1,2</b>	<b>-7,5</b>	<b>4,7</b>
Germany	0,6	-7	5,2
France	1,3	-7,2	4,5
Italy	0,3	-9,1	4,8
Spain	2	-8	4,3
<b>Emerging economies and developing economies</b>	<b>3,7</b>	<b>-1</b>	<b>6,6</b>
<b>Emerging economies Asia</b>	<b>5,5</b>	<b>1</b>	<b>8,5</b>
Russia	1,3	-5,5	3,5
<b>Latin America &amp; the Carribean</b>	<b>0,1</b>	<b>-5,2</b>	<b>3,4</b>

Source: International Monetary Fund, 2020

### **3.9.3. Social analysis**

The considerations to take into account on the social aspect within the European Union are the following:

The European market has around 500 million customers, a majority are young and it is estimated that one in three Europeans is under 30 years old. It is therefore essential to know the inclinations of new consumers since they are expected to spend around 50,000 euros at home in 2022 (Wild, 2019).

The organic food market in the European Union has gained great prominence in recent times. It has grown close to 50% in the past four years reaching almost 30 billion euros, only the United States surpasses it (Wild, 2019).

The European market has the particular characteristic of being aware of the nutritional education on the foods they eat. Nowadays people are looking for a balanced diet that is low in sugar, low in carbohydrates, low in calories, and high in protein. They also seek to include dairy-free or vegan products. Many people not only choose their food for the benefit of their personal health, but are also influenced by external issues such as animal welfare, social responsibility, or environmental standards. As such their consumption habits are inclined to products that have particular characteristics such as fair trade or organic products and high-quality products. Product certifications are a major ally when deciding (Euromonitor International, 2019). The trend of consumption in Europe for the year 2020 leans towards a purchase decision based on values. Consumers prefer brands that fulfill what they promise and stop buying those that do not comply or do not keep up with trends current (Koetzle, 2019). Furthermore, according to a survey carried out by Euromonitor, 60% of consumers worry about climate change and 54% think that they contribute to this problem when making a purchase (Euromonitor International, 2019).

Another important aspect for European consumers when purchasing is whether one can find out about the origins through a traceability feature, in other words, a story about its production process (El Universo, 2017). These concerns by consumers and their high standards on the products they are willing to buy may be a result of the level of education that the population has. In 2017, 39.9% of the population of the European Union between 30 and 34 years of age completed higher education or tertiary education. There are programs in place that seek to increase this number over the years (Eurostat, 2020).

The average age of citizens in the European Union is as follows, for men: 42.6 years, women: 45.5 years, on the whole: 44 years (Central Intelligence Agency, 2020). The average age is within the range obtained in previous analysis of potential consumer markets for Nuama. Consumption habits of people within some markets of the European Union are highlighted below:

Germany:

- German consumers attach great importance to the FairTrade seal.
- There are around 2400 stores that offer a wide range of organic products (Diario El Exportador, 2020).

France:

- French consumers are looking to save time when shopping, there is an increase in drive-in supermarkets.
- French consumers are concerned about health, environment, Green Business, ecological and social responsibility (Diario El exportador, 2020).

Spain:

- Due to the reduction in purchasing power, Spanish consumers have prioritized choosing those that offer a higher calorie contribution - cost ratio (Diario El Exportador, 2020).

During the COVID-19 health emergency, the European Commission seeks to protect workers against unemployment and loss of income through a legislative proposal

on a European unemployment reinsurance regime, so that the expected economic impact on people is managed and without affecting their future purchasing patterns to a major extent (European Commission, 2020).

In sum, consumers in the European Union are willing to pay for high quality products. They are aware of the nutritional values that they should consume, and they seek value-added products. The Nuama company should understand the preferences of European consumers, make efforts based on the traceability of its products with a story about the production process that includes popular subjects such as corporate social responsibility in the supply chain, meeting environmental standards, and building community. Nuama also seeks to ensure consistent high-quality products in order to obtain higher acceptance rate within the European market.

These actions can be verified by accreditations such as FairTrade which is based on cooperation between producers and consumers, U Ecolabel which promotes environmental excellence, or Naturland which promotes organic agriculture, among others. In addition, the company has a great advantage since Ecuador's potential lies in agribusiness by incorporating products that contain "superfoods" such as chia, amaranth, and quinoa, which are the main ingredients at the core of Nuama's philosophy (Naturland, 2020; European Commission, 2020; Fairtrade International, 2020).

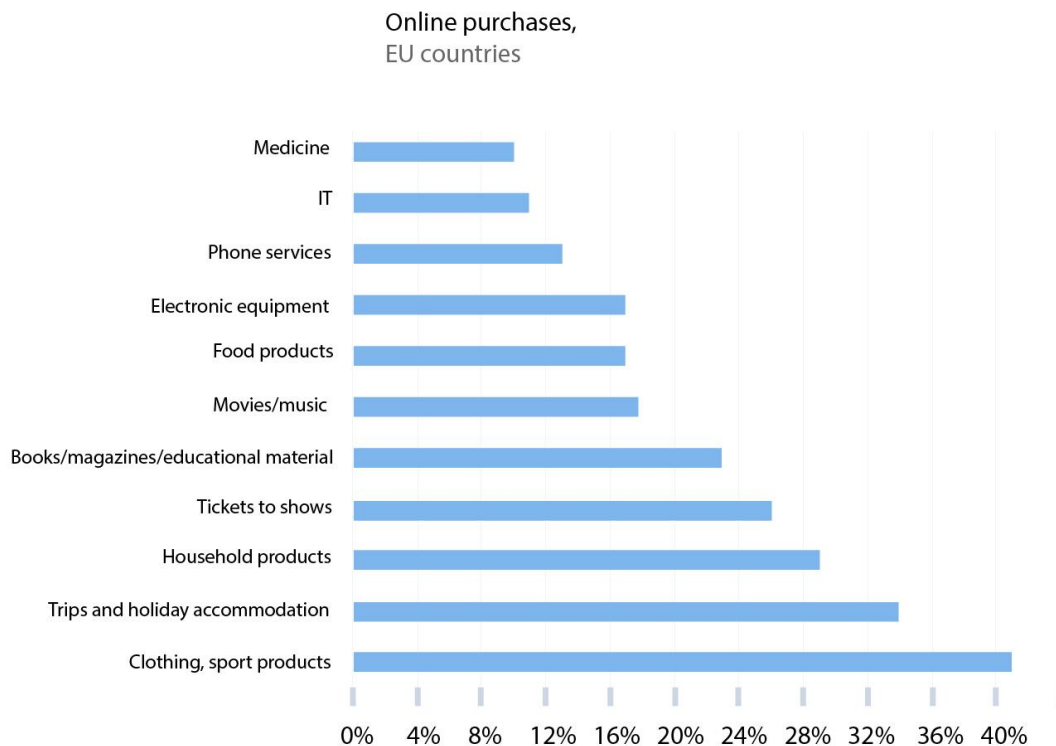
The European market is a great opportunity for growth and expansion. The key is to select the proper strategy that focuses on the products that it offer, while at the same time focus on the way it sells them. This could be a formula for long-term sustainable growth in the case of Nuama.

#### **3.9.4. Technical analysis**

The use of technology in commercial transactions is essential since it eliminates barriers by shortening distances and time between seller and buyer. In the European Union, there are some important aspects to highlight in this regard. According to World Bank data in 2018, 84% of the inhabitants of the EU use the internet and of every 100

people, 35 are subscribed to fixed broadband. The country specific scores are as follows: France 45, Netherlands 43, Germany 41, Spain 31, and Italy 29 (World Bank, 2019). Likewise, e-commerce is constantly growing with young people as their main users. In 2019, the most frequent purchases done through digital platforms were as follows: 40% clothing and sportswear, 35% in travel and accommodation, and 17% bought their food products online. The percentages of the rest of the goods and services are detailed below (European Union, 2019).

Figure 19. *Percentage of people making online purchases in the European Union*



Source: Official European Union website, 2020

Made by: Official European Union website

It should be noted that due to the effects of the pandemic and mandatory confinement, online shopping has increased considerably in 2020 compared to the previous year. According to the report "Covid-19 and the Consumer Report" by the Astound Commerce agency, online shopping increased by 129% across Europe. Consumers' priorities are food, healthcare, and cleaning products. In fact, online food shopping grew 173%, while demand for clothing and accessories have contracted (Skeldon, 2020).

The European Union has carried out an initiative called "Digital Single Market" since 2015. It seeks to remove all regulatory barriers in terms of online use of technologies and services. The benefits of these measures are reflected in different aspects. In the social sphere, the population will obtain greater access to information, culture, etc. New jobs are created and the contribution to the economy is estimated at 415 billion euros. In early 2020, the use of high-quality 700MHz band began to be coordinated. This means 5G technology will be present in all member states which will push towards services such as connected cars, smart cities, remote healthcare, etc.

Another important point is the so-called "eGovernment Action Plan". Among the main advantages are: simplification of administrative processes such as public records, electronic contracts, and electronic signatures. According to European studies, this plan can save the government and companies an approximate 5 billion euros per year. Digital marketing, electronic commerce, telecommunications standards, and cyber security are important areas that this project seeks to improve. The European agenda focuses on the following (European Commission, 2017).

- Elimination of roaming charges.
- Review of cybersecurity strategy
- The WiFi4EU initiative (Free Wi-Fi in all public spaces)
- Portability of online content (approximately 70% of online content providers, block user accounts in another EU state) (European Commission, 2017).



### **3.9.5. Environmental analysis**

According to an assessment made by the European Union on citizen's perception on environmental issues and the regional policies that are applied, some results are worth highlighting. The EU finances various projects that have a positive impact on the environment. In 2019 many start-ups had contributions of up to 81%, which makes citizens believe that the EU is strongly committed to business and city development of the region. 91% of people believe that the most important investment are in health, education, social infrastructure, and the environment. Another important aspect, which shows the EU's commitment to the environment is the consumption of renewable energy. From 2005 to 2015 its consumption has doubled, thus reducing greenhouse gas emissions and dependence on fossil fuel markets (European Union, 2020).

### **3.9.6. Legal analysis**

In order for a product to enter the European Union, it must meet specific requirements which depend on the type of product. In the case of the Nuama company, a sample of the quinoa and amaranth-based cookies are taken and are clinically analyzed. In this case, the requirements to take into account according to the official website of the European Commission are:

Control of contaminants in food

- Foods containing a contaminant in a quantity unacceptable from the point of view of public health, and, in particular, at the toxicological level, will not be marketed in the EU and will be rejected.
- Contaminant levels will be kept as low as reasonably possible by following recommended best practices.
- Maximum levels are established for certain pollutants to protect public health.

Sanitary control of food of non-animal origin

This type of food must comply with General Regulation (EU) 2017/625 (the Official Controls Regulation - OCR) and specific provisions designed to avoid risks to public health and protect the interests of consumers. The following rules apply to this type of food:

- General rules of food hygiene according to Regulation (EC) 853/2004
- General conditions of food preparation
- Official food monitoring.

Traceability, compliance and responsibility in food:

Under EU food safety legislation, food cannot be traded in the European Union (EU) if it is not safe.

Food business operators must comply with the specific obligations established by Regulation (EC) No 1831/2003 of the European Parliament and of the Council (OJ L-31 01/02/2003) (CELEX 32003R0183), which covers all stages of the food production and distribution, within these regulations are:

- Compliance with food legislation
- Traceability
- Responsibilities

Labeling of food products:

All foods marketed in the European Union (EU) must comply with EU labeling standards, which aim to ensure that consumers obtain all the essential information in order to make an informed decision when purchasing their food.

#### Volunteer - Products of organic production

Introducing products into the European Union (EU) with reference to organic production methods must comply with the standards established by Council Regulation (EC) No 834/2007 (OJ L-189 07/20/2007) (CELEX 32007R0834).

The norms established in this regulation refer mainly to the following aspects:

- Production, processing, packaging, transportation, and storage of products.
- Use of certain products and substances in food processing
- Ban on the use of genetically modified organisms (GMOs) and products made from GMOs in organic production.
- The organic production logo of the European Union and the indications that refer to organic production methods can only be used for certain products that meet all the conditions established by the regulation.
- The authorities of the Member States apply inspection measures and a specific control plan for this type of product (European Commission, 2020).

Nuama must take these considerations into account when introducing its products into the European market. Due to the business model of the company and its willingness to reach international markets, it is recommended to take special consideration of the last point about "organic production". Despite being voluntary in nature, it would be of great help in achieving company objectives and be able to position itself in a better way. In addition, it is recommended to follow up on possible updates regarding the specific requirements that may be presented by the European Union and to carry out a more in-depth study on each point mentioned above.

#### **3.9.7. Selection of market objective**

Based on the previously described PESTEL analysis, it's possible to make a selection of countries with the most favorable characteristics in comparison to others. The countries selected are Germany, France, and Italy and the reasons are as follows: Germany in political terms is the most influential country in the European Union, its chancellor, Angela Merkel has been in power since 2005, which makes her one of the longest serving leaders in the world. This undoubtedly generates political stability and support in decision-making (El Orden Mundial, 2018).

Likewise, the Berlin-Moscow relationship has been an important pillar for the development of the region. Russian oil and gas for the west and German machinery for the east. These ties have made the perception of Germany's political power very strong across the continent. Finally, according to the Doing Business index, Germany is in first place compared to the rest of the member countries. This means that the facilities that Germany offers for doing business invite different countries to invest in it and improve both the industry and the economy. The next country in this ranking is France and politically the Berlin-France axis is the most important within the EU (The World Order, 2018).

In commercial and economic terms, Germany takes first place. It is the most populous country with 83 million inhabitants, followed by France with 66 million, and Italy with 60, which means that the potential for product demand is considerably higher. German GDP is the highest in the region followed by France and Italy. In terms of goods import, Germany and France lead the ranking, but Italy is the only country that registers import data from Ecuador in the tariff category of Nuama's product. This means that Italy in these specific terms is a good partner for Nuama, since the market is already open. However, Germany and France are the best potential partners for the reasons described above (World Bank, 2019).

Next, a qualitative-quantitative matrix consisting of two tables is presented. The first one gathers and synthesizes different criteria to take into account for the selection of a target market. The market potential is taken into account, as well as the accessibility and risks of three countries: Germany, France, and Italy. The information that is collected

is taken from the PESTEL analysis that was previously conducted. The second table corresponds to the evaluation of the aforementioned criteria. A coefficient of importance is assigned to each one and the country with the highest score in relation to that coefficient is identified. Finally, these two values are multiplied, so that the general coefficient of each criterion can be obtained from each country. The values are added and the one with the highest score will be the market with the greatest potential for possible export.

*Table 31. Criteria matrix for selection of target export market*

Criteria	Germany	France	Italy
<b>Market potential</b>			
Gross Domestic Product GDP (Billions USD)	3.98	2.77	2.01
Growth forecast GDP (percentage)	5.2	4.5	4.8
GDP per capita (USD)	49.100	42.900	37.200
Unemployment rate (%)	3.3	8.4	10.3
Import volume for targeted category (thousands USD)	1	0	80
Main importers from the EU (%)	17 %	15 %	6 %
Exports from Ecuador (Millions \$)	331	280	472
<b>Accessibility and Risk</b>			
Ease of Doing Business (Ranking)	22	32	58
Transparency and Corruption (Ranking)	11	21	53

Source: PESTEL analysis, 2020

Made by: Authors

*Table 32. Qualitative-quantitative matrix for selection of target export market*

Coef.	Criteria	Germany		France		Italy	
3	Gross Domestic Product GDP (Billions USD)	3	9	2	5	1	3
2	Growth forecast GDP (percentage)	2	4	1	2	1	2
3	GDP per capita (USD)	3	9	2	6	1	3
2	Unemployment rate (%)	2	4	1	2	0	0
3	Import volume for targeted category (thousands USD)	1	3	0	0	3	9
3	Main importers from the EU (%)	3	9	2	6	1	3
3	Exports from Ecuador (Millions \$)	2	6	1	3	3	9
3	Ease of Doing Business	3	9	2	6	0	0
2	Transparency and Corruption (Ranking)	2	4	1	2	0	0

Total		57		32		29	
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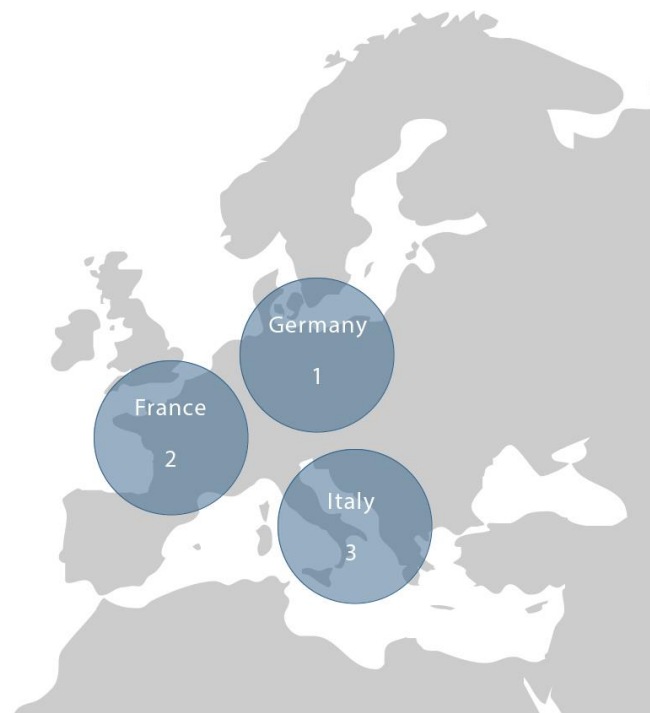
Source: PESTEL analysis, 2020

Made by: Authors

The results of the table above show that Germany is the country with the greatest potential for future export, followed by France and Italy. Although, in commercial terms, taking as a reference the tariff category of the Nuama product, Italy has had a better relationship with Ecuador, Germany represents a better opportunity for the future based on economic data, ease of doing business, transparency, and low corruption rate.

Figure 19. *Selection of target market*

Selection of market objective,  
Based on PESTEL analysis.



■ Economic and commercial data used for this selection were collected before the health emergency of 2020. There are subject to change during the year.

Source: PESTEL analysis, 2020

Made by: Authors

### **3.10. Conclusions chapter**

In sum, an analysis of two areas was carried out: an improvement plan with a local focus and the improvement plan with an international focus. In the first area, the administrative and marketing area were taken into account, but the latter was deemed a strategic priority with room to make some changes to Nuama's corporate image. It is worth mentioning that the changes made in this chapter are suggestions to the company, which will have to decide whether to adopt them or not. Within the administrative area, the mission, vision, and objectives of the company were suggested. Policies were also drafted and an organizational chart was suggested. The objective is to define the tasks and responsibilities by each of the team member, so that the owner and manager of Nuama can dedicate himself to the main activities of the company.

Regarding the marketing department, analyzes were carried out on product levels, competition, and the macro environment using the PESTEL tool. An undifferentiated digital marketing strategy was followed which determined the action plan and the corporate image manual, which are the main elements included in this work. Within the action plan, four objectives were established: to position the brand in the consumer's mind, increase sales, retain customers, and attract new customers.

Regarding the corporate image manual, it was decided to change the current logo and packaging of Nuama in order to better represent the essence of its products with an organic and modern design, which transmits confidence and innovation while commemorating its origin through the use of Andean colors. Once the logo was redesigned, a brand perception survey was carried out to compare the two logos. The results took into account: perceptual, aesthetic, relationship with the company, probability of purchase, which were favorable for the new logo. It can be concluded that, the proposed digital marketing strategy focused on its corporate image will help Nuama to better position itself in the market.

Although this work does not have as its main objective to venture into the international arena, the authors decided to take a first step to analyze the foreign market in order for the company to have guidelines and basic information at its disposal once it decides to embark on a path towards internationalization. For this, an analysis of the macro environment was carried out with the PESTEL tool and a possible target market was determined with the following candidate countries: Germany, France, and Italy.



## CONCLUSIONS

The first impression that can be highlighted in this work is the reality and importance of MSMEs in Ecuador, and around the world in general, since they represent approximately 70% of employment and 50% of production in the economy. However, despite their relevance, MSMEs are not always well supported and their long-term activities are in jeopardy. This is due to competition from foreign products, large national companies, lack of resources, but also due to the lack of tools that allow a company to project itself into the future such as market research, marketing strategies, among others. Likewise, through a theoretical base of foreign trade and internationalization models, it was observed that global dynamics are constantly changing and that companies must adapt to this reality in the most versatile way possible, taking into account the nature of their business and the environment.

Secondly, a selection process of the company to work with throughout the project was carried out. From a list made available in the beginning by the Ministry of Production, Foreign Trade, Investments and Fisheries, Nuama was chosen because of its business model, the availability of the owner to provide information, and because the start-up already had a production plant in operation. As specified in the second chapter, some diagnoses and workshops were carried out to find out its current status. In this sense, it is important to emphasize the importance of making such an assessment with various tools and not relying on only one interview, a template or any diagnosis separately. During the company visit, the questions posed were mostly open-ended questions, while a specific template was used in the diagnosis with the Ministry of Industries. The Canvas workshop and My First Certification were then held. Finally, the Export Audit was carried out. This resulted in a broad overview of the company in areas such as administrative, financial, operations, and marketing department. It is necessary to emphasize that by segmenting the analysis of the company by Critical Success Factors, a diagnosis with greater precision and detail of each department became apparent. It identified the main shortcomings, the importance of each in the development of Nuama,

which served to formulate a single objective, leading to the internal improvement of the company.

Due to the use of all the aforementioned tools, it was determined that Nuama's biggest shortcoming was in the department of marketing and sales. For this reason, it was decided to develop a marketing plan focused on the corporate image to mitigate the situation and help position the brand in the consumer's mind. It should also be mentioned that other departments such as administrative, financial, and operations have room for improvement. The marketing department was selected as a priority due to its relevance and one that needed the most work.

Due to the constraint in financial resources that Nuama can allocate to the marketing department, a digital marketing strategy was chosen as the scope, low costs, and adaptability are more advantageous which a broader strategy does not allow. Within the department, it was decided to improve the corporate image since it would help Nuama to generate a better perception of its product, philosophy, origin, etc. To this effect, the first steps mentioned below could be taken.

Firstly, the logo was redesigned since the original did not represent the essence of the company and in visual terms the range of colors used was not attractive to potential consumers. The proposal of the new logo is presented using a friendlier design with a simple typography and a range of four colors that aims to highlight values of the Andean philosophy. The logo as a whole shows a modern and harmonious design. Secondly, it was proposed to change the design of the packaging. It was originally intended to contain larger cookies, but with Nuama's decision to produce smaller cookies consumers must rotate the packaging, which negatively affects the experience of frequent consumers. The new packaging has different dimensions, adjusts to the new size of the cookies, and the application of the logo is positioned better.

The design of the logo, packaging, and applicability of the brand were made by the designer Sebastián Cadena, whose supervision served to obtain favorable results that would be evidenced by the brand perception survey conducted on the topic. The decision

to take the first steps in improving Nuama's corporate image was very important both for the work and for us, since we had to learn design programs such as Adobe Illustrator, Adobe Photoshop, among others. It also gave insight behind a design process, fundamental aspects and theoretical bases to take in consideration, which without a doubt, will ultimately serve for future projects.

Finally, a PESTEL analysis of the European Union was prepared with the aim of providing information to the company and establishing a basis for when it decides to venture into foreign markets. The result of this analysis allowed us to identify the following potential markets: Germany, France, and Italy. However, this does not mean that the EU is the only export destination for Nuama products. This market was chosen to exemplify the steps that must be taken if internationalization is considered.

It is extremely important to mention that the Covid-19 health emergency affected the work in different aspects. For example, the economic, political, social, and environmental data that was collected for PESTEL analysis changed from day to day. Similarly, the accessibility to the company and public institutions with which it worked were limited. Nuama also saw its production and marketing operations affected. Therefore, it is necessary that the information presented in this work is regularly updated with new information.

## RECOMMENDATIONS

- The main recommendation is to apply the suggested marketing plan and the changes made in the corporate image manual. The current situation for companies has changed, and they need to adapt. If the proposed plan is followed thoroughly, it will allow the company to tap into consumer trends and project a growth trajectory with international markets at its horizon. The new logo is in greater correlation with the product Nuama offers and would facilitate positioning in the local and international market.

- On that topic, the creation of a marketing department that manages Nuama's brand is suggested. Having a logo and website is not enough. The marketing plan that was carried out corresponds to the current situation, but the market dynamics are constantly changing, and the company will have to face these changes. To this end, the marketing department will have to conduct periodical market studies that allow it to expand the brand, find out about tastes, preferences, and project its activities in the long term. In addition, this department will be in charge of establishing contacts with partners abroad so that Nuama can enter new markets.

- In the analysis of the competition two brands were evaluated, but Nuama would do well to carry out a Benchmarking study of Wipala Snacks. Its digital marketing strategy is managed in a proper way, its corporate image is solid, its management of social networks and website is efficient, which has propelled Wipala to consolidate its brand in Ecuador and generate exports to different countries.

- Results of Nuama's different activities should be measured and evaluated. It is recommended to make diagnoses of the current business situation following the appropriate models. Additionally, a feedback and suggestions mechanism on the website would allow Nuama to obtain information about its strengths and weaknesses from consumers. Nowadays people search for information about brands and companies almost entirely online, which is why it is necessary to constantly create content. The information must be updated and the

contents must be consistent in substance and form between social networks and the website.

- It is recommended that the company pay attention to the different diagnoses that were carried out in this work and to analyze all the departments since there are shortcomings in all departments. As mentioned, the marketing department is the one with the most emphasis, but administrative, financial and production factors also need to be reviewed and improved.

- For the administrative department, it is recommended to digitize all documents, records, and activities, since everything has been carried out in a rudimentary way and this reduces the efficiency of the company. Regarding the mission, vision, and policies of Nuama, it is necessary to make them visible within the company so that personnel always keep in mind company values on while carrying out activities. An organizational chart with responsibilities was created. It is essential that it be taken into account when hiring managers of each department, and that meetings are scheduled on a regular basis to ensure that objectives are met.

- Quality, process, origin, and organic accreditations help the image of the company as this gives credibility and trust in people. This is why it is recommended that Nuama certifies all the activities it carries out, such as the use of organic ingredients, fair trade with its suppliers, quality processes, etc. This will not only benefit in the local market, but it will also give greater opportunities to enter international markets. At the moment, the obtaining of My First INEN Certification has been processed, though it is still ongoing. Nuama needs to meet all the requirements and obtain this certification as soon as possible.

- For the financial department, it is recommended to have a financial template that allows managers of the different departments to collect and insert vital information, generate balance sheets, see historical income statements, forecast sales, etc. It is important that Nuama takes this suggestion on board since it has had problems in the allocation of resources up to this point. In order to maximize the results of its investments, a financial template is required.

- Finally, it is worth mentioning that, although the current economic situation of the company does not allow it to invest a large amount of money in

new strategies, there are alternatives to generate income in the short term as mentioned in the proposed action plan. The academic background and experience of the Nuama owner can be a source of income in some respects. Holding conferences on entrepreneurship, health and nutrition will not only help earn income, but will increase brand visibility. It should also focus on issues of social responsibility because due to the current situation people tend to trust brands that are concerned about the environment, people, etc.

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