



Universidad del Azuay

Faculty of Law

School of International Studies

“Analysis of an exportation plan of bottled spring water Vilcagua to the U.S Market”

Graduate thesis prior to obtaining a

Bilingual Bachelor in International Studies
minor in Foreign Trade

Author: Marcela Alexandra Mora Romo

Director: Luis Fernando Pinos.

Cuenca-Ecuador

2016

Dedication:

My baby boy Joaquin, you always give me the strength to keep going.

“Never give up on your dreams, there will always be a reason to keep moving”

M. Mora

27/06/2016

Acknowledgment:

To my family, for their unconditional love and support

To Luis Pinos, for his time and advice through the making of the following study.

To all of those who are a part of MinaExplo Loja S.A, for offering all the data required to carry out the following study.

To God, Mar.

Abstract:

The feasibility to export bottled spring water Vilcagua to the U.S market will be proved in this project. In order to achieve this objective three key chapters will be developed. In the first chapter the current situation of MinaExplo Loja S.A is analyzed (mission, vision, current strategy, target market, etc.) and an approach to it is made in order to understand how the business model works. In the second chapter an analysis of the macroeconomic aspects of Ecuador and U.S. regarding the Beverages Industry is made. Finally, a proposal to export Vilcagua is suggested taking into account all the data included in the previous chapters.

Table of Contents

Dedication:	II
Acknowledgment:	III
Abstract:	IV
Table of Contents	¡Error! Marcador no definido.
Introduction	VIII
Description of the problem	IX
Overall Objective	IX
Specific Objectives	IX
CHAPTER 1: ANALYSIS OF THE COMPANY	10
1.1 Presentation of the Company: (background)	10
1.1.1 Mission of MinaExplo Loja S.A.	11
1.1.2 Vision MinaExplo Loja S.A.	11
1.2.1 Planning	12
1.2.2 Organization	13
1.2.3 Direction	15
1.2.4 Leadership	15
1.2.5 Control	16
1.3 Marketing Mix	17
1.3.1 Product	17
1.3.2 Place	27
1.3.3 Price	27
1.3.4 Promotion	29
1.4 Segmentation and Target	30
1.5 SWOT Analysis	31
1.5.1 Strengths	31
1.5.2 Weaknesses	32
1.5.3 Opportunities	32
1.5.4 Threats	32
1.5 Five Forces Model	33
1.6.1 Force 1: The Rivalry among the existing players	33

1.6.2 Force 2: The Entry of Competitors	36
1.6.3 Force 3: Threat of substitutes	36
1.6.4 Force 4: The bargaining power of suppliers	37
1.6.5 Force 5: The bargaining power of buyers	38
1.7 Financial Analysis of MinaExplo Loja S.A.....	38
1.7.1 Vertical analysis	41
1.8 Conclusion.....	42
CHAPTER 2: MACROECONOMIC ANALYSIS	44
2.1 Macroeconomic Index of Ecuador.....	44
2.1.1 Gross National Product (GDP).....	44
2.1.3 Inflation.....	48
2.1.4 Unemployment.....	49
2.1.5 Trade balance of goods and services.....	50
2.2 Political Environment	51
2.3 Legal Environment.....	52
2.4 Industrial environment.....	54
2.5 Environmental Situation	57
2.6 US Macroeconomic Data	57
2.6.1 Gross Domestic Product (GDP)	57
2.6.2 GDP by sector (US)	59
2.6.3 Inflation	61
2.6.4 Unemployment.....	61
2.7 Political Environment	63
2.8 Legal Environment.....	64
2.9 Industrial environment.....	65
2.10 Conclusion.....	67
CHAPTER 3: FEASIBILITY	70
3.1 Tariff and non-tariff barriers	70
3.1.1 Tariff Barriers.....	70
3.1.2 Non-tariff barriers	71
Graphic 3.2: Process for obtaining the Certificate INEN	73
3.2 Exportation Process	77
3.3 Target Market	79

3.4 Distribution Channels and Logistics: Strategic Alliances	80
3.5 Competition	81
3.6 Marketing Plan.....	83
3.6.1 Product	83
3.6.2 Promotion.....	83
3.6.4 Place	85
3.7 Legal Study and Corporate.....	86
3.8 Economic Feasibility Study	87
3.9 Conclusion.....	90

Introduction

The following project synthesizes theories and practical knowledge learned throughout International Studies degree by conducting an analysis of the feasibility to export Vilcagua bottled water to the U.S market. Important factors like background information of the enterprise; legal, industrial, and political aspects, the target market, competitors, tariff and non-tariff barriers are taken into account to make the right decision if shareholders of MinaExplo Loja Inc. decide to internationalize the company. In the business world, doubt and speculation happen when drafting an international business plan. This paper will serve as a guide for shareholders and investors so that they can properly decide how to distribute the product in the US market and which would be the target market to consider. The U.S market is one of the biggest consumers of bottled water in the world, the largest trading partner of Ecuador and a market in which many companies have been able to prosper. Also, the environment is favorable even though competitors offer excellent water quality. For all these reasons, it has been chosen as the export destination of Vilcagua. This bottled water is shown as a suitable brand to compete because of its many health benefits; with proper advertising the brand could become globally recognized.

The present project aims to fully analyze the current conditions of MinaExplo Loja S.A by learning the macroeconomic environment of Ecuador and The United States in order to properly identify a foreign target market, and to analyze the financial feasibility of the company. This whole process is done through a descriptive and exploratory research that collects information for further analysis. In addition, a field research is required in order to better perceive the actual situation of MinaExplo Loja S.A. The feasibility of this project will be measured by analyzing the results of both internal and external issues that may affect it in order to achieve the overall objective of this work.

Description of the problem

MinaExplo Loja S.A has achieved national success thanks to the production of some products, including its signature product, "Vilcagua" bottled water. A research conducted by National Geographic suggests that natural spring water "Vilcagua" is a high quality product because of its unique composition. This high quality product could generate high demand at industrialized countries specifically in the United States, which is considered the largest consumer of bottled water in the world. Currently, the company lacks an exportation plan. This project will analyze whether MinaExplo Loja S.A actual conditions are adequate to internationalize its signature product Vilcagua. The implementation of this project will greatly benefit both the Company and shareholders. Moreover, Ecuador could become an exporter of non-traditional products. It is important to consider that in order to achieve the overall objective of the project, the U.S market will be investigated.

Overall Objective

- Perform an export plan for bottled water "Vilcagua" in the US market.

Specific Objectives

- To Know MinaExplo Loja S.A. conditions fully
- To describe the potential market in which to distribute Vilcagua
- To identify the technical study required for production of Vilcagua
- To assess the financial and economic feasibility for the exportation of Vilcagua.

CHAPTER 1: ANALYSIS OF THE COMPANY

In order to develop an export plan, it is important to deeply know the enterprise that is trying to internationalize. In that way right decisions will be made and the company and its signature product will be able to be present in international markets. The following chapter shows history, mission and vision of MinaExplo Loja. Then, the administrative process is analyzed to understand how the Organization chart works and the duties of each position. After that a, a marketing mix of Vilcagua is developed to recognize the current 4p's (product, price, place, promotion). Also, a SWOT analysis is displayed to recognize positive and negative aspects of both, internal and external environment of MinaExplo Loja S.A. Later, Porter's 5 Forces administrative tool unfolds the external environment in which the company develops. Finally, a financial analysis is developed.

1.1 Presentation of the Company: (background)

In 1977, businessman Marcelo Herrera ventures in the Beverage Industry by partnering with business group Eljuri, together they create a new Company called EMPROSUR, famous for introducing Coca Cola in the Ecuadorian market. At the same time, 3 production plants are set up in El Oro, Portoviejo and Loja. This will be a key moment for business group Herrera to get involved in the Beverage Industry, specially manufacturing products such as bottled water and bottled juices. In 2006, the business group Herrera acquires MinaExplo Loja S.A, since then it operates under its administration. Herrera group has tried to give different twists to the bottling beverages by producing orange juice and others. However, their signature product is natural spring water Vilcagua. MinaExplo Loja S.A owns a bottling plant located in Vilcabamba that is responsible for extracting groundwater that comes from handicraft sources nourished by Podocarpus National Park. Spring water Vilcagua contains more than 32 natural minerals such as selenium, calcium and potassium. What's more, its pH is 8 which means it is alkaline and its been proven

to bring great health benefits. Vilcagua is offered and distributed in the national market in different presentations (500ml, 1 liter, 1 gallon, etc.)

Important studies claim that the bottled water business has grown enormously over a period of 30 years (1970-200) it went from bottling 100 million liters to 84,000 million liters. In addition, healthy and natural life trends are constantly growing that's why some people prefer consuming a bottle of water rather than a sugary soda. For that reason, many consider bottled water as the business of the century. This project aims to create an exportation plan of Vilcagua as it is in foreign markets, mainly the US market, where consumption of bottled water has grown greatly.

1.1.1 Mission of MinaExplo Loja S.A.

The mission of a company is defined as the reason why the company exists. It's reason to be. It determines the basic functions that the company will develop in order to achieve the overall objective. The mission proposed is:

"To be the producer of natural mineral water with the highest quality standards to meet the needs of all markets in the world, serving in the best way and using materials with the highest quality to ensure that our processes will maintain the water in their natural state and protect the environment"

1.1.2 Vision MinaExplo Loja S.A

The vision refers to what the company wants to be in the future. It inspires and motivates all the employees, shareholders or other people connected to the company to keep working fiercely.

"To satisfy the thirst of the world"

1.2 MinaExplo Loja S.A Administrative Process

According to Terry and Franklin administration is “a very particular process that consists on planning, organization, execution and control; performed to determine and achieve the proposed objectives with the use of human beings and other resources” (Terry & Franklin, 1994, p.22)

1.2.1 Planning

According to Chiavenato, Planning it is the first administrative tool since it is the basis where others are held. "Planning is the administrative function that determines in advance what the objectives to be achieved are and what should be done to obtain them. This is a theoretical model for future action "(Chiavenato, 2006, p.143). In MinaExplo Loja S.A short- and long-term objectives have been established guiding the daily life of the company.

Long-term objectives:

- To improve branding inside and outside the country.
- To maximize profit through scale economies.
- To internationalize the product in key markets worldwide.

Short-term objectives:

- To identify potential water markets.
- To develop appropriate distribution channels allowing greater product presence in the main consumption points.

- To improve the competitive position of Vilcagua and increase it's market share in Ecuador.
- To develop a project to export to the US market because this country is the largest trading partner of Ecuador, and one of the largest consumers of mineral water in the world.

1.2.2 Organization

Formal organization is based on "the rational division of labor; specialized bodies and people in certain activities. Planned organization or the one that is defined in the organization chart is established by management and communicated to all through handbooks." (Chiavenato, 2006, p.148). It will be described how Organization in MinaExplo Loja S.A works by conducting a brief description of the main functions of each of the components of the Organization chart and Figure 1 illustrates it.

Shareholders: Control the actions taken by the Administration of MinaExplo Loja S.A

CEO: Develop strategic plans for achieving the objectives of the company. Directs and controls the activities of the areas of production, marketing, and maintenance.

Production Department: Plans and conducts manufacturing of the product according to the estimates provided by the department sales. Maintains stock of raw material, improves the production process and performs quality control.

Administrative Department: Responsible for providing the resources that the company needs. Take care of company assets. Coordinates and regulates the proper functioning of the area.

Marketing Department: Performs sales activities and promotion. Determine pricing policies. It identifies the current and potential market, and prepares sales budgets.

Sales Supervisor: Oversees marketing and distribution of sales men. It controls customer base.

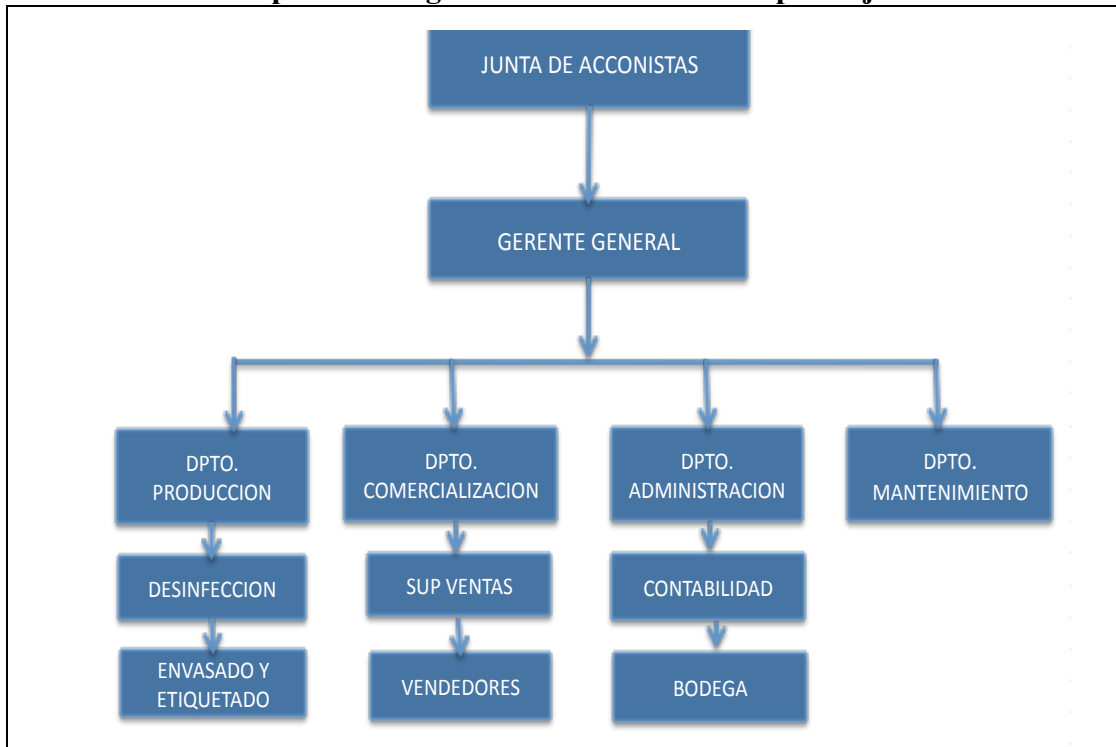
Sales men: Perform visit to distributors and end customers. They deliver and sell the product. They take orders.

Maintenance Department: Responsible for verifying the proper operation of the installed machinery through preventive and corrective maintenance. Coordinates and verifies that these are carried out in time.

Accounting: Records transactions originated in the process of buying and selling. It prepares balances and financial statements. It makes tax return.

Stowage: Saves and custodies raw materials for production and finished product for marketing.

Graphic 1.1 Organization Chart MinaExplo Loja S.A



Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.2.3 Direction

The Direction is the implementation of planning and organization. According to Chiavenato "The Direction is the administrative function referring to interpersonal relationships of managers and their subordinates at all levels of the organization" (Chiavenato, 2006, pag149). This concept displays that management is related to guide people in order to achieve objectives, which is why in MinaExplo Loja S.A General Management in combination with departmental managers define the strategy to achieve objectives of short, medium and long term.

1.2.4 Leadership

Currently, Dr. Andrés Herrera is the CEO of the company, who is also one of the shareholders of the company. The CEO is legally responsible for the company,

which is why a consistent person is needed for the company to operate in full compliance with the law. Thanks to leadership skills, optimal teamwork has been achieved. Regular meetings with staff are held to communicate the news of each department. Also, the head of each department handles leadership. Sales manager report what was sold so that production knows what will be required in the future. Production in turn communicates with the maintenance department to have the machines ready to start the bottling process. Management, accounting and marketing must be aware of what happens in each area to provide the necessary inputs, make a new advertising campaign, or have up to date accounts of the company.

1.2.5 Control

"The control ensures that the results of what was planned, organized and directed fit as much as possible the objectives found. The essence of control lies in checking whether or not the controlled activity achieves the objectives or expected results "(Chiavenato, 2006, p. 151). The company needs to ensure that planned activities match the actual activities of the company. In this regard, sequences of controls are made in the different departments.

Administrative Department: In the administrative department control occurs when accounts are up to date and match with reality. Legally speaking, papers such as bills, in-voices, cash receipts, preforms and others should be filled in properly. Accounting department controls that taxes are correctly declared to avoid conflict with the IRS. The production department tracks the number of bottles that enter and leave the production line through a daily report so that possible drawbacks, such as loss of goods can be avoided.

Marketing Department: Each advertising spot must be consistent with the spirit of the company and the product. This department must be very careful that advertising does not have inappropriate images that could harm the good name of the company.

Sales Department: It controls that Vilcagua distributors have the product properly placed on the racks. Also, it controls that sellers make appropriate visits to customers through a register in which important points and achievements made with each client are detailed.

1.3 Marketing Mix

Marketing Mix is a tactical element that allows knowing the product, price, place and promotion (4 P's)

1.3.1 Product

Product can be defined as the "set of attributes or intangible that the company offers to the target market to meet a need" (Garcia, 2008, p.31). MinaExplo Loja S.A offers natural mineral water Vilcagua; it is full of minerals such as calcium, iron, chromium, magnesium, copper, selenium, sodium, manganese, cadmium, potassium, zinc and phosphorus, among others. The product is extracted from an artesian source that is fed by waters of Podocarpus National Park in the town of Vilcabamba, Loja. This sacred valley is full of healthy people and their secret to long life is water. This water is filtered and bottled by the company under the trademark Vilcagua.

In the last decade alkaline water has taken relevance in the sports world, athletes of Olympics have included it in their training plans hydration by consuming alkaline water to obtain higher performance. In addition, alkaline water helps to neutralize acids and improves circulation; it prevents the development of malignant cancerous cells and eliminates some that could exist. This kind of water is obtained through a chemical process, but all these virtues are naturally found in Vilcagua. It is important to mention that Vilcagua belongs to a select group of bottled waters known as "Premium" which is water from a natural source, with high standards of

environmental sustainability and full protection of the source from which it is extracted.

1.3.1.1 Product Presentations

Table 1.1: Presentations of Vilcagua

Presentation	Amount Per Presentation
Vilcagua 500cc	Pack of 24 units
Vilcagua 750cc	Pack of 16 units
Vilcagua 2000 cc	Pack of 6 units
Vilcagua 5000 cc	Pack of 4 units

Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.3.1.2 Nutritional Facts

Table 1.2: Nutritional information for a 750ml bottle

PH	7.2
Total Solids	262 mg
Alkalinity in CaCO ₃	111.8 mg
Bicarbonates (HCO ₃)	136.4 mg
Total Hardness en EDTA	140 mg
Calcium (Ca)	40.8 mg
Magnesium (Mg)	9.3 mg
Chlorides (Cl)	10.8 mg
Sulfates (SO ₄)	39 mg

Source: Vilcagua 750ml bottle

Elaboration: MinaExplo Loja S.A

1.3.1.3 Description of the production process

Water uptake: The water is obtained 70 meters deep well where water flows at a rate of 0.6 liters per second. Thanks to a pump, the water rises by stainless steel tubing to reach the filters. This is a water concession granted by the National Water Resources Council.

Photograph 1.1: Water Swell



Water Filtration: Once the water has been extracted, it must go through two Millipore filters that are responsible for filtering algae, thus the water remains free of any impurities. The surface of a filter is 0.2um x 30 inches. And the second one is 0,45um x 30 inches. Once the water has passed the 10,000 liters stainless steel tank it is purified by the ozone generator, the water stays in this process during a time in which 2ppm of ozone is incorporated to water, this process ensures that the water is free of any contaminants. Through this process the water is not subjected to purification through chemicals, which ensures that its molecular structure remains intact. In this phase the water is ready to be transferred to the bottling line.

Photograph 1.2: Filter 1 Vilcagua



Photograph 1.3: Millipore Filters



Photograph 1.4: Purifying Ozone Tank



Bottle washing: The overall aseptic of the bottles that will hold Vilcagua go through a 2-stage process, which consists of washing and sterilizing. In the first stage bottles are washed with a 2% caustic soda solution. After, bottles are rinsed with hot and cool water to remove all waste of caustic soda. The washing machine is automatic and consists of four cavities; the first 2 apply caustic soda and the next 2 rinse bottles. Once the bottles have gone through this process that ensures that they are suitable to continue with packaging, the bottles rest for a small period so they can dry out and ensure that no residues are left. The plant has a small area of bottle blowing.

Photograph 1.5: Interior Bottles Washing



Photograph 1.6: Exterior Bottles Washing



Photograph 1.7 Washing Machine



Filling, capping and labeling: Once the bottles are in the filling line and the water is ready, a filling machine depending on the presentation of each bottle fills them with fluid. Then, the filled bottles pass to the capping area where they are tightly covered. At the end of the line there is a person who is responsible of placing the safety seal. Finally, bottles are labeled and encoded.

Photograph 1.8: Filling Machine



Photograph 1.9: Safety Seal

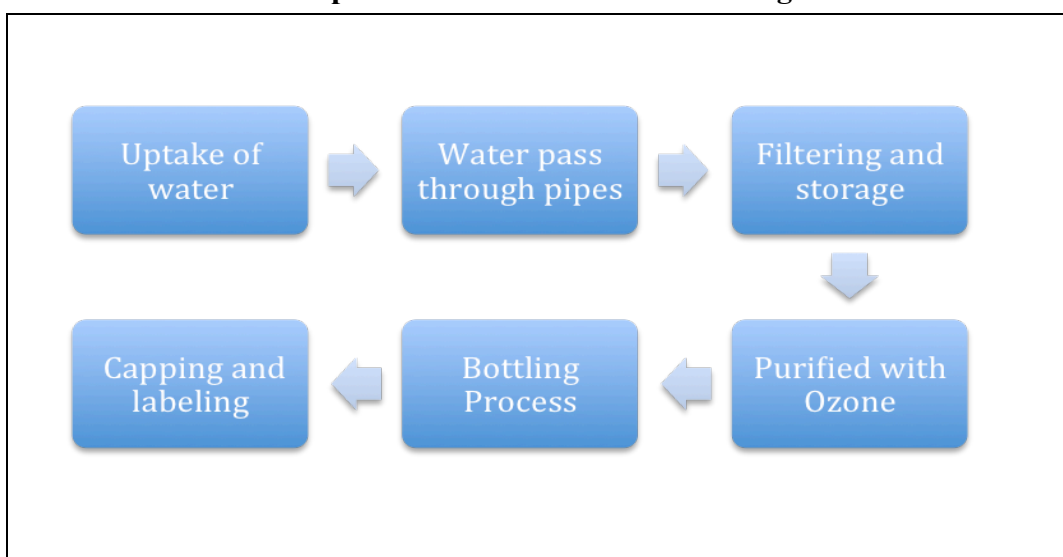


Photograph 1.10 Vilcagua Bottles



1.3.1.4 Process Production Diagram

Graphic 1.2: Process Production Diagram



Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.3.1.5 Quality Control

Quality control is performed at the end of the process. However, there are established protocols for each stage of the production process. When production is completed, quality control is performed in the laboratory of the plant to establish whether water has the proper pH or not.

The water must meet standards established by the competent bodies, for example INEN 2178 official record for natural mineral waters. The INEN (Servicio Ecuatoriano de Normalización) defines natural mineral water as "water characterized by its nature, its mineral content, trace elements or other components and their natural purity. It is obtained directly from natural sources or perforated groundwater from aquifers strata that have been protected from all risk of pollution and its composition has, within the natural fluctuations known, stability of its essential characteristics mainly composition and temperature at the outlet, which is not affected by the flow. "Vilcagua meets the definition given by the INEN. Moreover, the standard requires that the source must be protected from risks of contamination by regular laboratory analysis.

To convene the standards facilities as the water uptake must be made of inert materials such as stainless steel, washing facilities and packaging must comply with existing standards of hygiene, water should be collected under conditions that ensure microbiological safety, water should not be treated with any addition of chemicals, etc. Finally, the company has been certified with ISO 9001-2000 in which norms and standards for best performance of the company are detailed. The standard ensures that there is adequate quality management to provide a product that meets customer needs.

Photograph 1.11: Laboratory Tagline



Photograph 1.12: Laboratory



1.3.1.6 Resources of the Production Process

In order to obtain the final product machines, people and raw materials are needed. The plant is equipped with a pump, a stainless steel pipe so that water can reach the tanks. Also, it has two Millipore filters, a 10,000-liter tank of stainless steel where water is purified. Washer machines of 4 cavities help to washing and rinsing the bottles at once. The filling machine and automatic capper allows the bottle to be filled with just the right amount of water and the automatically sealed. At the end of the production line we have a coding and security tag. The forklifts and pallets help to transport Vilcagua to its final destination.

The human resources verify that the machines work properly and are capable of reasoning and communicating if any failure occurs. There are 2 workers; each of them is responsible of a task. One coordinates the machines. He puts bottles on the production line and review every step has gone well at the end by putting the safety

seal. The other worker is placed at the end of the production line and is responsible for putting bottles in pallets. There is also a production manager who oversees the work and coordinates the transport of water to the outlets. Raw materials and other inputs are important resources for production. The raw material is water drawn from the well. Other inputs such as filters, caustic soda, containers, lids, and labels are needed.

1.3.1.7 Analysis of the productive capacity of the plant

Currently, the plant produces less than its capacity. Production is divided by day (see Table 1.3) However, production capacity is much higher, the production manager assures that double the amount can be produced, working 16 hours, with a greater number of workers. The plant now works at 40% of its capacity.

Table 1.3: Current Production of Vilcagua

Presentation	Bottles per day	Bottles per month (20 work days)	Bottles per year (approx. 240 work days)
500ml	5,544	110,880	1,330,560
750ml	2,772	55,440	665,280
2 liter	1,232	24,640	295,680
5 liter	246	4,928	59,136
TOTAL	9,794	195,888	2,350,656

Source: MinaExplo Loja S.A

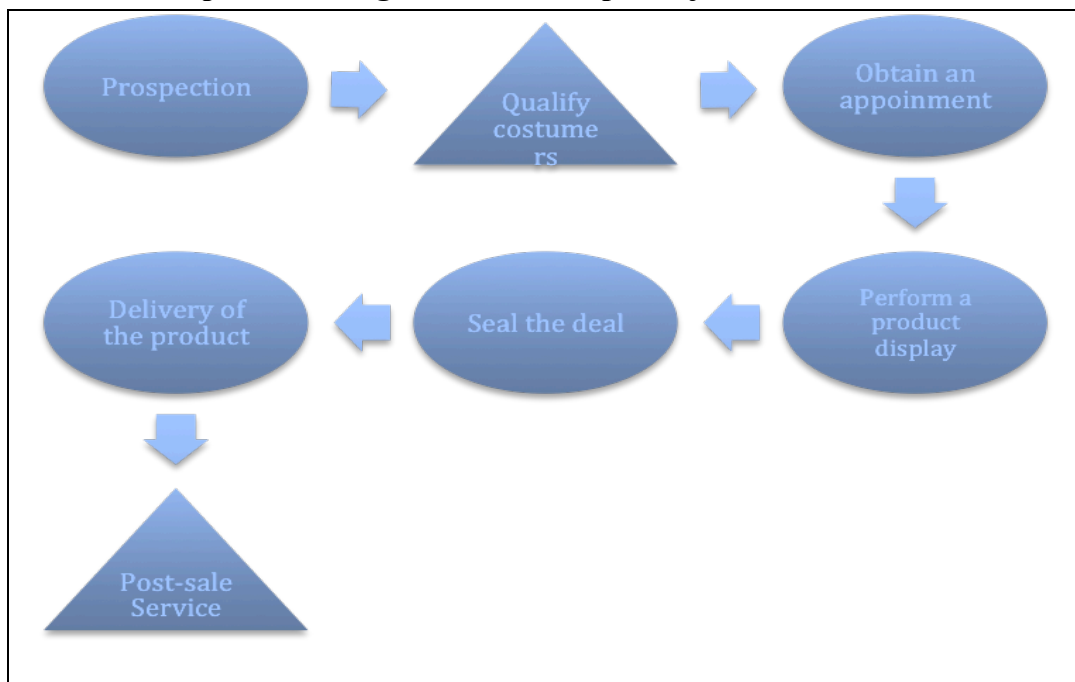
Elaboration: MinaExplo Loja S.A

1.3.1.8 Description of the Sales Process

The sales process is done in several steps. Prospection that is the search of new customers is made by obtaining information of the environment (current clients, newspapers, magazines etc.) Once potential customers are found, a survey is made to learn relevant data such as which products are sold, who is responsible for purchases, the potential public for the product. Then, a presentation focused on the potential customer with curious attention-data is prepared. After that, obtaining an appointment is essential and it provides a sense of organization and formality. The presentation of the sales message comes next and it is about telling the story of the product to the customer. Finally, the sale is closed. The Post-sale service consists on verifying proper delivery and offering discounts on future purchases. Bellow, a diagram of how the sales process works in MinaExplo Loja S.A is shown (Graphic 1.3)

1.3.1.9 Diagram of the Sales Process

Graphic 1.3: Diagram of MinaExplo Loja S.A Sales Process



Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.3.2 Place

"The place refers to actions that allow transfer of a product or service from the company to the market, it could be outlets, or different channels that could generate market accessibility" (Garcia, 2008, p. 31). In the last 10 years, the bottled water market has diversified in Ecuador. For many years its flagship product Thessaly and Güitig led the market. But new competitors have emerged such as Manantial, Vivant, Dasani, and Pure Water among others. According to Luis Pastor, manager of Advance Consulting, the great growth of the industry is a result of the increasing population that takes care of their health. Moreover, in many cities there are concerns about the quality of drinking water, so many families consume only bottled water.

According to Euromonitor the three brands that dominate the market are Thessaly (Güitig), Dasani, and Pure Water. Líderes Magazine published an article in which it is claimed that sales have gone up. In 2012 a profit of \$ 351.5 million was recorded, 23% more than in 2011. In addition, the preferences for product presentations have changed, before 250ml and 500ml presentations were more popular, now presentations of 1 liter and 1 gallon are highly appreciated. Currently, Vilcagua is distributed mainly in the Ecuadorian cities of Vilcabamba, Loja and Cuenca. In the aforementioned cities water could be found in convenience stores and in some supermarkets.

1.3.3 Price

Price is defined as "the amount of money customers have to pay for a given product or service" (Garcia, 2008, p. 31). The price of Vilcagua is set by the company taking into account production costs plus a percentage of profit, it should be noticed that the price should be competitive with the offer in the market. However, the price should reflect that Vilcagua is high-quality bottled water and stands out from the rest for its mineral qualities. MinaExplo Loja S.A has developed a table where the cost of each component of the product is clearly shown. The cost of producing a bottle of 750ml Vilcagua is \$ 0.272579; a 30% gain profit percentage is added to this. The bottle is

sold to wholesalers for \$ 0.36 price; at retail the price is \$ 0.50 that means that the stores earn \$ 0.14 per bottle sold. Other presentations of Vilcagua are sold at different prices, 500ml bottle costs \$ 0.40, the 1 liter bottle costs \$ 0.75, the 2-liter costs \$ 1.20 and the 5 liter bottle is sold at \$ 1.50.

Table 1.4: Costs of Bottling Vilcagua 750ml

Components	Cost
Water	0.002136
Bottle	0.065680
Cape	0.111400
Label	0.023700
Work Force	0.080000
Electric Energy	0.008000
Machinery Maintenance	0.004800
Depreciation of Machinery	0.020000
Consume	0.000800
Raw Material	0.005600
Transportation	
Make up	0.000502
Sol Cleaner	0.000634
Ink	0.000500
Packaging	0.048827
Total	0.272579

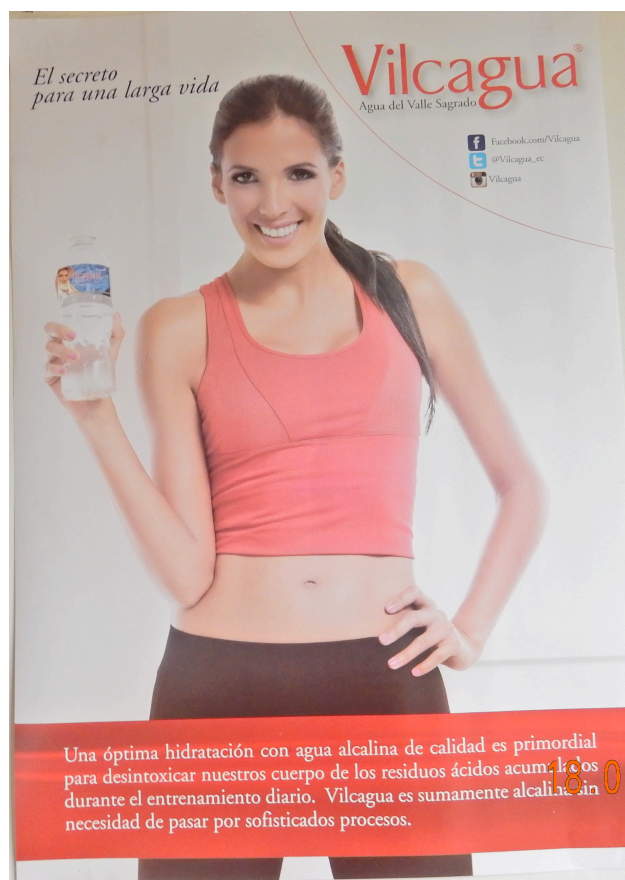
Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.3.4 Promotion

"Promotion is the information provided by the company to advertise its value proposal to the market and facilitates the satisfaction of its needs." (Garcia, 2008, p. 31) The latest advertising campaign was made with Maria Teresa Guerrero as the face of the brand. A photo shoot was performed in which some images for making posters and banners were chosen. The posters were placed in the front parts of some stores in Vilcabamba and Loja. Also, banners were placed in strategic locations in Cuenca. The phrase that was used to characterize the campaign was "The secret to a long life." The posters show the image of Maria Teresa holding Vilcagua and a small summary of what Vilcagua means was written at the bottom of the poster. TIC's were used on social network such additional information about the product was included.

Photograph 1.13 Promotional Poster of Vilcagua



Photograph 1.14 Promotional Poster of Vilcagua



1.4 Segmentation and Target

The target market is national and foreign population older than 25 who reside or temporarily visit the cities of Vilcabamba, Loja and Cuenca where the product is marketed. Different tables with the population in the provinces of Loja and Azuay are presented, according to the age ranges from 25 years onwards.

Table 1.5: Population of Loja (25 years and older)

Age Range	Population (2010)
From 25 to 29	33,412
From 30 to 34	27,887
From 35 to 39	24,641
From 40 to 44	22,488
From 44 to 49	21,833
From 50 onwards	90,969
TOTAL	221,230

Source: INEC

Elaboration: Marcela Mora Romo

Table 1.6: Population of Azuay (25 years and older)

Age Range	Population (2010)
From 25 to 29	60,764
From 30 to 34	48,898
From 35 to 39	42,087
From 40 to 44	36,718
From 44 to 49	33,917
From 50 onwards	129,493
TOTAL	351,877

Source: INEC

Elaboration: Marcela Mora Romo

There are 221,230 potential customers of Vilcagua in the province of Loja. In the province of Azuay there are 351,877 potential customers. There are 573,107 potential consumers of Vilcagua in markets where it is currently present and marketed.

1.5 SWOT Analysis

1.5.1 Strengths

- Natural physical and chemical characteristics of the product
- Swiss Technology in the Production process
- The plant has adequate infrastructure. Both the land and machinery are owned by MinaExplo Loja S.A
- The product has permissions as the INEN 2178 and the ISO 9001-2000 regulates quality management

1.5.2 Weaknesses

- MinaExplo Loja S.A has no experience selling and promoting Vilcagua internationally.
- MinaExplo Loja S.A competes in the market with a sole flagship product that is Vilcagua.
- Inexperience in the exporting process and all procedures involved.
- Scarce brand advertising and thus little knowledge of it.
- Weak promotion techniques.

1.5.3 Opportunities

- Exporting the product thus gaining new markets.
- The bottled water business has grown substantially in recent years.
- There is a growing tendency to stay healthy drinking 2 liters of water a day.
- The natural spring water is well seen in international markets.
- There is little competition with similar characteristics of Vilcagua.

1.5.4 Threats

- The market is full of a wide range of bottled water at different prices.
- There are bottled water offered at very low prices (sometimes of dubious origin)
- Wide variety of products that could replace water consumption (soft drinks, juices, etc.)

1.5 Five Forces Model

5 Forces Model is a management tool developed by Michael Porter, it allows analyzing a specific industry to determine the business environment, and For example, how threatening new competitors could be? Which substitutes the costumers might prefer? What influence suppliers might have? What is the bargain power of consumers?

1.6.1 Force 1: The Rivalry among the existing players

The direct competition of MinaExplo Loja S.A are all mineral water bottlers in the Ecuadorian market as they are engaged in the same business but may have different strategies to grab the demand for bottled water. The direct competition of Vilcagua is VilcaVida which is also produced in Vilcabamba and comes from groundwater, it contains minerals like Vilcagua. A business group consisting of three companies called "Corporation VILCA-INTER-WATER" packages vilca-life. It is also exported under the name of "Vilcabamba Water" to the north of Peru.

On the other hand, there are companies that have been engaged in this industry for many years. Therefore it is well positioned in the domestic market. The Tesalia Springs Company has more than 100 years in the domestic market it offers more than 22 products, the main rival of Vilcagua is the natural mineral water Tesalia having presentations of 250ml, 500ml, 1000ml, 1500ml, 200ml, 3785ml, 6000ml and 20,000ml.

The preferred brand of Ecuadorians is mineral water with gas Güitig, although it is a different product. It could be seen as a direct competitor of Vilcagua. Güitig comes in presentations 300cc, 330cc, 500ml, 700ml, 1lt, 1.5lt, 2LT, and 3lt. In addition to the aforementioned products Vilcagua competes with purified bottled water. Ecuador Bottling Company has been in the market since 2006 with Dasani, which comes in

presentations of sparkling water without gas and also flavored water. Cervecería Nacional S.A and Andean Brewery produce water Manantial with and without gas, it has obtained certification NSF (National Sanitation Foundation), which is a certification program for bottled water based on the regulations of the FDA (Food and Drugs Administration). Zhumir distillery produces 600cc Vivant in various presentations and flavors: natural, sparkling, lemon and grapefruit. Finally, Regasa S.A produces natural water without gas called All Natural.

Vilcagua could compete in the market because its price is not so high. As for the quality, it could be compared with Evian, Güitig and Tesalia that are natural mineral waters.

Table 1.8: Prices of Vilcagua

Trademark	Presentation	Price
Vilcagua	500cc	0.40
Vilcagua	1000cc	0.75
Vilcagua	2000cc	1.20
Vilcagua	5000cc	1.50

Source: MinaExplo Loja S.A

Elaboration: Marcela Mora Romo

Table 1.7: Prices of the Competitors

Trademark	Presentation	Price
Güitig	500cc	0.61
Tesalia	500cc	0.37
All Natural	500cc	0.38
Dasani	500cc	0.50
Evian	500cc	2.17
Güitig	330 cc (glass)	0.71
Tesalia	1000cc	0.63
All Natural	1000cc	0.57
Vivant	500cc	0.35
Cielo	1000cc	0.53
Evian	1000cc	3.82
Evian	1500cc	4.85
Vivant	6000cc	1.30
All Natural	5000cc	1.42
Tesalia	6000cc	1.38
Dasani	3000cc	1.30
Cielo	3500cc	1.00

Source: Supermaxi.S.A

Elaboration: Marcela Mora Romo

1.6.2 Force 2: The Entry of Competitors

Bottling water has become known as the business of the XXI century. The increase of new participants has become evident in recent years and consumers prefer healthier options and low calorie drinks. In Ecuador Güitig is strongly positioned, it has more than 100 years of experience in the beverage market. However, there are several requirements for a water bottling company to legally work in Ecuador. First, a grant of rights to extract water must be obtained; its value is around \$6,000 per concession.

Second, an operating permission is needed to certify that the bottling plants work according to law; this is given by the Police Departments of Health. Third, the INEN quality seal that ensures a product is suitable for human consumption and meets the necessary controls is needed for commercialization. To all the requirements mentioned above, machinery and other inputs are required which means an investment of a large amount of money. On the other hand, new competitors could be unable from entering the market because finding a source of mineral water that meets the physical and biological conditions of Vilcagua is difficult.

1.6.3 Force 3: Threat of substitutes

In Ecuador, the greatest substitute of bottled water is tap water, especially in cities where municipal water is good at a minimum price such as Cuenca that enjoys one of the best water in Latin America. However, this situation is not enjoyed in other cities and in many of them the only safe drinking water is bottled water. In the beverage market, there is a wide range of products that can replace water. Among the most common substitutes of water there are soft drinks such as juices, energy drinks, sport drinks, and iced tea. Some of the most popular brands are Coca Cola, Fuze Tea, Gatorade, Natura, etc. These drinks may be preferred because they have an extra touch of flavor. However, those substitutes do not have the same health benefits provided by natural mineral water.

1.6.4 Force 4: The bargaining power of suppliers

Mainly, the suppliers are companies selling PET containers, lids, bottles, labels, and packaging. These providers are located in major industrial cities such as Quito and Guayaquil. The prices of these products usually remain constant; many of the suppliers of such inputs compete in the market through economies of scale.

Regarding providers of machinery, they are generally foreign companies as Chinese or American companies that are experts in making such machines. MinaExplo Loja S.A has greater bargaining power referring to suppliers because there is a wide variety of companies that produce bottles, caps etc. Furthermore, if the production volume grows, these materials could be imported from countries like Peru or China.

MinaExplo Loja S.A main suppliers are shown in the following Table. The company provided this information.

Table 1.9: The chain suppliers

Supplier	Input	Price per Month
AMCORP	Preform (plastic for manufacturing)	\$6,000.00
LATIENVASES	Caps	\$1,000.00
ETIQCICA	Labels	\$500.00
CARTOPEL	Cartons	\$500.00
DELTAPLASTIC	Bottles (4 and 5 liter)	\$3,000.00

Source: MinaExplo Loja S.A

Elaboration: MinaExplo Loja S.A

1.6.5 Force 5: The bargaining power of buyers

Undoubtedly, the bargaining power of the buyers is greater than the company's because the choice is entirely their decision. Their decision is influenced by various social, economic and cultural factors. In the neighborhood shops, mini-markets and supermarkets there is a wide choice of drinks, not only watermarking but also substitutes as RTD (ready to drink) products.

Supermarkets are the largest buyers of Vilcagua, because they sell their products in a larger scale than neighborhood shops. The major distribution of the product is not focused on supermarkets. With regard to potential foreign market, Vilcagua comes as a great option for those wishing to look after their health in a natural way. Besides water Vilcagua is already known by some American, Asian and European due to report by National Geographic called "Every day is a gift when you are over 100" that highlights the properties of water of this sacred valley. It would be ideal to do a market study in the United States to meet the real demand for this product.

1.7 Financial Analysis of MinaExplo Loja S.A

The current financial statements of the company at December 31 cutting 2015 are shown in Annex 1. It has been taken as a reference to perform a financial analysis.

Graphic 1.4: Liquidity of MinaExplo Loja S.A. (2015)

LIQUITY			
Current Assets	:	140,391.26	=
Current Liabilities		68,101.83	2.06

The liquidity ratio shows that the company has \$ 2.06 for every dollar of obligations or accounts payable in the short term. This is considered appropriate as it enables the company to have financial resources in the case of any delay in carrying out their inventory or recovery of their portfolio (accounts receivable).

Graphic 1.5: Acid Ratio 1.5 MinaExplo Loja S.A. (2015)

ACID RATIO			
Current Assets - Inventory	:	$\frac{82,197.78}{68,101.83}$	= 1.21
Current Liabilities			

Another liquidity ratio is the acid test, to which the inventory total current asset is subtracted. This indicates that the company still, without making available inventory, has \$ 1.21 for every dollar owed.

Graphic 1.6: Accounts Receivable Turnover MinaExplo Loja S.A. (2015)

Sales	:	$\frac{258,546.21}{44,202.45}$	= 5.85
Accounts Recivable			
365 days	=	62 days	
5.85			

The turnover rate of "Accounts Receivable" shows the number of times the company performs recovery of its portfolio; it has become a day and you can see that managing the company takes an average of 62 days; in each sale that takes time until he realizes this collection.

Graphic 1.7: Indebtedness of MinaExplo Loja S.A. (2015)

INDEBTEDNESS			
Liabilities		$\frac{584,932.89}{883,367.78}$	= 66%
Assets			

The company has a debt level of 66% that represents more than 50 or 60 percent, which is considered appropriate. So, the company cannot acquire new debt.

In conjunction with this ratio, the quality of debt is also analyzed which is how much of the total debt is short-term and long-term term. Which is shown below:

Graphic 1.8: Quality of debt MinaExplo Loja S.A. (2015)

QUALITY OF DEBT		
<u>Current Liabilities</u>	<u>68,101.83</u>	= 12%
Liabilities	584,932.89	

From what can be seen, much of the debt is long term and comes mainly from the partners of the company.

The installed capacity of the company is under-utilized and this can be checked with this index; 0.25% shows poor profitability that the company gets for each \$ 100 investment and / or assets the company maintains.

Graphic 1.9: Performance of Assets MinaExplo Loja S.A. (2015)

PERFORMANCE OF ASSETS		
<u>Net Profit</u>	<u>2,172.61</u>	= 0.25%
Assets	883,367.78	

The return on equity shows the yield or return that partners receive for the capital that have been provided; for analysis we take the sum of the accounting statements: Social capital and contributions to future capitalizations and possibly capital increase to cover accumulated losses from previous years.

Graphic 1.10: Performance of Capital MinaExplo Loja S.A. (2015)

PERFORMANCE OF CAPITAL			
Net Profit	2,172.61	=	0.32%
Assets	673,297.70		

The accumulated losses were due to the lack of marketing of products, while maintaining a large infrastructure that so far has not been used to its full capacity.

1.7.1 Vertical analysis

Then we will have a vertical analysis of the balance sheet of 2015, the total assets of \$ 883,367.28, of which current assets represent 15.89% (\$ 140,392.26) while not current assets represent 84.11 % (\$ 742,975.52). On the other hand, total liabilities and equity is equal to \$ 883,367.28, of which 7.71% (\$ 68,101.83) corresponds to current liabilities, 58.51% (\$ 516,831.06) belongs to long-term assets and finally equity represents 33.78% (\$ 298,434.89). Moreover the income statement is taken, an analysis is made in terms of total sales, the value is \$ 258,546.21 of which costs account for 58.72% (\$ 151,817.54) expenditure corresponding to 40, 44% (\$ 104,556.06) and net income represents 0.84% (\$ 2,171.61).

1.8 Conclusion

MinaExplo S.A has been operating since 2006 under the leadership of the business group Herrera bottled water "Vilcagua" which has great chemical qualities because it is rich in natural minerals. One of its long-term goals is to internationalize, seeking short-term projects to develop water export to the US market. The company is organized as follows: Shareholders, General manager, and Production, Marketing, Management and Maintenance departments. Each area has specific tasks to complete for the correct operation of the plant.

The product consists of water drawn from a well that has minerals and an alkaline pH, which makes it a product of high quality; the production process is performed under the highest standards of quality certificate ISO 9001. The place where it is offered are the cities of Vilcabamba, Loja and Cuenca, they represent a tiny portion of the domestic market. The product should be marketed in most cities of Ecuador in order to have an impact and relevance in the market and then bring this prestigious product to international markets. The price ranges between \$ 0.40 and \$ 1.50 (500ml and 5000ml respectively). Finally, the product has been promoted with a campaign in which Maria Teresa Guerrero is the image. There have been several posters and billboards placed at strategic points to distinguish the brand.

Moreover a SWOT analysis where opportunities stand out as there is a growing percentage of people who buy bottled water with minerals and very few brands like Evian are equal to those of Vilcagua qualities, took place. However, take note that the company has no experience in the international market, which can become a great weakness to internationalize the brand. As for the environmental analysis of the company carried out under the scheme of Porter's 5 Forces, it can be noted that the main competitors are Vilca Vilcagua Life and Güitig; these brands emerge from large companies. Still in terms of price and quality Vilcagua has all the qualities necessary to compete with stronger brands.

It is difficult for new competitors to enter the market due to the large capital for the investment in bottled water and there are strict legal requirements to meet. Water substitutes are many, so this may weaken water consumption as it can be replaced by soda, juice or tea, but people are turning to low calorie intake and healthy drinks like water. In the financial area of the company it can be noted that liquidity is \$ 2.06. A potential problem is that the debt of the company exceeds 66%. The company needs capital to export because we have to expand the plant and have more production that means additional costs.

CHAPTER 2: MACROECONOMIC ANALYSIS

The macroeconomic environment of Ecuador and the United States are respectively analyzed in this chapter. In order to better know both countries in relation to their economy 4 relevant macroeconomic variables are analyzed. These are the gross domestic product (GDP) and GDP by sector, inflation, unemployment and trade balance. Then, an analysis of the political environment is performed, as well as a legal, industrial and environmental analysis.

2.1 Macroeconomic Index of Ecuador

2.1.1 Gross National Product (GDP)

The Gross Domestic Product (GDP) is the variable that "measures the total monetary value of final goods and services produced for market during a given year within the borders of a country" (Mochón, 2005, p. 22). The Table 8 shows the dollar amount of the GDP of Ecuador in the last 5 years.

Table 2.1: Dollar Amount of GDP

GDP 2010	GDP 2011	GDP 2012	GDP 2013	GDP 2014
69,555,367,00 0.0	79,276,664,00 0.0	87,924,544,00 0.0	94,776,170,00 0.0	100,917,372,0 00

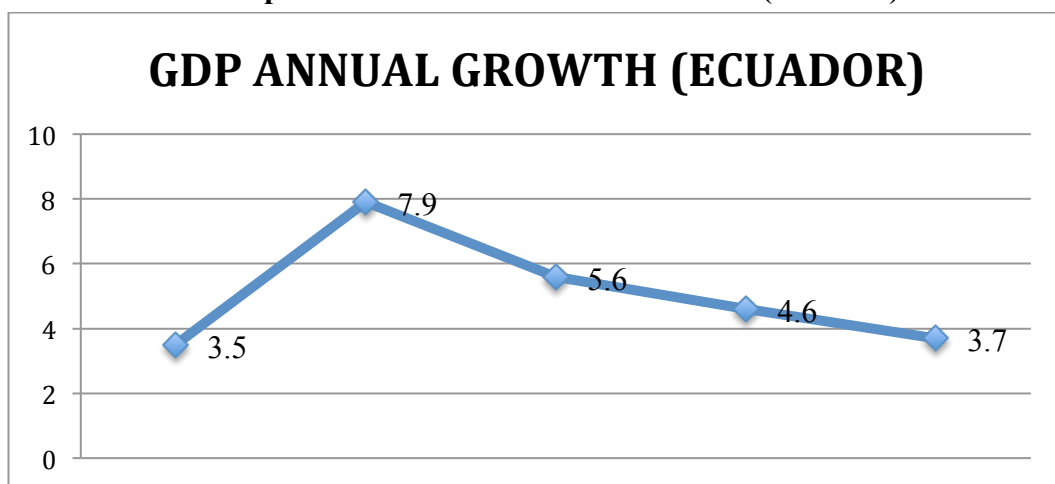
Source: World Bank

Elaboration: Marcela Mora Romo

GDP has had different behavior over the last five years. It can be seen that the amount of dollars has grown greatly. This could mean that the industry of both goods and services has grown in Ecuador or that imports have

decreased. The percentage of annual GDP growth is shown in Figure 2.1. Also it can be seen that the growth rate has been declining year after year, from 7.9% in 2011 to just 3.7% in 2014.

Graphic 2.1: GDP Annual Growth Rate (Ecuador)

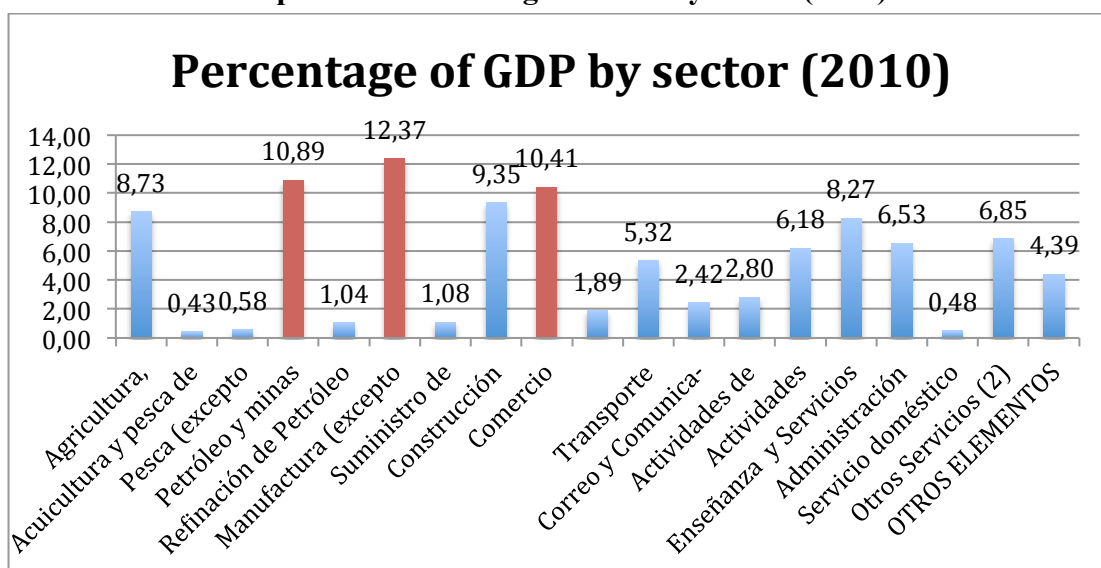


Source: World Bank

Elaboration: Marcela Mora Romo

2.1.2 GDP by Industrial Sector

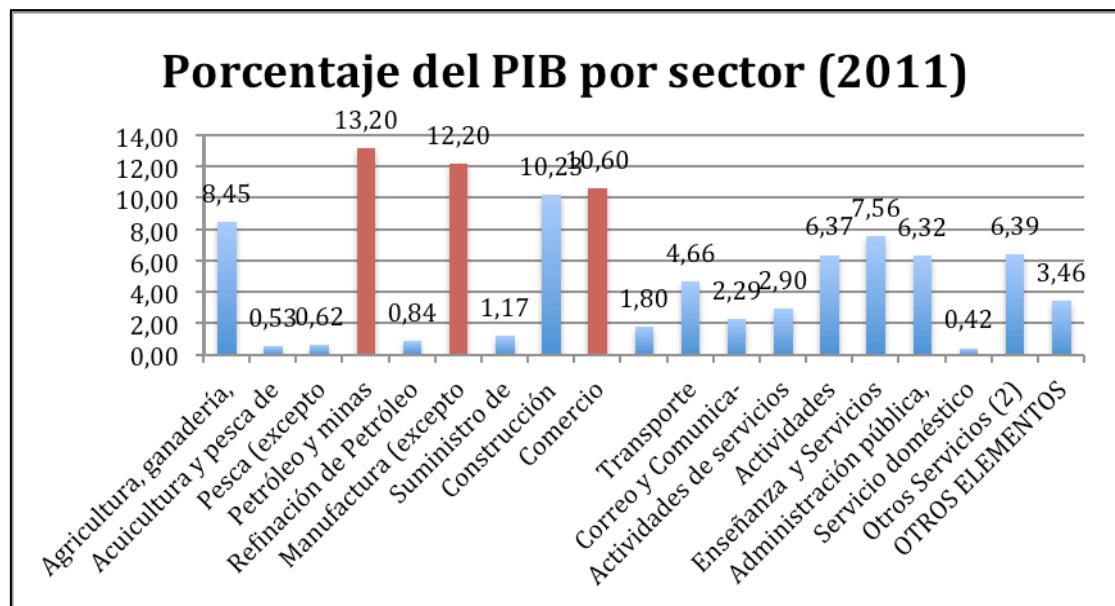
Graphic 2.2: Percentage of GDP by sector (2010)



Source: Banco Central

Elaboration: Marcela Mora Romo

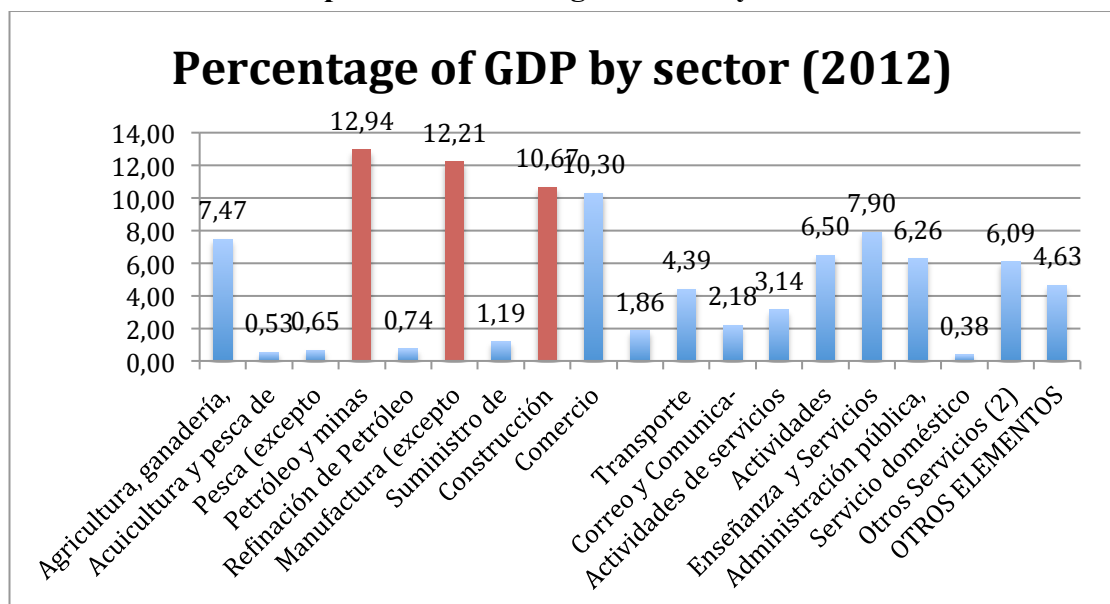
Graphic 2.3: Percentage of GDP by sector (2011)



Source: Banco Central

Elaboration: Marcela Mora Romo

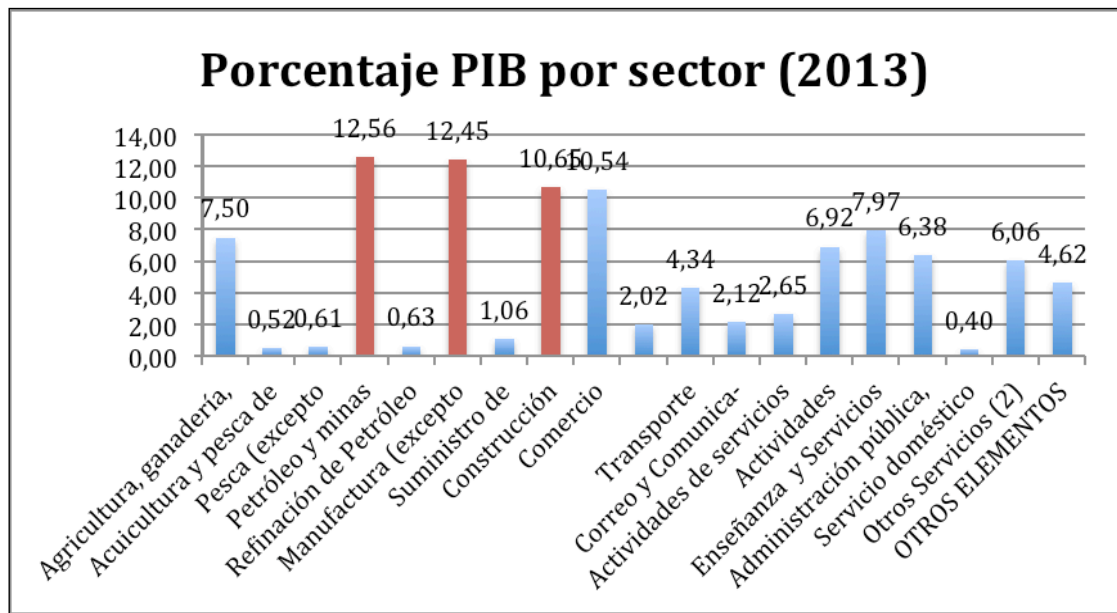
Graphic 2.4: Percentage of GDP by sector



Source: Banco Central

Elaboration: Marcela Mora Romo

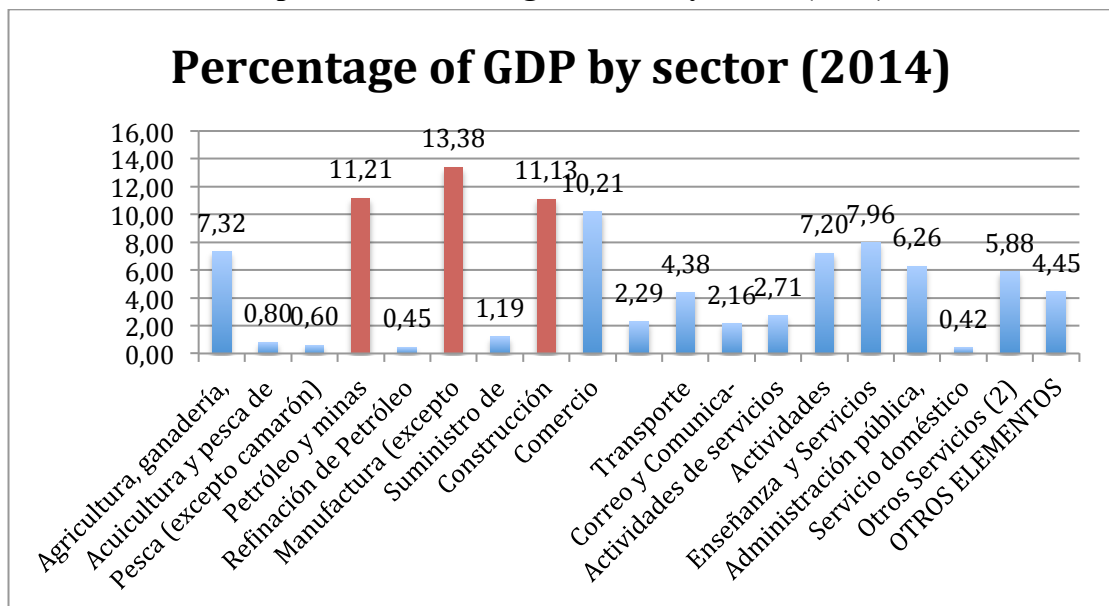
Graphic 2.5: Percentage of GDP by sector (2013)



Source: Banco Central

Elaboration: Marcela Mora Romo

Graphic 2.6: Percentage of GDP by sector (2014)



Source: Banco Central

Elaboration: Marcela Mora Romo

In 2010 the three industries contributing to GDP are: manufacturing the highest percentage (12.37%), oil and mines (10.89%), and trade (10.41%). In 2011, oil and mines make the first contribution to GDP with 13.20%, followed by manufacturing (12.20%) and trade (10.60%); in 2012 the trend remains the same, oil and mining being the largest contributor (12.94%), then manufacturing (12.21%) and trade is replaced by construction gaining ground with 10.67%. In 2013 the strongest industries are oil and mining (12.56%), manufacturing (12.45%) and construction (10.67%). Finally in 2014 manufacturing has an exceptional rise becoming the industry with the highest percentage of contribution to GDP with 13.38%, followed by the oil and mining (11.21%) and construction (11.13%). These data show that since 2012 the construction was consolidated and shows a higher percentage than trade, this may be due to the large government investment in building roads, hospitals and schools of the millennium. In 2014 we see that manufacturing is leading, which means more industries of this type. Also, this change may be due to the decline in oil prices beginning to occur in late 2014.

2.1.3 Inflation

Inflation is defined by Mochón as "the continuous and widespread growth of prices of goods and services over time" (Mochón, 2005, p. 321). To measure their growth rates reflect the percentage growth of a basic basket of goods and services purchased by an average consumer in the country are used. In Ecuador these are the percentages of inflation since 2010.

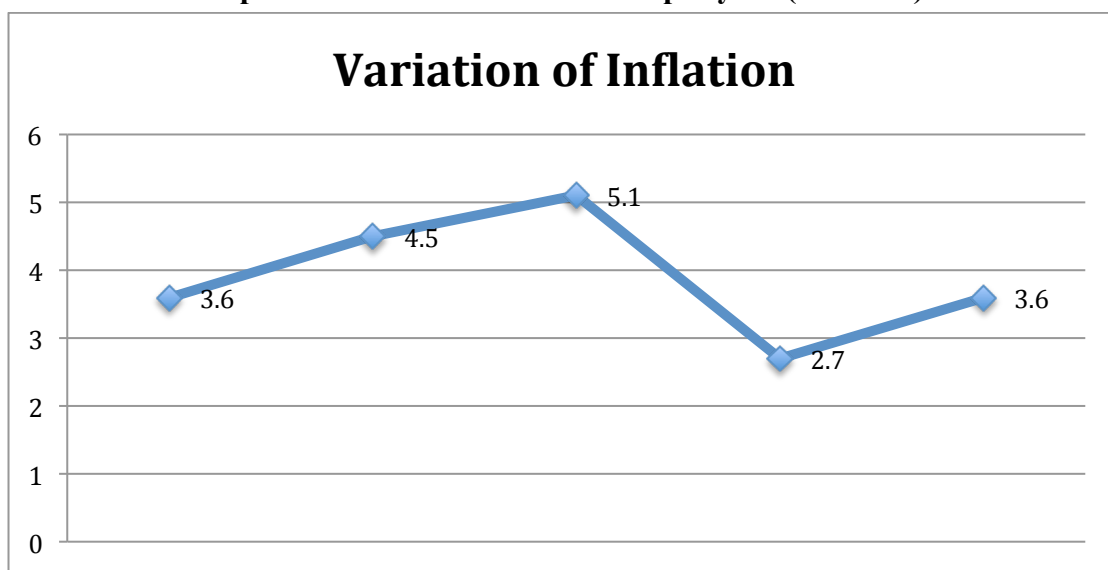
Table 2.2: Inflation in Ecuador

Inflation 2010	Inflation 2011	Inflation 2012	Inflation 2013	Inflation 2014
3.6%	4.5%	5.1%	2.7%	3.6%

Source: World Bank

Elaboration: Marcela Mora Romo

Graphic 2.7: Variation of inflation per year (Ecuador)



Source: World Bank

Elaboration: Marcela Mora Romo

2.1.4 Unemployment

Unemployment is "the impossibility for workers who want to work to obtain employment" (Mochón, 2005, p. 318) the unemployment rate measures the extent of the number of unemployed people who are seeking employment and willing to work with relationship the economically active population. In Ecuador the percentage of that rate in recent years is as follows: (See Table 2.3)

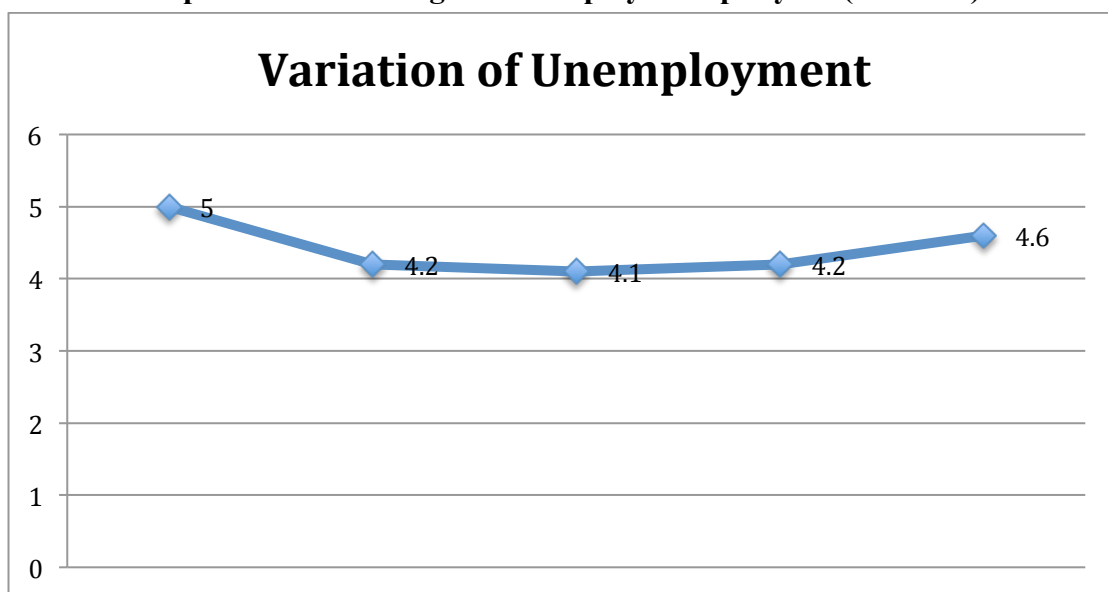
Table 2.3: Unemployment Percentage Variation

Unemploy ent 2010	Unemploy ent 2011	Unemploy ent 2012	Unemploy ent 2013	Unemploy ent 2014
5%	4.2%	4.1%	4.2%	4.6%

Source: World Bank

Elaboration: Marcela Mora Romo

Graphic 2.8: Percentage of Unemployment per year (Ecuador)



Source: World Bank

Elaboration: Marcela Mora Romo

2.1.5 Trade balance of goods and services

The trade balance is the difference between total exports minus total imports that is carried out in a country. In this case the balance of trade balance is negative in Ecuador. That means that there is a trade deficit, the amount of goods exported is less than the amount imported.

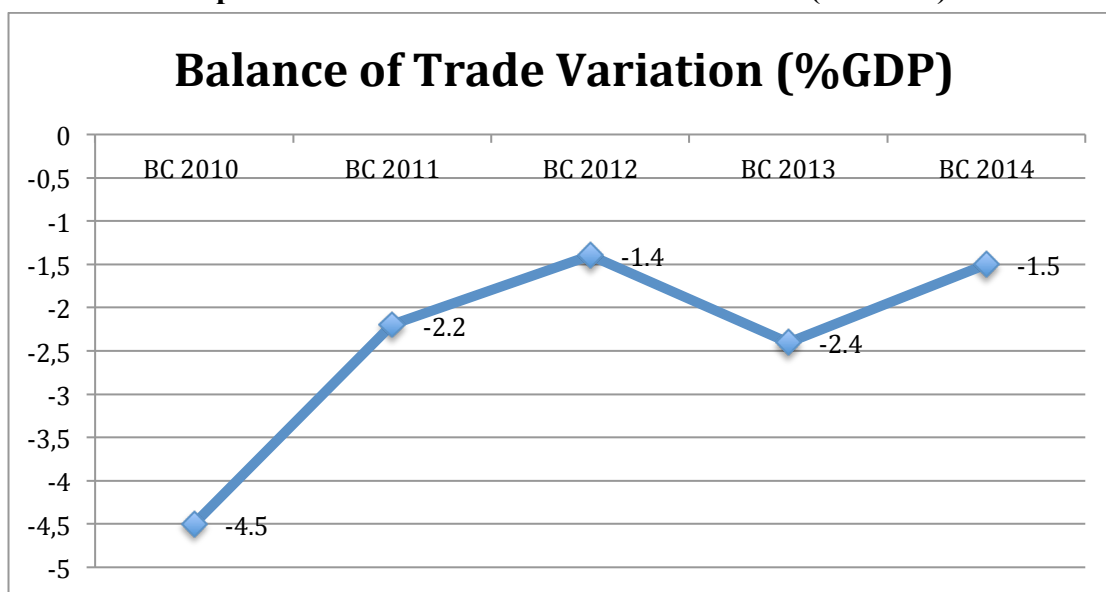
Table 2.4: Balance of Trade (Ecuador)

BT 2010	BT 2011	BT 2012	BT 2013	BT 2014
- 3,139,261,00 0	- 1,782,012,00 0	- 1,249,842,00 0	- 2,228,494,00 0	- 1,551,433,00 0

Source: World Bank

Elaboration: Marcela Mora Romo

Graphic 2.9: Variation of the Balance of Trade (Ecuador)



Source: World Bank

Elaboration: Marcela Mora Romo

2.2 Political Environment

In 2007 a new president is elected in Ecuador, Rafael Correa. The hope of the people is to end the political instability in the country because three presidents were dismissed over a period of 8 years. The movement called “Alianza País” put in action several projects. In this context a new constitution called the Constitution of Montecristi 2008 was written, it contains important reforms, for example there are 5 state functions instead of 3. They are the Executive, Judicial, Legislative, Electoral and Citizen Participation functions. The government has invested a lot of money building roads, hydroelectric dams. They have carried out several plans such as the National Development Plan, National Plan for Good Living, prioritizing the eradication of extreme poverty. Also the rights of nature are recognized and how man must live with it harmoniously for the good life.

However, the government has received harsh criticism being accused of violating the current democratic system. In the last period (2013-2017) more than 100

assemblymen from the movement Alianza País were elected. Since then most of the decrees have been approved by the Executive function.

The Ecuadorian government has announced the maintenance of the dollar, which is in force since 2000, as the only monetary system in Ecuador. Despite the marked political instability in recent years, dollarization has brought greater predictability and stability to the Ecuadorian economy.

In terms of international trade there has been a number of safeguards to imports to thereby protect the national economy. However, the government has created several incentives to increase their share of exports. For example we have Pro Ecuador, which is an institute responsible for promoting traditional and non-traditional markets. It tries to promote strategic integration in the international market.

2.3 Legal Environment

There are several regulatory bodies governing the use and consumption of water in Ecuador. In the Constitution of 2008 there is reference to the human right to water. Article 12 says: "Art. 12. The human right to water is fundamental and indispensable. Water is a strategic national public asset, inalienable, imprescriptible, indefeasible, and essential for life use. "(Constitution 2008). For this type of business it is important to ensure that the State will not affect the ecosystem by collecting water, as its over-exploitation can create a great imbalance in nature. That is why the State ensures protection of water resources in the following article.

"Art. 411. - The State shall guarantee the conservation, recovery and integrated management of water resources and hydrographic basins, ecological flows associated with the hydrological cycle. Any activity that could affect the quality and quantity of water, and the balance of ecosystems, especially in sources and water recharge areas is regulated. Sustainability of ecosystems and human consumption will be a priority in the use and exploitation of water. "(Constitution 2008)

The Law on Water Resources, Uses and Water Use is a much more specific and detailed regulatory body. Some articles relevant to the development of this work are: "Article 1. - Legal status. Water resources are part of the natural heritage of the state and are its exclusive competence...").

"Article 105. - The use of water to bottle it. The packaging of water for human consumption is a consistent productive use in processing, purification treatment or purification of water drawn from surface or underground natural sources, procedures performed by certified technicians. Authorization to use water for packaging, captured directly from surface or underground natural source, will have a differentiated rate to be determined by the Central Water Authority, according to the volume of water collected. This authorization granted by the Central Water Authority should be mandatory requirement for packaging activities, production and marketing. "(Ley de Aguas)

The National Water Secretariat (SENAGUA) was created on May 27, 2008, as the national authority responsible for the delicate and tenacious task of ensuring equitable water distribution in Ecuador. According to the following article: "Art. - 412. - The authority in charge of water management will be responsible for planning, regulation and control. This authority shall cooperate and coordinate...to ensure water management with an ecosystem approach. "(Constitution 2008)

On July 14, 2003 the law 136 Decree 1514 was approved with 58 votes in favor. This decree gives tax incentives to new or existing industries that are located in the province of Loja to expand its production capacity and enjoy benefits such as imports of machinery, equipment and tools to zero rate of VAT, exemption from 100% of tariff rights in the first 8 years, 75% discount in the next four years; and 50% in the three years remaining. Similarly will happen to the income tax. Thus it promotes industrial development in this province to enable better economic dynamics.

2.4 Industrial environment

The bottled water industry belongs to secondary sector of the economy. The manufacturing sector takes raw materials and transforms them in a product that meets the demands of customers. The manufacturing or secondary sector is one of the most important for the economy of the country. In 2014 it accounted for 13.38% of GDP.

Currently, the food and beverage industry constitutes 38% of the secondary sector. According to a study conducted in 2012 by Fabian Uribe, Ecuadorians spend about \$ 734.19 monthly in food and beverage products. Because of the growing consumption of healthy products the government planned to invest \$ 264 million in these industries in 2015. In addition, the production of food and beverages represented 6.7% of GDP in 2014. Uribe says that the main opportunities for the industry are: the existence of demanding consumers interested in quality, a high level of consumer spending power, development of responsible consumption, and preference for natural and nutritious goods. However, weaknesses are that are a few quality products, lack of incorporation of new concepts, and low levels of investment and modernization.

Drinks represent up to 16.3% of food production. It is the largest next to the processing of aquatic products. According to an interview with Stuart Zamariegos, CEO of Thessaly Springs CBC, CBC input helped streamline and integrate national brands as Tropical, Apple and Pure Water. It had to expand the production line at the plant in Machachi to meet demand and to start exporting Güitig. Thus, the beverage industry has become a major source of income for Ecuador. Loja MinaExplo S.A offers high quality bottled water and rich in minerals. Only 3 valleys in the world have these specifications water like Evian, and are renowned worldwide so Vilcagua has a great future ahead and with proper export and marketing plan will earn the international prestige it deserves.

Shown below is a list of the top 3 industries in the beverage industry as ranked 2014 Management magazine, it shows the assets, liabilities, sales, equity and net income with which to calculate the Return on Assets (ROA) that to find out the efficiency of a company to generate profits from assets that are available to the Return on Equity (ROE) that allows shareholders to know the potential benefit that will have to invest in the company, and finally the profit Margin (MU) indicating how much money is earned by monetary unit sold.

Table 2.5: Major companies in the beverage industry by Líderes Magazine

Company	Index of size	Assets	Sales	Equity	Net Utility
Cervecería Nacional	0.3356	500,498	489,346	145,192	138,386
Toni S.A. Toni corp	0.0920	124,824	167,028	92,549	12,330
Ecuajugos S.A	0.0432	36,561	121,047	12,080	3,721

Source: Gestión Magazine

Elaboration: Marcela Mora Romo

Table 2.6 Financial indicators of major companies.

Company	ROA	ROE	MU
Cervecería Nacional	27.65%	95.31%	0.28
Toni S.A	9.88%	13.32%	0.07
Ecuajugos S.A	10.18%	30.80%	0.03

Source: Gestión Magazine

Elaboration: Marcela Mora Romo

Table 2.7: Statement of Financial Position MinaExplo Loja S.A

Company	Assets	Sales	Equity	Net Utility
MinaExplo Loja S.A	883,367	258,546	298,434	2,172

Source: MinaExplo Loja S.A

Elaboration: Marcela Mora Romo

Table 2.8: Financial Indicators MinaExplo Loja S.A

Company	ROA	ROE	MU
MinaExplo Loja S.A	0.24%	0.72%	0.008

Elaboration: Marcela Mora Romo

2.5 Environmental Situation

It is a priority in these times for companies to have an environmental impact study, which is a technical study performed to predict the environmental impacts that may result from implementation of a project. Loja MinaExplo S.A has a certificate (see Annex 2) issued by the Ministry of Environment which details the project area does not intersect with the National System of Protected Areas, Forests and Heritage Protectors State Forest.

Moreover, the bottles are made of PET (Polyethylene Terephthalate) that is a material widely used in the manufacture of beverages due to its high transparency, it is very light, has high resistance, it is to wear and corrosion, good chemical and thermal resistance, it is approved for use in products that are in contact with food products. Mechanical processes can recycle PET by making it environmentally friendly, but some of the PET recyclers are in European cities where there is greater recycling culture. It is important that Ecuadorians develop a culture of recycling so many bottles are not going to stop garbage dumps where decomposition is impossible, since this is a non-biodegradable material.

2.6 US Macroeconomic Data

Below the four macroeconomic variables of the United States are disclosed to better know the environment where Vilcagua could be offered. These variables are GDP, inflation, unemployment and balance of trade. Besides, political, legal, industrial and environmental situation are analyzed to have a broader view.

2.6.1 Gross Domestic Product (GDP)

The gross domestic product of the US has grown over time, which means more industries developed this could be detrimental to imported products.

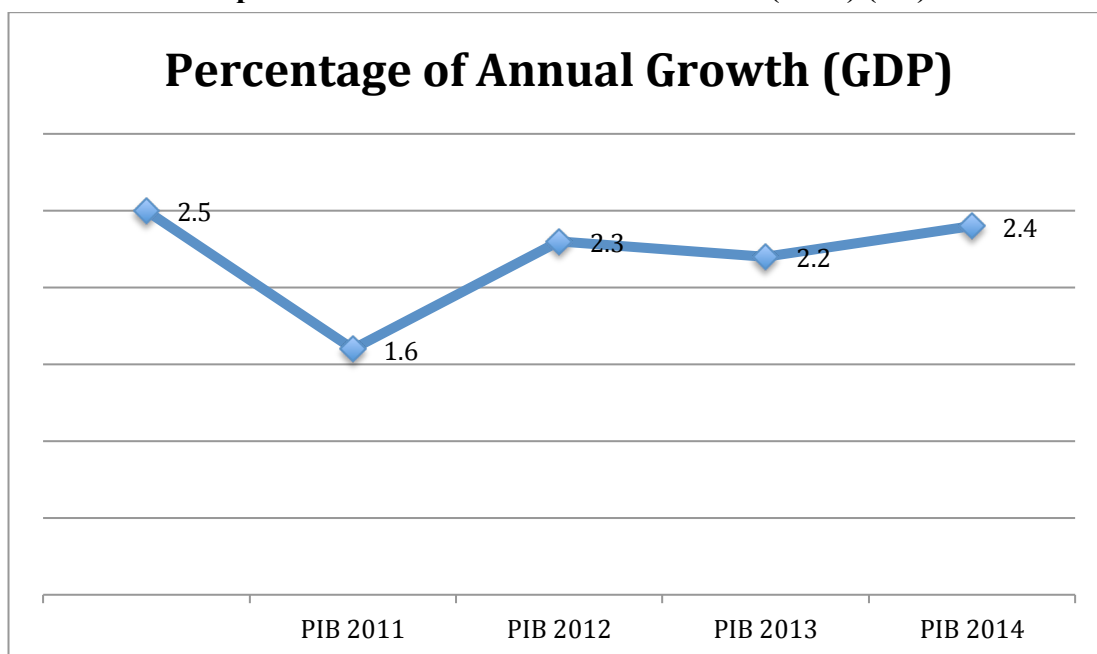
Table 2.9: Quantity in dollars (US)

GDP 2010	GDP 2011	GDP 2012	GDP 2013	GDP 2014
14,964,372,00 0.000	15,517,926,00 0.000	16,163,158,00 0.000	16,768,053,00 0.000	17,419,000,00 0.000

Source: MinaExplo Loja S.A

Elaboration: Marcela Mora Romo

Graphic 2.10: Annual variation of Growth (GDP) (US)

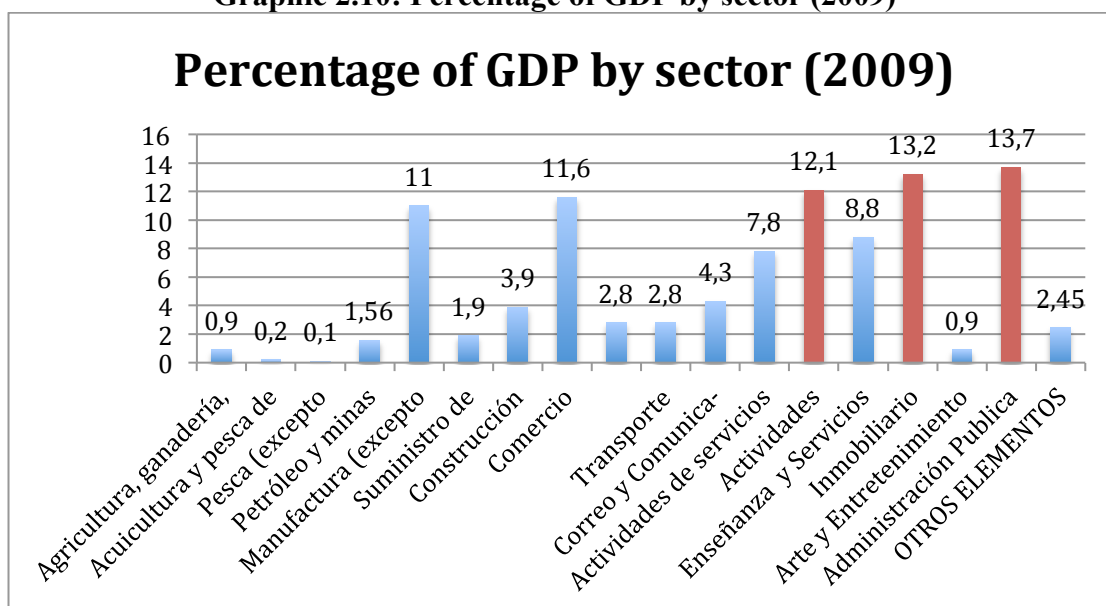


Source: World Bank

Elaboration: Marcela Mora Romo

2.6.2 GDP by sector (US)

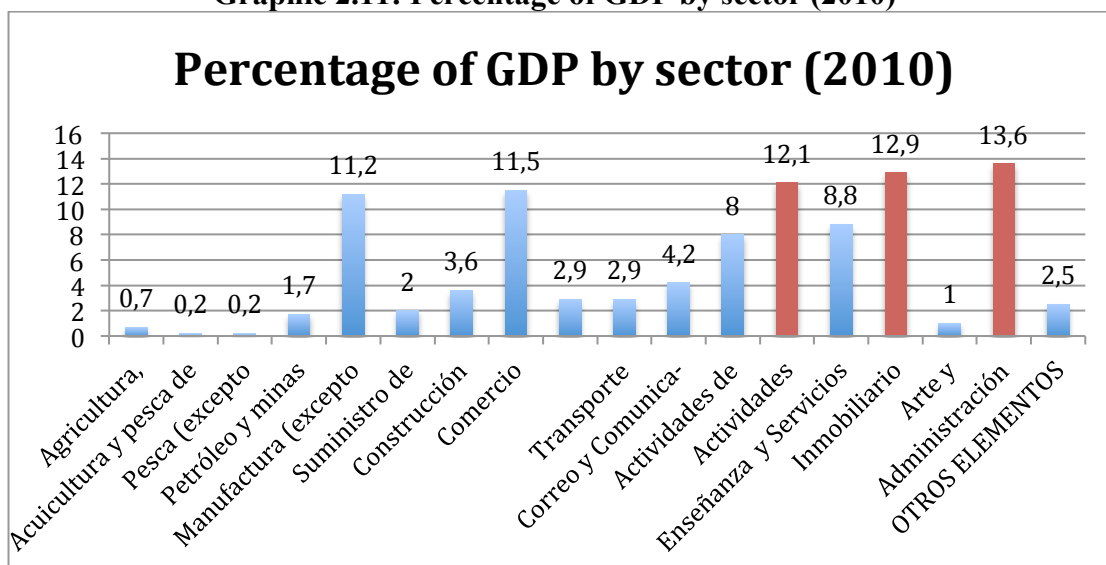
Graphic 2.10: Percentage of GDP by sector (2009)



Source: Iberglobal

Elaboration: Marcela Mora Romo

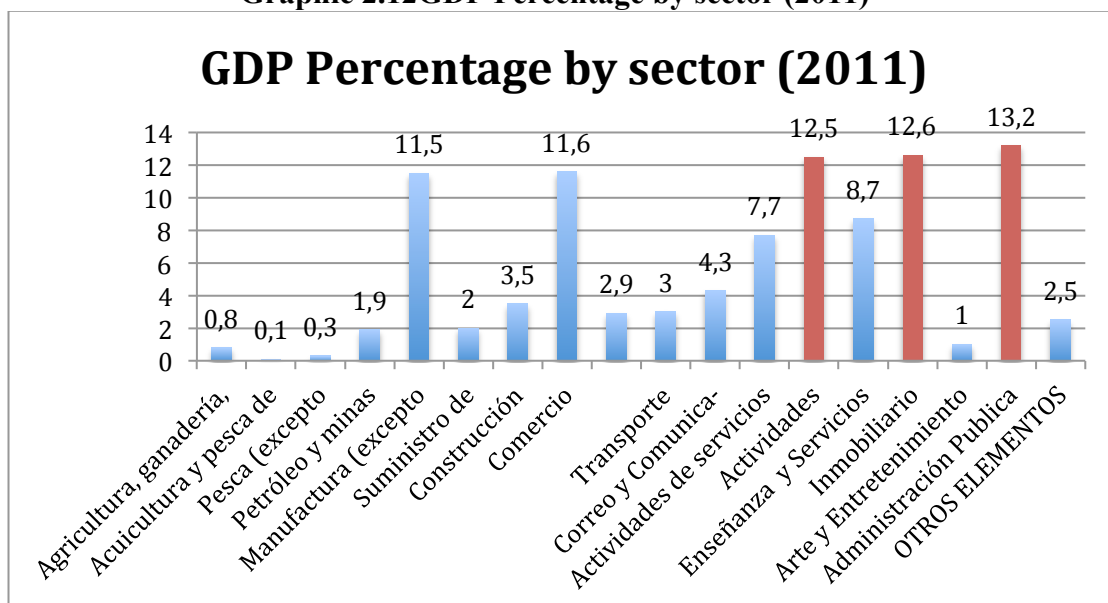
Graphic 2.11: Percentage of GDP by sector (2010)



Source: Iberglobal

Elaboration: Marcela Mora Romo

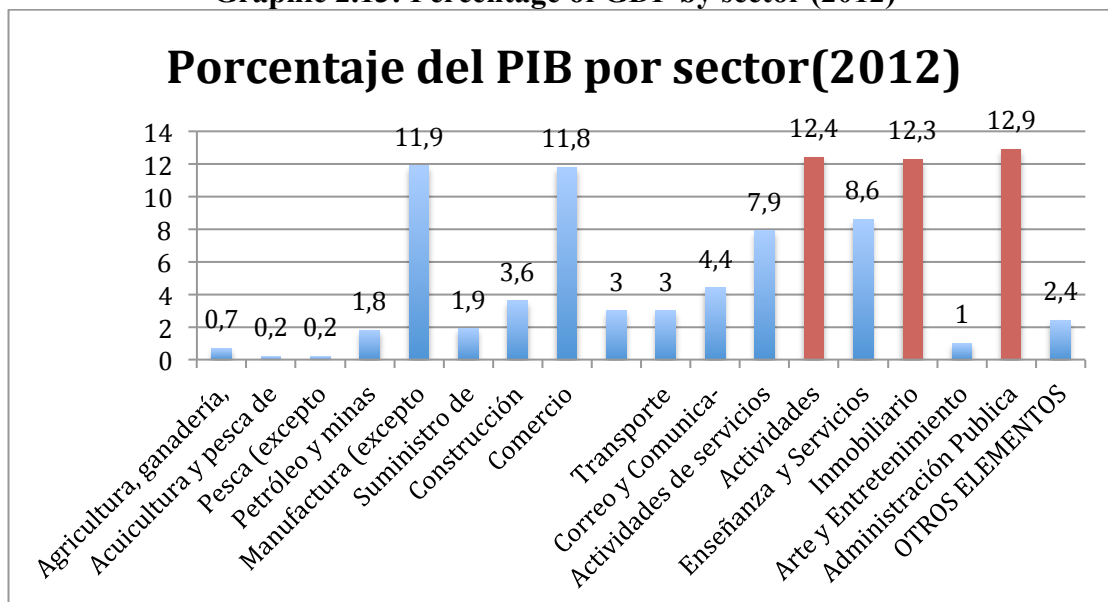
Graphic 2.12 GDP Percentage by sector (2011)



Source: Iberglobal

Elaboration: Marcela Mora Romo

Graphic 2.13: Percentage of GDP by sector (2012)



Source: Iberglobal

Elaboration: Marcela Mora Romo

2.6.3 Inflation

US inflation is much lower than in Ecuador, usually US market is a stable market so prices do not vary much from year to year.

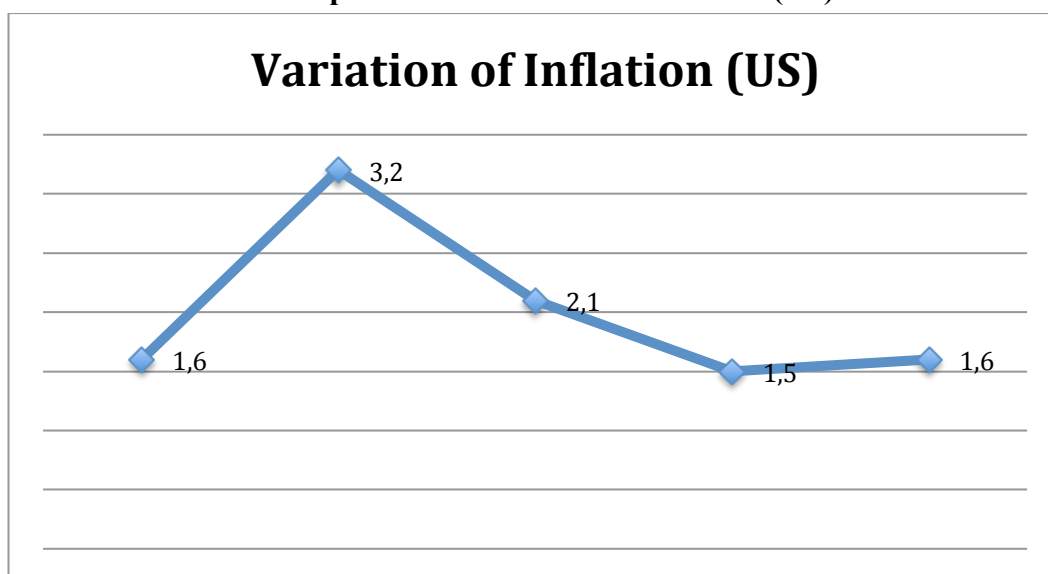
Table 2.10: Inflation Rate (US)

Inflation 2012	Inflation 2011	Inflation 2012	Inflation 2013	Inflation 2014
1.6%	3.2%	2.1%	1.5%	1.6%

Source: World Bank

Source: Marcela Mora Romo

Graphic 2.14: Variation of Inflation (US)



Source: World Bank

Elaboration: Marcela Mora Romo

2.6.4 Unemployment

It may be noted that unemployment in the US has visibly decreased about 3 points in 5 years, which is positive for the economy because more people can participate

actively offering and demanding products and services which helps the economy grow and improve quality of life.

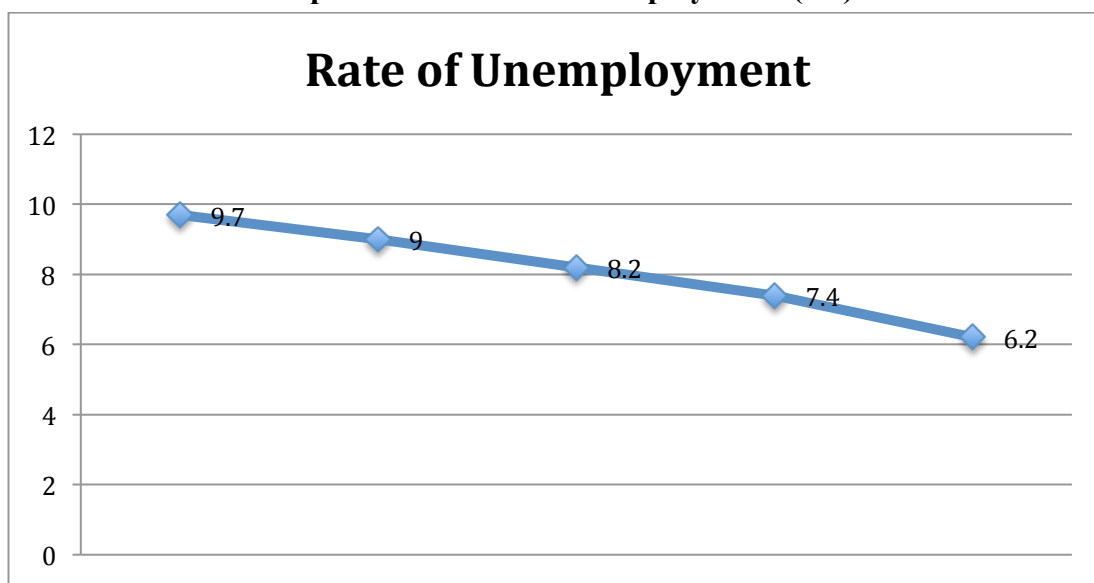
Table 2.11: Rate of Unemployment (US)

Unemployment 2010	Unemployment 2011	Unemployment 2012	Unemployment 2013	Unemployment 2014
9.7%	9%	8.2%	7.4%	6.2%

Source: World Bank

Elaboration: Marcela Mora Romo

Graphic 2.15: Rate of Unemployment (US)



Source: World Bank

Elaboration: Marcela Mora Romo

2.6.5 Trade balance of goods and services

The US trade balance has remained negative in the last 5 years. The United States is characterized as a country that imports many products from around the world; it

is therefore often the largest trading partner of countries like Ecuador for example. Still no 2014 data are recorded.

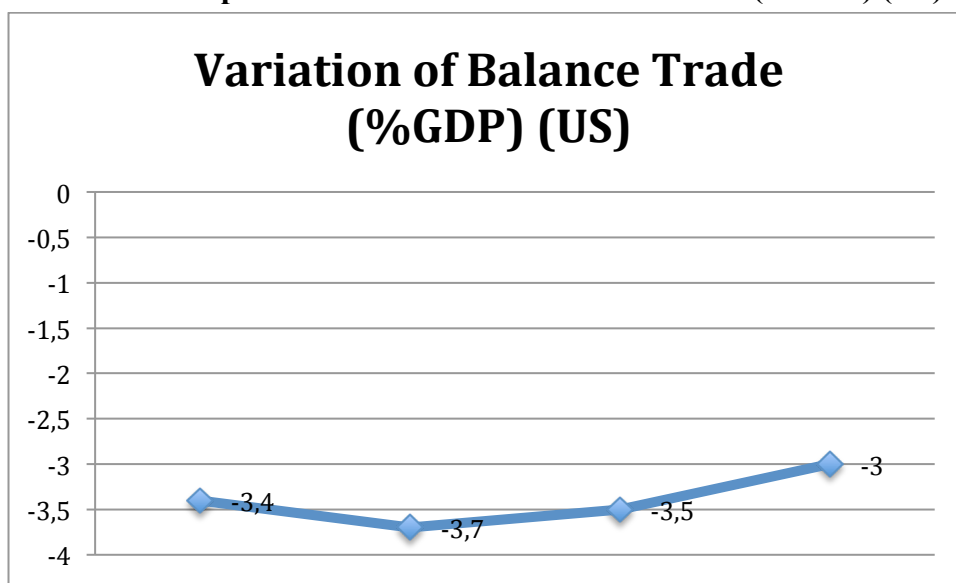
Table 2.12: Trade Balance (US)

TB 2010	TB 2011	TB 2012	TB 2013	TB 2014
-512,657,000,000	-579,995,000,000	-565,661,800,000	-508,399,500,000	No register

Source: World Bank

Elaboration: Marcela Mora Romo

Graphic 2.16: Variation of Balance Trade (%GDP) (US)



Source: World Bank

Elaboration: Marcela Mora Romo

2.7 Political Environment

The United States is the country with the largest and most important economy in the world. The current president is Barack Obama, who since January 9, 2009 was

elected by the American people to govern. At that time there was a global financial crisis that strongly affected the markets, which is why the president devised a fiscal and monetary plan to stimulate the economy. Thanks to some measures like low interest rates, the economy achieved a growth of up to 3.4% by 2015.

Capital that was injected into the US economy in 2013 gave resources to the most affected sectors for an early recovery. In 2014, 230,000 new jobs were created each month, and households had a high purchasing power and low debt. On the other hand, large fines and lawsuits have been applied to banking institutions to fight tax evasion. All these processes of change have made of the US economy a solid one. Regarding the international arena, the government has tried to end wars and struggles for nuclear disarmament. Finally, the country has benefited from the low oil prices in recent months knowing that buying oil means 70% of national economic activity.

2.8 Legal Environment

"The FDA (Food and Drug Administration) is the agency of the US government that regulates everything related to the health sector (food, medicines, medical equipment, cosmetics...)" (Fernandez, 2011). It regulates that bottled water meets the necessary requirements to enter the country. The law requires that national food brands be registered with the FDA. This law is called Bioterrorism Act, which is in force since December 12, 2003, the food companies must register via the website [http // www.access.fda.gov](http://www.access.fda.gov) using form 3537. On the other hand, for imported products you must first notify the FDA of the arrival of the goods; the goods will be reviewed at the first port of entry in The United States. If they are transported by sea, FDA must be notified within 8 hours prior to arrival in port. If they are transported by air, it must be notified with 4 hours notice. Then the merchandise will undergo a physical examination, at the port or examination of samples depending on the decision of the FDA. The importer has 5 business days after the goods have arrived to make the necessary papers to free the merchandise. Also, bottled water is regulated by the International Bottled Water Association (IBWA for its acronym in English), this

partnership has generated very rigorous standards to control the quality and product safety. Members undergo annual surprise evaluations that assure bottlers meet production requirements.

Finally, bottled water is governed by state regulations, which vary depending on the state. Title 21 of the Code of Federal Regulations (CFR) governs some state regulations where some definitions such as bottled water, craft, underground, mineral, purified, among others are provided. It also contains quality standards for bottled water ensuring microbiological substances limits are adequate. The NLEA (Nutrition Labeling and Education Act) requires that any packaged food must disclose the exact nutritional content of the product through a specific nutrition information panel ("nutrition facts").

2.9 Industrial environment

The USA is a highly industrialized country. Its secondary sector represents 21% of GDP and includes a variety of activities; among these some of the most important are the manufacture of electrical and electronic machinery, chemicals and industrial machinery, as well as the food and automotive industry. It is also a world leader in aerospace and pharmaceutical industry. However, the American economy is mainly based on services. The tertiary sector represents more than three quarters of GDP and employs 81% of the workforce. Currently the bottled water market is very strong. In 2008, according to Zenith International, sales of bottled water was higher than sales of soft drinks, as there was a presence of 37.3% of water sales versus 36.8 % of soft drinks sales. Growing concerns about health causes water to be a healthier alternative for consumers, since it is a calorie-free drink that helps to achieve a better lifestyle. The United States is shown as an interesting market for the industry where sales volume is huge, more than 30,000 million liters per year are currently marketed. According to the Organization of Consumers and Users (OCU) some of the best mineral water brands are: Fuente Liviana Serrania, Sacalm Font Vella, Evian, Nestle's Pure Life among others. The United States is shown as the second largest consumer of bottled water in the world (see Table 2.13)

Table 2.13: Main Consumers of Bottled Water

Ranking	Country	2008 (Millions of gallons)	2013 (Millions of gallons)	Annual Growth (2008-2013)
1	China	5,160.4	10,418.4	15.1%
2	US	8,665.8	10,130.3	3.2%
3	Mexico	6,502.2	8,234.5	4.8%
4	Indonesia	2,899.8	4,824.6	10.7%

Source: Bottled Water Organization. Beverage Marketing Data

Elaboration: Marcela Mora Romo

Table 2.14: Main importers of bottled water

Ranking	Countries	Imported Value 2014	Quantity Imported (2014 tones)
1	China	\$495,238	65,755,746
2	US	\$427,097	787,698
3	Belgium	\$327,332	4,865,618
4	Germany	\$247,904	1,239,246

Source: Trademap

Elaboration: Marcela Mora Romo

An article published by the portal Pro Ecuador about drinks ready to take or ready to drink (RTD) shows that RTD coffee drinks rose 9.5%, followed by bottled water with 5.8% and RTD tea drinks 4.9%. The study demonstrates that the American consumer's demand for drinks that are ready to take have increased due to their

hectic lifestyle. On the other hand labeling should be simple and timely experts say, and the flavors that are gaining popularity are the exotic flavors like coconut, Granada pineapple, and watermelon, among others. Finally the article shows that water exports from Ecuador to The United States in 2013 were \$ 431 thousand dollars in natural water and \$ 396 thousand dollars in mineral water, to these figures other products like tea and juices must be added.

Annually, the bottled water market represents about 89,000 million liters worth an estimated 22,000 million. Danone is the leader in bottled water sales as it sells more than 500 million liters per year. On the other hand Nestlé operates in more than 130 countries with about 80 brands of water and the majority share of the market is the US market. Besides Coca Cola it is known worldwide for its Dasani water tower. All these large multinationals have a significant presence in the United States.

2.10 Conclusion

The GDP of Ecuador has increased significantly from 2010 to 2014 so we can say that the Ecuadorian industry is growing and increasingly producing more. From 2010 to 2014, the manufacturing sector has been the best contributor to GDP (after oil) and both inflation and unemployment have fallen. Basically, we can say that at this time the macroeconomic index of Ecuador allows the industry to develop, which is a positive influence in the business environment. Moreover, the trade balance has remained negative all these years, so if you want to balance the scales, you should have more exports; this encourages industries to improve their standards so that products can be exported to different parts of the world.

In the political arena the government promotes international trade in order to increase the share of exports, Ecuador Pro platform was created in order to promote international business. On the other hand, the legal environment is very rigorous to give water extraction permits as water is conceived as a right and over-exploitation or processes that damage the ecosystem are prohibited. No doubt this is a great

barrier for other participants, so MinaExplo Loja S.A has a great advantage because it has all legal permits. In 2003 industries located in the province of Loja were exonerated of VAT and taxes for 8 years. Therefore, MinaExplo S.A in Vilcabamba Loja benefited from that provision. As for the drinks industry environment this represents 16.3% of food production. Competitors of Vilcagua have extensive background and experience in the domestic market, for example Thessaly Spring CBC with its famous Güitig are 100 in Ecuador years, and there are brands like Dasani, Pure Water who already have popularity in the country.

On the other hand the supply of substitute products is also a potential threat. (Cerveceria Nacional, Toni Ecuajugos S.A.) and are the largest companies in the sector and all of them produce substitutes such as juices, soft drinks, flavored milk etc. Regarding the environment, MinaExplo S.A Loja has a certificate that proves it does not harm protected areas. Also, containers in which Vilcagua is bottled are made of PET 100% recyclable. Although there are some threats to Vilcagua, there are also great opportunities. Investment and proper promotion could make Vilcagua to be known as a benchmark of quality and health.

The US macroeconomic environment looks very promising, because this country is one of the largest economies in the world. GDP grows by rapidly which is due to the development of the industry. The sectors that contribute most to GDP are those serving as public administration, real estate and other service activities. Inflation in the US is much lower than in Ecuador due to market stability and unemployment has fallen more than 3 points in recent years. On the other hand trade balance is negative because this country imports from a lot of other places in the world, which makes it the largest trading partner of many countries. All these data give the idea that the US market is very stable and people have high purchasing power. As for the legal environment, the FDA is responsible for inspecting all bottled water imported so that it can be marketed in The United States, and labeling must be adequate and contain accurate and clear information. Vilcagua has already gone through FDA inspection and got the certificate of analysis. In the industrial environment, The United States is a promising destination, it is the second largest consumer of bottled water in the

world and one of the main importers of the product. Besides, the tendency of Americans to consume low calorie drinks grows as health and welfare is prioritized. While the bottled water market seems to be monopolized by multinational brands such as Danone, Dasani among others, Vilcagua could become an interesting product because of its chemical qualities that must be exploited to the maximum in the promotional campaign.

CHAPTER 3: FEASIBILITY

This chapter analyzes specific conditions for the exportation of Vilcagua. Tariff barriers to 22.01.10.00 as non-tariff such as the requirements under the FDA so that bottled water can be sold in the United States. Then, every step of the export process is analyzed. The target market is chosen according to a number of variables that prove that Miami is the ideal place to internationalize Vilcagua. Once considered the above, distribution channels are analyzed according to the target market, the strategic alliances that will be made to carry out the process, the main competitors in the market, the marketing strategy that will be used to advertise the product, legal actions to be taken in case of opening an office in Miami, and finally the economic feasibility to determine how the project could be financed.

3.1 Tariff and non-tariff barriers

3.1.1 Tariff Barriers

According to the Organic Code of Production, Trade and Investment (COPCI), tariff barriers are taxes applied on imported products from a country with the aim of making them more expensive so they can be less competitive than the domestic product. The import duty is "the relationship or payroll of legal or official status, is usually printed in as a table, where various products and their rights to be paid are detailed, after liquidation" (Benavides, 2008, p.39) There are several types of customs duties; the most common are specific and ad valorem. Specific taxes are given to the goods by physical measurement unit (weight, size, etc.) and have nothing to do with the value of the imported product. The ad-valorem is represented as a percentage of the FOB value of the exported goods or CIF value of the imported goods.

The tariff description of mineral water is contained in section IV (Products of food industry, beverages, spirits and vinegar; cigarettes and substitutes of milled cigarettes), Chapter 22 (beverages, alcohol beverages and vinegar) under the heading of the Harmonized System 2201 (mineral water and carbonated waters, not containing added sugar or other sweeteners nor flavored under the regional subheading 22011000 (mineral and carbonated water). Tariffs of bottled water are shown in the following table.

Table 3.1 Tariffs of Bottled Water

Code of the product	Description of the product	Description of commercial regimen	Common Tariff	Applied Tariff	Ad Valorem
22011000	Mineral water and carbonated water.	Tariff MFN	0.26 ctvs /lt	\$2.60 c/ton	0.42%

Source: Market Access Map

Elaboration: Marcela Mora Romo

- Bottled water from Ecuador pays \$ 2.60 per ton because it is part of the World Trade Organization (WTO)

3.1.2 Non-tariff barriers

These are measures of various kinds that are procedures or requirements for products exported to enter the country of destination. Bottled water must meet requirements such as:

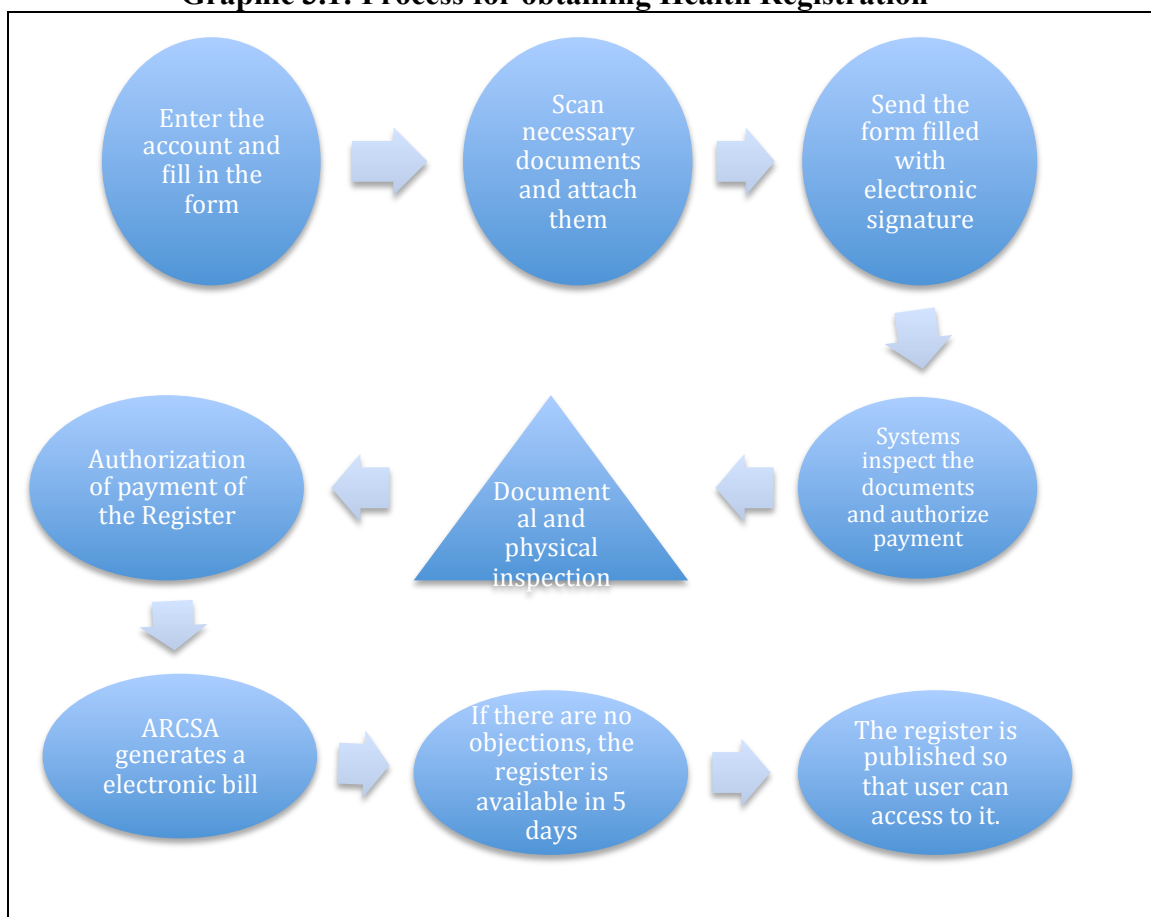
- Labeling Standards
- Sanitary registration

- Quality certificate

- The FDA inspects and monitors bottled water products.

Both national and international bottled water must meet certain requirements to be marketed and exported. At the national level the product needs a Health Registry, which is an authorization that ensures the product is approved for public consumption. In Ecuador this record is issued by the National Agency for Regulation and Control (ARCSA) by the National Institute of Public Health Research (INSPI). The procedure is done through the website www.controlsanitario.gob.ec. Where you must fill out a form with all the information requested and then if there is no problem, it is issued. Vilcagua has health registration 2000INHCAN0806 (see Annex 3)

Graphic 3.1: Process for obtaining Health Registration

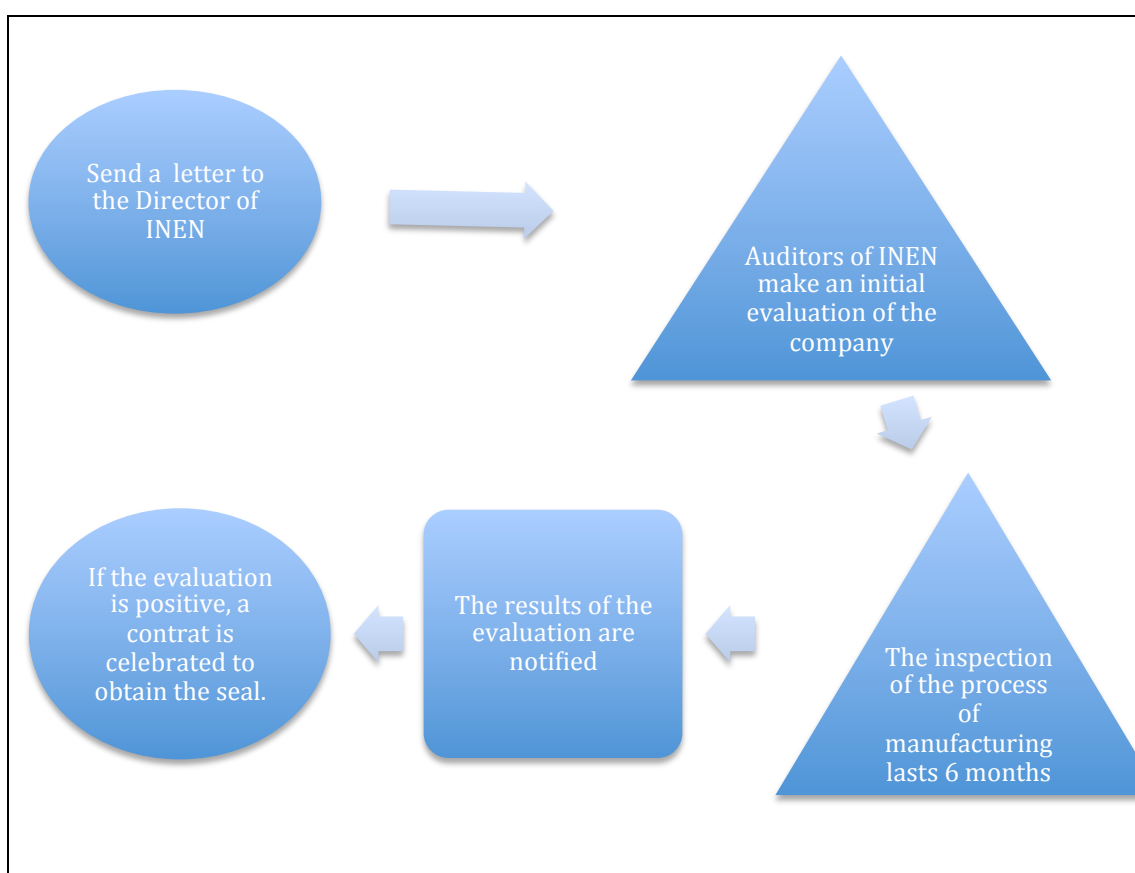


Source: www.controlsanitario.gob.ec

Elaboration: Marcela Mora Romo

In addition, the product meets the INEN 1108 standards of drinking water for human consumption and INEN 2200 standards (See Annex 4) concerning bottled water among some provisions mentioned are: the closure of the containers should be sealed and should not be opened after filling, piping and water tanks must be constructed of inert materials, returnable or non-returnable containers must be sterilized 100%, the labeling should have information stating if the packaging is returnable or not, and that it has undergone treatment, among others.

Graphic 3.2: Process for obtaining the Certificate INEN

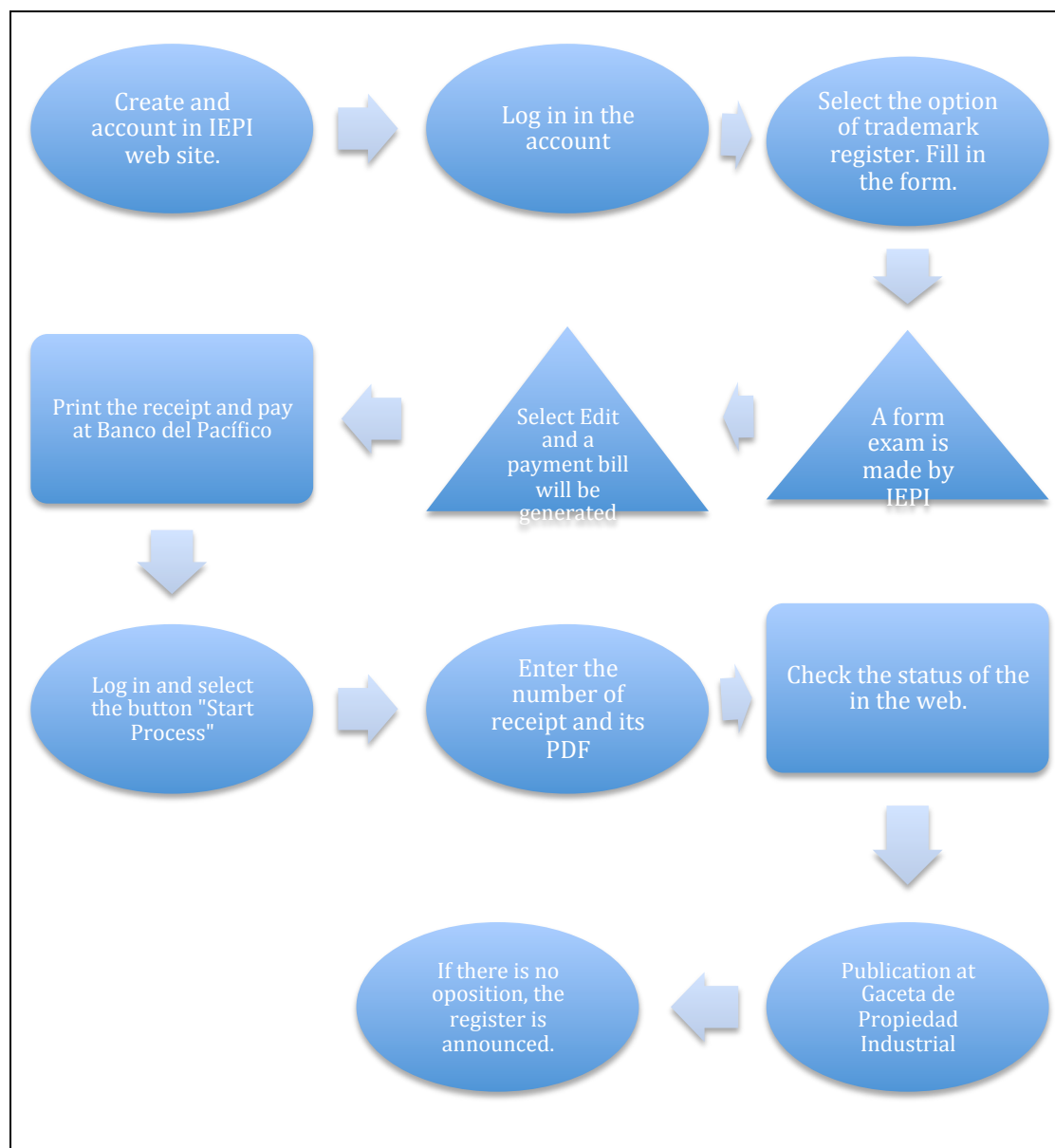


Source: www.eluniverso.com

Elaboration: Marcela Mora Romo

Finally, the product has a certificate of Intellectual Property granted by the Ecuadorian Institute of Intellectual Property (IEPI) protecting the trademark Vilcagua, meaning that no other institution can market any product under this name. (See Annex 5)

Graphic 3.3: The process of obtaining a certificate of Intellectual Property



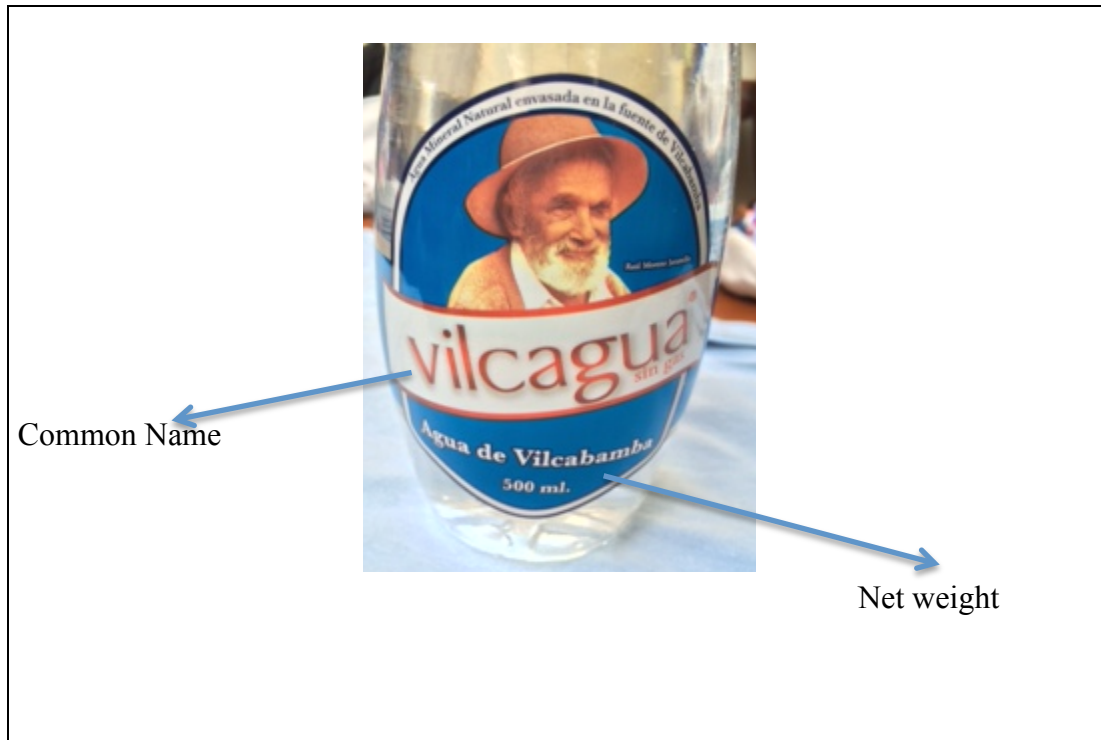
Source: www.propiedadintelectual.gob.ec

Elaboration: Marcela Mora Romo

In order for Vilcagua to export to The United States, it needs a permit from the FDA (Food and Drugs Administration U.S). This institution regulates labeling, good manufacturing procedures and quality certificates. The FDA regulates the labeling of food and its derivative products through Labeling and Education Act on Nutrients (Nutrition Labeling and Education Act) NLEA. The label usually consists of two

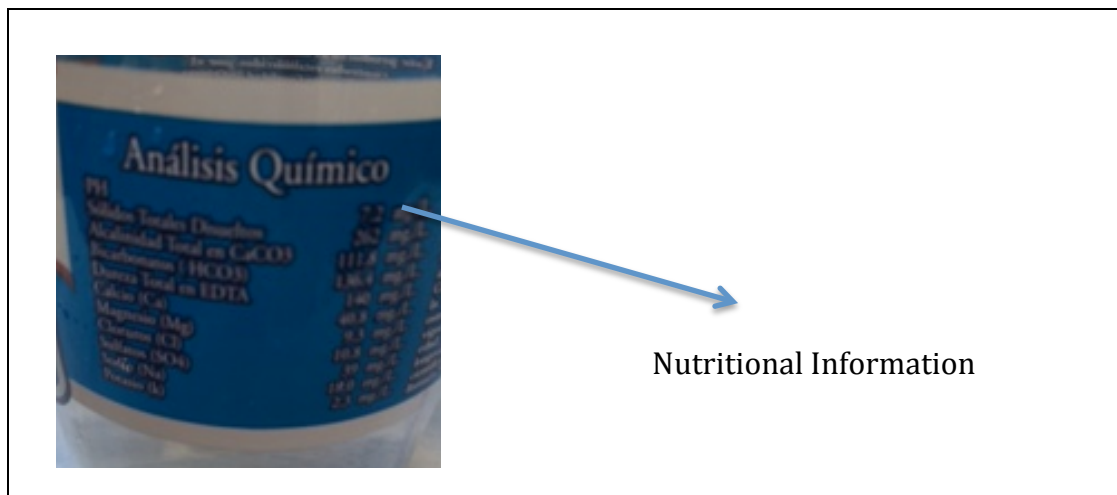
parts, the front and rear. At the front it should state the identity (common or usual product name) and the declaration of net quantity of contents in the system of American measure (ounces), the size of the letter is included and it may not be less than 1.6mm, the country of origin and the name, address, zip code manufacturer should be included, as shown in the figure:

Graphic 3.4: Label of Vilcagua (Front)



On the back of the label it must include the list of ingredients and these should be included in order of importance, it is essential that it contains the common name of ingredients the FDA uses unless directed otherwise. It is also important to add nutritional information, usually based on a common diet (2000 calories).

Graphic 3.5: Vilcagua label (reverse)



Graphic 3.6: Vilcagua label (reverse)



In addition, the FDA controls aspects such as:

- The process, packaging, storing and transport of water under proper sanitary standards
- Sources of obtaining water against bacteria that can affect water quality.
- Adequate quality controls.
- Samples of the final product are taken and subjected to tests to determine if they contain any contaminants

Loja MinaExplo S.A was subjected to a process of analysis of Vilcagua production and chemical analysis; inspection was conducted by the laboratory Ovalle y Asociados and certifies that Vilcagua meets all the requirements requested by the FDA. (See Annex 6) Moreover regarding the packaging of the goods, they will be held in wooden pallets according to the regulations NIMF- 15 (International Standards for Sanitary Measures). The standard requires the certificate of origin of the pallets and a certificate of disinfection, which is performed by heat treatment HT or fumigation with methyl bromide; this standard was adopted in 2002 to reduce the risk of introducing pests.

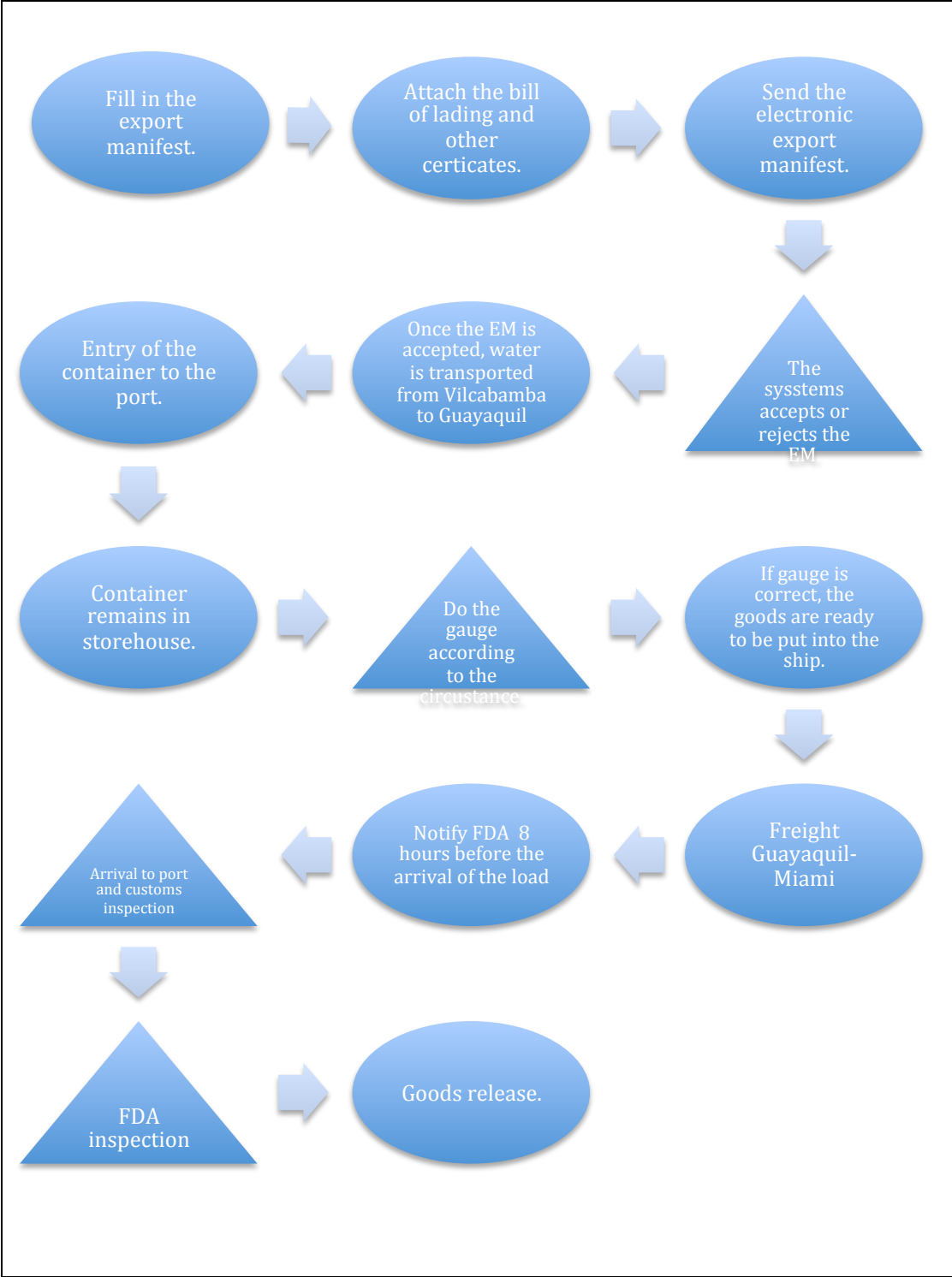
3.2 Exportation Process

According to the National Customs Service of Ecuador (SENAE) export is defined as "the customs procedure that allows the final output of goods in free circulation outside the Ecuadorian customs territory or a Special Economic Development Zone subject to the provisions of the current legislation. "(SENAE, 2012) Foreign trades Operators (STOs) are those who have direct contact with foreign trade processes and these are the exporters, importers, customs brokers, shipping companies, consolidators and others. In order to export the product to the United States we must engage the services of an exporter who is responsible for the whole process.

The export begins with an electronic transmission of the Single Customs Declaration (DAE). It must contain information from the exporter, the description of the items exported according to the commercial invoice data consignor, the destination and amount or weight of the load. DAE attached to the original commercial invoice, certificate of origin must be submitted (as applicable), and the respective bill of lading or air waybill. The system ECUAPASS accepts or makes corrections to the DAE. Once accepted, the DAE will proceed to enter the goods to the Primary Zone (ports, airports) and will remain in temporary storage until designated if it has to go through a process of automatic, documentary or physical inspection. In the first case the shipment authorization will be automatic at the time the goods enter the temporary storage, in the second case the scanned documents should be reviewed,

and in the third case the SENA must physically inspect the cargo for which a date and time is designated. Once the process is completed goods are smoothly shipped and transported to the port of delivery.

Graphic 3.7: Exportation Process



Source: www.aduana.gob.ec

Elaboration: Marcela Mora Romo

3.3 Target Market

The target market is the city of Miami, Florida. We have chosen this city for three main reasons. First, drinking water in Miami is valued as regular, so that citizens seek bottled water for drinking. Second, Miami is full of amateur and professional athletes seeking to take care of their figure and stay healthy, so they need a beverage that gives them the necessary minerals without the calories that others offer. Alkaline water is widely used by athletes at Olympic level and Vilcagua has natural alkaline water. Thirdly, the Hispanic population in Miami is very large, so you could draw a lot of attention to market a brand of bottled water that comes from Latin America. In the case of Ecuadorians in Miami, Vilcagua can attract the so-called nostalgic market.

Table 3.2: Grown of the population in Florida, US

State	Pop. 2011	Pop. 2012	Pop. 2013	Pop. 2014	Pop. 2015
Florida	19,105,533	19,352,021	19,594,467	19,905,569	20,271,272

Source: American Fact Finder

Elaboration: Marcela Mora Romo

The city of Miami in the 2014 census had a population of 430,332 and 70% of the population comes from Latin America, so Spanish is a language widely spoken in the city. According to the United States Census Bureau 18.4% of the population of Miami is less than 18 years old. This means that approximately 351,151 people are over 18 and therefore potential customers of -Vilcagua.

Miami has a water service that aims to deliver the best possible water. However, according to Journal Americas, drinking water in Miami- Dade County is in danger due to the fact that Turkey Point nuclear plant called recycling water used for cooling the turbines and because of the porous layer surface.

This contaminated water could seep into the arch duct from which water is extracted to be drinkable. Traces of ammonia and phosphorus in waters near the aquifer were

found which could contaminate drinking water of the city of Miami, authorities have already taken action on the matter and have asked the nuclear plant to solve the environmental problems as rapid as possible.

Miami offers its residents several options for physical activities such as rowing, windsurfing, tennis, golf, several trails to walk or run, multiple gymnasiums and swimming pools. A city with an active population that gets plenty of exercise is ideal for commercializing refreshing products. Besides, the weather is a factor that greatly influences the amount of liquid that a person needs daily. The weather in Miami is tropical, temperatures range between 38⁰c to 26⁰ c in summer; this means that it is very hot at this time.

Moreover, according to a survey published in Infobae, Miami was chosen by the Latinos as the best city to live. The city receives large migrant populations. Currently 70% of the population comes from Latin America. According to a publication of Trade of Ecuador for 2009 they had 523,108 Ecuadorians living in the United States and in major cities residing in New York and Miami. The large presence of migrants could attract a nostalgic market that evokes memories of products consumed in the country. All these aspects make Miami the ideal place to start exporting Vilcagua, as you can gain prestige in that city and then think about expanding it to other US markets with similar characteristics.

3.4 Distribution Channels and Logistics: Strategic Alliances

There are 2 options to distribute the product in Miami. The first option is to have a partner in the city of Miami that is responsible for the goods from arrival at the port. The partner would be responsible for clearance of cargo paying tariffs generated and it would be he who distributes the product to wholesalers or retailers. The term negotiation would be the incoterm CIF (Cost, Insurance and Freight). The advantage of this alliance would be primarily that MinaExplo Loja S.A requires no additional services in Miami as a warehouse or transportation so that the product reaches the

racks. On the other hand not to be part of the marketing process could affect the product, we will not know if it will be sold to a competent price and if the product will arrive to the customer in good conditions. That is why if we prefer this option, it is very important to make sure that the partner has the necessary professionalism and responsibility. Make a detailed contract that includes the obligations of both parties is a great tool to have clear rules of the game.

The second option is to open an office in Miami that has warehouse space to store the exported water. The advantage of this option is that MinaExplo Loja SA is responsible for bringing the product to wholesalers or retailers. In this way would ensure that the place where the product is offered is adequate, that it is sold to a competent price and the product arrives in good condition. The biggest drawback is the additional cost, as the company should pay the rent of a place where water is stored, staff to contact with wholesalers. They need legal papers to form the company. They need to pay income tax and other taxes. They should purchase trucks to carry the product to wholesalers or retailers. For proper constitution of the company a lawyer and a trusted person to manage business in Miami will be required.

3.5 Competition

We can define as competitors of VILCAGUA, all Premium brands of water found in the international markets, which stand out because of the place where they come from and medicinal properties or other characteristics such as the case of the following:

EVIAN: Bottled Water in France, the water comes from the French Alps and is bottled in different presentations (330ml, 500ml, 750ml, 1000ml and 1500ml). They are currently improving its virtual platform to sell water via Internet. The price of each bottle is approximately \$ 2.25.

Graphic 3.9: Bottle of Evian 500ml



S. Pellegrino: Mineral water bottled in Italy, it comes from the Italian Alps of natural slopes of Val Brembana in San Pellegrino (Lombardo). Estimated price: \$ 1.50 (plastic bottle 500ml)

Graphic 3.10: S. Pellegrino Bottle



FIJI: This water is considered as the purest in the world, it comes from an underground aquifer of the islands. Estimated price: \$ 1.90.

Graphic 3.11: Water Bottle Fiji



3.6 Marketing Plan

It is important to define the marketing strategy or marketing for the product under study; knowing that the main objective is to present the product in a new market. Prior defining the strategy, some aspects described below were analyzed.

3.6.1 Product

Keep current presentation of 500ml in "champagne bottle"; improving the quality of the label in addition to add information in English.

Graphic 3.12: Bottle of Vilcagua 500ml



3.6.2 Promotion

For promotion and branding it aims to identify people who are admired for their lifestyle and physical appearance to be the emblem of the product.

- Public-reports on health and nutrition journals in which to publicize the longevity of the inhabitants of the valley of Vilcabamba, the unique properties and characteristics of the water found in underground lakes in the valley.
- Participate as a sponsor of sporting events.

Determine a price, which would cover production costs and add customs charges, transport, packaging, international insurance, warehousing, among others to reach the new market niche; by trial and error and comparisons with international prices of brands like water. Then costs for the product to be exported are detailed.

Table 3.3: Costs of Sale (exportation)

Kind	Cost per bottle	Annual Total Cost
Pallets	0.008433	2,612.7
Packing plastic	0.000844	261,2
Customs	0.03	9,600
Transport CIF	0.1092	32,760
TOTAL	0.14	45,233.9

Source: MinaExplo Loja S.A

Elaboration: Marcela Mora Romo

*** Values obtained by taking an amount of 311,040 bottles a year. (Capacity of 12 containers 20U)**

To produce water for domestic consumption costs \$ 0.27, this cost differs from cost to export because we have to add the extra costs for water to reach the port of destination, all expenses are listed on the Table rising cost \$ 0.14. What it means is that water would cost \$ 0.41 when it reaches its destination in Miami. To this a gain of 75% must be added. The price for partners or wholesalers would be \$ 0.72 and the retail price would be \$ 1.20, which would give dealers a margin of \$ 0.48 cents per bottle sold, minus expenses incurred by customs clearance, storage and transport of water to the hangers.

On the other hand if MinaExplo decides to create a company in Miami to distribute water then additional costs will be paid for the customs clearance of goods, warehousing and transporting water in Miami. The warehousing can be performed

with a specialized company called Smart Cube that has several areas available for storage. The chosen direction is Southwest 106th Avenue 19395 Miami FL 33157, it has 73m³. The transport can be done with a company called Freightship that carries load inside and outside the state of Florida. Advertising will be in charge of Ocreativos, company with more than 15 years in the US market. The following Table lists the additional costs.

Table 3.4: Additional Costs of Sales

Kind	Cost by bottle	Annual Cost
Customs Clearance	0.01	2,037.31
Storage	0.015	4,740
Intern Transport	0.03	7,800
Publicity	0.04	11,820
Total	0.10	26,397.31

Elaboration: Marcela Mora Romo

If the company is responsible for the entire sales process, variable costs rise and increase the cost to \$ 0.10. In total, water would cost \$ 0.59, it would be sold to the public at \$ 1.20.

3.6.4 Place

The goal is to enter the US market starting with the city of Miami as it is one of the cities with a population of average age that seeks to maintain a good figure and well being. Below in Table 3.6 is a recent statistics on the number of shops and supermarkets that exist in some of the most important cities in the state of Florida, this can be rezoned and define the area of action of each dealer.

Table 3.5: Number of supermarkets in Florida

City	Number of stores and supermarkets	% Based on total Florida
Miami	1260	7.6%
Jacksonville	926	5.6%
Orlando	791	4.8%
Tampa	772	4.7%

Source: ProChile

Elaboration: Marcela Mora Romo

3.7 Legal Study and Corporate

The legal study will depend on the distribution channel that is chosen, whether it be exported with a partner that is responsible for product distribution in Miami or whether setting up a branch office MinaExplo Loja S.A abroad.

In the first case you could conduct a joint international venture or joint venture in which MinaExplo Loja S.A contributions with the final product and the partner contributes with their knowledge of the market, distribution channels and financing. In this way the costs and profits are shared. Also the risk of entering a new market diversifies. To create a joint venture a project should be established. In this case marketing Vilcagua in The United States, the contributions of each party must be defined, how profits will be divided and administrative functions performed by each. Also, to solve conflicts clauses and what kind of arbitration will be used must be included.

In the second case, the company must be legal which means that it should have a structured business plan. Companies are registered and created statewide. In the state

of Florida there are requirements such as: giving 3 possibilities in order of preference of the desired name for the corporation, physical address of the main office and postal address, legal form chosen, in addition to registration payments and tax payments for the operation of the company.

3.8 Economic Feasibility Study

To venture into a new market requires working capital and investments in improving the plant installed and automating some manual processes that require greater precision and agility. For this, some alternatives are proposed:

- Increase in capital of existing shareholders.
- Strategic alliances with foreign companies getting fresh capital.
- Capital increase through issuance of preferred shares (new shareholders) or bond issue.

On the other hand a projected annual sales over 5 years, 2 choices of how to reach the US market as mentioned above arise. The first option is through a partner in Miami in which case transportation costs, warehousing, etc. will be responsibility of the partner. Also, how the percentage of the profits generated will be divided must be clear. If the profits are divided into a 50/50 then the partner will also provide half of the funds to cover costs. Otherwise, their contributions will be valued and partners will be given a proportional utility. Then the sales projection is shown.

Table 3.7: Sales Projection of Vilcagua. Partner

Financial Analysis of Exportation of Vilcagua. Partner					
Years	1	2	3	4	5
Sales	\$223.948,80	\$268.738,56	\$322.486,27	\$386.983,53	\$464.380,23
Price	\$0,72	\$0,72	\$0,72	\$0,72	\$0,72
Quantity	\$311.040,00	\$373.248,00	\$447.898,00	\$537.477,00	\$644.973,00
Cost of Sales	\$132.129,79	\$158.555,75	\$190.266,90	\$228.320,28	\$273.984,34
Gross Profit	\$91.819,01	\$110.182,81	\$132.219,37	\$158.663,25	\$190.395,89
Administrative Expenses	\$64.324,80	\$77.189,76	\$92.627,71	\$111.153,25	\$133.383,91
Selling Expenses	\$24.293,90	\$29.152,68	\$34.983,22	\$41.979,86	\$50.375,83
Profit before IVA	\$3.200,31	\$3.840,37	\$4.608,44	\$5.530,13	\$6.636,16
Depreciation	\$2.663,60	\$3.196,32	\$3.835,58	\$4.602,70	\$5.523,24
Taxes	\$134,18	\$161,01	\$193,21	\$231,86	\$278,23
Net Profit	\$3.066,13	\$3.679,36	\$4.415,23	\$5.298,27	\$6.357,93
Accumulated Depreciation	\$2.663,60	\$3.196,32	\$3.835,58	\$4.602,70	\$5.523,24
Cash flow from operating activities	\$-7.464,96	\$-1.492,99	\$-1.791,59	\$-2.149,91	\$-2.579,89
Cash Flow	\$-1.735,23	\$5.382,69	\$6.459,22	\$7.751,07	\$9.301,28
VAN	15.864,31	VIABLE			

Elaboration: Marcela Mora Romo

Table 3.8: Sales Projection of Vilcagua. Branch Office

Financial Analysis of Exportation of Vilcagua. Branch Office					
Years	1	2	3	4	5
Sales	373.248,0 0	447.897,6 0	537.477,1 2	644.972,5 4	773.967,0 5
Price	1,2	1,2	1,2	1,2	1,2
Quantity	311.040	373.248	447.898	537.477	644.973
Cost of Sales	220.216,3 2	264.259,5 8	317.111,5 0	380.533,8 0	456.640,5 6
Gross Profit	153.031,6 8	183.638,0 2	220.365,6 2	264.438,7 4	317.326,4 9
Administrative Expenses	64.324,80	77.189,76	92.627,71	111.153,2 5	133.383,9 1
Selling Expenses	63.831,21	76.597,45	91.916,94	110.300,3 3	132.360,4 0
Profit before IVA	24.875,67	29.850,80	35.820,96	42.985,16	51.582,19
Depreciation	2.663,60	3.196,32	3.835,58	4.602,70	5.523,24
Taxes	5.553,02	6.663,62	7.996,35	9.595,61	11.514,74
Net Profit	19.322,65	23.187,18	27.824,62	33.389,54	40.067,45
Accumulated Depreciation	2.663,60	3.196,32	3.835,58	4.602,70	5.523,24
Cash flow from operating activities	- 12.441,60	-2.488,32	-2.985,98	-3.583,18	-4.299,82
Cash Flow	9.544,65	23.895,18	28.674,22	34.409,06	41.290,88
VAN	85.424,01	VIABLE			

Elaboration: Marcela Mora Romo

3.9 Conclusion

The export process is very simple but must be done properly so that there is no inconvenience or delay in the arrival of the goods as this can cause problems with partners or lack of inventory at the place of destination. That is why the company must rely on a customs agent, as the company must comply with production times. The final destination of the product is the city of Miami, we have chosen this destination because people exercise regularly, the temperature of the city is high so people require additional hydration, also about 70% of the population comes from Latin America so a product made in Ecuador could attract attention. Vilcagua competition are internationally known brands that have a great experience and prestige in the world market such as Evian, S. Pellegrino, Fiji among others, these are known as Premium brands of bottled water due to where they come from. Vilcagua also comes from a natural source of water of excellent quality. The company must make a rigorous brand promotion to become known.

The marketing plan of Vilcagua in The United States is different from the one done in Ecuador. The product offered is Vilcagua 500ml champagne bottle, the promotion will be carried out with people admired for their healthy lifestyle to be emblem of the product, and advertorials will be made in magazines of health and nutrition highlighting the benefits of consuming Vilcagua. The price is established taking into account export costs, the water will be sold to partners or distributors at \$ 0.72, the retail price will be \$ 1.20 taking into account costs and prices of competition in the market. Finally, the place chosen is the city of Miami; a big advantage is that this city has the largest number of supermarkets in Florida.

As for the legal and corporate study two options to distribute water in the target market are proposed, making a joint venture or establishing a branch of MinaExplo Loja S.A to be responsible for distributing the product. If the first case is chosen, the partner or distributor will do international transportation, warehousing, inland transportation and others. If the second option is chosen, the company will pay all

expenses. In both cases, MinaExplo Loja S.A will do the advertising, because we cannot jeopardize the image of the brand.

Finally, there has been an economic feasibility study taking into account the 2 options mentioned above. The results show that both options are viable, however establishing a branch in Miami brings more profits than having a partner. We plan to export 1 container per month the first year, a total of 12 containers of 20U. Each container can carry 10 pallets with 108 boxes of 24 units each. 25,920 bottles of 500ml per month will be sent annually which sums up to 311,040 bottles. To this, a 20% growth is projected every year for 5 years. The result indicates that the best decision would be to have a branch in Miami with a net present value of 85,424.01

Conclusions and recommendations

- The Vilcagua export project is a long-term strategic goal, which aims to result in the internationalization of the company.
- The great strength of Vilcagua is its chemical properties and the place where it comes from because it is extracted from a natural source, it is considered as Premium bottled water, enabling it to compete with prestigious brands.
- Currently, Vilcagua is sold in a reduced market, which includes Loja and Cuenca so it is not widely recognized in the national market. A medium-term goal is to expand to the cities of the coast, starting with Machala, which is not a big market, and the company could supply it.
- The latest ad campaign was made with Maria Teresa Guerrero as brand image. It is recommended to expand advertising. Establish a joint policy between the Marketing and management areas in which 2% of sales will be destined to Advertising and Marketing, this value should go up to 5% over the next 3 years.
- The inexperience of the company in the US market is a big disadvantage so it is recommended to seek a consultant who knows the market and networking in order to distribute water in the United States.
- The debt of the company (66%) can be a limiting factor for export as there is the possibility of not getting new loans to invest in inventory and new employees among others. To finance the expansion, it is recommended that shareholders retain profits for a period, and lower the debt to 40% of total lending.

- The target market, Miami, was chosen because of its great potential.
- The financial-accounting department should consider the option of reducing the period of credit granted to its customers to 45 days maximum, since water is a product with a high turnover rate of sales but the recovery period is too extensive (62 days).
- It is proposed to implement a circular rather than a vertical organization, so the communication of the different areas of the company will be improved. (See Annex 8)
- A manual should be implemented, which should include the duties and responsibilities of each job so that workers are clear about their duties.
- Goals must be set for each functional area. The production area must comply with improving quality and volume of production. Marketing area will get more clients in the current market and other potential markets such as the cities of the coast Ecuador. The maintenance division should keep machines in good condition so that faults are minimized, finally the administrative area should manage resources so that other areas have all the supplies needed to run correctly.
- The designated supervisor of each area should be in control of the reports.
- The exemption from VAT and taxes for 8 years to industries located in the province of Loja has helped to reduce company costs.

- A barrier to entry to the US market is the rigorous FDA inspection. Therefore requirements must be correctly fulfilled.
- It is recommended to choose a reliable and responsible custom agent to comply with all regulations so that drawbacks do not happen.
- Because Ecuador is a member of the WTO, the tariff applied is \$ 2.6 c / t which reduces the value of tariffs.
- Vilcagua is exported only in 500 ml champagne bottle.
- It is recommended to change the label to make it more appealing and more vibrant colors could be used, so that the product evokes health and freshness.
- The price to potential partners or distributors will be \$ 0.72 taking into account export costs in which the company must incur.
- The retail price was established taking into account export costs and price of the competition. A retail price of \$ 1.20 is suggested.
- It is suggested that the company establishes a branch in the United States since it generates more profit than having a partner.

Works Cited

(2009). Retrieved on February 3, 2016, National Politénica School:

<http://bibdigital.epn.edu.ec/bitstream/15000/1405/1/CD-2147.pdf>

(2009). Retrieved on March 23, 2016, Digital Perisodista:

<http://www.periodistadigital.com/america/legislacion-y-documentos/2009/10/15/en-estados-unidos-viven-523-108-inmigrantes-ecuatorianos.shtml>

(2015). Retrieved on March 15, 2016, FDA:

<http://www.fda.gov/Food/ResourcesForYou/Consumers/ucm210586.htm>

(N.d.). Retrieved on February 2, 2016, Inter Vilca Waters Corporation:

<http://www.aguadevilcabamba.com.ec/html/empresa.html>

(N.d.). Retrieved on February 2, 2016, CBC Thessaly Springs:

<http://www.tesaliacbc.com/>

(N.d.). Retrieved on March 18, 2016, American Fact Finder:

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2015_PEPANNRES&src=pt

(N.d.). Retrieved on March 18, 2016, Market Access Map:

<http://www.macmap.org/QuickSearch/FindTariff/FindTariffResults.aspx?product=2011000&country=842&partner=218&year=2014&source=1%7CITC&AVE=1>

(N.d.). Retrieved on March 28, 2016, Tu Consulate:

http://www.tuconsulado.com/paralegal/florida_corporations.htm

Bottled water sales leader in 2015. (2015). Retrieved on January 27, 2016, of gastronomia and Cia: <http://www.gastronomiaycia.com/2013/04/29/agua-embotellada-lider-de-ventas-en-el-ano-2015>

mineral water in the US. (N.d.). Retrieved on February 17, 2016, Pro Ecuador:

<http://www.proecuador.gob.ec/pubs/agua-mineral-eeuu-2/>

premium water. (26 May 2010). Retrieved on January 30, 2016, Aguas luxury:

<http://aguasdelujo.blogspot.com/2010/05/que-es-el-agua-premium.html>

US ready to drink. (N.d.). Retrieved on February 28, 2016, Pro Ecuador:
<http://www.proecuador.gob.ec/2014/01/06/bebidas-listas-para-tomar-ee-uu/>

Benavides, J. M. (2008). How to export? Ecuador.

Celada, E. (July 31, 2013). The ten best mineral water bottled spring water.
Retrieved on January 28, 2016, of Very gluttony:
<http://www.conmuchagula.com/las-diez-mejores-aguas-minerales-de-manantial-ensvasadas/>

Census of Population and Housing. (2010). Retrieved on February 25, 2016, of Ecuadr in Figures: <http://www.ecuadorencifras.gob.ec/censo-de-poblacion-y-vivienda/>

Chiavenato, I. (2006). Introduction to general management theory (Seventh ed.). Cuajimalpa, Mexico: McGraw-Hill.

How to obtain the sanitary registration. (N.d.). Retrieved on March 28, 2016, of the entrepreneur: <http://www.elemprendedor.ec/obtener-registro-sanitario-ecuador/>

Congress approved the decree aplicación 1514. (July 15, 2003). Retrieved on January 29, 2016, the National Time:
http://lahora.com.ec/index.php/noticias/show/1000177203/-1/Con_58_votos_de_69_legisladores_presentes,_este_lunes,_el_Congreso_Nacional,_aprobó_en_segundo_y_definitivo_debate,_el_proyecto_de_reforma_a_la_Ley_Orgánica_de_Aduanas..html#.Vq6M3By9d88

World Bank data. (N.d.). Retrieved on January 28, 2016, World Bank:
http://datos.bancomundial.org/pais/ecuador#cp_wdi

Ecuador closes September with a 4.8% unemployment. (October 16, 2015).
Retrieved on January 28, 2016, of Ecuador in figures:
<http://www.ecuadorencifras.gob.ec/ecuador-cierra-septiembre-con-un-desempleo-de-428/>.

PET packaging. (N.d.). Retrieved on February 2, 2016, of Ecowill.
<http://www.escowill.com.mx/index.php/catalogo-impreso-virtual/9-seccion-informativa/articulos/11-petymedioambiente.html>

Escuer, E. F. (18 January 2011). Bottled water, big business. Retrieved on February 23, 2016, New Tribuna: <http://www.nuevatribuna.es/articulo/medio-ambiente/el-agua-embotellada-el-gran-negocio/20110118045144040036.html>

United States: Politics and Economics. (N.d.). Retrieved February 7, 2016, Santander Trade: <https://es.santandertrade.com/analizar-mercados/estados-unidos/politica-y-economia>

U.S. (N.d.). Retrieved February 7, 2016, World Bank: http://datos.bancomundial.org/pais/estados-unidos#cp_wdi

Market US bottled water. (2009). Retrieved on February 8, 2016, Chile Food: http://www.chilealimentos.com/medios/Servicios/noticiero/EstudioMercadoCoyuntura2010/Jugos/l_angeles_agua_2009_PROCHILE.pdf

Exports. (2012). Retrieved on March 25, 2016, of Aduana.gob.ec: http://www.aduana.gob.ec/pro/to_export.action

US Trade tab. (2013). Retrieved on February 17, 2016, Pro Ecuador: http://www.proecuador.gob.ec/wp-content/uploads/downloads/2013/02/PROEC_FC2013_ESTADOS_UNIDOS.pdf

Garcia, H. (2008). Marketing Principles and Goals. Guayaquil, Ecuador: Ediciones Holguin S.A.

Popular indicators. (N.d.). Retrieved on February 20, 2016, World Bank: 82b & report_name = Popular_indicators & populartype = series & ispopular = y

Ecuador industry. (09 2015). Retrieved on January 2, 2016, by Ekos Business: <http://www.ekosnegocios.com/revista/pdfTemas/1300.pdf>

Economic Report and US Trade. (07 2013). Retrieved on February 20, 2016, of Iberglobal: http://www.berglobal.com/files/eeuu_iec.pdf

Water Resources Act. (6 August 2014). Retrieved on January 29, 2016, of Agua.gob.ec: <http://www.agua.gob.ec/wp-content/uploads/2012/10/LEYD-E-RECURSOS-HIDRICOS-II-SUPLEMENTO-RO-305-6-08-204.pdf>

Martin, A. (2014). Retrieved on March 18, 2016, Lists 20 minutes:
<http://listas.20minutos.es/lista/aguas-de-calidad-del-mundo-386573/>

Miami, the favorite to live in Latin American city. (2013). Retrieved on March 23, 2016, Infobae: <http://www.infobae.com/2013/08/23/1503914-miami-la-ciudad-favorita-vivir-los-latinoamericanos>

Mochón, F. (2005). Introduction to Macroeconomics (Third ed.). Madrid, Spain: McGraw- Hill Interamericana de Spain.

Model International Joint Venture Agreement. (N.d.). Retrieved on March 28, 2016, Global Negotiator: <http://www.globalnegotiator.com/files/modelo-contrato-joint-venture-internacional-ejemplo.pdf>

Mora, S. (2010). Digital Repository. Retrieved on January 31, 2016, University of Cuenca: <http://dspace.ucuenca.edu.ec/handle/123456789/2704>

Standard NTE INEN 1108 (2011). Retrieved on March 15, 2016, of Law Resource: <https://law.resource.org/pub/ec/ibr/ec.nte.1108.2011.pdf>

Standard NTE Inene 2200. (2008). Retrieved on February 15, 2016, of Law Resource: <https://law.resource.org/pub/ec/ibr/ec.nte.2200.2008.pdf>

Potale endangered water in Miami Dade. (16 March 2016). Retrieved on March 21, 2016, Diario las Americas: http://www.diariolasamericas.com/4842_locales/3690137_estudio-peligra-agua-potable-miami-dade.html

Porter, M. (2004). Competitive Strategy. Mexico: Compania Editorial Continental.

Quick Facts. (N.d.). Retrieved on March 23, 2016, United States Census Bureau: <http://www.census.gov/quickfacts/table/PST045215/1245000>

Terry, G., & Franklin, S. (1994). Management Principles. Mexico: Continental S.A.

Torres, E. (1 August 2011). Annual Report drinks. Retrieved on January 31, 2016, Food Industry: <http://www.industriaalimenticia.com/articles/83147-reportaje-annual-de-bebidas>

A decade of market changes. (2012). Retrieved on January 28, 2016, Leaders Magazine: <http://www.revistalideres.ec/lideres/decada-cambios-mercado.html>

Uribe, F. (S. F.). Ecuador Sector Report: Food. Retrieved on January 31, 2016, Pacific Credit Rating:

http://www.ratingspcr.com/uploads/2/5/8/5/25856651/sectorial_alimentos.pdf

http://www.aduana.gob.ec/files/pro/leg/ccop/S351_20101229.pdf

<http://www.qvision.es/blogs/joaquin-fernandez/2011/02/¿que-es-la-fda/>

Annex 1: Statement MinaExplo Loja S.A

ACTIVO NO CORRIENTE			742.975,52	742.975,52		
ACTIVO FIJO						
Bienes Muebles	146.897,37					
Bienes Inmuebles	139.648,91					
NO DEPRECIABLE						
Terreno	456.428,58					
ACTIVO DIFERIDO	0,66					
TOTAL ACTIVOS			883.367,78		TOTAL PASIVO Y PATRIMONIO	

Capital social	287.585,70	
Aportes futuras capital		397,10
RESERVAS		
Reserva Legal	397,10	
Reserva Facultativa		
RESULTADOS		(375.259,91)
Resul Acum por NIIF	227.349,10	
Utilidades acumuladas Ej Ant	-604.781,62	
Resultados del Ejercicio Presente	2.172,61	

Dr. Andrés Herrera Flores
GERENTE GENERAL

CPA Blanca Abad Polo
CONTADORA




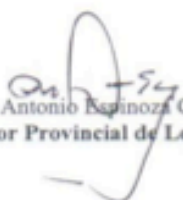
ESTADO DE RESULTADOS del 01 de enero al 31 de diciembre de 2015

INGRESOS			258.546,21	GASTOS GENERALES		
Ventas Totales	258.546,21			GASTOS ADMINISTRATIVOS		49.525,83
Rendimientos financieros	-			Sueldos y Salarios	26.802,17	
Otras Rentas exentas	-			Gastos Generales Oficina	22.697,96	
COSTOS			151.817,54	Gastos de Representación	26,10	
COSTO DE PRODUCCION		143.132,92		GASTOS DE VENTAS		47.900,41
Costo de Materia Prima	57.511,66			Gastos de venta corrientes	5.488,28	
Costo de Mano de Obra	18.330,95			Gastos por Agencia	14.852,19	
Gastos de Fabrica	35.244,03			Impuesto verde	14.241,48	
Depreciación Maquinaria	32.046,28			Depreciación de prop y equipos	13.318,46	
COSTO MERCADERIA ADQ.		8.684,62		GASTOS NO DEDUCIBLE		5.336,81
UTILIDAD BRUTA			106.728,67	GASTOS FINANCIEROS		
				Intereses pagados	1.793,01	1.793,01
				UTILIDAD DEL EJERCICIO		




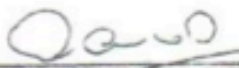

Dr. Andrés Herrera Flores
GERENTE GENERAL

CPA Blanca Abad Polo
CONTADORA

Annex 2: No intersection Certificate.

		<p>Supre 04-55 entre Imbabura y Quito, Edificio Inda Pao 1 y 3 Loja - Ecuador Teléfono: (593 7) 2571634 - 2571125 WWW.ATTORDES.GOV.EC</p>
<p>Oficio No. MAE-DPLEOZCH-2009-0077</p> <p>Loja , Martes, 28 de Julio de 2009</p>		
<p>Doctor Andrés Herrera REPRESENTANTE LEGAL EMPRESA EMBOTELLADORA DE AGUA "VILCAGUA" Presente.</p>		
<p>Referencia expediente No. 0001</p>		
<p>De la información proporcionada mediante oficio No 032-CA/2009, ingresado el 10 de julio del 2009, para el Proyecto Funcionamiento de la Embotelladora de Agua "Vilcagua" en la Parroquia Vilcabamba, Cantón Loja, se concluye que dicho proyecto NO INTERSECTA con el Sistema Nacional de Areas Protegida, Bosques Protectores y Patrimonio Forestal del Estado.</p> <p>Cabe señalar que la información proporcionada está sujeta a verificación de campo, la misma que debe ser coordinada en la Dirección Provincial de Loja y Regional de Loja, Zamora Ch. y el Oro</p>		
<p>Atentamente,</p>		
<p> Carlos Antonio Baginoza Gonzalez Director Provincial de Loja y Regional Loja, Zamora Ch. y El Oro</p>		
<p>CE/m</p>		

Annex 3: Register of Health Certificate

		
REPUBLICA DEL ECUADOR MINISTERIO DE SALUD PÚBLICA		
Trámite No. 2000 - INI		
SISTEMA NACIONAL DE VIGILANCIA Y CONTROL INSTITUTO NACIONAL DE HIGIENE Y MEDICINA TROPICAL "LEOPOLDO IZQUIETA PÉREZ"		
 CERTIFICADO DE REGISTRO SANITARIO No. <u>2000 INHCAN0806</u> INSCRIPCIÓN DE ALIMENTOS PROCESADOS <u>NACIONALES</u>		
El Ministerio de Salud Pública certifica que el producto: _____ AGUA MINERAL NATURAL "VILCAGUA" _____		
Elaborado por: <u>MINAEXPLO LOJA S.A.</u> _____		
En (lugar de origen del fabricante): <u>VILCABAMBA - LOJA - ECUADOR</u> _____		
A solicitud de: <u>MINAEXPLO LOJA S.A.</u> <u>LOJA - ECUADOR</u> _____		
Tipo de alimento: <u>BEBIDAS NO ALCOHOLICAS</u> _____		
Tipo de envase: <u>BOTELLA PET, POLICARBONATO Y/O POLIPROPILENO</u> _____ <u>EXTERNO, PLASTICO THERMOENCOCIBLE</u> _____		
Contenido: <u>500ml, 1L, 2L, 4L, 5L y 20L</u> _____		
Composición del producto: Agua 100 %		
Tiempo máximo de consumo del producto: Envase de 20L: 45 días Los demás : 60 días		
Ha sido Inscrito y Registrado con el número anotado en la parte superior de este		
DOCUMENTO VALIDO POR DIEZ AÑOS Vigente hasta: <u>08. 2016</u>		
 DIRECTOR (E) DEL INHMT "LIP" R. A.		Cuenca, 17 de Agosto de 2006
		

Annex 4: Certified that Vilcagua meets INEN norms



UNIVERSIDAD TÉCNICA PARTICULAR DE LOJA
La Universidad Católica de Loja

Ing. Celso Romero Jaramillo, **LÍDER DEL ÁREA INSTRUMENTAL Y AMBIENTAL, DEL INSTITUTO DE QUÍMICA APLICADA DE LA UNIVERSIDAD TECNICA PARTICULAR DE LOJA**, a petición verbal de parte interesada.

CERTIFICA:

Que de acuerdo a los análisis físicos químicos, microbiológicos y metales pesados, realizados en la muestra de Agua envasada Vilcagua a la empresa MinaExplo Loja S.A. los resultados cumplen con la norma INEN 1108. Agua Potable e INEN 2200 de Agua Envasada.

Es todo cuanto puedo certificar en honor a la verdad. La presente se hace extensiva para los efectos legales que al interesado le convengan.

LO CERTIFICO:



Loja, 05 de mayo del 2010

Annex 5: Registration of Intellectual Property

Instituto Ecuatoriano de la Propiedad Intelectual	
	
Dirección Nacional de Propiedad Industrial	
CERTIFICADO DE RENOVACIÓN No. 2367 – IEPI	
<p>INSTITUTO ECUATORIANO DE LA PROPIEDAD INTELECTUAL – IEPI. – Unidad de Modificaciones al Registro.- Quito, 19 de noviembre de 2009. Vista la solicitud de renovación No. 68602, presentada el 13 de noviembre de 2009, del registro de Marca de Productos No. 339, otorgado el 15 de febrero de 2000. De conformidad con lo dispuesto en los artículos 152 y 153 de la Decisión 486 de la Comisión de la Comunidad Andina, concordantes con los artículos 212, 213 y 359 de la Ley de Propiedad Intelectual, una vez cumplidos los requisitos legales y reglamentarios, y en ejercicio de la facultad delegada por el Director Nacional de Propiedad Industrial, mediante resolución, No. 016-2009-DNPI-IEPI, expedida el 20 de marzo del 2009, se OTORGA este certificado de renovación y se ordena su inscripción y marginación, con los datos siguientes:</p>	
DENOMINACION:	VILCAGUA
TITULAR ACTUAL:	MINAEXPLO LOJA S.A.
FECHA DE VENCIMIENTO:	15 de febrero de 2020
	
Dr. MSc. Ramiro Brito Ruiz EXPERTO PRINCIPAL EN MODIFICACIONES AL REGISTRO	
	
GM	

Annex 6: Analysis Certification according to FDA requirements

National Testing Laboratories, Ltd. (NTL) is pleased to certify that it has performed the indicated analysis on the sample specified. THE BOTTLER OF THIS PRODUCT IS SOLELY RESPONSIBLE FOR QUALITY CONTROL OF ALL PRODUCTS SHIPPED. NTL'S LIABILITY IN ANY EVENT IS LIMITED TO A REFUND OF THE COST OF THE SAMPLE ANALYSIS UPON PROOF OF INACCURACY.

Alachlor	Chromium	Glyphosate*	Pentachlorophenol	Trifluralin
Aldicarb	cis-1,2-Dichloroethene	Gross Alpha	pH	1,2,4-Trimethylbenzene
Aldicarb Sulfone	cis-1,3-Dichloropropene	Gross Beta	Picloram	1,3,5-Trimethylbenzene
Aldicarb Sulfoxide	Color	Hardness	Potassium	Turbidity
Aldrin	Copper	Heptachlor	Propachlor	Vinyl Chloride
Alkalinity	Corrosivity	Heptachlor Epoxide	Propylbenzene	Zinc
Aluminum	Cyanide	Hexachlorobenzene	p-Xylene	
Antimony	2,4-D	Hexachlorobutadiene	sec-Butylbenzene	
Arsenic	Dalapon	Hexachlorocyclopentadiene	Selenium	
Atrazine	Dibromochloromethane	3-Hydroxycarbofuran	Silver	
Barium	Dibromomethane	Isopropylbenzene	Silvex (2,4,5-TP)	
Benzene	Dicamba	4-Isopropyltoluene	Simazine	
Benzo(a)pyrene	1,2-Dichlorobenzene	Iron	Sodium	
Beryllium	1,3-Dichlorobenzene	Lead	Styrene	
Boron	1,4-Dichlorobenzene	Lindane	Sulfate	
Bromide	Dichlorodifluoromethane	Magnesium	tert-Butylbenzene	
Bromobenzene	1,1-Dichloroethane	Manganese	1,1,1,2-Tetrachloroethane	
Bromochloromethane	1,2-Dichloroethane	Methoxychlor	1,1,2,2-Tetrachloroethane	
Bromofom	1,1-Dichloroethene	Methyl-Tert-Butyl-Ether	Tetrachloroethene	
Bromodichloromethane	Dichloromethane	Methyl-Ethyl Ketone	Thallium	
Bromomethane	1,2-Dichloropropane	m-Xylene	Toluene	
Butachlor	1,3-Dichloropropane	Mercury	Total Dissolved Solids	
Cadmium	2,3-Dichloropropane	Methomyl	Total Phenols	
Calcium	1,1-Dichloropropene	Metolachlor	Total THM's	
Carbaryl	Dieldrin	Metribuzin	Total Xylenes	
Carbofuran	Di(2-ethylhexyl)adipate	Naphthalene	Toxaphene	
Carbon Tetrachloride	Di(2-ethylhexyl)phthalate	n-Butylbenzene	trans-1,2-Dichloroethene	Asbestos**
Chlordane	Dinoseb	Nickel	trans-1,3-Dichloropropene	Benazon**
Chloride	2,3,7,8-tedd (Dioxin)*	Nitrate-N	1,2,3-Trichlorobenzene	Bicarbonate**
Chlorobenzene	Diquat*	Nitrite-N	1,2,4-Trichlorobenzene	Carbonate**
Chloroethane	Endothal*	Odor Threshold	1,1,1-Trichloroethane	Hydroxide**
Chloroform	Endrin *	Ortho Phosphate	1,1,2-Trichloroethane	Molinate**
Chloromethane	Ethylbenzene	Oxamyl	Trichloroethene	Radium 226 & 228**
2-Chlorotoluene	Fluoride	o-Xylene	Trichlorofluoromethane	Specific Conductance**
4-Chlorotoluene	Foaming Agents	PCB	1,2,3-Trichloropropane	Thiobencarb**

The items with no asterisks (*) are included in our FDA test package to meet the regulations specified on the front of this certificate. The items indicated by one asterisk (*) are those which are included in our IBWA test package which are not required by the FDA and are not included in the FDA test package. The items indicated by two asterisks (**) are included in our National Compliance Test package which meets bottled water regulations for all 50 states in the U.S.

<h1 style="text-align: center;">Certificate of Analysis</h1> <p style="text-align: center;">Submitted by National Testing Laboratories, Ltd. Network For OVALLE & ASSOCIATES</p> <p>Sample 63376 of Vilcagua (Minaexlpo Loja S.A.) Finished Product Water submitted by Ovalle & Associates was analyzed and found to meet or exceed bottled water annual testing requirements for the year 2001 for chemical and physical contaminants established by:</p> <p style="text-align: center;">U.S. Food and Drug Administration (FDA) Quality Standards 21CFR Section 165.110 (b)</p> <p>The above mentioned FDA regulations have been established to offer consumers assurance that the bottled water they purchase is stringently regulated, tested and of the highest quality.</p> <p style="text-align: center;">A list of parameters analyzed and the terms and conditions of this certificate are listed on the back of this certificate.</p> <div style="display: flex; justify-content: space-between;"> <div> <p><i>Deborah J. Shuster</i></p> <p>Signature</p> </div> <div> <p>MAR 20 2001</p> <p>Date</p> </div> </div>	
--	--

Annex 7: Quote of International Transport



COTIZACIÓN DE SERVICIOS SIATILOGISTICS FULL CONTAINER - TRÁFICO GLOBAL

COTIZACIÓN No.	342CPU
FECHA COTIZACIÓN	jueves, 31 de marzo de 2016
FECHA VIGENCIA	viernes, 15 de abril de 2016

Señora
Alexandra Romo

Me permito a continuación detallarle la cotización de servicios por usted requerida;

MODALIDAD TRANSPORTE	MARITIMO FCL	VALOR MERCADERIA	USD 10.500,00
ORIGEN	GUAYAQUIL, ECUADOR	DESCRIPCION MERCADERIA	BOTELLAS DE AGUA
DESTINO	EVERGLADES, USA	CANT. CONTENEDORES	1*20
INCOTERM	CIF	TIPO DE EQUIPO	20 STD
TIPO DE SERVICIO:	PUERTO - PUERTA	CARGABLE	1*20 STD
TIPO DE CARGA	GENERAL		

VALORES EN ORIGEN	PORT HANDLING PER CONTAINER	MAS IVA	USD	350,00
	SHIPPING LINE EXPENSES PER BL	MAS IVA	USD	165,00
	HANDLING PER CONTAINER	MAS IVA	USD	100,00
	DRUGS INSPECTION	MAS IVA	USD	275,00
	PORT ENTRY PER CONTAINER	MAS IVA	USD	300,00
	VALOR POLIZA DE SEGURO		USD	100,00
	CUSTOM CLEARANCE	MAS IVA	USD	100,00
VALORES DE FLETE	FLETE MARÍTIMO		USA	1.340,00

TOTAL APROXIMADO DE IMPORTACIÓN	USD	2.730,00
--	------------	-----------------

TIEMPO TRÁNSITO	11 days aprox	FRECUENCIA DE SALIDAS	SEMANAL	RUTA	GYE-MAN-EVERGLADES
DÍAS LIBRES	N/A	NAVIERA	MAERSK	EXONERACION DE GARANTIAS	N/A

OBSERVACIONES:

- Ø Tarifas sujetas a disponibilidad de espacios y frecuencias en Navieras.
- Ø Los rubros cotizados en monedas extranjeras pueden variar según el tipo de cambio vigente en el día de la facturación.
- Ø Los rubros de BAF y SSC (Security Charge) serán facturados AL COSTO vigente en el momento del embarque.
- Ø Los valores en origen y de flete son gravados con el 5% de COLLECT FEE.
- Ø Estas tarifas no incluyen tasas, impuestos, multas, bodegajes, aforos; en origen o en destino.
- Ø Toda documentación previa al arribo de la carga es de absoluta responsabilidad del importador.
- Ø Tarifas locales no incluyen IVA.
- Ø Los valores pueden variar por motivos de peso, volumen y valor de la mercadería.
- Ø Tomar en cuenta que hay un incremento en el tipo de cambio cuando se cotiza en moneda diferente al dólar.

Carolina Pullas B.
ASESOR CORPORATIVO

Annex 8: Circular Organization Chart Suggested for Minaexplo Loja S.A

