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Topic:

**Internationalization of MSMEs of Azuay, Plan for the adaptation of  
the company Golosinas Dikaty for International markets.**

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## **GRATITUDES**

*Michelle Calle.*

I dedicate this degree work to my parents Edison and Antonieta for guiding me through each stage and giving me all their love, they are my example to follow. To my grandparents Rosa, Josefina and Ricardo for their unconditional love and support.

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## ABSTRACT

In Ecuador, large corporations typically export, leaving small and medium-sized enterprises (SME's) at a competitive and technological disadvantage. The following project aims to develop new strategies to help Golosinas Dikaty achieve internationalization. The Route of the Exporter presented by Pro Ecuador will be used in this project. This program seeks the internationalization of SME's that are considered to be in a post-entrepreneurship, growing, or innovation stage. This research will be done in two phases: First, conduct international market research to determine the characteristics and product competitiveness in each market. Second: To create an adaptation plan of product, processes, resources, and capabilities to get Golosinas Dikaty to the internationalization stage, based on previous studies and export audits.

**Keywords:** exports, *SME'S*, entrepreneurship, market, international.

## **Chapter 1**

### **Theoretical basis on the Internationalization process**

#### **1.1 Introduction.**

Understanding the theoretical basis of the theory of foreign trade, the theory of the firm, and the theory of SMEs allows for an approach to the knowledge on which any change oriented to the improvement of the base company of the project is based. The theory of internationalization will also help to understand the context in which the company must find itself in order to be able to export successfully.

The international landscape must be analyzed theoretically in order to comprehend changes in macroeconomics that affect the company, because any change at the international level affects not only the export destination market, but also potential markets or the same national market in which the company operates. This theoretical basis will form the body of the whole project and will also be fundamental when implementing the changes within the company.

#### **1. Two Theories of the company**

The company is known for being an economic organization that seeks to obtain benefits through the use of its resources, which can be financial, technological, human, etc., in addition to the fact that these are always important for the economy of any country since they can be great generators of employment and wealth. However, several questions have always arisen regarding the existence of these organizations, which is why there are several theoretical interpretations that seek to explain in greater detail the functioning of companies. It is worth mentioning that there are several assumptions regarding the firm, such as Douglas McGregor's theory, the social theory, and the theory of the firm as a system. However, only three main approaches will be considered (Westreicher, 2020).

### **1.2.1 Neoclassical Theory**

This theory sought to focus on the functioning of the market and limited the company to taking into account only its production factors in order to optimize its processes and maximize profits; in other words, the company should focus only on producing. On the other hand, it was the market that set the prices of production factors and products, in addition to the fact that it was considered that there was perfect competition, with a large number of buyers and sellers with free access; therefore, neither consumers nor producers could influence the price, and for this reason the market regulated itself (Pérez & Arguer, 2010).

The main criticism of this theory is that it does not take into account that the market is not homogeneous and stable, nor does it function automatically. Likewise, the company is not only a productive unit but must consider several internal aspects that make it up, not only the external part. Therefore, it does not explain the real functioning of companies (Pérez & Arguer, 2010).

### **1.2.2 Transaction cost theory**

This theory was developed by Ronald Coase as a critique of neoclassical theory, where the concept of transaction costs is introduced. The question arises as to whether resource costs should be incurred through the market or by the firm. In other words, if a company requires raw materials to make its product, it needs to determine whether it is better to buy them on the market or whether it can produce them itself. Therefore, the choice of which procedure is best is based on the costs that each option represents and what the advantages are (Pérez & Arguer, 2010).

For example, in the market, the costs of searching, contracting, sourcing, etc. must be taken into account, and in the case of the company, the management costs must be considered. However, there may be times when the company's coordination costs exceed its transaction costs. Consequently, the company will act as long as coordination costs are cheaper than market costs (Pérez & Arguer, 2010).

### **1.2.3 Agency Theory**

In this theory the firm is seen as an agency relationship, i.e., a contract whereby the service of one or more persons is used to carry out activities on behalf of the contracting firm. The organization can rely on an external agency so that a part of its process can be performed outside the organization, as long as the result obtained is a greater benefit than if it were to do it on its own (Pérez & Arguer, 2010).

However, this agency relationship is not always perfect, since various problems may arise, such as differences of interest between the parties, uncertainty due to the inability to foresee how the agent will act, failures in the contract that may result in costs for the company, among others (Pérez & Arguer, 2010).

As mentioned above, there are several theoretical approaches to the firm, and each of them seeks to provide different perspectives to be considered within an organization, since there is no single model that encompasses its complexity. Being able to understand the company from its different aspects is a fundamental part for the development of this project, since it allows creating a solid base regarding the real value of the company to be worked with, taking into account important factors such as risks and opportunities to be able to make strategic decisions (Pérez & Arguer, 2010).

### **1.3. Foreign trade theories**

Trade is something that has become indispensable in any economy; however, this exchange of goods and services has crossed the borders of our territory to other countries so that nations can cover their internal and external needs. This transaction is known as foreign trade (Mones, 2021).

It is necessary to differentiate between the terms foreign trade and international trade, since they are often treated as synonyms, however, they are not. Foreign trade is used to refer to the transactions that a country carries out with the rest of the world; on the other hand, international trade refers to the trade of all goods and services at a global level, where all open economies are part of (López, 2018).

In this case, the main theoretical bases that give origin and shape to foreign trade are discussed in greater depth (López, 2018).

### **1.3.1 Adam Smith's theory of absolute advantage**

The theory of absolute advantage was put forward in 1776 by the Scottish philosopher and economist Adam Smith, who was one of the greatest exponents of classical economics. According to this theory, a country should export that good in which it has the absolute advantage, meaning that each country should trade those goods in which it is more productive.

This advantage could be due to lower production costs, more favorable land conditions or greater technological advances; this would be decisive since it would help to reduce production hours, making it more competitive in the market compared to other countries. In this way, all nations would have their own advantage in the international market (Garcés, 2015).

To exemplify this theory, we can take two countries as assumptions. Ecuador and Colombia, where both produce bananas and cocoa. However, Ecuador requires fewer labor hours to produce one box of product compared to Colombia; similarly, Colombia requires fewer labor hours to produce one box of product compared to Ecuador. Therefore, as a result, Ecuador should specialize in exporting bananas and Colombia should specialize in exporting cocoa (Garcés, 2015).

### **1.3.2 David Ricardo's theory of comparative advantage**

Based on the absolute theory proposed by Adam Smith, certain shortcomings were analyzed in terms of its assumption, since there are deficiencies in the productive factors of some countries and this can lead to them not having the possibility of having the absolute advantage in the production of their goods, therefore, there would be a country that would have the absolute advantage of several goods and the other countries none. For this reason, the intervention of David Ricardo, who proposed a new theory called: competitive advantage (Garcés, 2015).

The essence of this theory focused on the fact that international trade is based on lower relative costs with two possible goods, therefore, there would not be the need to possess the absolute advantage in production. That is, if a country can produce a good if it has a lower cost than another, therefore, it will be convenient for it to specialize in its own advantage even if it does not have an absolute advantage over any product (Garcés, 2015).

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

The Heckscher and Ohlin model, also called the neoclassical theory of international trade, was first proposed by Eli Heckscher and Bertil Ohlin who were Swedish economists seeking to explain how flows in foreign trade work. It was first proposed in 1919 and modified in 1933. This theorem combines the issues of specialization and the comparative advantage of David Ricardo, since the aforementioned theory was not clear as to where it arose, which led to a series of investigations into its origin (Mones, 2021).

Therefore, this model is based on the following assumptions (Mones, 2021):

- a) It is posited that there are two countries (A and B), which produce two types of goods (X and Z), and these have two factors of production capital and labor.
- b) The goods are mobile between countries, likewise, the factors of production can move within the country's industries, but are immobile between countries. That is, there is no mobility of factors, i.e., neither capital nor labor can move from one country to another.
- c) The production functions are the same in both countries for each good, with constant returns to scale and diminishing returns for each factor.
- d) The productive factors are used at different intensities in the production of each good, and they are not reversible, i.e., they are the same for each good regardless of the price of the factors.

Based on these assumptions it is explained that a country should export the relatively abundant goods or product, and should import the scarce factor. Thus, for example, capital-abundant countries can export goods that use the capital factor, while labor-abundant countries can export goods that use the labor factor. So it can be said that Heckscher and Ohlin's model posits that a country should export the goods that require the most abundant factor it possesses (Riegas 2017).

Having more knowledge about the mentioned theories is very important, since they can help companies to better understand how foreign trade is managed, based on these transactions of exchange of goods and services of a country with others, and this in turn will help them to establish their production activities in a better way to reach internationalization (Riegas 2017).

#### **1.4 Theories of internationalization and its elements**

This line of study consists of the analysis of the information transfer processes of companies, being a reference for the study of multinational companies. The internationalization of companies entails a great change for them within their internal structure, processes, resources and capabilities, especially for those companies that seek to internationalize, since, not being companies known as born global, the process they must follow to reach internationalization takes more time.

The following theoretical contribution seeks to better explain the internationalization process from the point of view of various authors who focus on different elements of the company to be able to carry out this process (Vargas, 2017).

##### **1.4.1 Dunning's Eclectic Paradigm**

This model was developed by the British economist John Harry Dunning in 1980, who established a series of factors or conditions that would lead a company to an internationalization process. The main objective of the assumption is to know what is the pattern that companies use to generate added value from these abroad (Vargas, 2017).

As the author Riegas (2017) points out, the eclectic paradigm proposes three types of advantages possessed by organizations:

- a) **Ownership advantages:** This advantage focuses on the company's possessions that can help it to have a competitive advantage over others, these can be technological, operations, organizational assets, etc. This is important because it can help a company to have that additional value, and in turn it is easier to get investment and expand into international markets. This type of advantage is seen in the organization of companies' assets, their ability to produce, and how they manage to meet the needs of demand. Following Dunning's approach, two variants were presented; the first is the static ownership advantage, which refers to the tangible resources that companies have at a given time to create value. The second is the dynamic property advantage, which refers to the intangible assets that the company has at its disposal to increase its resources in the long term. For example: the ability of managers to lead the company, techniques and knowledge of the organization, among others. These advantages are focused on the ability of companies to obtain assets and how they organize them to be more competitive, giving them the added value that differentiates them.



- b) **Localization advantages:** This type of advantages refers to the benefits offered by the different countries that motivate a company to set up abroad, for example, reduction of production costs, transaction costs, have access to innovations that allow it to be efficient and maximize its profit. However, it should be borne in mind that in order for these advantages to be useful, companies must know how to take advantage of them. Dunning established that the territories in which a foreign company can establish itself must present variables such as demand support, availability of resources for its operations, good infrastructure and little presence of competitors. In addition, other aspects of the territory must be taken into account, such as government policies, tariff barriers, the physical location where the organization plans to establish itself, etc.
- c) **Advantages of internationalization:** Dunning made an analysis of how companies could enter the international market and gain presence in it, this was done through foreign trade operations such as exports and imports. However, when a company seeks to enter the market it has to face all the transaction costs generated by this process. Therefore, it was suggested that it was preferable for organizations to take charge of their own processes and maintain control of their activity, and this would be possible through foreign direct investment.

In other words, companies are the ones who will decide, based on the analysis of these advantages, whether it is more convenient to install their operations in other countries, to cede it to third party operators such as multinationals, or to continue producing in the country of origin, taking into account factors such as location, costs and competitiveness (Riegas, 2017).

#### **1.4.2 Upsala Theory**

This theory was born as a proposal in works of the Scandinavian school by Johanson and Wiedersheim-Paul in 1975 and Johanson and Vahlne in 1977, which analyzed the internationalization processes of companies in Sweden and explained in a gradual way the internationalization process carried out by different companies in different phases, marked by the commitment to link with foreign companies (Gómez & González, 2011).

Within the Upsala model, emphasis is placed on the control of organizational variables such as the capacity to analyze its environment and the impact in a specific period of time, so that the exports become learning in the international arena. Concluding that the most important variables at the time of internationalization are: knowledge of the international environment, perception of external markets and learning (Gómez & González, 2011).

The Upsala model can be summarized in 4 states that constitute the establishment chain, these stages will be key at the time of the internationalization of the company, these stages will imply a higher degree of involvement at the time of entering international markets. The 4 stages are (Cardozo et al., 2007):

- a) **Sporadic or non-regular export activities:** In this stage the company begins to carry out its internationalization process and is the first step to start, it begins with little information on the target markets and the process starts with exports every so often. The importance of this stage is that the company learns to obtain information on the target market in order to advance to the next stage.
- b) **Exports through independent representatives:** At this stage the company obtains the help of a third party, either a marketing agent or an independent representative, and seeks to obtain more information on international markets in order to keep track of exports and sales.
- c) **Establishment of a commercial branch in the foreign country:** This stage begins when the company is well consolidated and has sufficient information on foreign markets, the company has information on market behavior and knows how to control its sales well, the main objective is to have as much experience and information as possible on the destination of exports, thus finding a differentiating factor with its competition.
- d) **Establishment of production units in the foreign country:** At this stage the company starts the process of building a plant in the chosen market, thus obtaining total control of the production processes and direct market information (Vega & Teque, 2020).

Within this model there is an important concept known as psychological distance, which refers to the fact that entry into a foreign market could be culturally delimited by the market close to the company's country of origin, conceptualizing this distance as

factors that prevent a greater flow of market information such as culture, language, cultural traits, politics and even industrial development (Cardozo et al., 2007).

However, there are three main exceptions proposed within the model. The first is that the company in question possesses large amounts of resources, which means that it would make greater progress in the internationalization process. The second is when there are stable and uniform conditions in the foreign market, which makes it easier to acquire information about it, and the third is when there are similar factors in a market in which the company has already acquired experience (Cardozo et al., 2007).

The importance of the Uppsala model lies in the fact that the company should obtain information and experience in different markets, which will facilitate the process of insertion in different target markets and will make the company gain strength at the time of internationalization. It also argues the importance of complying with stages in which the company will be strengthened and the internationalization process will be strengthened in the same way (Cardozo et al., 2007).

#### **1.4.3 Network theory**

These theories are oriented to explain the internationalization process of SMEs based on a development of the social and organizational networks of the companies, likewise it is explained that due to these networks, SMEs can overcome certain size and technological limitations to improve their management (Castro, 2015).

A successful internationalization process will be based on the interaction of the company in its network since, by being part of one, the risk of seeking partners in new markets is reduced in addition to knowing and obtaining more opportunities in international markets (Ellis, 2000).

The network theory focuses on the fact that the company will begin the internationalization process while it relates with more actors within the international market, which are divided into 4 main groups: customers, competitors, entities and institutions. It is important to emphasize that, under this theory, the company must know and carefully select the partners it wants to work with because the correct internationalization process will be carried out if all the members of the network act effectively (Garcia, 2006).

Within this approach it is considered that the company in order to consolidate a successful internationalization process must first create a strong national network so that

when the company consolidates international networks it is easier for it to create ties and alliances with integrating entities within the network at the time of internationalization this can be considered as a key competitive ability for the company (Meriubia, 2019).

The importance of this theory lies in the fact that the company must flow as a network with interactions between various actors that will allow it to overcome even the technological barriers they face along the way. By creating a solid network of customers, suppliers, entities and institutions the company will be able to consolidate strong abroad (Meriubia, 2019).

#### **1.4.4 Global Born Theory**

This theory was born around 1983, when Michael W. Rennie first brought up this term through his research on competition between global industries. Born Global companies are considered SMEs that have not followed a slow and progressive development to be able to internationalize like most companies, but rather operate globally from the beginning of their operations (Vargas, 2017).

One of the main findings of this theory was within some Australian technology companies, which started their exports after two years of life, what they achieved was an accelerated increase in sales globally, thus proving that it was not necessary to previously establish a base within domestic markets to be able to reach the international arena (Vargas, 2017).

Within the Born Global theories, certain conditions or factors must be established for a company to fall into this category. According to Servais and Madsen (1997), companies are facing a Born Global when 3 important basic factors are present:

**a) New market conditions:** This refers to the fact that new market niches are being generated on the basis of more specific products and, therefore, there is a need to expand into new markets in order to absorb the supply generated by them.

**b) Technological developments in the areas of production, transportation or communication:** Technological developments within all areas of the supply chain make it more feasible for companies to easily access information from new markets, as well as, shorten distances with the customer and achieve worldwide advertising presence through social networks.

**c) Entrepreneurial capabilities:** This refers to the degree of innovation that companies bring to their product or service and the degree of adaptation to the target market, which generates greater possibilities for the company to sell its product abroad. Another important factor is the company's experience and technological capacity.

This theory is important to understand that not all companies follow a single internationalization process, but that there are different business realities. A global Born is interesting to analyze because from its beginnings it enters the international market and has an excellent position in the market either because of the characteristics of its product or its level of innovation (Escandón, 2009).

#### **1.4.5 Hofstede Model**

The Hofstede model proposed by sociologist Greet Hofstede in 2003 analyzes the cultural variables of different countries, taking as a reference the fact that every time we do business in other countries, we must keep in mind their culture. Hofstede states that we cannot behave in the same way as in our country of origin when doing business or trying to expand our company around the world. As a result, he establishes five cultural dimensions to better understand how to establish long-term business relationships with different countries around the world (Hofstede, 2003).

**a) Power Distance Index (PDI):** This refers to the extent to which the distribution of power is accepted, whether it tends to be more equitable or unequal, and to what degree it is accepted within society and organizations. It is understood then that a high index of this indicator shows that one is in a society where inequality is socially accepted, and if the PDI is lower, one is in a society where inequality is not accepted.

**b) Individualism vs. collectivism (IDV):** This dimension refers to how societies tend to group together and establish collective ties or, on the contrary, to be a more individualistic society based on self rather than community well-being, and also refers to the importance of the family within society. While in a collectivist society it extends to the more distant members of the family. The index indicates a high level of individualism index refers to the society being more autonomous while a low index of this indicator shows a society that works more in group forms.

**c) Masculinity vs. femininity:** Refers to how a society is displayed. For example, a masculine side shows a society that is more assertive and competitive; on the contrary, a

society with a more feminine trait is presented as modest, compassionate and concerned with reaching agreements.

**d) Uncertainty Aversion (UAI):** This dimension evaluates how willing the society is to take risks, the highest scores in this index are those societies that avoid taking risks, it also has to do with whether the society feels comfortable or uncomfortable with certain situations that are out of the traditional structure or different opinions.

**e) Long-term orientation vs. short-term orientation:** This dimension focuses on the importance that society gives to the long term and the planning that is done for it.

In recent years a sixth cultural dimension known as relaxation and free time has been added. Within this it is considered how free people feel within a country, it can be considered an indulgent culture when impulses are good, friends are of great relevance, in a restricted culture instead there is a feeling that life is hard and things are done out of duty. It is important to analyze this theory due to the fact that it explains how cultural differences between one country and another can affect a negotiation or the expansion of a company, recognizing the differences and preparing a business based on the reality of each country will represent a significant advance in the learning of the company when internationalizing (Duran, 2018).

### 1.5 SME Theory

An SME is known as a group of small and medium-sized enterprises that, according to their share capital, sales volume and number of workers fall within this definition, belonging to different industries such as trade, manufacturing, transportation, communications, etc.; In fact, 3 out of every 4 jobs are generated by these companies, and 7 out of every 10 in the field of services (Quezada, 2015).

All these, among other theoretical foundations will allow MSMEs to develop competitively in the international environment. According to the taxation guide for MSMEs in Ecuador, these are classified according to the number of workers and the value of sales or annual income detailed in the following table (TFC Consultores, 2020).

**Table 1:**

*MSME classification table*

Category	Number of employees	Annual sales or income
----------	---------------------	------------------------

Microenterprise	1 to 9 workers	- a 300 000 USD
Small Business	10 to 49 workers	300 001 a 1 000 000 USD
Medium Enterprise	50 to 199 workers	1 000 001 a 5 000 000

Source: Elaborated by the authors

### 1.5.1. Competitiveness of SMEs.

SMEs are often limited in terms of technological, financial and productivity resources by the large companies that lead international trade; these are some of the main factors that affect the productivity and competitiveness of SMEs at a global level. One of the main factors for an SME to be competitive at a global level will focus on it having a good degree of profitability or that this is continuously analyzed by the company, thus creating a decision-making system that ensures the permanence of the company in the local market and which will subsequently allow its insertion in the international market (Cano, et al, 2013).

Profitability also influences the process of growth and expansion of the company since, if profitability is not strong enough to overcome competitors it will not attract the necessary capital to expand the company or it can also ruin the credit possibilities for companies by not being a profitable company in the future (Cano, et al, 2013).

In order for an SME to increase its competitiveness within international markets or when it is looking to enter them, it must take into account some factors that will help it to be competitive, among them we have (Estrada et al., 2009):

- **Strategic planning:** It is important that the company designs concrete action plans establishing the resource needs for the realization of these plans.
- **Innovation and technology:** The changes that generate value will give the company a plus in the market, this linked to the technology that the company adapts, will allow it to remain in the market and at the height of large competitors.
- **Quality certifications:** These will ensure that the processes are developed based on a certain standard, also gives prestige to the company to know that incurs high quality standards.

### **1.5.2. The reality of SMEs in Ecuador**

SMEs in Ecuador come in many forms, either as partnerships or conceived by a single owner, where they are free to develop in any area, whether industrial, service, or commercial. Therefore, it is necessary to mention that 95% of the productive units are small and medium-sized companies. They play a very important role in the economy and are considered the most productive sector. In addition to the fact that they are sources that generate employment since they cover 70% of the population (Ron & Sacoto, 2017),

Despite their importance to Ecuador and its economy, SMEs face numerous obstacles to growth and development, such as financial constraints that prevent them from improving production, a scarcity of resources, and the fact that many cannot access credit. Additionally, the lack of technology and innovation is a recurring problem in most companies that work manually; likewise, most owners consider that having a laptop and using social networks is enough (Ron & Sacoto, 2017).

Therefore, in recent times SMEs in Ecuador have not presented changes in the way they are managed, nor has there been an increase in their productivity, to this must be added that there are also no improvements in the scope of the market they can access, which leads the vast majority to focus on the national or local; only 6% and 7% of these at the national level have achieved internationalization. This is due to the fact that most of the companies in the country do not consider market research important before launching their products to the market, eventually resulting in economic losses and failing quickly (Ron & Sacoto, 2017).

Lack of financing is also a recurring problem for small and medium-sized enterprises in the country, since a high percentage of them are engaged in manufacturing and trade, which makes it essential to have leverage so that they can grow and develop. In the case of credits, they have very high interest rates, which make them difficult to afford, and the procedures to follow are delayed and complicated (Rodríguez & Avilés, 2020).

Taking into consideration the real situation of SMEs is of utmost importance, since when most companies seek internationalization, they do not take into account its disadvantages, the process involved, the great competitiveness in the market, certifications and necessary regulations, among other factors; many times they manage to



make one or two exports and with the present difficulties they do not carry out this process again, adding the financial losses. For this reason, it is important that the company seeking to enter international markets is well informed about all the necessary requirements and has a strategic plan so that it can be competitive and sustainable over time (Rodríguez & Avilés, 2020).

## **1.6 Resources and capabilities study**

The study of the company's resources and capabilities focuses on making the company more competitive at the national and international level. This approach also analyzes the firm's performance and behavior for decision making and thus acquire a competitive advantage (Estrada et al., 2009).

### **1.6.1 Resources and capabilities theory.**

This theory bases the success of the company on the resources that the company controls and on its capacity to generate income and remain competitive. It is important to clarify that this theory is still under development because many authors specialized in the firm have provided different points of view to understand this theory. For example, Wernerfelt, in 1984 oriented the study of this theory more towards the firm's resources, while Teece, Pisano and Shuen, in 1997 focus it more towards capabilities and finally Grant in 1996 alludes to the importance of knowledge in the firm (Reynoso et al., 2017).

The theory of resources and capabilities considers the company as a repository of knowledge and resources that allow it to remain competitive, within this theory it is understood that the differences of companies that are in the same environment and subject to the same competition are subject to the management of their resources and capabilities. It focuses more on the internal part of the company than on the external part since the effective management of its resources will be relevant to stand out from the competition (Hernández et al., 2015).

Three main approaches can be considered in the theory of resources and capabilities (Huerta, et al., 2004):

**(a) Heterogeneity and imperfect mobility approach:** heterogeneity is related to the differences in resources and capabilities possessed by different firms in a given period of time and imperfect mobility argues that these resources are not available to all firms on equal terms. This explains the difference in the rents of firms even if they belong to the same industry.

**b) Importance of resources and capabilities:** This point is related to the identity of the company and its internal potentialities in the face of difficult or uncertain environments, so that focusing not so much on the externality but on the internal management of the company is important to generate an advantage over the competition.

**c) Competitive advantage:** This refers to the fact that the company's competitive advantage will be limited by external factors as well as internal factors.

It is important to review the theory of resources and capabilities as it allows us to know that the company should have a good internal management to be able to generate a competitive advantage, likewise, if the internal tools and knowledge in processes are strengthened, and it has a good team of human talent the company can stand out from the competition (Hernández et al., 2015).

## **1.7 Innovation and business development**

### **1.7.1 Business innovation**

Nowadays, companies always seek to be in constant change or evolution, since with the existing level of competitiveness in the market, always staying with the same productive capacity, with the same strategies and characteristics in products or services is to lose its positioning within it and consumers look for other companies that can meet their new needs (Higuita, 2016).

Therefore, organizations will always seek innovation, which means that they will always need to explore new proposals, concepts or ideas to implement in their products, services and processes, with the intention of improving their productivity and competitiveness in the market. However, in order to address the issue of innovation it is necessary to deal with Joseph Schumpeter's innovation paradigm (Higuita, 2016).

#### **1.7.1.1 Joseph Schumpeter's innovation paradigm**

This approach was developed by Joseph A. Schumpeter in 1935, who was an Austrian economist and sociologist, considered one of the most important in the 20th century. Schumpeter states that capitalism is the best system to achieve economic progress, however, this always involves a process of evolution, since there is an economic mutation known as innovation. Therefore, the economy requires continuous innovation, such as new labor force and land, new technology, machinery and new products (Oyala, 2008).

It is also mentioned that it is the producer who initiates this economic change, where consumers are educated to consider it necessary to acquire new things. However, this model of innovation is quite different from today, since nowadays customers are considered as a fundamental part in order to achieve innovation (Oyala, 2008).

Schumpeter also highlights the importance of companies to create innovation, since they need to be in constant change in order not to be displaced by emerging organizations, therefore, they will always be in search of new ideas and combinations for their development. Based on the above, the role of the innovative entrepreneur is proposed, where it is no longer considered only a profession or the capitalist owner of the money, but this must be an individual capable of generating new postulates and combinations that help his organization, in addition, a fundamental characteristic that he must possess is leadership and responsibility (Oyala, 2008).

### **1.7.2 Business development**

Business development is important for any organization, since it refers to the progress that it can obtain over time, through the implementation of strategies and innovation in order to improve the conditions of the company. For this it is essential to have the vision of the company as a whole, where all parts are involved, for example, taking into account the human resources of the company favors the productivity of this (Mejías, 2019).

It is worth mentioning that within the business development a substantial part is leadership, since only a leader can empathize with the work team and the objectives of the organization to boost production, since if there is a good understanding between the parties it will result in greater development opportunities for the company. On the other hand, innovation is also important, since it means that the company has the ability to adapt to new challenges and needs presented by the market and thus gain a competitive advantage (Mejías, 2019).

#### **1.7.2.1 Entrepreneurial development of MSMEs in Ecuador**

As previously mentioned, micro, small and medium-sized enterprises are an important part of the country's economy due to their influence on job creation and thus generate greater economic movement; however, there are many barriers that hinder their business development, for example, lack of liquidity to cover all the corresponding expenses and operating and administrative costs, lack of government support, poor management, lack of access to new technologies, etc. For this reason very few MSMEs

manage to develop into large business groups, and the others fail to become sustainable and dissolve (Reynoso et al., 2017).

It is important to mention that innovation helps business growth and positioning, but due to the problems presented MSMEs fail to meet with the existing demand or create new products, therefore, they cannot achieve market loyalty and consequently business development. Thus, those that do not innovate will be affected until they close (Reynoso et al., 2017).

For this reason, it is important to help MSMEs improve their strategic management model, help foster entrepreneurship through state policies that help finance these new initiatives, in addition to the creation of spaces where these can function properly as in industrial parks and have a good infrastructure to support their growth. Likewise, in order for companies to be sustainable, they must form partnerships to be able to compete in a better way with the markets (Mendoza et al., 2021).

Both innovation and business development are concepts that go hand in hand, since innovation becomes a fundamental part for a company to make progress that allows it to improve its conditions and have a better positioning in the market. In the case of MSMEs in Ecuador, as economic agents of great importance, they should seek to be sustainable so that their development is not only in the local market and they can reach internationalization (Mendoza et al., 2021).

## **1.8 Conclusion.**

In conclusion, having an appropriate knowledge about the theories that encompass the internationalization process is important for the project, since this way the bases on which this case study will be formed and developed are established. Thus, starting with different approaches about the company, which provides perspectives that seek to explain the complex functioning of organizations, followed by the theories of foreign trade with its main authors that support them.

Likewise, it is necessary to have a base on the theories of the internationalization of a company, to know better how an SME can be competitive at international level and the phases that encompass the internationalization process. It is of utmost importance to emphasize what a MSME means and their importance at the local and national level, since they are a source of employment and development for the country's economic and industrial sector.

Determining the foundations and importance of this project will contribute to the implementation in the company Golosinas Dikaty, in addition to laying the groundwork for possible new companies in their internationalization process.

## Chapter 2

### Company diagnosis and benchmarking

#### 2.1 Introduction

The company Golosinas Dikaty was born as a family business which is mainly dedicated to the production of various chocolate products in an artisanal way and is considered an MSME that is growing to reach internationalization. For this reason the organization has been chosen to be part of the Internationalization Program for MSMEs in Azuay. It is worth mentioning that the company has already participated in this project since previous years, so it already has some improvement plans and knowledge about the process to be followed to export.

The objective of this chapter is to conduct a new internal analysis of the company Golosinas Dikaty by updating the export audit for the year 2021, focusing on the strategic areas, in order to subsequently make a diagnosis and determine the current situation of the company. It also seeks to identify its strengths and weaknesses on which it should work and implement an improvement plan to guide the organization to an early internationalization.

The audit models of previous projects will be used as a reference for this analysis however, new questions will be included due to COVID-19's current health crisis.

#### 2.2 Intervention of PRO ECUADOR through the Exporter's Route

PRO ECUADOR is part of the Vice-Ministry of Export and Investment Promotion, attached to the Ministry of Foreign Trade and Investment, where it is mainly responsible for implementing regulations and policies that promote investment and exports from Ecuador, thus promoting the country's products so that they can strategically enter the international market. To this end, it continuously provides entrepreneurs, producers and companies with specialized services that help to encourage the work of potential exporters (Pérez, 2018).

For this reason, the Exporter's Route project has been implemented, or also known as PRO ECUADOR Route, which consists of a process where the country's companies depending on their level of management and competence, can receive various services that help the company, enterprises or producers to reach internationalization. It is known as a route methodology so that each company that is interested depending on its

capabilities can move up a level and improve on its failures until it can reach its exporting capacity (Pérez, 2018).

To explain in greater detail, the Exporter's Route uses a methodology of semaforization of services, and this consists of being able to locate the beneficiaries in the red, yellow or green colors, depending on their capabilities and in order to move up to the next phase in the traffic light, certain criteria must be met. It is worth mentioning that the Exporter's Route also helps to highlight the dynamic evolution that a company can have; that is, an organization can change as it improves its shortcomings.

Below, we will specify what each color consists of (PRO ECUADOR, 2019):

**a) Red traffic light - entrepreneur:** this color is applied for companies that are at the entrepreneurial level, and they are provided with guidance and advice, such as, for example: initial advice and accompaniment in foreign trade, training guides, introductory skills, easy export and specialized assistance for Actors of the Popular and Solidarity Economy and Fair Trade.

**b) Yellow traffic light - export potential:** This color is applied to companies that are at the level of export potential, and they are provided with training and assistance, for example: export potential test, advice for strengthening and adapting the exportable supply, specific training, projects and specialized information for product-market adaptation, and national business events. It is worth mentioning that sporadic exporters may also have access to these advisory services.

**c) Trade promotion - exporter:** This color applies to exporting companies and provides them with trade promotion, for example: specialized advisory services, development of business contacts, inter-institutional coordination and trade promotion events. It is worth mentioning that regular exporters can access the assistance provided by PRO ECUADOR in this phase.

Implementing the methodology of the Exporter's Route is important for the project, since it is necessary to determine which of the above-mentioned phases the company Golosinas Dikaty is in. While it is true that studies of the company have already been carried out in previous projects. However, it is necessary to update the information on the situation of the organization, in order to subsequently make a strategic plan that will help it to reach internationalization (Pérez, 2018).

### **2.3 Theoretical foundations of Export Audit**

An export audit is very important when a company wants to put its product on the international market. This audit will allow the company to know the risk it may present at the time of exporting. This audit is carried out in the different areas of the company: production area, financial area, administrative area and marketing and sales area, this at the internal level of the company (Briggs & Rengifo, 2020).

The export audit studies three main dimensions (Chávez, 2014):

**a) Audit of the company:** Within this, the company as a whole is studied and the human talent is taken into account in addition to the resources and technology possessed by the company that generates a competitive advantage.

**b) Market audit:** This dimension analyzes the target markets and their characteristics, market size, target groups, etc. This analysis also takes into account the issue of product and price with respect to the target market.

**c) Audit of the external environment:** This dimension analyzes the sector to which the company belongs and its conditions, in addition to performing the same analysis for the target market.

An export audit of the company is necessary to know its strengths and weaknesses with respect to the target market, and it also allows us to know whether or not the company is ready to start the export process. It is important to emphasize that the audit presents several axes of focus so that the company has a clear picture of what it needs to adjust or maintain to start the export process (Briggs & Rengifo, 2020).

### **2.4. Export audit of the company Golosinas Dikaty**

As part of the internationalization program for MSMEs in Azuay, it was necessary to carry out a prior diagnosis of the company Golosinas Dikaty to determine whether the organization has export potential. This analysis focused on the four main areas: administrative, production, financial and sales, in order to achieve more specific results. The process was carried out through an interview with Mr. Pablo Pauta, who is the owner and manager of the organization; therefore, the answers obtained are based on the interviewee's criteria.

The evaluation system is based on scores of 0, 3 or 5. A value of 0 represents that the criteria are not met, a value of 3 represents that they are partially met, and a score of



5 represents that they are fully met. It is worth mentioning that diagnostics have already been performed to the company in previous years, 2017 and 2019; however, it is necessary to obtain new information on the current situation of the company in order to identify if it has presented an improvement process, in addition to considering new variables due to the global pandemic of COVID-19.

#### 2.4.1 Field work: information gathering - Export Audit

**Table 2:**

*Export Audit – Administrative*

<b>ADMINISTRATIVE</b>	<b>VALUATION 2019</b>	<b>VALUATION 2021</b>
1. Type of company	5	5
2. Strategic business planning with mission, vision and values	3	5
3. Fulfillment of objectives	5	5
4. Export within strategic planning	3	5
5. Consideration of local and international market needs.	5	5
6. Differentiation from the competition	5	3
7. Efficiency of the organizational chart	5	3
8. Procedure manuals in force	5	5
9. Function manual in force	5	5
10. Level of management training	5	5
11. Experience in the management industry	5	5

12. Level of education required at management level	5	5
13. Data and production management system	5	5
14. Application of continuous improvement processes in all areas.	5	5
15. Personnel trained in foreign trade	0	0
16. English-speaking personnel	3	3
17. Information on potential foreign markets	3	5
18. Purchasing process (suppliers)	5	5
19. Associations or guilds	0	0
20. Promotion of exports in the guild	0	0
21. Mechanisms used to identify potential markets.	3	3
22. Accounting management to handle procedures and information on national and export processes.	N/A	5
23. Contingency plan for occupational hazards due to the COVID-19 sanitary crisis.	N/A	5
<b>ADMINISTRATIVE TOTAL</b>	<b>80/105</b>	<b>92/115</b>
	<b>76,19%</b>	<b>80%</b>

Source: (Brigss Guillén & Rengifo Orellana, 2020).

Elaborated by: the authors

**Table 3:***Export Audit - Production Area*

<b>PRODUCTION AREA</b>	<b>VALUATION 2019</b>	<b>VALUATION 2021</b>
1. Potential of the product design to internationalize	5	5
2. Use of patents and industrial designs	5	5
3. Percentage of domestic raw material suppliers	5	5
4. Use of supplier qualification registry	5	5
5. Infrastructure capacity to increase inventories and machinery	5	5
6. Capacity of the company to increase its production volume	5	5
7. Efficient application of production flow charts.	5	5
8. Use of mechanisms for the registration of raw materials, inputs and finished products.	5	5
9. Knowledge of packaging processes for external markets	5	5
10. Negative impact caused to the surrounding environment	5	5
11. Compliance with environmental management requirements	5	5
12. Use of Clean Production endorsed systems.	5	0
13. Use of programs to reuse and reduce waste.	5	5

14. Company-owned certifications	5	5
15. Production planning	N/A	5
16. Production flexibility	N/A	5
17. Contingency plan for a possible disruption in the supply chain.	N/A	5
<b>TOTAL PRODUCTION AREA</b>	<b>70/70</b>	<b>80/85</b>
	<b>100%</b>	<b>94,12%</b>

Source: (Briggs Guillén & Rengifo Orellana, 2020).

Elaborated by: the authors

**Table 4:**

*Export Audit - Financial*

<b>FINANCIAL</b>	<b>VALUATION 2019</b>	<b>VALUATION 2021</b>
1.- Budget planning.	5	5
2. - Analysis and review of cash flow reports.	5	5
3. - Analysis and review of financial reports.	5	5
4. - Analysis and review of costs generated in production and break even point.	5	5
5. - Sources of financing for the company.	5	0
6. - Willingness to commit its resources to an export project.	5	5
7. - Type of mechanism to be used to	3	5

finance an export project.		
8. - Credit time offered to foreign customers in case of exporting.	5	3
9. - Maximum time for which the company is willing to borrow for an export project.	5	5
10. - Budget allocated for the improvement in production, both product and process.	5	5
11. - Budget allocated to the marketing and sales area.	5	0
12. - During the COVID 19 pandemic, the budget to face the closing of the matrix was financed by the company's funds.	N/A	5
<b>FINANCIAL TOTAL</b>	<b>53/55</b>	<b>48/60</b>
	<b>96,36%</b>	<b>80%</b>

Source: (Brigss Guillén & Rengifo Orellana, 2020).

Elaborated by: the authors

**Table 5:**

*Export Audit – Sales*

<b>SALES</b>	<b>VALUATION 2019</b>	<b>VALUATION 2021</b>
1.- Specific export plan.	3	0
2- Destination market analysis has been carried out.	N/A	5
3. - An approach to potential export markets has been made.	N/A	5

4. - Perceived added value of the product.	5	5
5. - Registration of the brand with the competent body.	5	5
6.- Use of slogans.	5	5
7. - Company personnel focused on marketing and sales.	3	0
8. - Personnel focused on product design and branding.	5	3
9. - Information on product demand in external markets.	5	5
10.- Company's logistics capacity.	5	5
11. - Confidence in international logistics services.	3	5
12. - Information on distribution channels in the target countries.	3	5
13.- Advertising material of the flagship product.	0	5
14.- Use of advertising media.	5	0
15.- Image of the company projected to customers.	5	5
16. - Defined policies for the application of warranties and returns.	5	5
17.- Use of web page.	5	5
18. - Information on possible product prices outside the country.	5	5
19.- Handling of INCOTERMS terms.	3	5

20. - During the COVID 19 pandemic, sales were handled online.	N/A	5
21. - During the COVID 19 pandemic, an e-commerce system for product purchases and distribution was implemented.	N/A	3
22. - During the COVID 19 pandemic, online sales managed to partially cover physical sales with respect to the previous year (2020).	N/A	5
<b>TOTAL SALES</b>	<b>70/85</b>	<b>91/110</b>
	<b>82,35%</b>	<b>82,73%</b>

Source: (Brigss Guillén & Rengifo Orellana, 2020).

Elaborated by: the authors

#### **2.4.1 Administrative Area Analysis**

The first part of the internal diagnosis of the company Golosinas Dikaty was about the administrative area of the organization, where 23 questions were asked with a total score of 115 points. Therefore, the following results are presented. Golosinas Dikaty complies satisfactorily with most of the criteria, such as organization, objectives, strategic planning, current manuals, mechanisms for data management and accounting, among others.

It should be noted that the company's management training is very good and it has 21 years of experience managing the organization. It should be noted that it complies with all the levels of training required by management, which are held twice a year. In addition, the company has been able to correctly manage the current situation of the COVID-19 health crisis by implementing a contingency plan for occupational risks, which allows them to avoid stopping production in the event of problems with the company's personnel.

In the area of foreign trade, the company has strategic planning in this area, as well as mechanisms that help them define potential markets to which to export their product. However, MSMEs have several shortcomings that may hinder the internationalization process. The company does not have personnel specifically trained in

foreign trade, which is essential for the effective execution of all international trade transactions in the organization.

Likewise, the company's English-speaking staff is limited to the manager and one representative. Although Golosinas Dikaty has previous export experience, exports have been sporadic, i.e., some exports have been made without long-term contracts and have not been sustainable.

Finally, based on the Export Audit conducted, the administrative area of Golosinas Dikaty had a score of 91/115, which represents 80%, therefore, the company has a good management in this area, but improvements are required in the foreign trade area, which is essential for the organization to reach internationalization.

#### **2.4.2 Production Area Analysis**

Regarding the internal diagnosis performed on the production area, 17 questions were asked with a total score of 85 points. Therefore, the following results are presented. Golosinas Dikaty demonstrates excellent management in the production area, since it satisfactorily meets most of the criteria. The company has good product designs, an important part for internationalization, and has a large production capacity, both in infrastructure and machinery, which allows it to supply the local market and, in the case of internationalization, to meet the demand of the foreign market.

The company's production capacity is not fully operational; however, it can produce up to 1,500 kg, which represents more than one ton of chocolate. The company has INEN management certification and Good Manufacturing Practices (GMP) certification, which enables it to demonstrate the high quality standards of its products. One of the company's great advantages is that it has good production planning, which allows for flexibility in production. In other words, if necessary, they can easily and quickly change from one product to another in the production process.

In addition, a contingency plan has been implemented in case of possible problems that could affect the supply chain, taking into consideration the current health crisis.

Suppliers are also very important to the production process, which is why Golosinas Dikaty has only domestic suppliers, under which it manages a qualification record to measure their performance, thus ensuring that it maintains the best quality in its products.



It is important to mention that the company complies with environmental management, reuse, and waste reduction requirements, since cocoa processing does not produce much pollution and does not cause any damage to the surrounding environment. However, the organization does not use Clean Production endorsed systems, which is very important, as this ensures that it is successfully complying with all procedures and regulations without endangering the environment.

Finally, the production area obtained a score of 80/85, which represents 94.12%, so the company demonstrates excellent management in this area, so it is considered that no significant improvements are required. However, it is important to take into account the need to comply with all environmental requirements so that the company can avoid possible sanctions and improve its competitiveness and image with consumers.

### **2.4.3 Financial Area Analysis**

Within this area, the company obtained a score of 48/60, which means that it meets 80% of the criteria evaluated in this area. One of the main pillars of strategic planning is budget planning, which is one of the most important steps in entrepreneurship, since it generates assumptions about what can happen in a limited period of time, including certain variables of the numerical representation in the company's planning (Beltrán, 2011).

In the case of Golosinas Dikaty, there is an annual budget planning for the different areas of the company. In addition, financial reports are reviewed and analyzed on a quarterly basis, as well as monthly cash flow analysis, which allows the company to know the cash inflows and outflows over a period of time, enabling them to adjust the company's expenses on a monthly and quarterly basis. It is important to note that the company does not have external sources of financing, which means that the company is not solvent on the basis of debt but with its own resources.

The company is willing to venture into export projects and, as indicated in the interview, would seek to finance this project with resources from Golosinas Dikaty. As a company whose base is a non-perishable and easily decomposable product, Golosinas Dikaty does not offer concession products; instead, purchases must be made against payment. The company is also willing to go into debt for an export project in a period of no more than 3 months.

The company has a specific budget for the different areas of the company, especially for maintenance and improvements in the production area, as well as for marketing and sales. Within the SARS VOC 2 pandemic, a budget was allocated to deal with pandemic emergencies within the company, as well as to cover the lack of personnel in case of illness. The budget to deal with the plant shutdown, as well as the toughest months of the pandemic, was funded solely with company resources.

By way of conclusion in this segment of the Export Audit the company is financially sound and has a good management of its resources, since there is a planning and budget allocation to each of the areas of the company, a remarkable aspect is that the company uses its own financial resources to solve the company and does not need debt (aspects and strategic analysis).

#### **2.4.4 Sales Area Analysis**

In the area of sales, the company obtained a score of 91/110, which indicates 82.73% of total or partial compliance with the criteria evaluated. Within this segment of the Export Audit it was identified that the company does not yet have a specific export plan; however, it does have relevant information about the destination markets to which it would like to export, as well as the demand for the product within this market. The company has also made a first approach to the potential export market, in this case France, with a first small export and participation in international chocolate fairs.

The company has registered its trademark, used its slogan, and relies on international logistics services, in addition to having the logistical capacity to package and ship the product. The company is working with Pro Ecuador to learn about demand in new potential markets. Likewise, the company has information on distribution channels in the target countries, in this case through joint ventures to enter the target market, as well as having correctly established warranty and return policies and information on the cost of the product in different countries.

As for the advertising issue is where the company has a major shortcoming, since in terms of advertising criteria the company obtained mostly 0 and 3. They do not have staff focused on the management of marketing and advertising and the product and brand design is handled by a third party. The use of advertising media in social networks is almost nonexistent; however, the use of the website has been promoted to inform new customers about the products.

One of the interesting issues within these criteria is that, since the COVID 19 pandemic, the company began to use digital media to reach the customer. The use of the website and social networks for purchases was enhanced and the company is seeking to establish an e-commerce platform for purchases and distribution of products. It is important to note that in the pandemic many of the sales of Golosinas Dikaty are leveraged on sales through social networks.

The sales area also presents itself as optimistic with the results obtained despite not having staff in the marketing area and the limited use of advertising media, the company is creating an e-commerce sales system and venturing into digital media sales from the pandemic, in addition, the company has information on target markets and works together with state entities to strengthen knowledge in these markets.

## 2.5. Comparative table Export Audit 2017 -2019 -2021

**Table 6**

*Comparison Export Audit 2017 -2019 -2021*

	Export Audit 2017	Export Audit 2019	Export Audit 2021
Administrative Area	84/105	80/105	84/105
Production Area	60/70	70/70	65.8/70
Financial Area	51/55	53/55	52.36/55
Sales Area	73/85	70/85	70.31/85
<b>TOTAL</b>	<b>265/315</b>	<b>273/315</b>	<b>272.47/315</b>

Elaborated: by the authors

### 2.5.1 Main findings and changes in Export Audit 2021 compared to previous years.

During the years in which University has been working with the company Golosinas Dikaty, several diagnoses have been made to the company to know its evolution and preparation over the years, the company has presented improvements and

has lied some factors that have made the company grow and develop. The initial diagnosis was done in 2017 as an initial part of the program Internationalization of MSMEs in the food sector within the province of Azuay, passing the first filter to work with the company in an export program. The second diagnosis was carried out in 2019 where the company began to evaluate the company internally in the four strategic areas to identify problems and provide options for internal improvements in the aspects where the company has lower scores.

The last diagnosis of the company prior to the development of an export plan was carried out in 2021. It is important to note that the company, as well as several businesses in the country have been hit by the COVID 19 pandemic and faced a plant closure in 2020, being forced to reduce expenses and personnel. With this new diagnosis we seek to know the instances of the company where it has been most affected and the changes it has applied to stay in the market and to know the relevant aspects of the company prior to facing a possible export.

#### **2.5.1.1. Administrative Area**

The most notable aspect of the initial diagnosis within the administrative area was obtaining the certificate of good manufacturing practices (GMP), which the company has already had since 2018. The company also has SOP's procedure manuals, general procedures, and maintenance instructions that it maintains.

The year 2019 presents a drop in the percentage of the administrative area since the company did not have a feasible mission and vision for the short and long term, in addition to objectives that were not in line with the mission and vision. This represented a drop of 4 points in 2019. In the same way, constant quality controls and the previous administrative organization chart were maintained, which allowed the company to continue operating efficiently to this day (Briggs & Rengifo, 2020).

The last update of the export audit found the company solid in the administrative area, one of the factors that allowed the company to withstand the ravages of the pandemic. In this period of time, the company improved infrastructure that allowed the company to continue operations without ceasing operations due to the human talent within the plant.

Within this area, an important question was added about the sanitary contingency plans and the administrative management of the company. In this way, the company has an elaborated contingency plan in cases of COVID so that neither the production nor the health of the employees of the plant is affected. Again in the last year, the company went up again in the administrative area and contemplated the suggested changes in 2019.

#### **2.5.1.2. Production Area**

The company within the production area almost fully complies with the criteria evaluated within the first diagnosis, the only drawback presented by the company in 2017 was the issue of infrastructure and machinery since the company did not have greater capacity for what was described above. These drawbacks were managed to be solved since 2019 since the company has high technology obtained a full score in said Export Audit (Garzón & Jara, 2017).

In the year 2021 Golosinas Dikaty presents itself strong in this area of the company, always with the best quality and with new technology that allows the company to change products in a short time and that the processes are faster, the low score in this area is given because it was necessary to do without some staff members and several work part-time, also because of the pandemic the company significantly reduced the production in the plant and the KG of production however presenting better results than the year 2017 without pandemic.

#### **2.5.1.3. Financial Area**

The financial area has been quite solid in the three years that the Export Audit has been carried out since the company in this area has not changed its way of carrying out income and expense controls. The company has an annual budget planning since the Export Audit 2017 in which budgets are designated for the different areas and maintenance of the company, also in all these years quarterly and semiannual follow-ups are still made to cash flows contrasting them with the annual planning and the cash flow is controlled daily. In addition, the company has been solvent all these years with its own capital, which is excellent for the company's economy. The company wants and is willing to enter into an export program and is open to accessing financial loans for this purpose.

Within Golosinas Dikaty there is no significant variation in results over the years, however, a persistent fact is that the company does not have a marketing and sales area

and this has been handled by external companies only in charge of advertising and management of social networks. This is a disadvantage because having an area in this area could diversify the market and prepare the company to plan the international marketing mix in the case of an export.

#### **2.5.1.4. Sales Area**

The sales area is where there is a significant drop within the 4 main areas of the company. The reasons for this drop is that in the three Export Audits the same shortcomings continue to be identified. The company since 2017 does not have a specific export plan for an international market, however, surveys of possible target markets are made. As mentioned above, the company does not have its own marketing and sales personnel, but rather third parties. The company's advertising material is based on social networks, this is important because in the 2017 Export Audit there was no advertising in networks, this changed for subsequent years.

Sales within the company were represented by the different points of sale that the company had in the city, however, as a result of the pandemic some islands were closed and 3 physical stores are maintained in different strategic locations in the city: Gran Colombia, Remigio Crespo and Simon Bolivar. Also, as a result of 2020, the company began to implement sales through social networks and orders through the web, the company seeks to implement a payment button on its website in order to consolidate an e-commerce platform for the marketing of products.

One of the main suggestions within the Export Audit 2019 was to conduct market research to better segment customers and attract different market niches. At the moment the company has not segmented the market into niches nor has a market study been conducted, however, the stores that strategically represent more sales for the company have been retained. It is important to note that the company in 2020 managed to maintain itself through online sales and the technification of the production plant in previous years, which allowed the company not to go into debt to cover expenses and to be able to produce without the need to have the entire staff (Briggs & Rengifo, 2020).

## **2.6 Case Study- PACARI**

As previously mentioned, entrepreneurship in Ecuador represents a great challenge, since there are a large number of them that do not manage to be sustainable in the long term. To establish a business idea it is necessary to take into account as a fundamental point a well-defined value proposition in order to reach consumers. This is

the case of the Pacari Company, one of the best known business success models in the country, since it was able to create a differentiation from the competition with its products and this quickly led it to internationalization, and later to be recognized as one of the best premium chocolates in foreign markets.

Pacari was born as a venture between Carla Barbotó and Santiago Peralta in 2002. However, over time the organization grew until in 2008 it began to export its products and is currently present in more than 40 countries such as France, Italy, Russia, South Africa, United States, Japan, Colombia, Peru, among others. The products are also distributed on Emirates Airlines flight routes. It is worth mentioning that in Ecuador it is present in all supermarkets, delicatessens and self-service stores (Pacari, 2022).

The success of Pacari's business model today is known and studied by one of the best universities in the world, Harvard, but the question is what really led this company to its great international recognition. Clearly it was the creation of its product and the added value it possesses, however, it is also due to the inclusion of good management of all the systems that make up the organization (Pacari, 2022).

As a first point, Pacari's success is due to the fact that its business model is based on giving a value proposition to its product, where it innovates and develops new flavors and combinations such as uvilla, chili bell pepper, salt, lemon verbena, mortiño, etc., which provide new experiences when consuming chocolate. In addition, these are representative ingredients of Ecuador and have captured the attention of the international market (Pacari, 2022).

On the other hand, the company has also had a strong focus on improving its competitiveness in the market by implementing new cultivation processes that are organic, sustainable, environmentally friendly, with technological support and training to farmers in charge of providing the raw material; thus improving the quality of the cocoa and therefore the taste of the finished product. Likewise, Pacari has always sought to establish a good relationship with its suppliers and collaborators (San Andrés and Sayenka, 2018).

Due to these practices the organization has had multiple recognitions and certifications both nationally and internationally; for example: the USDA Organic certification and the Organic Regulation 2092/91 of the European Union, recognition as a B Corp Best for the World company, in addition to Santiago Peralta being recognized

as the World's Best Chocolatier in 2013, due to his excellent management and leadership. Similarly, Carla Barbotó was recognized in 2014 as Woman of the Year by Hogar Magazine (Pacari, 2022).

A very important part that influences Pacari's success is its marketing strategy, which is closely linked to the philosophy and values of the business. The company seeks to be a brand recognized for being socially responsible and responsible with nature, through organic and fair-trade practices. Additionally, the use of digital platforms is very important, since in this way the company has been able to keep customers informed about news, promotions and launches (Calvopiña, 2020).

In the case of the health crisis, COVID-19 interrupted several programs such as fairs and chocolate tastings; however, now they are carried out virtually, where the consumer receives a "chocolate tasting" kit at home and a meeting is held via zoom to be able to interact directly. Finally, an important part of their strategy is to be a brand with purpose, that is, to demonstrate to their customers that the product they are going to acquire is made with organic ingredients and with certified processes; for this reason they created their business model known as Del árbol a la barra, where the quality of the products is demonstrated at a fair price (Calvopiña, 2020).

By analyzing this story, it can be seen that despite the unfavorable conditions for entrepreneurship in Ecuador, an organization can grow and be recognized internationally. One must know how to innovate with a simple idea, give it a unique value proposition that helps differentiate the product from the competition as was the case of Pacari, which with the use of raw materials from our country creates delicious and quality products. Similarly, it should be taken into consideration that good management in all areas of the company, both administrative, productive, financial and sales, can lead it to be a great competitor at the international level (Calvopiña, 2020).

## **2.7 Conclusion.**

To summarize, the company Golosinas Dikaty is in optimal productive conditions to expand the production process of the product to be exported (chocolate bars of 75% and 90%), and the company is willing to venture into the export process and to acquire extra capital to begin with, all of which is indicated by the evaluation made to it through



the export audits in 2017, 2019, and 2021, where the productive conditions of the company have changed and improved.

It is important to note that the marketing area has not been strengthened over the years, despite its importance in the process of expansion and export because it handles not only advertising issues but also market management and sales growth. It is for this reason that you must implement a marketing and sales area to better enter the target markets.

Finally, in order to consider an export process, the final contributions should be considered and the financial and production areas should be strengthened, which are in good condition to enter foreign markets. It is important to keep in mind that an export process must be sustainable over time and that, above all, it must provide the company with knowledge of new markets to expand and make its product known in different parts of the world.

## **Chapter 3**

### **Intelligence study of potential markets.**

#### **3.1 Introduction.**

For a successful export process an analysis of the company in all its areas must be done. This chapter will lay the theoretical foundations of the product, processes, resources and capabilities of the company to subsequently identify them within it. With this the company would have a north of what it owns and is doing well and would identify what might be missing to consolidate the company not only to the destination market but to strengthen the domestic market.

Market research is important when a company seeks to export its product. Usually, many destinations sound attractive when looking to take the product outside the country. Nevertheless, sanitary conditions, tariffs or consumption trends sometimes are very different from those expected by the exporter. This step is extremely necessary when a company seeks to boost the output of its product to another country.

In addition, four potential markets for the company's product will be examined in this chapter. These markets have been selected based on conversations with representatives of the company and bibliographical research on chocolate-consuming countries. Those have been divided into learning, intermediate, and developed markets in order to identify an attractive market for the company to start developing import costs and adaptation plans for those markets.

#### **3.2 Product analysis, processes, resources and capabilities.**

Within the company there are several important factors to consider when venturing into exports. The approach of products, processes, resources and capabilities, indicate where the company is located with respect to these factors and how they will help to enter international markets easily. Similarly, there are factors that the company would need to work according to the needs of the target market, most of these factors must be adapted to the market chosen for distribution outside the country (Calvopiña, 2020).

The importance of analyzing all these factors within the company lies in the competitive strategy, as long as these resources are strengthened, the company will be strong against its competitors. One example is the theory of competitive strategies of Miles and Snow (1978), a great reference to analyze these types of advantages to this day. Within this, the first premise of the adaptive cycle was highlighted. It reflects the different ways to treat problems of the competitive environment and acquire advantages over competition focusing on product-market combinations, organizational systems, administrative systems and process structure.

It is important that the company recognizes the factors in which it is strong but also the factors in which it must adapt to start an export process. With this the company will have a north not only of the adaptable factors but also of the costs that would involve adapting the product to a target market and once its detected make changes at the production level but also at the financial level to be able to cover these changes on the exportable product.

### **3.2.1. Product theory**

The product within a company is but the most important factor of it since in this lies whether our company is successful with its sale or not. According to Philip Kotler (1989). Who is considered the father of modern marketing, defines the product as any element that is offered to a market for its acquisition, attention or consumption that is able to satisfy a desire or need. It is important to consider that over the years the concept of product has been evolving, today we talk about the psychology of the product.

This refers that consumers are not buying just a product but what this can do for them, such as the sale of luxury goods, not necessarily by fulfilling a function that would be replaced by one that satisfies the same need but by acquiring it by status or satisfaction of needs according to: security, recognition, affiliation, and self-realization needs (Maslow, 1943).

The product theory according to Miguel Ángel Aguirre contemplates: tangible products, which we can recognize, see and intangible products such as services. One of the main differences is that when we buy a tangible product, we buy the desired, offered and when we buy an intangible, we buy a promise of what the product can offer based on trust (Aguirre 2003).

Within the product classification are: Consumer products (immediate, durable and specialized), industrial products (raw material, semi-finished, auxiliary materials and industrial equipment) and services. Tangible products have physical attributes which are defined as perceptible by the senses, functional design, labeling and finally psychological attributes such as brand and quality that influence the purchase intention (Aguirre 2003).

There are certain key factors at the time of product formation. The brand and logo will make it possible to differentiate the product from the competition, make it easier for the consumer to identify the product, facilitate mass dissemination and allow new products to emerge. Two important conditions that the brand must have is that this brand might be internationalized and above all registrable, that is to say that it does not resemble the competition or another product other than the one that can be associated (Calvopiña, 2020).

Another important aspect of the product is the packaging. It has to be designed to present and protect the product. However, the important thing about the packaging is that it facilitates the recognition of the product and helps the promotion of it. The labeling focuses on the part of the content of the product and its characteristics. In the case of exports the labeling must meet the requirements of the country in which the product seeks to be distributed (Aguirre 2003).

An important aspect of product theory is the product life cycle. This important concept was developed by Theodor Levitt. It is defined as the period of time in which a product produces high sales and profits. However, the cycle begins before generating mass sales and also some products are in decline for their sales. The life cycle is divided into 4 stages (Sánchez, 2015):

- a) Market development: When a product first comes to the market. It experiences a slight growth due to the novelty of this.
- b) Market growth: Characterized by market expansion and growth in product demand.
- c) Market maturity: At this stage the product has reached its highest level in the market. Demand is increasing slightly as new consumers arrive.

d) Market decline: Demand falls as the product becomes unattractive to consumers, sometimes because the product is replaced by others.

It is important that the level of the product life cycle is determined by the level of innovation generated by the company and the ability to use new technologies to its advantage. It is important that the company seeks to be at the forefront so that its product does not fall into decline. Another key factor to consider is strategic planning when launching a new product or introducing it to a new market (Calvopiña, 2020).

### **3.2.2. Theory of processes**

Within a company it is always considered to generate efficient processes for the production, distribution, and marketing of products. This system will allow greater rotation of the product, facilities in the production process, less waste and better product quality. Within this branch there is the theory of process management, this seeks to generate the following objectives in the company: create an organization based on continuous improvement, know the company systemically, form work teams for the exchange of information and solutions and form an organization as a system and not as a hierarchy (Hernández et al., 2015).

The process-based management model focuses on the satisfaction of all those involved in the company: customers, suppliers, shareholders, employees and consumers. Focusing on the functions of each department of the organization, as well as the supply chain. This model focuses on the division of tasks, optimizing operating time, division of departments, among others. It would then be understood as a cycle of interrelated activities that would culminate in customer satisfaction (Hernández et al., 2015).

One of the tools to evaluate quality and management in processes is the ISO 9000 family of standards. This standard focuses on quality control management practices in all processes involving the development and distribution of a certain product. As well as focusing on the entire process of the internal systems of the company to ensure a continuous improvement of quality by companies that hold certification with this standard (Hernández et al., 2015).

The main elements that influence the process within the company are (Mallar, 2010):

a) Inputs: They are understood as the resources to transform, information to process and knowledge to be elaborated and systematized

b) Resources that transform: They act on inputs. They can be human device factors that plan and control operations and support factors that are based on technological infrastructure.

c) Real process flow: Refers to transformation in all levels of the organization and training and knowledge transfer

d) Outputs: They are of two types: Goods, tangible, storable and bearable and services, intangible. They act on the client.

The process approach presents the company in a horizontal way and responds to a complete cycle from contact with the supplier until the customer receives their product or service. There are different types of processes, those that lean towards customer satisfaction are known as business processes. Support processes are those that provide services to business processes such as machine repair. However, the purpose is customer satisfaction (Hernández et al., 2015).

### **3.2.3 Theory of resources and capabilities**

Nowadays companies seek to generate competitive advantages that allow them to adapt and be sustainable. This leads them to implement strategies with the aim of driving the success of the organization, and for this it is needed to take advantage of the goods that the company possesses. Based on this context, the theory of resources and capacities was proposed by Edith Penrose in 1959, and is based on the work *The Theory of the Growth of the Firm* (Fierro y Mercado, 2012).

This theory establishes that the existing resources in an organization is the source of growth and for this purpose strategies are proposed where there is a balance between the exploitation of existing resources and the development of new resources. This means that the resources and capabilities that a company possesses are fundamental for it to

formulate a strategy that will help it obtain a competitive advantage and organizational growth (Fierro y Mercado, 2012).

To make an organization efficient and effective you need to integrate resources which are the economic part, and capabilities such as developing management skills to generate growth and economic value. It should be mentioned that these are unique characteristics of each company and cannot be imitated by others, that is, that resources and capabilities are not available to organizations under the same conditions (Fierro and Mercado, 2012).

From this theoretical perspective resources can be classified into physical, organizational and human. Physicals refer to equipment, technology and facilities, raw materials and geographical location. Organizational resources are the strategic planning, coordination and control of systems, the relations between groups of the company and other agents. Finally, humans are the experience, knowledge, criteria, intuition of workers and managers. However, from this classification Barney in 1991 made a distinction where resources can be considered intangible and tangible (Fierro and Mercado, 2012).

Intangible resources are characterized by their immaterial nature, that is to say they have no physical essence or substance; however, they can generate benefits for the organization, therefore, it can be said that these resources are the incorporation of information, organizational capabilities, knowledge of operational processes and innovation. that these resources are generated and expanded over time within a company.

On the other hand, tangible resources are the material or physical part of the organization, that is to say they are measurable or quantifiable, however, these are subdivided into physical resources, which are the facilities, the land, real estate, machinery, tools, technology and financial resources, which refers to the collection rights and capital that the company has (Nicuesa, 2013).

For this reason, learning how to manage and make good use of tangible and intangible resources is important as they are the ones that generate value to the organization; In addition, it would be impossible to accumulate the necessary capacities to establish a competitive strategy if the access to these resources is difficult. The capabilities of a company are the skills that allow it to develop a set of tasks by using the resources that it possesses in order to achieve a certain objective. Capacities are processes

carried out by the organization where resources are used and over time evolve and generate changes (Nicuesa, 2013).

Organizations strive to build capacities that will enable them to propose strategies to improve their competitiveness while also creating value and profits. Therefore, one of the most relevant capabilities is innovation. This can be conceived as a learning process, since when introducing new knowledge and improving existing ones it generates an evolution for the company. For this reason, success for a company depends on the resources it has to achieve innovation. It is worth mentioning that this capacity involves the development of technological, scientific, commercial, financial and organizational activities. The company must work on innovating everything together (Fierro y Mercado, 2012).

Taking into account that the resources and capacities of a company are important they must be managed correctly, since they are a tool that promotes the competitiveness of the organization. Therefore, the company must know and evaluate all the resources that it possesses both tangible and intangible as their key to success. In addition, the current business environment is very complete and as long as the internal potentials of the company can be better exploited, they will help in its evolution and growth (Fierro and Mercado, 2012).

### **3.2.4. Product analysis, processes, resources and capabilities of Golosinas Dikaty**

#### **3.2.4.1. Product**

Dikaty has several products that according to past analyses are strong in the local market: truffles, grageas, tablets, cakes and ice creams have delighted the cuencano market and other places in Ecuador for more than 10 years. The following project will analyze the CHOCOLATE TABLET of 90% AND 75% gr of cocoa to consider the markets that can be reached with this product.



**Figure 1:**

Chocolate bars



Packaging of Chocolate Tablets 2022

Source: Golosinas Dikaty.

The chocolate tablet is one of the best products of the company, prepared from fine *cacao de aroma*, Dikaty ensures that its cocoa supplier provides the best quality. In this case they work with the Makita Foundation that provides the raw material (cocoa) for the production of this product.

Within the local market, the company would be considered to have a mature product as it is quite recognized in the city and even in neighboring cities since they make deliveries to restaurants and hotels in the city of Guayaquil and Machala reaching new consumers and expanding the market.

The packaging of the product carries the company's brand with striking colors. The packaging is cardboard and the inner packaging is made of metallized oriented polypropylene which covers the entire product and keeps it fresh. By stipulation of the Ecuadorian market the packaging must have the corresponding sanitary records shown in Annex 2: maximum date of consumption, the nutritional value and the amount of sugar, fat and salt.

This product is important because it is the one that the company must work for insertion in new markets. One of the main advantages is that the brand and the product are positioned locally and they have managed to retain customers over the years for their good taste and high quality in the processing and commercialization.

#### **3.2.4.2. Processes**

Within the company the most important process is the production. This process does not start from the elaboration of products but in the reception of raw materials. Dikaty has a BPM certification therefore they must verify that all its suppliers possess quality products to ensure quality from the raw material. That is why the cocoa that arrives at the production plant is subjected to an initial inspection where it is verified that it is in good condition and at a certain stage of maturity to move to the production process.

The most important process of the company is the production process, within this are handled around 6 important stages to obtain the best quality chocolate:

- a) **Roasting:** At this stage the grains are roasted to make it easier to grind, this is done at a temperature of 135° Celsius about 20 minutes approximately
- b) **Crushed:** Cocoa beans must be crushed in order to obtain a cocoa paste that will be left to stand until a solid texture is obtained and cocoa butter used in the chocolate production process is obtained
- c) **Shell:** Inside this process impurities are removed from the paste and refined and if necessary other ingredients are added to this process and the ingredients are better mixed, in the end semi-finished chocolate is obtained.
- d) **Tempering:** This is a process where the chocolate melts to obtain the texture and shine characteristic of the chocolate tablets so that it is then cooled to heat again to a lower temperature.
- e) **Molding:** In this step the chocolate tablet is shaped
- f) **Cooled:** At this stage the chocolate should be cooled very carefully at 6 degrees Celsius around maximum 5 minutes which will make the chocolate retain the quality with which the process begins.

After this process, the packaging and storage of the products, is processed as well as storage to then be transported to the Dikaty store or its final destination in other cities. It is important to emphasize that this production process is carried out with the highest technology of the production plant, which is constantly maintained so that the product comes out in less time (Briggs & Rengifo, 2020).

#### **3.2.4.3. Resources**

As previously mentioned, to synthesize the different resources Dikaty is going to be divided into tangible and intangible resources. The tangible resources within the company are the physical assets, that is, the equipment and machinery to elaborate all its products, this includes utensils and furniture, raw materials such as cocoa, other necessary inputs for production, technology, financial resources, in other words, the money that the organization has to carry out its activities, infrastructure and different points of sale (Fierro and Mercado, 2012).

As for the intangible resources of Dikaty are those non-material or physical. Those are important and give value to the organization. In this case this is considered as the human capital, that is all the personnel that are part of the company; key partners such as suppliers of raw materials, as already mentioned is the Makita Foundation responsible for delivering cacao.

It has to be taken into consideration the knowledge about the processes and recipes for the elaboration of each of the products. The image and registration of the brand in the competent entity, the experience of the owner and manager of the company Pablo Pauta, The portfolio of clients such as Hotel La Victoria, Hotel Palace de Guayaquil, Hotel Oro Verde in Machala, Jardines de San Joaquín, among others (Briggs & Rengifo, 2020).

#### **3.2.4.4. Capabilities.**

On the other hand, capabilities are closely related to resources. In this case, Dikaty has a large production capacity of up to a ton of chocolate due to modern machinery and infrastructure that help streamline the production process and meet all of its customers' demands. Whether to have sufficient stock at the point of sale or wholesale order delivery for events. Capability is important for the internationalization of SMEs, as it is necessary that they can meet the demand for their products in foreign markets on a constant basis.

Also, the management capacity of a company is important because it is key to its proper functioning. In the case of Dikaty, this capacity is developed by Pablo Pauta, who is the owner and manager of the company. He is responsible for managing all available resources, whether human, technological, financial, etc. Pablo has 21 years of experience in the management industry; therefore, he knows all the processes, both administrative and productive, and he always has to take care of and optimize all the resources of the organization, which has led to the development of the company and its sustainability over time.

Finally, the importance of innovation capacity must be stressed as it helps the company gain advantages and be more competitive. Dikaty is an organization that is always innovating on its technological skills by implementing new equipment that helps to improve time and processes in production. In addition, the organization seeks to innovate its products and flavors, for example, by using new ingredients such as uva or passion fruit, which are characteristic flavors of the country (Briggs & Rengifo, 2020).

An analysis of the company's resources and capabilities will always be required because it allows to highlight what internal characteristics help to raise the potential of the organization, and on the basis of this analysis, it will be possible to establish the strategies required to gain competitive advantages and generate value.

### **3.3 The chocolate market in Ecuador.**

Ecuador has been recognized as a leader in the production of fine *cacao de aroma* with a large share in international markets contributing 63% of world production. Ecuadorian cacao has always been immensely valued for its fragrance and flavor reaching countries such as: China, Japan, the United States and some of the European Union. However, this has not been enough, since it has not been possible to implement in the country a strong industry of semi-finished and processed products based on cocoa. These barely represent 5% of annual exports for the country (Valencia, 2019).

This Ecuadorian chocolate is exported under 17 local brands such as Pacari, República del Cacao, Hoja Verde, Kallari, Conexión Chocolate, among others. It should be mentioned that the varieties most used for the elaboration of chocolate products are the *cacao fino de aroma* and the CCN-51. However, one of the biggest problems that have been presented for small entrepreneurs looking to export are the demands of

customers, since to enter certain niches you need quality products, to be sustainable and to have various certifications such as Fair Trade, Kosher Certification, Organic Certification, among others (Valencia, 2019).

Added to this are the difficulties presented due to the COVID-19 pandemic, since it was not possible to hold international events where products could be promoted, which is the key to finding customers and opening the way to new markets. In this type of fair, Ecuadorian chocolate tastings are presented as a premium and high-quality ingredient for gastronomic preparations (ESPOL, 2017).

### **3.4. Marketing and sales strategy**

In order to have a direction for the company in international markets, it has been proposed within the project to analyze the possible international markets where the company can access when it gets ready to export. In addition, an adaptation of the product to the target market is considered through the international marketing mix tool (Valencia, 2019).

#### **3.4.1 Analysis and study of international markets**

In this part of the analysis an investigation will be conducted based on the imports of chocolate from the chosen countries in the period 2019-2020, an analysis of political, economic, social conditions, technology, ecological and legal analysis of countries better known as PESTEL.

##### **3.4.1.1. Learning market**

When an SME seeks to internationalize it is necessary that its first exports go to a learning market where it has a better ease of entry for its products. In addition, it is recommended that the initial country be close to the country of origin since the logistics costs would be lower and in this way the company can gain experience to export to other more complex and distant countries in the future (Trade Map, 2020).

##### **3.4.1.3.1. Chile**

Usually when an SME is looking to make its first export it considers that the only potential markets are the most recognized large countries such as China, the United States, Canada and the European Union. However, there are other countries that are often

overlooked and these can be profitable for these companies that do not yet have an established market position (Trade Map, 2020).

For this reason, Chile has been considered a good option as a learning market for the Golosinas Dikaty since this country has good trends in the consumption of chocolate and ranks third in the list of markets that import this product from Ecuador. In 2020, Chile recorded an import of 130 thousand USD under subheading 180632: Chocolate and other food preparations containing cocoa, in blocks, tablets or bars, weighing  $\leq 2$  kg, unfilled; which represents 11% of Ecuador's exports (Trade Map, 2020).

Therefore, it is necessary to examine which factors influence the behavior of this market since it would help the company to determine if the product that the MIPYME Golosinas Dikaty seeks to export is suitable for the Chilean sector and subsequently to be able to make a better strategic planning. To this end an analysis will be made of their political, economic, cultural, technological, ecological and legal environment.

#### a. Political Conditions.

Chile's political environment is in a process of change, due to the departure of the former president Sebastián Piñera who took office in 2018. The current elected president is Gabriel Boric, who took office on March 11, 2022, assuming the role of head of state as head of government. In this way, he became the youngest elected candidate in Chile at the age of 36 and his election marked the largest number of votes in the country's history (Santander, 2022).

Nowadays, Chile has experienced various crises: political, economic, social and health, due to the problems with the COVID -19 pandemic in which many hospitals were saturated and with high numbers of infections and deaths. However, tensions have been dragging on since 2019 when there was a massive protest throughout the country, demanding equity, education, access to health and a new constitution (Dannemann, 2021).

Most citizens felt that a complete change of the economic and political system was needed because of corruption and abuse of power. For this reason, the government was strongly questioned by cases of excessive violence and police repression during the protests which left 30 dead and more than 300 injured. The National Human Rights

Institute has filed more than 3350 complaints regarding human rights violations in the country (Dannemann, 2021).

In May 2021, Chilean citizens attended to vote to elect the 155 members of the convention that would be destined to draft the new constitution. The results of the referendum were not expected for the right-wing coalition and the Piñera government, as they needed at least a third of the votes and only reached 24% of participation in the assembly. This is insufficient to veto certain articles. On the other hand, independent candidates won 42% of the seats (Santander, 2022).

As for Chile's trade policies, it has been one of the countries in Latin America that has promoted trade agreements and the insertion into international forums the most. It is important to mention that Ecuador has an Economic Complementarity Agreement with Chile. (Astudillo, 2012).

Finally, it is important to note that within the Freedom of the World indicator for the year 2022 Chile has a score of 94/100 since the country is considered a stable democracy, which has made progress in terms of civil liberties and political rights. However, corruption and riots remain a major problem (Freedom House, 2022).

#### b. Economic Conditions.

According to Santander (2022), Chile is considered a model within Latin America because it has been one of the economies with a great growth in the last decade significantly reducing its poverty rates. However, the health crisis of COVID-19 may represent a setback for the economy of this country.

In 2021, the country registered a GDP of 331.25 billion USD with an estimated growth of 11%; and by 2022 the country is expected to present a growth of 2.5%. On the other hand, the general government balance closed with a deficit of -10.7% of GDP due to the effects of the pandemic. Similarly, inflation reached 4.2% in the same year and it is expected to be 4.4% by 2022, and decrease to 3.1% by 2023 (Santander, 2022).

By 2021 a fiscal stimulus package was launched which would help to reduce the effects of the health crisis, help to speed up the vaccination process, improve the budget for the health system and protect companies as much as possible. This would help Chile to recover gradually (Santander, 2022).

In addition, this country seeks to diversify its economy as it is fragile and volatile in the face of copper prices. However, so far it is expected that in the long-term prices will remain strong and may contribute to public revenues. Additionally, the government to reactivate its economy seeks to strengthen trade cooperation with existing trading partners and seek new ones, mainly in Asia (Santander, 2022).

Another factor that is important to mention within the Chilean economy is the unemployment rate, which by 2021 registered 9.1%. However, the numbers began to improve with increased mobility of people and increased vaccination rates. It is expected that by 2022 it will continue to decrease and reach 7.4% and by 2023 6.8% (Santander, 2022).

Chile is ranked #20 in the world ranking of economic freedom, with a score of 74.4 for the year 2022, therefore it ranks second among the 35 countries of the Americas (Heritage Foundation, 2022).

### c. Social Conditions

Chile is a country that has made great progress in the last decade improving the quality of life for its citizens. The official and business language is Spanish and English is the second. However, there are other languages spoken that are indigenous dialects such as Aymara, Rapanui, Mapudungun and Quechua. Regarding ethnic origins 90% of the population claims to have European and mixed origins (Santander, 2022).

On the other hand, there are the Mapuches who represent 9%, and other indigenous groups such as the Aymaras, Atacameños, Quechuas, Rapanui, Kawesqar, Yaganes and Diaguitas representing the remaining 1% of the population. By 2021, Chile had a total population of 19,116,209, of whom 5.1 per cent were women and 48.9 percent were men. The GDP per capita was 16,799 USD for the year 2021, and was recognized as one of the highest in the region (Santander, 2022).

Regarding employment, it is known that 56 per cent of people between 15 and 64 years of age are gainfully employed, 67 percent of whom are men and 47 per cent women. Regarding education 67% of people between the ages of 25 and 64 have completed upper secondary education. It is known that Chile has made many advances in this regard and



is positioned as a leader among Latin American countries demonstrating quality in the education system (OECD, 2022).

In the area of health life expectancy in Chile is 81 years for the population in general but in women it is 83 years and in men it is 78 years. Thus, the average rate given by Chilean citizens on their general satisfaction with the quality of life in this country is 6.2/10 (OECD, 2022).

According to the Human Development Report 2020 Chile was ranked 43 with an HDI value of 0.851, which means it has a very high human development. Therefore, this country has good conditions that ensure a long life, health and quality for its population (PNUB, 2021).

d. Technological conditions.

Chile has increased its scientific and technological productivity in recent years, surpassing many standards in Latin America. However, due to the impact of the COVID-19 pandemic, the Government's budget for this sector has decreased considerably. By 2021, the country invested 0.34% of its GDP in innovation and technology, now given a decrease of 9.02% compared to 2020. With the new government of Gabriel Boric it is expected to double the budget for this area in the coming years to reach an investment value of 1% of GDP (Guzmán, 2022).

Among the technological advances that Chile seeks to implement the 5G of mobile networks and electronic devices to improve connectivity in the country. This will make possible to have smart cities which are safer and more sustainable as it helps to save energy. In addition, based on the implementation of this network, the aim is to develop huge data warehouses to provide a better information service for all citizens and for the productive sectors of the country. In this way in the future Chile will be able to install DataCenters from world-renowned multinationals such as Google, Microsoft or Oracle (Guzmán, 2022).

This country has been making many advances in the field of Artificial Intelligence (AI) to promote collective well-being in addition to help to reduce the climate crisis. Another priority for Chile is to implement greater control and development in cybersecurity, since for the last few years cyber-attacks have been stronger and 73% of

the Chilean organizations have suffered these problems and presenting leaks of information (ACTI, 2020).

According to the Global Innovation Indicator (GII) for the year 2021 Chile ranks 53rd out of 132 economies worldwide. However, it ranks first among the economies of Latin America and the Caribbean (WIPO, 2021).

#### e. Environmental Conditions

Chile is a country that has presented strong environmental problems in recent years. Analyzing these is very important since the environment in which citizens live also influences their quality of life. One of the main problems is air pollution which continues to increase mainly in urban and industrial areas but the most polluting sectors are copper melting areas and power plants (Ropero, 2021).

According to data recorded by the Organization for Economy, Cooperation and Development in Chile the air quality measured in levels of PM2.5 particles is 23.4 micrograms per cubic meter which exceeds the limit of 10 micrograms per cubic meter set by the World Health Organization (OECD, 2022).

Another problem that Chile has is the poor management of solid waste since the population has not become aware of climate problems and have a life model of "use and throw" producing more and more waste. In addition, waste is not properly managed and 95% of it ends up in landfills without recycling or reuse (OECD, 2022).

On the other hand, the problems of pollution and scarcity of water resources are very serious mainly in the north-central area of the country. This is because there are many leaks in water networks and there is abuse of this important resource in livestock, agricultural and industrial activities. Additionally due to climate change rainfall has been altered due to water shortages (Ropero, 2021).

However, the Government is already seeking to take action on the matter, giving way to a new plan called "Step by Step, Chile Recovers" in which a public investment of 34 billion USD will be made to meet productive and social demands. In addition to seeking to reduce the country's water crisis. Therefore, 30% of this budget will be destined to improve the environmental conditions of the country and seek sustainable development that helps mitigate climate change (Carrere, 2021).

f. Legal conditions.

As for Chile's legal system the main source of law was the 1980 Constitution but it had been amended many times. In addition to this, the country is based on the penal code of 1874. The highest judicial instance is the Supreme Court, which has the power to declare an international treaty or decree unconstitutional or unenforceable. In the second instance there is the Court of Appeal followed by the Courts of Letters and the Special Courts for minor disputes (Santander, 2022).

The entity that regulates everything related to exports and imports in Chile is the National Customs Service, which is responsible for supervising and monitoring goods, transport, and all the arrival processes at borders, ports and airports. Similarly, customs regulations are the Organic Law of the National Customs Service, the Decree with Force of Law 30/2004, and the Decree 514 of the Ministry of Finance (Biz Latin Hub Group, 2021).

#### **3.4.1.2. Intermediate market**

Once the company has acquired initial experience exporting to a learning market it should seek to enter markets that require a greater degree of difficulty on their entry whether due to greater measures, controls, requirements or tastes of consumers. For the case of Dikaty the United States will be analyzed as a potential intermediate category market for exporting its products (Carrere, 2021).

##### **3.4.1.2.1 United States**

The United States has always been considered by many exporters as a fundamental target market since it is the main destination of Ecuadorian cocoa either in grain or semi-processed. It occupies the fifth place in the non-oil exportable offer after shrimp, canned fish, banana, and flowers. Similarly, more and more opportunities are opening up for entrepreneurs to no longer export only raw materials but also processed products such as chocolate and its derivatives (Vásconez, 2022).

For this reason, the North American country has been seen as a possible market for Dikaty. It has been taken into account the considerations of Mr Pablo Pauta, who in an interview stated that this is a sector of his interest for future exports.

The United States is a country with high levels of demand for chocolate, and according to TRADE MAP data, the country imported \$ 437,902 worldwide of the subheading 180632: Chocolate and other food preparations containing cocoa, in blocks, tablets, or bars, weighing = 2 kg, not filled, in 2021. This means that the product will be imported into the country. However, the United States imported only \$140,000 from Ecuador under the same subheading. (Trade Map, 2021).

The US market is very dynamic, with a segment of consumers with very varied tastes and preferences who demand a large number of value-added products. In addition, the US customers demonstrate a preference for products that contain new proposals in terms of flavor, presentation, and packaging (Procomer, 2016).

As a result, it is necessary to investigate which factors influence the behavior of this market, as this will assist the company in determining whether the product that MYPYME Ditaky seeks to enter is suitable for the American sector and, as a result, make better strategic planning. To this end, an analysis of their political, economic, cultural, technological, ecological, and legal environments will be carried out (Procomer, 2016).

a. Political Conditions.

The political environment in the United States has undergone various transformations beginning with the change of different political leaders to power. On January 20, 2021, Joe Biden who belongs to the Democratic Party took over as the country's 46th president and Kamala Harris as vice president. In this way at the beginning of 2021 different crisis arose such as the demonstrations that supported Donald Trump and stormed the Capitol as an attempt by legislators not to certify the results of the presidential elections and give victory to candidate Joe Biden (Santander, 2022).

From this, the political scene focused more on the recovery of the country from the COVID-19 pandemic since it has been one of the most affected countries and with more victims. However, the Biden government and the Democratic Party in their first year of office have lost popularity which can affect the November 2022 elections for the Senate and House of Representatives and then present problems to fulfill its legislative agenda (Santander, 2022).

Within the Freedom of the World indicator for 2022, the United States has a score of 83/100 since the country is considered to have a political system where there is a wide range of civil liberties such as freedom of expression and religious beliefs. However, the evident erosion of democratic institutions in recent years has led to political polarization, bias in political processes, alteration of the criminal justice system, growing disparities in wealth, among other internal problems (Freedom House, 2022)

As for the trade policy, the American country has always been one of the most important consumers and exporters in the world for this reason, its international trade relations have great influence on its trading partners. However, with the mandate of Donald Trump some changes were presented for the country. The United States is characterized by having structures open to the market (Freedom House, 2022).

However, on the period 2017-2020, new provisions were applied as practices of protectionist measures in relation to tariffs, adjustment in migration policy and renegotiations of agreements. In other words, an isolationist and unilateral trade policy had been defined. For this reason, in this period of time it was not possible for Ecuador to establish an FTA with the United States (Ortiz, 2020).

Despite the change on the administration of Donald Trump and Biden, the future of trade policy is still uncertain. The new goals of Biden are to recover the United States economy through the establishment of an international trading system that is fair and inclusive so it is intended to restore international trade relations, although certain measures will remain in force. In the case of Ecuador, it is still in the process of establishing a trade agreement with the North American country (Ortiz, 2020).

#### b. Economic conditions

The United States is known to be one of the world's largest economies, yet the COVID-19 crisis greatly affected the country. For the year 2020 there was a contraction in the GDP of -3.4%. Therefore, the country reached 20,893.75 billion dollars. However, the problems caused by the pandemic were minor compared to other advanced economies and the country quickly recovered. This by implementing the US Rescue Plan which helped GDP growth by 2021. In this way it reached values of 22,939.58 billion dollars. GDP is expected to grow by 5.2% in 2022 (Santander, 2022).

As regards public finances, many fiscal measures were implemented to contain the effects of the health crisis that took up much of the Government's budget to finance economic support to households and businesses and thus recorded a state debt of 133.3% of GDP in 2021. However, it is important to mention that the United States has financial flexibility in terms of the issuance of the US dollar which is the largest reserve currency in the world, which makes this country despite the crisis a strong economy (Santander, 2022).

On the other hand, the recession brought with it a sharp increase in general inflation in 2021 of 4.3%. Similarly, the labor market was impacted in 2020, with unemployment rising by up to 8.1%. However, by 2021, the sector recovered rapidly, and the rate fell to 5.4%, and these figures are expected to continue decreasing by 2022, with a rate of 3.5% and 3% by 2023. With respect to GDP per capita, US citizens have one of the highest figures worldwide; for 2020, it was estimated at a value of 63,358 thousand dollars, and for 2021, it had a growth of up to 69,375 thousand dollars (Santander, 2022).

The United States is ranked #25 in the world in the indicator of economic freedom with a score of 72.1 for the year 2022. It is ranked third among America's 35 countries (Heritage Foundation, 2022).

### c. Social Conditions

The United States is a country that has been recognized for achieving good results in terms of well-being and quality of life. The official language is English; however, Spanish is the second most spoken language because of the many Hispanic communities found in different parts of the country. In terms of ethnic origins, 73% of Americans are of European descent, followed by 17.6% of Latino or Hispanic roots, 12.7% of African Americans, 5.4% of Asian origin, and 1.2% of other origins (Santander, 2022).

According to the United States Census Bureau, a total population of 329 million people were registered in 2020, with 167 million being women and the other half, 162 million, being men (U.S. Census Bureau). The average life expectancy of the population in this country is around 79 years; for women, it is 81 years, compared to 76 years for men. On the other hand, employment is an important social factor; 67 percent of people

aged 15–64 are gainfully employed, of whom 72 percent are men and 62 percent are women (OECD, 2022).

With regard to education, by 2021, 8.9 percent of the population had completed secondary school, 27.9 percent had completed their high school, 14.9 percent had attended university but not obtained a degree, 10.5 percent had an associate's degree, 23% had a bachelor's degree, and 14.4 percent had obtained a professional degree, such as a master's or doctorate (U.S. Census Bureau, 2022).

According to the Human Development Report 2020 the United States is ranked 17th with an HDI value of 0.926, which means that it has a very high human development. Therefore, this country has good conditions that ensure a long life, Health and quality for its population (PNUB, 2021).

#### d. Technological Conditions.

The United States has always been recognized worldwide for its advances in technology and science ranking 9th among the countries that allocate more resources for research and development with a value of 2.8% of GDP. For this reason, one of the main technological development approaches for this country has been Artificial Intelligence and has the largest number of centers and institutions of science and research, which represents 41% of AI companies in the world (Martínez ,2021).

However, it is important to mention that most of the research being done is to seek further development of military technology, producing increasingly powerful weapons (Aldama, 2019). The United States is also a leader in providing commercial, information and financial services with a 31% share globally. It is also a major producer of high-tech manufactures, including aerospace production, computer, semiconductor and pharmaceutical products (National Board of Sciences, 2018).

According to the Global Innovation Indicator (GII) for 2021 the United States ranks third among the 132 economies in the world. It ranked third in terms of innovation inputs (inputs), and fourth in terms of innovation products (outputs) (WIPO, 2021).

#### e. Ecological Conditions

Environmental quality is an important factor to analyze as it has a direct impact on the health and well-being of citizens. Generally, the majority of air pollution is found in urban areas and causes a variety of diseases. According to data recorded by the Organization for Economy, Cooperation and Development, In the United States the air quality measured at the levels of particles PM2.5 are 7.7 micrograms per cubic meter which is less than the limit of 10 micrograms per cubic meter set by the World Health Organization. On the other hand, access to water is essential, and in the case of this country 88% of the habitants are satisfied with their water quality (OECD, 2022).

In November 2020, Donald Trump withdrew the United States from the Paris Agreement against climate change. However, in January 2021, with the new mandate of Joe Biden, the country joined the agreement again. He also promised to cut greenhouse gas emissions. In addition, multiple initiatives have been proposed to make use of clean energy, such as the Build Back Better project. In which 555,000 million dollars were allotted to fight climate change. (Bermúdez, 2022).

It is worth mentioning that the United States is one of the countries with the highest greenhouse gas emissions in the world, along with China. In 2019, the United States issued 5.7 billion tons, representing 11% of total emissions (Regan, 2021).

#### f. Legal conditions

As for the legal system of the United States the main source of law is the Constitution which was established in 1787. The country is based on a system of federal courts based on customary law. It should be noted that each state has its own legal system and has a State Supreme Court. However, a direct case can be appealed to the Federal Supreme Court when they are matters related to the Constitution, treaties and laws of the United States (Santander, 2022).

In relation to the legal code for foreign trade it is called the Electronic Code of Federal Regulations, Title 15. Trade and Foreign Trade. In this specific part different aspects concerning regulations, commercial agreements, regulations for telecommunications, among other things. (Institute of Legal Information, 2022).



### **3.4.1.3. Developed Market**

For the development markets, two potential markets will be analyzed in which the company will be able to enter once it is mature and has acquired the experience of exporting in the learning and intermediate market. This will facilitate the adaptation of the product to the developed market and help the company to enter them with confidence (Santander, 2022).

#### **3.4.1.3.1 France**

The French market is one of the important focuses within this research because it is where Dikaty aims to position its brand. In conversations Mr. Pablo Pauta has expressed his desire to bring his brand to the French market since there have been several French citizens who before the pandemic made guided tours to the plant of the company and were impressed by the taste and quality of chocolate of this Cuenca entrepreneurship. It is important to note that there have been small exports to the French market to some customers who have visited the plant (Canalejo, 2010).

The desire of the company is to be able to make exports in greater quantities and to be able to position itself in that market. For this reason, this market will be analyzed as a fundamental part of this investigation. France is one of the best chocolate producers in the world and lovers of bitter chocolate. From the seventeenth century chocolate became very important in European countries, boosting its production at the beginning of industrialization (Canalejo, 2010).

France is an attractive market especially for chocolates with a high concentration of cocoa. In this country was born one of the main chocolate organizations: the *French academy of master chocolatiers and confectioners* in 1901. The relevance of this product in this country is that they are not only producers of good chocolate due to the demand for this product the country also imports to provide a wide range of options for chocolate lovers (Canalejo, 2010).

The country imported in 2020 according to TRADE MAP data \$252,030 thousand dollars in subheading 180632: Chocolate and other food preparations containing cocoa, in blocks, tablets or bars, with weight  $\leq 2$  kg, without filling, which is what we seek to export to this market. In addition, France presented a growth of 16% in imports from 2019 to 2020 (Trade Map, 2020).

This information will be expanded on the characteristics of international markets in sub-chapter 3.4.2. Recognizing that the country produces chocolate is important when looking to export to it as it would also affect the domestic production of this. However, the country also imports different types of chocolate from different parts of the world which opens a great possibility to access this market (Trade Map, 2020).

It is important to know the conditions of international markets and the analysis of these are very important in different aspects of what encompasses international trade. This is why a PESTEL analysis will be carried out next on the different analysis axes of the country.

#### a- Political Conditions

Within the political environment France is at a point of stability. The president Emmanuel Macron elected in 2017 of the party La République in Marche liberal center is quite stable in the French republic. However, could take a different fate in the elections of April 2022 where the French extreme right has opened up ground in the wake of the pandemic by COVID 19 by criticism of the plans of confinement and economic recovery of the nation proposed by Macron (Export Entreprises SA, 2021).

France is part of the European Union and also part of the eurozone which can be a facilitator of agreements with other European countries. Within the indicator of political freedom France has a score of 89/100 cataloged as free which places it as a fairly stable country politically fulfilling political rights of 38/40 and civil liberties in 51/60. This puts France as one of the most politically stable countries to do business, however, the country has been severely criticized for perceiving an anti-Muslim and anti-migrant feeling on the part of the French population. (Freedom House, 2021).

According to the portal of the French Ministry of Foreign Affairs, France applies a liberal policy in doing business with the world. It has only been dedicated to protect its essential industries such as telecommunications, agriculture and the aerospace industry. It is also a nation that is completely against dumping. France develops the impetus for SMEs and promotes access to new markets eliminating some tariff barriers for certain products, this is done jointly with the European Union as long as the Union's agricultural policy prevails (Ministère des affaires étrangères, 2019).

It is important to mention that Ecuador has a multi-party agreement with the European Union that is now entering its fifth year. This agreement allows to diversify the country's export offer and increase investment within Ecuador. Ecuador has so far surpassed non-oil exports to the European Union. In this agreement there are Ecuador's neighboring countries of Colombia and Peru that are also part of a proposal to diversify markets that benefits the union and Ecuador (Ministère des affaires étrangères, 2019).

#### b- Economic Conditions

In 2021 France experienced the highest growth of its GDP in the last 52 years with an increase of 7%. The country reached 2,483,616 million euros. This is mostly attributed to the fact that employment has grown in the country and to the increase in investments on it that far exceeds those of 2019 where GDP reached 2,437,635 million euros one of the best years for the French economy (Swiss Info, 2022).

Per capita GDP also showed a growth of 7.5% resulting in 36,520 euros. This significant increase was due to the high production of goods and demand for services in the country especially in the second quarter of 2021. Despite the confinements at the beginning of that year the French economy is strong and recovering after a high impact by COVID 19 in 2020 (Swiss Info, 2022).

Another important index to analyze are interest rates. According to the latest World Bank data it was 0.8% in 2017. The corruption index for in 2021 was 71 points out of 100 indicating that within France citizens trust the government and the perception of corruption in public businesses is low (Datos Macro, 2021).

The unemployment rate until December 2021 was 7.5% which indicates a very low rate of unemployment in the country. Finally, for 2022 France has inflation of 1% from January to February 2022 and annual inflation of 3.6%, which indicates an increase in product prices but there are also increases in wages and improvements in the French economy (Macro Data, 2021).

By the end of the first half of 2021 France was the seventh world economy just after India. However, a rebound of the European country is expected in late 2021 and early 2022 with a rebound that puts the country in a better position. It is important to note that

France is part of the G20 and the G7 which indicates that it is one of the largest and most stable economies in the world (Ekos Negocios, 2021).

#### c- Social Conditions.

The French scored 6.5 out of 10 on their satisfaction with the standard of living in their country according to the Organization for Economic Cooperation and Development in 2021. An important index to note is that 78% of the French between 24 and 64 years have finished their high school (Better Life Index, 2021).

Until 2020 the French population was counted at 67,391,582 with an average age of 42 years old and a prevalence of females. Life expectancy of up to 82 years and a population growth rate of 0.23% per year (KNOEMA, 2020).

French is spoken all over the country however, it is also spoken Basque, Breton and Corsican in some localities of France mostly with a Christian population. An important aspect of French society is that in recent years they have received a wave of immigrants from Morocco, Algeria and Portugal which until 2019 were counted at 8,334,875 according to UN data They represent approximately 12% of the current population of France (Datos Macro, 2021).

The social conditions of the European country are good and the quality of life is one of the best in the ranking of the Human Development Index HDI. It's positioned 26 with an HDI of 0.901. This makes France be considered as a good country to live and to do business (EUSTAD, 2020).

#### d- Technological Conditions

It is important to recognize that France is one of the pioneers in telecommunications. In 2020 telecommunication development exceeded the European Union average with 110.51 million connections equivalent to 1.1 telephones with internet access per person. In France, 83% of the population has access to internet connection which facilitates the access to information and research (World Data, 2020).

The French government has focused its policy on protecting telecommunications, the electricity industry and the aerospace industry. This is why France has invested in artificial intelligence investing more than 1.5 billion euros in this industry until 2022. In

addition, France has become one of the pioneer countries in the design and manufacture of electric vehicles (Bejerano, 2019).

France bets on investing in technology and also on boosting innovation with these contributions from this country we can deduce that the technological conditions of the country are beneficial for the enterprises and for the development of new products and new technologies. This would help the correct management of the supply chain of goods and services of the country and of the world in the upcoming years (Bejerano, 2019).

#### e- Ecological Conditions

Within French foreign policy the guarantee of preserving the environment is always above any contract as they have shown in their public policy as in their foreign policy. The Paris agreement is very important at the time of decision-making and contract closures. France also provides support to the global environment fund (Ministère des affaires étrangères, 2019).

One of France's main environmental problems is the loss of biodiversity. Since April 2019 the country has conducted a periodic evaluation on the state of nature and the goods and services that it delivers to humanity presenting the results on the deterioration of the ecosystem. In May 2019 the Metz charter for biodiversity was signed in which the signatory countries committed themselves to increasing resources and efforts to stop the loss of biodiversity in the planet (World Conservation Congress, 2021).

#### f. - Legal Conditions.

Legally speaking there are trade agreements between France and Ecuador. The country is part of the multi-party agreement with the European Union which within a clear legal framework proposes the progressive tariff reduction of products that enter Ecuador and go to European countries. By 2022 this rebate will be applied to 1326 more products that enter from the Union to Ecuador and to certain Ecuadorian products that are exported to the Union to enter with tariff 0 (Delegation of the European Union in Ecuador, 2022).

For the legal framework of entering a company into France, there can be one of three types: The liaison office is dedicated to a commercial expansion limited to making prospecting contracts and preparatory activities before settling in the country. This form

of company is not subject to corporate taxes in the country. The second is the branch or agency within the legal framework; this type of company must have its own legal personality different from the foreign one and within the criteria of French law. It must be registered in the *Registre du Commerce et des Sociétés* and is subject to French taxes (European Union Delegation in Ecuador, 2022).

Finally, a company or subsidiary can be created, in the same way. It must have its own legal personality within the legal bases of French law and will be subject to all the obligations of taxation and control of a French company. It may be incorporated as: public limited company, limited liability company or simplified action company. French law should always be followed for the incorporation of companies of foreign origin as well as tax and labor rights (Vector Avocats, 2022).

#### **3.3.1.3.2 China**

Market research seeks to explore a market developed for the consumption of the product. One of the best examples of this market is the Chinese market. China is currently one of the largest exporters and importers of products in the world and it is no secret that it is an extremely attractive market due to the fact that it is the country with the largest population in the world. In Asia, the consumption of chocolate has skyrocketed in recent years, producing an increase in consumption of more than 27% since 2013 (Andrade, 2019).

In China chocolate confectionery products have grown by an annual average of 3.3% since 2014. Chocolate arrived in China massively in the late 1970s when the Chinese Communist Party opened up more to foreign trade, let several foreign companies in and started doing business with the world. Nestlé or Ferrero two of the world's largest chocolate companies, have entered entered China. However, it was quite difficult to position themselves in the market because most people in China had not consumed chocolate at all. In fact, chocolate first arrived in the country at the end of the seventeenth century however its consumption was minimal since only people of high economic level by then could consume it (Andrade, 2019).

One of the main problems faced by companies to sell their chocolate was the logistics for this time there was little information on how to preserve the product or how to send it to the Asian country with the cold chain. The chocolate was also marketed in retail stores

where the product was outdoors and melted. It was not until 1992 that, thanks to the more flexible entry policies, the creation of air-conditioned supermarkets and the better logistics of the shipment that the companies started to send the chocolate massively to China (Díaz Ortega, 2015).

One drawback with this type of market was that the market was not uniform having millions of potential consumers, the Chinese market was variable and the product had to be stratified according to geographical location, purchasing power and buying interest. It was necessary to take into account the complexity of the market and also adapt the product not only to the country but to the culture of the different localities and their preferences. The Chinese market is quite attractive because it is relatively new and the consumption of chocolate is expanding more and more along with the demands of the market (Díaz Ortega, 2015).

In 2020 China imported 96,162 tons of chocolate from the world under subheading 1806 registering as its main suppliers: Italy with 11,106 tons and Russia with 20,417 tons within the imports for 2020 China fell with -2% in the exports of this subheading with respect to the previous year. This mainly due to the blow of the pandemic by COVID in the country, the constant and strict confines applied in 2019 and the chocolate as a perishable product. (Trade Map, 2020).

For this reason, it is important to know the panorama of the Chinese market and how this can be beneficial for the company when exporting through a PESTEL analysis.

#### a- Political Conditions

The political conditions of the Asian country are different from those of the West and the French example analyzed above. The People's Republic of China is led by the Chinese communist party which is the only party in the country. There are small parties, but they are considered from the same branch of the communist party, characterized by a centralized state controlled by that party. Xi Jinping is the president of China since 2013 considered the most powerful Chinese leader of recent times since a reform to the law of succession that will allow Jinping to be president for the rest of his life (Export Entreprises SA, 2021).

China is ranked 177/180 in countries with freedom of the press meaning that the media are controlled by the Communist Party according to the press freedom portal of reporters without borders in 2021. This ranking mainly measures the blocking in journalism and how independent the media is in the countries (RSF, 2021).

Within the ranking of freedom, the Chinese country is ranked #9 and is classified as not completely free. This again to the intervention of the Chinese government in the information that enters and leaves the country. Two of China's main foreign policy objectives in recent years have been to become a great world power and to recover territories that were part of China in different historical epochs. Chinese politics marks three important milestones to understand the phenomenon of growth in this country (Freedom House, 2021).

First, there is the communist China of Mao Zedong where it exists by itself without intervention of Western countries. However, it is with Deng Xiaoping that China begins to open its doors to the world and become more involved in international trade and diplomacy. Finally, Xi Jinping has turned the country into the second world power and has focused on the recovery of territories near Tibet. This has allowed China to grow and become one of the main world leaders in all areas of the international system (Ballesteros, 2020).

Currently, Ecuador is waiting to sign a free trade agreement with China which will facilitate the entry and exit of goods from both countries and will seek above all the reactivation of the country's export sector. It is expected that by the end of 2022 the agreement will be signed. It is still under negotiation to protect the main industries of both countries. With the signing of this agreement, one of the largest markets for Ecuadorian products in the world will be opened for the country (Foreign Ministry of Ecuador, 2021).

#### b- Economic Conditions

China has been a rising economy in recent years, becoming the second largest economy in the world. The Chinese economy is based on two main strategic sectors, manufacturing and agriculture being the world's main supplier of cereals. It is important to follow the thread of the Chinese economy because it has managed to diversify its



strategic sectors wisely, becoming one of the main exporters of finished products to the world (Export Entreprises SA, 2021).

China's gross domestic product in 2021 showed an increase of 8.1% presenting a higher growth in the fourth quarter of that. This information is important because according to 2020 data the Asian country had grown only 2.3% compared to 2019 this caused by the confinement at the end of that year and the slow recovery by 2020. However, China has exceeded forecasts and is in the race to become the first world economy and thus overcome the unipolar economic system in which we find ourselves (World Bank, 2020).

China's per capita GDP is currently at US\$10,511, and by 2022 China is forecast to grow by 5.4% over the previous year. Inflation in the country is currently at 2% relatively stable given the number of Chinese inhabitants. The country is in the category B in country risk due to its policy and control of the Chinese Communist Party. The environment for doing business in China is quite stable and many companies seek to stabilize in the country due to the potential market thanks to its population (Coface, 2022).

Within the corruption index the country is ranked 45 by 2021 this indicates that people trust that things are being done transparently in the country. In 2018 it was ranked 17th in the innovation ranking. Currently the Chinese interest rate is 3.7% which has been declining since the end of 2021 in order to increase exports and revitalize the economy after the pandemic (Datos Macro, 2021).

It is imperative to consider the Asian country as the axis of the world economy. In the race to change the unipolar system in which we live. China has completely reinvented itself and has grown by leaps and bounds in recent years. This country is a benchmark for non-Western economies and its growth has set its sights on other non-Western economies such as the BRICS (Datos Macro, 2021).

#### c- Social Conditions.

China currently has a population of 1,402 billion. No results were found in the Better Life Index for this country. However, according to a study of happiness in countries the people of China are in a ranking of 92/150 countries with a score of 5.34/10 that is to say that the population is satisfied with the standard of living in that country. In the quality-

of-life China is ranked 67th where people within the country have a good quality of life standard just behind Japan (Quality of life index, 2022).

In the country more than 90% of the population is considered part of the Han ethnic group. The country is divided into approximately 55 minorities or Shaoshu Minzu groups. The Chinese population is not uniformly distributed; there are different demographic ranges in the different cities of the country. Most of the population is located in rural areas concentrating around 64% of the Chinese population (Quality of life index, 2022).

This has been a problem for the government since people do not want to go to the city. However, with the increase in purchasing power several families have moved to the cities to settle. About 100 million people represent the minority groups in China being the main ones: the Mongols, Kazakhs and Zhuang (Garcia, 2014).

Social conditions in China are considered from different axes for business, and although China is a highly attractive market for investors because it concentrates the largest population in the world, it is important to know what part of the population you want to reach. The distribution is not uniform within the country, and if the majority of people are outside the city, there should be an important market penetration scheme for the different demographic areas of the country and not consider it a uniform market (Garcia, 2014).

#### d- Technological Conditions.

Within the technological sphere China has become a reference in recent times. In addition to facing the West it has catapulted as a technological benchmark of quality and price. In 1978 several reforms started in the country by Deng Xiaoping from this point on not only has poverty been reduced in China but has increased the quality of life and purchasing power within the country (Muñiz, 2019).

China currently leads a focus on advanced industries especially in the area of technology. It has created the Made in China 2025 program that wants to catapult the country as a technological power in robots, vehicles, aircraft, information technologies, among others. The plan comprises three stages: technological leadership, self-sufficiency and progressive replacement of materials used in products of local origin (Muñiz, 2019).

In other words, China tends to become the world's technological benchmark, reduce the technological dependence that comes from other countries and thus guarantee technological independence and finally, all technological products manufactured in China would contain Chinese materials. This is a very important leap for the country, the ability to diversify industries and not need foreign technology will help China become the reference technology market (Valencia, 2021).

Currently, according to World Bank data (2020) 70.64% of the population has access to internet and telecommunications, 33 fixed broadband subscriptions per 100 people, 1,696 billion fixed telephone subscriptions within the country. Considering the population density of the country telecommunications have spread on a large scale and almost all inhabitants have remote or full access to connectivity.

However, we cannot talk about access to all platforms since in China certain websites are censored, Google and Facebook are some of the sites censored by the Communist Party. It also controls all that is shared or if it incites any kind of activity contrary to the regime. This modern monitoring and blocking system is called *The Great Firewall* and is the system in charge of blocking any foreign page or information medium that disseminates false or contrary information to the regime (Rubal, 2019).

It should be noted that, despite restricting most Western apps and websites, China has been able to develop its own versions of these networks, such as Wechat, Facebook's competitor, or Alibaba, the Asian version of Amazon. Although many things have been restricted from the West, the Asian country has been able to take advantage of this to generate its own eastern versions of these apps and networks, which has also placed China at the forefront of social networks (Rubal, 2019).

#### e- Ecological Conditions

In the current context, it is important for countries to be aware of climate change. China has been seriously affected by climate change; pollution has affected not only the air of the inhabitants but also their natural resources. This is why China has been adopting certain environmental policies to mitigate the environmental problems that its accelerated development has caused (Connelly, 2015).

The Chinese government has relied on non-governmental organizations henceforth NGOs to be able to address climate change. They have worked for the cleaning of rivers and preservation of endangered animals; however, they have faced several obstacles when considering the construction of projects involving damage to the environment. It has been proposed to make technical studies before the execution of a project and has worked on the construction of the ecological society (Connelly, 2015).

Currently China has a carbon tax collection system that governs from 2018. This applies taxes of around 5 to 1000 yuan for coal pollution or hazardous waste to the companies. It also tax the companies for 1,4 yuan per unit of water pollution, This is the first time that China applies this type of norms to regulate pollution, some critics have said that the price is far below what it should pay for pollution and that other pollutants are not taken into account (Comunicación, 2016).

China has been one of the most attacked countries in international environmental talks due to carbon emissions. It has also been classified as very flexible in terms of pollution policies. It is important that China sharpens these policies and implements an effective monitoring system for polluting companies. Protecting the environment must be one of the main objectives of the international community, however, it has been shown that not only China does not impose strict sanctions on pollutants but also several Western countries (Comunicación, 2016).

#### f- Legal Conditions.

Within the legal framework and current agreements between China and Ecuador. The country is seeking to sign a free trade agreement between countries that allow Ecuadorian products to go without restriction to China and in the same way that Chinese products arrive to Ecuador. However, for the moment this agreement is still in negotiations. It is expected to be a fact and thus strengthen trade relations between Ecuador and China (Comunicación, 2016).

In order to set up a company in China a much stricter set of requirements must be followed. A company with foreign capital must obtain a business license that allows it to operate in China only within a limited commercial framework. The type of companies are divided into: wholly foreign owned companies and joint ventures in this type of company are in partnership with Chinese participants or Chinese companies. Foreign equity

companies, this type of company also includes Chinese shareholders and its liability will be limited by the number of shares, group of companies and regional headquarters (Comunicación, 2016).

Setting up any such company takes much longer time than in other countries. First, the reservation of the social denomination must be made in the business register of the State Administration of Industry and Commerce, social names cannot be registered in another language. A Chinese trade name must be chosen following these rules: name of the region where the headquarters will be located, business name of the company constituted by at least two Chinese characters, business sector and organizational form (Connelly, 2015).

Subsequently the approval of the project must be given by the Chinese entity in charge. This step is not the same for all types of company. If a project is small or is within low conflict areas should be submitted an application for registration of the project and investors. If the project is in sensitive or strategic sectors in China, more information should be provided. The National Development and Reform Commission of China publishes a list of activities that must go through supervision and control. If the project is on the list also needs the approval of the Ministry of Commerce (Pinsent Masons, 2019).

Finally, the business license is issued by the state administration of industry and commerce. This means that the company has been legally built after the companies must submit the registration application to several government departments to obtain registration certificates and thus start their operations within a maximum of 30 days (Pinsent Masons, 2019).

It is important to note that a company's incorporation to China is more complicated if there are no Chinese investors or contacts in the country. The procedure can be delayed and documentation of the company's processes is needed, However, it is an important opportunity to establish a business in China due to the expansion of the market that means for the company that wants to establish itself in the largest market in the world (Pinsent Masons, 2019).

### **3.4.2 Definition of characteristics of the selected international markets.**

This section will analyze the indices and consumption trends of the selected markets, the countries from which they buy more chocolate, whether the country has chocolate production, and the reasons for buying this product in the possible markets.

#### **3.4.2.1. Learning market**

##### **3.4.2.1.1 Chile**

Chile is the country in Latin America with the highest consumption rate of chocolate. By 2020, this country imported 15,248 thousand dollars in subheading 180632: Chocolate and other food preparations containing cocoa, in blocks, tablets or bars, with weight  $\leq$  2 kg, not filled. Among the main exporting countries of this product to the Chilean market are Germany, Brazil, the United States and Switzerland. In the case of Ecuador, it is in ninth place as a supplier for Chile; therefore, the value imported for the year 2020 from the Ecuadorian market is 164 thousand dollars (Trade Map, 2021).

In Chile the average consumption rate of chocolate per person is 2.1 kg per year, and it is worth mentioning that in recent times the most consumed products in the Chilean market are tablets, assorted boxes, and chocolate bars. These have been sold mostly at festivities like Mother's Day, Valentine's Day, and Easter. So, the brands of mass consumption are Nestlé, Ambrosoli, Ferrero Rocher, Costa, Lindt and Arcor which are found in different supermarkets, wholesalers and retailers. The most recognized brands of gourmet chocolates are Varsoviene, Bozzo, Entre Lagos, Damien Mercier and La Fête (Trade Map, 2021).

However, consumer trends have presented certain changes. Customers are looking for a product that has a higher added value and is innovative. In addition, the health trend is growing and it is better if products are made with healthier ingredients, without sugar and low in fat. Because of this, bitter style chocolate is one of the varieties most consumed by Chileans due to these new trends. In addition, the aim is to make the products sustainable and environmentally friendly (Michavila & Alonso, 2020).

On the other hand, Chile is a country that is gradually opening up to be a producer of chocolate since most of this product is imported from abroad. However, there are difficulties because cocoa as the fundamental raw material cannot be cultivated in this country since it does not meet the necessary climatic conditions for its production.

Therefore, these inputs are imported from countries such as Peru and Ecuador (Michavila & Alonso, 2020).

However, there are local brands and businesses that are already positioning themselves in the local Chilean market. This is the case of Óbolo. A pioneer brand in making chocolate with characteristics "Bean to bar"- from grain to bar, winning international awards. Also, there is the Munay brand which manufactures their products with cocoa of Ecuadorian origin because they consider that this is more desired for its quality, great flavor and floral aroma. These chocolates have the healthy trend; therefore, they are sweetened with stevia and use vegetable milk to make their varieties.

Finally, the brand La Barra also uses Ecuadorian cocoa for the production of its chocolates. Additionally, it seeks to offer its consumers innovative flavors. The brand uses ingredients such as orange, Dutch goat milk, ginger which is a dressing made with chili. It should be mentioned that the chocolate production market in Chile is still small, but the industry seeks to continue growing in the upcoming years (Rivera, 2017).

### **3.4.2.2. Intermediate market**

#### **3.4.2.2.1 United States**

The United States is a country that has very good consumption levels for products made of cocoa and its derivatives. It is estimated that the consumption of chocolate in this country is 6 kg per person a year (Lagalla, 2017).

According to data from Santander Trade Markets, the US market ranks second in countries to export cocoa under subheading 180100: Cocoa beans, whole or broken, crude or roasted. In 2020 a total import value of USD 1,027 million was recorded. Moreover, the United States is also the second largest importer of chocolate under subheading 180632: chocolate and other food preparations containing cocoa, in blocks, tablets or bars, weighing  $\leq$  2 kg, not filled, with a total of 503 million USD (Santander, 2022).

According to Trade Map, the main chocolate supplier countries to the US on the subheading mentioned are Canada, followed by Mexico, Germany and Switzerland (Trade Map, 2021). The chocolate industry is growing in this country where 73.9% of Americans like to consume chocolate regardless of gender. However, the trend of consumption of these products is changing, as there is a generation change in the

population. The so-called millennials have preferences, tastes and spending habits different from previous generations such as Generation Z or baby boomers (ICEX, 2014).

There is now much more concern about the products being purchased, so American consumers are much more informed about the food industry. The nutritional information of the product packaging is taken into consideration when making the purchase. This has given way to new consumption habits of low calorie or healthy products that are not too processed since today health has become a priority (ICEX, 2014).

In 2020, the sales of organic products in the country grew 14.2%. Therefore, the chocolate industry has also been innovating through new flavors of dark, low calorie and sugar-free chocolate, as it is necessary to adapt to the new sector. The United States also has its own chocolate production industry, but to process these products they do so from cocoa beans and other imported chocolate products. The final products are distributed in different supermarkets, bakeries, or confectionery wholesalers (Robayo, 2021).

The main products for these industries are chocolates in boxes, with nuts, bar chocolate, fruit chocolate, butter, liquor and cocoa powder chocolates. Therefore, the main brands positioned in the market are The Hershey Co, Ferrero International SA and Nestlé SA. Hu and Endangered Species are brands that have achieved a good positioning due to their organic products. However, other companies also seek to innovate and expand their production with new flavors, which are healthy and reduced in sugar (Robayo, 2021).

### **3.4.2.3. Developed Market**

#### **3.4.2.3.1 France**

Within this aspect chocolate is quite desirable in the French market. According to data from Pro Colombia, France is the seventh country to consume cocoa beans. In this country at least 97% of citizens consume chocolate at least once a week. Per year French people consume about 6.8 kg of chocolate. This product is desired throughout the French territory. French children consume more than adults, among almost 80% of people aged 3 to 17 years consume about 11.9 grams a day, however, adults consume much more chocolate in tablets (Jiménez, 2016).

Dark and bitter chocolate is preferred. The French market occupies almost 30% of tablet consumption throughout the European Union preferred by the population of 40-



69 years. This is why this market will be chosen to focus on the export of the 90% cocoa tablet since, due to the phytosanitary rules of the European Union applied in more detail in subchapter 3.3.4 regulations allow the entry only of bitter chocolate (Jaramillo, 2013).

France's exports of this product represent around 7.7% of world imports of chocolate with a market concentration of 0.16%. The country imports most of its chocolate tablets from Germany, in 2020 it imported 110,146 tons from this country. Second place on imports is occupied by Belgium with 105,969 tons followed by Italy and the Netherlands. Regarding exports France exported its chocolate to the United Kingdom as the main destination with around 60,060 tons in 2020, other export destinations were Belgium and Spain in smaller quantities (Jaramillo, 2013).

France's imports from Ecuador are mainly focused on cocoa beans. The imported value of cocoa beans by the European country was 5,146 tons in 2020. In subheading 1806 of the chocolate tablets France imported just 20 tons of this product in the same year. However, France exported just 1 ton of chocolates to Ecuador in 2020. This is important because we can understand that although we do not export much to the French market, we export more than we import from France (Trade Map, 2020).

An important factor to consider is that France is a chocolate producer. Lyon located in the east side of the country is known for being the French capital of the production of this product. Here are the best French chocolatiers who use cocoa beans from all around the world, especially the South American to make artisanal chocolate. The most orders are for fills and figures. This indicates that there can be great competition in the French market, however, a product from which cocoa beans are imported to make French chocolate can be a great advantage in this market (France 24, 2021).

#### **3.4.2.3.2 China**

The Chinese market is relatively new in chocolate consumption and quite variable according to the taste of consumers. The market trend in China consists of chocolate in bars or boxes. While China is not among the largest chocolate consuming countries like European countries, it ranks in the top 10 with 0.1 kg per capita consumption. Although it is not a massive figure with respect to the population this market is taken into account for the expansion of chocolate since in the main Chinese cities the trend of consumption of this product is increasing (Ministry of Foreign Trade and Tourism of Peru, 2021).

By 2023 China is expected to increase its consumption of chocolate to 250,000 tons. One advantage of this market is that most chocolate brands in the country are foreign because of the low production based on cocoa. Also, the consumers of chocolate perceive the foreign brand as Premium. One of the biggest concerns for this market is the sugar intake, this is why the Chinese market is expected to enter it with the 75% cocoa chocolate tablet. This drastically reduces the sugar content in the bar and makes it more attractive to the market without the calories of a chocolate with sugar and milk (Ministry of Foreign Trade and Tourism Peru, 2021).

Due to awareness of health care and the benefits of bitter chocolate, the demand for this type of chocolate within the Asian countries has increased, offering an advantage for chocolate with high cocoa content. The Chinese market presents different consumer trends. Many consumers prefer to blend regional flavors like spicy ones or yogurt to reach new consumers. The preference for packaging is the one that contains a surprise inside (Ministry of Foreign Trade and Tourism Peru, 2021).

The consumption of chocolate products occurs most frequently in the cities of: Beijing, Shanghai, Tianjin and Guangzhou which are large cities with larger supermarket chains and distribution centers. It is important to note that these are the target cities to export to China as they are cities that have in some way influences of Western products or known brands outside of those known in China. These consumers are willing to try new trends and flavors. In other Chinese cities there are more conservative consumers located in rural areas of the country, so China cannot be taken as a homogeneous but diverse market (Pro Colombia, 2020).

The main factors that Chinese consumers take into account when buying a chocolate are: taste, brand and price. The most important thing at the time of purchase is that it has an attractive packaging. The forms of consumption of this product in China are as gifts or for ceremonial acts. For example, at weddings it is very common to give something sweet. It is important to bear in mind that the product is sold better in festivities. It is important to consider that the Chinese consumer highly appreciates that the packaging has the form, colors, or logos of the party that is being held and that is considered to be something exclusive (Pro Colombia, 2020).

Under subheading 1806 as mentioned above China imports its chocolate mostly from Italy and Russia followed by Belgium and Malaysia respectively. Italy accounts for almost 20% of the country's chocolate imports. In this subheading China exported 5,190 tonnes to Hong Kong and 4,048 tonnes to South Korea respectively. These being the main destination markets for Chinese chocolate exports. Ecuador sent to China 14 tons in this subheading, however, it is one of the subheadings where most revenue is appreciated since China imported 10, 071 thousand dollars compared to cocoa beans which represented a greater import by China in tons meant only a gain of 2,492 thousand dollars for the country (Trade Map, 2020).

China is a very small producer of chocolate, most of this product is imported from European nations. However, the news that has traveled the world is that China is beginning to grow its own cocoa beans. In 2021 the Asian country sent its first shipment of cocoa beans to Belgium. Cocoa is grown in Hainan Province in the only tropical forest near the equator of China. This product has been classified by several cocoa experts as of excellent quality (Trade Map, 2020).

Although China is not an exporter or producer of chocolate it is taking the first steps to start marketing this product. It is important to consider this information as it gives indications for the chocolate revolution that is happening in China. This means that consumption of this product is rising and can be a large potential market for its population if the demand for this product grows (Meyers, 2021).

### **3.4.3 Elements and entry to the international market.**

This section will analyze the regulations and permits requested by the destination country to access these markets, as well as the labeling of product and regulations for the specific subheading, Tariff preferences and certifications necessary to enter.

#### **3.4.3.1. Learning market**

##### **3.4.3.1.1 Chile**

Chile is a market that has great potential to be a destination market for the exports of chocolate products. However, to be able to import food to this country it is needed to meet a number of requirements. To enter products from the Ecuadorian market it is necessary to have sanitary quality standards for processed foods, for this ISO 13485 can

be applied, which is a specific regulation for quality management systems for organizations seeking to provide healthcare products or related services (García, 2015).

On the other hand, the export must also comply with the sanitary regulations for foods N° 977/96 prepared by the Ministry of Public Health of the Government of Chile. It establishes on Title XVIII, paragraph II and Article 396 that cocoa or cocoa beans must contain not more than 8% moisture, 12% peel, and must not contain any insects. In the case of chocolate Article 389 mentions that this product at the time of its manufacture can be combined with sugars or sweeteners, flavorings and dairy products. However, it must contain at least 20% cocoa, and up to 40% of other ingredients can be added, taking into account the total weight of the finished product (Ministry of Public Health of Chile, 2015).

Article 399 states that for substitutes of chocolates they must contain at least 4% of non-fat solids of cocoa and the maximum humidity is 3%. In the case of milk-based substitutes of chocolate it must contain at least 12% defatted milk solids. Finally for white chocolate it must contain at least 4% cocoa butter. It should be taken into consideration that for this type of products it is necessary to highlight in their packaging the phrase "sabor a chocolate" (Ministry of Public Health of Chile, 2015).

For the packaging of foodstuffs, the law states that the label must contain the name of the food indicating its true nature and in case of substitute foods indicate this condition. The net content must be expressed in international system or decimal metric system units. For both imported and domestic products the labeling has to contain: the country of origin, the date of preparation and packaging of the product, the expiry date or the duration of the product must be specified. Nutritional information should also be provided setting out the full list of all ingredients with their specific names. Storage instructions and instructions for use must be included (ACE, 2010).

For imported products it is necessary to specify the name of the importer and his address. In addition, it must have a register that includes the customs destination, health history, authorization of use and consumption of the product and the batches of these. All this information must be in Spanish and the characters must be visible and easy to read. It is forbidden to overlay or modify the information contained in the original label or

label, unless it contains the proper authorization and the imported product contains a label in another language (Ministry of Public Health of Chile, 2015).

It should also be mentioned that there is the Economic Complementarity Agreement between Chile and Ecuador (ACE 65) which was signed under the 1980 Montevideo Treaty to strengthen the Latin American Integration Association (ALADI). This agreement seeks to strengthen trade and economic relations between the two countries by diversifying trade, facilitating the cross-border movement of services and goods, and removing barriers to trade.

Article 3.4 establishes that neither party may adopt or maintain any type of tax, tariff or other charge for foreign trade applied to any merchandise (García, 2015). For this reason, the product with subheading 180632: Chocolate and other food preparations containing cocoa: Other in blocks, tablets or bars: Without refilling pays an ad valorem tax of 6%. However, a preferential tariff is payable for Ecuador, therefore, the applied rate is 0%. It is necessary to mention that this tariff treatment will be granted on the basis of a certificate of origin either electronic or written which must be issued by a competent authority by the part of the exporting country (Trade Map, 2021).

### **3.4.3.2. Intermediate market**

#### **3.4.3.2.1 United States**

The United States is a market with great potential, however, there are regulations that must be followed to be able to make imports in this country mainly of food products, in this case cocoa and its derivatives. One of the main rules governing these products is the Food and Drug Administration (FDA). All shipments arriving in this country have to go through an inspection by the FDA, therefore, all the food must be healthy, safe, and produced under the appropriate sanitary conditions. The label must contain all information in the English language. In the case of cocoa, it will be rejected if 4% of the grain product is infected or damaged with insects, contains mold, or if 6% of the cocoa is damaged by insects and contains mold (WTO, 2018).

Another regulation products must pass is the National Organic Program (NOP) which is responsible for domestic production and handling and labeling standards for products sold in the United States. Therefore, the NOP certifies that traders whether

domestic or foreign comply with organic operations and production, in accordance with what is established by the United States Department of Agriculture (WTO, 2018).

For the entry of chocolate products that are declared as organic a certificate that is issued by an accredited entity is necessary. There are also sanitary and phytosanitary restrictions to be able to make exports to the United States. It is necessary to have an organic certificate, whether for fruit, vegetables, or any food product (CATIE, s.f.). Moreover, having a certificate of origin may be necessary for the company that is looking to import the product to obtain the tariff preference negotiated in a trade agreement or agreement (GrupoEi, 2018).

The United States currently has 14 free trade agreements with 20 countries, including Bahrain, Chile, Australia, Colombia, Jordan, Republic of Korea, Israel, Morocco, Panama, Oman, Peru, Costa Rica, El Salvador, Singapore, Dominican Republic, Guatemala, Nicaragua, Mexico and Canada. Among these agreements 12 are bilateral and two are plurilateral. It should be mentioned that these agreements cover trade in services and goods, with the exception of Israel which only covers trade in goods (Naranjo & Serrano, 2021).

As for the Generalized System of Preferences it offered free access to more than 3,500 products from the eight-digit tariff line of the Harmonized Tariff which was available to 122 developing countries. For this reason, the rules of origin of this system require that the product has been sufficiently processed in the beneficiary country. Products eligible under the GSP include semi-invoiced and manufactured products, chemicals, construction materials and minerals, fishery and agricultural products. However, the products that do not have this free access are textiles and clothing, footwear, leather goods, watches and some glass items (WTO, 2018).

In the case of Ecuador, it was part of the General System of Preferences, which was approved in 2018. However, the extension expired on December 31, 2020. The country reapplied to be part of the GSP and on June 8, 2021 the United States Senate approved the renewal until 2027. This becomes fundamental for the Ecuadorian country as 880 companies export more than 380 products under this system. Likewise, Ecuador seeks to sign new trade agreements for the following years with the United States, China, Canada and South Korea (Naranjo & Serrano, 2021).

Labeling and marking requirements for products is very important, as many are constantly rejected for this problem. There are three main agencies responsible for this process: the Food Safety and Inspection Service (FSIS), the U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA). These stipulate that product packaging must have at least two different labeling areas, one part the main label and the other with an information label. In these it must contain complete information regarding the product, accurate and useful for the consumer (WTO, 2018).

The main presentation label must include the name of the product and the net content. It must be placed in the most visible area of the packaging, usually at the top or front where consumers can easily identify. The format of the label presentation shall also cover a complete side of the packaging. Secondly, the information label should be placed to the right of the main label and must include details on the manufacturer, name and address of the distributor or packaging plant, nutritional information and ingredient declaration (WTO, 2018).

In addition, barcodes must be used according to the Universal Product Code (UPC-A). Finally, the typography should be clear, easy to read and prominent in size. For the size of the letters, it is recommended to have at least 1/16 inch (1.6 mm) in height and not to exceed three times its width. However, for smaller containers, smaller typography can be used but it should be easy to read (Nonzioli, 2014).

As regards customs duties, the product falling within subheading 180632: Chocolate and other food preparations containing cocoa: Other in blocks or bars: Not filled, has a MFN tariff regime of 5% Ad Valorem and Ecuador has no tariff preference with the United States (Trade Map, 2021).

### **3.4.3.3. Developed Market**

#### **3.4.3.3.1 France.**

The French protocols, as well as the European ones are quite demanding when it comes to accepting certain goods. It must be considered that there are various sanitary measures in order to allow certain products to enter the countries of the Union and in this case, France is no exception. Among the important aspects in logistics are that goods with shipments equal to or less than 19 056 euros must present two commercial invoices and

shipments greater than this amount must present a commercial invoice issued by the bank (PRO COLOMBIA, 2019).

This invoice must contain the description of the goods in detail, quality, quantity, total value and unit price. The enter the method of sale if FOB or CIF and the transport declaration signed by the shipper or carrier. To this is added the certificate of import authorization that depends on the type of goods and certificate of origin in certain goods, In this case chocolate does not need to be entered with a certificate of origin (PRO COLOMBIA, 2019).

For subheading 18.06.32.90. Chocolate and other food preparations containing cocoa, Other, in blocks, tablets or bars, not filled, others. The export requirements for the French market are: declaration of the customs value. This declaration must be presented when the value of the goods exceeds 20,000 euros together with the Transitional Delegated Act. or transitional delegated act and with a single administrative document. The customs value declaration contains the commercial invoice with the value of the goods, and its transport costs to the first point of entry into the EU in order to calculate tariffs or apply preferences (PRO COLOMBIA, 2019).

The single administrative document SAD, is also needed. This is necessary for all goods entering the Union. This declaration is common to all member states; it must be written in one of the official languages of the block, in this case in French. This document can be presented in a system approved between customs authorities, within this information must include data of the importer, exporter, approved customs treatment, data of the goods, location, packaging, data of the means of transport, country of origin data, incoterm, invoice currency, import license, inspection certificates, transport document and customs duties, 8 copies of these documents are needed for admission (Help Desk, 2018).

Additional transport documents are required to enter the union: Bill of lading, FIATA bill of lading, CMR roadmap and AWB air waybill. the commercial invoice, the loading list containing dimensions and weight must be submitted, within this the name of the exporter, importer and transport company, freight invoice number, type of packaging, number of packages must be specified, how many are in each package, net weight and gross weight. Finally, the transport insurance document is needed (Help Desk, 2018).



As specific documents for this subheading a health certificate for food of non-animal origin is required in accordance with European Parliament regulation (EC) 852/2004 (CELEX 32004R0852) on the hygiene of foodstuffs, the document Traceability, compliance and responsibility in food and feed given by the regulation (EC) 178/2002 (CELEX 32002R0178) of the European parliament for food law (Help Desk, 2018) is needed.

The labelling of this merchandise must be done as follows: name, list of ingredients, net quantity, minimum duration of the product, storage conditions, place of origin, nutritional declaration and lot. For chocolate it should be taken into account that the minimum percentage of cocoa butter, vegetable fats should not exceed 5%. If the products have vegetable fat it should be detailed in the list of ingredients visible on the label (Help Desk, 2018).

In addition to the food safety and hygiene rules detailed in the previous declarations within the products containing cocoa the European Union dates the following restrictions: In the case of 90% chocolate which is sought to enter the Union, the following restriction is found for cadmium levels present in the Union. For chocolates with a total dry matter content of cocoa greater than 50% the permitted cadmium levels are up to 0.8 limits are also set for extraction solvent residues used in foodstuffs with a limit of 1 milligram/kilogram for the production of cocoa butter (Ministry of Foreign Trade Colombia, 2019).

To enter a market there is a very valuable tool when exporting, these are the certifications the moment that a company obtains such certifications becomes much easier to enter new markets. In the case of the Union the certifications that help the entry of cocoa products are the organic certifications that ensure that the product has not been genetically modified or uses these components, certification on UTZ sustainability, Fair Trade and Rain Forest Alliance and corporate social responsibility certifications with the ecosystem. Within this aspect it is important to note that EU policies are aimed at environmental conservation by which environmental certifications fall under this important heading (Ministry of Foreign Trade Colombia, 2019).

Ecuador is a part of the multi-party agreement with the European Union, which allows tariff relief for certain products for exports and imports from European countries.

In the case of subheading 18.06.32.90 Ecuador does not have tariff preferences. In this subheading 20% of the value added must be paid, no excise duty paid. It is important to know that these tariffs are often applied to protect the country's chocolate industry (Access to Markets, 2022).

#### **3.4.3.5 China**

China, being a country that does not produce chocolate or that sends chocolate to various countries, has relatively easier ways of entering than European countries. However, products entering China have to be of good quality. In the case of food, all must have a label in Chinese, where you must explain the writings, numbers, graphics, and illustrations of the label that accompany the packaging of the product. The names must also be detailed, and the method of use and distributor information must also be described in Chinese. The certificate of inspection of imported food must be presented at the time of the quarantine inspection. This is done by the GACC General Customs Administration. The food must include the following information in Chinese: the name of the product, a list of ingredients, the name and address of the manufacturer, the method of storage for the year of production, the date of production and expiry, the country of origin, the company's or agent's manufacturing license, and whether or not the food has been genetically modified (Trade Map, 2020).

The health requirements for this product are: health certificate of the producer country, list of ingredients, official quarantine certificate, customs inspection report, certificate of origin and sales, a copy of the packaging label in original language and three copies in Chinese and English, packing list, commercial contract and invoice. It is important to have all these documents up to date and translated correctly to not have problems when entering the country (Ministry of Foreign Trade and Tourism Peru, 2021).

Labeling requirements for such products are regulated by GB 7718-2011 for pre-packaged food. The product must comply with food safety standards and state standards in the country of destination. It should be easily legible and identifiable, be easily understood by the public, and must not be presented in a false or exaggerated manner to consumers, not described as another product or likely to cause confusion, not marked as curing or preventing disease. Chinese characters must be used. The language of minority ethnic groups may be used in addition but the letter must not exceed the size of the written part in Chinese (Ministerio de Comercio Exterior y Turismo Perú, 2021).

Standard labelling rules are required: product name, ingredient list, net weight, producer information, date of manufacture and expiry, storage conditions, food production license number, include warnings on ingredients that cause allergy (Pro Colombia, 2020).

The tariff paid by this product in China is 10% in this case no safeguards apply to this subheading (Trade Map, 2020). It is important that the product complies with all the documentation required by the Chinese customs. An important aspect to have in mind is that all documents must have their translation into English and Chinese. This will guarantee the successful exit of the customs goods (Trade Map, 2020).

### **3.5. Target market selection process**

Based on all the information previously collected from the possible target countries. It is proceeded to use the tool called "Country Selection Matrix" which will compare the situation of each country using weighting coefficients and a score scale to evaluate 10 criteria (Llamazares, 2016).

The matrix establishes 4 weighting coefficients as follows:

Coefficient 0: this weighting means that the criterion is not applied.

Coefficient 1: this weighting means that it is the least important criteria.

Coefficient 2: this weighting means that the criteria is important.

Coefficient 3: this weighting means that the criteria is very important.

After establishing the weighting coefficients for each criterion, it is necessary to assess the information obtained. For this a scoring system on a scale of 1 to 5 will be used, which will allow comparison between countries (Llamazares, 2016):

Score 1: very unfavorable conditions.

Score 2: unfavorable conditions.

Score 3: Neutral conditions.

Score 4: favorable conditions.

Score 5: very favorable conditions.

It should be emphasized that in order for this matrix to be effective for the comparison and selection of countries, different scores must be given for each country to the extent deemed appropriate. Once scores have been awarded for all country criteria a multiplication of the valuation of each criterion by the weighting coefficient should be performed and then make a sum of the score obtained in each criterion to obtain a total score. This will indicate which country has greater accessibility and potential than the others (Llamazares, 2016).

**Chart 7**

3.5.1. Country selection matrix.

COEFICIENT		CRITERIA	CHILE		UNITED STATES		FRANCE		CHINA	
3	Country Economic Growth	4	12	5	15	5	15	4	12	
2	Purchasing power per capita	4	8	5	10	5	10	3	6	
3	Imports Volume	5	15	4	12	4	12	5	15	
3	Import Growth	5	15	4	12	4	12	5	15	
3	Export from the country of the Enterprise	5	15	4	12	2	6	2	6	

2	Tariff barriers	4	8	3	6	4	8	5	10
2	Non-tariff barriers	4	8	4	8	4	8	4	8
2	Commercial risks	4	8	4	8	5	10	4	8
2	Business facilities	4	8	3	6	5	10	3	6
0	Corruption and transparency	3	0	4	0	4	0	3	0
	<b>TOTAL</b>		<b>97</b>		<b>89</b>		<b>91</b>		<b>86</b>

### 3.5.2 Selected market

It is important to note that when having as a result a learning market is very important for the company to consider the factors and the importance of making exports to this type of markets since this not only gains experience in export processes but also that it opens the market in the country's immediate surroundings. This means that it can be expanded to other learning markets and once the product is positioned many opportunities open up in intermediate and advanced markets. After completing the country selection matrix, the Chilean market receives 97 points, making it the one that best meets the ideal market conditions for Dikaty's product. In this case, for the chocolate bar, this market has a higher score on imports of the product and import growth. The Chilean market currently buys several tons of chocolate from Ecuador, which is a beneficial factor for the company.

Another important factor is the tariff preference. Because Ecuador is a member of several trade and political organizations with Latin American countries, including Chile, products originating in the country pay no tariffs when entering Chile. In addition, the purchasing power of the Chilean market is one of the best in Latin America, as explained in paragraph 3.4.1.3.1 in the Chilean PESTEL analysis.

### **3.6 Conclusion.**

Within this chapter we analyzed the theory of resources and capabilities, product and process theory. With this we identified the main key points within the company Golisinas Dikaty to be able to have a focus on the aspects to change and maintain of the company. In addition, a potential market intelligence study was conducted in which the political, economic, social, technological, ecological and legal environment of each country was analyzed to identify the most important conditions of these. In addition, elements of entry to each country, tariff barriers, legal, packaging and labeling conditions for each country and consumer behavior in all potential countries were analyzed to identify the best market target and potential consumers.

This identifies the Chilean market as a potential export market. Based on this the company would work with a learning market that will not only serve to acquire experience with exports but also seeks that the company can learn from competition in other markets and improve the resources and capabilities of this to serve a market potential boom as is Chile in South America.

## **Chapter 4**

### **International marketing mix of the Chilean market**

#### **4.1 Introduction**

Nowadays globalization and interconnection has allowed companies that no longer seek to focus only on their local market aspire to expand and market their products or services internationally. For this, it is necessary to develop strategies that help the organization to take advantage of the opportunities offered by the foreign market and face all the competition, for this it is necessary to implement an international marketing plan (Llamazares, 2016).

In this respect, the selection of the target market for Dikaty was already made in Chapter 3 where the results showed that Chile was the most suitable country for the first export of the company. Based on these results this chapter seeks to develop an adaptation of marketing mix in terms of product, price, position and promotion.

#### **4.2 Defining a value proposition**

Attribute/Benefit: Chocolate with a top-level cocoa that ensures flavors that generate unforgettable experiences and sensations in our customers (Llamazares, 2016).

#### **4.3 Define the target in the Chilean market. Market segment information**

The average consumer in Chile consumes about 3 kg of chocolate per person each year. In Latin America the average ranges from 1.09 kg per year (La Barra, 2014). An important fact is that the country has an annual growth of about 25% in purchases of premium chocolate with a high percentage of cocoa. Within the Chilean market, chocolate is divided into two groups: mass consumption which are brands found in supermarkets in large retail chains and gourmet consumption which are experiences for the consumer either in taste or in exclusivity (Germer, 2018).

A study conducted by Kantar Worldpanel determined that within the consumption of chocolate the ages that prefer chocolate in bars or tablets are between 18 and 25 years. People between 26 and 35 years choose it for the flavor and focus more on the nutritional values of the product. The study also revealed that women are the ones that consume chocolate the most and are also oriented to nutritional value (Notimex, 2017).

It is important to stress the importance of the nutritional value of chocolate and the changes in the trend of consumption of this product. It is perceived by the consumer that a chocolate with a higher concentration of cocoa is more nutritious than another in a smaller percentage. In addition, the consumer prefers low-calorie chocolate and sugar with different flavors that come with the flavor of cocoa. It is important to delimit the market by age since in this case consumers under 18 years would not be an appropriate target for chocolate bars with high concentration of cocoa to be its bitterest flavor (Notimex, 2017).

The following is the proposal for segmentation of the Chilean market for the introduction of the 75% and 90% cocoa tablet from the company Golosinas Dikaty:

Variables of segmentation:

- Men and women
- Age: 25-65 years
- Metropolitan sector of Santiago de Chile.

Variables of behavior:

- Taste for fine aroma chocolate
- Taste for chocolate with high concentration of cocoa
- Taste for consumption of cocoa derivatives
- Taste for unsweetened/bitter chocolate
- Taste for a gourmet experience.

#### **4.3.1 Consumer profile:**

Men and women between the ages of 25-65 in the metropolitan region of Santiago de Chile that belong to socioeconomic groups with incomes between 899 USD corresponding to 805 890. 57 Chilean pesos and 6 452 US dollars, corresponding to 5 864 445. 06 Chilean pesos, belonging to groups C3 to AB within the Chilean socioeconomic classification (Rodríguez, 2018). *\*Made with an exchange rate of 1 USD = 896.43*



*Chilean pesos on 01/08/2022 (XE, 2022).* The consumer should enjoy a chocolate bar with high concentration of cocoa and value the bitter taste of chocolate. In addition, consumers who identify the importance of the nutritional value of chocolate with more than 70% cocoa without additives. It contemplates a consumer profile of students, Teenagers and an economically active population.

#### **4.3.2 Estimation of the target population.**

According to the 2017 census the population of Santiago reaches 7,112,808 inhabitants. The economically active population is taken with an income range between 899 USD and 6 452 USD belonging to 15% of the population of Santiago de Chile. (Rodríguez, 2018).

- Estimated then: Target population:  $7\ 112\ 808 \times 15\% = 1\ 066\ 921$  hbts.

#### **4.4 Product**

Chileans are among the largest consumers of chocolate in Latin America. Moreover, the consumption of chocolate within Chile far exceeds several of the chocolate producers in Latin America such as Colombia or Brazil. Chileans began to consume this product in the early 90's under the brand name Belcolade, Belgian company Puratos. There are three main requirements for the consumption of chocolate within Chile: Products with a higher percentage of cocoa, sustainability and healthier chocolate (National Congress Library of Chile, 2017).

In recent years the Chilean market has been preferring much more towards chocolate with a higher percentage of cocoa. In this case chocolate with a percentage of cocoa greater than 55%. It is then that the internationalization program will seek to introduce in the Chilean market the 75% and 90% chocolate tablets of Dikaty company to meet this new demand that arises in Chileans from a higher concentration of cocoa. In addition, the company complies with BPM certifications and environmental practices that will help the introduction of this product to the market (El Mostrador Chile, 2020).

One of the main reasons for the change of behavior of the Chilean consumer is that it is more aware of its health. A chocolate high in sugar is even harmful in the long term, however, a chocolate with a concentration of cocoa of more than 70% makes it associated with a superfood (Spencer, 2021). It is important to note that this change of

behavior does not occur only in the Chilean market within the markets analyzed in Chapter 3 in several markets this trend is given to bitter chocolate (El Mostrador Chile, 2020).

The product that has generated the most sales in Chile is chocolate tablets, which occupy more than 50% of the market share. It is important to identify the way in which the Chilean customer would consume the product, in this case the company would not only meet consumption standards when seeking to bring a more bitter chocolate and also in the form of consumption when marketing chocolate tablets (ICEX Spain, 2020).

## **4.5 Price**

### **4.5.1 Main exporters of chocolate in Ecuador**

Fine chocolate is a product that is booming in international markets, but there are mainly Ecuadorian brands that have managed to earn the welcome of foreign consumers since they have managed to take advantage of the country's cocoa production and innovate with new flavors and varieties. Due to this, Ecuadorian chocolate is exported under 17 brands; among the main ones are Pacari, Republica del Cacao, Kallari, Hoja Verde, and Conexión Chocolate (ESPOL, 2021).

For this reason, it is necessary to carry out an analysis of the sales prices handled by these brands, since they represent competition for Dikaty. Moreover, this will help SME to make better decisions and strategies when making their way in the international market.

It is necessary to mention that only the first three brands mentioned above will be taken as references, since they are the ones with the best positioning in the market. In addition the prices that will be mentioned refer to what is established in the domestic market.

## Chart 4.1 Prices list by brand

### Chart 2:

Prices by brand



Source: (Pacari, 2022) (República del cacao, 2022) (Kallari, 2022)

Elaborated by the authors

According to the price list of the brands presented above, it can be analyzed that Pacari and Kallari have the lowest values since these range from 2.25 USD to 2.80 USD. It is necessary to mention that the net contents of these bars are 50 gr and 70 gr, respectively, therefore, they carry a standard price. Taking as "Bars +70% cocoa" (50 gr) from Pacari, and semi-processed chocolate bars of 70%, 75% and 85% cocoa (70 gr) from Kallari, we get an average price of 0.04 USD for each gram of chocolate.

On the other hand, the Republica has the highest costs, since the price of its bars is 9.50 USD, however, the net content of the tables is higher than the other brands, since they are 100 gr. However, they are quite high with respect to competition.

In the case of Golosinas Ditaky an interview was conducted with Pablo Pauta, owner and general manager of the company. He explained that the cost of making chocolate bars is \$1,10, however, the retail price is USD 2.25 for 75% and 90% cocoa bars. It should be noted that the net content of these products is 100gr. Therefore, the company has sales values similar to those of the competition such as Pacari and Kallari, however, the net content is higher than the brands mentioned.

#### **4.5.2 Sale price of fine chocolate in Chile**

As previously mentioned, Chile is a country with a growing trend in the import and sale of chocolate, ranking as one of the countries with the highest consumption of chocolate in Latin America. Therefore, there are several international brands that already have a good positioning within this market (El Mostrador Chile, 2020).

For this reason, it is necessary to perform an analysis of what are the prices of the main brands of fine chocolate since this will help the company to know about the competition in this country and determine if it will be able to be competitive and propose better strategies to achieve an optimal income in this foreign market (El Mostrador Chile, 2020).

**Chart 4.3 Price of different chocolate brands in Chile**

**Chart 3:**

*Chocolate Price in Chile*

Brand Name	Origin country	Product description	Content	Price by unit (Chilean pesos)	Price by Unit (Dollars)
<p>Guylian</p> 	Belgium	Chocolate bar 72% dark.	100gr.	\$3 179	\$3,57
<p>Guylian</p> 	Belgium	Bitter Chocolate, 84% without sugar.	100gr.	\$3 479	\$3,90
<p>Lindt</p> 	Switzerland	Chocolate bar extra fino dark bitter 70% cocoa.	100gr.	\$3 449	\$3,87
<p>Lindt</p>	Switzerland	Chocolate bar extra fino dark bitter 85% cocoa.	100gr.	\$3 449	\$3,87

					
<p>Valor</p> 	Spain	Chocolate without sugar 70% cocoa.	100gr.	\$2 799	\$3,14
<p>Valor</p> 	Spain	Chocolate sin azúcar 92% cacao.	100gr.	\$4 099	\$4,60
<p>Costa</p> 	Chile	Chocolate Bar 62% cocoa.	80gr.	\$1 889	\$2,12
<p>Costa</p>	Chile	Chocolate Bar 72% cocoa and orange.	80gr.	\$1 889	\$2,12

					
<p>Pacari</p> 	Ecuador	Organic chocolate 72% cocoa	50gr.	\$2 799	\$3,14
<p>Pacari</p> 	Ecuador	Raw organic chocolate 85% cocoa.	50gr.	\$2 799	\$3,14

Source: (Supermercado Jumbo, 2022)

Elaborated by the authors

\*Elaborated with an exchange rate of 1 USD = 896.43 Chilean pesos on 01/08/2022 (XE, 2022)

\*Elaborated with the prices set on the official website of the Jumbo Supermarket in Chile on 01/08/2022.

#### **4.4.2.1 Guylian chocolates**

One of the brands that is positioned in the Chilean market is Guylian Chocolates of Belgian origin. There is a wide range of bars, however, only the 72% and 84% cocoa bars were taken into consideration. What this product offers is a premium chocolate made with carefully selected ingredients. On the other hand, the 84% cocoa bar has no added sugar being a perfect choice for special needs and dietary maintenance the quality of flavor (Jumbo Supermarket, 2022).

Among the certificates that this chocolate possesses is that it is lactose-free, vegetarian and vegan product, fish-free, egg-free, peanut-free, shellfish-free, sulfate-free, Kosher and Halal quality certification. These products have a net content of 100gr, and the price of the bar 72% of cocoa is \$3 179 Chilean pesos (3.57 USD); and the bar of 84% is \$3 479 Chilean pesos (3.90 USD). Therefore, it can be analyzed that it has a cost similar to the competition and are not very high, since there are other brands that have higher prices (Jumbo Supermarket, 2022).

#### **4.4.2.2 Chocolates Lindt & Sprüngli**

Secondly, there is the Swiss chocolate brand Lindt & Sprüngli. There is a wide range of products, however, only 70% chocolate bars and 85% cocoa were taken into account. What these products offer is excellent dark chocolate, which has a strong aroma, texture and flavor. It is worth mentioning that these bars have a high nutritional content in sugar (Jumbo Supermarket, 2022).

Among the certificates that these products have is the recognition of being lactose-free, vegan product, fish-free, egg-free, shellfish-free, wheat-free, peanut-free, sulfite-free, and Kosher quality certification. The net content of these chocolates is 100gr, and the cost of both the 70% bar and the 80% cocoa is \$3449 Chilean pesos (3.87 USD). Therefore, it can be analyzed that the cost of these chocolates is similar to other brands, in addition to containing the same weight (Jumbo Supermarket, 2022).

#### **4.4.2.3 Valor Chocolates**

Then there is the brand Chocolates Valor, which is produced in Spain. It also has a wide variety of products, however, only 70% and 92% cocoa bars were considered. What these products offer are intense black chocolates with high percentages of cocoa for



lovers of strong flavors. In addition, these have no gluten, nor added sugar, but instead are sweetened with Stevia (Jumbo Supermarket, 2022).

Among the certificates that these chocolates have are the recognition of being a vegan and vegetarian product, lactose-free, free of fish, free of shellfish and crustaceans, free of eggs, free of nuts and peanuts, free of wheat and free of sulfites. The net content of these chocolates is 100gr, therefore the cost of the 70% cocoa bar is \$ 2 799 Chilean pesos (3.14 USD) and for the 92% cocoa bar is \$ 4 099 (4.60 USD). At this point it is necessary to mention that the 92% bar registers the highest cost among all the bars mentioned above in Table 4.3. In addition, it is necessary to emphasize that these products have fewer certificates than the brands already referred to (Jumbo Supermarket, 2022).

#### **4.4.2.4 Chocolate Costa**

On the other hand, there is Costa Chocolates, which is a local brand in Chile. It also has a wide range of products, however, only 62% chocolate bars and 72% cocoa were considered for analysis. These products offer an exquisite chocolate that can be used for baking preparations or for direct consumption (Jumbo Supermarket, 2022).

This product is certified to be lactose free, fish free, shellfish free, nut free and vegetarian. The net content of these bars is 80gr, therefore, the price of the bars, both 62% and 72%, is \$1 899 Chilean pesos (2.12 USD). It should be noted that these chocolates have the lowest cost than all the aforementioned chocolates which can be a problem for the other competitors for its low price. However, it is also the product with the lowest number of certificates which is an important aspect because this helps a product to have better reputation in the market (Jumbo Supermarket, 2022).

Costa is a brand with more than 100 years of experience in the Chilean market, and it has a wide range of products such as cookies, cereals, chocolates, fillings, milk or chocolates with a higher percentage of cocoa, among others. It has led the company to be a pioneer in various product categories in Chile innovating the market and positioning itself as a leader with respect to competition (Jumbo Supermarket, 2022).

Therefore, the success of Costa lies in the fact that today it is a mature company dedicated to mass production where it has always sought to invest in cutting-edge technology that has enabled them to expand and diversify. This has allowed all its

products to be accessible to all consumers and distributed in all supermarket chains in Chile. In addition, more than 250 types of products are sold in more than 30 countries (Jumbo Supermarket, 2022).

#### **4.4.2.5 Chocolate Pacari**

Finally, there are the Pacari chocolates which is a brand from Ecuador and contains a variety of flavors and products, however, for this analysis only the chocolate bars of 72% and 85% cocoa were selected. It should be noted that Pacari has managed to obtain several awards, positioning itself as part of the best chocolates in the world (Jumbo Supermarket, 2022).

These products are certified to be vegan, lactose-free, soy-free, egg-free, fish-free, shellfish-free, peanut-free, wheat-free and sulfate-free. Additionally, they have several quality certifications such as Kosher, Ecuador Organic Certification, EC-BIO-141 Agriculture non-EU, Empresa B, Guaranteed Fair Trade, USDA ORGANIC, among others. The net content of these bars is 50 gr, therefore, the price of the bars, both 72% and 85%, is \$2 799 Chilean pesos (3.14 USD). Its price is very competitive in the market, being located only above the Costa chocolates. It is worth mentioning that the awards it has received and the quality certifications obtained give a great added value to this brand (Jumbo Supermarket, 2022).

#### **4.5.3 Price calculation for the 75% and 90% bar of cocoa from Ecuador to Chile by the company Golosinas Dikaty**

The price was calculated from an air freight rate. According to estimates of Connect Americas the maritime cost of a container from the port of Guayaquil to the port of Santiago de Chile in a container of 40 feet high cube refrigerated would have an estimated freight of 2 920 USD including documentation at destination, terminal handling at destination, terminal handling at source and documentation fees, an estimated ground transportation cost at destination and origin of USD 575 and documentary costs of USD 1 040. It would be a total of 4 535 dollars not including insurance with estimated arrival time in Chile in 10 days (Connect Americas, 2022).

It is important to note that the estimated cost of sea freight is for the entire container. The costs will be lower for the company if it manages to get a shared container or carry together with other exporters of refrigerated merchandise. This means a saving

in logistics costs, however, you must take into account the nature of the goods that are shipped together so as not to spoil the chocolate bars until they reach their destination. In addition, the cubicle would be 0.096 cubic meters and being a very small load would be more complicated to carry by sea (Connect Americas, 2022).

The cost of air freight was quoted by SIATI Group. Annex 4, on the basis of this cost, cubic capacity and product price estimates were made.

- **Storage**

Box dimensions: 60cm \*40cm \*40 cm holds 60 kg

<b>BOX 1</b>	<b>564 tablets = 56.4 Kg</b>
<b>BOX 2</b>	<b>564 tablets = 56.4 Kg</b>
<b>BOX 3</b>	<b>564 tablets = 56.4 Kg</b>
<b>BOX 4</b>	<b>508 tablets = 50.8 Kg</b>

Source: Elaborated by the authors.

- **FOB**

Fabrication costs by each tablet	1.10 USD
Units to send	2 200 Units
<b>FOB</b>	<b>2 420 USD</b>

Source: Elaborated by the authors.

A quotation was made to the company SIATI GROUP by air freight. Annex 3.

Freight Cost = 2 107.60 includes documentation at origin and destination, shipping, storage and delivery at destination.

### Insurance calculation

FOB	2 420 USD
Freight	2 107.60 USD
<b>CPT</b>	<b>4 527.60 USD</b>

Insurance = CTP *0.55% of the value of the products to be send	<b>24.91 USD</b>
--	------------------

Source: Elaborated by the authors.

- **CIF**

FOB	2 420 USD
-----	-----------

FREIGHT	2 107.60 USD
INSURANCE	24.91 USD
<b>CIF</b>	<b>4 552.51 USD</b>

Source: Elaborated by the authors.

• **PRECE OF THE CHOCOLATE TABLET BEFORE TAXES**

Price	CIF/ UNITS $P = 4\,552.51 \text{ USD} / 2\,200 \text{ Units}$ <b>P= 2.069 USD</b>
-------	---

Source: Elaborated by the authors.

**PRICE= 2.07 DOLARS**

· **Calculation of contributions. Pays 6% ad valorem, in case of certificate of origin**

**0**

CIF + 6% Ad Valorem	$4\,552.51 \text{ USD} + 6\% \text{ Ad Valorem} = 4\,825.66$ <b>USD</b>
---------------------	--

Source: Elaborated by the authors.

• **In case of Origin Certificate.**

<b>CIF + 0% Tariff</b>	$4\,552.51 \text{ USD} + 0\% \text{ Ad Valorem} = 4$ <b>552.51 USD</b>
------------------------	---

Source: Elaborated by the authors

This exclusion to the tariff will affect the final price after taxes and therefore the final price, in this falls the importance of having a certificate of origin.

- **Price of the product after tariffs**

Price after tariffs	$P = \text{CIF} + \text{Ad Valorem} / \text{Units}$ $P = 4\,825.66 \text{ USD} / 2\,200$ <b><math>P = 2.19 \text{ USD}</math></b>
---------------------	---

Source: Elaborated by the authors.

PRICE: 2.19 DOLLARS = 1963.18 CHILEAN PESOS

*Calculated with an exchange rate of 1 USD = 896.43 Chilean pesos on 01/08/2022 (XE, 2022).*

- **Final Price +IVA**

<b>Final Price</b>	$P = \text{Price after tariff} + 19\% \text{ IVA}$ $P = 2.19 \text{ USD} + 19\% \text{ IVA}$ <b><math>P = 2.6061 \text{ USD}</math></b>
--------------------	---

Source: Elaborated by the authors

FINAL PRICE = 2339.03 CHILEAN PESOS = 2.61 DOLLARS

*Calculated with an exchange rate of 1 USD = 896.43 Chilean pesos on 01/08/2022 (XE, 2022).*

- Stipulating a profit margin of 35% for the company the tablet must be sold at 3.52 USD to earn 0.91 ctv. per tablet, the final price would be 3154.73 Chilean pesos.

*Calculated with an exchange rate of 1 USD = 896.43 Chilean pesos on 01/08/2022 (XE, 2022).*



The typical profit margin for a distribution company is close to 25%, however, it is necessary to mention these figures are indicative and, in some cases, depends on the activities to be carried out by the distributor. In the case of Dikaty promotional expenses are also included in the aforementioned percentage of the intermediary (Kelly, 2018).

The profit margin of the distributor is 25% so the tablet must be sold at 4.40 USD in the destination market for 3 993.48 Chilean pesos.

#### 4.5 Price table of 75% and 90% cocoa tablets in the Chilean market.

##### Graphic 4:

*Chilean Price of chocolate tablet*

Brand	Origin Country	Product Description	Content	Price by Unit (Chilean pesos)	Price by Unit (Dollars)
Golosinas Dikaty 	Ecuador	75% cocoa chocolate gourmet Tablet	100gr.	\$3 923.48	\$4.40
Golosinas Dikaty 	Ecuador	90% cocoa chocolate gourmet tablet	100gr.	\$3 923.48	\$4.40

Source: Elaborated by the authors

*\*Calculated with an exchange rate of 1 USD = 896.43 Chilean pesos on 01/08/2022 (XE, 2022).*

#### **4.4.2.5 Price analysis for Golosinas Dikaty**

Based on the analysis of the prices of the products of recognized brands in Chile, Golosinas Dikaty can enter this market; however, its prices are not competitive. The net content of the 75% and 90% bars sought for export is 100 g, as with the previously mentioned brands; however, the price of the chocolate bar would be 4.40 USD, or 3 923.48 Chilean pesos.

Dikaty is not competitive with most brands like Guylian, Lindt, or Valor, as its prices range from 3.14 USD to 4.60 USD, the most expensive chocolate bar as specified in Table 4.3. Although the chocolate of the MIPYME has a cost of 0.20 USD less than the product of the brand Valor (92% D to 4.60 USD, the most expensive chocolate bar as specified in Table 4.3. Although the chocolate of the MIPYME has a cost of 0.20 USD less than the product of the brand Valor (92% cocoa), this brand is already positioned in this market and is recognized by consumers. Costa Chocolates should be taken into consideration, which is a local company and has a wide range of products and the lowest prices on the market with a value of 2.12 USD per tablet. It should also be mentioned that Costa is a company that produces on a large scale and has many years of experience in the market.

On the other hand, there is Pacari, which is a brand of Ecuadorian origin that has come to introduce its products to the Chilean market. The price of its bars is 3.14 USD inside Chile. It is 1.14 USD cheaper than Dikaty; therefore, the company cannot be competitive against a brand that comes from the same country. Likewise, it should be noted the multiple recognitions that Pacari has had internationally.

However, it is necessary to highlight certain key aspects that the company should improve in order to be competitive, such as quality certifications. Most brands show a healthy product that contains no sugar or gluten and is vegan and organic. In the case of



Guylian Chocolates and Lindt, they even have certifications such as Kosher and Halal, and Pacari is certified Guaranteed Fair Trade by Company B and USDA Organic, among others. This is critical because in the market, these types of certifications are highly valued in addition to giving the brand a better reputation. For Dikaty, it would be essential to take into account these characteristics in order to implement them and successfully export in the future.

#### **4.6 Place**

The place is a very important part because it is necessary to establish what will be the way in which the product will enter the market and reach the hands of the consumer. It is usually very difficult for a manufacturer to market their products in the different countries of destination individually. Usually, companies choose to use a distribution channel that has an intermediary that helps in the whole process (Grapsas, 2017).

In this type of contract there are great advantages and disadvantages. The main advantages are that the export is given against delivery or against shipment. It is not necessary to have an export office and it is not necessary to appoint representatives abroad. These advantages make it easier for the seller to enter the international market (Estrada & Estrada, 2022).

One of the main disadvantages of this type of shipments is to be clear about the market as the final consumer is often unknown. It also loses some benefits for not being a direct exporter just as credits or low tariffs. However, the company must be clear about the situation of the market in which it is located, conducting a market study on consumer behavior will help the company a lot in this part of the adaptation to the target market (Estrada & Estrada, 2022).

This is the case of Dikaty. Some aspects have been analyzed that have influenced the choice of this distribution channel through an agent or intermediary. Being a company that seeks to make its first export to the Chilean market it is necessary to have someone to help and guide the company in the process until it can acquire more experience and, in the future, look for other channels that benefit it. In addition, with the help of a distributor the company would be able to position the products in a better way, since distributors have a better knowledge of the target market. For this reason, a list of the best distributors in Chile has been made (Estrada & Estrada, 2022).

#### 4.6.1 Distributor Chart.

Name	Web Page	Email/ Phone Number	City
IMPORTADORA Y COMERCIALIZADORA UROBOROS LTDA.	<a href="http://www.facebook.com/TermotronicChile/">http://www.facebook.com/TermotronicChile/</a>	+569553569 79	Santiago
ANSON TRADING	<a href="http://www.anson.cl/">http://www.anson.cl/</a>	(02)8277300	Santiago
CENCOSUD	<a href="http://www.cencosud.com/">http://www.cencosud.com/</a>	5629590600	Santiago
COMPASS GROUP	<a href="http://www.compass-group.cl/">http://www.compass-group.cl/</a>	56-25910600	Santiago
BESTFOOD CHILE	<a href="http://Www.bestfoodchile.com">http://Www.bestfoodchile.com</a>	990633325	Santiago

Source: (Connect Américas, 2022)

Elaborated by the authors

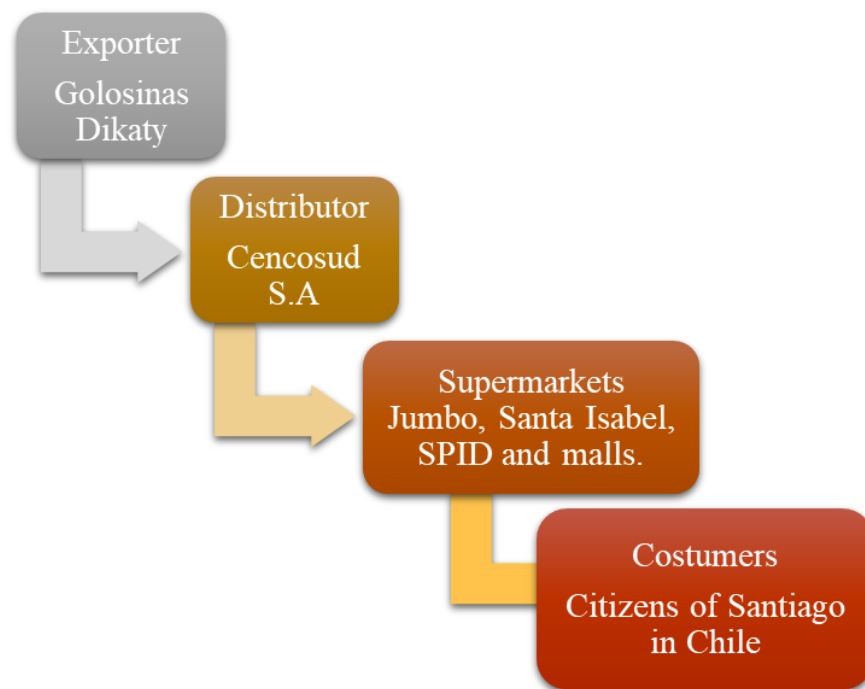
For the case of Dikaty Sweets, Cencosud S.A has been selected as a distributor since this company is dedicated to the import, distribution and sale of national and international brands and are marketed in more than a thousand. Among these are mainly

supermarkets such as JUMBO, Santa Isabel, convenience stores SPID, various shopping centers, among others (Cencosud, 2022).

For this reason, the following graphic shows the distribution process that would follow Golosinas Dikaty until reaching the consumer.

**Graphic 5.**

*Distribution process for Dikaty*



Source: Elaborated by the authors

On the other hand, when a company goes for a distributor as a way of entering the destination market it depends a lot on the relationships that can be established with the company offering the service. For them, one of the main ways to search and contact distributors in countries is by websites of companies in the sector. However, it should be mentioned that the companies responsible for these services in Chile do not have a culture of giving information or providing data to potential customers.

Many of the cases request personalized meetings with the managers of the companies so that they can evaluate in depth the products that they want to market. This is a very important issue as it represents a barrier to communication and the necessary information cannot be obtained in a timely manner. It should be noted that the information on this project presented with distributors in Chile is the result of field research carried out by the authors.

#### **4.7 Promotion**

Promotion is a key aspect of the product in the target market. It is the way in which the company transmits to the consumer what they want to sell. In the case of Dikaty it has been chosen as one of the most common export ways, a distributor. In this case the distributor takes care of these aspects of the target market since it is the one that best knows the market and how to make the product successful in it. The distributor is the one who clearly depends on the manufacturer to generate its profit margin and sell the product in the desired market (Deloitte, 2021).

Within the promotion the way in which the product engages the customer for a final purchase is important. In the case of distribution focused on the customer the distributor chosen should take care of this aspect since it is who knows the target market. The promotion can be seen in advertisements or posters. The distributor in this case is the one who chooses the promotion channel based on the company's values stipulated in the negotiation with the distributor and in the distribution contract. Chileans prefer to buy discount products and are more oriented to shopping in large supermarket chains and a large percentage of Chileans are leaning towards digital channels to make their food purchases (Deloitte, 2021).

Within the promotion with the distribution channel the company can offer one or two extra tablets to those agreed so that there is a good relationship between the distributor, distribution channel and supplier. The company can also work together with the distribution channel to implement new flavors that go according to the consumption preferences of Chileans, once identified which flavors are the best sellers can also offer combinations of Ecuadorian and Chilean flavors in order to have a cultural mix and thus also exploit the flavors of the two countries and always innovating in the flavor and presentation of the tablets. As well as, different packaging for holidays, civic days, being

able to transmit confidence and applying the 100% satisfaction guarantee (Deloitte, 2021).

#### **4.8 Conclusion**

To conclude this chapter, the marketing mix was adapted in terms of product, price, place and promotion for the successful entry of the MIPYME Golosinas Dikaty to the Chilean market. For this it was necessary a redefinition of the value proposition of the company, since it is important to have a clear and conscious idea of what its purpose and how it can meet the needs of the customer. Additionally, the target of the Chilean market was defined, that is, to which segment the organization's product will be directed

The adaptation of the marketing mix will help Golosinas Dikaty keep in mind how its products should enter the Chilean market and the changes that must be made within the company to make its first export successful.

## **Chapter 5**

### **Adaptation plan for the company Golosinas Dikaty to enter the selected market and subsequent international markets.**

#### **5.1 Introduction**

Once the target market for the product has been identified, it is necessary to make an introspection of the company to verify that it must adapt in order to be more competitive in this market. Knowing the strengths and weaknesses within the supply chain, production chain, marketing and product design are of utmost importance to be able to adapt the company's concept to the target market and to subsequent markets in order to facilitate its access.

Within this adaptation process, the processes, resources and capabilities, certifications, product and costs that encompass the export process have been selected, which is why an analysis of these must be carried out to identify what must be adapted to the product so that it can be successful in the target market and in new markets in the future.

#### **5.2. Adaptation in production capacity.**

Within the theory of processes, it was reviewed that these should be oriented to the elimination of waste and the connection between all areas of the company. Innovation in these areas is of utmost importance to guarantee a successful export process and not only this, by innovating the company shows itself to be strong against its competitors and is better positioned in the national market and generates greater confidence in consumers.

The adaptation of processes should also include the reduction in the time in which the chocolate bar is manufactured, in this case, with technological innovations of the plant or its expansion. The processes of the company Golosinas Dikaty are clear and efficient for the production of chocolate. Chapter 3.2.4.2 details the production process within the company. It is quite clear and efficient to change from one product to another, for example from tablets to truffles.

In conversations with Mr. Pablo Pauta, if the company were dedicated to producing only chocolate bars, it would be possible to produce 2,200 units per week, with the plant working at 70% of its capacity. In other words, if we focus on the production process of chocolate bars for export, we could produce around 8,800 chocolate bars per

month with different concentrations of cocoa. This process is very important because the plant is in mass production capacity for a first export.

It is suggested for the company Golosinas Dikaty, once the different exportable processes have been carried out, if it is verified that it is a stable export market, to develop the production line of tablets and try to enter the local market with this line so that it becomes a strong line at the national level and develop in more volume not only the line of export tablets but also the production line of tablets to supply the local market.

It is important to keep in mind that this means new costs in production expenses, profit margins and even investment in raw materials. One of the goals in increasing production is the reduction of unit fixed costs, and by producing more I can reduce certain fixed costs and increase production.

### **5.3 Adaptation in certifications.**

According to ECLAC's internationalization program for Latin American SMEs, companies must adapt and innovate in three important areas: certifications and quality standards, and finally, diversify product marketing channels. These innovations also include external assistance such as consulting, training and new market studies for the product, with the aim of generating improved products and new sales (Frohmann, 2016).

Within the certifications section, it should be taken into account that the client is aware that the products need to be organic, with good practices and quality controls; the consumer is focused on the environmental issue and zero waste generation. Currently there are customers who prefer to consume a product that guarantees what it sells in its advertising and this is achieved with certifications. Among the certifications recommended for Golosinas Dikaty are:

#### **Company B:**

According to the official Sistema B website, this type of certification seeks to make companies aware that the economy must also be based on good relations with the environment and with their collaborators, it aims to create an integral value for the world and the Earth based on the well-being of people and the environment simultaneously that are beneficial in the short and long term. There is an international B system that helps certify the social and environmental impacts of companies (SistemaB.org, 2022).

In order to access this certification, the company must undergo an evaluation by Lab B, a U.S. non-profit entity, which evaluates existing certifications and company processes. Four main requirements are analyzed: purpose, that is, that the company has a positive impact on the environment; legal, that non-financial interests in the company are met; management and transparency certifications; and finally, interdependence. In addition, the company must meet other requirements such as:

- Have more than 12 months in operations
- Operate in a competitive market
- Be a for-profit entity
- B company legal requirement
- Be a full-fledged business.

The steps to follow are to complete the B Impact Assessment, located on the official B Corporations website, [sistemab.org](http://sistemab.org). Then you must complete the disclosure statement and controversial industries, where the company guarantees that the company is not related to practices that are not within a legal framework, then you must send the B impact assessment for review if the company gets more than 80 points, once it is confirmed if the company is eligible you must make the payment for certification of 30% of the annual fee, then the company is subject to verification and finally proceed with the certification. The payment will depend on the company's annual turnover and can range from US\$500 to US\$45,000 per year for certification (SistemaB.org, 2022).

This certification will help the company to position itself as a company committed to the environment, its consumers and its collaborators, not only to offer a product with quality guarantees, but also to ensure that all environmental and social responsibility processes are being complied with according to its values.





Company B Certificate

Source: (SistemaB.org, 2022)

### **Organic Certification Ecuador:**

The certification of organic products can be done in Ecuador to be able to generate confidence in the consumer that the products contained in this case chocolate have not been genetically modified and are of excellent crop quality, respecting the environment, nature and without contaminants, this seeks to ensure the integrity of all agricultural products used for the production of finished product. In this case, the supplier of Golosinas Dikaty should request this certification for cocoa or work together to obtain this certification. This control and certification is issued by Agrocalidad to producers and marketers of organic products (Agrocalidad, 2013).

In order to obtain this certification, a certification application must be signed with the Certification Body, in which a commitment is made to comply with all the instructions in the instructions and to provide access to the personnel in charge of verifying the facilities when required by authorized personnel. There must be a plan that includes the description and number of plots, pest management, crop management, crop rotation management and inputs to be used (Agrocalidad, 2013).

The operator undertakes to comply with the provisions of the certification instructions, keep records of the origin, nature and quantity of inputs used in production and the recipients of the products marketed, give full access to the competent body to their plots and documents of purchase, sales, etc. This certification is valid for one year. The value to be cancelled of the certification will be calculated by the Certification Body.

This information is detailed in the instructions of the general regulations to promote and regulate biological, ecological and organic production, in chapter VI (Agrocalidad, 2013).



### Organic Certification

Source: (Agrocalidad, 2013)

#### **USDA Organic:**

This certification endorses that an imported product has the necessary requirements to be considered organic, goes further by trying to reduce the impact on biodiversity and promulgates sustainable production. This certification is issued by the United States Department of Agriculture in charge of labeling regulations for organic products. This certification and seal is unique to the United States and does not allow the validation of other seals as in other cases (Quality Assurance International, 2022).

Quality Assurance International is one of the companies accredited by the United States and its Department of Agriculture to deliver these certifications established under federal regulations created by the ministry called NOP National Organic Program. This certification focuses on each step of the supply chain and production of the company, there are certifications for processes and products (Quality Assurance International, 2022).

In order to access this certification, the company must first contact a company in charge and endorsed by the US Department of Agriculture, such as QAI international, and then a certification project manager is assigned to the company. An application must be filled out about the products, organic practices and operations. Second, an inspection is conducted at the plant to verify the information and that it complies with the organic standards of the Ministry of Agriculture. Third, a technician reviews the inspection report and issues observations if it meets or does not meet the requirements (Quality Assurance International, 2022).

The last steps are the resolution when the company does not pass the initial inspection, a period of time may be given for the company to change certain things to solve the non-conformities presented in the resolution or review. Once a new inspection is carried out, the company will be able to have the certificate. This certificate is renewed annually and every time the company makes changes in the products, the processing company must be notified, as it must ensure that there are no substances that may degrade the environment. With this certification, the company acquires a strong commitment to the environment within the entire supply and production chain (Quality Assurance International, 2022).



Logo USDA Organic

Fuente: (USDA.gov, 2022)

Within this range of international organic certifications there is the organic certification for the European Union, which has the principle of sustainable production, environmental conservation, maintaining biodiversity, ensuring a nutritious product for consumers, free of genetic modifications. Imported products must comply with the European regulation, which states that they must follow strict regulations for a product considered organic (Control Union, 2022).

Ecocert is a processing company authorized by the European Union to carry out the inspection and certification process of agricultural products. For this certificate, the company needs a list of the types of organic activities within the production process, a list of certified products and the effective dates of the different certifications. To access the process, an application must be filled out, a contract must be signed, an audit must be carried out at the plant, a certification dossier must be completed and the organic

certification can begin. It is important to emphasize that the cost of the procedures for obtaining certification depends on the processing company, as well as in their regulations they emphasize that they do not charge for third party applications or additional costs outside the certification process (ECOCERT, 2022).



Organic Agriculture

Source: (ECOCERT, 2022)

### **Fair trade:**

This certification is based on fair trade for people who collaborate with the company, this certification seeks to guarantee that farmers and workers are given a fair payment for their work. Especially in agricultural products, since small producers do not receive due payment for the conditions of the product they grow, Fair Trade makes the trade fair from the farmer (Fairtrade International, 2022).

This certification is not only based on workers but also on respect for the environment, since among the standards to obtain a certification of this type is that water for irrigation is reduced to the minimum possible. Having this type of certification guarantees that it is being complied with as fair trade for all the company's collaborators and that consumers can be part of investment projects in machinery or the creation of community projects for farmers (Fairtrade International, 2022).

To obtain this certification it must be done through Flocert, first an application must be made, once the application is filled out the company will send the requirements to obtain the certification as well as a questionnaire with questions about the company that must be resent, within 30 days a permission to trade will be received, Once the audit has been analyzed, if there are any non-conformities, the company will be guided through the process to change them, and once the changes have been verified, the certification will be issued and will be valid for 3 years. Depending on the company, certification costs between \$200 and \$2,400 USD (Flocert, 2022)



# FAIRTRADE

FairTrade Logo

Source :(Fairtrade International, 2022).

For the company Golosinas Dikaty should seek to adapt this type of certifications as they will not only facilitate the entry into new markets, but the customer will prefer this product to others that do not have them, this type of certifications also make the company competitive in the international market. What is also sought is not only to implement these certifications but also that the company adapts others such as: vegan, kosher, gluten free, among others that will help the product to position itself for all types of consumers and thus expand its market niche and expand globally.

These are some of the proposed certifications to be able to have advantages when exporting, however, it is considered to acquire not all but those that represent relevant for the markets where you want to export since it also represents a significant cost for the company in terms of renewals or changes if necessary (SENESCYT, 2019).

Cacao Arriba is one of the denominations of origin that Ecuador has along with the toquilla straw hats, Palora pitahaya, Galapagos coffee and Transkutukú peanuts, the denomination of origin is used to promote the quality of a country's own product and develop a better productive environment for people who grow or work in this type of product, it is also guaranteed that this product is unique in a region of the world (SENESCYT, 2019).

In case of export it is also important to have a certificate of origin, this makes tariffs are reduced in certain products and in certain countries. In the case of Chile,

chocolate bars enter with zero tariffs if they have a certificate of origin. This type of document certifies that a product originates from a territory. To obtain this document it is necessary to register in Ecuapass in application for use, it is also important to register in organizations that accredit the document as Fedexpor or chambers authorized by the MIPRO, as a second step you must make the affidavit of origin in Ecuapass, then on the same platform select Elaboration of CO and fill out the form and then withdraw the certificate in the MIPRO or chambers, the cost of the procedure is 10 USD (Weisson, 2016).

In case of having a certificate of origin in Chile, the 6% Ad valorem tariff is reduced. Calculating the tariff reduction, the price would be:

CIF + 0% tariff / Units	P= <b>4 552.51 USD / 2 200 Units</b> P= <b>2.06 USD</b>
Price + 19% VAT	P= 2.06 USD +19% P=2.46 USD
Price + 35% profit	P= 2.46 USD + 35% P= 3.32 USD
Price +25% distributor margin	P= 3.32 USD +25% P= 4.15 USD
<b>Final Price</b>	<b>4.15 USD</b>

Source: Elaborated by the authors

The price stipulated for the sale and marketing of the product in Chile was 4.40 USD, with the reduction of the tariff the price was reduced by 0.25 ctvs. per tablet with a price of 4.15 USD, representing a total saving of 550 USD for the company for the total of 2,200 tablets exported. Although this price is high for the target market, it is possible to play with the margins once this reduction is achieved, and the aim is to exemplify what the total reduction would be by having a certificate of origin. This document does not represent a tariff reduction only in the Chilean market; in several countries, having this type of documentation allows duty-free entry, especially in Latin America, which is why this recommendation is made.

#### **5.4 Product adaptation.**

The adaptation suggested to the company Golosinas Dikaty goes hand in hand with customer satisfaction; knowing what the customer requires in the destination country is important for the production, packaging and marketing process. After reviewing sections 3.4.2.1.1, 4.2 and 4.3, Chilean consumers prefer chocolate with a high concentration of cocoa in its base, high nutritional value, with a diversity of flavors and in tablet form. In addition to this, the experience of a chocolate of this kind is considered gourmet and is identified as a different tasting experience than a traditional chocolate.

This is why it is recommended to the company for this market and subsequent revenues: Innovate in flavors. Currently Golosinas Dikaty is developing different flavors such as orange, coffee and chili, combined with different concentrations of cocoa, which is a giant step for the diversification of the product because the flavors enter a different market niche and marketing can be expanded, it is recommended to adapt different traditional flavors of the target market. For example, spicy flavors such as Merken, Rica, Maqui, among others in the case of Chile.

In addition, being an Ecuadorian product, it is possible to mix flavors between Ecuador and Chile. Exploiting the different flavors of Ecuador will not only help the company to be known worldwide but also to position itself as a benchmark for high quality chocolate (Chile Travel, 2021).

#### **5.5 Adapting the packaging of the 75% and 90% chocolate bars of Golosinas Dikaty**

To enter new foreign markets, companies must always seek to adapt to consumer preferences, international standards, and the regulations in force in the destination country. This is the case of product packaging, which is a very important aspect to take into consideration if you want to export.

While it is true that the main purpose of the packaging is to protect the product during the transportation process, it is also important that it reflects the brand expression, in other words, what the company wants to transmit based on its brand, since this helps to generate a greater impact on consumers. That is to say, a correct packaging helps the buyer to identify with the product, as well as to differentiate it from other competing brands. For this, it is essential to take into account aspects such as materials, shape, typography, colors, location of elements within the packaging, among others. In the case





sanitary regulation No. 977/96, prepared by the Ministry of Public Health of the Government of Chile, which was mentioned earlier in Chapter 3.

Graph 7:

New tablet packaging design



New packaging design-Tablet 75% cocoa

Source: (Designer David Ramón, 2022)

**Graph 8:**

*New tablet packaging design*



New packaging design-Tablet 90% cocoa

Source: (Designer David Ramón, 2022)

One of the main changes made with respect to the previous packaging was the color, since the navy blue with mustard yellow was replaced by a dark brown color with light shades of gray, thus making the packaging look more sober and elegant, in addition to better highlighting the company's logo. Likewise, the background image of the

packaging was changed for a more colorful portrait, highlighting the main ingredient of the product, which is cocoa.

Another adaptation that was made to the packaging was the implementation of the logos of the recommended certifications for Golosinas Dikaty, such as the Organic Certification Ecuador, USDA ORGANIC and Empresa B. This is important given that customers today are much more aware of the products they are buying, and having these certifications helps consumers feel more confident about the quality of what they are purchasing.

**Graph 9:**

*Golosinas Dikaty Certifications*



Source: (Designer David Ramón, 2022)

Another of the changes made was the application of the black seal or black traffic light model used in Chile, which requires that products must bear this signage on the front, and warnings must be placed regarding whether they are high in sugars, saturated fats, sodium or calories. In the case of Golosinas Dikaty chocolate bars, it has three seals (López, 2020).

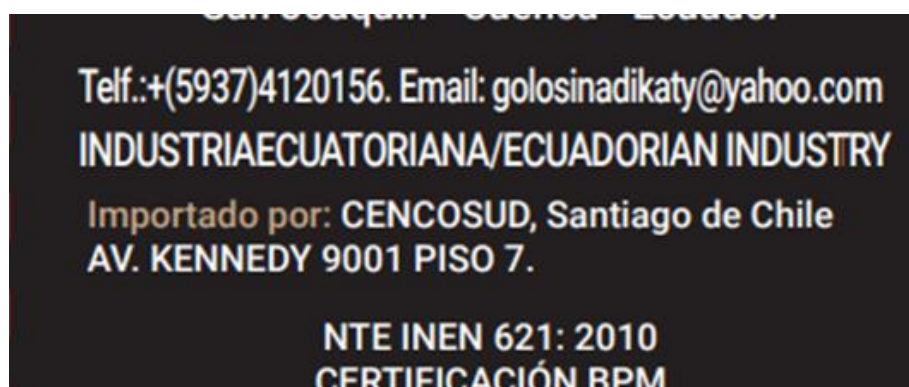
**Graph 10:**

*Food traffic light Chile for 75% and 90% chocolate bars.*



Source: (Designer David Ramón, 2022)

Finally, the last change that was made was the implementation of the importer's address, since in the sanitary regulation for food N° 977/96 establishes that for products that are imported into the country it is necessary to specify, the name of the importer and its address (Ministry of Public Health of Chile, 2015). For the MSME that selected the company Cencosud S.A. which is established in the city of Santiago de Chile as an intermediary importer for the distribution of chocolate bars in this market.



Importer Data

Source: (Designer David Ramón, 2022)

## **5.6 Adaptation of the company's resources and capabilities**

### **5.6.1 Adaptation of Golosinas Dikaty's Resources**

As previously mentioned, the company Golosinas Dikaty has several tangible and intangible resources that help it to function, to be sustainable and to adapt to different environments. Therefore, after having carried out the respective analysis for the entry of the MSME into the Chilean market, it needs to make certain changes in terms of the resources it possesses, in order for its exports to be successful.

In terms of tangible resources, i.e. the company's physical assets, Golosinas Dikaty has some high-tech machinery that has facilitated the production of various chocolate products that are marketed nationally, such as truffles, cakes, chocolates or dragees; however, it is necessary to adapt more machinery, utensils and furniture that are

intended solely for the production of chocolate bars, since this will optimize production time, in addition to meeting the demand required by the international market.

Similarly, it is necessary to improve the technological infrastructure of the organization, since it is necessary to establish good communication with customers abroad and be able to do business, therefore, it is essential to have good quality Internet, electronic equipment such as computers, printers and office supplies.

In addition, the intangible resources of the MSME, in this case, human resources, must be adapted. Golosinas Dikaty currently employs 8 people after being forced to reduce staff due to the COVID-19 pandemic; these employees are only in operational areas; no workers are employed in other areas of the organization. However, it is necessary to look for new employees to help cover production in order to meet the demand for exports.

To assist with the export process and to have the necessary knowledge of the destination market, in this case Chile, a team specialized in foreign trade is required. It is necessary to mention that it is also necessary to implement personnel to provide support with the control of the financial part of the company and marketing personnel, since this will help in the promotion and diffusion of the products. It is important to carry out these adaptation processes constantly, since the contribution of human ideas is essential for the company to continue growing and innovating.

### **5.6.2 Adaptation of Golosinas Dikaty's Capacities**

Taking into consideration the production capacity is a very important part before being able to export, since it must determine whether the company has the necessary volume of products to send to the foreign market. In the case of Golosinas Dikaty, its production capacity is not fully operational; however, it can produce 1500 kg, i.e., more than one ton of chocolate. In addition, it should be noted that most of the organization's current production is of products that will be marketed locally.

For this reason, if Golosinas Dikaty wishes to be able to export successfully, it is necessary to increase its production level, but mainly, it is necessary to make changes in production planning, since it is essential to specialize only in the production of chocolate

bars, because it is complicated to change the processes required for each product. Therefore, this means that the organization will have to produce smaller quantities of products such as truffles, dragees, cakes and chocolates that are destined for the local market and concentrate on a larger scale on the tablets that will be sent to the international market.

On the other hand, financial capacity is very important when considering exporting, since the company must ensure that it has the necessary resources to be able to assume all the costs involved in this process. In this regard, Golosinas Dikaty relies solely on its own capital and has no other sources of external financing; in other words, the organization is solvent on the basis of its own resources.

Although the MSME is willing to export its products, it hoped that this could be done only with the resources it already has, without going into debt. However, it should be taken into consideration that the logistical costs of exporting are too high to be covered solely with the organization's own capital, and additional expenses such as travel for negotiations, trade fairs, advertising material, and obtaining certifications, among others, should be taken into account. Therefore, if Golosinas Dikaty seeks to export successfully and sustainably over time, it must have the debt capacity to obtain external sources of financing to help cover all costs.

## **5.7 Cost adjustment**

When carrying out an export process, it is important to bear in mind that a financial adjustment to the company is required, not only in investments in machinery but also in logistics, transportation, packaging, and compliance with standards and requirements of other countries in order to be able to enter the desired market.

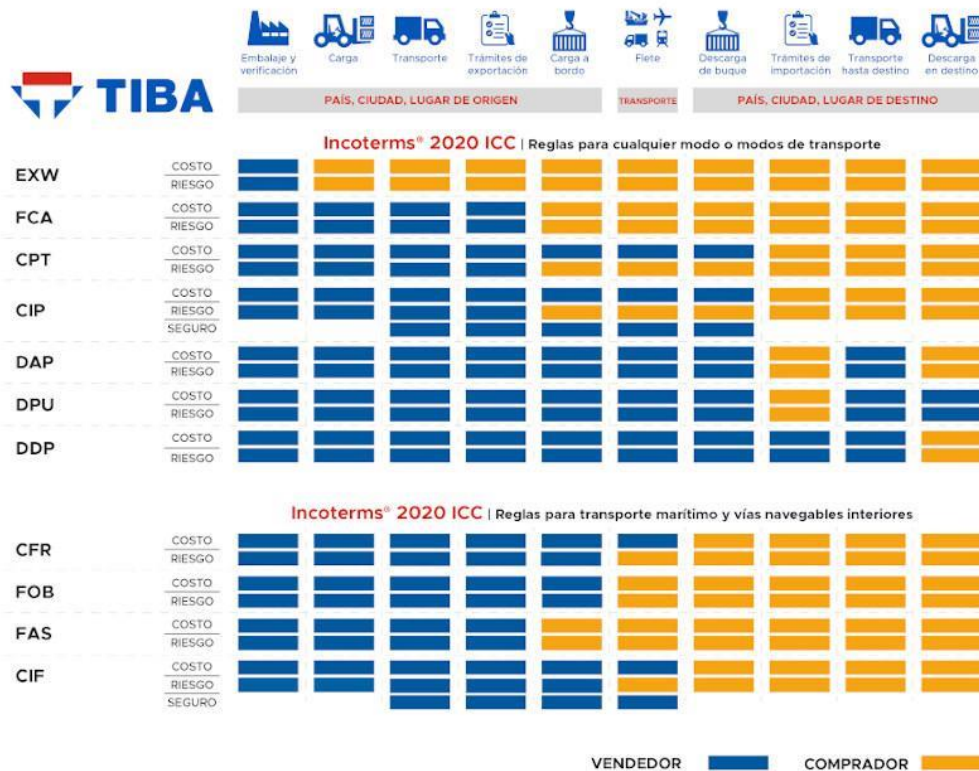
### **5.7.1 Logistics costs.**

When exporting, costs are incurred in the country of origin, which include costs from the factory to the airport or place of delivery of the goods. International transit costs, for example, storage, handling of shipment, customs agents and handling of disembarkation; other costs that must be incurred are costs in the country of destination, which include customs documentation, bank charges and insurance. These costs are those that must be kept in mind when taking a product out of the country, it is for this reason

that the company must be clear about these expenses that will be incurred in a period of every 6 months or every 3 months according to the negotiation (Salguero, 2019).

**Graph 11:**

*Export costs without specific INCOTERM assumed by the buyer and seller in all means of transport and waterways.*



Fuente: (TIBA, 2020).

For the company Golosinas Dikaty, a quotation was made with SIATI Group for the shipment of 2,200 chocolate bars, distributed in 4 boxes of 60 cm \* 40 cm \* 40 cm, divided into 3 boxes of 564 units and a box of 508 units for export to the consumer. With a total weight of 220 kg in all the merchandise. This quotation was made in air transport by COPA airline from Guayaquil airport to Santiago de Chile airport, obtaining the following descriptions in expenses. See Annex 3 for the total breakdown of logistic values.

Freight values	Air freight	686.40 USD
	FSC	66.00 USD
	Air guide	120.00 USD

Values at origin	Export Services	128.80 USD
	Customs export service	134.40 USD
	DAP/DDP management service	112.00 USD

Values on destination	Documentation	80.00 USD
	De- consolidation	195.00 USD
	Customs bróker fee	150.00 USD
	Clearance fee	100.00 USD
	Warehousing	200.00 USD
	Delivery	135.00 USD



Total logistics expenses	<b>2 107.60 USD</b>
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Source: Elaborated by the authors

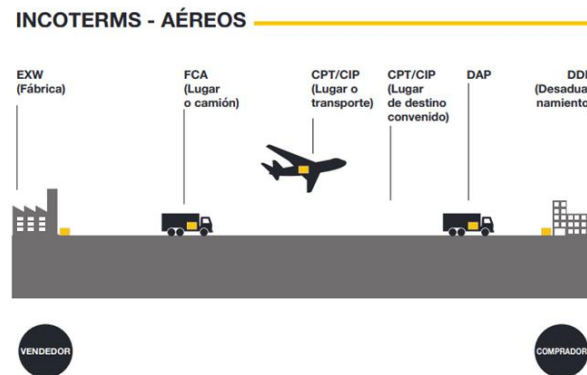
It is important to note that these logistics costs do not include cargo insurance, which is calculated based on the FOB price of the product + freight multiplied by 0.55% depending on the transportation company in order to insure the cargo. In this case, the insurance cost was estimated at US\$24.91 for the merchandise. With an FOB product cost of 2,420 USD, the total investment in manufacturing price, logistics costs and insurance is estimated at 4,552.51 USD.

It is important to keep in mind that these costs will vary according to the negotiation with the distributor of the product. It is necessary to establish which costs are covered by the exporter and which costs are covered by the importer in order to reduce export costs. This is where the negotiation of the incoterm comes in. We recommend CPT/CIP carriage paid in the case of airfreight to incoterm to an agreed-upon destination, with the importer responsible for picking it up and clearing it through customs. The logistics costs shown above were calculated using this incoterm. It is also imperative to establish how often shipments will be made during the year in order to establish a chart of accounts where the total amount of logistics costs per year is contemplated.

Other air incoterms that can be negotiated are FCA Free Carrier, which covers the place of pickup to the airport; CTP/CIP Carriage Paid To, which covers transportation to the place established by the parties; DAP, which includes transportation at destination; and DDP Delivery Duty Paid, which includes all transportation up to customs clearance. There is flexibility in the choice of incoterm, but the costs of the different parties in the process from the departure of the product at origin to its arrival at the warehouse at destination should always be stipulated in the negotiation and contract.

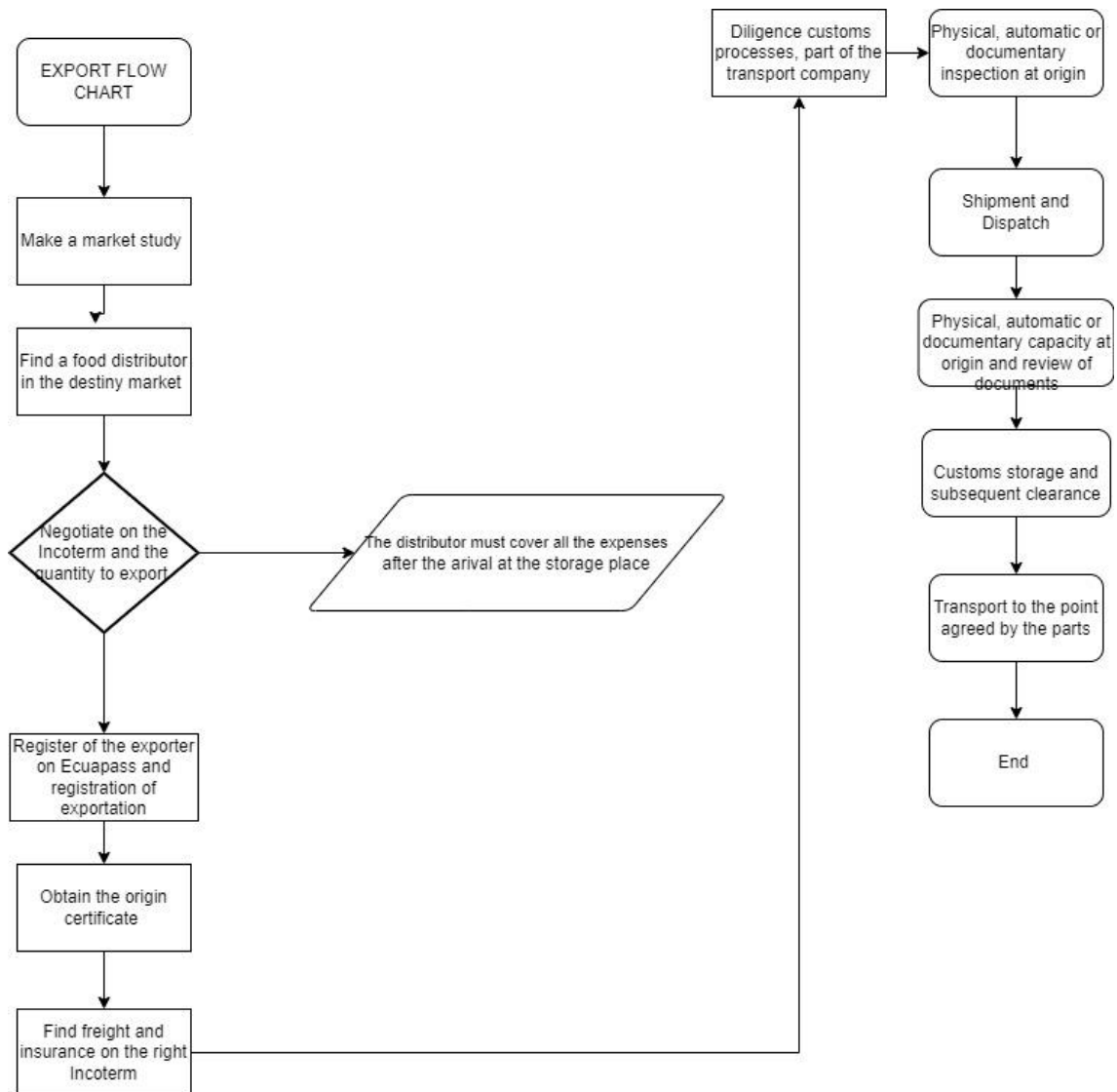
**Figure 12:**

*Types of air INCOTERMS*



Source: (Catrans, 2022)

An important aspect to consider are the steps to be followed within the country to be able to export. First the company must be clear to the export regime that it wants to use. in the case of Dikaty sweets will be used the final export. The electronic signature must be obtained for the corresponding customs processes of the exporter. The record of the exporter must be kept in the system of the National Customs Service of Ecuador, henceforth SENA. This must be done in the Ecuapass system and also the procedure of export clearance of the product must be performed. It is important that in this process the company gets a customs agent to guide with exports which will also mean a cost to the company.



### Export Flowchart

Source: Elaborated by the authors

The chart above presents the flowchart of the export process, it should be taken into account not only the logistics costs but also documentation costs within this process, it is important to note that it must be supervised and guided by a customs broker for safety and should be considered as another expense for the company, ensuring a successful export process is the basis for the company to enter new markets successfully.

Golosinas Dikaty must have a clear view of costs, especially logistics costs, since this is one of the most expensive parts of the export process. In order to cover these costs, the company must not only expand its production capacity, but also innovate in its

products so that they are desired in the international market. Within the price of the product in the Chilean market, a profit margin of 30% per bar was proposed in the final price, which means the profit for the company in this export process, in order to offer a competitive price and be able to cover the export costs in the target market.

For example, chocolate bars do not have a certificate of origin. Having this certificate exempts the company from paying the 6% ad valorem tariff on chocolate bars in the Chilean market. As the company adapts to the target market and becomes better known, the export volume can be increased, which will allow it to generate a higher profit and also the possibility of expanding the market not only to Santiago, Chile, but also to other cities in the South American country.

### **5.7.2 Product price.**

After making the price estimate at the destination, it is concluded that it is not possible to enter the market to compete on price; it ends up being more expensive than most of the competition and even more expensive than its own Ecuadorian competitor. It is recommended that the company, in order to make the product more attractive, have international certifications that raise the customer's perception of quality at the time of purchase.

In order to be competitive in price, the production cost should be lowered, try to produce in volume and analyze whether it is feasible to create a single production line for chocolate bars. Another way to lower costs to influence the final price would be in the method of shipping and logistics costs, you can consider shipping by sea in a shared container to reduce the cost of freight and insurance this will generate a change in the selling price, also as mentioned above obtain the certificate of origin to be exempt from paying the tariff at destination.

Price is one of the most important factors when making a purchase; being one of the most expensive in the destination market makes the product less competitive, even if it is aimed at a niche market of a certain socioeconomic level. It is important to try to lower costs and grow in the domestic market to increase production and thus try to compete on price.

## **5.8 Conclusion**

To conclude this chapter, all the shortcomings of Golosinas Dikaty were analyzed, in which it is necessary to make changes so that the company can successfully export to the Chilean market for the first time. Therefore, a series of adaptations that the organization should take into consideration were recommended, among which are the adaptation of processes, resources and capabilities for the organization, but mainly it is required to implement certifications that will help customers in the foreign market prefer to consume the product of this company.

Additionally, it was recommended to adapt the packaging designs of the 75% and 90% cocoa chocolate bars according to the regulations established in Chile for the entry of imported products. Finally, an adaptation of the costs that are important to take into consideration so that the company can make the necessary financial adjustment to help cover the costs of the entire export process.

## **Conclusions:**

In conclusion, after analyzing the different potential markets and having conducted the market intelligence analysis, the selected destination to export would be Chile since it presents new consumers focused on the cocoa concentrate of the tablets to be exported. In addition, it is an emerging market in the consumption of this product, it has an underdeveloped chocolate industry and high rates of imports of this product to this country.

In order to carry out this process, the company's situation is determined with a new Export Audit and certain internal changes that need to be improved are identified. It is important to highlight that the company has just passed and assertively overcome the COVID 19 pandemic that left many similar companies out of the market; this aspect is important because it shows the company as a lasting company with a good administrative management.

One of the most important conclusions is that the company is not competitive in the target market at the price level, in fact it would enter the market with one of the highest prices and even higher than that of its Ecuadorian competitor Pacari, which is why the company should seek to reduce production or logistics costs and make improvements in the supply chain to reduce the cost of chocolate and play with the profit margin and the percentage of the distributor at destination.

Specific changes were suggested at the level of packaging, production capacity, certifications, costs, processes, resources and capabilities including several items within these that will not only help the company to attract more consumers but also to enter different markets later on. Entering a learning market will provide the company with the necessary export knowledge before seeking to enter a larger market.

The company Golosinas Dikaty must become a national benchmark to grow and cover the domestic market first and then move on to the international market. This project concludes the international market research stage for the company Golosinas Dikaty and leaves structured the changes suggested to the company to take into account in its export process.

**Recommendations:**

- Golosinas Dikaty is a MSME that seeks to internationalize, for this reason it needs to make certain adaptations in the company and improve its competitiveness. It is recommended to acquire new certifications that allow the organization to guarantee the quality of its product and thus be more competitive in the foreign market. However, it is recommended that mainly the company should acquire certification of origin, since this minimizes tariff costs, lowers the final price of the chocolate bar and facilitates entry into certain countries.
- In order for the MSME Golosinas Dikaty to be competitive in the international market, it is necessary to improve product costs. To that end, changes in volume production are recommended in order to reduce fixed costs and lower the final cost of the product, because the price at which it will be sold in the target market will be among the most expensive, rendering the company uncompetitive on an international scale. In addition, consideration should be given to lowering costs in the supply chain and logistics costs in the case of exports
- It is recommended that a change in production planning be taken into consideration, increasing the production of the chocolate tablet line. The MSME Golosinas Dikaty has diversified manufacturing; however, when the company manages to enter the foreign market and this is stable, it is necessary to analyze producing a line of tablets independently of the local market, that is, only for export, and thus be able to meet the demand required by an international market.
- Finally, it is recommended that Golosinas Dikaty seek to grow its brand and be mature first in the domestic market so that it can later have sufficient resources and experience to venture into an international market.

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**Annex:**

**Annex 1: Procedure on suppliers controls**

	<b>PROCEDIMIENTO DE CONTROL DE PROVEEDORES</b>	<b>PG-05 EDICION: 02</b>
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INDICE

1. OBJETIVO
2. ALCANCE
3. DEFINICIONES
4. RESPONSABILIDADES
5. METODOLOGIA
6. REGISTROS
7. MODIFICACIONES
8. ANEXOS

**CONTROL DE CAMBIOS**

REV.	FECHA	CAMBIO	RESPONSABLE
1	21/12/2021	Actualización	Responsable técnico

VALIDADO	REVISADO	APROBADO
Cargo/Firma:  Roberto Rodríguez Arce Representante técnico	Cargo/Firma:  Pablo Pauta Suárez Representante legal	Cargo/Firma:  Pablo Pauta Suárez Representante legal
Fecha: 22/12/21	Fecha: 22/12/21	Fecha: 22/12/21

	<b>PROCEDIMIENTO DE CONTROL DE PROVEEDORES</b>	<b>PG05 EDICION: 02</b>
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#### 1. OBJETIVO

Establecer el método de selección, evaluación y mantención de proveedores.

#### 2. ALCANCE

Este procedimiento aplica a todos los proveedores de servicios externos.

#### 3. DEFINICIONES

3.1. **Proveedores:** Es la persona natural o jurídica que cumple con las exigencias establecidas por la empresa de chocolates Dikaty para prestar un servicio.

#### 4. RESPONSABILIDADES

El laboratorista es el responsable de calificar y evaluar a todos los proveedores y dar cumplimiento a este procedimiento.

El jefe de operaciones es el encargado de realizar la inspección cada vez que lleguen a la planta materias primas, materiales de envase antes de ser utilizados.

#### 5. METODOLOGIA

##### 5.1 Selección de proveedores

todas las empresas que se interesen en proveer a la empresa de chocolates Dikaty (, materia prima envases, etcétera) deberán reunir los siguientes requisitos:

- transporte óptimo
- entrega de documentos: ficha técnica, certificado de calidad.
- tiempo de entrega acordado
- cantidad o peso/volumen de producto solicitado.
- permitir auditorías una vez cada año.


De esta manera se asegura que el producto que se receipta es de calidad ya que sus proveedores son calificados.

##### 5.2 Evaluación y calificación de proveedores:

el proceso de evaluación y calificación de proveedores consiste en calificar a cada uno de los proveedores de acuerdo a los siguientes parámetros:

- **Verificación de transporte:** durante la recepción de la materia prima mediante el registro de verificación de transporte.
- **Cumplimiento de la entrega de documentos:** ficha técnica, certificado de calidad
- **tiempo de entrega:** se debe cumplir con los pedidos de materia prima o envases en el tiempo acordado
- **Cantidad o peso/volumen de producto pedido:** el proveedor deberá entregar el peso o volumen de materia prima o cantidad de envases, según lo especificado en la orden de compra.
- **Auditorías:** se realizará conforme el procedimiento para auditorías pg16

La evaluación de los proveedores tendrá un puntaje máximo de 100%, que se evalúa de acuerdo con los siguientes parámetros:

	<b>PROCEDIMIENTO DE CONTROL DE PROVEEDORES</b>		PG06 EDICION: 02
	1. Verificación de transporte	20%	
	2. cumplimiento de la entrega de documentos	20%	
	3. tiempo de entrega	20%	
	4. cantidad o peso/ volumen de productos pedidos	20%	
	5. auditorías	20%	

Donde:

1. Se evalúa de acuerdo a los ítems del registro de liberación de materias primas/ material de empaque PG11-01
2. Si los Documentos son entregados al momento de la recepción tendrá 20 puntos, si es entregado en el transcurso de uno a 10 días vía digital tendrá 10 puntos, si no se entrega el producto será devuelto al proveedor y su puntaje será cero, lo cual se detalla en el registro PG11-01
3. La entrega deberá efectuarse en el transcurso del día establecido, caso contrario dicha falta se detallará en las observaciones en el registro PG11-01
4. La cantidad debe estar detallada y coincidir con la factura, caso contrario se devuelve el producto al proveedor.
5. Accesibilidad del proveedor para planificación de auditorías

La calificación se realizará conforme a la siguiente tabla:

Calificación A	70 a 100%
Calificación B	60 a 70%
Calificación C	menor de 60%

La evaluación está sujeta a la criticidad de cada una de las entregas

Calificación de desempleo (%) de proveedores		
mayor o igual a 70%	se aconseja mantener como proveedor	Calificado
entre 60 y 70%	el incumplimiento de los parámetros detallados dependiendo el caso se estipula un plazo para su cumplimiento	Condicionado
menor de 60%	no se considera un proveedor ya que no cumple los requerimientos establecidos	Descalificado

En caso de no cumplir con las mejoras, el proveedor no podrá seguir formando parte de nuestro grupo de proveedores calificados.

Nota: la evaluación está a cargo del técnico de calidad, los resultados se detallan en el registro de evaluación de proveedores: RPG-15-01 y se realizará anualmente.

#### 6. REGISTROS

Registro de liberación de materias primas/ material de empaque: PG11-01

Registro de evaluación de proveedores RPG-15-01


#### 7. MODIFICACIONES

Es Edición 2.

#### 8. ANEXOS

##### ANEXO A

Registro de evaluación de proveedores RPG-15-01

 <b>DIKATY</b>	<b>PROCEDIMIENTO DE CONTROL DE PROVEEDORES</b>	<b>PG05 EDICION: 02</b>
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**ANEXO A**

Registro de evaluación de proveedores RPG-15-01

DIKATY	REGISTRO DE EVALUACION A PROVEEDORES				
Edición 2	RPG05-01	FVIG: 23/12/21			
Proveedor:					
Procedimiento:					
Fecha	Item a evaluar	C	NC	Puntuacion	Observacion
	Verificacion de transporte				
	Entrega de documetos				
	Tiempo de entrega				
	Cantidad pedida				
	Auditorias				
	TOTAL				

C: Conforme


NC: No conforme

Nombre y Firma  
Responsable Tecnico



**Annex 2:**

**Annex 2: Sanitary Registry for the tablet of 75% and 90% of cocoa concentration**

 <b>REPÚBLICA DEL ECUADOR</b> MINISTERIO DE SALUD PÚBLICA	
AGENCIA NACIONAL DE REGULACIÓN, CONTROL Y VIGILANCIA SANITARIA DR. LEOPOLDO IZQUIETA PÉREZ	MINISTERIO DE SALUD PÚBLICA
<b>0295-BPM-AN-1217</b> <b>CERTIFICADO DE INSCRIPCIÓN DE ALIMENTOS</b>	
<b>AGENCIA NACIONAL DE REGULACIÓN, CONTROL Y VIGILANCIA SANITARIA CERTIFICA QUE EL:</b>	
<b>PRODUCTO DENOMINADO:</b>	CHOCOLATE NEGRO 75 % CACAO
<b>MARCA:</b>	DIKATY
<b>TITULAR:</b>	PAUTA SUAREZ PABLO ESTEBAN
<b>CONTENIDO:</b>	30 g, 35 g, 40 g, 45 g, 50 g, 55 g, 60 g, 65 g, 70 g, 75 g, 80 g, 85 g, 90 g, 95 g, 100 g, 105 g, 110 g, 115 g, 120 g, 125 g, 130 g, 135 g, 140 g, 145 g, 150 g, 155 g, 160 g, 165 g, 170 g, 175 g, 180 g, 185 g, 190 g, 195 g, 200 g, 205 g, 210 g, 215 g, 220 g, 225 g, 230 g, 235 g, 240 g, 245 g, 250 g, 255 g, 260 g, 265 g, 270 g, 275 g, 280 g, 285 g, 290 g, 295 g, 300 g, 350 g, 400 g, 450 g, 500 g, 550 g, 600 g, 650 g, 700 g, 750 g, 800 g, 850 g, 900 g, 950 g, 1000 g, 1050 g, 1100 g, 1150 g, 1200 g, 1250 g, 1300 g, 1350 g, 1500 g, 1550 g, 1600 g, 1650 g, 1700 g, 1800 g, 1850 g, 1900 g, 1950 g, 2 Kg, 2.1 Kg, 2.15 Kg, 2.2 Kg, 2.25 Kg, 2.27 Kg, 2.3 Kg, 2.35 Kg, 2.4 Kg, 2.45 Kg, 2.5 Kg, 2.55 Kg, 2.6 Kg, 2.65 Kg, 2.7 Kg, 2.75 Kg, 2.8 Kg, 2.85 Kg, 2.9 Kg, 2.95 Kg, 3 Kg, 3.1 Kg, 3.15 Kg, 3.2 Kg, 3.25Kgkg, 3.3 Kg, 3.35 Kg, 3.4 Kg, 3.45 Kg, 3.5 Kg, 3.55 Kg, 3.54 Kg, 3.65 Kg, 3.7 Kg, 3.75 Kg, 3. 8 Kg, 3.85 Kg, 3.9 Kg, 3.95 Kg, 4 Kg, 4. 1 Kg, 4.15 Kg, 4.2 Kg, 4.25 Kg, 4.3 Kg, 4.35 Kg, 4.4 Kg, 4.45 Kg, 4.5 Kg , 5 Kg
<b>TRANSGÉNICO:</b>	No
<b>ADITIVO:</b>	Lecitinas (E 322)
<b>ENVASE EXTERNO:</b>	CAJA DE CARTON
<b>ENVASE INTERNO:</b>	POLIPROPILENO BI-ORIENTADO METALIZADO
<b>ELABORADO POR:</b>	DIKATY
<b>FORMA DE CONSERVACIÓN:</b>	Ambiente fresco y seco
<b>FÓRMULA DE COMPOSICIÓN / LISTA DE INGREDIENTES (EN ORDEN DECRECIENTE):</b>	



0295-BPM-AN-1217

**CERTIFICADO DE INSCRIPCIÓN DE ALIMENTOS**

**AGENCIA NACIONAL DE REGULACIÓN, CONTROL Y VIGILANCIA SANITARIA CERTIFICA QUE EL:**

<b>PRODUCTO DENOMINADO:</b>	CHOCOLATE NEGRO 90 % CACAO
<b>MARCA:</b>	DIKATY
<b>TITULAR:</b>	PAUTA SUAREZ PABLO ESTEBAN
<b>CONTENIDO:</b>	30 g, 35 g, 40 g, 45 g, 50 g, 55 g, 60 g, 65 g, 70 g, 75 g, 80 g, 85 g, 90 g, 95 g, 100 g, 105 g, 110 g, 115 g, 120 g, 125 g, 130 g, 135 g, 140 g, 145 g, 150 g, 155 g, 160 g, 165 g, 170 g, 175 g, 180 g, 185 g, 190 g, 195 g, 200 g, 205 g, 210 g, 215 g, 220 g, 225 g, 230 g, 235 g, 240 g, 245 g, 250 g, 255 g, 260 g, 265 g, 270 g, 275 g, 280 g, 285 g, 290 g, 295 g, 300 g, 350 g, 400 g, 450 g, 500 g, 550 g, 600 g, 650 g, 700 g, 750 g, 800 g, 850 g, 900 g, 950 g, 1000 g, 1050 g, 1100 g, 1150 g, 1200 g, 1250 g, 1300 g, 1350 g, 1500 g, 1550 g, 1600 g, 1650 g, 1700 g, 1800 g, 1850 g, 1900 g, 1950 g, 2 Kg, 2.1 Kg, 2.15 Kg, 2.2 Kg, 2.25 Kg, 2.27 Kg, 2.3 Kg, 2.35 Kg, 2.4 Kg, 2.45 Kg, 2.5 Kg, 2.55 Kg, 2.6 Kg, 2.65 Kg, 2.7 Kg, 2.75 Kg, 2.8 Kg, 2.85 Kg, 2.9 Kg, 2.95 Kg, 3 Kg, 3.1 Kg, 3.15 Kg, 3.2 Kg, 3.25Kgkg, 3.3 Kg, 3.35 Kg, 3.4 Kg, 3.45 Kg, 3.5 Kg, 3.55 Kg, 3.54 Kg, 3.65 Kg, 3.7 Kg, 3.75 Kg, 3. 8 Kg, 3.85 Kg, 3.9 Kg, 3.95 Kg, 4 Kg, 4. 1 Kg, 4.15 Kg, 4.2 Kg, 4.25 Kg, 4.3 Kg, 4.35 Kg, 4.4 Kg, 4.45 Kg, 4.5 Kg , 5 Kg
<b>TRANSGÉNICO:</b>	No
<b>ADITIVO:</b>	Lecitinas (E 322)
<b>ENVASE EXTERNO:</b>	CAJA DE CARTON
<b>ENVASE INTERNO:</b>	POLIPROPILENO BI-ORIENTADO METALIZADO
<b>ELABORADO POR:</b>	DIKATY
<b>FORMA DE CONSERVACIÓN:</b>	Ambiente fresco y seco

**FÓRMULA DE COMPOSICIÓN / LISTA DE INGREDIENTES (EN ORDEN DECRECIENTE):**

