



**University of Azuay**

**Faculty of law**

**School of International Studies**

**INTERNATIONALIZATION PLAN FOR ALPACA  
WOOL COATS FROM THE CANTON OF  
OTAVALO TO THE STATES OF ALASKA, NEW  
YORK, AND OHIO IN USA**

Author:

**Vanessa Criollo Arce**

Director:

**Gabriela Bonilla Chumbi**

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# **Internationalization plan for alpaca wool coats from the canton of Otavalo to the states of Alaska, New York, and Ohio in USA**

## **Abstract**

This research work aimed to design an internationalization plan for the alpaca coats of the Otavalo canton in the States of Alaska, New York, and Ohio in the United States. Given the growing importance of foreign trade in an interconnected world was essential to develop this plan that studies in depth the target markets, here alpaca coats can be sent through the Uppsala Internationalization model. In the theoretical framework section, the concepts of foreign trade and its theories, as well as the concept of export and import and internationalization model. The literature review covers the history of the textile industry in Ecuador and Otavalo, the concept of Andean and textile worldview as well as the explanation of the manufacturing process of the coats and how to identify if these are made with natural fibers. The results section shows the characteristics of the proposed target States, macroeconomic indicators, SWOT analysis, cost structure, as well as the analysis of direct and indirect competition. The research concludes with the development of an internationalization plan that analyzed the characteristics of the product, the target market and the formulation of strategies to achieve an optimal introduction of the product in the US market.

## **Key words**

Uppsala model, Otavalo, Plaza de los Ponchos, coats, USA

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## **1. Introduction**

In a globalized world, the levels of interdependence and interconnectivity have increased between nations, organizations, and citizens around the world (Mateus y Brasset, 2002). In this scenario, international commerce takes place allowing nations to diversify their exportable offer given a greater demand for goods and services by world citizens. Based on this, the third manufacturing sector in Ecuador takes place in import and export networks, this sector is the textile industry with a particular focus on the Otavalo textile industry. This industry was born in the colonial era which has inserted its Andean products into foreign markets given the variety of designs and colors as well as competitive prices for any citizen that wants to have a product with a mixture of artisanal and industrial practices, a piece of clothing that uses natural fibers that reflect in their designs the worldview and culture of a hometown in constant evolution always rooted in their ancestral cultures. The duality of globalization has put into context certain problems in the textile industry given the current model of production and sale where fast fashion inserts the latest trend in the market with the characteristic of a quickly manufactured process at a very low cost. This problem has caused Ecuadorian textile industry to become increasingly competitive and unique to attract more customers that appreciate these Andean products (Barbery, 2020). Moreover, the Otavalo textile industry has been deeply suffering in recent decades from the progressive growth and diffusion of handicrafts from Peru, China, and India (Chirán, 2018). In addition, another problem that this community faces is the lack of knowledge about the processes of direct export to a foreign market where the importer is the one who carries out the entire process to enter the manufactured product to the final destination. Furthermore, in the absence of a trade agreement between Ecuador and the US the negotiation process continues to be discussed (Burga y Flores, 2021). Based on the previous information in this research what is sought is to give greater visibility to the Andean wool coats of the Otavalo canton through an internationalization plan that allows us to identify the ideal target market to export and sell these goods based on the three selected US states of Alaska, New York, and Ohio, where the last one has been selected through the family experience lived where the Andean wool coats were highly appreciated. Another factor in this decision is that Otavalo artisans currently send a huge amount of wool coats to North America. The intention is to empower US customers with greater knowledge about this clothing through the dissemination of these goods that are highly traditional with a variety of colors and designs. As well as the protection it provides to the body given the use of natural fibers that provide heat, after its use this natural material has been used since the beginning of human beings as a means of protection against the lower temperatures that are whipping the world (Acosta y Segarra, 2018). This study will be based on goal eight of the Sustainable Development Goals which talks about decent work and economic growth. This objective will be achieved through the promotion of the Ecuadorian textile industry through the export of alpaca wool coats to the US market, managing to insert the garments of global chains. At the same time, it will seek to increase the number of jobs and decent work that is currently evident in the community of Otavalo (CEPAL, 2018).

### **1.1. Objectives**

The central objective of this research is to design an internationalization plan for alpaca wool coats from the Otavalo canton to the markets of Alaska, New York, and Ohio in the U.S. It will be developed in three specific objectives, first, analyze the production of alpaca wool coats in the Otavalo canton, second conduct a study of the US market and develop an internationalization plan for alpaca wool coats to the markets of Alaska, New York, and Ohio respectively.

### **1.2. Theoretical framework**

Foreign trade known as international commerce is the process of exchanging goods for money with the main characteristic that to enter other countries it must be needed to cross an imaginary and physical border where the export and import administration entity of a country regulates the admission and exit of goods as long as they fit with national rules of the country of destination (Bustillo, 2014). Over time, there have been a huge number of authors who have explained through their theories how goods from a nation can be inserted into foreign markets. An example of this is the case of Adam Smith and David Ricardo who summarize their theories in the concept that countries will specialize in goods and services that they produce efficiently (Helpman, 1999). Specialization is the process in which

countries produce goods and services with at least amount of resources possible in a short period, while they import goods and services from other economies at lower prices that do not represent high monetary value to their economy and industry (Mayorga et al., 2008).

Another author in the field of foreign trade is the economist and Nobel Prize winner Paul Krugman, who mentions that countries must achieve economies of scale, understanding this process as the production of goods and services in large volumes (Mayorga et al., 2008). In this way, specialization and large-scale production will allow countries to diversify their supply based on the “theory of the new economic geography” created in 1979 by Krugman.

The importance of foreign trade lies in the fact that countries will sell abroad goods and services that they know how to produce better at competitive costs while at the same time importing goods and services from abroad that are difficult for importing countries to produce locally and whose prices are high for their economy. By means of these two modalities, on the one hand, producers will be able to enter international markets while consumers will be able to acquire abroad a variety of services and goods that satisfy their needs. (Mayorga et al., 2008).

To understand the international scenario of purchase and sale of goods and services it is necessary to put in context the concepts of import and export. On one hand, exporters will be in charge of dispatching products between one country and another either temporarily or permanently; while the importer will introduce merchandise from other countries for their use or consumption in their territory (Gobierno de Argentina, n.d.).

According to Krueger (1985) exports allow the use of goods and services of an economy in which the surplus is sold outside the borders of a country to satisfy foreign demand and at the same time increase the production generating income that can be used for economic growth (al Hemzawi et al., 2021). On the contrary, import is conceived as the process by which a country acquires goods and services made with productive factors that it cannot produce due to geographical, cultural, and other limitations in the country's borders (Hemzawi et al., 2021). By Grossman and Helpman, imports enable economic interactions between citizens of a country and their counterparts abroad that is between producers and consumers (Grossman & Helpman, 1992, p. 1).

To insert a product into global chains it is essential to achieve the internationalization of a product through the use of an internationalization plan that provides the necessary mechanisms, steps, and tools to achieve it. Internationalization is explained as the process in which an enterprise changes its position within a national internal network to an international internal network supported by a gradual advance in terms of the commitments acquired with the foreign market (Blankenburg Holm, Johanson & Kao 2015; Hakanson and Kappen, 2017).

In this way, the selected model for the development of the internationalization plan will be the one that is promoted by (Johanson and Vahlne 1977). The authors establish that the knowledge of a company about the selected market is developed gradually and progressively through experience and on the increase of the levels of commitment of the company with its export activities with the country of destination (Johanson & Vahlne, 1990). According to the authors of this model, this process implies an adjustment to changing environments. In order to adapt to these changes, the brands need to raise their knowledge by increasing activities and participation on the international target market (Barón & Díaz, 2019).

The mentioned plan is known as the Uppsala model in which a company will gradually increase its resources such as labor, capital, and technology in a foreign country depending on the experience that it will get according to the activities it carries out in that market (Cardozo et al., 2007). In addition to the fact that geographical and cultural similarities will set the pattern of choice of the country of destination (Cardozo et al., 2007).

To obtain a better performance in international markets, it is important to take into account the two problems that the Uppsala model presents. On the one hand, the lack of knowledge of the foreign market and, on the other, the lack of positioning of the company in the selected market (Johanson & Vahlne, 2009, p. 2). These two issues encourage companies to enter international markets, recognizing the importance of their commitment and responsibility to outsourcing (Jorge-Martín, 2022). Thus, taking these points into account, companies will be able to develop the four sequential stages of this model. In the first place are sporadic or non-regular export activities, second exports through independent representatives, third the establishment of a commercial branch in the foreign country to finally place production units in the final destination (Cardozo et al., 2007). In this way the process of outsourcing will be a factor that will make the difference between being an internal or external member of the selected commercial network. Likewise, such as recognizing and taking advantage of the opportunities that arise under this internationalization progress model (Johanson & Vahlne, 2009, p. 1423).

## 2. Literature review

Ecuador's textile industry dates back to the end of the 16<sup>th</sup> century during the so-called colonial era where the use of animal wool including sheep would become the base raw material for several textiles in the mills which mostly were located in the central and northern highlands of Ecuador (Burga y Flores, 2021). The Ecuadorian textile industry would become the most relevant economic and productive activity in the Royal Court of Quito (Buschges, 1995).

The so-called Royal Court of Quito was inhabited with Spanish settlers who had come to the Americas during the colonial period to conquer the land, populations, and natural resources (Buschges, 1995). Here, indigenous labor was inserted in the production of wool and textiles in the mills. This type of production was given as an alternative by the Spanish for the indigenous people who received a salary in exchange for the payment of their taxes to the crown until the 19<sup>th</sup> century when the Royal Court of Quito had its last role (Troya, 1987).

In the 18<sup>th</sup> century, before the end of the Royal Court of Quito, the incipient Ecuadorian textile industry faced its first crisis. The crisis would mainly affect the large rural mills given the introduction of a huge amount of high-quality textiles that arrived in Ecuadorian territory from the old continent all of this in the name of the Spanish conquest of the territories of indigenous America (Buschges, 1995).

The introduction of European textiles into the Ecuadorian land was so critical and deep that it did trigger the "clothes of the land" to be displaced and replaced by the sale of more expensive European clothing but differentiated from local production by the quality and prestige that it at that time it held (Buschges, 1995).

Given the changes in the internal national panorama brought about by the crisis in Ecuador, the indigenous people tried to adapt to the conditions demanded by the market and the competition. For this reason, they reduced costs by consolidating productive activities in a single place "haciendas", where the payment of wages to indigenous labor was through spices (Buschges, 1995).

Despite the efforts made by the artisans, the textile crisis gradually limited the participation of indigenous people in this industry. This crisis gave greater prominence to the national rustic textile industry in Ecuador which is characterized by the use of primitive instruments and techniques that would imply slow production processes with a quality finish and social and sentimental value, an example of this type of textiles was the native macana of the southern highlands of Ecuador (Buschges, 1995).

According to the Association of Textile Industrialists in Ecuador (AITE) in the 20<sup>th</sup> century two centuries after the crisis, the first large-scale textile industries would appear in Ecuador which in their early days would begin to use wool and cotton, and the second one as additional raw material for their textiles industry that would be consolidated in 1950 (Posso, 2013). In that century the textile and clothing industries began to use industrial fibers such as silk and artificial fibers such as polyester, nylon, and other acrylics that would gain prominence simultaneously with natural fibers (Burga y Flores, 2021). In the sixties the market evolved using a new chemical fiber that was orlon or acrylic which was introduced in the manufacturing process of Andian textiles. In these garments, the designs state the difference between massive clothing and native textiles at a national and international level.

Even though different fibers used in the manufacturing process, in terms of design the same patterns were still used where the syncretic, the sacred, the playful, traditional and modern converged as well as symbols that represented the Andean worldview and worship to Pachamama (David and Tontaquimba, 2018)

In this way, as the textile industry evolved the main industries would be located in the central and northern highlands of Ecuador. The main provinces where these industries are established are Pichincha, Imbabura, Tungurahua, Azuay, and Guayas respectively (Buschges, 1995).

In this sense, the province of Imbabura and its small towns became one of the largest centers of textile production in Ecuador. The Otavalo canton has been established as a center for the production and commercialization of artisanal textiles and practices for raising sheep and alpacas, which are the raw material for the production of these garments (Miño, 1989, p. 46).

Otavalo is a canton with a high indigenous ethnic component made up mostly of the Kichwa Otavalo ethnic group. This group for centuries has been responsible for the assembly process of clothes and yarns based on animal fibers. Its productive activities in the textile industry are the washing, dyeing, and spinning of wool in manual and industrial looms (Pupiales et al., 2017).

The Otavalo artisan market is constituted as an artisanal and artistic center of history and tradition given to old artisan practices since pre-Inca times (Mendoza y Moncayo, 2012). In this way, the textile industry in Otavalo has been one

of the most valued markets since 1960 where the jobs generated by Hacienda Zuleta for the Kichwa Otavalo population of the area would allow them to be in contact with the management of textiles and the techniques used acquiring expertise and knowledge about this industry. Over time the experience gained in this sector permitted the Otavalo citizens to insert its products into the national and international markets (Burga y Flores, 2021).

The main garments made in the Otavalo canton are the ponchos known as ancestral native clothing of the indigenous communities that are highly valued in the country and foreign markets for being 100% handmade clothing (Pupiales et al., 2017). In addition, the artisans manufactured a variety of garments such as coats, hats, gloves, blankets, and tapestries, among others.

The process of making these garments dates back to colonial times when the climate and the struggle for survival would lead this community to have contact with animal wool as a means of shelter from the frosts that hit the Andean region of Ecuador (Espinosa, 2013). Over time, more detailed coats began to be made in terms of designs using geometric figures and symbols of the indigenous communities as an inheritance of their Andean worldview. According to Rigoberta Menchú Tum, the Andean worldview is based on the relationship that indigenous communities have with nature and the elements that compose it.

This concept has been built on four edges that are the principle of rationality, correspondence, complementarity, and reciprocity (Mendoza & Moncayo, 2012). This worldview derives from the textile worldview which is characterized by the use of symbols, codes, and geometric figures that the Andean culture uses as a means of communication. In this way, the designs, shapes, colors, and the treatment of the wool are essential components of this clothing whose designs reflect the masculine and the feminine, wisdom and experience, heaven and earth, time and space, among others (Corral Maldonado, 2017).

In this way, the Otavalo textile industry located in the province of Imbabura with the passing of time and the increase of expertise has achieved constant growth and evolution given the greater visibility they have at a national and international level. The clothing that is manufactured in this canton is constituted as a cultural and historical heritage of the Otavalo communities that from generation to generation have been teaching the population to the manufacture and sale of this clothing. The sale of these clothes takes place in one of the largest markets in South America. This craft market is known as the famous Mercado de Los Ponchos located in the center of the city of Otavalo (Artesanias Tarik, 2022).

The stream of commercial exchanges and globalization have generated a greater number of tourists who choose to visit this artistic city in the northern highlands of Ecuador. Nowadays the number of national and international tourists has increased in this market since they want to be able to use colorful coats that reflect the culture of an existing community since the colonial era. They also wish to implement the use of raw materials such as alpaca and cotton (Artesanias Tarik, 2022).

This culture has remained throughout the years as an intangible heritage from Ecuador and the world is a market in constant evolution and transformation where they received tourists mostly from Europe and North America. That is why they managed to mix the preferences of their customers to offer them a variety of products, designs, and colors (Artesanias Tarik, 2022).

To be competitive in international markets, the Otavalo community has seen the need to study in depth the process of care and protection of alpacas. An animal that is part of the camelid family such as camels and llamas. In order to insert their garments in foreign markets, they have combined the use of natural fibers such as cotton and alpaca wool, creating the famous "alpaca coats" ([Appendix X](#)). These garments have very competitive prices both in the national and international markets; since they have tried to encourage consumption through the establishment of flexible prices that adjust to the purchasing power of global citizens (Artesanias Tarik, 2022).

The textile artisans of the Otavalo community state that their products are already recognized nationally and internationally given the quality, designs, colors, and texture known as Andean ponchos (Artesanias Tarik, 2022).

The production chain began with the alpaca wool shearing process that in many cases is imported from Bolivia or Peru because these two countries are intensive producers of clothing based on alpaca wool (Artesanias Tarik, 2022). Once they have the thread wool, they proceed to dye the wool based on the colors required to make the coats. In many cases, they use natural products such as toco or plants to color the wool and other artificial dyes but to a lesser extent (Artesanias Tarik, 2022). Once these steps have been carried out the alpaca wool and cotton are assembled on the artisanal and industrial looms. First, they start by shaping the coat with cotton, and then they mixture alpaca wool with

cotton to finally have the final product that has different percentages depending on the amount of alpaca wool or cotton that is used in the confection process (Chalanpuente, 2022).

In Ecuador, the possession of alpacas is still precarious due to the lack of knowledge that the inhabitants of the northern highlands have about this animal. Currently, in the province of Chimborazo, according to the Otavaleño artisans interviewed there is a small number of these specimens that are in the family of camelids and llamas Artesanias Tarik, 2022). In Ecuador, there are not many existing alpacas since the vast majority are llamas which is why the coats have a mixture of alpaca wool and cotton to satisfy the national and international market. In many cases, the alpaca wool is imported from neighboring countries such as Bolivia or Peru since in Ecuador there are not a large number of alpaca specimens (Artesanias Tarik, 2022).

It must be understood that there are different breeds of alpacas which are characterized by the abundance of their fur. Among the best-known breeds of alpaca in the textile market are the Suri and Huancayo alpaca. That is why there are a variety of alpaca breeds where the length, texture, and shape of the wool determine the differentiation between them (Chalanpuente, 2022).

A country par excellence that produces 100% alpaca wool textiles is Peru. Country from where it mainly imports alpaca wool fibers in the form of balls, through which the coats of the Otavalo community are made plus the cotton blend. According to information from the neighboring country Peru, there are six denominations to classify alpaca fiber. In this case they are: royal baby, baby, superfine, medium, strong and thick. The uses will depend on the type of clothing that you want to make as well as the resistance that you want to give it (Chalanpuente, 2022).

To determine if clothing has 100% alpaca wool which is known as a natural fiber it can be useful to burn a piece of a strand of wool. This is necessary because in the textile market there is a great variety of natural and artificial wool. In order to recognize if it is natural alpaca fiber, it is necessary to burn a piece of thread and if it turns to ash and smells like a burning hair, it means that the coat is made with animal fiber instead of artificial fiber (Chalanpuente, 2022).

It is common to find in the Plaza de Los Ponchos a large number of Colombian tourists who traveled to Otavalo to its famous poncho market to buy this traditional clothing generating income for these artisans even though their crafts are recognized locally and internationally they still appeal to the cantonal and state authorities to carry out a greater marketing campaign so that they can reach new foreign markets with great sales opportunities.

According to the tourism minister in the Otavalo Plaza, there are around 3000 artisans who live from the production and sale of both national and international clothing. They have requested that the government help them with greater promotion which is why the tourism minister Niels Olsen told them that they are working on a marketing plan with an investment of USD 47 million from 2022 to 2025 (Ministerio de Turismo, 2022).

Otavalo handicrafts are unique and invaluable in the world and given their importance they are highly demanded in international markets. The main characteristics that make this clothing so valued and appreciated are due to the following points. In the first place, the artisan's workshops where the garments are made do not require a greater capital investment since small productive units are made weekly according to national and international demand (Pupiales et al., 2017). Secondly, they employ labor from the family group and also promote more jobs for their relatives and friends (Pupiales et al., 2017). Finally, they use raw materials found in nature in their valued Pachamama such as wool, and natural dyes, among others (Cevallos, n.d.).

The symbology used by the Kichwa Otavalo artisans is based on the historical and cultural heritage of the first settlers of America which in the special case of Ecuador are the Incas. In the case of more elaborate designs like llamas and mountains are made on industrial looms due to the complexity of the designs. However, they use manual looms in geometric designs such as the famous Andean cross or chacana, a common symbol in most Andean garments.

The lama is an animal that serves as a source of inspiration for the community and culture of Otavalo being highly adored unlike the alpaca, an animal that is not so valued by this culture given they did not have constant contact with this type of camelid. Despite this, currently, in Ecuador, there is a small specimen of alpacas which has become a symbol of gratitude in this community since they provide raw materials such as their wool which is used in the manufacture of the Andean clothing. Although they have recently had more contact with this animal where this community does not rule out the possibility of having greater ties that unite them to this noble and unique species in the Andean region of South America.

In the Plaza de Los Ponchos few artisans have alpaca specimens. It is mainly the elderly who have the opportunity to raise this species. The central objective is to achieve their reproduction to obtain a large herd of alpacas. According to the Otavalo artisans, the alpaca can live in optimal conditions in the north of Ecuador due to the cold climate that



favors the breeding of the species (Artesanias Tarik, 2022). However, in times of heat, the care of this species must be increased to feed them to improve their survival against an increase in temperature. In this case, when there is an increase in the average temperature in the canton it is recommended to feed a leaf called “tucto or lichikiwa” so that it cools the alpaca’s body to promote a better quality of life (Damian, 2022).

Regarding the care that must be taken with this species, feeding is essential, where the intake of leaves and even alfalfa, will promote quality nutrition for this animal; always taking care that they do not ingest malignant leaves that will endanger the survival of the species. As far as the quality of the wool is concerned, the diet is not a determining factor, but rather the age of the alpaca is what marks the use of the wool for the making of the garments.

To obtain the wool of the alpaca, the adult specimens are killed, because this type of wool is no longer optimal for making coats but rather is used for the manufacture of rugs, using the skin and wool for this production, whose prices are high since they include factors such as death and even more elaborate production processes. Faced with these activities, the artisans are aware that the new trends in the market as well as the tastes and preferences of individuals, the cessation of the life of the animals marks a decisive factor in the purchase. That is why the artisans have come together to end these practices, avoiding animal suffering. Given this change in the perspective of these artisans due to new market trends, conservation, protection, and animal care practices have increased.

In the international buying and selling process of these garments, the artisans send the garments through agencies, where the coats are placed in cardboard boxes and packed by the agency to be transferred to the United States and Europe mainly. In many cases, the importer is the one who sends the labels to the Otavaleño producers so that they only adhere the same to the garment. Throughout this process, the Otavaleño artisan maintains contact with foreigners; either in English or Spanish depending on the knowledge that importers have of the language. In addition to this, the artisans receive the money before sending the merchandise to have income for the purchase of the raw material.

Confidence for Otavaleño artisans is fundamental since they will only send the coats to those importers with whom they already have confidence and who have previously had their first contact. Depending on how your domestic and international sales are, the level of weekly and monthly productivity will vary as sales increase or decrease.

In the production processes of making garments, both men and women of adult age, children and adolescents participate in these activities, a process that is conceived from generation to generation as an innate tradition in Otavaleño culture. Although the traditions of this community have been lost in the new generations, there is a large minority, especially women and elderly people, who are the main actors who, until today, promote respect and dissemination of their cultures. In addition to the fact that, according to the artisans, this is an attractive factor for tourists who visit the Plaza de Los Ponchos.

According to the Association of Textile Industrialists of Ecuador (AITE), the Ecuadorian spinning, weaving, and clothing industry is the third-largest manufacturing sector in Ecuador (Cevallos, n.d.). According to this association, the textile industry in recent years has experienced unfair and illegal competition from products from the Asian continent, especially in China (Cevallos, n.d.). Where smugglers, merchants who do not pay VAT and who use ant contraband, have wreaked great havoc in this industry (Cevallos, n.d.).

Faced with this growing problem, the entry of garments from China has affected sales in this market (Cevallos, n.d.). Since the retail prices are very low, which has caused many consumers to opt for these garments. However, there was a strong movement of the artisans of this square so that the entry of these garments that are 100% industrial and that in their production process do not use natural fibers but synthetic ones are allowed. Despite this discouraging context at the beginning, an advantage that weighs heavily on this market is the value and importance that consumers give to these garments, as well as to the quality of the work, which has once again encouraged a growing sale for these artisans.

It is worth mentioning that garments have not only entered the Asian continent but also Central and South American countries such as Guatemala and Bolivia. These handicrafts have also affected the Otavalo textile sector; however, they mention that they rely on the designs and their imagination to provide the public with new designs with various colors and textures. Currently, Otavaleño artisans have managed to develop their product catalog, which is sent to their international clients so that they can choose the coats they want. It should be noted that in addition to the coats that are highly commercialized, the artisans also offer ponchos, scarves, gloves, rugs, tapestries, and caps, among others.

One of the recommendations by the artisans to keep the coat in better quality is to let it dry in the open air; since they mention that the sun improves the coat a lot, allowing the colors to be fixed in a better way. However, they do not rule

out the possibility that the coats be taken to the washing machine, as long as it is done when the coat is quite dirty and requires a wash.

Regarding the certifications that are required for this type of clothing that uses natural fiber, in Ecuador, no entity provides these certifications. However, in many cases, it is the importers who manage these certifications that their country requires for the entry of these products but that the Otavaleño artisans are unaware of. This is mainly due to the lack of knowledge about the procedures that the importer carries out to obtain the product in their hands. Despite this, indigenous communities have managed to obtain recognition from Bolivia and the US for the quality of their products and continuous innovation in garments.

During the sales process, the Andean coats from the Otavalo canton are mostly sold to people over forty years of age. However, there is currently a trend in the use of these coats by adolescents and young people, all this as a product of the promotion of these Andeans through social networks both locally and internationally. As for the prices, the artisans make an increase on Saturday, which is the biggest sale for the artisans, increasing the price primarily for tourists. Although they are not fixed prices, the artisans are open to discounts; since they are the ones who know first-hand the entire production process. For the purchase choice, the percentage of wool will make the difference between one coat and another. In this particular case, the artisans are aware that their coats are not 100% alpaca, the knowledge that foreigners and nationals know, who in many cases already know how to distinguish quality. This mixture is made to be able to compete in such a changing market and where many consumers are still not willing to pay more than USD100 for a coat.

Among the destinations of exports, the U.S, Canada, and Chile are the destinations that most clamor for these garments, without ruling out Europe where there is also a strong demand for these products. Foreigners are the ones who value products to a greater extent because they are new and different, which are not observed within their countries and are not even sold.

The price of the coats is distributed as follows: normal coats between wool and alpaca mix are USD 25 while coats with 70% alpaca wool are USD 35. Those 100% alpaca coats already are not produced in the area given the high sales costs that they imply. Even though attempts have been made to produce garments that involve 100% alpaca wool, it has not been a product that has come off the hangers of these artisans due to the high prices that are demanded; and although sometimes there were tourists who bought these coats, they soon gave up on them, due to the heat that their use represented. Due to the above, it is that the production trend of coats has been strengthened by mixing natural fibers such as cotton and alpaca wool that are distributed in percentages on the clothing label.

Currently, they are looking to expand their international sales, the destination they have in mind is Russia, where residents are currently selling coats from the Otavalo community. He bases that the desire to reach the Russian market is due to the low temperatures that plague the country; In this way, the sale of these coats is ideal as a protective barrier against the low temperatures that occur in this country. In addition, they seek to increase their sales in Canada to increase their income while promoting the product.

### **3. Methodology**

This study applied an exploratory and descriptive inquiry based on the contributions of the author Carlos Sabino (Sabino, 1992). The mixed-method was developed in conjunction with the design, collection, and data collection phases.

Consequently, for the development of the sections of the article, the central methodology used was the Goal, Question, and Metric model of the author Heiko Koziolok, a model that was based on four basic stages that were planning, definition, collection of information, and interpretation (Koziolok, n.d.).

In the planning phase, a literature review was carried out on the textile industry of Otavalo in Ecuador with a focus on alpaca coats to discover the potential of the product and to formulate an internationalization plan for them. This allowed for the establishment of the theme of the work and the investigative directionality. Together, a market study was carried out using key factors that determined if the selected markets are optimal for the commercialization of the coats in the states of Alaska, New York, and Ohio in the United States.

In the second phase, a mixed methodology was used, in order to deepen the concepts (Greene et al., 1989). To achieve this, secondary data found in reliable sources of information were used, which made it possible to determine the specific objectives of the study, as well as the investigation of the foreign markets that were the object of the study's analysis.

Subsequently, in the data collection stage, semi-structured qualitative interviews were carried out among a chain-type sample with producers and exporters of alpaca wool coats from the Otavalo canton in the province of Imbabura in Ecuador. With this information obtained, a review of the literature was conducted using libraries such as Scielo, Hinari, Dialnet, Scopus, Google academic, and Ebsco Research Databases. (Hernández Sampieri et al., 2014). Likewise, a document analysis of the main, most relevant, and truthful trades of official public and private entities of the States of Alaska, New York, and Ohio was used; as well as from Ecuador and Peru, from where information was obtained on the destination markets and the competition.

Finally, for the interpretation stage of the Goal, Question, and Metric model, the information collected from the interviews and literature review was analyzed, interpreted, and used as a foundation for the formulation of an internationalization plan for the coats of Alpaca from Otavalo in Ecuador.

#### **4. Results and discussion**

The Gross Domestic Product (GDP) measures the monetary value of the goods and services produced within the borders of a country in a given period based on current prices (Callen, 2008). In the case of the United States, as can be seen in ([Appendix I](#)), the GDP had a continuous rise since 2016, reaching a peak in 2019. However, with the arrival of the Covid-19 pandemic, its devastating consequences disrupted the US production, since by 2020 the growth trend was reduced (World Bank, 2020). Despite the ravages caused by the pandemic, in 2021 the United States achieved a sustained recovery of its economy of 5.7% given the increase in exports, increased spending by citizens, and investments, among other points (Sánchez, 2022). This analysis reinforces the choice of this market given the visible improvement and economic stability of the country and its inhabitants, which will empower objective consumers in the purchasing decisions of non-essential products, such as alpaca wool coats.

The Consumer Price Index (CPI) measures the level of variation in the prices of goods and services that are consumed within a country (INEC, 2015), where inflation will determine if the price of goods and services is maintained or trends upward. According to the graph in ([Appendix II](#)), it can be seen that the Consumer Price Index during the years 2016, 2017, and 2018 was on the rise; while in 2019 and 2020, the CPI decreased. In the year 2020, a lower CPI was registered given the effects of the Covid-19 pandemic, where the price of goods and services was shaped to allow the population to access primary goods and services (Callen, 2008). After the recovery achieved by the United States, inflation increased by 7%, where the State and businesses raised money mainly on primary consumer goods and basic services (González, 2022).

According to the figure in ([Appendix III](#)), it can be seen that in 2016 the monthly earnings of salaried Americans is the lowest amount concerning the evolution of the years up to 2021. This was the last year in which higher monthly earnings were registered despite the ravages caused by the Covid-19 pandemic (Ilostat, 2020). In this case, making a comparison with the Consumer Price Index for the year 2020 and its increase in 2021, it can be concluded that despite the costs of goods and services increasing, American citizens had the economic capacity to be able to satisfy their basic and sumptuary needs given even higher income per labor force. This scenario will enable the target market to choose to acquire luxury goods such as alpaca wool coats that are to be exported from the Otavalo canton in Ecuador.

Carrying out an analysis of the country's risk, the index of ease of doing business, and the index of perception of corruption, the following most relevant points have been concluded. According to Coface, the United States has a rating of A2 with low risk in terms of the evolution of country risk and A1 low, which fosters a prosperous business climate (Coface, 2021). These ratings are related to the Corruption Perceptions Index (CPI) for the year 2021, where the United States achieved a score of 67 points, becoming one of the most transparent countries in the American continent (International Transparency, 2021). Given this scenario, in 2019 the United States obtained a score of 83.6, and in 2020 84 according to the feasibility ranking for doing business by creating an optimal and prosperous environment, ranking number 6 out of 190 countries (World Bank, 2019).

In this next section, imports of wool or fine hair textiles will be analyzed according to the information recorded in ([Appendix IV](#)) of this work. The United States leads the table of imports of tariff subheading 620111, which deals with textiles for men and children made of wool or hair. Being 2019 the year that registered an increase in imports compared to 2020 and 2021, where the trend of imports decreased compared to previous years ([Appendix V](#)). Despite the changes that the world was facing in the social, political, economic, and health sectors, the impact was not so great in import volumes. (Trade Map, 2021).

While in ([Appendix VI](#)) of subheading 620211 of wool or fine hair textiles for women and girls, the importing country that leads the table is China, displacing the United States to fourth place (Trade Map, 2021c). In the special case of

the United States, we see that in 2019 there was a higher volume of imports, unlike in 2020 and 2021, where there was a decrease in the international purchase of these garments (Trade Map, 2021c).

Analyzing both tariff subheadings, it is observed that the import volume in terms of gender, subheading 620211, registers higher import volumes (Trade Map, 2021c). In this way, the main markets where these garments are directed can be taken into consideration to determine future entry options in other international markets.

Regarding Ecuadorian exports, we have subheading 620111 registered in ([Appendix VII](#)) of exports referring to textiles for men and children made of wool and fine hair. It is observed that the main country to which Ecuador's exports are directed is Australia, registering from 2017 to 2021 exports in thousands of dollars (Trade Map, 2021b). Unlike the United States, which ranks seventh and last among the countries to which Ecuadorian exports of wool or hair textiles are directed, 2017 and 2020 are the years in which export amounts are recorded (Trade Map, 2021b).

According to ([Appendix VIII](#)) of subheading 620211 of wool or fine hair textiles for girls and women. It is observed that the main destination of exports is Chile, registering values in thousands of dollars from 2017 to 2021, where in this last year exports recovered in the post-pandemic stage (Trade Map, 2021d). In the case of the United States, the country is in second place, with 2021 being the year that recorded the highest level of exports (Trade Map, 2021d).

In this case, the analysis of the exports made by Ecuador in both tariff subheadings provides relevant information on the gradual recovery that the country has had in terms of the export of wool or fine hair coats. Where exports for girls and women of these garments stand out to a greater extent in the US market. Point in favor of this internationalization plan because these are well-known and demanded products in the market where they want to export.

Based on Hofstede's five cultural dimensions, the North American population is characterized by being oriented towards low power distance, where the structure of society is stratified based on convenience. Bosses and superiors trust their team, giving way to frequent communication between both parties (Hofstede Insights, 2022). Likewise, citizens are highly individualistic, since they seek to stand out and win regardless of the rest, to obtain a better job, decorations, trips, and be the best employee of the month, among others. What fosters an environment of rivalry and daily competition, where in addition the positions are highly stratified by sex; being men those who hold better positions and opportunities (Tintoré, 2016). Similarly, they have a high level of aversion to uncertainty, so they try to be very meticulous with their routines, seeking to control everything that surrounds them (Tintoré, 2016). Finally, they are oriented towards the long term; that is, they seek perseverance and savings as guidelines for a better corporate status (Hofstede, 2011).

In this particular case, American culture, as previously mentioned, can be summed up as a society mostly marked by values such as individualism, competitiveness, success, and material comfort, among others (Armstrong et al., 2013). However, with the changes that the world has faced, this culture has been shaped. A clear example of this is the new trend that exists toward the consumption of organic products with environmental and animal awareness (Armstrong et al., 2013). Where the social, cultural, personal, and psychological factors enter the scene affecting the purchase decisions of consumers according to the information in the book "Fundamentals of marketing (Armstrong et al., 2013).

The social factors characteristics of Alaska, New York and Ohio were developed through a depth analysis of its markets. It will begin with the social factors characteristics of Alaska, New York, and Ohio. In the case of Alaska, this state is made up of the majority of the American Indian and Alaska Native population, followed by Asian, Hispanic, African American, Native Hawaiian, and Pacific Islander populations, as well as non-Hispanics and other ethnicities (United States Census Bureau, 2022a). In the case of New York, there is a large percentage of the Hispanic population followed by Asians and other ethnic groups that underlie the territory (United States Census Bureau, 2022b). Ohio is a state that is populated mainly by African Americans, Hispanics, and Native Americans, among others (United States Census Bureau, 2022c).

Based on this information, it can be seen that each State has a diversity of subcultures that have settled in these territories and that over time have adopted North American culture as their own. Such is the case of the Hispanic-American culture that despite being oriented toward the American culture, they maintain certain innate traits of their culture of origin, such as the orientation toward family shopping and loyalty as the brand shows interest and concern for this customer segment (Armstrong et al., 2013). Similarly, in the case of the African-American population, quality and distinction set the standard for consumption. While for Asian consumers, technological development, accessibility, and brand awareness will be decisive factors in the consumption decisions of this culture (Armstrong et al., 2013).

Socioeconomic characteristics, income, and level of education, among others, will mark the characteristics of the target population. In the case of Alaska, the majority population is located in the Anchorage metropolitan area (Frigols & Ibarra, 2018). Whose population ranges between 18 years and older, with a family income of around USD 77,790, an employment rate of 59.6%, and 30% of the population with university degrees (United States Census Bureau, 2022a). In the case of New York, it is the most populous state in the United States with a population between 18 and 74 years old with an average family income of USD 71,117, an employment rate of 59.3%, and a 37.5% population that has completed a college degree (United States Census Bureau, 2022b). Finally, the State of Ohio has a population that ranges from 18 to 74 years old with an employment rate of 59.7%, an average family income of USD 58,116, and 28.9% of the population that has obtained their third degree. level (United States Census Bureau, 2022c).

Regarding the social, psychological, and personal factors of the population of the three states analyzed. It can be mentioned that the influence of word of mouth among individuals has become a determining factor for the influence on consumption behaviors (Armstrong et al., 2013). This type of influence occurs among acquaintances, friends, partners, relatives, and other consumers whose recommendations are trusted since they have had contact with the goods and services that they are recommending or rejecting (Armstrong et al., 2013). This mechanism will serve for recipients to analyze and determine whether or not they consume said product or service, according to the feedback and analysis of the information provided, as well as the advertisements or commercials broadcast about that good or service (Armstrong et al., 2013).

Currently, it can be seen that there are opinion leaders that brands bet on to reach a greater number of consumers, such as the case of influencers or brand ambassadors widely used by brands globally and very characteristic in the United States (Armstrong et al., 2013). Finally, online social networks through blogs, networks, and virtual worlds, among others, provide comments and allow users to interact with various people around the world about the cognitive and sensory experiences that the tested products or services provide (Armstrong et al., 2013).

As for personal factors, these are directly related to age and life cycle, economic situation, and lifestyle of individuals, among others. The age of people and the life cycles they go through continually modify behaviors, decisions, and purchasing preferences (Armstrong et al., 2013). In the case of the international promotion and sale of alpaca coats, they will be promoted in the market segment ranging from 18 to 74 years old. The acquisition of these garments will be affected by the life cycle that the person is going through, as well as the purchasing power that they have depending on the socioeconomic context in which the person is (Armstrong et al., 2013).

In the same way, the occupational groups of the individuals will mark, together with the lifestyle, the purchase decisions of these coats. For example, those companies that have strict dress codes or in the case of athletes tend to use these garments as a source of protection and care (Armstrong et al., 2013).

In the last place are the psychological factors, where the need for care, protection, and comfort will motivate individuals to acquire these garments. But for this to be put into practice, brands must opt for selective attention, so that, through the senses, stimuli, impulses, and reinforcement, potential customers learn about the importance of coats, reinforcing the positive points of the brand. (Armstrong et al., 2013).

In this section direct and indirect competition brands are going to be developed through their main characteristics. In the first place, we have the Gamboa, Inti Alpaca, and Paka brands that make up the direct competition brands. In the first place is the Gamboa brand of Peruvian origin that sells its products on Amazon (Amazon, 2015). At prices that range between USD 50 and USD 70 depending on the design, colors, and sizes (S, M, L, XL). It has a score of 66% on Amazon given the softness, design, and stock that the brand has and that it makes available to the e-commerce store (Amazon, 2015).

In second place is the Inti Alpaca brand of Peruvian-Bolivian origin which sells its garments on Amazon's online page (Amazon, 2021). Whose final sale prices range between USD 58 and USD 78 depending on factors such as design, color, and even sizes (S, M, L). It has a score of 74% on Amazon since according to brand users it provides quality clothing that is light and can be used on cold and warm days since alpaca wool absorbs moisture allowing breathability, which favors its use in different seasons of the year (Arms of Andes, 2022).

Finally, Paka is the last directly competitive brand analyzed, which was created by a North American citizen who, after traveling through Cusco, Peru, decided to found his company and directly create employment for thousands of Peruvian artisans (PAKA, 2022). Their prices are around USD 100 with sizes ranging from XXS, XS, S, M, L, XL, and XXL (PAKA, 2022). The brand is characterized by using Andean designs in strategic places on the garments, such is the case that its brand logo uses the traditional Andean cross (PAKA, 2022). In the same way, they use distinctive names in each of their garments, such as the "La Costa" coat, the "El Condor", "Inca Zigzag", etc. (PAKA,

2022). Finally, it has certifications such as The Best for the World 2021, and Corporate Certification by The Good Ocean Founding Member (PAKA, 2022).

In this second section, there are the Icewear Stravanger, Clio, J Crew, Appalachian Gear Company, Arms of Andes, and B. Draddy brands that make up the substitute competition brands. Icewear Stravanger is a brand of Nordic origin that sells its products on the Amazon platform at prices ranging from USD 129, this is due to the details that each of the coats has, which increases the sale price to the consumer with availability. of sizes ranging from XS, S, M, L, XL, and XXL (Amazon, 2016). The rating on Amazon is 83%, this is mainly because the coats have an easy-to-use metal closure, with high quality since they have been made for more than fifty years in Norway (Amazon, 2016).

Second, we have Clio, a substitute brand of Peruvian origin that sells its products through its official website (Clio, 2021). It has final prices that range from USD 74.25, USD 132, USD 104.25, and USD 175.50, respectively, all depending on the size and sizes (S, M, L) that are chosen (Clio, 2021). The garments they manufacture are composed of different materials such as merino wool, acrylic, polyamide, and different types of alpaca wool such as alpaca, baby alpaca, and fine alpaca (Clio, 2021). This brand offers garments of different sizes and lengths, as well as garments with mixtures of colors focused on a current and global trend, mainly prevailing on natural fiber color (Clio, 2021).

In third place is the J Crew brand of American origin whose products are sold through the brand's official website (JC Crew, 2020). Whose prices are around USD 123 with sizes ranging from XS, S, M, L, XL, XXL, 2X, and 3X (JC Crew, 2020). The production of textiles of this brand occurs in large production batches, being one of the brands aligned to the fast fashion model (JC Crew, 2020) In its textiles it uses alpaca, merino, polyamide, and acrylic wool with few color options, but very demanded by the global market through its website and physical stores in the world, especially in the US market (JC Crew, 2020).

In fourth place is the Appalachian Gear Company, a brand founded by Americans in the State of North Carolina after they visit Peru, where they learned first-hand about the textile industry of this Andean country. This brand has prices around USD 153 with sizes ranging from XS, S, M, L, and XL (Appalachian Gear Company, 2020). Its products are offered on the brand's official website, which is 100% alpaca wool-based (Appalachian Gear Company, 2020). Similarly, on their website, they have developed information related to the benefits, washing care, as well as innovative products based on alpaca wool.

In fifth place is Arms of Andes created by Peruvian citizens nationalized in the United States who sell their products through their official website (Arms of Andes, 2022). The sale prices in the market are between USD 115 to USD 150 with sizes ranging from XS, S, M, L, and XL (Arms of Andes, 2022). On their official page, they make comparisons of alpaca wool with other natural and artificial fibers so that the reader can identify the high quality of alpaca wool given that it absorbs moisture, fast-drying, thermoregulation, and hygiene, among others (Arms of Andes, 2022).

Finally, there is the luxury brand B. Draddy of North American origin offers 100% alpaca wool textiles in neutral colors on its official website. Its target market is athletes with a special focus on golf players (B. Draddy, 2022). Being a luxury brand, prices are between USD 300 to USD 500 with sizes ranging from S, M, L, XL, and 2XL (B. Draddy, 2022). The garments of this brand are of the same high quality that is sold in the American market but that are manufactured in Peru (B. Draddy, 2022).

The characteristic factor of all these brands is that they allow users to purchase these garments through the use of credit cards that are authorized internationally. In many of these, shipping to the final destination is included, which encourages greater consumption of these garments.

#### **4.1. Internationalization plan**

To achieve this internationalization plan, the following logistics have been established. In the first place, two containers will leave the Port of Guayaquil for the port of New York whose approximate distance is 4804 km away (Google Maps, 2022b). Once the containers arrive at the Port of New York, one will stay in this state; while the other container will travel by land to West Chester Township in Ohio, whose distance is 650 miles (Google Maps, 2022). In this way, two of the three States selected for the study are covered.

In the same way, a container will leave the Port of Guayaquil to the Port of Los Angeles, whose distance is 5,666 km (Google Maps, 2022a). Once the container arrives at the Port of Los Angeles in California, it will travel by land freight to the Port of Alaska located in Anchorage with a journey of 3,421 miles (Google Maps, 2022).

With these logistics, the three states that are Alaska, New York, and Ohio would be supplied with the amount of 1920 sweaters that will be packed in boxes of 70x57x82 cm in length, width, and height. They will be shipped in a 20 cubic

foot container where 64 boxes will be stacked, 21 boxes with size M, 21 boxes with size L, and finally 22 boxes with size XL.

Regarding tariff and non-tariff barriers, the United States has established the following general information. In this case, the importer will be the person in charge of offering information on the entry, classification and value of the imported merchandise so that the United States Customs and Border Protection Office classifies the tariffs and other legal requirements regarding imported textiles. In this way, animal fiber textiles from Otavalo will enter with a specific tariff of USD 0.41 cents per kilogram, according to the standard weight of the 1,920 sweaters that will be shipped in a 20 High Cube container, whose weight is 0.45 kilograms each (Ecuador Stores, 2022). Alpaca coats will also have an ad valorem tariff of 16.3% when entering the United States, according to the Harmonized Tariff of the United States updated to the year 2022 (Ecuador Stores, 2022). In the event that the importer does not provide this information, the consequences will be that the merchandise will not be dispatched and on other occasions will face the corresponding sanctions (U.S. Customs and Border Protection Office, 2004).

According to the special rules, if the coats use printed and dyed fabrics and fabric articles. The country of origin will be the one where the dyed or printed fabric has undergone at least two or more of the following processes: bleaching, fabric shrinkage, decanting, calendering, etc. This applies to both animal and vegetable fibers such as alpaca and cotton fiber (U.S. Customs and Border Protection, 2004).

Regarding labeling standards, marking or also known as labeling is essential, since it must include the country of origin, fiber content, size, and producer information such as indications of use and care. Several labels can be placed, as long as they are adhered to and visible until it reaches the final consumer (Prom Peru, n.d.).

The label must be placed in a visible place whose text is permanent since the information is required to last until it reaches the final consumer. Likewise, the fiber content must be included in the labeling by the Law on the Labeling of Wool Products and the Law on the Identification of Textile Fiber Products (Prom Peru, n.d.). This applies to synthetic wool such as polyester, and nylon, among others.; as well as to natural fibers such as cotton, silk, alpaca wool, etc. In this way, the percentage should be placed in descending order in terms of the fiber content of the textile.

For garments made with animal wool, there is a wool label, which must include what type of wool was used, among these, alpaca, vicuña, llama, or other types of hair. In the case of using recycled wool, the specification must be placed on the label (Prom Peru, n.d.).

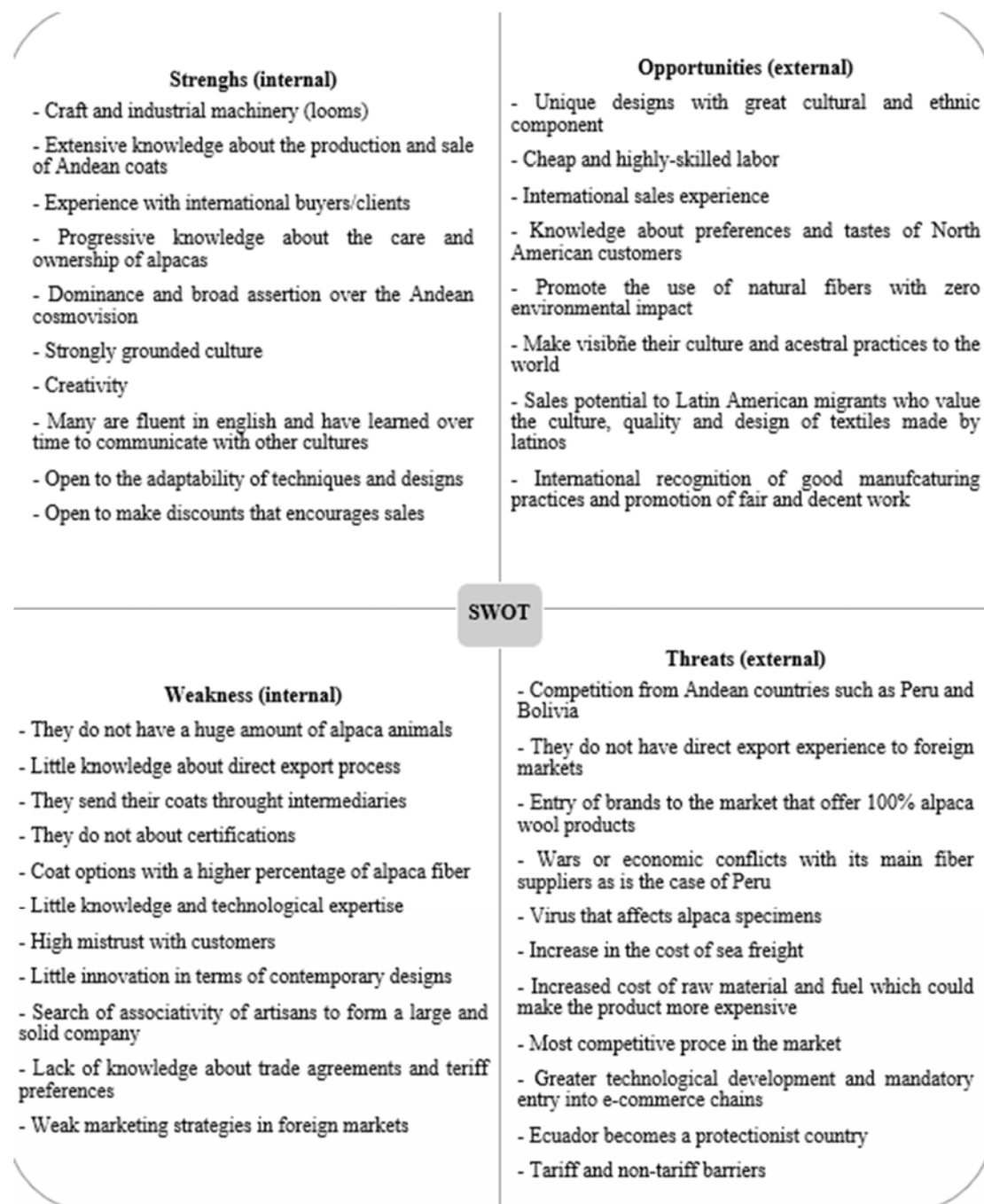
If the garments have embroidery and these do not represent more than 15% of the garment, it should not be added to the label that it contains fiber; in this case, both embroideries on the collars and cuffs are excluded (Prom Peru, n.d.). The fibers must be named as issued by the US entity in charge, which is the United States Customs and Border Protection Office, hereinafter CBP (Prom Peru, n.d.).

Regarding the labeling of garments in terms of care and warnings, it is essential that the label is visible and adhered to the garment, being within the reach of the final consumer (Prom Peru, n.d.). All of this with the purpose that the reader can understand each symbol with its respective text; understanding that what was placed on the label are recommendations that will help maintain the garment given tests that were carried out before sale (Prom Peru, n.d.).

This regulation by the FTC is covered by 16 CFR part 423, which is the care labeling rule for textile garments. Here the instructions for washing, drying, ironing, bleaching, and dry cleaning should be added as warnings to ensure the quality of the product and preserve the lives of people (Prom Peru, n.d.).

Finally, another label attached to the others mentioned is the tracking label, which facilitates communication between the importer and the exporter; that is, between consumers and manufacturers or exporters. These will be required permanently when the garments are aimed at the market segment of children under 12 years of age. This label must contain the following information: Name of the manufacturer, country, and city where the garment was manufactured, date of production, and batch number (Prom Peru, n.d.).

A SWOT analysis allows an internal and external diagnosis of a company through the evaluation of weak and strong factors it faces. In this case, an internal diagnosis should be started through the strengths and weaknesses that in this case, the textile industry of woolen coats faces in Ecuador. To then analyze the opportunities and threats that the Otavalo alpaca coats have in the States of Alaska, Ohio and New York respectively. With this analysis, a structure can be determined regarding the way these coats enter the target markets, where their weaknesses will be previously solved to have a highly competitive product with unique added value. All this is to set the tone when consumers make consumption decisions.



Source: Redalyc (2007).

According to what has been analyzed, strategies for entry of alpaca in the target markets are going to be developed through the Uppsala model as the main export methodology. The steps developed were the ones that best fit the present study. In the first place, there are sporadic or non-regular export activities (Baron & Díaz, 2019b). Here the sales volume will be minimal, all this to be able to know the destination market in detail; that is, tastes and preferences of potential customers, prices, the quality they are looking for; as well as the certifications and requirements demanded by the United States for the entry of these coats. With this first stage, artisans will be able to see first-hand the States of Alaska, New York, and Ohio.



Second, there will be exports through independent representatives (Barón & Díaz, 2019b). In this case, the direct export entry model will be applied through strategic alliances with North American retail stores, such as Walmart, Target, Macy's, and JC Penny (Carolina, 2021). In this case, the coats will be sold in establishments that have expertise in the phygital era; In other words, in addition to having physical stores, they also provide users with a satisfactory digital experience by intertwining the physical and digital worlds (de Lacoste et al., 2018). Similarly, it will seek to insert Andean alpaca coats in online stores such as Amazon, because this e-commerce page uses the drop shipping strategy for its easy access and use (Vida Navarro, 2020). In this way, any global user will be able to get to know the brand and its products, having the possibility of acquiring them anywhere in the world while at the same time guaranteeing a continuous supply of these goods.

Third, the contractual joint venture will be applied with the aim that the parties can enjoy autonomy and pragmatism without giving rise to the formation of a new entity with a legal personality (Maguiña F, 2004). According to the author Michavila (2014): "the characteristic features of the joint venture is that it is a cooperation agreement to start a common business that allows the parties to be able to make contributions, maintain their autonomy and share control over the business" (p. 1) (Carolina, 2021; Michavila Núñez, 2014). In this way, companies will maintain their individuality despite looking towards the achievement of a common utility and objective (BBVA, 2022).

For the implementation of this internationalization plan which origin is Ecuador and its destination is the United States, it has been determined that the coats to be exported will be composed 100% of the symbology of the Kichwa Otavalo indigenous people, the geometric figures being, mountains, alpacas, llamas, and the Andean cross, the most important textile worldview. In addition to the fact that the coats will be made up of 70% alpaca fiber and 30% cotton for a target market that ranges from 18 to 74 years of age.

After an analysis of the FOB cost, specific and ad-valorem tariff, internal transport in Ecuador with the Otavalo-Guayaquil route plus the cost of international maritime freight and insurance according to ([Appendix IX](#)). It was established that the international sale cost in New York will be USD 43; being a very competitive price, since it will allow increasing the income of the Otavaleño artisans when there is a greater offer of these goods, at the same time that it will satisfy the tastes and preferences of the citizens of the State of New York offering a combination of quality, diversity of designs and colors. In this way, Amazon, Walmart, Target, Macy's, and JC Penny will be able to increase the price keeping it at a competitive cost compared to the competition.

The final sale price in the State of Ohio will be USD 44, which was calculated based on the FOB cost plus specific and ad-valorem tariff, internal transport in Ecuador, international maritime freight, insurance, and land freight within the United States with New York- Ohio itemized in ([Appendix IX](#)).

Finally, for the State of Alaska, the sale price to the public according to the calculations made based on the FOB cost, specific and ad-valorem tariff, internal cost of transportation in Ecuador with the Otavalo-Guayaquil route plus the cost of international maritime freight, insurance, and the cost of internal land freight in the United States with route Los Angeles-Alaska as shown in ([Appendix IX](#)). The final price will be USD 48 when the merchandise is placed in Anchorage, which is the capital of Alaska.

In this case, the final prices in the three proposed states are lower than those of the direct and substitute competitors, in this way a fair price is guaranteed for the parties involved in the international buying and selling process. In this way, these coats can be sold given the high quality of their designs, final raw materials; as well as its highly competitive price. What will allow the brands that sell these coats to be able to place a price that is below and even on par with the competition. This emphasizes the differentiating characteristics of these coats compared to the competition.

For the cost of international freight, the analysis obtained from the Connect Americas page was taken into consideration, based on the cost of both maritime transport and surcharges, documentation costs, and cargo handling (Connect Americas, 2022). Regarding the internal cost in the United States, the cost per mile of private transportation was taken into account, which was USD 2.90, which takes into account the cost of fuel, equipment, maintenance, insurance, permits, licenses, tires, driver's salary, benefits, and administration (Endres, 2019). In this way, several aspects are being taken into consideration, all of this to obtain a more accurate calculation, as shown in ([Appendix IX](#)), respectively.

Regarding distribution, in the case of New York, the sale will be made in the first instance in fairs such as Wanteddesign Manhattan, Spinexpo New York, and Magic New York, among others (Events Eye, 2022). Then he went on to sell the coats at Walmart, Target, Macy's, and JC Penny. In the same way, these garments will be offered through the Amazon page to subsequently carry out a joint venture with brands that are under the line of environmental and animal care.

In the State of Ohio, the same procedure will be carried out as for the State of New York with the difference that the fairs may be at the Blossom Musical Festival, as well as at fairs that take place on East Fourth Street in downtown Cleveland, among others (Visit the USA, 2022).

In the case of Alaska, fairs to promote these garments can be held at the Alaska Folk Festival, and the Fairbanks Summer Arts Festival, among others (Richards, 2017). It should be noted that the first stage of the Uppsala Model is sporadic or non-regular exports. The fairs in each of these three states can be a good start for the sale of these coats since people will be able to learn a little more about Otavalo's textile supply, as well as gain experience with the target consumer.

In this case, the target consumer will be the one with the following characteristics: men and women between the ages of 18 and 74 with medium-high incomes, who like to try new things, who are concerned about caring for the environment, who seek that the cultures of the world are preserved that they like to play sports and that they have an active life. They may also be citizens of the opposite sex, who speak English or Spanish preferably, and who are single, married, widowed, or divorced.

To reach the final consumer, the marketing strategy to be used will be ecological advertising, which will be achieved with greater awareness and sustainable environmental purchasing habits (Vicente et al., 1999). In this case, in the marketing campaign, easy-to-understand terms will be used, along with showing results of the care for the environment, water, plants, and animals behind the use of alpaca wool (Vicente et al., 1999). Likewise, it will be essential that people who have used these coats give their testimony so that other people can make a final decision based on accurate testimonies (Vicente et al., 1999). Finally, look for ecological events where these products can be inserted, as well as create official pages on Instagram, Twitter, and YouTube where people can interact with the brand. Finally, there will be an alliance with influencers who have a positive ecological record, who through their networks promote environmental care and harmlessness, in addition to being people who are flexible to change and who serve as a bridge between the brand and the final consumer.

## **5. Conclusion**

This research work was carried out with the primary objective of developing an internationalization plan for the alpaca coats of the Otavalo canton in three target markets: Alaska, New York, and Ohio to determine the viability and international sales opportunities. In this way, three central sections were developed, where in the theoretical framework the concepts of foreign trade and its theories were developed, which is export and import to culminate with the internationalization model. Together in the literature review section, the history of the Otavalo textile industry, its importance, the manufacturing process of the coats, and the logistics behind them were developed as a summary; of the selling experience of artisans in international markets. The results and discussion sections break down the study on the three states through an analysis of their macroeconomic indicators, cultural characteristics, and consumption of North Americans; as well as an analysis of the strengths, weaknesses, opportunities, and threats that alpaca coats could face in the destination market, based on an analysis of direct and indirect competition for these coats.

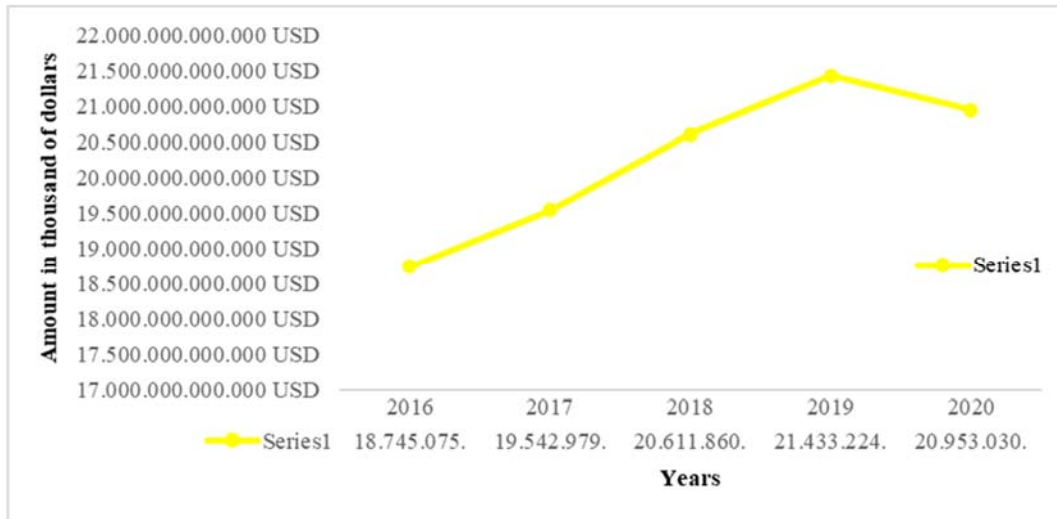
In this way, it has been concluded that the United States is a market of opportunities for alpaca wool coats, being a country that has a growing GDP per capita, and that despite the ravages caused by the pandemic of Covid-19 the country is recovering its figures, a clear example of this is that the population is gradually recovering their jobs, which allows them to have extra income that encourages the consumption of luxury goods such as alpaca coats of the Otavalo canton. In this way, with the present internationalization plan, it was possible to see the strategies, costs, benefits, risks, and threats that this product may face. In this way, the analysis broken down in this internationalization plan is a tool of great value for Otavaleño artisans who have in mind to expand their list of clients to reach new corners of the planet where their product is highly valued; not only because it helps preserve culture but because it is a product with animal and environmental awareness.

New York and Ohio are the most attractive States for the sale of these coats since the final price in the destination market allows the producer to make a profit and in turn encourage their consumption through platforms such as Amazon or stores like Target, Walmart, Macy's and JC Penny. In the particular case of Alaska, it may be an emerging market for these coats, since it would be a valuable opportunity for artisans, given that most internationalization plans do not focus on this State in particular, due to its environmental conditions. However, these coats would be a source of protection and care for people against the great frosts that hit this State.

## 6. Appendixes

### Appendix I

#### *Gross Domestic Product of the United States*

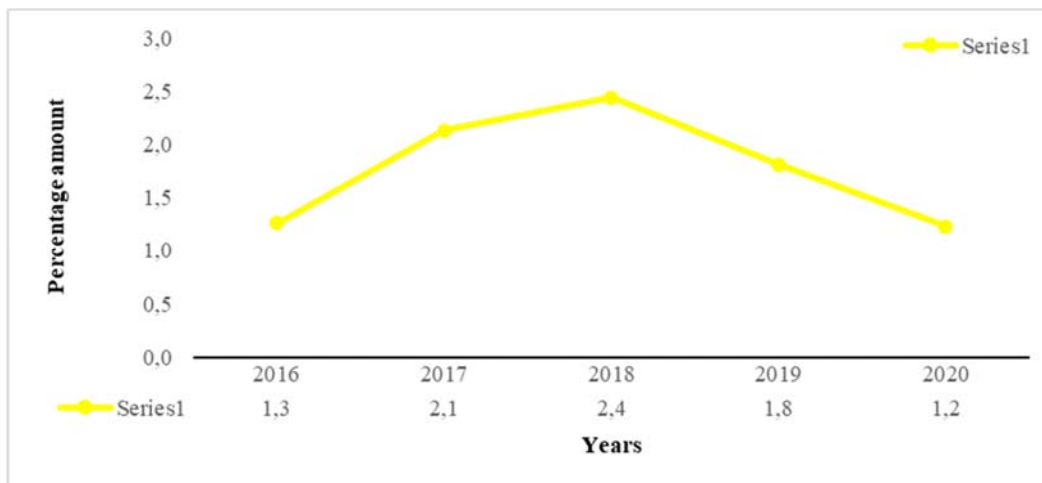


*Note.* This figure shows the evolution of the Gross Domestic Product of the United States in the last five years, that is, from 2016 to 2020.

Source: Based on World Bank data, 2020.

### Appendix II

#### *The United States Consumer Price Index*

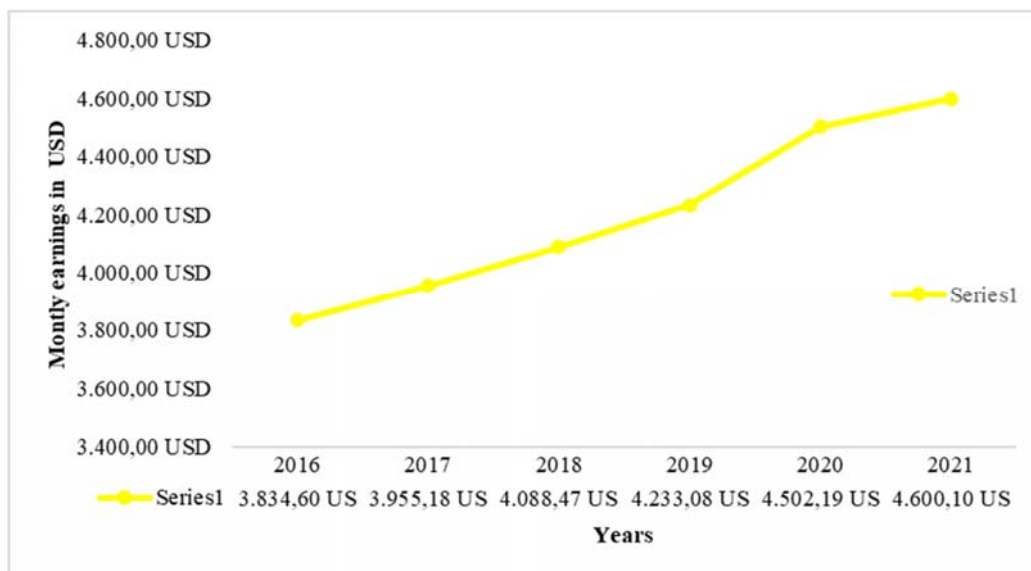


*Note.* This figure shows the evolution of the Consumer Price Index itself, which measures the variation of the same prices that may be influenced by inflation.

Source: Based on World Bank data, 2020.

## Appendix III

### *Salaried monthly earnings in the United States*



*Note.* This figure shows the level of monthly earnings of wage earners in the United States accounting for both men and women and all occupational sectors in a period of five years counted from the year 2016 to 2021.

Source: Based on data from the International Labor Organization, 2021.

## Appendix IV

### *Textile tariff headings and subheadings*

Heading	<b>62.01</b> <b>Men's or boys' coats, jackets, capes, anoraks, jackets, and similar articles, excluding articles of heading 62.03.</b>
Subheading	6201.11.00.00 Wool or fine hair
Heading	<b>62.02</b> <b>Coats, jackets, capes, anoraks, jackets, and similar articles, for women or girls, except articles of heading 62.04.</b>
Subheading	6202.11.00.00 Wool or fine hair

*Note.* This table contains the headings and subheadings of the coats that are to be exported from the Otavalo canton in the province of Imbabura in Ecuador to the United States. Here the item is chosen according to the type of material used in this particular case, it will be wool or fine hair.

Source: Based on data from Pudeleco, 2017.

## Appendix V

### *Tariff heading 620111*

Importing countries	Years				
	2017	2018	2019	2020	2021
World	717377	808131	828172	609812	616631

United States	93455	90646	101781	58801	61691
Republic of Korea	53594	56408	57175	58184	55360
China	36658	44557	40458	37551	48995
Japan	78987	91965	77307	46959	47799
France	51240	57179	58906	42527	47676
Germany	56914	58403	65443	56199	47575
Italy	32782	41552	45659	34003	35494
Netherlands	19591	22507	26766	25604	31256
United Kingdom	49081	52337	53927	33414	29670

*Note.* This table shows the ten countries that register the largest import volumes in thousands of dollars of the subheading: "620111 Coats, raincoats, jackets, capes, and similar articles, of wool or fine hair, for men..." during the last five years counted from 2017 to 2021.

Source: Based on data from Trademap, 2021.

## Appendix VI

### Subheading 620211

Importing countries	Years				
	2017	2018	2019	2020	2021
World	1911112	2138381	2157033	1774275	1898693
China	115474	134483	144886	188773	249911
France	169427	178982	175182	142588	155286
Japan	196341	232690	214719	155646	152085
United States	179100	190578	192870	122692	139193
South Korea	155737	159088	171809	134884	138579
Spain	143344	160182	172361	125909	135560
Germany	135847	135130	145008	130107	121528
Italy	108922	142357	133887	110394	111111
Netherlands	52333	69525	72291	68425	81008
Hong Kong	115736	128098	124203	89343	76984

*Note.* This table shows the ten countries that register the largest import volumes of the product in thousands of dollars of the subheading: "620211 Coats, raincoats, jackets, capes, and similar articles, of wool or fine hair, for women..." during the last five years from 2017 to 2021.

Source: Based on data from Trademap, 2021.

## Appendix VII

### Tariff heading 620111

Countries where Ecuador export	Years				
	2017	2018	2019	2020	2021
World	5	2	1	1	2
Australia	1	2	1	0	1
Panama	0	0	0	0	1
Bolivia	1	0	0	0	

Chile	1	0	0	0
Costa Rica	1	0	0	0
United States	2	0	0	1

*Note.* Table 7 shows the volume of exports from Ecuador to the world in thousands of dollars of subheading 620111 "620111 men's or children's coats, raincoats, carcoats, capes, capes, and similar articles, made of wool or fine animal hair (except knitted or crocheted)" for the past five years from 2017 to 2021.

Source: Based on data from Trademap, 2021.

## Appendix VIII

### *Tariff subheading 620211*

Countries where Ecuador exports	Years				
	2017	2018	2019	2020	2021
World	191	290	333	249	694
Chile	92	169	179	176	545
United States	45	75	81	47	115
United Kingdom	6	5	3	7	14
Canada	15	12	17	9	7
Latvia	0	0	0	0	6
Italy	2	3	5	2	2
Costa Rica	1	4	6	0	1
France	2	1	1	1	1
Lithuania	0	0	0	3	1
Panama	8	4	4	3	1

*Note.* This table indicates the volume of exports from Ecuador to the rest of the world in thousands of dollars of subheading 620211 "620211 Coats, raincoats, jackets, capes, and similar articles, of wool or fine hair, for women or girls ex. point)" during the last five years from 2017 to 2021.

Source: Based on data from Trademap, 2021.

## Appendix IX

### *Export cost structure*

#### **Cost structure (GYE - NY)**

FOB	67.200 USD
Specific tariff	354 USD
Internal freight	800 USD
International freight	2.525 USD
Insurance	336 USD

CIF	71.215 USD
Ad-valorem tariff	11.608 USD
<b>Total</b>	<b>82.823 USD</b>
<b>Cost of sale NY</b>	<b>43 USD</b>
Domestic freight cost in the US (NY - OH)	1.885 USD
<b>Total</b>	<b>84.708 USD</b>
<b>Cost of sale OH</b>	<b>44 USD</b>

**Estructura del precio (GYE - LA)**

FOB	67.200 USD
Specific tariff	354 USD
Internal freight	800 USD
International freight	2.525 USD
Insurance	336 USD
CIF	71.215 USD
Ad-valorem tariff	11.608 USD
Total	82.823 USD
Domestic freight cost in the US (LA - ALK)	9.921 USD
<b>Total</b>	<b>92.744 USD</b>
<b>Cost of sale ALK</b>	<b>48 USD</b>

*Note.* These tables show the structure of the costs analyzed to fix the final sale price in the states of Alaska, New York, and Ohio respectively.

Source: Based on information from Transportes Ortiz, Connect America, Ecuador Stores, International Commission and United States Department of Transportation.

## Appendix X

### *Alpaca coats to be exported*



*Note.* Images of the coats that are going to be sent to the States of Alaska, New York, and Ohio in the United States. Images of own authorship.

Source: Based on visit to Otavalo.



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