THE INTERNATIONAL PHYSICAL DISTRIBUTION OF FOOTWEAR FROM GUALACEO FOR EXPORTATION TO THE PRINCIPAL PORTS OF NETHERLANDS: PORT OF ROTTERDAM AND PORT OF AMSTERDAM

Graduate work prior to obtaining a Bachelor's degree in International Studies with bilingual mention in Foreign Trade

Author:

Graciela Carolina Guncay Bustos

Director:

Ing. Carlos Durazno

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DEDICATION

With all my affection, and my love for that person who did everything in my life to achieve my dreams. The one who since I was little taught me to speak, taught me to laugh, and taught me to never give up. I loved him even before I knew what love was. He was my hero, my real life hero, my father who, although he is no longer among us, will always live in my thoughts; who while he lived was an unconditional support in my studies. To my grandfather Gonzalo, who always supported me when I most needed it; although he is no longer with us physically, he is always present in my heart, for having believed in me until the last moment.

This is also dedicated to my mother Graciela for giving me life. She has always been concerned with my daily struggles. To my siblings Amanda, Aaron, Pamela, and my boyfriend, who in the last few years has supported and encouraged me to achieve the goal that I have achieved today. They have had to sacrifice along with me, and they have supported me for not giving up.

Carolina Guncay
THANKS

Mainly, I want to thank God for giving me his blessings to get where I am today, and for walking along with me during my career. Next, to the University of Azuay for all the support provided for the completion of this stage of my life. Especially to my thesis director Engineer Carlos Durazno, who gave me his time and wisdom in several fields of knowledge, especially in foreign trade, logistics and international physical distribution, thus helping me in various aspects and requirements for the development of my project. I thank him for his support, patience and motivation that have been achieved in me, so I can finish my studies with success.

Additionally, I would like to thank the May First Shoemakers’ Guild, its president, Engineer Flavio Sarmiento, and all of its members for their time and support; furthermore, special thanks to Mr. Peter Lituma, member of the previously mentioned guild who was very helpful in the phase of research and knowledge of the footwear produced in Gualaceo. Finally, to my family, friends, boyfriend, aunt and my grandparents who stood by me throughout this period; many thanks to all from the depths of my heart.

Carolina Guncay
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RESUMEN

La Distribución Física Internacional del Calzado Gualaceño hacia los Puertos de Rotterdam y Ámsterdam, es posible porque el calzado gualaceño cumple con las características necesarias y mano de obra adecuada para la exportación del calzado. Además, de cumplir con la norma ISO 14001 que ayudará con la optimización del sistema de gestión ambiental y es necesaria para que el producto ingrese a Países Bajos sin ningún problema aduanero. Este producto será fabricado por la mayoría de los socios del Gremio de Confeccionista de Calzado Primero de Mayo y será exportada con una marca conjunta que es Santa Bárbara Shoes. La exportación se la realizará en termino CIF (costo, seguro y flete) por lo cual estamos encargados de determinar el modo de embalaje, contenerización, tipos de transporte y tiempos de entrega para incrementar la competitividad del calzado gualaceño. También nos encargaremos de contratar el seguro internacional que tendrá como beneficiario al comprador.
ABSTRACT

The International Physical Distribution of Footwear from Gualaceo to the Ports of Rotterdam and Amsterdam is possible because the footwear produced in Gualaceo complies with the required characteristics and adequate manpower for the exportation of footwear. Also, the footwear complies with the ISO 14001 that will help with the optimization of the environmental management system, which is necessary for the product to enter the Netherlands without any customs problem. This product will be manufactured by the majority of the members of the May First Shoemakers’ Guild. It will be exported with a joint brand which is Santa Barbara Shoes. Exportation will be in terms of CIF (cost, insurance and freight), which means that the exporter is responsible for determining the mode of packaging, the type of container, the types of transport and delivery times to increase the competitiveness of Gualaceo’s footwear. Moreover, the exporter is responsible to hire international insurance, of which the buyer is beneficiary.
INTRODUCTION

Gualaceo, named "Cultural Heritage of the Nation" by the Ecuadorian Government on December 31, 2002, is also known by the inhabitants of the Austroregion of Ecuador as the Garden of Azuay. Gualaceo is located in the northeastern part of the province of Azuay, a site of great beauty in the landscapes, productivity, and artisanal production.

The territory has outstanding craft production of woolen goods knitted or woven on a waist loom, products made of toquilla straw, baskets, embroidery, and especially footwear. In Gualaceo, there are skilled craftsmen that are developed in the area of footwear, producing for generations shoes of up-to-date designs.

Gualaceo complies with the necessary requirements since it has excellent workmanship, easy acquisition of footwear, minimization of costs and adequate production of this product.

One of the main objectives is to provide the general public and especially to members of the May First Guild the necessary information to place Ecuadorian footwear in the international market; thereby offering a good quality, competitive product which also provides sustainability to the artisanal sector of Gualaceo. In addition, the objective is to provide information on the processes, procedures, costs and resources necessary to export under one brand and place the product in the Dutch market.

In this study, the process will be analyzed from the acquisition of the product in the canton of Gualaceo until its delivery in terms of CIF (Cost, insurance, freight) at the ports of Rotterdam and Amsterdam. Therefore the project considers the consolidation of the product, unitization, containerization, and local and international transport, as well as the customs processes and costs necessary for this purpose.
CHAPTER 1

GUALACEO AND ITS FOOTWEAR MARKET

In this chapter, I will discuss Gualaceo jointly with its footwear market and its opportunities in the international market, thanks to important transformations generated as a result of social, artisanal, and touristic events and the requirement of the market, which have influenced the evolution of productive structures in the canton of Gualaceo.

In this sense, my research focuses on the footwear sector, which for a significant period has defined the development of the canton. In addition, I will diagnose with the members of the May First Guild to establish the amount and types of footwear that they are able to provide monthly for export.

Gualaceo contains excellent workmanship in the manufacture of footwear, and its destination includes the local and national market, with the conditions required by international markets. However, there are deficiencies related to international physical distribution that prevent getting the best returns in the export process. For this reason, the development of this work will provide solid foundations that will help to optimize the implementation of this logistics chain (LUNA, 2007:98.)

1.1 Canton Gualaceo

1.1.1 Geographical Profile

Gualaceo has an extension of 346.5 km². It is located in the province of Azuay, and bordered to the north by Paute, to the south by Chordeleg and Sigsig, to the east by El Pan, and to the west by Cuenca (MARAMBIO, 2009). It is located thirty-five kilometers from the provincial capital, which is Cuenca. Its population is 38,587
inhabitants. This grand valley is bathed by the rivers of San Francisco, Santa Barbara and Guaymancay (MUNICIPALITY OF Gualaceo, 2010).

Because of its location in a valley surrounded by beautiful mountains, one can enjoy both temperate and cold climes, with a temperature range from 6 degrees Celsius, during the coldest seasons to 25 degrees Celsius on sunny days. In the high parts where the altitude exceeds 3,000 meters above sea level, the weather is cold, as in all the upland areas of the mountain ranges where the cloud forest and Andean plateau ecosystems are found (MUNICIPALITY OF GUALACEO, 2010.)

1.1.2 Social economic profile

The main occupations of the people of Gualaceo are agriculture and the raising of livestock. However, due to the skill and experience of its people, the transcendental activities that define this canton are handicrafts and cuisine which is recognized even at the international level. The products highlighted in this canton are the hats of toquilla straw, carpentry, knitted wool sweaters, embroidery, macana shawls, objects made of precious metals, and mainly footwear, which is now of excellent quality (MARAMBIO, 2009:2.)

According to Jorge Mambin (2009), migration is one of the biggest problems of this canton: between the years 1930 and 1940, migration toward the eastern part of Ecuador; between 1950 and 1960 toward the area of the Ecuadorian coast; and from 1970 to the present times emigration abroad, mainly to the United States of America. This has caused a brain drain especially in the area of crafts and gastronomy. However, the production of footwear and its ancestral teachings continue to define this canton and to bring it toward the economic and social progress and development.
1.2 History of Shoemaking

As a background, in the decade of the seventies small family workshops were converted into businesses, having as a feature Ecuadorian footwear that was known by consumers for its strength and durability. At the same time the Laws of Industrial and Handicraft Stimulus were implemented. Later, in the eighties the process of business growth and participation in the market was characterized by the assistance and protection of industrial companies, which prepared its penetration in the international market. Subsequently, in the 90’s guilds, corporations, groups, and organizations began to be formed to collaborate with the development and growth of the sector, causing difficulties in the artisanal sectors (ESTRELLA, 2007: 16-19.)

At present, the shoemaking sector is going through a crisis due to the scaled economy which is a great limitation related to producing shoes. Other influences are the lack of technology, smuggling, and the importation of Asian footwear. All these aspects are inducing a global economic problem in this industry. However, the situation of shoemaking can be improved by improving the supply chain from purchase of raw materials for the manufacture of footwear, to commercialization with excellent quality and good prices in international markets, so that competition is not concentrated in one place (ESTRELLA, 2007: 17.)

1.3 May First Shoemakers’ Guild

1.3.1 Historical overview of the May First Shoemakers’ Guild

The art of shoemaking developed years ago, allowing the canton of Gualaceo to be considered an artisan center through creative designs in the manufacture of shoes. For this reason, on May 3, 1978, the “MAY FIRST” SHOE MAKERS’ GUILD was formed, with ministerial agreement No. 0602, as a legally-constituted organization, of private, nonprofit rights, with an unlimited number of members and of indefinite duration, whose registered office is in the canton of Gualaceo, province of Azuay, with
the purpose of promoting social good in the artisanal realm, and governed by the Craftsman’s Defense Law (Sarmiento, 2013).

It is currently under the leadership of Mr. Flavio Sarmiento Matute, with the respective board of directors and forty-nine members. This institution works for the preparation and training in the area of shoemaking. For the artisans, it is necessary to obtain the “Artisanal Qualification” that the May First Guild offers for personal preparation in the process of shoemaking. In this way, new ways to create innovative designs are taught, thus providing both the creativity and ingenuity related to the art. As a result, it aims to develop footwear with safety, efficiency and elegance. It is transcendental to value the art offered in this branch, which is the only way this canton keeps alive the future of its artisans, active along with its motto, "Do not waste what is ours, because that would be despising ourselves" (Sarmiento, 2013).

1.3.2 Aims and objectives of The May First Shoemakers’ Guild

- Strive for the advancement of the members with technical, artisanal, and cultural training courses.
- Collaborate with all public and private agencies dedicated to the different craft branches.
- Organize craft fairs and exhibitions, inside and outside of the province and the country.
- Promote the creation of stores and craft workshops.
- Establish socio-economic services for its members.
- Benefit from the Craftsman’s Defense Law and its regulations for application.
- Negotiate support from public and private agencies, domestic or foreign, for projects that require it.
1.3.3 Duties of the partners of the May First Shoemakers’ Guild

- Comply with the provisions of the constitution and by-laws.
- Pay membership fees
- Pay for and receive annually the May First Shoemakers’ Guild ID card.
- Dutifully attend to sessions of the General Assembly.
- Participate actively in the programs and events proposed by the General Assembly or the Board of Directors.

1.3.4 Rights of Members of the May First Shoemakers’ Guild

- Elect and be elected for leadership positions.
- Have a voice and vote at general assemblies.
- Participate on equal terms in all the activities carried out by the guild.
- Retirement and other benefits provided by the entity.

1.3.5 Benefits to the partners of the May First Shoemakers’ Guild

- Receive aid and solidarity in cases of illness or death.
- Participate in the agreements with other institutions for training and technological improvement for the strengthening of active members.
- Receivemerited honorable mentions and diplomas.

For the Board of Directors of the May First Shoemakers’ Guild, see Annex 1.

1.3.6 Analysis of the members suppliers of the product

The May First Shoemakers’ Guild is a legally-constituted organization, which constitutes all the faculties to market their product at the national and international levels. For the analysis of the present work I have used the interview technique with all the forty-nine
current members of this guild, in order to determine those that have the capacity to export footwear. Also, production and the types of footwear needed in accordance with the export season have been discussed.

This guild is characterized mainly by the artisanal, hand-crafted products. However, due to the high current demand that exists in the footwear market, the majority of them have been forced to increase their production of footwear through the use of technology, while a small percentage is still purely artisanal.

All the members of this guild are willing to invest in machinery for the production of the shoes if help from the national government is available for acquiring the respective credit.

The most common method used for the design of their products is the research of fashion trends. That is why Gualaceo has been characterized as a tourist destination itself dedicated to footwear. At the same time, models are manufactured based on magazines and original designs of manufacturers. However, one of the weaknesses of this guild is not to provide direct support to its members to patent their products.

Another of the limitations that is related to the manufacture of their products is the acquisition of raw materials, due to the fact that there is an external dependence on certain materials, accessories and raw materials whose import costs are increasingly high, such as soles, platforms, synthetic materials, high heels, corks, leather, inner soles, and linings, among others.

One of the studies the guild should perform is the importation of the raw materials needed for the production of footwear. In this way, it would increase productivity and reduce costs by large-scale purchasing.

The products of external dependency represent 65% of the production of footwear, among which are leather, synthetic exteriors, lining, soles, and templates. The products
produced nationally represent 20% of the production of footwear, among which are nails, heels, and glues. The local products represent 15% of the production of footwear, among which are heels and other indirect costs for the manufacture of footwear (LITUMA, 2013).

1.3.7 Members of the May First Shoemakers’ Guild

Gualaceo relies on excellent workmanship, and its production is sufficient to cover the local and national market, as well as having conditions to project into international markets. However, the joint collaboration of the members of the May First Guild First is necessary to obtain better results in the exportation of its products, and it is essential to consolidate the production of the qualified providers for the development of this project and the ability to sell the product at the international level.

For the complete list of the members of the May First Shoemakers’ Guild, see Annex 2.

It is important to emphasize that Gualaceo is one of the main places for the manufacture of footwear in Ecuador. However, the guild does not have the full support of all members for the realization of a group export plan, because competition between members makes it difficult to carry out a full integration to export as a guild.

As a disinterested party, I have analyzed how each of the members acquire their products in an individual way and noted those who have the capacity to produce monthly at least 250 pairs of shoes for export. In addition, an agreement will be made to export the products under a single brand to foreign ports, in this case toward the main ports in the Netherlands, the ports of Rotterdam and Amsterdam.

After having carried out the interviews with the forty-nine members and analyzed their production capacity, only twenty-eight have the ability to provide the required amount on a monthly basis, with the exception of the months immediately prior to Mother’s Day.
and Christmas, at which time the total production is necessary to meet the increased demand of the local and national markets.

For the list of members qualified for exportation of footwear from Gualaceo, see Annex 3.

1.4 Product opportunities in the international market

According to the Ministry of Industries and Productivity (2013), in its press release DCS-B2013-047 of December 26, 2013, Ecuador saw an increase in production of shoes from 15 million pairs in 2008 to 28 million in 2011. In 2012, according to the Fifth Latin American Forum of Shoemakers in Ambato, Diego Proaño (2013), an economic analyst, explained that during the year 2012, the national production of footwear was around 32 million pairs of shoes. In 2013, it reached a figure of nearly 40 million pairs of shoes. In addition, Ambato has exported 50 percent of its local production to foreign ports since 2009.

The production of footwear in Ecuador has increased thanks to increased tariffs on this product which, as a result, have decreased the importation of footwear. The step taken was the implementation of a joint tariff which entered into force on the first of June, 2010 (THE TRADE, 2013). That is to say, this tax imposes the specific charge of $6 plus 10% of the ad-valorem to each pair of shoes imported. The result of the implementation of this taxation was effective because it is of great help for the protection of national footwear against similar products with lower production costs, such as those from China, Peru, and Colombia (EL UNIVERSO, 2010.)

According to figures from the Ministry of Industries (MIPRO), internal sales of national shoes in 2008 were $165.7 million US dollars, while the sales for 2011 increased to $318 million US dollars. It is clear that these measures have helped the footwear industry.
1.5 Trade Balance of Ecuadorian footwear

Table 1.1: Trade balance of Ecuadorian footwear (millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>$33.50</td>
<td>$33.65</td>
<td>$34.93</td>
<td>$42.98</td>
<td>$29.88</td>
<td>$33.08</td>
</tr>
<tr>
<td>Imports</td>
<td>$151.98</td>
<td>$61.25</td>
<td>$104.46</td>
<td>$131.59</td>
<td>$151.17</td>
<td>$173.64</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>$-118.48</td>
<td>$-27.60</td>
<td>$-69.52</td>
<td>$-88.61</td>
<td>$-121.34</td>
<td>$-140.56</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

![Trade Balance:64 Shoes, boots, ankle boots, and similar articles and parts thereof](image)

Figure 1.1: Trade balance of Ecuadorian footwear
Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

The trade balance of Ecuador in footwear, booties and similar articles has shown a negative trend in the past five years because the amount imported by the country is higher than the quantity of exported national products. For example, in 2013 importation of footwear in Ecuador amounted to $173.64 million US dollars, while exports were $33.08 million US dollars; the trade balance of 2013 was $-140.56 million U.S. dollars (TRADE MAP, 2014)
The trade balance of Ecuador, tariff chapter 64, has been improved with the help of the tariffs imposed by the government. However, the balance of trade with this chapter continues negative (deficit).

It is transcendental to increase the exports of this product in the next few years to improve the balance of trade, since appropriate conditions for the manufacture of this product in our country are present, and there is a large demand for footwear at the international level.

### 1.6 Main export markets for Ecuadorian footwear

#### Table 1.2: Main export markets for Ecuadorian footwear (millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>$25.29</td>
<td>$27.64</td>
<td>$28.62</td>
<td>$32.84</td>
<td>$21.37</td>
<td>$25.87</td>
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<td>Peru</td>
<td>$7.44</td>
<td>$5.70</td>
<td>$5.41</td>
<td>$7.80</td>
<td>$7.26</td>
<td>$6.42</td>
</tr>
<tr>
<td>Venezuela</td>
<td>$0.33</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1.21</td>
<td>$0.60</td>
<td>$0.04</td>
</tr>
<tr>
<td>Chile</td>
<td>$0.11</td>
<td>$0.06</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.16</td>
<td>$0.12</td>
</tr>
<tr>
<td>United States of America</td>
<td>$0.15</td>
<td>$0.10</td>
<td>$0.19</td>
<td>$0.25</td>
<td>$0.12</td>
<td>$0.04</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)

Elaborated: BY THE AUTHOR

![Footwear Exports](image.png)

Figure 1.2: Main export markets for Ecuadorian footwear

Source: TRADE MAP (2014)

Elaborated: BY THE AUTHOR
Footwear, besides being a fashion item, is a product used internationally and in constant demand. Ecuador exports mainly toward Colombia, Peru, Venezuela, Chile and the United States of America. In 2011, $32.84 billion U.S. dollars of footwear were exported to Colombia, while in 2013 the value was $25.87 million U.S. dollars. This country is our biggest trading partner in regard to the export of Ecuadorian footwear (TRADE MAP, 2014).

In addition, Ecuador's footwear exports have as their main destinations:

**The South American market:** Colombia, Peru, Venezuela, Bolivia and Chile.

**The Central American market:** Costa Rica, Panama, Guatemala, Nicaragua and the Dominican Republic.

**The North American market:** United States and Canada.

**The European market:** France, Italy, Spain and Germany.

1.7 Tariff headings under which Ecuador exports footwear

**Natural leather, both the sole and the top:**

64.03.20 Footwear with outer soles of leather and the top of strips of leather. Therefore, it passes over the instep and around the big toe.

64.03.51 Other footwear with a sole of natural leather, Ankle covered.

64.03.59 Others.

**Natural leather for the sole and the top of textile material:**

64.04.19 Other footwear with outer soles of rubber or plastic.

**Mixture of leather, or regenerated and other raw materials:**

64.05.10 With the instance of top, leather or regenerated.

64.05.20 With the instance of top of textile material.

64.05.90 Others.
Table 1.3: Table of Ecuadorian footwear exports under the tariff headings of the present study (millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Tariff Heading</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>64.03.20</td>
<td>$0.01</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0</td>
<td>$0.004</td>
</tr>
<tr>
<td>64.03.51</td>
<td>$0.12</td>
<td>$0.11</td>
<td>$0.19</td>
<td>$0.27</td>
<td>$0.069</td>
<td>$0.009</td>
</tr>
<tr>
<td>64.03.59</td>
<td>$0.01</td>
<td>$0.00</td>
<td>$0.02</td>
<td>$0.00</td>
<td>$0.015</td>
<td>$0.092</td>
</tr>
<tr>
<td>64.04.19</td>
<td>$14.23</td>
<td>$15.18</td>
<td>$10.02</td>
<td>$8.73</td>
<td>$5.737</td>
<td>$7.38</td>
</tr>
<tr>
<td>64.05.10</td>
<td>$0.01</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.009</td>
<td>$0.012</td>
</tr>
<tr>
<td>64.05.20</td>
<td>$0.02</td>
<td>$0.02</td>
<td>$0.01</td>
<td>$0.00</td>
<td>$0.017</td>
<td>$0.001</td>
</tr>
<tr>
<td>64.05.90</td>
<td>$0.02</td>
<td>$0.02</td>
<td>$0.02</td>
<td>$0.00</td>
<td>$0.005</td>
<td>$0.01</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

![Ecuadorian exports to the world](image)

Figure 1.3: Table of Ecuadorian footwear exports under the tariff headings of the present study
Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

Footwear with natural leather sole and the upper part of textile material belonging to the tariff heading:

**64.04.19** Other footwear with outer soles of rubber or plastic, has been of great relevance for Ecuadorian footwear exports, and in 2009, it reached the value of $15.18
million US dollars, and in 2013 was $7.38 million US dollars. Ecuadorian footwear exports under other tariff headings mentioned above have not been of great importance (TRADE MAP, 2014).

The lack of entrepreneurship toward new projects for the exportation of footwear gives a negative trade balance result. However, this trend may change in the coming years, as the exportation of these products is expected.

In Gualaceo, footwear under optimal conditions to reach international markets. This would favor the local economy of Gualaceo by the increase in the manufacture of footwear and will help the national economy since it will collaborate with the balance of trade in our country.
1.8 Imports of footwear in the European Union

Table 1.4: Imports of footwear in the European Union (millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>$96,793,19</td>
<td>$86,978,02</td>
<td>$101,298,65</td>
<td>$115,475,64</td>
<td>$116,957,07</td>
<td>$114,697,99</td>
</tr>
<tr>
<td>European Union</td>
<td>$38,990,22</td>
<td>$39,722,71</td>
<td>$43,490,92</td>
<td>$49,941,33</td>
<td>$47,041,33</td>
<td>$49,913,27</td>
</tr>
<tr>
<td>Germany</td>
<td>$7,005,90</td>
<td>$7,047,78</td>
<td>$7,924,35</td>
<td>$9,492,19</td>
<td>$8,912,21</td>
<td>$9,720,99</td>
</tr>
<tr>
<td>France</td>
<td>$5,947,43</td>
<td>$5,565,74</td>
<td>$5,998,87</td>
<td>$6,756,99</td>
<td>$6,442,24</td>
<td>$7,203,46</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$5,304,39</td>
<td>$4,862,22</td>
<td>$5,645,14</td>
<td>$6,002,63</td>
<td>$6,080,71</td>
<td>$5,520,96</td>
</tr>
<tr>
<td>Italy</td>
<td>$5,820,66</td>
<td>$5,280,67</td>
<td>$5,897,85</td>
<td>$6,759,32</td>
<td>$5,823,43</td>
<td>$6,058,10</td>
</tr>
<tr>
<td>Netherlands (Holland)</td>
<td>$2,628,91</td>
<td>$2,529,45</td>
<td>$2,800,84</td>
<td>$3,792,78</td>
<td>$3,473,91</td>
<td>$3,905,75</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

Figure 1.4: Imports of footwear in the European Union

Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR
Of the total world imports, the European Union accounts for 38% of the demand for footwear at the international level, with Germany, France, the United Kingdom, Italy and the Netherlands as the main markets for imported shoes in this region. The largest importer is Germany with $9.492,19 millions of U.S. dollars in 2011 and $9.720,99 millions of U.S. dollars in 2013 (TRADE MAP, 2014).

Despite having large footwear producers in Germany, Italy, Spain, and Portugal, among other countries, production is not sufficient to cover the demand of all the countries of the European Union. The competition of footwear is increasing day by day, with better competitiveness in reduction of costs, large-scale production, better technology, design, optimal strategies and distribution channels.

Ecuador in the international market will have to compete with countries such as Italy, Spain, Portugal, China, India, Brazil, Italy, Thailand, Indonesia, Turkey, Vietnam and Mexico to establish itself as an efficient exporter in the international context. Countries such as China, India, Taiwan, South Korea, Indonesia, Vietnam and Thailand have entered the global market competition because of the availability of labor and the use of innovative technology. However, the quality of the products of the aforementioned countries is not well received at the international level because of rapid deterioration.

At present, Ecuador, in order to compete in a globalized market, has had to improve its production, optimize its processes and increase the competitiveness of the sector. Therefore, it has updated the technology for a large portion of its production, in order to meet and compete internationally with the essential tools to conquer markets that were the domain of industrialized countries, and offer an economical and durable product to national and international consumers.
CHAPTER 2

THE NETHERLANDS: THE MAIN MARKET FOR THE EXPORTATION OF FOOTWEAR FROM GUALACEO

Holland is known for its windmills, wooden shoes, bicycles, tulips, dikes, canals and ports. In Ecuador it is common for the name "Holland" to be used when referring to the Netherlands. This is due to historical reasons which generally cause confusion when it comes to this country, because strictly speaking the term "Netherlands" refers only to the west of the country, specifically the provinces of North and South Holland (ECONOMIC AND COMMERCIAL OFFICE OF SPAIN IN THE HAGUE, 2013.)

Because of its outstanding features, this country is very important in region. It is also a significant trading partner with Ecuador, not only in agricultural products such as those currently marketed in Ecuador, but also as processed products (EUROPEAN UNION, [s.a.]) Based on its geographical location, it is intended to supply footwear to both the Dutch market and that of neighboring countries of the European Union. In this chapter, I will mention the reasons why I chose the Netherlands from all of the European countries as the final destination and the gateway of footwear from Gualaceo to Europe.

2.1 Geographical location

Map 2.1: Geographic map of the Netherlands

Source: PERSO.WANADOO. (2013)
Its official name is the Sovereign State of the Netherlands, with its capital Amsterdam. It has an area of 41,526 km$^2$. Its name or origin is Nederlanden, or lowlands, because we find a large area of lowlands that are at or below sea level (ECONOMIC AND COMMERCIAL OFFICE OF SPAIN IN THE HAGUE, 2013.) Many areas are safeguarded from rising water, floods, etc. through dykes and embankments which have reclaimed significant areas of land from the sea (EUROPEAN UNION, [s.a.])

In addition, the country has a magnificent and elaborate system of water drainage since medieval times, which has been very helpful to increase the land area by more than twenty percent. Without this water drainage system that is always running, fifty percent of the Netherlands would be flooded by the sea and by rivers crossing its territory, such as the Rhine River which flows into Rotterdam (LUQUE, 2013:30.)

The Kingdom of the Netherlands is formed, according to the Statute of the Kingdom of 1954 by four countries:

1. Netherlands
2. Aruba
3. Curacao
4. Sint Maarten

The part of the kingdom which is limited to the north and west by the North Sea, 577 km to the west of Germany and 450 km to the south of Belgium and Western Europe stands out because despite being one of the poorest and smallest countries of the world it is of great importance internationally. This country is split into 12 provinces and 27 territorial administrations of water (ECONOMIC AND COMMERCIAL OFFICE OF SPAIN IN THE HAGUE, 2013.)
2.2 General Information

2.2.1 Demographics and society

The Netherlands had a population of 16,805,037 inhabitants in July 2013. Around 3,494,193 people come from foreign ethnic groups, which means that twenty percent of the registered population mostly comes from western and northwestern countries (ECONOMIC AND COMMERCIAL OFFICE OF SPAIN IN THE HAGUE, 2013.) In the European Union and internationally, this country is characterized by the highest population density with 494 inhabitants per km² (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2013). The highest population concentration is in the west of the country, in a small area between the Rhine, Utrecht and Amsterdam; here the density is close to 1,000 inhabitants per km² (LUQUE, 2013.)

The total population of the Netherlands is 8,447,477 million men and 8,357,560 million women (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2013).

2.3 Major cities

**Amsterdam:** In the 19th century, under the reign of Louis Napoleon, Amsterdam was declared the capital of the kingdom, which it remains to this day; Amsterdam is the economic and cultural center of this region. The capital of the Netherlands is perceived internationally as a sign of tolerance for several of its domestic laws. It also has more than 800,000 inhabitants and a charm of its own which is characterized by its narrow facades and multiple canals (LUQUE, 2013:35).

**Rotterdam:** It is the second largest city in the country, having 592,700 inhabitants. It is located in the delta on the Rhine and the Meuse and is superficially different from other cities in the Netherlands. At present, this town is one of the most significant in the world, mainly for its harbor, and as the economic and financial hub of Europe (LUQUE, 2013:35).
**Delft:** It has about 95,000 inhabitants and is located in midway between Rotterdam and The Hague. It is internationally accredited by the Blue Delft, Delft University of Technology and its partnership with the Royal Family (LUQUE, 2013:36).

**DenHaag:** The Hague (DenHaag) is the seat of government and residence of Queen Beatrix, also known as a center of political, institutional and diplomatic life. It has a population approximately of 440,000 people (LUQUE, 2013:36).

**Utrecht:** A city of great importance at national and international level, it is located in the hub of the Netherlands. Its population is approximately 250,000 inhabitants. This city is the fourth largest city in the Netherlands. Like all Dutch cities, it is characterized by its beautiful canals, flowers and magnificent historical city center dating from the 15th century (LUQUE, 2013:37).

**Maastricht:** This city is located to the south of the country and belongs to the province of Limburg, with Maastricht being the provincial capital. This city is of great importance to the world, but mainly to this region because this is where the Maastricht Treaty, also known as the European Union Treaty, was signed (LUQUE, 2013:38).

**2.4 GDP per capita**

According to the Organization for Economic Cooperation and Development (OECD) and the World Bank, Netherlands registered a GDP per capita of $46,054.00 U.S. dollars in 2012, ranking thirteenth according to the ranking of countries with the highest per capita income of the OECD countries. In 2013 it maintained the same ranking. Only Luxembourg, Norway and Switzerland are ranked higher (COMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012.)
2.5 Active population and unemployment

The labor market of the Netherlands in the last two years has been characterized by a decrease in the unemployment rate, surpassing the 2008 crisis which caused an increase in the unemployment rate (ECONOMIC AND COMMERCIAL OFFICE OF SPAIN IN THE HAGUE, 2013). This country is basically characterized by low unemployment rates in conjunction with the countries of Luxembourg and Austria. It has a workforce of about 7.4 million people from ages 15 to 65. The active working population works more than twelve hours per week (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

2.6 Administrative political organization

The Netherlands is a constitutional and hereditary monarchy with a parliamentary system of government. Queen Beatrix, who succeeded her mother in 1980, is delegated to be in charge of the Presidency of the Council of State and the leadership. The Council of Ministers is in charge of the executive power. Usually the government is composed of a coalition of political parties, so it is not common to have absolute majorities. This country has been criticized internationally mainly for its liberal policies, especially in the field of drug use, prostitution and euthanasia. Netherlands is home to the International Court of Justice (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

Major international affairs ministers are:

- Secretary of State for Economic Affairs, Agriculture and Innovation: Henk Bleker (CDA) in contacts with the outside has the rank of minister: Minister of Agriculture and Foreign Trade.

- Minister of Immigration and Asylum: Gerd Leers (CDA)

- Minister of Foreign Affairs: Uri Rosenthal (VVD)

2.7 State territorial organization
At present, the country is composed of twelve provinces which are Groningen, Friesland, Drenthe, Overijssel, Utrecht, South Holland, North Holland, Zeeland, North Brabant, Limburg and Flevoland (Luque, 2013.) The country is further divided into 443 municipalities and 27 water authorities. These last, whose function is to control water quality and ensure the supply to users, control different territories of the water system. (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

2.8 Practical information

Approximately half of the population of the Netherlands is historically Christian. According to the Central Department of Statistics, the distribution of this country’s population by religion, out of 100%, in 2009 was divided into Roman Catholic 27%, Protestant 16%, Muslim 5%, Hindu 1%, Other religions 3%, and No Religion 48% (LUQUE, 2013:11).

The Netherlands is a country with the high standard of safety, welfare and prosperity as becomes a European country with an upper-class lifestyle. The society is characterized by being open, especially in the field of international trade, business culture, and its entry and exit formalities.

2.8.1 Business Culture

Generally the citizens of the Netherlands prefer that issues relating to business be treated as openly as possible; they say what they think and do not waste their time. In other words:

- What do you offer?
- How much?
- What are the characteristics?
- What are the conditions for the contract?
It is considered a lack of respect and lack of interest in business to arrive late to a meeting or to introduce topics of conversation not focused on the negotiation. Punctuality is important; it is advisable to arrive 10 to 15 minutes before the scheduled time, or communicate in advance any reason important enough to arrive late or cancel a meeting (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

It is advisable to keep the conditions formal and only slowly move toward a more casual relationship. However, the style and personality of the possible trade partner must be considered. Furthermore, it is extremely relevant to exchange business cards, preferably in Dutch. Dutch is the official language; however, English is used in the commercial arena. Care must be exercised because the expressions and terms may have different meaning than in U.S. English (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012.)

The Dutch market is very competitive and demanding. Therefore, the quality and service of the dealers, such as the courtesy of the salesperson and efficiency in responding to product price quotes, delivery prices and shipping of orders, are paramount. It is significant that delivery dates be met without delay.

**2.8.2 Formalities of entry and exit**

The Netherlands consulate in Ecuador closed in 2012 in Ecuador. The Ministry of Foreign Affairs of the Netherlands has arranged that all procedures relevant to travel to the country are performed at the Spanish Embassy in Quito and the Spanish Consulate in Guayaquil. Schengen Visa Applications and temporary residence must be done in person, either at the Embassy of the Netherlands in Lima or the Spanish Consulate. Business visas for commercial negotiations with the country can also be obtained (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

For useful address to obtain further information, see Annex 4.

**2.9 Climate**
The climate is of an oceanic marine type, with moderate heat tempered by cool winds and summers with reasonable temperatures. Winter is generally docile, although there may be rapid drops in temperature. Rains usually occur in the spring (LUQUE, 2013:7.)

- The summers are usually warm and at this time there are a lot of tourists mainly in the northern beaches, the Friesian Islands, and the southern regions of Drenthe and Limburg (LUQUE, 2013:7.)

- In autumn, the days are sunny with beautiful scenery such as trees that change color (LUQUE, 2013:7.)

- Winters are cool, but it can be very cold with frequent rain. Even more, snow and fog can remain in the city for several days (LUQUE, 2013:7.)

- In the spring all the green spaces are covered with flowers and adorn cities and towns (LUQUE, 2013:7.)

2.10 Currency exchange rate developments against the dollar

Figure 2.1: Currency exchange rate developments against the dollar  
Source: DATOSMACRO (2014)
The Netherlands has been a member of the European Union since its formation and the euro has been the official currency since 2002. In spite of the economic crisis, the euro has evolved and currently the exchange rate against the dollar is 1.36 U.S dollars, as of May 31, 2014. As noted in the table above, the value of the euro has varied significantly against the dollar. Last year it reached its lowest point in May 2013, at which time the exchange rate against the dollar was $1.28 U.S dollars. Its highest point so far was found in the month of April 2014, in which the exchange rate against the dollar was $1.38 U.S dollars.

2.11 Transportation infrastructure

The Netherlands has a large transportation infrastructure within the country and with major connections across Europe, in ground service via road and rail. Furthermore, a high-speed line that will connect the country with Belgium and France, along with a branch to Germany, will soon be completed. For air transport service in the Netherlands, the biggest airport, which is the fifth largest in Europe, is the Amsterdam-Schiphol Airport; several other international airports are located near the cities of Rotterdam, Maastricht, Eindhoven and Groningen. River service within the country cannot be forgotten, nor the two ports with the largest global traffic in Europe, the Port of Rotterdam and the Port of Amsterdam. These ports contribute a significant percentage in the areas related to the balance of services (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2013).
2.12 Ports

Ports are essential for transportation service, development and competitiveness in Europe; they are the gates of Europe. Seventy-four percent of exported goods are shipped through these ports, which are also significant in internal commerce. There are over 1,200 commercial ports in the 70,000 kilometer coastline of the European Union. In 2011, around 3,700 million tons of goods were shipped through European ports. The ports also constitute the core of the activity. The contributions of port activities in the economy of the Netherlands constitute as much as 3% of the GDP (EUROPEAN UNION, 2013).

Costs and quality of port services have global competitiveness. Port costs can represent a significant portion of the total costs of the supply chain. The ports of Antwerp, Rotterdam and Hamburg support a fifth of all products shipped to Europe by sea. Ports found in the Netherlands are of primary importance for the international market because they enjoy a privileged, strategic location to meet the supply needs of the European Union. The Netherlands has three of the busiest rivers flowing into the sea in the world. The country also has an extensive network of waterways, about 5,000 km of rivers and canals that reach central Europe with large volumes of goods (EUROPEAN UNION, 2013).
2.12.1 The Port of Rotterdam

According to the official website of the Port of Rotterdam, in its 2013 annual report it was determined that turnover increased by 4% in comparison to 2012, thanks to the investment of 263 million euros in 2013, thus achieving modernization and automation of the port. As a result the net income of this port in 2013 was 226 million euros (PORT OF ROTTERDAM, 2014).

In 2013 about 440 million tons of cargo were handled. Approximately 37,000 sea-going vessels arrived and 120,000 smaller vessels directed toward the heart of Europe. The port of Rotterdam is deep enough to accommodate the world's largest vessels. The total TEU (Twenty-foot Equivalent Unit) which arrived through the port in 2013 was 11,621,249 TEU (ROTTERDAM PORT, 2014).

This port is located in the North Sea and is one of the ports of entry to the European market, which has more than 150 million consumers living within just a 500 km radius of Rotterdam, and 500 million consumers across Europe. This is a huge market and is
accessible from Rotterdam via five modes of transportation: road, rail, inland waterways, coastal shipping and pipeline. Goods arriving in Rotterdam in the morning can be, for example, in Germany, Belgium, France or Great Britain the same day in the afternoon.

To move the goods directly to Germany, the 160-mile Betuweroute is used. Mother ships, which are those found in a particular place surrounded by other interrelated boats, coastal-traffic vessels or cargo vessels, connect by sea to the port of Rotterdam with more than 200 European ports.

Vessels that travel short distances, or feeders, are used to transport goods over the busiest highways of Europe. Through the train, Rotterdam has direct links to the major industrial centers in northwestern Europe. Gondolas or rowing boats are vital, especially when transportation over a short distance is required.

"Transportation logistics" is a process of activities essential to get products from the factory to the consumer, since it is one of the links in the supply chain. In this port, all kinds of goods are loaded, unloaded and distributed through different modes of transportation. It covers a wide area of 10,000 hectares along 57 km of the navigation canals. In addition, suitable advice is available as there are all kinds of companies specializing in the storage and proper handling of the cargo that arrives in this port, as well as transportation, logistics and auxiliary services, and even business service providers such as banks, insurance companies and trading houses (MARYGERENCIA,[s,a]).
Photo 2.1: The Port of Rotterdam and storage for containers
Source: MARYGERENCIA (2013)

Photo 2.2: Side view of the Port of Rotterdam
Source: MARYGERENCIA (2013)

Photo 2.3: Top view of the Port of Rotterdam
Source: MARYGERENCIA (2013)
2.12.2 The Port of Amsterdam

According to the official website of the Port of Amsterdam, it is the second port of the Netherlands and the fourth in Europe. The statistical report of 2013 determined that the total volume of the Port of Amsterdam amounted to 78.5 million tons in 2013. This equates to an increase of 2% compared to 2012. In 2013, approximately 9,500 sea-going vessels and 25,000 other boats arrived. The total of Twenty-foot Equivalent Unit which arrived through the port in 2013 was 659,170 TEU, approximately 35,000 containers (PORT OF AMSTERDAM, 2014).

The port of Amsterdam consists of more than 1,900 hectares of port and 600 hectares of water. The administration is responsible for the construction, renovation and maintenance of infrastructure, such as routes, sewage, cables, pipelines and real estate, as well as port activities, including traffic control through the different traffic posts, traffic monitoring through patrol vehicles, the floodgate control, law and regulation enforcement, implementation of environmental tasks, and advice regarding other services and companies in the nautical area (PORT OF AMSTERDAM, 2014).

Mannes Boelen, former business manager of the Port of Amsterdam, clarified that "the port together with its surrounding region tries to attract customers and is presented as a port which serves as an international gateway to Europe. It is therefore essential to maintain the highest standards of quality, and also anticipate developments in the logistics and distribution markets. For this reason, the Port of Amsterdam invests annually in many facilities including strengthening its network and the development and innovation of buildings and infrastructure".

As well as the port of Rotterdam, in Amsterdam adequate advice is available since there are all kinds of companies specializing in the storage and proper handling of the cargo that arrives in this port, as well as transportation, logistics and auxiliary services, and even business service providers such as banks, insurance companies and trading houses.
Map 2.3: Geographical map of the port of Amsterdam

Source: NOSVAMOSDECRUCERO (2012)

Photo 2.4: Side view of the port of Amsterdam

Source: NOTICIASHOLANDA (2010)

Photo 2.5: Top view of the port of Amsterdam

Source: PORTSTRATEGY (2013)
2.12.3 Port of Rotterdam VS Port of Amsterdam

There is fierce rivalry between these two ports, but the port of Rotterdam is well above the port of Amsterdam for its characteristics of storage, area, and ships that arrive annually, among other things. The two ports are only 80 miles away from each other. Despite their difficulties, these two ports are collaborating in the exploitation of the Betuwelijn, a railway line to transport goods to Germany inaugurated in 2007.

These Dutch ports maintain a rivalry on the subject of containers. However, Amsterdam has seen how successful activities that moved to Rotterdam have been due to the global economic crisis, because the loads were placed in larger vessels to save on transportation. These gigantic ships could not dock in Amsterdam; the logical result was to go to Rotterdam. Despite these great rivalries, both ports are of great importance for the Dutch and European economies because of the large number of products entering through their borders.

For these limitations, Amsterdam wants to rebuild its port to accommodate the largest freighters in the world, just as the port of Rotterdam. In 2013, the government of the Netherlands approved this project which should be ready in 2016. The project will be 100 meters long, 15 meters wide and three meters deep. Since the fifth port of Europe should have good access and the actual Port of Amsterdam has not been modified in 80 years, it must be transformed (NEWS FROM NETHERLANDS, 2010).
2.13 The Netherlands Foreign Trade

2.13.1 Exports and imports from the Netherlands to the world

Table 2.1: Exports and imports from the country to the world (millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>$545.853</td>
<td>$431.502</td>
<td>$492.645</td>
<td>$530.575</td>
<td>$554.677</td>
<td>$664.177</td>
</tr>
<tr>
<td>Imports</td>
<td>$494.936</td>
<td>$382.190</td>
<td>$439.986</td>
<td>$492.837</td>
<td>$501.134</td>
<td>$590.843</td>
</tr>
<tr>
<td>Trade balance</td>
<td>$50.916</td>
<td>$49.312</td>
<td>$52.659</td>
<td>$37.738</td>
<td>$53.543</td>
<td>$73.333</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)

Elaborated: BY THE AUTHOR

Figure 2.2: Exports and imports from the country to the world

Source: TRADE MAP (2014)

Elaborated: BY THE AUTHOR
The Netherlands is mainly characterized by having an open economy and enjoys a surplus in foreign trade. Exports of the Netherlands in 2013 were $664,177 million U.S. dollars (TRADE MAP, 2014). Exports were reduced by the crisis in 2009. However, growth is reflected in subsequent years (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2013).

The Netherlands’ imports from all over the world in 2013 were $590,843 million U.S. dollars. Just as did exports, imports decreased in 2008 and 2009 from the economic crisis, but in 2013 these have increased significantly. In the last five years, this country benefitted from a large surplus in its economy. In 2013, this country's surplus was $73,333 million U.S. dollars. The trade balance is defined as the difference between the total exports minus total imports that are conducted in the country (TRADE MAP, 2014).

Traditionally, the Netherlands has been the preferred home of foreign investors. In addition, the country is economically stable and its major trading partners in imports are Germany, Belgium, China, the United Kingdom, and the United States of America. Its main trading partners in exports are Germany, Belgium, France, the United Kingdom, and the United States of America.

2.13.2 Tariff items for the exportation of footwear

Below are the seven tariff items to be analyzed:

Natural leather both the sole and the top:

1. **64.03.20** Footwear with outer soles of leather and the top of strips of leather. Therefore, it passes over the instep and around the big toe.

2. **64.03.51** Other footwear with a sole of natural leather,ankle covered

3. **64.03.59** Others.
Natural leather of the outsole and the top of textile material:

4. **64.04.19** Other footwear with outer soles of rubber or plastic.

Mixture of leather, or regenerated and other raw materials:

5. **64.05.10** With the instance of top, leather or regenerated.

6. **64.05.20** With the instance of top of textile material.

7. **64.05.90** Others.

### 2.13.3 Imports of footwear by the Netherlands

**Table 2.2 Imports of footwear from the Netherlands in term FOB (millions of U.S. dollars)**

<table>
<thead>
<tr>
<th>Tariff item</th>
<th>World imports by the Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>64.03.20</td>
<td>2,602</td>
</tr>
<tr>
<td>64.03.51</td>
<td>55,478</td>
</tr>
<tr>
<td>64.03.59</td>
<td>117,790</td>
</tr>
<tr>
<td>64.04.19</td>
<td>174,600</td>
</tr>
<tr>
<td>64.05.10</td>
<td>6,139</td>
</tr>
<tr>
<td>64.05.20</td>
<td>23,434</td>
</tr>
<tr>
<td>64.05.90</td>
<td>40,273</td>
</tr>
</tbody>
</table>

**Source:** TRADE MAP (2014)

**Elaborated:** BY THE AUTHOR
Imports of footwear from the Netherlands have been a growing trend in the last five years, mainly footwear with leather soles and the uppers of textile materials belonging to the tariff item (TRADE MAP, 2014): 64.04.19 Other footwear with outer soles of rubber or plastic.

This category has increased its value in imports from $174 million U.S. dollars in 2008 to $418 million U.S. dollars in 2013. This effect occurs through the increased demand of consumers located in the Netherlands, the consumers’ need, and their high capacity of economic acquisition due to the economic excellency which is reflected in a per-capita GDP of $46,054.00 U.S. dollars in 2012.
2.14 Footwear Market of the Netherlands

The footwear market of the Netherlands is beginning to show a shift away from products imported from Asia, despite its being the first supplier of shoes to this country, and a tendency to seek products produced in Europe and America. In general quality, comfort, style, technological innovations in terms of fabrics and materials, and creative, unique, modern designs (SPANISH-SPEAKERS, 2013).

The footwear market of the Netherlands will grow through 2015, 10.7% in volume and up to 11.9% in value. By different categories, in volume the segment of non-sporting women’s footwear, will grow mainly with 13.2% growth. The Netherlands has a small shoemaking industry which is not adequate for consumer demands (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

Although, Ecuador does not currently have export footwear to Netherlands, because basically the country's exports have been focused on primary products, footwear is one of the products with potential in this market, according to statistics provided by PROECUADOR, because the Netherlands imports large amounts of this product. Ecuadorian footwear has the necessary characteristics such as low cost and durability to successfully enter the market in the Netherlands.

2.15 Main suppliers of footwear

The main suppliers of footwear to the Netherlands are:

- China
- Vietnam
- Spain
- Italy
- Belgium
The European Union is one of the leading suppliers of footwear design not only for the Netherlands but also at the international level. The quality of footwear in countries like Spain or Italy in terms of production has created a good reputation worldwide for European footwear. The large Spanish fashion companies are Zara, Mango or Desigual, and these are present in the Netherlands. In addition, it is increasingly easy to find Spanish brands both in stores and fashion fairs. Asian footwear is not appreciated at the international level because of its poor quality; the demand has declined. The shoes produced in Gualaceo can penetrate into the Dutch market mainly due to low production costs (EUROPEAN UNION, 2013).

2.16 Bilateral trade (the Netherlands - Ecuador)

2.16.1 Main products exported

The main products exported by Ecuador to the Netherlands are:

- Bananas, fresh or dried.
- Tuna, canned listados and bonitos
- Cut flowers for bouquets or for ornamental purposes, fresh, dried, dyed, bleached
- Cocoa beans, whole or crushed, fresh or toasted
- Palm oil, bulk weight (TRADE MAP, 2013).

2.16.2 Main products imported

The main products imported by Ecuador from the Netherlands are:

- Cutting blades, starters, and tunneling machinery
- Urea, including in aqueous solution.
- Other prepared medicines
- Vaccines for human medicine
• Parts for machinery or apparatus for sounding or drilling (TRADE MAP, 2013).

2.17 Bilateral trade balance

Table 2.3: Bilateral trade balance (millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>$331,55</td>
<td>$349,16</td>
<td>$333,46</td>
<td>$425,19</td>
</tr>
<tr>
<td>Imports</td>
<td>$133,94</td>
<td>$196,78</td>
<td>$210,64</td>
<td>$295,04</td>
</tr>
<tr>
<td>Trade balance</td>
<td>$197,61</td>
<td>$152,39</td>
<td>$122,82</td>
<td>$130,16</td>
</tr>
</tbody>
</table>

Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR

Figure 2.4: Bilateral trade balance
Source: TRADE MAP (2014)
Elaborated: BY THE AUTHOR
The trade balance between Ecuador and the Netherlands has remained favorable for Ecuador in the last three years. The best year was 2010 where the trade balance reached $ 197 million U.S. dollars, while in 2013 the trade balance reached $ 130 million U.S. dollars (TRADE MAP, 2014).

2.18 Admission requirements of footwear to the Dutch market

2.18.1 General information

The access requirements of the footwear market are subject to the regulatory regime of the European Union. It is also important to take into account non-legislative aspects such as environmental, consumer health and safety and corporate social responsibility. Footwear also bears a value added tax (VAT) of 21% (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

There is a penalty of 10% of the total merchandise if it is exported under another tariff item. In case of recurrence, the company will be in blacklisted for all customs authorities in the European Union. There are no customs charges and neither VAT nor storage taxes are paid while products are in transit (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

2.18.2 Tariff requirements

All the countries of the European Union apply customs rates common to imports from outside the Union. If there is no agreement in the international context exchange, the general import tariff applies.

Ecuador receives the GSP + benefit, which is a special incentive arrangement for sustainable development and good governance that the European Union grants to developing countries to improve their economic status through the importation of products from beneficiary countries without tariff in some cases and in others tariff
discounts. In the case of the footwear exported to the European Union, the tariff is 0%, while other countries pay an 8% tariff. This system is renewable and is in force until 2014 (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

2.18.3 Certificate of origin

According to the Institute for Export Promotion PRO ECUADOR, the certificate of origin is a "document that certifies the country of origin of the goods detailed in it, namely, certifying that the goods have been manufactured in that country. It is used for export and import with countries outside the community, so that the products may be eligible for preferential arrangements and the implementation of corresponding tariffs”.

Objective:

- Certify the origin of the goods.
- Insure that products comply with the customs formalities necessary in order to have access to the tariff benefits derived from trade agreements signed by the Netherlands.
- Meet a requirement demanded by the Customs authorities of the country of importation of the goods.

Process for obtaining a certificate of origin

According with PRO ECUADOR to obtain the certificate of origin basically three steps must be followed:

1. The ECUAPASS Register. The first step that the exporter must take to obtain the certificate of origin is to register with ECUAPASS, or via FEDEXPOR websites or Chambers authorized by MIPRO to issue the document.
2. Generation of affidavit of origin. In ECUAPASS, the exporter must generate the respective Affidavit of Origin for the export product, the minimum requirement for obtaining any certificate of origin. The objective of the affidavit is to determine if the product meets the requirements to be considered of Ecuadorian origin.

3. Generate the certificate of origin. In ECUAPASS, the exporter must complete the online form and then pick up the official certificate from MIPRO, unless the process was carried out through FEDEXPOR or any other camera.

The exporters should note that there are several types of species or certificates of origin, which differ depending on the destination country for the exported goods.

2.19 Non-tariff barriers

2.19.1 Sanitary and phytosanitary requirements

The Member States of the European Union are part of the Commission the Codex Alimentarius, World Organization of Animal Health and the International Phytosanitary Protection Convention.

The importation of footwear which includes parts of animal origin is restricted unless they come from a country or region that has received prior authorization. The importation of these products must be accompanied by health certificates which declare the necessary conditions for the export of these products to the European Union are met, and are subject to official controls (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).
2.19.2 Protectionist measures for the introduction of footwear

The primary protection measures, established by countries for the footwear sector are antidumping measures and a ban on the importation of used shoes.

**Antidumping measures**

According to the World Trade Organization (WTO) dumping is generally a situation of international price discrimination, namely when the price of a product sold in the importing country is lower than the price at which the product is sold in the exporting country’s market.

In the Netherlands antidumping measures are applied for some products. For example, in the case of footwear, fees of up to 49.2% are applied to footwear with fabric uppers originating in China, and a variable rate of up to 14.1% for products from Indonesia (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).

**Ban on the importation of used footwear**

In some developing countries the importation of used footwear presents a problem. The Netherlands forbade the importation of used shoes for sanitary reasons (COMMERCIAL OFFICE OF ECUADOR IN NETHERLANDS, 2012).
CHAPTER 3
EXPORTATION STUDY

In the preparatory stage of exportation, several relevant parameters to ensure transparency and solidity in the negotiation with the buyer must be taken into account (UNCTAD/WTO, FEDEXPOR, 2005). To be competitive in the international markets, knowledge of the procedures to be complied with in commercial operations is imperative (GUIDE OF THE EXPORTER - PRO ECUADOR, 2013).

3.1 Actors in a commercial operation

Figure 3.1: Actors in a commercial operation

3.2 Requirements to become an exporter

Exportation can be done by Ecuadorians and foreigners residing in the country, as natural or legal persons. The following requirements that are needed to export (GUIDE OF THE EXPORTER- PRO ECUADOR, 2013)

- Acquire the Taxpayer Identification Number (TIN) authorized by the Internal Revenue Service (IRS) indicating the type of economic activity to be developed (INSTITUTO DE PROMOCIÓN DE EXPORTACIONES E INVERSIONES, 2013).

- Possession of a digital signature certificate or TOKEN. In the case of Ecuador, the institutions that grant the certificate are the Central Bank and Security Data, and it can be obtained by following all the procedures explained at the offices and on corresponding web pages (INSTITUTE OF EXPORT AND INVESTMENT PROMOTION, 2013.)

- Register as an exporter in ECUAPASS (https://portal.aduana.gob.ec/). The following are possible on the website: (INSTITUTE OF EXPORT AND INVESTMENT PROMOTION, 2013)
  - Update database
  - Create username and password
  - Accept policies
  - Register electronic signature

3.3 Process of Exportation

The process of exportation begins with sending the Customs Export Declaration (CED) in the new ECUAPASS system; an invoice or quote and documentation that are available prior to shipment can be attached. This declaration creates a legal relationship
and obligations to be carried out with the National Customs Service of Ecuador by the exporter.

The main data which shall be entered in the Customs Export Declaration (CED) are:

- The exporter or declarant
- Description of merchandise by invoice item
- Consignor’s identification
- Cargo destination
- Quantities

The digital documents that go along with the CED through ECUAPASS are:

- Original commercial invoice.
- Prior Authorizations (as necessary).
- Electronic Certificate of Origin (as necessary)

In the export process, the intervention of an certified customs agent is not mandatory. Once accepted the CED, the merchandise enters Primary Zone district for embarkation; as result the temporary storage registers and stores the merchandise prior to exportation.

The exporter will be notified which type of customs inspection is assigned, of the options

- Documentary Customs Inspection
- Physical Customs Inspection
- Automatic Customs Inspection

In the case of the Automatic Customs Inspection, exit permission, i.e., authorization forembarkation is automatic at the moment the merchandise enters temporary storage or primary zones.
In the case of the Documentary Customs Inspection, a customs agent will first be assigned at the moment the merchandise enters. The agent then shall review the electronic data and scanned documents, and the process is closed except in case of new developments. Any comments will be recorded by electronic notification format under the new system. Once the Customs Export Declaration (CED) is closed, the status of the merchandise is change to authorized departure, and the load can be shipped.

In the case of the Physical Customs Inspection, proceeds as described before, with the addition of the physical inspection process to confirm agreement with electronic and digitized documentation (THE NATIONAL CUSTOMS SERVICE OF ECUADOR, 2012)

3.4 Study of the factors for the exportation of a product

3.4.1 Types of shoes for exportation

Styles of footwear for exportation depend on the season of exportation and consumer requirements. That is why many styles are offered for all the consumer needs, from sandals for sunny summertime to boots and booties for the cold of winter. Oxford shoes are offered for beautiful spring evenings and unique casual shoes are just right for those wonderful autumn evenings.

To facilitate the export and selection of our products, the exporter will send electronic catalogues with new models every two months. The main models available include the following.

Model 1. Casual shoes

Casual shoes are usually named semi-formal or formal shoes. Women’s casual shoes have certain qualities. Some types have strings or ties. The platform is selected according
to the client’s concept of comfort; this kind of shoes can have no platform, or a 10 mm, 20 mm or 30 mm platform. The most important consideration here is not to be too informal; this type of footwear is designed for all kinds of events both formal and classic, depending on the use and combination that the consumer wants.

**Without platform – simple**

![Photo 3.1: Footwear Z13 (2) – Casual shoes without platform - simple](source)

*Source: MAY FIRST SHOEMAKERS’ GUILD (2014)*

**10mm platform - simple**

![Photo 3.2: Footwear Z15 (2) – Casual shoes platform 10mm - simple](source)

*Source: MAY FIRST SHOEMAKERS’ GUILD (2014)*
10mm platform - ornamented

Photo 3.3: Footwear Z16 (2) – Casual shoes platform 10mm - ornament

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

20mm platform - simple

Photo 3.4: Footwear Z17 (2) – Casual shoes platform 20mm - simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
20mm platform – ornamented

Photo 3.5: Footwear Z18 (2) – Casual shoes platform 20mm - ornament

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

30mm platform - simple

Photo 3.6: Footwear Z19 (2) – Casual shoes platform 30mm - simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
Model 2. Boots

A boot is a type of footwear that covers the foot and extents upward in different dimensions of length. There are a lot of models according to height, color, material, etc. Boots are usually characterized by being warm; some have heels and others do not.

Boots are usually used in cold or temperate weather since they protect the foot. They may be worn with skirts, pants or tights, according to the season or current fashion.

Boots have evolved in style; at present we find boots with thick, high or low heels, in bright or muted colors, and with accessories suitable for comfortable walking.
Booties without heels - simple

Photo 3.8: Footwear Z25 (2) – Booties without heels - simple model

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Boots without heels - simple

Photo 3.9: Footwear Z21 (3) – Boots without heels– simple model

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
Boots with heels – simple

![Boots with heels](image)

Photo 3.10: Footwear Z23 (3) – Boots with heels– simple model

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Boots with heels – type 2

![Boots with heels](image)

Photo 3.11: Footwear Z24 (3) – Boots with heels - type 2

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Model 3. Oxford shoes

The Oxford shoes are classic shoes, generally low, of various colors, with ties or any other embellishment. They are mainly characterized by the lack of high heels and are casual and comfortable shoes for everyday wear. Their colors and designs are attractive for girls, teens and adults since the style varies according to the age of the customer.

Oxford shoes
Photo 3.12: Footwear Z1 (1) – Oxford shoes- simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Photo 3.13: Footwear Z1 (1) – Oxford shoes– simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Oxford shoes - ornamented

Photo 3.14: Footwear Z2 (1) – Oxford shoes– ornament

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
Model 4. Shoes with magnolia heel

Shoes with magnolia heels are constantly named casual or semi-formal shoes. They can be no platform, or a 10 mm, 20 mm or 30 mm platform, with varying and finishing. The platform is selected according to the client's comfort.

The important thing here is not to be too formal; this type of footwear is reserved for particular events according to the customer's fashion and style.

10mm platform - ornamented

![Photo 3.15: Footwear Z8 (2) – 10mm Magnolia – ornament model]

Source: MAY FIRST SHOEMAKERS‘ GUILD (2014)

20mm platform simple - ornamented

![Photo 3.16: Footwear Z9 (2) y Z10 (2) – 20mm Magnoliasimple and ornament]

Source: MAY FIRST SHOEMAKERS‘ GUILD (2014)
30mm Platform

Photo 3.17: Footwear Z11 (2) – Magnolia 30mm

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Model 5. Handmade or Artisanal sandals

Sandals are a type of shoes which have existed since antiquity. They are usually used in warm seasons, such as summer or at the beach. There is a myriad of models, styles, and colors according to the season or fashion and required elegance.

Artisanal sandals without heels– simple

Photo 3.18: Footwear Z3 (1) – Artisanal sandals without heels - simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
Artisanal sandals with heels - simple

Photo 3.19: Footwear Z5 (1) – Artisanal sandals with heels - simple

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

3.4.2 Analysis of the quality of the footwear

The footwear of Gualaceo is of excellent quality, according to local and national consumers of these products. In addition, the makers contribute to the development of the country when they produce durable products with lower costs. In general quality, comfort, design and technological innovations in terms of fabrics and materials are sought. In addition to this new market niches can be covered such as recycled footwear, larger shoe sizes or special shoes.

The footwear of Gualaceo is qualified regarding environmental regulations because it complies with the ISO 14001:1996, which helps with the improvement of the environmental management system, to attain optimization in environmental practices worldwide in a way suitable to the environmental policy of the European Union, to allow the entry of this type of footwear without being detrimental to the environment, with clear policy, the necessary legal requirements and information about significant environmental aspects (INTERNATIONAL ORGANIZATION FOR STANDARDIZATION - © ISO 2004).
3.5 Footwear Parts

- Toe or front zone,
- Heel or back area
- Vamp between the two

![Anatomy of a woman’s shoe](image)

**Figure 3.2: Parts of women’s shoes**

*Source: COMLECURT (2012)*

### 3.5.1 Main components of women’s shoes

- The upper, formed by the upper instep material and backing.
- The insole, which can be leather, cardboard or synthetic materials.
- The sole, leather, plastic or rubber.
- The heel, made of wood, plastic, metal or leather.
- The heel counter, which reinforces the heel.
- The toe box, which reinforces the toe.
- Auxiliary materials, such as adhesives, nails, threads, or trimmings (AMAT, 2013.)
3.6 Steps for the manufacture of footwear

3.6.1 The design, fit and scaling patterns
The manufacturing process begins with the design. Shoe design can be done manually, drawing the product on a sheet of paper with a pencil like in the past, or on modern computer programs for shoe design, like Delcam Crispin and PowerSHAPE, among others. The design is made according to the type of shoes, fashion and desired style (LITUMA, 2013).

3.6.2 The cutting of parts
In this step of shoe-making, all the pieces that make up the model are cut, whether in leather or synthetic leather, as well as the lining materials (LITUMA, 2013).

3.6.3 Preparation and closing
Closing is the stitching together of the previously-cut components, including the uppers and lining, as well as the folding of parts, and the placement of ornaments (LITUMA 2013).

3.6.4 Mechanics of manufacture and phases of lasting
At the point the shoes are stretched on the lasts, and the subsequent operations place the components (LITUMA, 2013).

After stretching and mounting the shoe on the last, the sole and the heel are placed with the use of sophisticated machines. This leads to a series of additional steps, such as steaming the shape, pressing, marking of the heel box, and placement of the glued-on sole. (AMAT, 2013).
3.6.5 Quality control and packing
The last step is cleaning and assuring the best presentation, with correction of gaps or pressing, the placement of the insole, the addition of ornaments, and washing traces of waxes, adhesives and inks. Finally the footwear is packed and cratered (QUIMINET.COM, 2007).

3.7 Analysis of the amount of footwear production to be exported

Of the members of the May First Shoemakers’ Guild, only twenty-eight are capable of providing the necessary monthly production, with a variation in the months prior to Mother's Day and Christmas, since in those months most of their production is necessary to meet the high demand of the local and national markets.

The time of credit for the purchase of footwear would be 30, 60 and 90 days because the volume of purchase would be about the same amount monthly, with the exception of the previously designated months.

Below is the list of qualified partners, together with their monthly production, approximately 20% of which will be destined for export.
### Tabla 3.1: Qualified members and amounts established for the export of footwear

<table>
<thead>
<tr>
<th>Name</th>
<th>No PAIRS</th>
<th>20% EXPORT</th>
<th>TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Álvarez Luzuriaga Iván Patricio</td>
<td>5,600 pairs</td>
<td>1,120 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Arévalo Víctor Manuel</td>
<td>5,300 pairs</td>
<td>1,060 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Argúdo Lucero Marcelo Mariano</td>
<td>1,600 pairs</td>
<td>320 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Blandín Ulloa Danilo Eduardo</td>
<td>1,600 pairs</td>
<td>320 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Cabrera Becerra Lauro Enrique</td>
<td>5,200 pairs</td>
<td>1,040 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Calero Solís Derins Yoryi</td>
<td>1,700 pairs</td>
<td>340 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Criollo López Segundo Telmo</td>
<td>2,000 pairs</td>
<td>400 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Gómez Marca Miguel Ángel</td>
<td>1,500 pairs</td>
<td>300 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Guaraca Quiroga José Apolinario</td>
<td>1,200 pairs</td>
<td>240 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Herrera Lojano Jorge Marcelo</td>
<td>5,600 pairs</td>
<td>1,120 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Herrera Tacuri Israel Marcelo</td>
<td>1,500 pairs</td>
<td>300 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Lituma Argúdo Pedro Enrique</td>
<td>5,200 pairs</td>
<td>1,040 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Lituma Orellana Lauro Enrique</td>
<td>1,200 pairs</td>
<td>240 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Lituma Orellana Vicente Santiago</td>
<td>1,300 pairs</td>
<td>260 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Loja Zhicay Fernando Mauricio</td>
<td>5,200 pairs</td>
<td>1,040 pairs</td>
<td>Factory</td>
</tr>
<tr>
<td>Lucero Yunga José Rigoberto</td>
<td>1,400 pairs</td>
<td>280 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Mataiilo Álvarez David Fabián</td>
<td>1,500 pairs</td>
<td>300 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Orellana Valverde Carmen Esther</td>
<td>1,700 pairs</td>
<td>340 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Salazar Salinas Saul Gonzalo</td>
<td>1,800 pairs</td>
<td>360 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Sarmiento Matute Cesar Leoncio</td>
<td>1,600 pairs</td>
<td>320 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Sarmiento Matute Flavio Román</td>
<td>1,800 pairs</td>
<td>360 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Sarmiento Vintimilla Leoncio</td>
<td>1,500 pairs</td>
<td>300 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Torres Bueno Segundo Lauro</td>
<td>1,800 pairs</td>
<td>360 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Vera Hurtado Carlos Efraín</td>
<td>1,800 pairs</td>
<td>360 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Villa Llivicura Jesús Heriberto</td>
<td>1,800 pairs</td>
<td>360 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Villavicencio Córdova Celia Teresa</td>
<td>1,500 pairs</td>
<td>300 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Villavicencio Córdova Manuel Salvador</td>
<td>1,600 pairs</td>
<td>320 pairs</td>
<td>Workshop</td>
</tr>
<tr>
<td>Zhicay Angamarca Víctor Antonio</td>
<td>4,500 pairs</td>
<td>900 pairs</td>
<td>Factory</td>
</tr>
</tbody>
</table>

**Total:** 48,600 pairs 14,000 pairs

*Source:* MAY FIRST SHOE MAKERS’ GUILD (2014)  
*Elaborated:* BY THE AUTHOR
This amount is a monthly average and may increase depending on the season of buying and export. The price varies from $14 to $28 U.S. dollars per pair depending on the style and features of the product.

Of the members of the May First Shoemakers’ Guild, twenty-eight are qualified for export of their product. Seven are large companies that produce most of their footwear using technical methods, in comparison to the workshops that produce the product using artisanal methods.

Gualaceo’s shoe factories produce about 4,000 to 6,000 pairs of shoes each month and the workshops around 1,000 to 1,800 pairs per month. However, Iván Patricio Álvarez Luzuriaga, Víctor Manuel Arévalo, Lauro Enrique Cabrera Becerra, Jorge Marcelo Herrera Lojano, Pedro Enrique Lituma Argúdo, Fernando Mauricio Loja Zhicay, Víctor Antonio Zhicay Angamarca are seven footwear providers who are able to provide 900 to 1,200 pairs of shoes monthly for exportation.

The twenty-one remaining members have a production of 200 to 400 pairs of shoes each month for export, since the remainder of their production is for the local and national markets. Approximately, 14,000 pairs of shoes would be available for export monthly, with the aforementioned variation in the months prior to Mother's Day and Christmas.

### 3.8 Brand

The twenty-eight members of the May First Shoemakers’ Guild qualified for exportation are willing to export their shoes with a joint brand that identifies with Canton Gualaceo. The trademark and logo to be used for the exportation of the footwear of Gualaceo is Santa Bárbara Shoes.

The name Santa Bárbara Shoes was chosen because Santa Barbara is the name of the main river in Gualaceo. It was important in both the pre-Columbian and Spanish colonial periods, being a transcendental center of gold panning. In addition, it is the main
tourist attraction of this beautiful canton for its spectacular banks, which every year attract countless tourists, mainly in the month of February for the Carnival festivities. This brand was presented to the members qualified for the footwear exportation, who accepted without any inconvenience.

![Santa Bárbara Shoes Logo](image)

**Figure 3.3:** Santa Bárbara Shoes Logo  
*Elaborated: DISEÑADOR MIGUEL VANEGAS*

3.9 Technical specifications of the product to enter the Netherlands

3.9.1 Norms for GSP +origin

Ecuadorian exports, in order to be eligible for the benefits of the Generalized System of Preferences, which is a special scheme for stimulation of sustainable development and governance, must be accompanied by a proof of origin. This may be a **Certificate of Origin, A form.** It must be issued by the competent authorities in the country of benefit. The exporter applying for the certificate must be prepared to provide documentation proving the status of origin of the products concerned. The certificate must be available.
to the exporter as soon as the export has been made (EUROPEAN COMMISSION, 2014).

3.10 Specific requirements

3.10.1 General product safety

Products in the market of the European Union are susceptible to consumers; second-hand goods and those needing repair are excluded. Products must comply with the provisions laid down by the Board of Directors of the European Parliament and the Council designed to protect consumer health and safety.

The Board of Directors for general product safety has established the following common provisions:

- General safety requirements
- Additional obligations of manufacturer and distributor

3.10.2 General safety requirements

Producers have an obligation to export to the Netherlands only safe products for the market. The importer should represent as the exporter in his country. A safe product is one that does not pose any threat. High levels of protection of human health and safety take into account the following points:

- The characteristics of the product, including its composition, packaging, and assembly, installation and maintenance instructions.
- The presentation of the product, labeling, and any warnings and instructions for use and disposal, as well as any other indication or information regarding the product.
3.10.3 Additional obligations of manufacturer and distributor

Manufacturers and distributors must not supply products which they know or may assume to be dangerous. If a product is found to be dangerous, the competent authorities must be notified, and receive the necessary cooperation regarding measures adopted to prevent risks to consumers (EUROPEAN COMMISSION, 2014).

3.10.4 Market surveillance

Designated authorities in the Member States are responsible for verifying that all products comply with the applicable safety requirements. They can take appropriate measures to impose restrictions on marketing. They demand the withdrawal from the market of the products when there is evidence of any danger (EUROPEAN COMMISSION, 2014).

3.11 Correct labeling of footwear

3.11.1 Label requirements

When labeling, you must describe the three major items of footwear: the lining, the insole, and the outsole, indicating in each case if the material is leather, synthetic, woven leather or others. If a single material composing at least 80% of the product, the label should convey information about the two main materials used (European Commission, 2014).

This may be accomplished through the use of pictograms or signs written in the language or languages established by the Member State in which the product will be marketed.
3.11.2 Placing

The label should be placed in the shoes, and must be placed at least in at least one of the shoes in each pair. This can be done by printing, gluing, stamping or attaching a separate label. Labelling must be visible, securely attached, and accessible, and the dimensions of the pictograms must be large enough to be easy to understand (EUROPEAN COMMISSION, 2014).

3.11.3 Compliance responsibility

The manufacturer is responsible for supplying the label. When the manufacturer is located within the European Union, the person responsible is the authorized agent; when the manufacturer is located outside the European Union, the person responsible for the sale on the market is considered the manufacturer. However, the shoes will be sent from Ecuador with correct labeling to facilitate customs clearance (EUROPEAN COMMISSION, 2014).

3.11.4 Restriction on the use of certain chemicals in textiles and leather

Textile and leather articles containing certain prohibited chemical substances cannot enter in the Dutch market, in order to protect human health and the environment of the European Union. In accordance with this regulation, the main chemical substances prohibited in the textiles and footwear or leather are:

- Dioctytltin(DOT) compounds in textiles, footwear or parts of footwear that will come into contact with the skin.
- Nickel in objects intended to come into direct and prolonged contact with the skin, such as buttons, rivets, buckles, rivets, zippers and labels, when these are used in clothing or footwear.
• All manufacturers and importers of chemicals must identify and manage the risks arising from substances that are manufactured and marketed in the European Union.

The European Chemical Agency manages and coordinates the registration, evaluation, authorization and restriction of chemical substances entering to the European Union (EUROPEAN COMMISSION, 2014).
CHAPTER 4
TRANSPORTATIONLOGISTICS

4.1 Transportation Logistics

Nowadays, the topic of logistics is of great importance for companies, so that the majority of them have created specific areas for their operation. Logistics was known only to have the right product, at the right time, at the chosen site with the lowest possible cost. However, all these simple activities have been redefined and are now all a process (OSSA, 2010:87).

This process defines the inclusion of all the activities that allows the goods to be available to customers when and where they want to buy it.

4.2 Basic parameters of logistics

After several serious difficulties, setbacks due to a poor domain of transportation and its related operations, the need to study the necessary means for greater security and agility was needed. In this way, International Physical Distribution was born, set up to analyze the most appropriate way to carry the correct amount of product from one place to another in the time required, and at the lowest possible cost with the appropriate service strategy (SAMDEK, 2010). Basically, logistics focuses on the following considerations. (FEDEXPOR, CORPEI, 2007):

- To increase product rotation and sales channels (greater investment in strategic products)
- To shorten delivery times (cost reduction and increased client reliability)
- Prevent the “whip effect” movement (keep the manufacturing and demand curves parallel, avoiding waves).
4.3 The supply chain

When referring to the logistics of this business of the exportation of footwear from several suppliers of the May First Shoemakers’ Guild, it is very important to take into account the so-called Supply Chain (BALLOU, 2004:789).

The supply chain is the set of tasks within a company. In this project, the supply chain will start with the purchase of products for the process of labeling all the merchandise for export, packaging and unitization suitable for the transfer of the footwear. The result is qualified product for the respective export and sales, and ready to be purchased by a client or the final consumer, to whom the product is delivered in the established place. In this case, it will be delivered in terms of CIF, the acronym representing cost, insurance and freight.

**Supply Chain**

![Supply Chain Diagram](image)

**Figure 4.1: Supply Chain**

**Elaborated:** BY THE AUTHOR

4.4 Containerization

This is a method of physical distribution that uses a transport unit called a container, which allows the load to be carried as an indivisible unit, secure and unbreakable, which
is filled, emptied and stowed in the place of origin and destination of the shipment. This system facilitates combined transport.

For containers, it is worth considering the rate charged by the load:

- **FCL** for its acronym in English "full container load," which indicates a full container.
- **LCL** for its acronym in English "less than container load," which indicates a partial container. This is more expensive for the simple reason that the carrier ensures with trucks or complete containers the displacement of a secure flow of cargo rather than wasted space on its routes; the risk of the truck going half-filled is what urges consolidated shipments (BALLOU, 2004).

There are several types of containers, such as:

### 4.4.1 Ventilated Container

- It is used for the transport of cargo that requires ventilation

![Ventilated Container](Photo 4.1: VENTILATED CONTAINER

Source: GROUP FIDALEX S. A (2013)

### 4.4.2 Hardtop container

- It has a removable steel roof.
- It is used especially for the transport of heavy loads, high loads, and superior loads.
4.4.3 Open top container

- Presents a removable canvas at the top.
- It is generally used for high loads that are loaded from the top or loaded through the front with the doors completely opened.

4.4.4 Flat-rack Container

- It is special for heavy and wide loads.
4.4.5 Platform container

- It is particularly used for heavy and dimensioned loads. Cannot be used for internal transport.

4.4.6 Insulated Container

- For special load that requires constant temperatures. It is for ventilation, not for refrigeration.
4.4.7 Reefer Container

- It is generally used for the transport of cargo that requires constant temperatures.
- Temperature regulation through refrigeration system within the container itself.

4.4.8 Tank Container

- It is used especially for the transport of liquid chemicals.
- They are equipped with a wide range of technical instalations and additional features.
However, for the International Physical Distribution of footwear the following type of container will be used:

**4.4.9 Standard container**

- Used for the transport of all kinds of general cargo.
- Closed on all four sides: footwear is a product that needs protection.
- This unit allows the haulage of footwear as an indivisible unit, secure and inviolable.
- This type of container is adequate; the product does not need refrigeration or freezing.
- An open top container or platform does not offer sufficient security for the product.

**4.5 Types of Standard container - Standard Container**

The most common containers regulated by the International Organization for Regulation are of 20’, 40’ and 40’ high cube, although a wide variety of sizes, such as 10’, 30’ and 45’ and up to 53’ for specialist suppliers and with special permits of transport, is also available (WORLD TRADE ORGANIZATION, 2014).
The features are the following:

4.5.1 Dry Container - Van 20

<table>
<thead>
<tr>
<th>Measure</th>
<th>External</th>
<th>Internal</th>
<th>Doors Open</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>6.50 m</td>
<td>5.90 m</td>
<td></td>
</tr>
<tr>
<td>Width</td>
<td>2.44 m</td>
<td>2.35 m</td>
<td>2.34 m</td>
</tr>
<tr>
<td>High</td>
<td>2.59 m</td>
<td>2.40 m</td>
<td>2.29 m</td>
</tr>
<tr>
<td>Volume</td>
<td></td>
<td></td>
<td>33.30 m³</td>
</tr>
</tbody>
</table>

**Table 4.1: Measures Dry Container - Van 20’**

Kilograms | Pounds
---|---
Empty: 2,250 kg | 4,960.35 Lbs
Maximum allowable weight: 28,240 kg | 62,257.90 Lbs

The empty weight of the 20’ container is 2,250 kg or 4,960.35 lbs., and the maximum weight allowed in containers of 20 feet for international maritime route transport is 28,240 kg or 62,257.90 lb. Its internal dimensions are 5.90 m long by 2.35 m wide by 2.40 m high, giving a volume of 33.30 m³ for cargo storage (WORLD TRADE ORGANIZATION, 2014).

**Photo 4.9: DRY CONTAINER - VAN 20’**

Source: GROUP FIDALEX S. A (2013)
### 4.5.2 Dry Container- Van 40'

#### Table 4.2: Measures Dry Container - Van 40'

<table>
<thead>
<tr>
<th>Measure</th>
<th>External</th>
<th>Internal</th>
<th>Doors Open</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td>Kilograms</td>
<td>Pounds</td>
<td></td>
</tr>
<tr>
<td>Empty</td>
<td>3,630 kg</td>
<td>8,002.70 Lbs</td>
<td></td>
</tr>
<tr>
<td>Maximum allowable weight</td>
<td>26,850 kg</td>
<td>59,193.51 Lbs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure</th>
<th>m</th>
<th>m</th>
<th>m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>12.19 m</td>
<td>12.00 m</td>
<td></td>
</tr>
<tr>
<td>Width</td>
<td>2.44 m</td>
<td>2.35 m</td>
<td>2.34 m</td>
</tr>
<tr>
<td>High</td>
<td>2.59 m</td>
<td>2.40 m</td>
<td>2.29 m</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td></td>
<td></td>
<td>67.70 m³</td>
</tr>
</tbody>
</table>

**Elaborated:** BY THE AUTHOR

**Source:** WORLD TRADE ORGANIZATION (2014)

The empty weight of the 40' container is 3,630 kg or 8,002.60 lbs., and the maximum weight allowed in containers of 40 feet for international maritime route transport is 26,850 kg or 59,193.51 lb. Its dimensions are 12 m long by 2.35 m wide by 2.40m high, giving a volume of 67.70 m³ for cargo storage (WORLD TRADE ORGANIZATION, 2014).

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**Photo 4.10: DRY CONTAINER - VAN 40'

Source:** GROUP FIDALEX S. A (2013)
4.5.3 Dry Container - Van 40' high cube

Table 4.3: Measures Dry Container - Van 40' high cube

<table>
<thead>
<tr>
<th>Measure</th>
<th>External</th>
<th>Internal</th>
<th>Open Doors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight</td>
<td>m</td>
<td>m</td>
<td>m</td>
</tr>
<tr>
<td>Empty</td>
<td>12.19 m</td>
<td>12.00 m</td>
<td></td>
</tr>
<tr>
<td>Maximum allowable weight</td>
<td>2.44 m</td>
<td>2.35 m</td>
<td>2.34 m</td>
</tr>
<tr>
<td>High</td>
<td>2.90 m</td>
<td>2.71 m</td>
<td>2.60 m</td>
</tr>
<tr>
<td>Volume</td>
<td></td>
<td></td>
<td>76.50 m³</td>
</tr>
</tbody>
</table>

The empty weight of the 40' high cube container is 3,800 kg or 8,377.48 lbs., and the maximum weight allowed in 40 feet high cube containers for international maritime route transport is 26,600 kg or 58,642.36 lb. Its dimensions are 12 m long by 2.35 m wide by 2.71 m high giving a volume of 76.50 m³ for cargo storage (WORLD TRADE ORGANIZATION, 2014).

Source: WORLD TRADE ORGANIZATION (2014)
4.6 Preparation for transport

4.6.1 Packaging

Packaging is the conditioning of the goods to protect the nature and quality of the product contained during its handling and international transport. Its principal function is to provide the products the necessary protection to withstand without harm the different risks to which it is exposed during storage, transportation and physical distribution to the final destination and to be in optimal sale condition (BALLOU, 2004).

For this reason it is necessary to use thin cardboard boxes for packing footwear. This box will protect the product during its national and international distribution.

Figure 4.2: SHOE BOXES

Developed: BEEN RESIZED IN RELATION BY THE AUTHOR

Source: 123RF / PHOTO
These shoe boxes provide adequate conditions for the packaging of footwear. In terms of weight and dimensions there are three sizes of cartons that will be used depending on the shoe style. The dimensions of the shoe boxes are detailed below.

**4.6.2 Dimensions and weight of the boxes**

The first box is the smallest. Its dimensions are 28cm long, 12cm wide, and 10 cm high, giving as a result a volume of 0.00336 m$^3$, and weight 2 ounces. This box will be used for Oxford shoes and the artisanal sandals.

<table>
<thead>
<tr>
<th>Box number 1</th>
<th>cm</th>
<th>m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>28 cm</td>
<td>0.28 m</td>
</tr>
<tr>
<td>Width</td>
<td>12 cm</td>
<td>0.12 m</td>
</tr>
<tr>
<td>High</td>
<td>10 cm</td>
<td>0.10 m</td>
</tr>
<tr>
<td>Volume m$^3$</td>
<td></td>
<td>0.00336 m$^3$</td>
</tr>
<tr>
<td>Weight</td>
<td>ounce</td>
<td>pounds</td>
</tr>
<tr>
<td></td>
<td>2 oz.</td>
<td>0.125 lb.</td>
</tr>
</tbody>
</table>

*Source: MAY FIRST SHOEMAKERS’ GUILD (2014)*

*Elaborated: BY THE AUTHOR*

The second box is medium-sized. Its dimensions are 28cm long, 18cm wide, and 10 cm high, giving as a result a volume of 0.00504 m$^3$, and weight 4 ounces. This box will be used for casual shoes, magnolia heels, and booties.
Table 4.5: Dimensions and weight of Box number 2 (medium)

<table>
<thead>
<tr>
<th>Box number 2</th>
<th>cm</th>
<th>m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>28 cm</td>
<td>0.28 m</td>
</tr>
<tr>
<td>Width</td>
<td>18 cm</td>
<td>0.18 m</td>
</tr>
<tr>
<td>High</td>
<td>10 cm</td>
<td>0.10 m</td>
</tr>
<tr>
<td>Volume m$^3$</td>
<td></td>
<td>0.00504 m$^3$</td>
</tr>
<tr>
<td>Weight</td>
<td>ounce</td>
<td>pounds</td>
</tr>
<tr>
<td></td>
<td>4 oz.</td>
<td>0.25 lb.</td>
</tr>
</tbody>
</table>

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Elaborated: BY THE AUTHOR

The third box is large. Its dimensions are 28 cm long, 24 cm wide, and 10 cm high, giving as a result a volume of 0.00672 m$^3$, and weight 5 ounces. This box will be used exclusively for the larger shoes such as boots or 40-cm platform shoes with extraornaments.

Table 4.6: Dimensions and weight of Box number 3 (large)

<table>
<thead>
<tr>
<th>Box number 3</th>
<th>Cm</th>
<th>m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>28 cm</td>
<td>0.28 m</td>
</tr>
<tr>
<td>Width</td>
<td>24 cm</td>
<td>0.24 m</td>
</tr>
<tr>
<td>High</td>
<td>10 cm</td>
<td>0.10 m</td>
</tr>
<tr>
<td>Volume m$^3$</td>
<td></td>
<td>0.00672 m$^3$</td>
</tr>
<tr>
<td>Weight</td>
<td>ounce</td>
<td>pounds</td>
</tr>
<tr>
<td></td>
<td>5 oz.</td>
<td>0.3125 lb.</td>
</tr>
</tbody>
</table>

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Elaborated: BY THE AUTHOR
### 4.6.3 Weight of footwear by size, units, dozens and boxes

The gross and net weight of footwear is important to determine the container that will be used to export, jointly with the volume of the boxes either individually or as packaging units.

The shoes differ in weight based on size, style, and design. To facilitate an inventory in weight and volume for effective logistics, a table with all the weights and volumes that are needed to calculate the volume and total weight of the load to be exported has been prepared.

In this way probable drawbacks at any stage of the process of International Physical Distribution can be avoided.
Table 4.7: Weight of the shoes by sizes, units dozens and boxes

<table>
<thead>
<tr>
<th>TYPES / SIZES &amp; WEIGHTS OF FOOTWEAR</th>
<th>Size 5</th>
<th>Size 6</th>
<th>Size 7</th>
<th>Size 8</th>
<th>Size 9</th>
<th>Size 10</th>
<th>W. NET FOOTWEAR dozens</th>
<th>W. NET BOXES dozens</th>
<th>W. GROSS FOOTWEAR dozens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford: Weights per pairs &amp;boxes(2 ounce) each one</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z1(1) Oxford – simple</td>
<td>10 oz</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>180 oz</td>
<td>24 oz</td>
<td>5.78 kg</td>
</tr>
<tr>
<td>Z2(1) Oxford – ornamented</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>204 oz</td>
<td>24 oz</td>
<td>6.46 kg</td>
</tr>
<tr>
<td>Artisanal Sandals: Weights per pairs &amp;boxes (2 ounce) each one</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z3(1) Without heels – simple</td>
<td>10 oz</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>180 oz</td>
<td>24 oz</td>
<td>5.78 kg</td>
</tr>
<tr>
<td>Z4(1) Without heels–ornamented</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>204 oz</td>
<td>24 oz</td>
<td>6.46 kg</td>
</tr>
<tr>
<td>Z5(1) With heels – simple</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>204 oz</td>
<td>24 oz</td>
<td>6.46 kg</td>
</tr>
<tr>
<td>Z6(1) With heels – ornamented</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>24 oz</td>
<td>228 oz</td>
<td>24 oz</td>
<td>7.14 kg</td>
</tr>
<tr>
<td>Magnolias Shoes: Weights per pairs &amp;boxes (4 ounce) each one</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z7(2) Magnolias - 10mm</td>
<td>12 oz</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>204 oz</td>
<td>48 oz</td>
<td>7.14 kg</td>
</tr>
<tr>
<td>Z8(2) Magnolias - ornamented 10mm</td>
<td>14 oz</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>24 oz</td>
<td>228 oz</td>
<td>48 oz</td>
<td>7.82 kg</td>
</tr>
<tr>
<td>Z9(2) Magnolias - 20mm</td>
<td>16 oz</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>24 oz</td>
<td>26 oz</td>
<td>252 oz</td>
<td>48 oz</td>
<td>8.50 kg</td>
</tr>
<tr>
<td>Z10(2) Magnolias - ornamented 20mm</td>
<td>18 oz</td>
<td>20 oz</td>
<td>22 oz</td>
<td>24 oz</td>
<td>26 oz</td>
<td>28 oz</td>
<td>276 oz</td>
<td>48 oz</td>
<td>9.19 kg</td>
</tr>
<tr>
<td>Z11(2) Magnolias - 30mm</td>
<td>20 oz</td>
<td>22 oz</td>
<td>24 oz</td>
<td>26 oz</td>
<td>28 oz</td>
<td>30 oz</td>
<td>300 oz</td>
<td>48 oz</td>
<td>9.87 kg</td>
</tr>
<tr>
<td>Z12(2) Magnolias - ornamented 30mm</td>
<td>22 oz</td>
<td>24 oz</td>
<td>26 oz</td>
<td>28 oz</td>
<td>30 oz</td>
<td>32 oz</td>
<td>324 oz</td>
<td>48 oz</td>
<td>10.55 kg</td>
</tr>
</tbody>
</table>
### Casual Shoes: Weights per pairs & boxes (4 ounce) each one

| Style   | Platform Type   | 8 oz | 10 oz | 12 oz | 14 oz | 16 oz | 18 oz | 20 oz | 22 oz | 24 oz | 26 oz | 28 oz | 30 oz | 32 oz | 34 oz | 36 oz | 38 oz | 40 oz | 42 oz | 44 oz | 48 oz | 56 oz | 60 oz | 64 oz | 68 oz | 72 oz | 76 oz | 80 oz | 84 oz | 88 oz | 92 oz | 96 oz | 100 oz | 104 oz | 108 oz | 112 oz | 116 oz | 120 oz | 124 oz | 128 oz | 132 oz | 136 oz | 140 oz | 144 oz | 148 oz | 152 oz | 156 oz | 160 oz | 164 oz | 168 oz | 172 oz | 176 oz | 180 oz | 184 oz | 188 oz | 192 oz | 196 oz | 200 oz | 204 oz | 208 oz | 212 oz | 216 oz | 220 oz | 224 oz | 228 oz | 232 oz | 236 oz | 240 oz | 244 oz | 248 oz | 252 oz | 256 oz | 260 oz | 264 oz | 268 oz | 272 oz | 276 oz | 280 oz | 284 oz | 288 oz | 292 oz | 296 oz | 300 oz | 304 oz | 308 oz | 312 oz | 316 oz | 320 oz | 324 oz | 328 oz | 332 oz | 336 oz | 340 oz | 344 oz | 348 oz | 352 oz | 356 oz | 360 oz | 364 oz | 368 oz | 372 oz | 376 oz | 380 oz | 384 oz | 388 oz | 392 oz | 396 oz | 400 oz | 404 oz | 408 oz | 412 oz | 416 oz | 420 oz | 424 oz | 428 oz | 432 oz | 436 oz | 440 oz | 444 oz | 448 oz | 452 oz | 456 oz | 460 oz | 464 oz | 468 oz | 472 oz | 476 oz | 480 oz | 484 oz | 488 oz | 492 oz | 496 oz | 500 oz | 504 oz | 508 oz | 512 oz | 516 oz | 520 oz | 524 oz | 528 oz | 532 oz | 536 oz | 540 oz | 544 oz | 548 oz | 552 oz | 556 oz | 560 oz | 564 oz | 568 oz | 572 oz | 576 oz | 580 oz | 584 oz | 588 oz | 592 oz | 596 oz | 600 oz | 604 oz | 608 oz | 612 oz | 616 oz | 620 oz | 624 oz | 628 oz | 632 oz | 636 oz | 640 oz | 644 oz | 648 oz | 652 oz | 656 oz | 660 oz | 664 oz | 668 oz | 672 oz | 676 oz | 680 oz | 684 oz | 688 oz | 692 oz | 696 oz | 700 oz | 704 oz | 708 oz | 712 oz | 716 oz | 720 oz | 724 oz | 728 oz | 732 oz | 736 oz | 740 oz | 744 oz | 748 oz | 752 oz | 756 oz | 760 oz | 764 oz | 768 oz | 772 oz | 776 oz | 780 oz | 784 oz | 788 oz | 792 oz | 796 oz | 800 oz | 804 oz | 808 oz | 812 oz | 816 oz | 820 oz | 824 oz | 828 oz | 832 oz | 836 oz | 840 oz | 844 oz | 848 oz | 852 oz | 856 oz | 860 oz | 864 oz | 868 oz | 872 oz | 876 oz | 880 oz | 884 oz | 888 oz | 892 oz | 896 oz | 900 oz | 904 oz | 908 oz | 912 oz | 916 oz | 920 oz | 924 oz | 928 oz | 932 oz | 936 oz | 940 oz | 944 oz | 948 oz | 952 oz | 956 oz | 960 oz | 964 oz | 968 oz | 972 oz | 976 oz | 980 oz | 984 oz | 988 oz | 992 oz | 996 oz | 1000 oz | Elaborated: BY THE AUTHOR
4.7 Unitization

It is easy to take a shoe box and send it around the world by a shipping agency. However, sending a large number of shoeboxes to a determined place, in optimal conditions and perfectly protected, on time, without delays requires appropriate logistics. In addition, that the cost should not dramatically affect the product’s price, so that it can remain competitive, requires a major study of national and international physical distribution.

Unitization is the grouping of goods into large loading units, in order to facilitate transportation, so they must retain their integrity during the mobilization period. For the unitization of footwear, pallets are not used because the product is not heavy, and space and volume are thus conserved at the time of containerization (LÓPEZ, 2009).

The boxes are grouped depending on the style of shoe and size of boxes. Box sizes vary by box model, not by shoe size. For the unitization of the boxes, plastic packing will be used.

Photo 4.12: PLASTIC PACKAGING
Source: LIMACALLAO.OLX (2013)
This plastic will facilitate the unitization of boxes of shoes and avoid the use of larger cartons and the use of pallets. It is not common for the gross weight of footwear to exceed the maximum weight capacity of the containers because the goods have more volume than weight; the main problem is accommodation (ALFARO, 2011). However, it is essential to analyze the volume and weight of footwear for the respective physical distribution.

It is advisable that the company think of unitization even before bids, minimum orders and price lists are sent to their buyers; then the number of pairs per unitized package in the containers can be determined. In this way, the cost of shipping either to the port of Rotterdam or Amsterdam, or other destinations, can be calculated in advance and minimum orders and tiered pricing established consistent to these costs (LOPEZ, 2009).

The transporters may also have certain standards of preference as to the manner in which goods are packaged and can be retrieved. Some even reject loads that are precariously packaged (LOPEZ, 2009).

Today, between 80% and 90% of the containers and packaging materials in the sector are cardboard, a material that has many advantages:

- Low cost and high benefit, low weight (important for the issue of freight)
- Optimal for unifying individual products
- Anchor and durability of printed inks and adhesives
- Not a thermal conductor
- Capable of receiving coatings of varnish, wax, paraffin, asbestos or asphalt, increasing its structural strength and barrier against moisture
- 100% recyclable
4.7.1 Type 1 box

Table 4.8: Unitization of boxes - Type 1Boxes

<table>
<thead>
<tr>
<th>BOX 1/ TYPE OF CONTAINER</th>
<th>CAPACITY CONTAINER m³</th>
<th>VOLUME BOXES m³</th>
<th>No. Boxes</th>
<th>No dozens</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRY CONTAINER-VAN 20'</td>
<td>33.3m³</td>
<td>0.00336 m³</td>
<td>9,910.71</td>
<td>825.9</td>
</tr>
<tr>
<td>DRY CONTAINER-VAN 40'</td>
<td>67.7 m³</td>
<td>0.00336 m³</td>
<td>20,148.81</td>
<td>1,679.1</td>
</tr>
<tr>
<td>HIGH CUBE</td>
<td>76.5 m³</td>
<td>0.00336 m³</td>
<td>22,767.86</td>
<td>1,897.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BOX 1/ UNITIZED / TYPE OF CONTAINER</th>
<th>CAPACIDAD CONTAINER m³</th>
<th>8 dozens (96 pairs) m³</th>
<th>No Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRY CONTAINER-VAN 20'</td>
<td>33.3m³</td>
<td>0.32256 m³</td>
<td>103.24</td>
</tr>
<tr>
<td>DRY CONTAINER -VAN 40'</td>
<td>67.7 m³</td>
<td>0.32256 m³</td>
<td>209.88</td>
</tr>
<tr>
<td>HIGH CUBE</td>
<td>76.5 m³</td>
<td>0.32256 m³</td>
<td>237.17</td>
</tr>
</tbody>
</table>

Source: WORLD TRADE ORGANIZATION (2014)
Elaborated: BY THE AUTHOR

Box 1 has a volume of 0.00336 m³; these boxes would be grouped into units of 8 dozen, representing 96 individual boxes or pairs. These boxes will be stacked 4 boxes long by 4 boxes of wide and 6 rows high. The volume of these 96 boxes is 0.32256 m³. For example, if approximately 9,910 individual type 1 boxes must be sent, they can be reduced to 103 package units in a 20' container, if only these type of boxes is sent.
4.7.2 Type 2 box

Table 4.9: Unitization of boxes - Type 2 Boxes

<table>
<thead>
<tr>
<th>BOX 2/ TYPE OF CONTAINER</th>
<th>CAPACITY CONTAINER $\text{m}^3$</th>
<th>VOLUME BOXES $\text{m}^3$</th>
<th>No. Boxes</th>
<th>No dozens</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRY CONTAINER-VAN 20'</td>
<td>33.3 $\text{m}^3$</td>
<td>0.00504 $\text{m}^3$</td>
<td>6,607.14</td>
<td>550.60</td>
</tr>
<tr>
<td>DRY CONTAINER-VAN 40'</td>
<td>67.7 $\text{m}^3$</td>
<td>0.00504 $\text{m}^3$</td>
<td>13,432.54</td>
<td>1,119.38</td>
</tr>
<tr>
<td>DRY CONTAINER-VAN 40' HIGH CUBE</td>
<td>76.5 $\text{m}^3$</td>
<td>0.00504 $\text{m}^3$</td>
<td>15,178.57</td>
<td>1,264.88</td>
</tr>
</tbody>
</table>

Source: WORLD TRADE ORGANIZATION (2014)

Elaborated: BY THE AUTHOR
Box 2 has a volume of 0.00504 m$^3$. These boxes would be grouped into units of 6 dozen, representing 72 individual boxes or pairs. These boxes will be stacked 4 boxes long by 3 boxes wide and 6 rows high. The volume of these 72 boxes is 0.36288 m$^3$. For example, if approximately 6,607 individual type 2 boxes must be sent, they can be reduced to 91 package units in a 20' container, if only this type of boxes is sent.

![Figure 4.4: Unitization of boxes - type 2 Boxes](image)

**Elaborated: BY THE AUTHOR**

### 4.7.3 Type 3 box

Table 4.10: Unitization of boxes - type 3 Boxes

<table>
<thead>
<tr>
<th>BOX 3/ TYPE OF CONTAINER</th>
<th>CAPACITY CONTAINER m$^3$</th>
<th>VOLUME BOXES m$^3$</th>
<th>No. boxes</th>
<th>No dozens</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRY CONTAINER-VAN 20</td>
<td>33.3 m$^3$</td>
<td>0.00672 m$^3$</td>
<td>4,955.36</td>
<td>412.95</td>
</tr>
<tr>
<td>DRY CONTAINER - VAN 40</td>
<td>67.7 m$^3$</td>
<td>0.00672 m$^3$</td>
<td>10,074.40</td>
<td>839.53</td>
</tr>
<tr>
<td>DRY CONTAINER - VAN 40'</td>
<td>76.5 m$^3$</td>
<td>0.00672 m$^3$</td>
<td>11,383.93</td>
<td>948.66</td>
</tr>
<tr>
<td>HIGH CUBE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOX 3/UNITIZED / TYPE OF CONTAINER</td>
<td>CAPACIDAD CONTAINER m³</td>
<td>8 dozens (96 pairs) m³</td>
<td>No Package</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>------------------------</td>
<td>------------------------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>DRY CONTAINER-VAN 20</td>
<td>33.3 m³</td>
<td>0.40320 m³</td>
<td>82.59</td>
<td></td>
</tr>
<tr>
<td>DRY CONTAINER-VAN 40</td>
<td>67.7 m³</td>
<td>0.40320 m³</td>
<td>167.91</td>
<td></td>
</tr>
<tr>
<td>DRYCONTAINER-VAN 40 HIGH CUBE</td>
<td>76.5 m³</td>
<td>0.40320 m³</td>
<td>189.73</td>
<td></td>
</tr>
</tbody>
</table>

Source: WORLD TRADE ORGANIZATION (2014)
Elaborated: BY THE AUTHOR

Box 3 has a volume of 0.00672 m³. These boxes would be grouped into units of 5 dozen, representing 60 individual boxes or pairs. These boxes will be stacked 4 boxes long by 3 boxes wide and 5 rows high. The volume of these 60 boxes is 0.40320 m³. For example, if approximately 4,955 individual type 3 boxes are to be sent, they can be reduced to 82 package units in a 20' container if only this type of boxes is sent.

Figure 4.5: Unitization of boxes - Boxes type 3
Elaborated: BY THE AUTHOR
4.8 Marking

Marking is the way to identify the cargo so that it reaches the correct destination in optimal conditions. The marking of the package must contain the following data (RUIBAL, 2006):

- Name of the sender
- Country of origin
- Handling symbols
- Caution symbols, as applicable
- Recipient identification
- Package Number and shipping number
- Indication of weight in kilograms
- Dimensions of the package (Unitized boxes, length x width x height) (ALFARO, 2011).

The marks must be written in big letters, thick, clear, and easy to recognize. Durable ink should be used, with international signs in English and the language of the country of destination; the use of graphics is preferred (ALFARO, 2011).

4.8.1 Example of marking

Figure 4.6: EXAMPLE OF MARKING

For footwear, the load handling marks are the most important; these must be printed in dark ink at the top left of the unitization, and the size should exceed 10 centimeters for each symbol (ALFARO, 2011).

4.8.2 Examples of handling marks for packaging

Figure 4.7: EXAMPLES OF HANDLING MARKS FOR PACKAGING
Source: MANAGEMENT OF THE INTERNATIONAL PHYSICS DISTRIBUTION OF LOGISTICS

In general, it is recommended that the two lateral sides of these packages be marked with all the data, to avoid errors or concealment of data. Important data that has already been marked on the sides should not be placed on the top as well because it will be hidden when the boxes are stowed (RUibal, 2006).
4.9 Shipment Calculation

After the dimensions of the individual boxes, unitized packages and containers are obtained, the respective calculations of customers' orders are performed in order to determine which container type meets our needs in terms of dimensions and weights for physical distribution.

4.9.1 Sample shipment calculation

The Dutch client makes the following order:

<table>
<thead>
<tr>
<th>MODELS OF FOOTWEAR</th>
<th>ORDER No. dozens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z1 (1) Oxford - simple</td>
<td>150 dz.</td>
</tr>
<tr>
<td>Z2 (1) Oxford – ornamented</td>
<td>100 dz.</td>
</tr>
<tr>
<td>Z3 (1) Sandals without heels - simple</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z4 (1) Sandals without heels - ornamented</td>
<td>40 dz.</td>
</tr>
<tr>
<td>Z5 (1) Sandals with heels – simple</td>
<td>40 dz.</td>
</tr>
<tr>
<td>Z7 (2) Magnolias - 10mm</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z8 (2) Magnolias - 10mm ornamented</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z9 (2) Magnolias - 20mm</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z10 (2) Magnolias - 20mm ornamented</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z13 (2) Casual without platform - simple</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z14 (2) Casual without platform – ornamented</td>
<td>50 dz.</td>
</tr>
<tr>
<td>Z17 (2) Casual 20mm platform– simple</td>
<td>20 dz.</td>
</tr>
<tr>
<td>Z20 (2) Casual 30mm platform– ornamented</td>
<td>20 dz.</td>
</tr>
<tr>
<td>Z21 (3) Boots without heels– simple</td>
<td>100 dz.</td>
</tr>
<tr>
<td>Z22 (3) Boots without heels – ornamented</td>
<td>100 dz.</td>
</tr>
<tr>
<td>Z23 (3) Boots with heels– simple</td>
<td>100 dz.</td>
</tr>
<tr>
<td>Z24 (3) Boots with heels - type 2</td>
<td>120 dz.</td>
</tr>
</tbody>
</table>

**Box 1**: 380 DZ.

**Box 2**: 340 DZ.

**Box 3**: 420 DZ.

*Elaborated: BY THE AUTHOR*

*Source: MAY FIRST SHOEMAKERS’ GUILD (2014)*
First determine how many unitized packages with the previously established dimensions are needed:

<table>
<thead>
<tr>
<th>Type of box</th>
<th>Number of dozens to be unitized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box 1</td>
<td>8 Dozens</td>
</tr>
<tr>
<td>Box 2</td>
<td>6 Dozens</td>
</tr>
<tr>
<td>Box 3</td>
<td>5 Dozens</td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR

4.9.2 Calculation per cubic meter

<table>
<thead>
<tr>
<th>Boxes Types</th>
<th>Order by dozens</th>
<th>No individual boxes</th>
<th>m(^3) of the box</th>
<th>m(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>380 dz.</td>
<td>4560 u</td>
<td>0.00336 m(^3)</td>
<td>15.32 m(^3)</td>
</tr>
<tr>
<td>2</td>
<td>340 dz.</td>
<td>4080 u</td>
<td>0.00504 m(^3)</td>
<td>20.56 m(^3)</td>
</tr>
<tr>
<td>3</td>
<td>420 dz.</td>
<td>5040 u</td>
<td>0.00672 m(^3)</td>
<td>33.87 m(^3)</td>
</tr>
</tbody>
</table>

Total cubic meters for export: **69.75 m\(^3\)**

<table>
<thead>
<tr>
<th>Boxes Types</th>
<th>Order by dozens</th>
<th>No Package</th>
<th>Package m(^3)</th>
<th>m(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>380 dz.</td>
<td>47.5</td>
<td>0.32256 m(^3)</td>
<td>15.32 m(^3)</td>
</tr>
<tr>
<td>2</td>
<td>340 dz.</td>
<td>56.67</td>
<td>0.36288 m(^3)</td>
<td>20.56 m(^3)</td>
</tr>
<tr>
<td>3</td>
<td>420 dz.</td>
<td>84</td>
<td>0.4032 m(^3)</td>
<td>33.87 m(^3)</td>
</tr>
</tbody>
</table>

Total cubic meters for export: **69.75 m\(^3\)**

Elaborated: BY THE AUTHOR
For this order a container with a capacity of 69.75 m$^3$ is needed.

<table>
<thead>
<tr>
<th>CONTAINER DRY-VAN 20'</th>
<th>33.30 m$^3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTAINER DRY-VAN 40'</td>
<td>67.70 m$^3$</td>
</tr>
<tr>
<td>CONTAINER DRY-VAN ' 40' HIGH CUBE</td>
<td>76.50 m$^3$</td>
</tr>
</tbody>
</table>

The container that is needed would be: DRY CONTAINER - VAN 40' HIGH CUBE that has a capacity of 76.50 m$^3$ but for this order a space of only 69.75 m$^3$ is needed. The leftover space of 6.75 m$^3$ can be negotiated with the client to try to occupy the maximum capacity of this container. However, international standards suggest that the container be filled up to 80% by weight and volume for safety reasons. The following order might be suggested to the client:

<table>
<thead>
<tr>
<th>Boxes Types</th>
<th>Order by dozens</th>
<th>No individual boxes</th>
<th>$m^3$ of the box</th>
<th>$m^3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>419 dz.</td>
<td>5028 u</td>
<td>0.00336 m$^3$</td>
<td>16.89 m$^3$</td>
</tr>
<tr>
<td>2</td>
<td>372 dz.</td>
<td>4464 u</td>
<td>0.00504 m$^3$</td>
<td>22.50 m$^3$</td>
</tr>
<tr>
<td>3</td>
<td>460 dz.</td>
<td>5520 u</td>
<td>0.00672 m$^3$</td>
<td>37.09 m$^3$</td>
</tr>
<tr>
<td><strong>Total cubic meters for export</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>76.49 m$^3$</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Boxes Types</th>
<th>Order by dozens</th>
<th>No Package</th>
<th>Package $m^3$</th>
<th>$m^3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>419 dz.</td>
<td>52.38 package</td>
<td>0.32256 m$^3$</td>
<td>16.89 m$^3$</td>
</tr>
<tr>
<td>2</td>
<td>372 dz.</td>
<td>62 package</td>
<td>0.36288 m$^3$</td>
<td>22.50 m$^3$</td>
</tr>
<tr>
<td>3</td>
<td>460 dz.</td>
<td>92 package</td>
<td>0.4032 m$^3$</td>
<td>37.09 m$^3$</td>
</tr>
<tr>
<td><strong>Total cubic meters for export</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>76.49 m$^3$</strong></td>
</tr>
</tbody>
</table>
The customer requested 380 dozens of models with the type 1 box; 419 dozens will be sent. Instead of 340 dozens of type 2 boxes, 372 dozens will be sent. Instead of 420 dozens of type 3 boxes, 460 dozens will be sent. This is an option to occupy the maximum capacity of the container. However, the boxes must be arranged to take up a minimal amount of space.

The amount of the order could also be reduced to fit a DRYCONTAINER -VAN 40' with a capacity of 67.70 m³. However, the decision is up to the client; the supplier offers advice regarding the international physical distribution.

4.10 Total Weight of footwear to be exported

The total weight of the footwear to be exported is 11,622.4 kilograms representing:

- **Total pairs in box 1**: 419
- **Total pairs in box 2**: 372
- **Total pairs in box 3**: 460

Therefore, a container with a capacity of 11,622.4 kilograms is needed.

<table>
<thead>
<tr>
<th>Table 4.16: Weight capacity of containers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRY CONTAINER -VAN 20 '</strong></td>
</tr>
<tr>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>Empty</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>2,250 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>4,960.35 Lb.</td>
</tr>
<tr>
<td>Maximum allowable weight</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>28,240 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>62,257.90 Lb.</td>
</tr>
<tr>
<td><strong>DRY CONTAINER -VAN 40 '</strong></td>
</tr>
<tr>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>Empty</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>3,630 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>8,002.70 Lb.</td>
</tr>
<tr>
<td>Maximum allowable weight</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>26,850 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>59,193.51 Lb.</td>
</tr>
<tr>
<td><strong>DRYCONTAINER -VAN 40' HIGH CUBE</strong></td>
</tr>
<tr>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>Empty</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>3,800 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>8,377.48 Lb.</td>
</tr>
<tr>
<td>Maximum allowable weight</td>
</tr>
<tr>
<td>Kilograms</td>
</tr>
<tr>
<td>26,600 kg</td>
</tr>
<tr>
<td>Pounds</td>
</tr>
<tr>
<td>58,642.36 Lb.</td>
</tr>
</tbody>
</table>

*Elaborated: BY THE AUTHOR*

*Source: WORLD TRADE ORGANIZATION (2014)*
The weight of the footwear is not going to be a problem for international transport, since a container with a capacity of 11,622.4 kilograms is needed, and the DRY CONTAINER - VAN 40' HIGH CUBE, which is appropriate for the size of the cargo, can carry up to 26,600 kilograms, more than double what is needed.

4.11 Transportation Chain

This term refers to the operating procedure that involves all the persons involved in moving goods from source to destination. The regular participants of a transportation chain are the sender, the recipient, the transportation company, shop assistants, and the owner or holder and driver of the vehicle (BALLOU, 2004:231).

Transportation is the means by which the footwear is collected from all the suppliers to form the complete cargo, and by which all this cargo is transferred to the customer.

4.11.1 Types of transportation

There are several types of transportation such as by land, by sea, by air, and multimodal. For the transport of goods, in this case footwear, to the final destination, which is the port of Rotterdam or Amsterdam two types of transport, land and maritime transport, will be used.

Land Transport

Land transport within Canton Gualaceo

Land transport will be used within Canton Gualaceoto transport all products to one warehouse/storage unit for the unification of the full load. The goods will be transported on trucks, and these costs will be assumed by the members of the May First Shoemakers’ Guild who are manufacturing the product.

Interprovincial Land Transport
In addition, interprovincial land transport will be used for transporting the goods to the port of shipment in the Port of Guayaquil.

According to the Ministry of Transportation and Public Works, Subsecretary of Land and Railway Transportation, the Road Law, with its Application Regulations, and the Andean Technical Regulation have been created for the coordination of weights and dimensions. In view of the fact that some cargo vehicles failed to comply with the statues and have therefore caused the destruction of the national road network, beginning June 20, 2009, freight vehicles will be strictly controlled at weigh stations.

In accordance with the legal regulations, current analysis of the maximum load of goods is presented in the table below (BOXTRANS, 2007):
Table 4.17: maximum load of goods

<table>
<thead>
<tr>
<th>VEHICLE</th>
<th>Gross Vehicle Weight kilograms</th>
<th>Empty Weight of Vehicle (Average)</th>
<th>LENGTH m</th>
<th>WIDTH m</th>
<th>HEIGHT M</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRACTOR 2 AXLES AND SEMI-TRAILER 1 AXLE</td>
<td>30,000 kg</td>
<td>14,000 kg</td>
<td>18.50 m</td>
<td>2.60 m</td>
<td>4.10 m</td>
</tr>
<tr>
<td>TRACTOR 2 AXLES AND SEMI-TRAILER 2 AXLES</td>
<td>38,001 kg</td>
<td>15,000 kg</td>
<td>18.50 m</td>
<td>2.60 m</td>
<td>4.10 m</td>
</tr>
<tr>
<td>TRACTOR 2AXLES AND SEMI-TRAILER 3 AXLES</td>
<td>42,000 kg</td>
<td>16,000 kg</td>
<td>18.50 m</td>
<td>2.60 m</td>
<td>4.10 m</td>
</tr>
<tr>
<td>TRACTOR 3 AXLES AND SEMI-TRAILER 1 AXLE</td>
<td>38,001 kg</td>
<td>16,000 kg</td>
<td>18.50 m</td>
<td>260 m</td>
<td>4.10 m</td>
</tr>
<tr>
<td>TRACTOR 3 AXLES AND SEMI-TRAILER 2 AXLES</td>
<td>46,000 kg</td>
<td>17,000 kg</td>
<td>18.50 m</td>
<td>2.60 m</td>
<td>4.10 m</td>
</tr>
<tr>
<td>TRACTOR 3 AXLES AND SEMI-TRAILER 3 AXLES</td>
<td>48,000 kg</td>
<td>18,000 kg</td>
<td>18.50 m</td>
<td>2.60 m</td>
<td>4.10 m</td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR
Source: MINISTRY OF TRANSPORTATION (2009)

The table of maximum loads was made using the most frequent weights of trailer and container. However, these may differ among brands. In these circumstances, it is necessary to adjust the value of the maximum allowable load (BOXTRANS, 2007).
If the limit is not respected by vehicle operators, the authorities will remove packages from the container until it reaches the correct weight. Therefore it is necessary to consider the weight when loading so as not to exceed the limits and to avoid difficulties, delays and storage charges.

**Calculations of interprovincial land transport**

**Formula:**

Net weight of the vehicle + net weight of the container + net weight of the order = GROSS WEIGHT LAND TRANSPORT

<table>
<thead>
<tr>
<th>Calculation for interprovincial land transport</th>
<th>KILOGRAMS WEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRACTOR 2 AXLES AND SEMI-TRAILER 1 AXLE</td>
<td>14,000 Kg</td>
</tr>
<tr>
<td>DRY CONTAINER - VAN 40' HIGH CUBE</td>
<td>3,800 Kg</td>
</tr>
<tr>
<td>WEIGHT OF THE ORDER</td>
<td>11,622.4 Kg</td>
</tr>
<tr>
<td>TOTAL WEIGHT FOR TRANSPORT IN KILOGRAMS</td>
<td>29,422.4 Kg</td>
</tr>
</tbody>
</table>

**ELABORATED: BY THE AUTHOR**

The total weight of interprovincial transport is 29,422.4 kilograms. That is to say, it is sufficient to rent a truck whose tractor has 2 axles and the semi-trailer 1 axle, since this type of vehicle can weigh up to 30,000 kg, according to the Road Law.

The weight is 29,422.4 kilograms, thereby avoiding legal problems that would be detrimental for the exporters as well as the importer, who needs the merchandise to be delivered on time.
4.12 Maritime transport

4.12.1 Time of maritime transit
According to the international shipping companies registered in the Chamber of Maritime Transport and Ports of Ecuador, the time of maritime transit for the exportation of footwear to the ports of Rotterdam and Amsterdam is 26-28 days. This time is an approximation based on departures from Ecuadorian maritime ports to the previously designated destinations.

The time of transit is expressed in calendar days. However, the exporter must go through a process of confirmation with the shipping company in charge of international maritime transportation. This confirmation is transcendental since there may be variations in the time of transit, because of availability, ship traffic, and individual processes of each international shipping operator (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012).

4.13 Types of cargo vessels

There are several types of cargo vessels.

4.13.1 Supply Ship

This is a ship with a deck specifically designed for the transport and loading of equipment, containers, machinery, etc. to supply fuel or gas for production or exploitation facilities (GROUP FIDALEX S. A, 2013).
4.13.2 Container ship

The large vessels are the Post-Panamax vessels. These vessels can carry over 9,500 containers, and up to 12,000 containers, on a single voyage. The development of Mega ships has been very important in logistics because it has allowed the reduction of international transport costs (LOGISTICS MANAGEMENT FOR INTERNATIONAL PHYSICAL DISTRIBUTION, 2010).
The container Moller McMaerski is the largest Post-Panamax in the world. It is driven by a 109,000-horsepower engine, and weighs more than 2,300 tons. It can carry up to 18,000 TEUs (Twenty-foot Equivalent Unit), specifically 1,400 more containers than any other ship worldwide (MACHADO, 2013).
4.13.3 General cargo ship

This ship is built with a cargo bay that contains one or more compartments between decks, particularly for different varieties of dry cargo (GROUP FIDALEX S. A, 2013).

![General Cargo Ship](Photo 4.17: GENERAL CARGO SHIP
Source: GROUP FIDALEX S. A (2013)

This type of ship also differs in size and load capacity of containers. However, the shipping company is responsible for determining what type of vessel will be used for the transport of the merchandise and will make the analysis considering the draft of the vessel relative to the port to which it is headed.
4.14 Shipping companies in Ecuador

The shipping companies present in Ecuador which are registered with the Chamber of Maritime Transport and Ports of Ecuador, and therefore which meet all the necessary requirements for the international transport of goods are the following (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012):

Company: SHIPPING AGENCY ZANDERS
Company: INTERNATIONAL AGENCY OF VAPOR - AGVAPINSA
Company: ANDINAVE S.A.
Company: APL OF ECUADOR S.A.
Company: ATLAS MARINE S.A.
Company: BBC ECUADOR
Company: BROOM ECUADOR S.A.
Company: CITIKOLD S.A.
Company: CMA-CGM ECUADOR S.A.
Company: DELPAC S.A.
Company: GEMAR
Company: HANSAMARITIME S.A.
Company: GREENANDES ECUADOR S.A.
Company: HAMBURG SÜD ECUADOR S.A.
Company: IAN TAYLOR ECUADOR C. A.
Company: INCHCAPE SHIPPING SERVICES S.A.
Company: J. M. PALAU STEAMER AGENCY
Company: MAERSK OF ECUADOR C. A.
Company: MARGLOBAL
Company: MEDITERRANEAN SHIPPING COMPANY
Company: NAVESUR S.A.
Company: NAVISUR
Company: MARITIME SHIPPING SERVICES - NAVESMAR S.A.
Company: MARNIZAM SHIPPING S.A.
Company: NOE SHIPPING
Company: PORMAR TRANSPORT S.A.
Company: MARITIME REPRESENTATIONS OF ECUADOR - REMAR S.A.
Full details on the above shipping companies, such as the official representative, address, phone, fax, and email, can be found at the following electronic address:

http://www.camae.org/Agencias_Navieras.html

4.15 Ecuadorian Ports with terminals for containers

The seaports of Ecuador are one of its primary strategic logistical assets for participation in the international exchange of goods (INNOVATION LOGISTICS AND BUSINESS CENTER, 2011).

According to statistics of the World Trade Organization (WTO, 2012) more than 80% of the goods that are sold in the world are moved by sea, with the ports being what allow this commercial trade. Thanks to its wide geographic coverage, large quantities can be moved by this means and with optimum competitiveness (INNOVATION LOGISTICS AND BUSINESS CENTER, 2011).

**Physical Function:** According to the Center for Innovation Logistik and Business Center "Ports are facilities equipped with spaces of quiet water that allow connectivity between the sea and land, through the existence of three main areas: the maritime area, the land area and the interface area."

The major seaports that are registered at the Chamber of Maritime Transport and Ports of Ecuador with container terminals are the following:
4.15.1 Port Authority of Esmeraldas

The Port Authority of Esmeraldas, as its name indicates, is located in the northern part of the country in the province of Esmeraldas (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012).

4.15.2 Port Authority of Manta

This port is located in the province of Manabi, 25 miles from the international highway and with direct access to it (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012).

4.15.3 Port Authority of Guayaquil

Guayaquil, the main port of the Republic of Ecuador, is located in the province of Guayas, and 70% of foreign tradepasses through it. It is very important for the concentration of Latin American loads intended to pass through the Panama Canal to destinations on the east coast of the continent or in Europe and Africa (GUAYAQUIL PORT AUTHORITY, 2013).

4.15.4 Port Authority of Bolivar

This sea port belongs to Canton Machala in El Oro Province, Ecuador. It is one of the major ports of shipment of bananas, whose principal destination is Europe. Approximately 80% of banana production in Ecuador is shipped through this port (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012).

Ecuador is in a process of modernization of its ports as well as its customs service, creating a high degree of security for the investments made in the country (CHAMBER OF MARITIME TRANSPORT AND PORTS OF ECUADOR, 2012). Because of its strategic location, the exportation for this project will be from the Port of Guayaquil.
"The port of Guayaquil is constructed in a suitable form for the progress of international trade, for which it has the recommended means for the execution of its operations. The port provides all the services required by the ships and goods through highly-specialized private operators who, under the supervision of the Port Authority, act in free competition to meet the requirements of the most demanding users, thus reaching high efficiency and decreased costs" (PORT AUTHORITY OF GUAYAQUIL, 2013).

This port has several terminals and private concessions. The container terminals are the following:

**Concessioned Terminals**
- Contecon (Guayaquil)
  **Cargo handled:** Container and multipurpose terminals.

**Private Terminals**

**Affiliated to the Chamber of Maritime Transport and Ports of Ecuador**
- Bananapuerto (Guayaquil)
  **Cargo handled:** Containers and general cargo.

- Fertisa (Guayaquil)
  **Cargo handled:** Bulk cargo (fertilizers), containers, general cargo and vehicles.

- Port Terminal of Guayaquil - TPG (Guayaquil)
  **Cargo handled:** Containers.
4.16 Load insurance

For the simple reason that neither the exporter nor the importer has contact with the footwear during its transit time, it is always necessary to ensure the cargo goes through a correct process of physical distribution.

In the case of the shipping companies, the majority have insured their vehicles, vessels or aircraft, depending on the type of transport. The cargo is a different matter, so the exporter must explicitly ask if the carrier provides insurance for the cargo being transported, what coverage is given, and up to what amount of value of the commodity may be paid in cases of claims (WORLD TRADE ORGANIZATION, 2014).

The insurance will depend on the type of transportation being used, whether air, land or maritime transport, and various packages according to the desired coverage are available, according to the needs of protection such as:

- The type of footwear to be moved,
- The mode and means of transport,
- The volume of merchandise,
- The frequency of shipments.

The agent is responsible for recommending the most desirable package. However, the contracting party decides the values, goods, and risks to be protected. The premiums generally hover around 1% of the value of the goods. On the other hand, the cost of the premium is also influenced by the place of origin, the destination and the selected route, as there are routes with lower accident rates than others and countries that are considered as high risk for transit of goods.

In Ecuador, there are several insurance companies responsible for this type of business, such as Coface S.A., SegurosUnidos, Latina Seguros, SegurosEquinoccial, Operadora de Comercio Exterior (Opcomex), CorporaciónFinancieraInternacional (CFI), and SegurosOriente S.A, among others.
This investigation will be developed from the beginning with the analysis for the acquisition of footwear from the qualified suppliers of the May First Shoemakers’ Guild in Canton Gualaceo to its delivery on CIF terms, which means cost, insurance and freight, to the ports of Rotterdam and Amsterdam.

The value of goods exported under the CIF term comes from adding to the FOB value the inland freight and handling, the insurance cost, and freight costs (SEKIGUCHI, 2008).

The cost of insurance and freight can be stipulated in advance or budgeted. However, everything will depend on the mode of transportation, and the quantity, weight and volume of footwear, as well as the final packing necessary to establish a transportation tariff. All these features will integrate the values which are the responsibility of the exporter to sell under CIF terms of negotiation (SEKIGUCHI, 2008:4).

\[
\text{FOB value} + \text{inland freight} + \text{handling (according to commercial invoice issued by the exporter)} \\
+ \\
\text{Value of insurance (Value of the premium stated in the commercial invoice of the insurance company)} \\
+ \\
\text{Freight charges (according to the negotiation between exporter and shipping agency or line. This value must be entered in the transport document.)}
\]
This means that the seller must hire and pay for transportation to the port of destination. Also, he/she must purchase a transportation insurance policy with minimum coverage from the exporter’s warehouse to the port of destination.

**Definition**

This term is used specifically for the transport of goods, done by ship. It is necessary that the seller pay the costs and freight to get the merchandise to the destination port established with the buyer. The risk of loss or damage to the goods is transferred from the seller to the purchaser when the merchandise is delivered to the edge of the ship at the port of embarkation. This term is used exclusively for transport by boat, either by sea or waterways (INTERNATIONAL TRADE CENTER, 2013.)

5.1. **Buyer’s obligations**

- Pay the price stipulated in the contract of purchase and sale.
- Get any import license and carry out all customs formalities for the importation of the goods.
- Accept delivery of the goods.
- Assume the risk of loss or damage to the goods from the moment of passing the gunwale of the ship at the port of embarkation.
- Pay all costs of the goods from the moment in which they are delivered (aboard the ship.)
- Pay all costs relating to the goods in transit until their arrival at the destination port, as well as the expenses of unloading.
- Pay all duties, taxes and other official charges, such as customs formalities for the importation of the goods.
- Accept the transport document if it is in accordance with what was established (WORLD TRADE ORGANIZATION, 2014.)
5.2 Seller's obligations

- Provide the goods and the commercial invoice with provisions in the contract of purchase and sale.
- Obtain any necessary export license and carry out all customs formalities for the exportation of the goods.
- Make the contract of transport to the port of destination.
- Purchase insurance in which the buyer is the beneficiary, to apply for claims directly to the insurer. The minimum insurance will cover the contracted price in the contract plus 10%; in total it will cover 110%.
- Deliver the goods on board the vessel at the port of embarkation, on the date and time established in the contract.
- Bear all risks of loss or damage to the goods until the moment they have passed to the deck of the ship at the port of embarkation.
- Pay all costs relating to the goods until they have been delivered, including the loading of the goods on board and unloading at the destination port.
- Assume the main transport and insurance costs until the goods arrive at the port of destination.
- Inform the buyer that the merchandise has been delivered aboard the ship.
- Give to the buyer the usual document of transport to the port of destination.
- Pay for the operations of verification needed to be able to deliver the goods with suitable packaging.
- Help the buyer if necessary to obtain any document needed for the importation of the goods (WORLD ORGANIZATION OF TRADE, 2014.)
The light blue arrow pointing down indicates the time of delivery by the seller of the goods, which is where his/her responsibilities end, since the container has passed to the deck. However, the seller is responsible for hiring international freight and international insurance.

5.3 Price list of footwear

Below is listed the export prices of footwear, which includes 35% profit for the exporter.
Table 5.1: Price List for shoes - value FOB + inland costs + handling (commercial invoice)

<table>
<thead>
<tr>
<th>FOOTWEAR MODELS</th>
<th>DOZEN</th>
<th>PAIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z1(1) Oxford – simple</td>
<td>$162,00</td>
<td>$13,50</td>
</tr>
<tr>
<td>Z2(1) Oxford – ornamented</td>
<td>$178,20</td>
<td>$14,85</td>
</tr>
<tr>
<td>Z3(1) Sandals Without heels – simple</td>
<td>$194,40</td>
<td>$16,20</td>
</tr>
<tr>
<td>Z4(1) Sandals Without heels – ornamented</td>
<td>$210,60</td>
<td>$17,55</td>
</tr>
<tr>
<td>Z5(1) Sandals With heels – simple</td>
<td>$243,00</td>
<td>$20,25</td>
</tr>
<tr>
<td>Z6(1) Sandals With heels – ornamented</td>
<td>$259,20</td>
<td>$21,60</td>
</tr>
<tr>
<td>Z7(2) Magnolias - 10mm</td>
<td>$243,00</td>
<td>$20,25</td>
</tr>
<tr>
<td>Z8(2) Magnolias - ornamented 10mm</td>
<td>$259,20</td>
<td>$21,60</td>
</tr>
<tr>
<td>Z9(2) Magnolias - 20mm</td>
<td>$275,40</td>
<td>$22,95</td>
</tr>
<tr>
<td>Z10(2) Magnolias - ornamented 20mm</td>
<td>$291,60</td>
<td>$24,30</td>
</tr>
<tr>
<td>Z11(2) Magnolias - 30mm</td>
<td>$307,80</td>
<td>$25,65</td>
</tr>
<tr>
<td>Z12(2) Magnolias - ornamented 30mm</td>
<td>$324,00</td>
<td>$27,00</td>
</tr>
<tr>
<td>Z13(2) Casual Without platform- simple</td>
<td>$243,00</td>
<td>$20,25</td>
</tr>
<tr>
<td>Z14(2) Casual Without platform – ornamented</td>
<td>$259,20</td>
<td>$21,60</td>
</tr>
<tr>
<td>Z15(2) Casual 10mm Platform– simple</td>
<td>$275,40</td>
<td>$22,95</td>
</tr>
<tr>
<td>Z16(2) Casual 10mm Platform– ornamented</td>
<td>$291,60</td>
<td>$24,30</td>
</tr>
<tr>
<td>Z17(2) Casual 20mm Platform - simple</td>
<td>$307,80</td>
<td>$25,65</td>
</tr>
<tr>
<td>Z18(2) Casual 20mm Platform– ornamented</td>
<td>$324,00</td>
<td>$27,00</td>
</tr>
<tr>
<td>Z19(2) Casual 30mm Platform - simple</td>
<td>$356,40</td>
<td>$29,70</td>
</tr>
<tr>
<td>Z20(2) Casual 30mm Platform– ornamented</td>
<td>$372,60</td>
<td>$31,05</td>
</tr>
<tr>
<td>Z25(2) Booties Without heels – simple</td>
<td>$210,60</td>
<td>$17,55</td>
</tr>
<tr>
<td>Z26(2) Booties Without heels – ornamented</td>
<td>$226,80</td>
<td>$18,90</td>
</tr>
<tr>
<td>Z27(2) Booties With heels – simple</td>
<td>$259,20</td>
<td>$21,60</td>
</tr>
<tr>
<td>Z28(2) Booties With heels - type 2</td>
<td>$275,40</td>
<td>$22,95</td>
</tr>
<tr>
<td>Z21(3) Boots Without heels – simple</td>
<td>$340,20</td>
<td>$28,35</td>
</tr>
<tr>
<td>Z22(3) Boots Without heels – ornamented</td>
<td>$356,40</td>
<td>$29,70</td>
</tr>
<tr>
<td>Z23(3) Boots With heels – simple</td>
<td>$405,00</td>
<td>$33,75</td>
</tr>
<tr>
<td>Z24(3) Boots With heels – ornamented</td>
<td>$421,20</td>
<td>$35,10</td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)
Example: Mr Bergman Ria is a Dutch businessman with a very attractive chain of footwear stores in Holland. He submitted the following order, and its point of delivery is the port of Rotterdam.

Table 5.2: Example of the order list

<table>
<thead>
<tr>
<th>FOOTWEAR MODELS</th>
<th>No. dozens</th>
<th>Commercial Invoice Price per dozen</th>
<th>Total export Sales per dozen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z1(1) Oxford – simple</td>
<td>150 dz.</td>
<td>$162.00</td>
<td>$24,300,00</td>
</tr>
<tr>
<td>Z2(1) Oxford – ornamented</td>
<td>100 dz.</td>
<td>$178.20</td>
<td>$17,820,00</td>
</tr>
<tr>
<td>Z3(1) Sandals Without heels – simple</td>
<td>50 dz.</td>
<td>$194.40</td>
<td>$9,720,00</td>
</tr>
<tr>
<td>Z4(1) Sandals Without heels – ornamented</td>
<td>40 dz.</td>
<td>$210.60</td>
<td>$8,424,00</td>
</tr>
<tr>
<td>Z5(1) Sandals With heels – simple</td>
<td>40 dz.</td>
<td>$243.00</td>
<td>$9,720,00</td>
</tr>
<tr>
<td>Z6(1) Sandals With heels – ornamented</td>
<td>39 dz.</td>
<td>$259.20</td>
<td>$10,108.80</td>
</tr>
<tr>
<td>Z7(2) Magnolias - 10mm</td>
<td>50 dz.</td>
<td>$243.00</td>
<td>$12,150.00</td>
</tr>
<tr>
<td>Z8(2) Magnolias - ornamented 10mm</td>
<td>50 dz.</td>
<td>$259.20</td>
<td>$12,960.00</td>
</tr>
<tr>
<td>Z9(2) Magnolias - 20mm</td>
<td>50 dz.</td>
<td>$275.40</td>
<td>$13,770.00</td>
</tr>
<tr>
<td>Z10(2) Magnolias - ornamented 20mm</td>
<td>50 dz.</td>
<td>$291.60</td>
<td>$14,580.00</td>
</tr>
<tr>
<td>Z13(2) Casual Without platform - simple</td>
<td>50 dz.</td>
<td>$243.00</td>
<td>$12,150.00</td>
</tr>
<tr>
<td>Z14(2) Casual Without platform – ornamented</td>
<td>50 dz.</td>
<td>$259.20</td>
<td>$12,960.00</td>
</tr>
<tr>
<td>Z17(2) Casual 20mm Platform – simple</td>
<td>20 dz.</td>
<td>$307.80</td>
<td>$6,156.00</td>
</tr>
<tr>
<td>Z18(2) Casual 20mm Platform – ornamented</td>
<td>20 dz.</td>
<td>$324.00</td>
<td>$6,480.00</td>
</tr>
<tr>
<td>Z19(2) Casual 30mm Platform – simple</td>
<td>12 dz.</td>
<td>$356.40</td>
<td>$4,276.80</td>
</tr>
<tr>
<td>Z20(2) Casual 30mm Platform – ornamented</td>
<td>20 dz.</td>
<td>$372.60</td>
<td>$7,452.00</td>
</tr>
<tr>
<td>Z21(3) Boots Without heels – simple</td>
<td>120 dz.</td>
<td>$340.20</td>
<td>$40,824.00</td>
</tr>
<tr>
<td>Z22(3) Boots Without heels – ornamented</td>
<td>120 dz.</td>
<td>$356.40</td>
<td>$42,768.00</td>
</tr>
<tr>
<td>Z23(3) Boots With heels – simple</td>
<td>100 dz.</td>
<td>$405.00</td>
<td>$40,500.00</td>
</tr>
<tr>
<td>Z24(3) Boots With heels – ornamented</td>
<td>120 dz.</td>
<td>$421.20</td>
<td>$50,544.00</td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR

Source: GUILD OF FOOTWEAR FIRST OF MAY

114
5.4 Analysis of insurance costs

There are several packages of international cargo insurance. In CIF terms, the decision to insure the goods at a higher percentage and covering all risks is the buyer’s decision since International Commercial Terms require only minimal coverage. Premiums are around 1% of the insured value and coverage is 110%. In this case, the place of origin is Ecuador and the destination is the Port of Rotterdam in the Netherlands. The main route, which connects Central and South America and passes through the Panama Canal, is more than 11,000 km long (PUBCHEM, 2012.)

Table 5.3: Analysis of insurance costs

<table>
<thead>
<tr>
<th>INSURANCE COSTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of goods</td>
<td>$357,663.60</td>
</tr>
<tr>
<td>Value of freight and shipping costs</td>
<td>$4,200.00</td>
</tr>
<tr>
<td>Sum insured</td>
<td>$361,863.60</td>
</tr>
<tr>
<td>Sum insured (plus 10%)</td>
<td>$36,186.36  $398,049.96</td>
</tr>
<tr>
<td>Premium</td>
<td>1%</td>
</tr>
<tr>
<td>Cost of Insurance</td>
<td>$3,980.50</td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR
Source: SEGUROS ORIENTE S.A. (2013)

This insurance will cover the goods from the point of departure, Gualaceo, to the Port of Rotterdam. The risks will be transferred to the buyer at the time that the container passes the deck of the ship at the chosen port of embarkation. The purchaser is the beneficiary of the insurance policy, which is purchased through the insurance company “SegurosOriente S.A”, located in Guayaquil at Cdla. Kennedy and North in the Northern towers, Building B, Office 102.
5.5 Ports costs - private concessionaires

Port services prices are average. Below is a detailed price list of the necessary expenses for the export of a container at the CONTECON S.A. port terminal.

<table>
<thead>
<tr>
<th>Basic Services</th>
<th>Cost</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FilledContainer Transfer TTC</td>
<td>$160.83</td>
<td>per container</td>
</tr>
<tr>
<td>Weighing containers</td>
<td>$37.11</td>
<td>per container</td>
</tr>
<tr>
<td>Operations Capacity and Commodity Inspections</td>
<td>$92.78</td>
<td>per container</td>
</tr>
<tr>
<td>Internal transportation or porterage</td>
<td>$43.30</td>
<td>per container</td>
</tr>
<tr>
<td>ContainerReception</td>
<td>$37.11</td>
<td>per container</td>
</tr>
<tr>
<td>Container handling</td>
<td>$30.93</td>
<td>per container</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$402.06</strong></td>
<td>per container</td>
</tr>
</tbody>
</table>

**Table 5.4: Ports - cost of private concessionaire**

30 mayo 2014

Elaborated: BY THE AUTHOR

Source: CONTECON S.A. (2014)

5.6 Freight costs

There are several shipping companies registered at the Chamber of Maritime Transport and Ports of Ecuador because they meet all the necessary requirements for the international transport of goods as detailed in chapter IV.

<table>
<thead>
<tr>
<th>FREIGHT COSTS</th>
<th>$4,200.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of international transport- shipping agency costs</td>
<td></td>
</tr>
</tbody>
</table>

Elaborated: BY THE AUTHOR
5.7 Total liquidation of export in CIF terms (cost, insurance, freight)

The price for the exportation of this purchase order is $365,844.10 US dollars. This is the price that Santa Bárbara Shoes as exporters quote on CIF terms, which is to say that the price is calculated based on the costs of goods, insurance and international transportation, as well as miscellaneous charges from the point of origin to the unloading port.

<table>
<thead>
<tr>
<th>INVOICE COST</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOB</strong> Value + inland costs + handling (commercial invoice)</td>
<td>$357,663.60</td>
</tr>
<tr>
<td><strong>International freight</strong></td>
<td>$4,200.00</td>
</tr>
<tr>
<td><strong>Insurance Value</strong></td>
<td>$3,980.50</td>
</tr>
<tr>
<td><strong>TOTAL COST CIF</strong></td>
<td>$365,844.10</td>
</tr>
</tbody>
</table>

*Elaborated: BY THE AUTHOR*

The value FOB or free on board, means that the seller delivers the merchandise aboard ship, includes the respective inland freight and handling costs (commercial invoice). The CIF value or cost, insurance and freight, determines that the seller must deliver the goods aboard the ship, including international freight costs and international insurance.

5.8 Types of payment

While the forms of payment are not matters of International Physical Distribution, Santa Bárbara Shoes at the time of negotiating a contract for international sale with a foreign buyer, will include the terms and conditions of the transaction. The form of payment for the footwear will be according to the degree of credibility of the buyer.
There are several forms of payment used in foreign trade which are regulated by the International Chamber of Commerce. Santa Bárbara Shoes will choose an irrevocable and confirmed Letter of Credit in which the buyer assumes all bank fees outside of Ecuador. This is a safe option for both exporter and importer (INSTITUTE OF PROMOTION OF EXPORTS AND INVESTMENTS, 2011).

5.8.1 Confirmed irrevocable credit document

This payment method allows the exporter to ensure that the goods will be paid for, as soon as all conditions and terms previously established in the irrevocable and confirmed letter of credit are met. Speaking of a confirmed and irrevocable letter of credit, this must be confirmed by the confirming bank (correspondent bank), which will have the same obligations as the issuing bank (INSTITUTE OF PROMOTION OF EXPORTS AND INVESTMENTS, 2011).
CONCLUSIONS

The total production of the members of the May First Shoemakers’ Guild, is only for the local and national markets. None of the members is engaged in exporting their products, mainly due to ignorance of the topic and essentially due to the lack of collaboration and rivalry between the members of this guild. However, exportation could be done by a private person who bought the products from the individual members.

The May First Shoemakers’ Guild, although composed of 49 members, has only 28 who are qualified by production capacity for the export of footwear. Of these, only seven are large companies that manufacture most of the shoes in a technical way and can provide 7,000 pairs of shoes on a monthly basis for export; the other 7,000 pairs of shoes will be distributed among the remaining 21 members. This represents an inequality between the principal members who for lack of money have not acquired machinery to work in a technical way and increase their production capacity.

Footwear from Gualaceo will comply with the ISO 14001 standard that would help with the optimization of the environmental management system, and which is necessary for the product to go to the Netherlands without any customs problems. However, it still lacks an ISO quality standard which creates credibility for entry in foreign markets. The main advantage of the footwear will be its low cost.

The market to which the production of footwear from Gualaceo will be directed is the Netherlands, which has a population of 8,357,560 million women. Although the intention is to start the project in this country, the challenge is to use this country as a gateway to the European market, because of its large infrastructure and internal transportation and its important connections through Europe, such as ground service by road and railway routes existing on the European continent that will be of great help in the international physical distribution of this product.
The Netherlands includes two major European ports, the port of Rotterdam and the port of Amsterdam. The port of Rotterdam is located in the North Sea and is one of the ports of entry to the European market, which has more than 150 million consumers living within a radius of just 500 km from Rotterdam, and 500 million consumers across Europe, which is a huge market.

Finally, after a study of international physical distribution and the use of all the tools necessary to make this product reach its final destination at a low cost, it is determined that a pair of shoes type Z2 (1) Oxford Shoes –ornamented would be arrive in the Dutch market at a price of $15.58 U.S. dollars (CIF), while this same type of product is sold in the Netherlands at a price of €69.00 i.e. approximately $94.94 US dollars (MARTINELLI, 2014). A pair of shoes type Z14 (2) casual without platform -ornamented comes to the Dutch market at a price of $22.68 US dollars (CIF); this same type of footwear is sold in the Netherlands at a price of €79.00 i.e. approximately $108.70 USD (MARTINELLI, 2014). That gives the product a competitive edge because of its low cost of the footwear from Gualaceo.
SUGGESTIONS

- The main problem for the members of the May First Shoemakers’ Guild is the lack of collaboration and the rivalry between them. To solve this problem, integration, knowledge and learning workshops can be organized to achieve homogeneous and responsible production for the footwear of Gualaceo.

- Members of the May First Shoemakers’ Guild are qualified as artisans, and they can take advantage of the benefits of the Artisanal Promotion Act, with which they can access credits through the Banco Nacional de Fomento, to acquire equipment for the automation of processes. This situation currently represents an inequality between the partners, since for lack of money some have not been able to purchase machinery. With this great help from the government, production would be increased and as a result the ability to export their products would also increase.

- The present study focuses mainly on the analysis of the Dutch market. However, this country would also be of great importance as a gateway to the European market.

- To keep up to date or establish steady connections with the port of Rotterdam and the port Amsterdam, for more information on services or problems that will be provided through international physical distribution, the following are recommended.

- An ISO quality standard to facilitate credibility to enter foreign markets must be obtained.

- The use of electronic catalogs is recommended to facilitate the processes of marketing and selection and to have the time needed for a proper study of international physical distribution, taking into account all aspects from the acquisition of products, their labeling, packing, containerization, weighing, transport, insurance and everything related to the topic.
ANNEXES

Annex 1. Board of Directors of the May First Shoemakers’ Guild

President
Mr. Flavio Roman Sarmiento Matute.

Vice President
Mr. Eduardo Danilo Blandin Ulloa.

Secretary of Records
Mr. Fernando Mauricio Loja Zhicay.

Secretary of Communications
Mr. Leoncio Rigoberto Sarmiento Ventimiglia.

Secretary of Finance
Mr. Lauro Enrique Cabrera Becerra.

Secretary of Sports
Mr. Wilson Fernando Ulloa Calderon.

Secretary of Organization and Propaganda
Mr. Second Telmo Criollo Lopez.

Secretary of Conflicts
Mr. Cesar Leoncio Sarmiento Matute.

Secretary of Social Events
Mr. Paul Eloy Espinoza Ulloa.

Secretary of Promotion and Training
Mr. Pedro Enrique Lituma Argudo.
Annex 2. List of the members of the May First Shoemakers’ Guild

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alvarez Brito Idla Maruja</td>
</tr>
<tr>
<td>2</td>
<td>Alvarez Luzuriaga Ivan Patricio</td>
</tr>
<tr>
<td>3</td>
<td>Arévalo Victor Manuel</td>
</tr>
<tr>
<td>4</td>
<td>Marcelo Lucero Argudo Mariano</td>
</tr>
<tr>
<td>5</td>
<td>Blandin Ulloa Danilo Eduardo</td>
</tr>
<tr>
<td>6</td>
<td>Cabrera Becerra Lauro Enrique</td>
</tr>
<tr>
<td>7</td>
<td>Calero SolisDerinsYoryi</td>
</tr>
<tr>
<td>8</td>
<td>Calero Juanita Solis Pillar</td>
</tr>
<tr>
<td>9</td>
<td>Castro Jara Ines Naomi</td>
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<tr>
<td>10</td>
<td>Cortés Albarracín Jose Gonzalo</td>
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<td>11</td>
<td>Creole LopezSegundo Telmo</td>
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<tr>
<td>12</td>
<td>Chacón Lopez Carlos Alfonso</td>
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<td>13</td>
<td>Espinoza Ulloa Pablo Eloy</td>
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<tr>
<td>14</td>
<td>Gómez Marca Miguel Ángel</td>
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<td>15</td>
<td>Quiroga Guaraca JoseApolinario</td>
</tr>
<tr>
<td>16</td>
<td>Guzmán Guachichulca Mario Mateo</td>
</tr>
<tr>
<td>17</td>
<td>Guzmán Mario Máximo</td>
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<td>18</td>
<td>Herrera Lojano Jorge Marcelo</td>
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<td>Herrera Tacuri Israel Marcelo</td>
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<td>Leon Castro FelixAnanias</td>
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<td>LitumaArgudo Pedro Enrique</td>
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<td>Lituma Carlos Alberto</td>
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<td>23</td>
<td>LitumaLlivicura Carmen Yolanda</td>
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<td>Lituma Orellana Vicente Santiago</td>
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<tr>
<td>26</td>
<td>Loja Zhicay Fernando Mauritius</td>
</tr>
<tr>
<td>27</td>
<td>Lucero Yunga Jose Rigoberto</td>
</tr>
<tr>
<td>28</td>
<td>Marín Arredondo Wilson</td>
</tr>
<tr>
<td></td>
<td>Name</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>29</td>
<td>Matailo Alvarez David Fabian</td>
</tr>
<tr>
<td>30</td>
<td>Matute Salinas Carlos Enrique</td>
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<tr>
<td>31</td>
<td>Orellana Valverde Carmen Esther</td>
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<td>32</td>
<td>Pinzón Morales Emilio</td>
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<td>33</td>
<td>Salazar Salinas Saul Gonzalo</td>
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<td>34</td>
<td>Sarmiento Matute Cesar Leoncio</td>
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<td>35</td>
<td>Sarmiento Matute Flavio Roman</td>
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<td>36</td>
<td>Sarmiento Ventimiglia Leoncio Rigoberto</td>
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<td>37</td>
<td>Torres Bueno Segundo Lauro</td>
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<td>38</td>
<td>Ulloa Calderon Wilson Fernando</td>
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<td>39</td>
<td>Velásquez Luis</td>
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<td>40</td>
<td>Vera Hurtado Carlos Efrain</td>
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<td>41</td>
<td>Villa Lituma Vinicio Fernando</td>
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<td>42</td>
<td>Villa Llivicura Jesus Heriberto</td>
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<td>43</td>
<td>Villavicencio Cordova Celia Teresa</td>
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<td>44</td>
<td>Villavicencio Cordova Manuel Salvador</td>
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<td>45</td>
<td>Villavicencio Cordova Victor Leonidas</td>
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<td>46</td>
<td>Villavicencio Ordonez Jorge Vinicio</td>
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<td>47</td>
<td>Zhicay Angamarca Victor Antonio</td>
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<td>48</td>
<td>Zhicay Cabzaca</td>
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<td>49</td>
<td>Villavicencio Zhicay Johana Alexandra</td>
</tr>
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</table>

**Source:** MAY FIRST SHOEMAKERS’ GUILD (2014)

**Elaborated:** BY THE AUTHOR
Annex 3. List of qualified members

<table>
<thead>
<tr>
<th>NOMBRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ÁlvarezLuzuriaga Iván Patricio</td>
</tr>
<tr>
<td>2 Arévalo Víctor Manuel</td>
</tr>
<tr>
<td>3 Argúdo Lucero Marcelo Mariano</td>
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<td>4 Blandín Ulloa Danilo Eduardo</td>
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<td>5 Cabrera Becerra Lauro Enrique</td>
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<td>6 Calero Solís Derins Yoryi</td>
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<td>7 Criollo López Segundo Telmo</td>
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<td>8 Gómez Marca Miguel Ángel</td>
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<td>9 Guaraca Quiroga José Apolinario</td>
</tr>
<tr>
<td>10 Herrera Lojano Jorge Marcelo</td>
</tr>
<tr>
<td>11 Herrera Tacuri Israel Marcelo</td>
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<tr>
<td>12 Lituma Argúdo Pedro Enrique</td>
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<td>13 Lituma Orellana Lauro Enrique</td>
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<td>14 Lituma Orellana Vicente Santiago</td>
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<td>15 Loja Zhicay Fernando Mauricio</td>
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<td>16 Lucero Yunga José Rigoberto</td>
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<td>17 Matailo Alvarez David Fabián</td>
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<td>18 Orellana Valverde Carmen Esther</td>
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<td>19 Salazar Salinas Saul Gonzalo</td>
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<td>20 Sarmiento Matute Cesar Leoncio</td>
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<td>21 Sarmiento Matute Flavio Román</td>
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<td>22 Sarmiento Vintimilla Leoncio Rigoberto</td>
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<td>23 Torres Bueno Segundo Lauro</td>
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<td>24 Vera Hurtado Carlos Efraín</td>
</tr>
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<td>25 Villa Llivicura Jesús Heriberto</td>
</tr>
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<td>26 Villavicencio Córdova Celia Teresa</td>
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<tr>
<td>27 Villavicencio Córdova Manuel Salvador</td>
</tr>
<tr>
<td>28 Zhicay Angamarca Víctor Antonio</td>
</tr>
</tbody>
</table>

Source: MAY FIRST SHOEMAKERS’ GUILD (2014)

Elaborated: BY THE AUTHOR
Annex 4. Data and important addresses

Below are found useful addresses for further information:

**Spanish Embassy in Quito:**
**Consul General:** Dr. Maria Dolores Rios Peset.
**Phone:** 255 57 33
**Fax:** (593 2) 223 47 18
**Website:** cog.quitoamaec.es
**Address:** 455 Pinta and Amazon.

**Spanish Consulate in Guayaquil:**
**Consul General:** Dr. Salas Alvaro GimenezAzcarate
**Phone:** 601 74 60
**Fax:** (593 2) 223 47 18
**Website:** cog.guayaquilamaec.es
**Address:** Tungurahua and Velez.

**Dutch Embassy in Lima:**
**Consul General:** Arjan Hamburger
**Phone:** 51 12 13 98 00
**Website:** limaminbuza.nl
**Address:** Torre Parque Mar y Av. Jose Larco 1301, piso 13.
Annex 5. Calculation by weight in kilograms

<table>
<thead>
<tr>
<th>FOOTWEAR MODELS</th>
<th>WEIGHT per dozen Kilograms</th>
<th>Order No. Dozens</th>
<th>Weight Kilograms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z1(1) Oxford – simple</td>
<td>5.78 kg</td>
<td>150 dz.</td>
<td>867 kg</td>
</tr>
<tr>
<td>Z2(1) Oxford – ornamented</td>
<td>6.46 kg</td>
<td>100 dz.</td>
<td>646 kg</td>
</tr>
<tr>
<td>Z3(1) Sandals Without heels – simple</td>
<td>5.78 kg</td>
<td>50 dz.</td>
<td>289 kg</td>
</tr>
<tr>
<td>Z4(1) Sandals Without heels–ornamented</td>
<td>6.46 kg</td>
<td>40 dz.</td>
<td>258.4 kg</td>
</tr>
<tr>
<td>Z5(1) Sandals With heels – simple</td>
<td>6.46 kg</td>
<td>40 dz.</td>
<td>258.4 kg</td>
</tr>
<tr>
<td>Z6(1) Sandals With heels – ornamented</td>
<td>7.14 kg</td>
<td>39 dz.</td>
<td>278.46 kg</td>
</tr>
<tr>
<td>Z7(2) Magnolias - 10mm</td>
<td>7.14 kg</td>
<td>50 dz.</td>
<td>357 kg</td>
</tr>
<tr>
<td>Z8(2) Magnolias - ornamented 10mm</td>
<td>7.82 kg</td>
<td>50 dz.</td>
<td>391 kg</td>
</tr>
<tr>
<td>Z9(2) Magnolias - 20mm</td>
<td>8.5 kg</td>
<td>50 dz.</td>
<td>425 kg</td>
</tr>
<tr>
<td>Z10(2) Magnolias - ornamented 20mm</td>
<td>9.19 kg</td>
<td>50 dz.</td>
<td>459.5 kg</td>
</tr>
<tr>
<td>Z13(2) Magnolias - 30mm</td>
<td>5.78 kg</td>
<td>50 dz.</td>
<td>289 kg</td>
</tr>
<tr>
<td>Z14(2) Magnolias - ornamented 30mm</td>
<td>6.46 kg</td>
<td>50 dz.</td>
<td>323 kg</td>
</tr>
<tr>
<td>Z17(2) Casual Without platform- simple</td>
<td>8.5 kg</td>
<td>20 dz.</td>
<td>170 kg</td>
</tr>
<tr>
<td>Z18(2) Casual Without platform – ornamented</td>
<td>9.19 kg</td>
<td>20 dz.</td>
<td>183.8 kg</td>
</tr>
<tr>
<td>Z19(2) Casual 10mmPlatform - simple</td>
<td>9.87 kg</td>
<td>12 dz.</td>
<td>118.44 kg</td>
</tr>
<tr>
<td>Z20(2) Casual 10mmPlatform–ornamented</td>
<td>10.55 kg</td>
<td>20 dz.</td>
<td>211 kg</td>
</tr>
<tr>
<td>Z21(3) Casual 20mm Platform– simple</td>
<td>12.25 kg</td>
<td>120 dz.</td>
<td>1,470 kg</td>
</tr>
<tr>
<td>Z22(3) Casual 20mm Platform–ornamented</td>
<td>12.93 kg</td>
<td>120 dz.</td>
<td>1,551.6 kg</td>
</tr>
<tr>
<td>Z23(3) Casual 30mmPlatform– simple</td>
<td>13.61 kg</td>
<td>100 dz.</td>
<td>1,361 kg</td>
</tr>
<tr>
<td>Z24(3) Casual 30mmPlatform–ornamented</td>
<td>14.29 kg</td>
<td>120 dz.</td>
<td>1,714.8 kg</td>
</tr>
</tbody>
</table>

**Total Kilograms**: 11,622.4 kg

*Elaborated: BY THE AUTHOR*
### Annex 6. Incoterms 2010

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**SOURCE:** WORLD TRADE ORGANIZATION, 2014

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