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**“ECommerce: Proposal of creation of a virtual store as a model of commercialization  
for a footwear workshop in the city of Cuenca, Ecuador”**

Graduate thesis prior to obtaining a  
Bilingual Bachelor in International Studies minor in Foreign Trade

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## **Resumen**

El presente trabajo de titulación trata sobre la internacionalización de un producto ecuatoriano a través del comercio electrónico. Sin necesidad de realizar una exportación tradicional masiva, lo que propone es utilizar esta herramienta alternativa de comercialización que cada vez está ganando más campo en los negocios e incluso está reemplazando a la venta física. Sin embargo, generalmente son las grandes empresas las que manejan esta herramienta, dejando a las pymes rezagadas. Al no poseer los recursos ni la capacidad productiva para hacer comercio exterior, éstas últimas no logran incursionar en el mercado internacional. Es por ello que la presente tesis busca adaptar el comercio exterior a la situación y al contexto de las pymes ecuatorianas, mediante el desarrollo de una plataforma web que sirva como modelo de ventas en línea para este tipo de empresas. En este caso, se diseñará una tienda virtual para un taller que manufactura calzado en la ciudad de Cuenca, Ecuador. En el primer capítulo se hará un análisis normativo de la situación actual del país, el segundo capítulo hará referencia a la empresa y su producto, y el capítulo final planteará la estrategia web que deberá implementar esta empresa para poder realizar comercio electrónico.

## **Abstract**

This graduation project is about the internationalization of an Ecuadorian product through eCommerce. It is not always necessary to make a traditional massive export, what this thesis suggests is an alternate tool of commercialization that is gradually gaining ground in the business world and even replacing the physical sales. However, large companies are usually the ones that run this system, leaving behind the SMEs (Small and Medium-sized Enterprises). Since SMEs don't have the resources or production capacity to do foreign trade, they fail to become known internationally. That is why this thesis seeks to adapt foreign trade to the particular situation and context of Ecuadorian SMEs, by developing a Web platform that serves as a model to make online sales for any business of this kind. In this case, a virtual store will be designed for a footwear-manufacturing workshop in the city of Cuenca, Ecuador. The first chapter will analyze the legal framework of the current situation of the country, the second chapter will refer to the company and its product, and the final chapter will present the web strategy to be implemented in this company in order to make eCommerce.

## **Introduction**

Internationalizing the domestic product has become an imperative for Ecuador since the arising of the Organic Code of Production, Trade and Investment (COPCI) in 2010 and at the same time the “Change of the Production Model”. Because the country needs to replace the imports by strengthening the domestic industry, it is time to generate ventures and promote our product worldwide.

If the government is currently supporting all those initiatives, projects or business oriented to domestic production, why don't certain Ecuadorian products blunt abroad yet? What happens is that producing for the domestic market is not enough. We already proved that with the ECLAC model of “Industrialization for Import Substitution” (ISIS), applied in the country around the seventies with no major results. What we need is to produce for export.

However, exporting is nothing new, especially for big enterprises. Those brands of traditional products such as bananas, shrimp, flowers and cocoa, clearly know how to make an export plan. But, what about small companies? What happens with those nontraditional products, whose production is lower? SMEs also need a way to make their product known internationally without having to grow in size.

After analyzing different alternatives of internationalization, eCommerce seems to be the most viable and promising option for this kind of companies. It is an effective tool, whose growth and potential are imminent. In this context emerges the idea of creating a virtual store for online sales of a product manufactured in the city of Cuenca, Ecuador. I considered important to take as case study a footwear company established the city, in order to design a web strategy specifically according to its needs and which fits its conditions.

The aim of this paper is to propose a commercialization model that could be useful for any SME looking to sell its product to the world, breaking the paradigm of traditional foreign trade. It is not intended to develop a massive export plan, but an alternative model that allows, in this case, to keep the essence of a workshop which has been producing leather shoes, largely by hand, for over 20 years.

For the elaboration of this work, the methodologies that will be used are fieldwork and bibliographic research, based on a complementarity between the qualitative and



quantitative methods. These tools will allow to analyze, study and measure not only numerical variables but also those qualitative variables such as good labor, social and environmental practices carried out in the company. They will also allow to evaluate and compare the different options that exist in the world of eCommerce, in order to choose the ones that best fit the reality of the company.

The first chapter will refer to the legal framework of the country for the purpose of understanding the economic development model that today is being implemented. To understand the current situation, legal bodies will be analyzed such as the “National Plan for Well-Being” and the “Transformation of the Production Model”, since both dictate the direction in which our national economy is heading. Then there is the contribution of Christian Felber with his theory “The Economy for the Common Good”, which supports the purpose of this paper aiming to promote domestic production and project it abroad in a sustainable way.

On the other hand, the second chapter will analyze the nature of the company, in this case footwear SME, which is sought to be internationalized. This also implies a description of their product and the manufacturing process. The importance of strengthening SMEs due to their weight in the national economy will also be emphasized. Labor, social and environmental practices that the workshop implements are studied as well, in order to highlight responsible work over capital.

Finally, the third chapter will develop the commercialization model and the web strategy according to the needs of this Ecuadorian SME. Here, the design and the structure of the virtual store, as well as the distribution channels for shipping within and outside the country, the payment methods, the ordering system and the electronic billing will be defined. Once created the website, the different positioning strategies will be analyzed, aiming to choose the most accessible and functional when attracting visits to the site and becoming known worldwide.

## **CHAPTER 1: CURRENT SITUATION OF ECUADOR, NORMATIVE ANALYSIS**

### **Introduction**

To contextualize the issue to be addressed, and to understand the background that led to its emergence, this chapter elaborates a descriptive analysis of the current situation of Ecuador in terms of its regulations. On one hand, the “National Plan for Well-Being” is examined as the development program followed by the country, and on the other hand the “Transformation of the Production Model” as the pursued economic model. Both legal frameworks are reviewed in order to comprehend the social and economic policies that are being implemented today. This way, one will be able to settle on the reasons of fostering domestic industry and promoting the Ecuadorian product worldwide.

Once the path that our economy follows is understood, this chapter introduces a theory whose ideas contribute to creating a more sustainable and equitable economic model. “The Economy for the Common Good” by Christian Felber proposes responsible production as the base of this new model, which respects human dignity and nature above profit motive. This is important because the present study does not only advocate to strengthen the domestic industry and its monetary values, but it also proposes to consider the social, cultural and environmental variables that it implies.

Finally, the current situation of eCommerce in Ecuador is examined, along with the regulations governing it. Thus one can have an idea of the scenery that awaits a company wishing to enter this market, and the tools that it will need to exploit its potential.

Likewise, this analysis will be helpful to take into account the obligations that must be followed, which agencies to turn to and other requirements needed to make electronic transactions securely.

When these concepts have been understood, there is a solid foundation to provide the shoe workshop with what it needs to penetrate efficiently into eCommerce.

### **The National Plan for Well-Being**

#### **Definition**

The National Plan for Well-Being<sup>1</sup> constitutes a roadmap that leads the country for a period of four years, from 2013 to 2017. This kind of public agenda, seeks to transform the economic, commercial, labor and distribution policy in Ecuador. It is strongly linked to the 2008 Constitution, which grants social and economic rights to citizens and even nature. The implementing of “Buen Vivir” (or Well-being) implies a break from the old neoliberal model, since it goes against uncontrolled growth and opulence (PNBV, 2013).

The introduction to this development program, starts with the words of Ha-Joon Chand, a heterodox economist known worldwide:

*The document is based firmly in recognizing the importance of enhancing productive capacity in the process of economic development... At the same time, it is not located at the other end, which states that growth means development. It has a much broader vision in which nature, culture and social development play a key role. (Ha-Joon Chand)*

In my opinion, his words reflect in a general way, the essence of “Buen Vivir”. The Sumak Kausay<sup>2</sup> seeks a harmonious coexistence, in which development and economic growth imply a balance between human beings and the environment. Capital takes a back seat, and man becomes the centerpiece of the model. Unlike some capitalist countries where growth has no barriers, Ecuador seeks to curb the abuse of social and environmental rights usually caused by uncontrolled growth.

## **Structure**

The structure of the National Plan for Well-Being consists of 12 objectives:

1. To consolidate a Democratic State and the construction of popular power.
2. To foster equality, cohesion, inclusion and social and territorial equity, within diversity.
3. To improve the quality of life of the population.
4. To strengthen the capacities and potentialities of citizens.
5. To build common meeting spaces and strengthen national identity, the different identities, plurinationality and interculturalism.

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<sup>1</sup> PNBV for its initials in Spanish.

<sup>2</sup> Sumak Kausay means Well-Being in Quechua language.

6. To consolidate the transformation of justice and to strengthen integral safety, in strict respect of human rights.
7. To guarantee the rights of nature and to promote regional and global sustainability.
8. To consolidate the social and supportive economic system, in a sustainable manner.
9. To guarantee dignified work in all its forms.
10. To promote the transformation of the national production model.
11. To ensure the sovereignty and efficiency of strategic sectors for the industrial and technological transformation.
12. To guarantee sovereignty and peace, and to deepen strategic insertion in the world and Latin American integration (Plan Nacional para el Buen Vivir, 2013).

### **Pertinence**

This thesis fits in five of the twelve objectives of the National Plan for Well-Being. Referring to the economic sphere, the 10th objective points “To promote the transformation of the national production model”, which is aligned to one of the fundamental pillars that make up this project. The Ecuadorian State is trying to reduce imports and increase exports by encouraging domestic production, in order to achieve national competitiveness and insertion into the global economy. The present project not only contributes to the import substitution (since the product is to be sold in the domestic market), but also to increase the presence of Ecuadorian product in the international market. At the same time, it is intended that the product has added value, which helps to diversify the country’s export supply and to avoid primary-exporting dependency<sup>3</sup>.

In relation to the social field, the 9th objective determines “To guarantee dignified work in all its forms”, recognizing work as a right and social duty. In this sense, all work must generate personal satisfaction and ensure the observance of the worker’s rights. The second chapter explains in detail how the shoe company meets these aspects by providing decent working conditions, employment for socially excluded groups, maintaining a high personal satisfaction and performing labor obligations

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<sup>3</sup> Relying on the export of raw materials.

responsibly according to the Code of Workers, such as fair wages, overtime payments, adequate safety conditions, etc.

Within this social axis there is also the 4th objective, which calls for “Strengthening the capacities and potentialities of citizens”. It is very important to concentrate efforts on learning and knowledge, since this will allow us to make the leap from being an economy of finite (material) resources, to be an economy of the infinite resource: knowledge (PNBV, 2013). Providing value to education allows having humans as the center of the economic model. Within this frame, the shoe SME will constantly strengthen the skills and knowledge of the artisans through annual training and technology. According to the seventh point of this objective, it is intended to “promote the proper management of use and diffusion of the knowledge generated in the country” through recognizing the Ecuadorian talent and promoting it.

Regarding the environmental aspect, the 7th objective points out “To guarantee the rights of nature and to promote regional and global sustainability”. The economy depends on nature, so it is essential to worry about its maintenance and sustainable use. As it will be shown in later chapters, the practices carried out in the shoe workshop are 100% environmentally friendly and meet the regulatory standards. By the implementation of green technologies in their machinery, the use of organic glues, energy efficiency and the recycling of waste, the company is taking precautions to protect biosecurity and people’s health.

Finally, touching on international relations, the 12th objective argues “To guarantee sovereignty and peace, and to deepen strategic insertion in the world and Latin American integration”. As for the strategic insertion in the world, the PNBV argues that Ecuador needs to build an international environment favorable to the objectives of national development. That is, the foreign trade policy must be tied to the economic and social development of the country. In this sense, what Ecuador intends is to diversify its supply and destination markets, with the purpose of breaking the economic dependence that has historically characterized us. Electronic sales of footwear made in our country contribute to expand the supply of non-traditional products and to Access an unlimited range of foreign markets.

## **The Transformation of the Production Model**

### **Definition**

The Organic Code of Production, Trade and Investment<sup>4</sup> rules over all those people who perform an economic activity in the country, and its purpose is to regulate all stages of the productive process: the transformation, distribution, trade, consumption and investment management. That means, it comprises the entire process that goes from the use of factors of production to the final consumption (COPCI, 2010). Similarly, this legal framework seeks to boost added value in the domestic industry and tries to create proper conditions that increase productivity in order to transform the production model of the country in a sustainable way.

To understand what is meant by COPCI about the production model, first it is necessary to revise its definition. According to the official concept emitted by the National Secretariat of Planning and Development<sup>5</sup> in 2012, the production model is:

*A set of interactions between the different social actors that use the resources at their disposal to carry out productive activities. This set includes products, productive processes and social relations.*

In other words, the production model is a macro structure at a country level, composed by the different sectors of goods and services, and organized hierarchically according to the importance that each sector has in the national development. Such importance is determined according to the capacity of each sector to generate income, investment, employment, production, etc. (Villena, 2015). In sum, the production model is an ordering system of the productive processes of a country.

## **Background**

For many years, the production model in Ecuador was agricultural, having cocoa as the flagship product since the late nineteenth century, and later with bananas between the 40s and the 50s. In the 70s began the oil boom, and the model became oil-oriented besides agricultural, with a rise of some Andean products and an increase of shrimp exports, but essentially having oil as the backbone of the economy. Since then, the production model has been predominantly based on oil, but also slightly agricultural and marginally industrial (Falconí, 2012). Como se puede ver entonces, el Ecuador ha sido históricamente un proveedor de materias primas. As can be seen, Ecuador has historically been a supplier of raw materials.

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<sup>4</sup> COPCI for its initials in Spanish.

<sup>5</sup> SENPLADES for its initials in Spanish.

**Figure 1. The current Production Model of Ecuador**



Source: Senplades 2012

As shown in the chart above, the country has been a specialized vendor of commodities to industrialized countries, having to import goods with a higher added value and thus higher cost. This exchange model has caused inequality and a dependency relation with such countries. The current efforts then, as explained below, pretend to move towards the diversification of production, the creation of new sectors, and their promotion, with the aim of reducing the mentioned dependence and being able to make trade negotiations in more equal terms.

### **Current Situation**

The fact that we are seeking to transform our production model means we need to increase the number of industries in the national economy, in order to enlarge the productive apparatus so that we can be able to produce and export, instead of just importing. In this sense, the final goal is to equilibrate the trade balance and to reduce two factors: the dependence on oil and the trade deficit. Ecuador needs to make this transition so that new sectors of goods and services can be generated, and technology, innovation and added value can be incorporated in existing industries.

**Figure 2. The new Production Model for Ecuador**



Source: Senplades 2012

Thereby, eCommerce is presented as an alternative that allows to enhance the skills and talents of Ecuadorians, by selling good quality and value-added products outward. Then there is no need to compete with serial products manufactured at very low costs by other countries. If a larger number of Ecuadorian SMEs joined this initiative, the country could improve its economic exchange and at the same time increase its share in the global market.

### **The Organic Code of Production**

Article 4 of COPCI indicates the main purposes of this legislation, being a) The Transformation of the Production Model:

- a) To transform the Production Model, so that it can have a higher added value, enhanced services, and be based on knowledge and innovation, as well as being eco-efficient and environmentally sustainable.*

COPCI establishes different methods to generate this transformation. One of them is through incentives and stimuli to economic development. These incentives are tax, fiscal and investment incentives. In addition, it establishes policies to foster the development of MSMEs<sup>6</sup>, as well as their inclusion in public procurement and simplifying procedures for their establishment.

Moreover, COPCI refers to Foreign Trade in its Book IV, and specifically talks about *Fostering and Promoting Exports* in Title IV. According to Article 93, “The State shall encourage export-oriented production and promote it through general order

<sup>6</sup> Micro, pequeñas y medianas empresas.



mechanisms and of direct application”. This state mechanisms are tariff preferences resulting from trade agreements, customs regimes with tax suspension, financial and technological assistance in information, foreign promotion and market development, among others.

Ultimately, Book VI is named *Sustainability of production and its relationship with the ecosystem*. Here the use of clean technologies and clean energy to prevent damage to human health and nature is promoted. The law requires companies to take steps to develop a cleaner production, such as the use of non-toxic raw materials, recycling and the efficient use of resources (COPCI, 2010).

However, it is not enough to enlarge the productive apparatus by generating new industries or enhancing the existing ones. Other factors also must be considered such as the quality of the manufactured products, which therefore influence in the people’s quality of life. This is why the following section analyzes an international economic model that poses supporting production not only for it to grow in size but also in a qualitative manner.

## **The Theory for the Common Good**

### **Definition**

In 2010, a university professor of Austrian origin named Christian Felber, elaborated an alternative economic model to capitalism which he called “The Economy for the Common Good”. This theory has grown to become a global movement, having reached more than 500 companies in 13 countries that joined the initiative voluntarily meeting the requirements of the model. The main objective of this model is to redefine the concept of economic success and also to break the current paradigms of modern economy, which measure success with monetary indicators such as GDP or the financial statements of companies.

The author observes that these indicators do not tell us anything about how the company operates itself, which means, the working conditions, what it produces or how it produces. Instead, he proposes that companies should have “an adequate balance of the common good”, which is measured in parameters such as human dignity, solidarity, social justice and ecological sustainability. These values award

higher scores to companies and therefore a higher added value to their products and services (Felber, 2010).

## **Background**

Felber's idea born from the following issue: The capitalist economy of today is based on exclusive, anti-ethical and competitive systems, whose main purpose is profit. This unequal behavior brings lots of disadvantages, therefore, it is necessary to seek a more inclusive, participatory and greener economy: an economy that aims the common good.

This approach argues that the profit motive and competition, the two main characteristics of capitalism, hinder good relations between human beings. In contrast, values that do allow personal interactions to flourish are trust, cooperation, honesty and generosity. Thereby, Felber's proposal consists in transferring these values to the economy: when a company practices these values in its daily activity, then it will both provide and obtain greater benefits.

## **Methodology y Application**

To achieve a more sustainable economic system, it is necessary to somehow measure the way that a company is practicing such values, and not only noticing how well it is doing on monetary indicators. The economic benefit or profit that a company perceives, say nothing about the quality of employment, about if there is an equal treatment between men and women, or if the company is destroying the environment. In general, utilities are not used to measure a company's contribution to society neither to common good.

Therefore, the Balance of the Common Good becomes a primary indicator, even above the Financial Balance, because it serves to measure the sustainability of a company with all its contact groups: clients, suppliers, distributors, personnel, and the rest of social and ecological environment. The results of this score are not obtained in money but in points, one being able to reach between 0 and 1000 in the scale of the common good. These points are divided into five color categories, which then will be printed or marked on each product so that consumers can have a very clear and concise information about its manufacturing, before the purchase.

In addition, companies with higher scores will benefit from better advantages such as: lower tax rates, lower tariffs, cheaper credits, priority in public procurement and so on. In effect, companies will not feel forced to grow in size or produce more to obtain greater benefits. Not having that pressure to grow, they will be able to cooperate and be supportive with each other through the transfer of knowledge, technology, personnel or any other element that would help them improve. Likewise, they will be more motivated to reduce their ecological footprint in order to operate at fairer levels (Felber, 2010).

All this cycle of positive outcomes for companies, consumers and society in general, will be achieved according to Felber, if companies commit to carry out their activities based on the parameters of Common Good.

### **Relevance**

It is still contradictory that constitutions in many countries, including ours, tell us that economic activities should point towards the common good, when it is evident that within the current capitalist model, such principle is not always fulfilled. However, I think that to start applying this principle, one must start from the means where one operates: at local businesses, neighborhood stores, personal transactions. Mahatma Gandhi once said: “You must be the change you want to see in the world”, because often it takes on individual initiatives to bring about changes that somehow improve the world in which we live.

That is why the project that I propose to develop in the present thesis is a business model that aligns to the parameters of the Common Good. It aims to promote the internationalization of an SME through a tool, which does not imply its growth, nor the abuses which it entails. ECommerce allows it to keep its size and become known abroad for its responsible practices both with social actors and the environment.

What it really seeks is to highlight the added value of the product, being manufactured without harming the environment and at the same time while providing fair employment to men and women from a rural community. What weighs more than just selling to make money, is the sustainable production that this company has carried for more than 20 years, positively impacting its locality and soon the world, since it will become an example for all those multinationals that sell their products massively without considering the social and environmental repercussions.

Anyway, the ideas taken from “The Economy for the Common Good” help us to consider building a more righteous future, because it considers people, the environment and moral, rescuing many of the principles that modern capitalism has gradually forgotten. However, applying this model implies a root change: it means breaking the traditional mindset in which companies are supposedly created only for the purpose of making money, when in fact they can contribute a lot to society.

## **ECommerce in Ecuador**

### **Definition**

In order to address this subject, first it is necessary to understand the concept of “eCommerce”. To the World Trade Organization, the term eCommerce means all kinds of “production, distribution, marketing, sale and delivery of goods and services through electronic devices”(OMC, 1998). That is, any activity that intends to perform a commercial operation through electronic means of communication such as the telephone, television, cellphone or the Internet.

Additionally it is considered to be “any form of commercial transaction in which the parties interact electronically rather than by direct exchange or physical contact” (León Alvarez, 1998). Therefore, electronic trading is always done at a distance (does not imply physical presence), which gives this type of business a number of features seen from the legal point of view.

In contrast to what many believe, eCommerce is not just about shopping online. It also involves some other similar activities by electronic means such as data transfer between players in a sector, the exchange of values between financial institutions, the offers and electronic advertising, the consultation of information for commercial purposes, among others (Davara, 2004).

The main actors that participate in this e-business world are companies, consumers and the government. They all interact and originate different types of eCommerce. The most common ones are: B2B (Business to Business) which is between companies, B2C (Business to Consumer) that is between the company and the client, C2C (Consumer to Consumer) which is between consumers and A2B (Administration to Business) which involves electronic transactions between the government and enterprises (Davara, 2004).

## **Background**

It is said that eCommerce originated in England in 1984, with an online sales initiative for basic living foods such as eggs, cereal and margarine. A 72 year old woman named Jane Snowball was one of the first to make the purchase, since she had difficulty moving to the supermarket due to her age.

Afterwards, the growth of eCommerce in the rest of the world emerges from the need of companies to make a better use of technology in order to improve the relationship with their customers and suppliers (Nieto, 2013). Then, credit cards and ATMs became the most used tools to make the first electronic transactions. However, eCommerce itself does not become a global phenomenon until the boom of Internet in the 90s, a time in which it starts to be a massive and daily use.

Since then, the evolution of eCommerce is making giant strides. It has become a type of international trade, able to connect not only companies, but entire industries, cities, countries and regions, developing a global mega-market. It has revolutionized the way we do business, by eliminating the barriers of distance and time, and in turn, accelerating globalization.

Known worldwide as “eCommerce” its name in English, is a business model that has completely transformed the way of doing business because it offers a range of facilities that differentiate it from ordinary sales. For example, products have a 24 hour availability, 7 days a week. The client becomes an active agent rather than just a simple receiver of information. The costs per transaction are much lower in the virtual market than in the physical one. Lots of information about a product can be found, and it represents such a comfort for the user the fact of being able to purchase from home without having to be subject to the establishment schedules (Nieto, 2013).

## **Current Situation**

Almost 30 years after its birth, eCommerce today represents 6% of all sales in the world, moving 316 trillion dollars. According to the international statistics portal Statista, 40% of all the Internet users in the world, has ever bought a product, either by computer, tablet or cellphone. This means that eCommerce is currently a market that gathers more than a thousand million buyers from all over the world (Statista Inc., 2015).

Powerful countries such as China and the United States lead this market with 40% of the total online sales in 2014. In Latin America, Brazil is ahead producing 16 billion dollars annually in e-businesses. Argentina and Mexico are the countries that follow, and especially the ones that have promising projections for 2018, year in which it is estimated their eCommerce will generate more than 47 billion dollars (América Economía, 2015).

However, it is said that Latin America is still far from reaching the levels of China and the United States in terms of eCommerce. The insufficient penetration of Internet in our region is one of the main obstacles that has prevented its growth at a higher speed. Not until 2018 it is estimated that the regional average of Internet access will reach 60% of the population according to data from IDC<sup>7</sup>. Currently the major eCommerce firms in Latin America are Despegar.com, MercadoLibre, PedidosYa y Dafiti.

### **What happens in Ecuador?**

In spite of the wide range of facilities offered by eCommerce, such as the ones mentioned above, Ecuadorians are still used to buy and sell in the ordinary way. The eCommerce market in Ecuador is still incipient and underused in relation to other countries. Although there is an active segment that buys and sells online, we must consider that 51% of it is concentrated in Quito, Guayaquil and Cuenca (INEC, 2014). This is a segment with a greater purchasing power, owning credit cards and living in the three most developed and densely populated cities of the country.

According to the Latin American Institute of eCommerce<sup>8</sup>, in Ecuador only 2.5% of all Internet users are e-shoppers and the online purchases reach only 71 on average per year. Compared with countries like Brazil, where there is a 9.73% of e-buyers and it reaches the 13,230 online purchases, the Ecuadorian eCommerce market is still “in its infancy”.

As for the payment methods, in Ecuador 14.2% of e-shoppers use credit card, 19.7% use debit card and across the country there are about 1,350 ATMs.

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<sup>7</sup> International Data Corporation.

<sup>8</sup> ILCE for its initials in Spanish.

Figure 3. ECommerce indicators in Latin America

PAÍS	TARJ. CRÉDITO	TARJ. DÉBITO	CAJ. AUTOM (UNIDADES)	ÍNDICE SIST. BANCARIO	BANDA AN-CHA MÓVIL	E-COMPRAS-DORES	COMPRAS POR INTERNET	ÍNDICE ADOPCIÓN TECNOLÓGICA	PAGADORES DE IMPUESTOS ONLINE	GRANDES RETAILERS ONLINE	ÍNDICE POTENCIA OFERTA	ÍNDICE E-READINESS
ARGENTINA	40,8%	40,7%	15.000	0,34	3,32%	3,48%	875	0,32	0	2	0,09	0,46
BOLIVIA	2,2%	12,7%	908	0,04	0,32%	1,50%	44	0,20	0	0	0,00	0,17
BRASIL	71,2%	123,0%	174.255	0,97	4,27%	9,73%	13.230	0,61	0	10	0,33	0,95
CHILE	53,2%	48,0%	7.562	0,70	3,41%	7,02%	1.028	0,55	131.974	6	1,06	0,63
COLOMBIA	16,6%	33,0%	9.274	0,20	1,85%	4,02%	435	0,20	0	1	0,07	0,36
REP. DOMINICANA	16,7%	30,8%	2.000	0,17	1,38%	4,16%	209	0,34	0	0	0,00	0,31
ECUADOR	14,2%	19,7%	1.340	0,13	0,60%	2,50%	71	0,15	0	0	0,00	0,26
GUATEMALA	8,6%	12,5%	1.254	0,09	0,76%	2,02%	77	0,21	0	1	0,06	0,25
HONDURAS	8,1%	11,6%	735	0,10	0,70%	1,99%	28	0,20	0	1	0,06	0,25
MÉXICO	10,8%	53,0%	39.856	0,20	0,99%	4,30%	2.625	0,31	418.972	11	0,22	0,53
NICARAGUA	10,8%	12,3%	568	0,10	0,35%	1,79%	12	0,15	0	1	0,06	0,20
PANAMÁ	15,7%	56,5%	944	0,42	1,52%	2,94%	102	0,26	0	0	0,00	0,43
PERÚ	16,1%	46,9%	3.763	0,22	0,53%	3,14%	276	0,20	34.049	1	0,13	0,34
PUERTO RICO	33,8%	42,5%	1.478	0,42	4,91%	3,30%	588	0,59	0	0	0,00	0,50
PARAGUAY	12,2%	11,7%	526	0,14	0,61%	2,04%	38	0,24	0	0	0,00	0,27
EL SALVADOR	7,2%	14,9%	694	0,10	0,80%	2,04%	44	0,33	0	1	0,06	0,30
URUGUAY	51,5%	43,9%	1.985	0,50	4,85%	5,12%	82	0,36	0	0	0,00	0,48
VENEZUELA	24,5%	51,0%	15.124	0,34	0,86%	5,16%	904	0,34	0	0	0,00	0,45
AMÉRICA LATINA	37,6%	69,6%	277.266	0,51	2,50%	5,90%	21.775	0,41			0,22	0,62
ESPAÑA	95,4%	67,0%	61.374	1,00	11,30%	16,01%	8.400	1,00	5.630.896	-	1,00	1,00
EE.UU.	187,8%	165,1%	500.000	2,14	14,59%	74,00%	146.420	2,25	98.000.000	-	2,25	2,12

Source: Latin American eCommerce Institute.

The reason why eCommerce growth in Ecuador has been slow, is due to some obstacles. One of them is the limited supply of products and services online. There are not many domestic companies that allow the possibility of buying online. Only about 300 Ecuadorian enterprises are offering on the web (INEC, 2014). For Leonardo Ottati, CEO of Image Tech<sup>9</sup>, the supply in the country is limited and that is something we need to work in if we want to increase the demand. “The more alternatives there are to buy online, the more consumers are going to be found” (Ottati, 2014). Even international sources like ILCE point out that the potential supply rate in Ecuador is low, it reaches 0.08.

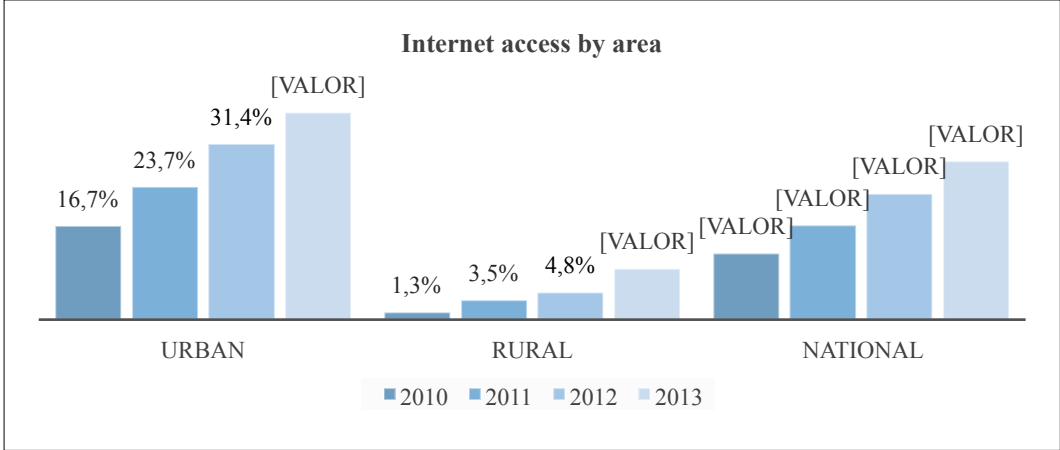
Another difficulty that comes with the intervention of electronic media, not only in Ecuador but in the whole world, is insecurity. In this particular type of business, it is not known for sure who really the person you are dealing with is, or what exactly you will receive. That is why many people still prefer the physical trade. In this sense it is extremely important to have a solid legal framework that provides the confidence needed to use the telecommunications, especially the Internet, which is suitable for many dangers that today require a normative response.

The low rate of Internet access in Ecuador is also a problem that has slowed the blunting of online sales. There are still a lot of towns or rural areas to which this

<sup>9</sup> Ecuadorian company that provides advice on eCommerce.

service does not arrive. According to figures from INEC, only 28.3% of households in the country have Internet access. When divided by areas, in the rural area the percentage of households with Internet is 9%, while in the urban area it is of 37% (2013). This is a very wide gap that affects the Technology Adoption Index of our country, which is of 0.15 while in countries like Chile and Brazil it reaches 0.55 and 0.61 respectively (ILCE, 2015).

**Figure 4. Households with Internet access in Ecuador**



Source: Own elaboration based on figures from INEC.

Despite these limitations, there is still potential for the electronic market in the country. The growth rate of this market in Ecuador is of 35% per year, according to the president of the Chamber of Commerce of Guayaquil, Pablo Arosemena, who argues that the digital economy grows a lot faster than the real economy. “Currently, eCommerce in Ecuador moves \$540 million a year”, he says (El Universo, 2015).

Some other local sources such as Nuno Acosta, manager of Laika<sup>10</sup>, indicates that Ecuadorian companies invest about \$50 million a year, and this is a value that has almost tripled since 2013, when they invested \$15 million. He also pointed out that SMEs have an important role in the hiring of digital advertising, since they invest from \$100 a month in promoting their products online. Apparently, these companies are increasingly interested in making eCommerce and increasingly willing to invest so that their product becomes known on the web.

It is said that before 2007, the growth of electronic commerce in Ecuador was practically nil, but from that year the number of users increased dramatically. By 2015

<sup>10</sup> Empresa ecuatoriana dedicada a la publicidad electrónica en redes sociales e internet.



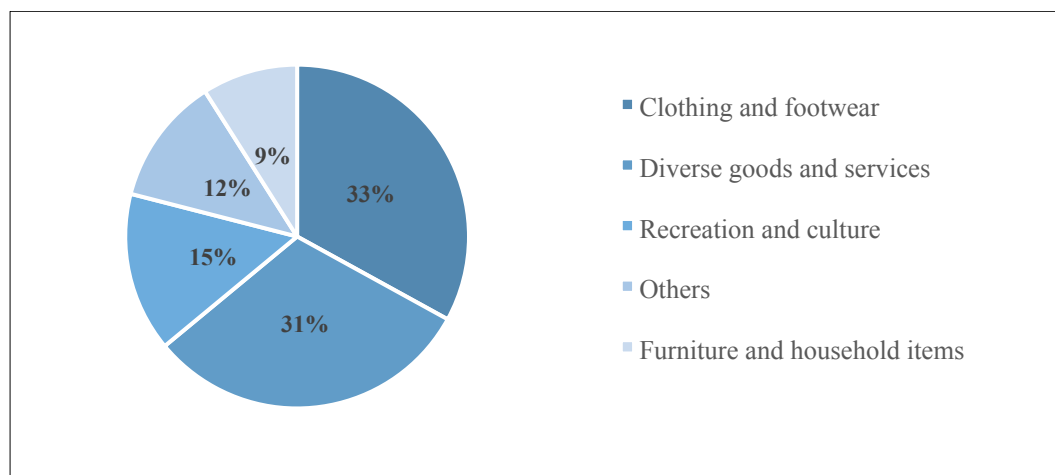
there are 4'995.474 Internet users, with an average of 7.2 hours of use per week (INEC). Then, besides the growing willingness by companies to offer online, there is also a growing number of customers willing to buy from them.

In addition to local media, international publications such as the Wall Street Journal in 2010, yielded similar projections. In an analysis done in Latin America, it is concluded that, although the Brazilians make up more than half of the total Internet users in the region, Ecuadorians are the most enthusiastic against eCommerce, along with the Panamanians and Venezuelans. It is said that at a country level we have a greater openness towards digital sales. In fact, 55% of all Ecuadorian people see the web as a very useful means to buy (Romero Rosales, 2000).

### **ECommerce and the footwear industry**

Amid this positive scenario for Internet business, there are also coming opportunities specifically for the footwear industry. Data favoring directly to the sector of our company under study, was found. On the one hand, an interesting figure presented by INEC in 2014, which states that clothing and footwear are the most commonly purchased products by Ecuadorians, representing 33% of all acquisitions in the country.

**Figure 5. The most commonly purchased products in Ecuador**



Source: Own elaboration based on figures from INEC, 2014.

Following this product are the goods and general services with 31%, then the recreation products with 15%, and finally furniture and household items with 9%. Footwear and clothing are even above the average of the diverse goods and services, which are usually consumed by all citizens.

Besides being a very popular product in the market, footwear and its manufacturing are part of one of the industries prioritized by the government. SENPLADES presented in their informative leaflet entitled "Transformation of the Production Model, a productive revolution through knowledge and talent," an analysis which places the footwear industry as No. 3 in the priority sectors for the concentration of efforts and allocation of resources from the public sector (SENPLADES, 2012).

**Figure 6. Prioritized Industries**

Cuadro 1: Industrias priorizadas	
Sector	Industria
BIENES	1) Alimentos frescos y procesados
	2) Biotecnología (bioquímica y biomedicina)
	3) Confecciones y calzado
	4) Energías renovables
	5) Industria farmacéutica
	6) Metalmecánica
	7) Petroquímica
SERVICIOS	8) Productos forestales de madera
	9) Servicios ambientales
	10) Tecnología (software, hardware y servicios informáticos)
	11) Vehículos, automotores, carrocerías y partes
	12) Construcción
	13) Transporte y logística
	14) Turismo

Source: SENPLADES, 2012

This is a conjuncture that cannot be missed. The promising future of eCommerce in Ecuador and the potential that the footwear industry has in the country, are ideal conditions to develop a project or venture that combines both aspects. To electronically commercialize footwear made in Ecuador, helps to transform the Production Model of the country, which besides just being a change of economic model, it means becoming a more equitable and inclusive system that promotes the talent of Ecuadorians.

## The Law on Electronic Commerce

### Structure

On April 17, 2002 by Law No. 67 published in the Official Gazette, the National Congress issued the Law on Electronic Commerce, Electronic Signatures and Data Messages in Ecuador, commonly known as the eCommerce Law or LCE for its initials in Spanish. Its structure consists of 64 articles divided into five titles which are:

- Title I. Data Messages
- Title II. Electronic signatures, electronic signature certificates, certification entities, bodies promoting electronic services, and bodies of regulation and control of accredited certification entities.
- Title III. Electronic services, electronic and telematics procurement, user rights, and public instruments.
- Title IV. Electronic test and notifications
- Title V. Cybercrime

In addition, the law contains 10 general provisions, 2 transitory provisions, one final disposal and a glossary of terms as an annex.

### **Objectives**

The purpose of this law is to regulate the broad concept encompassing electronic services, which includes data messages, electronic signatures, certification services, electronic and telematic procurement, provision of electronic services through information networks, eCommerce and protection to the users of these systems (Art.1 LCE).

Subsequently, on July 31, 2002 the Constitutional President of the time, Dr. Gustavo Noboa, issues the General Regulation of the Law of eCommerce by Executive Decree No. 3496, with the aim of regulating certain aspects more specifically. Such regulations have been amended several times by President Eco. Rafael Correa, who made the last modification in September 2011 by Decree No. 867.

### **Content of the LCE**

Entering to what is the purview of the law, Title I under the name of *General Principles* recognizes the full legal validity of digital documents or "data messages" like any written document. That is, electronic contracts, such as a purchase agreement, will have the same effects as a physical purchase contract. In case of an

online transaction, by clicking on "I accept the terms and conditions", the buyer is consenting to a digital contract.

The following *General Principles* refer to data protection and data transmission, which require the express consent of the owner in order to be valid. The LCE protects the information contained in data messages through laws and international agreements on intellectual property, and also through the principles of privacy and confidentiality guaranteed by the Constitution.

Title II with the heading *Electronic signatures* refers to those services related to the identity of data messages. The electronic signature is the only element that identifies the sender of the data, and therefore requires that person to fulfill obligations arising from its use. The electronic signature has the same validity as a handwritten signature, and its importance lies in it being a method to authenticate any document and provide greater security in online transactions. However, it is optional when selling online.

This section also contemplates the electronic signature certificates, as those documents that corroborate the link of a person with a particular electronic signature, in order to avoid identity fraud. These certificates are issued by certification authorities of information, which are only certain authorized legal persons.

Later on, the LCE talks about two types of organisms: the ones in charge of the promotion and dissemination of electronic services and the ones in charge of the regulation and control of the certification bodies. According to Article 36, the Board of Foreign Trade and Investment – COMEXI in Spanish, is the body responsible for promoting and disseminating electronic services, "including electronic commerce and the use of electronic signatures in promoting investment and trade". COMEXI is currently named COMEX or Foreign Trade Committee, and is a collegial body of public intersectional nature, made up of five ministries.

On the other hand, the organism in charge of regulating the certification bodies, under Article 37, is the National Council of Telecommunications – CONATEL in Spanish. It is responsible for authorizing certification bodies to provide electronic services. Today that organization was renamed the Agency for Regulation and Control of Telecommunications – ARCOTEL in Spanish. There is also an organism that controls these certification bodies. According to Article 38, the Superintendence of

Telecommunications is responsible for supervising the certification bodies through audits in order to verify compliance with their obligations.

Title III of the LCE includes the precepts referred to electronic and telematics procurement. Article 45 states that an electronic contract will take effect in the place agreed by the parties. Since there is no physical location for digital contracts, when a consumer is involved, it will be presumed to be the place where he has his residence. For contracts between companies, it is understood to be in the place where the service provider is established (Davara, 2004).

Article 47 states that in case of dispute, the parties must submit to the jurisdiction stipulated in the contract, and if they haven't done that, the applicable law is the Ecuadorian Civil Code, as long as it is not a contract related to consumer rights . In this case, the Organic Law on Consumer Protection is the applicable.

As for *the rights of users and consumers of electronic services*, it is stated that the consumer will only receive what he has authorized or requested, and the issuer has to let his client know about any intention to send him commercial communications. It is necessary that the consumer previously expresses his consent to accept any type of electronic registration. Also, in the case of goods or services to be procured by electronic means, the seller is obliged to report all the requirements, conditions and restrictions for the consumer to purchase or use the product.

Title IV under the name *The Test*, contemplates all the means that will be considered as evidence for legal purposes. These include electronic signatures, data messages, and any electronic document regardless of its source.

Finally, in case of breach of the provisions of the LCE, Title V determines what constitutes *Cybercrime*, from Article 57 to 64. However, the new Integral Organic Penal Code, applicable since February 10<sup>th</sup> 2014, repealed this Title and its articles, establishing a new list of Cybercrimes among which are:

- Article 173. Contact for sexual purpose with those under eighteen by electronic means. Imprisonment from 1 to 3 years. If the person has used a false identity, imprisonment will go from 3 to 5 years.

- Article 178. Violation of privacy. If a person enters or posts personal information from a different person contained in electronic media without authorization, he will be punished with imprisonment of 1 to 3 years.
- Article 190. Embezzlement by electronic means manipulating programs, networks and equipment. Imprisonment from 1 to 3 years.
- Article 191. If a person modifies or reprograms identification information of mobile terminal equipment, he shall be punished by imprisonment from 1 to 3 years.
- Article 194. Unlawful Commercialization of mobile terminals, violating the provisions issued by the Telecommunications Authority. Imprisonment from 1 to 3 years.
- Article 229. Illegal disclosure of database through electronic systems. Imprisonment from 1 to 3 years.
- Article 230. Illegal interception of data without a warrant. Imprisonment from 3 to 5 years.
- Article 232. Attack on the integrity of computer systems. If a person destroys, damages, deletes, alters, etc. data messages or systems, he shall be punished from 3 to 5 years in prison. Likewise, the person that develops malicious software.
- Art 234. Not consented access to a computer system, to exploit it illegitimately, modify a web portal, divert data traffic or provide services without paying the suppliers. Imprisonment from 3 to 5 years.

(COIP, 2014)

### **LCE application**

To sum up, it is worth mentioning that there is a problem between many legal doctrinaires in terms of their opinions about Ecuadorian legislation on eCommerce. It is said that the LCE is too broad and general. This statement is problematic because it creates a dilemma: some people see it as something negative, because they consider it to be a law that is empty and generates doubt; while others consider it to be positive, since it allows greater freedom to operate at the time of doing business.

However, the peculiarities of eCommerce generate a need to regulate and address certain issues in order to guarantee legal certainty. This legal certainty requires at

least to be able to make sure about the identity of the agents involved in eCommerce and in turn about the authenticity of the message content. In my opinion, the LCE meets these basic parameters in order to develop business with confidence.

It should be noted that online contracts are a type of massive procurement, where the trader makes a generic supply on the web and the consumer is simply limited to accept or reject the offer, but he/she cannot change any of the conditions of the contract. In their defense, I think that the State should be more focused on protecting electronic consumers so that the number of people who buy and sell online can gradually increase.

## **Conclusions**

In the first chapter I considered important to contextualize the current situation of Ecuador from the political, social and economic views. In order to better understand any topic, it is usually important to first stand outside of it, see the big picture and then move little by little to the epicenter, just like zooming in with a camera lens. That is why, before starting with the development of the eCommerce project, it was necessary to investigate the roots that gave origin and support itself.

Although today we are living an economically adverse scenario in the whole world, and many say that even harder times are coming, I believe that in times of crisis is when the big opportunities arise. Having regulatory bodies, guidelines, action plans and other means that support domestic production, it is time to consider the advantages that can be gained from them. This is why this chapter analyzes three current issues which, besides being in the media boom, are keystones that directly affect the footwear workshop which we are going to work with.

At first instance, the chapter collects the fundamental concepts that make up the “National Plan for Good Living”, considered to be the roadmap that leads the country on the subject of development. In this sense it is very important to see how this thesis matches with 5 of the objectives of Good Living: Promoting the transformation of the production model, ensuring decent work, strengthening the capacities and potentialities of citizenship, guaranteeing the rights of nature and promoting environmental sustainability and strategic insertion in the world.

The discussion that follows is directed towards the change of the production model, a process in which Ecuador is immersed nowadays. The main objectives of this process are to diversify markets, strengthen domestic production and compensate the trade balance. In order to reduce the deficit in the trade balance, it is necessary to increase the exports of our products. Because not all companies are able to export, there are other alternatives for SMEs to sell their goods internationally. E-commerce is one of them, and besides it is a tool with a great potential to generate foreign income to the country.

Having understood the current situation and the direction that the country's economy is following, the “Theory for the Common Good” is introduced as a foreign vision that also supports our ideas of breaking with the current economic model and developing instead a model focused on human dignity. Christian Felber, the author, stresses that the true value lies in companies that carry out sustainable practices and apply principles of respect, cooperation and solidarity. He highlights the importance of nature and social justice above the traditional monetary indicators. That is precisely what this project seeks to emphasize.

Finally, I considered important to understand where the eCommerce market in Ecuador stands today, and also to examine the regulations that govern it. This would help visualize the scenario that a virtual store would face, and what its projections, opportunities and threats will most likely be.



## **CHAPTER 2: THE COMPANY AND ITS PRODUCT**

### **Introduction**

The main focus of this chapter is purely corporate. It will analyze the weight that SMEs currently have in the Ecuadorian economy and their contribution to the economy's dynamism, by generating employment, promoting competition and innovation. SMEs in Ecuador have enormous potential and they could become the economic engine of our country if they increase their participation in the global market.

As a small company, the shoe workshop has a specific structure and functioning that will be described in the second section of this chapter. Its organization, the production process, the raw materials and inputs that it uses, the machinery, human talent and productive capacity are all detailed. A SWOT analysis of the company is also made here. Their product is then addressed, by explaining the features and added value that distinguish it. Its costs, target audience and innovative degree are also described.

Finally, the chapter approaches the subject of Corporate Social Responsibility as a crosscutting of the workshop operation. The CSR background is detailed as well as the criteria for measurement, its implementation and diagnosis through the use of a checklist applicable to SMEs that usually do not have the economic resources to afford international certificates such as the ISO norms.

Once these aspects are differentiated and clearly described, it is possible to move on to the creation of a website with a solid structure and well-defined objectives. To develop a web strategy, it is important to know first who sells, what is being sold, how it is sold and to whom. That is precisely what this chapter pretends to define.

### **The importance of SMEs**

#### **Definition**

In order to develop any project to be implemented in a SME, it is essential to previously understand its meaning and connotations.

RAE<sup>11</sup> dictionary defines an SME as "a commercial or industrial enterprise comprised of a small number of workers, and with a moderate turnover." This concept indicates

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<sup>11</sup> Real Academy of the Spanish Language.

that an SME is an entity formed by a small number of people and a certain amount of production and sales, but the exact values are not specified.

Since this is a very general concept, it is up to each country in their respective regulations, to determine the exact size of what internally is considered to be an SME. In some countries, the number of workers is taken into account as the main factor, but other countries base on indicators such sales volume, or the amount of initial capital. In the case of Ecuador, the criteria is mixed, since it considers the number of workers and at the same time the fixed capital. In our country, companies are classified in the following sizes:

- Microenterprises: The ones that employ up to 10 workers and their fixed capital is up to \$20,000.
- Craft workshops: They do manual labor, with no more than 20 operators and a fixed capital of \$27,000.
- Small Industries: They employ up to 50 workers at most.
- Medium Industries: Those which employ from 50 to 99 workers and their fixed capital does not exceed \$120,000.
- Large Business: They have more than 100 employees and \$ 120,000 in fixed assets (CAPEIPI, 2001).

Then, SMEs are grouped into two categories: the Small and Medium Industries. According to the Internal Revenue Service or SRI<sup>12</sup>, SMEs are "The group of small and medium enterprises that, in terms of their sales volume, capital, number of employees and level of production or assets, have the typical characteristics of this type of economic entities" (Servicio de Rentas Internas, 2015).

Most of the Ecuadorian SMEs are engaged in the production of goods and services, which is why they are not only sellers but also buyers of supplies. That is precisely what dynamizes the economy and the reason of their importance.

### **Characteristics of SMEs in Ecuador**

In terms of geographic location, there is a great concentration of SMEs in the most developed cities of the country. In Quito and Guayaquil there are 77% of the

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<sup>12</sup> Internal Revenue Service of Ecuador, SRI for its initials in Spanish.

establishments, while Azuay, Manabi and Tungurahua have 15% of them and the remaining 8% is located in other provinces.

For tax matters, SRI classifies SMEs according to the type of RUC, in individuals and societies.

Ecuadorian SMEs have certain strengths and potentials. Although many relate economic growth with large companies, actually the figures show that economic growth depends mostly on the performance of SMEs (EKOS, 2012). Not having many workers, the structure of SMEs is small and flexible, allowing them to be able to adapt to market changes more easily. This and other virtues set them apart from large companies or GEs<sup>13</sup>:

- They are key factors to generate employment in the economy
- They require lower investment costs
- By boosting the economy, they dilute problems and social tensions
- They belong to the sector that most uses domestic inputs and raw materials
- They encourage the production of non-traditional goods
- They provide added value and thus contribute to a more equitable distribution of income

(CAPEIPI, 2001).

However, it must be recognized that there are some difficulties related to the success of these companies. Since they are smaller, they count with fewer resources, which limits their investment capacity and project management. This necessarily implies a restriction on the access to new technologies for process optimization. In addition, they have less access to credit and the mechanisms to support their funding are insufficient. Some other problems are the unskilled work, low production quality, lack of training and supply oriented usually to the domestic market.

### **Impact on the Ecuadorian economy**

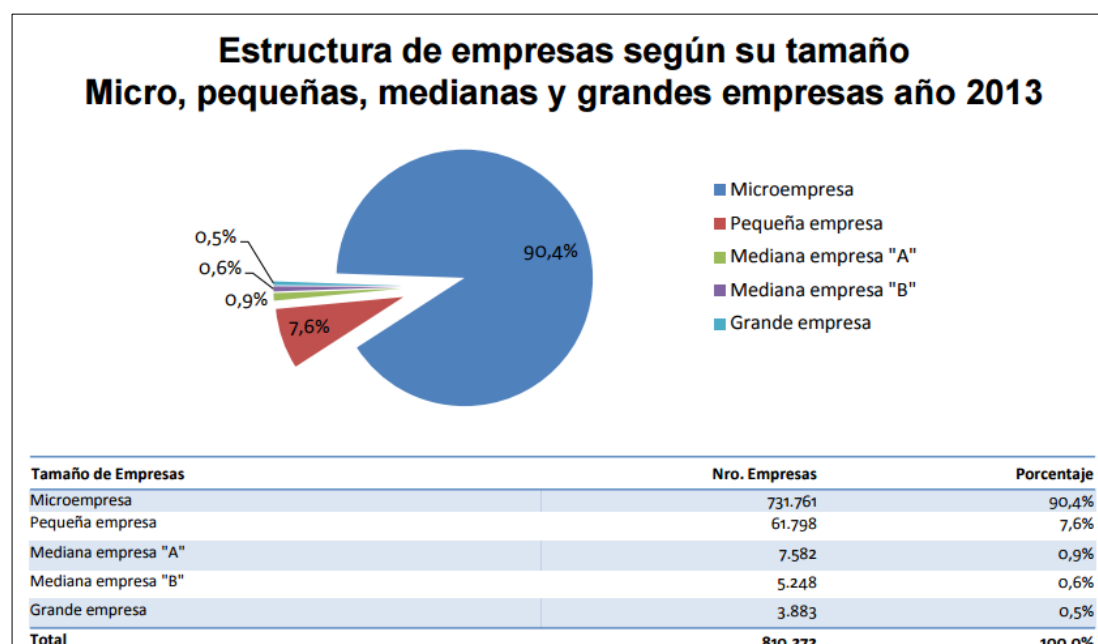
According to the Directory of Companies and Establishments elaborated in the last economic census conducted by INEC, there are a total of 810,272 companies in the country. 9.1% of these enterprises are SMEs, while 90.4% are Microenterprises and

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<sup>13</sup> Large companies or *Grandes Empresas* in Spanish.

only 0.5% are Large Enterprises. Although the vast majority are Microenterprises, the next significant number is that of SMEs, which reaches 74,628 in total (INEC, 2013).

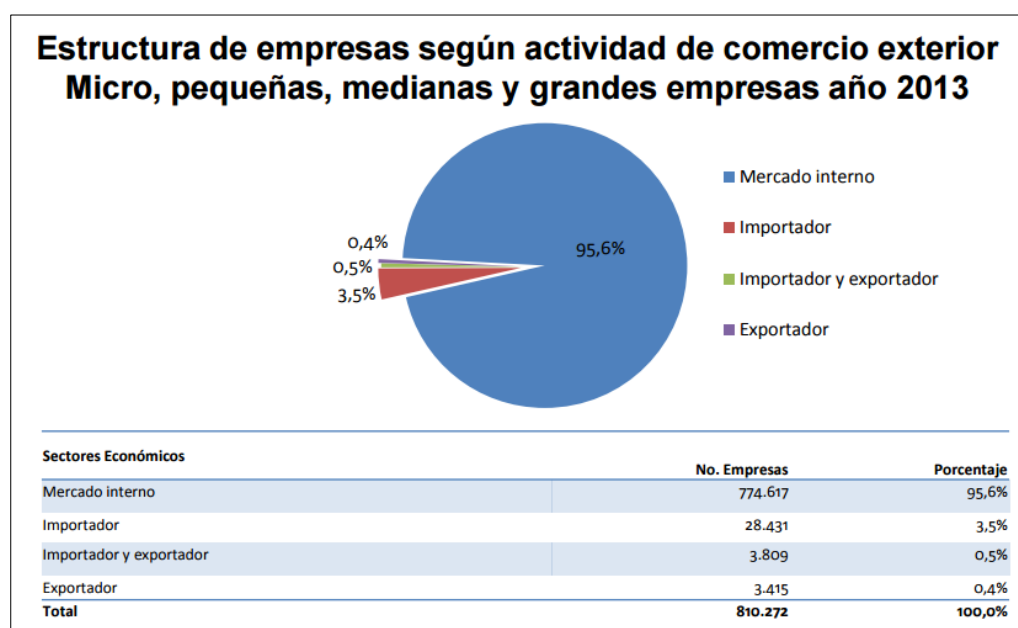
Figure 7. Structure of companies according to size



Source: INEC 2013

On the other hand, it is important to emphasize that the vast majority of Ecuadorian companies, namely 95.6%, are dedicated to supply the domestic market. Just 0.5% of them make foreign trade, that is, they both import and export. However, only 0.4% are exclusively exporters, which means that 3,415 Ecuadorian companies sell products abroad. In contrast, 3.5% are importers, which means that 28,431 national companies import goods from other countries. The huge gap between the two types of companies is one of the main causes of our deficit in the trade balance.

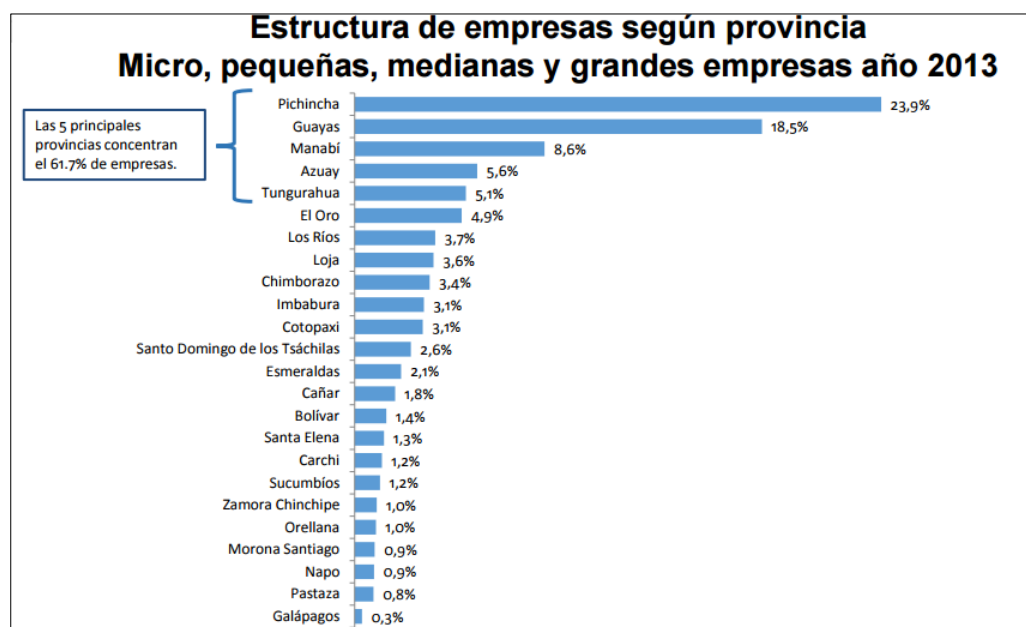
Figure 8. Structure of companies according to foreign trade activity



Source: INEC 2013

Moreover, of the total Ecuadorian companies, more than half are concentrated in 5 provinces: Pichincha, Guayas, Manabí, Azuay and Tungurahua, which represent 61.7%. The rest of provinces are home to the remaining 38.3% of companies.

Figure 9. Structure of companies by province



Source: INEC 2013

Furthermore, from the total companies registered in the Superintendence of Companies of Ecuador, 70% are SMEs. This is because, even though most companies

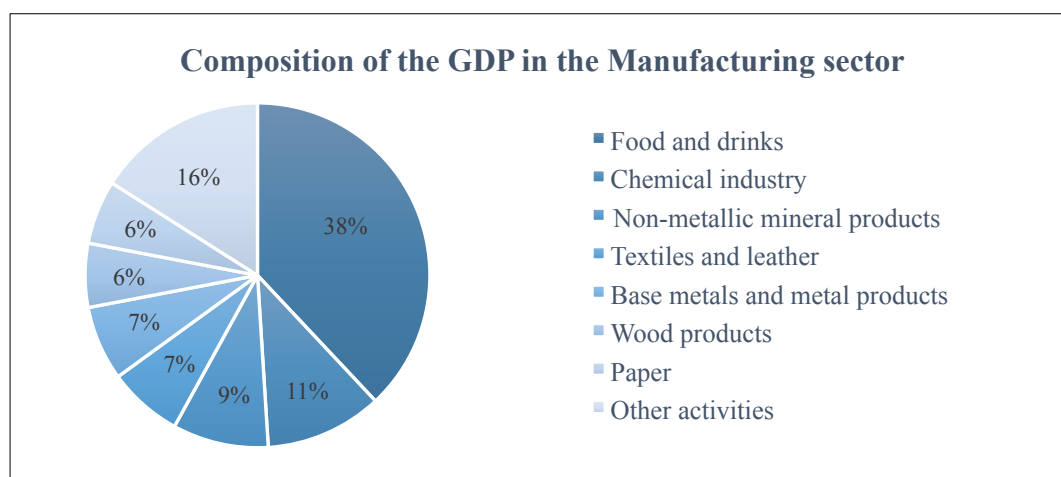
in Ecuador are Microenterprises, not all of them are formally registered in the Superintendence of Companies.

The great importance of SMEs in the country lies mainly on three factors: They generate 60% of the total employment, they participate in 50% of the total production and they are also responsible for a contribution of more than 25% to the non-oil GDP of the country (EKOS, 2012).

As for job creation, SMEs belonging specifically to the sector *Manufacturing of clothing; dressing/dyeing of fur*, known as textile/leather industry, generated 7,818 jobs by 2008. This is precisely the industry to which our shoe workshop belongs. However, the industry that most jobs generated and continues to generate at a national level is the *Manufacture of food products*, providing 42.3% of employment in the country (FLACSO - MIPRO, 2013).

In terms of the contribution to national GDP, according to Central Bank figures, the sector that has greater weight is manufacturing, with 11.8%. Within the manufacturing GDP, *Food Processing* industry remains the largest contributor, with 38%. Then goes the Chemical industry (11%), the Non-metallic mineral products (9%) and the Textile/leather industry (7%). The Textile/leather industry ranks fourth in the composition of the manufacturing GDP and in turn it accounts for 0.9% of the whole national GDP (EKOS, 2015).

**Figure 10. Composition of the GDP in the manufacturing sector**



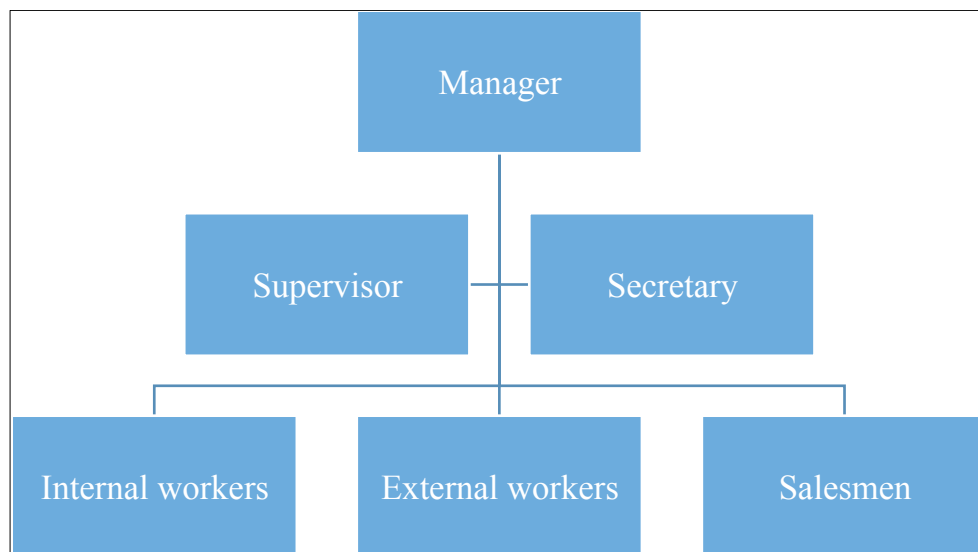
Source: Own elaboration based on data from the Central Bank and Ekos Magazine, 2015

## Company Description

PRODECALZA is a sole proprietorship company that manufactures and sells leather footwear, which was born in 1992 in Baños, a rural parish in the city of Cuenca. The company is small, it consists of 20 internal workers and of 10 employees that work externally making parts and pieces. From all the internal staff, those 20 are devoted to the production process and other 3 to the administrative area. Additionally, there are two commission salesmen who do not maintain a dependent relationship with the company and an additional person who provides accounting services. According to the number of workers, the company recently went from being a "craft workshop" to be a "small industry". This places it within the category of an SME, one that belongs to the textile/leather industry, which is within the manufacturing sector.

Being a small company, its organizational structure is simplified. It basically consists of 3 different areas: Administration, Production and Sales. In the head of the organization there is the manager, who is responsible for decision making and strategic planning. Then he is followed by the supervisor, who informs workers about taken decisions and also inspects their work. Also, supporting the administrative activities, there is a secretary. Finally there is the rest of the staff, who are the (internal and external) workers and salesmen, who are engaged in production and sales respectively.

**Figure 11. Organization chart of the company**



Source: PRODECALZA

## The business environment

Regarding the external environment, it is noteworthy that PRODECALZA faces both local and foreign competitors. The most positioned and recognized brands on the market are mainly foreign. These include Timberland, Clark and Dockers. On the other hand, domestic brands are gradually growing and gaining ground in the market. Among the most common of these considered to be direct competition are Pony, Buestán, Luigi Valdiní and Gamos.

The brand that PRODECALZA currently uses in their products is called Milano. The sales of PRODECALZA with Milano are currently made within the country, in the cities of Cuenca, Quito, Guayaquil, Machala, Portoviejo and Santo Domingo. However, the company is expecting to sell internationally and expand the number of brands. For the most part, PRODECALZA is a wholesale company, because more often it sells wholesale and just occasionally to the final consumer.

### **Mission**

We are a socially and environmentally responsible company, dedicated to the production and sale of leather shoes with excellent quality and competitive prices.

### **Vision**

Being a pioneering and innovative company, which achieved a self-positioning in the domestic and international markets as a benchmark brand of style and comfort.

### **Corporate Values**

- Honesty
- Respect
- Teamwork
- Vocation to Service
- Innovation

### **Objectives**

- To satisfy the costumers and exceed their expectations
- To position the Brand among the leading segment in the region
- To provide added value and quality
- To constantly incorporate new technologies
- To train the staff and enhance their motivation



- To protect the environment

### **Production Process**

The production process of manufacturing footwear, mainly consists of thirteen steps, which are described below:

1. Storage of raw materials and supplies (classification of leather, soles, adhesives)
2. Cut of leather
3. Cut of the other materials
4. Roughing<sup>14</sup> leather
5. Sewing and binding of leather and parts
6. Conforming heels
7. Conforming tips
8. Assembling: Joining heels and tips by a hot reactivating tunnel.
9. Process through the cooling tunnel
10. Finishing details: manual process
11. Cleaning and Inspection
12. Storage of the finished product

For this production process, the following raw materials, inputs, machinery and human talent are required:

### **Raw Materials**

Raw materials are referred to the major components of a product, which means, the main substance or material that industrially is transformed to create a good or product.

In the case of the footwear industry, they are:

- Cow leather, 100% natural
- Synthetic lining for the interior
- Fabric lining
- Thermoplastic and rubber soles
- Insole

### **Inputs**

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<sup>14</sup> To remove the rough edges or parts of a coarser material to be carved out such as wood, stone, metal, leather or textiles.

On the other hand, inputs are those materials that help transform the raw material, but they are not essential components. In the workshop they use:

- Shoetrees
- Shoelaces
- Eyelets
- Threads
- Needles
- Scissors
- Glues
- Tints
- Appliques
- Elastic
- Fabrics for decoration
- Sponges
- Packing boxes

### **Machinery and equipment**

Instead, the machinery are those goods used for the manufacture or assembly of other goods. Generally they are not consumed on a single production cycle. The footwear company has the following machinery:

- Die Cutter
- Automatic cutting machine for leather
- Sewing machines (3):
  - o Flat
  - o Tube
  - o Zig-zag
- Roughing machine
- Machine to set tips
- Machine to set heels
- Machine to vaporize the leather
- Machine to assemble tips
- Machine to assemble heels
- Conformer oven

- Reactivating Tunnel
- Machine to unwrinkle leather
- Leather carder
- Machine for drying and reactivating the glue
- Cold Tunnel

### **Human Talent**

Finally, human activity is essential to carry out this production process. Without it, it could not be said that footwear is handmade, since the workers are the ones who operate the machines and use the different tools that transform raw materials into the final product. Currently, the workshop has a total of 30 workers in the production area:

- 5 of them perform the cutting process
- 3 people make the leather roughing
- 10 are in charge of the sewing process
- 4 are dedicated to the assembling
- 5 perform bonding and carding<sup>15</sup>
- 3 deal with the finished product

That being said, the main factors that make up the production cycle of this shoe workshop are completed. With all that set of machinery, raw materials, inputs and human talent, the achieved volume of production is approximately 100 pairs a day (PRODECALZA, 2015).

### **SWOT Analysis**

Once the environment surrounding the company and its internal operating processes are understood, it is appropriate to conduct a SWOT analysis to determine the Strengths, Weaknesses, Opportunities and Threats that PRODECALZA has as a company, in order to facilitate decision-making. The strengths and weaknesses are considered to be internal, while the opportunities and threats are analyzed from the perspective of being external to the company.

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<sup>15</sup> To prepare with the carding, a textile for yarning.

**Table 1. SWOT matrix of the Company**

<b>Strengths</b> <ul style="list-style-type: none"> <li>- Excellent product quality</li> <li>- Competitive prices</li> <li>- Genuine leather and 100% natural (not synthetic)</li> <li>- Different concept, innovative designs</li> <li>- Variety in product development</li> </ul>	<b>Oportunities</b> <ul style="list-style-type: none"> <li>- Transformation of the Production Model: promotion of domestic industry</li> <li>- Safeguards: Restrict the entry of foreign products</li> <li>- Greater appreciation of the Ecuadorian product: new conscience</li> </ul>
<b>Weaknesses</b> <ul style="list-style-type: none"> <li>- Unqualified personnel, low labor productivity</li> <li>- Lack of funding sources</li> <li>- Brand is not positioned internationally</li> <li>- Lack of physical space</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>- Local and foreign competition</li> <li>- Legal stability</li> <li>- Recession, economic crisis</li> <li>- Lack of domestic raw material supply</li> </ul>

Source: Compilation based on information provided by the company.

### **Product description**

The product made by PRODECALZA is male formal footwear with rubber or thermoplastic soles, uppers of genuine leather and inner part of leather and/or synthetic fabric. Currently they are manufactured in a range of sizes that goes from 37 to 43.

Shoe designs are drawn from an investigation of market trends, by a shoe designer and the support of the manager, who base their choices primarily on casual, executive and dress styles. The product packaging consists on a box of thick recyclable cardboard, a very resistant material to avoid damages during transport.

### **Target audience**

Youth and adult male with an average age between 25 and 55 years, and even for older ages.

### **Special or distinctive features**

One of the main features is the individualized treatment of the product, being made with selected materials and 100% natural cowhide, it provides quality, guaranteed comfort and foot health. It does not compare with those products that usually come from the Asian continent, in large volumes and serially, made with synthetic materials and at such low costs that tend to neglect quality.

Another peculiarity is that the finishes and final touches are carefully handcrafted, reflecting the talent of Ecuadorian artisans embodied in original and exclusive designs.

As a final special characteristic of the product is the variety of colors, patterns and prices in which it is available, enabling to satisfy a wide demand of tastes, ages and even economic possibilities.

### **Kind of Product**

- By its nature: It is a material and tangible product, so it is a good and not a service.
- According to its destination: It is a consumer good, because it intends to meet a need.
- By its duration: It is a type of product that has a duration that exceeds one year.
- Depending on the reason for the purchase: It is a product that can be purchased rationally because its buying motive responds to satisfy a basic need: to wear shoes.
- Depending on the frequency of purchase: It is a product that is bought sporadically, precisely because of its lifecycle.

### **The price**

The skin or leather is the main component of footwear production. Its cost represents a large percentage of the total cost. On an average shoe, which contains 28 different types of inputs and raw materials, the skin or leather can represent up to 40% of the total cost. The sole takes about 25% of the cost, then the liner can mean about 5%, the packing box up to 3%, the insole is about 1%, and the rest of components (which are about 23 more) make up another 6%. The remaining 20% of the total cost is represented by the labor force.

PRODECALZA is mostly engaged in wholesales, which means it sells its product to a third party or commercial establishment which is the one who places the product at the disposal of the final consumer. At this final point of the supply chain, the price for the consumers is on average between 60 and 70 dollars (PRODECALZA, 2015).

### **The brand and logo**

The main brand that currently PRODECALZA works with is named “Milano”. Milano refers to the Italian city of Milan, the largest city in northern Italy and the second largest city by population. This name was chosen because Milan is considered one of the world's leading cities in shoe design and fashion.

Additionally, the company has another brand called “D’Cuero” which was used some years ago in certain products. This brand is planned to be used again in future collections, since the company is intending to expand its line of brands and to commercialize several lines of product.

The logo that currently appears on the label of their shoes, in one of its variations, is the following:

**Figure 12. Current label of the brand Milano**



Source: PRODECALZA

### **The Packaging**

The type of packaging used to protect the product and facilitate its transport is as follows:

On one hand, it consists of a thick cardboard box which is very resistant and recyclable at the same time, as it seeks to protect both the product and the environment. Moreover, a wrap is also used on the inside, covering the shoes to prevent scratches and any damages to the leather.

On the back of the box is printed the name and logo of the brand, and on the side there goes a label indicating relevant information such as size, color, and composition of the product. The measures of the box are 33cm long, 12cm high and 19cm wide.

## **Corporate Social Responsibility**

### **Background**

Corporate social responsibility or CSR has become one of the subjects in vogue lately. The first ideas of CSR appeared in the late nineteenth century as a concern of the society in which a company operates. Andrew Carnegie, an american businessman founder of U.S. Steel, is one of the first to propose a business management based on principles. In 1889, he suggests that under the principle of charity, those wealthy businessmen should share their wealth with their employees or people in the community who did not have a good economic situation (Cancino & Morales, 2008).

For many years, the main view of CSR was based on the distribution of company profits to different interest groups, but not on the responsibility of the company during the business development. However, as the study of CSR has evolved, new perspectives have been incorporated into this concept. Today, the modern meaning of CSR goes beyond economic issues, to involve also the social and environmental spheres, throughout the transformation of any good or service.

### **Definition**

According to the Mexican Center for Philanthropy<sup>16</sup>, CSR is:

*A business vision that integrates respect for people, ethical values, the community and the environment through the management of the company itself, regardless of the products or services it offers, the social sector to which it belongs, its size or nationality (Cajiga).*

This way it is made clear that a responsible company is the one that takes into account human dignity and nature, thus contributing to the construction of the desired common good. It does not only seek to meet its internal needs but also those of the different players that surround it. This is a much more holistic and comprehensive

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<sup>16</sup> CEMEFI for its initials in Spanish.

manner of producing, which allows companies to be sustainable and ensure the welfare of people.

It is said that responsibility means to answer. The company responds to those who surround it through its practices, policies, habits and procedures. And not only it responds to the community but also to the environment (USEM, 2009).

Another concept, according to the United Nations Industrial Development Organization, says that CSR is "a management concept according to which companies integrate social and environmental concerns into their business activities and interactions with customers" (ONUDI, 2015).

This, besides contributing to poverty reduction and the improvement of the quality of life, will help the company to increase its reputation and strengthen its brand. In the case of SMEs, CSR must be adapted to their conditions and capabilities, so that their economic viability is not affected. SMEs can also meet environmental standards without compromising their competitiveness.

### **Measurement criteria**

UNIDO argues that, in order to measure the performance of the company, the TFR or "Triple Final Result" must be assessed. This indicator reflects, in general, if the company is able or not to achieve a balance between the economic, social and environmental parameters. The TFR has proved to be a successful tool for SMEs in developing countries, since it seeks to help organizations minimize the environmental impact and act in alignment with the expectations of society as long as it continues to be safe from the economic point of view. The criteria that the TFR takes into account are:

- ✓ Eco-efficiency
- ✓ Environmental management
- ✓ Responsible hiring
- ✓ Commitment to customers
- ✓ Labor standards and working conditions
- ✓ Relations with employees and the community
- ✓ Gender equality
- ✓ Human rights



✓ Good governance

Because social responsibility is based on the principle of being voluntary, there is no legislation or statewide standards for its implementation. Governments have not even reached a consensus on common standards of CSR, which is why large companies are the ones who internally formulate their own rules. Thus, SMEs often face CSR views that are out of reach. However, because of their proximity to the customers and their greater relationship with the environment, SMEs are applying CSR practices regularly without even noticing.

Due to ignorance of the benefits that corporate responsibility can bring, SMEs often neglect this aspect and do not apply specific CSR management policies. Such policies generally are applied on two levels and may bring the following benefits:

1. Internal scope of the company: Defined as the direct relationship with the social elements of the company. CSR at this level can bring several benefits:
  - a. Improves motivation and commitment of employees.
  - b. It helps attract and retain good professionals.
  - c. Improves the working environment, increasing productivity.
  - d. Reduces operating costs.
  - e. Allows tax breaks.
  - f. Improves internal communication.
  - g. Fosters a defined corporate culture.
2. External Scope of the company: It covers the relationships that the company has with interest groups, the social and natural environment. Here CRS helps to:
  - a. Retain existing customers and attract new ones.
  - b. Improve the relationship with the social environment.
  - c. Improve the image and reputation of the company.
  - d. Contribute to a better positioning and brand differentiation.
  - e. Increase notoriety.
  - f. Improve relations with labor unions and administration.
  - g. Access new market segments.

Source: Social Responsibility in SMEs (CRANA).

Typically, large companies use international accreditations such as ISO 26000, the AA 1000 or the SA 8000 to measure and implement CSR parameters. However, due to their high costs, SMEs often cannot afford such programs. For the case of our shoe workshop, which precisely faces this issue, alternative methods have been sought to allow it to certify CSR at a lower cost.

### **Implementation**

The Ecuadorian Consortium for Social Responsibility –CERES in Spanish, provides a framework that considers several criteria to make sure that an SME is responsible, both internally and externally. Within the strategic planning process that a company must follow to comply with CSR, the following guidelines are suggested (CERES, 2008):

#### **1. Internally:**

As general measures, the company should build good relationships with the staff and prepare a good communication policy in order to generate open dialogue between managers and employees. Regarding health issues, the company must provide a health insurance to their workers, as well as a unit of first aid and disease prevention programs. It should also provide industrial safety by reducing risks of accidents, the elaboration of a program of safety, fire prevention, control of emissions and the provision of safety clothing for personnel.

Regarding the management of human talent, the company must act based on equity and without discrimination against any employee. It should provide equal opportunities of employment, training and hiring for all. Neither should it allow child labor. Also an SME, it does not need to have a human resource department, but these functions must be properly detailed under the administrative unit. However it should implement training programs, programs to develop technical capabilities and other benefits additional to wages.

Salaries should be higher than the minimum wage established by law. This will eventually result in increased productivity, which therefore will be reversed in greater benefits for the human capital. On the other hand, the commitment to be assumed by managers and employees, is to reduce operating costs in order to avoid layoffs. In case of a layoff, the company must have a clearly and precisely described procedure

to follow, and above all, it should avoid human rights violations as well as it should promote their protection.

## 2. Externally:

The external scope implies how the company operates outwards, which means, the relationships it has with its groups of interest, the community and the environment.

The groups of interest are those people with whom the company has an exchange relationship. On one side there are the consumers, and on the other side the suppliers. This whole group of people who maintain a direct business relationship with the company, are called the Market according to CERES.

For a company to be responsible with the market, it must start with the customer. For example, it should constantly investigate their wants, their needs and their conditions of purchase, in order to adapt its supply to the market demand. It should also be able to anticipate the consumer's behavior and their future preferences. The company has to develop a marketing plan in order to start selling its product, which will also help to set a fair price and make the proper promotion/distribution. Similarly, it is essential to provide the customers with a specialized service as well as clear and concise information.

The other component of the market are the suppliers, with whom the company also maintains an important link. To be responsible in this regard, the company must engage its suppliers in the process of CSR and require quality in the supplies and raw materials that they offer. The company should also provide technical assistance to the suppliers, so that they can incorporate strategic planning into their management and participate in achieving the general objectives of the company.

The next group with whom the company relates to externally is the Community. CERES defines it as a group of people living under certain rules and who are affected by the company's activity. With them the company must act in ways that contribute to their welfare and try not to cause them any harm. It can do this by contributing to the community's health, by supporting projects developed by members of the community (either economic or technical), by generating development projects, or running powerful social actions. To maintain good relations with the community, it should increase the communication with people, try to build confidence, strengthen the

participation of discriminated groups and provide all community members with a greater capacity of action.

Finally, the relations of the company on its external environment culminate with the environment. "All human activity causes an environment transformation and modifies its basic characteristics" (CERES, 2008). When producing a good, the company uses the resources from nature, and at the time of sale and consumption, certain components are released and end up going back to nature. That is why it is so important to take care of everything that enters and/or leaves a company.

According to CERES, the environment is the integration of physical, biological and human systems. To maintain a responsible management of the environment, the company must focus their practices on the rational use of raw materials, water and energy, the reuse of inputs and packages, and the reduction and disposal of waste. Major investments in clean technologies are not needed in order to achieve this, but managers and staff willing to optimize the production process in a green manner. It is also essential to raise awareness of the environmental situation, and disseminate relevant information on how to act.

### **Check list**

Then, how to diagnose CSR in a SME tangibly? According to the different measurement criteria and areas of analysis proposed by CERES, I elaborated a checklist of CSR to be applied to the company PRODECALZA, in order to assess their responsibility both with the domestic audience and the external audience.

I spoke with the manager of the company, who was asked field by field, if he thought the company was implementing a certain measure, or if it has already been implemented, about to be implemented or has not been considered at all. Likewise, he was asked to justify his answer and explain with examples how each requirement is being implemented. Below are the tables with the results of this evaluation, which reflect the responsibility of the company towards its customers, suppliers, market, community and environment:

**Table 2. CSR with the Internal Audience**

INTERNAL AUDIENCE	Implemented	In process of implementation	To be implemented	Implementation has not been considered
<b>General</b>				
Mechanisms that enable building good relationships	X			
Well-managed relationships between managers and employees	X			
<b>Health</b>				
Provides health insurance to employees	X			
Provides a first aid unit			X	
Implements a program of disease prevention				X
Implements a health and wellness program				X
<b>Industrial Safety</b>				
Measures to reduce risk of accidents	X			
Machines do not pose a risk for workers	X			
Measures to ensure that the workplace is safe			X	
Enough and accessible information on hazardous substances	X			
Provides safety clothing to personnel	X			
Measures for accidents				X
Measures to reduce fire risk	X			
Necessary measures to reduce health risks	X			
Efficient emission control	X			
Avoids discomfort caused by odors	X			
Reduces the noise level	X			
Program to increase employee safety			X	
<b>Equity</b>				
Provides equal employment opportunities in the different areas	X			
Provides equal employment opportunities without discrimination	X			
<b>Child Labour</b>				
Eliminates child labor	X			
<b>Human Resource</b>				
Creates a human resource department				X
Implements a staff training program				X
Implements a program to development technical capabilities	X			
Implements a program of benefits for employees	X			
<b>Fair compensation</b>				
Pays fair remuneration	X			
Establishes an incentive program to increase productivity	X			
<b>Layoffs policies and practices</b>				
Establishes a commitment with the staff to minimize operating costs in order to reduce layoffs	X			
Keeps strategic personnel	X			
Acts fairly and honestly when layoffs occur	X			
Acts honestly and clearly with the staff that remains	X			
<b>Human Rights</b>				
Positively affects people and the community through the business activity	X			
Supports and respects the protection of fundamental human rights	X			
Makes sure not to be complicit in the violation of human rights	X			

Source: Own elaboration based on the measurement criteria proposed by CERES and the information provided by PRODECALZA.

**Table 3. CSR with the Market**

EXTERNAL AUDIENCE: THE MARKET	Implemented	In process of implementation	To be implemented	Implementation has not been considered
<b>Consumers and Clients</b>				
Permanently investigates the needs and desires of consumers about the products offered by the company	X			
Investigates purchase conditions	X			
Anticipates consumer behavior and responds to his needs in advance	X			
Treats the market holistically (considering besides the sale and advertising, a market research, pricing, promotion and distribution)	X			
Develops a marketing plan and market entry strategies				X
Makes permanent market research				X
Tracks the integrity of production and product quality	X			
Provides proper information, labeling and packaging	X			
Establishes a fair price for offered products	X			
Makes a proper advertising of the offered products	X			
Makes a proper distribution	X			
Gives special attention to emerging issues	Does not apply			
Expands the scope of the company's marketing practices	Does not apply			
<b>Suppliers</b>				
Encourages providers to achieve a qualitative change in their production	X			
Involves suppliers in CSR processes and continuous improvement	X			
Provides technical assistance to suppliers				X

Source: Own elaboration based on the measurement criteria proposed by CERES and the information provided by PRODECALZA.

**Table 4. CSR with the Community**

EXTERNAL AUDIENCE: THE COMMUNITY	Implemented	In process of implementation	To be implemented	Implementation has not been considered
<b>General</b>				
It contributes to the community's health and prosperity	X			
Supports community projects (economic or technically)				X
Provides support to encompass a broader and diverse community development (environmental practices, ethics policies, and issues relating to work, family, health)				X
Relates the company activities with the community and with the business				X
<b>Social and Philanthropic Actions</b>				
Poses challenges to the constituted order of things and institutions				X
Helps to build a fairer, cleaner, safer, and more democratic world free of poverty	X			
<b>Community Relations</b>				
Increases communication with the community				X
Communicates joint activities between the company and the community, and its achievements				X
<b>Empowerment</b>				
Supports the development of greater confidence based on the capacities of employees	X			
Strengthens those groups that because of social discrimination have been excluded from the decision-making processes	X			
Provides employees with a greater capacity for action and greater resources				X

Source: Own elaboration based on the measurement criteria proposed by CERES and the information provided by PRODECALZA.

**Table 5. CSR with the Environment**

EXTERNAL AUDIENCE: THE ENVIRONMENT	Implemented	In process of implementation	To be implemented	Implementation has not been considered
<b>Raw materials and production inputs</b>				
Controls the use of raw materials and inputs	X			
Takes steps to avoid unnecessary loss of raw materials during the production process	X			
Optimizes production planning	X			
Repairs damages in machinery, equipment and pipes	X			
Prepares a preventive maintenance program for machines, equipment and tools				X
Replaces hazardous substances with less dangerous or not dangerous substances	X			
Reduces the use of cleaning products as much as possible	X			
<b>Warehousing and managing of raw materials and supplies</b>				
Controls the quality of raw materials and inputs provided by the supplier	X			
Makes a secure repository for hazardous substances	Does not apply			
Implements a suitable tank system for hazardous substances	Does not apply			
Avoids losses of raw materials and inputs during storage	X			
Prevents losses due to leakers or spills	X			
Improves the handling system of raw materials during transport to avoid losses	Does not apply			
Realiza una limpieza y evacuación del empaque de sustancias peligrosas	Does not apply			
Eliminates or minimizes losses of items of their own production during storage or transport	X			
<b>Waste</b>				
Controls the amount of waste generated in the production process				X
Separates waste			X	
Places suitable containers to put waste	X			
Reduces packaging materials	X			
Reduces waste and complaints	X			
Reuses and/or recycles waste from the company itself				X
Evacuates with no risk the waste that can not be recycled or reused	X			
Optimizes paper consumption	X			
Use recycled paper products	X			
Uses a leasing system on computers that are occasionally needed				X
<b>Water and Wastewater</b>				
Controls water consumption				X
Minimizes water consumption in the production process	Does not apply			
Prevents overflows	X			
Repairs or replaces faulty parts	X			
Reuses or treats water	Does not apply			
Minimizes water consumption out of the production process	X			
Saves water when cleaning	X			
Prevents clogging of the wastewater system	Does not apply			
Avoids unnecessary contamination of wastewater out of the production process	Does not apply			
Treats wastewater properly	Does not apply			
<b>Energy</b>				
Controls power consumption	X			
Minimizes power consumption and reduces costs	X			
Control energy loss	X			
Correctly installs electric devices	X			
Verifies if hot water and energy consumption respond to the real need	X			
Uses waste heat from certain phases of the production process	Does not apply			
Installs a proper lighting system and of low consumption	X			
Installs efficient and environmentally friendly systems for hot water and electricity production				X
Checks that the cooling and freezing equipment operate efficiently	X			
Installs a preventive maintenance program regarding its power equipment				X
Considers energy efficiency of equipment when buying new appliances	X			
Installs an efficient emergency power system				X
Uses intelligent lighting systems				X

Source: Own elaboration based on the measurement criteria proposed by CERES and the information provided by PRODECALZA.

As can be seen, from the 109 measurements in total, there are 97 that are applicable to this type of business. Of those 97, 24 have not been implemented yet, 4 are about to be implemented, none is under implementation and 69 have already been implemented. This means that PRODECALZA has complied with 71.13% of the Corporate Social Responsibility criteria provided by the Ecuadorian Consortium for Social Responsibility -CERES.

## **Conclusions**

This chapter determines that SMEs play a major role in the national economy due to three factors: their contribution to non-oil GDP, job creation and their participation in domestic production. Generally this type of businesses belonging to small industries, are the ones that provide more added value to the product, which being hand made by artisans, becomes very personal and implies a fusion between creativity and innovation.

It is very important to consider the weight that SMEs represent, being the main dynamizing factors of the economy. Since there are so many of them in Ecuador, we should join efforts to gradually provide them with training, technology, and resources in order to enhance their competitiveness and achieve their insertion in the global market. This will not only benefit these companies but the entire country, because we would reduce our dependence on oil and generate revenue from quality domestic production.

As for the description of the SME with which I intend to work, it is indicated that PRODECALZA is a sole company that manufactures and sells leather footwear for males. The company is analyzed from the inside (mission, vision, objectives, production process, raw materials, machinery and human talent), to outside (environment, competition and SWOT analysis) in order to better understand its operation and put ourselves in context. Subsequently, the product and all its characteristics are detailed: features, target market, price, brand and logo.

Once the company, its functioning and the product are understood, the chapter addresses its compliance to social responsibility. Based on the fact that SMEs can not afford CSR international certifications such as ISO, alternative assessment methods of CSR for small and medium companies were sought. One of them was the criteria from CERES, which was used as the basis for designing a checklist that allows to mark up those aspects of social responsibility that, both internally and externally, are being implemented by the company. After talking to the manager of the company and measuring results, I conclude that PRODECALZA itself is a socially responsible company.



## **CHAPTER 3: THE COMMERCIALIZATION MODEL**

### **Introduction**

This chapter will develop an online store website as a sales model for those SMEs that seek to sell their products nationally and internationally through the Internet. The first section is about the general characteristics of a website, starting from its definition, types, domain, and main features. In addition, it specifies the steps to develop an eCommerce portal, using a template provided by a web development platform. Finally, the content of the website is described, as well as the costs that the company must incur for enabling it.

The following section deals with the three basic systems for operating an online store: the ordering, shipping and payment systems. For the ordering system to be efficient, it is important to detail the process from the very generation of orders through the website until their execution and delivery. As for the product shipping, three transport companies were carefully analyzed in terms of costs, delivery times, payment facilities, insurance and other benefits in order to choose the one that best suits the business needs.

Furthermore, the different payment methods that exist for online transactions are explored, and the ones that best fit our situation and have greater recognition and credibility worldwide are selected. Also the issue of security in payment gateways, the refunds management and electronic invoicing are some of the topics addressed.

Once the website and its operation have been set, it is necessary to inquire into the different Internet positioning strategies in order to make it known and attract visitors. For this, the final section draws a brief overview of the different digital marketing tactics that companies use today to promote their online stores. These include tools such as SEM, SEO, SMM, email, affiliate marketing and offline advertising. Four of these are chosen to be implemented due to their greater feasibility.

### **Website development**

This section describes the characteristics of a website, which means its contents, types, requirements and main features, in order to understand more deeply all which this instrument implies. After defining the structure and the necessary steps for the creation of an eCommerce website, we will determine the content to be included and

the costs that may arise prior to operation. Having conformed the site in its "external" or visible aspect, then we can proceed to configure the processes of "internal" operation.

### **Website and webpage definition**

A webpage is considered to be a document that is part of a website and which is available on the Internet or World Wide Web<sup>17</sup>, coded according to certain standards and a specific programming language known as HTML (Oliver, 2015). A group of webpages make a website. These sites can be accessed through Internet browsers, whose function is to receive the information typed by the user, interpret its code and give back visual information to the user. Websites include elements such as text, images, audio and video. They also have links or hyperlinks, which facilitate navigation between different contents.

Websites need somewhere to stay, that is, occupying a virtual space so that when the user requests information, the page can be loaded and displayed on the computer. That is the reason why websites are hosted on a web server or host, which could be defined as a large computer that delivers content when prompted by the network. The storage service to a website is known as hosting.

Generally the different web pages of the same site are grouped under a common name or domain, so that the entire website is accessible from one Internet address. Then, the Internet or World Wide Web, is the virtual universe where digital information from the cyberspace is gathered (Definición.de, 2016).

### **Types of websites**

According to the activity they do, websites can be classified as follows:

- Searchers: Their purpose is to help users find information by using keywords. The user must type certain keywords in the search bar of what he wants to find and then a list of sites related to his search will appear.
- Portals: Portals are websites that bring together various kinds of information such as news, politics or technology. They can also focus on a single topic, as some portals that inform only about fashion, or sports for example.

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<sup>17</sup> World Wide Web is known for its initials www.

- **Corporate:** Corporate websites are those official portals representing a company or institution, intended to provide information about its activity, structure, history, contact information, employment opportunities, goods and services.
- **Governmental:** These correspond to public entities or organisms that are part of the government, and whose purpose is to publish relevant information on its activity, its mission and objectives. Many of them offer online transactions, calls, tenders and other mechanisms for citizen participation.
- **Educational:** What they seek is to provide content of various kinds so that people can learn. There are content for children, youth and even for professionals. Such sites also include those who provide opportunities as a virtual academic offer.
- **Social networks:** Those are places where people can share information between them, whether it is personal, about interests, or professional. The contents here are generated by the users themselves. Facebook, Twitter and Instagram are examples of the most popular social networks nowadays.
- **Press:** Such sites are used to keep the user informed of what is happening in his or her city, country or the world. Written media such as newspapers and magazines, often have a digital version in addition to their printed version, and there are also some news sites that only have a web presence but not a physical one.
- **Blogs:** Such sites allow anyone to write articles or comments and publish them in order to be viewed by other visitors. Anyone is able to create his own blog to share experiences or knowledge on a topic of interest, and in turn allow others to comment about it.
- **Banking:** Banks and financial institutions now offer many of their services through the web. These portals allow transactions and inquiries to be made by any of their customers.
- **Web applications:** These sites offer specialized applications through the Internet. They may be free or paid, or even constitute special plans for businesses, but they always fulfill a specific function.

- Multimedia: There are websites devoted to post videos and music of all kinds, thanks to the ability to stream audio and video over the Internet. Currently, the most positioned website in the category of videos is YouTube.
- Online stores: A virtual shop is the web version of what is found in a physical store. Therefore, it also has catalogs of products with their respective prices, colors, sizes, discounts, etc. Payments are usually made through credit cards and shipments through outsourced companies.

(GCF Community Foundation International, 2015)

## **The Domain**

The domain is the identification with which a site is represented in the web. In other words, it is the name given to a website that is available online. The domain can become an ally when positioning the website, either through search engines or in the mind of Internet users. It is therefore very important to choose a short, easy to remember, and related-to-the-content name. It is not recommended to use abbreviations, hyphens, or acronyms, since these are not memorable elements.

Each domain always has an extension. Extensions are the final part of the domain, and their function is to reveal the nature of the site. Some of them are:

- .com: For commercial activities.
- .org: For non-profit organizations.
- .edu: Se utiliza para instituciones académicas.
- .net: Originally created for internet providers, but now its use is general.
- .info: For those informative sites, of any kind.
- .biz: For business sites.

In addition there are some territorial extensions named like that because they are reserved specifically for each country, such as .ec for Ecuador, .mx for Mexico and .es for Spain (Inteligencia en Tecnología y Servicios S.C., 2015).

## **Main features of a website**

The main components that shape a website are the texts, images, sounds, video, animations, links and others:

- **Text:** It is the most significant element of any website, because users surf the Internet primarily looking for written information. The vast majority of worldwide texts are found in English, which has become the universal language of the Internet.
- **Images:** These represent an essential tool for visually displaying information, and in turn they contribute to an attractive design. Images help texts to become less heavy and more interesting. However, too many images could delay the loading time of the site.
- **Audio or Sound:** You can add sound to web portals and even download audio files for any mobile device. This is an increasingly important element in the Internet, and generally uses the MP3 format for playback.
- **Video:** It is becoming increasingly easier to make a video and upload it to the web to make it within the reach of all. Incorporating videos to a website not only grabs more attention but offers the possibility to enrich the contents.
- **Animations:** These are dynamic images with different uses, including the deployment of interactive drawings. Animations are usually done in Flash Player, they are simple to create and occupy little memory.
- **Links:** Also called hyperlinks, are those addresses that connect the site to other websites or pages. Itself a website doesn't do much, but to be linked to other pages is what expands its contents.
- **Other elements:** Some sites have other operating elements such as buttons, banners, maps and forms that allow to enter data or comments.

(Oliver, 2015).

### **What is needed to create a website?**

There are several ways to create a website. First of all, an html or text editor is required. Some of these editors are Microsoft FrontPage and Dreamweaver, which are similar to Microsoft Word in its use, but have some specific functions to create web pages.

On the other hand, there is the option to create websites through online providers that offer templates and allow people to easily create their own pages, such as Wix or Wordpress. This is a free and easy-access resource that can be used by almost everybody. That is why we have chosen this tool to develop the SME's website.

The following requirement for any website is a domain and hosting. These servers are responsible for granting an identifying address to the site, and a housing or own space on the Internet. The most popular hostings are GoDaddy, Enom and NameCheap. In the case of platforms such as Wix or Wordpress, they are responsible for hosting the site on their own servers and the user must cancel a value in exchange for the domain.

Finally, a browser is needed to access the website. Among the most common browsers there are Safari, Google Chrome, Internet Explorer and Mozilla Firefox. Internet Explorer comes by default on all computers with Windows operating system, just like Safari comes in all Apple devices (Oliver, 2015).

### **Development of an eCommerce website**

To create a website eCommerce kind through a predesigned template, the following steps were performed:

1. Create an email account for the company. Any server can be selected, though for this case Gmail was used and the following address was created: decueroalzado@gmail.com. The name of the company (PRODECALZA) will not be used for the email account nor for the website, but the name of one of its brands (D'Cuero) will be used because it is more commercial and easy to remember.
2. With this email address we opened an account at Wix, which is a website developer, by accessing their portal [www.wix.com](http://www.wix.com). As a matter of costs, it has been decided to use this kind of tools because they offer predesigned templates and allow the free development of websites. Only when the website is finished, the user must pay a small amount every month to publish it with a domain, hosting, and other eCommerce features, but this is a very affordable value that will be detailed later in the *Costs* section.
3. Once the Wix account is created, it is necessary to choose a web template in order to create the website based on this structure. Wix offers a wide range of templates distributed in different categories according to the type of site that one wants to create. For our purpose, a template belonging to the category of eCommerce was selected. It is important to find a template that has a functional and practical design, in this case applicable to an online store, meaning it allows making eCommerce transactions.

4. When the template has been selected, it must be placed a domain. Provisionally, any name can be used at the beginning, while one is designing the site. However, by the end the user needs to buy the domain, through one of the packages provided by Wix. In our case we went for the "Small Business eCommerce" package. The domain to be acquired for our website is decuerocalzado.com.
5. Then one proceeds to modify the template according to the own requirements and needs. Wix provides several tools to modify, create and design the different components of the web. You can change and add menus, images, colors, text, sizes, sections, etc. Here it is recommended to choose the corporate colors in order to use them throughout the entire site and keep a single graphic line. For D'Cuerdo, the colors white, black and red were chosen.
6. At the top of the site, it is suggested to place the company name and its logo, as a seal of identification for the portal.
7. Create different sections or pages that make up the site. To do this we first recommend to place a menu bar at the home page, provided with the main tabs that lead to each page. For D'Cuerdo site we created the following tabs: Home, About, Shop, FAQs and Contact Us.
8. Now enter the text in each web page. The following section explains what each should contain and also shows some screenshots of the D'Cuerdo site.
9. Set the store itself. Place photos of each product that is to be sold, and include a brief description of each, with its price, colors and available sizes. The template is already designed so that the user only has to enter the data in each of these fields.
10. Configure payment methods. In order to place the buttons of the different payment methods in the store, first it is important to already have decided the ones that one is going to work with. To pick the best alternatives, it is important to analyze the feasibility of each one and their adaptation to the company's needs. This evaluation process will be presented below under the *Payment Methods* section. Once the options have been selected, one must contact the respective companies so that they authorize their use.
11. Provide information about the shipping. Having selected the shipping company that best suits the needs of the SME, one must provide the customer with information about the delivery schedules, destinations, returns, shipping

costs and package tracking. The comparative analysis between different shipping companies in order to select the one that D'Cuerdo will be using, is found under the section of *Shipping*.

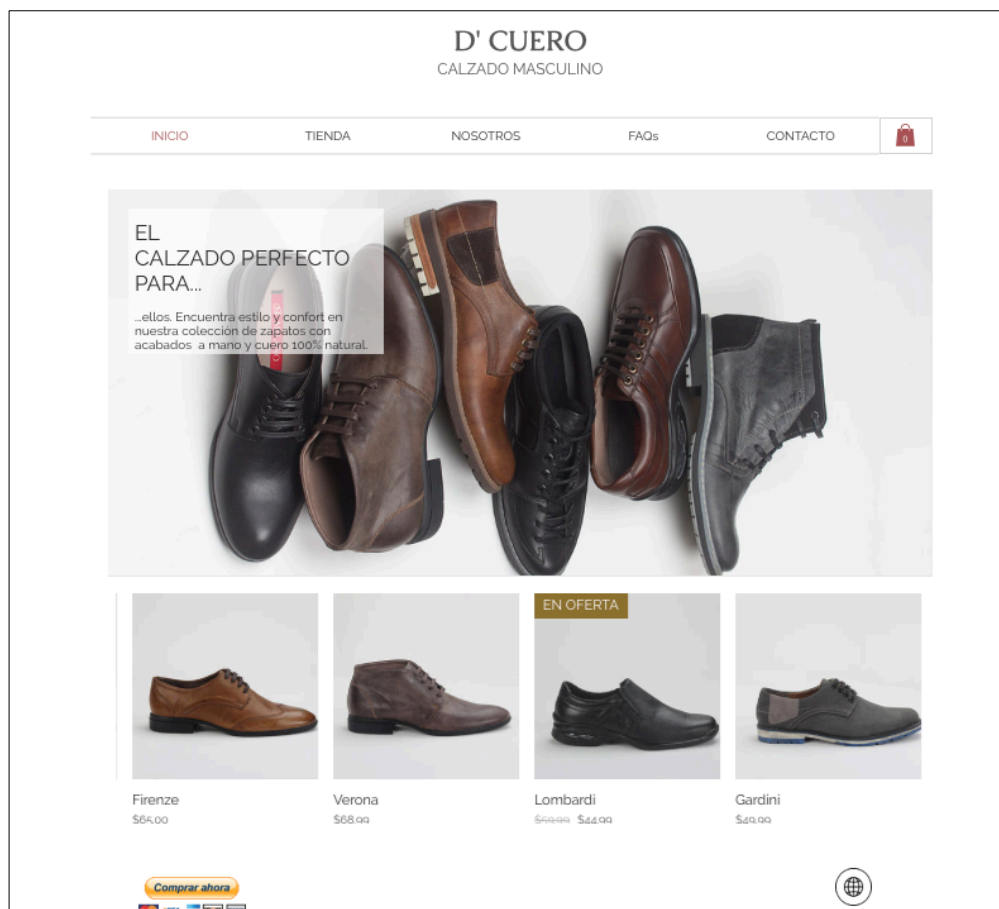
12. After paying the value corresponding to the package of "eCommerce for Small Businesses" from Wix, the site can be published and it will start working.

## Website contents

As mentioned, the prototype of the D'Cuerdo website has the following structure:

- Homepage: This is the site's main page, since it is the first thing that visitors see. This page causes the first impression, so it must engage the surfer with images and well-written texts. Since it is the cover of the site, it also needs to be clear, concise, and have a menu bar at the top to indicate each of its sections. It can also contain a gallery of images showing the product from different angles.

Figure 13. Homepage screenshot of the D'Cuerdo web prototype

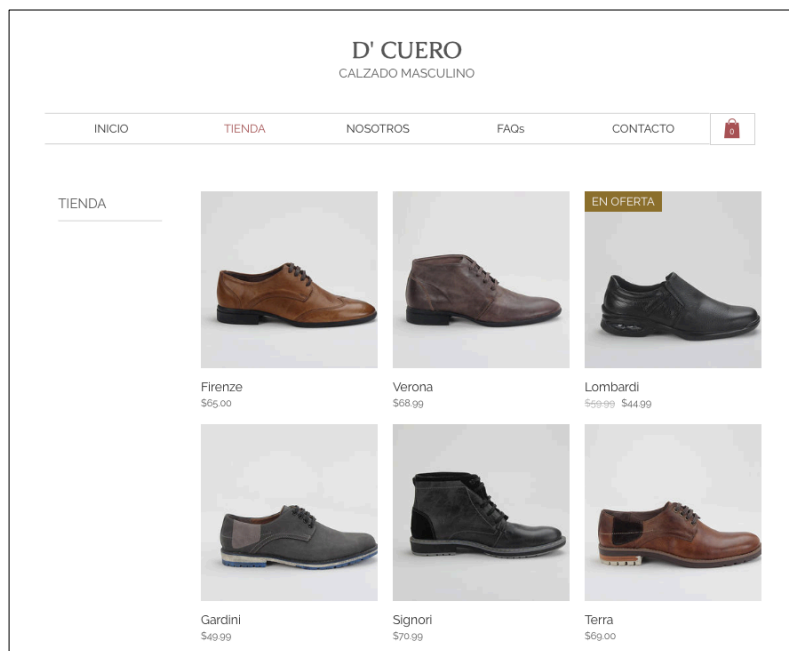


Source: Wix



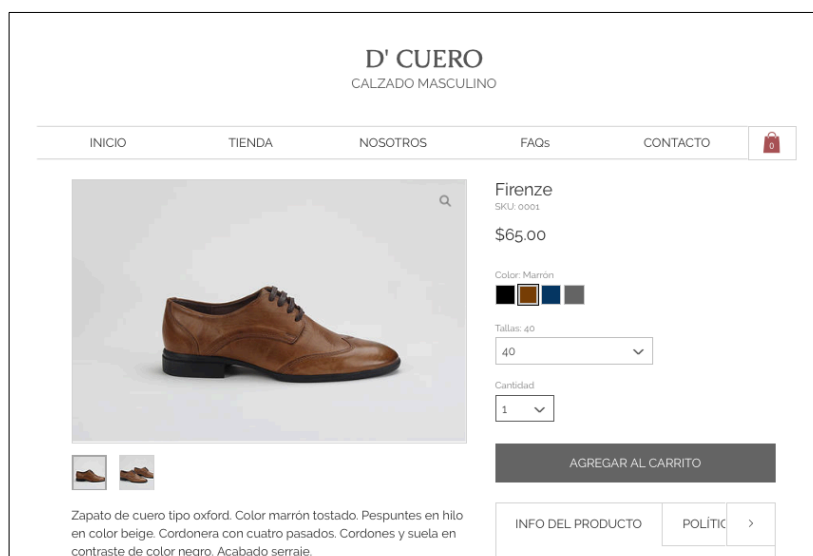
- **Shop:** It consists of the virtual store itself, which means the space that allows the clients to review the product catalog and make the purchase. This section shows photos of each product with their own price and description. By clicking on a product, the person is able to view particular details and specify the ordering options. Once the order is detailed, the product is added to the shopping cart and the client proceeds to do the payment.

**Figure 14. Store page screenshot of the D’Cuero web prototype**



Source: Wix

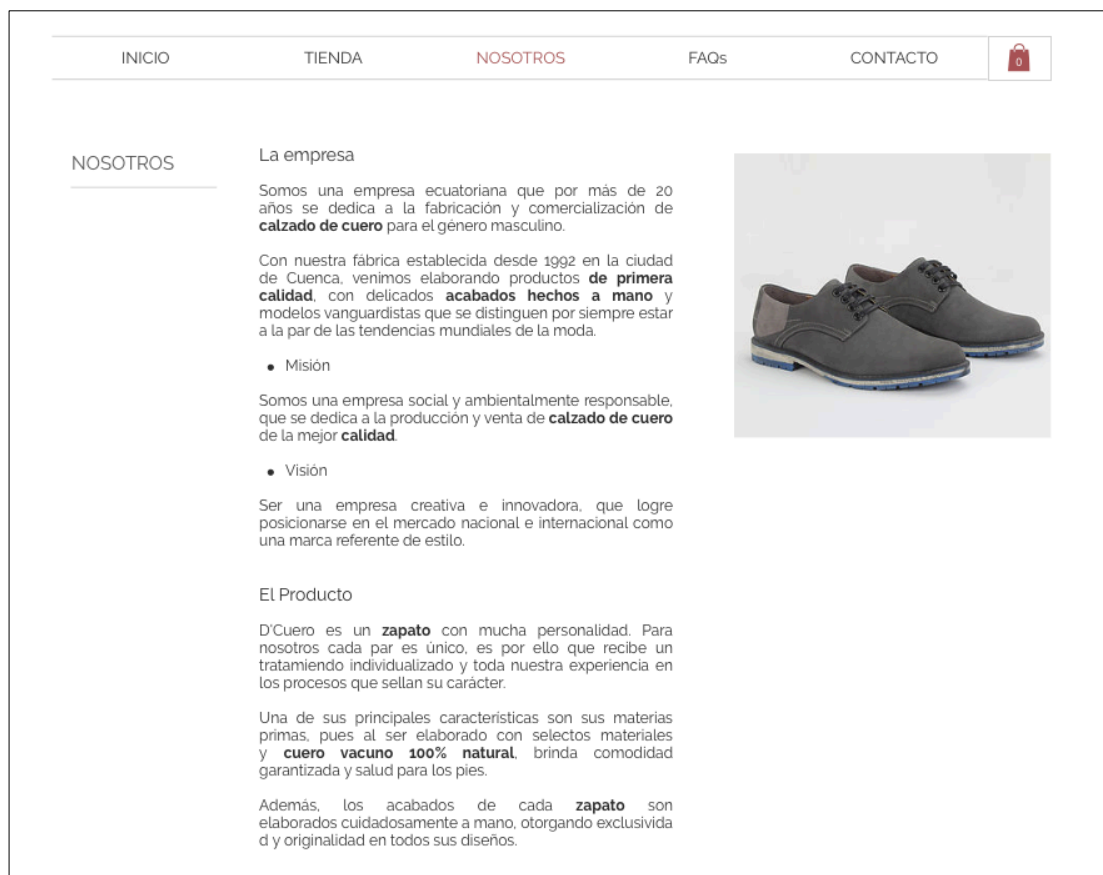
**Figure 15. Product page screenshot of the D’Cuero web prototype**



Source: Wix.

- Us: In this section there is the description, history, mission, vision and other details about the company. The text communicates the company's essence, trying to provide confidence to the customers. It also seeks to highlight the added value of their products and those particular characteristics that differentiate it from its competitors.

Figure 16. Us page screenshot of the D'Cuerdo web prototype



Source: Wix.

- FAQs: This page is worldwide known as FAQs for its acronyms “Frequently Asked Questions”, and it aims to solve doubts and concerns that commonly arise among visitors who are interested in making a purchase. What it usually provides is a set of questions with their respective answers about shipping policies, returns, payment methods, refunds, security, guarantees, destinations and delivery schedules of the product. It also explains in detail the whole purchasing process and order confirmation.

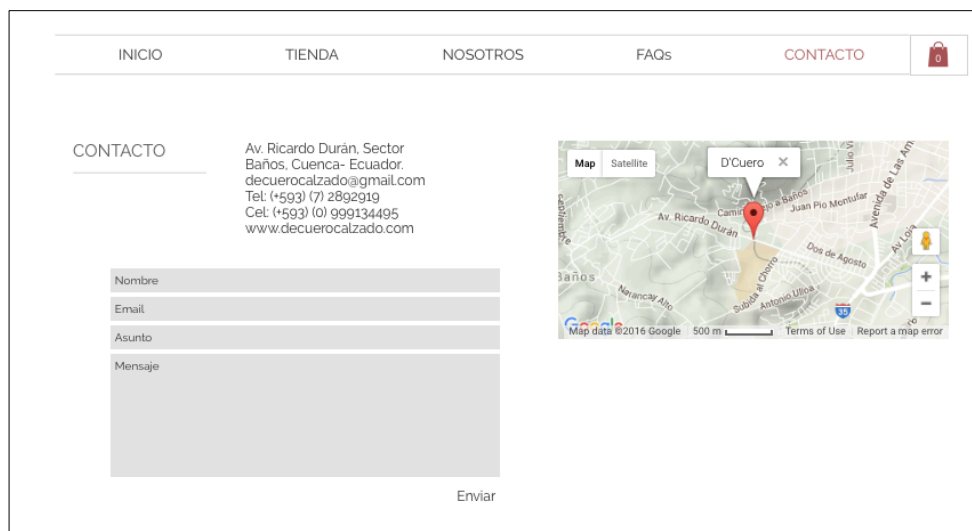
**Figure 17. FAQs page screenshot of the D’Cuero web prototype**



Source: Wix.

- **Contact Us:** Here we provide contact information for those visitors who want to make an inquiry to the company. We placed an email address, a phone number, the business location and a form to request any additional information.

**Figure 18. Contact Us page screenshot of the D’Cuero web prototype**



Source: Wix.

## **Costs**

The price of publishing the site on Internet through Wix, with its own hosting, domain, 20GB of storage, 10GB bandwidth, and a shopping cart button is of \$16.17 monthly or \$194.04 annually.

Another cost that the company had to incur is the one that corresponds to the product pictures in order to create the digital catalog, since we had to work with a professional photographer to whom we paid the value of \$200 for a total of 40 photos.

## **Ordering, Shipping and Payment systems**

This section determines the three main pillars for the proper functioning of a virtual store: the ordering, shipping and payment systems. For online orders, it is essential to detail the whole process generated since the order is placed on the website until it is shipped from the factory. As for product shipments and payment methods, it is necessary to analyze the different alternatives that exist in the market, meaning the companies that offer these services, in order to work with those that better meet the needs of this SME.

### **Ordering System**

Since the order is going to be directly processed in the factory, the customer will be updated through the different stages about the status of his order, until it is delivered to his door. Here are the steps of the ordering process:

Step 1: Once the client has completed the three steps for the order check-out (shipping information, billing address and confirmation), he will automatically receive an email with the order confirmation.

Step 2: A person from the factory will check the order by publishing the date and the estimated time of delivery in an approval email.

Step 3: With the approval of the person from the factory, another email is sent to the client confirming the total price of his purchase, which includes the product's price plus the cost of shipping, and also indicates the estimated delivery date.

With the shipping confirmation, a tracking number will also be sent so the client can track down the product. By clicking on the tracking number, the courier's website will be opened, where the latest information about that specific shipment will be found. It

should be noted that usually transport companies take about 24 hours to display any tracking information on their websites. Some orders are packed in more than one box, but each box has an exclusive tracking number.

Step 4: Now the order is processed within the factory. The person in charge of receiving the order from the website, now transfers the order to the production plant so that it can be executed. That moment the factory will program the order's production, and it will immediately start to be manufactured.

Step 5: When the package is ready, again the person in charge will verify the product against the order. If it is correct, then it will be sent to the name and address provided by the customer.

Step 6: The moment that the order leaves the factory, the electronic bill is issued and sent to the customer via email. Finally, the company should be aware of serving the customer in case of any incident or problem that may occur with the product or the delivery. The factory must also handle the returns in the cases that correspond.

### **Shipping system**

The transport and delivery of orders generated in the virtual store is one of the key factors to eCommerce success. It is useless to sell a high quality product with a good price if then it arrives late, to the wrong recipient or never even reaches its destination. While there are multiple transport companies, it is important to make sure that one is working with a delivery company, which means it delivers packages door to door and has special services and rates for businesses.

This type of transport and logistics companies charge for volumetric weight, that is, the package weight multiplied by its dimensions. Generally such companies have rates according to the weight ranges in kilos and the shipping destination. In order to choose the company that best suits the characteristics and needs of a virtual store like ours, the following factors should be considered:

- The type of packages to be sent (size and weight)
- Coverage and delivery times
- If the rates are competitive
- If tracking the package is allowed
- The insurance of goods

- Additional costs to the base rate

(López, 2013)

Taking into account such variables according to the requirements of the online shoe store, I have evaluated three alternatives of different delivery companies: Correos del Ecuador, Servientrega and DHL. Each of them will be analyzed below in order to have a general idea of their services, and then will be presented in a comparative chart that allows to contrast them and choose the most suitable one. To obtain the estimated shipping costs, the calculation was made in reference to a package that weighs 1 kg and measures 33cm long, 12cm high and 19cm wide: the size of a shoebox that PRODECALZA handles.

### **Correos del Ecuador**

Correos del Ecuador or EP CDE public company, is an institution with administrative and budgetary autonomy that provides postal and logistics services nationally and internationally, both for individual citizens and businesses. Within their range of products and services are the sending of mail and parcels, money transfers, mailbox management, logistics, packaging, advertising and philately. This public operator has 302 agencies and nationwide branch offices, with presence in the 24 provinces, and also extended coverage to 193 countries (Correos del Ecuador , 2015).

Correos del Ecuador carries out the program "Easy Export" to facilitate international sales of micro, small and medium enterprises, artisans, entrepreneurs and actors from the popular and social economy in the country. It is a cheaper and simplified system that allows shipments in and out the country at very competitive prices.

To be able to access the facilities offered by Easy Export, the value of goods must not exceed \$5000, and export packages may contain only up to 30 kg each. Among the advantages offered by this program is insurance, which is included on all shipments whose value exceeds 5 dollars. In addition, special rates are offered for corporate customers with specific discounts depending on weight and destination, as well as counseling services and free training, door to door delivery, corporate credit, a single bill and free customs procedures.

Through Easy Export there are two export types: EMS Express and Certified Mail. The first is the fastest service and the one that receives priority treatment, while the

second consists of the regular postal service, which has much longer delivery times. Considering Express as the most convenient option, its delivery times vary between 4 to 12 days, and the costs for shipping a package with the mentioned dimensions is about \$3.50 nationally, and between \$35 and \$57 internationally. Both services assign a bar code to each package, which allows to track it from the website (Exporta Fácil , 2015).

### **Servientrega**

Servientrega Ecuador S.A. is a company specialized in logistics, shipping and foreign trade, with national and international coverage, which was born in the country in 1994. Currently it serves more than 80% of the Ecuadorian market and operates over 2,000 transactions a day. Among the services they offer are the transport of documents and goods, promotional logistics, packaging and wrapping, distribution of publications and international box. It is present in 120 cities in the 24 Ecuadorian provinces, and it also reaches 200 countries worldwide (Servientrega, 2015).

"Premier Merchandise" is one of the strategic units of Servientrega, within its service of Goods Shipping. Here you can send packages to individuals or companies that perform multi-level sales, either by catalog or online. In this program, they handle a transport guide that covers a single unit for a single recipient. Also the service includes door to door reception and delivery, same-day shipping and special tour routes, that is, it arrives to towns and cities of difficult access.

Today Servientrega is positioned as the leading national shipping company. Delivery times are one of its main competitive advantages, since they take between 24 to 72 hours within the country, and from 2 to 5 days abroad. The maximum weight allowed per package is 100,000 kg and corporate customers require to bill a minimum of \$200 monthly. Insurance is already included in the cost of shipping. On average, the cost of a shipment with the size and weight of our shoebox is at \$5, and it varies between \$100 and \$194 when it goes abroad.

Among the benefits offered by "Premiere Merchandise" are: the ability to track the package online, a special credit for corporate customers, charging through a single electronic bill and efficiency and speed in customs procedures. In the case of shippings within the country, Servientrega has a network of 120 reception centers throughout Ecuador, where the customers may go and get the merchandise themselves

in case of not having ordered home delivery or if there was a problem with the provided address.

## **DHL**

Deutsche Post DHL Group is a transport company known worldwide for their 47 years of experience. Founded in San Francisco in 1969, DHL has already operated 33 years in Ecuador and it has a 74% share in the global market. Among the services offered by this giant company are the global freight forwarding by air, sea, land and rail, the storage, packaging, repairing and deposits, the mail and freight international distribution, and other customized logistics services. Their huge network of agencies covers over 220 countries and in Ecuador they are present in the 24 provinces with a fleet of 49 vehicles (DHL, 2015).

DHL Group has several business divisions, including DHL Express, DHL Parcel, DHL eCommerce, DHL Freight and DHL Supply Chain. The DHL eCommerce department for logistics services in online transactions has not yet been implemented in Ecuador; however, the DHL Express division has a program called “Pymexporta” which was designed to simplify the process of internationalization of micro, small and medium enterprises in the country.

Through strategic alliances, Pymexporta offers affordable prices for small businesses, with certain discounts depending on the volume of shipments, as well as advice on foreign trade and guaranteed door to door service without any intermediaries (Pymexporta DHL, 2015). Among the advantages of working with this company is the BASC certification that ensures safety at customs and drug traffic control. They also provide free technology, by offering their own GPS system to track the package and coordinate shipments and transport guides through the Internet.

As for payments, Pymexporta has different billing types and a credit policy of 15 days from the date of the invoice emission. Delivery times vary nationally from 24 to 48 hours, and internationally they range between 4 and 7 days depending on the destination. The maximum weight allowed per package is 70 kg and insurance is already included in the shipping cost. For shipments within Ecuador of a box with our dimensions, prices are between \$15 and \$20 ,while internationally they vary between \$80 and \$175.



## **Comparative Analysis**

Having explored each of the three transport companies, I then elaborated a chart that compares them in detail in order to evaluate their advantages and disadvantages, and choose the one that best fits the needs of our company:

**Table 6. Comparative chart between the services of Correos del Ecuador, Servientrega and DHL**

	<b>Correos del Ecuador</b>	<b>Servientrega</b>	<b>DHL</b>
<b>Service</b>	Easy Export (EMS)	Premiere Merchandise	Pymexporta
<b>Destinations and delivery times</b>	<p>National: 24 provinces International: 193 countries</p> <ul style="list-style-type: none"> <li>• Regular courier: <ul style="list-style-type: none"> <li>o America: 7-8 days</li> <li>o Europe: 9-10 days</li> <li>o Rest of the world: 12-13 days</li> </ul> </li> <li>• Express courier: <ul style="list-style-type: none"> <li>o America: 4-5 days</li> <li>o Europe: 6-7 days</li> <li>o Rest of the world: 12 days</li> </ul> </li> </ul>	<p>National: (120 cities, 24 provinces): Between 24-72 hours. International: (200 countries): Between 2-5 days.</p> <ul style="list-style-type: none"> <li>• Miami: 2 days</li> <li>• Rest of USA and Canada: 3 days</li> <li>• South and Central America: 2-3 days</li> <li>• Spain, Italy and France: 3 days</li> <li>• Rest of Europe: 3-5 days</li> <li>• Asia: 5 days</li> <li>• Rest of the world: 5 days</li> </ul>	<p>National: (24 provinces): Between 24-48 hours. International: (220 countries):</p> <ul style="list-style-type: none"> <li>• USA: 4-5 days</li> <li>• Europe: 5 days</li> <li>• Asia: 6-7 days</li> <li>• Rest of the world: 5-7 days</li> </ul>
<b>Shipping costs for a pack of 1kg, 33cm x 12cm x 19cm</b>	<p>1. National: Average \$3.50 2. International: (EMS Average)</p> <ul style="list-style-type: none"> <li>• USA and Mexico: \$35</li> <li>• Central America: \$38</li> <li>• South America: \$34</li> <li>• Europe: \$38</li> <li>• Rest of the world: \$57</li> </ul>	<p>1. National: (Average) \$5 2. International: (Average)</p> <ul style="list-style-type: none"> <li>• USA: \$100</li> <li>• Central America: \$118</li> <li>• South America: \$118</li> <li>• Europe: \$170</li> <li>• Rest of the world: \$194</li> </ul>	<p>1. National: (Average) \$15-\$20 2. International: (Average)</p> <ul style="list-style-type: none"> <li>• USA and Mexico: \$116</li> <li>• Central America: \$80-130</li> <li>• South America: \$80-\$130</li> <li>• Europe: \$150</li> <li>• Rest of the world: \$165-\$175</li> </ul>
<b>Max allowed weight</b>	Up to 30kg	Up to 100000 kg	Up to 70kg
<b>Insurance</b>	Included	Included	Included
<b>Tracking</b>	Yes	Yes	Yes
<b>Additional benefits</b>	<ul style="list-style-type: none"> <li>• Door to door service</li> <li>• Credit</li> <li>• Corporate discounts</li> <li>• One single bill</li> <li>• Free counseling and training</li> <li>• Free Customs procedure</li> <li>• Access to commercial opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Door to door service</li> <li>• Special routes: presence in cities of difficult access</li> <li>• Shippings on the same day</li> <li>• Credit</li> <li>• One single bill</li> <li>• Efficient Customs procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Door to door service</li> <li>• 15 day credit</li> <li>• One single bill</li> <li>• Daily guaranteed quotas (own plane)</li> <li>• BASC Certification which guarantees safety</li> <li>• Own GPS technology for tracking</li> </ul>

Source: Own elaboration based on the website data from Correos del Ecuador, Servientrega and DHL Ecuador.

## **Implementation**

Once the three alternatives have been carefully analyzed, we have reached the following conclusion: For domestic shipments the online store will work with Servientrega, because they have a better coverage and positioning within the country, as well as competitive prices and delivery times. As for international shipments, they will be made through Correos del Ecuador, because their prices are much lower in relation to their competitors, and so the product does not become much more expensive unlike the other two companies whose costs for shipping abroad are extremely high and even exceed the selling price per unit.

Regarding the shipping costs, it was decided that they are under the responsibility of the company and not the client. By having strategic alliances with Servientrega and Correos del Ecuador through their respective programs of Premiere Merchandise and Easy Export, PRODECALZA will cover the transport costs, engaging the customer with the attractive announcement of "Free Shipping".

## **Payment Methods**

The third key aspect for eCommerce success is to have safe and efficient payment systems. As a general definition, payment systems consist of “a series of transactions at the end of which a payment has been made by using a witness who has been coined by an authorized entity” (Pegueroles, 2002). It is worth clarifying that such authorized entity cannot be neither the buyer nor the seller but a third entity, and in order to be an electronic payment it must be made through electronic means, being Internet the most common.

According to the writings of Pegueroles, an electronic payment scheme always involves the concurrence of three actors: a buyer, a seller and a financial institution. The financial entity is the bank, from where the buyer withdraws the money and where the seller deposits it into his account. Additionally, in some systems it may appear another intermediary, which is responsible for the functions of the bank and also serves as a link between the bank, the seller and the buyer.

In the different countries, eCommerce payment methods can be really distinct depending on their traditions and infrastructure. In the US for example, the most common payment mode are credit cards, but it is not the most used method in Asia or

Europe. In Japan for example, most online purchases are paid by bank transfer and against delivery. In Europe, however, wireless phones are widely used, while in China it is usual to pay by check or cash (Laudon & Guercio, 2014). It is therefore very important that a virtual store provides the greatest amount of payment facilities, in order to let the customers around the world choose the one that they feel most comfortable about.

Currently, the dominant payment methods for online shopping are:

- Bank Cards (Credit or Debit)
- PayPal
- Bank Transfers
- Mobile Systems
- Other less conventional payment modes (cash on delivery, virtual coins, Google Wallet)

### **Bank cards**

Credit cards and debit cards are the dominant way of online payment worldwide. There is no specific legislation regarding the use of these cards, since their operation is governed according to the autonomy of will. However, a card does not belong to its owner, but to its issuer. The card issuer charges a commission to the seller of the product, which in turn receives the payment immediately. To better understand the operation of bank cards, it is important first to understand their definition.

On one hand, the credit card is a commercial document that allows the holder to make a payment benefiting from a limited credit line and using it in the purchase of goods or services provided by establishments that are adhered to the system. On the other hand, the debit card is a document that, to make a payment, allows access to limited amounts of money in a bank account or financial institutions that have contracted the service (Davara, 2004).

Now, the way purchases are processed with a bank card is very similar to that of shopping at a physical store. There are 5 parties involved in this transaction: the consumer, the merchant, the clearing house, the merchant's bank and the bank that issued the customer's card. To accept credit card payments, the seller must have a

merchant account at a bank, which enables companies to process payments with different cards and receive the funds from these transactions.

The operation of an online transaction with credit card consists of the following steps. First the buyer places the item in the virtual shopping cart. When he wants to pay, a safe tunnel is created by a security SSL system in order to transport the card information over the Internet. Using encryption, SSL ensures the session during which the information is sent and protects it against intruders. Once the seller receives the information, the software contacts the clearing house. This chamber is an intermediary that authenticates credit cards and verifies balances in the accounts by contacting the issuing bank. When the account is verified, the issuing bank transfers the amount to the seller's bank (Laudon & Guercio, 2014).

For this process to occur, the seller needs a secure payment gateway. The payment gateway is a service provider with which payments are authorized for electronic businesses. The first alternative is the POS<sup>18</sup> of a bank, which is a direct contract between the bank and the online store that allows to charge by credit card or debit card, using the payment gateway of the bank itself. If the POS is contracted directly with the bank, the seller will require certain guarantees. However, for an SME the simplest thing it is to hire an intermediary such as Stripe or WireCard (which are the ones that Wix offers) as platforms that work with the bank on their own, and also authorize credit card payments, charging affordable fees to the seller (Villalta, 2012).

If the SME does not work directly with the bank neither with an intermediary, another possibility is to obtain an SSL system to make its own card charges safely, in case of having developed from scratch their own website (Comercionista, 2014). This will require the professional services of experts such as a Systems Engineer.

## **Paypal**

Paypal platform was created by eBay in 2002 and it is now a globally extended system in which many people rely on. Paypal allows customers to pay without having to give their credit card or bank information, since that information is previously stored in a Paypal account. This is a very user-friendly alternative, since it is in charge of managing transactions instantly without sharing any financial information with the store, which provides security and confidence to the customers.

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<sup>18</sup> POS for its initials means Point of Sale Terminal.

Paypal allows to make and receive payments up to a certain limit. Their platform consists in a payment system of online stored value, which allows consumers to pay instantly, based on the value stored in their accounts (Laudon & Guercio, 2014). The customer can pay with the value of his Paypal account only by using his email address and a password.

It is very simple to create a Paypal account and everyone can do it, because Paypal works with any type of bank card. The user must only specify the credit or debit card account, or checks in which he wants to make payments or charges when making Internet transactions. When a Paypal payment is made, it is sent to the email account registered by the merchant, without requiring users to exchange their personal information. Paypal then transfers the amount from the buyer's account to the merchant's bank account (Laudon & Guercio, 2014).

However, to associate a company to Paypal and create a merchant account in order to use their platform, certain documentation is needed (Villalta, 2012). For many SMEs and small online businesses, this becomes limiting, besides the high fees that Paypal charges for each transaction. The fee charged by Paypal is much higher than that of a POS, due to the strong positioning that their method enjoys nowadays. However, the fact of having Paypal as a payment method at an online store, gives prestige to the seller and credibility to the store.

### **Bank Transfers**

This is perhaps the easiest payment method to implement and the one that requires less preparation. The customer must only indicate the account number from where he wants to make the transfer and the bank to which the transfer will go. This must be clearly explained on our website, informing that an e-mail will be sent to the customer with all the account details at the moment of confirming the order. The customer can decide whether making the transfer through his online bank or in the traditional way.

A bank transfer is simply a flow of funds between the customer's account and the seller's account. Although it is no longer used so frequently in countries like ours, it remains a chosen method because of the mistrust that people still have when it comes to providing their financial information.

For the seller there is no additional cost, since there is no charging of fees in this payment method. It is also an advantage for the company since the payment is made in advance, and then the product is shipped. However, the problem is that transfers often take up to 48 hours between being executed and the store receiving the confirmation. This usually causes a delay in product shipments (Comercionista, 2014).

In this payment method it is very important to control the value date, that is, when the transfer has been made effective in the company's account. At that time one can be sure that the customer has paid and it can not be reversed. Then the seller proceeds to send the goods to the provided address.

### **Mobile Systems**

With the arrival of smart phones, it is now possible to use mobile devices as payment mechanisms. Although in European countries, in Japan and in South Korea it is a very well-known method, it is now increasingly spreading to the United States and Latin America. Mobile payment systems operate with basically any type of cellphone, on any operator, with contract or prepaid. To make a purchase (either physical or virtual) you can pay by cellphone as long as it is equipped with an NFC or Near Field Communication chip. This means that it possesses short-range wireless technologies to share information between different devices (Laudon & Guercio, 2014).

These systems are associated with multiple credit or debit cards, so that when a payment is authorized through a cellphone, it is charged to the card that was chosen by the customer. Mobile operations are registered along with other transactions that were made with the card and they are settled the same way. During the check in process, the system links the card with the user's cellphone number and they are both protected with a personal identification code that only the user will know. With this code, the user authorizes the purchase, and the amount will be automatically debited from his account and transferred to the seller's account.

For example, Payphone is a mobile application that allows to buy and sell safely. It can be used at any location that accepts the app as a payment mode. What the customer should do is register his client cards in a Payphone account and then he can make transactions only by providing his cell phone number. There is no need to share

financial information with any store. At the time of purchase, the consumer will receive a notification to his phone, which he must confirm by entering his personal code and at that moment the transaction will be effective (Payphone, 2015). The app manages the payment and it works internally with the buyer's and the seller's banks so that the transfer is made.

In the case of a store that wants to charge through Payphone, first it must be registered as a establishment and provide all the data and documentation requested in their website. When authorized, it can create an account as a company or Payphone Store. When making a sale, the seller must enter the receivable amount and the phone number provided by the customer into his account. Payphone will send a notification if the payment was successful (Payphone, 2015).

### **Other forms of non-conventional payment**

Cash on delivery is another alternative of online payment, in which the customer pays for the product at the moment of receiving it. Since the shipping company is in charge of collection, this represents an extra charge for the customer, which increases the total cost of the product. However, many customers prefer this because the product delivery is guaranteed and it does not require them to provide financial information, or to have an account in a bank. Cash on delivery is a recommended method for those newly created stores that are not very known yet or have not earned the buyer's confidence (Rubio, 2015). The risk faced by the seller is that the customer could reject the order or even the person could not be real and then the seller will have to take over the shipping costs.

Options other than traditional payment are digital money and virtual currencies or bitcoins, whose popularity is increasingly growing. The difference between them is that digital money is based on unique tokens representing the cash value that can be used in real life, while bitcoins are encrypted numbers, that usually circulate within a virtual community or are issued by a specific company, to buy virtual goods (Laudon & Guercio, 2014). Examples of virtual currency are Linden dollars, created by Linden Labs for their virtual world called Second Life, or the bitcoins created by Facebook Credits.

In addition to Paypal, Amazon Payments is an online system of stored value that allows consumers to purchase goods and services on websites other than Amazon,



according to the stored value they have in their Amazon accounts, without having to reenter their financial information on the seller's website. Amazon then is responsible of managing the entire payment process. Google Wallet works similarly, and it is a payment service offered by Google (Laudon & Guercio, 2014).

Moreover, there are even less common options such as prepaid Ukash coupons or Paysafe card, which allow to make purchases through a PIN code. The customer simply enters his PIN or 19-digit code to authorize the purchase, and then it can be stored online in an electronic wallet. The Ukash for example can be purchased at more than 420,000 outlets worldwide, and normally the seller must pay a commission per sale (Comercionista, 2014).

### **Implementation**

Three payment methods have been chosen to be implemented in the online store:

- Credit cards: MasterCard, Visa, American Express and Discover (Diners Club).
- Paypal
- Bank Transfers

The reasons why these methods were selected are because they inspire confidence, are easy to use and have a strong popularity among the vast majority of electronic businesses worldwide. While one could go further by adding new payment methods to the store in the future, when starting it is crucial to have these three alternatives, as they are the ones that provide greater security to the customer before making the purchase decision.

Although some methods are used in some countries more widely than others, credit cards, Paypal and bank transfers are the most globally accepted online payment modes. According to studies about B2C eCommerce such as the one prepared by the ONTSI<sup>19</sup>, most buyers (66.2%) prefer to pay online with credit or debit card, while 11.6% of them choose Paypal and 3.9 % go for bank transfers (ONTSI, 2011).

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<sup>19</sup> National Observatory for Telecommunication and Society Information.

## **Management of refunds in the different payment methods**

To return the money back to the customer after he has paid is known as refund. The repayment could be for different reasons, like when the customer regrets the purchase, when the product is not available, if there was a mistake or incident, or when the product will not arrive on the requested time.

In such cases, a refund must be made depending on the payment method that the customer used:

- If it was by credit card, the seller must enter to the POS system and make the refund to the customer. On the other hand, the system itself will handle back to the seller the commission that was charged to him on the day of the transaction.
- In the case of Paypal, the seller must go to his company's account and make the respective refund. Meanwhile, Paypal will reverse a part of the commission charged to the seller on the day of the sale, but not completely.
- If a bank transfer was made, the seller must ask the customer to provide his account number in order to transfer it back.

(Villalta, 2012).

## **Security in online payments**

Safety is very important for electronic transactions to operate, since they are all made through the Internet and it is not always possible to determine the identity of the different parties. The basic security services that are required to build confidence in electronic transactions are: privacy (data protection), authentication (user ID and message integrity) and non-repudiation (protection against denial of provided services). All these security services can be achieved in various ways, but the most common is through an Authentication Infrastructure (Pegueroles, 2002).

Additionally, there are various associations that provide a trust mark for companies that follow a good ethical code of online practices. One of them is for example "Confidence Online", a label that certifies that the website complies with safe business practices. There is also the Federation of Electronic Commerce and Direct Marketing (FECMD for its initials in Spanish), which is an entity whose function is to ensure the quality of services provided by associated companies. For a virtual

store to join such associations, it usually must pay an annual or monthly fee (Comercionista, 2014).

However, for sites that are made through web predesigned templates, providers generally offer an integrated security system necessary to protect all the payment information. Wix for example, in the case of card payments, authorizes them through card processors such as Stripe, Wirecard or Moolah. In the case of Paypal payments, Paypal platform already has the needed security because the client does not have to retype his financial information, since it is stored on his Paypal account. And for bank transfers, they are already safe methods because the customer does not provide any information but only transfers the money from his bank to the account that the company will provide via e-mail.

### **Electronic invoicing**

According to the Internal Revenue Service of Ecuador, an electronic invoice is a “document that complies with all the legal and regulatory requirements exigible for sale receipts, ensuring the authenticity of its origin and the integrity of its content” (SRI, 2015). This means it is a digital sales receipt with the same legal effects than a paper bill: it justifies the delivery of goods or services in exchange for a payment. An electronic invoice is issued and received by an electronic device, and it is valid as long as it contains the digital signature of the issuer.

In Ecuador, certain taxpayers from both the public and the private sector are obliged to issue electronic invoices. In the case of the private sector, among those subjects are considered all the credit card issuers, financial institutions, qualified exporters, companies in the telecommunications sector and people who sell over the Internet. The latter would be our case.

On the other hand, within the public sector are all the state companies, joint ventures and public financial institutions. Also there are the National Assembly, other bodies of the rest of state functions (Executive, Judicial, Transparency and Social Control, and Electoral), public universities and autonomous local governments (SRI, 2015).

The documents that can be issued electronically by these institutions besides invoices are credit notes, debit notes, tax statements and remission guides. They are all issued in an electronic modality authorized by the IRS. To access this form, one must

submit an application through their website. For the IRS to authorize the issuance of electronic receipts, the requirements are to have an electronic signature, a software that generates electronic receipts (which could be owned or downloaded from the IRS website for free), an access code generated by the IRS to access their online services and Internet connection.

Once the requirements are approved, one must request permission to enter the "test environment" on the IRS website, which allows people to check the correct operation of the electronic emission system, make adjustments and correct any mistakes. When the testing is completed, one can request the IRS to enable the "production environment", where the electronic vouchers are processed for real, with both tax and legal validity.

As mentioned above, for small and medium enterprises, IRS provides a software tool to generate, deliver, sign and send electronic invoices. It can be downloaded and installed for free. However, for this one must meet certain requirements, which were previously stated (SRI, 2015).

### **Website positioning**

To succeed with an online store, it is not enough to have a nice design or sell good products. "Creating a website is one thing, but getting people to visit it is another" (Kotler & Armstrong, 2007). What we need now is to attract traffic to our website, so that it becomes into future buyers. The way to achieve this goal is through appropriate promotional strategies and digital marketing. The main strategies of website positioning today are the following:

### **Marketing en buscadores (SEM y SEO)**

One of the main and most effective ways to promote a website on the Internet is through a good positioning in the results of search engines such as Google, Yahoo or Bing. Marketing through search engines, known as SEM<sup>20</sup> in English, refers to the use of online finders to locate and maintain a brand as well as to encourage sales to online consumers.

When users types a search term, they get two types of results. On top there are the sponsored links, which are ads for which certain companies have paid in order to

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<sup>20</sup> Search Engine Marketing

advertise their websites. Then the "organic" results appear below, which are the unsponsored websites that the search engine shows (Laudon & Guercio, 2014). Both ways constitute a powerful tool of digital marketing for companies.

On the one hand, the company or seller can buy an ad to promote their site, for example through Google AdSense, a program that ensures the ad always appears as a response when the user types a certain keyword. On the other hand, if the company does not want to involve economic resources, it can optimize its website so that it is considered by search engines to appear in a good position in their list of results.

For organic search engine recognition, companies use SEO<sup>21</sup> strategies, which means Search Engine Optimization, and it refers to the whole set of techniques used for a website to get the top positions when searching online (Laudon & Guercio, 2014). Unlike SEM, here one does not pay for publicity. Since it is not only important to appear in search results but to appear at the top positions, which generates greater confidence in the Internet, SEO strategies emerge as new positioning method.

Appearing on top of the results list implies that a website is friendly and well structured, because the search engine takes into account certain criteria in order to place a website among the first ones. The contents, the structure of the web, the proper use of keywords and the external links that the website has are all considered. By carefully developing these factors and constantly updating the site, marketers can improve their impact on search engines (Crece Negocios, 2012). For example, if we want our store to be found every time someone types "leather shoes", we should make sure that these words are constantly repeated throughout the website, in parts such as titles, text, domain name, etc.

### **Social Media Marketing (SMM)**

The SMM<sup>22</sup> or Social Marketing involves the use of social networks and virtual communities to build a brand or increase online sales. The goal is to attract visitors to a website through social networks such as Facebook, Twitter, Instagram, LinkedIn, or even social apps, blogs, forums, and games. They are spaces that allow users to share their interests and ideas, to communicate with each other and to form group relations (Laudon & Guercio, 2014). The idea of SMM is to take advantage of the

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<sup>21</sup> Search Engine Optimization.

<sup>22</sup> Social Media Marketing.

huge audience of social networks to publicize products, because by sharing opinions, people influence the purchase decision of their friends and loved ones.

For a virtual store or product to become viral through social networks, one needs to develop a content that generates interest and invites people to actually buy. There are several ways of doing social marketing. For example, the company can create a Facebook profile or one at any of the other social sites, and through it, the company can promote its website for free. Another option would be to pay for sponsored ads to be placed on these sites. The most popular ads are:

- Facebook Ads: To place an sponsored ad on Facebook, one can choose the campaign budget according to the own requirements and from a range of possibilities in terms of audience segmentation.
- Twitter Ads: In this social network one can promote a site through tweets, trends and account suggestions. The value is canceled according to the frequency, audience size and duration of the campaign.
- Youtube Ads: Advertisement on this platform consist of videos, which are paid per view. If the user skips the ad, they have no cost.

(Pierce, 2014).

### **Email Marketing**

Another way of promoting an online store is by email. Here the company sends newsletters, ads or offers to the email addresses of potential customers or even former customers. Email marketing still has a lot of strength nowadays, and being a cheap method, it is still preferred by many companies. Even the growth of mobile devices in the last years has boosted email campaigns, since studies show that most emails are now opened from the cellphone (Laudon & Guercio, 2014).

According to Laudon and Guercio, in order to get and put together a database with emails from potential customers, many tend to apply the "permission marketing". This is a strategy that allows the company to get the buyer's email at the time he makes the online order, and in turn obtain permission from the buyer to send him promotional messages. It is important also to provide the option of not receiving such mail, if the buyer does not want it.

Finally, it is important to mention that in order to compete in a saturated environment of advertising mails, marketers are becoming more creative in the messages they send, by designing content with customized animations, audio and video, and targeting to more receptive audiences or people who are more willing to respond (Kotler & Armstrong, 2007).

### **Affiliate Marketing**

This is a type of digital marketing in which a company pays a fee to other websites so that they send customers to the company's site or sell its product. Here how it works is usually to pay per performance, which means the affiliate is paid only if users have purchased a product or clicked on a specific link. This link is the one that directs the user to the company's website. So, the advertiser pays the affiliate a commission either per click on the link or for every generated sale (Laudon & Guercio, 2014).

Examples of members who work with this mechanism are Amazon, eBay and MercadoLibre, also known as marketplaces or auction markets. All these are buying and selling spaces that allow both things: to exhibit and to sell products as well as providing a link to online stores. These companies have vast networks of partners which they manage themselves, and also manage programs that track all activity, organize payments, receive and send emails and help partners to establish the necessary links with the customer.

Among the main benefits of Affiliate Marketing is the presence of the logo or brand of the company on these sites of huge acceptance, which gives it prestige and credibility. Moreover, user databases are generated to which the company can easily access through its affiliate. And finally, paying per performance benefits many SMEs by having to pay only for each sale and not for advertising on these sites (Laudon & Guercio, 2014).

### **Offline advertising**

Offline advertising contemplates conventional means of promoting the product and the website such as tv, radio, newspapers, magazines and all others who can grab attention from potential customers. There are even lower cost alternatives to attract local traffic such as flyers, corporate cards, BTL activations, and others. In the case

of international media, one can participate in eCommerce fairs and attend to different events related to our business sector (Crece Negocios, 2012).

### **Implementation**

Having analyzed all these alternatives of web positioning, PRODECALZA will implement four of them on their online store:

- **Email Marketing:** Using the database that the company already owns with the addresses of its customers and the different contacts that might be interested, a newsletter will be sent once every 15 days, on Sunday at 9pm, which is when people have more time to check their email inbox. These newsletters will contain new product announcements, sales and promotions, discounts and other items of interest.
- **SEO Strategy:** There is no need to pay for sponsored ads on Google, we chose to locate the site on the top results through the proper use of keywords over the whole site. For example, there will be a special emphasis on the words “shoe”, “shoes”, “leather”, “skin”, “natural”, “genuine” and “quality”. These will be highlighted in bold and used repeatedly. Besides optimizing the site, we will aim for functionality and navigability, so it can be considered by Google as an efficient site.
- **SMM Marketing:** Through social networks, advertising campaigns will be launched to publicize the site using “Facebook Ads” and “Twitter Ads”, the most popular virtual communities at the local, regional and global level. In addition, we will create a D’Cuero profile in each of them, through which we will upload content and photos of the company's products, as well as the link to take visitors to the virtual store.
- **Affiliate Marketing:** We will also place some of the products on Amazon store, a virtual market that allows the seller to exhibit his items at no cost, but it charges a commission for each sale made through their site. Even if we don’t sell anything at the beginning, the presence on this platform will allow us to publicize the product and brand internationally, and it will open many doors by providing our website link to be seen by people all over the world.



## **Conclusions**

In this final chapter, I first investigated and analyzed the main characteristics that make up a website, in order to understand in greater depth what this virtual space implies and its operation. The research covers the different types of website, the domain, its main elements and the requirements for its creation. Once the theoretical basis for the construction of this platform were clear, a prototype of the virtual store D' Cuero by PRODECALZA was developed step by step.

By using an eCommerce template provided by Wix, we structured the site according to the typical features of an online store. The contents were placed on their respective menus (Home, About, Shop, FAQs and Contact Us), and professional product photos were also taken. Once the images were uploaded, we detailed prices, colors, and respective sizes per unit. As for the web design, it was sought to be minimalist and elegant, keeping the corporate colors.

To define the operational part of the purchase process, research and comparative analysis were made between the different alternatives that exist regarding orders, shipping, payment methods and billing, in order to choose the ones that better suit the company's reality. In the case of online orders, the process was detailed since it is generated until it is shipped from the factory. Regarding shipments, it was decided to work with Servientrega for deliveries within the country and with Correos del Ecuador for deliveries abroad. As for payment methods, credit cards, Paypal and bank transfers were selected. Finally, for the electronic invoicing, we decided to use the free software that issues, signs and sends invoices provided by the Internal Revenue Service of Ecuador.

At last, to promote the website and make it globally known with the aim of attracting visitors to then become customers, different web positioning strategies were analyzed and four of them were chosen: Email Marketing by sending bimonthly newsletters, SEO through Google, SMM Marketing via Facebook and Twitter, and Affiliate Marketing through Amazon.

## **Final Conclusions and Recommendations**

Having completed the development of an alternative model of commercialization to internationalize an Ecuadorian SME, I conclude that eCommerce is a really viable and useful tool for such companies. By requiring a small investment, simple knowledge and easily accessible resources, creating a virtual shop is a sustainable solution for those small and medium entrepreneurs who wish to incur in the foreign market as well as to expand their sales in the domestic market.

PRODECALZA footwear workshop had no experience in foreign trade, nor had the production capacity for exporting in large volumes. Its essence is to be handmade, and if it increased its production, it was going to lose its essence, which was their main competitive advantage. Then, taking advantage of the current context of the country, which is immersed in the transformation of its production model, and of the incentives offered by our legislation to the domestic industry, the company decided to bet on the added value of its product and develop a sales strategy on its own terms.

That is precisely the achievement of this thesis. Although it does not create a virtual store from scratch nor builds the entire system that normally requires a professional programmer, it is based on simple cheap tools and practices that provide the basic requirements for running an online store. It starts from a pre designed web template that provides the main elements of an eCommerce website. Then we gradually incorporated the details according to the needs and resources of the company.

However, before developing a web strategy it was necessary to dig into the nature of the business and understand its product, customers and operation. Once being familiar with the nature of the company and also with those strengths that were worth being highlighted, we could analyze and evaluate an operational plan.

The next step was to research and know in greater depth all about the Internet, websites and their functioning. If the company is going to venture into the electronic market, it is important to know exactly where it is going. Although the terms and main elements of a website are explained in general terms, as well as the operation of payment gateways, security systems, order processing, invoicing and shipping methods, it is a useful explanation for those companies that know a little or nothing about the e-business world.

When the company has understood its own nature and also the functioning of an online store, it can analyze and evaluate different options in order to choose the most convenient ones. In this case we chose those that offered less complications and lower costs. However, each company is able to select the alternative they desire. I believe this project is a guide rather than a *modus operandi*, because what it does is to identify patterns that could help an SME that wants to venture into eCommerce at a local, national and international level.

Under my perspective, I strongly recommend that Ecuadorian SMEs should believe in their own products, invest in improving quality and participate in the global market through eCommerce. As could be seen, there are a number of alternatives, facilities, and roads that can be followed according to the different realities experienced by our companies. That is why we must not remain stagnant or idly, but evolve in parallel with technology, and even better if it is through a commercialization model that is “good, nice and cheap”: a virtual store.

However, creating a virtual store does not guarantee a good positioning in the global online market. That is why I urge SMEs to determine a web positioning strategy, in which they use several techniques to advertise their brand on the Internet. These should take into account a good positioning in search engines, social networking management, campaigns with sponsored ads, email marketing and affiliate marketing. Many of these techniques are free and others require small investments, but certainly the combination of these will bring results and brand recognition to the virtual store and the whole company.

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