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Plan of Internationalization of pea flour to the Spanish market by means of the exportation strategy. Case: "Alimentos El Sabor Co. Ltd.".

Thesis submitted in partial fulfillment of the requirements for the Degree of Graduated in International Studies and Foreign Trade

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TO MY PARENTS

For their endless love, support and encouragement.
It is their example of perseverance and hard work that motivates me to set higher goals in my life.

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I thank God for having accompanied and guided me throughout my career, for being my strength in times of weakness and for giving me a life full of blessings, learning, experiences and above all happiness.

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ABSTRACT

The firm Alimentos El Sabor Co. Ltd., has expressed its interest in introducing its products in a new foreign market, the first option being the Spanish market. For this reason, it is necessary to conduct a market survey in order to determine whether this country has an appropriate profile for selling pea flour in response to the company's need to take advantage of its idle manufacturing capacity and the creation of new business opportunities.

RESUMEN

La empresa Alimentos El Sabor Cía. Ltda., establece su interés en incursionar con sus productos en el mercado extranjero, tomando como primera opción a España, razón por la cual se identifica la necesidad de realizar un estudio de mercado, con el fin de determinar si este país cuenta con un perfil adecuado para la venta de de polvo de arveja, como respuesta a la necesidad de la empresa de aprovechar su capacidad ociosa de fabricación y de la necesidad de crear nuevas oportunidades de negocio.

INTRODUCTION

The global economy is currently in a process of great dynamism and change. The rapid rate of these changes has created uncertainty for industries due to the difficult task of identifying the impact of commercial events in the world economy. Thus, the globalization of the economy, economic integration processes and the emergence of newly industrialized countries represent a new framework of which companies' activities are part.

It can be identified that the global trend of globalization significantly affects companies. Therefore, they must adapt to the demands of an increasingly competitive market, opting to enter foreign markets. Thus, "the same international bazaar that allows consumers to buy the best things the world has to offer, also allows producers to find the best commercial partners" (Mickelthwait & Wooldridge, A Future Perfect: The Challenge and Hidden Promise of Globalization, 2000, p. 28).

In this context, companies should seek sustainable growth by product differentiation both in quality and price in order to reinforce their position in foreign markets and thereby generate an increase on the sales volume rate, which in turn can diversify not only the risk of operating in a single market, but also a country's economy.

Ecuador, for decades, has maintained an economy based mainly on the export of primary goods or commodities. However, the country has a strong potential for growth thanks to the diversity that its climate offers and the different regions that provide a wide variety of plant and animal food proper to their environment. Therefore, the country's export supply should be directed to enter the foreign market with industrialized products that generate added value and high quality.

In this sense, the agricultural sector of Ecuador should be directed to obtain safe food suitable for human consumption. Also, it is essential to consider that this involves the application of science-based technology and a careful process that ensures the nutritional value of food and its quality of in order to get a product which meets the requirements of today's consumer.

Consistent with the above information, the present graduation paper is offered in order to make a plan of internationalization for pea flour, based on the exportation strategy to the Spanish market and applied to the specific case of "Alimentos El Sabor Co. Ltd.". This research seeks to determine the feasibility of access to the Spanish market with the product mentioned, in response to the need of the company to take advantage of its idle manufacturing capacity and generate new business opportunities that enable sustainable growth in the medium and long term, in such a way that it contributes to the fulfillment of the objectives established by the enterprise.

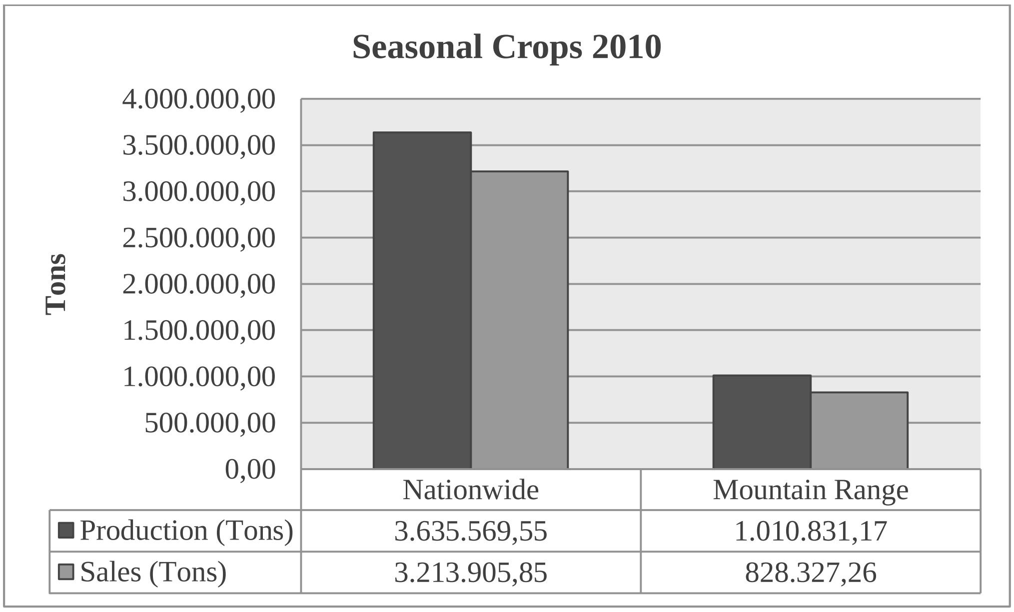
The chapters of this study are organized in a sequence in which each chapter talks about aspects that contribute to the research subject. Each chapter is autonomous and develops from the previous chapter, while, chapter 1 explains the current situation of the grain industry nationwide and analyzes Alimentos El Sabor Co. Ltd., from its history to the strategies and lines of activity as well as the production capacity of the company. Chapter 2 analyzes the Spanish market taking into account the consumption of organic products. Chapters 3 and 4 provide the logistic plan of exportation and the respective financial analysis and to complete the study the findings and recommendations of this graduation thesis are presented.

CHAPTER 1: GENERAL ASPECTS

1.1 Analysis of the grain industry in Ecuador.

Agribusiness in Ecuador is distributed in both permanent and temporary crops. In the case of the grain sector which includes peas, it is recorded as a transitory crop because it only grows in places that maintain an average temperature of 15 degrees. Therefore, it is mostly found in the mountain range of the country. The following graph shows that the production of seasonal crops nationwide was 3.635.560,55 tons in 2010. In this case, the mountain range represents a 27, 80% of the national production.

Illustration 1: Seasonal crops Ecuador - 2010.



Source: (Sistema Nacional de Información, 2010)**.**
Elaborated by: Zamora, 2012.

As mentioned above the mountain range of Ecuador is the main producing region of dry pea, used for the manufacturing of pea flour. The statistical indicator of seasonal crops shows that Carchi province is leading this group of producers with 437.18 tons in 2010, followed by the province of Loja with 307,37 tons and in third place is Imbabura with a total of 153.47 tons in the same year. (Sistema Nacional de Información, 2010).

This data provides the location of the raw material in order to establish the list of Alimentos El Sabor Co. Ltda. suppliers. Consequently, this information can help to have an efficient production of pea flour, yet the purchases of raw materials are going to be in a timely manner.

Chart 1: Dry pea crops by province.

Dry pea crops by province.					
	Year	**2010**	**2010**	**2010**	**2010**
Mountain range					
Province	**Crop**	**Planted Hectares**	**Harvested Hectares**	**Production (Tons)**	**Sales (Tons)**
Azuay	Dry Pea	476,76	317,12	133,83	72,53
Bolívar	Dry Pea	464,28	464,28	85	18,69
Cañar	Dry Pea	76	69,31	28,65	11,5
Carchi	**Dry Pea**	**253,33**	**240,98**	**437,18**	**437,18**
Chimborazo	Dry Pea	428,33	403,78	80,94	9,76
Cotopaxi	Dry Pea	23,31	23,31	4,18	0,4
El Oro	Dry Pea	34,09	28,97	4,59	1,39
Imbabura	**Dry Pea**	**296,71**	**296,71**	**153,47**	**71,26**
Loja	**Dry Pea**	**1.013,33**	**769,04**	**307,37**	**146,32**
Manabí	Dry Pea	-	-	-	-
Pichincha	Dry Pea	166,08	140,87	53,38	15,35
Tungurahua	Dry Pea	-	-	-	-
Coast Region					
El Oro	Pea	34,09	28,97	4,59	1,39

Source: (Sistema Nacional de Información, 2010).
Elaborated bv: Zamora, 2012.

1.1.1 Ecuador: Major food trading companies.

The companies related to the food industry currently have improved their competitive position to gain advantage over others. The rivalry between these is exposed in the price competition, product differentiation, either by quality or presentation, and the position that each company has in the market.

In this context, Alimentos El Sabor Co. Ltd. faces different competitors according to the range of products it offers. As the sales manager of the company explained, "In recent years there has been an increase in enterprises that produce and trade, in both artisanal and formal way, similar products to those sold by Alimentos El Sabor". (Jiménez , Análisis de la competencia, 2012)**.**

The company identifies the existence of competition in two levels. The first is the survival one, based on disorganized trade carried out by informal artisans. On the other hand, there are companies that are considered comparable to Alimentos El Sabor Co. Ltd. These ones have a production and a structure that work in an organized manner so that those companies are the direct competitors. The main competition for Alimentos El Sabor Co. Ltd. according to the portfolio of products is as follows:

Chart 2: Competitors

Alimentos El Sabor Co. Ltd.: Competitors		
Enterprise	**Brand**	**Product**
Nestlé Ecuador	Maggi	Sauces:Mayonnaise, mustard, kétchup.
Pronaca	Gustadina	Jams
ILE C.A	Sabora	Condiments, spices and herbs.
La Pradera Co. Ltd.	Cereales La Pradera	Pounding: cereals and grains.
La Favorita Corportation	Supermaxi	Pounding: cereals and grains.

Source: (Jiménez , Análisis de la competencia, 2012)**.**
Elaborated by: Zamora, 2012

Although the mentioned companies have extensive experience in the food market, Alimentos El Sabor Co. Ltd., has positioned itself by its network of distributors and offices located nationwide, entering the market with high quality products at reasonable prices for Ecuadorian families.

1.2 Analysis of the company: “Alimentos El Sabor Co. Ltd.”.

Source: (Alimentos El Sabor Co. Ltd.)

1.2.1 Background.

The company was created thanks to the initiative of Mr. Luis Alfonso Freire, in Guayaquil on February 5th, 1982 by renting a small shop in the downtown. Later, it acquired a piece of land on which nowadays the offices and the logistic center of the company operate. The company also has a highly trained staff that every day offers the highest quality products to its customers. These special features have been the main company’s difference during the 31-year history with its slogan known as “El Sabor the best for your meals". (Freire L. A., Historia de Alimentos El Sabor, 2012).

Since the beginning the line of seasonings and spices has had a close link with its consumers, at the point that the company’s brand currently leads the category. In 2003, the company decided to raid into the category of sauces such as mayonnaise, ketchup, mustard, chili sauce and Chinese soy sauce. Subsequently, El Sabor introduced grains and its derivatives into the market. These products can be found currently all over the country.

The company’s trajectory and recognition are based on a clear strategic vision of providing satisfaction and confidence to consumers. Consequently, the company provides food at any time and it is supported by a sustainable and profitable growth for the benefit of its employees and associates.

1.2.2 Business philosophy.

1.2.2.1 Mission.

Alimentos El Sabor Co. Ltd. has the mission of providing high quality and low cost products. (Alimentos El Sabor Cía. Ltda., 2012).

1.2.2.2 Vision.

The vision established by Alimentos El Sabor Co. Ltd., is to promote products that go at the forefront according to today's technology and to have an excellent distribution network wich can cover the Ecuadorian market. (Alimentos El Sabor Cía. Ltda., 2012).

1.2.2.3 Values.

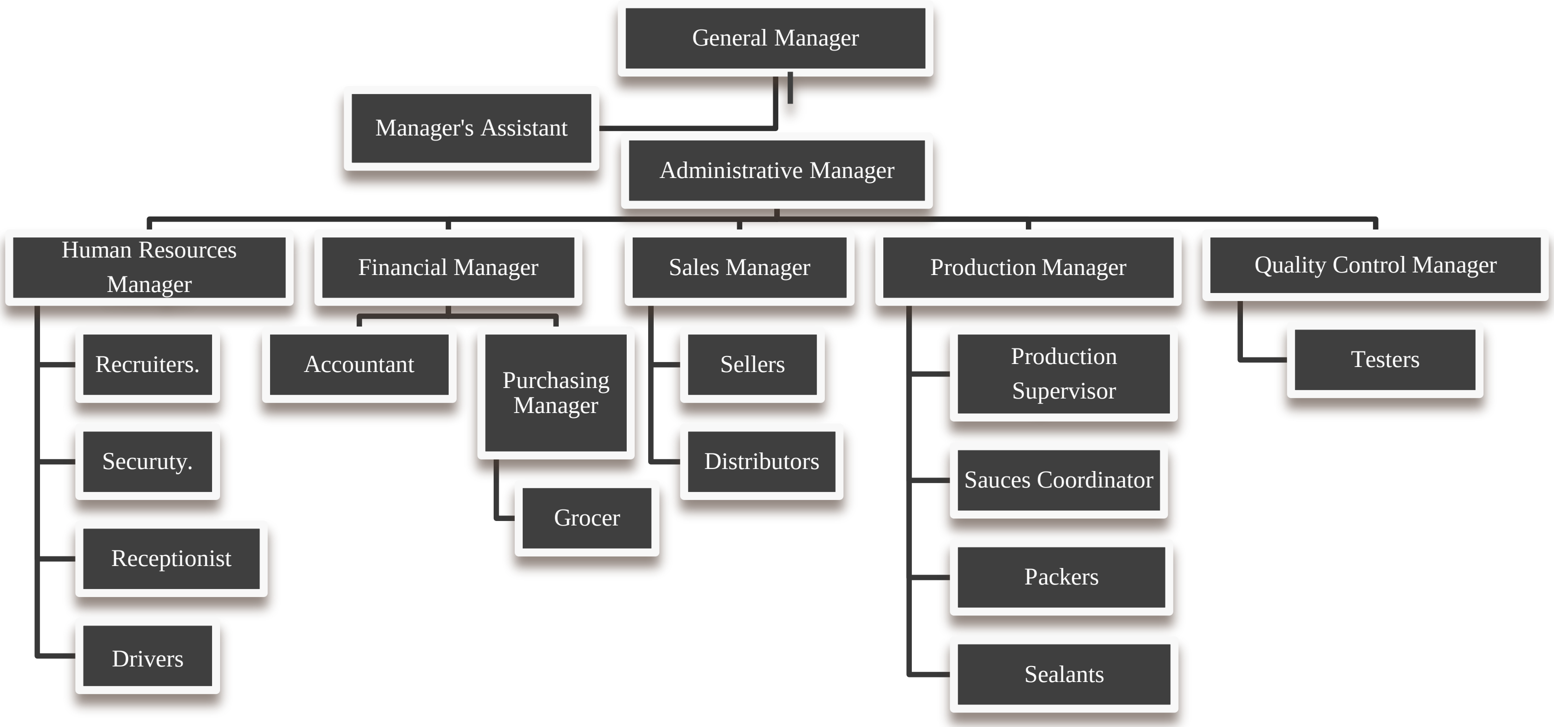
Freire (2012) mentions that the company's values are the following:

- The highest quality products to its consumers.
- Work well done.
- Respectful treatment to both internal and external customers.
- Honesty in work.
- Innovation by the creation of new products.
- High quality service to customers.

1.2.3 Business organization

The company's divisional organizational structure is shown in the following chart.

1.2.3.1 Organizational Structure.



Source: (Freire L. A., 2012).

Elaborated by: Zamora, 2013.

1.2.3.2 Departments and functions.

Alimentos El Sabor Co. Ltd., has different departments responsible for specific activities as detailed in the following manual of functions.

Manual of Functions

A. General Manager

Hierarchical level: High.

Number of staff supervised: 145.

- **General description of the position.**

The general manager has adjudicative powers in the general area of the company; also, he/she supervises the administrative and operational tasks of the company.

- **General functions:**
  - ✓ Represents the company.
  - ✓ Establishes the commitment and assures the implementation of the company's internal regulations.
  - ✓ Establishes the objectives and operating policies of the company.
  - ✓ Submits annually the work plan for the company.
  - ✓ Proposes the Annual Budget Plan.
  - ✓ Plans the implementation of administrative and operational activities covered by the proposed budget.
  - ✓ Evaluates the company's workers in order to verify that they are qualified for the position.
  - ✓ Authorizes the execution of the activities undertaken inside the company.
  - ✓ Solves the internal needs of the company.
  - ✓ Controls the assistance of the administrative and operational employees.

B. Management assistant.

Hierarchical level: Medium.

Dependency: General and administrative management.

- **General description of the position.**

The function of the position is to be the unconditional support for the general and administrative manager in actions related to supervision and control of the compliance of the various departments' activities.

- **General functions:**
  - ✓ Supports the general manager in writing, recording, filing and monitoring the correspondence and documents related to her/his work area, ensuring its confidentiality and security.
  - ✓ Coordinates the manager's work schedule.
  - ✓ Measures the activities performance of other departments.
  - ✓ Protects and updates the company's general information.
  - ✓ Participates in meetings and working committees.
  - ✓ Prepares reports related to her/his work area.

C. Administrative manager.

Hierarchical level: Medium-high.

Dependency: General management.

- **General description of the position.**

The administrative manager has multiple workspaces in charge. First he/she deals with the optimization of the administrative process as well as the management of the smooth running of each of the areas of the company. Also, the administrative chief supervises the warehouses and inventory, which induce him/her to execute actions for the implementation of plans and objectives outlined previously by the general management.

- **General functions:**
  - ✓ Participates in the implementation of strategic plans established by the general manager.
  - ✓ Executes and controls the assignation of resources planned and budgeted for the company.

- ✓ Supervises the fulfillment of the activities of each one of the areas related to his/her work area.
- ✓ Establishes policies and administrative rules that lead to the strengthening of the processes.
- ✓ Draws guidelines for departments to develop their activities in line with the strategic objectives of the company.
- ✓ Controls the correct distribution of materials, equipment, rentals, services, among others.
- ✓ Supervises the mechanisms used for the proper preservation and maintenance of the warehouse, equipment and assets.
- ✓ Sets up quality policies which promote transparency of processes.
- ✓ Performs additional tasks assigned by the general manager.

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D. Receptionist.

Hierarchical level: Low.

Dependency: All the managements and human resources manager.

- **General description of the position.**

The receptionist of the company has to give unconditional support to the general and administrative manager in actions related to the control of the compliance of the activities of the various departments.

- **General functions:**
  - ✓ Receives calls kindly, provides timely information and takes the respective message to whom is absent.
  - ✓ Gives clear and accurate information.
  - ✓ Asks any visitor for his/her data and the reason of the visit to the company.
  - ✓ Strict by respects the schedules. In case of some person is absence she/he should notify it promptly.
  - ✓ Receives orders from customers when salespersons are outside the company.
  - ✓ Delivers weekly paychecks to suppliers and makes sure that the people who receive them place the signature in the delivery record.

E. Purchasing manager.

Hierarchical level: Medium.

Dependency: General and administrative management.

Number of staff supervised: 20.

- **General description of the position.**

The purchasing manager has to coordinate, execute and control the acquisition of materials and raw material necessary for the proper function of the company. Also, he/she must ensure that these acquisitions are executed in an opportune manner, in the required amounts, with the right quality and at the best price.

- **General functions:**
  - ✓ Elaborates the first draft of the monthly and annual purchasing plan that the company requires. These plans must be based on the needs of the different departments.
  - ✓ Updates every six months the registry of suppliers in order to verify the fulfillment of its activities and ensures the quality of the purchased goods.
  - ✓ Records the warehouse applications, revises the budget availability, asks for quoted prices to suppliers, selects suppliers and elaborates purchase orders.
  - ✓ Checks that materials meet the specifications required by the different departments.
  - ✓ Processes in an appropriate manner the payments of the acquired goods and attaches reports established for that purpose.

F. Sales manager

Hierarchical level: Medium.

Dependency: General and administrative management.

Number of staff supervised: 20

- **General description of the position.**

The sales manager is responsible of organizing and controlling the sales force and the marketing plan of the company. Moreover, the function of this person is to be in contact with current and prospective customers in order to increase the use and consumption of the products offered by the company and the customers' satisfaction.

- **General functions:**
  - ✓ Elaborates sales plans and budgets.
  - ✓ Establishes sales goals and targets.
  - ✓ Estimates the demand and considers the participation of the company in the market to be able to predict sales.
  - ✓ Trains the staff in charge.
  - ✓ Defines the territory and sets the sales quotas.
  - ✓ Supervises trade negotiations.
  - ✓ Supervises sales costs.
  - ✓ Evaluates and analyzes the frequency of returns.
  - ✓ Supervises the portfolio of customers and unpaid bills.
  - ✓ Supervises the order in the production area.
  - ✓ Elaborates the travel expenses budget for sales staff.
  - ✓ Participates in meetings and working committees.
  - ✓ Prepares the work area reports.
  - ✓ Collects information from the different units to prepare reports of the execution of previously planned activities.
  - ✓ Complies and implements the company's internal labor regulation.

G. Sellers.

Hierarchical level: Low.

Dependency: Sales management.

- **General description of the position.**

The main function of sellers is to provide a good service to customers in order to achieve the goals settled by the sales department and the company. Furthermore, sellers must attract new customers and keep the existing customers content and engaged with the company. The seller must achieve certain sales volumes in order to increase participation and positioning products in the market.

- **General functions:**
  - ✓ Establish links between the consumers and the company.
  - ✓ Manage their sales territories.
  - ✓ Meet sales quotas.
  - ✓ Carry out the collection of debts from customers.
  - ✓ Attract new clients by respecting their territories.
  - ✓ Advise customers about the benefits that the products of the company offer.
  - ✓ Take into account the prices and conditions settled by the company at the moment of closing negotiations.
  - ✓ Keep customers informed on changes of prices, credit policies, promotions, news and possible delays in delivery and any other kind of significant change.
  - ✓ Participate in meetings and working committees.
  - ✓ Prepare their work area reports.
  - ✓ Comply with the company's internal labor regulations.

H. Warehouse holder.

Hierarchical level: Low

Dependency: General and purchasing management.

- **General description of the position.**

The warehouse holder has the responsibility of managing the warehouse correctly and answering for the handling, storage, conservation and protection of stored products. Also, the person in charge must be aware of maintaining an updated inventory.

- **General functions:**
  - ✓ Receives all goods that enter the warehouse.
  - ✓ Elaborates daily production reports with the information given by the production manager.
  - ✓ Checks the stock that is running out in the warehouse and sends the respective notes of order to the purchasing manager.

- ✓ Receives and reviews the materials or products and makes sure these arrive in good conditions and complete at the warehouse.
- ✓ Immediately reports to the general management any anomaly, as expired products, missing goods, among others.
- ✓ Biweekly reports indicators of quality and expired products.
- ✓ Registers daily the entries of merchandise to the system.
- ✓ Delivers goods to the areas that request the products, always with a sheet of requisition or note of order duly signed by the person in charge of the area.
- ✓ Cleans and disinfects the work area after the working day.
- ✓ Complies with the rules of procedure, and industrial safety policies

I. Production manager

Hierarchical level: Medium.

Dependency: General and administrative management and human resources manager.

Number of staff supervised: 80.

- **General description of the position**

The production manager must ensure the compliance of the monthly and daily production plans in order to maintain an adequate stock and be able to dispatch all orders to customers.

- **General functions**
  - ✓ Is responsible for plant personnel.
  - ✓ Is responsible for maintaining a standard of production.
  - ✓ Is responsible for the compliance of production activities.
  - ✓ Controls and authorizes the delivery of supplies, packaging and labels in the perfect amount and in an appropriate manner.
  - ✓ Trains the staff in everyone’s duties.
  - ✓ Is in charge of measuring the execution time of each one of the tasks performed by the staff.
  - ✓ Delivers finished products by meeting quality standards.
  - ✓ Verifies that the labels are placed correctly.

- ✓ Participates in meetings and working committees.
- ✓ Prepares reports of his/her work area.
- ✓ Elaborates daily production reports.
- ✓ Coordinates with the purchasing area, the timely acquisition of raw materials, labels and packaging necessary to obtain the finished products.
- ✓ Complies with and enforce the internal labor regulations.

J. Production supervisor

Hierarchical level: Medium.

Dependency: General and administrative management, human resources and production manager.

Number of staff supervised: 25.

- **General description of the position.**

The production supervisor must ensure the compliance of the daily coordination of controlling all the production processes.

- **General functions.**
  - ✓ Controls the process lines.
  - ✓ Supervises the use of the exact amounts of ingredients in every process and controls the temperature for each one.
  - ✓ Checks that the staff arrives at work on time and complies with their duties.
  - ✓ Controls the order, cleanliness and punctuality.
  - ✓ Participates in meetings and working committees.
  - ✓ Prepares reports of his/her work area.
  - ✓ Communicates any news related to the staff (permissions, holidays, sanctions, among others) to the human resources manager.
  - ✓ Elaborates daily production reports.
  - ✓ Observes and enforces the internal labor regulations.

K. Coordinator of sauces: Cold and hot

Hierarchical Level: Medium

Dependency: Production manager and production supervisor.

Number of staff supervised: 7.

- **General description of the position**

The coordinator of sauces meets all expectations of product quality.

- **General functions:**
  - ✓ Checks the materials to be used in the process: raw materials and machinery.
  - ✓ Controls critical points: time and temperature.
  - ✓ Supervises the order, cleanliness and punctuality of his/her work group.
  - ✓ Supervises the use of personal protective equipment.
  - ✓ Controls finished products: lots, packing material.
  - ✓ Controls net weights.
  - ✓ Receives dosed raw materials and delivers the to the sauces maker.
  - ✓ Delivers the finished products to the liquidator or warehouse responsible.
  - ✓ Observes and enforces the internal labor regulations.

L. Bottler

Hierarchical level: Medium.

Dependency: Production manager and production supervisor.

- **General description of the position.**

The packer has to cooperate with the sauces maker in every task the plant supervisor assigns to him/her, by means of the respective production orders.

- **General functions:**
  - ✓ Checks the materials to be used in each process.
  - ✓ Fills the packaging with the right product.
  - ✓ Performs labeling tasks in different presentations.
  - ✓ Maintains order and cleanliness in his/her work area.
  - ✓ Uses personal protective equipment.
  - ✓ Receives packaging materials.
  - ✓ Prepares packing material.

- ✓ Packs the products.
- ✓ Keeps a report of packaged products.
- ✓ Weighs the product and packaging to meet the required weights.

M. Sealer.

Hierarchical level: Medium.

Dependency: Production manager and production supervisor.

- **General description of the position.**

The sealer has to check that the product quality is the best before sealing it.

- **General functions:**
  - ✓ Checks if the machine tape is hot to proceed to seal the product.
  - ✓ Check if the labels are correctly coded.
  - ✓ Reviews the quality of the products.
  - ✓ Seals products according to the presentation and weight.
  - ✓ Maintains order and cleanliness in his/her work area.
  - ✓ Uses personal protective equipment.
  - ✓ Observes and enforces the internal labor regulations.

N. Labeler

Hierarchical Level: Medium

Dependency: Production manager and production supervisor

- **General description of the position.**

The labeler has to check if labels are properly coded according to the parameters of the product.

- **General functions:**
  - ✓ Receives labels.
  - ✓ Receives packaged products.
  - ✓ Checks the materials to be used in the process.

- ✓ Codifies the labels of the products by putting the corresponding data. This action must be based on the production order.
- ✓ Delivers the labels to the packer.
- ✓ Maintains order and cleanliness in his/her work area.
- ✓ Uses the personal protective equipment.
- ✓ Complies with and enforces the internal labor regulations.

O. Packer

Hierarchical level: Medium.

Dependency: Production manager and production supervisor.

- **General description of the position.**

The packer checks if the product is in good condition to proceed to seal it.

- **General functions:**
  - ✓ Orders the products received from the warehouse.
  - ✓ Checks the quality of the products.
  - ✓ Sheaths products according to specific instructions.
  - ✓ Maintains order and cleanliness in his/her work area.
  - ✓ Uses personal protective equipment.
  - ✓ Observes and enforces the internal labor regulation.

P. Quality control manager.

Hierarchical level: Medium.

Dependency: Production manager and general manager.

- **General description of the position.**

The quality control manager must ensure the strict observance of the specifications settled by the product engineering. Also, this person has to provide assistance to the production department in order to achieve the expectations about the product.

- **General functions:**

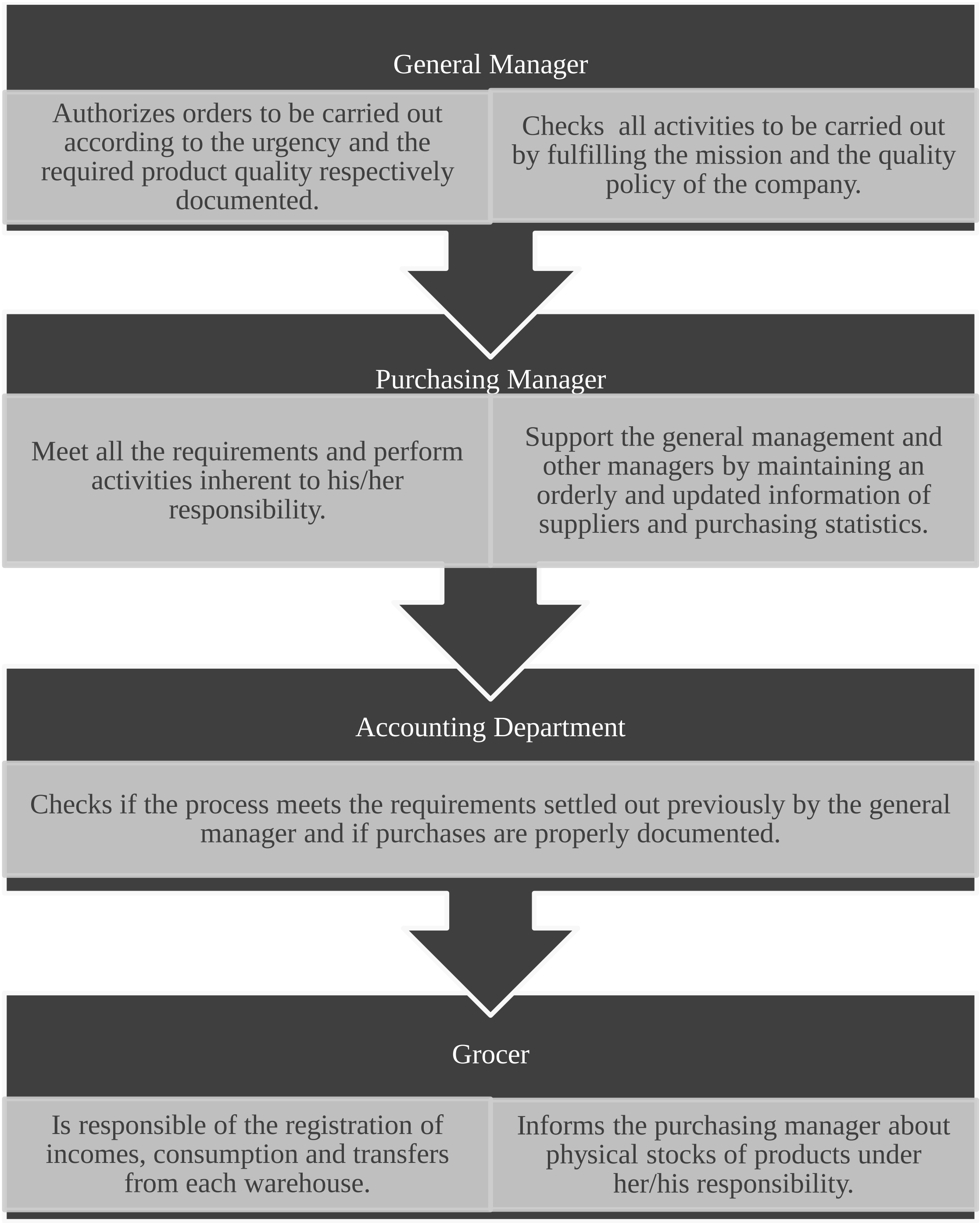
- ✓ Implements laboratories: Sensory, physical - chemical and microbiological.
- ✓ Elaborates the quality manual.
- ✓ Develops technical specifications of: raw materials, packaging, finished products.
- ✓ Trains staff on issues related to food safety.
- ✓ Trains quality analysts to carry out the supervision of production.
- ✓ Evaluates suppliers.
- ✓ Updates product health records.
- ✓ Releases raw material, packaging, products in process and finished products.
- ✓ Participates in meetings and working committees.
- ✓ Prepares his/her work area reports.
- ✓ Observes with and enforce the internal labor regulation.

1.3 Business strategies and activity lines of the company.

1.3.1 Raw material supply.

An illustration in which the people who are responsible for the supply chain process and the function of each one is detailed with the purpose of making an opportune request, dispatch and control of raw materials, materials and services with the suppliers previously qualified according to the requirements of each department.

Illustration 2: Raw material supply.



Source: (Freire C. , 2012)**.**

Elaborated by: Zamora, 2012.

1.3.1.1 General rules for raw materials supply process.

The supply process inside the company comprises a set of activities that facilitate the identifying and acquiring raw materials necessary for the production processes of the company as well as the equipment for its proper operation. Freire (2012), mentions that the correct supply process inside the company depends on several factors:

- ✓ Maintenance of accurate purchasing records in an appropriate way.
- ✓ Correct selection of both national and foreign suppliers that are linked up to the planning of the company and the maintenance of inventories.

Freire (2012), purchasing manager of the company, mentions that the supply chain, includes all activities related to the flow and transformation of products, from the stage of acquisition of raw materials to the consumption by the final user. In order to have an optimal flow, the information must be available to all the people who work in the company in such a way that the employees make products of excellent quality at optimal cost. As a result, the profitability scope proposed by the company is going to be reached. The general rules for the supply process of the raw materials are detailed below:

a) Elaboration of the purchase order.

- From office
  - ✓ Each requirement has to be generated in a systematic way.
  - ✓ Order notes must have the signature and name of the applicant.
  - ✓ Area chief must give his approval to the order.
  - ✓ The purchasing department has to ask for quote prices from 3 different providers.

- From each production center
  - ✓ The note of order with the respective supervisor's signature is elaborated.

- ✓ If the request is for raw materials, supplies, and materials to be used in the production process, it must be approved by the production manager.
- ✓ If the request is for spare parts, accessories, maintenance and repairs, it must be approved by the maintenance manager.
- ✓ The supplier must be pre-qualified and recorded in the database of the company.

b) Elaboration and approval of the monthly budget.

Alimentos El Sabor Co. Ltd by its purchasing department prepares a monthly budget for buying the necessary materials for the production. This process consists of the following steps:

- The purchasing department proceeds to ask for the best prices of the materials based on the order of the production centers.
- The purchasing department identifies, qualifies and decides which supplier is going to provide the required materials.
- The purchasing department proposes the monthly budget based on the offers received from different suppliers.
- The purchasing manager presents budgets to the general management for approval.
- Monthly budget is sent to the financial and cost managers for their respective follow-up and control, properly reviewed and approved by the general management.

However, well-managed companies meet cycles that generally contain the following budgets during the course of a specific period:

- Managers and administrative accountants plan the performance of the company in its entirety and subunits (such as departments or divisions). For this planning they take into account the past performance and anticipate future changes. As a result, managers of all levels agree about what should be expected from the company.

- Senior managers provide to subordinate managers a reference frame in which a set of financial or non-financial expectations against which actual results must be compared is shown.
- Administrative accountants help managers to investigate variations of statistics as, for example, a reduction in sales. If necessary they must take corrective actions, such as a reduction of the price in order to increase the sales or a decrease in costs in order to maintain profitability.
- Administrative accountants and managers take into account the feedback from the market, changes of the market conditions and their own experiences while making plans for the next period. (Horngren, Srikant, & Foster, 2007).

The four exposed points describe the course of the budget process. The central work document used in this process is called master budget. This budget expresses the operational and financial plans of the administration for a specific period and it includes a set of financial budgeted statements. (Horngren, Srikant, & Foster, 2007).

- Operational decisions on how to make the best use of the limited resources of the organization are involved.
- Financial decisions on how to get funds to acquire those resources are involved.

Consequently, the master budget is the initial plan of what the company seeks to achieve in the budgeted period based on the operational and financial decisions taken by the managers. Meanwhile, it is suggested to Alimentos El Sabor Co. Ltd. to include the master budget to its planning in order to encourage a dynamic production and financial process.

c) Redaction of the purchase orders.

- ✓ The purchasing manager proceeds to make the purchase order, by supplier, backed by a note of order and approved prices.

- ✓ The purchase order is sent to the supplier by e-mail or fax in order to dispatch the requested products.
- ✓ Once the company receives the requested products, together with the guide of remission and the supplier's invoice, the above mentioned documents are attached to the purchase order.
- ✓ The purchase order along with support documents such as the note of order, invoice, quotes and guide of remission is delivered to the accounting department to proceed with the registration of the respective bill to pay.

d) Supplier documentation.

The purchasing department should have in its archives the documents from suppliers (qualified and pre-qualified) in the following order.

- Raw material suppliers (both local and foreign) fully identified by the type of product they supply.
- Suppliers of materials and spare parts.
- Service providers: maintenance and repairs, transport, external advisers, technicians, among others.
- Suppliers of fuels and lubricants.
- Other suppliers: suppliers of food, water suppliers, suppliers of cleaning and fumigation, suppliers of software licenses, suppliers of computer equipment and electronics, suppliers of furniture and belongings, suppliers of vehicles and machinery, suppliers of uniforms, among others.

e) Supplier qualification

The purchasing management should pre-select 3 suppliers, those who should attach the documents required in this procedure. Thus, the supplier qualification will be based on the following points.

- ✓ Quality of product or service.
- ✓ Price and payment forms.
- ✓ Attention to the client and logistic agility.

In the specific case of the organic dry pea suppliers, registered as the raw material for the production of pea powder, they are mainly farmers from Carchi and Loja provinces. Additionally, the company controls the parameters of organic farming that providers have to follow for the production of the raw material. Among these parameters are the following:

- Production of pea without use of agrochemicals in order to maintain the fertility of the land and the essence of the product.
- Management of the plantation with use of organic fertilizers.
- Use of natural insecticides.
- Control of water irrigation to ensure that it does not contain pathogenic microorganisms or chemical contaminants.
- The prevention of the entry of animals into the vegetable orchards.
- Transport the product with caution to prevent contamination or deterioration of the pea.

In this sense, the traceability process can be understood as the ability to follow the product throughout the supply chain that begins with monitoring the product since its inception until its end as a consumption item state. (Instituto Interamericano de Cooperación para la Agricultura., 2003). Meanwhile, the company ensures that the raw material is purely organic to proceed with the pounding process described in the production processes section.

f) Reception of the product and its supply to the requesting areas.

The purchasing department must verify that products have been dispatched in an orderly way and sustained with the respective documents. It must be considered the following conditions and precautions.

- Dispatch
  - ✓ No product can be dispatched from the warehouse without having its order or requisition of materials.
  - ✓ In the case of raw materials, inputs, labels and packaging, they must have assigned a production order number.
  - ✓ It will be verified that all the dispatches have their respective exit document from the warehouse.
  - ✓ It is necessary to guarantee that products reported in the remission guide have been transported to their respective delivery.
- Reception
  - ✓ The grocer has to receive only the products supported with a remission guide, invoice, or purchase order.
  - ✓ The warehouse manager should verify the state of the received product and report any news immediately.
  - ✓ The grocer must elaborate the respective entrance document of products to the warehouse.
  - ✓ Products must be received in an orderly manner. With the purpose of ensuring a good status up to their respective use or consumption.
  - ✓ Only office supplies are not going to enter to the warehouse and these supplies must be received by the manager assistant who will give the necessary office supplies to the applicants.

g) Payment process to suppliers

With the purpose of carrying out an adequate control of the payment process to suppliers, Alimentos El Sabor Co. Ltd. has established the following policies in a way that makes the mentioned process agile:

- Invoicing policies

Providers should take into account the following general considerations when issuing their invoice.

- ✓ Providers cannot issue an invoice that does not correspond to real delivered goods or services effectively given under a verbal or written agreement. Therefore, the purchasing manager, who is the principal head of acquisitions, musts ensure that suppliers carry out the correct delivery.
- ✓ The supplier must issue an original and two copies of the invoice.
- ✓ The invoice must contain the exact information of the company as well as the authorization given by the Internal Revenue Service and the date of expiration.
- ✓ The invoice must have the signature of the person responsible to receipt it.

- Operational considerations

Providers that deliver the material directly to the production plant of the company must do so with the respective remission guide. Subsequently, invoices must be given to the receptionist who is in charge of delivering these documents to the purchasing department and enclosing a copy of the document of delivery with the received seal of Alimentos El Sabor Co. Ltd.

Additionally, these documents must have the number of the purchase order that supports it. Suppliers who leave their invoice must respect the falling due date of the invoice and ask for the payment on Tuesday before the falling due date.

Meanwhile, deadlines for payment and acceptance of invoices will begin to count from the date of its delivery to the company's production plant.

- Forms of payment

The accounting department will be responsible of making payments to providers by considering return values and deductions of each purchase. Also, it will be made by bank transfer or check. The general conditions for the payment through bank transfer or check are:

- ✓ Any invoice is paid on original and not on copy.
- ✓ The payment programming is made according to the invoice falling due date as it was explained in the invoicing section.

All payments must go through the authorization and verification of the administrative manager who in his turn is responsible of giving payment documents to providers on the premises of the company

1.3.2 Technological development of the productive processes.

Cubillo (2012), the quality control manager, explains that the technological development of the product is based on the use of high technology machinery for each one of the production processes. In addition, the company has a chemical laboratory which diligently examines the composition of both raw material and finished products.

As complementary activities, there is the training of quality analysts in order to enable them to carry out the checks on production. Quality manager monthly makes an assessment of suppliers so that the raw materials used in the process are the optimal and the desired results are obtained.

Staff that is part of the production and quality areas has continuous training related to their activities, keeping their knowledge updated for direct application in the production process.

1.3.3 Sales.

Jiménez (2013), sales manager, mentions that the company's sales force is based on strategies such as: the use of a catalog of products in which the seller can find an important instrument for his/her work as well as direct his/her efforts to the potential market previously assigned by the sales manager. This instrument provides the benefits that these products offer such as: presentation, the amount of product that every package contains and both wholesale and retail prices.

Alimentos El Sabor Co. Ltd., with the purpose of optimizing and vertically integrating its supply chain, manages a network of distributors nationwide ranging from 40,000 sale points. Accordingly, the company is responsible of transferring the know-how to distributors and providing them technical and commercial training as well as giving them useful information so that they can effectively attract customers.

The network of distributors are local shops, mini markets and supermarkets such as Supermaxi, Megamaxi, Mi Comisariato, military supermarkets and Tia located in different cities of the country. The cities to which the company currently supplies are: Quito, Guayaquil, Cuenca, Ambato, Machala, Loja, Babahoyo, Quevedo and Ibarra.

The company's web site: www.elsabor.com.ec constitutes another sale strategy. On this website the history of the company is shown to inform the consumer about the experience that the company has in the food industry. Additionally, it includes the portfolio of products with their specifications, as well as a guide to prepare the different recipes that can be made with the products offered by the company. This portal is a platform of direct contact with the company since it includes a section for leaving comments or requests.

Finally, the company manages its advertising on mass media information with 8.300 advertisements between TV and radio in a period of 10 months and 4.500 ads in newspapers published in a year all over the country. The detail of sales by units of the different presentations of pea flour is shown below.

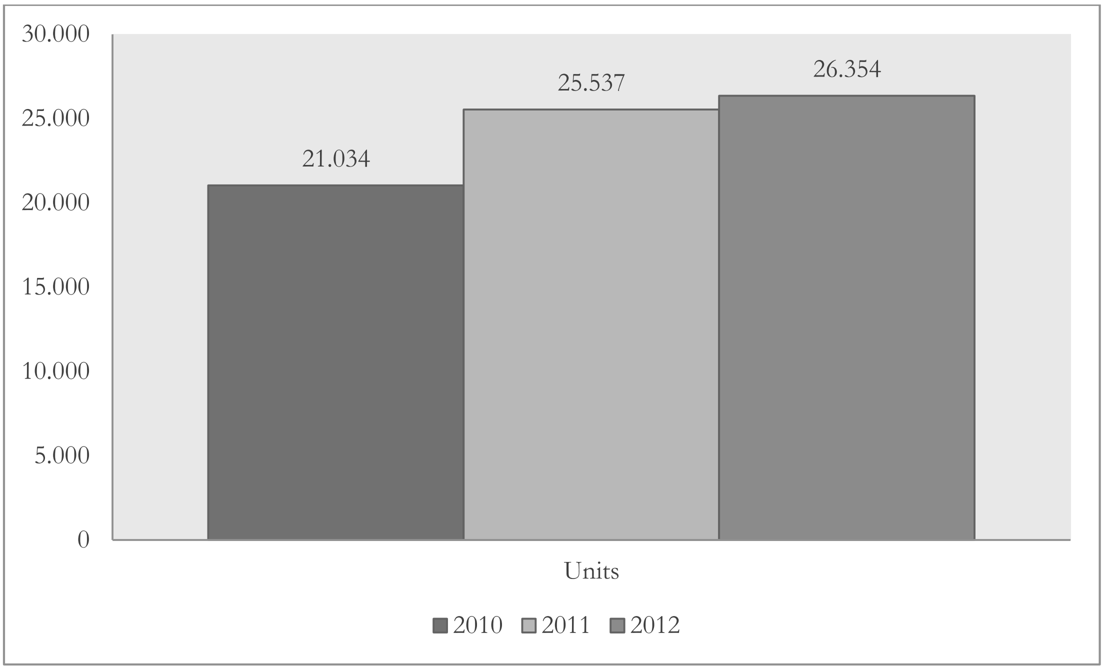
Chart 3: Comparative monthly sales.

Comparative: Monthly quantities sold by products. Pea flour Year: 2010													
Description	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**Octuber**	**November**	**Dicember**	**Total**
Pea flour 250gr. (Units)	1.153	1.983	2.505	2.154	1.419	2.546	1.499	1.536	1.408	1.499	1.597	1.735	21.034
Pea flour 500gr. (Units)	3.220	2.150	3.780	3.653	3.801	2.890	3.130	2.204	3.320	3.125	3.251	1.718	36.242
Year: 2011													
Description	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**Octuber**	**November**	**Dicember**	**Total**
Pea flour 250gr. (Units)	2.601	1.540	2.738	1.356	2.621	2.508	2.526	1.602	2.512	2.523	1.572	1.438	25.537
Pea flour 500gr. (Units)	2.883	3.034	1.925	2.907	3.831	4.071	3.674	2.068	2.863	2.938	2.914	1.952	35.060
Año 2012													
Description	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**Octuber**	**November**	**Dicember**	**Total**
Pea flour 250gr. (Units)	2.467	1.420	2.686	1.627	2.553	2.624	2.683	1.703	2.569	2.950	1.016	2.056	26.354
Polvo de arveja 500gr. (Units)	2.903	4.187	3.998	2.901	2.819	3.245	4.500	3.657	2.979	2.865	3.429	2.788	40.271

Source: (Santander , Comparativo Anual de Ventas, 2012)
Elaborated by: Zamora, 2013.

In this analysis the data presented in the above table are taken into account in order to show the variations in sales per year and units, referring to the two types of presentations of pea flour, such as: Pea flour of 250 and 500 grams.

Illustration 3: Annual sales variation of pea flour 250 grams.

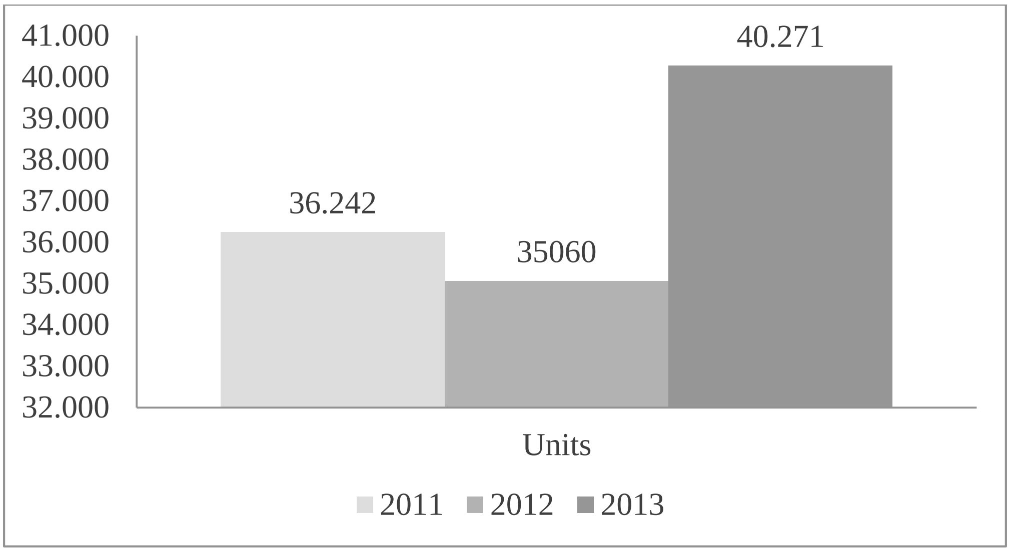


Source: (Santander , Comparativo Anual de Ventas, 2012)**.**
Elaborated by: Zamora, 2013

This graph shows that sales of the company directed to both local and national consumption in the case of pea flour of 250 grams in 2010 were 21.034 units, while in 2011, an increase of 4.503 units in sales is observed representing the 21.41% of them.

In 2012 sales have been 26.354 units with an increasing of 3.1% compared to 2011, so the company has a good position in the market. However, the currently productive capacity is 12.500 kilos quarterly a year, representing about 50.000 bags of 250 grams that could be supplied. In this case, the idle manufacturing capacity is about 52.71% quarterly. (Perdomo , 2013).

Illustration 4: Annual sales variation of pea flour: 500 grams.



Source: (Santander , Comparativo Anual de Ventas, 2012)**.**
Elaborated by: Zamora, 2012.

This graph shows that the sales of the company, directed to both local and national consumption in the case of pea flour of 500 grams in 2010 were 36.242 units, while in 2011 a decrease of 1182 units in sales is observed, representing a decline of 3,26%.

In 2012, a recovery in sales with a total of 40.271 units is observed representing an increase of 14.86% compared to 2011. In terms of the market share covered by the company, Santander (2012), sales manager, estimates that it is a 33% at national level.

1.4 Portfolio of products.

Alimentos El Sabor Co. Ltd., offers a variety of products and presentations which are sold not only at national but also international level. The raw materials that are used in products are national and foreign too. In both cases they are rigorously selected under high standards of quality in order to produce and offer reliable products that generate consumer's delight. The portfolio of products includes the following.

Chart 4: Portfolio de products

Portfolio de Products		
Product	**Presentation**	**Content**
Preserved food		
Peaches in syrup	Easy open	820 g
Seed and stuffed olives	Flask	250 g
Tamarind pulp	Plastic cover	250 g
Water		
El Eden water	Gallon	4 lts
El Eden water	Bottle	20 lts
El Eden water	Box	24 units
Cereals		
Oats	Plastic cover	500 g
Barley rice	Plastic cover	500 g
Machica	Plastic cover	500 g
Pinol	Plastic cover	500 g
Quinoa	Plastic cover	500 g
Grains and derivatives		
Green peas	Plastic cover	500 g
Pea flour	Plastic cover	500 g
Pea flour	Plastic cover	250 g
Canguil	Plastic cover	500 g
Black beans	Plastic cover	500 g
Bean panamito	Plastic cover	500 g
Chickpea	Plastic cover	500 g
Lentejon	Plastic cover	500 g
Dry maize	Plastic cover	500 g
White Bolon	Plastic cover	500 g
Cholo Bolon	Plastic cover	500 g
Processed condiments		
Seasoning	Flask	250 g
Seasoning	Verpack	250 g
Seasoning	Pack	540 g
Seasoning	Sachets	25 g
Achiote oil	Pack	500 cm3
Achiote oil	Sachets	22 cm 3
Natural Vinegar	Pack	100 cm3
Natural Vinegar	Pack	500 cm3
Natural Vinegar	Pack	4 Kg
Vinegar with species	Pack	500 cm3

Pastry making		
Candied fruit	Plastic cover	300 g
Nuts	Plastic cover	250 g
Nuts	Plastic cover	400 g
Raisins	Plastic cover	250 g
Raisins	Plastic cover	450 g
Raisins (Popular planch)	Sachet	26 units
Prunes with or withot seeds	Plastic cover	300 g
Almonds	Plastic cover	250 g
Sesame	Plastic cover	50 g
Cornstarch	Plastic cover	50 g
Cornstarch	Plastic cover	200 g
Cornstarch	Plastic cover	500 g
Vanilla essence	Pack	108 g
Vanilla essence	Pack	500 g
Vanilla essence	Gallon	4 Kg
Powdered sugar	Plastic cover	500 g
Condiments		
Achiote	Plastic cover	40 g
Pepper	Plastic cover	50 g
Clove (Popular planch)	Sachet	26 units
Saffron	Plastic cover	50 g
Pepper	Plastic cover	
Curry	Plastic cover	12 g
Spanish anise (Popular planch)	Sachet	26 units
Spanish anise	Plastic cover	12 g
Star anise (Popular planch)	Sachet	26 units
Star anise	Plastic cover	12 g
Cinnamon stick	Plastic cover	15 g
Ground cinnamon	Plastic cover	12 g
Cumin (Popular planch)	Sachet	26 units
Cumin	Plastic cover	12 g
Ground cumin (Popular planch)	Sachet	26 units
Ground cumin	Plastic cover	12 g
Dried mushrooms (Popular planch)	Sachet	26 units
Dried mushrooms	Plastic cover	12 g
Super sazonador (Popular planch)	Sachet	26 units
Super sazonador	Plastic cover	50 g
Reagan (Popular planch)	Sachet	26 units
Orégano molido	Plastic cover	50 g
Spicy ground pepper (Popular planch)	Sachet	26 units

Spicy ground pepper	Plastic cover	12 g
Smell pepper (Popular planch)	Sachet	26 units
Smell pepper	Plastic cover	25 g
Linseed	Sachet	100 g
Souces		
Chili Souce	Flask	100 ml
Chili Souce	Gallon	2000 ml
Chili Souce	Sachet	5 ml
Chinese soy sauce	Flask	100 ml
Chinese soy sauce	Gallon	3970 ml
Chinese soy sauce	Sachet	5 ml
Ketchup	Gallon	2000 ml
Ketchup	Sachet of 30 g	Neckband
Mayonnaise	Squeeze	320 g
Mayonnaise	Sachets	100 g
Mayonnaise	Flask	220 g
Mayonnaise	Doy Pack	350 g
Mayonnaise	Gallon	1000 g
Mayonnaise	Gallon	2000 g
Mayonnaise	Gallon	3800 g
Tomato paste	Flask	250 g
Tomato paste	Doy Pack	150 g
Tomato paste	Pail	3850 g
Mustard	Squeeze	320 g
Mustard	Doy Pack	350 g
Mustard	Sachets	100 g
Mustard	Neckband	12 uits
Mustard	Flask	220 g
Mustard	Galon	1000 g
Mustard	Pail	4000 g

Source: (Jimenez , 2013).
Elaborated by: Zamora, 2013.

1.4.1 Production processes.

Perdomo (2013), production manager, explains that the company's area of production, is divided into two main segments: Impidalsa which manages the preparation of sauces and El Sabor which produces spices, species and products derived from grains.

In the first one, the production process is complete. It means that it starts with the purchase of raw material which passes through a process of extraction of pulp, followed by the process of concentration, in which the pulp is cooked for an estimated time of 30 to 45 minutes. After that, sauces are packaged, pasteurized, cooled, and labeled in order to obtain the final product.

In the second one the process is the same. In this sense the preparation of derivatives of grains, in which the pea flour is included, begins with the purchase of dry peas from farmers in order to continue with the grinding process. This process is described below:

- Grinding process

Once impurity-free dry peas are obtained the grain grinding process initiates.

- ✓ Crushing.

Crushing is fragmenting the grain, cleaning it and removing the powder which is attached to the grain. The breaking is made with steel cylinders better known as hammer mills, at different speed each one from the other. The product of the first crushing passes to the stage of sifting and the rejected thicker product passes to the following crushing, so the machine can continue cleaning it.

It must be born in mind that while milling process progresses the crushing cylinders should have stretcher marks and the sifting that classifies the ground product should be increasingly finer.

- ✓ Sifting process

The product that passes by shredding or compression cylinders passes to the sieves. These machines have several sections and each section, in turn, has several sifting screens covered with nylon mesh or stainless steel, which serve as colanders.

The sieves work consists of making a classification by size: During the first crushing the grinded product is classified in thick product, coarse semolina, fine semolina and flour.

The thick product passes to the next step of crushing. The semolina goes to a purification process and the flour is brought to a screw where is mixed with the separated flour of each section. This separation is obtained by the action of the circular motion of the sifter, allowing fine particles to pass through the opening of the mesh, and the thicker ones, follow the path towards the next step of grinding.

- ✓ Purification.

The semolina produced in first crushing, both fine and coarse, is classified during the sifting and passes to the purifiers. The main function of the purifier is to separate particles of pea by air currents. This is possible because the particles have greater resistance to air than the semolina, so it runs through the lower part of the flow, while the particles floats towards the exit of the purifier.

The second function is to classify products by particles sizes using a slightly tilted down screen. The screen is covered with a series of nylon meshes whose openings are relatively small in the head and widen progressively toward its opposite end.

The clean semolina, the heaviest product that has been classified into semolina of different sizes goes to compression cylinders. The remaining product must be taken to a grinding in order to finish its cleaning.

- ✓ Compression.

The first compression seeks to produce small fragments of semolina which are previously separated in the purification process. The byproduct of this stage goes into the sifter process to be classified by size and then continue with the next steps of compression. This process results in a product of the highest purity and, as semolina is fragile, it disintegrates more quickly, allowing its subsequent separation, in the sifting process.

- ✓ Mixing process.

In each section of the sieves, flour from different parts of the grain is extracted to avoid variations in the final flour it is necessary to mix it to obtain a uniform and consistent flour.

- ✓ Quality testing

Subsequently to the grinding process the respective testing of quality is made taking into account the following aspects:

- Physical analysis: This analysis consists of performing a general recognition of the product, such as: temperature, color, odor, impurities and wetness.

- Determination of the temperature: The temperature can be determined by manual inspection through the texture of the product or by means of a thermometer carrying out 5 readings are made in order to have an average record of temperatures found.

- Determination of impurities: A portion of 500 grams of pea flour is obtained in the laboratory to be weighed and passed in a manual way to the bottom of a tray. After that the impurities larger than the powder remain on the screen. Impurities are then accurately measured to finally calculate the content of impurities of the product.

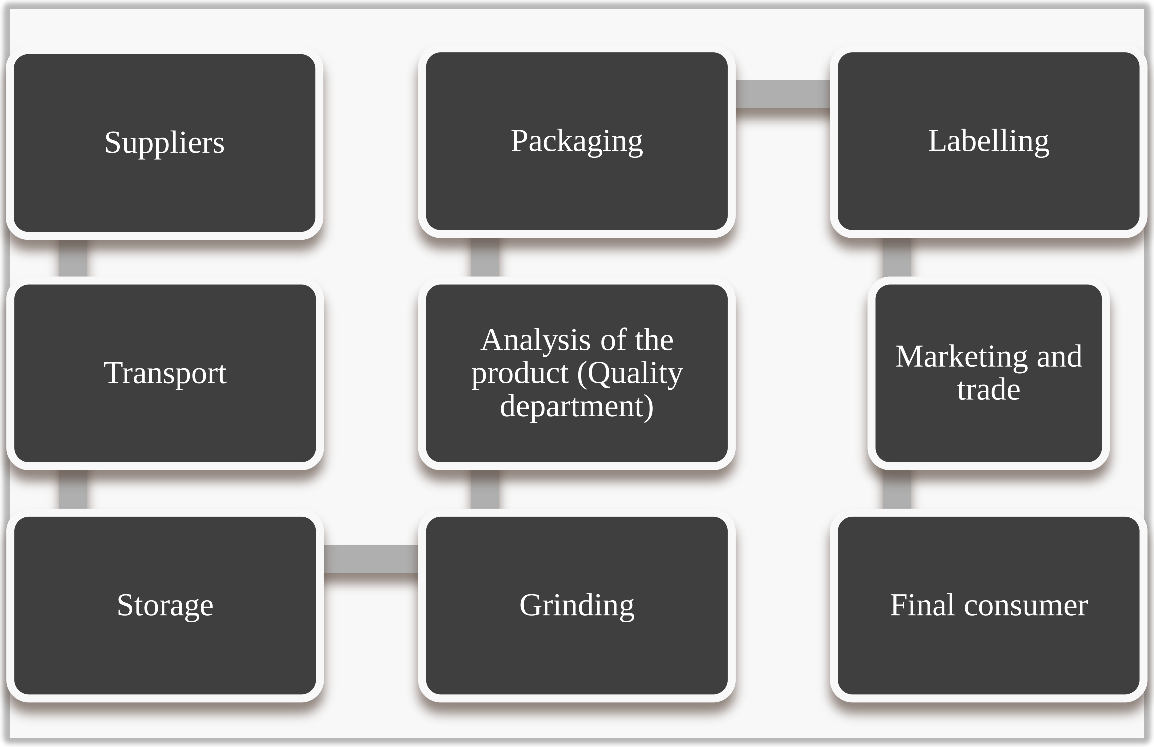
- Determination of the organoleptic properties: In this analysis all those physical characteristics that the pea powder has according to what the senses can perceive are checked. It includes: taste, texture, smell and color.

Once the proof of quality is done it is necessary to proceed with the process of packaging and labeling accomplished by a micrometric dispenser which allows putting the required amount of product in the package or the polypropylene bags. After having the necessary quantities the dispenser seals the bags at high temperature. The bags are previously labeled.

Afterwards, the bags are stored a special care should be taken in the warehouse or place where the packaged product is kept before being sold, since the humidity, light and high temperatures can cause its deterioration or change in its properties.

The process is concluded through the commercialization of the product. This should be performed in a suitable transport to maintain its properties until it reaches the final consumer. A diagram that summarizes the process of production of this product is shown below.

Illustration 5: Pea flour production process



Source: (Perdomo , 2013)
Elaborated by: Zamora, 2013.

1.4.2 Production plant

The production plant of Alimentos El Sabor Co. Ltda. has an infrastructure of 50.000 m2 and includes 7 industrial sheds and modern machinery for its diversified portfolio. (Alimentos El Sabor Cía. Ltda., 2012).

For purposes of having a good reference of the existing equipment the company had made a division of its plants in a way that optimizes the production of the various goods. The first production plant is called Alimensabor which is responsible of the production of spices and grains. The second one is called Impidalsa that produces different types of sauces.

The industrial equipment that exists in the production plant is described below.

Chart 5: Production plant - Alimentos El Sabor Co. Ltd.

Production plant : Alimentos El Sabor Cía. Ltda.			
Grains	**Condiments**	**Pounding**	**Water packaging**
Área: 01	**Área: 02**	**Área: 03**	**Área: 04**
Lobe pump	Continuous sealers.	Hammer mills	Water storage tank.
Grain filler	Video Jet encoding	Mixer (Super-sazonador)	Main pump
Video Jet encoding	Electronic weighing machine	Sugar mixer	Filtration and ozonation system
Filling discharge conveyor	Tape sealer machine.	Achiote toaster	UV Device
Continuous sealer	Cartons sealer machine	Cumin toaster	Water clener with pressure tank
Electronic weighing machine	Cumin dispenser	Mushroom dryer	Bottles washer
Cross stitch bags	Grain treatment tank	Circuit distributor	Water heater
Extractor for cleaning of grains			Water purifier- distributor.
			Bottles filler. 500 ml.
			Pneumatic capper
			Bottles conveyor
			Thermo shrinking tunnel.
Power generation	**Boilers**	**Laboratory**	
Área: 05	**Área: 06**	**Área: 07**	
Bank of transformers	Diesel boiler	Marmite 600 kg	
Main switchboard	Condensate collection tank	Warehouse circuit distributors	
Secundary switchboard	Water softeners	Industrial burners	
	Steam circuit	Industrial blender	
		Chinse souce packaging Hopper	
		Electronic weighing machine	

Source: (Perdomo , 2013).
Elaboratad by: Zamora 2013.

1.4.3 Production capacity.

Alimentos El Sabor Co. Ltd. has the capacity to produce quarterly 12.500 kilograms. This represents around 50.000 bags of 250 grams quarterly and 200.000 a year.

Therefore, comparing sales in 2012 which were 106.896 units in bags of 250 and 500 grams with the production capacity, it can be inferred that there is an idle manufacturing capacity of 46,55%, which means the opening of new markets can benefit the company. (Perdomo , 2013).

1.4.4 Certifications.

The company is currently in the process of certifying their food on the agenda of Good Manufacturing Practices (GMP). This certification is obtained through the Ministry of Public Health of Ecuador, institution that performs the verification and certification of the GMP.

Alimentos El Sabor Co. Ltda. is a company that carries out activities of processing, packaging, storaging and distribution of food for human consumption, so it must meet standards of health surveillance and control, among which are the Good Manufacturing Practices (GMP). These are the basic principles and general hygiene practices to guarantee that foods are produced under sanitary conditions in order to reduce the risks inherent to the production process.

The Ministry of Public Health, through the National Health Surveillance and Control, is the only entity that issues certificates of operation on the implementation of Good Manufacturing Practices in food processing plants based on the provisions based on the executive decree 3253 of the official registry 696 from November 4th, 2002. For their inspection and verification there are institutions certified by the Agency of accreditation of Ecuador. (Ministerio de Salud Pública del Ecuador, 2012).

The mentioned operating certificate is valid for three years from the date of granting. This document is a mandatory requirement for the issuance of the annual operating license. Additionally, this certificate is valid for companies wishing to obtain the health registration of food by processing line through the certificate of operation based on the Good Manufacturing Practices. Once the certificate of operation is obtained, the industries are subject to control of fulfillment of the rules. The costs of inspection and issuance of the certificate are established according to the categorization of the food processing plant. (Ministerio de Salud Pública del Ecuador, 2012).

As a result, companies that have obtained private certifications with commercial purposes must submit their application for the Good Manufacturing Practices (GMP) to the Ministry of Public Health so that this agency could give the official certificate once the health legislation is fulfilled.

In addition, Alimentos El Sabor Co. Ltd. has the health registry of all the food products that are marketed by the company. It is necessary to go to the Ministry of Public Health to obtain this certification. The registration process of domestic products based on the publication of the official website of Foreign Trade of Ecuador (2012) is detailed below.

1. Application addressed to the health general director, individual for each product subject to registration.
2. Operating license: Updated and issued by the health authority (Provincial health direction of the jurisdiction in which the factory is located).
3. Certification granted by the competent health authority that the establishment meets the technical requirements to manufacture the product. This certificate corresponds to the minute that the health authority elaborates once the inspection of the establishment is carried out.
4. Technical information related to the process of elaboration and description of the equipment used.
5. Quali-quantitative formula: including additives, in decreasing order of the proportions used (percentage referred to 100 g or 100 ml.).
6. Certificate of analysis of quality control of the product: Previously signed by the technician. This document is obtained from any laboratory of food control, including laboratories of quality control of the Institute of hygiene Leopoldo Izquieta Pérez in Guayaquil.

7. Chemical specification of the material used in the manufacture of the packaging (given by the manufacturer or supplier) with the signature of the technician.
8. Project of label to be used: two originals.
9. Interpretation of batch code: Signature of the technician.

   Lot: A certain amount of food produced under similar conditions

   Code: Symbolic mode (letters or numbers, letters and numbers) agreed by the manufacturer to identify a lot, in the case of Alimentos El Sabor Co. Ltd, it is related to the date of preparation.
10. Delivering of three samples of the final product packaged and belonging to the same lot.
11. Payment of the fee by the analysis of quality control, prior to the issuance of the health registry.

Finally, it is necessary to submit documents that prove the constitution, existence and legal representation of the applicant entity. In this case the Single Registry of Taxpayers is necessary for being a legal person. Documentation and samples must be delivered to the National Institute of Hygiene "Leopoldo Izquieta Pérez".

1.5 SWOT Analysis

The SWOT analysis is a managerial tool valid for both public and private companies, which facilitates the company situational assessment and determines the factors that influence from the outside towards the inside of the institution. These factors become threats and opportunities affecting to a greater or lesser degree the development of the company's goals. Also, the SWOT analysis allows to make an analysis of the internal factors such as the strengths and weaknesses of the organization (Zambrano, 2007).

Combining external factors (threats and opportunities) and internal factors (strengths and weaknesses) the company's conditions of Alimentos El Sabor Co. Ltd are shown below.

1.5.1 Strengths

- Brand recognition and market presence.
- Own infrastructure and modern machinery for the production of high-quality pea flour.
- Highly skilled and vastly experienced staff.
- Strategic location of the company since it is near Guayaquil seaport.
- Product with nutritional benefits to its consumers.
- The quality of raw materials secured by a set of parameters for the selection of suppliers.
- Modern machineries with high technology which optimize manufacturing time and guarantee the product characteristics desired by the consumers.
- An established budget for the constant investment in new technology.
- Strong network of distributors nationwide of about 40,000 sale points.
- Liquidity in its accounts enabling the company to afford its debts, commitments or any event that appears.
- Corporate Social Responsibility with the surrounding community.
- Relatively low production costs and a short string process required.
- Product price is conformed to the prices of the national competition.

1.5.2 Opportunities

- Possibility of entering new markets demanding products with certifications according to the requirements of foreign trade.

- The flour can be a replacement product in the daily feeding of the families.

- Branch of its products registered on the Spanish market. This is an excellent start to project a good image to potential consumers.

- Economic crisis on the Spanish market can help the product to have greater acceptance among consumers for being of excellent quality and low cost.

- Consumers are looking for natural food products since they wish to preserve their health.

- Ecuador produce agricultural products, therefore, it provides them not only the local but also to the international market which indicates that the company can count on sufficient raw material required for the production.

- Potential areas for farming peas especially in the mountain area since the soil and the climate are suitable for its cultivation.

- Manufacturing potential that has not been efficiently exploited, since the domestic market is emerging and this situation makes the company think about exporting.

1.5.3 Weaknesses

- The company does not have a foreign trade department established, so the process of export and import is messed up and generates unnecessary costs of logistics.

- Alimentos El Sabor Co. Ltd. has not properly socialized the implementation of quality requirements to the plant workers. Therefore, this situation generates unnecessary costs in production.

- The lack of a maintenance plan for the machines that are used in the production process makes constant damages in machineries, so the suspension of the process generates complementary costs.

- Alimentos El Sabor Co. Ltd. does not have a strategic plan that allows the company to project the business in medium and long terms.

- Lack of clarity in the guidelines to follow in the productive processes which causes the loss of efforts and resources.

1.5.4 Threats

- Foreign companies with greater career and experience in the development and distribution of pea flour in the international market.

- The product does not have the long-awaited acceptance due to the existence of similar foods already positioned in the market.

- Ecuador is little known as a producer of pea flour or supplementary products.

- Although pea powder is a product that does not need a cold chain, climate does not favor the storage for very long periods, hence the distribution channels must be optimal.

Chart 6: SWOT Matrix

<table>
<tr><th colspan="2">SWOT MATRIX: ALIMENTOS EL SABOR CO. LTD.</th></tr>
<tr><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
<tr><td>

- Positioned brand on the domestic market.
- Own infrastructure.
- Strategic location of the company.
- Skilled labor force.
- Machines with cutting edge technology.
- Organized sales force.
- Liquidity in their accounts.

</td><td>

- Lack of a strategic plan.
- Lack of foreign trade department.
- Implementation of quality requirements not socialized.
- Lack of a maintenance plan for machinery.

</td></tr>
<tr><th>OPPORTUNITIES</th><th>THREATS</th></tr>
<tr><td>

- Possibility of entering new markets demanding products with certifications and requirements of foreign trade.
- Trademark in the Spanish market helps to position the product.
- Economic crisis in Spain helps that the product has increased reception.

</td><td>

- Distribution channels must be optimal, since if they do not have appropriate conditions the product can be damaged.
- Ecuador is little known as a producer of pea flour.
- Foreign companies with greater experience in the development and distribution of pea flour in the international market.

</td></tr>
</table>

Elaborated by: Zamora, 2013.

CHAPTER 2: SPANISH MARKET ANALYSIS.

This chapter details the Spanish market analysis to show an overview of Spain with synthetic information about geography, demographic structure, economy as well as the description of the current political orientation of the country.

Additionally, this section presents characteristics of the cultural environment, consumer analysis and market segmentation, aspects that reflect the country's attractiveness as a market.

2.1 Globalization and Internationalization

Globalization opens up new opportunities for business expansion in the overseas market, "the possibilities of diversification in other geographical markets had never been as high as it is today in a world of decreasing trade barriers, with extraordinary communication facilities and low cost transportation systems" (Canals , 1994, pág. 123)

However, this trend has become a challenge for companies due to the complex process of directing it when confronting a large number of competitors who are increasingly offering higher quality products around the world. This implies that the challenge of operating in different geographic markets with different customers and political, economic and financial risks is greater than it was in other times.

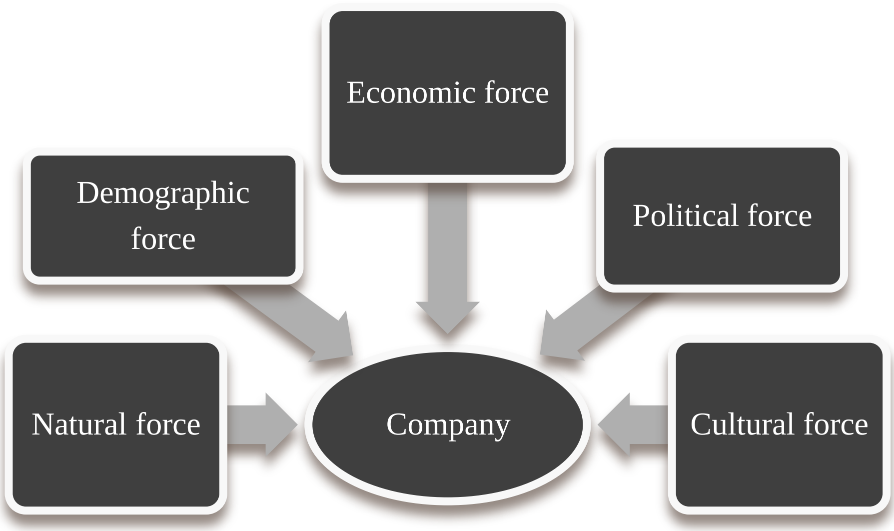
The globalization of markets and the internationalization have made entrepreneurs adopt a positive attitude towards the opening of the borders of their organizations and the development of necessary skills to compete in the global market.

Also, new trade agreements between countries have had a great impact on the world economy because they promote proximity and contact with customers in other countries, as well as they provide benefits for the entry of products to foreign markets.

2.2 Spanish market background

Alimentos El Sabor Co. Ltd., must understand the macro environment in which the company wants to enter, as it will settle the opportunities and threats that the company will face. In the following illustration the six major forces of macro environment are presented:

Illustration 6: Major macro environment forces of the company.



Source: (Kotler & Armstrong, Principios de Marketing, 2008).

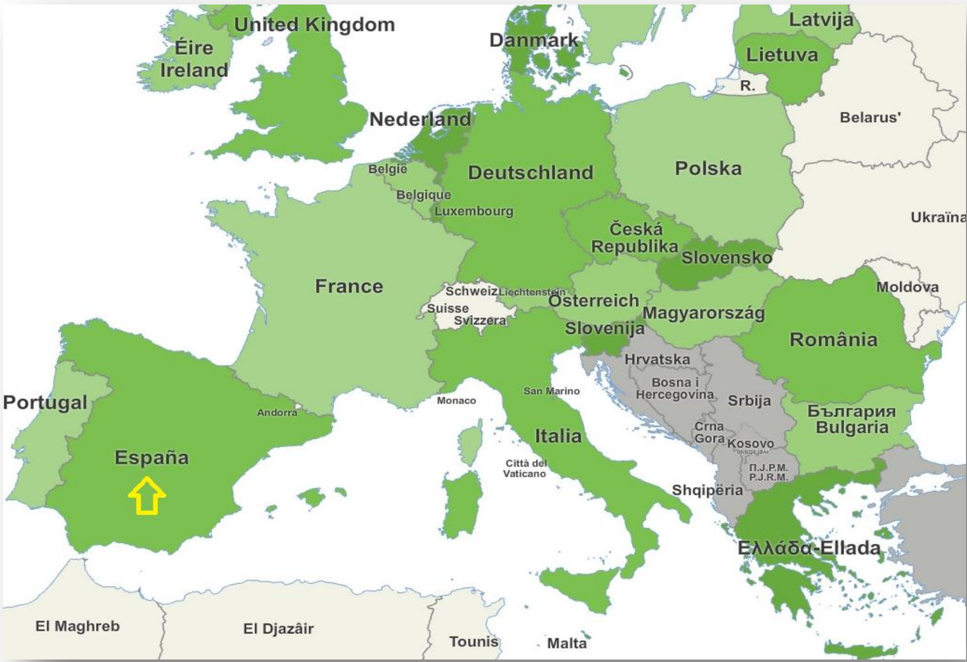
Spain is a naturally attractive market to firms from any country due to the size of its population (46.815.916 inhabitants) and the high consumption potential, similar to those in the major markets worldwide. However, it must be born in mind that the Spanish market consumers have quite varied and complex characteristics.

In this regard, there are several challenges for a company that wants to enter the Spanish market. It is necessary to know the general structure of the country and the export procedures regarding the product offered. Indeed, to elaborate the internationalization plan of Alimentos El Sabor Co. Ltd., it is essential to carry out an analysis of the key factors that reflect the attractiveness of a country as a market.

Actually, the analysis of each of the forces that affects the macro environment of the companies is described below.

2.2.1 External Factors: Spain

Illustration 7: Map of Spain



Source: (Unión Europea, 2007)

2.2.1.1 Geographical factors

The Spain Business Guide made by the head of the Commercial Office of Ecuador in Madrid, indicates that the country is an exceptional platform to develop business with Latin America, because it has a privileged geostrategic position within the European Union, which facilitates access to a market of 1.700 million potential customers across the European region, the Middle East, and Africa known as the EMEA. (Punte Franco , 2011, pág. 4).

The National Institute of Statistics (2013) shows that Spain occupies an area of 505.991 square kilometers, ranking it among the fifty largest countries in the world. The 85% of its territory is located in the Iberian Peninsula and consists of 17 autonomous communities and 2 autonomous cities. The capital is Madrid. In addition, the country has two important groups of islands: Canarias Islands and the Balearic Islands, in the

Atlantic ocean and Mediterranean sea respectively. It also has two autonomous cities in North Africa : Ceuta and Melilla. It shares land borders with France and Andorra to the north, Portugal to the west and the British colony of Gibraltar to the south. In its African territories, it shares land and sea borders with Morocco.

The Kingdom of Spain is a mountainous country with an average altitude of 660 meters, surpassed only by Switzerland in Europe. The main rivers of the Peninsula go down from east to west into the Atlantic. The Ebro River flows into the Mediterranean Sea. The only navigable river is the Guadalquivir to Seville. As for the autonomous communities, they have wide competences, mainly in agriculture. (Cámara Oficial Española de Comercio e Industria, 2010).

Additionally, Spain has a Mediterranean climate. In the northern coastal region, located on the Atlantic coast and in the Bay of Biscay, the climate is characterized by being mild and rainy throughout the year, with temperatures not too low in winter and not too high in summer. The climate in the Mediterranean coast, including the Balearic Islands, Ceuta and Melilla is mild in winter and hot and dry in summer. The largest differences occur in the interior of the peninsula, where the climate is dry with cold winters and hot summers. The Canary Islands have their own climate with constant temperatures throughout the year of about 20 degrees Celsius, and very little variation in temperature between seasons and between day and night. (Cámara Oficial Española de Comercio e Industria, 2010).

2.2.1.2 Demographic factors

Spain is the fifth most populous country in the European Union with approximately 46.815.916 million people recorded in 2011, representing an increase of 14.6 % over the 2001 census. The figures show that 23.104.303 are men and 23.711.613 are women. (Instituto Nacional de Estadísticas de España, 2011).

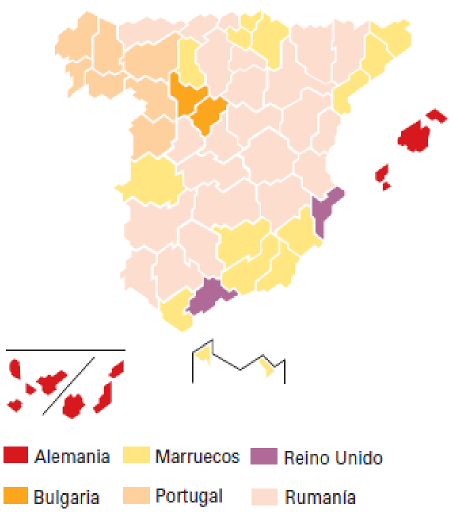
The study made on the natural movement of the population and basic demographic trends in Spain indicates that the birth rate is declining since 2009. In 2011, 470.553 children were born in Spain, 3% less than in 2010. Regarding the mortality rate during 2011, 386.017 people died in Spain, 1.5% more than in 2010. Moreover, life expectancy of the Spanish population exceeded 82 years in 2011. In males it reached 79.2 years and for women 85 years. (Instituto Nacional de Estadísticas de España , 2012).

The Population and Housing Census of 2011 states that the foreign population stands at 5.3 million, this represents 11.2% of the population. There are regions such as the Balearic Islands, Murcia, Valencia and Catalonia, where the percentage of foreigners in comparison to the population of its autonomous community exceeds by 15% (Instituto Nacional de Estadísticas de España, 2011).

Below there is a chart that shows out that of all foreigners, the most numerous group is conformed by Romanians with 15.2%, followed by Moroccans with 14.7%, Ecuadorians with 6%, and Colombians with 4.8%.

Illustration 8: Spanish Migration

Censo 2011. Nacionalidades predominantes entre los extranjeros



	Total Extranjeros	% del total
Total	5.252.473	100,0
Rumanía	798.104	15,2
Marruecos	773.966	14,7
Ecuador	316.756	6,0
Reino Unido	312.098	5,9
Colombia	250.087	4,8
Bolivia	183.626	3,5
Italia	177.520	3,4
China	171.127	3,3
Alemania	153.245	2,9
Bulgaria	150.878	2,9
Perú	124.041	2,4
Portugal	121.741	2,3
Argentina	105.219	2,0
Francia	100.798	1,9
Rep. Dominicana	91.353	1,7

Source: (Instituto Nacional de Estadísticas de España, 2011).

The Census of Population and Housing (2011) determined that the Spanish population is relatively young, 15.88% of the population is under 16 years, 65.75 % are between 16 and 64 years, and only 17.33 % are over 65 years.

Additionally, the country's economically active population is 16.634.700 people in the first quarter of 2013. However, the annual growth rate of employment is negative with 4.58%. The number of employed people decreased in the quarter mentioned in all sectors: in the Services industry, 170.500; in Industry, 66.800; in Agriculture 60.900; and in Construction, 24.200 (Instituto Nacional de Estadísticas de España, 2013).

Finally, the Human Development Report 2013 (HDR 2O13), ranks Spain at No. 23 in the world ranking with an index of 0.885, placing the country among the nations of very high human development. Moreover, Spain has a literacy rate of the adult population of 97.7% and the national average per capita income in 2012 stood at 22.772 euros. (Instituto Nacional de Estadísticas de España, 2013).

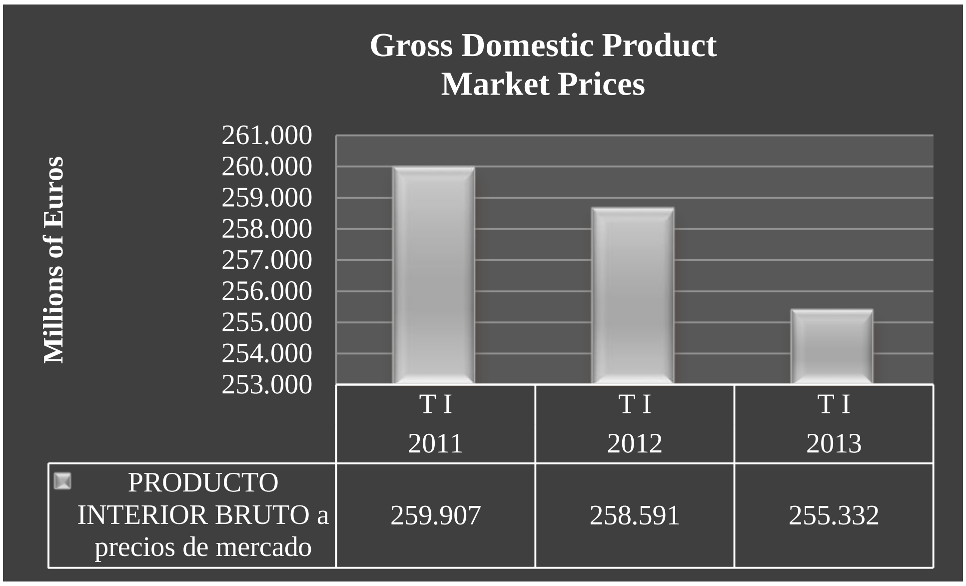
2.2.1.3 Economic factor

The attractiveness of Spain as a market lies not only on its domestic market but also in the possibility of negotiating with third countries because of its privileged geostrategic position within the European Union, providing access to a market of around 1,700 million potential customers throughout the EMEA (Europe , Middle East and Africa). (Punte Franco , 2011). Moreover, due to economic, historical, and cultural ties, Spain is an excellent platform to develop business with Latin America.

- **Production**

Considering that gross domestic product (GDP) is the main economic indicator used to measure the size of an economy and make comparisons on standard of living offered by different countries, it can be identified that in the first quarter of 2012 this indicator has decreased by 0.51 % to 258.591 million euros compared to the first quarter of 2011. As for the first quarter of 2013, a similar behavior is observed with a GDP decrease of 1.26 % to 255.332 million euros compared to the first quarter of 2012.

Illustration 9: Spain Gross Domestic Product



Source: (Instituto Nacional de Estadísticas de España , 2013).
Elaborated by: Zamora, 2013.

Here, the analysis of gross domestic product on the demand side is presented. It can be seen that the rates of GDP in the first quarter of 2013 are negative presenting a strong decrease in both, the final consumption expenditure, and the growth of investments. Consumption presents a decrease of 2.74% in comparison to the quarter of 2012. On the other hand, investments follow the same trend in the first quarter of 2013 showing a decrease of 11.55% over the same quarter in the previous year which was around 52,300 million euros.

In regard to exports of both goods and services, there is a slight increase compared to 2012. Meanwhile importation of both goods and services has had a very clear drop of around 5.6 points comparing the first quarter of 2012.

Chart 7: GDP at Market prices

From the demand side.

	2011	2012	2012	2013	2013
	T I	T I	Growth rate (%)	T I	Growth rate (%)
Final consumption expenditure	210.675	210.761	0,04	204.987	-2,74
Gross fixed capital formation	56.636	52.290	-7,67	46.248	-11,55
Goods and services exports	74.817	77.888	4,10	81.684	4,87
- Goods exports	53.866	56.273	4,47	59.041	4,92
- Services exports	20.951	21.615	3,17	22.643	4,76
• Expenditure of non-resident households on the economic territory	7.597	7.637	0,53	7.829	2,51
Goods and services imports	82.228	82.361	0,16	77.609	-5,77
- Goods imports	64.886	65.344	0,71	61.605	-5,72
- Services imports	17.342	17.017	-1,87	16.004	-5,95
• Expenditure of resident households in the rest of the world	2.217	2.094	-5,55	2.026	-3,25

Source: (Instituto Nacional de Estadísticas de España , 2013).
Elaborated b: Zamora, 2013

Macroeconomic analysis from the perspective of the offer shows that most of the industries have negative annual growth rates, except the activities related to the agricultural sector which presented a growth in the share of GDP of around 9.22% in the first quarter of 2013. This share was followed by the pooling of taxes on products with a growth of 3.93 %.

The percentage of growth of industrial branches accentuates its decline in the first quarter, from -0.42 % to -3.51 %. In particular, the manufacturing industry increased its negative trend by 1.75 points, from 2.25 % to 4 %, together with the development of the domestic demand for manufactured consumer goods.

Consistently with the changing demands of the construction assets and employment in this sector, the growth of this activity attenuates its decrease, from -9.18 % in the first quarter of 2012 to -10.84 % in the first quarter of 2013.

Meanwhile, the percentage of growth in the services sectors slightly accelerate its decrease in the first quarter of 2013 going from 1.68% to -0.43%. The largest decrease occurs in the domestic financial and insurance sectors, with a strong decrease of -2.70% compared to the first quarter of 2012 when it was 7.39% , that is to say ten points below the rate recorded in the first quarter of 2012.

Finally, the aggregate sectors of commerce, transportation & hospitality has registered a growth rate lower than the one registered in the first quarter of 2012, reaching 0.53 % in the first quarter of 2013

Chart 8: Spain-GDP based on Market Prices

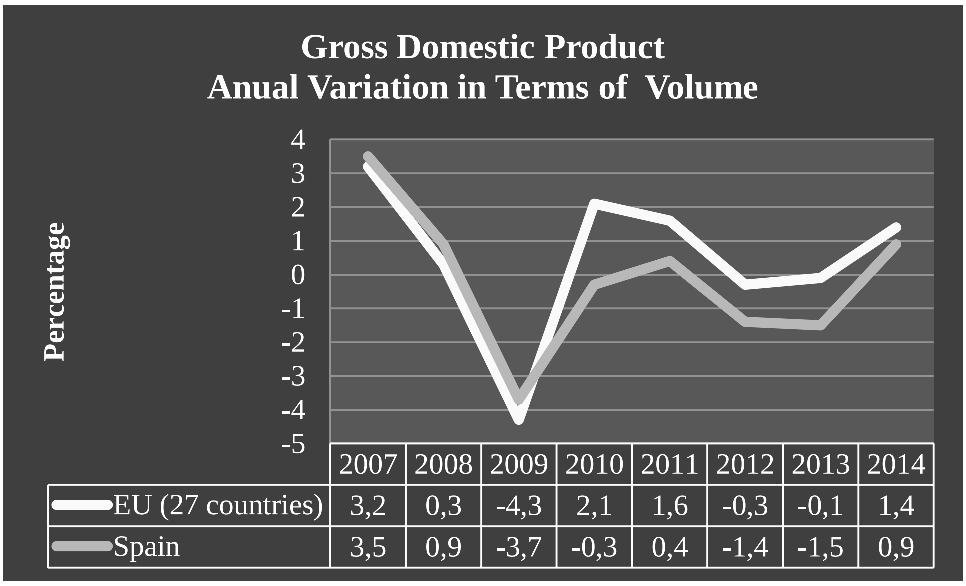
Supply side analysis

YEAR	2011	2012		2013	
	Q I	Q I	Growth Rate (%)	QI	Growth Rate (%)
GROSS DOMESTIC PRODUCT Market prices	**259.907,00**	**258.591,00**	**-0,51**	**255.332,00**	**-1,26**
Agriculture, forestry and fishing	5.253,00	5.491,00	4,53	5.997,00	9,22
Industry	45.909,00	45.718,00	-0,42	44.113,00	-3,51
- Manufacturing	35.797,00	34.991,00	-2,25	33.593,00	-4,00
Construction	22.927,00	20.823,00	-9,18	18.565,00	-10,84
Services	161.234,00	163.935,00	1,68	163.235,00	-0,43
- Trade, Transportation & Hospitality	59.157,00	60.370,00	2,05	60.689,00	0,53
- Information and communication	10.223,00	10.090,00	-1,30	9.696,00	-3,90
- Financial and insurance activities	10.093,00	10.839,00	7,39	10.546,00	-2,70
- Real Estate Activities	16.947,00	17.422,00	2,80	17.612,00	1,09
- Professional activities	16.688,00	16.715,00	0,16	16.627,00	-0,53
- Public administration, health and education	39.725,00	39.811,00	0,22	39.128,00	-1,72
- Arts, recreation and other services	8.401,00	8.688,00	3,42	8.937,00	2,87
Net taxes on products	24.584,00	22.624,00	-7,97	23.422,00	3,53

Source: (Instituto Nacional de Estadísticas de España , 2013).
Elaborated: Zamora, 2013

Additionally, the following graph shows the change in Spain´s GDP compared to that of the European Union, taking into account the 27 member countries.

Chart 9: GDP anual Variation



Source: (Comisión Europea- Eurostat, 2013)**.**
Elaborated by: Author 2012.

In this graph it is noticeable that both the GDP of the European Union as the GDP of Spain have had similar behaviors since 2007. Three main trends can be identified. The first trend is a downwards trend since mid-2007, directly generated by the global economic crisis. The rates in the Spanish case fell from 3.5% to -3.7% in a drastic manner; as for the European Union, the change was from 3.2% to- 4.3% until 2009.

For the second trend, a continued recovery of the economy is seen in the EU block as well as in Spain. The variation rates in 2010 were 2.1% in the European Union and 0.3% in Spain.

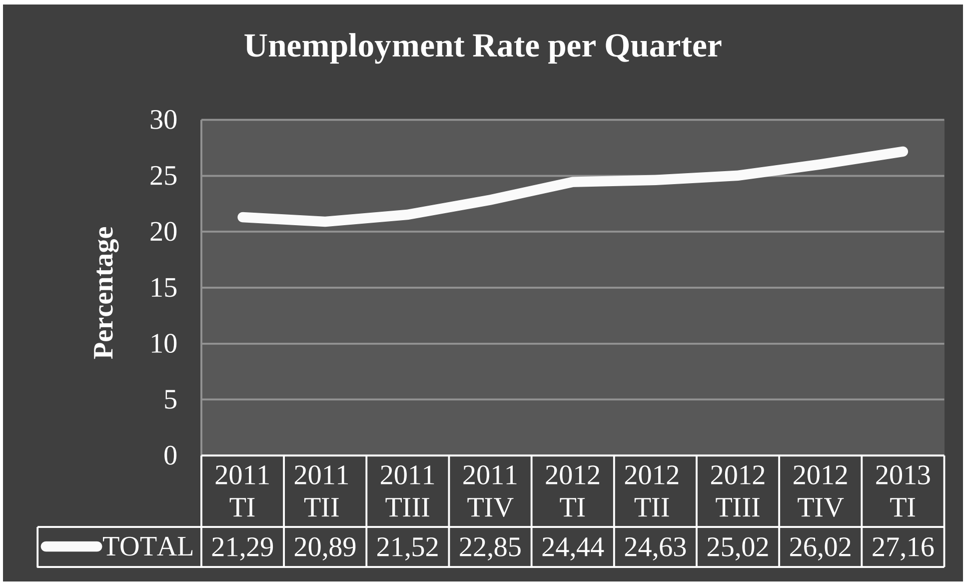
Finally, a tendency to decline is observed since early 2011 until early 2013. However, the estimated data for mid-2013 indicates that the European economy begins to grow again. It is estimated that in 2014 the variation rate of the European Union will be 1.4% and of Spain 0.9%.

- **Employment and Income**

The employment fell by 322.300 people in the first quarter of 2013, to a total of 16,634,700. The quarterly rate of employment is -1.90% and the annual rate -4.58%. Occupancy in the public sector decreased to about 71.400 people and in the private sector it decreased to about 251.000 employed people. (Instituto Nacional de Estadísticas de España, 2013).

The number of unemployed people increased to 237.400 and reached a total of 6.202.700. The unemployment rate rose 1,14 points to 27,16% in the first quarter of 2013 as seen in the chart presented below.

Illustration 10: Quarterly Unemployment Rate



Source: (Instituto Nacional de Estadísticas de España, 2013).
Elaborated by: Zamora, 2013.

The business environment in Spain is still positive despite the crisis that continues to be in place, in this context it should be noted that the provisional results from the Living Conditions Survey of 2012 provides information on the average income of the households in 2011.

According to these results, the annual average net cash income per household amounted to 24.609 euros, a decrease of 1.9% compared to 2010. Meanwhile the average income per capita reached 9.321 euros, 1.3% lower than in the previous year. (Instituto Nacional de Estadística, 2012).

Other data that can be highlighted is the Doing Business Scale in which there is a classification of economies in terms of how easy it is to do business, from 1 to 189, from best to worst. (International Finance Corporation, The World Bank., 2013). In this sense, it can be said that Spain has a good index of easiness for doing business since it is in the place number 52 and this implies that the regulatory environment is favorable to entrepreneurial activity. The position of Spain in this scale is presented below.

Chart 10: Ranking Doing Business 2013.

Spain Ranking: Doing Business 2013	
Ease of doing business.	**52**
Opening of a business.	142
Management of building permits.	98
Obtaining credit.	55
Protection of investors.	98
Payment of taxes.	67
Cross-border trade.	32

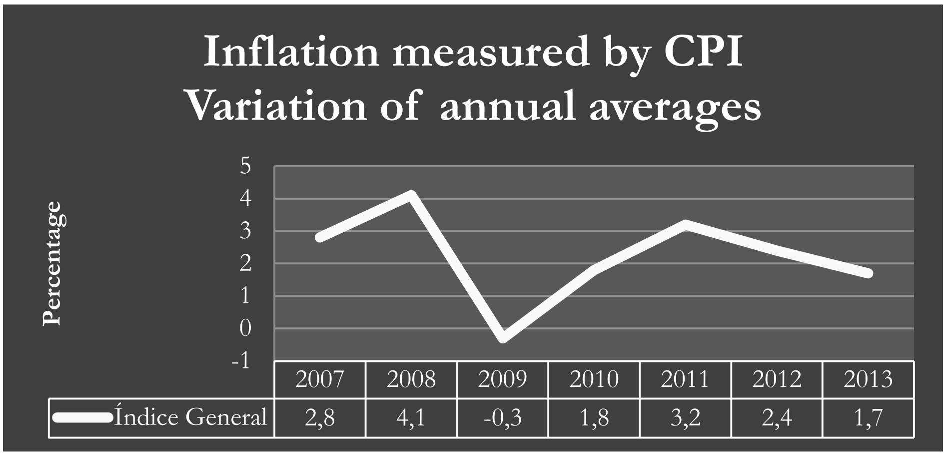
Source: (International Finance Corporation, The World Bank., 2013)

- **Prices**

"Inflation known as the measure representing the sustained increase in the general level of prices and services in a specific economy" (Ávila, 2004), shows that in Spain inflation measured by the Consumer Price Index has had an annual quite irregular growth since 2007, identifying the existence of three major trends.

The first trend begins in 2008 when a decrease in the average annual variation of 4.1% to 0.3% until 2009 occurs. The second trend was on the rise since 2009 with -0.3% to reach 3.2% in 2011. Finally, there is a third descending trend since 2011 with a decrease of 1.5 points reaching 1.7% until May 2013.

Illustration 11: Inflation in Spain



Source: (Instituto Nacional de Estadística de España., 2013).
Elaborated by: Zamora, 2013.

Disaggregating what is exposed above, an annual rate of Consumer Prices Index (CPI) of 1.7% in May can be identified. This is three tenths above the rate recorded the previous year.

The groups with the greatest influence on this variation are:

- Food and non-alcoholic beverages that increase their annual rate in eight tenths, standing at 3.4%. This behavior highlights the rise of the prices of fresh fruits and fresh vegetables.
- Recreation and culture, whose annual variation increases over a point, to 1.6%.
- Transportation, which has a rate of -0.1%, six tenths higher than in April, mainly due to the drop of the prices of oil and lubricants which has been lower than in May 2012.

Despite the increase in the annual rate of CPI, a decline in the rate related to the following group should be noted:

- Housing, whose variation decreased four-tenths to 0.1%. This decrease is due to the fact that gas prices have risen less than they had last year, as heating oil prices have fallen this year.

Chart 11: Consumer index prices

Consumer Index Prices. May 2013			
1. National Index: General and groups			
Group	**Índex**	**% Variation**	
		Monthly	**Anual**
GENERAL INDEX	104,1	0,2	1,7
1. Food and Non-alcoholic beverages	105,1	0,6	3,4
2. Alcoholic beverages and tobacco	111,3	0,2	4,3
3. Clothing and footwear	107,1	2,2	0,3
4. Housing	104,8	-0,1	0,1
5. Household	102,5	0,4	1,4
6. Medicines	110,8	0,4	13,5
7. Transportation	104,1	-0,8	-0,1
8. Comunication	92,9	0,1	-4,0
9. Recreation and culture	100,8	-0,4	1,6
10. Education	112,7	0,0	10,4
11. Hotels and restaurants	101,3	0,1	0,7
12. Other goods and services	104,6	0,1	2,9

Source: (Instituto Nacional de Estadística de España, 2013).
Elaborated by: Zamora, 2013.

- **Balance of Payments.**

The Spanish economy is in a significant recovery process. In fact, continued reforms have been implemented to make an adjustment of major imbalances in the economy. This has had a direct impact on the outcome of the balance of payments. Below is an analysis of the balance of payments from the standpoint of current account and capital.

As to the current and capital transactions recorded in the first quarter of 2013, these resulted in a negative balance, equivalent to the financing needs of the Spanish economy from the outside, of 3.731 billion euros, compared to 13.147 million in the previous year with an annual decrease of 71.6%.

This result is due to a deficit reduction from current operations and to a lesser extent, the expansion of deficit in those of capital. The current account balance accumulated a deficit of 2.561 million euros in the period, with an inter-annual reduction of 81.52%, largely affected by the behavior of trade and income balances.

Trade balance improvement is mainly due to the variation of trade in terms of volume. In fact, in real terms, exportations grew at an annual rate of 7% and importations declined by 2.1%.

Furthermore, the services balance recorded a surplus of 7.309 million euros in the period, 26% higher compared to the rate in the previous year. This result includes an improvement of 3.2% of net revenues from tourism. Overall, the balance of goods and services, the most representative of the evolution of the external sector, registered a surplus of 4.857 million euros, compared to a deficit of 3.259 million in the first quarter of 2012. (Banco de España, 2013).

The deficit in the income balance remained with a similar descendent trend observed in the previous year. It accumulated, until March, a negative balance of 3.716 million euros, 40.9% less than a year before. This, as a result of a decrease of 13.3% in income of Spanish investment returns abroad.

Finally, it is noticeable that the capital account has had an increase in its deficit reaching a total of 1.17 billion euros, compared with 675 million euros registered in the first quarter of 2012; in other words, this account has had a decrease of 73%.

Chart 12: Balance of payments: Spain

Balance of Payments Spain Non-financial Operations Millions of Euros						
Period	**January- March 2012**			**January- March 2013**		
	Income	**Payment**	**Balance**	**Income**	**Payment**	**Balance**
Current and capital account	**91750**	**104897**	**-13147**	**95925**	**97095**	**-3731**
Current account	**90771**	**104593**	**-13822**	**93917**	**96478**	**-2561**
Goods	56430	65487	-9058	59537	61989	-2451
Services	22328	16529	5799	22877	15568	7309
Turism	7643	2473	5170	7794	2460	5334
Other services	14685	14056	629	15082	13107	1975
Income	8460	14744	-6284	7333	11049	-3716
Current transfers	3553	7833	-4279	4170	7872	-3702
Capital account	**980**	**305**	**675**	**2008**	**617**	**-1170**

Source: (Banco de España, 2013).
Elaborated: Zamora, 2013.

Another one of the highlighted data in this analysis is the moderation of the Spanish investments abroad. The change in foreign assets reported net outflows (investments) of 11.141 million euros, 55.9% less than in the first quarter of 2012. (Ministerio de Economía y Competitividad de España, 2013)

- **Commercial interchange**

The registered trade between Ecuador and Spain in horticulture is of great importance for meeting the needs of the society according to the competitive and comparative advantages of the countries. Below is the ranking of Spain's main trading partners in this industry. It is noticeable that Ecuador stands in 21st place with an amount of 8,335 euros in the first quarter of 2013.

Chart 13: Trade partners of Spain

Ranking of the top 25 trading partners of Spain Sector: Horticultural products fresh, frozen and derivatives. First quarter 2013		
Ranking	Countries	Amount
1	France	161412
2	Morroco	93726
3	Italy	69192
4	Netherlands	46885
5	Peru	32429
6	Belgium	29509
7	Brazil	28950
8	Argentina	25078
9	Chile	24812
10	Portugal	24003
11	Costa Rica	23775
12	Canada	19817
13	United States	17360
14	Mexico	15686
15	United Kingdom	13266
16	Germany	12741
17	China	12583
18	Senegal	12538
19	Cameroon	9323
20	India	8569
21	**Ecuador**	**8335**
22	Colombia	6880
23	Israel	6839
24	Ivory Coast	5486
25	South Africa	5074

Source: (Ministerio de Economía y Competitividad de España, 2013).
Elaborated by: Zamora 2013.

For its part, Ecuador's exportations of peas as nonperishable products, derivatives in which pea powder is enclosed, have been of 13,038 tons from January 2012 until April 2013 according to the latest data published by the Central Bank of Ecuador.

Chart 14: Ecuador-Exports by tariff 2013

Exports 2013 (Tons and Thousand dollars)				
NANDINA SUBHEADING	DESCRIPTION	TONS	FOB - DOLLAR	% / TOTAL FOB – DÓLAR
2005400000	PEAS (PISUM SATIVUM)	13.038,00	17.250,04	100,00
TOTAL:		**13.038,00**	**17.250,04**	**100,00**

Source: (Banco Central del Ecuador, 2013).
Elaborated: Zamora, 2013.

The distribution of these exportations is mainly directed to the following Ecuador's trading partners: United States, Puerto Rico, Trinidad and Tobago, Panama and Spain. This country has imported a total of 246, 20 tons from January 2012 to April 2013 according to the latest data released by the Central Bank of Ecuador.

Chart 15: Ecuador- Comercial partners per tariff heading

Consultation by Exports Nandina-Country 2012-2013					
Sub heading Nandina	Description Nandina	Country	Tons	Fob - dollar	% / Total Fob – Dollar
2005400000	**PEAS (pisum sativum)**	United States	5,689.39	7,523.47	43.62
		Puerto Rico	5,005.86	6,623.80	38.40
		Trinidad Y Tobago	1,119.41	1,428.97	8.29
		Panama	484.67	690.20	4.01
		Spain	**264.20**	**353.48**	**2.05**
		Bahamas	196.11	250.83	1.46
		United Kingdom	106.43	154.46	0.90
		Netherlands	50.96	69.32	0.41
		Venezuela	42.27	49.74	0.29
		Jamaica	36.32	48.03	0.28
		Canada	17.85	23.53	0.14
		Colombia	14.07	20.22	0.12
		Italy	10.15	13.54	0.08
		International Waters	0.35	0.52	0.01
Total:			**13,037.99**	**17,250.05**	**100.00**

Source: (Banco Central del Ecuador, 2013).
Elaborated by: Zamora, 2013.

Finally, to complement the data presented, it is highlighted that the main products exported from Ecuador to Spain from 2012 to the first quarter of 2013 have been the following:

Chart 16: Main Exports to Spain

Ranking of the top 15 export products from Ecuador to Spain.		
Destination Spain	Ranking	Product
	1	Tunafish
	2	Shrimp
	3	Canned fish
	4	Crude oils
	5	Roses
	6	Pineapple (Ananás)
	7	Purees and pastes
	8	Of stainless Steel
	9	Tobacco
	10	Hats
	11	Papayas
	12	Peas
	13	Asparagus
	14	Soja sauce
	15	Tomato sauce

Source: (Banco Central del Ecuador, 2013)
Elaborated by: Zamora, 2013.

- **Infrastructure**

The infrastructure of Spain is a fundamental axis in the economic aspect, as this contributes to the optimal development of commercial activities inside the country. The Business Guide to Spain by Invest in Spain (2012) makes an appropriate reference to this issue. Therefore a brief description of it is shown below.

Spain has a network of motorways and highways of 14.262 kilometers. A constant renovation to increase its effectiveness has undergone, being Spain currently the first country in Europe with greater length of these types of roads.

As regards rail transportation (where Spain has a network of over 15.000 km), the lines of high speed trains have become a priority, being intended that they reach 10.000 km more by 2020. Consequently, all Spanish cities will have direct access to them and 90% of the population will be located at less than 50 miles from a station on the network.

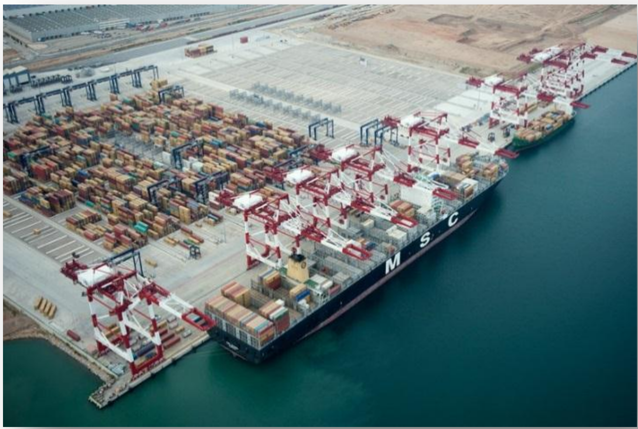
Meanwhile, air transportation links major Spanish cities, and the approximately 250 airlines operating in 47 airports connect the country with the major cities in the world. Also, Spain is an important way station for the lines connecting America and Africa from Europe.

Additionally, Spain has excellent maritime communication with more than 46 international ports on the Atlantic and Mediterranean coasts. The promotion of maritime transportation within short distances, both at national and European level and the development of Motorways of the Sea constitute basic axes.

The major international seaports in Spain are the following: Barcelona, Valencia, Bilbao and Algeciras.

Port of Barcelona.

Illustration 12: Port of Barcelona



Source: (Port de Barcelona, 2013)

The port of Barcelona is located in the northeast of the Iberian Peninsula on the Mediterranean Sea, wedged between the new mouth of the Llobregat River and the District of Barceloneta in Barcelona city. In general, the port covers an area of 1.065,30 hectares and its infrastructure has 203.304 m2 of covered storage.

- Characteristics of port container terminals:

  - ✓ Specializing in container handling.
  - ✓ Highly trained staff.
  - ✓ 2 international terminals: Terminal of Barcelona (TCB) and Terminal Catalunya, SA (TerCat).
  - ✓ Up to 16 m of depth for all types of vessels (super-post-panamax).
  - ✓ 17 cranes for containers.
  - ✓ 3.000 meters of mooring line. (Port de Barcelona, 2013).

Port of Algeciras Bay.

Illustration 13: Port of Algeciras Bay.

Source: (Puerto Bahía de Algeciras, 2013)**.**

The port of Algeciras is located in the Western Mediterranean and represents a very important platform for transshipment of containers. According to statistics cited by PROECUADOR, in 2010 it surpassed the 70 million tons in total traffic and more than 2.8 million containers (PROECUADOR, Ficha Comercial, 2011, p. 34).

Also, according to the port authority, the docks of this port have the following characteristics:

- The most modern and advanced equipment for loading and unloading.
- Modern storage facilities.
- Fully qualified team for the mooring and unmooring of vessels.

- An important tugs fleet and a competent merchant navy. (Puerto Bahía de Algeciras, 2013).

Port of Valencia

Illustration 14: Port of Valencia

Source: (Valenciaport, 2013)

Valenciaport is the leading commercial port in the Western Mediterranean in terms of volume of containerised goods. During 2010, 64 million tons passed through the ports of Valencia, Sagunto and Gandia, which are under the administration of Valenciaport. Among the three ports, the most important is the port of Valencia by the large amount of volume of exportations as importations handled. This port can receive almost any type of load. (Valenciaport, 2013).

In terms of container traffic, Valenciaport is the first commercial port of Spain and is among the top ten ports of Europe and fifty ports around the world in the movement of containers. Additionally, Valenciaport is not only a key element in the external projection of Valencia, but also a maritime door for production and consumption of the Iberian Peninsula. (Valenciaport, 2013).

Port of Bilbao

Illustration 15: Port of Bilbao

Source: (Bilbao Port, 2012).

The port of Bilbao is one of the most important transport and logistics centres in the European Atlantic Arc. It has docks with drafts of up to 32 m and a total of 20 km in length. Its covered storage is 480.000 m 2 and 27,000 of warehouses. It also has a terminal for perishable cargo with 23.000 m3 of capacity. (Bilbao Port, 2012).

Also, the first Motorway of the Sea between Spain and France has started operating, linking the port of Gijon and the French port of Saint-Nazaire. On the other hand, in order to improve the competitiveness of ports, the Ports Act was modified in 2010, with the aim of reducing restrictions on inter and intra portuary competition and, ultimately, boosting competitiveness of ports in the global economy. In its internationalization plans, State Ports is promoting partnerships with major Chinese operators, having had contact with Hutchison facilities in Hong Kong and Shenzhen, in order to establish the logistic platform of southern Europe.

As it can be observed, Spain is well equipped in terms of technological and industrial infrastructure; technological parks have been expanding in recent years in major industrial areas as well as Universities and Research and Development centers. Currently there are 80 technological parks (47 of which are fully operational) in which more than 5.539 enterprises, mainly engaged in telecommunications and information technology are established.

Finally, it is necessary to mention that Spain has a good telecommunications network. To the extensive network of fiber optic cable (64,000 km) that covers almost the entire territory it should be added one of the largest submarine cable networks and satellite connections with the five continents. Among other benefits, this involves the offer of more competitive products for having lower logistic costs, essential for economic development.

2.2.1.4 Political Factors

The Kingdom of Spain is a social and democratic state of law in which national sovereignty belongs to the Spanish people, from whom emanate the powers of the State. The political form of the state is a parliamentary monarchy the same that is established in the Constitution of 1978.

The Government directs the domestic and foreign policies, the military and civil administrations and the defense of the state. It also serves as an executive and regulatory power according to the Constitution (La Moncloa. Gobierno de España, 1978). The head is the Prime Minister, Mariano Rajoy, who directs and coordinates the activities of the government on behalf of the Popular Party.

An analysis that is based on the three main axes is presented below. These are the following: the impact of the economic crisis on the action that Spain may develop in 2013, the challenges that Spain faces in terms of safety around the conflicts in the Middle East and North Africa and a brief review of the foreign relations of Spain with the rest of the world as the new lines of external action.

As a historical review it is worth mentioning that after the fall of the Berlin Wall and the Soviet Union, the world was under the direction and protection offered by the only remaining superpower, "The American Hyper-power" in the words of Hubert Vedrine. (Kissinger, 1994).

However, in the XXI century, September 11, 2001 marked a moment of great importance since it incorporates the third world as an actor of the global stage. With this event we observe a social as well as economic revolution only comparable to the

Industrial Revolution, and even more intense as this affects everyone, not just to what was known as the G8 countries.

The economy, based on the above facts, has been transformed. China is seen as the second power in the world, and not in a long time it will become the first with its great industrial potential and population. On the other hand, there is a strong economic crisis that clearly marks the relative decline of Europe.

In this context, the Elcano Royal Institute conducted an analysis of Spain in the world during 2013 (Real Instituto Elcano, 2013). In this paper a Spain that is heavily depending on external actions is analyzed, by the very fact of belonging to a globalized world. Therefore, the country faces the challenge of defining its foreign policy directly linked to domestic policy. Thus, Spanish policy is handled from the following areas:

Illustration 16: Spanish Foreign Policy

Source: (Real Instituto Elcano, 2013).
Elaborated by: Zamora, 2013.

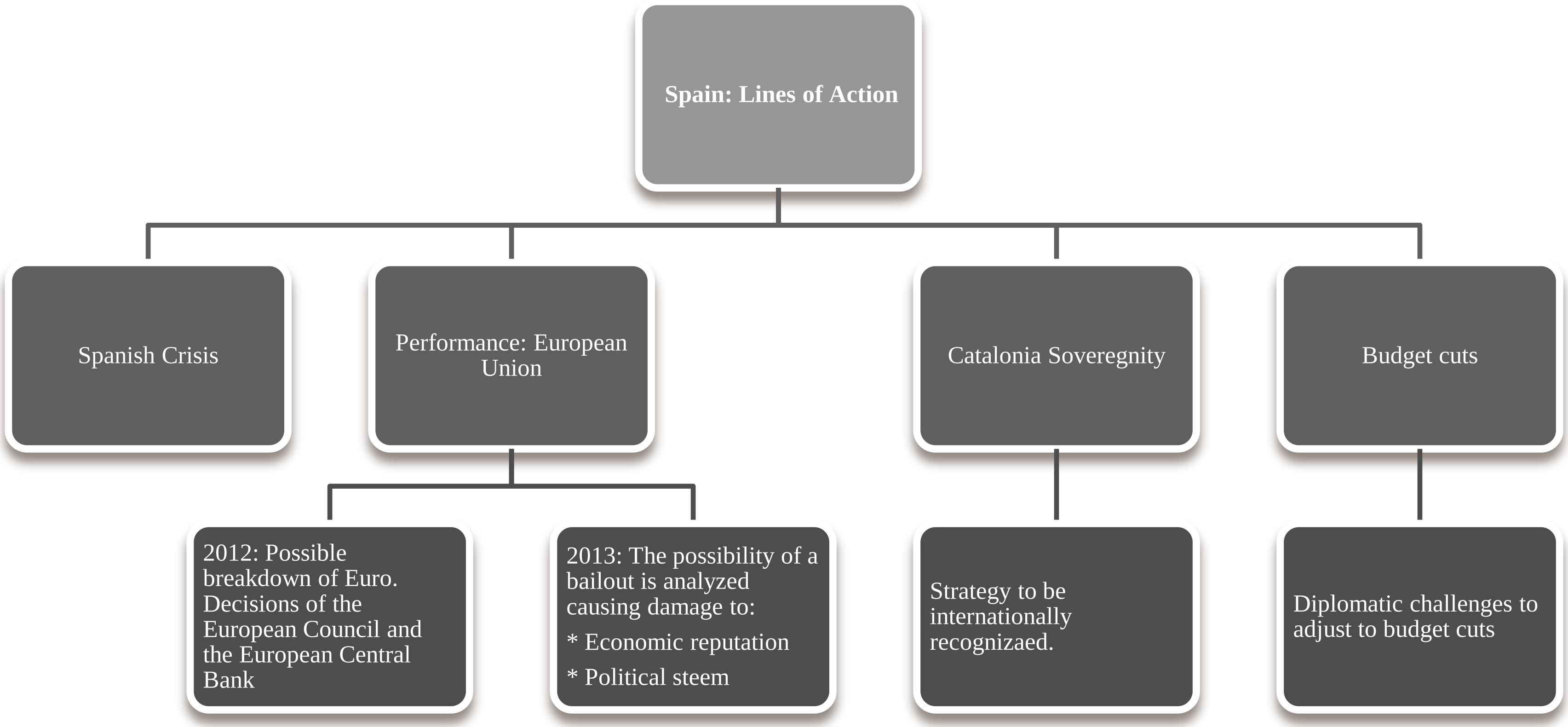
Spanish foreign policy focuses on these four areas beginning with the European Union, since Spain is part of it. In second place it relates to NATO since the European Union cannot exist without this body. In third place we find Latin America because they form Iberoamerica together, and finally the Maghreb which is the southern border of the country and seen by Spanish people as the "true boundary". However, the new circumstances that affect Spain and the European Union have made them lose economic and political credibility and have caused them to rethink their priorities. (Real Instituto Elcano, 2013, pág. 24).

In 2013, Spain entered to its sixth year of deep economic and political crisis in which it has been displaced to the condition of peripheral European State. The public resources are cut and the negative attitude of Spanish society to the role that the country should play in globalization must be added.

In this sense, it has been a year from the ascension to power of the government of Mariano Rajoy and there are several challenges to establish a foreign policy that goes in line with the new Common Foreign and Security Policy proposed by the European External Action Service (EEAS) of the European Union in Brussels. However, the basis is the project of the Spain Mark that started in 2012 establishing the main objectives for developing external action plans that allow the entry of Spanish products and services in the other countries with a better image. (Real Instituto Elcano, 2013, pág. 14).

Moreover, there are three lines of action that Spain should priorize. In the first place an economic crisis that disaggregates the performance of the country in the European Union with a possible need to bailout the financial system. Also, the problem of the process raised by sovereignists from Catalonia, which undoubtedly will come to be transformed into an international event, should be considered. Finally, the government´s challenge to act with greater budget cuts which undoubtedly affect the cooperation, development and military missions and even other dimensions of foreign nature, is also a priority. (Real Instituto Elcano, 2013, pág. 18).

Illustration 17: Spain-Policy Guidelines



Source: (Real Instituto Elcano, 2013)
Elaborated by: Zamora, 2013.

Similarly, from the external field conflicts that focus on the southern border of Spain have arisen, such as:

- Yahidist radicalism with terrorist attacks and armed conflicts at Sahel.
- Concerns about energy supply, not only in relation to Algeria, but in relation to the possible fronts that may be opened in Libya, the Suez Canal or Iran.
- The internal conflict of the so called "Arab Spring" countries, among which is certainly Syria, Egypt and possibly some Maghreb countries. (Real Instituto Elcano, 2013, pág. 20).

Therefore, Spain has a high risk position in Southern Europe, appearing as a key location for its geopolitical and security importance not only for the EU but also for the United States of America, and for all the Western Hemisphere. Meanwhile, Spain organizes contingency plans in anticipation of possible instability situations that could threaten its interests and security.

In Latin America, Spain maintains a continuous projection with high and intense human and business exchanges despite the economic crisis. An activity that makes this relationship clear is the CELAC (Community of Latin American and the Caribbean) - European Union meeting held in early 2013 which seeks to strengthen the future credibility of Spain. Also, there is a high degree of political cooperation that Spain, so far, tries to maintain. (Real Instituto Elcano, 2013, pág. 26).

Finally, regarding Spain's relations with Asia, it is established that the country is making an effort to manage a business, political and cultural approach in order to position Spain in these countries, mainly in China, considering the great and growing performance of this State in the world. (Real Instituto Elcano, 2013, pág. 29).

2.2.1.5 Cultural environment

Alimentos El Sabor Co. Ltd. In order to recognize the feasibility of marketing its products to the Spanish market must understand how culture affects the consumers' reactions in this market. "The cultural environment consists of forces that affect the basic values, perceptions, preferences and behaviors of a society" (Kotler & Armstrong, Principios de Marketing, 2008, pág. 105).

The increasing consumer awareness on environmental issues, food security and safety are emphasizing the importance of particular consumer segments for organic products. However, the shortage of the offer in the Spanish-market makes it impossible to understand the true market potential of organic products.

In general, the scarcity of these products in traditional stores, the high prices and lack of knowledge and distrust of consumers and retailers are the major obstacles to the growth of this market.

Therefore, it is considered appropriate to carry out the analysis of qualitative and quantitative aspects regarding the overall food consumption in Spain and later the study of organic food consumption taking into account the consumers' and distributors' opinions.

The latest study on food in Spain in 2006 regarding consumer habits (Ministerio de Agricultura, Alimentación y Medio Ambiente, 2007) indicates that the Spanish market is mature and in order to boost it is necessary to:

- Increase added –value to products.
- Address consumers' demands.

To increase the added value, it is essential to increase the quality of the product and a high degree of innovation; both are keys to make the company more competitive due to existing competition in the market.

Also, nowadays the consumer is the one who sets the tone of what a company should offer in the food industry. In this regard, it is necessary to know his tastes, habits and trends that will be presented in the future.

Another feature that stands out in the above study is that households that make consumption trends have been primarily formed by young people and families with few members (couples without children, independent adults and retired).

As for foods labeling, it is specified that consumers are becoming better informed, 6 out of 10 always or almost always read the food labels.

Moreover, the consumer states that labeling consultation increases when a new product enters the market or a brand that is not the usual in their shopping cart is purchased. Additionally, 9 out of 10 consumers consider nutritional information important. Both consumers and distributors believe that the most important aspects of labeling are:

- Expiration date / best before date consumption.
- Terms of use / conservation.
- Full ingredients list.

The importance of innovation is another point to be considered since this feature is disaggregated in such a way that 6 out of 10 consumers focus on new products when they purchase and 1 in 6 makes the purchase inducing other consumers to also buy.

Among the factors that influence the decision of where to make purchases in the first place remains proximity, closely followed by food quality. This is primarily due to the time availability of consumers.

- **Ecological products consumption**

The consumption of ecological products is a fundamental pillar for the completion of this research. Therefore, it has been taken into account the analysis entitled "Where Food goes: Consumer Trends and Commercialization. Consumption of Ecological Products Update 2007 " (Ministerio de Agricultura, Alimentación y Medio Ambiente de España, 2007)

As for the methodology used in the study mentioned, a qualitative research with two discussion meetings with consumer groups composed by the heads of household purchases took place. It was completed in Madrid in September 2007.

In the same study a quantitative investigation was also held. For this, 1.200 telephonic interviews to consumers and to 250 professionals of food distribution were made in the last quarter of 2007. The segmentation of the population has been: Consumers and non-consumers per autonomous communities and by gender and age.

The results presented below are based on the requirements of the study in general. The found deductions are the following:

- Regarding knowledge of ecologic products the result is unanimous, in the two meetings held, the participants said to have heard about them. Spontaneously, the participants listed their characteristics and the prevailing idea is that they are natural products.
- The participants mentioned that the benefits these foods provide versus conventional foods are:

    - ✓ Better tasting products
    - ✓ Healthy products as they do not have chemicals
    - ✓ Products necessary to people with certain medical conditions
    - ✓ Better quality products

- The disadvantages of organic food compared to other products are: High prices, lack of information on the general processing and particular treatment, and ultimately unattractive appearance and presentation of these foods in stores.
- Participants mentioned that consumption of ecological food began with the trend called "cultivate the body fever," but over time people have become aware of the benefits of including them in their diet.
- Among the logos associated with ecological food often dominate those with green color and with the word "Eco".
- The purchasing criteria of consumers is inclined to that half of them include some organic food in their shopping cart.

- The consumers prefer to buy ecological food in hypermarkets and supermarkets as they consider that there the variety of product is greater.
- Consumers consider that when they buy certain ecological food it replaces the traditional but does not usually include organic food. Therefore, the replacement is temporary.
- The opinion on the prices of organic food is unanimous: they are high, so it is considered that this factor is the main obstacle for the consumption of organic food. All participants agree that organic food is at least 50% more expensive than traditional, becoming even double in some cases.
- Consumers say that the quality of organic food is superior to that of traditional. Therefore, the prices cannot be compared, taking into account the concept of the higher quality- the higher prices.
- Consumers attribute health benefits to organic food. It is widely believed that having a composition healthier than traditional food, the contribution of minerals, vitamins and proteins is higher.

To conclude this section, it can be said that the consumption of organic products in Spain is a significant business opportunity for Ecuadorian products, since the consumers have increased their affinity with these products because of the benefits they present for health. It is essential to offer attracting products at competitive prices that respect the required quality policies for foods.

2.3 Analysis of market competition

A market "implies the convergence of supply and demand, where each good or service in the economy means the existence of a particular market." (Rodriguez, 2009). One of the reasons to do this research is to identify the opportunities in the Spanish market.

Consequently, it is necessary for Alimentos El Sabor Co. Ltd., to select clearly its target market as well as to recognize the existing competition in the internal and external market.

2.3.1 Main competitors

Identifying the competitors in the Spanish market will help the company to improve its results in the marketing strategy of its products.

As a result, competition analysis can be considered a current "photo" of the competitors. Therefore, it is based on knowledge of the strengths and weaknesses of competitors, which is what they do well and what they do not do so well. This understanding will give the company a better flexibility when confronting future strategies. (Vidal i Diez, 2004)

For research purposes it has been considered appropriate to refer to the "Market Study on Food Consumption and Distribution" (Ministerio de Medio Ambiente y Medio Rural y Marino, 2011).

In this study the trends in food products distribution are identified. In order to do so, 1.150 telephone interviews with managers and directors of companies specialized in the field of general food distribution were taken into account. The final distribution of the interviews has considered both representativeness criteria and channel and location as shown below:

Chart 17: Market Analysis of Ecological Products

Market Anaysis of Consumption and Food Distribution Interview distribution						
City	**Total**	**Hypermarkets**	**Supermarkets**	**Discount centers**	**Markets**	**Small Stores**
Madrid	**215**	23	62	20	18	92
Barcelona	**220**	23	70	20	18	89
Sevilla	**104**	2	36	10	7	49
Valencia	**115**	9	39	15	8	44
Zaragoza	**110**	10	38	9	5	48
Vigo	**95**	2	31	14	5	43
Bilbao	**98**	2	34	9	5	48
Málaga	**105**	10	31	15	5	44
Valladolid	**88**	2	22	7	9	48
Total	**1150**	**83**	**363**	**119**	**80**	**505**

Source: (Ministerio de Medio Ambiente y Medio Rural y Marino, 2011).
Elaborated by: Zamora, 2013.

Once the interviews were held, the study showed that the most representative companies of food products distribution in Spain are:

- El Corte Inglés
- Carrefour
- Mercadona
- Alcampo
- Eroski
- Traditional Specialized Store
- Hipercor
- Regionals Supermarkets
- Markets
- Día/ Maxi/ Día
- Consum
- Eroski Center
- Carrefour Express
- Supercor
- Ahorramás
- Caprabo

Additionally, in the following section an analysis of the main features of these distribution centers is presented in order to know what are the strengths that these competitors have and if the company will be able to enter the Spanish market with an innovative product.

2.3.2 Competitors strengths

Once the competing firms are identified, their strengths and vulnerabilities are to be determined. To carry out this analysis, in the following chart the main features of these firms are presented.

Chart 18: Competitors positioning

COMPETITORS POSITIONING					
Distributor	**Greater variety of products**	**Better prices**	**Better customer service**	**Greater environment protection compromise**	**Better treatment to human resources**
El Corte Inglés	**21,3**	4	**19**	12,9	14,8
Carrefour	19,1	11,1	8,3	**21,8**	9,8
Mercadona	15,6	**28,4**	12,7	8,5	**15,8**
Alcampo	10,5	11,5	4,8	5,9	4
Eroski	6,1	5,3	5,6	8	8,3
Stores	5,6	6,8	16,3	8,9	10,7
Hipercor	5,5	1,7	5,8	5	5,2
Regional Supermarkets	4,4	4,8	7,1	4,2	5,7
Markets	4,1	5,2	7	6,4	6
Día/Maxi/Día	2,1	10,8	2,4	2,4	2
Consum	1	1,5	2	1,6	2,1
Eroski Center	0,7	0,8	0,8	0,5	0,6
Carrefour Express	0,3	0,2	0,1	0,4	0,2
Supercor	0,3	0,4	0,3	0,3	0,4
Ahorramás	0	1,3	0	0	0
Caprabo	0	0	1,6	0	0
Other	3,4	6,2	6,2	13,2	14,4
Base: 1.150					

Source: (Ministerio de Medio Ambiente y Medio Rural y Marino, 2011)**.**
Elaborated by: Zamora, 213.

2.3.3 Market share

"The market share is the company's sales expressed as a percentage of the total sales of the attended market. The market attended (served) by a company is formed by all the buyers who can and are willing to buy the product". (Kotler & Keller, Dirección de Marketing, 2006).

As observed in the previous section, the position according to the studied characteristics is broken down into the following detail:

a) The supermarket Corte Ingles is the best positioned in products variety with 21.3%. The second one is Carrefour with 19.1%.

b) The best price positioning is held by Mercadona with 28.4% followed by Al Campo with 11.5%, which represents a considerable difference.

c) As to customer service, the first place is held by El Corte Inglés with 19%, and in second place is the Traditional Specialized Stores with 8, 9%.

d) The Greatest environmental commitment according to interviews is held by Carrefour with a 21.8% and El Corte Ingles with 12.9%.

2.4 Foreign competition analysis.

In order to enter the Spanish market, Alimentos El Sabor Co. Ltd., should recognize and overcome its competition not only in the local market but also abroad. Thus, it has been identified that the geographic area that has more pea production is the American Continent, in particular the countries that are detailed in the following section.

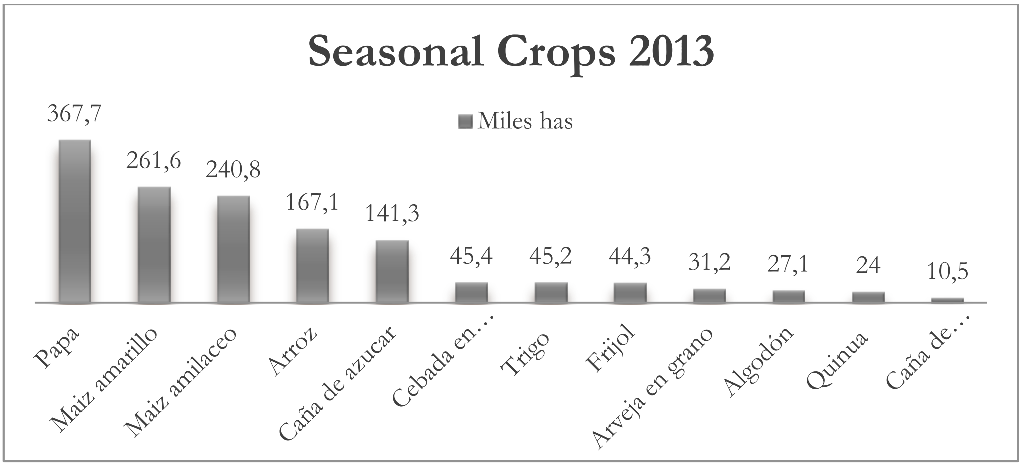
This analysis will allow the company to identify with more feasibility the strategies of positioning to follow in order to enter and develop its activities in the market on target.

2.4.1 Peru

Peru has a national territory of 1.285.215,60 km2 and an agricultural area of 387.424 km2. It means that 30.1% of the country is suitable for agricultural use. (Instituto Nacional de Estadisticas e Informática de Perú, 2013).

Regarding the crop surface, it is found that this is divided into seasonal and permanent crops. For purposes of this work of investigation the distribution of seasonal crops and total acres of them is presented below.

Illustration 18: Peru: Seasonal Crops 2013.



Source: (Instituto Nacional de Estadisticas e Informática de Perú, 2013).
Elaborated by: Zamora, 2013.

The graph shows that there is a total of 31.2 thousand hectares cultivated with pea in all the Peruvian territory. It can also be noticed that 63.9% of farmers are located in the highlands area where the pea crop exists. In total, 1.445 people are working in the agricultural sector. (Instituto Nacional de Estadisticas e Informática de Perú, 2013).

For their part the Peruvian companies that have made exportations under tariff item 0713909000 corresponding to other wild vegetables including dried leguminous whether or not skinned or split in 2012, are the following.

Chart 19: Main exporting Companies in Peru

Date	Exporter	Country of destination	Product	Total Kg	Fob Unitary	Total
2012-02	Kallpa Foods S A	United States	Chochos	812,8	3	2438,4
2012-03	The Green Farmer	United States	Pallares	459,26	2,21	1014,9646
2012-03	Latin Market S A C	Spain	Chochos	630	2,7	1701
2012-04	Victoria Packers	Portugal	Pigeom Peas	21000	1,26	26460
2012-05	**Peru Bean S A C**	**Panama**	**Sliced peas**	**11340**	**1,13**	**12814,2**
2012-05	Peru Bean S A C	Panama	Frijol Palo	3175	1,17	3714,75
2012-06	**Latin Market S A C**	**Spain**	**Sliced peas**	**4580,24**	**2,21**	**10122,33**
2012-06	Megabusiness Peru	United States	Chochos	991,17	2,21	2190,4857
2012-06	Latin Market S A C	Spain	Chochos	960	2,44	2342,4
2012-08	Latin Market S A C	Netherlands	Chochos	71,3	3,28	233,864

Source: (Sistema Integrado de Información de Comercio Exterior de Perú, 2012).
Elaborated by: Zamora, 2013.

By the exposed table, the companies that are direct competition for Alimentos El Sabor Co. Ltd. in the marketing of pea powder can be identified as:

- **Latin Market S.A.C**.- It is located in the city of Lima, Peru. Its main activity is wholesaling food, beverages and tobacco. It specializes in both importations and exportations. (SICEX Trade Intelligence System, 2013).

  The company in its website informs the following:

  "Peruvian organic products gain more market in the European Union. The demand for organic products is increasing year on year in the European Union and Peru has an advantage in its variety. In this trading bloc, each country, and each region has its own preferences" (Latin Market S.A.C, 2012).

  Among the certifications obtained by the company, the Good Manufacturing Practices (GMP) and Health Records may be mentioned.

- **Perú Bean S.A.C.-** Located in the city of Lima, Peru. The company specializes in the exportation of agro products and recognizes that there are major challenges when entering a new market. It currently supplies the Spanish market and has entered the Chinese market in Asia. (Peru Bean S.A.C, 2013).

2.4.2 Guatemala

Guatemala is one of the leading producers of peas in the world due to the weather conditions that this country has. In 2011 it exported about 80 million pounds of fresh and frozen peas to the main world markets. The cultivation of this product began in 1972 and only a year later it began to be exported. Guatemala produces pea during all the year. However, the greatest harvest runs from 15 November to May 15 which is the most important cycle of production of the legume. (Garcia , 2012).

Also, according to the study of agricultural products made by the Guatemalan Exporters Association (2012) the Guatemalan export sector is represented by producers of peas, which in accordance to the International market requirements have diversified substantially.

Chinese pea, Sweet Pea and Pea Creole are produced currently. Among other vegetables which can be mentioned there are oriental vegetables, French green beans, yellow bean, etc.

Additionally, the referred study indicates that the pea export sector consists of groups of small producers in the highland region of Guatemala. It is estimated that around 30.000 farmers in 200 communities cultivate this product. More than 30 years of experience in pea's exportation, and one decade in vegetables, strengthen the quality, availability and volume that the international market demands.

Besides, exporters of these products are associated to the Guatemalan Exporters Agency (AGEXPORT) where work plans are formulated according to the needs of the sector. The main objective of the agency is to develop the exporting sector of peas and vegetables, in order to become competitive in the international market. Thus, they develop a series of activities related to the production, processing, packaging, marketing, transportation, promotion, information and access to the market a producer aims to enter.

Presently, export markets for peas and vegetables are, in order of importance, the United States, European Community and Canada. The Chinese pea is the leader product in the industry and the one with the greatest demand in the international market, mainly by the United States. This product is followed by the Sweet Pea, Creole Pea, Oriental Vegetables, among others.

AGEXPORT (2012) provides the following advantages to exporters entering the agency:

- Training of technicians and producers in the areas of Good Agricultural Practices, Good Manufacturing Practices, Pesticide Management, Integrated Pest Management, Fertilization, Quality, Cold Chain, Trade, Environmental and Social Responsibility among others.

- Updating standards and national and international regulations of interest for the sector.

- Invitations to National and International Exhibitions.

- Development of research projects on topics of interest for the sector.

- Implementation of production infrastructure by the management of projects of national and international organizations.

- Improving crop productivity and quality according to the standards of the targeted market.

- Ensuring the phyto- health and safety of the product in accordance with the regulatory requirements of particular markets, under the concept of social and corporate responsibility.

Among other advantages for companies that are inside AGEXPORT there are technical training in development of organic agriculture through agreements of cooperation of this agency with the Inter-American Institute for Cooperation on Agriculture (IICA) what constitutes a strong competitive advantage for Guatemala in terms of high-quality organic food production.

Among the companies associated to AGEXPORT are the following:

Chart 20: Exporters Directory of Guatemala

Guatemala: Exporters Directory
Sector: Agriculture Subsector: Chinese Pea
Company:
• Agricola Tierra Nueva S.A
• Agro Exportadora El Caman S.A
• Agroaltos S.A
• Alimentos Congelados S.A
• Alimentos Sumar S.A
• Apac- Pnt
• Comercializadora AJ Ticonel
• Cooperativa Agricola Integral Unión de Cuatro Pinos R.L
• Coprisa Agroexport
• Det Pon S.A
• Empaques Agrícolas
• Frutas Tropicales de Guatemala S.A
• N.A & R.U S.A
• Planesa S.A
• Vegetales Especiales S.A
• Verdufruit S.A

Source: (Asociación Guatemalteca de Exportadores, 2013).
Elaborated by: Zamora, 2013.

Among other aspects to consider is the total cumulative exportations up to the month of May 2013, which amounted $ 4.480 million, a figure that is 2.2% above the same period in 2012.

The increase in agricultural exportations in May 2013 was of 438,648.9 thousand dollars. This item represents 9.2% of Guatemalan exportations to that date. The existing variation in May 2012 compared to the same month of 2013 is of 37.109.1 thousand dollars which represents an increase of 9.2% in terms of total agricultural exportations.

Chart 21: Guatemala –Exports Statistics.

Guatemala: Agricultural Exports Statistic to May of each year Thousand dollars						
	2012		2013		Variation	
	Value	**Percentage (%)**	**Value**	**Percentage (%)**	**Absolute**	**Relative**
Total Export	401.539,8	9,2	438.648,9	9,8	37.109,1	9,2

Source: (Banco de Guatemala, 2013).
Elaborated by: Zamora, 2013.

2.5 Analysis of the market and its consumers.

Alimentos El Sabor Co. Ltd., is aware that it may not be able to attract all Spanish consumers. In fact, they are numerous and have different needs and different purchasing habits. It is therefore necessary to identify the market segment that can be better served and that can be more profitable for the company.

Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora (2011) identify three main stages in the design of a customer-oriented marketing strategy. The first one is market segmentation, through which a market is divided into smaller groups of buyers with different needs, characteristics and distinctive consumption habits. Consequently, Alimentos El Sabor must identify its market to develop its products according to those features. The second one is the selection of the market on target; it consists of the evaluation of the selected segment attractiveness. The third step is market positioning, which aims to achieve a competitive position for the product. In the next section the analysis is presented.

2.5.1 Market segmentation

Markets consist of buyers. These may differ in their desires, resources, geographical location, buying attitudes and practices. In the case of the trends that exist in the current agro industrial market, it is clear that they have been modified in relation to the requirements of the sector, generating in this way a consumption of alternative food.

Spanish Consumers fill more often their shopping cart with food and beverages produced under ecological conditions. This trend not only responds to the qualities of this type of product, but also to the desire to actively contribute to environmental protection. (Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2009).

Nevertheless, it can be said that buyers do not have identical needs and wants; each buyer is potentially a separate market. Therefore, in order to gain a competitive advantage, market segments should be examined to identify a subset of customers within the total market and to concentrate the efforts on meeting their needs.

The main variables of market segmentation of consumers exposed by Kotler, Bowen, Makens, Garcia de Madariaga, & Flores Zamora (2011) applied to this research are presented below.

Chart 22: Segmentation variables

Major segmentation variables for consumer markets	
Variable	
Geographic	
World Region	Europe
Country	Spain
Country Region	Valencia
Demographic	
Gender	Women-Men responsible for the purchase of food in the home.
Age	18 to 35 years old
Family life cycle	Couples with children, keep their health stable, suffering from diseases.
Behavior	
Benefits	Quality, healthy and environmentally friendly.
Frequency	Potential customer
Disposition	Half-informed and with purchase intention
Attitude towards the product	Positive

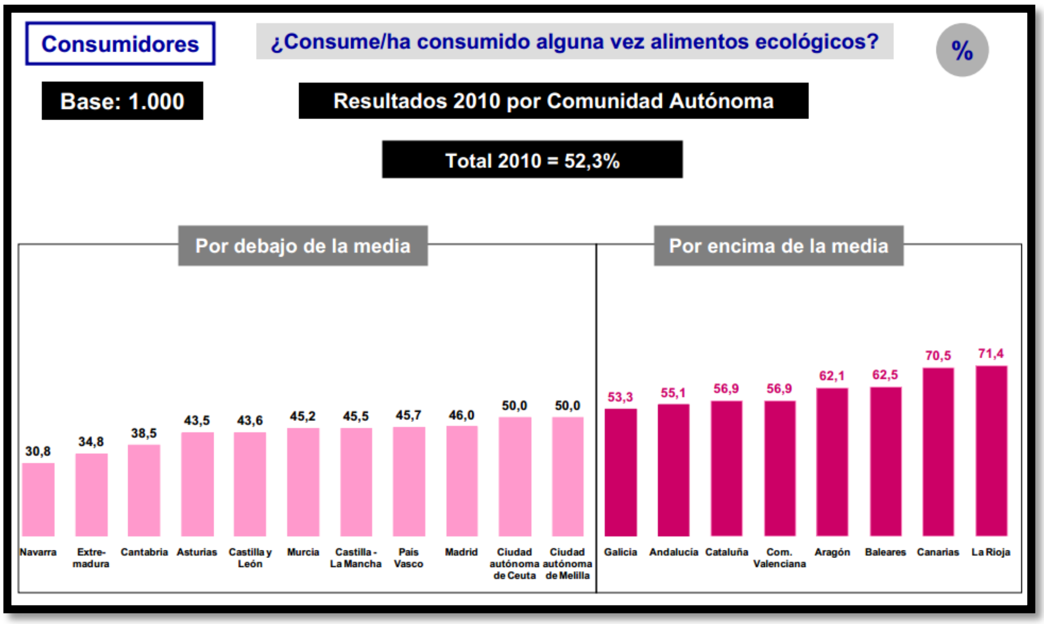
Soure: (Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora, 2011).
Elaborated by: Zamora, 2013 regarding data from the Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2010.

The variables identified for the specific case of the introduction of pea flour are based on the report prepared by the Ministry of Agriculture, Food and Environment regarding the consumption of organic food (2010).

This study shows a qualitative research conducted through group meetings with consumers and a quantitative research through telephone interviews with consumers and distribution professionals nationwide. Telephone interviews were conducted with 1000 consumers, all responsible for the purchase of food at home and interviews with distribution professionals reached 250.

- Geographic segmentation. - It consists of dividing the market into different geographical units such as countries. In this case, Spain has been identified by the profile of food preferences of consumers. However, for further reference here below is presented the percentage of people that have consumed organic products by autonomous regions.

Illustration 19: Ecological products consumers



Source: (Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2010)**.**

- Demographic Segmentation.- It consists of dividing the market into groups based on variables such as gender and family life cycle. One of the most important reasons is that the needs, desires, and purchase frequency of consumers usually change according to demographic variables. (Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora, 2011). There are two dimensions which are the following:

- ✓ Gender: The 52.3% of respondents expressed they consume or have ever consumed organic products. By sex, consumption is higher among men than among women.

- ✓ Age: Consumption decreases as the age rises. People from 18 to 35 years show more predisposition to consumption, (8 out of 10 would consume ecological products) while those over 65 years show less disposition.

- Psychographic segmentation.- It consists of dividing buyers into different groups based on social classes, lifestyle, or personal characteristics. (Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora, 2011).

For this case we can highlight the lifestyle of individuals which can explain many of their activities. There are different types of interests within these lifestyles in which food is one of the basic human needs. In this regard, we can mention ecological feeding.

The result of the market study held in 2007, on which this graduation paper is based, indicates that after asking consumers to mention the benefits that this food has in comparison to conventional food, it is noticeable that there is a considerable knowledge on the subject.

Those interviewees who had consumed organic food mentioned the following benefits:

- ✓ Better taste and traditional flavors.
- ✓ Much healthier products as they do not have pesticides or chemical treatments, which in medium to long terms can damage the body causing diseases such as cancer, allergies, among others.
- ✓ Food whose production does not harm the environment.
- ✓ Higher quality products.
- ✓ Products that do not contain genetically modified organisms as in organic farming these are not allowed.
- ✓ Products with better smell, especially in fruits.

- ✓ Healthier products than the traditional ones because they contain a greater amount of minerals, vitamins and proteins due to their production / processing.
- ✓ Food that is better assimilated by the body and that does not alter metabolic functions. It is less fattening, better digested and prevents constipation and fluid retention.

- Behavior Segmentation.- It consists of dividing the buyers on the basis of their knowledge, attitude, uses or response to the product. In this case a reference of the following dimensions is made:

  - ✓ Knowledge: Regarding the results of 2007 the knowledge of organic products is increasing. This food is associated mainly with natural, healthier food, without additives or colorings and to more expensive food.

  - ✓ Level of use: It can be said that there are 63.2% of potential users as respondents say they find organic food in their usual shopping place. The main distribution channels are supermarkets.

  - ✓ Quality: Respondents who use / have used organic products think they are healthier products, better tasting and with higher quality.

  - ✓ Price: Those who do not use / have used organic products justify this primarily with the higher prices. This aspect acquires a considerably higher importance (48.0%) than in other years (25.1% in 2007 and 28.1% in 2005) due to the economic crisis.

  - ✓ Product reaction: Positive, as previously mentioned consumers and non-consumers see these products as healthier, of a higher quality and they are willing to buy them.

All these data is useful since it may help develop an organic product with characteristics that customers want. Second, the company can communicate more effectively with customers if it knows the benefits they seek. Thus, a benefit is the positive result of an attribute of a product, so attributes create value for consumers. (Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora, 2011).

- Purchase predisposition stage: Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora (2011) identify this stage, as one in which people have different willingness to buy a product at different moments.

When asked how often they make the food products shopping, participants agree that they buy fresh products 2 or 3 times a week and the rest of the food is included in a large weekly, biweekly, or monthly purchase, depending on the number of members and the needs of each household.

However, they admit that it is always necessary to buy certain products that become depleted. Additionally, the trend of buying organic food tends to increase because, as mentioned in the baseline, half of the participants include some organic food in their shopping cart on a regular basis.

The average time since they began to consume organic products is between 1 and 4 years. The motivations for starting the consumption of these products are various:

- ✓ Having children. It makes consumers look for ways to give them the healthiest possible food.
- ✓ Relatives' recommendation.
- ✓ Specific illnesses.

2.5.2 Market on target.

The segmentation held in the previous section reveals good opportunities for Alimentos El Sabor Co. Ltd. These opportunities help to evaluate the various segments that were found and to decide how many of them can be attended in the best way. As for the election of the market on target, segments for pea powder characterized as an organic product, a focus marketing strategy has been taken into account. This basically consists of focusing on a small part of a large market.

This choice is attractive because the company's resources are limited. Disaggregating the proposal, it can be defined as the following:

- General Market: Consumers of food in Spain. The total number of the inhabitants is 46.794 .314. (Instituto Nacional de Estadistica de España. Cifras de Poblacion, 2013).

- Market on target: Consumers of organic food in Spain. In this case the market is segmented considering that potential customers for the consumption of organic products, as noted in the previous section, is characterized by the age of 18-35 responsible for making the purchases. Thus, in the table below we see the number of people with these characteristics and the percentage they represent in the general population.

Chart 23: Spanish population 18-35 years old

Spanish resident population by age and year (18 a 35 años)		
Unit: People		
January 1st 2013	Quantity	Percentage
Total number of people between 18 to 35 year old	10.713.153	22,9%

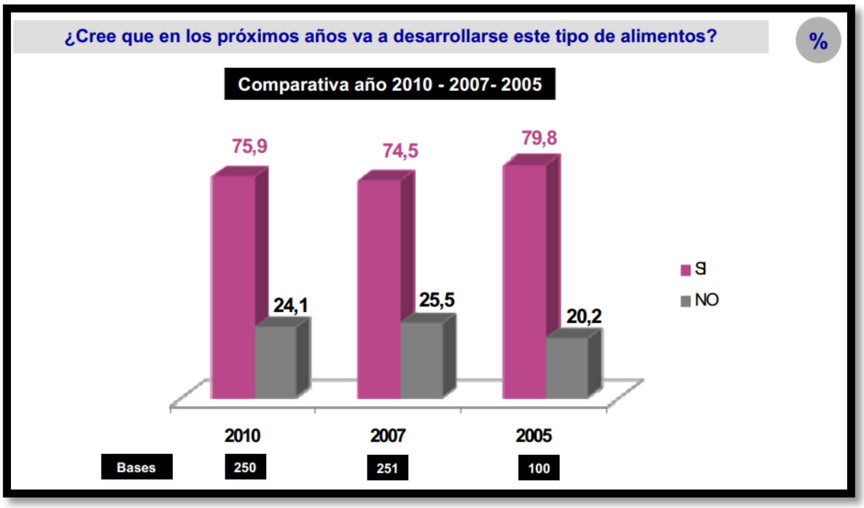
Source: (Instituto Nacional de Estadistica de España. Cifras de Poblacion, 2013).

As seen in the chart, there are in total 10.713.153 people that can be potential customers, representing the 22.9% of the total population.

- Target Group: From the total 10,713.153 (Instituto Nacional de Estadistica de España. Cifras de Poblacion, 2013), there are 52.3% of the people seen as habitual consumers of organic products, according to the characteristics of demographic segmentation discussed above. In this sense, the target group of this study is 5.602 .979 people.

Also, according to Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora (2011) it is important to know whether growth in the selected segment exists or will exist, in our case if the consumption of organic products will grow or not.

Illustration 20: Development of organic products



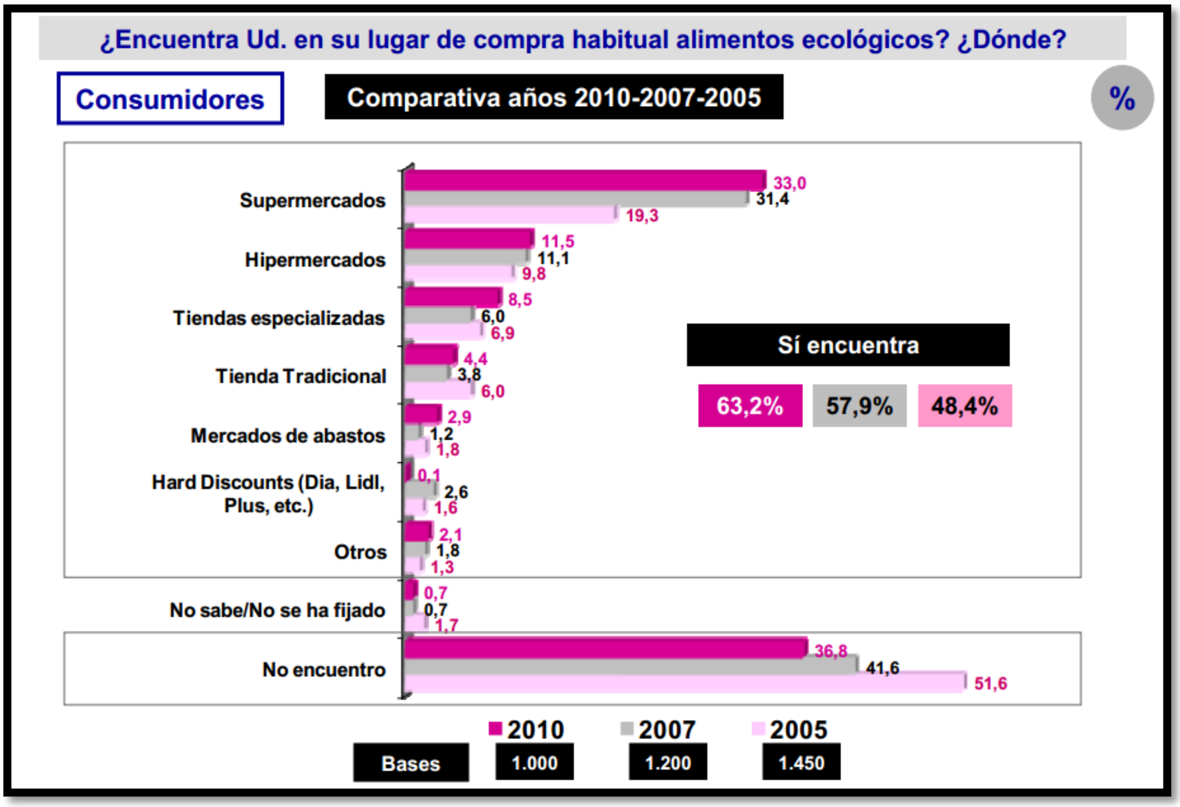
Source: (Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2010)

In this sense the market study about Food Consumption and Distribution regarding organic food of the Ministry of Environment and Rural and Marine (2011) mentions that by 2010 75.9% of the food distributors totaling 250 believed that this type of food will develop further as shown in the graph above presented.

2.5.3 Positioning

The positioning of a company is the way in which consumers define important product's attributes in their mind. In order to simplify the buying process, the consumers usually associate products with categories and position them in their mind. (Kotler, Bowen, Makens, García de Madariaga, & Flores Zamora, 2011, pág. 269). Meanwhile, it can be said that Spanish consumers have positioned in their mind the shopping place in order to get organic products, as we see below.

Illustration 21: Place to purchase ecological products

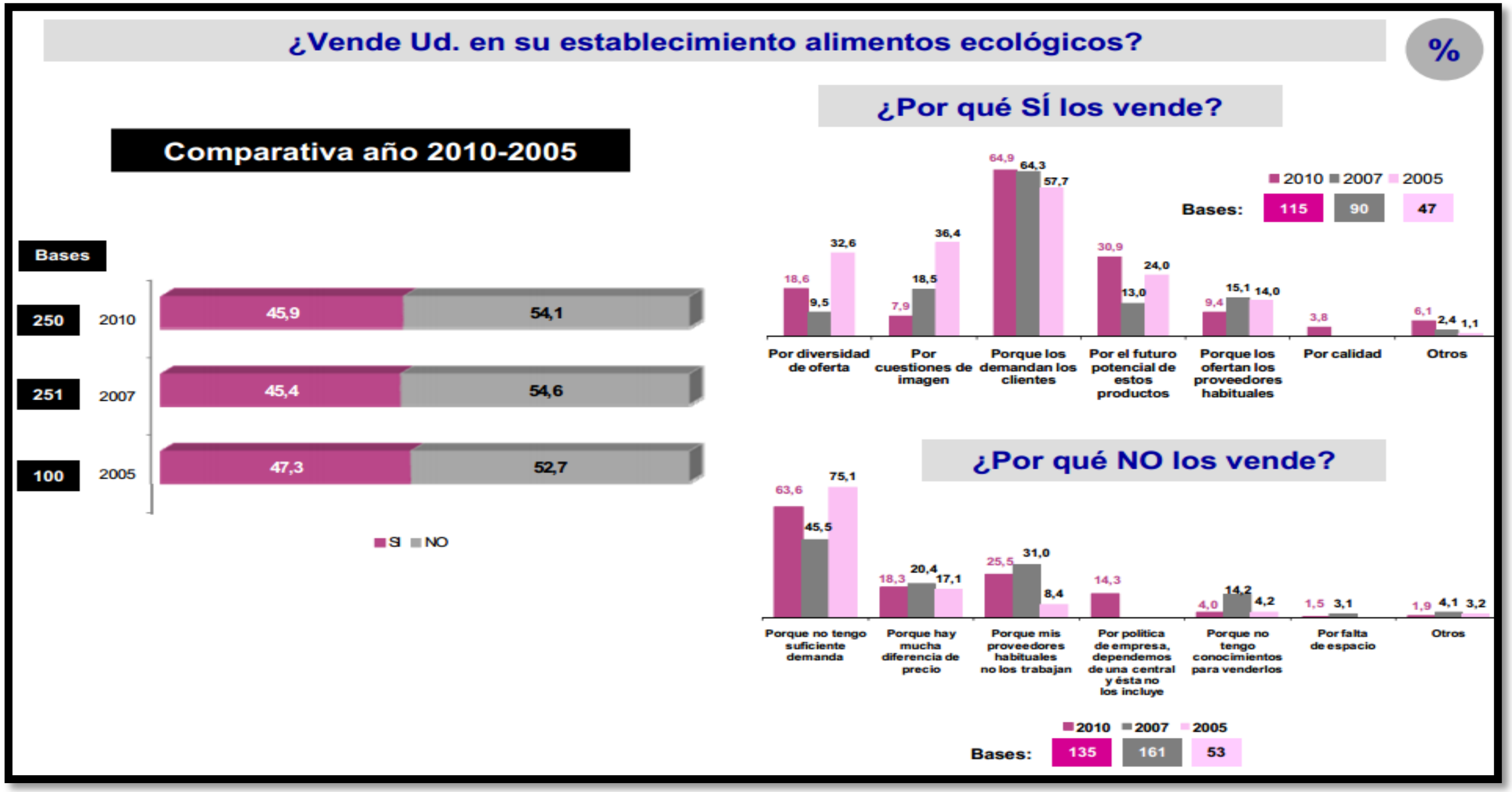


Source: (Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2010)

A market research on the consumption and distribution of organic food in 2010 shows that 33% of the consumers find different types of organic products in supermarkets, followed by 11.5% in hypermarkets and in specialty stores with 8 , 5%. This information is relevant because Alimentos El Sabor can position its product with a differentiate strategy by distribution chains.

Relating to this, it can be observed in the following chart that of all the supermarkets registered for this study which are in total 135, 45.9% (62), say that they sell organic products in their establishments due mainly to the existing demand and secondly because of the image projected to the consumer.

Illustration 22: Reasons for selling organic products in stores.



Source: (Ministerio de Medio Ambiente y Medio Rural y Marino de España, 2010)

In this sense, the company seeks to position the pea flour in the Spanish market by a network of distributors who already have its recognition all over the Spanish market.

Such is the case of Mercadona supermarket which is a company that has been working for 30 years in the Spanish market. It has 1.356 stores with an average area of 1.500 square meters of retail space. It represents a 13,5% of the total food sales in Spain and contributes to the dynamism of the business environment in which their stores are located.

All supermarkets have a wide stock of goods, made up of approximately 8,000 general products which are readily available to the more than 4.6 million Spanish households.

Mercadona bases its business model on keeping Low Prices Always (LPA), which enables its customers to do their shopping with the highest quality and the lowest market price. The slogan of the company for over 18 years has been "quality does not need to be more expensive”. (Mercadona, 2011).

As a result of the selected positioning strategy, Alimentos El Sabor Co. Ltd., has made contact with the headquarters of Mercadona Supermarkets located in the Autonomous Community of Valencia specifically at: A-46-10384 C / Valencia # 5 on Taverne Blanket. With this information, an exports simulation will be presented in the following chapter.

CHAPTER 3: MARKETING AND EXPORT PLAN

3.1 Analysis of the product

A product is anything that the company prepares to offer to its market and meet certain needs of the consumers. (Palao & Gómez-Garcia, 2008, pág. 68).

Consequently, an analysis of pea flour based on the characteristics of the Spanish consumer studied previously, aiming not only to cover the needs but also to delight the customers as well as providing healthy, safe, and nutritious food is presented below.

3.1.1 Product to be exported.

The pea of type pisum sativum, plant of the legume family, whose origin is in the Middle East and the Mediterranean region has a high content of vitamins A, B and C, protein, thiamin and niacin. A box with the benefits that each of these vitamins gives is shown below:

Chart 24: Benefits of pea flour.

Benefits of pea flour	
Nombre	**Beneficio**
Vitamin A	• It supports the immune system, protects the body from cold, flu, and infections. • It is a factor of cancer prevention. • It is important to have strong bones, healthy gums and teeth . • It strengthens the vision. • It assures healthy skin and hair.
Vitamin B	• It produces energy and reduces fatigue. • It decreases the anxiety. • It supports the brain and the nervous system.
Vitamin C	• It works as antioxidant i.e. prevents premature aging. • It produces collagen. • It helps the proper functioning of the immune system and its role in healing.
Proteins	• It replaces proteins of animal type, being much healthier. • It helps the restoration and replacement of various body tissues, such as bones and muscles. • It stimulates chemical reactions necessary to produce the precise energy generated by the contraction of the muscles or other cellular activities.

Thiamine	• It is essential for the proper functioning of the muscular and nervous systems. • It is essential for the metabolism of the brain, the heart, and for the formation of red blood cells.
Niacin	• It contributing to lower levels of cholesterol and triglycerides levels. • It promotes circulation. • It helps reduce blood pressure. • It maintains healthy skin.

Source: (House, 2005).
Elaborated by: Zamora, 2013.

There are different presentations for the marketing of this product however this thesis work is focused in the dry grain. This is the main way in which peas are used worldwide since it can be obtained directly for human consumption. Thus it is marketed as whole grains or pea flour.

The research undertaken by the National University of the Coast of Argentina (2010), on the development of consumer products fortified with proteins of high nutritional value, shows that the elaboration of breads with pea flour increases its nutritional value by 22% and its contents of protein by 10%.

Also the recommendations of the UN Organization for agriculture and food (FAO) show that it should be a "chemical score" that measures an important aspect of the nutritional quality of the food. According to the mentioned indicator, with addition of pea flour to breads its chemical score increases by 22%, compared to the one exclusively made with wheat flour. (Organización de las Naciones Unidas para la Alimentación y Agricultura, 2013).

3.1.2 Tariff items

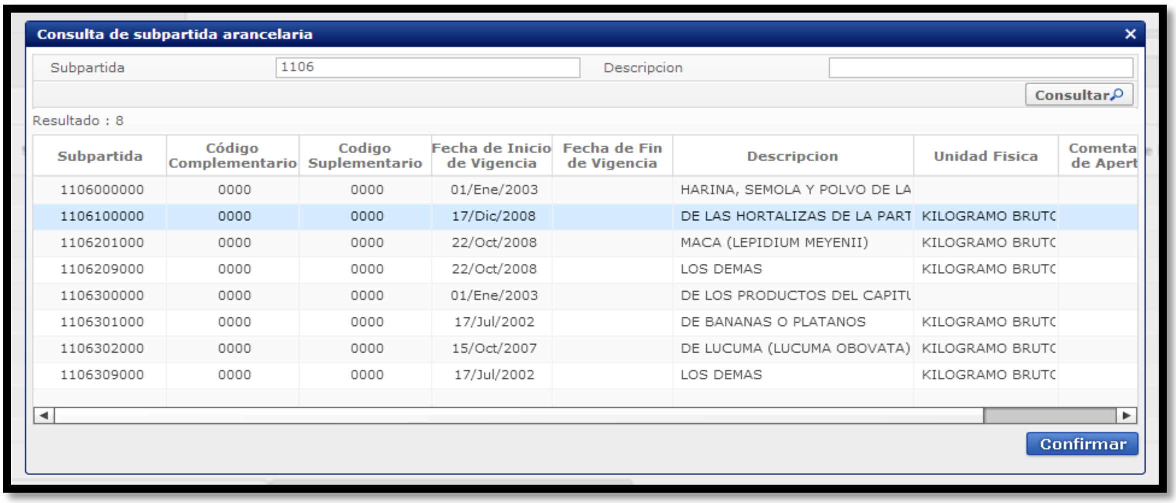
The tariff item chosen for this research is the belonging to the following description:

11. Products of the pounding industry.

11.06. Flour, meal and powder of vegetables.

11.06.10.00.00 Of the vegetables of item 07.13 (including wild vegetables, dried pods, shelled, whether they are skinned or split).

Illustration 23: Tariff Items


Consulta de subpartida arancelaria

Subpartida: 1106 — Descripcion:

Consultar

Resultado : 8

Subpartida	Código Complementario	Codigo Suplementario	Fecha de Inicio de Vigencia	Fecha de Fin de Vigencia	Descripcion	Unidad Fisica	Comenta de Apert
1106000000	0000	0000	01/Ene/2003		HARINA, SEMOLA Y POLVO DE LA		
1106100000	0000	0000	17/Dic/2008		DE LAS HORTALIZAS DE LA PART	KILOGRAMO BRUTC	
1106201000	0000	0000	22/Oct/2008		MACA (LEPIDIUM MEYENII)	KILOGRAMO BRUTC	
1106209000	0000	0000	22/Oct/2008		LOS DEMAS	KILOGRAMO BRUTC	
1106300000	0000	0000	01/Ene/2003		DE LOS PRODUCTOS DEL CAPITU		
1106301000	0000	0000	17/Jul/2002		DE BANANAS O PLATANOS	KILOGRAMO BRUTC	
1106302000	0000	0000	15/Oct/2007		DE LUCUMA (LUCUMA OBOVATA)	KILOGRAMO BRUTC	
1106309000	0000	0000	17/Jul/2002		LOS DEMAS	KILOGRAMO BRUTC	

Confirmar

Source: (Servicio Nacional de Aduana del Ecuador, 2013).

3.1.3 Trade agreements.

Access to the European Union, is based on two main axes: tariffs on importations and non-tariff requirements.

From the point of tariffs, the European Union applies two types of tariffs: non-preferential tariffs, known as tariffs for most favoured nation (MFN) [1], and preferential tariffs.

Since 1971, the European Union grants trade preferences to developing countries within its system of generalised tariff preferences (GSP). Consequently, developing

[1] Most-favoured-nation (MFN): equal treatment for everyone else. By virtue of the agreements of the WTO, countries cannot normally set discrimination between different trading partners. If a benefit is granted to a country, it is necessaty to do the same with all the other members of the WTO. (Organización Mundial del Comercio, 2013).

countries which are regarded as vulnerable by their lack of diversification and insufficient integration into world trade, now have additional tariff preferences aiming to foster economic growth and, thus, responding positively to the need for sustainable development. (Diario Oficial de la Unión Europea., 2005, pág. 1).

In a communication from the Commission to the Council, the European Parliament and the Economic and Social Europeam Committee European (2004) titled: Developing countries, international trade and sustainable development: the function of the Generalized System of Preferences (GSP) of the community for the decade 2006 / 2015, has established guidelines for the application of the system referred to that period. Therefore, the below presented section describes briefly the three preferential regimes subject to that regulation:

- The General System, which gives preferential access to the European Union market to products originated in 179 countries and territories beneficiaries, eliminating or reducing tariffs on the importation of such products. In the Ecuadorian case the coverage of products has expanded from 6.900 to 9.717 products, the majority of these are agricultural and fishery products.

- The new special regime of stimulation of the sustainable development and governance, known as GSP Plus, which offers additional preferences to 9.717 products under the General system to countries with small and vulnerable economies that have accepted and applied effectively international conventions on sustainable development, labour rights and good governance.

  The aim of the GSP Plus is to serve as an incentivation to promote best practices in areas concerning the protection of human rights, labor, environment and good governance.

- The Special System for the least developed countries, also known as EBA (abbreviation of Everything but Arms), grants duty-free access for all products originated in the 50 poorest countries, except for arms and ammunition.

According to the European practice, GSP, as a program, is renewed every ten years. The current period began in early 2006 and will conclude at the end of 2015. On the other hand, so that countries can continue to receive the benefits of the GSP and its various programs, periodic reviews on the fulfilment of the conditions laid down are made. (Diario Oficial de la Unión Europea., 2005, pág. 7)

Ecuador currently enjoys both the General regime and the GSP Plus. Both programs cover the same 9. 717 products.

However, the GSP Plus offers greater advantages through the total suspension of duties on importations. Besides Ecuador, there are five Andean countries that also enjoy the GSP Plus: Bolivia, Colombia, Guatemala, Peru, and Venezuela. Among other Central American countries are: Costa Rica, El Salvador, Honduras, Nicaragua and Panama.

Chart 25: Differences between General and Plus GSP.

Differences between the General GSP and the GSP Plus tariff preferences	
SGP General	**SGP Plus**
Sensitive products: • Reduction of 3.5% advalorem for products of annex II to the Regulation. • Reduccion of 20% of the tariff for textiles and clothing. • Reduction of 30% of specific duties other than minimum and maximum duties on the products classified in annex II. If the common customs tariff duties include the advalorem and specific rights, the latter is not reduced.	**Sensitive products:** • Suspension of rights advalorem for products of annex II to the regulation. • Total suspension of customs duties for textiles and clothing. • Total suspension of specific rights over products classified in annex II with the exception of the products for which the common customs tariff also includes rights advalorem.

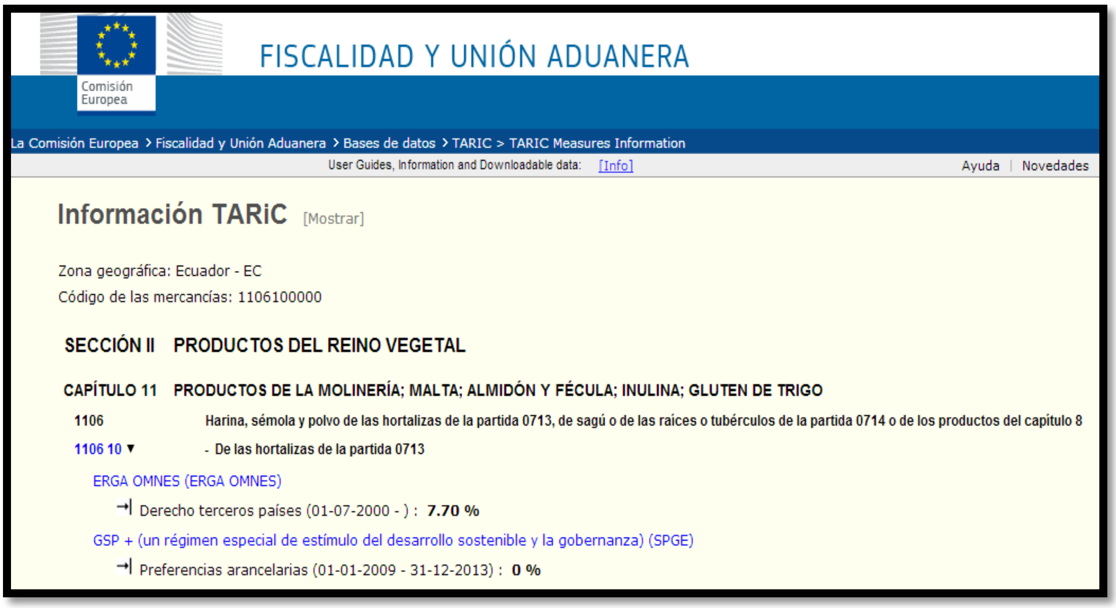
Non-sensitive products: Total suspension of customs duties for products of annex II, except for agricultural components.	**Non-sensitive products:** Total suspension of customs duties for products of annex II, except for agricultural components.

Source: (Diario Oficial de la Unión Europea., 2005).
Elaborated by: Zamora, 2013.

Also, to benefit from the tariff preferences under the General System of the GSP and the GSP Plus, exporters must comply with rules of origin and the respective requirements for each of its products.

In the case of the pea flour inside the tariff heading 11.06.10.00.00 belonging to the corresponding vegetables item 07.13 flour originated in Ecuador applies the preferential tariff of 0% since it is inside the sensitive products in the special regime of stimulation of the sustainable development and governance, known as GSP Plus.

Illustration 24: Customs tariff rights.



Source: (Fiscalidad y Unión Aduanera. Unión Europea, 2013).

3.2 Export logistics.

International physical distribution has evolved into a continuous and dynamic way due to the increase in international trade, so that today it has become a central issue for all export / import manufacturing company. It is therefore essential to define strategies related to the logistical planning from the manufacturers of the products to all the participants in the supply chain. (Reyes Diaz Leal, 2002).

The logistics system also basically fulfills the function of supporting the production and marketing systems. Slater (1990) distinguishes four stages in the process of internationalization which require different international logistical support in each case:

a) Orientation towards the national market. The company owns all production facilities and sources of supply within the country. This company will basically employ third-party logistics services and will limit the supply of those services, since, if it has an export department, this department will be reduced.

b) Domestic production and limited international marketing.- This would be the case of a company with major production facilities within the country, parts and raw materials are acquired both in the internal and external market, although foreign supply sources are below 50% of the needs.
   In this case, it is likely that the company has a well-established marketing system, with sales offices, distributors and representatives.

c) Domestic and foreign production with important international marketing activities.- In this case, the company has plants mainly in the country and production facilities and assembly abroad, especially in those markets that are attractive to the placement of the manufactured products. In this case, it is required an international network for the movement and storage of raw materials, components and finished products.

d) Multinational production. The company has production and marketing facilities that are self-sustaining in different places of the country and abroad. Each unit has mainly local supply and complementarily supply from outer sources. In this case the marketing, production and logistics strategies are designed according to the needs of each unit.

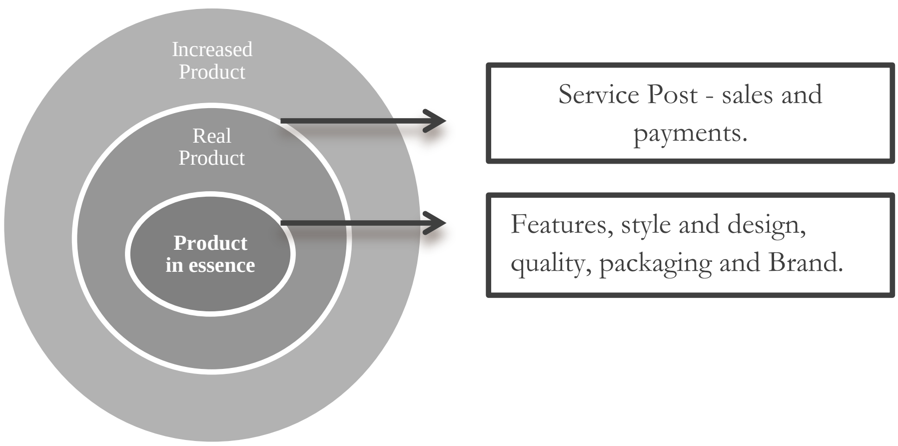
In the case of Alimentos El Sabor Co. Ltd., it can be said that it is between the stage a) and b) since the size of the company and its capital structure don’t allow it to have own logistic facilities, therefore, it must hire services of specialized companies. Many of these services are not available in time and appropriate places, which causes additional increments of logistic costs.

An analysis of the logistical elements necessary to carry out the exportation of pea flour so that Alimentos El Sabor Co. Ltd., achieves a total efficiency of sending its product to the Spanish market, offering not only services but also a quality product, is presented below.

3.2.1 Packaging and presentation of the product.

This section will perform an analysis of the variables that are presented in the following chart.

Illustration 25: The dimensions of the product



Source: (Palao & Gómez-Garcia, 2008).

Each of the attributes of the real product is described below:

- The characteristics.- It is what has traditionally given the name to the product, in this case the pea powder. The intrinsic characteristics of the product detectable by the consumer are:
  - ✓ Flavor: Typical of the organoleptic characteristics of pea flour.
  - ✓ Weight: 250 grams.

- Style and design.- When we talk about style we refer to the form that a certain product has, style is the attribute that contributes to give a social aspect to the product. Also, the design makes a product usable or comfortable and easy to use. Those products that are difficult to open or complicated to assemble are generally poorly designed. (Palao & Gómez-Garcia, 2008, pág. 71).

  The style and design of the product are presented below.

Illustration 26: Product design

Elaborated by: Zamora, 2013.

- The quality.- Products which are offered to the market definitely must meet the needs of the client properly, giving quality to the user. Even though the quality has to do with a series of attributes or properties, as an achievement of expectations and standards and a fulfillment of standards could be defined by the combination of the emotional satisfaction with the technical requirements. (Palao & Gómez-Garcia, 2008).

Furthermore, the quality is dictated by customers since they are who developed certain expectations regarding the product or service offered and they consider performance standards. One of the important factors in ensuring the quality of pea powder that the company wants to offer, therefore, is to have an organic product certification.

In order to get the respective certification the Certification Agency of BCS ÖKO-GARANTIE has been taken into account. This agency has headquarters in Germany, where it was the first accredited certifier body to carry out the implementation of European regulation for organic production.

BCS ÖKO-GARANTIE arrives in Ecuador in 1998 when it starts to work with certain companies' pioneers in organic production in the country. From this first step, BCS ÖKO-GARANTIE is developed and established as a company in Riobamba in 2002.

Sometime later it ventured into the area of organic production in the Ecuador reaching so far more than 70% of the certifications of organic products that are marketed inside and outside the country.

Finally, it can be noted that the EAHS Ecuadorian Agricultural Health Service, National Competent Authority and Control of Organic Agriculture awarded the Certificate of Registration No. 000001 POA to the company BCS ÖKO-GARANTIE Co. Ltd., as a certifier of organic products. (BCS ÖKO-GARANTIE, 2007).

The type of certification that is applied to pea powder is the corresponding tothe Regulation (EC) NO 834/2007 of the European Council (2007) on organic production and labeling of organic products. BCS OEKO-GARANTIE is authorized to issue such certificates and is well known in the European market because it often facilitates the import process.

- The Brand.- It is a name, design, symbol, or the combination of these elements that serves to identify the goods and services of an enterprise and distinguishes it from its competitors. "Mark brings certain features and helps to form the image of the product in the mind of the customer, as well as it distinguishes and differentiates the company’s products from the other ones." (Palao & Gómez-Garcia, 2008).

Illustration 27: The company’s brand.

Source: Alimentos El Sabor Cía. Ltda.

The advantages of using a brand are the following:

- ✓ It allows consumers to compare products.
- ✓ It ensures a constant satisfaction.
- ✓ It is a reliable quality guide.
- ✓ It confers status.
- ✓ It encourages constant purchases.
- ✓ It assures the company a loyal clientele.
- ✓ It facilitates the segmentation of the markets.
- ✓ It provides greater incomes than costs.

- Packing.- In some cases it is the most important factor in purchasing. However, it may cost more than the product itself. The functions performed by the package are the following:

- ✓ It protects the product against factors such as the climate in order to facilitate transportation.
- ✓ It simplifies the use by making it easy, safe and fast.
- ✓ It stimulates the purchase by providing an enticing product with the use of colors and messages that attract the eye, allowing the differentiation from the other competing products. (Palao & Gómez-Garcia, 2008).

Therefore the packing is a key factor and it should be properly considered to beat competitors. The ideal packing must be:

- ✓ As a product: easy to use, open, close, consume, protect from light, air and climatic variations.
- ✓ As an element of communication: attractive, providing different information.
- ✓ As a means of distribution: easy to store and exhibit.
- ✓ As a price: The cheapest possible.
- ✓ In a social or ecological sense: efficient, reusable, recyclable, non-toxic and biodegradable. (Kotler, Las Preguntas más Frecuentes del Marketing, 2003)

The trend in packaging design is guided by the ecological awareness due to the concern about the environment and its impact on the buyers' consumption decisions. Therefore, it is necessary, when choosing a package, to verify that it has at least one of the 3Rs: recycle, reduce and / or reuse.

The offer of organic pea flour must also have a package that presents the essence of the product.

For researchers, as well as for consumers, food conservation represents a key factor and the biggest challenge of the food industry. It is essential to provide consumers the maximum guarantee of quality, reliability and safety in the offered food, though it is not always an easy task. The vast majority of foods are perishable, so it is obligatory to ensure certain conditions related to the processing, handling and storage the food in order to ensure their good condition when they reach the final consumer. (Eroski Consumer, 2012).

Consequently, it is recommended to have a biodegradable packing because it improves the safety and the quality of the food. The food preservation is the top priority of a package, as respecting the environment and people's health is the main priority of present research. Finally, the packaging requirements of organic products within the European Union are the following.

Chart 26: Packaging requirements.

Requirements for packing of organic products.
• Name of the product. • Weight, volume or number of the container. • Name, phone number and address of the company responsible. • Date of expiration, date of manufacture, service life or storage instructions. • Indication of methods and conditions of conservation. • Nutritional facts. • Title: nutritional labeling. • Content: technical description. • Slogans for organic products. • Products of plant origin in conversion.

Source: (EUR- LEX El acceso al Derecho de la Unión Europea, 2007).
Elaborated by: Zamora, 2013.

On the other hand, the added product attributes are the following.

- Modalities of payment. This aspect usually gives a possibility to the consumers to buy the product by installment payments, or to access the line of credit of the company.

  This research suggests Alimentos El Sabor Co. Ltd. to support the sales' payment with a credit letter which will facilitate the international payment and will provide security, to both the exporter and the importer.

In this case the seller ensures the payment only if it can demonstrate that it has embarked the goods stipulated in the contract; and the buyer is assured that the Bank will not pay unless the seller meets the requirements it has established through the delivery of documents (knowledge of shipment, invoice, certificate of inspection, among other). These documents serve as proofs, to a certain extent that the stipulated goods were correctly sent to the importer. (Banco Central del Ecuador, 2013). As for the terms of the negotiation, it is suitable to manage a payment within 30 and 60 days. Finally, the guarantee of production is the advancement of 40% of the total exportation cost.

- After sales service.- To maintain business continuity with the clients, it is necessary to give them advice, counseling and training on the exported product.

The added product features help to build the buyer's since the possibility of acquiring convenient products improves the image and increases their value, turning it into a competitive advantage. (Palao & Gómez-Garcia, 2008, pág. 76).

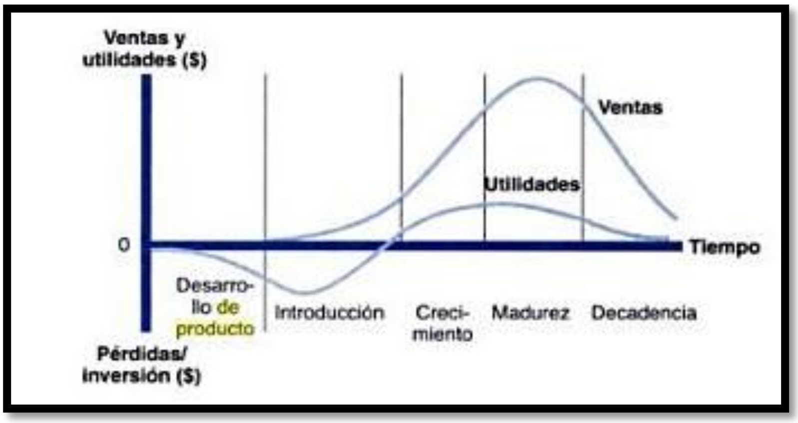
3.2.2 Promotion.

The promotion is one of the most important activities of the company, because the communication that is provided to the consumer depends on the awareness of the product and the degree of preference that the client has about the product. It also generates the consumers' conviction to buy. (Palao & Gómez-Garcia, 2008, pág. 102).

The strategy that this study proposes to the company is to enter the Spanish market with a presentation of pea flour of 250 grams in order to raise the consumer's awareness of the product and promote the preference, so it impulses the customer's purchase. This proposal is based on the time at which the product will occupy more space on the shelves of Mercadona supermarkets in Spain. Consequently, the consumer will be mostly attracted by the offered product.

Additionally, this strategy is desirable because the product, within its life cycle, is in the introduction stage. It means that it is in a period of slow sales growth. As the product is introduced in the market, the advantage of using this strategy is that the consumer will begin to familiarize with the product and to distinguish it and keep loyalty to its brand and quality.

Illustration 28: Product lifecycle



Source: (Kotler & Armstrong, Fundamentos de Marketing. Sexta Edición, 2003)**.**

3.2.3 International Transportation

The exportation plan that is developed in this thesis has, as a main goal, the achievement of an efficient distribution of the product at the lowest possible cost without forgetting that the pea flour packs have to get to its destination market in optimal conditions.

Also, this plan seeks to increase the competitiveness of the company. In this section of the thesis, the international maritime transportation of merchandise and the advantages and disadvantages that this type of transportation has, are analyzed.

Chart 27: Maritime Transportation

Maritime Transportation	
Advantages	**Disadvantages**
Capacity: Efficient in transport high volume of cargo over long distances.	Packing Cost: The handling of the products requires a resistant and relatively expensive packing in order to protect the product or merchandise.
Competitiveness: The freight tariffs are lower compared to other transportation types, this means it is cheaper.	Speed: The average duration of the journey is longer than using air or land transportation.
Flexibility: This kind or transportation has different kinds of ships for the diversity of cargo or merchandise.	Accessibility: Generally, the ports are located in places far away from the production site or the final destination. This fact requires the use of an extra transportation
Duration of operations: The maritime transportation is less susceptible to weather variations, for this reason, its operation is regular and constant.	High risks: The Maritime transportation can be affected by sacking and also the products that are transported can be damaged.
Variety of merchandise that can be transported: There are no restrictions for dangerous products.	Service Frequency: There is a time separation between the leaving of the ships.

Source: (Baena, 2002).
Elaborated by: Zamora, 2013.

In order to transport the corresponding pea flour cargo the company needs to use the correct container as the product requires optimal storage conditions. In this particular case the container to be used has the following characteristics: 0-2°C and 95% of relative humidity.

A table of refrigerated containers is shown below with their respective references according to the cargo that they can store, as well as their measures and description.

Chart 28: Types of containers

	Integral Refrigerated Containers or Reefers		
	20 feet 20' x 8' x 8' 6''		**Description**
Tare	3090 kg/6790 pounds		It has its own cooling equipment
Maximum Cargo	27,400kg/60,410 pounds		Designed for the transportation of cargo
			that requires constant temperatures below cero.
Dimensions	**Internal**	**Door Opening**	
Long	544mm/17'10''	-	
Width	2268mm/7'5''	2276mm/7'5''	
Height	2272mm/7'5''	2261mm/7'5''	
Cubic Capacity	28,1m³/992ft³		
	40 feet 40' x 8' x 8' 6'		**Description**
Tare	4800kg/10580 pounds		It has its own cooling equipment
Maximum Cargo	27,700kg/61070 pounds		Designed for the transportation of cargo
			that requires constant temperatures below cero.
Dimensions	**Internal**	**Door Opening**	
Long	11,561mm/37'11''	-	
Width	2280mm/7'5''	2280mm/7'5''	
Height	2249mm/7'5''	2205mm/7'3''	
Cubic Capacity	59,3m³/2075ft³		

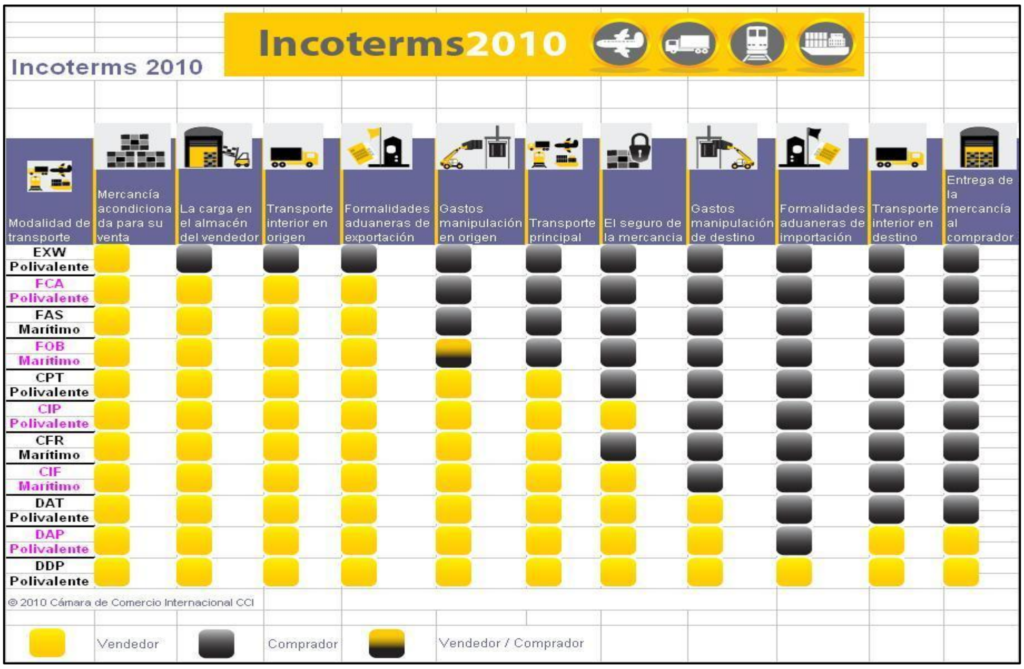
Source: (Affari Group. Operadores de Comercio Exterior, 2012)**.**

3.2.4 Incoterms

The first Incoterms were published in 1936 and with this publication it was also determined that every 10 years the International Chamber of Commerce has to update the Incoterms by taking into consideration the latest advances in the commercial activity.

The last updating of the Incoterms® rules was done in 2010 and was published by the International Chamber of Commerce (2010), This updating defines the responsibilities of the purchaser and seller companies regarding the merchandise delivery that is stipulated in the buying-selling international contracts. These rules have an obligatory character and determine how the costs should be fixed and the risks that are shared among the involved parts. The Incoterms rules are part of the buying-selling contracts around the world and have become a part of the daily and regular commerce language. The following graphic shows the function of each rule.

Illustration 29: INCOTERMS



Source: (Instituto de Promoción de Exportaciones e Inversiones. Pro Ecuador, 2012)

For the purposes of this investigation, the CIF Incoterm of maritime type is used. According to the above graphic, the seller has the obligation of paying the following expenses:

- Preparation of the merchandise for selling.
- Taking the cargo from the seller warehouse or store.
- Internal transportation.
- Fulfilling the export customs formalities.
- Expenses in the port of origin.
- Main Transportation.
- Merchandise Insurance.

On the other hand, the purchaser o buyer is in charge of covering the following expenses:

- Expenses in the port of destination.
- Import customs formalities.
- Internal transportation in the port of destination.
- Delivery of the merchandise to the consumer.

3.3 Export requirements

The export process starts with the transfer of the Export Customs Declaration (ECD) through the new system ECUAPASS. This process has to be supported by the necessary documentation before the shipment of the merchandise. This declaration is not a simple shipment intention but a legal declaration that creates a legal bond and obligations for the exporter with the Ecuadorian National Customs Service (Servicio Nacional de Aduana del Ecuador, 2012). The information that is included in the ECD is detailed below.

- General information
  - ✓ District code: Guayaquil-maritime
  - ✓ Regimen code: Final export
  - ✓ Type of dispatch: Normal dispatch

- Exporter Information
  - ✓ Name of the exporter: Alimentos El Sabor Co. Ltd.
  - ✓ Exporter address: Km. 19 via to the coast.
  - ✓ RUC document number: 0990294690001.
  - ✓ City of export: Guayaquil.
  - ✓ CIIU: Wholesale of alimentary consumption products.
  - ✓ Code of payment method: Duedate of payment 30 to 60 days.
  - ✓ Currency code: American Dollars.

- Cargo/Merchandise information.
  - ✓ Shipment port: Guayaquil.
  - ✓ Destination port: Valencia.
  - ✓ Name of the consignee: Mercadona S.A
  - ✓ Consignee address: A-46-10384 C/ Valencia #5 La Matriz park.
  - ✓ Consignee city: Valencia- España.
  - ✓ Store in the origin location: Contecon Guayaquil S.A.
  - ✓ Type of cargo: Containerized cargo
  - ✓ Type of Transportation: Maritime
  - ✓ Final destination country: Spain.

- Totals (Annex 1 and 2)
  - ✓ Currency code: American dollars.
  - ✓ Total transaction value: $40.768.
  - ✓ Total net weight: 10.400 Kilograms.
  - ✓ Quantity of packages: 1.600.
  - ✓ Quantity of physical units: 10.400.
  - ✓ Quantity of containers: 1.
  - ✓ Total quantity of commercial units: 41.600.
  - ✓ Tariff Item: 1106100000
  - ✓ Merchandise description: Pea Flour
  - ✓ Country of origin: Ecuador

As to the displacement, it is obtained taking into account that the export will be performed in a refrigerated container of 40' according to the conditions of the product. Meanwhile, Hamburg Sud shipping line was contacted for this graduation paper and they specify that this type of merchandise may be sent to Europe only in this type of container due to logistics costs. The data from which the displacement of the container was obtained are presented below.

Chart 29: Calculation of cubage

Calculation of cubage	
Long	20 cm
Width	50 cm
High	30 cm
Unit weight	6 kgs per box.
Stackable up	10 boxes
Packets to send	1600 boxes containing 26 units of pea flour.

Elaborated by: Zamora, 2013.

Consequently, it is needed a 40 'refrigerated container. The cost is $ 3000 according to the information given by, Hamburg Sud shipping line. (Annex 5).

The electronic documents that go with the ECD in the ECUAPASS system are the following:

- Original commercial invoice (Annex 2) in which is detailed the quantity, description and the total value of the exportation.
- Previous authorizations.- In the case of pea flour export it is necessary to have the following authorizations:

  - ✓ Electronic Certificate of Origin, which is given by the Guayaquil Industry Chamber (Annex 3).
  - ✓ Phytosanitary Certificate for exportation which is given by the Ecuadorian Ministry of Agriculture and Farming through the Ecuadorian Agency for Quality Assurance in agriculture known as AGROCALIDAD (Annex 4). This certificate guarantees that the product has been inspected and subjected to tests according to official procedures in order to determine that the product is free of plagues and that it fulfills all the phytosanitary requirements that the importer has established in the contract.

Once the ECD has been accepted, the merchandise goes into the Primary Zone of the district where the shipment takes place. In this location, the temporary warehouse is in charge of registering the merchandise and storing it before it is exported.

Additionally, the Ecuadorian National Customs Service (2012) in its report about the export process explains that when the merchandise to be exported is ready to leave the origin location, the exporter will be notified about the revision process channel that has been assigned to him. These revision procedures can be the following:

– Documentary merchandise revision.
– Physical merchandise revision
– Automatic merchandise revision

In the case of the Documentary Revision, the responsible employee in charge of the procedure will be designated at the moment of the arrival of the merchandise. Later, the responsible employee will proceed to the revision of the electronic information and the digitalized documentation and will finalize the procedure if there are no mistakes or problems.

Any observation, in case it exists, will be registered through the electronic notification scheme that has been implemented in the new system. Once the Export Customs Declaration has been finished and checked, the departure and shipment of the merchandise is authorized.

In the case of the Physical Revision, the process is the same as the one explained above but in this case there is a physical inspection of the merchandise plus the verification of the electronic and digitalized information and documentation.

Finally, in the Automatic Revision procedure, the departure and shipment authorization will be automatically given at the moment of the arrival of the merchandise to the temporary warehouses or primary zones.

CHAPTER 4: FINANCIAL ANALYSIS

4.1. Production Costs

Chart 30: Production Costs of Pea Flour.

PRODUCTION COST: PEA FLOUR					
ORDER OF PRODUCT IN PROCESS					
August 10th, 2013 9:00					
Ingredient	**Kg**	**Lot**	**%**	**Kg Cost**	**Total Cost**
Pea Flour	10.400,00		100,00	1,22	12.688,00
Total	**10.400,00**		**100,00**		**$12.688,00**
ORDER OF FINISHED PRODUCT					
Units to produce			**41.600**		
Ingredient	**Quantity/Unit**	**Lot**	**Required Quantity**	**Kg-Unit Cost**	**Total Cost**
Pea Flour	0,250		10.400,00	1,2200	12.688,00
250 Grams Biodegradable plastic cover	1,000		41.600,00	0,0500	2.080,00
Pea Flour Sticker – registration and ecological certification	1,000		41.600,00	0,0250	1.040,00
Barcode Sticker – Pea Flour of 250 grams	1,000		41.600,00	0,0090	374,40
					$16.182,40
Direct labor or workforce -3 people are needed and it takes 50 hours to finish the product (Final presentation).	255,68				
Indirect labor or workforce	75,00				
Indirect Manufacturing Costs	92,20				
Total Cost of Production					**$16.605,28**
Cost of exportation procedures: (Freight ($ 3.000,00) + Insurance ($ 218,84) + Certificates of Origin and Phytosanitary Certificate ($ 184,57) + Customs Agent Fees ($ 596,59) + bank documents (Letter of Credit $ 800,00).					**$4.800,00**
Total Cost for exportation					**$21.405,28**
Unit Cost for exportation: 250grams pack					**$0,5146**

Source: (Perdomo , 2013) and Annex 3,5 and 5..

Elaborated by: Zamora, 2013.

As it is shown in the chart, the production cost plus the cost of exportation procedures of pea flour gives as a result a unit cost for exportation of $0.5146 cents, considering the fact that the product has a final presentation package of 250 grams.

4.2 Sale price of the product

The chart below shows the reference cost and the possible sale price of the 250 grams pack of pea flour produced by Alimentos El Sabor Co Ltd:

Chart 31: Sale Price of the Product

Sale Price for the Spanish Market			
Product	**Description**	**Unit Cost**	**Retail Sale Price**
Pea Flour	Percentage of utility or profit:		**90%**
	250 grams	0,5146	**0,98 USD**

Elaborated by: Zamora, 2013.

The profit percentage is 90% giving as a result a sale price of $0.98. The company will determine if this price can be reduced in the case of a considerable amount of purchase, or if it should be higher depending on whether the company is looking for an increase in its profit margin. Also, it is necessary to specify that the product is inside the benefits of the GSP Plus so that tariff preference is 0%. It means that it does not pay taxes to enter the Spanish market.

4.2.1 Analysis of competitors prices

Determining the price of the product is greatly important as it directly influences the perception of the consumer about the product that is being offered. For this reason, it is necessary to take into account the type of market to which the product is oriented or offered. Also, it is important to know if the consumer is looking for quality or price as these are two factors that influence the purchase decision.

The pricing policy of the company can determine the way in which the demand will behave. Therefore, Alimentos El Sabor Co. Ltd. must decide whether to get to the market with a high introduction price or to enter with a low price compared to its competitors. The company instead of achieving differentiation of its product or service through the price can enter or appear in the market with a price similar to the competition (Mercado & Palmerin , 2007).

For the purposes of this investigation, it has been considered important to make a comparative chart of prices of similar products taking into consideration the competition that exists in the market on target.

Chart 32: Comparative Prices

Comparative Prices: Similar Products Bio-Ecocesta- 2013								
Supermarket	**Organic Wheat Flour**	**Weight**	**Rice Flour**	**Weight**	**Corn Flour**	**Weight**	**Rye Flour**	**Weight**
El Corte Inglés	1,46€	500g	1,36€	500g	1,32€	300g	-	-
Carrefour	1,32€	500g	2,81€	500 g	1,30€	300g	1,65€	500g
Alcampo	1,55€	500g	-	-	1,35€	300g	1,71€	500g
Eroski	1,39€	500g	-	-	1,69€	300g	1,39€	500g

Elaborated by: Zamora.2013 based on the data published by the supermarkets named above.

The chart collects information from different supermarket chains and it divides or sections the product into categories. In this case, the chart refers to the well-known Bio-Cesta which bets on purely organic products and today these products have their own physical space in each of the supermarkets. In this sense, it can be observed that the prices of similar products are the following:

- Rice flour: The sale price of the 500-gram-presentation pack of the product fluctuates between 1,36 and 2,81 euros.

- Corn Flour: The sale price of the 300-gram-presentation pack of the product varies between 1,30 y 1,69 euros.

- Wheat Flour: The sale price of the 500-gram-presentation pack of the product fluctuates between 1,32 y 1,55 euros.

- Rye Flour: The sale price of the 500-gram-presentation pack of the product varies between 1,39 y 1,71 euros.

Also, Alimentos El Sabor Co. Ltd. should consider the fact that it needs to cover the production costs and also the costs related to the exportation process. In addition, the company must take into consideration the profit margins of the company and the profits that the different distribution channels seek to achieve as well as the expenses that may arise in the Spanish country such as paying 10% Value added Tax-VAT reduced for being a marketer of products for human consumption. (Agencia Tributaria del Gobierno de España, 2012).

In this sense, it is important to note that according to the prices that have been shown and taking into consideration that the exchange rate (Euros to Dollars) is $1,3524 (Yahoo Finanzas, 2013), the prices of similar products are the following:

- Similar Organic Products-300 grams:
  - Products with higher price: $2,30.
  - Products with lower price: $1,80.

- Similar Organic Products-500 grams:
  - Products with higher price: $ 3,80.
  - Products with lower price: $ 1,70.

The sale price offered by the company is highly competitive compared to the sale prices of the competitor companies that have been named, mainly because this is a high quality product that meets the current requirements and regulations inside the European Union regarding organic products. Also, it is important to note that the price is greatly beneficial for European consumers, especially for the selected target as this group seeks a product with not so high prices but of a high quality.

4.3 Calculation of profitability and breakeven point

4.3.1 Calculation of profitability

The purpose of this analysis is to determine the results of the company plan by calculating the net income which is the real profit that Alimentos El Sabor will obtain by exporting its pea flour product.

Chart 33: Calculation of Profitability

Calculation of the utility/Profit the company obtains from the export of pea flour. Alimentos El Sabor Cía. Ltda.		
Flow	**Value in Dollars**	**Comments**
+	40.768,00	Incomes: Sale Price multiplied by the number of sold units.
-	16.605,28	See production costs
=	24.162,72	Marginal Utility/Profit
-	4.800,00	Costs regarding administrative and exportation procedures
=	19.362,72	Gross Profit
-	2.904,408	15% of profit distribution to workers
=	**16.458,312**	**Net Income**

Elaborated by: Zamora, 2013.

The chart shows that the exportation of pea flour to Mercadona supermarkets located in Spain -Valencia will produce a net income of $16.458,31 dollars.

Percentage of Profitability:

$$\text{Profitability} = \frac{\text{Income}}{\text{Investment}} * 100$$

$$\text{Profitability} = \frac{40.768,00}{24.309,69} * 100$$

Profitability = 67,7%

The profitability percentage that the company will achieve by the exportation of pea flour is 67.7%. In other words, the investment or the capital invested by the company would have a growth of 67.7%.

4.3.2 Breakeven point

The breakeven point analysis is a useful technique for understanding the relationship between fixed costs, variable costs and profits. Therefore, the breakeven point is the production level in which the profits obtained from sales are exactly equal to the sum of fixed and variable costs (Baca Urbina, 2006, pág. 180).

This calculation will help to determine the minimum level of production at which the company has to operate in order to avoid losses. However, it has to be taken into account the fact that even when there are profits they may not be enough to make the plan profitable. The corresponding operations for understanding the breakeven point analysis are shown below.

Formula of Breakeven Point (BP) in units:

Where:
FC= Fixed Costs
Pvq= Unit Sale Price
Cvq= Unit Sale Cost

$$BPUnits = \frac{FC}{(Pvq - Cvq)}$$

$$BPUnits = \frac{16,182.40}{0.98 - 0.12555}$$

$$BPUnits = 18,938.96 \text{ units}$$

According to this calculation, it can be said that the company will have a breakeven point of 18.938,96 units. This means that the company will have to sell 18,938.96 units of 250 grams pea flour along the year in order to cover the running costs of the company and obtain profits.

4.4 Analysis of the demand

The 250-gram-pack of pea flour will be sold by Mercadona Supermarkets in Spain. However, the product will be sent in first instance to Valencia where the main branch of these supermarkets is located. Afterwards, the product will be distributed in the whole country. The main contact is the General Director of purchases of Mercadona, Mister Julio Bragado.

The target group that has been selected from the Spanish market is formed by regular consumers of organic products aged between 18 and 35 as this group of people is in charge of buying the food for their families. There are a total of 10.713.153 people among this age. Nevertheless, the market segmentation showed that only 52.3% use or consume regularly this type of products. In this sense, the target group of this investigation totalizes 5.602.979 people. The chart below shows the segmentation of the target market by age.

Chart 34: Analysis of the demand

Population Data to January 1st, 2013. Provisional Results	
Resident Population by date, gender and age	
	Both Genders
Total National age between 18 and 35 years	**10.713.153**
18 years	432.192
19 years	451.761
20 years	470.070
21 years	472.626
22 years	483.354
23 years	499.386
24 years	516.059
25 years	532.119
26 years	552.168
27 years	577.372
28 years	605.088
29 years	629.574
30 years	670.348
31 years	703.172
32 years	740.577
33 years	764.238
34 years	800.561
35 years	812.488

Source: (Instituto Nacional de Estadísticas de España, 2013).
Elaborated by: Zamora, 2013.

On the other hand, in the following chart it is shown the total target group and the percentage that they represent from the total Spanish population between 18 and 35 years.

Chart 35: Spanish Population between 18 and 35 years

Spanish Resident population by date, gender and age (18 to 35 years)		
Units: People **Base:** 10,713.153 people		
January 1st, 2013	Quantity	Percentage
Target: People between 18 and 35 years	5'602.979	52,3%

Source: (Instituto Nacional de Estadísticas de España, 2013)
Elaborared by: Zamora, 2013

Of these 5'602.979 people it is determined that the main goal of the company is to get to 1% of the target group to whom the pea flour will be sold. This means that from the total regular consumers of organic products in Spain, the product must get to 56,029 people, and the company Alimentos El Sabor is able to produce this quantity of pea flour of 250 grams to be sold in the Spanish market.

Chart 36: Projection of Profits/Income

Projection of earnings. Alimentos El Sabor Co. Ltd.						
Year	2014	2015	2016	2017	2018	Total
Units	56,029	56,589.29	57,155.1829	57,726.7347	58,304.0021	28,5804.21
Sales	54,908.42	55,457.5042	56,012.0792	56,572.2	57,137.922	280,088.126
Production Cost	7,031.6395	7,101.9559	7,172.97545	7,244.70521	7,317.15226	35,868.4283
Annual Profit/ Income	47,876.7805	48,355.5483	48,839.1038	49,327.4948	49,820.7698	244,219.697

Elaborated by: Zamora, 2013.

The sales objective according to the Marketing Chief of Alimentos El Sabor Co. Ltd, will remain at 1% each year. Taking into consideration this fact, after five years the company will obtain a total income of $244,219.70.

Finally, it is important to mention that the first exportation made by the company will sell a total of 41,600 units of the 250-gram-presentation pack of pea flour as it is a new product that is being introduced to the Spanish market and fulfills all the requirements agreed by the parts involved in the contract.

CONCLUSIONS AND RECOMMENDATIONS

- **Conclusions**

Regarding the internal analysis made of Alimentos El Sabor Cía. Ltda. it can be concluded the following:

Alimentos El Sabor Co. Ltd. is a company that has wide experience in the production and selling of seasonings, spices and grains and this characteristic has made the company the leader brand in the market. Also, the company due to its 31 years presence in the national and international markets, has achieved recognition, reliability and preference of its main clients as this company provides products of high quality that are also affordable for a broad group of consumers.

The company has its own and optimal infrastructure and equipment as for both location and physical space. This gives the company the opportunity to expand its productive area and maintain the services that it offers today. Also, the company has at its disposition highly trained personnel with wide experience in the manufacturing of each of the products that the company offers.

The quality of the products is 100% guaranteed since the raw materials are selected under methodical parameters previously set by the company, allowing it to offer the consumers products of high quality with nutritional benefits. Additionally, the company got the most important certifications that guarantee the sanitary control applied to its products. Regarding the pea flour, the production cost is relatively low and it does not require a large process to obtain the finished product, therefore, there is an additional guarantee that the company will have the finished product on time.

The sales levels of pea flour show a positive and growing trend in the last three years. This fact indicates that the company has a strong presence and acceptance in the market. However, the production ability that the company has today is superior to its selling capacity. For this reason the company can offer more products if it takes advantage of the manufacturing ability it has.

Despite the advantages that the company has, it has not developed a strategic plan that will allow the business to grow in the medium and large terms. Among other shortcomings that exist in the company is the lack of a foreign trade department in charge of developing market research in order to identify potential business opportunities as the one that is made in this thesis. In addition, there is a lack of clarity regarding the guidelines to follow in the productive process which gives as a result a loss in efforts and resources.

Regarding the Spanish market research it can be concluded the following:

Spain appears as a naturally attractive market for companies due to its population size and its high consumption potential that can be compared to the largest markets worldwide. Also, this country is considered an ideal platform for the development of business with Latin America as this region has a privileged and strategic geographical position in the European Union.

It is important to note that the Spanish economy is going through an important recovery process in which constant reforms have been applied in order to adjust and improve the unbalance that the Spanish economy is facing. The business environment in Spain remains positive even though the international crisis is not solved yet.

In addition, the market research that was carried out reveals that the Spanish consumer nowadays has shown more interest in the consumption of organic products because of their characteristics such as being products of high quality and healthier compared to other traditional food products. These organic products provide more minerals, vitamins and proteins due to their production and manufacturing processes.

The market target to which the company wants to get is formed by consumers of organic products that are characterized for being aged between 18 and 35 and who are in charge of buying food for their families. In this sense, there are 52.3% of people from the total population that are considered as regular consumers of organic products according to the demographic characteristics and segmentation variables that were analyzed. In this way, the target group of this study is formed by 5’602.979 Spanish people.

In this sense, the company seeks to position its pea flour in the Spanish market through a network of distributors who are already recognized throughout the Spanish market. As a result, a contact with Supermercados Mercadona S.A has been made, so the product can be sold through this supermarket network that has almost 30 years of sales experience in the Spanish market and has its own group of distributors. In addition, this supermarket network has its own market share of 13.5% over the total food markets in Spain and its main branch is located in Valencia.

On the other hand, for this exportation plan the CIF Incoterm of maritime type was considered. By using this incoterm, the company is in charge of paying the necessary expenses, insurance and freight to make the merchandise arrive at the destination port that has been agreed among the parts.

Regarding the requirements for the exportation process of pea flour, it starts with the electronic transfer of the Export Customs Declaration (ECD) through the new system named ECUAPASS. This declaration must be accompanied by the invoice and all the documentation that is needed before the shipment of the merchandise. In the case of the pea flour it is necessary to have certain authorizations such as the Certificate of Origin and the Phytosanitary Certification for Export.

Also, this research reveals that in the case of pea flour that is part of the tariff item 1106100000 that belongs to flour tariff number 07.13 and that refers to vegetables originated in Ecuador, the tariff preference of 0% is applied as the pea flour is considered a sensitive product within the Special Regime of Incentive of Sustainable Development and Governance known as SGP Plus.

Similarly, the sale price of the product is determined based on a profit percentage of 90% giving as a result a sale price of $0.98. In this case, the company is the one that will determine if the price can be reduced in the case of a considerable purchase quantity or if it has to be superior in case the company is looking for an increase in its incomes.

It has to be taken into consideration that the sale price offered by the company is highly competitive compared to the sale price of competitor companies, especially because it is a product of high quality that fulfills all the requirements and regulations existing in the European Union regarding organic products.

In terms of the net profit or income that would be obtained through the exportation of pea flour to Supermarkets Mercadona located in Valencia, Spain, it will be of $16,458.31. In this sense, the profitability percentage that this exportation represents for the company is of 67.7%

The result of the breakeven point in terms of units is of 18,928.96 units of 250 grams pea flour pack that are produced annually in order to cover the running expenses of the company and generate incomes.

Finally, it was determined that the sales objective of the company will increase 1% annually. Based on this, the financial projection made for the next five years shows that the company will have a total profit or income of $244,219.70 at the end of this term.

- **Recommendations**

In terms of the changes and improvements that have to be implemented within the company, Alimentos El Sabor should consider the following aspects:

- ✓ It is recommended to create a foreign trade department to be in charge of the exportation and importation processes in order for them to be carried out in an organized way so that the company can obtain benefits in terms of profitability and collect useful information for the opening to new markets.

- ✓ The company should develop a quarterly and annual strategic plan that allows accomplishing the short, medium and long terms goals so that the company can increase its growth levels as well as diversify its business strategies.

- ✓ It is necessary to create a Manual of Functions in which it is clearly determined the guidelines and functions to follow in each of the company´s positions in order to carry out effective productive processes avoiding the loss of resources and efforts. The Manual of Functions developed in this thesis which specifies each of the functions existing within the company can be a useful guide for its future implementation.

Regarding the feasibility of exporting pea flour of 250 grams produced by the company Alimentos El Sabor Cía Ltda, it can be said that Spain is indeed an enticing market for selling this product not only for the current profile of Spanish consumers but also for the highly profitable characteristics of the product that makes it an attractive product to be sold in the market. In this sense, it is recommended to export pea flour since the company has the knowledge and the productive ability to meet the demand of the Spanish market.

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ANNEXES

The documents presented here below are a simulation of export documents. These are legally invalid.

Annex 1: Export Customs Declaration (ECD)

REPUBLICA DEL ECUADOR

DECLARACION ADUANERA DE EXPORTACION

Consulta del detalle de la declaración de exportación

Número de DAE	028-2013-40-00012457

Información de general

Código de la distrito	GUAYAQUIL - MARITIMO	Código de régimen	EXPORTACION DEFINITIVA
Tipo de Despacho	DESPACHO NORMAL	Código del declarante	16911234

Información de Exportador

Nombre del exportador	ALIMENTOS EL SABOR CIA. LTDA.	Telefone del exportador	
Dirección del exportador	KM. 19 1/2 VIA A LA COSTA		
Numero de documento de	RUC-0990294690001	Ciudad del exportador	GUAYAQUIL
CIIU	VENTA AL POR MAYOR DE OTROS PRODUCTOS	Numero de documento de	RUC-0990294690001
Nombre del declarante	ALIMENTOS EL SABOR CIA. LTDA.		
Dirección del declarante			
Codigo de forma de pago	A PLAZO (120 DIAS)	Codigo de moneda	DOLAR ESTADOUNIDENSE

Informacion de carga

Puerto de carga	GUAYAQUIL	Puerto privado desde	
Puerto de llegada o de		Fecha de la carta de	
Nombre del consignatario	MERCADONA S.A.		
Direccion del	A-46-10384 C/VALENCIA # 5 PARQUE LA MATRIZ		
Ciudad del contribuyente	VALENCIA - ESPAÑA	Tipo de carga	CARGA CONTENERIZADA
Almacen de lugar de	(05909025) CONTECON GUAYAQUIL S.A	Medio de transporte	
Pais de destino final	ESPAÑA		

Totales

Codigo de moneda	DOLAR ESTADOUNIDENSE	Tipo de cambio	1
Total moneda transaccion(FOB)	40768	Cantidad de item	1
Peso neto total	10400	Peso total	10700
Cantidad total de bultos	1600	Cantidad de contenedores	1
Cantidad total de unidades fisicas	10400	Cantidad total de unidades comerciales	41600
Codigo de la mercancia de desnacho urngente		Codigo de solicitud de aforo	
Fecha de primer ingreso		Fecha de primer embarque	

Item

Firma del Contribuyente   1 de hoja /2 total de hojas   Firma del Declarante

Source: (Servicio Nacional de Aduana del Ecuador, 2012)

Elaborated by: Zamora, 2013

Annex 2: Original Invoice

ALIMENTOS EL SABOR CIA. LTDA.

KM. 19 1/2 VIA A LA COSTA
TEL.: 04-2737219
Guayaquil - Ecuador
RUC # 0990294690001

CLIENTE:	MERCADONA S.A.
DIRECCION:	A-46-10384 C/VALENCIA # 5 PARQUE LA MATRIZ Taverne Blanket
CIUDAD:	VALENCIA - ESPAÑA
TELF:	34 963541720
C.I./R.U.C.:	

AUT. S.R.I. 1111053840

FECHA		
Dia	Mes	Año
5	8	2013

Fecha de AUT. 01/01/2013

FACTURA Serie 001-001- N° 000000075

Cantidad	Descripcion	V. Unitario	V. Total
41,600	Fundas de 250 gramos de polvo de arveja	$ 0.98	$ 40,768.00
	TOTAL F.O.B.		$ 40,768.00
	FLETE		$ 3,000.00
	SEGURO		$ 218.84
	TOTAL CIF Valencia - España		$ 43,986.84
	P.A. # 1106.10.00.00-5 PESO NETO: 10.400,00 KILOS PESO BRUTO: 10.700,00 KILOS BULTOS: 1.600 CAJAS Forma de Pago: 120 dias a crédito		

Son: Cuarenta y tres mil novecientos ochenta y seis, 84/100 dólares

Valor Total	$ 43,986.84
IVA 12%	$ 0.00
IVA 0%	$ 0.00
Total	**$ 43,986.84**

Firma Autorizada

Recibi Conforme

Jose Simon Astudillo Perez (Imp. Fama - Tel. 2574567 - Telefax 2579456 - Ruc 091568451001
Aut. 1698 * 2 Bl. (50*3) del 0000050 al 00000150 * Impreso: 01/01/2013 * Caduca 01/01/2014

Original: ADQUIRIENTE * Copia # 1 EMISOR
Copia # 2 Sin derecho a Crédito Tributario

Elaborated by: Zamora, 2013.

Annex 3: Certificate of origin

No. de Certificado
146864

CERTIFICADO DE ORIGEN NO PREFERENCIAL
NO PREFERENTIAL CERTIFICATE OF ORIGIN

La CÁMARA DE INDUSTRIAS DE GUAYAQUIL, Certifica que las mercaderías
The CÁMARA DE INDUSTRIAS DE GUAYAQUIL Certifies that the merchandise

declaradas en la Factura Comercial No.: declared in commercial Invoice No.:	001-001-000000075	Declaración Aduanera Única	028-2013-40-001245-7
por by	ALIMENTOS EL SABOR Cía. Ltda.		
embarcadas en el puerto de shipped at the port of	PUERTO GUAYAQUIL	República de Ecuador Republic of Ecuador	
medio de transporte mean of transport	HAMBURG SUD. APL/MANAGUA	de bandera flag	
con destino a bound for	VALENCIA ESPAÑA		
y consignadas a and consigned to	MARCADONA S.A.	para for	A-46-10384 C/VALENCIA # 5 PARQUE LA MATRIZ

han sido producidas en la República del Ecuador
have been produced in Ecuador

BULTOS PACKAGE		ARTÍCULOS ITEMS	
MARCAS/ BRANDS	**CANTIDAD/ QUANTITY**	**CLASE/ CLASS**	**PARTIDA/ HTS NO.**	**DESCRIPCIÓN/ DESCRIPTION**
S/M	1600	CAJAS	1106100000	POLVO DE ARVEJA

Observaciones:

Firma y Sello del Exportador	GUAYAQUIL **CÁMARA DE INDUSTRIAS DE GUAYAQUIL**

Source: (Cámara de Industrias de Guayaquil, 2013).

Annex 4: Export Phytosanitary Certificate.

Ministerio de Agricultura, Ganadería, Acuacultura y Pesca

REPÚBLICA DEL ECUADOR

MINISTERIO DE AGRICULTURA, GANADERÍA, ACUACULTURA Y PESCA

AGROCALIDAD

AGENCIA ECUATORIANA DE ASEGURAMIENTO DE LA CALIDAD DEL AGRO - AGROCALIDAD

CERTIFICADO FITOSANITARIO DE EXPORTACIÓN
PHYTOSANITARY CERTIFICATE FOR EXPORT

Nº 1492973

Organización de Protección Fitosanitaria de Ecuador Plant Proteccion organization of Ecuador	A: Organización (es) de Protección Fitosanitaria de TO: Plant Proteccion Organization (s) of VALENCIA ESPAÑA
I. Descripción del Envío / *Description of Consignment*	
1. Nombre y dirección del exportador *Name and address of exporter* ALIMENTOS EL SABOR Cía Ltda. Km. 19½ vía a la Costa Guayaquil - Ecuador	2. Nombre y dirección declarados del destinatario *Declared name and address of consignee* GIA KHANH ONE MEMBER COMPANY LIMITED No. 33 Road Van Vi - Ward Chi Lang - Lang Son City Tel: 0084-253-711722
3. Lugar de origen / *Place of origin* GUAYAQUIL - ECUADOR	4. Medios de transporte declarados / *Declared means of conveyance* MARÍTIMO
5. Punto de entrada declarado / Declared point of entry VALENCIA - ESPAÑA	6. Marcas distintivas / Distinguishing marks S/M
7. Número y descripción de los bultos *Number and description of packages* 1.600 CAJAS	8. Cantidad declarada y nombre del producto *Name of produce and quantity declared* 10700 KG (POLVO DE ARVEJA)
9. Nombre del producto *Name of produce*	*Polvo de Arveja*

Por la presente se certifica que las plantas, productos vegetales u otros artículos reglamentados descritos aquí se han inspeccionado y/o sometido a ensayo de acuerdo con los procedimientos oficiales adecuados y se considera que están libres de las plagas cuarentenarias especificadas por la parte contratante importadora y que cumplen los requisitos fitosanitarios vigentes de la parte contratante importadora, incluidos los relativos a las plagas no cuarentenarias reglamentadas.

This is to certify that the plants, plant products or other regulated articles described herein have been inspected and/or tested according to appropriate official procedures and are considered to be free from the quarantine pests specified by the importing contracting party and to conform with the current phytosanitary requirements of the importing contracting party, including those for regulated non- quarantine pests.

II. Declaración Adicional / *Additional Declaration*

NINGUNO

III. Tratamiento de Desinfestación y/o Desinfección / *Desinfestation and/or Desinfection Treatment*

10. Fecha / Date jueves, 06 de junio de 2013	11. Tratamiento /*Treatment* POLVO DE ARVEJA	
12. Producto químico (ingrediente activo) POLVO DE ARVEJA	13. Duración y temperatura *Duration and temperature* 72 horas	14. Concentración *Concentration* 4 cajas por metro cubico

15. Información adicional / *Additional information* NINGUNO	Nombre y Funcionario Autorizado / *Name of autorized officer*
Lugar de expedición / *Place of issue*: GUAYAQUIL	
Fecha / *Date*: viernes, 14 de junio de 2013	Firma / *Signature*

Source: (Ministerio de Agricultura, Ganadería, Acuacultura y Pesa, 2013).

Annex 5: Bill Of Lading

Bill of Lading
Multimodal Transport
or Port-to-Port Shipment

HAMBURG SÜD
www.hamburgsud.com

Shipper
ALIMENTOS EL SABOR CIA. LTDA.
KM. 19 1/2 VIA A LA
TEL. 04-2737219
RUC 0990294690001
GUAYAQUIL - ECUADOR

B/L No. (also to be used as payment ref.): SUDUB73701291029
Booking No.: 2GYEAG3773

Export References
LLOYDS LIST:9095020
INTBL: GYAG3773

Consignee ("Not negotiable unless consigned to order")
MERCADONA S.A.
A-46-10384 C/VALENCIA # 5
PARQUE LA MATRIZ
TAVERNE BLANKET
VALENCIA - ESPAÑA
TEL.: 34 963541720

Forwarding Agent-References

Point and country of origin

Notify Party (See cl. 12)
MERCADONA S.A.
A-46-10384 C/VALENCIA # 5
PARQUE LA MATRIZ
TAVERNE BLANKET
VALENCIA - ESPAÑA
TEL.: 34 963541720

Domestic Routing Instructions / Also Notify / Agent at Port of Discharge

Place of Receipt*: GUAYAQUIL
Pre-carriage by*:

Port of Loading: GUAYAQUIL, ECUADOR
Ocean Vessel: APL MANAGUA
Voyage: 242N
Originals to be released at: VALENCIA - ESPAÑA
Freight payable at: GUAYAQUIL, ECUADOR

Port of Discharge: VALENCIA - ESPAÑA
Place of Delivery*:
Mode Load Area: DOOR
Mode Disch. Area:

PARTICULARS FURNISHED BY SHIPPER

Marks & Nos. | Cont./Seal Nos. | No. of Pkgs. | Description of Goods | Gross Weight | Measurement

SUDU6235552
Seal-Numbers
ACA9898
ACA8962
Size:40' Type:RH
Cnt.Ld.:FCLFCL

1 CONTAINER -SHIPPER'S LOAD,STOW,COUNT,WEIGHT AND SEAL
1600 Box
10700.00 KGS

POLVO DE ARVEJA
PN 10400.00 KL
PB 10700.00 KL
DAE 028-2013-10-00012457
NCM:080300
SC NO.:RSW-CLIW-12-0182

1600

FREIGHT PREPAID
"CARGO STOWED IN A REFRIGERATED CONTAINER SET AT THE SHIPPER´S REQUESTED CARRYING TEMPERATURE OF 7,5 DEGREES CELSIUS."

TRANSPORTADOR:
HAMBURG SUD
FECHA:......................
Certificamos que en esta fecha hemos embarcado la carga aqui detallada.
HAMBURG SÜD ECUADOR S.A.
....
FIRMA AUTORIZADA

Freight/Charge	Basis	Rated as	Prepaid	Collect	Exchange-Rate
OCEANFREIGHT	LUMPSUM	3000.000 USD	3000.000 USD		USD
THC LOAD POR	LUMPSUM	160.000 USD		160.00	USD
CARRIER SEC.	LUMPSUM	11.000 USD		11.00	USD
BUNKER ADJ F	LUMPSUM	790.000 USD		790.00	USD
EMERGENCY FA	LUMPSUM	300.000 USD		300.00	USD
CUSTOMS DECL	LUMPSUM	30.000 USD		30.00	USD
PANAMA LOCK	LUMPSUM	170.000 USD		170.00	USD
		T O T A L :	3000.000 USD	1461.00	USD

Page: 1 of 1

Tariff Item No.: 110610
Total No. of Pkgs.:
Declared value (See clause 16):
No. orig. B/L: 3
SHIPPED ON BOARD: 07.08.13

RECEIVED for shipment as specified above in apparent good order and condition unless otherwise stated. The Goods to be delivered at above mentioned Port of Discharge or Place of Delivery, whichever applies. SUBJECT TO Terms and Conditions contained on reverse side hereof, to which Merchant agrees by accepting this Bill of Lading.
IN WITNESS WHEREOF the number of original Bills of Lading stated on this side next to this clause have been signed, one of which being accomplished, the others to stand void, unless compulsorily applicable law provides otherwise.
*Applicable only when used for MULTIMODAL TRANSPORTATION.

GLC CERTIFIED ISO 9001 ISO 14001

ON BOARD
GUAYAQUIL
07.08.13

Signed as Agent for HAMBURG SÜD
as CARRIER
HAMBURG SÜD ECUADOR S.A.

HS BL 01-11-61400 A
5288508
A-11

Source: Hamburg Sud, 2013.