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“Plan for the export for aromatic infusions from the Company “La Gracia” to

the state of New York in the US”

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Dedicatory

I dedicate this degree work first of all to God, for being my guide and my strength in this university process. To my parents and siblings who have been a fundamental pillar to achieve my goals as a professional. And in a special way I dedicate it to my mother, who thanks to her infinite love has instilled in me the necessary values to be who I am, she has been the one who has supported me unconditionally from day one.

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Abstract

The objective of this work is to develop an export plan for aromatic infusions from the company "La Gracia" to the New York market in the United States, where it is intended to know the necessary requirements to achieve a successful export from the city of Cuenca-Ecuador. Having as a fundamental basis the concepts of foreign trade, the same ones that will be of great help to carry out this thesis. In the same way, an analysis of the company involved in the project is made in order to verify if it is suitable for export, analyzing its current characteristics and situation. Finally, an export plan is developed so that the company "La Gracia" can execute and implement this process, and have it as a guide for future exports.

CHAPTER 1

Theoretical Framework

1.1 Introduction

In order to understand an export plan, it is necessary to know and understand everything that foreign trade entails, from its most basic concepts to the obstacles that arise when marketing a product internationally. For this reason, this chapter presents a main review of the factors and actors involved in foreign trade, as well as the main theories of foreign trade that explain the reason and the way in which trade between countries is or should be handled.

Knowing the forms of foreign trade are essential when wanting to export a product, that is why each of them have been analyzed in detail, as well as explaining what imports and exports imply, their classifications and types, necessary for the proper development of a business plan, in this case the export.

1.2 Foreign Trade

Foreign trade is the economic activity based on the exchange of goods, capital and services carried out by a given country with the rest of the world (Ballesteros Román, 2005). Some countries that have excess production find benefits by selling abroad to countries that lack this commodity.

The function of foreign trade is to provide an outlet for production that cannot be sold domestically due to oversupply in the local market, create jobs, generate foreign exchange for the country, acquire products, goods and services that are not produced domestically, which reinforce and favor the country's economic development (Witker Velásquez, 2011).

1.2.1 History

Since the beginning of time, starting with "La Ruta de la Seda" that around the first century BC was the main connection between East and West, not only to facilitate trade in goods such as silk, porcelain, iron or tea, but also the dissemination of culture, knowledge and science. Along this route circulated merchants, scientists, diplomats, priests, soldiers and adventurers (Benaloy, 2019). The name of this route contrary to what is believed is not due to the exclusive commercial exchange of that fabric, but to the popularity of Chinese silk in the West, especially in the city of Rome (Mark, 2018). This route became for many centuries a bridge (land and sea routes) between two worlds, connecting China with Central Asia, India, Persia, Arabia, Arabia, Syria, Turkey, Europe and Africa (Palomo Garrido, 2020). All this became a precedent for what we know today as foreign trade.

Over the course of time, trade relations have evolved, and in July 1944 in Bretton Woods, New Hampshire (USA), during the course of World War II, it became necessary to hold a convention called the "Conferencia Monetaria y Financiera de las Naciones Unidas", which would bring together delegates from the 44 nations allied in World War II, in order to establish a new post-war world economic model. establish a new post-war world economic model. The main objectives were 5: 1) To promote international monetary cooperation; 2) To facilitate the growth of trade; 3) To promote exchange rate stability; 4) To establish a multilateral payments system; and 5) To create a reserve base (Reyes Konings, 2010). After analyzing the different American and British proposals, and examining how accessible these were, they decided to develop rules to coordinate monetary and financial relations between the most industrialized countries (Jiménez Bermejo, 2016). The Bretton Woods negotiators proposed to lay economic foundations with the aim of achieving peace after the two wars,

however, until that time there were no precedents for a monetary system (Estefanía, 2019). That is why it was decided to found the World Bank (WB) whose goal was to facilitate financing to European countries affected by World War II, and a year later in 1945 they created the International Monetary Fund (IMF) with the aim of monitoring and protecting the course of the global economy and mitigating the effects left by the Great Depression of 1929 which was known as a global financial crisis (Jiménez Bermejo, 2016).

In 1947 the General Agreement on Tariffs and Trade (GATT) was signed, this being an interim agreement on tariffs and trade, aimed at world trade after World War II, whose objectives were: 1) To contribute to the improvement of living standards; 2) To achieve full employment; 3) To improve world resources; 4) To develop the production and exchange of goods; and 5) To promote economic development (Hidalgo Gallo, 2021). This agreement sought to achieve economic advancement through the promotion of free trade and the reduction and elimination of trade barriers such as tariffs (López Cabia, 2020). However, as these interim agreements did not have any framework or institutional structure to support them, they saw the need to create the World Trade Organization (WTO) in 1995. This new organization would be responsible for promoting trade between countries, with the greatest possible freedom. It administers trade agreements and policies and functions as a framework for new multilateral trade negotiations. It has 162 members who, through votes, make decisions within the organization (Cabello, 2016).

1.2.2 Foreign trade forms

Foreign trade is developed in different ways, which will be classified as follows:

a) Basic forms:

- Export: sale of domestic goods and services to foreign markets, which creates the opportunity for cross-border operations producing an inflow of foreign exchange.
- Import: purchase of goods and services produced in foreign countries for domestic use and consumption.
- Transit trade: refers to economic services where the subject that executes the operation is not domiciled in the country. The subject executing the operation is not domiciled in the importing country, nor in the exporting country, but is located in a third country.

(Lafuente, 2012)

b) Special forms

- Foreign direct investments: are those capital investments that may be made by companies of a given country in foreign regions to produce or increase production for profitable purposes. foreign companies can make in foreign regions in order to produce or increase production for profit-making purposes.
- Cearing operations: the purpose of these operations is to import without overspending foreign currency. The purpose of these operations is to import without overspending foreign currency, since payment is made using national products or services instead of foreign currency, of other products or services, these operations are also called "reciprocity business".
- Processing operations: this is a business in which the operator perfects the raw materials or semi-finished products by converting them into finished products at the request of a foreign partner in exchange for remuneration. Once the processing

operations have been completed, the finished products are returned to the country or business partner that requested them.

- Manufacturing under license: the manufacture of products or the use of intellectual property is authorized under certain intellectual property under certain terms to other interested companies. The use of these licenses is considered as an alternative to exporting for different reasons, usually when a company does not have sufficient economic/human resources, or when the import barriers of the destination country are very high.
- Franchising: refers to collaboration between companies. There is the franchisor which refers to the owner of the brand, product or service, who makes available to the franchisee the use of these elements in exchange for remuneration.
- Cooperation: this is understood as the grouping of several economically and legally independent companies for the purpose of managing a common enterprise in both countries or in a third country.
- Foreign project companies: these companies are autonomous entities based abroad, legally and economically created, financed and managed by a consortium of a wide range of companies (so-called management consortium). This form of cooperation is characterized by the fact that, after a certain start-up time, the company must be able to provide itself with the necessary operating capital to operate and act without the responsibility of the consortium or others.

(Lafuente, 2012; Pastrana, 2014)

1.2.3 Foreign trade theories

1.2.3.1 Adam Smith's Theory of "Ventaja Absoluta"

Adam Smith in 1776, in his book "The Wealth of Nations", talks about the productive capacity and labor force of a country, thus establishing the theory of "Ventaja Absoluta" , which determines that a country must specialize in producing products in which it has an advantage in terms of production. Smith considered that the country with the greatest productive efficiency of a good has an absolute advantage. The purpose of this theory was to clarify that countries will export those goods whose production requires less labor than one or more other countries, and import those goods whose production requires more labor than one or more other countries (Smith, 2005).

Charles Hill author of the book "International Business Competition in the Global Market" explains the theory of "Ventaja Absoluta" using the example of France and England, where it was known that France had a favorable climate for the cultivation of grapes, for this reason it should specialize in the production of wine. While England had sufficient resources, such as sufficient labor and capital for the manufacture of textiles, therefore, it was the area in which it should specialize, so England should import wines and France textiles (Hill, 2011).

1.2.3.2 David Ricardo's theory of "Ventaja Comparativa"

After Smith spoke about the theory of "Ventaja Absoluta", David Ricardo proposed his version, called "Ventaja Comparativa", in which he explains the possibility of the existence of more efficient countries, which produce more quantity with the same resources and at a better cost, therefore, to produce two goods more

efficiently in a country with absolute advantage, the opportunity cost of producing that good must be examined (Rozas, 2016).

This theory proves the validity of Absolute Advantage and also deepens it. Ricardo recommends that each country specializes in the production of the good in which it has comparative advantage, in which it uses less resources and labor to produce, so that the two countries obtain more goods for the same price. For educational purposes the following example is proposed; two countries A and B with efficiency in the production of not one but two products, coffee and bananas. Thus let us consider that country A uses 20 people to produce 4 dozen bags of coffee and uses 30 people to produce 3 dozen boxes of bananas. On the other hand, country B uses 30 people to produce 2 dozen bags of coffee and 20 people to produce 4 dozen boxes of bananas. In this way we can say that these two countries benefit from each other, where the coffee producer of country A is better off selling his products to country B and on the other hand the banana producer of country B is better off selling his products to the market of country A (Rosa Polanco, 2012).

The author also considers that a country wins if it focuses its resources on what it produces best and does so in the most efficient way compared to other countries (Escartín González, 2004).

1.2.3.3 Two Countries, Two Products Theory by Eli Heckscher and Bertil Ohlin

This theory was designed by Eli Heckscher around 1919, however, it was not until 1933 that the economist Bertil Ohlin modified and studied this theory in depth, turning it into the Heckscher-Ohlin model that we know today. These authors took as

a basis the theory of Comparative Advantage proposed by David Ricardo, who stated that countries have different production factors, depending on the amount of resources (land, labor and capital) that a country possesses, which explains the difference between the costs of each one, in particular the more abundant a factor is, the cheaper it is (Hill, 2011; Quiroz, 2012).

Heckscher and Ohlin propose a model where the nations involved have a similar advantage in terms of market competition and factor mobility within each country (Quiroz, 2012). This explains that countries will export goods made with factors that they have in their land and that they take better advantage of. On the other hand, they will import those made with factors that are scarce or that they do not have at all. This theory attempts to explain the patterns of international trade that we observe in the world economy; however, unlike David Ricardo, Heckscher and Ohlin confirm that international trade patterns are determined by differences in factor endowments, rather than by differences in productivity (Hill, 2011).

1.2.3.4 Michael Porter's Theory of Comparative Advantage of Nations

Michael Porter considers that Absolute and Comparative Advantage should evolve into a new theory, which is presented as Competitive Advantage of Nations; unlike the aforementioned theories, it no longer focuses on the production costs of countries, but on how nations can evolve by becoming more competitive in international industry (Porter, 2007). As in Heckscher and Ohlin's model, Porter assumes constant returns to scale; which explains that, if an industry doubles its output factors, its output will also double (Buendia Rice, 2013).

Porter argues that competition is dynamic and evolutionary, where "the competitiveness of a nation depends on the ability of its industry to innovate and improve" (2007). A company's innovation, both technological and evolutionary, represents a fundamental advantage when competing against another. In other words, a company must have the capacity to constantly improve in order to remain competitive. There are four qualities that constitute the well-known "Diamante de la Ventaja Nacional" created by Porter, a graphic scheme in which the indicators that influence a country, region, community or company to remain competitive are related.

- **Factor conditions.** This determinant deals with the establishment of specialized factors necessary to make a country competitive, since it is known how important is the capacity for more efficient development.
- **Demand conditions.** For Porter the composition and character of the domestic market often has an effect on how firms perceive, interpret and respond to buyers' needs, meaning that domestic demand conditions help create competitive advantage.
- **Related and supporting industries.** The third determinant of national advantage deals with the availability of internationally competitive domestic supplier industries. Spatial proximity between suppliers and end users facilitates the exchange of ideas.

- **Strategy, structure and firm rivalry.** Competition among rival states stimulates creativity and increases competitive advantage by encouraging firms to innovate, reduce costs and improve product quality.

(Buendia, 2013)

1.2.4 Subjects of foreign trade

When we talk about the subjects involved in foreign trade, we are referring to those individuals and political or economic organizations that participate directly or indirectly in international trade activities.

- Direct actors in foreign trade

Importer

An importer is an individual or company that buys products from foreign markets and then sells them in the local market (Westreicher, 2020).

Exporter

An exporter is a business or person that sends its products to be traded in foreign markets (Westreicher, 2020).

The State

Within international trade, the State plays an important role in determining economic, industrial and trade policies that should seek to maintain and expand the activities of national companies on the world trade scene. These activities include approvals and subscriptions to international treaties or agreements that support and

protect trade negotiations between companies, whether public or private sector (Witker Velásquez, 2011).

Customs

Within this actor, we must consider the customs of each country, which have very important functions. Customs is a physical space, generally located in strategic areas such as cross-border areas, ports, airports and railway terminals. These regulate and control all activities related to the traffic of products, people and capital, whether imported or exported (Marco Sanjuán, 2016).

Companies

A company produces goods and/or services, based on capital and always seeking economic benefit, through the exploitation of wealth, credit, among others (Witker Velásquez, 2011).

Companies can be of several types:

- National
 - Multinationals
 - Transnational
 - Holding companies, joint venture and franchises.
-
- Indirect Actors in Foreign Trade

“Intermediary is any person who acts on behalf of another, sends, receives or files such message or provides some other service in connection with it” (Robleto Arana, 2004).

International transport

- Land Transportation: used in case there are direct routes in good condition, however, this type of route can be more dangerous than its sea alternative. The most common subtypes of land transport are: open or closed box trucks, trailers, tanker trucks, refrigerated, low-bed.
- Rail transport: this type of transport is not considered to be very versatile or fast, however, it can be considered a good option when time is not a priority factor due to its low cost
- Maritime transport: this is the most used type of transport worldwide, since it has more affordable costs, good infrastructure and security. However, the time it takes can be considered a disadvantage, which is why it is used more for non-perishable products.
- Air Transport: it is considered the fastest type of transport, but also the most expensive and limited in space and weight. It is for this reason that this type of transport is used for specific products such as technology and medical supplies.

(EAE Business School, 2019)

International insurance

When we talk about transport insurance we refer to a contract where an insurance company, in exchange for a price (premium), this company has the responsibility to indemnify its insured (beneficiary), in the event that during the transportation of the products some unforeseen risk occurs (EAE Business School, 2019).

The risks to which the goods are exposed vary according to the type of transport. In the case of maritime transport, there may be fire, explosion, sinking, grounding or collision, or loss of the entire package, which means that the product falls into the sea during loading, unloading or transshipment maneuvers (Mise, 2022). In the case of land transportation, insurance covers the vehicle and civil liability, which is why the most commonly used policy is called "A general conditions", which covers fire, flood, landslide, collapse of bridges or roads, collision, fall into the water, armed robbery and damage during loading or unloading. Air transport insurance also covers vehicles, goods and civil liability, in this case the most frequently used policy is called ICC-Air, the Institute of Cargo Clauses can cover from the cargo to the container, as well as the mode of transport used for the shipment of the goods (Mise, 2022).

There are risks that these insurances do not cover and generally are those where the human being has no control, such as climatic and meteorological conditions like earthquakes and hurricanes.

1.3 Export

According to the National Customs Service of Ecuador (2022), export is a commercial activity that consists of the sale or shipment of products outside the national territory. By export, we refer to the act and effect of sending goods and services from one country to another for commercial purposes.

1.3.1 Types of export

Direct export

This type of export refers to the direct purchase from a producer/supplier in the country of origin; if necessary, some type of commercial agent may be used to complete the business. It is called active export, since the company itself is in charge of finding contacts abroad, managing documentation, physical distribution, pricing and marketing.

As it is a direct purchase, in the case of raw materials originating in developing countries, there are advantages, including the availability of significant quantities of the product, as well as the continuous flow of material and direct contact with producers and suppliers (Lafuente, 2012). By applying this type of export, greater control over operations is obtained; however, it requires greater investment and involves more risk, due to the possibility of some kind of incident or setback at the time of carrying out any of the steps mentioned above (seeking contacts abroad, managing documentation, physical distribution, pricing and marketing).

Indirect export

According to Fernando Lafuente, it is called indirect export when the producer of a country sells its products to an intermediary whose specialty is foreign trade (broker, independent agent, trading company). It is called passive export, since the exporting company is limited to accept or reject the cost proposed by the buyers. The manufacturer restricts its activities by supplying only the goods, delegating to the intermediary the risks and expenses of the entire distribution of the product, as well as the search for customers, storage and logistics.

This type of export also presents some disadvantages, such as the loss of control over the commercial strategy, as well as the choice of destination markets.

Concerted export

Concerted exports are based on collaboration with other manufacturers, as they seek to increase sales in foreign markets. This type of export is an intermediate sales process between the two aforementioned exports (direct and indirect), however, contrary to what is thought that in this type of export the company does not fully develop its international activity because it has ceded part of it to its partners, it is quite the opposite, this type of export carries out a greater international activity, since it requires various types of negotiations and management of international resources due to the use of channels belonging to other companies.

There are different ways of entering new markets. Nieto & Llamazares (1995), in their book *International Marketing*, mention three:

- **Piggyback o kangaroo export:** Here the exporting company distributes its products abroad using a distribution channel of another company already established in the market.
- **Export consortium:** Consists of the combination of products or manufacturers of the same or similar items for joint sales abroad. These consortia "allow domestic companies or companies with complementary product lines to cooperate to carry out a common export" (Nieto & Llamazares, 1995)
- **Franchising:** "International franchising consists of the transfer of the product or product lines, names, trademarks and know-how on the management and marketing

procedures of a business to a company located in a foreign market" (Nieto & Llamazares, 1995).

However, another type of concerted export has been implemented, as is the case of the "Joint-venture"; Ricardo Donoso M., defines it as "A temporary strategic association"(2014) of companies that manage to maintain their legal independence but act together guided by the same guidelines and rules always with the purpose of taking forward the commercial operation, these companies together distribute investments, control, all kinds of responsibilities, workers, risks, as well as expenses and benefits. In other words, unlike franchising, this type of business shares not only investment but also resources, risks, losses and profits.

There are also export regimes, which are classified as follows:

- **Definitive export:** Refers to the merchandise that arrives directly to the international market where it will be consumed. This merchandise will not return to its country of origin, unless it presents a defect or does not comply with the established conditions.
- **Temporary export:** The customs regime allows goods in free circulation for a specific destination and period of time to leave the border temporarily, during which time they must be re-imported without modification, and the goods must be identifiable.

1.3.2 Export barriers

Obstacles are those barriers that impede in one way or another the export of products, these are "attitudinal, structural, operational and other limitations that dissuade or impede the

capacity to initiate, develop or maintain commercial operations in foreign markets" (Malca-Guaylupo, O. & Rubio-Donet, J. 2015).

Barriers can be classified into internal and external barriers. Internal barriers are related to insufficient company resources and organizational capabilities. And external barriers are those that derive from the firm's operating environment (Malca-Guaylupo, O. & Rubio-Donet, J., 2015).

Tabla 1. INTERNAL EXPORT BARRIERS

| | | | |
|--|---------------------------------|--|---|
| | Management focus and commitment | | Lack of export marketing effort |
| | | | Lack of management commitment/aspiration |
| | | | Focus on the domestic market |
| | | | Lack of management time |
| | Knowledge and experience | | Knowledge of foreign marketing |
| | | | Lack of knowledge of potential markets |
| | | | Difficulty in choosing a local representative in the foreign market |
| | Information | | Inability to identify opportunities abroad |
| | | | Identify foreign market |
| | | | Lack of contacts in foreign markets |
| | | | Identify distributors abroad |
| | Funtional | | Insufficient production capacity |
| Lack of skilled and flexible labor force/ lack of specialized export staff | | | |

| | | | |
|---------|-----------|--------------|--|
| Interns | | | High labor costs |
| | | | Quality assurance requirements |
| | Marketing | Product | Develop new products for foreign markets |
| | | | Adapt the design and style |
| | | | To meet foreign quality standards |
| | | | Satisfy packaging and labeling requirements |
| | | | Technologically inferior products |
| | | | Offer after-sales services |
| | | Price | Offer prices that satisfy consumers |
| | | | Difficulty in offering competitive prices in the marketplace |
| | | | Growing consumer credit abroad |
| | | Distribution | Complexity of foreign distribution channels |
| | | | Access to foreign distribution channels |
| | | | Obtain reliable representatives abroad |
| | | | Maintain control over intermediaries |
| | | | Difficulty in inventory supply |
| | | Logistics | Lack of availability of storage and control of physical product flow in the foreign market |
| | | | High transportation and insurance costs |
| | | Promotion | Adapt promotion activities in foreign markets |

Source: Obstacles to the export activity of Peruvian companies, from Malca-Guaylupo, O. and Rubio-Donet, J. (2015).

Elaborated by: The Author

Tabla 2. EXTERNAL EXPORT BARRIERS

| | | | |
|-----------|-----------------------|------------------------------------|---|
| Externals | Destination Market | Economics | Strong domestic currency position |
| | | | Minimize exchange rate fluctuations |
| | | | Interest rate and inflation |
| | | | Deterioration of economic conditions in foreign markets |
| | | | Foreign exchange risks |
| | | Legal | Political instability |
| | | | Lack of knowledge of foreign market laws |
| | | Political | Bureaucratic requirements |
| | | Sociocultural | Differences in verbal and non-verbal language |
| | | | Different habits and attitudes of foreign customers |
| | | | Different socio-cultural risks |
| | | | Forms of negotiation in foreign countries |
| | | Restrictions and regulations | Tariff barriers |
| | | | Non-tariff barriers |
| | | | Lack of financial advice |

| | | | |
|--|------------------|---------------------------------|--|
| | | in foreign markets | |
| | | Obstacles to market development | Market development costs |
| | | | Lack of capital financing |
| | | | Competition in foreign market |
| | | | Corruption in target market |
| | | | Collection and transfer of funds |
| | | | Transportation and distribution costs |
| | | | Handling of export documentation |
| | | | Slow collection of overseas payments |
| | Market of origin | Government Policies | Lack of government support |
| | | | Inconsistent government policies |
| | | | Government restrictions and regulations |
| | | | Lack of export incentives |
| | | Risks and returns | Low return expectations/low perceived export profitability |
| | | | High perceived risk for foreign operations |

Source: Obstacles to the export activity of Peruvian companies, from Malca-

Guaylupo, O. and Rubio-Donet, J. (2015).

Elaborated by: The Author

1.4 Imports

An import is the introduction of foreign merchandise into a country for subsequent commercialization. An import legally transports products elaborated abroad that are intended to meet the needs of the demanding country (Ucha, 2013).

1.4.1 Types of imports

Imports can be classified as follow.

- Direct imports

In direct imports, the importer and the exporter are the only ones involved in the product acquisition process, i.e. no intermediaries are required. This type of import tends to be applied between large companies that have their own distribution channels. This type of negotiation requires a high degree of trust between both parties.

The most important advantage of this type of import is the reduction of costs associated with intermediaries, as well as the possibility of creating their own distribution channels. On the other hand, a disadvantage is the risk of damage and deterioration of the goods in transit, due to external factors such as weather, accidents of the cargo ship or poor execution of the container transfer at Customs. There may also be mishaps related to the loss or theft of the goods (Acevedo Valencia, 2016) (Páez, 2021).

- Indirect imports

This type of import is based on the fact that the two parties involved in the process, i.e. the importer and the exporter, do not carry out the operation directly, they use an

intermediary, who is responsible for acquiring the products in the local market to market them with the importer.

One of the most important advantages of this type of import is that the intermediary institutions are in charge of settling the customs expenses and paying the relevant taxes, and therefore the risks associated with damages are considerably reduced. However, this action increases the cost of the merchandise, which can be considered an important disadvantage (Acevedo Valencia, 2016) (Páez, 2021

Similarly, the different customs regimes are mentioned below.

- Import for consumption

It is also known as definitive or ordinary import, this type of import is defined as that which occurs when a country acquires the merchandise, after having paid the respective customs duties, with the objective of marketing and consuming it within its territory (Minaya, 2017).

- Temporary importation

Here customs authorizes the legal entry of goods or products from abroad, with the objective of processing them in the country and then exporting them again. This type of import is applicable to those goods that have been destined for re-export after having been used, improved or repaired (Casano Merino, 2017).

- Duty-free imports

In this type of import, it is important to highlight the total or partial exemption of customs duties, depending on the treaty, law or agreement of the corresponding country. These generally have a ceiling in relation to the extent of duties, according to the regulations of each country (Serantes Sánchez, 2011).

- Reimportation

Reimportation is the purchase of exported products from the same country of destination. This type of import is used when there is a need for maintenance or improvement of the product (Cabello Pérez & Cabello González, 2012). Such is the case of the presence of a defect, non-compliance with the importer's obligations, trade barriers demanded by the destination country, as well as inconveniences with transportation (Paez, 2020).

1.4.2 Import barriers

Tariff barriers are an important point to take into account during the export process. Two groups have been established in foreign trade: tariff barriers and non-tariff barriers.

It is extremely important to be aware of these types of barriers in order to avoid future inconveniences and, above all, to ensure that the exporter is not economically harmed by additional costs due to non-compliance due to lack of knowledge of regulations, which would compromise the image of the exporter and importer, casting doubt on the seriousness of the business (Sarquis, 2002).

Tariff barriers

"Tariff barriers are the taxes (tariffs) that importers and exporters must pay at customs for the entry and exit of goods." (Sarquis, 2002).

The main objective of tariff barriers is to stop the import of certain goods to balance the trade balance of a country, protect domestic production or increase trade between a group of countries (Burgos Baena, 2017).

Tariff barriers, are divided into the following:

- **“Ad valorem” tariffs:** se calculan como un porcentaje sobre el valor de la mercadería importada.
- **Specific tariffs:** these are applied on the basis of a unit of measurement of the imported good.
- **Mixed tariffs:** the combination of ad valorem and specific tariffs.

(Sarquis, 2002)

In the Ecuadorian customs system, the following taxes are additionally applied to foreign trade, which are considered customs duties, taxes established in organic and ordinary laws and fees for customs services.

- **FODINFA:** (Fondo de Desarrollo para la Infancia) 0.5% is applied on the taxable base of the import.
- **ICE:** (Impuesto a los Consumos Especiales) Variable percentage according to the goods and services imported.
- **IVA:** (Impuesto al Valor Agregado) Corresponds to 12% on: Taxable Base + ADVALOREM + FODINFA + ICE.

(Servicio Nacional de Aduana del Ecuador, 2022)

Non-tariff barriers

Non-tariff measures are defined as policy measures other than ordinary tariffs that may have an economic impact on international trade in goods, alter volumes or prices, or both. A classification is essential to better identify and differentiate the different types of non-tariff measures. Among these measures we have technical and non-technical measures (UNCTAD, 2019).

- **Technical measures**

- Sanitary and phytosanitary measures
- Technical barriers to trade
- Preshipment inspection and other formalities

- **Non-technical measures**

- Special trade protection measures
- Non-automatic licenses, quotas, prohibitions, quantity control measures and other restrictions
- Price control measures, including additional taxes and charges
- Financial measures
- Measures affecting competition
- Measures in trade-related investment matters
- Restrictions on distribution
- Restrictions on after-sales services
- Subsidies and other forms of support
- Restrictions on government procurement

- Intellectual property
- Rules of origin

(UNCTAD, 2019)

Conclusion

At the end of this first chapter we were able to develop a conceptual basis on foreign trade, taking into account bibliographic reviews by various authors who defined what we know today as foreign trade. It was important to recapitulate part of the history of trade in order to learn about the most transcendental events, including the "Ruta de la Seda", the creation of the General Agreement on Tariffs and Trade (GATT) in 1947, and the creation of the World Trade Organization (WTO) in 1994.

Among the most notorious topics within this theoretical base, it was possible to highlight the theories of trade, with their respective authors such as Smith with the "Teoria de la Ventaja Absoluta", David Ricardo with the "Ventaja Comparativa", the model proposed by Heckscher and Ohlin, as well as the contribution of Porter with his model of "Ventaja Competitiva", making evident the need to evolve and dynamize the advantages proposed above.

It was determined that foreign trade can take different forms, the most important and recognized being import and export; however, despite the fact that these trade channels are so common, there is a great variety of obstacles that traders must face in order to carry out a legitimate commercial process and avoid fines due to lack of regulatory knowledge.

CHAPTER II

Analysis of the company “La Gracia”

2.1 Introduction

In this second chapter there is an analysis of the company "La Gracia", its background and important and necessary data for the subsequent development of chapter three in which an export plan for the products of this company is made. It also explains the national and international experience of the company, which has allowed it to generate more experience and knowledge in certain situations. Likewise, the products chosen for export by the company "La Gracia" are described, in this case the aromatic infusions, their ingredients and uses. Through technical data sheets, product information is detailed, such as net weight and the nutritional table necessary for the consumer to make decisions based on health care.

This chapter also reviews the geographical areas where the aromatic and medicinal herbs used in aromatic infusions are grown, with climatic and environmental conditions being an important factor in their production. Within the elaboration process and final product, the entire process that the raw material must follow until it becomes the final product is explained, and the necessary certifications for the commercialization of the products are also analyzed.

Most of the information in this chapter has been provided by Karla Andrade, manager and owner of the company in question, through a semi-structured interview.

2.2 Company Analysis

2.2.1 Background: History

"Productos La Gracia", was born as a family business in the city of Cuenca-Ecuador in 2014, with the intention of innovating the traditional idea of consuming tea, implementing a new format such as aromatic infusions, made with 100% Ecuadorian products and labor. This company from its beginnings in an empirical way was dedicated to the production and sale of mixtures of fine herbs and fruits for aromatic drinks, targeting a public that wanted to consume more organic and innovative products.

Since 2018 "Productos La Gracia" presented a new gourmet line called "culinary herbs", considering to offer customers a new way of conceiving cooking, always having at hand different blends of herbs and fruits that will give them a special touch to their creations (Andrade, 2022).

2.2.2 Vision

To provide a wide range of products within the segment of herbal tea blends, blenders and dehydrated products, with the highest quality standards, generating a direct relationship with the communities that produce the raw materials, contributing to sustainable development and generating a value proposal in line with market needs.

2.2.3 Mission

To position ourselves as the most recognized brand for its quality and exclusive product offering, as well as to expand into international markets, taking the country brand to the most important markets in the world.

2.2.4 Values

- Innovation

Focused on the constant creation of new and innovative products.

- Quality

Maintain high quality standards on the finished product, guaranteeing a 100% natural product.

- Productivity

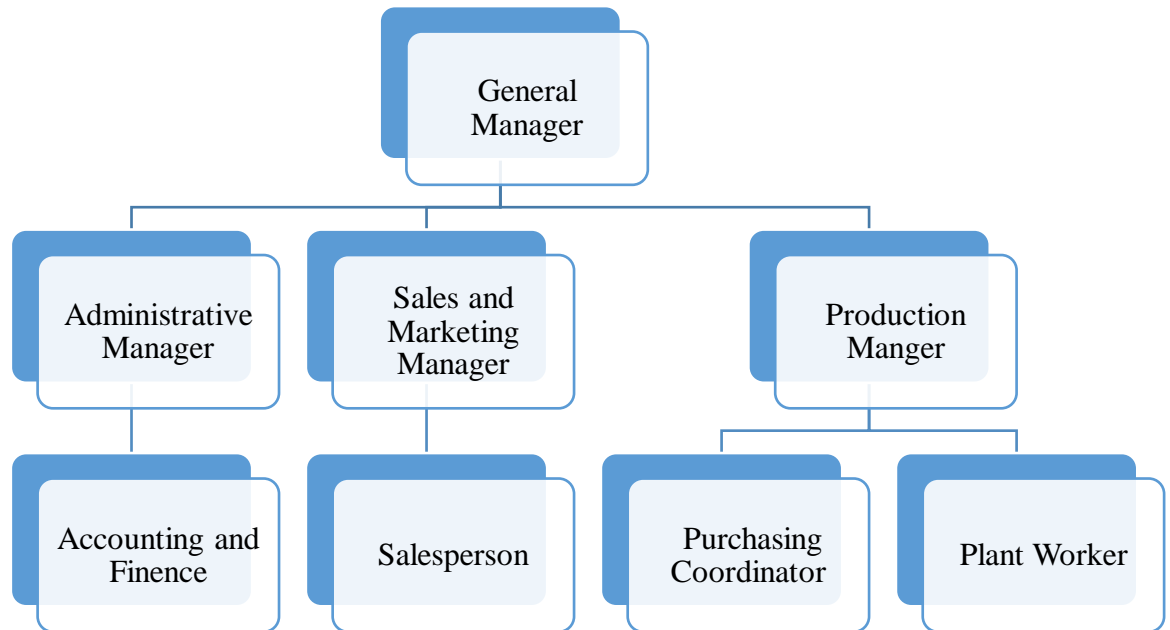
Maximize production and reduce costs using continuous improvement practices.

- Commitment

Committed to our customers by providing products that meet their needs.

2.2.5 Organizational Structure

Grafico 1. ORGANIZATIONAL STRUCTURE OF COMPANY “LA GRACIA”



Source: “La Gracia” Company

Elaborated by: The Author

According to the characteristics of the company "La Gracia", a simple-functional structure is observed, due to the size and tasks performed within the company. Therefore, at the first level is the General Manager, who is in charge of coordinating and supervising the Administrative, Sales and Marketing and Production Manager.

At the second level is the Administrative Manager, who is in charge of accounting and finance. The Sales and Marketing Manager, who will support and supervise his sales agent so that he can reach his monthly target. Finally, we have the Production Manager, who is in charge of two very important areas such as purchasing coordination and control of plant workers.

2.2.6 Company Experience

National Market

It must be recognized that Ecuador is a megadiverse country due to the variety of species in both plants and animals that inhabit the different ecosystems, due to its excellent location in the center of the planet, the same that helps make all this diversity possible. It could be highlighted that this biodiversity represents 10% of all the flora species that exist in the world (Ministerio de Turismo, 2014).

The cultivation of aromatic and medicinal plants, there is no data that verifies the exact amount of hectares that Ecuador has destined to these. However, the cultivated area is estimated at about 600 hectares, with an existence of about 500 species of aromatic plants and medicinal plants, of which 46% are recorded as the most used and 25% are the most commercialized, a number that represents only a fraction of the total that the country has (Izco & Cordero, 2007).

It should be noted that the cultivation and industrialization of aromatic and medicinal herbs has continued to grow in the country due to factors such as population growth, increased consumption of organic foods, fair trade and the shift towards a healthier diet. Markets such as food, pharmaceuticals and cosmetics have presented the possibility of the evolution of products containing aromatic and medicinal herbs, teas and essential oils with the aim of exporting them (Almedia, 2011).

In the case of the infusions marketed by the company "La Gracia", consumption has been consolidated both locally in the city of Cuenca and nationally in the different provinces. In the Azuayo market, for example, these products can be found in the main stores/locations such as: Mega Supermercado Santa Cecilia,

Megatienda del Sur, Supermaxi and Coral Hipermercados, as well as in different restaurants and cafeterias in the city.

Thanks to the excellent quality of its products, it has been able to position itself in the main supermarket chains nationwide. It is important to highlight the commercial partners with which the company "La Gracia" works, being these the ones that have the largest market share.

Tabla 3. MAIN TRADING PARTNERS IN THE NATIONAL MARKET

| Main Trading Partners in the Nacional Market | | |
|--|--------------------------------------|--|
| Company's Name | | Zone |
| 1 | Corporación Favorita | Locales Supermaxi y Megamaxi from all over the country |
| 2 | Coral Hipermercados | Stores throughout the country |
| 3 | Abad Mendieta Cia. Ltda. (La Bodega) | Cañar Province |

Source: "La Gracia" Company

Elaborated by: The Author

Grafico 2. PRINCIPAL DEALERS WHERE “LA GRACIA”
INFUSIONS ARE MARKETED



Source: Google (2022)

International Market

With respect to the international market, "La Gracia" has a small participation mainly in the United States, where its products are promoted and marketed through a website called "Rantima", which specializes in selling different products, mostly organic. On the other hand, there are also small negotiations with the company Mega Products, LLC, which is in charge of distributing "La Gracia" products, especially in the state of New Jersey, United States.

It is important to mention that in neither of the two cases mentioned above is there an export as such, but that both customers proceed to buy "La Gracia" products in Ecuadorian territory and are themselves responsible for the entire logistics process.

In order to expand and better reach the U.S. market and other countries, "La Gracia" products seek to participate in various food fairs, which is a great opportunity

to showcase their products and also to make contacts with future customers or business partners.

2.3 Definition and preparation of infusion

Definition of aromatic infusion

Infusion is the most common method of extracting active principles from a plant, in water. "It is a beverage that is achieved after adding water that is about to boil, rehydrating dried leaves, fruits, aromatic herbs, or even parts of flowers." (Iñiguez, 2017). The infusion is a completely healthy and natural drink that allows the consumer to enjoy all the properties of medicinal herbs and fruits.

Preparation of the infusion

There are several ways to prepare an infusion, however, the most effective way is by pouring hot water over the dehydrated herbs and fruits and letting it stand for 5 to 10 minutes, preferably in a closed container.

To take advantage of all the properties of the medicinal herbs in an infusion, the following steps should be taken into account:

1. Heat the water until it boils and then turn it off (do not let it continue boiling for a long time to prevent the mixture from burning).
2. In a cup, teapot or glass, put the herbs or plants (mixture).
3. Pour the water into the container and mix with the herbs.
4. Cover the infusion, to avoid the evaporation of the active principles of the plant or fruits.

5. Let the mixture stand for 5-10 minutes.
6. Remove the mixture of herbs or fruits.
7. Sweeten to taste

2.4 “La Gracia” Products

The company "La Gracia" today has a wide variety of products, however, aromatic infusions have positioned themselves in the local market as one of the products of choice. These 100% natural aromatic infusion blends are elaborated with a great variety of fruits, herbs and spices, without any type of preservatives, flavorings or colorings, all this with the purpose of providing the consumer with products of the highest quality.

Within the diversity of flavors that the company offers for infusions, four have been chosen for the analysis in this work: Buenas Noches, Jengibre Lima-Limón, Festival and Piña Colada.

2.4.1 Characteristics and uses

- **Buenas Noches**

Ingredients: Manzana, Guayaba, Toronjil, Raíz de Valeriana y Hojas de Stevia.

Benefits: This infusion acts very well on the central nervous system, providing the person who consumes it with a state of relaxation ideal for falling asleep. The presence of valepotriates and isovaleric acid calm without exerting a sedative effect, being used as a method for insomnia and other sleep disorders.

Imagen 1. BUENAS NOCHES INFUSION



Source: “La Gracia” Producto catalog

- **Jengibre Lima-Limón**

Ingredients: Jengibre, Lima, Limón, Frutilla, Cáscara de Lima, Cáscara de Limón y Hierbaluisa.

Benefits: It is an effective antidote in case of colds or flu, due to the high levels of antioxidants and vitamin C in the ingredients, which strengthen the immune system and ginger in turn increases blood circulation. This citrus infusion also relieves indigestion and nausea problems. It normalizes sugar levels, improves fat absorption and prevents fat from accumulating in the body.

The aroma of this infusion reduces stress and stimulates metabolism.

Imagen 2. JENJIBRE LIMA-LIMÓN INFUSION



Source: “La Gracia” Products catalog

- **Festival**

Ingredients: Papaya, Guayaba, Manzana, Frutilla, Hibiscus, Canela y Cedrón.

Benefits: This infusion is inspired by the colorful diversity of our country, the fruits present in this mixture are recognized for the benefits they bring to health, it is endowed with vitamins and mineral salts such as vitamin C and A. The fruits of this fusion have antitussive power, are effective against inflamed gums, help reduce LDL cholesterol levels and relieve joint pain.

Imagen 3. FESTIVAL INFUSION



Source: “La Gracia” Products catalog

- **Piña Colada.**

Ingredients: Piña, Coco, Frutilla, Manzana, Hibiscus y Stevia

Benefits: Its exquisite flavor provides typical sensations of the Ecuadorian coast. It has a sweet and refreshing flavor due to the pineapple and coconut, this infusion is full of vitamins that will help the consumer to lower cholesterol levels and control sugar. It works perfectly as a diuretic that helps detoxify the body.

Imagen 4. PIÑA COLADA INFUSION




Source: “La Gracia” Products catalog

2.4.2 Product Technical Data Sheet

- Buenas Noches

Tabla 4. TECHNICAL DATA SHEET FOR “BUENAS NOCHES”

| PRODUCT TECHNICAL DATA SHEET  | |
|---|--|
| PRODUCT | Aromatic Infusion Bland, Buenas Noches |
| BRAND | La Gracia |
| HEALTH NOTIFICATION | 802318-ALN1473 |
| DESCRIPTION | Mixture to prepare infusions |
| PRESENTATION | 50g |


| INGREDIENTS | Manzana | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------------------------|--|-------------------------|--|--------------------------|--|-----------------------------|--|----------------------------------|--|----------------------------|--|-----------------|----|-----------------------------|----|--------------------------|--|-----------------|----|------------|----|---------------------------|----|--------------|--|--------------|----|---|
| | Guayaba | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Toronjil | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Raíz de Valeriana | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Hojas de Stevia | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NUTRICIONAL INFORMATION | Content 50 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th colspan="2">Información Nutricional</th> </tr> </thead> <tbody> <tr> <td colspan="2">Tamaño por porción: 5 g</td> </tr> <tr> <td colspan="2">Porciones por envase: 10</td> </tr> <tr> <td colspan="2">Cantidad por porción</td> </tr> <tr> <td colspan="2">Energía: (10 cal) 42 kcal</td> </tr> <tr> <td colspan="2">% Valores Diarios *</td> </tr> <tr> <td>Grasa total 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos Saturados 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos – trans 0g</td> <td></td> </tr> <tr> <td>Colesterol 0 mg</td> <td>0%</td> </tr> <tr> <td>Sodio 0 mg</td> <td>0%</td> </tr> <tr> <td>Carbohidratos Totales 3 g</td> <td>1%</td> </tr> <tr> <td>Azúcares 0 g</td> <td></td> </tr> <tr> <td>Proteína 0 g</td> <td>0%</td> </tr> <tr> <td colspan="2">*Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ)</td> </tr> </tbody> </table> | Información Nutricional | | Tamaño por porción: 5 g | | Porciones por envase: 10 | | Cantidad por porción | | Energía: (10 cal) 42 kcal | | % Valores Diarios * | | Grasa total 0 g | 0% | Ácidos grasos Saturados 0 g | 0% | Ácidos grasos – trans 0g | | Colesterol 0 mg | 0% | Sodio 0 mg | 0% | Carbohidratos Totales 3 g | 1% | Azúcares 0 g | | Proteína 0 g | 0% | *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) |
| Información Nutricional | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tamaño por porción: 5 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Porciones por envase: 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cantidad por porción | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Energía: (10 cal) 42 kcal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Valores Diarios * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grasa total 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos Saturados 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos – trans 0g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colesterol 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sodio 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carbohidratos Totales 3 g | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Azúcares 0 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proteína 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PACKAGING | PET Bag | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| STORAGE | Cool and dry enviroment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SHELF LIFE | 365 days | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PREPARATION | Boil a cup of water and place two teaspoons of the mixture and let it steep for 5 - 7 minutes. For a more concentrated flavor, leave it to infuse longer. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: “La Gracia” Company

Elaborated by: The Author

- **Jengibre Lima-Limón**

Tabla 5. TECHNICAL DATA SHEET FOR “JENGIBRE LIMA-LIMÓN”

| PRODUCT TECHNICAL DATA SHEET  | |
|---|--|
| PRODUCT | Aromatic Infusion Bland, Jengibre Lima-Limón |
| BRAND | La Gracia |
| HEALTH NOTIFICATION | 8735-ALN-0116 |
| DESCRIPTION | Mixture to prepare infusions |
| PRESENTATION | 50g |
| INGREDIENTS | Jengibre |
| | Frutilla |
| | Hierbaluisa |
| | Lima |
| | Limón |
| | Cáscara de Lima |
| | Cáscara de Limón |
| | Content 50 g |


| NUTRICIONAL INFORMATION | <table border="1"> <thead> <tr> <th colspan="2">Información Nutricional</th> </tr> </thead> <tbody> <tr> <td colspan="2">Tamaño por porción: 5 g</td> </tr> <tr> <td colspan="2">Porciones por envase: 10</td> </tr> <tr> <td colspan="2">Cantidad por porción</td> </tr> <tr> <td colspan="2">Energía: (10 cal) 42 kcal</td> </tr> <tr> <td colspan="2">% Valores Diarios *</td> </tr> <tr> <td>Grasa total 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos Saturados 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos – trans 0g</td> <td></td> </tr> <tr> <td>Colesterol 0 mg</td> <td>0%</td> </tr> <tr> <td>Sodio 0 mg</td> <td>0%</td> </tr> <tr> <td>Carbohidratos Totales 3 g</td> <td>1%</td> </tr> <tr> <td>Azúcares 0 g</td> <td></td> </tr> <tr> <td>Proteína 0 g</td> <td>0%</td> </tr> <tr> <td colspan="2">*Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ)</td> </tr> </tbody> </table> | Información Nutricional | | Tamaño por porción: 5 g | | Porciones por envase: 10 | | Cantidad por porción | | Energía: (10 cal) 42 kcal | | % Valores Diarios * | | Grasa total 0 g | 0% | Ácidos grasos Saturados 0 g | 0% | Ácidos grasos – trans 0g | | Colesterol 0 mg | 0% | Sodio 0 mg | 0% | Carbohidratos Totales 3 g | 1% | Azúcares 0 g | | Proteína 0 g | 0% | *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | |
|---|---|--------------------------------|--|-------------------------|--|--------------------------|--|-----------------------------|--|----------------------------------|--|----------------------------|--|-----------------|----|-----------------------------|----|--------------------------|--|-----------------|----|------------|----|---------------------------|----|--------------|--|--------------|----|---|--|
| | Información Nutricional | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tamaño por porción: 5 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Porciones por envase: 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cantidad por porción | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Energía: (10 cal) 42 kcal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Valores Diarios * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grasa total 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos Saturados 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos – trans 0g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colesterol 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sodio 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carbohidratos Totales 3 g | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Azúcares 0 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proteína 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PACKAGING | PET Bag | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| STORAGE | Cool and dry enviroment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SHELF LIFE | 365 days | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PREPARATION | Boil a cup of water and place two teaspoons of the mixture and let it steep for 5 - 7 minutes. For a more concentrated flavor, leave it to infuse longer. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: “La Gracia” Company

Elaborated by: The Author

- **Festival**

Tabla 6. TECHNICAL DATA SHEET FOR “FESTIVAL”

| | |
|---|-----------------------------------|
| PRODUCT TECHNICAL DATA SHEET  | |
| PRODUCT | Aromatic Infusion Bland, Festival |

| BRAND | La Gracia | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-------------------------|--|-------------------------|--|--------------------------|--|-----------------------------|--|---------------------------|--|----------------------------|--|-----------------|----|-----------------------------|----|--------------------------|--|-----------------|----|------------|----|---------------------------|----|--------------|--|--------------|----|---|
| HEALTH NOTIFICATION | 8728-ALN-0116 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DESCRIPTION | Mixture to prepare infusions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PRESENTATION | 50g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| INGREDIENTS | Guayaba | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Papaya | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Manzana | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Frutilla | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Hibiscus | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Canela | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Cedrón | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NUTRICIONAL INFORMATION | Content 50 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th colspan="2">Información Nutricional</th> </tr> </thead> <tbody> <tr> <td colspan="2">Tamaño por porción: 5 g</td> </tr> <tr> <td colspan="2">Porciones por envase: 10</td> </tr> <tr> <td colspan="2">Cantidad por porción</td> </tr> <tr> <td colspan="2">Energía: (10 cal) 42 kcal</td> </tr> <tr> <td colspan="2">% Valores Diarios *</td> </tr> <tr> <td>Grasa total 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos Saturados 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos – trans 0g</td> <td></td> </tr> <tr> <td>Colesterol 0 mg</td> <td>0%</td> </tr> <tr> <td>Sodio 0 mg</td> <td>0%</td> </tr> <tr> <td>Carbohidratos Totales 3 g</td> <td>1%</td> </tr> <tr> <td>Azúcares 0 g</td> <td></td> </tr> <tr> <td>Proteína 0 g</td> <td>0%</td> </tr> <tr> <td colspan="2">*Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ)</td> </tr> </tbody> </table> | Información Nutricional | | Tamaño por porción: 5 g | | Porciones por envase: 10 | | Cantidad por porción | | Energía: (10 cal) 42 kcal | | % Valores Diarios * | | Grasa total 0 g | 0% | Ácidos grasos Saturados 0 g | 0% | Ácidos grasos – trans 0g | | Colesterol 0 mg | 0% | Sodio 0 mg | 0% | Carbohidratos Totales 3 g | 1% | Azúcares 0 g | | Proteína 0 g | 0% | *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) |
| Información Nutricional | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tamaño por porción: 5 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Porciones por envase: 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cantidad por porción | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Energía: (10 cal) 42 kcal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Valores Diarios * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grasa total 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos Saturados 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos – trans 0g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colesterol 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sodio 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carbohidratos Totales 3 g | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Azúcares 0 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proteína 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PACKAGING | PET Bag | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| STORAGE | Cool and dry enviroment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SHELF LIFE | 365 days | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | |
|--------------------|---|
| PREPARATION | Boil a cup of water and place two teaspoons of the mixture and let it steep for 5 - 7 minutes. For a more concentrated flavor, leave it to infuse longer. |
|--------------------|---|

Source: “La Gracia” Company

Elaborated by: The Author

- **Piña Colada**

Tabla 7. TECHNICAL DATA SHEET FOR “PIÑA COLADA”

| PRODUCT TECHNICAL DATA SHEET | |
|-------------------------------------|---|
| PRODUCT | Mezcla para infusión aromática, Piña Colada |
| BRAND | La Gracia |
| HEALTH NOTIFICATION | 9312-ALN-0316 |
| DESCRIPTION | Mixture to prepare infusions |
| PRESENTATION | 50g |
| INGREDIENTS | Piña |
| | Coco |
| | Frutilla |
| | Manzana |
| | Hibiscus |
| | Stevia |
| | Content 50 g |

| NUTRICIONAL INFORMATION | <table border="1"> <thead> <tr> <th colspan="2">Información Nutricional</th> </tr> </thead> <tbody> <tr> <td colspan="2">Tamaño por porción: 5 g</td> </tr> <tr> <td colspan="2">Porciones por envase: 10</td> </tr> <tr> <td colspan="2">Cantidad por porción</td> </tr> <tr> <td colspan="2">Energía: (10 cal) 42 kcal</td> </tr> <tr> <td colspan="2">% Valores Diarios *</td> </tr> <tr> <td>Grasa total 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos Saturados 0 g</td> <td>0%</td> </tr> <tr> <td>Ácidos grasos – trans 0g</td> <td></td> </tr> <tr> <td>Colesterol 0 mg</td> <td>0%</td> </tr> <tr> <td>Sodio 0 mg</td> <td>0%</td> </tr> <tr> <td>Carbohidratos Totales 3 g</td> <td>1%</td> </tr> <tr> <td>Azúcares 0 g</td> <td></td> </tr> <tr> <td>Proteína 0 g</td> <td>0%</td> </tr> <tr> <td colspan="2">*Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ)</td> </tr> </tbody> </table> | Información Nutricional | | Tamaño por porción: 5 g | | Porciones por envase: 10 | | Cantidad por porción | | Energía: (10 cal) 42 kcal | | % Valores Diarios * | | Grasa total 0 g | 0% | Ácidos grasos Saturados 0 g | 0% | Ácidos grasos – trans 0g | | Colesterol 0 mg | 0% | Sodio 0 mg | 0% | Carbohidratos Totales 3 g | 1% | Azúcares 0 g | | Proteína 0 g | 0% | *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | |
|---|---|--------------------------------|--|-------------------------|--|--------------------------|--|-----------------------------|--|----------------------------------|--|----------------------------|--|-----------------|----|-----------------------------|----|--------------------------|--|-----------------|----|------------|----|---------------------------|----|--------------|--|--------------|----|---|--|
| | Información Nutricional | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tamaño por porción: 5 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Porciones por envase: 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cantidad por porción | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Energía: (10 cal) 42 kcal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| % Valores Diarios * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grasa total 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos Saturados 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ácidos grasos – trans 0g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colesterol 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sodio 0 mg | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carbohidratos Totales 3 g | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Azúcares 0 g | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proteína 0 g | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *Los porcentajes diarios recomendados están basados en una dieta de 2000 calorías (8380 kJ) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PACKAGING | PET Bag | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| STORAGE | Cool and dry enviroment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SHELF LIFE | 365 days | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PREPARATION | Boil a cup of water and place two teaspoons of the mixture and let it steep for 5 - 7 minutes. For a more concentrated flavor, leave it to infuse longer | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: “La Gracia” Company

Elaborated by: The Author

2.4.3 Product Desing

The infusions offered by "La Gracia" products are considered a novel product in the market, not only for its presentation, but also for its medicinal properties and the combination of its 100% natural ingredients.

Taking into account the size and quantity of the product, we thought of a packaging design that would meet the needs and determinants of exhibition and conservation of these infusions. The product packaging consists of a PET sleeve (metallized, trilaminated) with a zipper, which protects the product from light, oxygen

and humidity. On the back of the packaging, the content of the mixture is detailed, as well as its nutritional values and the steps for its preparation.

Imagen 5. “LA GRACIA” LOGO PRODUCTS



Source: “La Gracia” Company

Imagen 6. PET BAG



Source: Biodegradables Ecuador, 2022

Imagen 7. PACKAGING INFUSION JENGIBRE LIMA-LIMÓN



Source: “La Gracia” Company

2.5 Production process

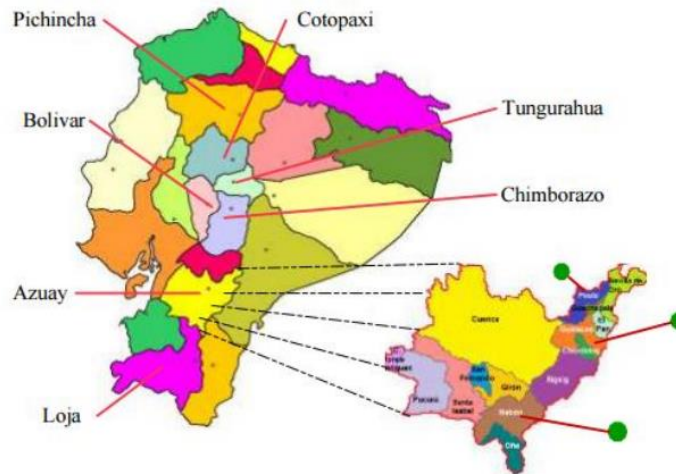
2.5.1 Geographical area and cultivation

Agriculture has been one of the first works of man and it is still maintained to this day. Through the years, the way of doing agriculture in Ecuador has evolved, thus increasing the possibility of exporting products, due to the richness of flora and fruits that our country provides us with.

The cultivation and use of aromatic and medicinal plants in Ecuador have always been of great relevance, as they are considered a source of traditional medicine. In Ecuador, studies of medicinal plants have been developed, mainly in the central Andean region or highlands and in the Amazon region (Paredes et al., 2015). So also Mario Iñiguez, in his study "Business Model for the Production and Commercialization of Infusions in the province of Azuay applicable to La Gracia products" (2017), ensures that the main areas of cultivation of aromatic and medicinal

plants in Ecuador are located in the highlands in the provinces of Azuay, Loja, Chimborazo, Bolivar, Pichincha, Cotopaxi and Tungurahua.

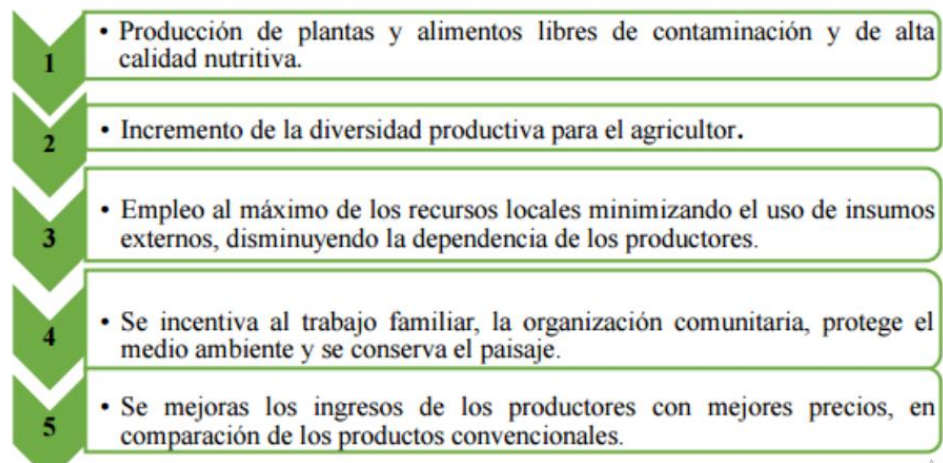
Imagen 8. MAIN CULTIVATION AREAS IN ECUADOR



Source: Iñiguez Mario (2017), *Modelo De Negocio Para La Producción Y Comercialización De Infusiones En La Provincia Del Azuay Aplicable A Productos La Gracia*”, Pg., 32.

Thanks to the climatic and environmental conditions provided by these regions of the country, the different aromatic and medicinal plants have been able to develop in the best way. An important advantage of Ecuadorian agriculture is the implementation of Agroecology, which is an "Agricultural Practice that does not use chemical products such as chemical fertilizers, pesticides and phytohormones (plant hormones)" (Solé, 2011). This ensures top quality products free of contamination.

*Imagen 9. BENEFITS AND ADVANTAGES OF AGROECOLOGICAL
AGRICULTURE*



Source: Florez, Javier (2012), *Agricultura Ecológica*, Pg., 296

2.5.2 Raw material suppliers

As mentioned above, the products manufactured by "La Gracia" are made with 100% natural and local ingredients, which makes it a company that consumes national products.

The main provinces that supply the raw material needed to elaborate the aromatic infusions are listed below:

Tabla 8. MAIN PROVINCES SUPPLYING RAW MATERIALS

| PROVINCE | PRODUCT |
|-----------|---|
| Pichincha | Hierbaluisa, Stevia, Cedrón, Toronjil |
| Azuay | Frutas (Lima, Limón, Manzana, Piña) Flores: Hibiscus (Flor de Jamaica) |

| | |
|------------|---|
| Tungurahua | Frutas (Manzana, Papaya, Guayaba, Frutilla) |
| Pastaza | Canela, Guayusa Coco, Jengibre |

Source: "La Gracia" Company

Elaboration: The Autor

2.5.3 Elaboration and Final Product

The procedure for elaborating aromatic infusions at "La Gracia" is divided into different stages, which are explained below.

Reception

In this first stage, the raw material is received at the facilities of the company "La Gracia" by the worker in charge of the factory. The reception of raw materials means accepting what the supplier delivers to the company in accordance with the established requirements that the raw material arrives in optimal conditions.

Imagen 10. RECEIP OR RAW MATERIALS



Source: Fitomon, 2018

Washing, disinfection y sorting

In this phase, the herbs or fruits are washed and cleaned in order to eliminate impurities or excess soil that they may have. In order to comply with product quality and safety standards, a disinfection process is carried out to reduce the risk of contamination and guarantee their good condition.

Imagen 11. WASHING TANK



Fuente: Zingal, 2020

Dehydration/drying

Once the products have been washed, disinfected and classified, the drying process begins, where the plants and fruits are placed on trays to be taken to the oven, where they will remain between 4 to 15 hours, depending on the species of herb or fruit.

Imagen 12. INDUSTRIAL DRYING OVEN



Source: “La Gracia” Company

Crushing

Once the herbs are dried, they are taken to the mill where they are crushed so that the herbs continue the process with an adequate size.

Imagen 13. MAQUINA DE TRITURADO



Source: Calderón Carlos, 2018

Storage

After the herbs are crushed, they are stored and classified in sacks by variety and batch. They are then placed on shelves ensuring that they have good air circulation, avoiding humidity.

Imagen 14. INFUSIONS STORAGE RACKS



Source: Fitomon, 2018

Dispatch

Depending on the customer's requirements, the herbs and fruits are weighed and finally packaged.

Imagen 15. FINAL PRODUCT PACKAGED



Fuente: “La Gracia” Company

2.5.4 Production capacity

According to the interview with Karla Andrade, owner and manager of La Gracia, production capacity is an issue that is in a stage of growth and expansion. La Gracia" is identified as a small company because of the number of people working there (4) and the size of its facilities, and it has its own factory. Today, the production capacity is 100 boxes per month, that is, 2,400 units that are distributed and sold mainly in the local and national market.

For this export plan it is essential to analyze the production capacity of the company "La Gracia", so we can be sure that the company is capable of producing larger quantities to meet the demand in the target market. The company is currently implementing more ovens and machines to help production grow.

2.5.5 Certifications

Since Productos La Gracia is a company dedicated to the production and marketing of infusions for human consumption, it is essential to have the licenses, permits, and sanitary registrations required by Ecuadorian law. This company, in addition to having the corresponding sanitary registrations, has the certification granted by the FDA (Food and Drug Administration), which not only facilitates the export of products to the U.S., but also ensures quality and safety standards.

Imagen 16. FDA LOGO (FOOD AND DRUG ADMINISTRATION)



Source: U.S. Food and Drug, 2019

Conclusion

Thanks to all the information reviewed throughout this chapter, it was possible to perform a detailed analysis of the company "La Gracia", from its history and background of creation. As well as its organizational structure necessary to better understand its operation. In terms of production and product design, information was developed for each of the products, detailing the process from the reception of raw materials to obtaining the final product, verifying the quality offered by the products through the certifications that the company has. Likewise, the productive capacity of the company was discussed, pointing out that this is one of the fundamental parts to be able to continue with an export plan. The quality of the products was also verified through the company's certifications.

In this chapter, emphasis was placed on analyzing the company in order to have a better understanding of how the company is doing in its different areas and thus be able to verify whether or not it is suitable to undertake an export plan.

CHAPTER III

Export plan for the aromatic infusions of the company “La Gracia”

3.1 Introduction

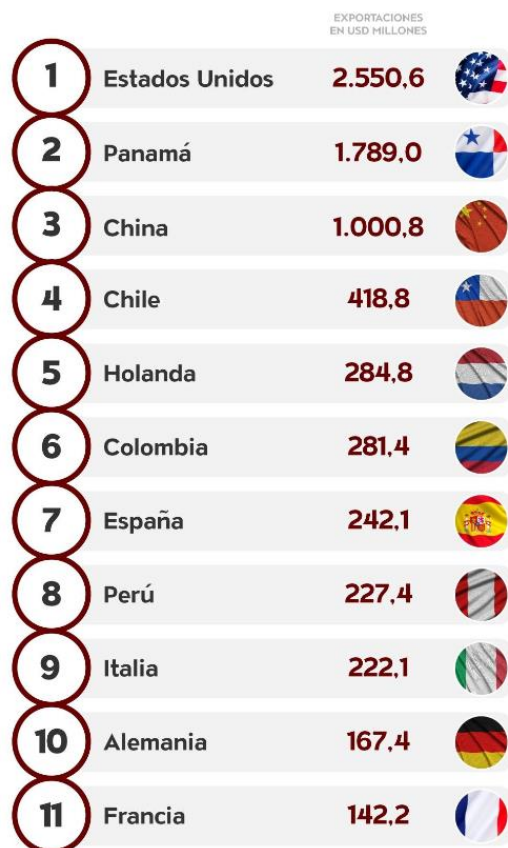
The purpose of the following chapter is to analyze the target market, its demographic and economic characteristics, as well as the requirements necessary to export to the United States from Ecuador. Additionally, the different export strategies proposed for aromatic infusions will be observed. And finally, the logistics that will be handled from the country of origin and the route it will take to reach the port of the destination country will be examined. Likewise, the total export costs and the negotiation plan that will be adapted to this project will be calculated.

3.2 Target market

The U.S. market is a place with high demand for tea and aromatic water consumption, due to the great health benefits they bring (Crowford, 2017). The advantage of a market that is attracted by products that are beneficial to health leads to a high consumption of organic products, is what makes it an attractive segment for the promotion of aromatic infusions.

According to 2021 data from Trademap, the United States is the second largest importer of tea in the world, which is a great opportunity for "La Gracia" products to enter the U.S. market. Additionally, the United States is Ecuador's main trading partner, with an average of 36% of Ecuador's exports going to this country every year, and 26% of the country's total imports come from the United States, but there is no trade agreement (Ibarra Villalva, 2021).

Imagen 17. MAIN EXPORT DESTINATIONS FROM ECUADOR



Source: Banco Central del Ecuador, 2021

3.2.1 General Description of the United States

According to the World Bank (2021), the United States has a population of approximately 331,893,745, making it the third most populated country in the world. If we compare this population with Ecuador, which has 17,888,474 inhabitants, it would represent about 5% of the total population of the United States. It is important to note that the U.S. and Ecuador both use the U.S. dollar, which is a great advantage for the negotiation of both countries. The Gross Domestic Product (GDP) of the United States is equivalent to 23 trillion dollars, with a per capita amount of 69,287 (World Bank, 2021). It should be noted that GDP refers to the total amount of goods

and services produced in a country in a given period of time.

New York is one of the fifty states that make up the United States of America. This state has a population of approximately 19,440,500 inhabitants (Worldpopulationreview, 2020). New York City is considered the most representative city in the United States, this according to the Alava Chamber of Commerce and Industry (2016). A large part of this population is between 20 and 39 years of age, a segment that is interested in natural and healthy products. In addition to this, it is important to mention that according to studies such as the one conducted by the Institute for the Promotion of Exports and Investments (PROECUADOR, 2016) establishes that 80% of U.S. households consume teas and a variety of aromatic herbs. This makes it a potential target market.

Meeting the standards required by the U.S. consumer market with respect to color, aroma, flavor, percentage of remaining moisture in the tea, origin and expiration date (Seves cups, 2015), "La Gracia" products offer the market products of the highest quality, complying with these standards.

3.3 Requirements for exporting

Any businessman or micro-entrepreneur, whether natural or legal person, whose objective is to export or import must take into account the basic requirements that must be met in order to carry out such commercial activities.

The main requirements to qualify as an exporter are::

- Register with the “Servicio de Rentas Internas” (SRI), and request the “Registro Único de Contribuyentes” (RUC) describing the activity to be carried out.
- Request the digital signature or token to be able to use the system.

- After complying with the above requirements, you must enter the customs web portal and register as an exporter in ECUAPASS.
- To know the restrictions of products to be exported: you can check them by entering the tariff in the ECUAPASS system.

(Servicio Nacional de Aduana del Ecuador, 2021)

The following are the steps and requirements that must be followed to enter ECUAPASS.

1. Acquire Identification and Password: This procedure can be done at the Central Bank of Ecuador or at Security Data.

Imagen 18. STEP 1. ACQUIRING IDENTIFICATION AND PASSWORD



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

2. Enter the Ecuapass portal: www.ecuapass.aduana.gob.ec

Imagen 19. STEP 2. LOG IN TO THE PORTAL



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

3. Clic on Request for Use:

Imagen 20. STEP 3. APPLICATION FOR USE



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

4. Create a user and password, additionally an email will be created to receive notifications.

Imagen 21. STEP 4. CREATING USER LOGIN AND PASSWORD



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

5. Enter the Unique Digital Certificate Identification, then choose the type of certificate according to the issuing entity, finally accept the policies of use.

Imagen 22. STEP 5. ENTER UNIQUE IDENTIFICATION OF THE INITIAL CERTIFICATE



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

6. After completing the above steps, you can enter the Ecuapass portal and go to the Ecuadorian Single Window module to obtain the export certificate of origin issued by the “Ministerio de Industrias y Productividad” (MIPRO).

*Imagen 23. STEP 6. ENTER THE PORTAL AND OBTAIN THE MIPRO
CERTIFICATE OF ORIGIN.*



Source: Mayra Luna y Michael Murillo. Plan de Exportación para la Comercialización de Café de Habas al Mercado Alemán. 2015.

3.3.1 Export Processes

It should be taken into account that there are several steps to be able to achieve a correct export process, according to the Central Bank of Ecuador the process would be as follows:

Tabla 9. EXPORT PROCESS

| EXPORT PROCESS |
|--|
| 1. Obtaining the RUC: it can be obtained by a natural person (a single owner) or a legal entity (made up of one or more partners). |
| 2. Register as an exporter on the SENA (Servicio Nacional de Aduana del Ecuador) website. |

| |
|---|
| 3. Registering at the offices and obtaining prior control documents. |
| 4. Negotiation of payment methods, incoterms, delivery address. |
| 5. Processing the certificate of origin (if necessary). |
| 6. Coordinate and order shipment. |
| 7. The exporter prepares the necessary documents: commercial invoice, packing list, certificate of origin, provisional bill of lading, prior control documents. |
| 8. The exporter sends these documents to the customs broker. |
| 9. The customs broker enters the shipping documents information into ECUAPASS. |
| 10. The Central Bank of Ecuador accepts the shipping order. |
| 11. The customs agent prints the DAU (Declaración Aduanera Única) detailing the goods to be cleared and verifies the regime to which they correspond. |
| 12. The customs broker presents the SAD in the primary zone. |
| 13. The primary zone activates the shipping order. |
| 14. Goods are delivered to the freight forwarder. |
| 15. Goods are moved to a temporary storage warehouse. |
| 16. The merchandise is subjected to an anti-narcotics inspection. |
| 17. The merchandise is exported. |
| 18. The carrier issues the final bill of lading and transmits the electronic manifest. |

Source: Banco Central

Elaborated by: The author

3.3.2 Requirements for entry into the destination market

In the United States there is an entity in charge of regulating and supervising imported products, which is the FDA (Food and Drug Administration) that verifies if the food complies with the requirements to enter the country.

The guidelines are mentioned below:

- Documentation validating the export of aromatic infusions. Karla Andrade will have access to all this documentation once the export process begins, thus facilitating the importer.
- The type of material used to package the product, using cardboard boxes, with no restrictions for such material.
- The ingredients used and additives, being the aromatic infusions made without any type of preservatives.
- The labeling of the product, which will comply with the legal requirements of the destination market. It is important to consider that the product already has an English translation in the labeling, which gives it an added value for the final consumer.
- The law against bioterrorism: The importer is the one who notifies the FDA eight hours in advance of the arrival of the merchandise for its respective inspection.

The FDA also regulates pharmaceuticals, vaccines, medical devices, cosmetics, drugs, animal feed and tobacco. According to the Food and Drug Administration (2010), the following requirements are indispensable for the importation of products into the United States:

- Free of contamination: microbial, chemical, dirt, among others.
- Harmless or safe.
- Certificate of Good Manufacturing Practices.
- Comply with regulations and administrative procedures.
- Labeling according to the "U.S. Food Law for Food Products".

In order to manage the certificate of Good Manufacturing Practices, a series of steps must be taken into account. According to the National Agency of Regulation, Control and Sanitary Surveillance (ARCSA, 2018) the owner of the company, in this case Eng. Karla Andrade, must request the accredited inspection to some authorized body.

Once requested, the company representative will be notified of the date and time of the visit five days in advance. The corresponding value will depend on the type of company, in this case for the company "La Gracia" could vary between two or three unified basic salaries, this payment must be made within a period of ten days from the generation of the order. The inspection will take into account aspects such as: procedures for the creation of the product, quality of facilities, safety measures applied by the personnel, storage, among others. Once the inspection has been approved, a Unique GMP Code is issued, which accredits the certificate (ARCSA, 2018).

3.3.3 Tariff heading

The tariff heading is essential at the moment of an export, since it is the denomination that each country gives to a certain product, in the case that this heading is placed in an erroneous way, it can cause serious inconveniences at the moment of the clearance of the merchandise in the country of destination. The following table shows the tariff heading used

by the United States for aromatic infusions.

Tabla 10. TARIFF HEADING IN THE UNITED STATES

| Tariff item used in USA | Description |
|--|--|
| Section B | Products of the vegetable kingdom: Cereals; milling; seeds; resins; plaiting materials; fats and oils; products of the food industry. |
| Chapter 12 | Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder |
| Harmonized System heading 1211. | Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar uses, fresh, chilled, frozen or dried, whether or not cut, crushed or powdered. |
| Harmonized System Subheading 1211.90.90 | "Other" (Herbal teas and herbal infusions, single or mixed spices) |

Source: Harmonized Tariff Schedule of the United States Revision 10 (2022)

Elaborated by: The author

3.3.4 Barriers Tariff

Products corresponding to subheading "1211.90.90" that refer to "Other" (Herbal teas and herbal infusions, single or mixed spices), are imported by the United States with 0% tariff, which generates advantages to exporters because the price of the products will have a greater chance of being competitive in the destination market (UNITED STATES INTERNATIONAL TRADE COMMISSION, 2015).

3.4 Strategies

3.4.1 The product

Product desing and composition (Adapted to the target market)

It must be taken into account that not only the documentary requirements demanded by the destination country are necessary for a correct export, but also the impositions that in this case the United States asks for the labeling of the products must be considered. Karla Andrade should be aware of this particular and can be better guided in the "Labeling Guide for food and textile products" (PROECUADOR, 2013) for a correct handling of the respective requirements.

According to the "Food Law for Food Products of the United States" (2017), the requirements to be taken into account are the following:

- The name of the product, taking into account letters and colors that facilitate its legibility.
- The ingredients it contains and the nutritional information in the "Nutrition Facts" format (calories, total fat, total carbohydrates, sodium and protein).
- Nutritional information.

- The date of manufacture and expiration date.
- Ways of preservation and preparation of the aromatic infusion.
- Specify the country of origin.
- The language of the labels must be in English, being this the official language of the United States.
- Details of allergens.
- Product content expressed in grams.

(Testa, 2017)

Currently, "La Gracia" products has the doypack presentation that is commercialized in the Ecuadorian market. This presentation has a content of 50gr, taking into account that the product is not dosed in small sachets but loose. Additionally, it is important to note that there is a Spanish-English translation on the packaging, which would facilitate its use for future export to the North American market.

Imagen 24. CURRENT FRONT SIDE PACKAGING



Own photograph

Imagen 25. CURRENT PACKAGING REAR SIDE



Own photograph

However, this thesis proposes a different type of packaging than the one currently used in the Ecuadorian market. This packaging consists of a cardboard box with a net content of 50 grams with 12 small pyramidal nylon bags of 4 grams each inside.

*Imagen 26. PACKAGING PROPOSAL FOR EXPORTING TO THE NORTH
AMERICAN MARKET*



Source: “La Gracia” Company

Imagen 27. PROPOSED PYRAMIDAL BAG FOR INFUSION



Own photograph

Note: If this proposal is accepted, the information on the box will be translated into the official language of the country of destination.

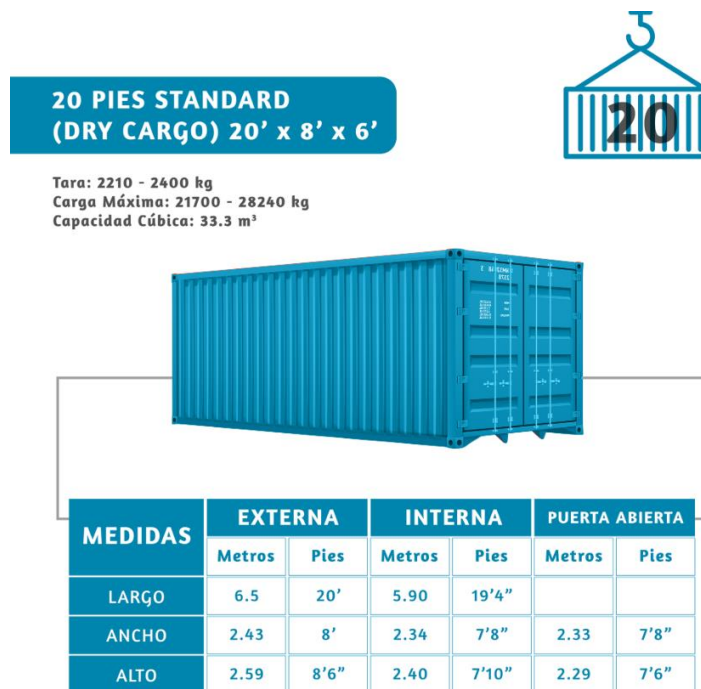
Export Packaging

In the case of "La Gracia" products, a 45cm long x 35cm wide x 35cm high cardboard box will be used, 24 small cardboard boxes that go inside the large box and each master box will weigh 1.80 kg. It should be noted that this will facilitate the application of the boxes inside the container because no palletization will be needed, generating cost savings and, in addition, increasing the capacity of boxes per shipment.

Container details

The container proposed to be used in this export plan corresponds to the 20-foot container, due to the amount of product to be shipped, taking into account the size of the boxes and the expiration date of the product. It is important to consider that the maximum load capacity is 28,000kg, however, it is not advisable to send 100% of its capacity, to avoid any mishap due to overweight. Considering that the products to be exported are light, 100% of the container capacity would be used. The dimensions of the container are detailed below:

Imagen 28. DETAILS OF THE 20 FTE CONTAINER

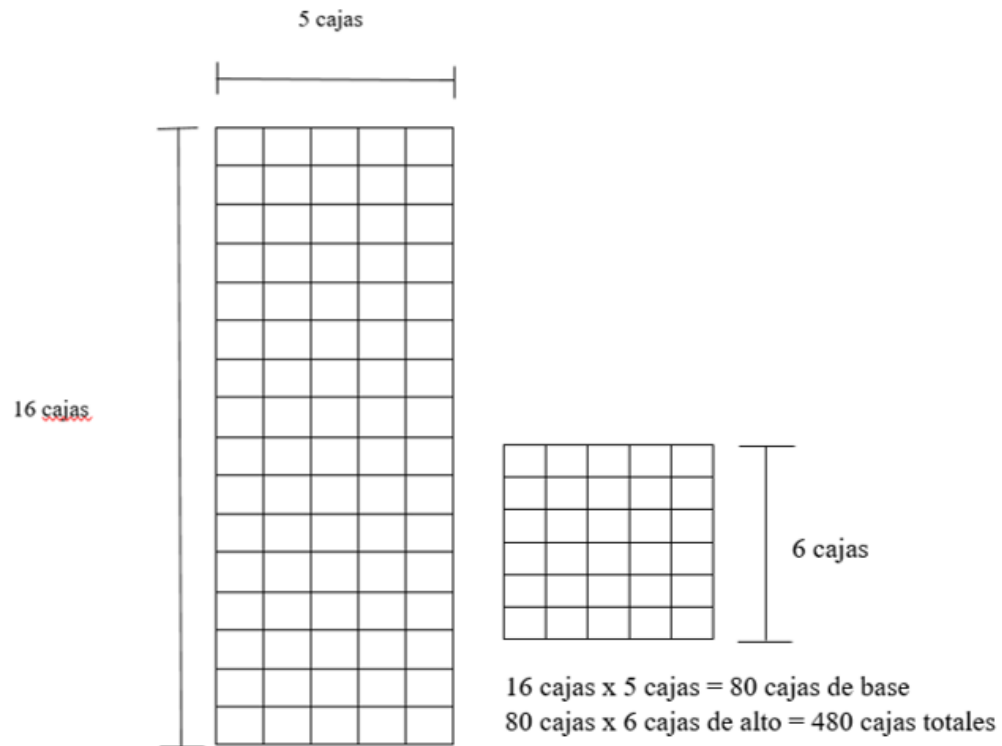


Source: Logisber, 2022

Volume of cargo to be exported

Taking into account the dimensions of the boxes, being 45 cm long x 35 cm wide x 35 cm high, the following cargo volume would be loaded in a 20-foot container without palletizing the boxes:

Imagen 29. BOXES TO BE TRANSPORTED IN 20 FOOT CONTAINER.



Elaborated by: The author

Image # 29 shows that, according to the standard measurements of a 20-foot container, about 425 boxes would fit, each box containing 36 packages of the product. It is important to note that the price of the packaging is included in the final price of the product sold in the domestic market. After the above mentioned, the details of the cargo are presented:

- Boxes per container (20 feet): 480
- Products per box: 24 packages
- Products per container: 11,520 packages
- Content of each product: 50 grams per package.
- Weight of the cargo: 576 thousand kilograms.

Costs

It should be noted that this export plan will serve as a guide for the owner of the company that wishes to export to the U.S. market. For this reason, an entire 20-foot container is taken as an example in order to know the approximate costs of transportation, insurance, and cost of the product already in the target market. However, since this is a new product in the market and also the first export of the company "La Gracia", it is most likely that the first shipments will be small until it consolidates and becomes known in the U.S. market.

3.5 Logistics

3.5.1 Internal product logistics

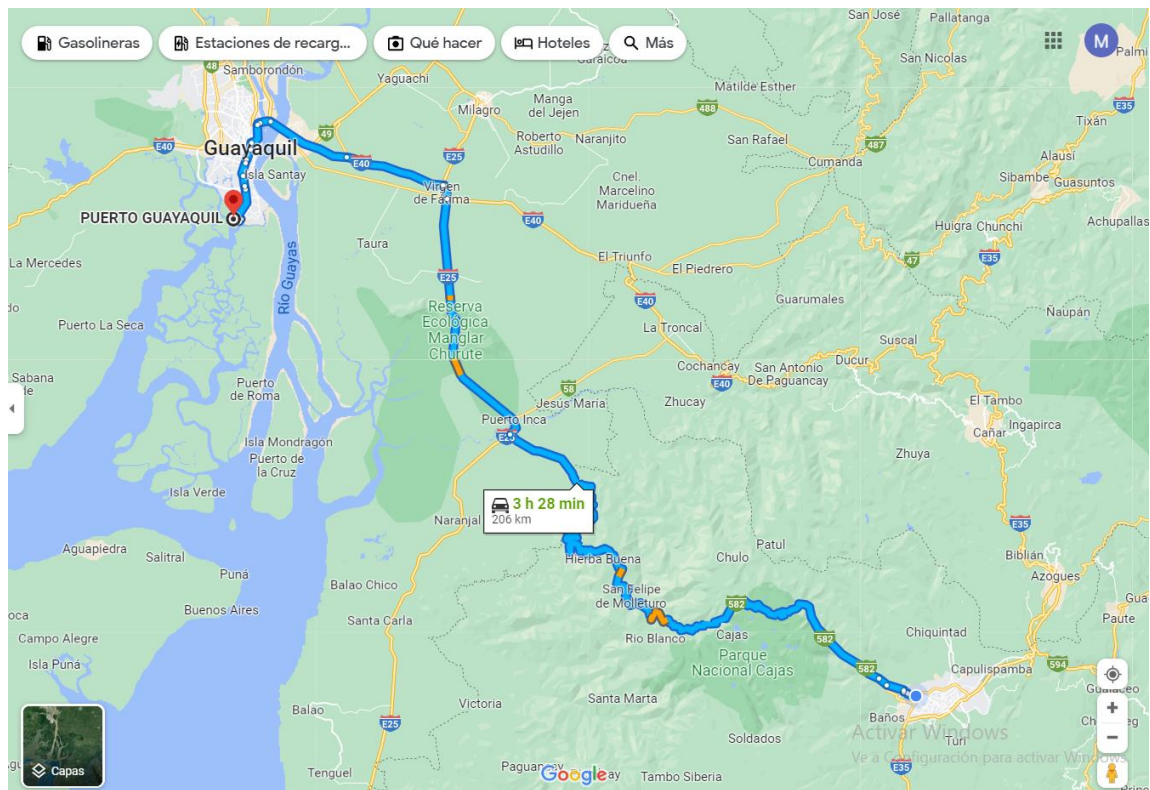
Regarding the internal logistics of the product, the transportation of the cargo from the city of origin, in this case Cuenca, to the city of Guayaquil, from where the product will be shipped to its destination, must be taken into account. We contact the company "ACGROUP WORLDWIDE ECUADOR S.A." company in charge of the international transport, located in Cdla. Kennedy Norte, Flores Perez Street and Clotario Paz Street, Atlantis Building, 5th Floor. The cost of transporting a 20-foot container from Cuenca to Guayaquil is approximately US\$250.

The cargo must leave the company ready in the container for subsequent shipment, the approximate time it will take this journey according to Google Maps (2022) is 4 hours.

According to the Ministry of Transportation and Public Works of Ecuador (2017) the port of the city of Guayaquil is superior to other ports in the country, due to its efficiency in international trade. This level of efficiency allows reducing approximately 10% of the costs

related to the movement of cargo until its shipment, this thanks to a correct handling of the product (Ministerio de Transporte y Obras Públicas, 2017).

Imagen 30. CUENCA-GUAYAQUIL LOGISTIC ROUTE



Source: Google Maps, 2022

Additionally, in order to provide the importer with more information regarding the average costs of transporting containers according to the different shipping lines that operate most frequently in the destination market, which are: Hapag Lloyd, Mediterranean Shipping, Evergreen, CMA-CGM. In this way, the information as found in PROECUADOR's web page (2022) is detailed below:

Tabla 11. COST OF FCL CONTAINER (FULL CONTAINER LOAD)

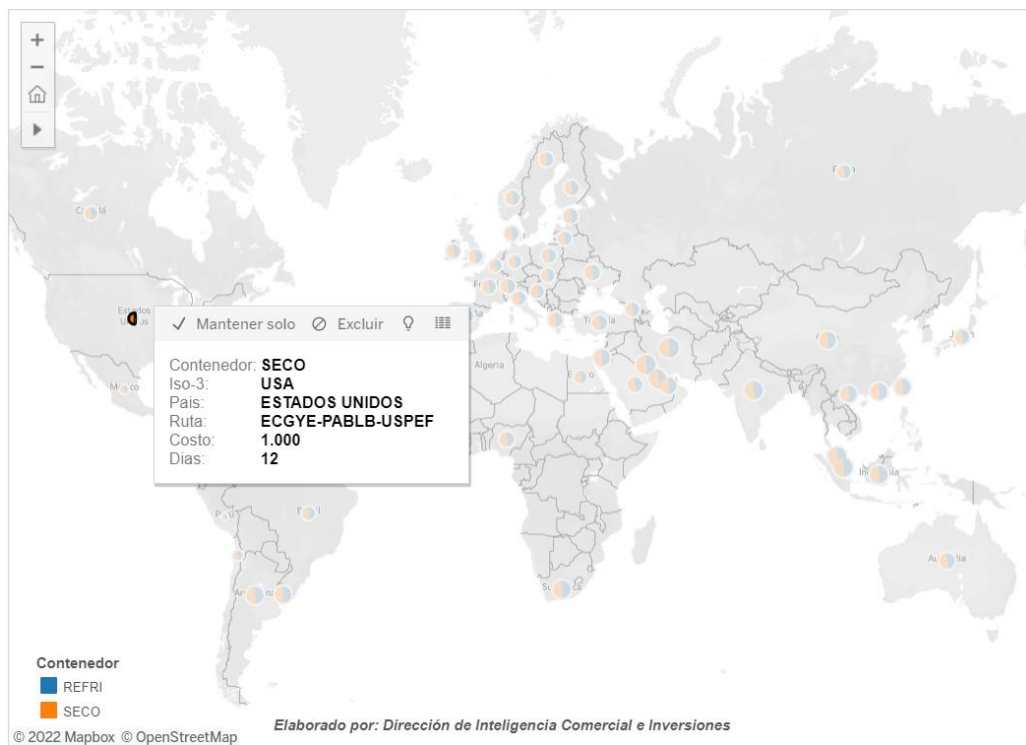
| Type of container | Cost |
|--------------------|--------|
| 20 ft dry | \$2000 |
| 40 ft dry | \$3000 |
| 40 ft refrigerated | \$3000 |

Source: PROECUADOR, 2022

Elaborated by: The author

Table #11 shows the different prices of the type of container that can be used.

Imagen 31. ROUTE AND TRANSIT DAYS TO EXPORT TO THE UNITED



Source: PROECUADOR, 2022

On the other hand, Figure #31 shows the "Logistics Map" provided by PROECUADOR, which shows the different destinations of Ecuadorian exports around the world. It also details the costs of exports and the transit days it takes to reach the destination market. In the case of the "La Gracia" company's aromatic infusions, it will take an average of 12 to 18 days from the port of Guayaquil, Ecuador to the port of New York-Staten Island, United States, and will cost approximately \$1,500 to \$2,500 (one thousand U.S. dollars), considering that the container is 20 feet dry (Connect Americas, 2022).

3.5.2 Logistics in the destination market

As a first step, the cargo of tea infusions will arrive at the port of New York, followed by informing the "Food and Drug Administration FDA", with a maximum of 8 hours in advance, so that the corresponding inspection under the "U.S. Bioterrorism Act" can be carried out.

To remove the cargo, the respective tariff must be paid for the cargo, considering that due to the Generalized System of Preferences (GSP) that benefits Ecuador in the entry of goods to the U.S., the common rate of \$0.11 cents per kg will not be disbursed. In order to enjoy this advantage per kg, a certificate of origin of the cargo must be presented. However, it is important to mention that such certificate must be presented together with other documents, such as the B/L shipment, provided by the shipping line for the removal of the goods, packing list, customs declaration and commercial invoice (PROECUADOR, 2018).

3.5.3 International Insurance

When we talk about transport insurance we refer to a contract where an insurance

company, in exchange for a price (premium), this company has the responsibility to indemnify its insured (beneficiary), in the event that during the transportation of the goods some kind of unforeseen risk occurs (EAE Business School, 2019). Logistics and shipping risks arise from the loss or deterioration of goods during handling or travel. For transportation, there are specialized insurances to take care of all these issues.

3.5.4 Final Export Cost Calculation

In order to obtain the total costs of exporting the aromatic infusions of the company "La Gracia", all the costs that we have exposed previously in the research will be detailed in a table in a specific way. Among these, the export price of aromatic infusions will be shown. Similarly, we must add the transportation from the city of Cuenca to the seaport of the city of Guayaquil, the costs of documentation and export procedures, in addition to the cost of freight and finally the international insurance.

Tabla 12. TOTAL COSTS OF EXPORT OF AROMATIC INFUSIONS

| Calculation | Value | Price per package |
|------------------------|------------|-------------------|
| Ex work | \$34099,20 | \$2,96 |
| Inland Transport | \$300 | \$0,0087 |
| Export Docs | \$300 | \$0,0087 |
| FOB | \$34699,20 | \$2,9774 |
| Internacional shipping | \$2000 | \$0,0576 |

| | | |
|--------------|------------|----------|
| CFR | \$36699,20 | \$3,035 |
| Insurance 1% | \$366,99 | \$0,0099 |
| CIF | \$37066,19 | \$3,0449 |

Elaborated by: The author

As can be seen in Table 12, the price of the aromatic infusions packaging has been quantified from its manufacture to the price it would have once the merchandise has arrived at the U.S. port, bearing in mind that the suggested retail price in the destination market is \$5.50; in other words, there are profit margins for distributors and retailers.

3.6 Decision in the destination market

The price

The price of the 50g "La Gracia" products, sold in the domestic market, is \$2.96. It should be noted that the price mentioned above is the price used by distributors and not the retail price. That said, it is important to note that the retail price in the domestic market for "La Gracia" products is \$4.35.

However, in order to determine the price of "La Gracia" products in the target market, the average price of the competition in this same market must be taken into consideration. Thus, the suggested retail price for the U.S. market is \$5.50.

Place

There are several distribution channels, but in the case of "La Gracia" products, the best option would be the retail channel. The United States, being a developed country, has a

large number of supermarket and hypermarket chains, such as Target, Publix, Walmart, Costco, among others.

Promotion

There are several ways to publicize the promotions offered by Productos "La Gracia" to potential buyers abroad, such as international fairs that are organized and managed by the Institute for the Promotion of Exports and Investments PROECUADOR.

Through PROECUADOR's website you can consult the calendar of international fairs, where it is possible to visualize specifically according to each month the events scheduled according to the different areas or commercial sectors. Such is the case of the Alimentaria Fair that took place in Barcelona-Spain last April 2022, or the Fruit Logistica that took place in Berlin during the same date. These types of fairs are a strategic platform for establishing commercial alliances to export products, in this case "La Gracia" products.

3.7 Trading plan

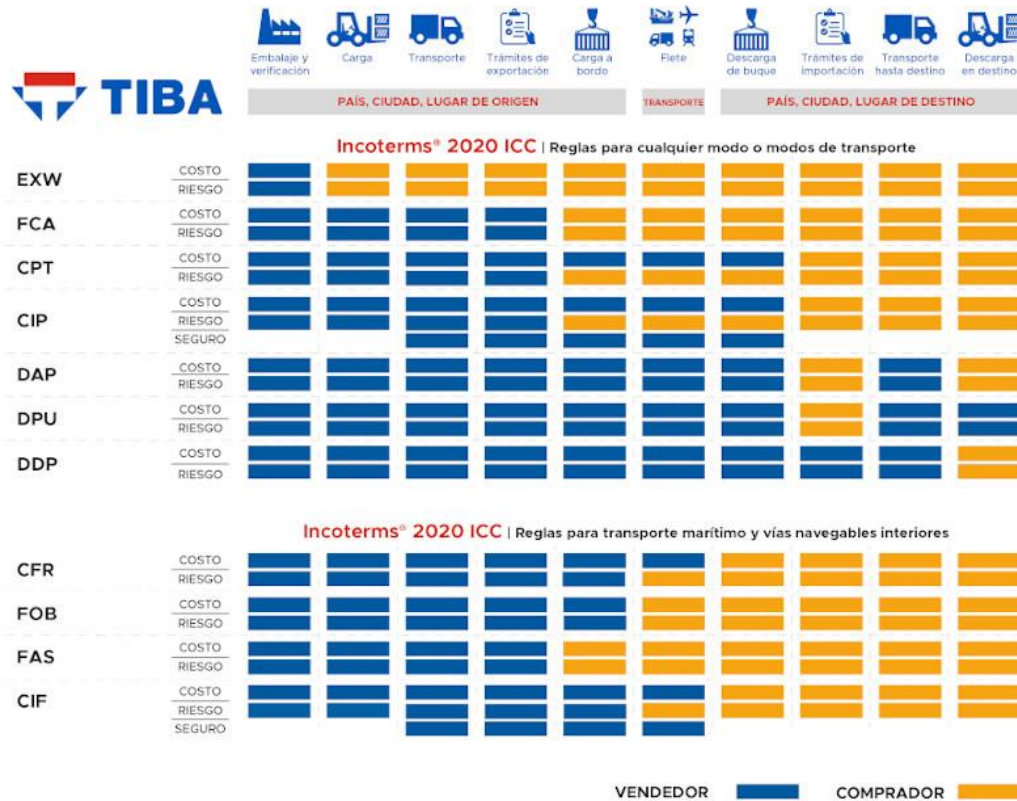
Incoterms

To answer what are Incoterms, a term that comes from "International Commerce Terms" which means "International Trade Terms" in Spanish, we must know that, as its name indicates, they are the terms and requirements for international purchase and sale transactions. Incoterms represent a universal term that defines a transaction between an importer and an exporter so that both parties understand the tasks, costs, risks and responsibilities, as well as the logistics and transportation management, from the departure of the product to its reception in the importing country (TRADE AND CUSTOMS, 2014).

Currently there are 11 terms of Incoterms 2020, it should be noted that these terms are

updated every 10 years. Below is an image where you can see in a better way all the types of terms that are handled today.

Imagen 32. *DISTRIBUTION BETWEEN THE SELLER AND BUYER BY INCOM*



Source: Equipo TIBA, 2020

The image shows the distribution of risk between the buyer (orange) and the seller (blue) by Incoterms, helping to select the best negotiation term for Karla Andrade, whose product to be exported is aromatic infusions. Thus, this research considers the FOB (Free on Board) Incoterm to be the most favorable for this export because it presents the following advantages for the exporter:

- The seller bears all costs and risks until the goods are taken on board the means of transport, as well as the export clearance and expenses at origin.
- The buyer is in charge of the costs of freight, unloading, import formalities and delivery at destination, as well as insurance if he considers it necessary.

According to the Exporter's Guide made by PROECUADOR (2017) the FOB "Free on Board" Incoterm is one of the most applied within international trade, which is why it has been taken into consideration for the application within this project. Its management requires that Karla Andrade manages the respective export procedures in the market of origin, taking charge until the shipment of the goods on the vessel.

Another point in favor of the FOB term is that, in case of an accident in transit, there is no risk of paying high rates for hiring the vessel to transport the container to the port of destination. Since Karla Andrade has no experience in the international market, dividing the risk between the negotiating parties is considered an advantageous option.

However, it should be taken into account that since this is the first export and therefore the first international sale of the company "La Gracia", an Incoterm different from the one mentioned above should be used, even though it is very favorable due to its characteristics that benefit the importer. In this way, it is recommended to use an Incoterm that facilitates the export processes in order to ensure a future purchase and replacement of the products by the exporter. It is here that the CIF (cost, insurance and freight) Incoterm should be chosen because the seller, in this case Karla Andrade, is responsible for the cost and contracting of the maritime transportation to the port of destination.

International means of payment

International means of payment are economic transactions that involve the exchange of goods and services between buyers and sellers from different countries. In international trade, every sale and purchase involves some type of risk, which mostly depends on the means of international payment chosen. Currently, there are several options for international payment methods, and thanks to globalization, the alternatives are increasing every day.

Among the main international payment methods are the following:

- **Transfer:** This payment is made by the importer to the exporter through a bank. This means of payment is fast and easy to process.
- **Export letter of credit:** The issuing bank acts as an intermediary between the parties. Once the conditions previously agreed upon by both parties are fulfilled and the goods have been shipped, payment is made.

(Mise, 2022)

For this export plan, it is recommended to use a letter of credit as a means of payment because the issuing bank will act as an intermediary between the two parties, thus ensuring that the requirements set forth by the importer and exporter are met, this being a safer way to be the first time that the company exports.

Conclusion

To conclude, the plan to export the aromatic infusions of the company "La Gracia" to the United States market has potential, due to the popularity that this type of product is having nowadays. However, this is not a sufficient argument for a successful export. It is believed that the company is not completely ready in terms of expenses; being a small company, it

will be complicated to comply with an efficient productive capacity and to cover export costs. It should be noted that the company "La Gracia" has most of the requirements and certificates to be able to export to the North American market. However, before exporting, it is recommended to be sure of the type of packaging to be sold in the foreign market, in this case the United States. Also, take into account other direct export options such as Courier or export in a shared container.

CHAPTER IV

Final Conclusions and Recommendations

Conclusions

After the analysis of the U.S. market, it has been proven that the products offered by the company "La Gracia" have an excellent reception due to the fact that they have become popular since current consumption revolves around products with high medicinal value and that are 100% natural. It should be noted that these aromatic infusions are competitive in the target market because they have the advantage of entering the U.S. market without paying tariffs. On the other hand, it should also be noted that Ecuador is a country with an enormous wealth of flora, which is of great help in obtaining all the raw materials that are necessary for the elaboration of these products. However, the lack of economic and production resources of the company "La Gracia" are factors that must be taken into account.

Finally, the objective set out in this project has been achieved by obtaining an export plan for aromatic infusions, thanks to the fact that the necessary information was obtained about the current situation of the company, the target market and the requirements necessary to achieve the objective in the target destination.

Final recommendations

- Taking into account all of the above, it is recommended that the company "La Gracia" conduct a market study in order to verify that the U.S. market is really a market that meets the export objectives.
- It is important that once the target market has been chosen, the company develop a

marketing and market insertion plan, in order to analyze the possibility of making adaptations to the product, as well as the correct way to reach the consumer.

- Since this is the company's first export, it is recommended that different export options be considered, for example: sending a smaller quantity of product through a courier agency or analyzing the possibility of sharing space in a container, since this would facilitate the production of their products.
- The packaging option recommended in this export plan should be analyzed taking into account the quantity and presentation of the infusions.
- If this export plan is implemented, the company "La Gracia" will have to ensure the correct production capacity to be able to meet future international orders.
- It is recommended that "La Gracia" acquire certifications that draw the attention of customers to environmental, trade, fair labor, and quality issues, among others.
- It is advisable that the government of Ecuador and the entities in charge provide support and facilitate the export process for small companies in order to obtain faster results and ensure that potential importers have a good experience with the exporter.

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