



Universidad del Azuay

**Facultad de Ciencias Jurídicas
Escuela de Estudios Internacionales**

**“E-commerce analysis and identification of its competitive advantages in the
commercialization of Ecuadorian toquilla straw hat.”**

Graduation work prior to obtaining the Bachelor in International Studies, bilingual
mention in Foreign Trade

Author

Viviana Priscila Bermeo Contreras

Director

Eng. María Inés Acosta Urigüen

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DEDICATORY

Thanks to these important people in my life who were always ready to give me all their support. To all of them I dedicate my thesis, to my parents who have been mainstays in my life, without them I would have never gotten this far. The tireless struggle they have done, not only for me but for my siblings I thank them infinitely. Them, who have instilled in me principles that have enabled me to be a better person. Also, I dedicate this thesis to my husband who has given me affection, trust and with his unconditional love he has given me support to finish this stage of my studies. To all of them I dedicate this thesis, without them this would not have been possible.

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ABSTRACT

The purpose of this thesis is to determine the existing competitive advantages in electronic trading of Ecuadorian toquilla straw hats internationally. Primarily through an analysis of the situation of E-commerce in Ecuador with aspects like technology infrastructure, laws trade, production of straw hats in the country, the export of the product and the existence of portal webs where there is already an existing marketing hat. 90% of the production goes to the world market and only 10 % is sold in Ecuador. Our country is in a privilege location for the production of toquilla straw, which is the raw material used to manufacture the product.

The product made in Montecristi, Manabi has designation of origin. All Ecuadorian toquilla straw hats have recognition by UNESCO as intangible heritage of humanity. The hat became internationally renowned during the construction of the Panama Canal after several facts like the photography of Roosevelt with the hat. These are some reasons the Ecuadorian product is coveted worldwide.

However, it must exist as a massive promotion of the true characteristics of the product so that they are not compared to others similar that are traded internationally and that do not meet the characteristics that the Ecuadorian hat has. There is also the misconception they have in some countries of the Ecuadorian hat as Panama hat and lack of precise regulation of electronic trade for the commercialization of the product.

INTRODUCTION

The toquilla straw hats have been a product that has been known worldwide through the history for its features. Currently, it is necessary that these characteristics, besides the required by consumers, be known through the web to give them an added value and comply with the new requirements of international trade. It is important to promote the hat as an environmentally friendly product. This graduation work has its basis on the new technologies to commercialize these hats and on which part of the world population is already familiar with them. For this reason it is necessary to analyze the existing competitive advantages in the commercialization of Ecuadorian toquilla straw hat through E-commerce.

To carry out the present work; I have obtained information from books, from the web to get the main concepts of E-commerce, the story of the Ecuadorian straw hat and the way they are currently marketed. The commercialization on the web in the globalized world market is a prerequisite to become more competitive. Technology is an important factor for the development that is currently required and must be adapted to the product to be more competitive in the global market. Hats are being marketed through the web. However, it is necessary to improve the strategy to promote them by internet which is an effective tool in terms of marketing products. It is important that the people involved with new technologies take advantage of them and move away from the traditional commerce which is losing involvement in the international market.

CHAPTER 1: ANALYSIS E-COMMERCE WORLD AND NATIONAL

E-commerce is basically defined as all kinds of commercial transactions carried out between those who offer products and those who buy them through electronic means. When referring to any type of transaction, it includes activities such as: promotion and advertising of goods and services, marketing, post-sales support, market research, among others, for profit.

E-commerce is not as new since it has been used in ATM (cash machine) and credit cards transactions. These have been useful for this kind of transaction. It can be considered that with the appearance of internet, E-commerce gave its inception and it is developing nowadays. It started as a military project to become an indispensable tool in business transactions in the world today. (Nieto, 2009)

This chapter describes a concept and some types of E-commerce. To have a broader view of this topic, this chapter describes the world situation of E-commerce, the situation in Latin America region and how E-commerce and its technological infrastructure are in Ecuador. Also, some characteristic features of this trade are described, like: the dimension of capital is not important, the information has value, value-added sites are more successful, interactive marketing, personalization and collaboration with suppliers. It has maintained the basic characteristics of trade, like: product quality, prestige, quality of service, advertising and marketing and comfort. E-commerce is part of a social process characterized by the globalization of markets where the economy is based on knowledge, information and the presence of technology.

This chapter describes important aspects of the regulation of E-commerce in Ecuador. It should be stressed out that in our region the computer law has developed rapidly since computer laws are being created in each country, including ours. However, a good development of E-commerce requires of both technical and legal tools. The first serves for analysis of information and creates security mechanisms. Legal tools serve to

determine verification fields and they are developed against risks that may arise from the application of this type of trade. (Centre for the Study of Law and Technology USMP, 2012) Finally, this chapter will analyze the sales that are made through E-commerce, as well as their advantages and disadvantages both national and international levels.

1.1. Types of E-commerce

As any contract or form of negotiation involves two or more parties, electronic commerce is no exception. The main stakeholders are business, consumers and administration. They interact to carry out the E-commerce. The following classification is according to the participation of the stakeholders mentioned above. (bicgalicia.org, 2007)

1.1.1 Commerce business to business (b2b)

Trading between businesses is an activity which has been developed mainly based on the use of electronic data transfer. Parties involved in this trade have the same level. It is a wholesale trade because the parties are companies.

This trading provides benefits such as: the ability to receive more bids; depersonalization of the purchase, the process becomes cheaper as there are less sales visits, faster negotiation, etc. For buyers there are lower management costs therefore the price decrease.

1.1.2 Commerce business to consumer (b2c)

Commerce between business and consumers becomes easier with the use of the internet. This is the reason why virtual companies have been created. The existing companies believe that the internet is an alternative to get benefits, including: increase in number of consumers as well as more sales.

However, there is a dilemma for the consumers in the use of technologies relating to their right of privacy and the confidentiality of their communications which must be constitutionally protected. The payment system used provides success to E-commerce

because it ensured the payment via credit card, cash and the use of services provided by PayPal and others.

1.1.3 Commerce business to administration (b2a)

This kind of commerce happens when businesses do transact with suppliers of the government or administration. It provides electronic interchange services, such as: the Value added tax return or payment of corporate taxes.

1.1.4 Commerce consumer to consumer (c2c):

In this kind of commerce based primarily on pages of auctions where consumers interact with individuals who do transactions or exchanging of information. These are initiated through these portals for certain products without intermediaries.

1.1.5 Commerce administration to consumers (a2c):

This trade involves the services offered by various institutions of the state through their websites. These pages are already giving results. (Nieto, 2009) In Ecuador, the best example is the tax administration system in which people can pay taxes through electronic means and issue electronic receipts via the website that the Internal Revenue Service (tax collector fiscal agency) makes available for its users. The pages of other institutions merely serve to acquire information. The main objective of trading via electronic technology is to provide more effectiveness to administrative work.

1.2. Global E-commerce situation

At the beginnings of the ecommerce, the one who created the first shop online was Michael Aldrich in 1979. E-commerce is developing in the present day. The trade of goods is given to a great extent through electronic means. Activities, like advertising, sales, distribution of products are generally handled through a network of telecommunications, primarily the Internet. Nowadays, the main competitive countries in the electronic commerce are the United States and Japan, which are developing to the maximum all the benefits that this trade offers.

In 1998, the Geneva declaration about global E-commerce established a program that analyzes aspects related to E-commerce. In the following months the General Council received the project of the program with which the due deliberations began, in the Councils of the Trade of Goods, of the Trade of Services and of the ADPIC (intellectual property) and the Committee of Trade and Development. Members of the World Trade Organization agree that customs house will be kept of not imposing customs duties to the electronic transmissions.(Organización Mundial del Comercio, 2013)

In Latin America, the Small and medium enterprises (SMEs) have developed thanks to the evolution of the E-commerce because it allows online sales. In Brazil, there is a clear decentralization of the electronic commerce because of the high participation of the SMEs and new entrepreneurs. This situation is applied to the majority of the countries of the region.

E-commerce has generated significant changes in the "online habits" of consumers because it offers good prices, variety, convenience and valuations of the product a totally different purchasing experience. Pueyrredon, says that it is necessary to take advantage of profits of the last innovations of the E-commerce in order to be successful in the Internet business world. Also, it is necessary to take into account the constantly changing purchasing behaviors of the consumers. (2012)

Some of the reasons why buyers prefer an acquisition online are the following: saving time, easy of price comparison, more variety, lower prices, lower taxes, reduced crowds and, people do not have to spend in transportation to acquire products. The kinds of payment used for online purchases are credit and debit cards, bank transfer, electronic money, prepaid cards. (Pueyrredon, Cuál es el tamaño del comercio electrónico?, 2012)

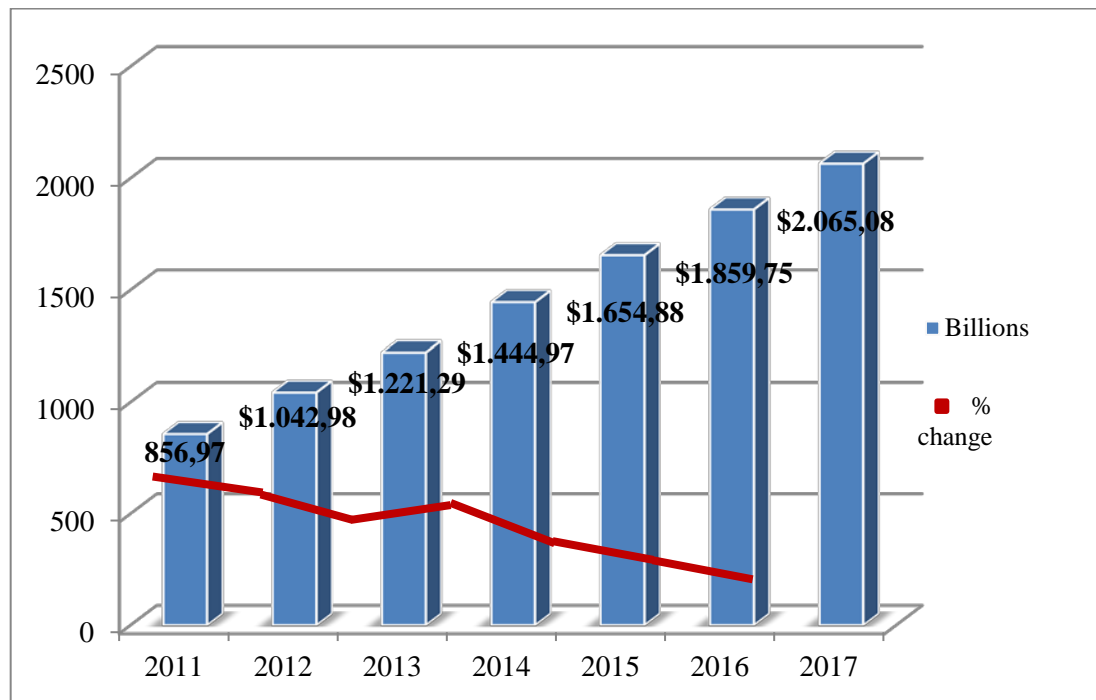
A study by ComScore (leading company in the Internet measurement that provides analysis for the Digital World) points out some of the pages with better reputation to buy and sell in the web, like AMAZON, one of the first companies which defined the Internet. Today it offers products such as books, software, clothes and articles for home.

EBAY is an auction page where people simply have to register and those interested in the products offer what they wish. ALIBABA is the main page of ecommerce of China. Most of China's businesses are in this web page. APPLE.COM is a high innovation company because of their products such as iPhone, iPod and iPad which can be seen in its virtual shop. WAL-MART is the biggest retail chain of the world. This enterprise has been strengthened by its presence on the network and offers a variety of products on its website. MERCADO LIBRE is a big virtual shop and mostly visited in Latin America to be the fourth in the world.(Portafolio.co, 2011)

The above mentioned virtual shops have been successful thanks to consumers who purchase online instead of going out to look in shops. This is because of the comfort of shopping from home without leaving home and simply asking consumers to choose the product via the web. Factors like safety and confidence offered in transactions via the previously named sites deserve to be renowned.

The development of E-commerce in recent years is impressive. The following chart shows the growth of E-commerce business to business in recent years, plus a projection for next year according to estimations of an eMarketer report. This graph shows the amounts in billions of dollars managed through online sales.

Illustration 1: E-commerce growth B 2 B



Source: www.eMarketer.com

Elaborated by: Viviana P. Bermeo C.

Worldwide online sales have been constantly increasing since 2011. There was an increase of 23.3% in 2011. In the year 2012 there was a growth of 21.7% and it is thought that when 2013 ends, it would be 17.1%. The E-commerce growth is unavoidable as the previous graph shows, due to the increase of users and mobiles, payment options and digital shops expansion. The report shows that the United States continues being the country with the higher volume of sales in the world by the end of last year. (eMarketer, 2013) Nevertheless, there is a deceleration in the growth process.

E-commerce is already in the fashion industry with favorable outlook to increase sales this way. In the United Kingdom, the sales will be of approximately 10,500 million dollars according to projections of British fashion. Nowadays, people who do not use E-commerce are considered a select group because most customers are choosing to buy on the internet.(Bustamante, 2013)

In Colombia, the sales growth of MercadoLibre website was 54.6 % in 2012. The trend of women travelling to obtain better prices and bargains for clothes is already diminishing. These stores, in spite of not possessing a physical shop, are having an important development both in Bogota and in Medellin.(Bustamante, 2013) The way of distribution must improve so it is necessary to adapt the chain value to be more flexible and adaptable to the demand for an effective way to achieve client satisfaction.

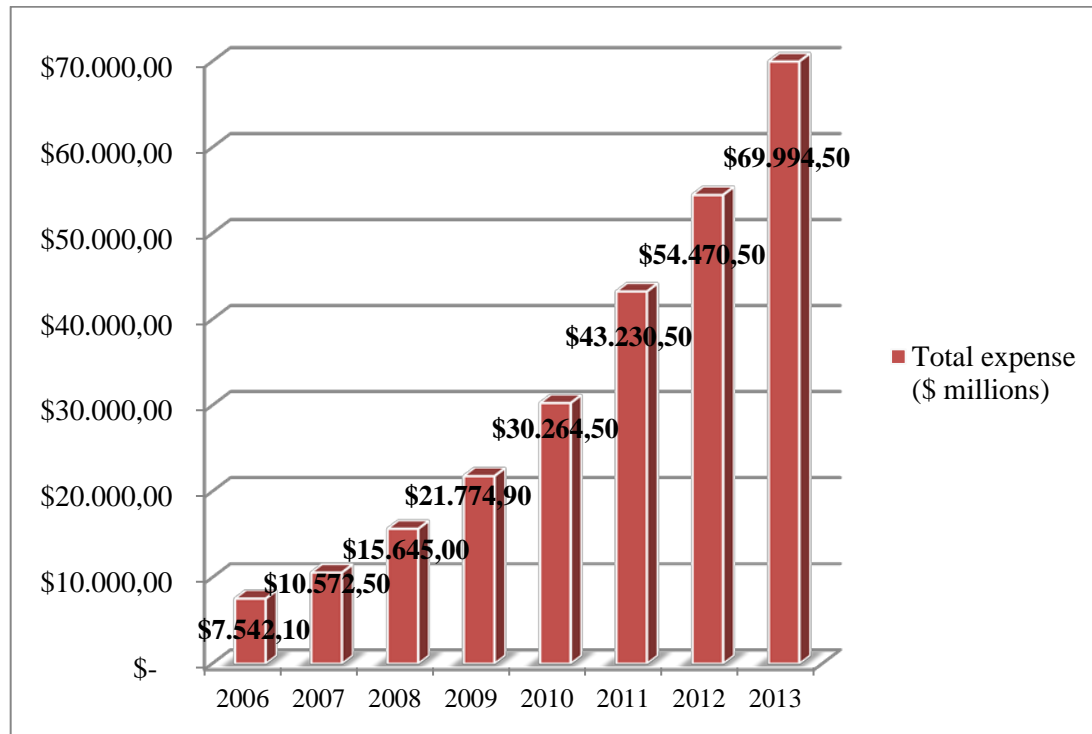
According to an American economy study, in Latin America, the ecommerce leader is Brazil with approximately 60% of participation. Mexico is second with 14%. In addition, this study shows that in these countries there are safety conditions and consumer confidence about buying online. This trend is due to the existence of the commercial platforms; this means the use of social trade which is the use of social networks for buying and selling products and services on the web. Besides legal reforms, has benefitted from better banking and increase of the use of electronic payments means like credit cards.

The study assumes an E-commerce growth of 28.5% for this present year and a higher rate for 2015 because of the mobile internet, such as the introduction of smart phones and tablets. Likewise, during this year, throughout the world the ecommerce will move 1.4 trillions of dollars.

Together with the E-commerce growth there is the online fraud growth. People are cautious about buying online and they try to include antifraud mechanisms. According to Guillermo Rosiglosi, the director of CyberSource for Latin America and the Caribe in United States, at least 68% of commerce uses tools for antifraud in order for the transactions to be more reliable and secure. (Portafolio.co, 2011)

The following graph shows total expenses of E-commerce business to business in Latin America from the year 2006 and a projection for the last year 2013. Similar to the worldwide growth, the Latin America region shows an ascending curve during the last seven years.

Illustration 2: Total expenditure of E-commerce in Latin America



Source: www.americaeconomia.com

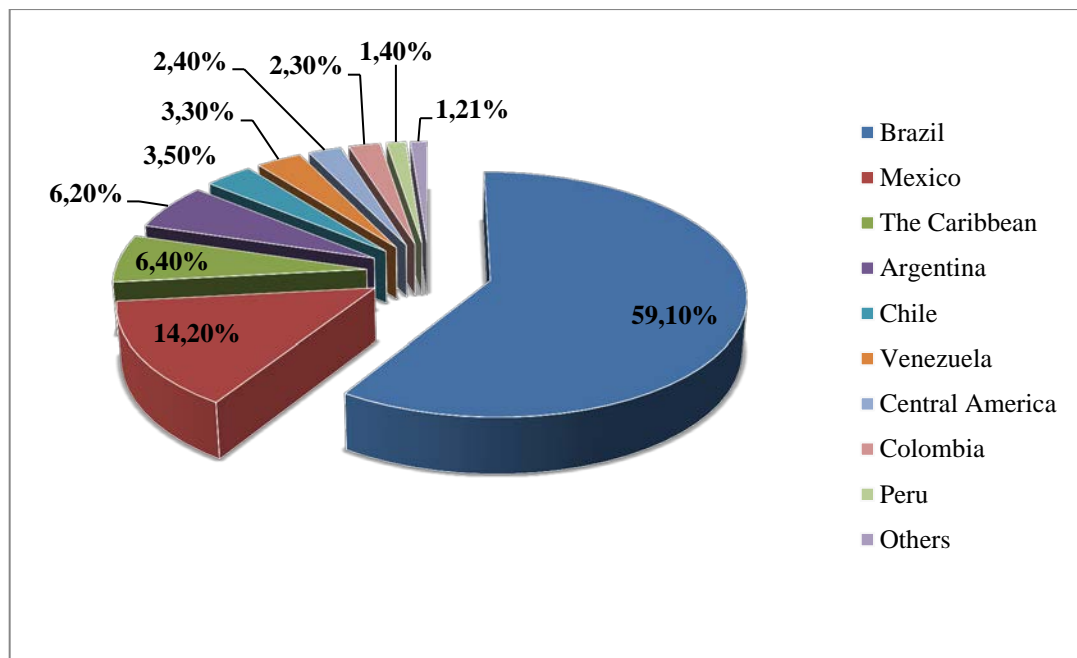
Elaborated by: Viviana P. Bermeo C.

The economic growth and motivation of some businessmen on the E-commerce are visible. As it shows in the previous graph, every two years the E-commerce duplicates itself. This is possible due to the social E-commerce growth, because Latin Americans are associated with frequent use of social networks; which has allowed the average-low socioeconomic sector to transact online. The social networks have caught great attention of users to turn them into active and potential clients of the electronic commerce.

Smart phones are part of E-commerce growth because they allow users to make online purchases from anywhere in the world. The mobile device also offers facility to compare prices and purchase. We can be sure that the electronic commerce will have increased acceptance thanks to the mobile Internet. In addition, it is important to mention that the Latin-American consumer is sensitive to the offers and to the massive use of mobiles and therefore, both will increase. (América economía, 2012)

The following graph shows that in Latin America, Brazil is the leading country of E-commerce. The reason for this is because of reforms that have motivated ecommerce, like: tax and interest rate reductions and legislative adjustments in agreement with the consumption of the Brazilians. For instance, the return of products without cost for the client who buys online to gain the confidence of the consumer and also businesses have improved their logistics.

Illustration 3: Country participation in E-commerce B2C in the region



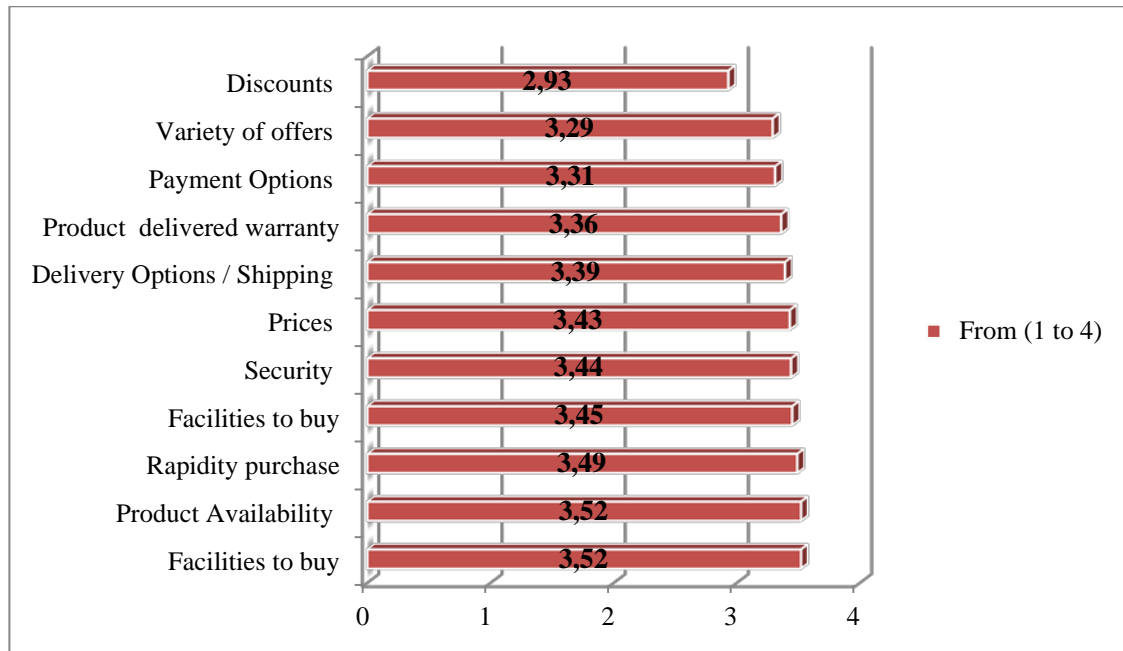
Source: www.americaeconomia.com

Elaborated by: Viviana P. Bermeo C.

According to an "America Economia" study, there are big companies of E-commerce, such as Apple and Amazon that are interested in investing in Brazil. In Latin America, a solution to the lack of logistics to deliver products bought online is that the consumer takes the product from the store. In Argentina, where delivery costs are expensive they are applying this solution. Nevertheless, in spite of growth indexes in the region, there still is a lack of promotion of this trade.

The following graph presents the importance that Latin-American buyers give to different aspects at the moment to do an acquisition, in a range of 1 to 4. Number 1 signifies less importance and 4 represents more importance. According to information, buyers give more importance to the availability of products, rapidity and facility of purchase. On the other hand, the aspects that are less important are: after-sale service, discounts and variety of offers. In spite of being in different rank of importance, the variation is relatively low. It shows that before doing the acquisition certain aspects are indeed analyzed by consumers.

Illustration 4: Relevant factors to buy online (1 to 4)



Source: www.americaeconomia.com

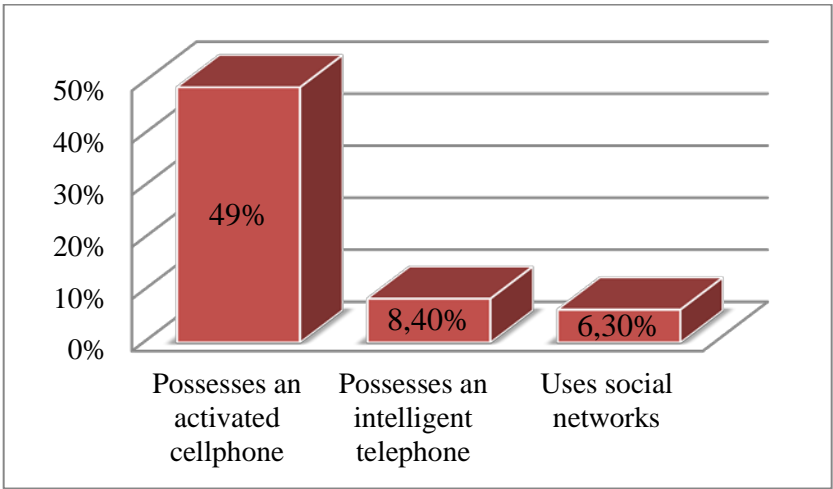
Elaborated by: Viviana P. Bermeo C.

1.3. Internet in Ecuador, technological infrastructure.

E-commerce has the following elements: connectivity, infrastructure and knowledge. Often, an online purchase does not carry out for lack of confidence in the system which means that people believe the system does not possess the sufficient safety to realize the acquisition. The main fears of the users are the loss of goods and credit card number theft.

In our country, according to indicators of the National Secretariat of Telecommunications (SENATEL), Telecommunications superintendence (SUPTTEL) and Service providers trunked radio communication (ASETRA) the infrastructure telecommunications development is relatively low. It is confirmed with the results obtained of the surveys of Technologies of the Information and the Communication (TIC's) in December, 2011 in Ecuador. This information shows that of 21,768 homes polled, 24.7 % have a computer and 9.8% have a portable one, but 36.14 % uses computer. In our country 78.8 % of homes have cell phones, of which 46.6 % of people has the cell phone activated. In Ecuador just 8 % has a Smartphone. 45.40% of homes have access to internet; nevertheless 31.37 % use this tool. (INEC Instituto Nacional de Estadísticas y Censos, 2011) To corroborate the above mentioned about the development of technological infrastructure. The following graph shows the result of a study about access to the TIC'S of the year 2012.

Illustration 5: Use of cell phone



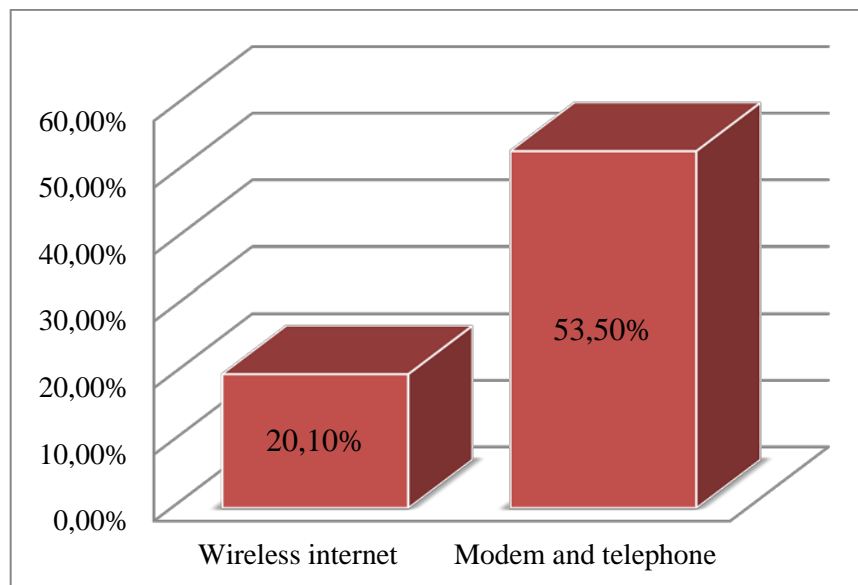
Source: INEC
Elaborated by: Viviana P. Bermeo C.

Data shows 6.8 million people in Ecuador have an activated cellphone which means 49% of the population, of which 8.4 % has a Smartphone which is 800,000 people and 600,000 is the number of those who use the cellphone for social networks. The preferences of use of the telephones are: social networks, access to internet, access to e-mail, entertainment and use of the GPS.

People who use more social networks fulfill the following characteristics: live in urban area, they are single, they have university instruction, they have full occupations and they are a private employee. The use of Smartphones is higher in the province of Guayas with 20,8% followed by the province of Pichincha with 12,6%. 13,9% of homes have at least a portable computer, which means 4.1% more than in 2011. (INEC Instituto Nacional de Estadísticas y Censos, 2012)

The following graph shows the most common types of connection to internet in our country, the use of a modem is major in homes with 53,5%. Nevertheless the wireless internet is the most popular in our country being that 20,1% of the people in Ecuador use it.

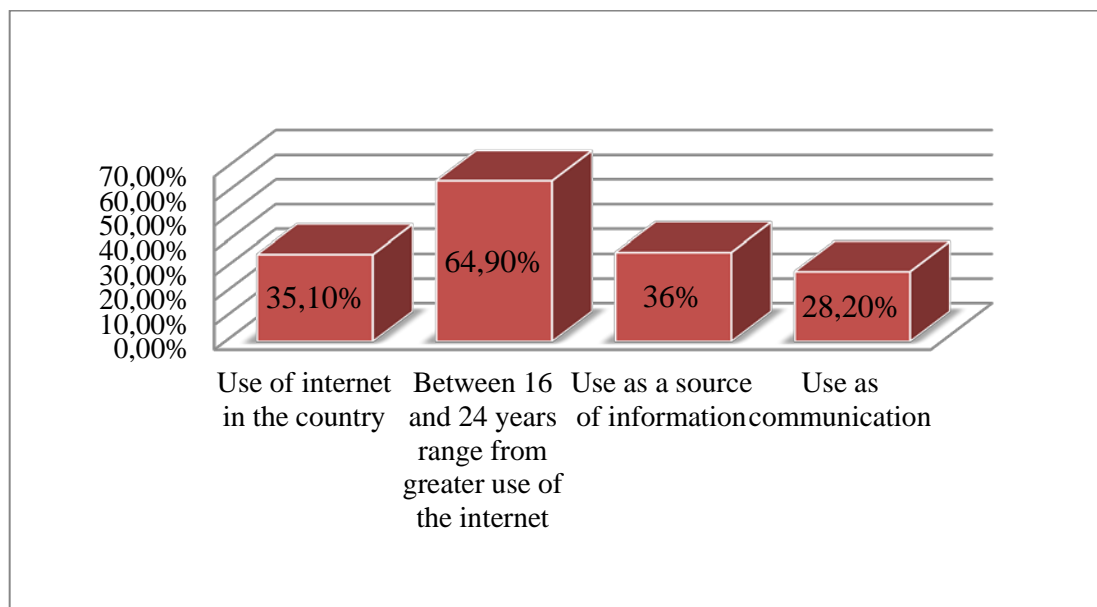
Illustration 6: Internet connection



Source: INEC
Elaborated by: Viviana P. Bermeo C.

The following graph shows that 35.1% of population use internet in Ecuador. The age group that mostly uses the internet ranges between 16 and 24 years with 64,9%. In the graph, it also shows that 36% of people use internet as a source of information whereas 28,2% use it as a communication channel. (INEC Instituto Nacional de Estadísticas y Censos, 2012)

Illustration 7: Use of internet in Ecuador



Source: INEC

Elaborated by: Viviana P. Bermeo C.

The Ecuadorian government through the telecommunications and information department, Jaime Guerrero, the Minister of telecommunications and information department, has implemented the project of Infocentros (It is a project that promotes the entry of citizens to digital platforms and social networks which have opened a range of information beyond traditional media) for the community, located in 373 parishes to fulfill the goal to reach 10 million internet users by 2013. According to Minister Guerrero; of 5081 public schools, 1.7 million students have internet access. 3,400 schools use optical fiber connection, with 27,881 kilometers installed in 23 provinces. This service has benefited 54,58% of the population which means approximately 8176,000 users.

These centers have allowed 412,000 people for whom it is inaccessible to buy a computer or pay Internet to have Internet access. In places where there are no Infocentros there are available mobile classrooms that they go to 830 population groups. This fact does that Ecuador shows a major indicator in Internet use the present year.

According to the government, for this year, 352 Infocentros will be created, being beneficial for a million people. The use of mobile telephony shows a notable growth for our country having 7 million users in 2012. The investment by the government has grown from 15 million in 2010 to 45 million in 2012. (teleSUR, 2013)

1.4. Current situation of E-commerce in the country.

E-commerce moves approximately 300 million dollars in the country. However, the beneficiaries of this activity are the international companies because most of generated commerce profits are for them. According to Pacificard manager Ricardo Intriago, people invest in webs of international business because in their countries there are not enough offers. Ecuadorian businesses are not yet familiar with E-commerce. Nevertheless, nowadays there are companies which are investigating the consumer behavior in order to sell via the internet through useful marketing strategies and show consumers the existing benefits of buying via the internet.

In Ecuador E-commerce is applied in sales of domestic appliances, the pioneers of such being Comandato and Creditos Economicos. In the textile market, De Prati and Marathon Sports are the pioneers. The last one allows personalizing the products through its web page, specially T-shirts of the national teams. This is a way to attract people with a page of easy access to, so they could understand the process of the shopping cart.

Companies must be at the avant-garde (innovators) using E-commerce as a commercialization strategy because it is in fast development. Nowadays, those who have adopted it begin to have major purchasing power as well as new generations who are born in the technology world will begin using this buying method.

At present in our country, since February, 2012, the Internal Revenue Service (tax collector fiscal agency) offers a free tool for small and medium-sized taxpayers designed for electronic emission of sales receipts. The tool offers the functions to generate, to express, to sign electronically and to send the vouchers to the tributary administration

for approval. In spite of having this service, most businesses continue using paper receipts. The challenge of the SRI is for taxpayers to apply the digitization of the receipts in order to reduce direct and indirect costs. In addition to decrease contamination, it offers safety, improves and simplifies the process of receipts emission. This kind of receipts decreases costs of managing to obtain, emit, file and protect them. Receipts delivery at SRI is automatic at the moment of emission through the web service.(Servicio de Rentas Internas, SRI, 2013)

To use this tool taxpayers must possess a digital certificate of electronic signature and must pay the total payment of taxes. Then, the user must present a request through the page of the IRS application in “Electronic receipts”, which is available in the services system online. An advantage of this system is that it is independent from the system of IRS therefore it is possible to continue using the system even if the IRS system is fallen. In case of the biggest companies, they must have their own system implemented and they have to look for an appropriate risk plan.

The electronic receipts generated on the page are invoices, credit notes and debit notes, receipts of retention and guides of remission. The signature of receipts is digital, sent automatically through the web to the SRI for its authorization or rejection. Once the receipts are entered, there is a button that says, to save, to sign, to send. At that moment the information is saved in xml file, digitally signed and sent to the IRS. Every receipt emitted will be delivered to purchaser by e-mail. To verify, the electronic receipts are done through public consultations or deprived on IRS web page showing successful transaction message and in case of the action is not right a message will indicate the error. For the functioning of this tool it is necessary to have installed the following: Java runtime 6 or virtual Java Machine 6 and controllers (drivers) of safety tokens. (Servicio de Rentas Internas, SRI, 2013)

An advantage of electronic receipts is to encourage paper savings. An authorized receipt can be found available on the web page of the IRS and its printing is not necessary. Also, it is unnecessary to maintain, in the company, a file for 5 or more years with these

type of receipts. (Servicio de Rentas Internas, SRI, 2013) In March, 2013 in Ecuador was published a resolution about the norms of the optional shift of emission to electronic receipts, later in May, 2013 was published a new resolution making obligatory the use of the system of electronic invoicing.

1.5. E-commerce regulation in Ecuador

Attorney Jorge Sosa Meza says that before the Law of Electronic commerce arises a legal framework for electronic contracts realized by the Commission of the United Nations in order to count with an International Commercial law (UNCITRAL), having a law model in 1996. The following year the European Union and the United States signed a Declaration about E-commerce agreeing to work for the global development. Recommendations were adopted for sustainable growth of virtual commerce, among them: to assure the widest use of the new technologies, the government as responsible of offering a legal framework that assures the suitable protection of the targets of public interest, intimacy, intellectual property, fraud prevention, consumer protection and national security. Also it was fixed to eliminate unnecessary legal barriers and the taxes in the E-commerce must be clear, consistent, neutral and non-discriminatory.

At a global scale it was planned to have the promotion of E-commerce focusing on legal jurisdiction in case of conflicts existing between the parties: for example, on having been realized in a virtual space, the principle of territoriality comes into play in case of contracts. Nevertheless, there was an important precedent in the private international law. Precedent that allowed in 1997, the conference of The Hague, on international Private Right to create a commission entrusted to direct the international jurisdiction and the effects of the foreign judgments in the civil and commercial questions, the current problem of private international law being the virtual space matter. A draft was presented about the jurisdiction of legal decisions in the civil and commercial matters. If compared with Peru and Colombia, our country was the last one to approve E-commerce legislation.

An E-commerce regulation must be based on property protection and the safety of transactions. The World Trade Organization deals with issues related to E-commerce that heightens the importance of which it is necessary to rely on norms that especially create confidence in the system used. Legislation must exist that protects the safety and confidentiality of information.

In Ecuador we have the Law of E-commerce, Electronic Signatures and data messages that is current from April 17, 2002 and its current regulation from December 31, 2002. The main goal of the law is the regulation of data messages, electronic signature, services of certification, electronic hiring, and rendering of electronic service through information networks which includes the E-commerce and the systems users.

The law was created because of the importance of the use of electronic networks, principally internet for the development of commerce and the production becoming favorable for multiple businesses both for the private and public sector. The result is the use of the electronic services through electronic means. For this reason it is necessary to have juridical tools that allow a reliable use of these services, including E-commerce and gain access to international business network.

Analyzing the law of electronic commerce, electronic signatures and data messages, article 9 is related to article 23 of the constitution, referring to confidentiality and the protection of the personal information. In chapter III, articles 48 to 50 regulate the right of the consumers. Also it refers to the user rights that are in the constitutional law of defense of the consumer and its regulation.

Articles 52 to 56 allow the admission of documents in electronic support as test proof in judicial processes. In article 53 it presents a disposition; it is established that, on having presented an electronic signature certified by an accredited entity, it is obvious that test assembles the requisites determined in the law. The above mentioned law contributes to the guarantee to the due process regulated in article 24 of the constitution which makes

extensive milieu of processability of relations of citizens that maintain in the virtual spaces.

In chapter II, articles 45 to 47 are related to the chapter 34 of the constitution where it guarantees the freedom of hiring as a civil right of the citizens. The electronic hiring is called will of the parts, changing simply the scene which now is the network.

The law also states that the Council of Foreign trade and Investments (COMEXI) is the organization in charge of the promotion and diffusion of the electronic services, such as the electronic commerce, use of electronic signatures in the promotion of investments and foreign trade. The organism in charge of the regulation, authorization and record of the accredited entities of certification is the National Council of Telecommunications (CONATEL), or the entity that acts on its behalf, according to the law (Title II, chapter IV, Article 36).

Article 44 refers to the fulfillment of formalities. It explains that any activity realized with message data through electronic networks must obey the requisites of the governing law. Articles 48 to 50 refer to the right that before a consumer gives its consent he should be informed about the equipment and programs needed to have access to the register. Also, the consumer must be informed about its rights and obligations about the benefits of electronic service in accordance with the stipulations in the Constitutional law of Defense of the Consumer and its Regulation. If the product acquired by electronic means the person who offers the same must inform the consumer about requisites and restrictions that people must fulfill in order to acquire the product.

Publicity, promotion and information of electronic services, by electronic networks including internet will be in accordance with law. If it is not fulfilled it will be sanctioned in accordance with the current legal system of the country. Also, it must ensure that the consumer have access to information about a good or service without restrictions; the same conditions must be available in the promotion of the product. (Ley de Comercio electrónico, firmas electrónicas y mensajes de datos. 2002)

Users can choose not to receive data messages which serve to inform about products or services. People can be excluded from this reception and in case of persistence of seller will be sanctioned in accordance the law. In case of informatics crimes, Alexander Cuenca affirms that the law has big advances to penalize electronic illicit activity through norms for the information society. (2012)

Article 57 of law expresses about the computer infractions, those of administrative character and those typified by the Penal code. From article 58 to 64, regulations are penal referring especially to topics like: against the protected information, extraction and utilization of unauthorized information, malicious destruction of documents, electronic falsification, computer damages, destruction of facilities for data transmission, unlawful appropriation, sentence prison, swindle and violation right to the intimacy.

In the regulation of E-commerce law, electronic signatures and data messages in article 21 emphasize safety measures necessary to give electronic services, where the user must know the scope of the system at its disposal. In case of not compliance, it will be possible to ask for the suspension of the web. The next article refers to the mailing of unsolicited messages, the same that must have the assent of the addressee through subscription. It must not use information in the database. In case the user does not want to receive notifications, he will express himself and immediately the user will not receive it.

An analysis of several aspects, both of the law and of the regulation of E-commerce of our country, shows that these documents do not contain several aspects related to the violation of user safety which can happen while doing E-commerce. All kinds of violations that can happen during an electronic transaction occur are identified in the law and regulation of electronic commerce. Nevertheless, it does not refer to how to solve either situation nor the way of proceeding at the moment an existing violation of the law is identified. It is possible to express that Ecuadorian E-commerce legislation has several deficiencies. Also, from the publication of these legislative documents there have been

no updates to adapt to the new needs of technological development and principally of E-commerce.

1.6. Internet sales

It is important to differentiate between electronic hiring and E-commerce. The first concept is all activity by electronic means by which commercial ends or not and it includes E-commerce. On the other hand, the E-commerce has a commercial purpose. The validity of an E-commerce transaction is an electronic operation measured through a certified server and third credited making use of electronic signatures to identify the parts.

Internet sales are the commercialization of goods and services through the web; the products are available 24 hours per day, without geographical barriers. This type of commerce is a business strategy because online marketing is applied. Nowadays this commerce is turning from being a strategy to being a service that shops should possess.

The electronic payment system is important in purchase and sales of electronic processes. The safety warranty is essential to interest people in doing purchases. The anonymity is necessary in certain types of payment especially when it is electronic money. There exist many ways of payment used in Internet such as: cash machine, electronic money, electronic checks and credit cards.

In our country, according to the Latin-American Institute of Electronic commerce (ILCE) there are sales of about 300 million dollars through the Internet. In this regard, Ecuador is close to countries like Bolivia and Paraguay. In our country sales are increasing because of the social networks which help sales development (Marcos Pueyrredon, presidente ILCE). For this reason in 2011, Ecuador took part in the conferences of the electronic commerce day; these conferences are realized in seven countries in order to promote the use of the Internet for the commerce and to exhibit successful regional initiatives. People who organize the “E-commerce day” ensure that it

is a recognized E-commerce event in Latin America dealing with , online banking, mobile banking and business in the web.

Nevertheless, in spite of being more involved with E-commerce, data of ILCE shows that scarcely 3.5 % of the world E-commerce belongs to Latin America, emphasizing that the increase of this one is 40 % annual, being approximately 35 million dollars. This figures the goal of the organization of conferences. According to the ILCE 30 % of 190 million Internet users has realized buys through the Internet and 50 % simply has realized consultations.

Ninety five percent of USD 300 million invoiced annually is going to accounts abroad, which are handled by the companies of tourism, electronic equipment, clothing, among others. That was one of the first conclusions that were analyzed at the ' E-commerce Day' Conference, organized by the Chamber of Commerce of Guayaquil and attended by some 500 people. In addition, the experts noted that there are little local offerings in Ecuador to market products on the Internet. Ricardo Intriago, Manager of Pacificard said that only cardholders of Pacificard made 615,000 transactions of Internet purchases made in 2010 and that it represented an invoice of USD \$65 million. (El Comercio.com, 2012) Marcos Pueyrredón, President of the Latin American Institute of E-commerce (ILCE), said that Ecuador has a great potential to increase sales electronically because 30% of its population is connected on the Internet.

For Jorge Mejia, founder of Multitrabajo, there are limitations in the development of E-commerce because there are not a range of offers of services of payment systems in charge of collecting and delivering resources to companies. Another limitation is the fear to carry out transactions online. In this case Intriago recommended to users who purchase the pre-paid credit cards in the amount that they will charge. Eduardo Peña, President of the Chamber of Commerce of Guayaquil, argued that the broadband already has the country, cardholders increased and the logistics of transportation are a key to exploit more sales by Internet. (eMarketer, 2013)

1.7. Advantages of E-commerce

EIGHT UNIQUE FEATURES OF ECOMMERCE TECHNOLOGY.	
DIMENSION OF ECOMMERCE TECHNOLOGY	MEANING OF BUSINESS
<p>Ubiquity: Internet /web technology is available everywhere, at work, at home and elsewhere through mobile devices, anytime.</p> <p>Global reach: the technology extends beyond the national limits, around the world.</p> <p>Universal standards: there is a set of Internet standards.</p> <p>Wealth: it is possible to transmit video, audio and text messages.</p> <p>Interactivity: the technology permits interaction with the user.</p> <p>Density information: technology reduces information costs and raises quality.</p> <p>Customization/adaptation: the technology allows delivery of messages customized to individuals and groups.</p> <p>Social technology: generation of content by the user and social networks.</p>	<p>The market extends far beyond traditional boundaries and is removed from a temporal and geographical location. Creates the "Marketplace"; and shopping can be from anywhere. Improves convenience for the customer and reduces the cost purchase.</p> <p>Enables trade across national and cultural boundaries without any problems or major modifications. The "Marketplace" includes potentially thousands of millions of customers and millions of businesses around the world.</p> <p>There is a set of standards of technical resources around the world.</p> <p>Messages marketing of video, audio and text are integrated into a single consumer experience and marketing message.</p> <p>Consumers start a dialogue which dynamically adjusts in a way that enhances the individual experience, and makes the consumer be a co-participant in the process of goods delivery on the market.</p> <p>Communication, processing and storage costs are reduced dramatically, while the prevalence, accuracy and timeliness are increased considerably. Information is abundant, economical and precise.</p> <p>Customization of marketing messages and the adaptation of products and services are based on individual characteristics.</p> <p>The new social and Internet business models allow the user to create and distribute their own content, and support social networks.</p>

Source: ecommerce

E-commerce is closer to our way to sell, therefore it is important to familiarize ourselves with it. Regional Governments give support to E-commerce. Ecuador is no exception because it is carrying out technology projects that allow people access to this type of trade. In addition, it has a legislation that regulates activities carried out through the network. In Ecuador, there are already companies using E-commerce and the others business should adopt it because in addition to being an advantage is becoming a new way to be a player in the global market. This is a way to be known by consumers and to succeed in business.

1.7.1. For consumers

In E-commerce the payment terms could be in electronic way and in traditional way. Payments can be made in cash on delivery and in banking with credit or debit card, transfer or intermediaries such as Paypal. Commerce relations become diversified, not simply with the vendor who sells to a consumer. Business relationships occur between consumers and enterprises because they are all under the same transactional framework with very few barriers.

E-Commerce offers access to a large number of suppliers, therefore to a wider range of products. E-commerce allows comparison options in real time and the consumer can choose the product or service that best suits him/her, all this in a single screen. People have access to the global market; this trade allows a contact between buyers and vendors from all around the world and it is breaking international barriers.

Low costs offered by E-commerce allow its growth because of the acceptance among users. Decreases in the distribution chain have started to occur and just the contact of a courier is needed to undertake the delivery of the product anywhere in the world. In the case of digital products, distribution chain disappears because software products are delivered immediately without need for intermediaries.

Online websites can find products at a lower cost than in stores. E-commerce permits the possibility of purchasing products that were already exhausted in the store. In addition,

in some cases there are promotions just for online purchases. There is access to bargaining and agreements directly with the vendor without intermediaries, facilitating negotiation between the parties. You can buy from the comfort of your home or wherever you are. (Roura, 2013)

There is the possibility to find a product at lower cost in web sites than in stores located in the country, making a bargain with the seller. In countries where big enterprises are located, online sales have a greater advantage because users do not have to pay for shipping costs since the companies are located in the place they live. The reduction in purchases costs is an advantage mainly for the buyer. You can say that the other advantages are beneficial for both parties that interact in E-commerce.

E-commerce allows buyers to have information about purchase and therefore it facilitates businesses to direct, control, and reduces corporate expenses. This is achieved by integrating purchasing applications with informatics systems. These applications also have systems of planning need of materials (MRP, acronym in English) and resource planning enterprise (ERP) to suppliers. In this way a more competitive process is carried out in which suppliers meet the needs of its customers. This type of E-commerce solution is made according to the needs of different types of company and require installation of software and hardware. (Gazhaly, 2005)

E-commerce reduces costs and prices. Also, it allows consumer to choose according to needs and provides pre sale information and possibly test the product before the purchase. In addition, permit rapidity in purchase, pre and post-sale service online, reduction of the distribution chain allowing to purchase a product at a better price, increased interactivity and personalization of the demand and immediate information available about any product having the opportunity to access information when required.

Some advantages of E-commerce business to consumer are: convenience to access to varied products from a location that has access to the Internet, extensive range of products from anywhere in the world, wide offers of the same product that have

comparison of prices, decrease in prices because there are no intermediaries, greater economic benefit and a wide audience around the world.

1.7.2. For business

Main features of E-commerce which must be highlighted are: access in distance with a minimum handling or transfer of documents, less company staff intervention, higher degree of automation which allows a strategic development of the company in the business process and technology development. E-commerce has no geographical boundaries, becoming a culture of self-service, new competitors, and creates a new structure of commercialization and new shops model.

The off shoring of the point of purchase - sale is a clear advantage since the parties are in different places at different times available for purchase 24 hours a day 7 days a week. The seller provides a better logistical level because there is a better distribution and eliminates intermediaries allowing lower costs. There is also increased competition, thus favoring the reduction of the cost of the product and therefore improving the product. Efficiency is an advantage of E-commerce looking to do things differently and allow a traditional business to arise or be a project initiative taking the opportunity afforded by new technologies. (Ronco, 2013)

Most of the companies provide clients with information about the company, products, or services offered through its website. They provide attention 24 hours a day. Suppliers make offers through the web facilitating the creation of new segments allowing the sales growth with access to the world market. Online sales generate greater profits by sales in units of products, due to special offered on the Internet and not in shops. Today there is the facility to track packages from anywhere in the world to its destination, being this an additional value that today provides ecommerce, adapting this application to several companies. Those who are providing this service have an advantage over those that do not.

E-commerce allows companies cost savings in direct materials up to a 15% reducing waste and promoting the transparency of prices in the market. A way that has allowed achieving price transparency has been reverse auctions. Another way to reduce costs of search is to have catalog or product references.

The transaction costs are reduced because online markets include automation and unification of contracting process, consultation, payment/receipt of order. Allows the identification and implementation of new business opportunities and companies have the possibility to find business partners previously unknown.

The global reach of the Internet allows interactions between various stakeholders. Costs to find and promote to customers are relatively insignificant. The companies supply chain becomes more efficient because procurement processes are automated as companies receive orders at the right time, thus cutting their inventories and marketing their products more efficiently.

It reduces prices in advertising because of the low cost of Internet. It generates greater competitiveness. It permits proximity to customers and greater interactivity and personalization of the offer. It allows being part of globalization and having access to potential market of millions of customers. It facilitates the implementation of strategies for the sale of products and to create customer loyalty.

It is clear that the technology moves hastily, therefore companies which offer products and services are obliged to increase their marketing strategies , and in this way the implementation of E-commerce. In addition, positioning of the product and/or service is reached without a large advertising investment.

A great step was given with the introduction of electronic in commerce, especially in international trade. It offered a turnabout in the way of acting of businesses which offer more opportunities including new marketing channels of existing products and developing a new type of information. (Nieto, 2009)

The advantages that E-commerce include are: a developing new business relationship, improve customer service, gives the possibility to enter into new markets, costs reduction in promotion and insertion of products, extends the range of prestige and reputation of the company.

It also allows companies to execute transactions where there are no geographic barriers. It permits access to new contacts and therefore to new markets; it facilitates and gets more control in the exchange of commercial documents. It allows the business to open 24 hours a day, 365 days a year, and with a branch office anywhere in the world.

In E-commerce business to business, there are the following advantages: companies contact with a large number of suppliers and reduce the search time, reduction of the cost of business processing transactions through online auction and online order processing, payments billing and others, elimination of mediators to accelerate the logistical process, public knowledge of prices since providers show prices and the way transactions are made. The buyer has information and can compare prices before deciding to purchase.

1.8. Disadvantages of E-commerce

E-commerce as traditional commerce is involved in several drawbacks, among the most problematic are: legal and taxation framework, security, logistics, and marketing,. There is still doubt at time of doing this activity because there is not enough safety confidence in the system. For this reason, it is important to know the relevant legislation in order to make this kind of purchase.

1.8.1. For the consumer

E-commerce in our country is pretty stagnant; mainly there is a lack of diffusion. There are some inconveniences as the transport or being able to validate the warranty, since the customer cannot know the product physically, it slows down the communication with the provider. Without a doubt the biggest drawback in E-commerce is the lack of confidence in terms of security in transactions and electronic payment.

At a national level, there are costs to bring the purchased goods from another country because of distance the buyers have to assume cost of product transportation, resulting in some cases in noncompetitive prices. This is due to the cost of delivery, the value ratio - product weight is low, directly impacting the cost of delivery of the product making it more expensive. For some people not having a face-to-face communication between the parties is having less communication because no advice could be provided at the time of purchase. Insecurity persists; hackers and crackers in E-commerce can be a problem that threatens the safety of customers

In case of a complaint about the product there does not exist proximity between the seller and buyer to facilitate the complaint. Sometimes collecting the money of the product can fail and generates difficulties to validate the warranty of the product. The ability to have in sight the marketed product is lost. In the case of clothes people cannot try them on. However, people can choose their correct size through a size chart available in the web page. (Roura, 2013)

An important disadvantage is the business system changes which buyers and sellers the customers are accustomed to. It is an evolutionary and also revolutionary process. However, there is resistance to change by psychological and cultural factors. The psychological reason begins when people resist changing because they are already accustomed to the old system. The cultural resistance occurs when the company has several different hypotheses on the market because being in contact with other companies that have the same unfounded certainties.

A company's lack of awareness is a risk of E-commerce because some may not be constituted legally in the country and could be just a group of people who are trying their luck on the Internet, without having an organization or planning to meet the needs of customers. With respect to payments, despite having improvement there still is no completely safe data transmission, this creates problems because people are cautious about giving their credit card number over the Internet. These are aspects that help when

deciding on the purchase. In addition language is often a disadvantage because some pages are displayed in a foreign language.

A company's lack of awareness generates less confidence when purchasing. Pre and post-sale service is not received in online purchases, thus becoming a disadvantage. Many customers prefer to see the product before purchasing and test it in case they have a complaint.

Privacy and security remains the main problem when buying online. Most users do not rely on the web as a payment channel. Currently purchases are made using the credit card number but sometimes it is not completely safe to enter it on the Internet. Anyone who wants to transfer data from a major credit card through the Internet cannot be sure of the seller's identity. People who are paying cannot rest assured their credit card number will not be taken for some negative purpose; the seller cannot ensure that the owner of the credit card may reject the acquisition. However, the electronic payment systems are working properly and problems can occur in small operations.

1.8.2. For businesses

Difficult web pages become a disadvantage because they require more effort by the user. The best web page would be a comfortable page and easy to use. It is necessary for a page to have few steps to complete the transaction and the purchase option easily identifiable.

Companies that have opted to change have gotten new markets, reduced costs, and many other benefits. SMEs do not trust in E-commerce because they are not convinced that the use of E-commerce is really a benefit for their business. The main reason for resistance to change is the lack of motivation to change strategies, methods and traditional technologies. These types of companies are concerned about its survival and do not devote time to developing new strategies because they are not familiar with the opportunities provided by this type of trade.

Costs to finance the adoption of E-commerce and introduction of E-commerce solutions could be a considerable obstacle. Among the major costs would be: planning, purchase of software and hardware, maintenance and telecommunications expenditures.

Companies should make an analysis of return on investment before adopting E-commerce. They must contemplate the value of business partners that are already members of E-commerce as well as the long-term benefits of joining it. The advantages would present in the long term are: shortening of product cycle, reduction of stock levels and the increase of volumes of business. Usually small and medium-sized businesses have limited resources and it is necessary that they receive an important profitability before deciding to invest in E-commerce. However, a suitable solution of E-commerce for small and medium-sized businesses would be the no implementation of sophisticated software or hardware for the company, leaving aside the analysis of return on investment.

Personal contact is important for some industrial sectors. Trade needs are different and therefore E-commerce is not the solution to some specific needs. In these cases it would be difficult to integrate a business process to the online marketplace.

Security issues become a disadvantage because there can be attacks by computer hackers and theft of corporate information. Fraudulent operations and conflicts make companies reluctant to use electronic markets. A way to reduce security threats is to check if the platform verifies identity of partners, makes public previous commitments satisfactorily fulfilled or recent testimonies or if it includes a safety certification. Some of the reasons why SMEs do not opt for E-commerce is; to avoid legal risks of foreign trade, being involved with legal issues, such as those derived from the right to privacy, value-added tax (VAT) and the signatures.

Constant technology updating is a concern: When small businesses choose to engage in E-commerce technologies they make an initial investment in resources, later they have problems when an update is performed because a new version has to be adopted. First, it

costs them to implement a platform to start E-commerce and it is difficult to upgrade regularly becoming a disadvantage for the company. Some electronic markets are more advantageous to buyers than sellers. The price transparency is not always acceptable for suppliers. Some providers do not like to share information on stocks and capacity, since they consider that will decrease sales. B2B electronic markets also reduce direct relationships that sellers kept with their customers. Therefore, some vendors avoid these kinds of electronic platforms. (Gazhaly, 2005)

1.9. Conclusions

Ending the first chapter we have a clear vision of E-commerce at a global level with the main competitor countries; United States and Japan. In Latin America, Brazil is the leader with approximately 60% of sales in the region. The situation of E-commerce in our country, the growth of infrastructure in our country, the development of tools by the internal revenue service all point to the urgency to make use necessary electronic vouchers to promote and progress E-commerce in our country as well as businesses that have already opted for this recent form of marketing.

The E-commerce development in our country is low and is characterized by certain aspects that are handled in several Latin America countries in terms of development of laws which are not clear at the time of application. They also lack confidence in the system by the population. However, little by little people are being attracted and are sticking to this new globalized way of doing business.

E-commerce needs the Internet for its expansion including social networks as well as the use of smart mobile. There are several advantages to electronic trading such as time savings, lower prices, less taxes, among others. There are also disadvantages, which will be minimized once more appropriate regulations are introduced which provide security to the client and encourage better relations between the parties as well as correct solutions to problems that might occur during the process of acquisition.

CHAPTER 2: SECTOR ANALYSIS OF TOQUILLA STRAW HATS

Toquilla straw hat is woven from a raw material called *Carludovica Palmata*, scientific name which is in honor of the Spanish kings Carlos and Luisa. Carolus and Ludovica in Latin. (Tagualand internacional, 2011) This raw material is originally from the Ecuadorian Coast, from the province of Manabi, which grows without any problem in the region due to the climatic conditions of the place. Currently, this Palm is cultivated in the mountainous parts of the Coast and Oriente, specifically in the provinces of Esmeraldas, Guayas, Manabi and Morona Santiago.

This chapter refers to the origins of the toquilla straw hat through a brief history. Also, it describes the main characteristics of the product as well as the tariff nomenclature used for the international marketing of the product and fixing of tariffs. It is important to mention the national and international denomination of the hat. In addition, an analysis of this hat industry in our country: people who made the hat, places where it is elaborated, how it is weaved and how the product sells. The issue of product exportation through graphs where can be seen the major destinations in the world and the quantity in dollars of purchase in those countries in the last five years. This history helps us to know the demand and appreciation of the hat in different countries.

2.1 Brief history of toquilla straw hat

It is deduced that the origin of the toquilla straw weaving started in the integration period, in the Confederation Manteña. A few ceramic figurines were found which represent men who have protection on their head made from this straw material. The story narrates that aborigines Huancavilcas, Mantas and Caras were skilled weavers and these qualities to weave are inherited. In colonial times, there were true master weavers of toquilla straw hats, that was the reason why they were taken to other parts to teach the art. (Ochoa Cobos, 2011)

The current toquilla straw hat is also originally from Manabi. According to history, in the year 1630, an Indian named Domingo Chóes unified the weave of this raw material in the form of Spanish hats. That is why the Montecristi hats have the European model. The year 1863 was an economic boom thanks to this activity since it emerged from the port of Guayaquil to be sold abroad. The amount of hats sold was 500,000. This opportunity arose because the production of cotton declined and hats of cloth were not manufactured, thus, the European demand for toquilla straw hats grew. (La Hora Nacional, 2012)

Also, the Ecuadorian hat gained popularity after several events, they are: the export of the product to North America, Central America and Europe, having necessarily to go through Panama, in the years 1880-1881. Those responsible for the construction of the Panama Canal were wearing a toquilla straw hat in a Paris world fair. After, the president of the United States Theodore Roosevelt appeared in a photo wearing a flashy hat together with the Panama Canal workers. All these facts gave rise to the Ecuadorian hat and it became known worldwide as Panama hat. (Cevallos, 2013) The marketing of hats is related to Panama, for this reason it gave way to confusion with its true origin.

2.2 Product description and features

The toquilla straw hat is made from fiber obtained from the Palm, known scientifically as *Cardulovica Palmata* which is the basic raw material for the manufacture of hats. This Palm does not have a trunk, and its leaves are fan shaped and grow from the soil. Supported by cylindrical long petioles, this plant can measure up to 3 meters in height. It can be harvested approximately 6 months after its crop. This plant is the only provider of this raw material to produce the hats. (Sotomayor, 2010) The hat consists of three essential parts: template, Cup, and skirt.

There are two ways to weave the toquilla straw hat. The first is a classic way from the Ecuadorian Coast where they used a tripod of wood, i.e. a log of wood with three legs. On this goes a mold and people help with other molds which go under their chest while they weave, which is a fairly complicated position. In the Sierra region, knitting is more

comfortable because there is no need to support another instrument. The hat is woven from the comfort of a seat or while walking. Despite the different methods used to make the hats, the raw material used in them is the same. However, when worked with the finest straw, the hat is considered the finest.

The elaboration process of the product starts with the treatment given to the fiber extracted from the Palm. First, the green color of the Palm, from chlorophyll which is in natural plants, is removed by cooking the fiber at approximately 100 degrees Celsius for two hours. Then, it continues with drying under the natural heat of the sun for about a day. After drying, the straw is placed in warehouses where there is a large oven where firewood and sulfur is placed for bleaching of the straw. Again, the material is washed and dried on a cord. Then, the material is chosen to be ready to use for the fabric of toquilla straw hat. (Espinoza, 2010)

The duration of the weaving of a normal hat can take a full work day, while the production of a fine hat can take up to 6-8 months of work. Once completed, the hat weave must follow various processes to be used. The cut of the leftover straw is washed, bleached, compressed ("maceteado"), ironed, and the inclusion of morocco leather and bands. (Sotomayor, 2010, pág. 19)

There exists a system that has a common customs language, called tariff nomenclature for the international marketing of products. This classification and coding system is used to designate all goods to a customs tariff. In this system, the goods are ordered according to its use or regional precedence for rate setting.

The Coding or tariff item of the toquilla straw hats is 6504000000, included in this classification are: hats and others touched, plaited, or made by union of strips of any material, even decorated. Another tariff heading used for the international marketing of semi-finished product is 6502001000 applied to straw toquilla or of straw Mocora that is helmets for hats braided or manufactured by union of strips of any material without form, finish or decorated. Both are located within the chapter 65 which corresponds to

hats, headgear and parts, which are in section XII: footwear, hats and headgear, umbrellas, Sun umbrellas, canes, whips, whips, and parts thereof; prepared feathers and articles made therewith; artificial flowers; manufactures of hair. (Sisalema Morejón & Rojas Cruzatti, 2009) This number is a classification used worldwide at the time of export or import different products. The present analysis refers to the first tariff which is for the finished product.

In the Coast there is a variety of weaving techniques, quality, and shapes that are manufactured in order to have a hat for every taste. There are several kinds of hats: hippie, campaigns, water, Montecristi hats, and the finest. The latter two are known worldwide. The Montecristi hat is a beige hat of best quality and does not have any chemical process. The finest hats are subdivided into fine, super fine and extra fine. They also have a natural, beige straw color. Another classification of designs that can be found is breeze, smooth basin, basin several lace, ventilated, lace, tropical and twisted. Any hat can be applied a wide range of colors. (EcuadorianHands.com, 2011)

2.3 Designation of the product at internally and externally

The designation of origin is a tool of intellectual property that serves to protect a product, agricultural, or crafts. A product with designation is considered unique by its characteristics: quality and reputation. To be declared as such, it must meet some requirements, like linking to a territory or geographical origin through special factors natural and man-made.

If a product has a designation of origin, it enjoys several benefits. The State becomes owner of the brand, there is more income, and it earns national identity from the impact in the production chain. The designation of origin is a form of patenting a product. Recently, in our country, this topic became an important issue. There are specific rules on geographical indications in the law of intellectual property in the country.(Viteri, 2013)

In Ecuador, the promotion and diffusion of the designations of origin falls under the direction of Plant variety (law) within IEPI (Ecuadorian Institute of intellectual property). Designation of origin, in addition to having a geographical characteristic, has a human contribution of specific work, creativity, and knowledge. It identifies a country and, more significantly, it provides them the opportunity to promote products as their own property. There are several producers of toquilla around the world. However, the toquilla for the world is Mexican. (Instituto Ecuatoriano de la Propiedad Intelectual, 2013)

The finest made toquilla straw hats in Montecristi have their own denomination of origin. The product is protected by the State of Ecuador, which claims its identity. This product is recognized in the foreign market because of the fineness of their texture and construction. The denomination of origin gives an added value and generates a better price in the market. However, Ecuadorian hats are still known worldwide as Panama hat. Designation of origin obliges the manufacturer to improve the quality. Demand increases, products become more valued for being natural, preservation of the environment is sought according to a culture of caring for the Earth, and becomes a solid product to compete with others.

In February 2005, Montecristi craftsmen were responsible for managing by submitting a declaration of protection of the denomination of origin "Montecristi" to the National Institute of intellectual property, in order to make the statement of designation of origin Montecristi for all the toquilla straw hats of Montecristi on November 29, 2011. This statement is of great importance for artisans because it aided to protect the traditional art of the toquilla straw hat, and fought against informal commerce of low quality and of other origins. It is the case of competing Colombian hats, making reference the origin Montecristi affecting national craftsmen.(Camacho, 2012)

The traditional weaving of toquilla straw hat was recognized as Intangible Cultural heritage of humanity December 5, 2012 by the Organization of the United Nations Education, Scientific and Cultural Organization (UNESCO). This recognition took place after 100 years of the hat being on the market and was recently recognized as

Ecuadorian. Before it was recognized as intangible cultural heritage, the product had to comply with various requirements. It had to be an artisanal weave and transmitted knowledge from generation to generation. Additionally, the practice of its manufacture had a sense of identity, reference, and social connection. Today, the provinces of Manabí, Santa Elena, Cañar, and Azuay are dedicated to elaborate the hat. The National Institute of Cultural Heritage (INPC), reported that this activity generates around \$8 million in annual exportation (Ministerio de Turismo, 2012).

The Ecuadorian Institute of Intellectual Property was commissioned to carry out the process for the aforementioned recognition. It was the institution that developed the technical file, a document that was referred by the Heritage Coordinator Ministry to UNESCO through the Ministry of Foreign Affairs and with the support of staff of Azuay and Manabi. The research lasted approximately 2 years and was performed by 70 people. It included tradition, history, how it was born, where and any other information necessary to prove as requested. This had support in various videos as well as a book. Anthropologists, sociologists, historians, weavers of Santa Elena, Manabí and Austro, all, took part of the research (El Comercio, 2012).

2.4 Analysis of the toquilla straw hat industry in Ecuador.

As previously mentioned, the hat known worldwide as Panama hat is purely Ecuadorian. It is sold within the country, as well as internationally. The hat is an elegant accessory that also allows protection from the sun. This product is marketed either in its natural color or dyed with different colors. In addition to the hat, its raw material can manufacture many other products, such as purses, ornaments, necklaces, fans, baskets, etc.

The toquilla straw hat started to be known in the year 1600, initiating the development as a cottage industry in a sector of the province of Manabi, being the main sector Montecristi. Over the years, this industry grew and is currently consolidated in the country. The hat was produced and sold in large quantities in the country. The domestic demand was covered and it started to export to Panama. Ecuador was the first country to

industrialize both the manufacture of hats as well as the realization of various objects and ornaments. In the city of Cuenca, approximately in the year 1835, it decided to promote the weave of toquilla straw hat. However, it wasn't until the year 1844 that it installed the first workshop. The following year, the Governor of Azogues followed the trend adopted at Cuenca and inserted the art of weaving toquilla straw hats in the province. Currently, the cities of Azogues and Cuenca are the largest producers of this kind of hat in the country. (Cevallos, 2013)

After the declaration of the toquilla straw hat as intangible heritage of humanity, both craftsmen and entrepreneurs of Austro and Manabi sought the way to get the benefits of this Declaration. They organized several exhibitions of this art through festivals and fairs. The Cultural Centre, in the House of the pigeons in the historic centre of Cuenca, attracted participating associations formed by weavers of toquilla straw hats, same that have been formed to achieve a better promotion of their weaving and to raise their sales.

The Declaration was favorable news for Azuay associations, as well as, the weavers of Montecristi, Pile, and other towns dedicated to hat weaving. With the support of the authorities, they could sell the hats and artisans were recognized for their work without intermediaries who benefitted by the effort made by artisans. These intermediaries paid artisans a minimum value of the product (Miller, 2013). For both producers and marketers, businesses of toquilla straw hats believed that the declaration was a benefit because it created a brand of the hat.

It is estimated that the country has about 900 weavers: 500 artisans in Manabí and 400 in the Austro. It sought to stimulate the economy of production of toquilla straw hats by developing a roadmap (Espinoza, 2010). The roadmap had to include a plan for hat marketing through the promotion of both the artisans' labor from different parts of the country as well as their various forms of realization of the hats. The method of elaborating hats in Manabi differs with that of the Azuay because Coastal artisans shape the hats by hand throughout the process. In the Sierra region, after weaving, they use machines to complete the hats.

In 1860, learning workshops were established in the Austro. Today the provinces of greater production of the country are Azuay and Cañar. Ecuador exports these hats to several countries around the world in different models. Sigsig is one of the cantons of the Azuay where the inhabitants are engaged in the weaving of hats. The world's largest hat is precisely located in this canton. This hat was weaved by 140 women from the Association de Toquilleras Maria Auxiliadora over the span of three months (Miller, 2013). 10 million strands were used in the elaboration of this hat. The women carried out this work in order to show the world the labor they perform every day through a joint effort. The hat is on exhibition at the headquarters of the Association.

Additionally, there are women who do not belong to the Association and they deliver their work to exporter enterprises of Cuenca, such as, Homero Ortega, Serrano Hat, and Paredes Roldan exporters. (Miller, 2013) The first has a museum called the magic of the hat which shows how artisans came up with the technique and how they make the hat. An important place of commercialization in Azuay is the Museum of the toquilla straw hat (Paredes house). This place is a restored heritage mansion where there is a guide that explains the history of the toquilla straw hat. This place was chosen as part of the heritage route because of the title given by UNESCO to the city.

On the Coast, travelers can visit the route of the hat which allows people to learn about historical aspects of the region, highlighting the development of the toquilla straw hat. This route starts in Santa Elena, from a village called Valdivia, dedicated to the commercialization of hats. Then arrive to Barcelona where villagers cook and dry the straw, leaving it flexible. Here, women are dedicated to preparing the straw to sell to merchants of Azuay, providing raw material for the manufacture of the product. The province of Santa Elena activated its economy thanks to the diffusion of this industry. However, today, it has been decreasing due to national and international competition.

Following the route, it arrives to Sinchal where there are shapes and utensils needed for weaving hats of water. In this village, some craftsmen show the beginnings of the

weaving and the template used for this purpose, which are made of wood. In the town of Libertador Bolivar, there is large number of weavers of hats to crochet. Then, onto the tourist towns called montañita, which reach large numbers of national and foreign tourists. It is also where the product is commercialized. Pile is a major town on the route because is it here that the finest toquilla straw hats are woven. Inhabitants from Pile learned how to weave hats when they were children, so to keep the tradition, they passed down the knowledge from generation to generation. It has survived for several centuries. Hat weaving is also a means of sustenance for the families of this town. The finest and Superfine hats made in this town can cost up to \$600. These are then sold in Montecristi where the value of the hat can reach up to \$5000 dollars after it is exported. It takes up to six months to make one of these types of hats. The weave is considered an art. The woven toquilla straw hat is considered a luxury product that is sold in markets considered haute couture, and symbolizes status. (Chiluiza Garcia, Rodriguez Santos, & Ricaurte Quijano, 2009)

The route continues to Manta, an important national and international port. After 40 minutes, it arrives at Montecristi, the capital of toquilla straw hat where the route of the hat ends. Montecristi is responsible for the remainder of the process to complete the making of a toquilla straw hat. Then comes the commercialization that is directly related to exporters who get the greater percentage of the sale of the product. In Montecristi, there is the Eloy Alfaro Museum, where there are a variety of toquilla straw hats. The route of the hat is a proposal that shows areas where the fabric of the hat began and the way the product is made (Chiluiza Garcia, Rodriguez Santos, & Ricaurte Quijano, 2009).

There are a number of reasons why the hat is credited with fame and prestige: its quality, it seduced the market around the world without advertising, the hat was associated with the establishment of schools in Manabi, and it supported the development of enterprises. In the 19th century, the knowledge of the hat weave was transmitted from the Coast to the Sierra after an Ordinance where the teaching of this art was imposed in schools by hiring craftsmen from the Coast. From that century, the commercialization of the

toquilla straw hat was directed abroad mainly to Panama during the construction of the Panama Canal, becoming known as the Panama hat.

Nowadays, due to the mentioned Ordinance, the main provinces that produce large number of the hat are Azuay and Cañar. However, unlike in the Coast, the weave is a half strand and is not the finest weave. In Azuay and Canar, it is woven with a simple straw crossing to form a rush mat that is easier. During an hour of the day, Manabi weavers keep their eyes fixed on the fabric in a space intended for drying so that the sun does not dry out the straw (Espinoza, 2010, pág. 91).

Illustration 8: Texture of woven in Coast and Sierra



Source: Las hebras que tejieron nuestra historia. (Espinoza, 2010)

Besides finding differences in the ways of weaving, the acquired names in each phase of weaving processes are different. The preparation of straw, the weaving, and the moulding are the same, but in the teaching process people have been changing the name. The first two steps of the process: straw cut and boiling of straw is made in Manabi. From the year 2008, in the city of Cuenca, a cluster of toquilla straw hat was formed so that the exporters could achieve integration, search for markets, guarantee to buy from the artisans, improved prices, eliminating intermediaries, and training of artisans.

Currently, the marketing to abroad is done mainly from Azuay because of the amount of production in the province. In Azuay, it takes three days to make a hat. On the Coast, it takes months, making it difficult to get a great deal for export. In Manabi, large amounts of hats cannot be made because there, they weave fine hats. There are many more craftsmen in Manabi, for this reason. When those abroad require fine hats, they go to Cuenca artisans to make orders and to complete the demand.

The direct way to commercialize toquilla straw hat is when tourists visit Montecristi and buy fine hats. There are also intermediaries who buy fine hats in the house of craftsmen and lead them to Montecristi to send to people who have a trade established in other countries. Largely the promotion of this hat is made through web pages. Another important way to promote the sale of toquilla straw hat is the participation in international exhibitions. The first exhibition took place in Paris, "The indigenous Andean weavers and the tribes of Latin America," organized by the UNESCO. Libertad Regalado, highlights the importance of the straw hat by mentioning that it has been part of the inspiration for several authors both in literature and compositions of songs. (Espinoza, 2010, pág. 81)

An important type of organization that has been formed especially in Azuay are the Associations, which are formed from the need to purchase machinery and the use of techniques of bleached of hats. A prominent example of such associations is the Maria Auxiliadora association located in the canton of Sigsig in province of Azuay. Associations are formed in the Sierra because of the model of extended family, and the sense of neighborhood occurs naturally (Espinoza, 2010, pág. 95).

In Manabi, the initial process of straw treatment is made through a chain of individuals. They are grouping in a decentralized way. Santa Elena is associated with the processing of the toquilla straw, as a community activity. This type of organization does not depend directly on initiative of them but rather from external management of several institutions. They do their job until they sell it directly. (Espinoza, 2010, pág. 97)

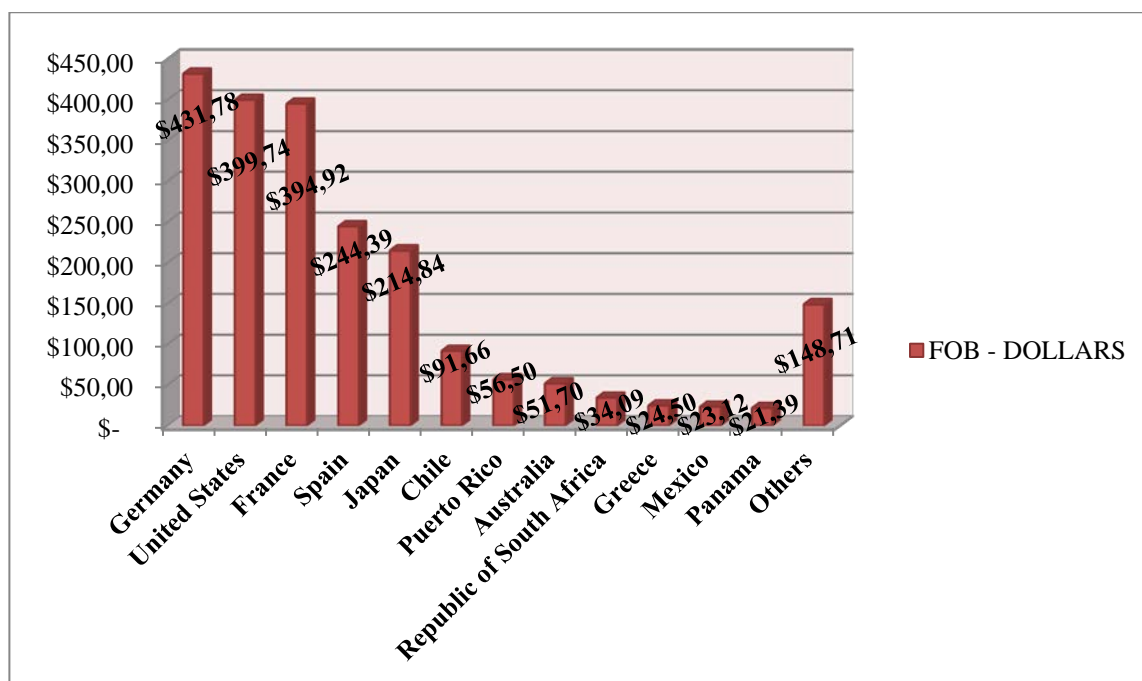
Associations such as María Auxiliadora have a wholesale trade and have direct lines of export. The weave of the hat is done until the bell phase and the finish is made in the plant of the Association. In Manabi the commercialization is made through intermediaries who go to buy the product there. Just in Azuay and Cañar there exist a hat industry because the commercialization is both nationally and internationally and is continuous through established lines.

2.5 Analysis of exports of toquilla straw hats in the last 5 years.

This analysis is focused on providing a clear view of toquilla straw hat exports in the past five year for Harmonized system code 6504000000 which hats are exported in order to meet the abroad demand. The demand in international market is much higher; about 90% and at the national level is 10%. Craftsmen and exporters coincide with this statement.(Sotomayor, 2010)

The graph below shows the value in thousands of dollars price. When it refers to FOB, this is the acronym for free on board which an Incoterm is. It is a term used worldwide to mention the way the delivery of the product was negotiated at the international level. FOB means that it is the price of the product, on the ship, when it is set in the port of the exporting country. It means, from there, the importer shall be responsible for costs until it arrives at the destination.

Illustration 9: Harmonized system 6504000000 Year 2009



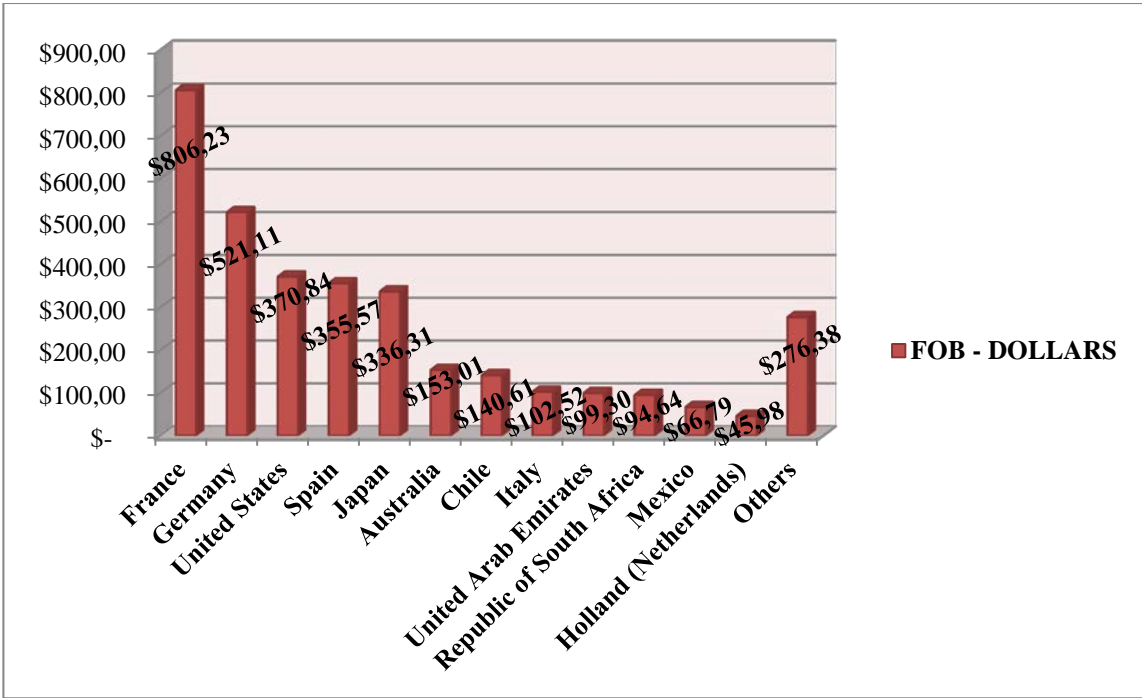
Source: (Banco Central del Ecuador, 2013)

Elaborated by: Viviana P. Bermeo C.

The first graph shows the twelve main countries that bought the product in the year 2009, Germany being the country that acquired more of the product because in that year,

it bought \$431,78 thousand dollars. It is followed by the United States and France which acquired a similar value, approximately \$400,00 thousand dollars. The demand of the hat varies among the countries because they are from all continents.

Illustration 10: Harmonized system 6504000000 Year 2010

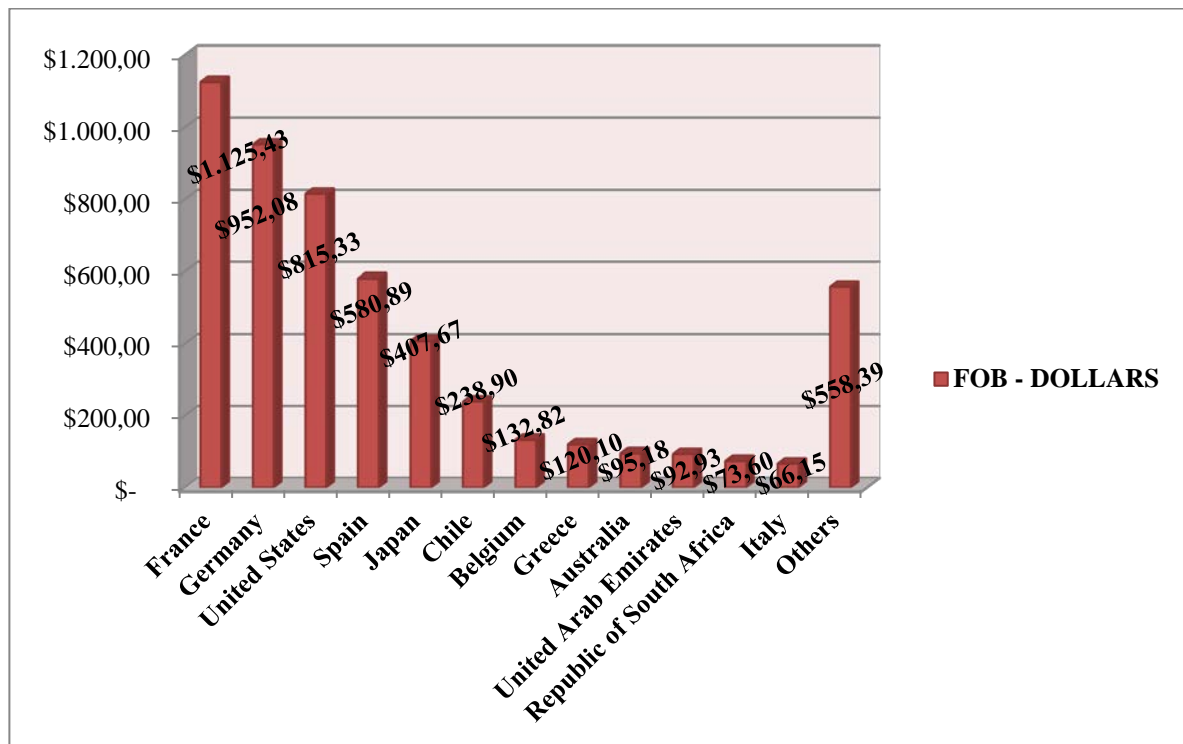


Source: (Banco Central del Ecuador, 2013)

Elaborated by: Viviana P. Bermeo C.

In 2010, France was the bigger buyer; it acquired \$806,23 thousand dollars, even doubling the purchase made by the first buyer of the previous year. In that year Germany who was the first purchaser of the previous year is the second buyer in 2010 acquiring \$521,11 thousand dollars, this amount being more than the previous year. The third and fourth importing countries are United States and Spain which acquire an average of \$363,20 thousand dollars each one. Demand is also varied because the buyers are from different parts of the world.

Illustration 11: Harmonized system 6504000000 Year 2011

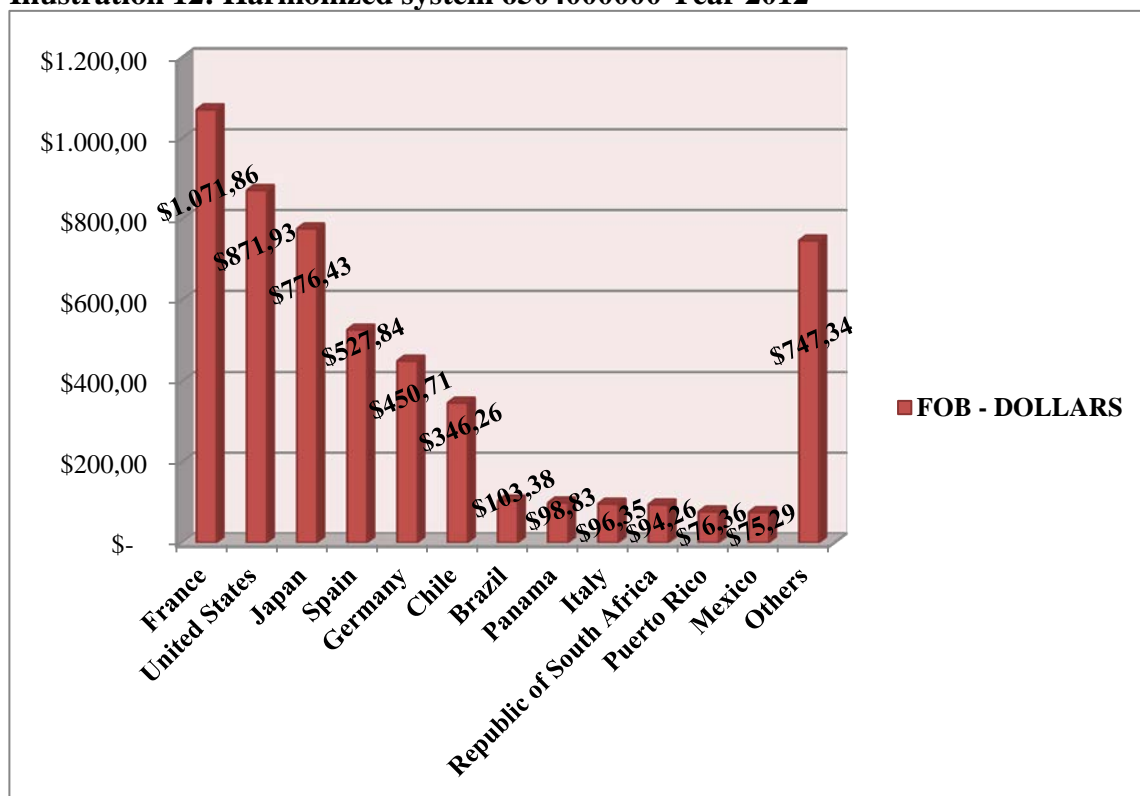


Source: (Banco Central del Ecuador, 2013)

Elaborated by: Viviana P. Bermeo C.

In 2011, France continues being the largest importer, reaching a value greater than acquisition of \$1125,43 thousand dollars. In second place is Germany followed by the United States and Spain.

Illustration 12: Harmonized system 6504000000 Year 2012

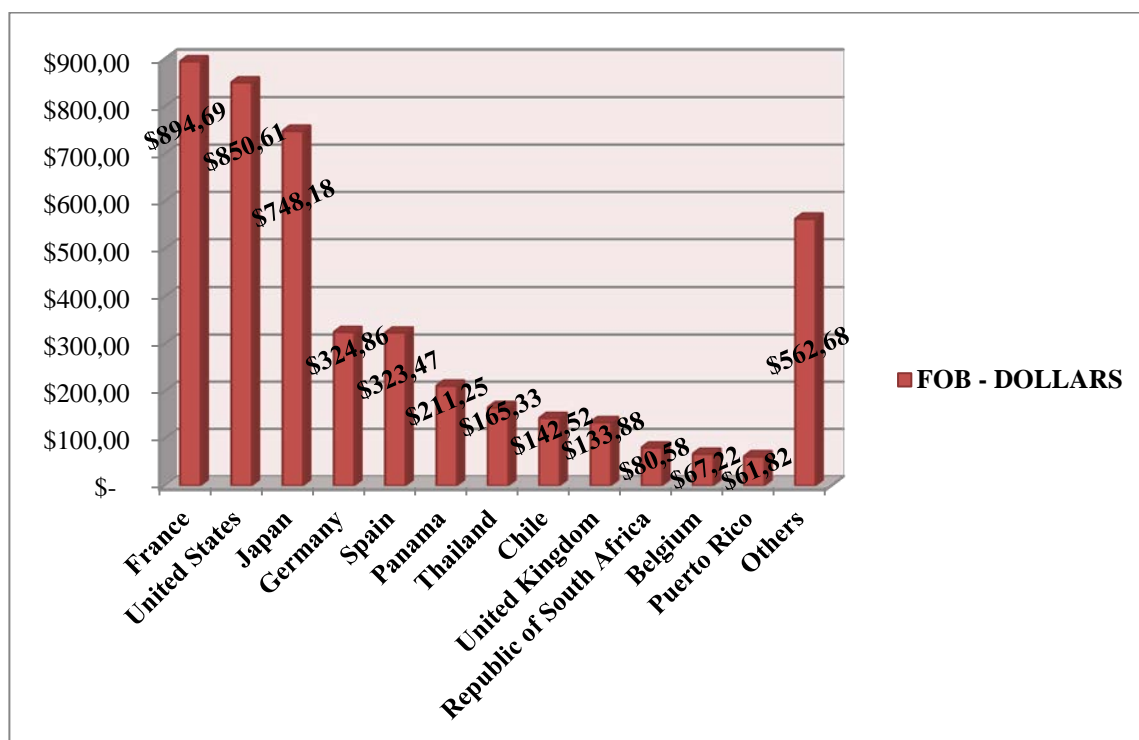


Source: (Banco Central del Ecuador, 2013)

Elaborated by: Viviana P. Bermeo C.

In 2012, France continues to be the largest buyer of the product with a purchase price FOB of \$ 1071,86 thousand dollars. Followed by United States and Japan \$871,93 and \$776,43 thousand dollars respectively.

Illustration 13: Harmonized system 6504000000 Year 2013 – until September



Source: (Banco Central del Ecuador, 2013)

Elaborated by: Viviana P. Bermeo C.

In 2013, France continues being the largest purchaser of the product from 2010 followed as in the previous years by the United States, Japan, Germany, and not far behind is Spain. Also the tendency of a demand varied from different countries and continents. It also varied between major buyers including Panama, the country in which our toquilla straw hat was unveiled in the 19th century, currently still a major buyer but not the main buyer as in the past.

The total value of acquisition with the passing of the years is greater and the difference is even more noticeable, starting in 2009 with \$2137,34 thousand dollars in 2010 sold abroad a total of \$ 3369,29 thousand dollars and in 2011 there was a big rise in sales to \$5259,47 thousand dollars. The change is visible in the amount of sales in three years. Later in the year 2012, \$5336,84 thousand dollars was sold and following this trend to the present day. It always raises the volume of sale. For 2013, the sales abroad are of \$4567,09 thousand dollars until the month of September and if we make a comparison

with the previous year to the month value is \$4079,42 thousand dollars, showing that the trend continues in sales growth, as in the same period of time in the year 2012 and 2013 sales reflect a higher value in 2013.

2.6 Main trading partners for exports of toquilla straw hat.

For the years 2010 and 2011 the main partners of Ecuador for the export of straw hat, were: France, Germany and United States. In the last two years the major trading partners of Ecuador were France, United States and Japan. The toquilla straw hat is highly valued in the countries of the European Union and also in Asia. In Latin America, Chile has been one of the main partners in terms of commercialization of straw hats.

The Toquilla straw hat is an elegant accessory for people who like fashion; this is the way in which this hat is seen in Europe to be sold at high prices in those countries. On the other hand, there are mainly importers of this craft that are located in United States, Asia and Mercosur. All those mentioned appreciate the handwork and Ecuador is favored by having raw material and labor for the production of the hats.

Ecuadorian artisans have difficulty meeting foreign demand mainly when hats are of fine weave. Earlier in 1980 major countries buyers of art, sought to obtain the bell hat without finishing and then they finished and sold straw hats finished. Ecuadorians then realized the potential that the finished hat provided and they decided to market the finished product. (Revista líderes.ec, 2012)

2.7 Conclusions

This chapter details highlights of the toquilla straw hats that goes from raw material required for the elaboration of product and places where it grows, its way of processing to get the fiber ready for weaving and places which are dedicated to the process, weaving techniques, places to obtain the material, as well as places of marketing and history to be recognized worldwide.

The fine toquilla straw hats elaborated in Montecristi have its own denomination of origin, i.e. the product is protected by the State of Ecuador. Also the traditional weaving of toquilla straw hat was recognized as Intangible Cultural heritage of humanity by the United Nations Education, Scientific and Cultural Organization (UNESCO). This recognition took place after 100 years since the hat entered the market and was recently recognized as Ecuadorian.

Both the declaration and the designation of origin are favorable news for Azuay associations as well as the weavers of Montecristi, Pile and other towns that are dedicated to weaving this hat. It is essential to promote these through existing web pages and create more such pages with the aim to promote more and better the main characteristics of the product offered by Ecuador. Also, it is important to mention aspects of how a hat can cost thousands of dollars simply by the quality of the fiber used to elaborate the hat, in order to have better quality and therefore a higher-price.

In the analysis of international sales we learn that there is a growing turnover from 2009 until 2013. The main buyers of this article are European countries, followed by the United States and Asian countries. Opportunities exist for a direct promotion aimed to workplaces having interest in the product and start to promote in places that do not know the characteristics of this hat.

CHAPTER 3: MARKET ACCESS

This chapter presents an analysis of the market access of straw toquilla starting with a description of the characteristics that demand for the product has throughout history, and especially today. It also details the characteristics of the supply of the product describing the quality of the raw material, characteristics of the fiber up to the final product's quality. It also describes certain designs of hats offered, stressing that it can elaborate according to customer taste.

This chapter details some sectors that may be involved in the production of raw material, promotion and commercialization of the toquilla straw hat describing the importance that these groups have in the finished product. It presents possible applicable strategies for the commercialization of the toquilla straw hat and the competition that the industry could face, highlighting the Internet as the main strategic tool for the promotion and marketing of Ecuadorian toquilla straw hat. Finally, detail the competitive advantages that the Ecuadorian toquilla straw hat has for access to markets is also detailed.

The most famous straw hats are white with a black band; in this way they became known to the world and whose use came to be recognized globally in the Caribbean, despite being of Ecuadorian origin. Hats are valued by their characteristics to combat the heat, whose worldwide recognition was when the Panama Canal was built. Famous people have been photographed making use of them, among them: Steven Spielberg, film director and Bo Derek, actress of the years 70s and 80s. They are examples of famous people who use this garment which adds much value in the market.

3.1 Conditions of demand.

In our country the straw hats are present since 1700. Some mountainous parts of the coast have the best climatic conditions for the development of the raw material and Montecristi is the place that fosters tourism, rescuing cultural heritage. However, the raw material does not grow only on the coast; there are other places where the product is

grown and made. The Sierra, primarily in Azuay and Cañar are also provinces where they make hats. Ecuador is the largest producer of straw hat as well as one of the first global producers of hats of this type.

The demand of toquilla straw hat at early 20th century had much prestige by the fact that that there was a photograph taken of the president of the United States, Theodore Roosevelt who wore one of these hats at the opening of the Panama Canal in 1914. In this country the use of the hat was diffused during the construction of the Panama Canal as a fresh and light garment; this place was the route of the Ecuadorian hats which at that time were already exported. Another important fact that allowed increased sales of toquilla straw hat in 1925 was the modernization of the laws of Turkey which banned the Fez, a traditional hat from that country and the use of the Panama hat was imposed. (López Alcívar, 2007)

In the mid-20th century the use of the hat decreased, however Ecuadorian toquilla straw hat did not suffer this reduction in sales since in European countries the hat had always been valued by the upper class. They have earned this reputation because it is a handicraft and made by hand, becoming a unique product.(Espinoza Mendoza, 2012) The prices of hats depend on the quality of the hat, the cost can reach up to around USD \$5000 for the superfine hat.

In the year 1844, in Azuay due to high demand of the hat and lack of employment, the municipality of Cuenca decided to teach the elaboration of straw hats. Being a mandatory decree whereby the Governor said it would be a productive activity for the inhabitants, whoever did not attend classes would go to public prison to learn the art. This finally became an activity that generated income for many families.

Currently, cities of Montecristi and Cuenca are dedicated to the elaboration of the hat. These hats are worn in fashion catwalks because of their high quality and because they are sold at high prices. It was present on the catwalks of the fashion district of the 21st century in collections of famous designers, like: Enmanuelle Ungaro 2009 and Ralph

Laurent 2011. In addition, the use of this product came to cinema being worn by Hollywood in films, such as: "Gone with the Wind", "Casablanca" and "Cayo" (Espinoza Mendoza, 2012)

Current demand of the hat compared with the inception is more demanding in terms of techniques of elaboration, in decorations and labels. Currently, hats give a special touch at the time of dressing or to demonstrate personality according to the different moments like: the beach, places of rain or at any social event. Usually the straw hat is seen as an item of fashion that denotes the personality of who uses it. The main user of the hat by custom use as garment is the European market.

The quality of the product is one of the main attributes that buyers admire. Quality also means buying a reliable article to meet the demand. The international market which addressed this product are people of high and middle social strata of female and male gender that like to be fashionable and they value quality, design and aesthetics.(Espinoza Mendoza, 2012)

Our country is threatened by low workmanship for the traditional elaboration of the hat. The use of hats among the young is less, so it is necessary to implement a strategy focused on recovering the identity of the hat both nationally and internationally. The strategy should encourage people to adhere to the fashion or the fact of feeling more attractive. The sale of straw hats have an established market because it is made with original and exclusive designs, the target market for this product is international and can be attached to the use of technology and social networks for product promotion where consumers can interact voicing their opinions about the product and promote the national identity of the toquilla straw hat.(Espinoza Mendoza, 2012)

Currently in Ecuador there are companies like Ecua-Andino which sell the hat through its website and social networks. The business promotes its products via its website. This is a model of enterprise which opted to trade through electronic networks. It has generated success thanks to its growth and reception has been able to establish a

showroom both within the country and internationally. Some markets are abroad, among the countries that buy from this company, are: United States, France, Dubai, Japan, Peru, among others. (GuiaGuayaquil.com, 2012)

At a national level, the use of the hat is widespread in peasants and craftsmen for agricultural activities and protection of sun. They make the hats because they are trained for this activity and its tradition is passed on from generation to generation. These same hats, but in a more elaborate way, are the ones that are famous internationally. There is a very well selected demand as mentioned, and among the artists who have been photographed wearing the hat are: Jennifer López, Julia Roberts, Salma Hayek, Luis Miguel, Joaquín Sabina and actors like Brad Pitt, and Johnny Deep.(Espinoza Mendoza, 2012)

Over time the ecuadorian toquilla straw hats have gained a growing demand in the market abroad. In spite of the bell hat, this may be confused with the Chinese, which is made of prefabricated paper and is cheaper, while the Ecuadorian hat is hand-made from natural and elaborate fiber. It has caused confusion between consumers who are trying to purchase a quality product.(Guzmán Zambrano, Izaguirre Morla, & Santos Talledo)

As mentioned in the previous chapter, in Sigsig there is the Association of weavers of Maria Auxiliadora which was established in 1993 and has a large number of members. If they do not have the quantity requested by international demand they buy hats from people who are not part of the Association to complete the demand. The main buyers are European countries, an average of 700 hats is sent just to England. (Castillo, 2012)

Roosevelt wore the hat without knowing its origin and in the California gold rush between 1800 and 1900 the hat was also worn without knowing its origin. It was used just because it was made by light, natural fiber that was easy to transport.

The demand in the United States is important because according to the TradeMap figures reported in the period January - December 2012 an export of 6 tons were made to

this destination. The demand for straw hats still is not covered in different markets in quantity, variety and quality. Also the amount should be increased without losing quality and increasing variety. (PRO ECUADOR, 2013) It is necessary to promote internationally the name and original source of the Ecuadorian hat emphasizing the denomination of origin which has the Montecristi hat for the benefit of the city which bears the same name and the declaration granted by UNESCO to the weaving of the Ecuadorian hat for the benefit of the country.

The straw hat has international recognition by consumers in countries that know the high quality of the product. In countries where there are seasons, they should promote before the summer sale of hats so they can be worn in that season. The highest demand runs from June to August. However, there are models of hats that can be used in other periods of the year. For instance, Canada where purchases are seasonal and the volume is high and regular because in the country the per capita level in the population is high. Currently our country enjoys GSP (tariff preference system) which is taxed by 10%. The current challenge of our country is for people to see the hat as a clothing accessory, and not only as a handicraft, as seen in Canada and in other countries of the world.(PRO ECUADOR, 2013, pág. 14)

3.2 Offer conditions

The straw hat is a unique product in the market. It is vital for this country to be a quick and reliable source of supply to meet the demand and gain prestige. Marketing should begin within the country, giving a fair price for the hat to producers and artisans in order to generate productivity and jobs locally.(Guzmán Zambrano, Izaguirre Morla, & Santos Talledo) Three-quarters of production of this hat is made in the provinces of Azuay and Cañar; the remaining production is made in Montecristi and Jipijapa. These are the places where they make the fine hats. At the country level, not only are hats made with this material, but other items such as: bags, purses, ornaments, among others. Santa Elena is limited just to the production of straw toquilla without giving value added therefore is limiting its resources that are used by other sectors of the country.

From the beginning of the toquilla straw hat until today there has been a change in its appearance because there have been innovations in their designs, colors and other characteristics. This is with the purpose of attracting new and more buyers. The weaving will always be handmade. To check the quality of true toquilla hat straw Ecuadorian artisans must take into account the number of fibers per inch. Hats that have 13 fibers are the most common in the local market and its value is around \$30, superfine hats that have up to 40 fibers per inch have a cost of about \$2000. People engaged in this activity are true craftsmen because the hats they create with their hands are of the highest quality. (RevistaLideres.ec, 2012)

Having in consideration the different companies that sell toquilla straw hat there is a range of hats of different styles and features. However, in general, in our country they offer different types of hats, such as:

Hippie hat, its technique is with crochet the same which was created in Liberator. Its features are the resistance, for being thick it protects from heat and it can be dyed or left in its original color beige.

Bell hat, it is called raw hat because it is sold to national or international intermediaries to be finished by them.

Water hat, it is called in that way because they are closely woven. If it fills with water it will not be drained. It is white because of the process of bleaching to be soft, flexible and moldable.

Montecristi hat, this hat does not have chemical processes and is of very good quality. It is a fine hat, divided in: the fine, super fine and extra fine. All in color beige, more expensive because of the zahumado process.

Currently, we are still exporting semi-finished product, which are not beneficial in the international market because we must be competitive and with the semi-finished product we are not. We must bear in mind that there are competitors such as: China, Italy, United States, Mexico and Vietnam. If Ecuador continues with the export of semi-finished hats, those countries buy the Ecuadorian hat and finish it to sell at much higher

prices. It causes a negative impact on our country which loses revenue. In addition the hat loses the origin where it was truly elaborated.

A major inconvenient is that competitors of Ecuador are fully industrialized countries which use synthetic materials such as paper fiber to produce in series and at a low price. These countries become great competitors of Ecuadorian hats. Another major competitor is the oriental market which uses fiber, but the work is made of machine, also reducing costs and becoming competitive in price with our hat. In both cases the Ecuadorian hat has the biggest advantage considering that it is made by hand; it is a natural fiber and it is a craftsmanship. Sending the product to panama should be avoided because then it is sold to North America, Central America, Europe and other countries giving way to origin confusion - i.e., that the hat is a Panama hat.

Ecuadorian hats offer standards of quality with the following characteristics: variety of designs, quality and finishing of hat, sizes, weaving, various colors, packaging and brand. In addition to the designation of origin granted to hats made in Montecristi and the recognition by UNESCO to the Ecuadorian toquilla straw hat, the Ecuadorian toquilla straw hat offers a straw quality with varied designs, the quality of the weaving is excellent, have natural and dyed colors, product price depends on its quality and most importantly is manufactured from a natural fiber. The quality is seen in the weaving and in the bleaching.

Since the 19th century, Ecuador exports around 500,000 units a year. In addition Ecuador offers a number of handicrafts made with toquilla straw, besides hats. Even though Ecuador is the main supplier of this type of hat, it is not recognized internationally. Quality is an indicator that generates prestige to the product. It is important to make use of this advantage and start to massively promote this characteristic of Ecuadorian hats and publicize all the other characteristics that the product has.

The Internet remains the principal means of sales and promotion of this product as there are online stores like: Panama Hat Mall Gamboa with headquarters in Quito, Village Hat Shop in San Diego - California, Newt At the Royal (Honolulu) which offers this article in function of style with prices of USD 75 and 85. There are hats for the high segment in stores such as: "The Panama Hat Company-of the Pacific" in Hawaii, much more exclusively on the quality of the toquilla straw, design and color, their prices range from USD 500 to USD 5000 per hat. (PRO ECUADOR, 2013)

Not all craftsmen have the same opportunity to offer their products because there is an unfair treatment in society in our country. It is because there are traders who buy hats for a very low value to resell them at considerable higher prices. Reason why, some artisans have organized in such a way they can directly offer their products abroad and they have a better remuneration for their work. This is the case of the partnerships that have been formed mainly in the Azuay where all collaborate to jointly move forward with its work.

3.3 Related and supporting sectors.

The author Restrepo, in his book "Interpreting Porter" says that countries that possess advantage are strategically organized in the long term and therefore manage international markets effectively and easily. This is the reason we should maintain a high rivalry and go beyond the borders in order to export and become a beneficial partner. Exports will be generators of employment and of economic growth to generate flows of direct investment. (Restrepo Puerta, 2004, pág. 16)

To be successful in the long term in the commercialization of toquilla straw hat it is necessary to involve sectors in a customer-supplier chain. This brings together institutions and/or individuals who cooperate in order to meet the international market demands. Their goal is to be innovative. These chains give value to the economy and it is the best option to create productive economies with a higher added value and which are constantly growing. In the field of marketing of toquilla straw hat the number of people directly and indirectly involved is around two million.

Support sectors are involved people that sow the raw material in specific places where it has necessary climatic conditions to produce a high quality product. There are people engaged in the harvesting of the raw material, as well as group dedicated to the treatment of the fiber used for weaving. Also, there are craftsmen who are dedicated to the manufacture of the product and in some cases people dedicated to finish the product. There should be a group dedicated to the promotion and marketing of Ecuadorian toquilla straw hats highlighting the history behind them as well as the characteristics of the product. All of these groups should be very well organized to fulfill their function and therefore the final product offered to the public would be of high quality. This activity involves the work of a group of responsible people with commitment to their community, environment and with the culture that involves the product.

3.4 Strategy and competition of enterprises.

The implementation of strategies for optimal development of competitive advantages of E-commerce in the marketing of the Ecuadorian toquilla straw hat is essential. It is important to start by providing information to develop a communication strategy describing the hat making and its history to attract world interest on products made by hand.

An advertising strategy is essential to commercialize a product because it is the way in which you make an impact on consumers, showing the true origin that of the hat. The information provided via advertising has to be entertaining, original and dynamic and able to persuade consumers to remember the transmitted message. In addition, the message should denote comfort, style, tradition, originality and distinction that come with the use of the Ecuadorian toquilla straw hat. (López Alcívar, 2007)

At a national level, it is important to make a distinction at the time of marketing the product by pointing out that there are two distinct forms of weaving the hat in our country. The distinction is at the moment of elaboration, as mentioned the weaving in the Coast is more laborious while the weaving of the Sierra uses less threads to make the hat. It is important to know the true origin of the fine toquilla straw hats that takes much

more time to do and have a denomination of origin. However, all Ecuadorian hats have the great advantage to be made by hand and natural fiber whose raw material were born in Ecuadorian territory and which weaving has recognition from UNESCO. (Rueda, 2012)

In the promotion of the story it should reflect the reason why the Ecuadorian hat became known as a Panama hat. It must establish the true origin of the hat in order to show both at a national and international level how the hat came to be known internationally.

The competitive advantage, stronger and better worldwide recognition is that the Ecuadorian hat production is a qualified product and therefore its identity is very well defined, consequently the promotion through electronic networks is to make this knowledge known. It should not export semi-finished product because buyers make changes in it and sell them at higher prices as the property of their countries and the hat loses its Ecuadorian identity.

Promoting the identity of Ecuadorian toquilla straw hat should be more than a simple marketing strategy. It must be a committed to creating partnerships between various actors: producers and gatherers of raw material, weavers, state and business in order to generate social products which are promoted worldwide through electronic networks.(Espinoza Mendoza, 2012)

Important aspects that are related to a long-term strategy and involving other sectors, are: generating sustainable raw material, this in order to have a permanent source of raw material through the endeavors of people living in the area where the raw material grows. There is a system of social security and decent employment to weavers in order to insure all people engaged in the production of the hats. Establishing a system of social responsibility from companies using methods and eco-friendly packaging. Improving the development of human talent and transfer of the ancient knowledge of the weaving to new generations. Implementation of processes of this nature would allow the Ecuadorian government to launch a marketing campaign promoting the straw hat as a

social product for the benefit of all the Ecuadorian people engaged in toquilla activity and as a country be recognized by a great track record and high quality product. (Espinoza Mendoza, 2012)

A social product with support of Ecuadorian state allows promoting crafts and art as products of a unique weaving. Contribution to gender equality because weavers mostly are women, obtaining an ecological product because the raw material is produced sustainably, obtaining a product that is part of an ancestral knowledge and is intangible cultural heritage of humanity. Owning an Ecuadorian toquilla straw hat in addition to the monetary value is interacting with human values.

A proposal of this type allows strengthening of the collective goods, in this case the ancient wisdom of the toquilla straw fabric; and, strengthening social participation levels, to increase the capacities of the social organizations of the weavers. Promotion of the following idea at all times to commercialize the hat: respect for the rights of the weavers and the rights of nature, the promotion of wearing a genuine hat that holds art and social values.

An aspect that would allow the product to transcend its heritage value, as well as the recognition of UNESCO would be the careful and sustainable management of the resources used to make it. In addition, to being a social aspect it should be involved the economic, aesthetic, cultural and historical. It forges a social balance towards inclusion, authenticity, respect for cultural diversity and plurality, participation of social actors, human rights, security and the strengthening of ethical values. This means to address the issue of patrimony with an absolute and authentically human dimension.(Espinoza Mendoza, 2012)

The strategy should start with the sustainable production of straw toquilla having as goals; generation of employment, promote crops in plots and farms and have a just price for the product. Most of the sales are intended abroad. For this reason it is necessary to

promote to the interior of the country the value of the work of our ancestors and the cultural heritage for future generations.

In addition a strategy that further encourages the activity altogether, i.e. the associations to form companies with community work able to meet the demand from abroad, attracting the participation of more artisans by organizing in such a way to begin exports of the product. Cultural identity is a strategy to protect the cultural heritage and to keep alive the indigenous peoples behaviors. It is important to know the cultural historic value of the hat and the weaving as a Manabi ancestral job that has been passed down from generation to generation and to different provinces.

The production of toquilla straw hat was born in Ecuador and it is an ancestral weaving tradition recognized by UNESCO. It is a part of Ecuadorian heritage and currently there are still families who keep this tradition alive as their way of weaving as their ancestors have taught them. These details are important to inform the general population. It must show that there is a difference of weaving on the Coast and in the Sierra so the consumer knows that there is diversity in the weaving and are different forms of organization from province to province, and each of them makes their contribution to Ecuadorian tradition.

To encourage the promotion of the hat in electronic networks, it is necessary to consider the organization of affairs both at the national and international level for manufacturers to show the characteristics of the hat and provide people the weaving experience through demonstrations and anecdotes provided by those involved in the process of elaboration of the hat.

It is necessary to promote the use of electronic media for the promotion of the product through digital magazines. In this promotion, it should be good to know that besides being a fashion accessory the hat is an article that serves for the protection of the skin and face which is the most delicate. Considering that there are places where UV rays affect the skin and face drastically. This is a lightweight garment that provides great

protection. It is essential to promote the purchase of the product at its original place. (Espinoza Mendoza, 2012)

As example of online promotion of straw hats is the firm Rafael Paredes S. & Sons that allows through the web page customers to buy hats with just one click. According to the Manager of the company it is a positive strategy because thanks to this tool you can sell hats to places where previously the product was not acquired, including: Alaska, Dubai, Mongolia, Singapore and other places that traditionally were not destined for Ecuadorian hats. A strategy that must be taken into account according to the firm is the customization of hat making, i.e. that customers can order a hat according to their taste. Another strategy employed by the firm Bernal Hats is to focus on increasing its sales in the domestic market. For this reason, it installed three locations in Azuay for demonstration of their products; they are currently exporting to 18 countries. (Revista Líderes.ec, 2012)

3.5 Competitive advantages access to markets sector toquilla straw hats.

Ecuadorian toquilla straw hat is a craftsmanship and teaching from ancestors, this is a unique advantage compared with producers of hats from other parts of the world. The production of the hat is ecological because it generates no pollution; the weaving is recognized internationally among its consumers as the highest quality.

Ecuador is able to offer the most varied designs of hats made from the same raw material quality adapted to the taste of each consumer. The product is authentic because it is made by hand and it is not produced in series as it is done in other countries. The global trend is the environmental protection and therefore more organic products are acquired and that they are free of labor exploitation, Ecuadorian toquilla straw hat meet these characteristics.

Currently, an important advantage is that the government became involved in the promotion of hats when it was recognized by UNESCO. The way weavers are organized especially in Azuay is through associations which are very well organized thus

increasing the demand of international markets. It is necessary that the government provide associations with training so that they develop their skills and improve their standard of living. Associations increase the level of competitiveness as it attaches to persons and/or companies providing knowledge and new processes, a business model in the industry welfare.

Previous strategies add to the main and largest promotion tool to publicize the product around the world: the Internet and social networks. Companies, retailer groups or people who are associated with this are part of a strategy that provide techniques, technological advances and are aware that together they have more and better opportunities in the domestic market, but especially in the global market seeking international recognition.

Associations contribute to national economic growth increasing the income level so it improves the balance of trade, biggest sources of income. These groups start to integrate into the globalization process seeking to be an international leader and have the confidence of craftsmen. As described, the local market is a limited buyer because the hat is worn by elderly people or people who work in the field, some of middle class wear it as an accessory to dress up for special occasions. It is important to carry out a marketing strategy to encourage the use of the hat as fashion and protection from solar rays in new generations both nationally and internationally.

The main touristic consumers are foreigners, which should encourage cultural tourism publicizing the true place of origin of the toquilla straw hat, opening the possibility of visits to various places where the raw material is produced, the processing and marketing of the hat which can be acquired directly from the craftsman. (PRO ECUADOR, 2013)

It is important to incorporate standards and quality control; the latter is already done by the craftsmen who make their own control while they make each hat ensuring that it is in excellent condition. To determine the quality of the hat should be taking into account texture, color, material quality and workforce. It would be important to have a

unification of the knowledge of craftsmen with more experience that would guide association members on the best way to get a final product of excellence, complying with the necessary characteristics so that the product meets the required quality. (Espinoza Mendoza, 2012)

3.6 Conclusions

At the end of this chapter, it has been detected that the demand at a national level is a minority and internationally it is much more appreciated, being the last 90%. The product has a much selected demand when it comes to Europe, because in these countries the Ecuadorian toquilla straw hat is very well quoted by both its raw material and work made by hand becoming very well appreciated and purchased.

The demand for the product became greater from the moment of construction of the Panama Canal when it came to be known worldwide through photos of an important personality. Currently, demand has also varied in terms of variety and designs; the product is wanted in several countries. Currently, the offer has also changed because they concentrate on offering a quality product highlighting the characteristics of the product and always trying to please the clients.

Main stakeholders of support involved can be identified in groups according to the activity they carry out, among them: people dedicated to the sowing of raw material, people who harvest, those who give treatment to the fiber so that it can be woven, artisans dedicated to the manufacture of the product, others dedicated to finishing and finally people who promote and commercialize the finished product. Throughout the development of this chapter there is the need to implement strategies that lead to optimal development of competitive advantages in the electronic trading of the toquilla straw hat.

There is a differentiation between the elaboration of the hat in the Coast and the Sierra; the hat provides quality and is world-renowned becoming a very strong competitive advantage. It should exploit this through the use of social networks. It would be very

attractive to take the hat as a social product, counting with the support of the Ecuadorian State to promote this handicraft. Each hat is a unique weaving and eco-friendly product because the raw material is produced in a sustainable way, therefore it is important to encourage the association to better organize in order to be able to meet the foreign demand through direct export.

The Internet and the social networks are the best massive communication in the world. The industry needs to take advantages of its benefits to reach the consumer with the product through a marketing strategy that encourages the use of the product as a fashion and protection from sunlight in new generations at a national and international level. Also, to promote the associations which provide the support of technical and technological advances to have greater opportunities for those involved. They contribute to national economic growth. They are integrated into the process of globalization to become an international leader.

CHAPTER 4: ANALYSIS AND DETERMINATION OF THE COMPETITIVE ADVANTAGES OF E-COMMERCE IN THE SECTOR OF ECUADORIAN TOQUILLA STRAW HATS.

This chapter describes the level of competitiveness that Ecuador has through an analysis of various aspects necessary to determine its competitiveness with the Global Competitiveness Report. Then the connection between technology and competitiveness is made because the first is a factor that is related to the Internet that is by means of which electronic commerce is given. In addition, through web pages consumers can customize their product to be produced completely to their pleasure.

There is a brief description of E-commerce of straw hats. Also, it describes certain competitive advantages that offer technology, specifically E-commerce in the marketing of the straw hats in Ecuador, which are described to do an evaluation of several websites that sell the product. It is here where we can get to know the benefits received by companies that have opted for this new form of marketing. Also, the benefits received by companies which are already opened physically and now commercialize their products online.

4.1 Necessary conditions for competitiveness in Ecuador

Ecuador is ranked 71 of 148 countries in terms of competitiveness according to the results of the latest Global competitiveness report 2013-2014 of the World Economic Forum. Ratings that show significant improvement over the previous year in 2012, Ecuador was ranked 86 of 144 countries that participated in the study.

Qualification is established under 12 pillars, of which Ecuador has improved in 10 aspects and shows that more advances occurred in the following aspects: infrastructure in 79, quality of education in 62 and in innovation 58 by adding to this stable macroeconomic condition and low inflation which allowed the recovery in the world rankings. Factors which the country must work are weak institutions and lack of

concrete initiatives, lack of legal certainty, attract foreign investment and improve relations in the area of international trade. Quality of institutions has great influence on competitiveness and economic growth. The country is currently ranked 92 having advanced 39 posts in respect to 2012. This is thanks to the protection of property rights laws. One aspect in which the country has to continue improving is on investments protection, ranked 116.

For 2012, Ecuador improved 16 positions in respect to 2011 because of technological efficiency and innovation. In terms of efficiency Ecuador showed progress in technology transfer (up 10 points), subscription to broadband per 100 inhabitants before 97 now 80. In terms of subscription to cell service ranked 67. In innovation factors, were purchases by the Government of advanced technology products, placing in 60 before it was ranked 83, in collaboration industry-University and in investigation and development is ranked 94, availability of scientists and engineers now in 96, quality and institutions of investigations place 110. Ecuador has to improve in this last aspect.(Camara de Comercio de Guayaquil, 2012)

In 2013, Ecuador has received low ratings in the evaluation of institutions and technological preparation. Improvement still needs to be done in terms of legal certainty and security in general. The country must achieve more efficiency to obtain more of a product with fewer amounts of resources. The low indicator is the foreign investment that is inside the pillar on efficiency in markets, the country is ranked 127.

Infrastructure is important for the competitiveness because it determines the type of activity made in a country, In Ecuador for 2013 road improvement have reduced production costs, road infrastructure has expanded, new airports have opened up and provided energy at low cost. However, the country still has low qualified workforce, for this reason it is measured rates of enrollment in secondary and superior education, quality of education, access to Internet, among others. In this aspect the country ranked 71 showing an advance of 20 posts regarding the 2012. For entrepreneurs, the country is

missing institutes and technical colleges to train people in activities that develop the knowledge of the population and therefore the qualified workforce.

Currently, there is greater integration of Ecuadorian business with businesses around the world. However, Ecuador has been one of the countries with lower foreign investment received. The improvement of business has given greater connectivity and high levels of consumption creating more demanding customers. The State should provide aid to the private sector especially in the sector of small and medium-sized enterprises in addition to the support that has been giving to the generation of entrepreneurial and has been financed innovative projects thanks to the support of the State.

The business environment becomes more competitive and it is in constant change becoming a challenge to reach levels of higher competitiveness. For this reason projects are being undertaken around the world aimed at investment in search of improving the technological, productive capacity and training to human talent. Public policy is important in the business field, because it creates competitive markets. Policies should support cooperation between the business sector and the Government for a sustained growth that favors the country in general. (Deloitte., 2013)

In 2012, the World Economic Forum in its rate of sustainability which serves to adjust the competitiveness included aspects of social and environmental sustainability. Ecuador has an alarming situation because these adjustments lead to a reduction in its global competitiveness index. At the level of Latin America, despite the economic development of the last few years the region in general has low competitiveness, staying stagnant compared to other countries. The report showed that in the region, there are a weak institutional functionability, deficient infrastructure and inefficiency in production factors. (Wong, 2013)

After analyzing the report of competitiveness in Ecuador, a necessary condition for raising the competitiveness of the marketing of toquilla straw hat is the technology as well as the infrastructure necessary to implement this technology, the training to use

technology and training to provide knowledge regarding the manufacture of the product. These are conditions that today's globalized market companies require to create a competitive panorama.

As mentioned, to create an environment of competitiveness in a country it is necessary to have the participation of several sectors from business, Government, industry workers, and training sector. This is to make proper use of resources and to optimize them.

4.2 Relation technology - competitiveness

Technological innovation gives the opportunity to collect financial, technical, commercial and administrative capacities for the sole purpose of providing improved products to the market. The technology today is one of the main factors that accompany the competitiveness. The technology is closely related to a new tool that is the Internet and by means of which E-commerce can be performed. The latter allows attracting lots of potential customers. Also, it allows publishing information about the product that it is currently offering, the direct delivery of the product to the consumer is still in the process of development. Websites gives the ease to consumers to customize their product completely to their liking.

In Ecuador it is necessary to have a greater support from the Government in order to increase the connectivity to the Internet. It should provide an appropriate infrastructure and technology so that citizens can have access to information and therefore can make purchases. The strategy carried out by the Government, creation of Infocentros has allowed for many people to have access to this new tool and experience to be connected and have access to information. It is important that support still be forthcoming and further training implemented in order to help people to access the information through this resource.

E-commerce has achieved a visible success because it has allowed users to enjoy lower costs and ease of access allowing to acquire information and perform transactions from

anywhere in the world they are connected regardless of distance and language. Communication has improved significantly and trade is favored with this new tool because it has allowed the growth of sales of many businesses around the world without having branches outside the country.

Despite being a tool where the contact with the customer is more impersonal, it allows consumers to express their tastes and the money they are willing to spend. It becomes a more optimal tool because it is the consumer who has access to the information and benefits from it by making comparisons of prices and products that will allow you to have the best choice. The Internet enables users through multiple search criteria to reach the desired product by facilitating the work of the client to get the product that best fits their needs. This is one of the most important aspects that attract users to this tool.

The Internet allows access to any customer in any place. For instance, if a person is interested in buying a straw hat they just have to use the Internet from wherever they are located and establish the search in available pages to customize the hat, add the product to the shopping cart and wait for the hat from the comfort of their home. It is beneficial for businesses because they do not need to have established physical structures no have staff to meet the requirements that are made through the website. In this case, the sellers would have to search for a support for potential problems online that may occur. It is essential to have an established method for solution of problems that could arise, a plan of action for possible problems with solutions to them and not be in trouble when it happens.

An online store can serve different customers at the same time and can have all the information they need about the product to make the purchase, determining range of prices, brands, functions, etc. All this does not happen in a traditional shop because there is a limited attention to customers and often the customer do not get all the necessary information to be able to make the purchase. In E-commerce the costs are lower because you do not need to make expenditures of a real shop, such as: maintenance, supplies, and staff.

An online store has the advantage of saving physical space since it is sold via the Internet, and the logistic system is optimized. Not necessarily reducing the number of employees but it changes the working profile. You do not have to remove the physical store. It is a matter of a proper handling of the technology and adjusts to the business for the benefit of the parties involved. It is a way to improve the work and optimize the resources that provides the technology to be more competitive in the current market. If it is a suitable handling of E-commerce, companies can reach more customers. It is an opportunity with the purpose to have a benefit and be competitive.

4.3 E-commerce toquilla straw hats

Ecuador has a trade of straw hats already established in the web because this product is already marketed on the Internet pages. Some companies market the Ecuadorian straw hat online. They have decided to bet on E-commerce and in addition to their already established physical stores, they have a website and social networks where the customer can find them and at the same time get necessary information from the company. The Internet allows consumers to make price comparisons because they have access to different companies. They can visualize the variety of products offered and there are even companies that are attached more to the needs of consumers allowing them to perform product customization and therefore feel more in tune with their hat.

Edgar Sánchez financial manager of Ecu-Andino Hats, company called first world exporter of Ecuadorian toquilla straw hats. Sánchez with his partner have given the Ecuadorian hat recognition worldwide on fashion catwalks. Those who have opted for the E-commerce tool have enabled them to increase the sales of hats with delivery to any part of the world extending their global reach. It has achieved notoriety by opening market in Asian countries and the Middle East. (ecommerceday, 2014)

4.4 Competitive advantages of E-commerce of toquilla straw hats in Ecuador

The advantages provided by E-commerce have been noted throughout this work. However, it is necessary to focus on the main competitive advantages that this trade

provides to the commercialization of Ecuadorian toquilla straw hat through E-commerce.

E-commerce in the commercialization of Ecuadorian toquilla straw hat offers the following advantages:

The culture of self-service is present in hat sales, products commercialized do not have geographical boundaries therefore they have the possibility to sell to any destination worldwide. Entrepreneurs could make use of technology through electronic exhibitions, electronic magazines, customer opinion, electronic billboards, and others.

Clients feel comfortable from any part of the world because they live the experience of buying a straw hat, knowing the history, the global prestige of the hat and all this at a reduced price. Traders of hats try to optimize sales because they have an online system to manage the hats commerce.

The presence in electronic media creates an image in the eyes of the world, and customers have access to an online tool that allows them to have access to information. Websites should provide knowledge of the history of hats and should also show the origin of the raw material. It should also allow for the consumers to make a custom hat to their taste because it gives them pleasure and makes the buyers feel comfortable.

4.5 Evaluation of websites that commercialize the product

The following is an analysis of the available Internet portals better known for the purchases of Ecuadorian toquilla straw hats and physical place of store in Ecuador. The administrators of these pages are companies that have opted to use E-commerce and previously had already established a physical store. However, they found E-commerce as a way to increase their sales and open up to new markets that previously they never imagined would arrive.

To evaluate the different web pages I will take into account the design of the website as well as the accessibility to product catalog of the store, as well as additional information

that is available on the page, the easy access to the shopping cart and the option for personalization of the product, i.e., the interactivity offered by the website to its users making it a pleasant and easy shopping experience.

Illustration 14: Web page ECUA - ANDINO



Source: <http://www.ecua-andino.com/>

First, the page design is attractive. When the client is at the page he or she can choose between several languages. It allows consumers in any part of the world to be able to acquire their product easily. Available languages are: Spanish, English, German, French, Italian and Japanese. This page has a very distinguished structure considering that entering to the page the consumer will have two options to buy: the first directly to the store and the second purchase from a Distributor, and they can get to have this last benefit entering a series of data to be part of the firm.

The menus of the pages are much differentiated and there exists a picture of ads that informs consumers about the different offers that the store has and it is updated continually. For instance, free shipping of 1 to 5 hats to United States in a given month. In addition, an announcement appears in which one enters and can determine the hat size according to measures, and another ad allows customization of the hat. There are several

tabs in which one enters and has all the variety of hats available at the store with a specific price. It has the option of adding to the shopping cart, the option to add to the wish list and to add at the list of comparison. The next tab shows the legend of toquilla straw hat, and then shows the fairs in which the firm has participated and in the next tab there are videos of the different collections of hats designed by the company. The following tab indicates the quality and services the firm offers its clients stressing that in addition to providing the highest quality to its customers claim that there is trade just because they guarantee fair prices to the craftsmen. This also shows the contacts where the main office is located in Guayaquil and lists two offices in Germany and France.

The store has its presence in various social networks, including: Facebook, twitter, YouTube, Instagram and Pinterest. The information provided by each of them is updated daily which makes it striking the information that company can provide and therefore the store is better known. They also show images of different premises and exhibition rooms that the store has. Pictures of how the consumer can make use of hat according to fashion and combining different tastes with different outfits and tips. While there is more presence on these networks the store receives more recognition and success. In these pages the users interact sharing images, requesting information and posing questions.

Illustration 15: Web page PANAMASHOP



Source: <http://www.panamahatshop.com>

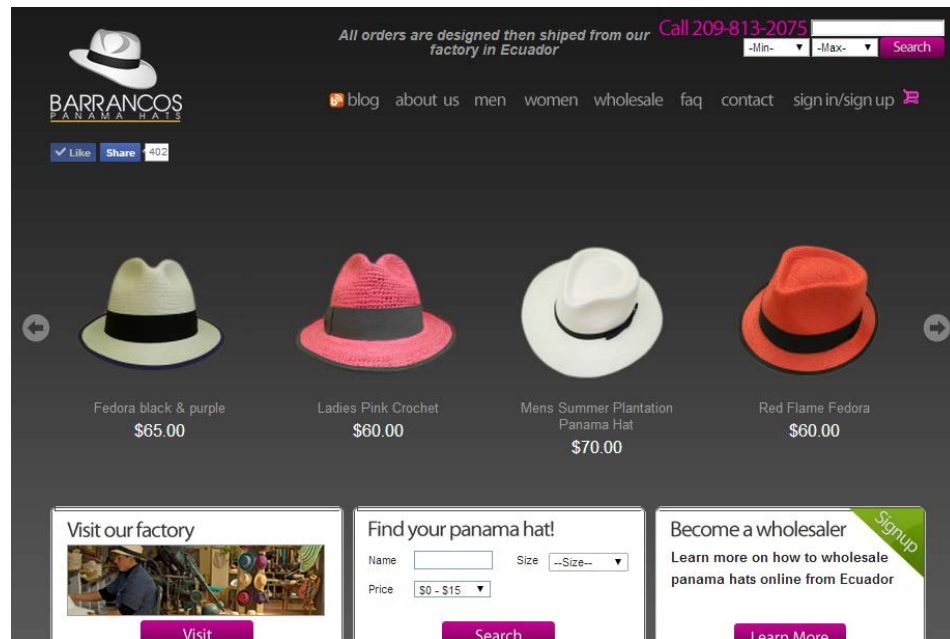
The Panama Hat Shop home page has a more sober design than the design of the page Ecu-Andino, where there only appears the image of a classic fine straw hat. This page is available to be viewed in several languages, including: English, German, French, Portuguese, Japanese and Spanish.

On its website it indicates that its suppliers are from Montecristi and Cuenca. Also, the website indicates that they are physically located in the city of Quito where it sends orders to everyone. In the catalog they make an important differentiation of woven hats in Montecristi and hats woven in Cuenca. This store also offers felt hats. However, there is a wide variety of hats exposed in the catalog that this page has to offer.

In this page it refers to the history of the straw hat and hat making. It provides a text which explains how to determine the quality of the hat explaining that it does so by the smoothness of the weave. On the page there is a chart size where the consumers can determine their size in the language in which the page is available. The page provides information about the hat care tips, explains the way you must clean the hat, how to establish the shape of the hat and how you should roll up hat. This store has no presence

in social networks like Facebook and Twitter. However, the website has not been updated since the day in which they opened. It has no presence in social networks and therefore there is no interaction of consumers.

Illustration 16: Web page BARRANCOS PANAMA HAT



Source: <http://www.barrancospanamahats.com>

This shop owned by Rafael Paredes SA and sons located at Larga Street and commonly known as Casa Roldan Paredes. It is a tourist attraction because in addition to selling toquilla straw hats it is a museum where people can access the product story told by employees of the company. This page is available only in the English language. It also, allows the user access to a blog of the company where consumers can interact.

In this website company contacts are available. They have a person responsible for online sales who is located in the United States as well as the contact they have in their physical store located in Cuenca. In tabs there is access to male hats and to women hats. In addition the user can register as a wholesale buyer. There is a link to access to questions to learn more about this option and how to become a wholesaler. In the page there is access to register in the store. In this case it gives access to social networks

Facebook and Twitter which are updated constantly with information about the company and hats that the company offers.

Photos of products are available on social networks as well as images of catwalks organized in the museum where they exhibit wonderful toquilla straw hats. Also, there are photos of the museum where a variety and quantity of hats and promotions available at the store are displayed. In addition, there are photos of models wearing toquilla straw hats as well as other handicrafts.

Illustration 17: Web page HOMERO ORTEGA



Source: <http://www.homeroortega.com>

The layout of the store webpage is simple and at the same time appealing for its color. On the cover is the picture of the Chola cuencana who is elaborating the weave of toquilla straw hat which is something traditional in the Ecuadorian Sierra. Homero Ortega store on its website provides a brief description of the company history, mission and vision. The next tab accesses a brief description of the museum "The magic hat", which belong to the store and is available in its facilities.

The webpage has the option of being available in different languages, such as: Spanish, English, French and German. It also provides the possibility to get to know a brief description of the elaboration process of the hat from its origin to production.

In addition, there is a tab where there are questions with their respective responses about the size of hats, caring and the reason for the name. There is also a catalog of hats available at the store for men and women as well as other crafts. On the web there is a space for testimony of clients from all over the world. On the next tab, there is a space for news of straw hats. There is a tab where they put at the disposal of the users contacts both in the city of Cuenca and Quito. Then, there is a tab that contains links from pages of hotels, event information, tourism and the Ministry of industry and productivity. It has no access to the social networking since the website despite being on Facebook isn't updating the information available on it.

Illustration 18: Web page BERNAL HATS



Source: <http://www.bernalhats.com/>

The homepage of the company Bernal Hats has a sober and elegant design at. The page is just in English, it also has several tabs for access to different options, such as: a brief history and tradition of straw hat and company history. It has access to a tab showing a gallery of various models of hats for both female and male. Then, there is a tab where it shows the social responsibility of the company in addition to expressing the fineness of Bernal hats. In addition, there is a space for the consumers of this product where they can leave a testimony of the use of hat. Finally, a tab allows access to send a message about the company and shows the address of the physical store.

On the website there is a message where clear advice about the use of hat is given, such as: protection from solar rays, part of the clothing, elegance, and others. They also mention that the production process of the hat is not polluting. The presence of the store is visible on Facebook where the information is updated regularly about the designs that the company offers to consumers.

Illustration 19: Web page MONTECUADORHAT



Source: <http://www.montecuatorhat.com/>

The layout of the montecuatorhat webpage is somewhat original because the cover is a kind of woven-straw and on this is available the information the store puts for consumers. It has some tabs where each of them has different type of information. In the first tab is the process of fine Montecristi straw hat. In the next tab is available the gallery of the fine Montecristi hats, shapes and styles for ladies and for gentlemen.

The next tab has news about straw hats toquilla Montecristi. In the tab of requests, the purchases are made. The next tab of discounts permits foreigners access to a coupon. The coupons are presented when visiting the physical store and are credited with a 10% discount on the purchase. The next tab, describes the history of the shop where the name

of the owner and family appear. In the last tab is the map of how to get to the store and the address of the store.

4.6. Conclusions

Ending the last chapter of the thesis, we know that our country is ranked 71 of 148 countries in competitiveness according to the latest global competitiveness report. Ecuador has improved in several aspects that are taken into account in the rating, the main advances included are the infrastructure, quality of education and innovation and low inflation which has enabled our country to improve its competitiveness. However, issues such as weak institutions, lack of concrete initiatives, lack of legal certainty and lack of attracting foreign investment are aspects that require improvement and advances. As in the country there is still low workforce, there is a lack of technical institutes in order to develop the knowledge of students to improve the workforce.

It is necessary that the State provide support to the private sector for small and medium-sized enterprises because the global business environment is more competitive and is in constant change. So it will need to work more to get to higher levels of competitiveness. Therefore to raise the competitiveness in terms of commercialization of straw hat is undoubtedly having the technology and infrastructure to be able to show the world the product. It is necessary to train people on the appropriate use of technology to publicize the use of the hat and the manufacture of the product. The mentioned characteristics are essential conditions in the current world market which is globalized and requires increasing competitiveness.

Technology is an important factor for the development of competitiveness in the country. The Internet allows Ecuador to be able to be more competitive in the commercialization of the Ecuadorian toquilla straw hat through E-commerce. It allows reaching customers through the information provided and the direct delivery of the product to any part of the world, as well as personalization. In the country there has existed in more recent years support by the Government to an introduction of technological infrastructure to provide access to areas where it could not previously

access on the Internet , however there are still much to be done in terms of ease of access and training in this matter.

In Ecuador there is an established E-commerce of Ecuadorian toquilla straw hats which are offered to the world through the web. There are some advantages, such as: culture of self-service, live the experience of buying from anywhere in the world without necessarily going to the physical store, presence of the store to the world. After analyzing the different web pages that sell straw hat, it can be seen that the more elaborate page is Ecua-andino. It is present in various social networks, and has established physical stores. However, despite its virtual presence Ecuadorian stores need to dedicate more time to update their pages in order to show interest in the trade of its products through these means. These stores are betting on this new tool capable of innovating their businesses, relying on the development of new technologies that are on the rise and allow them to be more competitive in the global environment.

CONCLUSIONS AND RECOMMENDATIONS

This graduation work “Determination of the competitive advantages of the E-commerce in the commercialization of the Ecuadorian toquilla straw hat ” allows us to have a clearer view of E-commerce worldwide, the situation of this commerce in Latin America and basically the infrastructure in growth of our country through the development of electronic tools that have been implemented as the electronic system implemented by the Service of Internal Revenues. In spite of this, there were those who have betted on this new way of doing business because of the Internet, social networks and the massive use of Smartphones which are on the raise. Also, it permits saving time, lower prices and taxes. However, the development of E-commerce is low. There appear disadvantages in safety and lack of explicit regulation, besides the possible noted problems that could present in the process of purchase.

This work starts to highlight knowledge of the important characteristics of straw hats since the raw material used for the production till the commercialization including part of the history. It shows the importance of designation of origin of the Montecristi hats and the recognition as Cultural Immaterial Heritage of the Humanity for the UNESCO which was received after 100 years of market history of this hat. Both recognitions are favorable for craftsmen of Azuay and Montecristi as well as for the economy of the country. It is important to promote through existing web pages and to stimulate the creation of others pages to show the basic characteristics that this Ecuadorian hat offers, the quality of weaving that determines the price of the product.

In the exports analysis of this product made from the year 2009 to 2013 it is possible to observe that the principal buyers are European countries, followed by The United States and other Asian countries. There are places where it is necessary to penetrate with the product, it is important to make a promotion through electronic means in an extended way to places that have interest in the product and to start promoting in places that do not know the characteristics of the hat.

The national demand of the product is a minority compared to the international demand that is 90 %. In European countries the demand is more select because Ecuadorian hats are very well quoted both by the raw material and by the weaving that becomes an attractive product in that market. The demand of the product has been historical since the construction of the Panama Canal. Nevertheless, the demand has changed because it is more exigent as for variety and designs. Also, the customer demand for customization has changed starting to highlight the importance of product characteristics giving pleasure to the clients.

There are several groups that support the process of production and marketing of the hat, like: the producers of raw material, who give treatment to fiber, who elaborate the hat and those who give the finished product and its commercialization besides others that are involved along the whole process. Nevertheless, there is a necessity to implement strategies for the development of competitive advantages especially in the electronic marketing of the product.

There is a difference between the weaving realized in the Sierra and in the Coast. In the promotion it is necessary to mention these characteristics because the second weaving is finer. It would be attractive to take the hat as a social product through the support of the State. The hat is a unique and ecological product since it is made by hand and is produced in a sustainable way.

There is a necessity to implement associations in order for the work in communities to achieve the best results and to satisfy companies that have the international demand of straw hats. It should possess techniques and technological advances which offer major opportunities between the involved parties that contribute to the economic national growth joining at the process of globalization to be an international leader. It is necessary to take advantage of the Internet with the social networks because both are a massive way of communication worldwide so it is necessary to exploit the benefits to arrive to the consumer with the product through marketing strategies to cement the use of the product.

Ecuador is ranked 71 of 148 countries in competitiveness according to the last report of global competitiveness. Our country has improved in several aspects, like: infrastructure, quality of education, innovation and low inflation which has allowed improving the level of competitiveness. Aspects that must be strengthened are: concrete initiatives, juridical safety, attract investments because the country has a low qualified workforce. Therefore, there is the necessity to implement technical institutes that allow the population to develop knowledge.

The State support is necessary to the private sector especially for small and medium companies because at the worldwide level the business environment is more competitive and is in constant change. For this reason it starts to be a necessity to improve the level of competitiveness. This improvement can be achieved if it has technology, infrastructure and qualified people to use technology. It is necessary to give knowledge of the product to the world, because these conditions are necessary on the global market that demands major competitiveness every time.

Technology is an important factor for development of competitiveness in the country because the Internet can be more competitive in E-commerce of Ecuadorian straw hat. The information and direct delivery and personalization of product are benefited with this tool. Government has supported in infrastructure, nevertheless it must be further improved in order to achieve the desired level of competitiveness. In the country, there is an E-commerce established of straw hats which are offered through the web to the world. The advantages that already have appeared are: culture of self-service, live the experience of buying from any part of the world without having been physically at the shop, the worldwide presence of the shop.

After analyzing the different web pages of shops that already are penetrating into the E-commerce we can see that initiative is absent in the same ones because there is lack of information, they are not showy. For this reason, it is necessary to dedicate more time updating the information of the page in order to be interesting for the consumers and to

be able to commercialize the products with the support of the new technologies and to be competitive globally.

It is recommended to start to cement the work in craftsmen's training to produce designs that are at the forefront of global fashion. There are very few national brands that are positioned on the international market for what it is necessary to market the product as Ecuadorian and not as Panamanian hat. Also, the product should be finished in order to avoid that other countries finish the product as their brand. It is important to try to eliminate the pyramid of marketing that harms the craftsmen labor and to support them to form associations and with a joint effort to move forward realizing the whole process and therefore obtaining better incomes.

It is necessary to have the support of the sector of the crafts in order for the young people to become interested in continuing with the tradition and acquiring the ancient heritage of the weaving of the straw hat. It is important to do advertising that allows the knowledge about the reason why the price of this kind of hat is higher in comparison with those that are elaborated in production in series and that the Ecuadorian hat weaving is done by hand. More support from the government is needed by means of advertising the genuineness of the product. It is important that there are politics of promotion of the identity of hat and supporters of the weavers.

There must be a regulation by the government that emphasizes the care of the production of the raw material for the elaboration of the straw hat because it is a source of local and national economy; it represents historical and cultural identity of our country besides the weaving being recognized by an international institution. The implementations of the strategies of advertising through the network are the most ideal to come to each of the users from the networks and therefore to the consumers who will stimulate the electronic commerce of the Ecuadorian toquilla straw hat. It is thanks to the good managing of the information of the product as well as all the advantages that is acquired on its path to its history.

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