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**PROPOSAL FOR THE INTERNATIONALIZATION OF THE
MICROENTERPRISE PALMITORRES IN THE CHILEAN MARKET**

Assignment prior to obtaining a

Bachelor's Degree in International Studies

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Dedicated to

To my parents Danilo and Narcisa, for always believing in me and for being my unconditional support throughout my career, my husband Mateo for his love and understanding throughout this process and my daughter Mia Fabiana for being my driving force to fulfill myself professionally.

-Daniela Bernal

To my parents Luis and Jenny, for being my support in every moment of my life, especially during this stage of my college career and to my sister Maria Paz, who has always motivated and supported me throughout this process.

-Carolina Arevalo

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Abstract

Globalization has generated significant advances in the internationalization process of micro-enterprises thanks to the development of new communication technologies for commerce and trade. This progress represents a great opportunity for micro-enterprises worldwide. The main focus of this thesis is to analyze a micro-enterprise that produces palmetto called Palmitorres, and the Chilean market in order to determine an action plan for its entry into this target market. This market has been selected since Chile is the top importer of palm hearts in Latin America and second worldwide (Trade Map). In order to demonstrate how Palmitorres could achieve its entry into Chile, an action plan will be developed which will be based on an internal analysis of the company, an analysis of the Chilean market, identifying gaps that exist between the enterprise and the target market, and developing useful strategies.

Resumen

Globalization has generated significant advances in the internationalization process of micro-enterprises thanks to the development of new communication technologies for commerce and trade. This progress represents a great opportunity for micro-enterprises worldwide. The main focus of this thesis is to analyze a micro-enterprise that produces palmetto called Palmitorres, and the Chilean market in order to determine an action plan for its entry into this target market. This market has been selected since Chile is the top importer of palm hearts in Latin America and second worldwide (Trade Map). In order to demonstrate how Palmitorres could achieve its entry into Chile, an action plan will be developed which will be based on an internal analysis of the company, an analysis of the Chilean market, identifying gaps that exist between the enterprise and the target market, and developing useful strategies.

INTRODUCTION

The process of internationalization of microenterprises is a phenomenon that is beginning to emerge because of the large number of these small businesses in various countries, especially in Latin America and also thanks to the advancement of technologies that allow an easier access to information and communication. However, this is not an easy process without first performing a series of steps to determine what change a company should make in order to be able to adjust to external markets. This assignment focuses on this topic since it is about a proposal for the internationalization of a palmetto-producing microenterprise called Palmitorres, an Ecuadorian company, located in the province of Pichincha in the Puerto Quito Canton, which is currently selling its product in the domestic market.

In order to be able to carry out this proposal of internationalization of Palmitorres, firstly it necessary to analyze the company and the importance of micro-enterprises today. As for the information of the company, both the philosophical dimension as well as the operational dimension will be studied. Another step is to analyze the target market, and to do so, information on how the enterprise can adapt itself to the demands of the market will be collected. The selection of the Chilean market as a target market will be justified and also a PEST analysis will be applied to this country, where the most important political, economic, social and technological aspects will be detailed. Finally, a review of the likes and preferences of consumers will be presented where the products distribution channels, competition, and other aspects will be studied in order to conduct a Marketing Mix analysis or the 4 P's.

As object of analysis, we will focus on finding the gaps between the company and the target market that is to be accessed, since these usually turn out to be the main problems microenterprises face in the process of internationalization. Therefore we divide these gaps into: Product, Price, Market, and Technical requirements gaps, and gaps of the characteristics of an exporter, which in this case are the administrative and financial issues. In each of these a comparison between the company and the market

will be established in order be able to identify the fundamental problems that must be solved prior to the application of the internationalization process.

Finally, an Action Plan for the microenterprise Palmitorres will be presented. This plan will focus on the main problems previously recognized and will include plans for each area of the company. The Plan consists of a description of the problem, actions to take, the selection of the person in charge, and the budget that will be necessary to develop the action. Therefore a plan will be made for the following areas: Administrative, Financial, Production, Price and Market. Finally, feasible methods to add value to the product will also be mentioned. It should be noted that this work will establish a proposal with various alternatives that Palmitorres can choose from depending on the budget it has.

CHAPTER 1 - PALMITORRES, MICROENTERPRISE ANALYSIS

Introduction

This chapter consists of the analysis of the microenterprise Palmitorres. However, to be able to understand the importance of microenterprises, first several definitions of this type of company will be presented. Also, the behavior that characterizes a microenterprise will be demonstrated by analyzing the ways in which they start-up, reach success, its growth rate and ability to internationalize. Some of the theories of international trade and internationalization of companies will also be presented and analyzed, in order to gain a greater understanding of these processes. Next, a case study of a palmetto company will be presented, as well as the international profile of this product and the participation that Ecuadorian palmetto has in the world. Finally, a description of the microenterprise Palmitorres will be given in order to identify the different characteristics it has when it comes to their philosophical and operational dimensions.

1.1 Concepts and Theories: Microenterprises

In the business world, microenterprises have achieved a high level of relevance. Although traditionally only small, medium and large companies were taken into account, micro enterprises today are recognized as an essential component since there is an increasing number of these businesses worldwide. Microenterprises traditionally have been viewed as local and informal businesses. However, the role of the microenterprise in society is changing with the development of new technologies and communication channels. Consequently, micro-entrepreneurs around the world are looking for ways to achieve growth, regardless of size or limited funds that usually limit their progress. One of the ways that entrepreneurs try to improve is through internationalization or entry into a foreign market.

1.1.1 Definition

There are many different ways to define microenterprises and these tend to vary by country or sector. In this section, several of these definitions are presented in order to

be able to clearly explain what is implied when using the word microenterprise in this thesis project.

The European Union recognizes the importance of being able to define the different types of companies that exist in order to understand their nature and how they should be handled. In 2003, the EU generated a qualifying criteria for companies based on the number of jobs and sales volume, that they use to determine which companies can benefit from their support programs, and at the same time they can prevent larger companies from taking advantage of these services. Microenterprise is defined as "a company that employs fewer than 10 people and whose annual turnover or annual balance sheet total does not exceed 2 million euros" (Commission of the European Union, 2003).

In *Microenterprise and programs to support the microenterprise sector*, De Sais A., Labia, M., Matai, C., and J. Seta also recognize the various parameters that exist to define small businesses and therefore have generated a definition based a broad description that includes he most essential features (Carrasquillo, 2011). According to these authors, microenterprises are:

... economic units engaged in the production, marketing or services, that have a reduced size both in regard to capital, assets and sales volume, and that use an intensive form of labor, creating jobs and earnings for workers who have no other sources of income. (2000).

However, these authors take into account the fact that companies that have few employees and generate high sales or even companies with several employees that generate reduced sales can be found. Therefore, the parameters of this definition of microenterprises are only characteristics that generally companies of this nature have and should not be considered as requirements to be considered as such.

After conducting an investigation of the concept of a microenterprise, it can be observed that although it is not easy to generalize the definition of this type of enterprise, it is understood that such companies have a limited number of employees, with income, sales, and assets corresponding to the capacity of each business, and that these may or

may not have growth potential. It is important for new businesses to be able to identify the segment they belong to, depending on its characteristics, in order for it to have more success as a company and to be set-up in a more suitable way.

1.1.2 The rise of Microenterprises

The significance that the microenterprise sector has when it comes to economic growth has been recognized since the early sixties (M. Gomez, 2008). These businesses were viewed as sources of development, which influenced in poverty reduction and promotion of equity. In the eighties, the interest in microenterprises increased even more when their importance within both developed and developing countries was discovered. This led to a growing interest in understanding why microenterprises emerge and their capacity for growth.

The microenterprise segment represents a large percentage of today's businesses and it has continued to increase in recent years. Calculations by ECLAC and OECD shows that in Latin America, MSMEs represent 99% of all companies; in the case of Ecuador, microenterprises represent 95.4% of companies that are established in the country, which demonstrates its current relevance (Stezano, 2013). Other percentages representing microenterprises in Latin America demonstrate their significance at a regional level can be found in the chart below.

Graphic #1: Proportion of Companies by Size in Latin America

LATIN AMERICA (8 COUNTRIES): PROPORTION OF COMPANIES, BY SIZE

Country	Micro-enterprises	Small enterprises	Medium enterprises	Large enterprises
Argentina	81,6	16,1	1,9	0,4
Brasil	85,4	12,1	1,4	1
Chile	90,4	7,8	1,2	0,6
Colombia	93,2	5,5	1	0,3
Ecuador	95,4	3,8	0,6	0,2
México	95,5	3,6	0,8	0,2
Perú	98,1	1,54	0,34	0,02
Uruguay	83,8	13,4	3,1	0,6

Source: Calculations generated based on the OCED data base and the CEPAL

*The size of the microenterprises and the small and medium enterprises are defined based on the categories used by each country's National Institute of Statistics.

Source: Policy for inclusion of micro, small and medium enterprises in global value chains in Latin America, UN, ECLAC. Regional Headquarters of Mexico. <http://www.cepal.org/es/publicaciones/4932-politicas-para-la-insercion-de-las-microempresas-y-las-pequenas-y-medianas> (Stezano, 2013).

Among the countries analyzed in this chart, the country with the highest percentage of micro enterprises is Peru with 98.1%, and the country with the lowest percentage is Argentina with 81.6% of microenterprises. This sample of Latin American countries demonstrate the significance that enterprises in this sector have, especially at the regional level.

Although the situation of each company varies, based on the theories of several authors, certain factors that influence the emergence of microenterprises can be generalized. Two specific causes that lead to the emergence of a microenterprise are, on the one hand, the lack of employment or a weak economic situation, and on the other hand, the desire to be self-employed.

A recession is a phenomenon that affects people worldwide, regardless of whether they come from a developed or developing country. These global crises have caused the downfall of many large companies and therefore alternative ways of employment begin to grow. In many cases, microenterprises arise from the lack of employment or

underpayment within larger businesses. In these cases, microenterprises are created more by obligation than for a personal desire to own a business.

On the other hand, there are microenterprises that are born as a result of the desire of a person to become self-employed, in order to not have to depend on large companies for a job and to get rid of hierarchies. The old concept that defined success as having a high-ranking job in a powerful enterprise is being replaced by a criterion based on being independent and having a personal business. Current technologies make this aspiration more possible because they allow microenterprises to be more reachable to society. Thanks to microenterprises, a person can secure an income and their future, without relying on external sources.

Although these are only two reasons as to why these micro business are created, the emergence of these businesses should not be limited only to these categories. There are several other reasons for their appearance in today's society which vary from case to case. However, these two reason as to why microbusinesses rise will be considered as the most applicable to microenterprises in general.

1.1.3 Success and Growth of Microenterprises

Although microenterprises have become a common source of employment in today's society, the success and growth capacity they have varies depending on the characteristics of the owners and the environment in which they are found in. In several studies conducted by USAID, MSU, and other sources, a sample of microenterprises was taken from several developed and developing countries worldwide and it was concluded that these companies do not tend to grow and many disappear before their first year as a business is completed. According to this study, "Durability is precisely one of the best indicators of the potential success of a small business. The chances of survival increases as time passes, so if businesses makes it though their first two years, it is more likely for them to stay around longer "(M. Gomez, 2008).

Based on these studies, it was concluded that in fact the microenterprise sector does not generate a "growth engine" for society as few become successful (M. Gomez, 2008). Obviously the survival and development of a company depends on the conditions that

the entrepreneur has, including their level of education, economic status of the people and the country, among other parameters. Commonly, those businesses that are established as a last option as a source of income are those that tend to disappear or fail. However in the cases where entrepreneurs seek to own their own business and carry out the studies and investments needed, microenterprises have a much higher success rate.

A micro business tends to be successful and grow if it has two basic elements, which are "profitable business opportunities and appropriate skills to take advantage of these opportunities" (Nichter & Goldmark, 2005, p. 3). However, although some microenterprises possess profitable business ideas, most do not have the capacity to take advantage of these opportunities. Therefore, although these type of companies represent a large part of the business segments worldwide, it is necessary to differentiate which ones have the necessary characteristics to achieve success, in order to be able to determine whether to aspire to greater level of development of the company or not.

1.2 Global Microenterprises

As mentioned above, microenterprises have an extensive presence in national markets around the world. Generally, these types of businesses do not think about expanding because of the obstacles involved in this process. However, today more and more microenterprises are interested in expanding their coverage to foreign markets.

The ultimate goal of internationalization of microenterprises is to be established and grow in a foreign market. There are several factors driving the motivation of this establishment and development in foreign countries. Although each microenterprise in particular has its specific reasons that leads to internationalization, the following tend to represent the most common factors:

- **Saturation of the local market:** if a small business produces a product or traditional service of their country of origin, it will be much harder to compete against larger companies. Therefore the company can search for a country that is not saturated with the same product or service because the level of competition will be smaller and it will have more presence and control over the target market (Albarran, 2015).

- **Diversify risk:** since a microenterprise has reduced capital and smaller size compared to other companies, it is important for a microenterprise to look for ways to reduce their possible failure. One way to do this is through a process of internationalization because by investing in different markets, if one fails, it does not mean that the entire microenterprise will fail.
- **Obtain a greater level of prestige:** through internationalization, a business gains a better reputation when it is found in different markets worldwide. In this way, its sales can increase in both the target countries as well as in the local markets.
- **Technological advances:** the tools available today allow access to external markets in a much easier, faster and less expensive way. Therefore, entrepreneurs take advantage of these techniques to improve their establishment and increase growth within other markets.
- **Take advantage of international trends:** microenterprises may decide to become international in order to meet external demands of their product / service.

As can be seen, internationalization represents great opportunities for microenterprises but at the same time it is important to mention some factors that hinder the entry of these companies in foreign markets, based on MSMEs found in Latin American. "On the one hand, certain socioeconomic factors (economic inequality, poverty, and the lack of institutional development) make it difficult for MSMEs to access financial resources and expertise. On the other hand, aspects of regulatory framework ... have adversely affected the development of MSMEs "in the domestic and international levels (Stezano, 2013, pg. 14-15).

In addition, the sector to which most MSMEs pertain are those where they compete directly with large companies and have little or no added value compared to these, which hampers their prosperity to enter an international market. This demonstrates that microenterprises tend to have "difficulties in joining trade and production trends of the global economy" and for this reason, most only get involved in local production systems (Stezano, 2013, p. 14).

In short, the major obstacles that MSMEs have when it comes to internationalization can be summarized in three main factors: "i) time and / or management skills that are insufficient for the demands of internationalization; ii) lack of financial resources, and iii) lack of knowledge of foreign markets, which is related to the above two factors" (EU, 2007 in Stezano, 2013, p. 16). The first is due to the small number of workers and lack of knowledge or education, the second factor is thanks to reduced capital owned by microenterprises to invest in future projections, and the third factor is generated by the lack of research and analysis before entering foreign countries.

The number of international microenterprises is growing because of the major sources of support and tools that promote internationalization that exist today. However, the number of international microenterprises at a national and regional level is much lower compared to other regions such as Europe and Asia, due to the difficulties that inhibit the ability of these businesses to move to a global level. For this reason it is important to consider these advantages and limitations in order to understand the individual situation of a microenterprise and whether it has the ability to internationalize.

1.2.1 International Trade Theories

In order to understand how foreign trade works and how this can be applied to microenterprises, it is necessary to conduct a review of the fundamental theories of this subject. Overall, "the theory of international trade focuses on the real aspects of economic relations between nations and on long term economic trends" (Lopez Martinez, 2003, p. 31). There are several theories that explain the behavior of international trade; in this next section, the most fundamental theories that have marked the history of international trade will be reviewed.

Theory of Absolute Advantage: The criticism of the mercantilist theory and the essential advances of the industrial economy, of liberal ideas, and the increased importance of international trade between countries, gave way to the emergence of new currents of thinking (Lopez Martinez, 2003). In 1776, Adam Smith published in his *Inquiry into the Nature and Causes of the Wealth of Nations* new ideas that went against the mercantilist ideas. This author dealt with the way in which an economy functioned in relation to individual welfare, whose purpose was based on increasing

wealth of society as a whole and not the interests of the state. The theory of absolute advantage "was chaired by the existence of an invisible hand (the price system), which regulated the way the economy functioned naturally ..." (Lopez Martinez, p. 35).

Another key concept of this theory was the division of labor, in a way that each individual is specialized in the production of certain goods, which are then exchanged with others to meet their needs (Lopez Martinez, 2003). According to Smith, it was necessary to lower production costs and economies of scale, but at the same time he recognized that benefits the markets had would be limited, so he "proposed the liberalization of international trade, with the aim of achieving the greatest amplitude of the market and therefore allow for a more intense international division of labor" and this way international trade would lead to the insertion of national production surpluses into external markets (Lopez Martinez, 2003, p. 36). In short, the theory of absolute advantage is based on the idea that a country should export those products and services in which they have absolute cost advantage of compared to another country, and instead should import products and services that a country lacks. Therefore, it can be observed that Smith was an advocate of free trade and against protectionism.

Theory of Comparative Advantage: In the early nineteenth century, several authors, the most notable being David Ricardo, found some deficiencies in the theory of Smith, which gave way to a new conception of international trade (Lopez Martinez, 2003). Like the theory of absolute advantage, it is based on the labor value theory. However, unlike Smith's ideas, this theory sustains that "a country should specialize in the production and export of those goods whose relative cost compared to other goods in the country itself is less than the corresponding relative cost existing in another country" (Lopez Martinez, 2003, p. 37) Thus, the products that a country exports do not necessarily have to be the ones with the lowest cost on an international level. Furthermore Ricardo's theory also believes that the relative productivity of each country is determined by the direction of the flows of goods.

Heckscher-Ohlin Theory: this theory appears during the mid-nineteenth century and is based on the relative abundance of production factors of each country to explain

international trade, which takes into account both technology and consumer preferences (Lopez Martinez, 2003). According to this theory, each country should specialize in the manufacture of the goods they use, in other words, the production factor that best produces. Therefore, "international trade equals... the exchange of production factors, so that, ultimately, each country buys its scarce factor and sells its abundant factor to and from exterior countries," which will in the long run will cause "the endowments and relative prices of inputs to be evened internationally and, consequently, the prices of traded goods will also be leveled" (Lopez Martinez, 2003, p. 43).

Although these theories have caused more and more schools of thought to be created throughout the history of international trade, it can be said that these four theories have raised the basic foundations of what is foreign trade. Thanks to these ideas, international trade has become increasingly important worldwide, as they indicate how necessary the inter-relationship between different countries is. Therefore, in the making of this project, it is essential to understand where this conception of international trade comes from and how it has advanced to be able to put it into practice today.

1.2.2 The Theory of the Internationalization Process of Enterprises

Thanks to globalization, the business world is undergoing a transformation in which there are endless strategies that a business can potentially implement (Villarreal Larrinaga, 2005). Among these strategies is the process of business internationalization, which allows a company to enter a foreign market to satisfy needs. While this term is difficult to define, Villarreal Larrinaga states that internationalization is:

...a corporate growth strategy based on international geographic diversification through an evolutionary and dynamic long-term process that gradually affects the different activities of the value chain and the organizational structure of the company, with an increasing commitment and involvement of its resources and capabilities to the international environment, and based on an increased knowledge (2005, p. 4).

There are several theories to explain the internationalization process of companies, which focus on different perspectives. One of these is the economic outlook, which is based on the theories of international trade, like those mentioned above and other recent theories, including the Theory of Monopolist Advantage, Theory of the Internalization, Theory of the Macroeconomic Approach, among others. Moreover, theories from the perspective of process consider internationalization "as a mechanism of incremental commitment to learning based on the accumulation of knowledge ... and resources committed in foreign markets." (Johanson and Wiedersheim-Paul, 1975; Vernon 1966; in Cardozo, Chavarro Ramirez, 2007, p.10). These theories explain how and why national companies become international companies, and they also mention when companies are ready to take the step to reach higher levels of internationalization (Cardozo, Chavarro, & Ramirez, 2007).

Another perspective worth mentioning is one that is based on the theories aimed at the internationalization of SMEs, which may be applicable to microenterprises. The Network Theory "explains the process of internationalization as a logical development of the organizational and social networking companies ... meaning that opportunities for foreign markets will reach the local company through members of its network of international contacts ... "(Cardozo, Chavarro, & Ramirez, 2007, p. 12). This theory emphasizes the importance of interaction and interrelation of companies to achieve a position in the foreign market.

The Born Global Theory is also within this perspective. The Born Global are those companies that have been recently created, "where the factors that determine their activity follow a global approach since its creation, or are internationalized during the first two years of existence" (Cardozo, Chavarro, & Ramirez, 2007, p. 14). These companies appear due to three key factors: new market conditions, technological advances, and more developed people skills. These elements have made the entry of smaller companies into the international market simpler.

Lastly, the strategic approach includes several activities including exports and joint ventures and strategic alliances. As for exports, research shows that enterprises have a reactive export strategy, unlike medium-sized enterprise, because micro-businesses "are

conditioned by the choice of the competitive model ...", in other words, they can select various forms of export channels depending on the specific characteristics of the company (Cardozo, Chavarro, & Ramirez, 2007, p. 16). Moreover, the strategy of joint ventures is useful for small businesses with limited resources and market knowledge. This allows microenterprises to be able to adopt in a more flexible way the dimensions of internationalization (Cardozo, Chavarro, & Ramirez, 2007). This will make the option of entering foreign markets attainable to all companies, regardless of size.

Based on these detailed perspectives describing various theories of the internationalization of a company, some ways that a business can achieve this process can be understood more clearly. Ideas from these theories can be taken and implemented in the case of the microenterprise Palmitorres, for which an action plan for internationalization.

1.2.3 Internationalization example: Case "Tropical Foods S.A."

A case of internationalization in the same sector is the company Tropical Foods S.A., which is dedicated to the industrialization and export of palmetto. This case was taken from the publication "Productive Innovation in Ecuador, 10 successful experiences of promotion under the anchor company approach" produced by the Productive Network and USAID Ecuador. (USAID Productive Network)

Tropical Foods is a company located in the northwest of the province of Pichincha, in the canton Pedro Vicente Maldonado, in an area of great poverty, migration, unemployment, poor education and little production practices. It is one of the smaller companies in the sector with an almost unrepresentative share of the market but with a great social impact because it generates direct and indirect employment in the area. In order to achieve internationalization, Tropical Foods had the support of the same Productive Network which developed a project called "Access to international markets through international certification programs." This project was funded by Productive Network and the company Tropical Foods in almost similar percentages.

The problem of the company was focused on malpractices that were being carried out, difficulties in terms of price, supply and demand of palmetto, as well as poverty,

migration and the low level of education in the sector in which the company is located. In addition, other factors include the small size of the access market, little knowledge of small farmers about the use of chemical fertilizers, lack of organization of small producers and workers with low education who require training.

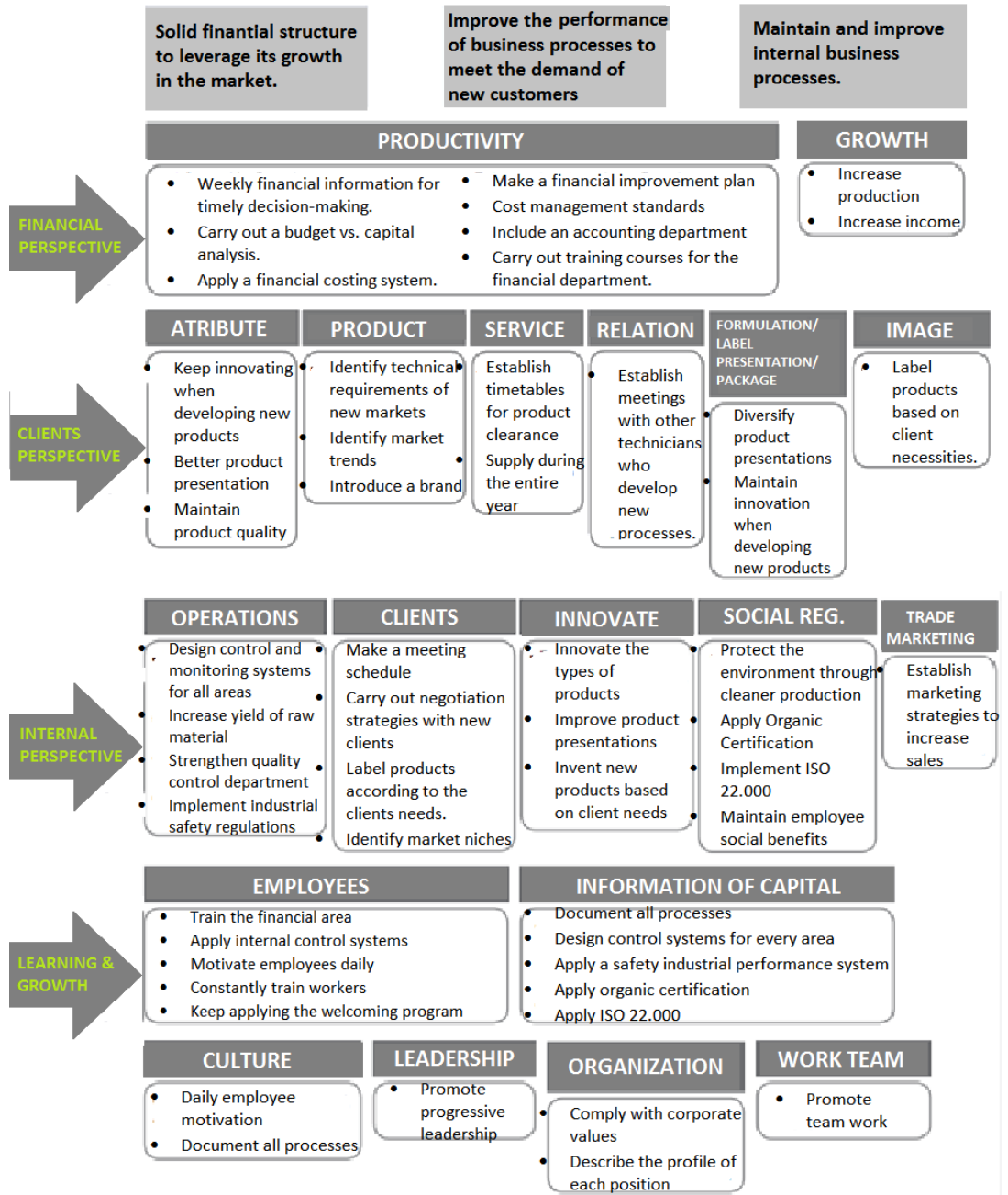
Therefore the key aims of the project that was developed were: integration and development of small suppliers of palmetto through the application of Good Agricultural Practices (GAP), sustainable access to export markets through obtaining certifications of quality and safety of products, improvement of the management of the company through business strategies and development of a financial system, and lastly, boost education activities and training of workers, and healthcare for them and their families.

To accomplish this, the project aimed to intervene in two areas: strengthening the chain and the establishment of quality systems in order to adequately access international markets. To fulfill the project several strategic tools were developed, however it is necessary to mention the most important ones.

First it was necessary to determine the mission, vision and corporate values of the company where the need to focus on an international market was demonstrated. To do so, they focused especially on obtaining the ISO 22000 certification for access to new markets. In addition, product improvement plans, registration and control systems, pest control, water quality records, and good agricultural and manufacturing practices were developed.

A very important point was the strategic planning of the company in which a plan to be followed by the company was presented, which is based on a dynamic model that allows variations if external circumstances demand it, with a focus on a vision towards the future of the business. Below is the graph of the strategic approach of the Tropical Foods Company.

Graphic #2: Strategic Approach of Tropical Foods



Source: Access to international markets through international certification programs

http://pdf.usaid.gov/pdf_docs/Pnadv632.pdf (USAID, Productive Network)

As we can see in this chart, this business developed a plan based on four perspectives of major importance for the company such as financial, customer, internal perspective and learning and growth.

Continuing with the actions taken by the company in the process of the project, a manual of Good Agricultural Practices (GAP) and a schedule of activities to align small producers with the needs of the company was developed, in order to fulfill quality standards demanded by the markets. Also a financial accounting system for handling real costs of production was introduced, which allows keeping track of costs and fair payments.

Something important that should be emphasized is the training of staff, focusing on skills, processes, procedures and programs that a business corporation of food demands. The company trained its staff in production processes, quality control, raw material, sealed and stored materials, pest control, cleaning and disinfection, water purification, controls, laboratory practice, operation of technical equipment, mechanical maintenance, etc. Regarding the safety of workers, they were trained in personal hygiene, care of food, nutrition and other important topics for personal development.

The training was not only for workers but also for providers who were also offered technical assistance and implementation of fair trade by establishing a payment system for quality. Partnerships or alliances systems, and fair agreements that guarantee long-term relationships between farmers and the factory were proposed.

Finally, in the process of implementing the ISO 22000 process control systems and quality control records and monitoring, development of processes and procedures manuals were promoted.

The results obtained by the company were very positive because it became more competitive in the production system through the ISO certification, enabling it to standardize processes in order to achieve a safe product with consistent quality, and raised awareness and trained personnel, aware of the processes and procedures. This

certification allowed them to enter new markets such as the United States, Mexico and Israel, and even allowed access to the French market, considered the more demanding.

In addition, the strengthening of the chain and the development of a fair trade relationship between industry and suppliers were observed. Important results were given concerning greater competitiveness in the production system, job creation, and increased productivity.

1.3 Palmetto Profile

1.3.1 General Facts of Palmetto

Palmetto is a fine culinary product, considered to be a "gourmet" and expensive product extracted from a species of palm tree native to the tropics of South America. This plant contains a high level of digestible fibers, iron and some essential amino acids. It has a variety of vitamins and minerals like iron, potassium, copper, phosphorus, zinc, Vitamin C, Vitamin B6, among others. (PRO ECUADOR)

Palm hearts have many benefits since they are low-fat, help balance cholesterol, prevent colon cancer, help regulate bowel movements and combat increased blood glucose levels. Since it is a low calorie food, it is an excellent alternative for diets.

1.3.2 History of Palmetto in Ecuador

"Ecuador has cultivated palmetto since early 1987, but the canning and container process has been carried out since 1991, managing to have a steady and sustained growth, becoming one of the most representative products in non-traditional exports." (PRO ECUADOR)

Palm hearts grow in Ecuador thanks to its climate and its agro-ecological soil, which have high humidity levels, are subject to a great amount of sun and a moderately elevated temperature that causes production to occur in certain tropical and subtropical areas of Ecuador as Lago Agrio, Coca, Tena, Macas, Zamora, Esmeraldas, San Lorenzo, Muisne, Santo Domingo de los Colorados, La Concordia, Nanegalito - Puerto Quito, Bucay. (PRO ECUADOR)

Below is a map of Ecuador, indicating the areas where the production of Ecuadorian palmetto is concentrated.

Graphic #3: Concentration of production of palm hearts in Ecuador



Source: PROECUADOR- SECTORAL ANALYSIS 2015 http://www.proecuador.gob.ec/wp-content/uploads/2015/07/PROEC_AS2015_PALMITO1.pdf

As can be seen, palmetto production is concentrated in the northern part of the country, especially in areas with tropical climates.

Ecuador has approximately 15,358 hectares dedicated to the cultivation of palm hearts, producing about 143,000 metric tons of the product. The production of palmetto is not stationary, in other words, it occurs throughout the entire year. Its market consists of large, medium and small industries, but is mostly made up of small and medium enterprises. It is usually exported canned, since this method helps to preserve all of its properties. (PRO ECUADOR)

Ecuadorian palm hearts are highly demanded internationally because of unique features such as the compact and pleasant texture, a clearer ivory color, and greater resistance to oxidation compared to palmettos from Brazil, Venezuela and Costa Rica,

which is due to the excellent quality it has in its production and industrial processes. Because of its subtle and delicate taste, it is particularly appreciated in the most demanding gourmet markets and restaurants in the world.

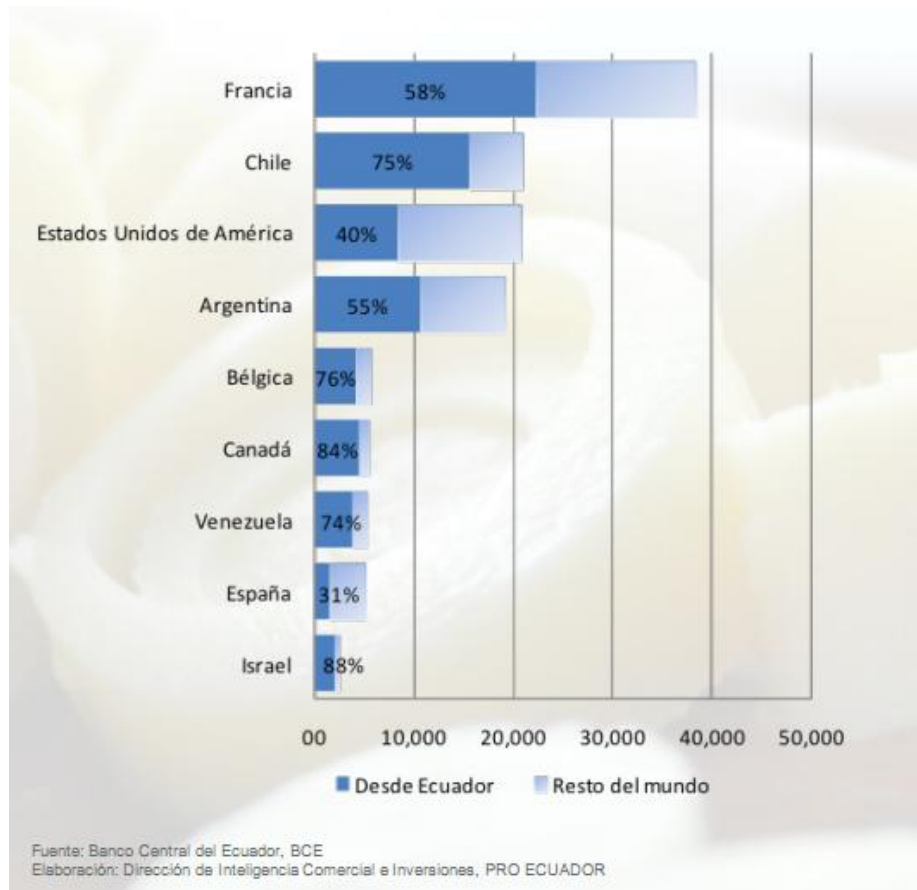
According to the sectoral analysis of Palmetto, conducted by PRO ECUADOR, Ecuador has a competitive advantage that is an experience of over 20 years cultivating palm hearts, which has allowed it to conduct research to improve the productivity and performance of this product. However, mechanisms need to be developed in order to be able to differentiate the quality of origin. (PRO ECUADOR)

1.3.3. International Participation of Ecuadorian Palmetto

Ecuador is the main supplier of canned palm hearts to the international market. For the information about Ecuadorian exports and world trade of palmetto, the tariff heading 20089100 will be considered, with the text: Palm hearts, prepared or preserved or with alcohol.

In the following table provided by the Central Bank of Ecuador and created by the Directorate of Intelligence Business and Investment PRO ECUADOR, we can see the participation of Ecuador, in regards to the total amount of palmetto imported from other countries.

Graphic #4: Participation of Ecuadorian palmetto in the imports of the top destinations

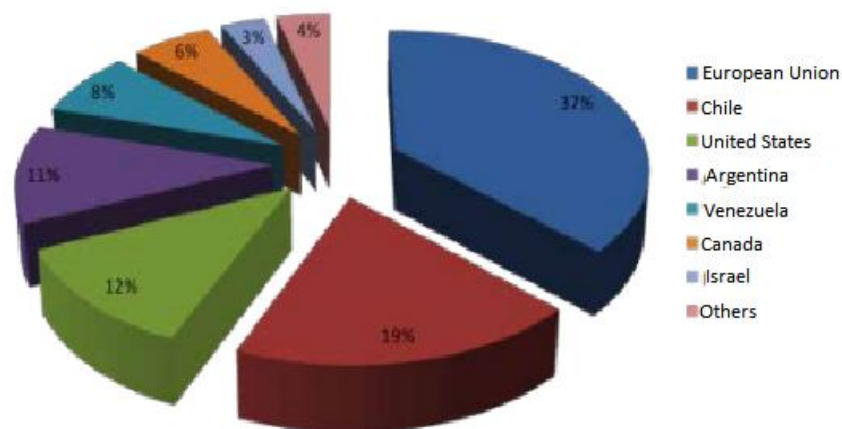


Source: PROECUADOR- SECTORAL ANALYSIS 2015 http://www.proecuador.gob.ec/wp-content/uploads/2015/07/PROEC_AS2015_PALMITO1.pdf (PRO ECUADOR)

As we can be observed, Ecuador on average has a stake of more than 50% in all major destinations, considering the total imports and the percentage of the Ecuadorian product.

The main destinations of Ecuadorian exports are:

Graphic #5: Main export destinations of Ecuadorian palmetto



Fuente: Banco Central del Ecuador, BCE
 Elaboración: Dirección de Inteligencia Comercial e Inversiones, PRO ECUADOR

Source: PROECUADOR- SECTORAL ANALYSIS 2015 http://www.proecuador.gob.ec/wp-content/uploads/2015/07/PROEC_AS2015_PALMITO1.pdf (PRO ECUADOR)

As noted in the pie chart, Ecuador exports mainly to the European Union and Chile, without excluding the significant percentage that is exported to the United States and Argentina.

On the other hand, according to Trade Map, in 2014 Ecuador exported a total of 82,056 thousand dollars, and was the largest exporter in 2014 with a noticeable difference to the following exporting countries. (TRADE MAP)

Graphic #6: Top exporting countries of palm hearts



Source: Trade Map http://www.trademap.org/Country_SelProduct_Graph.aspx (TRADE MAP)

As we can be seen in the table above, Ecuador represents the largest exporter of palm hearts according to data obtained from Trade Map, where the exports of each country are demonstrated in thousands of dollars. It can also be observed that the exporting country that follows is Bolivia, but it does not even reach an export of 20,000 thousand dollars.

1.4 Description of the microenterprise Palmitorres

1.4.1 Description of the Enterprise

Palmitorres is a microenterprise dedicated to the cultivation of palm hearts, which carries out the entire process from germination, transplanting, planting, maintenance and harvesting of palmetto, which is extracted from a tropical palm tree that contains a stem of 60 cm. of usable product for human consumption. Palmitorres is located northwest of the province of Pichincha, 140 km away from the city of Quito, in the Puerto Quito Canton. It is a subtropical area with a climate that averages around 24 degrees Celsius and is located 200 meters above sea level.

Palmitorres was born as a concern and a need because of the monopoly that exists in Ecuador among processing factories of palmetto that makes being a supplier to these factories a not so profitable business, which makes adding additional value to the product an alternative that may become profitable and complement farming.

1.4.2 Philosophical Dimension

In reference to its business philosophy, the Palmitorres microenterprise does not have a defined mission, vision, and what their strategies or their long-term goals are. However, the owner, Mr. Fabian Torres, states:

"Our vision is to ensure that processed palmetto becomes a product with demand within Ecuador, as statistics show that only 1/100 of what is produced in Ecuador is consumed internally, making processed palm hearts purely a product of export to many countries in the world. And a short-term goal is being able to process all the palmetto that is produced within the estate. 10,000 stems per month. "

1.4.3 Operational Dimension

1.4.3.1 Administrative Area

As for the administration of the microenterprise, being a family business with a small number of workers, it is difficult to establish its functional areas and positions of each worker. It is a small company in which everyone is part of each production process. However it must be stressed that the management and decision-making within it is exercised by the owner, Mr. Fabian Torres and his wife. All workers are affiliated to the IESS and their work is supervised by the owner. In addition to administrative activities, the owner is responsible for overseeing the production process.

1.4.3.2 Infrastructure of the Microenterprise

Palmitorres has a small production plant that consists of a shed of 140 m made from cement block and in which the entire production process is carried out. It also has a cellar of 150 square meters constructed of metal sheets which serves as a storage unit for the product. The total area where the microenterprise operates is 290 square meters. It should be mentioned that the established infrastructure was built with technical

standards of good manufacturing practices (GMP). Also, Palmitorres has a total of 23 hectares of plantation or farming land.

Images #1, 2 y 3 Production Plant Palmitorres



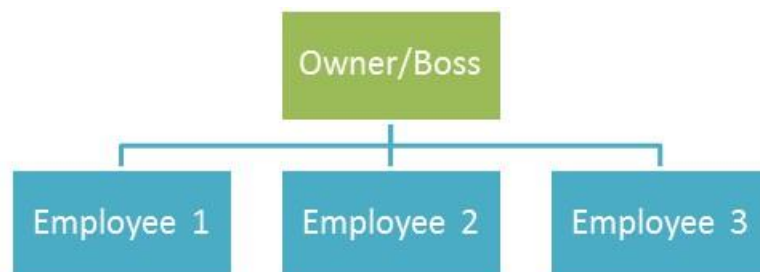


Source: Fabian Torres, owner of Palmitorres

1.4.3.3 Employees

Being a small family microenterprise, Palmitorres does not work with a large number of personnel. There are a total of 4 people that carry out the entire process and occasionally when there is increased production, 1 to 2 more people are hired for extra help. These people are workers who live in the same sector and are usually female. Employees are paid wages established by the law. Also, female workers are more commonly hired because of their greater skills and organization for this job.

Graphic #7: Organizational Flow-chart of Palmitorres



Source: Interview, owner of Palmitorres, Fabián Torres (Torres)

As we can be seen in the chart, it is a microenterprise with a very basic organization, in which the owner performs several functions and even oversees production.

Image #4: Palmitorres Worker



Source: Fabian Torres, Owner of Palmitorres

1.4.3.4 Production Process

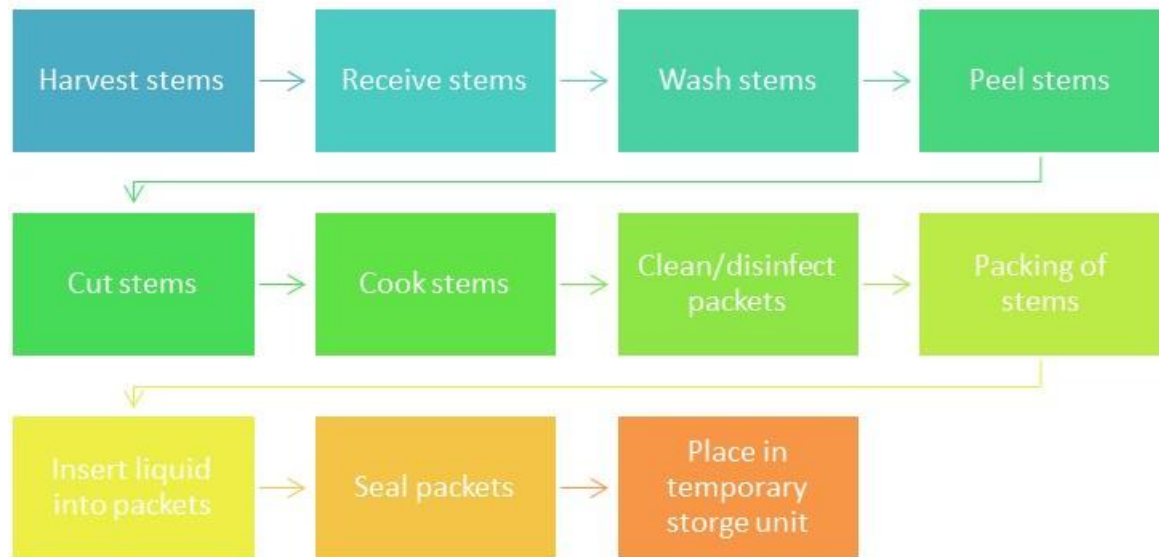
The production process begins with the reception of stems, which are harvested by two farm workers. Next, the stalks are washed and then the shell surface of the stem is peeled, resulting in 60 cm of palm heart, which is the product to be processed. All this work is done on an outside patio area of the production plant. Then the stems are brought into the plant to be chopped in segments of 10 centimeters and to be selected in order to get rid of defective stems. The following step is the cooking process of the stems, which is performed for 10 minutes after which the water being to boil.

Simultaneously in another area of the plant, another worker is responsible for the packaging process. This position is in charge of disinfecting the packages, which is done manually one by one by inserting a liquid previously prepared with water and special chemical disinfectant made for the food industry. Then the worker proceeds to introduce in each package the amount of stalks needed, either 300 gm. Or 500 gm. Next, someone else prepares the liquid that contains water, salt and citric acid in a

preset amount. Finally this liquid is placed into each package, which are plastic containers sealed with an industrial type machine sealer.

The production of the company is completely a manual process, which allows it to be classified as an artisan product. For the process, stainless steel and qualified plastic tools are used, which guarantee a better result. In addition, the staff has a uniform, apron, gloves, boots and cap to guarantee product quality.

Graphic #8: Flowchart of the production process of Palmitorres



Source: Interview, Owner of Palmitorres, Fabián Torres (Torres)

The company currently has a production capacity of 300 stems a day, equivalent to 250 packages of 300 gm. or 150 packets of 500 gm. To increase production a cooling room is required to preserve unprocessed stems, and also the addition of an industrial kitchen and an additional sealing machine is needed. With these improvements, the enterprise can double its production, however there would have to be a total of 8 workers.

The company is currently working to attain a certificate of good manufacturing practices, which would allow the company to offer their product to other supermarkets. They are also in the process of qualifying as an artisan product which will produce some benefits such as the exemption from payment of thirteenth and fourteenth salaries, as well as avoiding having to pay utilities, exemption from payment of income tax, exemption of export tax of artisan products, artisan labor protection against contractors, among others as established by the Artisan Defense Lay. (Craftsmen Ecuador). However this would imply that the microenterprise maintain their relatively low production level to be considered an Artisan-type company.

Palmitorres production is carried out according to the orders made by the buyer. Since it is a perishable product, it should not be kept in the cellar for very long since its maximum expiration date is 3 months.

1.4.3.4.1 Production Costs

In the table below, the production costs of "Palmito Tropical" for the 300 gm. package is presented.

Chart #1: Production costs of "Palmito Tropical"

Description	Cost
1.5 stems of Palmetto	\$0.45
Plastic packages	\$0.12
Label	\$0.15
Labor	\$0.25
Transportation	\$0.05
Additional inputs	\$0.05
TOTAL	\$1.07

Source: Interview, owner of Palmitorres, Fabián Torres (Torres)

As can be seen in the table, the total production cost of a pack of 300 gm. of palmetto is \$1.07. However, the selling price of Palmitorres for its buyer which is in this case La Favorita, is \$ 1.48 plus tax. It is important to highlight that the Favorita Corporation manages various chain stores such as Supermaxi, Megamaxi, Akí, Gran Akí, among others.

1.4.3.4.2 Differentiation

The product has a very high standard when it comes to texture and fibrosity of the stem which allows the enterprise to provide a great level of quality and total consumer use of the palm hearts. Additionally, the stems are selected manually for the cooking process, and this way an adequate and even cooking of the palmetto is achievable which helps maintain its crunchy characteristic, which refers to a not too soft, not too hard texture, which is what differentiates this product from the competition.

1.4.3.5 Marketing and Sales

The company product Palmitorres is presented to the market with the name "Palmito Tropical", which is offered in the following presentations that are represented by the values of its drained weight:

- Palmito Tropical whole stems 300 gm.
- Palmito Tropical sliced stems 300 gm.
- Palmito Tropical whole stems 500 gm.
- Palmito Tropical sliced stems 500 gm.

The product is offered in supermarkets, restaurants, hotels and shops of similar products, having a small initial reception of the product, that tends to improve when people begin to know more about it. It is beneficial to carry out taste tests of the product, since a major part of the population is unaware what palmetto is, and other know about it but do not know how to prepare it and include it in different dishes and foods.

1.4.3.5.1 Distribution of “Palmito Tropical”

The product is delivered to the Corporation La Favorita, which places it on the supermarket shelves through the food chain Supermaxi at various locations nationwide, considering the demand for the product. This corporation is its only customer and the microenterprise manages their sales through orders given by this entity. Palm hearts are a rarely consumed product in Ecuador and the demand that it has is thanks to the people from the upper middle class, which is why sales do not increase. Also, the company has a low production capacity which prevents it from further expanding in the national market.

Image # 5: Palmito Tropical Palmitorres on shelves, in the store where it is sold



Source: Fabian Torres, owner of Palmitorres

1.4.3.6 Financial area

Palmitorres is a small family microenterprise, which is still being established and in order for it to grow, it will need financial support. However, currently this microenterprise has no debts since the owners have self-financed the major part of this investment. For future plans that require an expansion of production, economic or credit support will be necessary, which is why the microenterprise is open to seek funding. The company currently has a very simple record of Income and Expenses and its monthly sales are between \$3,200 and \$3,500 dollars, while its input and labor costs come in at around \$1,600 dollars.

Conclusion

In conclusion, the importance of microenterprises today is evident, due to their great participation in countries around the world, especially in Latin American. Its success depends largely on the ability of micro-entrepreneurs to use new technologies and knowledge needed to invest into their businesses in order for them to grow. As for palmetto, Ecuador has a long history of planting, harvesting and marketing this product. There are many companies that perform this activity and succeed abroad because of the quality of the product they offer. Ecuador is the leading exporter of palm hearts in the world and offers its products mainly to the European Union, Chile, The United States, among others.

Additionally, as was presented above, the Palmitorres microenterprise is a small company with few workers that faces a great challenge in order to achieve internationalization, mainly because of its size and little knowledge of this process. However, according to similar cases such as the Tropical Foods case, it can be concluded that with an action plan and investment in this process, it is possible to enter new markets in a successful manner.

CHAPTER 2 - TARGET MARKET ANALYSIS: CHILE

Introduction

There are many factors that are necessary to identify and analyze a chosen destination market for a business. This turns out to be extremely important for the microenterprise Palmitorres, since it is a company with limited funds, which requires precision when choosing a possible destination for its product. The data will allow us to get to know the market that was selected and to understand how the company can achieve an adaptation of its product in the destination country.

In this chapter, first the destination country and the justification for entering this market will be determined, detailing some of its peculiarities. By identifying the host country, a general profile of this market and a PEST analysis will be presented. In addition, the tastes and preferences of consumers will be reviewed and the direct competition that Palmitorres has in this market will be established. Also, the distribution channels necessary for the product to reach the stores will be described. Finally, an analysis of the Marketing Mix will be carried out, in order to understand the 4 P's (product, price, place, promotion) in the selected country.

2.1 Justification for the selection of the market

In order to accurately determine the best destination country for a product, it is necessary to conduct a market analysis in order to be able to choose the best destination for the exporting company. After conducting a market study, it was determined that Chile is the most convenient market for Palmitorres, thanks to certain palmetto trends that the country possesses. The main reasons why Chile is a great opportunity as host country will be presented below.

2.1.1 Imports

The information obtained for world palmetto imports reveal significant information that greatly influences the decision to choose Chile as a destination country. The following tables illustrate the 5 main countries that imported palm hearts in 2010-

2014, according to the imported value and the percentage of their share in value in world imports.

Chart #2: Major importers of Palmetto, according to the values in thousands of US dollars

Importers	2010	2011	2012	2013	2014
France	38,105	43,001	40,937	40,459	38,229
Chile	12,563	15,751	17,801	21,940	21,214
United States	17,090	18,529	19,778	18,519	19,747
Argentina	14,439	17,306	18,993	19,195	17,522
Venezuela	6,287	5,906	4,943	5,024	6,731

Source: data from www.trademap.org, chart created based on this information.

Chart #3: Major importers of Palmetto, according to the percentage (%) of their share value in world imports.

Importers	2010	2011	2012	2013	2014
France	33.4	31.3	29.9	29.4	27.8
Chile	11	11.5	13	16	15.4
United States	15	13.5	14.5	13.5	14.4
Argentina	12.7	12.6	13.9	14	12.7
Venezuela	5.5	4.3	3.6	3.7	4.9

Source: data from www.trademap.org, chart created based on this information.

These charts show that the most significant markets of palm hearts are France, Chile, United States and Argentina, while Venezuela represents much lower values and percentages than other markets. Although France has the more significant global share than other countries, characteristics of the country such as its location, distance, and economic, political and social factors are incompatible with the characteristics of the

export market and specifically of the microenterprise Palmitorres, which makes the admission of the product into this country difficult. Although certain actions could be taken so that palm hearts could be commercialized in France appropriately, these would require greater efforts, which is difficult for a microenterprise to do.

However, the second largest market share in value of its imports in the world is Chile, which represents a huge opportunity as a host country for an Ecuadorian microenterprise. During the five-year period (2010-2014), the value of imports of palm hearts has grown steadily, with the exception of 2014. This indicates that the market has good prospects to act as host country for this product.

Moreover, the US is also a great option as a destination country for the Palmitorres product, but like France, its distance and other differences make the country less attractive for microenterprises. Although Argentina has a growing share value of imports over the five years analyzed with the exception of 2014, it is less than the percentage and values imported from Chile, which shows that between the two countries the Chilean market is more convenient than the Argentinian market.

The following chart represents the growth percentage in annual values of the five countries analyzed in the period 2010-2014.

Chart #4: Major importers of Palmetto, according to the growth percentage (%) in annual values.

Importers	2010-2011	2011-2012	2012-2013	2013-2014
France	13	-5	-1	-6
Chile	25	13	23	-3
United States	8	7	-6	7
Argentina	20	10	1	-9
Venezuela	-6	-16	2	N/D

Source: data from www.trademap.org, chart created based on this information.

In this chart, the increased participation of Chile as an importing country over this period can be observed, with decreases in small percentages in the years 2013 to 2014 (-3%). This demonstrated that the market of palmetto has had steady growth with minor exceptions during this period, which is an attractive aspect for Palmitorres. In contrast, France, the United States and Argentina have suffered several declines over five years and the growth rate is much more varied and less than that of Chile, which shows that this market is more stable in terms of the palmetto.

Another factor that is interesting in this analysis are the exporting countries of palm hearts towards Chile, which are shown in the following table.

Chart #5: Major World suppliers of Palmito for the Chilean market in annual values (thousands of US dollars).

Exporters	2010	2011	2012	2013	2014
Ecuador	9,733	12,041	13,137	16,357	15,979
Bolivia	2,830	3,681	4,390	5,103	4,765
Costa Rica	0	29	172	436	470
Brazil	0	0	103	0	0
Colombia	0	0	0	0	0

Source: data from www.trademap.org, chart created based on this information.

This chart shows that Ecuador is the leading exporter of palm hearts to Chile, and it has remained as the largest supplier of this product over the five years analyzed. This benefits the Palmitorres product, since it gains the prestige level that Ecuadorian palmetto has in Chile. Also, its major competition will be mainly other palm hearts products of Ecuadorian origin, which makes it easier to compete against other companies because they have the same origin and the product has similar characteristics and a similar quality.

2.1.2 Attractive Market trends

Chile is a country with a market that has made great strides and changes in recent years. Thanks to this, trade trends have been generated that benefit the sales of palmetto towards this target market. In Pro Ecuador's *Study of Canned Palmito* (2012), it mentions several trends that favor the exports of Ecuadorian palm hearts such as the increased consumption of gourmet foods, increased consumption of convenience products, a growing interest in eating healthy products, and a competitive price compared to other plants and vegetables.

The gourmet market is a growing trend today in the culinary world of the Chilean market. These products are usually processed foods considered to be "unique, sophisticated, competitive and with high quality standards" (Cárcamo Muñoz, 2014, p. 4). Thanks to the economic development of the country, the demand for these products have increased, especially among "the new generation of professionals with high incomes, with ages between 25 and 35, who have caused the gourmet market to grow, especially in Santiago and touristic cities "(Cárcamo Muñoz, 2014, p. 4). This is a very important factor in the case of palm hearts since it is considered a unique and exotic food.

The economic development that this country has gone through has caused more and more people to have less time to do housework, especially cooking. Therefore, Chileans seek different products that are simple to prepare and at the same time, that are nutritious. Palmetto is an ideal product for this market since it does not have to be cooked and it has various nutritional benefits. Finally, an increased consumption of palm hearts in the Chilean market has been observed because the selling price of other vegetable products have increased (PRO ECUADOR, 2012). These advantages benefit the adaption of Palmitorres's product in this market.

2.1.3 Characteristics of the Chilean Market

One of the most decisive factors for choosing Chile as target market is definitely the similarities it has with Ecuador and more specifically, with the Palmitorres company. Since these countries are on the same continent, Chile shares several characteristics

that makes the process of internationalization towards this market easier compared to a foreign market in other parts of the world.

One of the most convenient factors that Chile has is its proximity to Ecuador, since the distance between Guayaquil and Valparaíso is approximately 4000 km. Since palmetto is a perishable product, it is essential that the target market is a closer distance in order to reduce product losses and at the same time, reduce logistics costs. Another benefit of choosing Chile as the target market is that the product is adaptable to this market since there is no need to make major alterations to the product because the Chilean culture is similar in many ways to Ecuadorian culture, such as the language and other features that are easy to understand. Additionally, both countries share several economic, political and social aspects, which simplifies the process of internationalization, an important factor for microenterprises like Palmitorres.

2.2 Chilean Profile

3 **Official Name:** Republic of Chile

4 **President:** Michelle Bachelet. She was elected in December 2013 through parliamentary elections. However, this president already had that position between 2006 and 2010. She was the first president pro tempore of the UNASUR. (Oficina de Información Diplomática, 2015)

5 **Area:** 756,945 km²

6 **Length:** Chile has a length from north to south of 4,270 km.

7 **Geographic limits:** Chile limits to the north with Peru, to the east with Bolivia and Argentina, to the west and south with the Pacific Ocean and to the South with the Antarctic territory. Its area includes the Sala y Gómez Island, Easter Island and Juan Fernández Archipelago. Chile is considered as a tri-continental country because of its presence in South America, Oceania and Antarctica. (Oficina de Información Diplomática, 2015)

8 **Population:** 18,006,407 million people

Map #1 Map of Chile

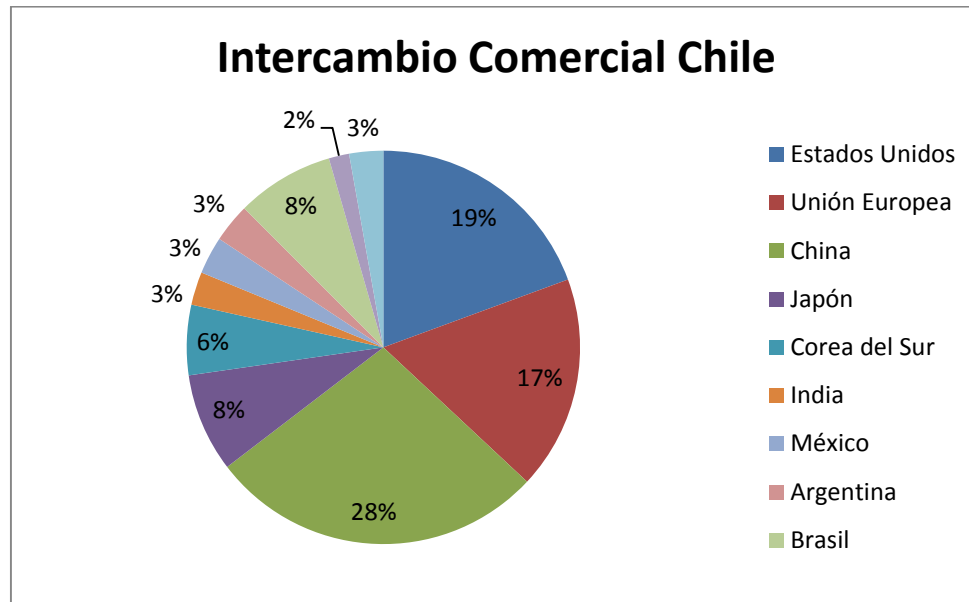


Source: Diplomatic Information Office, Country Profile: Republic of Chile (Oficina de Información Diplomática, 2015)

- **Capital:** Santiago de Chile
- **Most populated urban areas:** Santiago, Valparaíso y Concepción (CIA)
- **Language:** Spanish (official language)
- **Currency:** Chilean peso. 1 dollar = 730, 20 Chilean pesos (data January, 19, 2016) (Indicadores Chile).

- **Major Trading Partners:** the United States, the European Union, China, Japan, South Korea, India, Mexico, Argentina, Brazil, Colombia y Peru. (Ministerio de Relaciones Exteriores, DIRECON, 2015)

Graphic #9 Major Trading Partners of Chile



Source: (Ministerio de Relaciones Exteriores, DIRECON, 2015), Created based on information from this site.

- **Main ports:** Terminal Puerto Arica, Iquique, Antofagasta, San Antonio, San Vicente, Puerto de Corral, Puerto Valparaíso. (SAAM)
- **Main airports:** Aeropuerto Internacional Comodoro Arturo Merino Benítez (Santiago), Aeropuerto Internacional Chacalluta (Arica), Aeropuerto Carriel Sur (Concepción), Aeropuerto Internacional Diego Aracena (Iquique), Aeropuerto Cerro Moreno (Antofagasta), Aeropuerto Internacional Mataverí (Isla de Pascua), Aeropuerto Internacional El Tepual (Puerto Mont). (Negocios Aéreos)

This data will be further analyzed in the PEST analysis.

2.3 PEST Analysis

2.3.1 Political Analysis

2.3.1.1 Chile's Foreign Policy

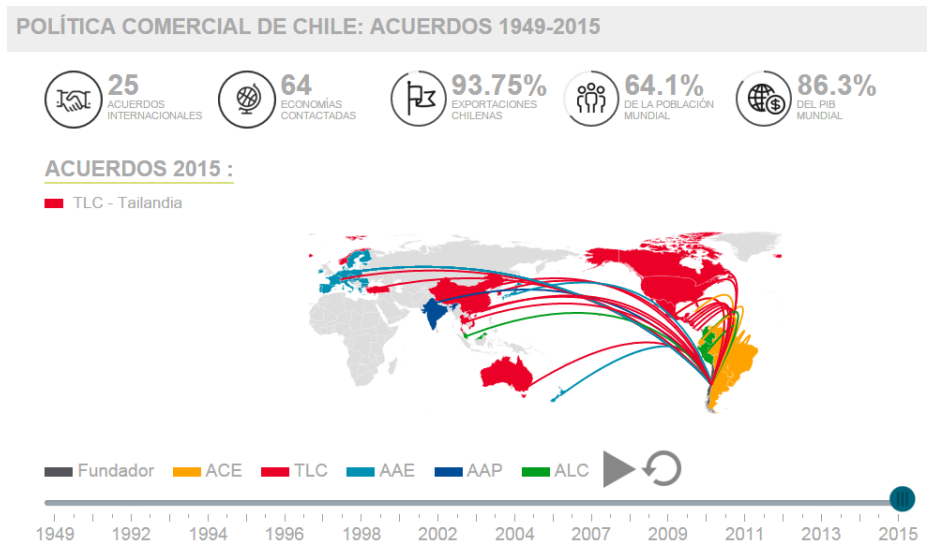
Chile's foreign policy, set by the President of the Republic, is based on the combination of the principles of the international behavior and the Chile's interests in the world. Among the principles of Chilean foreign policy are the respect for international law, territorial integrity, promoting democracy, the respect for human rights and finally the responsibility to cooperate. On the other hand, some of Chile's foreign policy interests focus on promoting the economic interests of Chile and trade partnership with other countries, contributing to the strengthening of regional integration, among others. (Ministerio de Relaciones Exteriores de Chile)

Chile also has its bilateral policy clearly established, in which the main objective is to strengthen the mechanisms of the relationship with other nations and to implement the agreements that are established in the bilateral instruments signed by Chile. Also, it intends to maintain international forums and to increase trade. (Ministerio de Relaciones Exteriores de Chile)

2.3.1.2 Trade Agreements

In both the principles and the interests of the foreign policy of Chile, its openness to trade relations with other States can be observed, always respecting the international law. In the section below, the participation of Chile through its trade agreements are presented, which include free trade, economic complementation agreements, partial agreements, strategic partnership agreements and free trade agreements.

Image #6 International agreements of Chile 1949-2015



Source: Chilean Trade Policy: Agreements 1949-2015 (DIRECON)

According to the image obtained from the General Directorate of International Economic Relations (Dirección General de Relaciones Económicas Internacionales), it can be observed that since 1949 when Chile was a founding member of GATT, there have been 25 international agreements made until 2015 which facilitate Chilean trade.

2.3.1.3 Agreements between Chile and Ecuador

Chile and Ecuador are members of the largest Latin American integration group, ALADI, which has thirteen member countries. Its constitutive and regulatory treaty is the 1980 Montevideo Treaty, in which the general principles are established as the pluralism in political and economic matters, the progressive convergence of partial actions in view of a Latin American common market, flexibility, differential treatment based on the level of development of the member countries and multiplicity in the forms of agreement of commercial instruments.

The Latin American Integration Association supports the creation of an area of economic preferences in the region, with the ultimate goal of achieving a common Latin American market through a regional tariff preference applied to products originating in member countries, compared with existing tariffs in third countries, regional scope agreements, and partial scope agreements, involving two or more countries in the area.

That is why sub-regional, multi-lateral and bilateral integration agreements are found in its legal structure that are growing in the continent and therefore the association carries out actions to support and encourage these efforts in order to create a common economic area. (ALADI)

Ecuador and Chile signed an economic complementation agreement, the APP.CE No. 32 in 1994 in which an enlarged economic area was established. However this agreement was without effect since the application of the agreement APP.CE No. 65, on January 25, 2010, which was published in the official registry of Ecuador No. 90, December 17 2009. (ALADI)

The new agreement was created because of bilateral negotiations between Chile and Ecuador to deepen the ACE No. 32 in existing disciplines such as technical barriers to trade, origin rules, sanitary and phytosanitary standards and customs matters, and even includes a new chapter with detailed solutions to disputes. (DIRECON)

2.3.1.3.1 Economic Complementation Agreement APP.ACE N°65

This agreement remains valid to this day and it regulates trade relations between Chile and Ecuador. The Agreement entered into force in 2010 and its duration is indefinite.

This agreement establishes that each party shall give national treatment to the goods of the other party, this includes the elimination of tariffs on goods and the agreement of not applying new tariffs on mutual trade of goods. Additionally, no party may adopt or maintain any duty, tax or other charge on the export of any good to the territory of the other party. No part may have any restriction or prohibition on the importation of any good of the other party or export or sale for export of any good destined for the territory of the other Party.

The agreement also establishes ways to make trade easier such as the agility of procedures, simplified customs procedures, use of technologies, facilities for the clearance of goods, customs cooperation, among others, which facilitates trade between the two countries through those preferences.

2.3.1.3.1.1 Origin Policies

The Economic Complementation Agreement No. 65 between Chile and Ecuador mentions that in order to get preferences the origin certification is required and it a period of 180 days for the implementation of the origin rules is determined, which is when the enabled entities perform the origin certification process. (DIRECON)

According to ACE No. 65 in Chapter 4 it establishes the norms for the origin rules, which emphasizes that a good shall be considered of origin when a) the good is entirely obtained or produced in the territory of one or the other Party, b) when the good is produced in the territory of either party, exclusively from materials that qualify as originating, and c) when the good is produced in the territory of one party or another, from non-originating materials resulting from a production process or transformation giving a new individuality characterized by a change in tariff classification. (ECA No. 65) However, in the case of Ecuadorian Palmetto, the clause "a" refers to the applicable rule for this case.

The origin certificate allows preferential tariff treatment granted by the customs authorities of the importing Party. The certificate of origin may be written or may be electronic. In the case of the written certificate of origin, is necessary to submit a form which can be seen in Appendix #1.

2.3.1.4 Tariff Preferences

As stated above, thanks to the Economic Complementation Agreement between Ecuador and Chile, most tariff items are exempt from tariffs, and the tariff heading of palm hearts 20.08.91 is among those exempt. Below is a table in which the level of protection that importing countries give to Ecuadorian palm hearts.

**Gráfico #10 Tariffs applied by all importing countries to Ecuador Product 200891:
Palms, prepared or preserved.**

Tabla		Mapa								
Pais importador	Año	Revisión	Número de líneas arancelarias nacionales correspondientes	Nivel de protección	Exportaciones de Ecuador hacia el país socio (valor en US\$ '000)	Equivalentes ad valorem totales	Códigos del SA6 correspondientes a la revisión del país importador	Fuente		
Burkina Faso	2015	HS12	1			20.00%	Click Here	ITC		
Burundi	2015	HS12	1			25.00%	Click Here	ITC		
Cabo Verde	2015	HS12	1			20.00%	Click Here	ITC		
Camboya	2014	HS12	1			35.00%	Click Here	ITC		
Camerún	2014	HS12	2			30.00%	Click Here	ITC		
Canadá	2015	HS12	1		3.673	0%	Click Here	ITC		
Chad	2015	HS07	2			30.00%	Click Here	ITC		
Chile	2015	HS12	1		16.298	0%	Click Here	ITC		
China	2015	HS12	1			5.00%	Click Here	ITC		
Chipre	2015	HS12	1			0%	Click Here	ITC		

Nivel de protección

- 0%
- [0 - 5]%
- [5 - 10]%
- [10 - 15]%
- [15 - 20]%
- [20 - 30]%
- [30 - 40]%
- [40 - 50]%
- > 50%

1 2 3 4 5 6 7 8 9 10 ...

Tamaño de la página: 10

Página 4 de 20, elementos 31 a 40 de 194.

Source: (Market Access Map)

As can be seen, Chile has a tariff protection of 0%, 0% of ad valorem to Ecuador for palm hearts, with a tariff heading of 200891.

2.3.1.5 Requirements within non-tariff barriers

For the import process of any kind of food two procedures must be performed in compliance with the Health Authority, SEREMI. First one must apply for a Certificate of Customs Destination and then for the Authorization of Use and Disposal of Imported Food is requested. These requests can be approved or rejected depending on whether or not the product meets the requirements or demands of the current health regulations.

2.3.1.5.1 Label Requirements

According to Article 107 of the Food Health Regulations, all food products that are packaged, stored, transported or retailed must have a tag or label containing the following information: (Ministerio de Salud)

- Food name
- Net content using the metric system units or the international system.

- Name or business name and address of the manufacturer, packer, distributor or importer of food, as applicable.
- Country of origin, it must be indicated clearly both on domestic and imported products.
- Date of preparation or product packaging date.
- Expiration date or duration of the product.
- Ingredients
- Additives
- Storage Instructions.
- Instructions of Use.
- In the case of imported products, the number and date of the resolution of the Health Service authorizing the product internment.

Also, it is necessary to consider that since 2012, the food label must include the presence of allergens or ingredients that may cause food intolerance. Also, the label must include if the product is high in fat, sugar, salt or calories. In the case of palm hearts, it is important to check sodium levels, because the sodium limit established by the Chilean Authority is 300mg per serving and those products that exceed this limit should indicate on the label that they are "high in sodium "or decrease the sodium level of the product. (PRO ECUADOR, 2012)

2.3.2 Economic Overview

One of the most beneficial aspects of Chile is its economic profile since it has strong financial and political institutions that influence the success of this country. For a microenterprise like Palmitorres, it is essential to determine the economic situation in order to determine how advantageous or risky it is to invest in this market. Below are several economic indicators that will be presented to demonstrate that the Chilean market is an attractive market for this small business.

2.3.2.1 GDP

The Gross Domestic Product shows the total of goods and services that a country produces over a given period, which determines the size of the economy of a country

in general terms (Kroon, 2007, p. 79). The following chart shows the GDP over the period 2010-2014.

Graphic #11: Chilean GDP 2010-2014



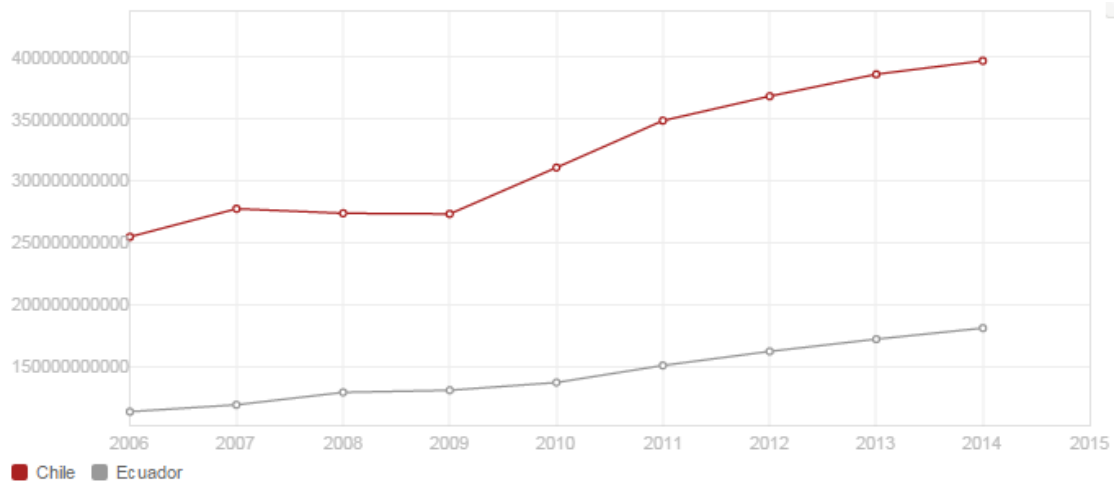
Source: www.tradingeconomics.com

At first glance, it can be observed that the national Chilean GDP has increased during this reporting period, except for a decline of 2.2% in 2014. This shows that in general, Chile has a stable economy and with growth trends.

2.3.2.1.1 GDP at Purchasing Power Parity (PPP)

"The GDP at purchasing power parity (PPP) allows the comparison between countries by eliminating distortions that create different levels of existing prices among them" (Pampillón, 2011). GDP at PPP is then the set of final goods and services produced in a country during one year in US prices (international prices), which serves as the basis of calculation for all countries.

Graphic #12: GDP at PPP-Chile/Ecuador



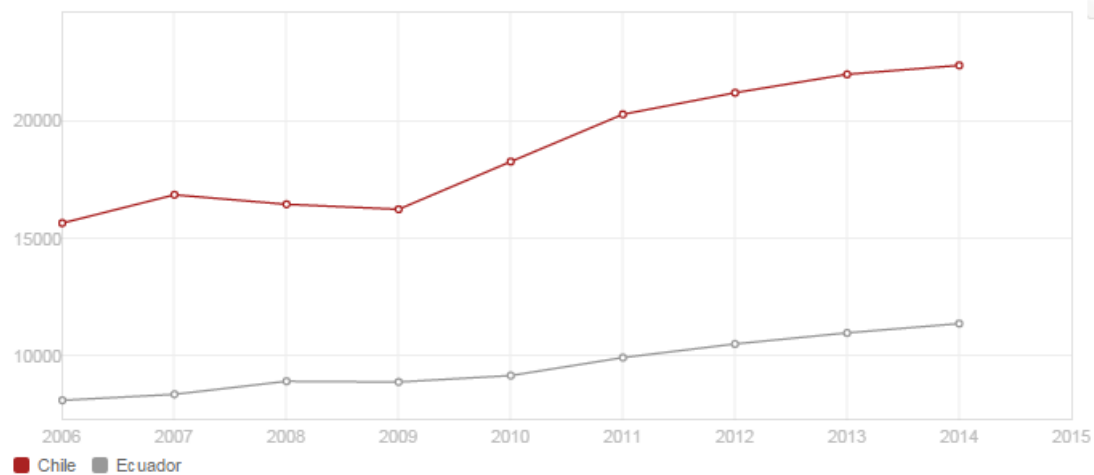
Source: World Bank

This graph shows a comparison between GDP at PPP of Chile (host country) and Ecuador (country of origin) (World Bank, 2015). As can be seen, the GDP at PPP of Chile is higher than that of Ecuador, and it maintains a growing trend. Thus it can be seen that without the distortion of prices, Chile shows that its GDP has increased and is financially stable.

2.3.2.1.2 GDP per capita at purchasing power parity (PPP)

This indicator shows GDP at PPP divided by the total population of the analyzed country, which allows us to compare purchasing power across countries without the distortion caused by the difference in currencies.

Graphic #13: GDP per capita at PPP-Chile/Ecuador



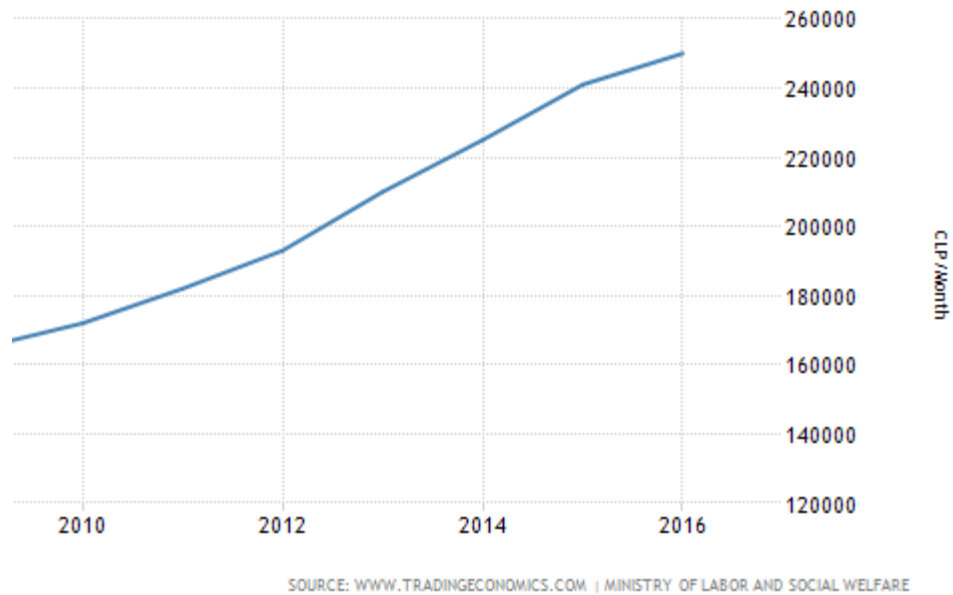
Source: World Bank

The chart shows that the purchasing power based on international prices of Chile is higher than that of Ecuador, indicating that Palmitorres has a greater opportunity for growth and success in this country compared to its country of origin. It also shows a trend of growth over the past five years.

2.3.2.2 Salary

It is necessary to determine the basic salary of a country in a given period to determine if it meets the levels of inflation. The basic salary is reviewed every year in Chile in order to cover the essential household expenses taking into account annual inflation.

Graphic #14: Minimum salary in Chilean Pesos.



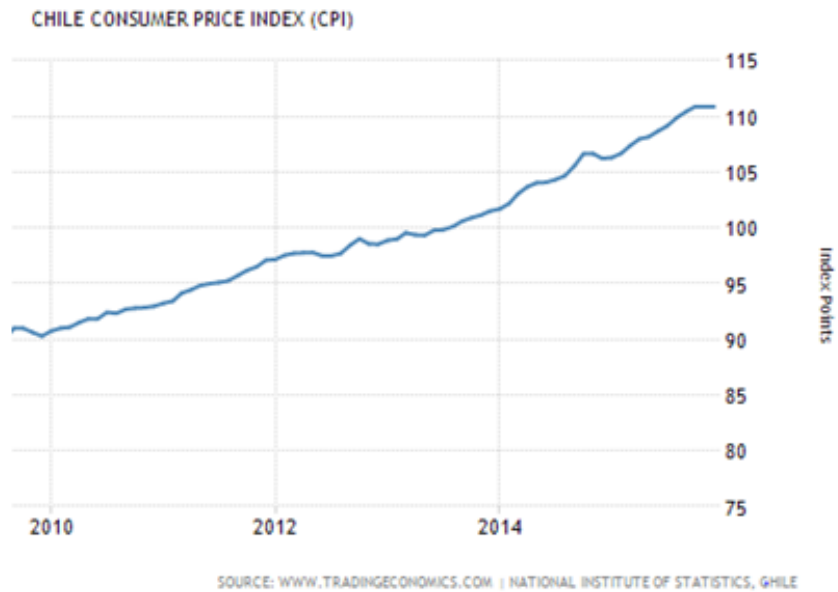
Source: www.tradingeconomics.com (Ministerio de Trabajo y Bienestar Social).

This graph shows that since 2010 the minimum wage has had a growing trend, with the main objective to adjust to rising prices in this market. In July 2015, the minimum wage was 241.00 Chilean pesos or \$337.40 (Dirección del Trabajo Chile, 2015). Currently, Chile's minimum wage is 250,000 Chilean pesos, which is equivalent to \$350.00. Therefore, it is evident that the Chilean minimum wage is constantly growing.

2.3.2.3 Inflation

Inflation can be measured by the Consumer Price Index (CPI), which determines "the price development of a defined set of products and services purchased by households for consumption in Chile. To determine inflation, the amount that the CPI has risen in percentage terms over a determined period regarding to the IPC in an earlier period is analyzed"(global-rates.com, 2015).

Graphic #15: Consumer Price Index Chile



Source: www.tradingeconomics.com

Graphic #16: Consumer Price Index Chile 2015

IPC Chile Diciembre 2015					
	Interanual		Acum. desde Enero:		Variación mensual
IPC General [+]	4,4%		4,4%		0%
Alimentos y bebidas no alcohólicas [+]	4,7%		4,7%		-0,6%
Bebidas alcohólicas y tabaco [+]	7,7%		7,7%		-0,4%
Vestido y calzado [+]	-2,3%		-2,3%		-0,5%
Vivienda [+]	6,4%		6,4%		0%
Menaje [+]	7,4%		7,4%		0,6%
Medicina [+]	6,1%		6,1%		0%
Transporte [+]	1,7%		1,7%		0,7%
Comunicaciones [+]	1,0%		1,0%		0,3%
Ocio y Cultura [+]	0,5%		0,5%		-0,2%
Enseñanza [+]	5,3%		5,3%		0%
Hoteles, cafés y restaurantes [+]	6,7%		6,7%		0,2%
Otros bienes y servicios [+]	5,5%		5,5%		0,1%
< IPC 2015-11					

Source: (datosmacro.com, 2015)

The first graph shows the increase in the CPI according to the index points of this economic indicator, indicating that the price of the basic goods basket of Chile has increased in recent years.

The second graph measures the change in the CPI from 2014-2015 and indicates that inflation is 4.4% during this period. Regarding food and non-alcoholic beverages, you can determine an increase in price inflation of 4.7%.

The minimum wage and the CPI measure can be compared to determine whether the first indicator has the ability to cover the second. In the Chilean case, to have an increased minimum wage, it can be concluded that this tends to adjust to rising prices of a basic goods basket. This shows that as prices rise, wages also rise, which turns out to be beneficial because it shows that consumers are able to adjust to the selling prices of the products or services, especially food and non-alcoholic beverages, category to which palm hearts belong to.

2.3.2.4 Trade Balance

The trade balance of a country is a significant economic indicator because it indicates whether a country has a surplus or deficit regarding the imports and exports exchanged by a given market. It is important that a country has a positive trade balance as well "domestic producers and the economy in general have greater resources to perform their activities and to develop new ones and thus to encourage and to develop the national economy" (Subgerencia Cultural del Banco de la República, 2015).

Graphic #17: Evolution of the Trade Balance in Chile 2010-2014



Fuente: Management Study Sofofa with figures from INE (Sofofa, 2015)

This graph which shows the changes in the trade balance indicates that Chile usually has a similar total of exports and imports. However, the country tends to export more than it imports, as occurred in the years 2010, 2011 and 2014. This indicates that over the years Chile has had a surplus in their trade balance, which is an advantage when investing in this market.

2.3.2.5 Doing Business

The Doing Business indicator is a ranking of countries that indicates the ease with which a country does business among 189 economies (Grupo Banco Mundial, 2015). The table below shows the ratings of Chile compared to other countries.

Graphic #18: Doing Business Ranking Chile 2015

Ranking Doing Business Chile 2015	
Categories:	2015
Classification	48
Starting a Business	58
Handling construction permits	25
Accessibility to electricity	47
Registry of Properties	55
Obtaining Credit	71
Protection of minority investors	33
Tax payment	28
Cross-border trade	62
Enforcing Contracts	56
Resolving insolvency	72

Source: Data- World Bank Group, Created based on this information.

This shows that Chile maintains a favorable position compared to other countries in the world, indicating that it has facilities for conducting business, which turns out to be necessary to maintain a stable and favorable economy.

2.3.3 Social Analysis

In reference to the social analysis of the destination market, various social indicators will be taken into account such as the Human Development Index, the Gini index and also Chilean demographics will be analyzed.

2.3.3.1 Demographic analysis

In terms of demography, the following table obtained from the National Institute of Statistics of Chile shows the population structure of the market and even makes a population projection for 2020. The data that will be analyzed will be from 2015 because is the closest to the current date year. In 2015 a population of 18,006,407 inhabitants was estimated across the country, of which 8,911,940 million were males and 9,094,467 million females.

Chart #6 Structure of the Chilean population

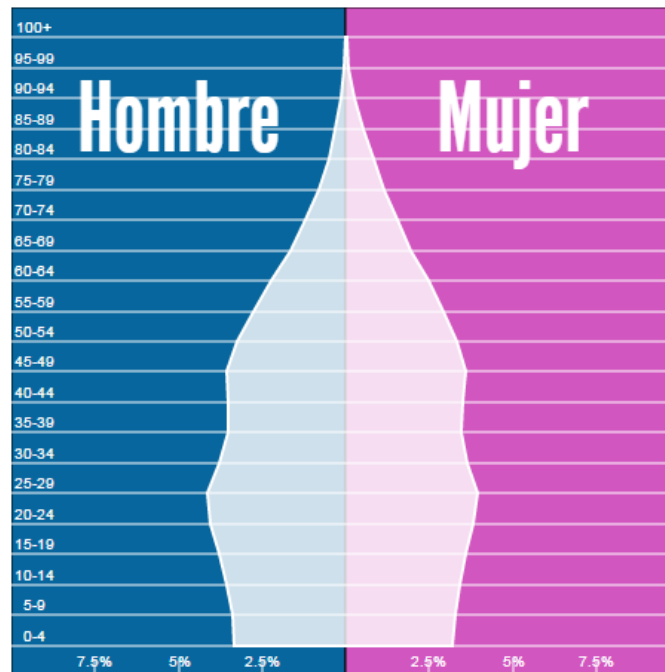
		YEAR		
		2012	2015	2020
POPULATION STRUCTURE				
Population				
	Both Sexes	17,444,799	18,006,407	18,896,684
	Male	8,635,093	8,911,940	9,350,786
	Female	8,809,706	9,094,467	9,545,898
Masculinity Index (HPMC)		98.02	97.99	97.96
Population by broad age groups				
	0-14 years	3,684,934	3,666,492	3,725,004
	15-59 years	11,368,372	11,660,005	11,899,690
	60 years or older	2,391,493	2,679,910	3,271,990
Population Percentage				
	0-14 years	21.1	20.4	19.7
	15-59 years	65.2	64.7	63
	60 years or older	13.7	14.9	17.3
Senior Citizen Index (pcm15)		64.9	73.09	87.84
Demographic Unit Index (pcppa)		53.45	54.43	58.8

Source: INE, Population Estimates and Projections 2001-2020 (INE)

We can also note that this table shows the distribution of population by major age groups, and we can observe that the most predominant group is that of 15-59 years, with 64.7% of the entire population.

Below the graphic shows the distribution of the Chilean population according to the age group and sex, represented in a population pyramid.

Graphic #19 Population Pyramid of Chile, 2015



Source: <https://populationpyramid.net/es/chile/2015/>

As can be seen in the chart, the largest population group in Chile in both men and women is 25-29 years (Piramides de Población, 2015).

2.3.3.2 Human development Index

The Human Development Index is an important indicator which is applied annually by the United Nations (datosmacro.com, 2015). Unlike indicators of economic development, this one analyzes health, education and income in each country. The HDI takes into account three variables: long and healthy life, knowledge and standard of living, which is why it is considered in the different socioeconomic analysis. In this case, Chile had an HDI of 0.832 points in 2014, which is an improvement from 2013. Here we can see a table of the evolution of the Chilean HDI in recent years.

Chart #7 Human development Index Chile 2010-2014

Chile - Índice de Desarrollo Humano		
Fecha	IDH	Ranking IDH
2014	0,832	42°
2013	0,822	41°
2012	0,819	42°
2011	0,815	44°
2010	0,808	46°

Source: (datosmacro.com, 2015)

As can be determined, Chile has improved this index over the years, and has reached a position of 42 in 2014 in the ranking of human development, being the second country in Latin America after Argentina. (datosmacro.com, 2015)

2.3.3.3 Gini Index

The Gini index is one that measures how far a distribution of income or consumption expenditure among individuals or households within an economy is from a perfectly equal distribution. In other words, it measures income inequality. Thus a Gini index of 0 represents perfect equality, while an index of 100 represents perfect inequality. In the case of Chile, it has a Gini index of 50.5 as we can see in the following table obtained from the World Bank. (El Banco Mundial)

Chart #8 Gini Index

Country name	± 2011	± 2012	± 2013	
Ucrania	24,6	24,7	24,6	
Kazajstán	27,4	27,4	26,4	
República de Moldova	30,6	29,2	28,5	
Armenia	31,3	30,5	31,5	
Montenegro	30,6	32,2	33,2	
Irán, República Islámica del			37,4	
Georgia	41,6	41,4	40,0	
Estados Unidos			41,1	
Uruguay	43,4	41,3	41,9	
Argentina	43,6	42,5	42,3	
El Salvador	42,4	41,8	43,5	
Perú	45,5	45,1	44,7	
República Dominicana	47,4	45,7	47,1	
Ecuador	46,2	46,6	47,3	
Bolivia	46,3	46,7	48,1	
Paraguay	52,6	48,2	48,3	
Costa Rica	48,6	48,6	49,2	
Chile	50,8		50,5	
Panamá	51,8	51,9	51,7	
Brasil	53,1	52,7	52,9	
Colombia	54,2	53,5	53,5	
Honduras	57,4	57,4	53,7	
Filipinas		43,0		

Source: (El Banco Mundial)

The chart indicates that Chile has a high level of inequality in income. However it is not far from the other countries of the region.

2.3.4 Technological situation

In today's world, the technological development of a country is a key factor to consider before investing in any given market. Nowadays, technology facilitates communication and foreign trade processes in general, so it is essential that a country

develops its technological capabilities, which means that a country should innovate and to absorb new technologies (Luggones, Gutti, & Le Clech, 2007).

According to the annual rate of preparation on networks (NRI), Chile holds the # 38 position among 143 economies, which shows that Chile is leading the technological revolution in Latin America (Cann, 2015). This indicator shows the ability of countries to prepare for ICT and implement them. This is a big advantage when exporting to this market, since the processes and procedures of foreign trade will be much more agile and secure.

2.3.4.1 Technologies related to International Trade

Since 2014, the Chilean government has operated the Integrated Foreign Trade System (SICEX). This system "is a broader, modern and efficient version of the Single Window System ... and whose main objective is to simplify and automate trade processes, reducing time and costs of procedures for importing and exporting" (DeLogística, 2014). The goal of this system is to reduce the time of import / export from 22 to 11 days and to eliminate trade barriers and bureaucratic processes. It also seeks to encourage the use of the system by SMEs, reducing the use of paper and replacing it by the use of technologies.

Chile is implementing a more advanced customs system than that which Ecuador currently uses (Single Window System). This indicates that exports to that target market can be handled more easily and quickly. The use of technology is at very good level in Chile, which benefits exports to this country.

2.4 Analysis of tastes and preferences

2.4.1 Market segmentation

The National Institute of Statistics of Chile (INE), made a projection of the Chilean population for 2015 where a population of 18,006,407 inhabitants was estimated. This amount of inhabitants is spread over 15 regions in which Chile is divided. According to the data, the most populated regions are: Region Metropolitana (capital), Biobío and

Valparaíso, which have a percentage of more than 10% of the total population. However it must be noted that 40% of the population is in the Region Metropolitana.

Chart #9 Market segmentation by regions

Urban Center	N° inhabitants 2015	Percentage
Arica y Parinacota	239,126	1.33%
Tarapacá	336,769	1.87%
Antofagasta	622,640	3.46%
Atacama	312,486	1.74%
Coquimbo	771,085	4.28%
Valparaíso	1,825,757	10.14%
Región Metropolitana	7,314,176	40.62%
O'higgins	918,751	5.10%
Maule	1,042,989	5.79%
Biobío	2,114,286	11.74%
Araucanía	989,798	5.50%
Los Ríos	404,432	2.25%
Los Lagos	841,123	4.67%
Aysén	108,328	0.60%
Magallanes	164,661	0.91%
Total inhabitants	18,006,407	100.00%

Source: INE, E Population Estimates and Projections 2001-2020 (INE) Created based on data from this source.

Among the most important cities of the previously mentioned regions we can find Santiago de Chile (capital), Concepcion and Valparaíso.

2.4.2 Geographical location of the demand

As seen in the above tables, the regions with the highest number of inhabitants are: Region Metropolitana, Bio Bio and Valparaíso, because they cover 62.5% of the total population of Chile. In these regions greater opportunities appear for the trade of palmetto. However it is necessary to consider the Region Metropolitana as the main location of the demand because this region is an important center of economic activity and business, as well as considering the high purchasing power possessed by its

inhabitants. That is why many of the new products are offered in the capital and then they expand into other regions.

2.4.3 Patterns of consumption

Palm hearts have historically been considered as a gourmet product that was usually consumed on special occasions like dinners, cocktails or significant events. However, many factors have contributed to the more frequent consumption of the product especially in Chile, where healthy foods are being incorporated into the daily diet.

Since a few years ago a noticable worldwide natural trend as started. The world is increasingly aware of the importance of maintaining good eating habits beyond the calories of each food. A study by the Office of Agricultural Studies and Policies of Chile, details changes in dietary consumption of Chileans, which considered that healthy foods have been inserted in the daily diet of Chileans in the last 10 years. One of the causes of the change in eating habits is the average growth of the GDP of 4.7% in the last 10 years, reflecting higher per capita income for food consumption of better quality, so the Chilean market it is becoming more demanding of health, quality and food safety. (Ministerio de Agricultura, 2014)

Another feature that favors the increase of palm consumption is its presentation because as it is preserved, easy to prepare and destined for direct consumption without cooking which favors households that look for ready to eat products. In Chile, the increasing incorporation of women into the workplace and the incorporation of developed countries trends have contributed to making "ready to eat" foods more popular. (PRO ECUADOR, 2012)

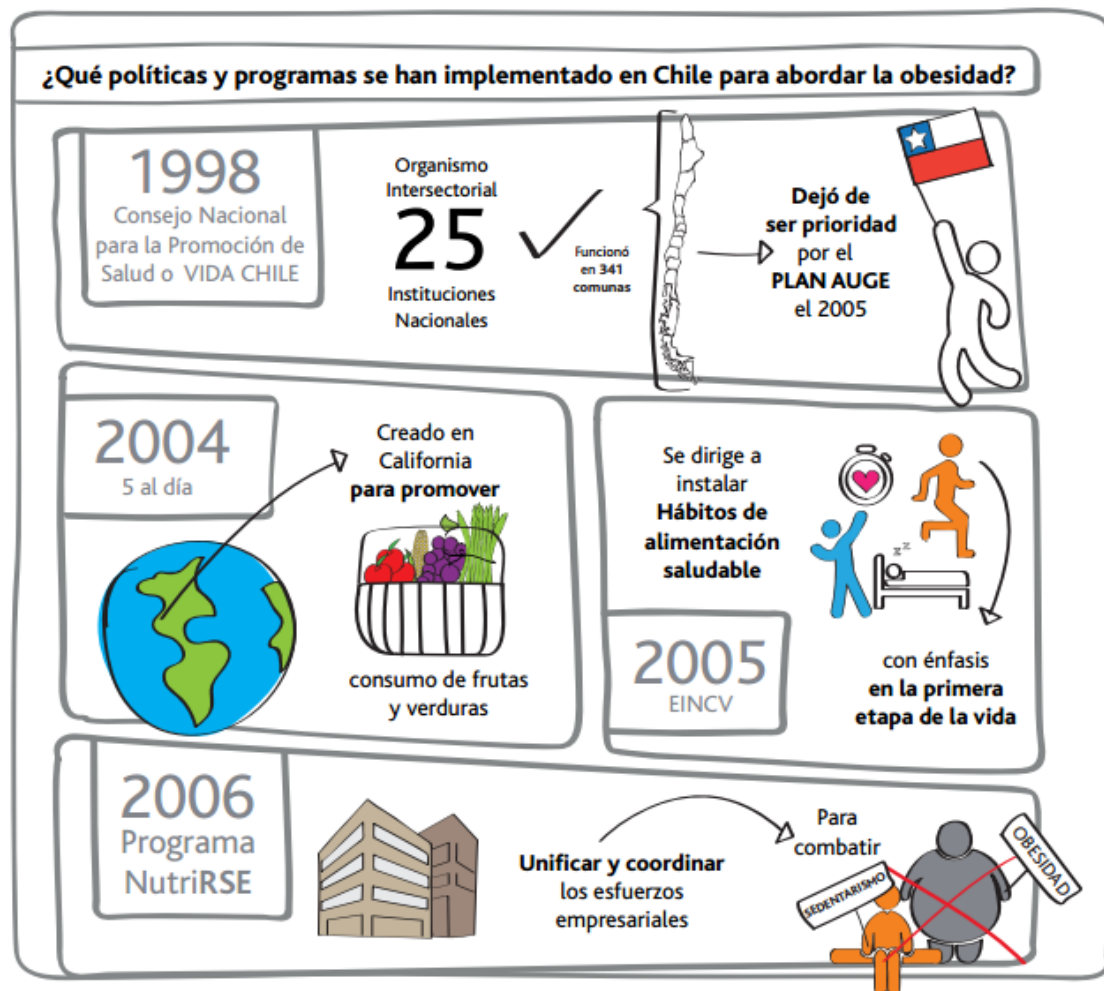
2.4.4 Consumer Profile

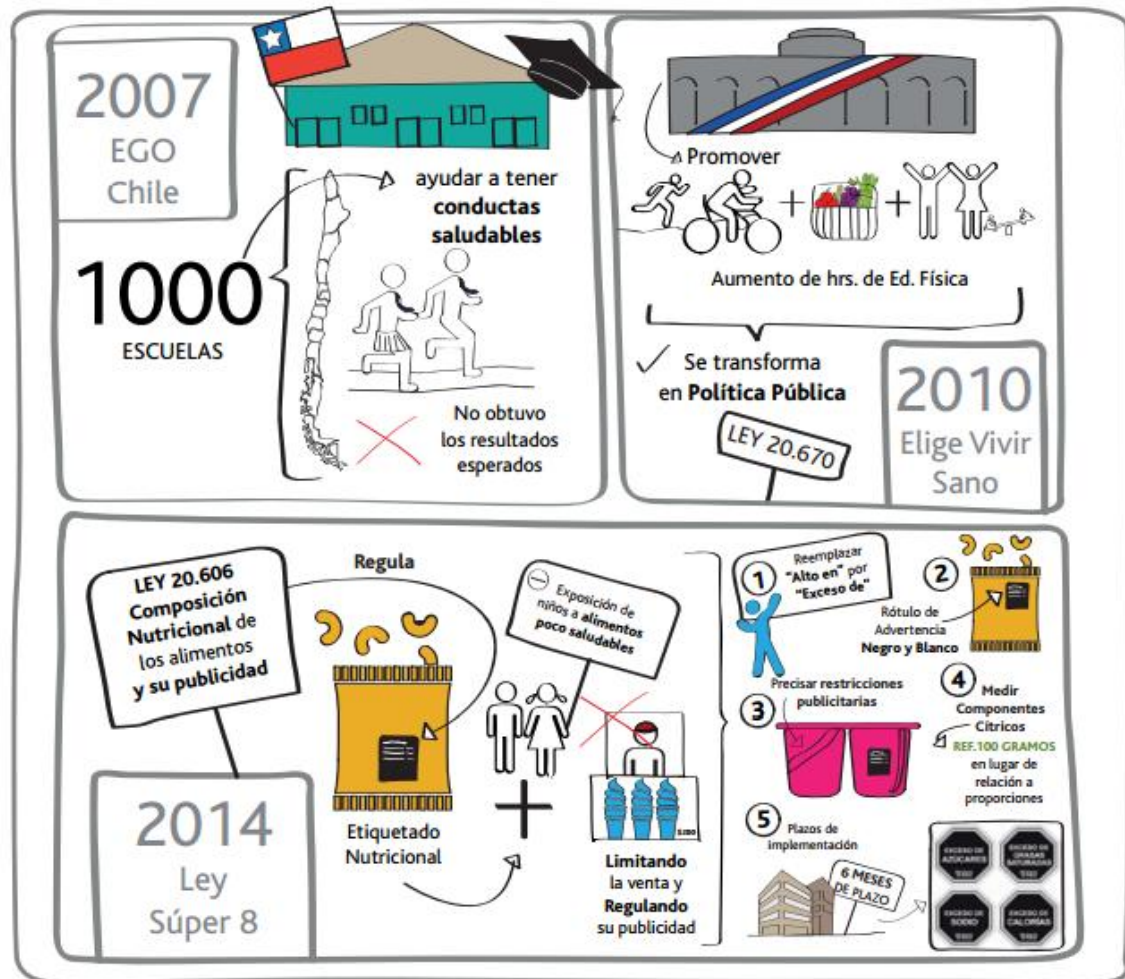
As mentioned above, there is a clear tendency to consume healthy and ready to eat foods. Chilean consumers are increasingly concerned about good nutrition, watching their weight, they are more aware of the problems of obesity, among others. Even the Chilean government in recent years has developed campaigns for a healthy lifestyle which includes a healthy diet. One of the most recent examples is "The dish of your life"

campaign launched by the Chilean Ministry of Health that seeks to promote healthy eating and thus reduce levels of obesity in children. (Gobierno de Chile, 2015)

A study conducted by Fundación Chile and Gfk Adimark called Healthy Chile, states that Chile has very interesting opportunities to promote the development of healthy food, the food industry and to become a center of innovation worldwide. (Fundación Chile, Adimark Gfk, 2014) Below are the policies and programs implemented in Chile against obesity in chronological order.

Image #7 Chilean policies against obesity





Source: Healthy Chile: Opportunities and Challenges for Innovation (Fundación Chile, Gfk Adimark, 2014)

2.4.5 Consumption patterns and buying motives

According to a study conducted by ACNielsen about changes in the consumption of the Chilean market it was determined that 42% of Chileans are guided by the price of the product at the time of purchase, so the deals are important. However, 68% of Chileans has at least one credit card. Price is still a decisive factor in the purchase decision but also the quality, durability and service is considered. (Santander Trade Portal)

It is also necessary to consider that the most important distribution channel in Chile is through supermarkets. Traditionally these have been dedicated to the sale of consumer goods, but from the nineties it begins to produce a change in the world, mainly

characterized by the increasing market concentration, a strong rise of the hypermarkets and a sustained policy of low prices for consumers. This change is caused by several factors; in the case of supply, the use of new technologies allows the expansion of hypermarket chains, while in the case of the demand, the use of time is increasingly scarce due to the increasing participation of women in the labor world, leading them to prefer eating in a places where they can find as many items in the same place. (Pontificia Universidad Catolica de Valparaiso, 2012)

2.4.6 Presentation features of the product by distribution channels

In all distribution channels, palmetto can be found preserved and with different brands that are marketed in Chile. This product is offered in two forms, whole hearts of palm and sliced palm hearts weighing approximately 400g and 800g.

2.4.7 Substitutes and complementary products

In Chile, other than the different brands of palmetto that are marketed, there is no direct substitute product for palm hearts. But there are complementary products that can be considered that are consumed in the same way as palm hearts and on the same occasions such as baby corn, asparagus and artichokes. These complementary products are mostly imported with various brands and have a similar presentation and price. The following data was obtained from the website of Deyco (Deyco), one of the most sold retailed brands in Chile:

- **Baby corn:** Miniature corn or "baby corn" is a very popular Asian vegetable, its size is 9 to 10 cm long and 1.5 cm in diameter, it is are from Thailand and China. They are sold in Chile in presentations of 400gr to 425gr approximately depending on the brands that they are distributed by and they have a cost between 980 and 1310 Chilean pesos equivalent to \$1.37 and \$1.83.
- **Asparagus:** This product comes from Peru, and it is marketed in two varieties, green and white asparagus. Its presentation can be canned or in glass containers with an approximate weight between 230 g and 425 g. The more commercialized brand is Deyco at prices between 1480 and 2070 Chilean pesos equivalent to \$2.07 and \$2.90
- **Artichokes:** Artichokes are a vegetable product produced in Chile. It is marketed in two forms, quartered and artichoke hearts. Its weight varies between 280 g and 400 g. and its cost is between 1940 and 2150 pesos, equivalent to \$2.72 and \$3.01.

2.4.8 Competition

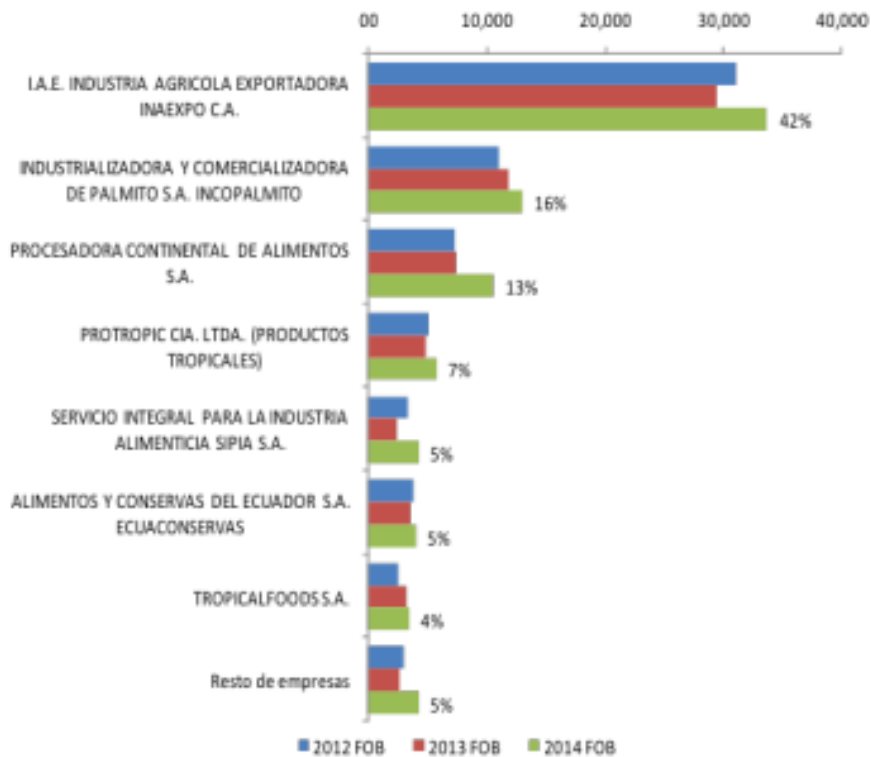
2.4.8.1 Main Ecuadorian exporters of palm hearts

Since Ecuador is the leading producer and exporter of palm hearts to the world, it has many companies of various sizes which are engaged in the sale of this preserved

vegetable. Most of these companies extend their sales to international markets between France, Chile, United States and Argentina.

Here we can see a graph with the participation of the leading Ecuadorian exporting companies of palmetto.

Graphic #20 Participation of the leading Ecuadorian exporting companies



Fuente: SENAE

Elaboración: Dirección de Inteligencia Comercial e Inversiones, PRO ECUADOR

Source: Canned Palmito Sector Analysis (PRO ECUADOR, 2015)

As can be seen, the most representative companies according to their exports are: INAEXPO C.A, INCOPALMITO, Procesadora Continental de Alimentos, PROTROPIC CIA. LTDA, SPIA S.SA, Ecuaconservas y TROPICALFOODS S.A. However we can see that the largest share in exports, with 42% is the Industria Agrícola Exportadora INAEXPO C.A.

2.4.8.2 Product Importers

Below the main Chilean companies that import palm hearts are presented, with their respective information of their products, their supply chains and its main brands under which they present the product. The main companies were chosen considering the brands that are circulating in the Chilean market.

2.4.8.2.1 CENCOSUD S.A

This company is one of the largest and most prestigious retail conglomerates in Latin America. It has different business units in Argentina, Brazil, Chile, Peru and Colombia. In Chile, this conglomerate operates two supermarket chains, Jumbo and Santa Isabel, which cover the country with first class products and excellent service. (Cencosud)

Image #8 Supermarket Logos CENCOSUD SA.



Source: (Cencosud)

Both supermarket chains have a very good presence in Chile and they offer the market a variety of products. However in the case of Jumbo, palm hearts are marketed under its brand. For more information its website can be accessed at <http://www.jumbo.cl/>.

2.4.8.2.2 WALMART Chile

Walmart Chile is one of the major players in the retail sales industry in the country. Its main activity corresponds to the sale of food products in supermarkets and at an affordable price. It has 329 stores in 4 supermarket chains that are distributed throughout the national territory. Below are the different supermarket chains.

Image #9 Supermarket Logos WALMART Chile



Source: (Walmart Chile Inmobiliaria)

All four chains aim to offer food at low prices everyday. LIDER are large supermarkets that are located on major roads and avenues to attract more customers. Express lider is smaller but the proximity to their consumers and its ease of access makes it successful. Super bodega Acuenta has had a very rapid growth in recent years and is highly valued for its low prices. Finally ekono, with 127 shops across the country offers a variety of food products with a high share of own brands. (Walmart Chile Inmobiliaria) In the case of palm hearts, it is imported by this company and is marketed under the LIDER brand.

2.4.8.2.3 WATTS/WASIL S.A

It is one of the leading food companies in the country with prestigious brands and a wide variety of products. It has a strong market position. Nowadays, it has strongly positioned brands in the domestic market such as Watt's, Loncoleche, Calo Wasil, Chef, Belmont, Sureña, Yogu-Yogu, among others. The Watt's products are present throughout Chile thanks to the production plants, sales offices and distribution centers located throughout the country. (Watt's) When it comes to palm hearts, it is imported and marketed under the Wasil brand.

2.4.8.2.4 DEMARIA S.A.

Demaria S.A. is a company that has been in Chile since 1986, characterized by providing hygiene and cleaning products to the Chilean market. However among its

brands it is DEYCO, a brand of high quality canned foods. Among them are fruits, vegetables and seafood. (Deyco)

2.4.8.2.5 ACONCAGUA FOODS

This company has produced foods and ingredients based on fruits and vegetables for more than 100 years for the food industry. It has a wide range of products: canned fruits, canned vegetables and fruit cups. Aconcagua commercializes imported palm hearts under its own brand. (Aconcagua Foods)

2.4.8.3 Characteristics of the competitions products

Below is a table with all major brands of palm sold in Chile, with its presentation features and prices.

Chart #10 Major palm brands marketed in Chile in Chilean Pesos

Whole palm hearts LIDER	400gr - \$1520
	800gr - \$2760
Sliced palm hearts LIDER	400gr - \$930
	800gr - \$2390
Cresant-shaped palm hearts LIDER	400gr - \$920
	800gr - \$2180
Whole palm hearts WASIL	400gr - \$1550
	800gr - \$3240
Sliced palm hearts WASIL	400gr - \$1240
	800gr - \$2720
Whole palm hearts DEYCO	410gr - \$1590
	810gr

Sliced palm hearts DEYCO	410gr
	810gr
Chopped palm hearts DEYCO	410gr - \$1090
	810gr
Whole palm hearts Aconcagua	400gr
	800gr
Sliced palm hearts Aconcagua	400gr
	800gr
Whole palm hearts Esmeralda	400gr - \$1750
	810gr - \$3390
Sliced palm hearts Esmeralda	400gr
	800gr
Whole palm hearts JUMBO	400gr - \$1299
	800gr - \$2699
Sliced palm hearts JUMBO	400gr - \$1299
	800gr - \$2699

Source: Several sources of Chilean supermarkets.

As can be observed, different brands offer palm hearts in two presentations, whole and sliced, but it can be noted that brands such as LIDER and DEYCO also offer the product in crescent forms and in chunks. The weight the product is generally offered in is 800g and 400g and its prices vary by brand and by the place where they are purchased.

2.4.9 Purchase Conditions

As was determined earlier, even though in Chile all palmetto is imported, it is not marketed under Ecuadorian brands, so it can be concluded that one of the conditions for importers is to market the product under their own brands and introduce it through various distribution chains

Issues such as packaging, volume and all sale conditions such as price, product features, transportation, among others, should be negotiated directly with the importer. It is necessary to leave the purchase and sale conditions clearly written such as the Incoterms, and the details of the bill, to have evidence in case of possible problems and it is even recommended to write down the means of resolution of a dispute if one arises.

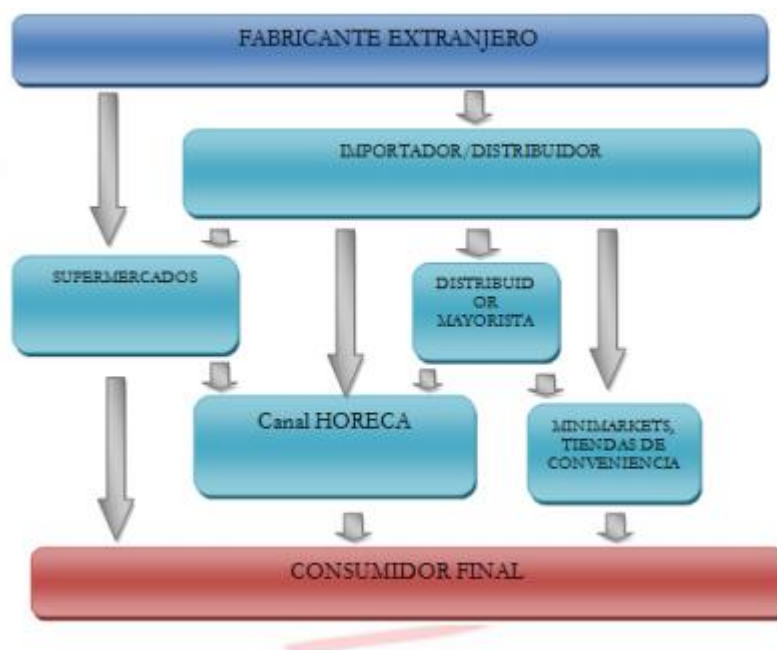
2.4.10 Terms of Payment

Concerning the payment terms, the exporter must negotiate the payment terms of its products taking into account the level of trust that they have with the importer. There are several forms of payment but according to a study by Pro Ecuador, the most used forms of payment in Chile are letter of credit, foreign billing and cash payment. (PRO ECUADOR, 2012)

2.4.11 Sales and Distribution

2.4.11.1 Main distribution channels

Graphic #21: Palm Distribution Channels in Chile



Source: PRO ECUADOR, 2012.

This graph presents the palm heart distribution channels in the Chilean market, which will be described below:

2.4.11.1.1 Importer / Distributor:

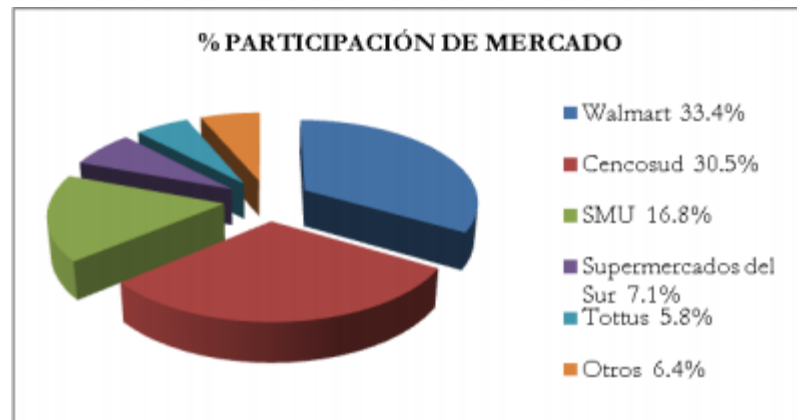
This part of the distribution chain consists of companies that import and distribute products in Chile, whose work includes all handling of the product, from its import up to its sales points. These companies have the task of internal customs formalities, and also they handle the storage and the management of the product sales (PRO ECUADOR, 2012). It is who assumes the entire risk of the process in Chile. Regarding palmetto in Chile, importers have chosen to create their own local brands instead of use original brands from foreign manufacturers.

2.4.11.1.2 Supermarkets:

The supermarket channel has experienced a remarkable growth in the last ten years, thanks to the increase of stores (PRO ECUADOR, 2012). In 2012, there was 1,115 supermarkets and almost 50% of them were in the city of Santiago. There is a high

concentration of the supermarket industry, since the 88% of the market belongs to 4 large chains. The following chart shows the distribution.

Graphic #22: Distribution of the supermarket chains participation



Fuente: Asociación Gremial de Industrias Proveedoras (AGIP)

Source: AGIP in ProEcuador.

Supermarkets in Chile usually do not import directly from foreign markets, because they prefer to avoid making import procedures and to manage warehouses with large stocks. However the case of the palm hearts is an exception, since supermarket chains import directly with their own brands, but there is a possibility that in the future they will prefer to use a local importers to distribute as a nationalized product.

2.4.11.1.3 Wholesalers:

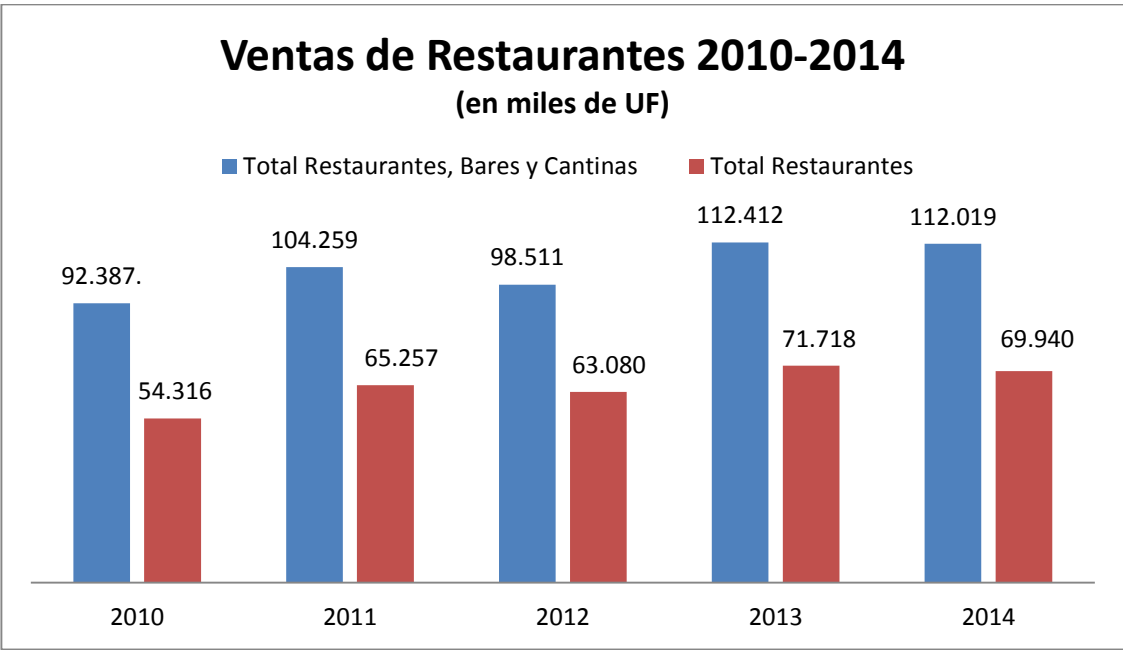
They are companies that focus on the process of commercialization and logistics of various foods and other products. Generally food wholesalers focus on large chains and are concentrated in a few large companies, as Adelco, Rabie, Promerco, and SMU (PRO ECUADOR, 2012). Typically, these distributors prefer to handle massive brands, leaving aside specialty products with small volumes. In addition, wholesalers usually do not import products in order to avoid commercialization procedures and logistics of imported products.

2.4.11.1.4 HORECA channel

The HORECA channel (Hotel, Restaurant, and Catering) is composed of companies that prepare and serve food to people or institutions (PRO ECUADOR, 2012). According to

statistics from the Internal Tax Service of Chile in 2014 there were 38,713 businesses within the category of Restaurants, Bars and Cantinas (Servicio de Impuestos Internos Chile, 2015). Regarding specifically to the restaurants, there were around 16,332 establishments.

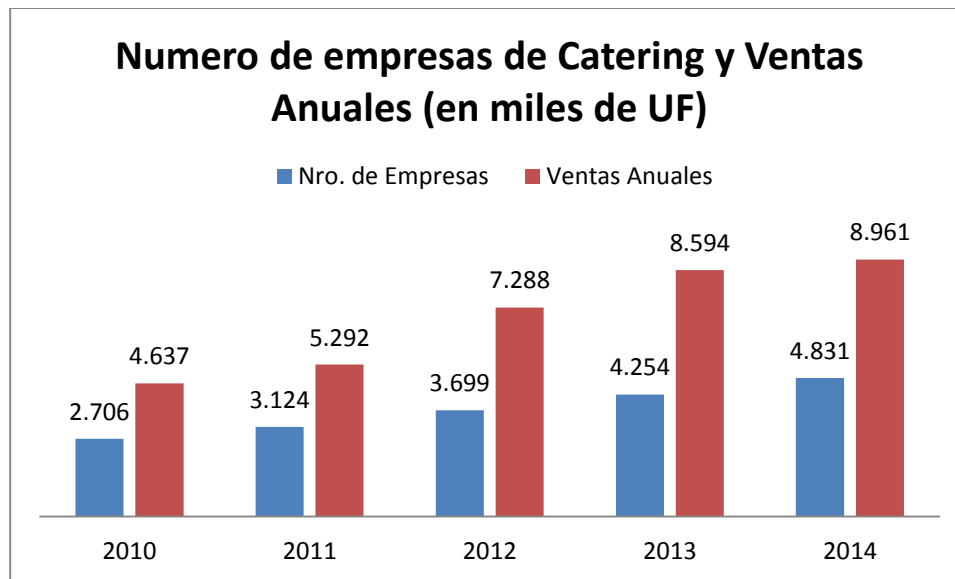
Graphic #23: Restaurants sales 2010-2014



Source: Internal Revenue Service, 2015, graphic made based on this information.

This graph shows the sales of restaurants, bars and canteens and restaurants as a group as well as individually in thousands of units of Foment (UF) (PRO ECUADOR, 2012). As can be observed, the sales of both categories have steadily increased, with the exception of 2012. Another relevant observation is that in all the analyzed years, restaurants represent the majority of the sales of the business of the category composed of restaurants, bars and canteens, indicating that restaurants are the most lucrative business within this category. Regarding to the Catering category, the number and sales of this companies have successively increased during the 2010-2014 period.

Graphic #24 Number of Catering companies and Annual Sales



Source: Internal Revenue Service, 2015, graphic made based on this information.

It is important to note trends that occurs in both categories since palmetto is a product that is used very often in both types of services. Therefore, while the number of sales and the establishments of these businesses increase, it is likely there will be an increase in the use of palm heart.

2.4.11.1.5 Convenience stores and minimarkets:

This type of establishment has a low participation among the Chilean population. These stores together total about 600 sales points, being the main players Ok Market and Big John. These stores usually sell one or two palmetto brands in their small presentations, which are usually obtained directly from importers or wholesalers. (PRO ECUADOR, 2012)

2.4.11.2 Additional taxes for market insertion

Since in Chile importers of palm hearts operate under its own brands and are responsible for all import and distribution procedures they assume all costs related to the sales channels (PRO ECUADOR, 2012). For this reason, it is important that the selling price to the Chilean importer is competitive so that they can cover other costs, achieve a margin of profit and also to have a competitive price.

Below are the most common additional charges that importing palm heart companies in Chile must pay for. These additional fees are based on a range of approximate and referential costs:

- a. **Introduction of new products:** A single fee is charged for the introduction of new products to the chain stores and also for the exhibition of products in supermarkets. The value is charged per SKU (stock keeping unit) or specifically by the store and it varies between 2 and 10 UF or between \$90-450 (PRO ECUADOR, 2012).
- b. **Centralized distribution:** It refers to the cost of handling, distribution and transport from the distribution center to local sales. A rate of approximately 4-8% of the value of the products is charged.
- c. **Distribution or Freight Shipping to Regions:** It is equivalent to the cost of the transport service of products from a distribution center to supermarkets located in other regions.
- d. **Rappel:** It refers to a rate charged in supermarkets for temporary or additional exhibition at strategic locations within the premises and / or the catalog publication. Its price ranges from 10-18% of the invoice value of the products.
- e. **Devolution, Mermas, or Merma Cero:** It is the charge for mature products that have flaws in packaging, and other product defects that prevents it from being sold to the consumer. This rate is between 3-5% of the invoice value of the product.

2.4.11.3 Modes of Transportation and transit time

In order to transport the palmetto from its origin country to its destination country, in other words from Ecuador to Chile, maritime transportation is used (PRO ECUADOR, 2012). This is due to the volume and weight of the product, the short duration of travel between the two countries, and because of the lower cost. The shipping companies that are most commonly used are: Compañía Chilena de Navegación Interoceánica (CCNI) y Compañía Sudamérica de Vapores (CSAV). The most common arrival ports include San Antonio, Valparaiso and Coronel. The average transit time from Ecuador to Chile by this route ranges from 8-15 days.

There are several logistics companies that handle land transport and storage, which are employed by importers, since in most cases the sale is made under the CIF mode. As for product samples, these can be managed by Courier companies or mail.

2.4.11.4 Business opportunities: Seasons with an increased demand

There is no marked period in which palm hearts are specifically consumed in large quantities in Chile (PRO ECUADOR, 2012). However, because the product is commonly used in salads, cold and uncooked, it tends to increase its consumption in the spring and summer (September to March).

For its use in special meals with elaborate preparation, consumption also increases during the last months of the year thanks to holidays like Christmas and New Year, and usually when there are other significant holidays. In addition, companies usually give a can of palm hearts in Christmas baskets given to their workers, which increases sales.

2.4.11.5 Perception of the Ecuadorian Product

Overall, the Chilean population perceives goods from Ecuador as good quality products with excellent presentation (PRO ECUADOR, 2012). The Ecuadorian product is also considered as a well-known item, because many products from this country such as tuna, flowers, and bananas, among others are consumed in Chile. As for palmetto, since Ecuador is the leading producer worldwide, the product is associated with optimal quality, and with producers and exporters of high prestige and formality.

2.5 Marketing Mix

The marketing mix refers to a tool implemented with the final purpose of meeting goals by combining controllable elements by a company (Novoa, 2009). These include the product, price, place and promotion. Through an optimal mix of these elements, a company can achieve a positive answer from its product or service in the target market, in other words the company can manipulate these elements in a way that increases the demand of its product. Thanks to a good use and practice of the 4p's, a company can be managed in "a planned way to meet consumer needs and achieve mutual benefit" (Novoa, 2009).

Next, the Marketing Mix that Palmitorres will apply will be presented.

2.5.1 Product

Currently, Palmitorres handles the entire production process of its product, from planting and harvesting to the selection process, cooking, putting the product in their package and other previously mentioned processes. Because it is produced in an area which produces palm hearts with high quality standards, it has features that allow the product to be desired in the Chilean market. However, it is worth mentioning some suggestions proposed by Pro Ecuador in its study of palm hearts in the Chilean market in order to know the best and the most effective ways to succeed in the analyzed market.

In this study, Pro Ecuador recognizes the opportunity presented by Chile as a target market for Ecuadorian producers of palmetto. However, the study mentions that "it is recommended that producers evaluate alternatives to add value to the product" in order to "introduce more differentiation in the product and make it less generic" (PRO ECUADOR, 2012). This institution recommends adding value to the product, instead of just exporting canned palm hearts. Among its suggestions, it mentions that an enterprise can add other ingredients to the palm hearts, combine it with other vegetables or pack them as a ready to eat salad. It also proposes that companies could develop cocktail sauces made with the product, and even suggests that companies could develop palm heart chips.

Additionally, Pro Ecuador highlights the importance of one-person households in the Chilean market, and therefore recommends "to assess the desirability of developing smaller packaging ... as is the trend in other product categories" (PRO ECUADOR, 2012).

Another suggestion is that producers of palm hearts find a way to reduce the sodium content in the product or replace it with other substitutes, in order to reinforce that palmetto is a healthy product.

Also, Pro Ecuador mentions that companies should look for alternatives to different product packaging cans. This includes using Tetrapack, which adds value to the

product making it easy and comfortable to handle and also it takes advantage of the space in packing boxes and supermarkets shelves.

Based on the suggestions mentioned by Pro Ecuador for Ecuadorian palmetto producers, the measures can be applied to Palmitorres will be analyzed in order to increase their competitiveness and differentiation. It is essential to consider which recommendations are the most achievable ones for Palmitorres, taking into account the ability to increase production costs and other factors that cause changes in the company. Therefore, it is necessary to ensure the possibility of adapting these product changes before implementing them.

2.5.2 Price

Since Ecuador is the largest producer of palm hearts in the world, it is clear that the level of competition between producers is very high, especially in the Chilean market because it is the second largest importer worldwide. Therefore, it is of great importance to ensure that Palmitorres can offer its product at a competitive price. Also, it should consider all additional costs that importers / distributors must assume in order for the product to be marketed in various distribution channels (PRO ECUADOR, 2012).

The current average price of palm hearts (800 gr.) in the Chilean market is \$4.23. This data will be compared later with Ecuador's selling price and the selling price of Palmitorres's palmetto in Chile in order to understand the variations and similarities. This way the actions that Palmitorres should take can be determined.

2.5.3 Distribution

As Pro Ecuador stated, in most cases palm heart producers in Ecuador sell their products through importers / distributors that operate in the Chilean market. However, there is also the possibility to sell their product directly under its own brands within the country since it can be negotiates with supermarket chains without the participation of a third-party.

In the case of Palmitorres, it would be wiser to act through an importer because they would be responsible for all additional costs and paperwork involved in the process of nationalization and commercialization. Also, when working with Chilean importers and

distributors, the company can be sure that the product reaches to the more optimal channels for product distribution. Therefore, in order to reduce costs and to ensure a better reach of the product to the target market, it be more effective to work with importers / distributors.

In Pro Ecuador's study, it mentions that palmetto exporting companies "have little interference in the form of marketing the product in Chile, and cannot maintain a direct contact with the consumer" (PRO ECUADOR, 2012). Therefore, it recommends that companies should make efforts to maintain a close communication with the importer, in order to gain a better understanding of how the product behaves in the market and to be aware of trends in the target market in order to adapt the product to the consumer's needs.

2.5.4 Promotion

The consumption of palm hearts is a phenomenon that has been generated in recent years, and therefore few people know how to prepare it or in which meals it can be included in. Because of this, it is suggested that producers perform "disseminating and education actions regarding the use of palm hearts... in order to increase the total consumption of the product" (PRO ECUADOR, 2012)). These campaigns can be applied throughout its different stores that the product is sold in, and through taste tests, brochures, publishing articles, recipes, among others. As another alternative, an enterprise can search to reach a defined target such as school campaigns for children.

One of the techniques that Palmitorres could apply in order to diffuse the product knowledge and its forms of consumption is the use of social networks. Social networks are a huge opportunity for microenterprises since they can spread information such as recipes and important information of the product at a minimal cost, while achieving a wide coverage. Therefore, most of the Palmitorres product promotion will be through social networks.

Conclusion

Based on the presented information, Chile was the country selected as the target market for the internationalization of Palmitorres because it is the second largest

importer of palm hearts in the world and thanks to the similarities that its market has with the Ecuadorian market, it makes the adaptation process easier. However, Chile is a demanding market in terms of quality and technical requirements. It is one of the most developed Latin American countries and it continues growing, which has produced a boom in new consumer trends such as the consumption of gourmet and healthy food. There are several supermarket chains that are engaged in the purchase and selling of these products under their own brands, on which the distribution channels of the product depend on. Palmitorres has a great opportunity in this market, since Ecuadorian palmetto is considered as a high-quality product and it has the advantage that its country is the main supplier of this product to Chile.

CHAPTER 3 – EXISTING GAPS BETWEEN THE ENTERPRISE AND THE MARKET

Introduction

In order to successfully enter the Chilean market, the gaps that make the positioning of Palmitorres's product in the target country difficult should be established. It is important to know the main obstacles of different areas and facets of the company, in order to be able to analyze them and then identify solutions for them. In this way, efforts to improve the company will focus on the most significant obstacles and difficulties that the enterprise has.

In this chapter, a detailed description of the gaps of the following aspects of the company will be presented: product, price, technical requirements, market, and the characteristics that an export company must have.

3.1 Product Gaps

In order to be able to recognize the opportunities that Palmitorres's product has, which in this case is aimed towards the Chilean market, it is necessary to consider the characteristics of similar products which are already found in Chile. That is why it is essential for a comparison to be made between the Tropical Palmito of Palmitorres and similar products. Below is a table that considers various characteristics of different products and their similarities.

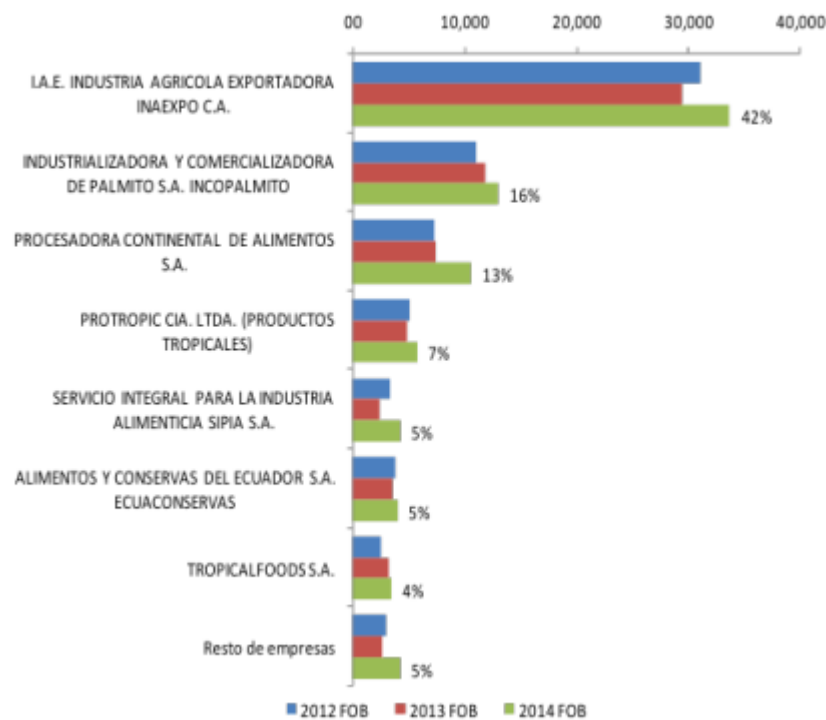
Chart #11 Product Gaps

Description	Palmito Tropical Palmitorres	Similar products in the Chilean market
Brand	Palmito Tropical (Ecuadorian brand)	Chilean companies import the product and sell it under their own brands.
Presentation	It is presented whole or sliced	It is presented whole, sliced, crescents-shaped and chopped.
Weight	Palmito Tropical has packets of 300 gm. and 500 gm.	The packets that are sold in Chile contain 400 gm., 410 gm., 800 gm. and 810 gm.
Container	It is presented in a plastic industrially sealed package.	It is presented in cans or glass bottles.
Label	Has the Traffic Light indicator	Has the Traffic Light indicator
Liquid	Contains a medium amount of salt.	Contains a medium and low amount of salt.
Supply and Demand Gap	The production capacity of the company is 300 stems a day, equivalent to 250 packets of 300 gm. or 150 packets of 500 gm., which equals to 75.000 gm. a day, and 1,500,000 gm. or 1.5 tons per month	In 2014, the total monthly imports of palm hearts in Chile were 2,937.83 tons of palm hearts. The same amount that is exported by different Ecuadorian companies.

Source: Created based on information from previous chapters.

In reference to the productive capacity of the company and the supply of the Chilean market, the following data can be considered. According to Trade Map, the amount of palmetto exported from Ecuador to Chile in 2014 was 35,254 tons. (Trademap.org, 2016). That amount divided into 12 months results in a value of approximately 2,937.83 tons monthly. Thus, it can be concluded that approximately 2,938 tons were exported monthly to Chile from various Ecuadorian companies, which can be observed in the chart below that represents the participation of enterprises in recent years, information obtained from Pro Ecuador. In the graph we can see the percentages of the participation of the enterprises in recent years.

Graphic #25 Participation of Ecuadorian palmetto companies exporting to the Chilean market



Source: Sectorial Analysis of Canned Palm Hearts (PRO ECUADOR, 2015)

According to the above chart, 7 companies that have the greatest share in exports to the Chilean market with a percentage higher than 4%. However it must be taken into consideration that the amount of enterprises and microenterprises of a smaller size are

considered in the category "other companies" that represents a total of 5%. In order to understand how this category is made up, a list of the main exporters of palm of Ecuador obtained from the portal of the Central Bank of Ecuador will be taken into account. In this table we have highlighted with green the companies that do not have a higher share in total exports and have been grouped in the "other companies"

Chart #12 Exporting Companies of Ecuadorian Palmetto

SUBHEADING NANDINA	DESCRIPTION NANDINA	EXPORTER NAME
2008910000	PALMITOS	CORNU GONZALEZ PEDRO ENRIQUE
		DIBEAL CIA. LTDA.
		ECUAPALMITO S.A.
		ECUAVEGETAL S.A.
		EMPACADORA BILBO S.A.
		EXPROPALM SOCIEDAD ANONIMA
		FRELAN CIA.LTDA.
		INDUSTRIA AGRICOLA EXP. INAEXPO
		INDUSTRIALIZADORA Y COMERCIALIZADORA DE PALMITO
		NATECUA S.A.
		PALMAS PALM TRADE SOCIEDAD ANONIMA
		PROCECONSA S.A. PROCESADORA CONTINENTAL DE ALIM
		PRODEPALM CIA. LTDA.
		PROTROPIC CIA. LTDA.
		SERVICIO INTEGRAL PARA LA INDUSTRIA ALIMENTICIA SA
		TRADINGCORP ECUATORIANA S.A.
		TROPICALFOODS S.A.

Source: Central Bank of Ecuador. (Banco Central del Ecuador)

As can be seen, there are 11 companies with a minimum stake and between all of them, they only add up to 5% of exports in 2014. To be able to determine the monthly participation of these small businesses in tons, we will consider the amount of tons exported monthly and which will give us the amount equivalent to 5%. This result will be divided between these 11 small businesses and this way we see an approximate number of tons that each company exports.

The total number of tons exported monthly to Chile was 2,938 tons. 5% of this total is equal to 146.9 tons, which divided between 11 companies gives a total amount of 13.35 tons per company. This total would be the approximate value that each company contributes to total exports.

Considering the current production capacity of the microenterprise Palmitorres of 1.5 tons per month, it can be concluded that this amount represents a 0.051% share of total exports. This demonstrates that this microenterprise needs to increase its monthly production to provide the Chilean market with at least the amount offered by small businesses.

As we can see, the most obvious gap that the enterprise has in reference to the product that the company offers is the productive capacity, which has to fit the needs of the Chilean market. This capacity must be divided into two, the productive capacity of Palmitorres's land and the productive capacity of its infrastructure. This is one of the most significant problems of small businesses and should be considered in the action plan.

3.2 Price Gap

As mentioned in the previous chapter, establishing a competitive price is of great importance in order for the product to have better reception in the target market, since the price is a determining factor when deciding a choice of purchase. Therefore it is essential to consider and compare factors related to the price of Palmitorres's palmetto against domestic competition and in the Chilean market. This way, obstacles that may arise and changes the company should make for better acceptance and entry to certain foreign markets can be identified.

It is important to compare the nation selling price of palmetto and prices in the Chilean market to understand what price range is acceptable in both markets, and to analyze how they differ and how they should adjust to changes from a national market to a foreign one. In the table below, the major brands of palm hearts in the Chilean and Ecuadorian markets are shown, with their prices and presentations.

Chart #13: Comparing Prices of Palm Hearts- National vs. Chilean Prices in Dollars

Chile	Ecuador
Lider:	Gustadina:
<ul style="list-style-type: none"> • Whole Palm Hearts 400 g.: \$2.13 • Whole Palm Hearts 800 g.: \$3.86 • Palm Heart Slices 400 g.: \$1.30 • Palm Heart Slices 800 g.: \$3.35 • Crescent-shaped Palm Hearts 400 g.: \$1.29 • Crescent-shaped Palm Hearts 800 g.: \$3.05 	<ul style="list-style-type: none"> • Gourmet Palm Hearts 400 g.: \$2.52 • Whole Palm Hearts 800 g: \$3.75 • Palm Heart Slices 400 g.: \$2.19
Wasil	Snob:
Whole Palm Hearts 400 g.: \$2.17	<ul style="list-style-type: none"> • Whole Palm Hearts 810 g.: \$4.47 • Whole Palm Hearts 410 g.: \$2.48 • Palm Hearts in glass containers 440 g.: \$3.16 • Chopped Palm Hearts 410 g.: \$2.22
Whole Palm Hearts 800 g.: \$4.54	
Palm Heart Slices 400 g.: \$1.74	Facundo:
Palm Heart Slices 800 g.: \$3.81	<ul style="list-style-type: none"> • Whole Palm Hearts 800 g.: \$4.01 • Whole Palm Hearts 425 g.: \$2.40 • Palm Heart Slices 410 g.: \$2.07
Deyco	Palmito Tropical (Palmitorres):
Whole Palm Hearts 410 g.: \$2.23	<ul style="list-style-type: none"> • Whole Palm Hearts 300 g.: \$2.25 • Whole Palm Hearts 500 g.: \$3.56 • Palm Heart Slices 300 g.: \$2.25 • Palm Heart Slices 500 g.: \$3.56
Chopped Palm Hearts 410 g.: \$1.53	
Esmeralda	
Whole Palm Hearts 400 g.: \$2.45	
Whole Palm Hearts 810 g.: \$4.75	

Jumbo

Whole Palm Hearts 400 g.: \$1.82

Whole Palm Hearts 800 g.: \$3.78

Palm Heart Slices 400 g.: \$1.82

Palm Heart Slices 800 g.: \$3.78

Carlo

- Whole Palm Hearts 250 g.: \$2,25

Average prices in Chile:

- Whole Palm Hearts 400-410 g.: \$2.16
- Whole Palm Hearts 800-810 g.: \$4.23
- Palm Heart Slices 400 g.: \$1.53

Average prices in Ecuador:

- Whole Palm Hearts 400-425 g.:
\$2.46
- Whole Palm Hearts 800 g.: \$4.07
- Palm Heart Slices 400-410 g.:
\$2.16

Source: Prices in the Chilean market based on information in previous chapters, Prices in the Ecuadorian market, 2016.

This table shows that there is a very noticeable difference between palm heart prices in the Ecuadorian market compared to the Chilean market. This indicates that product prices cannot be raised dramatically just because it is an export product since it would not be competitive in the chosen target market. It is important that production and logistics costs remain within certain margins, so that the sale price is acceptable.

Another factor to consider when determining the sales price of a product is the cost of transporting the product from the production plant to the port of origin, and from the port of origin to the destination port. Although this product will be exported under the Incoterm FOB, it is important to consider the logistical costs of international transport to know how this will affect the sales price in Chile.

According to the company Setranlog S.A, the price of transporting a container from Puerto Quito, Pichincha to the port of Guayaquil is between approximately \$300.00- \$350.00. This price does not vary much between different transport companies, since it is a standard price (Setralog, 2016).

Below are the average freight and container prices that different companies charge for the international transport of the product from Guayaquil to the destination port in Valparaiso.

Chart #14: Average Freight and Container Prices: Guayaquil-Valparaíso

TYPE	TRANSPORT COMPANY	LOAD TYPE	CONTAINER TYPE	AVERAGE COST OF FREIGHT/CONTAINER IN USD.
MARITIME	CITIKOLD S.A.	CONTAINERIZED CARGO	CONTAINER IC 20 FEET	\$5,300.00
MARITIME	AGENCIA MARITIMA GLOBAL MARGLOBAL SA	CONTAINERIZED CARGO	CONTAINER IC 20 FEET	\$461.00
MARITIME	TRANSOCEANICA COMPAÑIA LIMITADA	CONTAINERIZED CARGO	CONTAINER IC 20 FEET	\$467.00
MARITIME	MEDITERRANEAN SHIPPING COMPANY DEL ECUADOR COMPANIA ANONIMA EMESSEA	CONTAINERIZED CARGO	CONTAINER IC 20 FEET	\$1,011.00
MARITIME	HAMBURG SD ECUADOR S.A.	CONTAINERIZED CARGO	CONTAINER IC 20 FEET	\$253.00

Source: Ministry of Foreign Trade of Ecuador, 2015

The prices shown in this table vary according to the shipping company that handles the costs. The average price of freight and a 20-foot container from Guayaquil to Valparaiso is \$253.00, which must be divided by the total number of products in order to determine the price per unit. This price takes into account only the five transport companies considered by the Ministry of Foreign Trade of Ecuador.

As for the obstacles of the price of the product, it can be determined that the most significant problem for Palmitorres is the selling price to the public, since prices at a nationwide level are similar to selling prices in the Chilean market, and therefore it is a necessity to keep costs down in order for the product to be competitive. Another indicator that shows a similar result is the comparison between the Chilean sales price vs. The sale price of the Palmitorres product in Chile, which will be presented in a later section. Therefore, this microenterprise will have to determine ways to keep the selling price in Chile within an acceptable range.

3.3 Technical Requirements Gap

A very important element in the process of exporting a product are the technical requirements of the importing country, which should be considered to be able to carry out this process effectively. Thanks to the study previously made on the Chilean market, it is easy to determine the requirements that must be met by the company and these will be considered in the following table.

Chart #15 Technical Requirements Gap

Requirements	Microenterprise Palmitorres
Tariff Preference	It has a tariff preference thanks to the economic complementation agreement ACE N°65 between Ecuador and Chile.
Certificate of Origin	Does not have one
Country label	Has the brand “Primero Ecuador”
Certificate of good manufacturing practices	It is currently being processed
Quality Certificate (ISO)	Does not have one
Labeling requirements	Has various of the characteristics that are established

in article 107 of the Food and Health Regulations in Chile

Food Safety	Has the Food Safety Regulation No: 1792-ALN-0314
Regulations/Sanitary	(Ecuadorian)
Registration	

Source: Created based on information given by the owner of Palmitorres, Mr. Fabian Torres and through the investigation exposed in previous chapters.

It is very important to mention Sanitary Registration regulations because it is one of the main requirements when selling a product. It should be kept in mind that Ecuador and Chile have an Economic Complementation Agreement, ECA No. 65 in which the steps that should be followed are detailed in terms of sanitary and phytosanitary measures. The agreement provides in Chapter 7, section 7.2 the following:

The Parties shall be governed by the provisions of the Agreement on the subject of the application of Sanitary and Phytosanitary Measures and by the decisions adopted by the Committee of Sanitary and Phytosanitary Measures of the WTO, when adopting and implementing all sanitary and phytosanitary measures.

Also, for the proper implementation of the agreement, bilateral contact and the exchange of information between the sanitary and phytosanitary agencies and the Parties' food safety is promoted and strengthened. (ECA No. 65)

In the text of the Agreement on the Application of Sanitary and Phytosanitary Measures of the WTO, it refers to harmonization in which the parties must base their sanitary or phytosanitary measures on international standards, guidelines or recommendations for harmonizing to the greatest extent these measures. The Committee on Sanitary and Phytosanitary Measures of the WTO will be responsible for overseeing the process of international harmonization.

On the other hand, when observing the different requirements, it is necessary to focus on those that the microenterprise should work to achieve. This is why it is essential to obtain the certificate of good manufacturing practices and then the quality certificate

which will give more prestige to the product. This should be emphasized in the action plan that will be made for this microenterprise.

3.4 Market Gaps

There are several distinctions between the Ecuadorian market trends compared to the Chilean market. These differences should be clearly determined in order to avoid mistakes when entering the foreign market, since the product must be adapted to Chile instead of focusing on the characteristics of the national market. In this way, the product will have better acceptance in the target market.

Chart #16: Trends and characteristics of the Ecuadorian market vs. the Chilean market

Ecuadorian Market	Chilean Market
<ul style="list-style-type: none"> • Consumers tend to buy traditional products commonly used in local and international cuisine. • An existing consumer trend of buying traditional food: national and international food. • Consumers tend to eat home-made meals, that are more elaborated and are prepared with fresh ingredients. • Lower number of single-person families, more families with various members. • Consumers look for fresher, cheaper and more traditional products. 	<ul style="list-style-type: none"> • Consumers look for innovative, new and original to be consumed at home daily products. • An increase of the Gourmet consumer trend: consumers tend to look for products with exotic flavors and aspects. • Tendency to consume “ready to eat” meals. • More single-person families. • The population consumes more practical and long-lasting products.

Source: Pro Ecuador, Local Market observations.

In this table some differences can be observed between the Chilean market and the Ecuadorian market. Since Chile is a country seeking new products to include in their daily diet, it can be assumed that this non-traditional product will have a great reception in Chilean homes, while Ecuadorian households tend to hold back on integrating new products into their daily food habits. The gourmet food trend and the need to include new exotic flavors into their diet helps palmetto sales to increase in Chile. On the other hand, Ecuadorian consumers prefer to stick to traditional foods and they are not very keen on trying new things.

The economic growth that has occurred in Chile influences in a way that people have less time to cook, resulting in the need to find products that are easy to prepare or that do not need to be cooked, products such as palm hearts. Instead, in Ecuador the traditional way to eat meals remains, in other words, going home for lunch and eating something much more elaborate than ready-to-serve meals, although this occurs to a lesser extent than before.

The fact that there is a greater number of single-person households in Chile means there is a need to develop a presentation much smaller than that offered by the traditional palmetto companies, which usually target families with multiple members as these are the most common types of families in the Ecuadorian market. Another important factor that draws Chileans attention to this product is that it is very practical, and with extensive durability, since this way the product can be adapted more easily to the country. In Ecuador on the other hand, the consumer looks for fresh and cheaper products.

These differences, although some are not so marked, need to be considered because it is important that the Palmitorres company be aware that even though Chile is in the same region and has many similarities, there is a different reality which causes some factors to vary that are essential for Palmitorres to know about.

Based on these differences, it is evident that the company should make some changes to its product so that it has a better level of acceptance in the Chilean market. First, it should promote the product as a special food, full of nutrients and useful in various

gourmet recipes in order to capture the attention of consumers, who thanks to their improved economic level, are always looking for quality products. Furthermore, it should promote the creation of new variations of the product, such as mixing it with other vegetables or thinking other ways of consuming palm hearts so that the buyer becomes more interested in the product. It is important to avoid using cans as the product packaging, since there are other more practical and useful techniques. Finally, it is necessary to promote the products long shelf-life, since it does not expire quickly and can be consumed after several months without being damaged.

3.5 Exporter Characteristics Gap

3.5.1 Administrative Gap

The administrative area of Palmitorres is one of the least developed factors of the company because of its size and lack of staff. However it is fundamental within each business which is why below a table is presented in order to determine the factors necessary for the internationalization of this company and the primary problems that this microenterprise faces.

Chart #17 Gaps in the Administrative Area

Description	Microenterprise Palmitorres
Foreign Trade Department	It does not have one, since it is a small family microenterprise and does not have established administrative departments.
Knowledge of the Chilean Market	No, it does not have this knowledge.
Knowledge of export processes and foreign trade.	No, it does not have this knowledge.
Mission, vision and corporate values.	It does not have an established mission, vision and corporate values. However, the company now plans to expand its sales nationally.

Strategic Planning.

No, it does not.

Source: Administrative information of Palmitorres. Created based on information given from the owner, Mr. Fabian Torres.

As can be observed, this microenterprise is a very small business with little knowledge regarding foreign trade, it does not have a department dedicated this task and it does not have any knowledge about the Chilean market or export processes. However the most important gap that it has is the lack of a business philosophy, since not having an established mission, vision and goals makes it difficult to know what the microenterprise should focus on and how they should go about doing things. That is why strategic planning has an important role in business. It is necessary to first lay down the foundation and later set the objectives for the future.

3.5.2 Financial gaps

As for the financial area of the company, it is necessary to know how the Enterprise intends to finance both the pre-exportation process of the palm hearts, in other words, all steps during the production process previous to exporting the product, and the post-export processes as well. A table is presented in the next section that will demonstrate the financial gaps that this company has.

Chart #18 Gaps in the Financial Area

Description	Microenterprise Palmitorres
Has its own financial capacity to finance pre-export and post-export processes.	No, it does not have the financial capacity.
Has a relationship with a bank and has a bank account.	No, it does not. Costs incurred by the microenterprise has always been self-financed by the owners.
It is capable of increasing its production capacity.	Currently the plant has a production capacity of 1.5 tons per month. However, to increase this total, it is necessary to invest in infrastructure, machinery and

personnel.

It is capable of increasing its financial move.

Yes, it is capable.

It is open to partnering with other producers.

The microenterprise is open to the negotiation and association with other producers. However, to do so, it also would be necessary to invest in infrastructure.

Source: Administrative Information of Palmitorres. Created based on information obtained from the owner. Mr. Fabian Torres.

In this table, it is evident that one of the factors that deserve more attention than others is the financial area, since Palmitorres has a limited funding capacity to expand into a foreign market. However, there are several options that the company can consider to increase its financial capacity in order to achieve its entry into the Chilean market, which includes the association of producers of palmetto, obtaining bank loans, among others.

Conclusion

After analyzing and comparing the microenterprise with the Chilean market, it is easy to determine the main problems the company faces in each of the areas that are being studied. Regarding the production area, the major problem is its short production capacity of both its infrastructure and its land. In the administrative area, the most significant gap is its lack of organization and strategic planning, while financially the problem is the lack of a relationship with a bank to obtain credit history from. In addition, price-wise, one of the major obstacles for this microenterprise is the lack of competitiveness in price because the average selling price in Ecuador is similar to that of the Chilean market. Finally, when analyzing the market, it was determined that the main gap is the lack of differentiation from the competition. Such gaps should be reduced through various actions that Palmitorres can opt to carry out.

CHAPTER 4 – ACTION PLAN FOR THE MICROENTERPRISE PALMITORRES

Introduction

An action plan is a technique of organizing activities that proves to be useful to start new projects within a company (Laidre). This involves a series of actions and well-defined steps directed towards the most important areas of the company in order to achieve their goals effectively. It allows a higher level of organization within the process of growth and improvement, and it guides all activities toward the ultimate goal.

An action plan usually involves the following elements: what is the activity that must be carried out, who is in charge of the activity, when it will be accomplished, and how much budget is needed for the activity (Business Dictionary). Based on these parameters a company can know if its goals are achievable according to the capability of the enterprise.

In this chapter, first a SWOT analysis will be conducted to understand the positive and negative aspects of both internal and external elements of the business. Then, the Action Plan will be applied, and it will determine what actions to take, the person responsible for the activity and the budget for the primary gaps of the company including the following areas: administrative, financial, production, price and market gaps. Finally, other viable methods to add value to the product will be mentioned.

4.1 Palmitorres SWOT

Graphic #26 Palmitorres SWOT

Strengths:

Land and building is the owner's property

Business is auto-financed (no debts with banks)

Works under fixed orders placed

Has the label of "Primero Ecuador" on its product

Its quality has been accepted by domestic enterprises

It offers its palmetto in various presentations, whole and sliced in 300gr and 500gr

The product has been welcomed in the domestic market

Opportunities:

Boom of the gourmet food trend and consumption of exotic products.

Greater concern for the consumption of healthy and nutritious food.

Need to buy convenience products and ready to eat foods.

Relatively short distance between the country of origin and the destination country.

Positive reputation of Ecuadorian palm hearts.

Weaknesses:

It is a small business

Little knowledge of foreign trade

Focused only on domestic sales

Low productive capacity both in land and infrastructure

Small infrastructure

Does not have storage space (warehouses)

Lack of national and international quality certificates

Artisinal production process

Few workers

Lack of an administrative and financial structure

Threats:

Established national competition in the Chilean market.

Need to meet sanitary requirements and numerous other international and Chilean standards.

National or international economic crisis, which would reduce the consumption of the product.

Decline in world price of palm hearts.

Fuente: Created by the authors of this thesis.

According to Palmitorres's SWOT, it can be observed that there are several opportunities in the Chilean market for its product, but there are threats that should try to

be reduced through an action plan, considering that the greatest weakness of this microenterprise is its reduced size in infrastructure, personnel and production.

4.2 Actions to be taken

The following actions are the ones that we suggest for each of the areas in which we have divided the study into, based on the major problems that Palmitorres faces.

4.2.1 Administrative Area - Lack of strategic planning

Strategic planning is a vital element to reduce the risks of business and productive activities since the lack of this can cause several problems within a company. In the case of Palmitorres, this is the main problem with the administrative area, because since it is a small microenterprises with fewer workers and the owner as the person in charge, it makes an administrative organization something not essential to the company. However, we believe it is necessary to have a clear strategic planning and a business philosophy in order to achieve future goals. Here are our suggestions for reducing this gap.

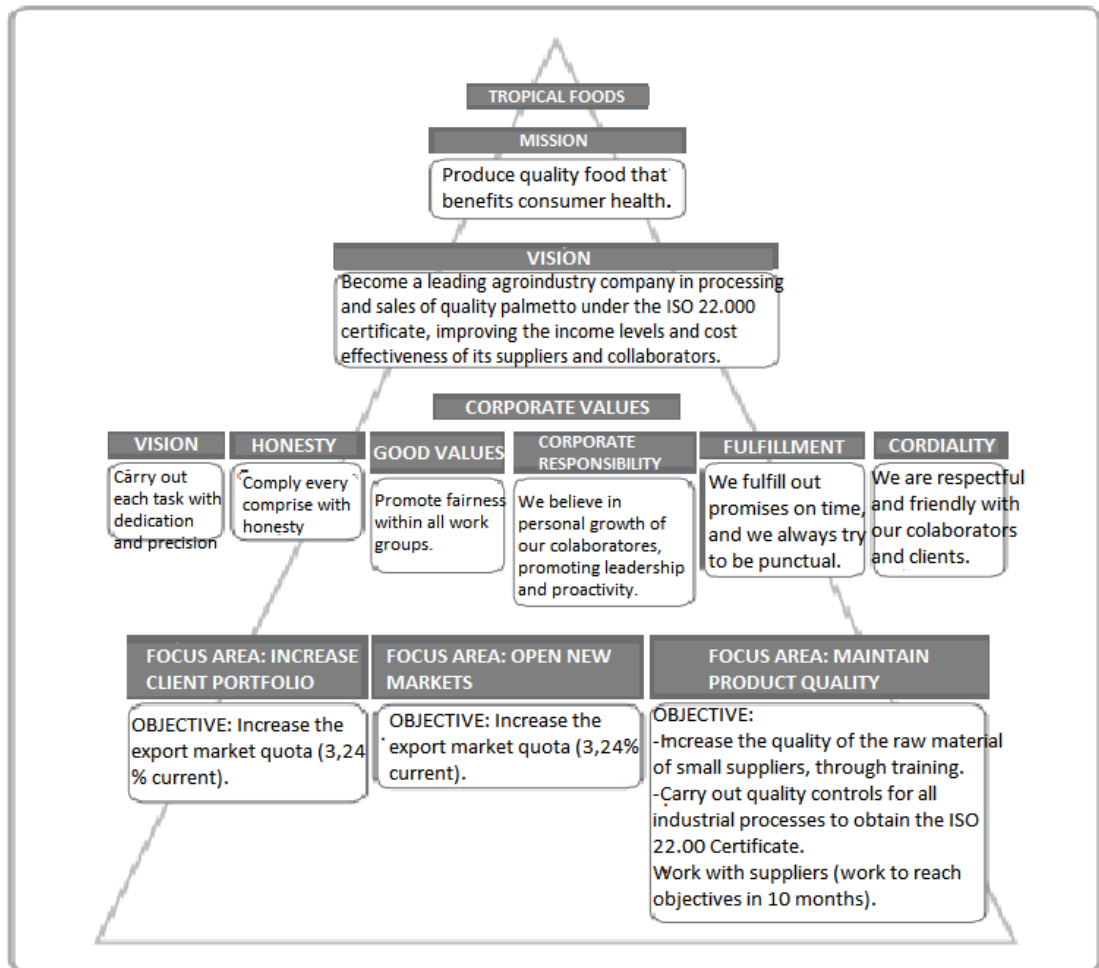
4.2.1.1 Proposed Actions:

The actions proposed in this area are based on the experience of the company Tropical Foods which through an improvement plan within its company, mainly in the administrative area, it obtained very favorable results for the marketing and selling of its product both in domestic and international markets. Its objectives focused on actions in two fields that include the strengthening of the productive chain and the establishment of quality systems. In the case of the administrative area, they focused their actions on the definition of strategic planning, identifying business strategies and training their workers. (USAID Productive Network)

Listed below are the main actions that Palmitorres can take based on the experience of similar companies and its own contributions based on previous research.

1. Strategic definition of the company: this will determine the mission, vision, corporate values of the company and its objectives, which will allow the company to align its policies and actions.
2. Perform a strategic pyramid of Palmitorres: A model that Palmitorres can use is shown below. This is the model of Topical Foods.

Graphic # 27 Tropical Foods's Strategic Pyramid



Source: Professional Service PacificAdvisor S.A

Source: Access to international markets through international certification programs

http://pdf.usaid.gov/pdf_docs/Pnadw632.pdf (USAID, Red Productiva)

As noted in the pyramid, the company determines its mission, vision, corporate values and objectives for different areas.

3. Identification of strategies to enter in the Chilean market and the development of concrete measures to meet the demands of international markets. In this case, this refers to obtaining the ISO 22000 certificate.

4. Identification and creation of goals, tactics, strategies and budgets to be met by the company in a dynamic plan that allows variations if external circumstances allow it to happen. These should be based on the mission, vision and corporate values of the company.
5. Promote education of workers and to conduct training to company personnel in different functions that they perform.
6. To promote education of workers and to conduct training to company personnel in different functions that they perform.
7. Encourage team work
8. Describe the profile of each position.
9. Develop internal control systems in different areas of the company.
10. Document all procedures through practical manuals, tutorials, procedure records, process analysis, etc.
11. Develop a schedule of activities,
12. Comply with corporate values.

Some of the above activities can be carried out by the owner of the company, who has also been the manager. However, for the implementation of these activities we propose the following:

1. Train the manager of the company who will be the person carrying out these activities.
2. Hire an external consulting firm to take care of the activities.
3. Create an administrative area in the company in which its staff is who is responsible for the organizational management of the company.

4.2.1.3 Budget

In the case of Tropical Foods, the company developed its project "Access to international markets through international certification" with the support of Red Productiva. The project had a value of \$112,831 in which Red Productiva contributed \$57,200 and the company \$55,631. It should be noted that this value includes the entire project, not only changes in the administrative area. For the project implementation and

technical assistance it included the participation of Pacific Advisor, a consulting firm. (USAID, Red Productiva)

On the other hand, in order for Palmitorres, to determine the budget it needs it is necessary to consider which option it will choose. In the case that the company manager will perform the mentioned actions, the cost of management and strategic planning training must be considered. The costs of training range between \$280 and \$300 dollars according to the data of offered courses of about 16-20 hours of training. (SBS Consulting)

If Palmitorres decides to seek help from an outside consulting firm, it should consider the costs of consulting firms that can be part of the process of administrative improvement. For this there is a wide variety of companies in our country that carry out these types of jobs. Here are a couple of well-known companies that can be considered:

- **PACIFIC Gestión Integral:** This is the most experienced company in agribusiness and agribusiness consultancy, it has a very recognized list of customers and their offices are located in Quito. For more information the company can be contacted at 2460747 or info@pacific-advisor.com (PACIFIC Gestión Integral)
- **ISO & CALIDAD Asesoría-Capacitación:** This company is responsible for consulting in quality, environment, health and safety and corporate social responsibility. It has 15 years of experience working in Standardised management systems in national and international companies. They offer services in the development of strategic planning, food management systems HACCP, ISO 22001, GMP and food Codex. Its office is located in Quito, and be contacted at 2495002 or info@isocalidadecu.com (ISO & CALIDAD)

For more information on consulting firms the page of the Ecuadorian Chamber of Consultancy can be accessed in which individual, national, foreign, non-profit and university consultants contacts are detailed,. (Ecuadorian Chamber of Consulting) Costs

of consulting firms vary, however while investigating various consultants in the market, we determined that the cost of a consultancy for MSMEs is between \$3000 and \$5000.

On the other hand, if the option chosen is the creation of an administration area, it should consider the salary of the professional in this area, who will be responsible for carrying out the above activities.

4.2.2 4.2.2 Financial - Lack of banking history

The main obstacle in the financial area was determined as the lack of a banking relationship or history, since the total budget of the company has been self-financed by the owner. As mentioned, it is necessary to increase the production to enter the selected target market and therefore more resources are needed to cover these expenses. In researching the current possibilities of acquiring a loan or a business credit, we have observed that there are several options that the company could apply in order to obtain the necessary capital.

Moreover, the lack of a financial area within the company hinders the management of tasks related to the budget management, and other tasks carried out in this area.

4.2.2.1 Proposed Actions

Although in order to take out a loan a strong credit history and a good banking relationship is generally needed, there are other available options to facilitate this process for companies who are looking to invest in growing its business. After searching for different credits and loans available for Palmitorres, it was observed that there are different types of loans that can be requested. One option is a microcredit, or credit directed to MSMEs, a credit for working capital or fixed assets, and other loans specifically directed to the agricultural sector.

Below some financial institutions that offer these types of services will be detailed:

- **Banco de Pichincha:** This financial institution offers various types of loans, especially for those businesses that need credit to grow and to be productive. One type of business credit is a credit for the purchase of fixed assets, which can be used to purchase machinery, work vehicles, or commercial premises. The amount

of this loan ranges from \$500- \$20,000, it has a payment period of 3-36 months and their interest rate is 10.2 to 11.83% (Banco de Pichincha, 2016).

- **BNF Ecuador:** This governmental financial institution provides credit and loans to companies related to the agricultural, commercial and production sector. The loan amount offered is within a range of \$500- \$300,000, the interest rate is an adjustable 10% and the payment period is up to 15 years (BNF, 2014). The entity determines that the credit should be allocated to working capital and fixed assets and that the client must use as collateral pledges or mortgages its lots of land, commercial premises, machinery, etc.
- **Corporación Financiera Nacional:** This Company offers Productive Development credit, which includes not only financial support but also training, which seeks to support businesses of all sizes, especially those that support the development of communities. It also offers a Working Capital Credit. The loan amounts offered by this institution is calculated on the basis of each case by the evaluation system of the CFN. The repayment term is 2 years, with an interest of 9.75% -11% (Creditos.com.ec, 2012).
- **Cooperativa JEP:** This entity provides a microcredit service for "financing of productive, marketing or service activities whose primary source of repayment is the product of sales or revenues generated by these activities properly verified by the institution of the National Financial System (Cooperativa JEP). The maximum loan amount is \$ 20,000, and the interest rate varies between 20-22%, which must be paid by the date agreed when applying for the credit.

A large part of the domestic financial institutions offer these services, such as Banco Solidario, Banco de Guayaquil, Banco del Pacífico, Cooperativa de Ahorro y Crédito, Microempresarial Sucre, among others. Each institution sets different minimum and maximum ranges of credit, payment terms, interest rates, and what can be applied as a loan guarantee.

As we can see, obtaining a loan to finance the need for microenterprise growth without having a banking relationship is not too complicated. In order to define which of the financial institutions is more convenient, the value and purpose of the investment should

be determined, and based on this, the best option that covers that need in a more convenient way should be chosen. Also, the maintenance of physical property such as land, infrastructure and other property should be carried out, which will be used to make the process of acquiring of a credit easier.

Moreover, since the company wants to grow it has the need to establish a financial area that is responsible for managing the cost of production, among others. This area will be responsible for various tasks, such as the ones mentioned below:

1. Conduct a system of financial costing, which will calculate the actual costs of production in each step of the production chain.
2. Obtain current financial information.
3. Perform a budget analysis.
4. Develop a plan for financial improvements.
5. Integrate an accounting area.
6. Carry out training courses.

The fulfillment of these tasks will help the microenterprise find ways of how to use its budget in the most effective way, and this will help it reach its goals.

4.2.2.2 Person in Charge of the Activities

The following options for the person who will be responsible for this area are the following:

1. The owner of the company through training.
2. Creating a financial area, which should hire a manager to handle all matters related to the budget, assets, loans, etc. This person will have to communicate with different areas of the company, including the production area, in order to fulfill their tasks.
3. Hire an outside company to be responsible for the financial management of the company, the accounting, etc.

4.2.2.3 Budget:

In order to obtain a credit, guarantees are needed to back up the amount requested. Therefore, the budget that should be designated to acquire a loan are the mortgaged physical assets of the company and its fixed capital.

On the other hand, a salary should be designated for the person in charge of the financial area, since their work is necessary for the proper functioning of the company regarding to the generation of financing alternatives and resource monitoring in general.

4.2.2.4 Financial Structuring of the Project

In order to be able to determine the amount of money that the company needs to export its product to the Chilean market is necessary to consider not only the value of the product, but all the expenditure involved in the legal constitution of a company, administrative expenses, and capital work of the company, taking into account the financial percentages for bank credit and company resources. Below are charts that demonstrate some of these additional factors that must be covered but the microenterprise.

Chart #19 Financial percentages

Description	Percentage
Bank Credit	85%
Company Resources	15%
Total	100%

Source: Created by authors of this assignment.

According to this chart of financial percentages it can be determined that in order for companies to develop a project, they usually have 85% of bank loans and only 15% is their own company resources.

4.2.2.4.1 Company Legalization

According to research conducted on companies that spend on the process of constitution of a company, the values that should be considered are:

Chart #20 Costs for the legalization of the company

Description	Valor
RUC expenses	\$50
Costs of registration of the company	\$700
Brand registration	\$350
Customs registration (ECUAPASS)	\$100
Patent costs	\$100
Fire department licenses	\$20
Other registration fees	\$400
Total	\$1.720

Fuente: Created by authors of this assignment.

Thanks to this chart it can be concluded that the total value necessary for the legal constitution of the company as a limited company is \$ 1,720.

4.2.2.4.2 Monthly Administrative expenses

Here are the monthly administrative expenses of a company according to labor laws.

Chart #21 Monthly Administrative expenses

Description	# of people	Salary
General Manager	1	\$1000
Person in charge of Foreign trade	1	\$700

Accountant	1	\$700
Person in charge of the enterprises Systems	1	\$600
Person in charge of Sales	1	\$500
Person in charge of purchases	1	\$500
Secretary	1	\$450
Total		\$4.450

Fuente: Created by authors of this assignment.

At the end of the year the company will have spent \$53,400, and quarterly \$13,350 on the salaries of its employees

4.2.3 Production area

Within the production area of this company two aspects must be considered: the production process and its productive capacity.

4.2.3.1 Production process - Lack of quality and best practices certifications, product innovation

The production process of a microenterprise is very important because it determines the quality of the product that is offered. For Palmitorres, this process begins with planting the crops and ends with the sales process of the final product. Within this area Palmitorres has some problems that must be solved for greater efficiency in sales. One of the things considered by buyers are quality certificates which is why the more you work to achieve them, the better the reception of the product will be. Another problem that Palmitorres has is that its product needs to be innovated and the company has to constantly improve its presentation. Below some actions that the enterprise can take regarding these problems are proposed.

4.2.3.1.1 Proposed Actions

The proposed actions will focus on improvements within the entire production process to obtain internationally recognized quality certificates and they also seek innovation in the product to adjust to what the Chilean market consumes.

1. Staff training in all production processes (planting, harvesting, reception, cutting, to weigh, cooked, packaging, etc.)
2. Training in quality control
3. Training in personal hygiene, food care, nutrition.
4. Creation of a process control system
5. Implementation of quality control cards
6. Development of processes and procedures manuals
7. Implementation of the 22000 ISO certification, for this the standardization process is necessary in order to achieve a quality product, by having a trained staff and clearly defined processes.
8. Quality assurance in the chain. It is important to consider the raw material and its suppliers.
9. Gathering of detailed information of the technical requirements and other equipment needed for the access to these markets, which will be considered in a product improvement plan.
10. Innovating the presentation of the product to meet the requirements of the Chilean market, where the use of plastic and cans will be discontinued in the long term.

4.2.3.1.2 Individual in Charge of the Activities

1. The owner of the company under previous training.
2. Delegating a consulting firm the respective training and the creation of manuals.
3. Creating a production area so that there is a person responsible for this area.

4.2.3.1.3 Budget

In the case that a production area is created it is necessary to consider the salary for the person that will be in charge of this area. The manager can be in charge of only

conducting the supervision and controlling the activities of the production process or can decide to take charge of both parts.

To perform control systems, manuals, training and the implementation of ISO 22000, it is vital to have the help of people specialized in these areas, which is why a consultant firm is hired, it is necessary to consider extra money for this payment. As was mentioned above, the price of a micro-consulting company depends on the consulting company but varies between 3 and 5 thousand dollars.

Moreover, if the owner wants to perform the activities of this area the cost of the training necessary should be considered. This cost is also mentioned above and is between 280 and 300 dollars.

4.2.3.2 Productive capacity – Low productive capacity in land and infrastructure

One of the most important factors that affects the company's internationalization project to Chile is its productive capacity. Since it is a very small amount compared to the amount exported monthly to the Chilean market, it is necessary to find solutions for the problem. It is important to consider that the production capacity is divided into two parts: the productive capacity of the enterprises' land and productive capacity of its infrastructure.

Palmitorres has an area of 23 hectares of palmetto plantation and each hectare produces 6,500 stems annually or 542 stems monthly. This means that with 23 hectares the company will have a total monthly harvest of 12,466 stems. According to information given by the owner of the company, 300 stems is equivalent to 75000 grams of the product or 0,075 tons. In other words, if 12,466 stems are harvested it is equivalent to 3.1165 tons per month. If the minimum amount of the product needed to export to Chile is considered, which is 13.35 tons per month and if this total is compared to the production total of Palmitorres which is 3.1165 ton a month, a deficit between these two totals can be determined of about 10 tons of the product that needs to be exported, which is equivalent to 73 plantation hectares of palmetto.

In the case of the company's infrastructure, Palmitorres has a small production facility which consists of a shed of 140 square meters, plus a warehouse of 150 square meters

for storage of the product. The company's machinery is not industrial-type since they consider their production as an artisan-style production and most of its supply chain processes are carried out with manual labor. It is necessary to note that for some types of craft products, transforming their industrial production to increase it does not benefit them because it takes away the product's handmade characteristic. However in the case of this product, we do not seek to promote the product as a handmade product, instead we want to increase production to achieve the minimum export quota and also lower product costs.

It is evident that the plant does not provide enough for a production of almost 13 tons per month, and so to get the minimum amount needed to export, it is necessary to increase production of the company, or associate with other producers of palm hearts. Below are the proposals for this area.

4.2.3.2.1 Proposed Actions:

Among the actions to take regarding the problem of production capacity it is necessary to consider all possible alternatives in order to meet the minimum amount needed to export.

If the company decides to produce the maximum amount that they can produce and associate with small producers for the purchase of the harvested product, the enterprise must:

1. Invest in infrastructure for small businesses. Here we consider the purchase of faster and more effective industrial machinery.
2. Partner with palmetto producers as suppliers of the harvested product.
3. Perform all production processes such as cutting, cooking, and packaging processes in the plant. It should be noted that the product label is designed by the importer.
4. Standardize processes
5. Staff training

If the Enterprise opts to only sell the product, it must:

1. Partner with suppliers of palmetto
2. Hire a packaging company
3. Rent a warehouse
4. Partner with carriers and transport companies

In any case in which the enterprise intends to develop and integrate suppliers of palm hearts, it is necessary to:

1. Conduct training for providers to establish standards on the type of product desired, the physical characteristics of the product such as odor, freshness, texture, consistency, crop form, etc.
2. Control on phytosanitary restrictions: the proper use of pesticides, pest control, etc.

4.2.3.2.2 Individual in Charge of the Activities

There are several ways to establish a person who will be responsible in this area:

1. The owner as the person in charge
2. Creation of a production area in order for the staff to be responsible for carrying out the above activities
3. In the event that a packaging company is hired and a warehouse is rented, those responsible would be the people in charge for each of the corresponding activities.

4.2.3.2.3 Budget:

If the company plans to increase the industrial machinery for the company, it should consider the costs that this implies. Below are the prices of the machinery most commonly used in this type of microenterprise. These prices were obtained through an interview with Magister Monica Tinoco, a food laboratory expert.

Chart #24 List and prices of the machinery necessary for the production of palm hearts

Machinery	Prices
Scalding Tubs for cooking of the stems	\$4000
Stainless steel tables	\$2500
A packing method that includes a vacuum tunnel and a cauldron	\$15000
Industrial chopper/cutter machine	\$2000
Kettle for the preparation of the liquid to be inserted into packages	\$5000
Industrial package sealer	\$15000
Inkjet machine for labeling packages	\$4000

Source: Interview with Mgs. Mónica Tinoco, Food laboratory expert. (Tinoco, 2016)

As can be observed, the price of the machines depend on the ones chosen by the company. If the company changes its production to an industrial production the minimum cost would be \$32,500, since in this case the industrial sealer would not be considered because the packaging method includes this within its process.

The price at which the company would purchase the suppliers product also needs to be considered. The amount of product required to meet the minimum export quota is 10 tons of palm hearts, plus the 3 tons that is already produced by the company. According to data provided by the Palmitorres microenterprise, 1.5 stems of palm has a production cost of 45 cents. In other words, the company would need to buy 73 hectares of harvested palmetto and this means that it would produce 20,630.43 monthly stems, which is approximately equivalent to \$6,189.13 dollars a month.

In the case in which a packaging company is hired and warehouse is rented, the cost of each one of these should be considered. Renting a warehouse has a cost of approximately \$600 to \$1000, since the cost is about \$2.50 and \$4.50 per square meter (Plusvalia.com), while the packaging process company would have an approximate cost of \$0.57 cents per pack of palmetto, according to data provided by Palmitorres. (Fabian Torres, 2016) The amount of packages that are to be processed must be calculated in

order to obtain an approximate monthly cost of a packaging machine. If the enterprise intends to send 36,000 packages of palm hearts, about \$20,520 dollars should be spent on the packaging process every month.

4.2.4 Price and Market

4.2.4.1 Low prices in the target market

The product price depends heavily on production costs, which makes this susceptible to change. In the Chilean market, it was found that selling prices are similar to domestic prices, differing with only a few cents, which complicates the process of adjusting the national price to that of the target market since there is little chance of raising the price. It is important for the microenterprise Palmitorres to identify areas where costs can be reduced because since it is a small company with reduced production capacity, this makes production more expensive compared to other larger companies. It should also consider the average selling price of the target market to determine whether this is related to the sale price of Palmitorres's palm hearts in Chile, considering different costs that raise the price of the product throughout the distribution channel.

4.2.4.1.1 Proposed Actions

It is important to understand the current situation of the company in terms of price to be able to determine the magnitude of the changes that must be made. Although the product will be negotiated under the Incoterm FOB, to be able to more accurately define the price that the product will have in the target market, the Incoterm CIF will be considered as a comparison with the selling price of palm hearts in Chile. The result will be compared with the selling price of other brands of the same product to specify the average percentage of how much the price must be lowered.

To understand what type of container is needed, it is necessary to know the shipping dimensions of the boxes inside the container, in order to determine the number of boxes that can be shipped depending on the type of container, and also to know which one is the most convenient container to use. The dimensions of the boxes in which the palmetto is distributed are 35cm x 45cm x of 25 cm, which gives us a volume of 0.039 m³ box. Within each box, which has a weight of 6 kg., are 12 units of palm heart packages of 500

gr. or 20 units of 300 gr. According to the dimensions and capacity of containers by weight and volume, 4,705 boxes fit into an 80% full 20-foot Container, and in a 40-foot container 4,450 fit.

If the monthly shipping quota of Palmitorres is considered, which is 13.5 tons of product, it can be determined that this export process only requires the use of 2250 boxes, half of them filled with packages of 300 gr. and the other half with packages of 500 gr., and so it would only be necessary to send a 20 ft. container every month. Also, the enterprise could opt to using only a fraction of a container and pay only for the space occupied by the load, since this would much cheaper.

Based on this data, the comparison between the selling price of Palmitorres's product in Chile with the average selling price of palm hearts in Chile is presented below.

Chart #25 General Container Data

Total # of boxes	2250
Total 300 gr. packages	22500
Total 500 gr. packages	13500
Total packages	36000
National shipping costs	\$300,00
International shipping costs (HAMBURG SD ECUADOR S.A.)	\$253,00
Insurance	5%

Source: Created based on information from the Palmitorres Enterprise.

Chart #26 Calculation of the Incoterm CIF

Incoterm	300 gr. package	500 gr. package	Total
EXW	\$1.07	\$1.78	\$48,105.00
FOB (National Shipping)	\$0.008	\$0.008	\$300.00
CFR (Internacional Shipping)	\$0.007	\$0.007	\$253.00
CIF (Insurance 5%)	\$0.053	\$0.089	\$2,394.00
Total CIF	\$1.14	\$1.88	\$51,030.00

Source: Created based on information from the Palmitorres Enterprise.

As mentioned in the second chapter, to enter sales outlets within the Chilean market, certain extra fees must be paid. Below are some of the rates that are calculated based on the CIF price calculated above. It has been estimated that the minimum of these extra fees would be charged since Palmitorres is inserting a small amount of this product into the market.

Chart # 27 Additional costs that are charged to be able to sell a product in the Chilean Market

Extra fees	Fee	Charge	Total
Incorporation of new products:	\$100	\$100.00	\$51,130.00
Centralized distribution:	4%	\$2,041.20	\$53,171.20
Rappel:	10%	\$5,103.00	\$58,274.20
Merma Cero:	3%	\$1,530.90	\$59,805.10
Total	-	\$8,775.10	\$59,805.10

Source: Created based on information from Pro Ecuador.

Based on these calculations, it can be seen that the additional cost for the importation of products into the Chilean market is \$8,775.10. If this is proportionally divided by the total number of products, it would be necessary to add to each package \$0.24 cents for both 300 gr. and 500 gr. packages. Therefore, the final sales Price would be: \$1.38 (300 gr.) And \$2.12 (500 gr.).

In the table a comparison is made between the average selling prices of palm hearts in Chile with the selling price of Palmitorres's palmetto within the same market.

Table # 28: Comparison of the average sales price in Chile vs. Palmitorres's asking Price in Chile

Product sold in Chile	Average Selling Price in Chile	Palmitorres's Product	Sales Price in Chile	Standard Amount of palm hearts per package in Chile	Adjusted Price to the standard amount of palm hearts per package in Chile
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Whole Palm Hearts 400-410 gr.	\$2,16	Whole Palm Hearts 300 gr.	\$1,38	400 gr.	\$1,84
Whole Palm Hearts 800-810 gr.	\$4,23	Whole Palm Hearts 500 gr.	\$2,12	800 gr.	\$3,39

Source, Created based on information from Pro Ecuador and Palmitorres.

Based on this data, it can be seen that the selling price of Palmitorres in the Chilean market is less than the average selling price of palm hearts in this market. This turns out to be an advantage since the microenterprise has the opportunity to raise the price in order to achieve a profit from the sales of each product. However, it would be ideal that this microenterprise keep the price of their product below the average sales price in Chile, in order to have a competitive advantage over other brands, pricewise.

Although the sale price is lower than the average price of palm hearts in Chile, the low number of tons of the product should be taken into consideration, and therefore the company still needs to increase their productive capacity to be able to gain a stronger entry and to be more competitive in the market destination. "Increased productivity reduces unit labor costs and consequently the prices charged by companies ..." (Herrarte Sánchez, 2007).

To achieve higher production, it is necessary for the enterprise to invest in machinery, which would increase the productive capacity of the company, and at the same time decrease the price and fixed costs. For this reason it is recommended that Palmitorres invest in increasing production so that it has a greater presence in the target market and so that it is more competitive compared to other brands of palmetto.

4.2.4.1.2 Individual in Charge of the Activities

In the absence of an area that specifically focuses on the price, the management of this factor will be carried out by the financial and production areas. The financial area has a role in determining the price as it is responsible for budgets and expense management that directly affect it. The production area also has the task of determining the price because the production department knows the amount that is spent when producing the product. By working together, the process of determining the price will be much easier.

4.3.4.1.3 Budget

In order to meet the price targets for the product, the budget of the production area can be checked because both areas work for a common purpose.

4.2.4.2 Little innovation of the product in the target market

As for the market, the main obstacle that Palmitorres has is to differentiate its product from the competition that is already positioned in the market. While Ecuador is the leading exporter of palmetto to Chile, palm heart producers in the country offer few product variations. This lack of innovation can make consumers get tired of the product and choose to buy other alternatives that prove to be more innovative and attractive.

4.2.4.2 Proposed Actions

To achieve the positioning of the company and product differentiation in the target market, it is necessary to make certain changes to the current product manufactured by Palmitorres. However, these are changes that should be imposed in the medium term, since this is a company that is undergoing a growth process that needs to take steady small steps before making abrupt changes that may affect the situation of the company.

After the product of Palmitorres enters the target market, consumer trends and tastes and preferences of consumers must be analyzed to determine how the microenterprise can innovate the product. One possibility is to add different product presentations other than whole or sliced hearts of palm. Another way to improve the product is changing the presentation of the package. Currently, the package of Palmitorres's palmetto is a resealable plastic bag, which comes in two sizes: 300 gr. and 500 gr. Although the current package turns out to be effective in maintaining the fresh product, the company should plan to change the plastic bag for a glass bottle container, since it is much more attractive to the consumer in this specific market. However, this change would have happen in the long-term, since the goal is to lower prices and a glass container would increase the cost of the product.

Another factor that this microenterprise should modify is the size of its product presentation because in Chile palmetto is sold in units of 400 and 800 grams. It could even launch a new product presentation in smaller sizes for personal consumption,

because when analyzing the market it was determined that there is a considerable part of the population that is a part of single-person households (Pro Ecuador, 2012). These changes will make the product more appealing for the consumer.

4.2.4.2 Individual in Charge of the Activities

As the person responsible for this area we have the following options:

Since the company does not have a marketing department, the person responsible for analyzing the target market would be the manager, or in this case, the owner of the company. The manager, who would have a direct relationship with buyers, would be in charge of determining which would be the most suitable changes that the product should undergo, since it is important for the company to adjust to the target market more effectively.

1. Create an area of marketing that focuses on these functions so that its positioning, differentiation and other important factors necessary for the company to enter the destination market will be done in the most convenient way. This position could be established in the long-term.
2. Hire a company that specializes in marketing for the development and management of a marketing plan.

4.2.4.3 Budget

It should be noted that each product change entails costs, so the company must analyze what the major changes must be made immediately, and which ones can be done in long term. It is necessary to set a budget designated to changes of the product to see which are achievable in the short term. Furthermore, a salary must be established for the marketing manager once it is established.

4.3 Other Feasible Methods – Proposals to give additional value to the product

There are several factors that could improve the product so that it has a competitive advantage that sets it apart from other exporters of Ecuadorian palm hearts in the Chilean market. However, many of these improvements would have to be applied in the long term, since as a result of the lack of budget that Palmitorres has, some changes cannot be done immediately. Some of these changes will be described below.

A clear disadvantage that has been observed regarding this product in the target market is that since it is a relatively new product and is considered exotic, consumers often do not know how to prepare it or include it in their daily meals. Therefore, it would be feasible to establish an online cookbook based meals that can be made with palm hearts and also indicate the benefits that this product has on people's health; the link should be included on the product label. In this way, consumers can find different recipes based on their liking.

Furthermore, it could change the liquid in which the product is conserved in. Other spices and oils can be mixed into the liquid so that the product can be added directly to salads or other easy-to-make foods. It could also incorporate other vegetables within the same product, such as carrots. Thus, the product would have an added value and will be differentiated from the competition.

Conclusion

In this chapter the proposals were made to focus on the most important issues that Palmitorres faces in relation to the Chilean market. For each area the actions to be taken and those responsible for the changes were determined. In reference to the individuals in charge of the activities, three options were proposed: the owner of the company would be the person responsible, hiring an external specialist company, and finally the creation of functional areas that would be in charge of the respective actions. A fundamental part of the proposal made is the budget that is expected to be needed in order to perform each of the activities. However this budget will depend on the combination of the options that the microenterprise Palmitorres chooses, which will be presented later.

Additionally, it was determined that for the implementation of this project an initial capital of \$158,027.75 would be needed for investing in the legal constitution of the company, financing salaries, equipment and office supplies, utilities, as well as the marketing costs, since it is essential to give a good image to the company through the creation of a website of the company that provides all kinds of information and allows direct contact with the client and updates on promotions through social networks.

CONCLUSIONS

This assignment is based on the proposal to internationalize the microenterprise Palmitorres, which was carried out through a detailed investigation of different factors of both the company and the Chilean market to determine the main problems that the microenterprise may face and based on these, alternative solutions are proposed. Here are the conclusions that were established throughout the study.

1. Micro-enterprises are essential entities in today's world. Their participation in countries in Latin America is greater than 80%, demonstrating the importance to the economy of these nations. It is also important to emphasize that microenterprises mainly arise because of the need to have economic autonomy and more and more, these enterprises are motivated to keep growing, being the internationalization process one of these options for improvement.
2. Ecuador has a long history of farming, harvesting and selling palmetto. Its product is recognized internationally for its quality and physical characteristics. Ecuador is the main exporter of this product in the world and mainly focuses on markets like the European Union, Chile and the United States.
3. Palmitorres, the microenterprise analyzed, is a small micro-enterprise with a view towards growth. However its low production and limited number of workers limits the company to keep up with domestic sales. It has little knowledge regarding strategic, financial and foreign trade planning, which means that it needs guidance on these issues.
4. Chile is the destination market and it presents a great opportunity for this microenterprise because it is a market that is growing and welcomes new trends such as the consumption of gourmet and healthy foods. It is a demanding country in terms of product quality, but since Ecuador is the main supplier of palm hearts to this market, it is widely recognized for its high-quality product. Chile has a large population and the urban areas with the largest number of inhabitants are

found within the Metropolis which is where the microenterprise plans to carry out its sales.

5. Regarding distribution channels, it is necessary to mention that Chilean companies that import palmetto usually buy and distribute the product under their own brands through supermarket chains. This shows that entry to the Chilean market is not complicated if business is made with a buyer of this type. However, total control is lost over the last step of the distribution of the product.
6. There are various existing brands and presentations of palm hearts in the Chilean market that are direct competition for Palmitorres. Since the products of these opposing brands also come from Ecuador, it makes it difficult for this microenterprise to give its product an additional value and differentiate it from the competition.
7. Ecuador has an economic complementation agreement with Chile, ECA No. 65, which provides tariff preferences for Ecuadorian products and liberates them from taxes.
8. Gaps between the microenterprise and the Chilean market were determined, which were found to be the following: lack of production capacity of the land and infrastructure, lack of strategic planning, lack of a banking history, lack of international certificates of quality, uncompetitive prices, and a product without characteristics that differentiate it from others.
9. One of the main problems that the microenterprise faces is its low productive capacity, since its land and infrastructure does not produce even the minimum amount needed to be exported to Chile. Its monthly output is 0.5 tons and the minimum quantity is about 13 tons.
10. The microenterprise has no knowledge regarding strategic planning, which hinders their organization in different areas. It does not have clear objectives, goals, a mission or a vision.
11. Although the company has been self-financed and does not have any current debts, the lack of having a banking history or an account can prevent the company from obtaining a loan to finance future projects. However it has been

determined that there are banks, finance companies and co-operative institutes that offer loans precisely for these type of businesses.

12. With the current production capacity that microenterprise handles, the price of Palmitorres's product is little competitive in the Chilean market because its price increases due to the small amount of production. However, if we consider an increase of Palmitorres's production, which would total to 13 tons since this is the minimum export amount required by the market, its price would decrease because of the total volume that would be exported and so, its prices would be similar to that of the competition in the target country .
13. To find a solution for the various problems that the microenterprise faces, there are various alternatives that could be chosen from that applicable to the areas of the business. For each of these there are three different options of people who can be held responsible for a certain task, and also there is a specific budget for each proposed alternative. The final budget will be determined based on the options that the microenterprise chooses.

Chart #29 Grid of Investment Options

Grid of Investment Options		
Functional Area	Description of the task to be invested in	Total
Administrative Department	Manager Training	\$280-\$300
	Hiring an External Consulting Company	\$3,000-\$5,000
Financial Department	Mortgaged Property	
	Fixed Capital	
Production Department	Manager Training	\$280-\$300
	Hiring an External Consulting Company	\$3,000-\$5,000
	Investment in Machinery	approx. \$32,500
	Monthly Purchase of the Harvested Product	approx. \$6,190
	Warehouse Rent	\$600-\$1,000
	Packaging Company Rent	approx. \$20,520

Source: Created based on information provided in previous parts of this thesis.

Chart #30: Optimal Combination

Administrative Department	Manager Training	\$280-\$300
	Hiring an External Consulting Company	\$3,000-\$5,000
Production Area	Hiring an External Consulting Company	\$3,000-\$5,000
	Investment in Machinery	approx. \$32,500
	Monthly Purchase of the Harvested Product	approx. \$6,190
	Renting a Warehouse of approx. 400m2	\$600-\$1,000

Source: Created based on information provided in previous parts of this thesis.

14. The company would need to invest a total of \$32,000 in machinery so that the company can increase its production capacity and become industrialized
15. The enterprise needs an initial capital of \$158,027.75 for investing in the legal constitution of the company, and for financing salaries, equipment and office supplies, utilities, as well as marketing costs, since it is essential to give a good image of the business through the creation of a website of the company that provides all kinds of information and allows direct contact with the client. Also through social networks the enterprise can upload and constantly update deals about the product.

According to the information gathered and analyzed, we can conclude that the microenterprise currently is not capable of becoming international due to its low production capacity and lack of competitiveness of its price. This is why a series of actions that focus on plans of internal improvement are proposed, so that the enterprise can accomplish a reduction of the gaps that exist between the company and the market.

RECCOMENDATIONS

In this section, certain recommendations that were determined are established based on the investigation that was carried out.

1. Microenterprises should not make rash decisions to become international since it is necessary to perform previous studies, considering all of the factors that are involved in this process to avoid the failure of these Microenterprises. These should consider investigating the process of internationalization as an option to grow.
2. In reference to Palmitorres, it is important to focus on the company's strategic planning, and the investment in training its personnel or hiring an external consulting company that would help to create a strategic pyramid and to clearly determine the objectives of the business, including its mission, vision, goals, and values under which it would function.
3. The company should train its personal in the above mentioned areas in order to achieve the enterprise's common objectives.
4. Develop standard operating procedures and standardizing processes to facilitate the actions of workers.
5. Improve the company's relationship with banks and finance entities, and train its personnel on different financing options and products such as back to back options.
6. Associate with small-scale palmetto producers to purchase the harvested product from. In this case, the company train or standardize the orders of the products for them to have the same characteristics.
7. The company should invest in machinery needed for processing palm hearts and for the packaging process. The cost of the machinery depends on the packaging options that the company chooses from. The company could change its package presentation from a plastic bag to a glass bottle which would mean that they would not have to invest in this machinery.

8. Hire a warehouse unit for the temporary storage of the finished product.
9. The enterprise could plan to invest in finding clients and alternative markets in order to grow not only in production but also in sales.
10. Future long-term investments for product innovation in order for it to have differentiating characteristics and a competitive advantage in the target market. Medium-term innovation is suggested based on the market, but always considering variations of the original product such as improvements of the presentation of the product, adding different vegetables, changing the liquid, among others.
11. In the long-term, the creation of a logo and slogan is recommended so that the palm hearts can easily be recognized by clients on a national and a world-wide level and this way the company could position itself in the market. It is important for the enterprise to have the parameters and strategies clearly established in order to know where it is heading.

We recommend that the microenterprise Palmitorres should not export its product at this moment since it needs to make important changes in order to adapt itself to the target market. Currently the company is not competitive and does not reach the necessary production capacity. For this reason, the company should apply a plan of internationalization if it wishes to become an exporting company.

Annex # 1 Certificate of Origin Form

CERTIFICATE OF ORIGIN PARTNERSHIP AGREEMENT CHILE – ECUADOR

Certificate number:

EXPORTING COUNTRY	IMPORTING COUNTRY
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1. Name, address, and tax registration number of the exporter.
2. Name, address, and tax registration number of the importer.

3. Merchandise description	4. Naladisa 8 digits	5. Origin criteria	6. Number and date of commercial invoice	7. Gross Weight (kg.) or other measures.

8. Observations

<p>9. Exporter Declaration</p> <p>This signed document declares that the goods described above meet the conditions required for the issue of this certificate.</p> <p>Country of Origin.....</p> <p>Signature.....</p>	<p>10. signature of the competent authority or authorized entity</p> <p>I certify the veracity of this declaration</p> <p>Name.....</p> <p>Stamp.....</p> <p>Place and date.....</p> <p>Signature.....</p>
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Source: Economic Complementation Agreement No. 65 between the Republic of Chile and the Republic of Ecuador. Annex 4.2

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