



# **UNIVERSIDAD DEL AZUAY**

**Faculty of Law**

**School of International Studies**

**Feasibility analysis of ceramics from the company Artemma Arte and Religion to export to The United States, Germany or Peru through the generation of strategies for its internationalization.**

**Graduation assignment prior to obtaining a:**

**BACHELOR'S DEGREE IN INTERNATIONAL STUDIES MINOR IN FOREIGN  
TRADE**

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## **Dedication**

This work, I dedicate to God because of him I have everything in my life. To my parents because they taught me to never give up and fight for my dreams. In the other hand, this work is dedicated to my angels because they dreamed to looking me as professional.

Finally, this work is dedicated to my family because they stayed with me in bad and good moments, especially for their advices that helped me to be better.

Daniela Torres.

The degree dissertation I dedicate to God for giving me the opportunity to achieve one more goal in my life. I also dedicate this work to my family who have been the main foundation for the construction of my professional life and to all the people who supported and encouraged me to reach this stage.

Fernanda Pineda

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## **Abstract**

The development of this thesis was to analyze a company established in Cuenca, Artemma Arte y Religion. The main business of Artemma is to elaborate crafts and ornaments made of resin and tagua powder. The objective is to study the feasibility that the company could have to export their product to a certain market such as Germany, The United States and Peru. By doing the investigation the results are that el Cusco- Peru was the best market for the company to export. However, Artemma has some difficulties that must be improved by applying strategies that would help the business increase their efficiency and could have the possibility to export in about a year.

## **Introduction**

The objective of this assignment is to analyze the company known as Artemma Art and Religion, which resides in Cuenca and is dedicated to the production of handicrafts with resin and tagua powder. This analysis will be carried out in order to determine the possibility of exporting their product by establishing appropriate strategies to produce the amount of capacity and efficiency needed for internationalization. It is important to note that when referring to the internationalization of a company, it is in reference to the decision that a business takes to expand its borders, trading their product in different countries in order to achieve greater growth and market position by increasing its sales volume. (Otero, 2008)

To meet the goals set, the company's economic, financial, productive and logistical situation will be analyzed in order to acquire knowledge of its possible establishment in an external market, its organizational structure and the company's feasibility to export. After, the markets of the United States, Germany and Peru will be analyzed in order to choose a target market which, as stated by Roberto Dvoskin, aims to "identify the segments that provide better opportunities to generate profitable business for the company." (Dvoskin, 2004). Therefore, these markets will be studied to identify the best one that will generate more economic growth of the company. Once the target market is chosen, the gaps for internationalization will be analyzed, and finally, strategies that will help to sell this company's products abroad will be established.

## **Chapter 1: Overview of the history and background of the company, its mission, vision and way of work distribution.**

### **Chapter Introduction**

This chapter provides a brief explanation of the history of the company “Artemma Art and Religion” in order to meet its inception, the growth that IT has had and its organizational structure. Thus, the study of the company is development in its various functions, such as the production process, financing, management and distribution is possible. Therefore, the goal is to obtain information about the last 4 years to understand the current situation of the company, i.e. to observe the stability that the company has to know its probability of internationalization.

### ***1.1 History of Artemma Arte y Religion.***

Artemma Art and Religion was created in 1985 in the city of Cuenca-Ecuador by Ramiro Edgar Abad Mejia, its founder, who decided to create the company due to his love of art based on natural scenarios and the environment he was surrounded by. Despite the fact that Ramiro Abad had not studied arts, he could undertake the company through knowledge he was gaining every day. Through this process Mr. Abad always tried to create something new and innovative, something that other craftsmen did not have. Therefore, the need to find appropriate mixtures for making his handicrafts, appeared. This encouraged him to investigate in several books, acquiring and thereby improving his skills. His talent was growing day by day, always keeping enthusiasm to reach his dream with his wife.

In the beginning, the production workshop was located at 10 de Agosto and Agustin Cueva Av., in the zone called Virgen de Bronce, where basically religious handicrafts were produced. However, at that moment there were no facilities to obtain chemicals and materials needed to produce the handicrafts. For this reason, Ramiro Abad through knowledge acquired had to devise crafts that grabbed customer's attention, which helped him to become well-known for the quality and creativity of his products.

Artemma is a family business, in which, from an early age the members of this company started to develop artistic skills to create crafts, painting and especially learning to love the work done by their parents.

A few years later, thanks to technological advances and increased marketing in the country, Ramiro Abad found providers who supplied chemicals needed to produce handicrafts, being Mr. Freile his main carbonates supplier. His production originally was made from plaster, however this mixture did not have the necessary strength, therefore Mr.

Abad tried different ingredients, but finally he chose resin and tagua powder, as this mixture had the firmness that the other did not have.

Since this discovery, it was possible to accelerate the production process, improving the ceramics finishing and supplying the market, as the products demand was increasing day by day.

Currently, the company is located in San Mateo (RACAR sector) where they could expand physically; thereby obtaining a harmonious work environment among family and employees; because as Mr. Abad, says, "to create art, it is necessary to have an environment that encourages and provokes the imagination."

On the other hand, this company is supplied by national distributors, since they have analyzed that buying resin directly to the main supplier in Germany, would be extremely expensive, due to the small production this company has. For this reason, Artemma prefers intermediary suppliers and the special prices and discounts offered by them. This fact, creates the possibility to produce more handicrafts and at lower cost.

Finally, little by little the company has increased its production diversity, since currently, it's not only focused on producing religious crafts but also decorative objects such as: angels, elves, birds -inspired by the nature that the Ecuadorian Amazon has- and other figures which are made by request.

## ***1.2 Business philosophy***

**Concept:** "The business philosophy is what generates, on its priority scale of values, criteria for the internal behavior of organizations, that is, of the men who make it up" (Echeverria, 1994). Therefore, it is said that corporate philosophy is the entire set of elements which allow you to define and identify what the company is, the type of work and where the company intends to target.

**Mission:** The mission of the enterprise is one that establishes its reason of being, which is to produce and sell its products (Web and Macros, 2006)

**Vision:** the vision of the company aims to show what it wants to achieve in the long term. An efficient vision must be anchored to the reality and be consistent. (Martinez & Artemio, 2012 )

**Values:** are the beliefs and principles established by the company, which must be a means to regulate and inspire the members of the company. (Web and Macros, 2006)

### ***1.3 Mission of Artemma Art and Religion.***

Artemma art and religion has as its mission to promote the Ecuadorian Culture, through creations that capture the identity of the country and the effort made by the craftsman, who offer products of high quality and durability to customers and exceed their expectations, to obtain in this way their loyalty and preference between the other producers.

### ***1.4 Vision of Artemma Art and Religion.***

Stand out from the handicraft businesses in the country to encourage interest in its products and achieve sustained growth in the market, creating the possibility of establishing new business projects, maintaining an image of an effective, efficient and productive company. This is going to ensure the improvement of human talent and employees' commitment with the goals and values of the company.

### ***1.5 Objectives of Artemma Art and Religion***

- To be a leading company in the market of crafts, satisfying our customers with quality products and an exclusive service.



- To develop an efficient, innovative and fast production process.
- To establish strategies to increase the company profits, creating new and innovative figures attractive to our customers.

### ***1.6 Policies of Artemma Art and Religion.***

- Artemma Art and Religion has a policy of enjoyment and satisfaction during the work. Within the company, family values prevail, such as respect, honesty and creativity, giving as a result a pleasant work environment.
- The company strives to maintain their workers comfort; helping them day by day, to grow and improve their skills through the necessary implementation of all their tools.
- Artemma art and religion is characterized for conserving the environment, always worrying about nature preservation for future generations.

### ***1.7 Values of Artemma Art and Religion***

Honesty: We establish relationships which maintain ties of fair and correct treatment toward our customers with the main objective of obtaining their fidelity.

Compliance: Artemma Art and Religion is always trying to meet the needs of our customers.

Culture: through the production of handicrafts, we identify ourselves as a company that promotes cultural tourism, which contributes to the recognition of the Ecuadorian Culture.

### ***1.8 Staff of Artemma Art and Religion.***

Artemma is formed by a work team that has grown according to the company production. They have helped its founder, Ramiro Abad, to strengthen this handicrafts enterprise. The staff of the company is formed by:

- Administrator and founder Ramiro Edgar Mejia Abad
- Legal representative and production manager: Ramiro Emmanuel Abad Idrovo
- Head of creation and design of sculptures (sculptor): Ramiro Ismael Abad Idrovo
- Head of supervision painting: Salome Abad Francisca Idrovo
- Sales Manager: Manuela Patricia Navarro Valencia
- Accounting: Israel Abad
- Foundry and Grinding
- Anchored “Fondeado”: Maritza
- Airbrushing: Catalina Sanmartín
- Ceramics-Aging\*: Isabel
- Brush: Carmen Gutierrez
- Packing and shipping: Lorena Vergara
- Transportation: Ramiro Abad

\***Ceramics-Aging**: a type of process which makes the ceramics look older than it really is

### ***1.9 Company Administration Description.***

The Administration -according to Fayol- is the set of planning, organization, control and coordination activities (gerencia 2007). Therefore, through the chart, we try to show the organizational structure of the company. In order to know its hierarchical levels, as well as the labor it has in order to produce handicrafts. As Maria Pollo affirms “An organization chart is an important tool used to represent the company’s structure. This is the result of the existing relationships in the organization and the interaction between the members of the company”.(Pollo, 2008)

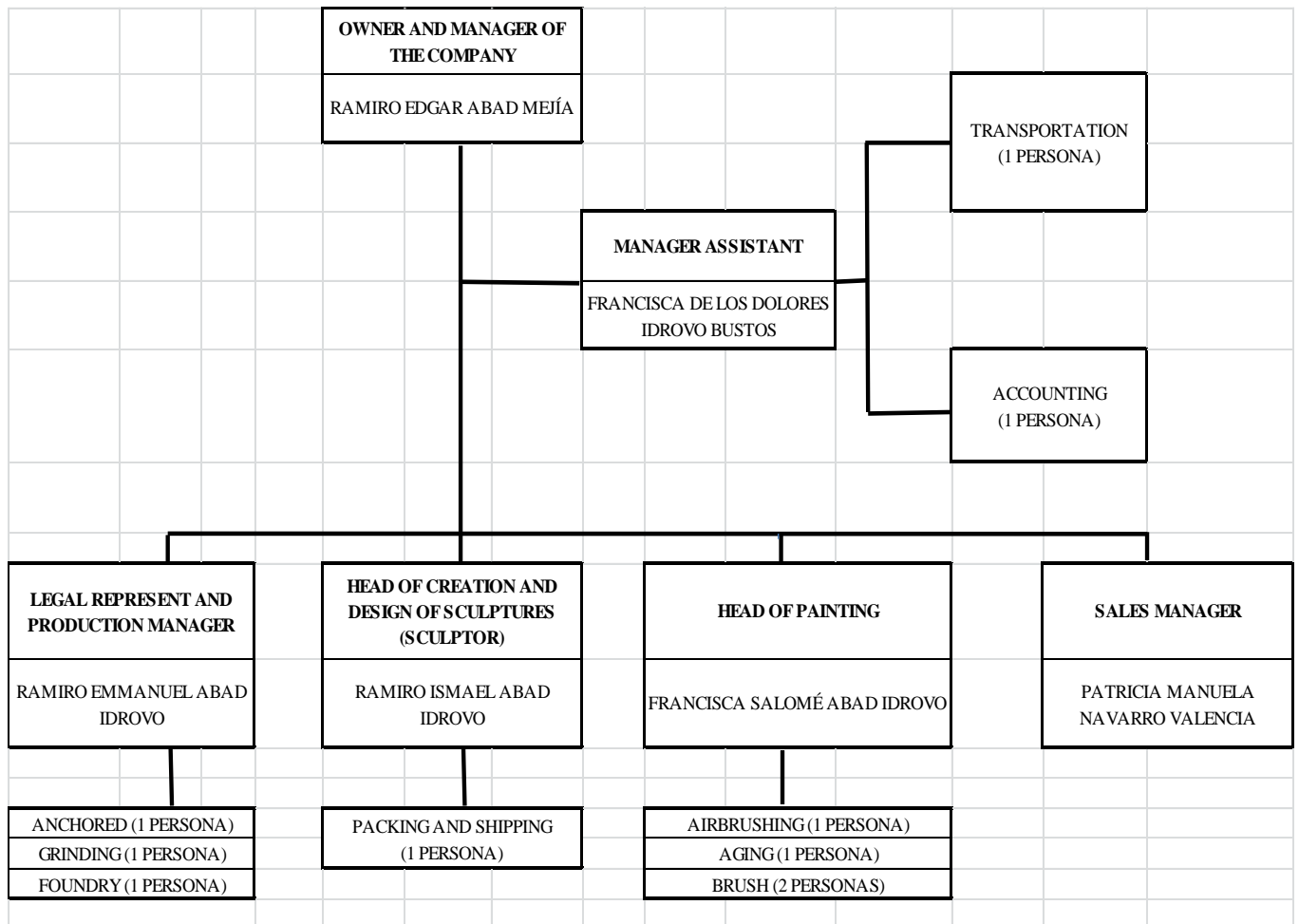


Figure 1. Organization Chart of the Company, interview with owner and manager of the company. Realized by Fernanda Pineda and Daniela Torres.

The company's organization chart is horizontal, since it doesn't have a strictly hierarchical way. The most important decisions of the company are taken by the Manager-Owner. However other person may take the legal representation, as the Production Head, who is also the person that controls other 3 people, in charge or casting, sanding and anchored.

The Art and Design Head is in charge of the handicrafts creation, this is to make the images pattern to be produced. At the same time, he's responsible for verifying the packing process, which must be done correctly to avoid the products getting damaged or broken.

The Production Head is basically in charge of painting, which includes to control 4 other people, whose functions are: airbrushing, ceramics-aging\* and brush. There is also

a Sales Head who is responsible for the orders reception, delivery and money collection. Finally there is an Accountant and the person in charge of transporting, both of them are supervised by the General Manager Assistant

#### ***1.10 Description of the products and goods elaboration process***

Artemma Art & Religion has two ways to receive orders:

1. On request: special products required by the customers.
2. Request of handicrafts which the company constantly produces to keep in stock.

To make its products the company uses machinery and raw materials, which are described below:

**Table 1:**

***Materials used by Artemma Arte y Religion for the production of ornaments***

---

**A) PROCESS FOR CREATING PATTERN**

---

Cans  
Nails  
Natural logs  
Pug  
Wood or clay  
Silicone Rubber  
Insulating varnishes

---

**B) PROCESS FOR REPRODUCTION**

---

Resin  
Tagua powder  
Calcium carbonates  
Marmolina  
Fiberglass  
Paint  
Varnishes  
Water paint  
Judea bitumen

---

List of materials for production, information obtained by an interview with the owner and head of the company Artemma Arte and Religion. Made by Fernanda and Daniela Pineda Torres.

**Table 2:**

***Machinery that Artemma Arte y Religion uses for production process***

---

| Type of Machinery | Quantity |
|-------------------|----------|
| Mills:            | 4        |
| Compensators:     | 2        |
| Airbrushes:       | 3        |
| Cutters:          | 1        |
| Polishers:        | 2        |
| Sanders:          | 1        |
| Casters:          | 1        |
| Vibrators:        | 1        |
| Drills:           | 3        |
| Lathe:            | 1        |

---

Machinery for production process, obtained by an interview with the owner and head of the company Artemma Arte and Religion. Made by Fernanda and Daniela Pineda Torres.

Raw materials described in Chart 1 are used in the production process. Resin is the main material, which represents 40% of the product, followed by the tagua-powder (20%). These are considered the most important raw materials, since the quality, durability and resistance of the products depends on them.

On Chart 2, the machinery is described, each one of them has a particular function, to obtain a final product with the best quality and a perfect finish.

It should be emphasized that there is a strict quality control on every stage of the production process, since every worker has been inculcated to perform self-assessment on each good produced, which minimizes mistakes during the production and gives the possibility to correct them on time. Besides, the Head of each area is responsible for supervising every process before the product passes to the next stage.

As follows, we'll describe every production stage and each step that must be carried out by the company members

#### ***1.10.1 Creating the image and the original mold***

This stage is about the cast creation, which will be used to produce the rest of the handicrafts; this is, the original image is created, so the workers can use it to fill it and produce the rest of items.

This stage has the following steps:

- Display and project drawings with the necessary perspectives.
- To make a sculpture, using several tools.
- To make a mold, to get an image improving process
- Second image polishment

- Creating the mold which will be used to produce the definitive ítems.

### ***1.10.2 Foundry / Smelting***

The objective of this stage is to reproduce the original image, using the mold created previously. The steps are:

- To prepare the material with the necessary consistency (resin, marble, carbonates, tagua powder and glass fibers if necessary.)
- To pour into the mold.
- Drying process

### ***1.10.3 Sanding Process***

The objective of this stage is to identify and reduce the image mistakes, created during the foundry process. The steps are:

- Polishing rough imperfections
- Filling imperfections.
- To couple broken parts of ornament.
- Sanding and polishing failures.



Figure 2. Sanding Process of ornaments. Captured by Fernanda Pineda and Daniela Torres.



Figure 3. Sanding Process Area. Captured by Fernanda Pineda and Daniela Torres.

#### *1.10.4 Anchoring “Fondeado” Process:*

As its name suggest, this process consists on painting the **BOTTOM** of the image before the visible colors are applied, as a way to get more intense and vivid colors.

- To prepare lacquers.
- To apply the first bottom layer of background.
- To apply the second bottom layer.
- To eliminate failures that appeared during the process.
- Apply the base paint.





Figure 4. Area of Anchored. Captures by Fernanda Pineda y Daniela Torres.



Figure 5. Process of Polishing Ornaments. Captured by Fernanda Pineda and Daniela Torres.

### *1.10.5 Airbrushing:*

The secondary colors are applied to the image.

- To apply the secondary colors.
- To apply shadows.
- If any error occurs, correction application of the secondary colors is performed.



Figure 6. Area of Airbrushing Ornaments. Captured by Fernanda Pineda and Daniela Torres.

#### ***1.10.6 Aging Process:***

This part of the process is done to give the image an “old style” effect. It’s divided into:

- Apply a mixture of pitch (also called bitumen of Judea) and gasoline in the ornaments and after that, dry them for about 5 – 10 minutes.
- Remove the mixture with a cloth.

#### ***1.10.7 Applying the matt lacquer***

This step consists of giving a smooth and silky finishing to the already madden handicrafts.

#### ***1.10.8 Drawing Paintbrush Process***

This stage consists on giving details to every image.

- To choose colors.
- To choose the appropriate drawing paintbrushes.
- To paint the images.



Figure 7. Area of Ornament's Brushes. Captured by Fernanda Pineda and Daniela Torres.

#### *1.10.9 Checking of additional details*

In this process, the finishing procedure is made. Also, the last details are reviewed. In addition, ornaments might be added to give a unique finishing to the handicrafts. These could be: thorns, crowns, arrows, bows, hair, beams, logs, wood bases, wings, etc.

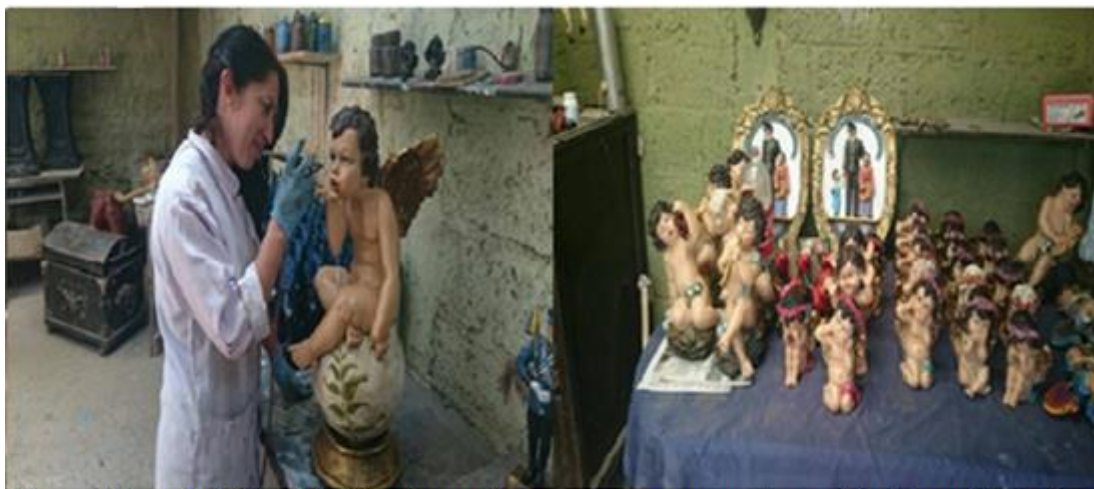


Figure 8. Area of additional details and complementary arrangements. Captured by Fernanda Pineda and Daniela Torres.



#### ***1.10.10 Packing:***

In this process, the products are finally ready to be delivered to the customer.

- To wrap the figure with protection-materials as: poli-expander, and/or wrapping paper.
- To put the figures inside the carton boxes.
- To send the product to every destination.



Figure 9. Packaging Area. Captured by Fernanda Pineda and Daniela Torres.



Figure 10. Area of Exhibition and Sales Ornaments. Captured by Fernanda Pineda and Daniela Torres.

After all the processes are finally completed, the images are placed in the company's showroom, (as shown in Figure 10), where customers can observe and buy them, or make a large order.

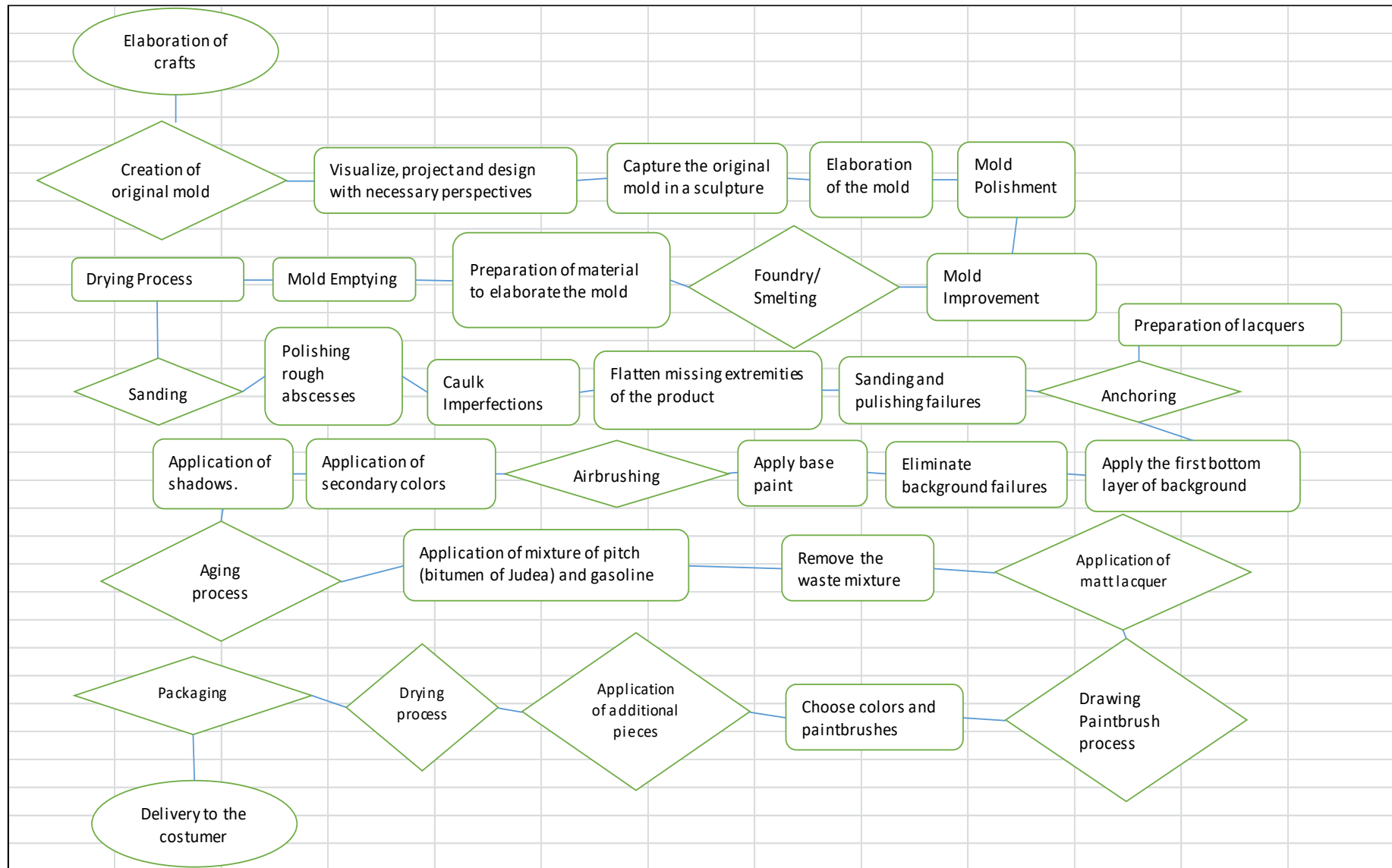


Figure 11. Flow Chart of Production Process Artemma Arte and Religion. Obtained by an interview with the owner and head of the company. Made by Fernanda Pineda y Daniela Torres

The production process time varies according to the size of the crafts. That is, for those classified as small the production process of each craft is about 8 hours and 31 minutes.

The pattern creation lasts eight hours and the rest of the time (31 minutes) is used to reproduce the pattern and create the required number of figures.

Likewise, those crafts classified as medium-size have a production time of 10 hours and 45 minutes. The pattern creation lasts ten hours and the rest of the time (45 minutes) is used to reproduce the pattern and create the required number of figures.

Finally, those crafts classified as large have a production time of 17 hours and 12 minutes. The pattern creation lasts seventeen hours and the rest of the time (12 minutes) is used to reproduce the pattern and create the required number of figures.

Through the flow chart, the Head of Supervision Painting explained that there are two bottlenecks in the production process, one is the difficulty on finding qualified and professional staff to paint the handicrafts, as they are few and to hire that kind of employee represents a fairly high cost for the company. On the other hand, the company doesn't have the necessary machinery and implements for the drying process. Currently this process is done by letting the handicrafts to dry by themselves outdoors.

It's important to consider the cost of each product, as seen in Table 3, the company distributes the total cost between raw material, labor and overhead costs.

**Table 3:**

***Average Cost of Production for Ornaments of Artemma Arte y Religion***

|                   | SHAPES      |             |             |
|-------------------|-------------|-------------|-------------|
|                   | SMALL       | MEDIUM      | LARGE       |
| Raw material cost | 0,98        | 1,9         | 3,55        |
| Workforce cost    | 1,17        | 2           | 3,11        |
| Extra time        | 0,2         | 0,15        | 0,21        |
| Indirect Costs    | 1,01        | 2,21        | 3,11        |
| Matrix            | 0,36        | 0,64        | 1,53        |
| <b>Total cost</b> | <b>3,16</b> | <b>6,11</b> | <b>9,77</b> |

Average cost of production of the ornaments made by the company, information obtained from Artemma Arte y Religion. Made by Fernanda and Daniela Pineda Torres.

Table 3 shows that the average cost of small, medium and large products have a noticeable difference. It's necessary to consider that the handicrafts were divided into groups by size, so the raw material cost varies according to the amount of material used in each product.

In the case of labor it is considered both normal working days of 8 hours as well as overtime of non-working days and holidays, which also implies an additional cost to the company. Additionally, indirect costs include materials that are not used frequently in the production or unforeseen actions. Likewise it includes molds since they are used only for a period of two months. The cost of each mold is divided between products made in that time span.

Finally, the production cost of each figure is obtained, small ones cost \$ 3.16, medium ones cost \$ 6.11 and large ones cost \$ 9.77

### ***1.11 Marketing and Company Sales***

This company has two national distribution ways: air or land depending on customer location:



- Distribution by land: the company has a person in charge of bringing the goods into the city and nearby towns orders (when they are not urgent).
- Distribution by air: when there are orders from Galapagos Islands or urgent orders from other cities are received. Artemma Art and Religion receives orders by phone or personally. Even orders which imply a new mold creation and a small profit margin.

In the first case, customers usually provide printed images or descriptions of the products they want, so the company can create a design based on those specifications. In the other case, the company has a showroom in the shop, where customers can view the products, choosing the one that best fulfills their needs. In addition, the company distributes crafts by land to different bazaars of the city, thus generating a steady demand. In this way, the company has no direct connection with customers but uses intermediaries. According to Philip Kotler "intermediaries help businesses to promote, sell and distribute their products to final buyers" (Kotler, 2001), so in this specific case, the bazaars help the company, by increasing the number of customers who buy the products created by Artemma Art and Religion.

Additionally, Artemma Art and Religion participates in several fairs around Ecuador. A company representative travels overland taking the necessary goods to be exhibited at fairs, which usually last 3 days.

This is important because it provides a significant income for the company because of the high rate of merchandise, as well as new contacts that could become loyal clients. Thomas M. Siebel establishes that, getting new clients usually generates additional costs to the company (which loyal customers don't) but new customers could generate new orders, thus increasing sales volume and generating more income for the enterprise

(Siebel, 2001). For this reason, the company Artemma Art and Religion is always looking for regular customers to generate sustainable profits over time.

It is also noteworthy to mention that the company distributes its products only in Ecuador both national and international clients, this means that it does not have a Foreign Trade department. However, its main customers are foreign tourists, who represent 60% of total annual sales made by the company

Artemma Art and Religion is nationally recognized by both the exclusivity of its products and its designs, colors, patterns, etc. Additionally, the company provides offers or promotions depending on the purchase volume or in specific cases, where the merchandise was not delivered on time, due to external circumstances.

For the retail value of the products, costs are broken down. Table 4 can display the average price of each image depending on its size.

**Table 4.**

| <i>Sale price of the ornaments made by Artemma Art and Religion</i> |              |               |              |
|---|--------------|---------------|--------------|
|   | <b>SMALL</b> | <b>MEDIUM</b> | <b>LARGE</b> |
| Production cost   | 3,16         | 6,11          | 9,77         |
| Percent Gain (120%)   | 3,79         | 7,33          | 11,72        |
| <b>Price wholesale</b>  | 6,95         | 13,44         | 21,49        |
| <b>Unit selling price (20%)</b>                                     | <b>8,34</b>  | <b>16,13</b>  | <b>25,79</b> |
| <b>Price difference</b>   | <b>1,39</b>  | <b>2,69</b>   | <b>4,3</b>   |

Price sales for customers of the company, information obtained from Artemma Arte y Religion. Made by Fernanda and Daniela Pineda Torres.

In addition, in Table 4 it can be seen that the profit percentage of each craft is 120% (between the selling price and cost of production). As a result, a list of sales prices is obtained. However, this could vary depending on the finishing and special details some products have.

On the other hand, there is a price difference of 20% between wholesale and retail. Because sales to dealers produce more income since the sales volume is higher. Then, the average wholesale price of small images is \$ 6.95 while retail is \$ 8.34 (\$ 1.39 price difference). In the case of medium-sized images, the wholesale price is \$ 13.44 and retail \$ 16.13, (price difference \$ 2.69). Finally, large crafts are sold wholesale at \$ 21.49 and retail at \$ 25.79 (price difference \$ 4.30).

### ***1.12 Financial Study of the company's five last years***

It's important to analyze the company's financial part, for two fundamental aspects: to know for real if it has the necessary capital to invest and the status of the company, it means, if the company is generating loss or gain. As Pintado establishes "finances are related to the determination of value. The objective is to make the best decisions to increase the value "(Pintado, 2012)

In Tables 5 and 6, the yearly balance sheets and profit-loss reports are presented. They show the company has had an impressive growth in the span of four years, which means that it can improve continuously. The company manager has stated that, this fact is due to increased participation in fairs and attracting strong and sustainable customers.

In 2011 sales were low and only religious crafts were produced, which were sold at bazaars. Over time, the company was diversifying its production, creating original, patented products and other requests by customers. Thus, the company was growing and becoming increasingly known. Then its market expanded and the company had the opportunity to receive large orders, in addition to sales at fairs. For this reason the company had higher income and the ability to reach not only a religious audience but people who like cultural crafts that show the wealth of the Ecuadorian country.

For the company to achieve greater acceptance among customers, there were many drawbacks. However, in 2015 the earnings have been maintained despite the manager decided to invest capital by buying new machinery. According to Julio Pintado, such decisions “contribute to create the company’s economic structure, the assets in the balance sheet of the company, such as industrial plants, machinery needed for manufacturing, etc.” (Pintado, 2012)

Therefore, the company purchased a machine for the process of anchor "fondeado", which according to the manager specifications, would replace three workers. This fact in the long term is a good investment because it reduces overhead and increases production capacity to meet more extensive orders.

Finally, it is important to mention that the company is trying to obtain a loan of \$70,000 in CACPE institution, located in Biblián. This loan will be used to acquire new machinery to improve production, achieving more streamlined processes and reducing the unit cost of the items, by increasing assets and decreasing waste of raw material and labor costs.

Table 5.

Balance Sheet of the company Artemma Art and Religion since year 2011 until year 2015

|                                    | YEAR 2011 |               | YEAR 2012 |               | YEAR 2013 |               | YEAR 2014 |               | YEAR 2015 |               |
|------------------------------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|
| ASSETS                             |           |               |           |               |           |               |           |               |           |               |
| CURRENT ASSETS                     |           |               |           |               |           |               |           |               |           |               |
| AVAILABLE                          |           |               |           |               |           |               |           |               |           |               |
| BANKS                              |           | \$ 6.056,00   |           | \$ 7.228,00   |           | \$ 9.215,00   |           | \$ 12.890,00  |           | \$ 14.943,00  |
| PACIFICO                           | 5.559,00  |               | 6.584,00  |               | 8.430,00  |               | 11.267,00 |               | 12.036,00 |               |
| PICHINCHA                          | 497,00    |               | 644,00    |               | 785,00    |               | 1.623,00  |               | 2.907,00  |               |
| REQUIRED                           |           | \$ 46.172,28  |           | \$ 46.248,97  |           | \$ 52.947,52  |           | \$ 59.217,00  |           | \$ 59.217,00  |
| ACCOUNTS RECEIVED BY CUSTOMERS     | 23.760,00 |               | 25.263,00 |               | 29.476,00 |               | 32.718,00 |               | 32.718,00 |               |
| DOCUMENTS TO BE CHARGED            | 22.412,28 |               | 20.985,97 |               | 23.471,52 |               | 26.499,00 |               | 26.499,00 |               |
| REALIZABLE                         |           | \$ 30.859,18  |           | \$ 39.550,82  |           | \$ 42.643,82  |           | \$ 47.420,67  |           | \$ 53.087,67  |
| INV RAW MATERIAL                   | 14.667,00 |               | 16.215,00 |               | 18.412,00 |               | 20.825,00 |               | 20.825,00 |               |
| INV PROCESS PRODUCT                | 4.132,00  |               | 5.651,00  |               | 6.547,00  |               | 8.253,00  |               | 10.635,00 |               |
| INV FINISHED PRODUCT               | 12.060,18 |               | 17.684,82 |               | 17.684,82 |               | 18.342,67 |               | 21.627,67 |               |
| NO CURRENT ASSETS                  |           |               |           |               |           |               |           |               |           |               |
| TANGIBLE FIXED ASSETS              |           | \$ 29.176,46  |           | \$ 30.740,46  |           | \$ 32.496,01  |           | \$ 32.496,01  |           | \$ 34.689,02  |
| MACHINERY                          | 28.691,96 |               | 28.691,96 |               | 29.456,32 |               | 29.456,32 |               | 31.893,00 |               |
| (-) MACHINERY DEPRECIATION         | 2.869,20  |               | 2.869,20  |               | 2.945,63  |               | 2.945,63  |               | 3.189,30  |               |
| MACHINERY LESS DEPRECIATION        | 25.822,76 |               | 25.822,76 |               | 26.510,69 |               | 26.510,69 |               | 28.703,70 |               |
| TOOLS                              | 983,70    |               | 1.480,70  |               | 2.398,32  |               | 2.398,32  |               | 2.398,32  |               |
| OFFICE FURNITURE                   | 1.170,00  |               | 1.987,00  |               | 1.987,00  |               | 1.987,00  |               | 1.987,00  |               |
| EQ. OF COMPUTER                    | 1.000,00  |               | 1.250,00  |               | 1.250,00  |               | 1.250,00  |               | 1.250,00  |               |
| FACILITIES AND ADAPTATIONS         | 200,00    |               | 200,00    |               | 350,00    |               | 350,00    |               | 350,00    |               |
| TOTAL ASSETS                       |           | \$ 112.263,92 |           | \$ 123.768,25 |           | \$ 137.302,35 |           | \$ 152.023,68 |           | \$ 161.936,69 |
| LIABILITIES                        |           |               |           |               |           |               |           |               |           |               |
| CURRENT LIABILITIES                |           |               |           |               |           |               |           |               |           |               |
| DEBTS TO PAY                       |           |               |           | \$ 34.615,95  |           | \$ 38.983,58  |           | \$ 40.944,58  |           | \$ 44.664,58  |
| SUPPLIERS                          | 13.775,24 |               | 18.874,35 |               | 22.684,98 |               | 22.684,98 |               | 24.684,98 |               |
| DEBTS TO PAY                       | 15.350,21 | \$ 29.125,45  | 15.741,60 |               | 16.298,60 |               | 18.259,60 |               | 19.979,60 |               |
|                                    |           | \$ 3.202,37   |           |               |           |               |           |               |           |               |
|                                    | 3.202,37  |               |           |               |           |               |           |               |           |               |
|                                    |           |               |           |               |           |               |           |               |           |               |
|                                    |           |               |           |               |           |               |           |               |           |               |
| TOTAL LIABILITIES                  |           | \$ 32.327,82  |           | \$ 34.615,95  |           | \$ 38.983,58  |           | \$ 40.944,58  |           | \$ 44.664,58  |
| PATRIMONY                          |           | \$ 79.936,10  |           | \$ 89.152,30  |           | \$ 98.318,77  |           | \$ 111.079,10 |           | \$ 112.894,12 |
| SUBSCRIBED CAPITAL                 | 28.720,00 |               | 30.431,00 |               | 30.431,00 |               | 34.278,00 |               | 34.278,00 |               |
| ACCUMULATED UTILITY PREVIOUS YEARS | 3.054,00  |               | 6.254,00  |               | 7.452,00  |               | 8.253,00  |               | 9.925,00  |               |
| EXERCISE UTILITY                   | 48.162,10 |               | 52.467,30 |               | 60.435,77 |               | 68.548,10 |               | 68.691,12 |               |
| TOTAL LIABILITY + PATRIMONY        |           | \$ 112.263,92 |           | \$ 123.768,25 |           | \$ 137.302,35 |           | \$ 152.023,68 |           | \$ 157.558,70 |

Balance Sheet of the company, information obtained from Artemma Arte y Religión. Made by Fernanda and Daniela Pineda Torres.

Table 5 Bo

**Table 6.*****Profit and Loss Statement of the Company Artemma Arte y Religion since the year 2011 until 2015***

|                            | <b>2011</b>      | <b>2012</b>      | <b>2013</b>      | <b>2014</b>      | <b>2015</b>      |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| INCOMES                    |                  |                  |                  |                  |                  |
| Sales                      | 89,741.50        | 97,757.80        | 110156.13        | 121663.40        | 127,845.12       |
| Exportation sales          |                  |                  |                  |                  |                  |
| <b>TOTAL INCOMES</b>       | <b>89,741.50</b> | <b>97,757.80</b> | <b>110156.13</b> | <b>121663.40</b> | <b>127845.12</b> |
| SALES COSTS                |                  |                  |                  |                  |                  |
| Material cost              | 32,417.40        | 35,741.52        | 39,746.00        | 42638.87         | 48,369.00        |
| <b>TOTAL COST OF SALES</b> | <b>32,417.40</b> | <b>35,741.52</b> | <b>39,746.00</b> | <b>42638.87</b>  | <b>48,369.00</b> |
| <b>OPERATIONAL UTILITY</b> | <b>57,324.10</b> | <b>62,016.28</b> | <b>70410.13</b>  | <b>79024.53</b>  | <b>79,476.12</b> |
| EXPENSE                    |                  |                  |                  |                  |                  |
| Administrative expenses    |                  |                  |                  |                  |                  |
| Selling expenses           | 2,161.00         | 2,548.98         | 2974.36          | 3476.43          | 3,785.00         |
| Depreciation expenses      | 7,000.00         | 7,000.00         | 7,000.00         | 7,000.00         | 7,000.00         |
| Financial expenses         |                  |                  |                  |                  |                  |
| <b>TOTAL EXPENSES</b>      | <b>9,161.00</b>  | <b>9,548.98</b>  | <b>9,974.36</b>  | <b>10,476.43</b> | <b>10,785.00</b> |
| <b>NET PROFIT</b>          | <b>48,163.10</b> | <b>52,467.30</b> | <b>60,435.77</b> | <b>68,548.10</b> | <b>68,691.12</b> |

Profit and Loss Statement of the Company information obtained from the owner and head of the company Artemma Arte and Religion. Made by Fernanda and Daniela Pineda Torres.

### **1.13 Chapter Conclusion**

This company began as a small family business and over time has achieved impressive growth, especially in recent years, diversifying its products and obtaining customer loyalty as a result of the good service provided by the company to its customers, both at fairs and in his workshop.

On the other hand, the company has increased its production capacity by getting new equipment and having credit projects that allow them to develop. This creates the possibility to fully supply the market, in addition to create a certain possibility to internationalize itself, to show the Ecuadorian culture through their creations.

However, the production process has two bottlenecks, which are drying and drawing-brushing procedures. As a result, the items reproduction could take longer than expected, causing a delay in the following production processes and delivery of orders. Another important point is the raw material used to produce the handicrafts, which is mostly resin. An increase in the cost of this material would also mean an increase in product cost. Finally, it is important to note that the company does not have a foreign trade department, which is a disadvantage because it can't even venture into the international market.

## ***Chapter 2: Description of the countries: The United States, Germany and Peru.***

### ***Chapter introduction***

This chapter consists of an analysis of international markets in Germany, the United States and Peru. This will be based on a market study conducted by Marcela Benassinni, "the collection, recording and analysis of all the facts about the problems related to the activities of individuals, companies and institutions, in general." (Huaman, 2005).

Therefore, it will help us to see the opportunities and weaknesses to develop alternatives to reduce the risk to the company. On the other hand, it is important to emphasize that for this study development, it was necessary to identify the tariff heading for handicrafts based on resin and tagua powder that is 392640. Which refers to figurines and other ornaments (except those ones made of plastic).

The reason for choosing these countries is because they offer advantages when exporting products, as they have trade agreements with Ecuador. In the specific case of the United States, the SGP+ agreement. Germany, being part of the European Union has the GSP agreement. Finally, Peru has the Andean Community trade agreement (CAN). In other words, these three countries were chosen because the United States is one of the leading importers of Ecuador. Germany is an attractive market for its economy and Peru is a traditional handicraft promoter, whose main interest is the market located in Cusco, which is a great tourist attraction.

Finally, this chapter's aim is to obtain the necessary information to choose the best market for the company, establishing the opportunity to create strategies to internationalize it.



## **2.1 Analysis of the US market**

### ***2.1.1 General Information***

The United States of America, whose capital is Washington DC is one of the major industrialized countries worldwide, with an area of 9,826,630 square kilometers. The most important cities in the United States are New York, San Francisco, Houston, Miami, Las Vegas, Los Angeles, San Diego and Chicago.

**Limits:** Most of the country is located in the center of North America. There are 48 contiguous states and Washington D.C.-, between the Pacific and Atlantic Oceans, bordered by Canada to the north and Mexico to the south. The state of Alaska is in the northwest of the continent. This state bordered by Canada to the east, while in the west it is separated from Russia by the Bering Strait. The state of Hawaii is a Polynesian archipelago in the Pacific Ocean and is the only US state that is not in America. The country also possesses several territories in the Caribbean Sea and the Pacific. (Ministry of Foreign Affairs and Cooperation, 2015).

**Population:** According to the US Census Bureau, the US census is updated every 10 years. The last census was conducted in 2010 and it gave as a final result 308,745,538 inhabitants. Estimates for 2015 indicated that there would be over 318 million inhabitants, which would make the United States the third most populous country in the world. California and Texas are the states with more population. (Ministry of Foreign Affairs and Cooperation, 2015)



Figure 12. Location and Limits of United States. Obtained in Maps of World.

### 2.1.2 Political Study

The United States is a federal constitutional republic with a presidential system. Its current president is Barack Obama, who began his presidency after winning the elections on November 4, 2008. (CIA, 2015). The US powers are: legislative, executive and judicial; it should be emphasized that in the United States (being a federal country), each state has its own laws, which do not contradict what is established in the US Constitution.

In the US, failure in business is not a social stigma as in other countries. In fact, failure is often seen as a valuable learning experience for the entrepreneur and the possibility that next time, he will succeed. (Bureau of International Information Programs

The US government protects consumers against businesses. In addition to protecting consumers, the country has created laws to regulate the activities done by the companies.

For example, the federal government uses antitrust laws to control or break up monopolistic combinations of those companies that acquire strength enough to escape from competitors. Governments redress grievances of consumers, who were victims of commercial fraud and recalls of dangerous products. (Bureau of International Information Programs)

Several of the laws that define the US economy come from the legislation established in the "New Deal" (1929), which in Spanish means "Nuevo Trato". This extends the federal authority of each state to implement regulations to businesses. At present we consider indispensable institutions such as the Securities and Exchange Commission, the Federal Deposit Insurance Corporation and the Social Security system. (Bureau of International Information Programs)

Regarding foreign policy, the United States promotes international marketing as it is a founding member of the WTO, according to the World Trade Organization website, it was created as a continuation of GATT (General Agreement on Tariffs and Trade) in force since January 1, 1995. After this one, other bilateral trade agreements were signed, through FTAs (Free Trade Agreements) with countries like Colombia, Peru, Chile, among others. Ecuador is one of the tariff preferences beneficiaries, being the US one of the main importers from Ecuador. (Bureau of International Information Programs). It is essential to mention that since 2013, the benefits stopped, according to the ATPDEA (Andean Trade Promotion and Drug Eradication Act) for its acronym in English. This law was created to grant tariff benefits to those products marketed by the Andean Zone. Currently one of the main commercial clauses of GATT (General Agreements on Tariffs and Trade) is the General System of Preferences (GSP) which establishes a zero tariff for 400 subheadings of Ecuador's export supply, including heading 392640 as Table 7 indicates. The General System of Preferences is renewed until 31 December 2017. (Ministry of Foreign Trade, 2015)

The GSP's main objective is to provide tariff exemptions on imports in industrialized countries, as well as on the products of developing countries, without any reciprocity from them. This is to promote industrialization, export diversification and increase income of the beneficiary countries. (SICEX, 2016)

**Table 7.*****Tariff Rate Applied by the United States to Importations from Ecuador with Tariff Heading 392640***

| <b>Product Code</b> | <b>Product Description</b>                 | <b>Description trade regime</b>                          | <b>Tariff applied</b> | <b>Tariff equivalent of total ad valorem (estimated)</b> |
|---------------------|--|--|-----------------------|--|
| 39264000            | Statuettes and other ornaments, of plastic | Andean Trade Promotion and Drug Eradication Act (ATPDEA) | 0.00%                 | 0.00%  |
| 39264000            | Statuettes and other ornaments, of plastic | Preferential tariff for beneficiary countries SGP+       | 0.00%                 | 0.00%  |

Percentage of tariff that US imports from Ecuador of heading 392640. Information taken from Market Access Map. Made by Fernanda and Daniela Pineda Torres.

The United States has implemented incentives to SMEs within the country, which help them to develop more easily in the market, increasing its growth and allowing opening of new businesses. Tax incentives are an easy way for foreign companies, mainly the "tax break" which in Spanish means “vacaciones fiscales”

These incentives main beneficiaries are companies that invest in projects that involve hiring a large number of employees. Almost all states and, in many cases, counties have agencies dedicated exclusively to the promotion of their territories as a destination for foreign investment. (AEMPYMES, 2015)

The United States is multicultural, so its population is very open when buying foreign products. In addition, it is one of the main destination countries for creating new investments. According to the Department of Commerce, in 2014, there was an increase in foreign direct investment into the country and its territories, which grew from \$ 160 billion in 2012 to \$ 187.5 billion in 2013. (AEMPYMES , 2015)

Taxes on capital gains have been completely eliminated for some small businesses, which provides an incentive for these investments. In addition, the Recovery Act excluded

taxes to 75% on capital gains which come from the commercialization of those investments higher than 5 years, done by small businesses

Employment Law for Small Businesses took a further step, excluding taxes to all capital gains from this kind of investments in 2010. (S. Martinez, 2011)

### ***2.1.3 Economic Survey of the United States***

This study aims to demonstrate the economic level of the country and analyze whether it is economically stable, in order to understand if the country is viable for possible export.

In the following charts, GDP and GDP per capita in the US, will be analyzed. It is important to mention that the data in Figures 13 and 14 are expressed in current international dollars. (World Bank, 2015)

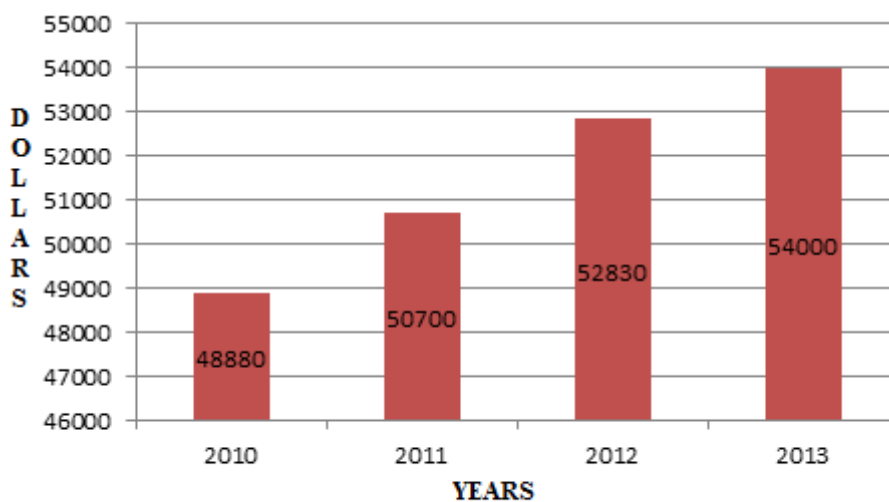


Figure 13. GDP Per Capita of United States since 2010 to 2013. Information obtained in Wold Bank. Realized by Fernanda Pineda and Daniela Torres.

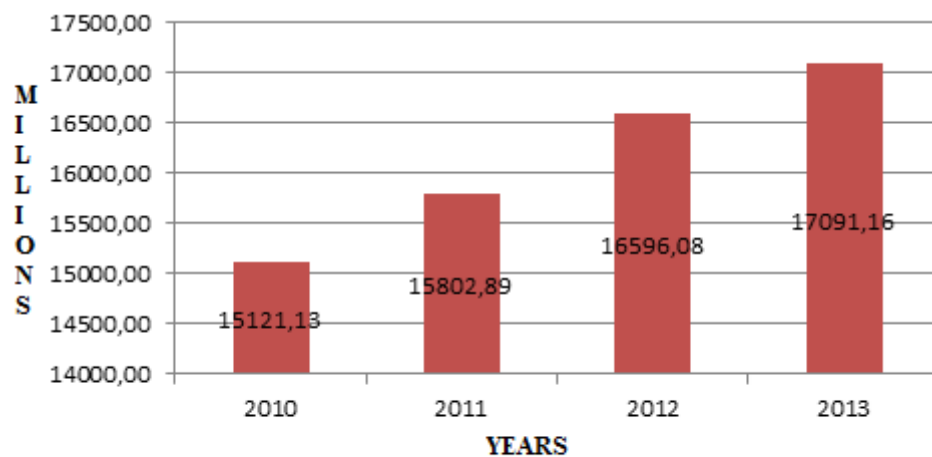


Figure 14. GDP PPP of United States since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

It can be seen that the US GDP has gradually grown in recent years, resulting in an increase in overall production in the country, with an average rate of 4.58 trillion dollars annually; considering that the US dollar has the same purchasing power than an international dollar. (World Bank, 2015).

On the other hand, per capita GDP shows the monetary value of all final goods and services produced per inhabitant. However it should be emphasized that this indicator provides an average of the final production regardless of the actual distribution of wealth per capita. As indicated in Figure 13 and 14, it can be understood that the purchasing power in the US is high; therefore, the costs incurred for decoration products is \$ 500, mainly in times and seasons such as Christmas, Valentine, among others. (Business Plan for Ecuadorian Handicrafts Export)

**Inflation:** In recent years, US inflation has decreased. Even if it is beneficial for it to decrease, when it becomes negative it can be considered as deflation that can be understood as weak demand and excess supply of goods and services. In Image 15 it can be seen that in 2011, inflation rises which means that there was a price increase, or a high demand and a short supply. However in 2012 and 2013, inflation is normalized.

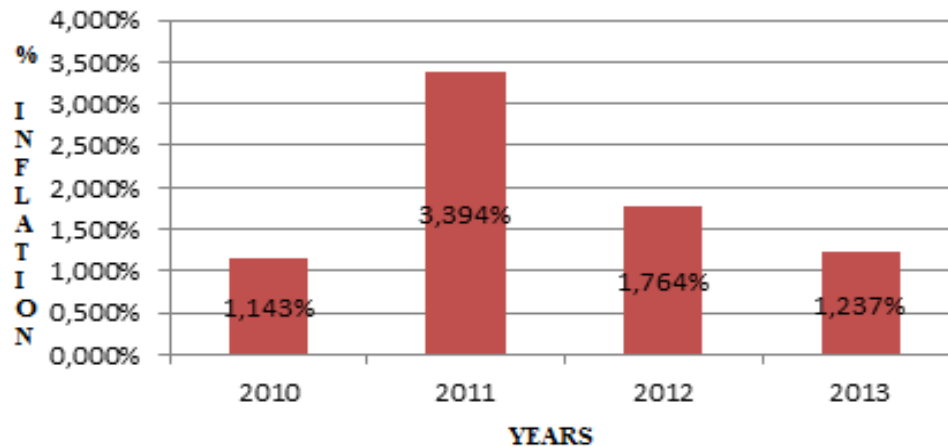


Figure 15. Inflation of United States since 2010 to 2013. Information obtained in World Bank. Realized by Fernada Pineda and Daniela Torres.

It is important to highlight that the current minimum wage in the country is \$ 7.25 per hour, with a minimum annual salary of \$21,170. The hourly rate established is an average since the minimum wage varies in each state. (United States Department of Labor, 2015)

It is evident that the US is a stable country because it has been growing in the manufacture of final products and services, and has a relatively even distribution of wealth.

#### 2.1.4 Study of Social Aspects

People's Attitudes and behaviors are based on the values they hold, and as a result, there are several values that excel in American culture, which, according Columbus Travel Media, are:

**Individuality:** They are characterized by being taught to develop an independent personality from an early age. Americans are not encouraged to rely on others for everything; they are rewarded when they meet their goals with their own effort.

**Privacy:** they like to have privacy and enjoy time alone. They are open people but feel invaded when a person asks "What are you thinking?" which they can consider impertinent.

**Equality:** they believe in equality and consider that all people have the same rights, including both men and women, and people from different cultural groups, ethnicities, religions, etc.

**Time:** Americans are punctual and like to take their time in the best way possible. In business, they believe that "time is money." They consider tardiness to an appointment, class, business meeting or work, disrespectful which is why they apologize for being late to any event.

**Informality:** They generally lead a casual lifestyle, and do not dress-up if it is not an important occasion. The way they greet and say goodbye is usually friendly, informal and short, using phrases such as "Hi", "How are you?", and "What's up?" Goodbyes can be as brief as: "See you", "Take it easy", or "Come by some time".

*The handshake is the most common form of greeting someone. While the basic rules of courtesy are maintained, there is no danger of offending anyone, regardless of their cultural background. Americans are known for being open and welcoming to visitors. If they are invited to someone's home, they usually show up with a gift. (Columbus Travel Media, 2015)*

#### *2.1.4.1 Population*

It is important to mention the United States' population division because this way the part of the population that is economically active can be determined and this will help to identify whether this affects

the country's socio-economic aspects.



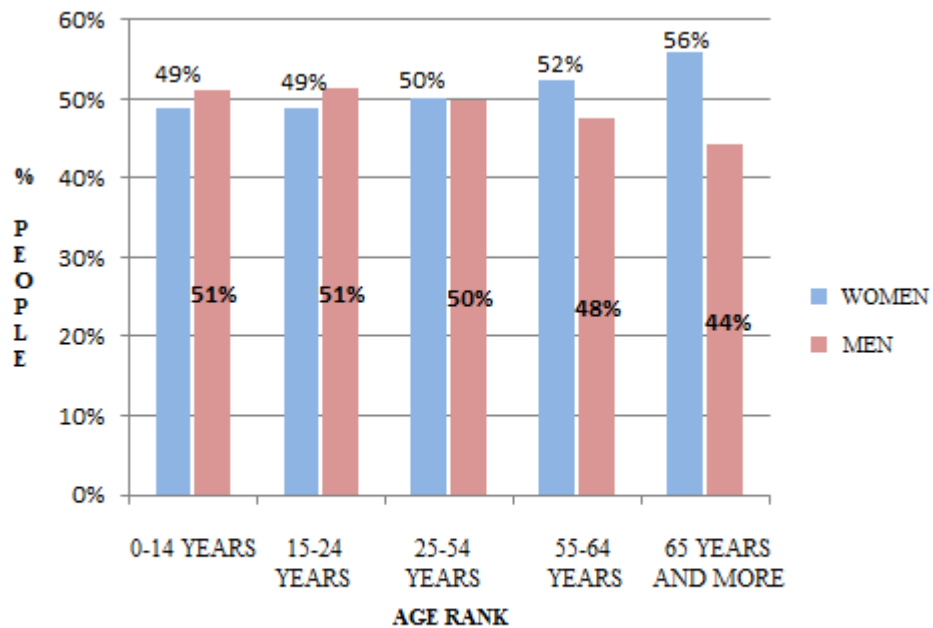


Figure 16. Distribution of women and men of United States population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

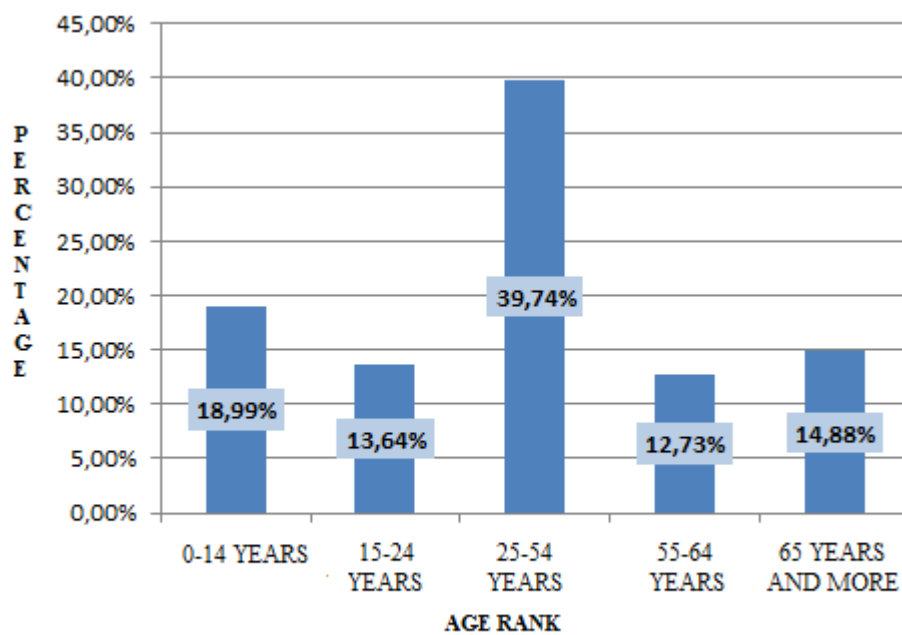


Figure 17. Percentage distribution of United States population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

As can be seen in the population pyramid, the United States has an equal distribution in the age segments of 0-4 year-olds and of 55-59 year-olds.

As a result, it is evident that most of the population is economically active and that the country does not have a high percentage of senior citizens since most of its population is found in the 25 to 54 year-old age segment

#### ***2.1.5 Study of Technological Aspects***

The United States is one of the most industrialized and technically advanced countries, making it one of the pioneers in technology, since it created inventions that are really necessary to inventions that are considered to be a luxury. This can be proved by the fact that during the Cold War, along with Russia, they were the inventors of weapons and the US was the first country to send a man on the moon.

The United States has several technological, meteorological, pharmaceutical and scientific centers, in addition to the educational incentive for technology and science, using 2% of its GDP for the technological development of the country.

In the same way, it is ranked as the number one country among the ten most technological countries, as established by the World Economic Forum.

*A country where there is the greatest support and state incentives when investing in technological development and innovation. The USA It is the best place to do research. It has the most advanced technology in the world. (AEMPYMES, 2015)*

#### ***2.1.6 Analysis of the pleasures and preferences of the United States' population.***

##### ***2.1.6.1 Consumption trends of home décor items in the US***

In the United States, the consumer trend regarding the purchase of home décor items is based on finding products that are useful. They also analyze and value what the products are made out of, especially if they have a cultural significance and are typical of a specific

place. The product's history and its traditional production techniques are important when purchasing, as well as the innovation and exclusivity of products. It is essential to show that the elaborate decorations meet the criteria of social and environmental responsibility through international certification labels. (PROECUADOR, 2013)

Prices vary according to the size and the value that the product has. For example a small item is about \$6.50, but depending on its finishing touches and details, it can cost \$149.00. In the case of religious images, the price depends on the detail that they have. For instance, in the case of the "Virgin Please" decorations, the price varies based on its manufacturing process, varying from \$4.95 for small items and \$15.00 for medium products. In the case of the Virgin of Guadalupe, they are priced from \$39.90 to \$90.95 (alibaba.com, 2015)



Figure 18. "Please" Virgin manufactured and commercialized by Artemma Arte y Religión. Captured by Fernanda Pineda and Daniela Torres.

The tastes and preferences in the United States are characterized for being unique, and consumers that like to decorate their homes have a high tendency to purchase such products. Buying home décor has become more popular in the American market, being the biggest consumers those between the ages of 45 and 65 years-old. The US consumer profile of a person who buys home décor products is one who travels frequently and has a high level of education, which is why acquiring different products from other cultures interests them. These people are characterized by being interested in art and tend to collect these types of items. They also have great interest in purchasing unique and handmade products, and as a result are characterized for having a relatively high level of income. (PROECUADOR, 2012)

#### ***2.1.7 Import Analysis of the tariff heading 3926.40 in the United States***

First, it is important to emphasize that the United States is 4,356 km (vercalendario.info, 2016) away from Ecuador, which equals to a shipping cost of \$0.34 to transport individual goods through Citikold S.A to Miami's Dante B. Fascell port by sea, without considering the cost of national transportation. On the other hand, air shipping as general cargo costs \$5.24 from Guayaquil Airport to Miami International Airport. (Ministry of Foreign Trade, 2016)

The following graphs demonstrate the US's imports of the tariff heading that represents the products made by Artemma Art and Religion. In Table 8, the three most important suppliers are shown which are China, Canada and the Philippines. Ecuador is not found in the range of the top six countries. On the other hand, in Image 19, the growth of Ecuador's exports in 2010 of the tariff heading 3926.40 can be seen. However, in 2013 there was a reduction of approximately 50% of exports.

**Table 8.*****Major US imports of heading 3926.40 since 2010 until 2013***

| <b>EXPORTERS</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|------------------|-------------|-------------|-------------|-------------|
| World            | 290393      | 323249      | 334254      | 329560      |
| China            | 251014      | 282477      | 289103      | 284765      |
| Canadá           | 5141        | 3966        | 4933        | 5449        |
| Philippines      | 9492        | 6309        | 9130        | 8594        |
| Mexico           | 5201        | 5652        | 5699        | 5545        |
| Chinese Taipei   | 5643        | 4283        | 4062        | 5672        |

Main markets importer of US of heading 3926.40 since 2010 until 2013. Information taken from Trademap. Made by Fernanda and Daniela Pineda Torres

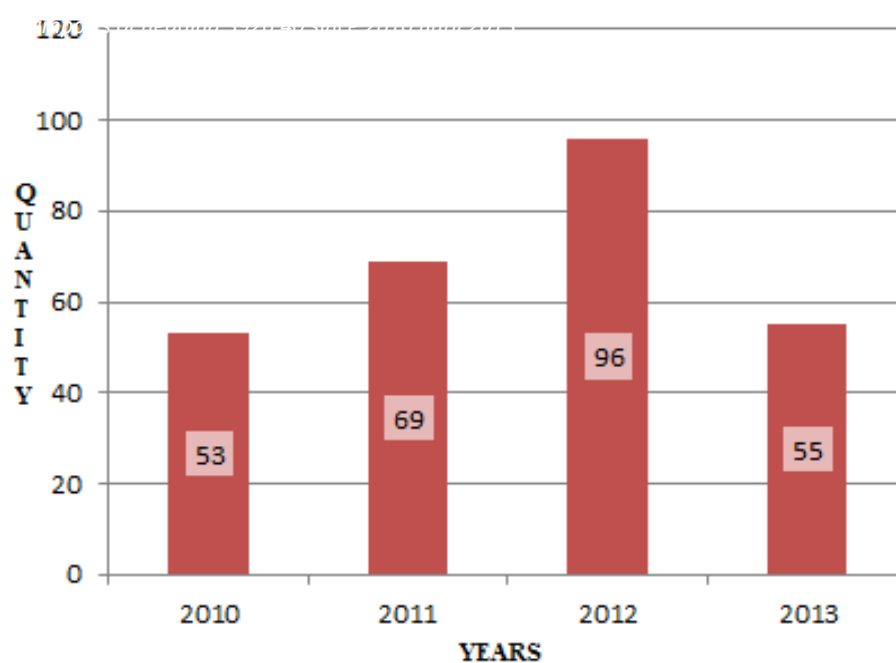


Figure 19. United States Imports from Ecuador of heading 3926.40 since 2010 to 2013. Information obtained in Trademap. Realized by Fernanda Pineda and Daniela Torres.

The analysis of household consumption is considered important because it provides an idea of how much of Artemma Art and Religion's products are bought each year. For this reason in Table 9 the annual consumption of the American population of these products is shown. In 2013 and 2014, home décor items are classified in the "miscellaneous" category.

This shows that household consumption in 2013 is \$72,000, while in 2014 the amount purchased drops to \$65,000, showing a decrease of \$7,000, indicating that this market segment has been losing demand, making the establishment within this market more difficult for this company's products.

**Table 9.**  
*Annual Average of Expenditures and the Characteristics of Consumer units 2013 and 2014*

| <b>Ítem</b>                           | <b>2013</b> | <b>2014</b> |
|---------------------------------------|-------------|-------------|
| Clothing and Services                 | 42          | 52          |
| Jewelry and Watches                   | 14          | 16          |
| Other clothing's products.            | 28          | 36          |
| Transport                             | 100         | 108         |
| Health                                | 35          | 35          |
| Entertainment                         | 89          | 89          |
| Toys, arts and crafts, and tricycles. | 27          | 28          |
| Other entertainment                   | 62          | 61          |
| Personal care products and services   | 14          | 13          |
| Reading                               | 5           | 4           |
| Education                             | 274         | 236         |
| Other gifts                           | 72          | 65          |

Average household consumption. Information taken from Bureau of Labor Statistics, U.S Department of Labor. Made by Fernanda and Daniela Pineda Torres

According to official statistics from the United States Department of Commerce, Figures 20 and 21 represent US imports from China, since this is the main exporter. The home décor items are found in the "miscellaneous manufactures" category which accounts for 14% of total exports from 2010 to 2014 that were imported from China. This shows a 3.4% growth between 2013 and 2014, demonstrating that this product has a strong position in the US market.

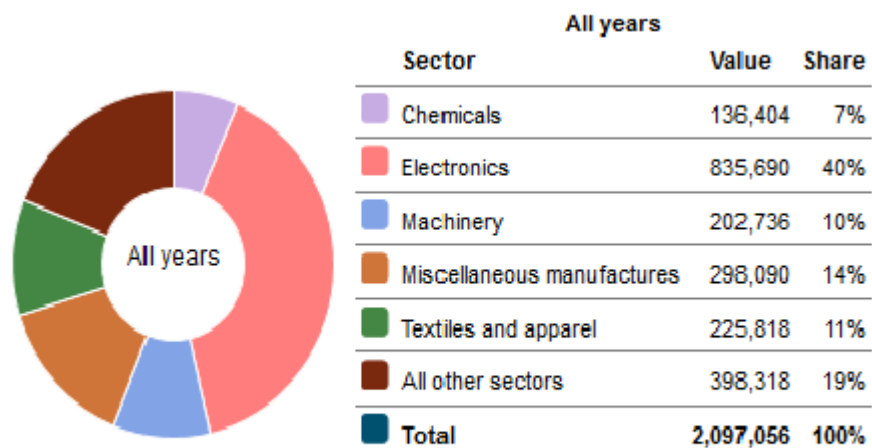


Figure 20. United States imports from China in different product ranges. Information obtained in Official Statistics from the United States Department of Commerce.

| Item                           | Million \$     |                |                |                |                | Absolute change, 2013-14 | Percent change, 2013-14 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|-------------------------|
|                                | 2010           | 2011           | 2012           | 2013           | 2014           |                          |                         |
| <b>U.S. general imports:</b>   |                |                |                |                |                |                          |                         |
| Agricultural products          | 5,665          | 6,514          | 7,063          | 6,989          | 7,008          | 19                       | 0.3                     |
| Forest products                | 7,131          | 7,344          | 8,029          | 8,288          | 8,818          | 530                      | 6.4                     |
| Chemicals and related products | 21,338         | 25,700         | 28,022         | 29,470         | 31,874         | 2,404                    | 8.2                     |
| Energy-related products        | 492            | 620            | 393            | 511            | 634            | 123                      | 24.1                    |
| Textiles and apparel           | 42,195         | 44,884         | 45,066         | 46,469         | 47,204         | 735                      | 1.6                     |
| Footwear                       | 15,917         | 16,723         | 17,148         | 17,016         | 17,066         | 51                       | 0.3                     |
| Minerals and metals            | 22,293         | 25,369         | 27,034         | 27,786         | 30,922         | 3,137                    | 11.3                    |
| Machinery                      | 32,552         | 36,783         | 41,031         | 44,346         | 48,024         | 3,677                    | 8.3                     |
| Transportation equipment       | 11,971         | 15,440         | 17,046         | 18,052         | 21,499         | 3,446                    | 19.1                    |
| Electronic products            | 143,695        | 158,625        | 170,940        | 176,141        | 186,289        | 10,148                   | 5.8                     |
| Miscellaneous manufactures     | 57,793         | 57,224         | 59,420         | 60,787         | 62,866         | 2,078                    | 3.4                     |
| Special provisions             | 3,910          | 4,146          | 4,436          | 4,592          | 4,453          | -140                     | -3                      |
| <b>Total</b>                   | <b>364,953</b> | <b>399,371</b> | <b>425,626</b> | <b>440,448</b> | <b>466,656</b> | <b>26,209</b>            | <b>6</b>                |

Figure 21. United States Imports from China in different product ranges from 2010 to 2014. Information obtained in Official Statistics from the United States Department of Commerce.

Finally, it is important to mention that in order to export to the United States, it is necessary to have the documents required, such as: commercial invoice, which must contain the product description, quantity, value, place of purchase, country of origin, shipping address in the US, the name and address of the exporting company, name and address of the company if it is not the same as the importer. All documents filed must be in English or in Spanish, accompanied by an accurate translation (Amaluisa, Vega, Larrea, & Viera, 2011).

When exporting to the United States, environmental regulations, enforced by the Environmental Protection Agency (EPA), must be considered. However, each state has its own environmental regulationsm such as the establishment of tax incentives in packaging and recycling. (Business Opportunities) The packaging paper (cardboard) must be biodegradable, in other words, it must be recyclable. (International Market Development, 2011)



## 2.2 German Market Analysis

### 2.2.1 General Information.

Germany is found at the center of Europe. Its capital is Berlin, and it has a total area of 357, 340, 00 square kilometers, based on information from the European Union website. It is divided into sixteen states which are subdivided into 439 districts and cities, the main ones are Berlin, Hamburg, Munich, Stuttgart, Frankfurt, Cologne, Duesseldorf, Hannover, Essen, Leipzig and Dresden.

The European Union webpage states that Germany "borders Denmark to the north, Poland and the Czech Republic to the east, Austria and Switzerland to the south, France and Luxembourg to the southwest, and with Belgium and the Netherlands to the northwest." Also, its population is approximately 80,780,000 people, its main language is German and its currency is the Euro (€) equivalent to \$1.13 in January, 2016.



Figure 22. Location and Limits of Germany. Information obtained in Maps of World.

### *2.2.2 Analysis of Political Aspects*

As stated in various official websites, the political system that this country has is a federal parliamentary republic in which the president is elected for 5 years. Currently, the head of state is Joachim Gauck, who was elected in 2012. It is also important to mention that this country is a member of the European Union since January 1958. This has allowed the existence of numerous foreign policies, among the most notable being the peace and security policies that seek to promote international cooperation, and thus consolidating respect for human rights, and also the diplomacy policy that seeks to provide support for guidelines such as education, the environment, crime, etc.

The World Trade Organization website states that Germany, apart from belonging to the European Union, acts under the WTO (World Trade Organization) which ensures fairness in the agreements between countries. This has caused free trade agreements with countries that are developing to be established. However, other points are: the fight against forced labor and child labor, price volatility and the search for environmental protection.

The bilateral relationship between Germany and Ecuador has different perspectives, including economic, cooperative development, environmental policies, and drug control, as stated in the Federal Ministry of Foreign Affairs website (Auswaertiges). President Rafael Correa met with Chancellor Angela Merkel (German chancellor) to resume negotiations and form a Trade Agreement for Development, according to the Foreign Ministry of Ecuador and the Federal Ministry of Foreign Affairs of Germany. This agreement is based on the cooperation to balance any inequalities that Ecuador may have with other international markets.

Since Germany is part of the European Union, it is important to mention that there are EU agreements, which intend to help out developing countries.

In general, the "General System of Preferences" (GSP) established by the European Union (EU) allows exporters from developing countries to pay lower duties on EU imports. This gives them better access to the EU market and supports economic growth and job creation in these countries. Under the GSP, the GSP + system is an EU instrument of trade policy to support sustainable development and good governance in developing countries. It provides additional trade preferences to vulnerable countries that ratify and carry out international conventions on human and labor rights, environmental rights and good governance rights. (European Commission, 2015)

On the other hand, to export to Germany, the environmental policies that the country has implemented must be taken into account so that products entering are of high quality for the consumer and so it does not harm the environment. For example: the Environmental Goods Agreement (EGA), aims for trade policy to contribute positively on environmental protection. (European Commission, 2015)

### **2.2.3 Economic Analysis.**

The objective of the following study is to analyze Germany's situation and economic level since 2010 until 2013. The study will analyze GDP and GDP per capita, according to purchasing power and inflation.

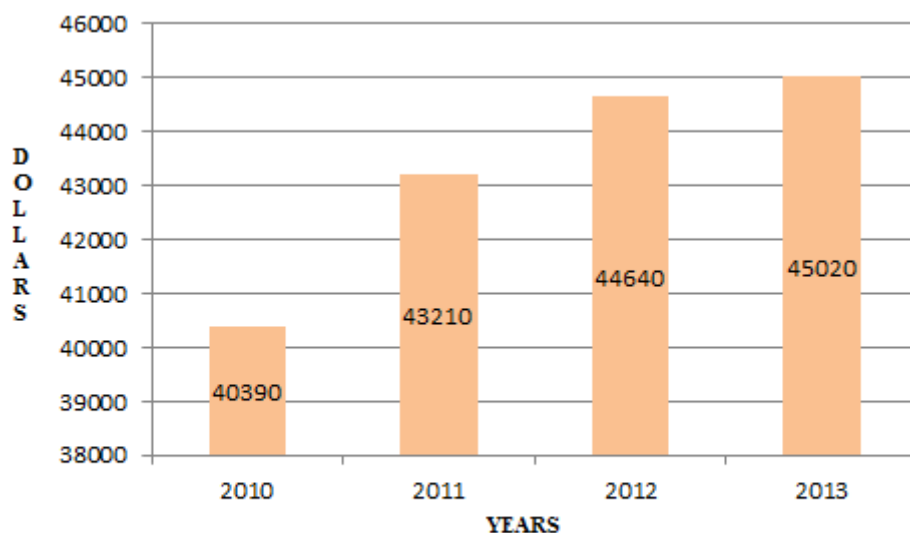


Figure 23. GNP Per Capita of Germany since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

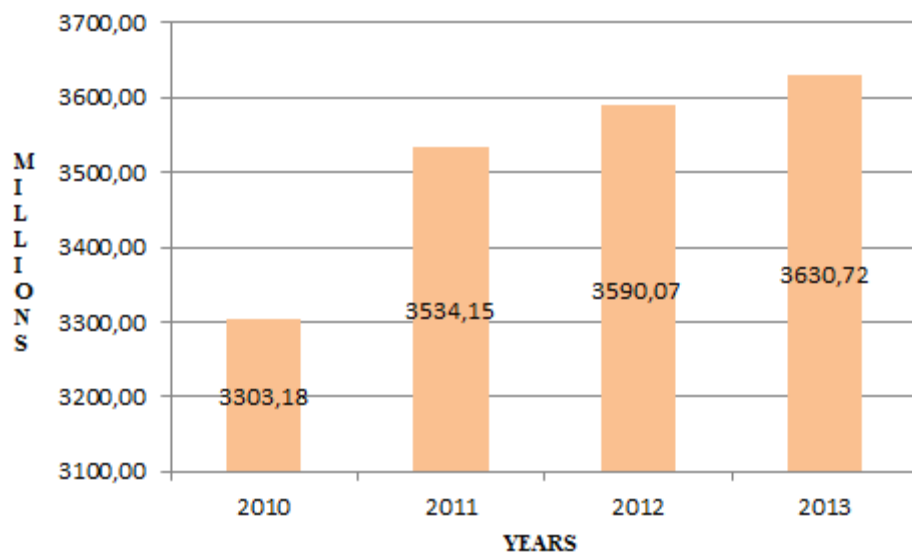


Figure 24. GNP PPP of Germany since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

As shown in Image 23 and 24, Germany has had a steady GDP growth which shows an increase in the country's production of goods and services which is reflected in the GDP Per Capita.

On the other hand, Image 25 shows that inflation has been declining, and deflation may be a sign that there is a greater supply than demand, considering that deflation is the continuing decline in price, which "occurs when, within an economy, revenues decrease and the demand weakens and tends to deteriorate." (Central Bank of Colombia).

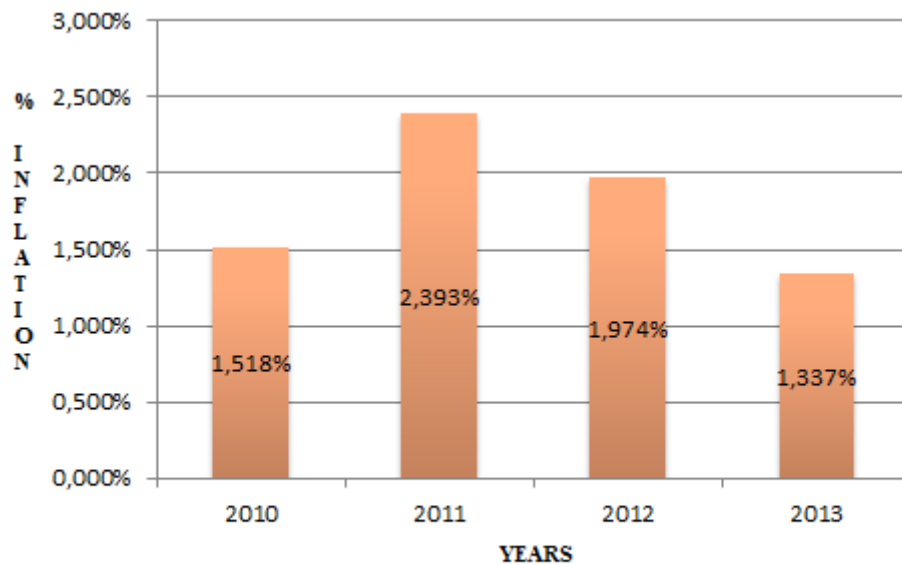


Figure 25. Inflation of Germany since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

#### 2.2.4 Social Analysis

The Tatsachen webpage states that German culture is characterized by an affinity for art and culture, as its population appreciates the artists' efforts. For this reason, in this country there are numerous craft fairs where national and international producers can highlight their best products, showing the culture of each of its regions. On the other hand, Germany has a lot of museums, cinemas and architectural wealth that impresses its tourists. Another aspect that tourists find interesting is its religion that holds elements of the country's artistic culture, which can be seen in different temples from different beliefs such as Muslim, Catholic, Protestant, Jewish, among others.

It is important to mention that some official German pages state that German paintings are recognized worldwide for their precision and creativity. Also, Germans are passionate about music since two of the greatest musical composers, Beethoven and Bach, are German.

Another aspect that is recognized is the high level of education that this country has, since the best universities are found here, and for this reason, there is a lot of foreigners who choose to study here.

Image 26 shows that there is no significant difference between the number of women and men. Image 27 demonstrates that the age range with the highest population is between 25 to 54 years, this shows that most people are adults.

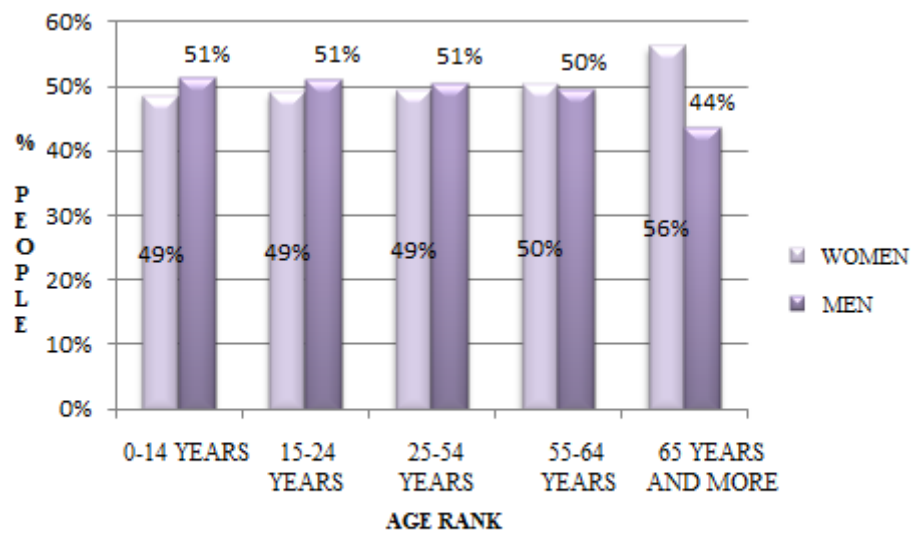


Figure 26. Distribution of women and men of Germany population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

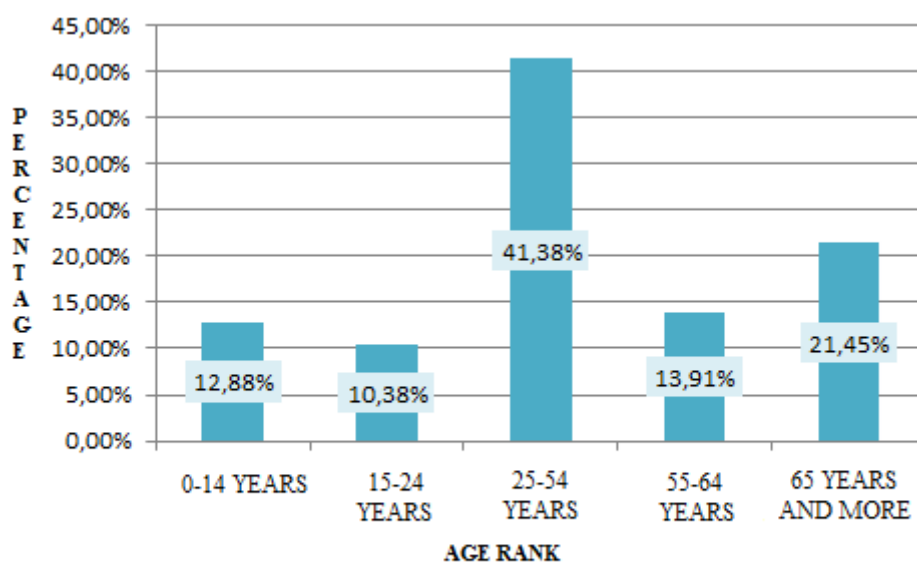


Figure 27. Percentage distribution of Germany population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

### ***2.2.5 Technological Analysis.***

According to the European Commission page, Germany has been one of the countries that has contributed most to technology, even winning some prizes for its achievements. This is because it has advanced research centers and universities that are constantly updating their knowledge in order to create new and innovative products.

On the other hand, Tatsachen shows that this country spends 2.6% of its GDP to carry out the required studies that gives them recognition in branches such as biotechnology, nanotechnology and information technology. For this reason German companies are recognized worldwide for quality and innovative products manufactured within the country.

### ***2.2.6 Pleasures and preferences analysis of the German population***

The German culture webpage states that Germans like to buy innovative and outstanding products, and for this reason they mostly purchase information and communication technologies. However, they also like to have exclusive home décor which is why they purchase decorative craft products. It is for this reason that in many German cities, especially in Berlin and Frankfurt, there are many fairs where artists from around the world display their goods and products.

In some official pages, especially in Santander Trade, it states that it is important to note that this population likes to combine different pieces with quality materials, designs and bright colors, and especially products that do not harm the environment. For this reason it is important for handicraft products to have the necessary certificates that show that the materials used do not affect the environment.

An important point is that the Germans prefer purchasing products from a catalog because of the convenience that this provides. They also look for products with attractive

prices, in other words, they tend to search for bargains or go to several stores to compare prices and purchase the product with the best cost. However, in case of finding a high-quality home décor product with certain characteristics, the price does not matter because they are willing to pay more for these products.

In Germany, home decorations may vary according to the size and detail that they contain. If crafts and decorative items are exclusive, their price will be more expensive. For example a 30cm German puppet has a value of €63.75, which is equivalent to \$72.16. Instead a ceramic ornament of 0.93 kg, can be priced at €51, 37 which equals \$58.15. (Es.aliexpress.com, 2010)

#### ***2.2.7 Analysis of the importance of the tariff heading 3926.40 in Germany***

It is important to note that Germany is 10,164 km away from Ecuador (vercalendario.info, 2016). To transport the loose goods by sea to the port of Hamburg, the shipping cost is approximately \$4.00 per kilo, while the cargo value per kilo by air in general cargo is \$18.75, from the Guayaquil airport to the Berlin-Tegel airport. (Ministry of Foreign Trade, 2016)

In the following graphs, Germany's imports of the tariff heading in which Artemma Art and Religion products are found in is shown. Table 10 shows the top ten exporters, which Ecuador is not a part of, the top three being China, the Netherlands and Vietnam. On the other hand, in general German imports of this tariff heading has decreased, which affects all producers of this market.



**Table 10.**

***Main imports from Germany heading 3926.40 since 2010 until 2013***

| <b>EXPORTERS</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|------------------|-------------|-------------|-------------|-------------|
| World            | 184542      | 183441      | 164772      | 152016      |
| China            | 142611      | 137586      | 122128      | 109145      |
| Netherland       | 14140       | 18603       | 17388       | 17375       |
| Vietnam          | 5417        | 4967        | 4554        | 4672        |
| Italy            | 1586        | 1915        | 1525        | 1769        |
| France           | 3315        | 2661        | 1165        | 1784        |

Main markets of heading 3926.40 that Germany imports since 2010 until 2013.  
Information taken from Trademap. Made by Fernanda and Daniela Pineda Torres.

To know whether the German market is feasible for the Artemma Art and Religion product, we analyzed how China sells to the country the corresponding item (3,982,640) since it is the main exporter.

As can be seen in Table 11 China's exports have been decreasing, showing a difference of 17% between 2012 and 2013. Figure 28 also shows that Ecuadorian exports have been decreasing, yet the difference between these two markets is extensive, because Chinese products are a great competition since they are already established in the market.

**Table 11.**

***Imports from China of heading 3926.40 to Germany since 2010 until 2013***

|                   | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|-------------------|-------------|-------------|-------------|-------------|
| <b>Sale Value</b> | 115,778,000 | 106,070,000 | 102,355,000 | 85,075,600  |

Importing heading 3926.40 of Germany from China in USD since 2010 until 2013. Information taken from European Comission. Realizado por Fernanda Pineda y Daniela Torres.

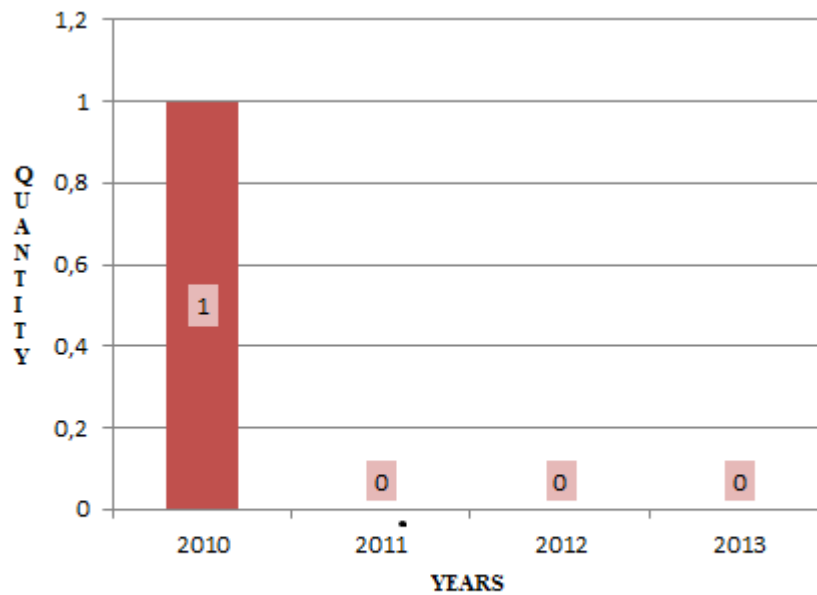


Figure 28. Germany Imports from Ecuador of departure 3926.40 since 2010 to 2013. Information obtained in Trademap. Realized by Fernanda Pineda and Daniela Torres.

On the other hand, it is crucial to consider the consumption of German household as it will help verify the solvency that the product will have in this country. As stated in official pages, Germans spend an average of 434 euros or \$483.09 per capita in gifts and crafts. (Crafts Kuikuili, 2012) This means that since Germans are innovative and concerned about home décor, they invest in flashy new products, which is beneficial for Artemma Art and Religion.

Finally, it is necessary to consider that to export a product to Germany the customs declarations must be in English, despite not being the official language. This document should include the origin of the goods, the tariff and customs value. The goods have free movement within the European Union, however if products exit this territory they must go through customs. (Santander Trade Portal, 2016)

## 2.3 Peruvian Market Analysis.

### 2.3.1 General Information.

Peru's Embassy webpage states that this country is located in the western part of South America, and borders to the north with Ecuador and Colombia, to the south with Chile, to the east with Brazil and to the southeast with Bolivia. Its capital is Lima and its area is approximately 1,285,215.60 square kilometers. The population is approximately 31,911,000 inhabitants, its official language is Spanish and the currency used is the Nuevo Sol which equals \$0.30 as of January 2016.



Figure 29. Location and Limits of Peru. Information obtained in Maps of World.

### ***2.3.2 Political Analysis.***

The Peruvian State portal says that this country's form of state is a presidential republic where the elected president governs for 5 years. The current president is Ollanta Humala and President elected is Pedro Pablo Kuczynski. Peru has been growing economically due to incentives that it has had that encourage foreign investment, being the European Union its largest trading partner. It is important to mention that the objective of its foreign policy is to generate outstanding relationships with neighboring Latin American countries, as is in the case of the creation of the UNASUR (Union of South American Nations) of which it is a part of.

Its country profile states that even though it is a Latin American nation, Peru has not cut its bilateral treaties with the United States or Asian countries, as these are key partners for this country and for this reason Peru is a part of APEC (Asia Pacific Economic Cooperation). (PROECUADOR, 2016)

It is important to mention that the Ministry of Peruvian Culture states that there are laws that protect multiculturalism: "The intercultural option proposes the creation of a horizontal treatment between different cultures on the basis of dialogue, within the framework of new circuits of cultural exchange" (Ministry of Culture, 2012). Therefore, Peruvians encourage respect for people who come from different countries.

On the other hand, America Economia talks about a Trade Facilitation Agreement on the subject of Technical Barriers that this nation has with Ecuador, which helps to reduce trade obstacles between these countries and it strengthens their business relationship. The objective of this treaty is to ensure national and human security, and the protection of health and the environment.

It is also important to mention that Peru and Ecuador are both a member of the Andean Community since 1969. This agreement aims to "promote the balanced and harmonious development of Member Countries under equitable conditions through integration and economic and social cooperation" (Ministry of Foreign Trade and Tourism, 2015).

### **2.3.3 Economic Analysis.**

In Peru's economic analysis, its GDP, GDP per capita and inflation will be analyzed from 2010-2013, in order to study the country's situation and to be able to determine if it has economic stability.

As can be seen in Figures 30 and 31, Peru's GDP has been increasing but not in a constant manner, which means that the country has improved its production, generating greater opportunities for the manufacture of goods and services.

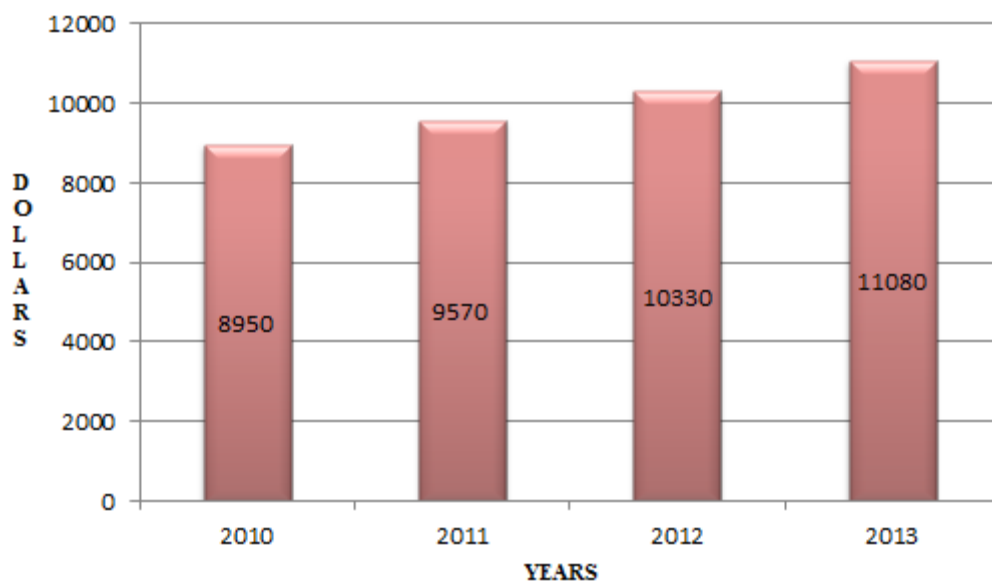


Figure 30. GNP Per Capita of Peru. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

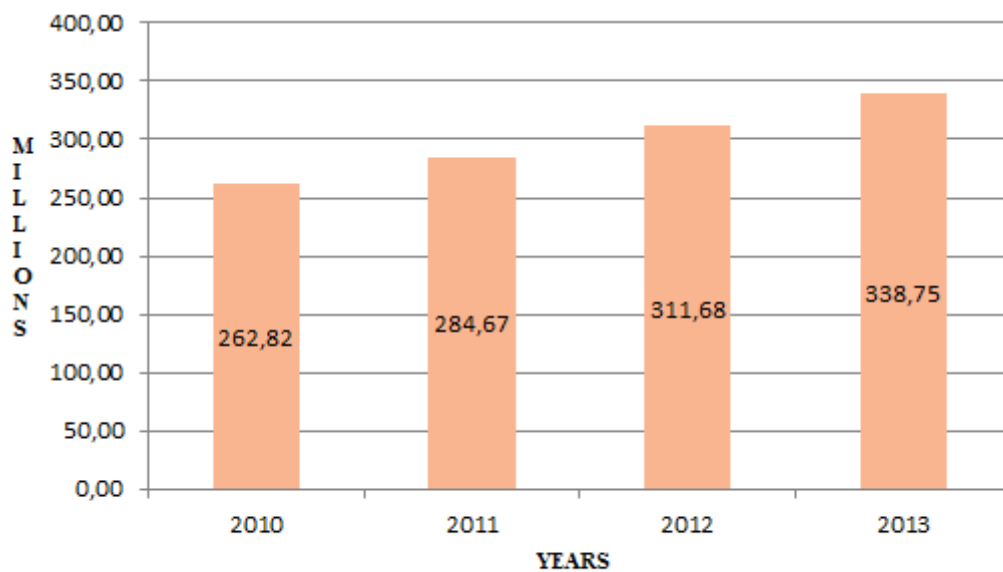


Figure 31. GNP of Peru since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

Figure 32 demonstrates that in 2011 inflation increased in comparison to 2010, in other words, there was a price increase. However in 2012 and 2013 the GDP stabilized, demonstrating a price control and a continuous balance of supply and demand.

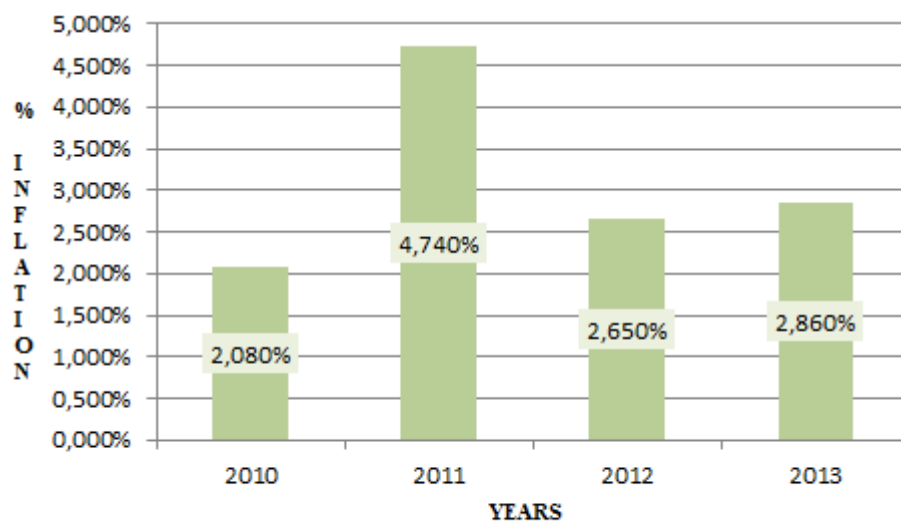


Figure 32. Inflation of Peru since 2010 to 2013. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

Peruvian households spend 8.5% of their per capita income or 55 soles (\$16.32 USD) for the purchase of cultural services. (El Comercio, 2015) However, as established by the Ministry of Foreign Trade and Tourism (Mincetur), each tourist spends up to \$98 on the purchase of home décor items.

#### ***2.3.4 Analysis of Social Aspects.***

Peru's country profile states that this country is recognized for their colorfulness and their love for their customs. It is also a crowded country with a strong belief in God and above all, has great respect for nature which is shown in each of their celebrations. On the other hand, this country is wealthy in crafts and handmade products, especially since ancient crafts were made of gold, silver, ceramics and even clay. For this reason, in Peru artisans sell their goods not only nationally but also internationally, which has caused its products which highlight the country's culture to be recognized in several places around the world. (PROECUADOR, 2016)

Another important cultural aspect that the Peruvian Embassy mentions is its dance and music, since some important cultural instruments were created there such as the antara, terracotta trumpets, pututos, etc. This shows that Peruvians are innovative in creating musical instruments. (EMBASSY OF PERU IN THE REPUBLIC OF KOREA)

In Peru, handicrafts can be purchased at low prices. Typically, tourists are interested in souvenirs from this country, decorative handicrafts, etc. These can be purchased in the streets and in fairs located in Cuzco, such as the "San Pedro market", "the Baratillo" and "Plaza de Armas". Crafts similar to the products of the company that is being analyzed are worth 90, 45 and 20 Nuevo Sol (\$31.78, \$15.89 and \$7.06) depending on the product's size, detail and type. (Raices Crafts, 2015)

DICETUR states that the main city that creates and sells crafts in Peru is Cuzco, and for this reason it is one of the most attractive destinations for tourists. However, it is important to note that most products sold in Cuzco are bags or purses, fabrics, key chains and other items made from alpaca yarn. Tourists can also find ornaments made of silver, gold, quinoa and red clay. (Cusco Stores Alpaca Naturally, 2016)

In 2014, more than 2,624 million domestic and foreign tourists visited this place according to the Regional Directorate of Foreign Trade and Tourism (DIRCETUR). "They were a total of 1,634.200 foreigners, mainly Americans, British people, Germans, Brazilians, Argentinians and Chileans, among others, and 990,769 national visitors." (Perú21, 2015)

A study of 2887 surveys was conducted in 2013 to tourists 15 years-old and older, which targeted people who stayed in Peru for at least one night, and whose reason to visit was not to live or work in the country. The sampling point was in Lima's Jorge Chavez International Airport. The fieldwork was carried out in February, May, August and November of the year 2013. (Perú21, 2015)



**Table 12*****Countries residing in Cusco-Peru***

| <b>COUNTRY</b> | <b>% POPULATION</b> |
|----------------|---------------------|
| United States  | 26%                 |
| France         | 6%                  |
| Spain          | 6%                  |
| Japan          | 6%                  |
| Canada         | 5%                  |
| Chile          | 5%                  |
| Brasil         | 5%                  |
| Argentina      | 5%                  |
| Germany        | 4%                  |
| Australia      | 3%                  |
| Colombia       | 3%                  |
| United Kingdom | 3%                  |
| Italy          | 3%                  |
| Mexico         | 2%                  |
| Switzerland    | 2%                  |
| Holland        | 2%                  |
| Ecuador        | 1%                  |
| South Korea    | 1%                  |
| Russia         | 1%                  |
| Others         | 11%                 |

Offspring of people who reside in Cusco- Perú. Information taken from  
 Ministerio de Comercio Exterior y Turismo de Perú. Made by Fernanda  
 Pineda y Daniela Torres.

According to the interview, tourists that most visit Cusco are those found in the category *others*, with 46%, and public or private officials are the people that least visit the city with 2%.

Table 13 shows that 46% of people who work in the Cuzco area do not carry out professional activities.

**Table 13**

| <i>Activities of Population in Cusco</i> |     |
|--|-----|
| (Public or private) senior official      | 2%  |
| Executive profesional                    | 14% |
| Technical profesional                    | 11% |
| Employee in service, trade, seller       | 12% |
| Student                                  | 8%  |
| Retired                                  | 7%  |
| Others                                   | 46% |

Activities of people that live in Cusco-Perú. Information taken from Ministerio de Comercio Exterior y Turismo de Perú. Made by Fernanda Pineda and Daniela Torres.

*Table 13 Activities of Population in Cusco*

On the other hand, Table 14 analyzes the activities that people frequently perform in Cuzco, which is primarily cultural tourism with 99% of economic activities, while excursions or nature tours represent a percentage of 72% and adventure activities represent 18% of activities.

**Table 14***Activities done in Cusco-Perú*

|                                      |            |
|--------------------------------------|------------|
| <b>CULTURAL TOURISM</b>              | <b>99%</b> |
| Visit archaeological sites           | 90%        |
| Visit churches, cathedrals, convents | 88%        |
| To visit museums                     | 64%        |
| Visit historical innumbles           | 63%        |
| Visit parks, city square             | 58%        |
| Walking around the city              | 55%        |
| City guided tour                     | 52%        |
| Visit native communities             | 33%        |
| Participate in local festivities     | 8%         |
| Visit gastronomic routes             | 6%         |
| <b>NATURE</b>                        | <b>72%</b> |
| Visit areas, nature reserves         | 67%        |
| Observation of flowers               | 37%        |
| Observation of mammals               | 35%        |
| Bird watching                        | 29%        |
| Observing insects                    | 15%        |
| Walking by rivers, lakes and lagoons | 10%        |
| <b>ADVENTURE</b>                     | <b>18%</b> |
| ENTURE                               |            |
| Trekking, Hiking                     | 17%        |
| Boat, cruise, ship ride              | 2%         |
| Camping                              | 1%         |
| Sandboard                            | 1%         |

Activities that can be done in Cusco as a tourist. Information taken from Ministerio de Comercio Exterior y Turismo de Perú. Made by Fernanda Pineda and Daniela Torres.

*Table 14 Activities done in Cusco-Perú*

The survey also shows that 89% of tourists make purchases and 11% do not, while 43% are interested in participating in entertaining and fun activities while 57% are not interested in these activities.

In Figures 33 and 34 it is evident that there is not much gender inequality and that the most populous age range is between the ages of 25 to 54 years-old, demonstrating that the population is mostly made up of adults.

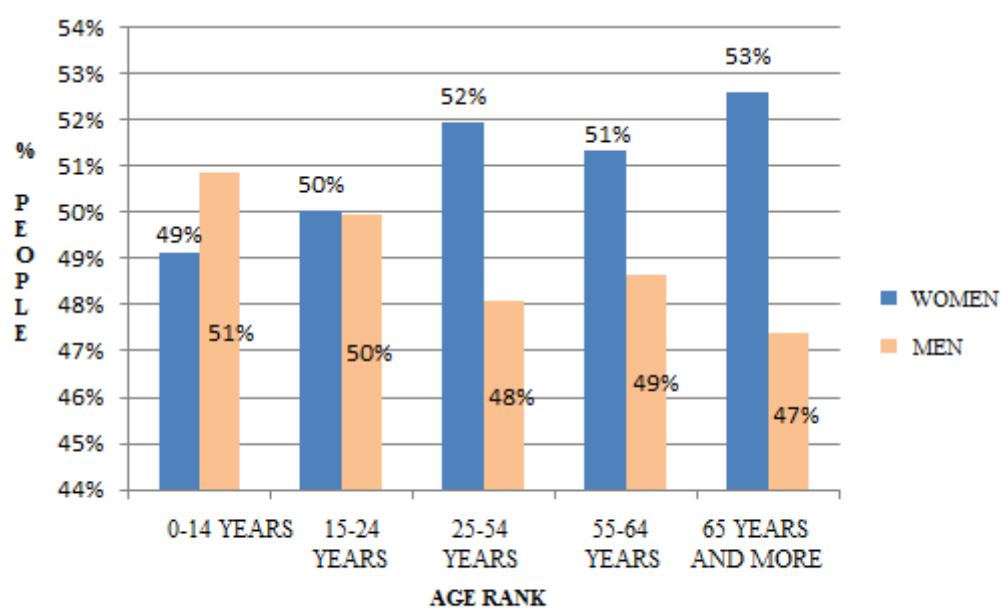


Figure 33. Distribution of women and men of Peru population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

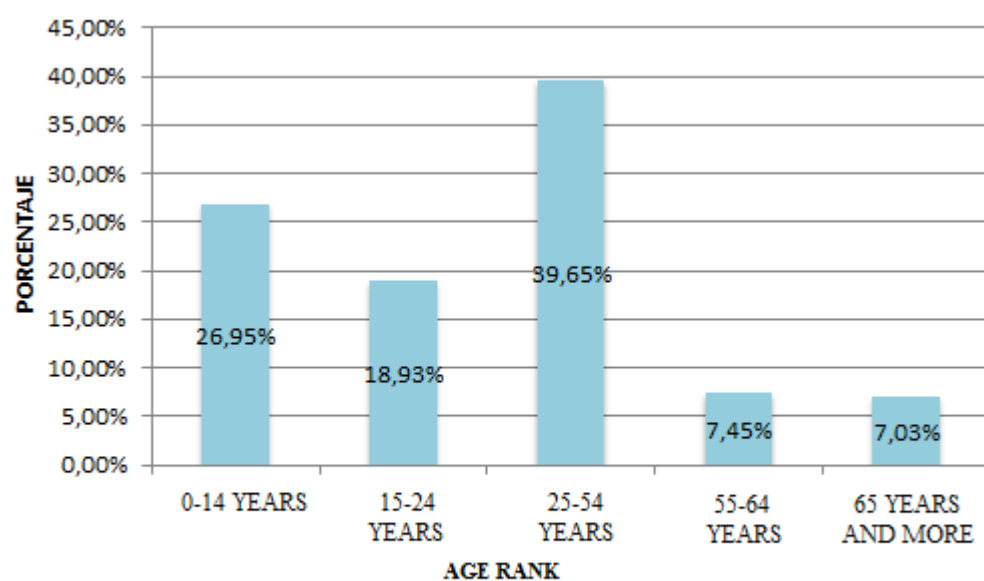


Figure 34. Percentage distribution of Peru population by age. Information obtained in World Bank. Realized by Fernanda Pineda and Daniela Torres.

### **2.3.5 Technological Analysis**

*Peru continues to be ranked in 90th place in the ranking of the XIV edition of the Global Report on Information Technology 2015, which is a report that assesses the impact of ICTs in the process of development process competitiveness of 143 economies in the world, which the National Society Industries (SNI) informed through the Industrial Development Centre (CDI). (Lira, 2015)*

According to the World Economic Forum, Peru does not have a high level of technological development because it is limited by barriers such as a low quality education especially in mathematics and science. One aspect that especially limits technological development is the legislative inefficiency towards regulations regarding ICTs. (Lira, 2015) In 2015, Peru invested 0.7% of its GDP in technologies, making it the the lowest percentage of investment compared to other Latin American countries, since these have invested 1.75% of their GDP in ICTs. (Perú21, 2015)

### **2.3.6 Pleasures and preferences analysis of the Peruvian population.**

Peruvians value spending quality time with their families and this is considered to be one of life's most important aspects according to 90% of the population.

*Additionally, education is another highly valued aspect by Peruvians. Achieving a higher level of education is very important to them, so much so that 66% believe that secondary education is not enough. This high level of appreciation for education is directly associated with career aspirations: 8 out of 10 people in Peru believe that they will find better employment opportunities with a higher level of education (Frenk, 2014).*

Therefore Peruvian's are characterized as demanding yet rational consumers when making a purchase. For them, quality is a fundamental and important feature, and is the highest concern when purchasing a product. (Frenk, 2014)

*On the other hand, the survey results reveal that buyers are very judgmental and conscious when purchasing a product, since only a small minority (25%) buy things that they do not need on impulse, and this is likely to influence this aspect since a high percentage (84%) of buyers use a shopping list when shopping (Frenk, 2014)*

Only 47% of the Peruvian population purchase products from well-known brands, for example mass products like food where functionality matters more than product quality. However, this varies when purchasing durable goods and services such as cars or appliances. (Frenk, 2014)

### ***2.3.7 Import analysis of the tariff heading 3926.40.***

First, it is important to stress that the distance between Cuzco, Peru and Ecuador is only 1327 km. (Vercalendario.info, 2016) The freight shipping cost per kilo of loose cargo is \$0.18 with the transport company Ecuanautica S.A, However, this does not consider additional mobilization costs within the country. On the other hand, the costs of air shipping per kilo through Avianca Taca Holding (Taca Cargo and Tampa Cargo) is \$3.14 from Guayaquil Airport to Chavez International Airport. (Ministry of Foreign Trade, 2016)

The following charts show Peru's imports of the tariff heading 3926.40, corresponding to the goods that Artemma Art and Religion produces. Table 15 displays the top exporters of Peru, which are China, Chinese Taipei and the United States of America.

**Table 15*****Main imports of Perú of heading 3926.40 since 2010 until 2013***

| <b>EXPORTERS</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|------------------|-------------|-------------|-------------|-------------|
| World            | 4966        | 5201        | 6778        | 8230        |
| China            | 4603        | 4896        | 6404        | 7690        |
| Chinese Tapei    | 66          | 40          | 69          | 87          |
| United States    | 24          | 24          | 33          | 32          |
| France           | 2           | 2           | 5           | 8           |
| Italy            | 22          | 21          | 21          | 31          |

Main markets from Perú imports heading 3926.40 since 2010 until 2013. Information taken from Ministerio de Comercio Exterior y Turismo de Perú. Made by Fernanda Pineda and Daniela Torres.

In Figure 35 Ecuador's exports to Peru of the tariff heading 3926.40 can be seen, in which a significant growth can be observed from 2010 to 2011 and there is even a slight increase until 2012, even though in 2013 exports decreased. Also in Image 36 China's exports can be seen as this country's leading provider, representing therefore a strong competition for Ecuador since it covers about 90% of Peru's total imports of this tariff heading.



Figure 35. Peru imports from Ecuador since 2010 to 2013. Information obtained in TradeMap. Realized by Fernanda Pineda and Daniela Torres.

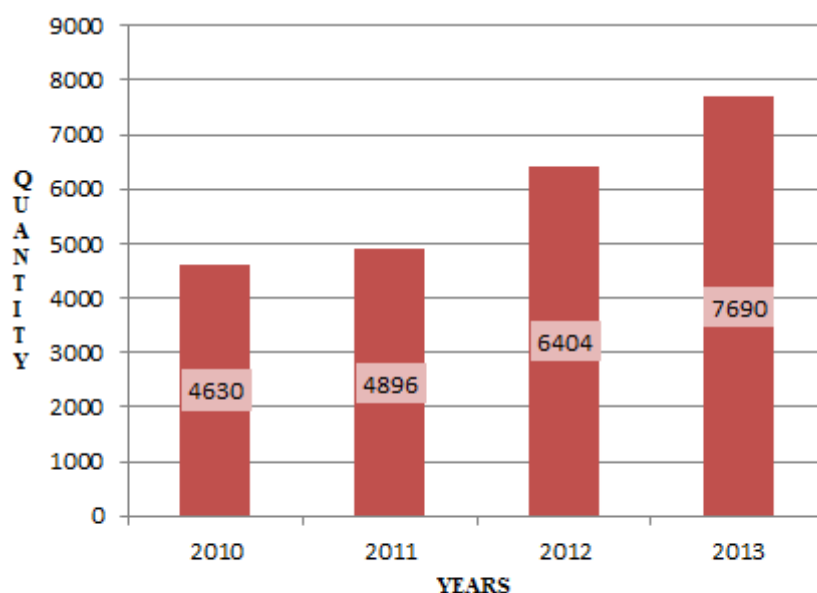


Figure 36. Peru Imports of departure 3926.40 from China since 2010 to 2013. Information obtained in Trademap. Realized by Fernanda Pineda and Daniela Torres.

### 2.3.8 Determining the target market.

Comparative analysis: It is important to carry out a comparative analysis because it helps the company to determine which one of the three countries analyzed is the best option, before starting the process of exporting their handicrafts.

*The comparative method is a method of systematic comparison of analytical cases which mostly applies for purposes of empirical generalization and hypothesis testing. It has a long tradition in the methodology of the social sciences, although it is also used in other disciplines. (Nohlen)*



**Tabla 16**

*Comparative table between The US, Germany and Peru*

| Standards                 | Category | COUNTRIES     |         |      | TOTAL         |         |      |
|---------------------------|----------|---------------|---------|------|---------------|---------|------|
|                           |          | United States | Germany | Peru | United States | Germany | Peru |
| Politic                   | 9        | 7             | 8       | 9    | 63            | 72      | 81   |
| Economy                   | 7        | 8             | 8       | 7    | 56            | 56      | 49   |
| Pleasures and preferences | 8        | 8             | 9       | 9    | 64            | 72      | 72   |
| Location (distance)       | 7        | 7             | 6       | 10   | 49            | 42      | 70   |
| Price                     | 9        | 6             | 8       | 7    | 54            | 72      | 63   |
| Competition               | 8        | 5             | 6       | 8    | 40            | 48      | 64   |
| Exchange rate             | 7        | 8             | 9       | 6    | 56            | 63      | 42   |
| <b>TOTAL</b>              |          |               |         |      | 382           | 425     | 441  |

Comparison chart of standards among countries of the United States, Germany and Peru. Made by Fernanda Pineda and Daniela Torres.

In Table 16, the relevant options for the possible internationalization of the company Artemma Art and Religion have been categorized. Firstly, it is evident that the political aspects of these countries are important, since, for example in the case of Ecuador, it has certain benefits with each country, which will facilitate the marketing of the goods. In this case, Peru is the country with the highest score since it is a country that is part of the Andean Community and other treaties of the southern region which allows there to be fair trade.

Another important category is the economic aspects, where Germany has the largest score since it has economic stability, which is useful since people can use their high purchasing power to purchase complementary goods. At the same time, when it comes to pleasures and preferences, Germany and Peru are at the same level since Germans like to invest their money in home décor products and in Peru there is a high percentage of tourists throughout the year that find cultural ornaments attractive. On the other hand, the two countries promote cultural diversity, making them more open to international markets.

It is highly relevant to analyze the distance and shipping costs between the target countries for several important reasons such as: time, logistic costs, risk of merchandise,

etc. As a result, Peru has the highest percentage since it is the country that is closest to Ecuador compared to the United States and Germany.

Another important point of analysis is the price at which the products are sold in the three countries since it will be useful when determining the feasibility of selling the company's products. Germany's population has a preference for quality rather than price and therefore the company's products are more attractive in this market compared to other countries. In the case of Peru, since there are a cheaper variety of crafts available, it is difficult to persuade the customer to invest in these products because price plays an important part in the purchase decision. A similar case applies to the United States since the competition provides cheaper products.

The competition of each country was analyzed, and results showed that Peru and Germany have the same level of competition despite the fact that its main exporter is China. In Peru, China occupies 90% of total exports of tariff heading 3926.40, which shows that this country has been completely established. However, other countries export irrelevant figures and this benefits the company because it can increase the amount of Ecuadorian exports, which consumers prefer because they are quality products. In the case of Germany, it has a lot of craft vendors, yet people seek quality, originality and variety which benefits the possible sales of Artemma Art and Religious products.

The exchange rate is another important aspect to analyze because it helps to determine the best market to sell the company's products in. Since the currency of the United States and Ecuador is the same, there are not any inconveniences. With regard to Germany, 1 euro equals \$1.13 USD, while in Peru, 3.3678 Soles are equivalent to \$1.00. This gives a score of 8 for the United States, 9 for Germany and 6 for Peru. These countries have achieved these scores because the euro is a strong currency, while the exchange rate of the

Sol causes a disadvantage for the company due to the depreciation of the Peruvian currency.

The final score of Peru is 441, Germany's is 425 and the United States scored 382, making Peru the best target market, towards which the company should begin to focus on as its first international market, since it provides greater opportunities, export potential and projection of sales.

## **2.4 Chapter conclusion.**

In conclusion, Peru can be defined as the company's ideal target country for its products, due to the fact that it is the nearest country, compared to Germany and the United States, and as a result the mobilization of goods would be faster and cheaper. Additionally, Peru and Ecuador are members of the Andean Community and ALADI (Latin American Integration Association). Through the study, it was determined that crafts are very popular in Peru and they are a great attraction not only because of the similarity of cultures, but also because of the greater influx of tourists that the country has, especially in Cuzco. However, competition is high because in Cuzco, they produce a similar product which represents an obstacle for Artemma Art and Religion.

In the case of the US, since it is a culturally diverse country, there is great competition because it has a wide range of products that are striking for both its quality and price. However, the affordable prices of Chinese products make it difficult for Artemma to establish itself within the market. On the other hand, the logistics expenditure is higher making it difficult to attract customers who prefer Ecuadorian ornaments. On the contrary, in Germany, they prefer products based on quality and not on price which helps win customers who prefer the company's products. Yet, this is the country that is located the farthest away from Ecuador which hinders the export process and increases logistical expenses.

### **Chapter 3: Export procedures and requirements for the target market.**

#### **Chapter Introduction**

In this chapter, a description of the export requirements to the target market, Peru, will be carried out in order to make a comparative analysis with the company's features and thus, establish the conditions and strategies needed for the internationalization of Artemma Art and Religion strategies.

For this reason, the company will analyze primarily a SWOT (Strengths, Weaknesses, Opportunities and Threats) study of the company and an analysis of the factors that require strengthening to have continuous improvement and to remove obstacles that may cause difficulties in the process of internationalization.

### ***3.1 Procedures and requirements necessary to export to the target market.***

First, it is important to emphasize that for the processing of imports, products will first be reviewed within the customs procedure so that it can enter the country legally as an import, which is considered as final when the merchandise is nationalized and is freely available to the owner or consignee.

### ***3.2 Export tributes of Peru***

- Ad Valorem: Peru has four tariff levels (0%, 4%, 6%, 11%) and the provisional corrective rights of Ad Valorem can be applied to the member countries of the Andean Community in accordance with the provisions of the Cartagena Agreement
- General Sales Tax (16%) "levied the import of all goods, the taxable amount consists of the CIF customs value, customs duties and other taxes levied on imports." (PROECUADOR, [www.proecuador.gob.ec](http://www.proecuador.gob.ec), 2013)
- Municipal Promotion Tax (2%) The tax levies certain products that are affected by the General Sales Tax.
- Antidumping and countervailing duties are used as a fine if prices cause injury to the Peruvian production or offset an existing subsidy country.

### 3.3 Tariff heading 3926.04 tributes.

In Table 17 we can observe the taxes generated by the export of the tariff heading that represents Artemma Art and Religion's products from Ecuador to Peru.

**Table 17**

***Export tax of heading 3926.40 from Ecuador to Peru***

| <b>CURRENT CHARGES</b>  | <b>AMOUNT</b> |
|-------------------------|---------------|
| Ad valorem              | 6%            |
| Excise Tax              | 0%            |
| General sales tax       | 16%           |
| Municipal promotion tax | 2%            |
| Specific duty           | N.A           |
| Anti-dumping duty       | N.A           |
| Insurance               | 2.50%         |
| Surcharge               | 0%            |
| Unit of measurement     | (*)           |

Taxes that Ecuador pays to export heading to Peru. Information taken of Aduanet.  
Made by Fernanda Pineda y Daniela Torres.

However in Table 18, it can be observed that Ecuador, thanks to the Andean Community of Nations agreement, has a 100% percent tax release on exports of this tariff heading without any restrictions or prohibitions on entry or removal of the goods, as specified in the Peruvian customs page.

**Table 18**

***Peru International Agreement of tariff heading 3926.40***

| <b>COUNTRY</b> | <b>INTERNATIONAL AGREEMENT</b> | <b>EFFECTIVE DATE</b> | <b>PERCENTAGE RELEASED</b> |
|----------------|--------------------------------|-----------------------|----------------------------|
| Bolivia        | Andean Community of Nations    | 03/09/2012-31/12/9999 | 100%                       |
| Colombia       | Andean Community of Nations    | 03/09/2012-31/12/9999 | 100%                       |
| Ecuador        | Andean Community of Nations    | 03/09/2012-31/12/9999 | 100%                       |

International agreements that has Peru of heading 3926.40. Information taken from Aduanet. Made by Fernanda Pineda y Daniela Torres.

### ***3.4 Peruvian import requirements.***

On the official website of SUNAT of the Republic of Peru, it establishes the documents needed for a company's merchandise to enter this country, which include:

- Single Customs Declaration that must be paid for
- An authenticated photocopy of the transport document
- An authenticated copy of the invoice, an equivalent document or the contract.
- An authenticated photocopy or carbon copy of the receipt plus an additional photocopy of it, when goods are transferred prior to its nationalization, except in certain cases.
- An authenticated photocopy of the transport insurance, when needed.
- An authenticated photocopy of the authorization of the corresponding sector in the case that there are restricted goods or an affidavit signed by the legal representative of the importer can also be presented in cases where the specific standard requires it.
- Special authorization in the Primary Zone, when opting for the advance clearance to be able to unload at the importer's property.
- The Andean Declaration of Value (DAV), when the format B of the DUA is required
- Packing list of additional technical information.
- Certificate of Inspection or supervision issued by supervisory companies authorized in the country. This is issued after a physical inspection of the goods in terms of quality, quantity, expiration date, value and classification of the tariff heading is completed.



### ***3.5 Ecuadorian export requirements***

According to the Ecuadorian Customs page, for a company to export its products it must obtain an Exporter Registry consisting of the following points:

- Obtaining a RUC from the Internal Revenue Service
- Acquiring a Digital Certificate for electronic signatures and authentication given from the Central Bank and Security Date.
- Being registered on ECUAPASS which consists of:
  - Updating the data base.
  - Creating a user name.
  - Agreeing to the terms of service.
  - Registration of the electronic signature.

To be able to carry out the export process, a Customs Export Declaration (DAE) must be included which is granted by the ECUAPASS and which consists of information on the exporter, description of goods, consignor information, shipment destination, product amount, weight, etc.

However, this must also be accompanied by the commercial invoice, Permissions (in the case of being necessary) and Certificate of Origin, which is a document that shows whether the product meets the rules of origin set so that it can benefit from tariff preferences.

As stated in the main page of the National Customs Service of Ecuador, once the goods enter the Primary Zone district where merchandised is loaded on the ship, the exporter will be informed of the assigned canal capacity: Documental, Physical Intrusive or Automatic canals can be assigned. In the first case, the electronic and scanned documents will be revised so that it can be authorized in the case of meeting all requirements. In the second

case, an inspection of the load and the documentation is performed. Finally, in the third case the exit permit must be given in order to be able to package the merchandise which is done immediately in the Primary Zone. (SERVICIO NACIONAL DE ADUANA DEL ECUADOR)

### ***3.6 Maritime transport.***

The best feature of this type of transportation is that it can carry large volumes of goods but its disadvantages is that there are a limited amount of routes and that it takes longer than other means of transportation. For this, a Bill of Lading document must be emitted since it delegates the responsibility of the load to the transport carrier. Table 19 shows that the Ecuadorian-Peruvian route lasts 2 to 4 days, arriving at the Callao Port.

**Table 19**

| <i>Destination ports by sea</i> |                       |                |
|---------------------------------|-----------------------|----------------|
| <b>DESTINATION COUNTRY</b>      | <b>DISCHARGE PORT</b> | <b>T/APROX</b> |
| Colombia                        | Cartagena             | 5-7 days       |
| Peru                            | Callao                | 2-4 days       |
| Chile                           | Aquique               | 5-7 days       |
| Chile                           | San Antonio           | 6-8 days       |
| Chile                           | Arica                 | 5-7 days       |
| Brasil                          | Itaguaí               | 22-24 days     |
| Brasil                          | Santos                | 18-21 days     |
| Brasil                          | Sao fco do soul       | 20-22 days     |
| Brasil                          | Imbituba              | 24-26 days     |
| Brasil                          | Río grande            | 26-28 days     |
| Venezuela                       | La guaira             | 18-20 days     |
| Venezuela                       | Puerto cabello        | 15-18 days     |

Destination ports of by sea. Information taken from Proecuador. Made by Fernanda Pineda y Daniela Torres.

According to the official website of SIICEX Peru, a 20-foot container (1x20') costs about \$500 while the 40-foot container (1x40') has an approximate value of \$700.

### ***3.7 Air transportation.***

According to official pages like Pro Ecuador and Ecuadorian Customs, air transportation is well-known for its speed, yet its shipping cost (cost the user must cover for transportation of the merchandise from the country of origin to the recipient's destination) is higher than the other modes of transportation.

The AWB is an important document in this process since this indicates that the carrier undertakes and agrees to transport the goods established in the document. At the same time, a waybill can be used to establish the treatment that the merchandise must receive, so that it is not damaged and can be delivered in the same state that it was shipped in.

This mode of transportation can arrive in Lima as part of an international flight and it can proceed to use a ground transportation which would take about two days to get to its destiny according to the official website of SIICEX Peru.

### ***3.8 Land transportation.***

This mode of transportation is recognized for its low cost and for its ability to accommodate the needs of the company. It can also provide a door to door service and the approximate cost per kilo is \$12.00, according to the company Solcourier. The document issued for this type of transportation is a waybill, which proves that the carrier is committed to deliver the goods. Using land transportation, the travel time to Cusco can last a day and a half to three days. However, the company has chosen to market its product through this mode of transportation since it's the cheapest option.

### ***3.9 SWOT study of the company with regards to the study of the target market.***

This analysis is important for a company to be able to determine its current status regarding features that it possesses and to help improve aspects that threaten their optimum

growth. Ediciones Díaz de Santos established in the Book of Management Guidelines for Small Businesses that, "One of the ways to apply a SWOT analysis is to identify factors that may favor (strengths and opportunities) or hinder (weaknesses and threats) the achievement of the Company's previously established goals." (Santos, 1994)

### *3.9.1 Company Strengths*

- The company is responsible for delivering orders on time
- The company regularly investigates and analyzes new materials to improve the durability and strength of the product.
- The production capacity of the company has increased which shows that it can supply the Peruvian market.
- The flexibility of the company's designs can be used to customize products to satisfy the needs of the customers.
- The resistance of the raw material used in the production of the ornaments makes them durable products, which is not common in other types of ceramics.
- The quality control process that the company has (as noted in the first chapter) prevents a large percentage of errors, which reduces the possibility of production loss.

### *3.9.2 Business Opportunities*

- The company has unique, original and traditional products which attracts new customers.
- Cusco is a potential market because similar products are not sold there, since the materials used are different: quinoa and red clay. Also, the finishing touched of the handicrafts from Cuzco are less elaborate than those of the company.

- In Cusco there are many tourists that appreciate all cultural activities, which benefits the company as its main customers in the domestic market are tourists.
- Lower-quality products have similar prices to the products that Artemma Art and Religion produce: (\$31.78, \$ 15.89 and \$ 7.06).
- Thanks to the trade agreements that exist between Peru and Ecuador, the company does not have to pay tariffs when exporting to this market.
- The short distance between Ecuador and Peru has led the company to opt for land, sea or air transportation depending on the urgency of the delivery of the goods.

### ***3.9.3 Company Weaknesses.***

- The Company does not have an international studies department to guide its internationalization.
- The Company has not designed an advertising campaign to promote the product.
- It has not hired a transport company that will help transfer the merchandise to another country.
- It does not have enough economic means to cover all expenses associated with the export process.

### ***3.9.4 Threats to the Company.***

- It does not have contacts or business partners in Cuzco that would accelerate the commercialization of the product.
- Not selling enough products to cover the export costs, in other words, to have constant losses.

### ***3.10 Gaps between the Company and the target market***

In the following table we can see the different obstacles that the company faces based on its SWOT analysis in order to be able to begin exporting to Peru. The objective is to determine the gaps that will help to establish the best strategies that will be carried out.

Table 20.

| <i>Gaps that Artemma Arte y Religion has to export to the Target market of Peru</i>           |         |         |   |
|---|---------|---------|---|
| REQUEST   | COUNTRY | COMPANY | GAPS  |
| <b>ADMINISTRATIVE</b>   |         |         |   |
| Department of international business  | -       | NO      | Does not have personnel who carries out international procedures for the export process   |
| <b>MARKETING AND SALES</b>  |         |         |   |
| International transport   | YES     | NO      | There is no international logistics, so it is necessary to create safe and secure strategies so that the transfer of goods remain in good condition and reach the consumer.   |
| Accessible Sales Prices   | YES     | NO      | The prices of the products made by the company are high compared to those sold in the target market.  |
| Digital Marketing   | -       | NO      | It does not have a marketing plan to publicize the product they offer nationally and internationally.   |
| Documents for export to Peru.   | YES     | NO      | The company needs to obtain the documents that are established as requirement for the sale of products to Peru.   |
| Firma Electrónica   | YES     | NO      | This is indispensable for export procedures such as obtaining the certificate of origin and registration in the ECUAPASS.   |
| Documents for export from Ecuador.  | YES     | NO      | Ecuador establishes export requirements which must be processed by the company so that they can access international markets.   |
| <b>PRODUCTION</b>   |         |         |   |
| Appropriate package   | YES     | NO      | The packaging of products made by the company is not suitable for internationalization and does not have the necessary protection to avoid damages. On the other hand, implements are necessary in order to allow merchandise to be identified. |
| Bottleneck  | -       | YES     | The company has two bottlenecks that delay the production process and cause inconveniences in the delivery of orders, these are: drying and brushing.   |
| <b>FINANCIAL</b>  |         |         |   |
| Financial History   | -       | NO      | The company has already obtained a loan of \$ 70,000 which makes it difficult for it to obtain another one to invest in the internationalization process.   |
| Gaps that the company has for the export to Peru. Made by Fernanda Pineda and Daniela Torres. |         |         |   |

Table 20 establishes that Artemma Art and Religion has weaknesses that are important when becoming international, since this company does not have a specialized staff for export formalities. Also, the company has bottlenecks that hinder the process of production and international logistics. On the other hand, it lacks sufficient advertising to publicize and promote their product. Therefore, the company needs to create strategies for it to have enough capacity for it to export so it can supply not only the national but the international market as well.

Finally, since the Company has established its target market, it needs to fulfill the necessary established requirements so that the products can be successful in Peru.



### **3.11 Chapter conclusion**

In this chapter it was determined that the company has export potential because products manufactured in Cuzco are made with quinoa and red clay, while the Company analyzed uses powder tagua and resin. This makes marketing prices slightly different without taking into account the logistics costs that the company must pay for when exporting. However, we could analyze that the bottlenecks found can hinder the production process.

It is important to stress that a feasible logistics study is required so that the company can afford the expense involved in exporting. However, the international agreement that Ecuador has with Peru allows the trade of goods and services between countries to be exempted from taxes. We consider that to improve the process correctly, the Company needs to create an international operation department.

Finally, the company has the ability to export, yet there are gaps which, through strategies, enable the company to internationalize its product.

## **Chapter 4: Development of strategies for closing Artemma Art and Religion's gaps.**

### ***Chapter Introduction***

In this chapter a crossed SWOT analysis of the company will be carried out in which opportunities can be taken advantage of through its strengths and opportunities and to prevent threats that affect the company through its weaknesses.

On the other hand, applicable solutions for the gaps of the company will be established as they are difficulties that prevent internationalization. For this reason, the objective is to implement and develop strategies to provide the company access to the international market through the use of its full improvement capacity in each of the following areas: administrative, financial, marketing and sales, and production.

#### ***4.1 Crossed SWOT analysis***

In Table 21 the crossed SWOT analysis will be explained, which shows how to take advantage of the opportunities offered by the market against the strengths of the company, and in the same way it explains how to deal with the threats and weaknesses that the company has.

Table 21

## Crossed SWOT of the Company Artemma Arte and Religion

| Crossed SWOT  |   | STRENGTHS   |   | WEAKNESSES  |  |
|---------------|---|---|---|---|--|
|               |   | S 1   | The company is responsible for delivering its orders on time. The company periodically investigates and analyzes new materials to improve the durability and strength of the product.   | W 1   | There is no international studies department in the company that guides its internationalization.        |
|               |   | S 2   | The production capacity of the company has been increasing which shows that it can supply the Peruvian market.  | W 2   | It does not have an advertising campaign design that allows the product to be known.                     |
|               |   | S 3   | The flexibility of the designs owned by the company allows them to adapt to the needs of customers. The resistance of the ornaments because of the raw material used for their production makes them not sensitive products as in the case of other ceramics. | W 3   | It does not have a contract with a transportation company to help transfer the goods to another country. |
|               |   | S 4   | The quality control process that the company has (as noted in the first chapter) avoids a large percentage of images with errors, which reduces the possibility of loss.  | W 4   | It does not have the sufficient financial liquidity to cover all the expenses of an export               |
| OPPORTUNITIES |   | Artemma Artes y Reliion Company has the capacity to supply the Cuzco market with its products, since having innovation and flexibility in the production designs can satisfy the tastes and preferences of consumers by providing them with quality products. Due to the ease of opting for any means of transport, it is considered that the terrestrial route is the best option since the distance is short and does not increase the logistical costs of the product. On the other hand, the company having a good quality control allows to obtain important certificates for the export process as the certificate of origin that will release the tariffs. |   | With the implementation of advertising of the quality and originality the product can be known in order to attract customers. By contracting a customs agent, this facilitates the process of exporting the product, as well as the processing and knowledge of trade agreements between the countries to meet the requirements established to allow liquidity that the company owns. |  |
| O 1           | Cusco is a potential market, since similar products are not marketed they have different processing equipment: quinoa and red clay. Also the finishes of the Cusco crafts are less elaborate than crafts of the company   |   |   |   |  |
| O 2           | The company has unique, original and traditional products that would attract new customers.   |   |   |   |  |
| O 3           | In Cusco there are foreigners who appreciate culture, which benefits the company since its main clients in the national market are tourists. • The prices of the ornaments in Cusco are slightly lower than those produced by Artemma Arte y Religión (\$ 27.40, \$ 13.70 and \$ 6.09). |   |   |   |  |
| O 4           | With trade agreements between Peru and Ecuador, the company's exports are free of tariffs. The distance between Ecuador and Peru makes the company to choose land, sea or air transportation depending on the urgency of delivery of merchandise.                                       |   |   |   |  |
| THREATS       |   | Optimize and use the raw material to reduce production costs, thus allowing prices for customers to be available. Through the flexibility and quality that the company has to innovate in the designs of the ornaments to attract the attention of the clients to sell the necessary quantity that covers the expenses of exporting, generating thus loyalty of the client.   |   | Create a simple export plan in first instance to export a small amount of adornments, with the help of a broker, which facilitates the process of commercialization of the product. Likewise, to publicize the products through a marketing plan that captures the attention of the customers in order to increase the possibility of sale in the following exports                   |  |
| T 1           | The price of the company's ornaments is high compared to the average price in the Peruvian market in general.   |   |   |   |  |
| T 2           | Do not have contacts that help to expedite the marketing of the product in Cusco.   |   |   |   |  |
| T 3           | It does not sell the necessary products to solve the expense of export, that is, to have a constant loss.   |   |   |   |  |

Strengths, threats, weaknesses and opportunities of Artemma Art and Religion. Made by Fernanda Pineda y Daniela Torres

## ***4.2 Marketing and Sales Strategies***

### ***4.2.1 Digital Marketing***

Artemma Art and Religion intend to market their products based on the quality of its products and the differentiation of its manufacturing processes through advertising campaigns with the aim of expanding knowledge on the materials used to manufacture the products and their finishing touches, in order to create expectations to purchase different products that normally are traded in Cuzco.

Since the company did not have digital marketing, it has created a sketch of the company website where its mission and vision, its staff and its different products along with its offers, discounts and promotions are detailed. The aim of creating a website is to inform users about basic and significant data of the company and the innovations of its products in order to generate sales, not only nationally but internationally as well.

## Artesanía Cuencana

QUIENES SOMOS

### Catalogo

Colección Religioso

Decoración para el hogar

Promociones y descuentos

VENTA ON-LINE

Mapa del sitio

## Artesanía Cuencana



### ESENCIA:

*En Artemma cada adorno es una expresión artística cuya esencia es el proceso creativo.*

*El valor al diseño de artesanías, desde que se dibujan hasta que se transforman en objetos tangibles, hace que nuestras motivaciones sean la búsqueda de creatividad para transmitir valores y emociones*

### ARTESANÍA:

*La elaboración minuciosa de cada artesanía hace de Artemma una empresa donde se mima el trabajo artesanal.*

*Se valora un oficio realizado como lo hacían los antiguos artistas fusionado con la tendencia, el diseño y la innovación. Por ello, cada pieza es única, cada una cuenta "algo" de quien la hizo y "algo" de quien la lleva.*

### VANGUARDIA:

*El vanguardismo es la búsqueda individual como libertad de expresión.*

*En Artemma los adornos son atemporales, buscan la belleza y la elegancia, el carácter y la personalidad.*

Subpáginas (1): [QUIENES SOMOS](#)

Figure 37. Sketch of Artemma Arte y Religion web page. Realized by Fernanda Pineda and Daniela Torres.

Another way for the company to promote itself is through social networks, which is why Facebook and Instagram accounts were created for the company since they are the most used worldwide and are considered as a way for products to capture the interest of the people through product updates, offers, etc. On the other hand, Facebook offers the segment advertising service through which Artemma aims to reach tourists in Cuzco between 25-54 years-old (including tourists) in order to present the product they offer. (Facebook, 2016)



Figure 38. Facebook page of Artemma Arte y Religión. Realized by Fernanda Pineda and Daniela Torres.



Figure 39. Instagram page of Artemma Arte y Religión.  
Realized by Fernanda Pineda and Daniela Torres.

Another strategy to promote the company is to contact different businesses in Cuzco that sell complementary products that can be sold with Artemma's products. For example: Casaideas, the furniture store Casa Grande y Hogar and the furniture company Muebles Rony are companies engaged in the sale of household items and furniture. Therefore Artemma could



indirectly complement the image and decoration of these products that are aimed to indirectly attract customers visiting these places. This is because the client comes to these companies in order to buy furniture but could also notice Artemma's home décor products.

Another way to promote the Artemma brand is by advertising through magazines and newspapers that are recognized in Peru such as the magazine Exportar: economía, negocios y turismo, SOMOS y Tu hogar (DePeru.com, 2016), which allow advertising in spaces that are related to business or the marketing of products. On the other hand, advertising is also useful through newspapers, such as for example in the newspaper El Comercio of Peru, through ads published for about a month.

Additionally, a sketch of the company logo was made so that possible clients that see this image identify the product with Artemma Art and Religion. It is recommended for the company to register the logo in the Ecuadorian Institute of Intellectual Property (IEPI) so that others cannot generate similar logos and to prevent confusion among customers.



Figure 40. Logo of Artemma Arte y Religión. Realized by Fernanda Pineda and Daniela Torres.

As shown in Figure 40, the logo consists of a pyramid and within it is a Hummingbird. The pyramid is a transcendental symbol of life and prosperity through time and it shows that one can rise from the darkness and become pure gold and shine with one's own light. (Ismael Abad, 2016) The quinde or hummingbird represents the creature that feeds on the best that nature produces, the nectar of its essence. It has the ability to fly and go from flower to flower contemplating the diversity and the art of God's creation. For this reason it represents art since it has the ability to see the essence of life. (Ismael Abad, 2016) These strategies are intended to attract and to inform the customer in Cusco on Artemma Art and Religion.

The company aims to export its most innovative home décor items in order to capture the customer's attention with different crafts compared to the ones that are usually sold in Cuzco.

The following figure shows the different products that the company produces, which are categorized by retail price, size, and main features.



Figure 41. Catalog of Artemma Arte y Religión. Information obtained in the company. Realized by Fernanda Pineda and Daniela Torres.

### ***4.3 Export Requirements.***

It is important for the company to follow a process in order to be considered as an exporter. According to an interview with a customs broker, first the company must register with the IRS as an exporter, in other words, its RUC should be updated to be able to carry out the ECUAPASS process indicated in chapter 3. It is important to mention that the Legal Representative, Ramiro Emmanuel Abad Idrovo, will be in charge of this process, who must apply for the electronic digital certificate for the creation of electronic signature or Token. On the other hand, the Ecuapass exporter registration process and the export documents should be handled by a customs agent that charges \$100.00 for each export.

### ***4.4 Electronic signature or token.***

For the company to be registered in the ECUAPASS program and to be able to export, it must have an electronic signature which in turn will facilitate certain online formalities. This legal representative of the company is responsible for carrying out this process.

For this process, according to Petroecuador's official website, the following documents are required:

1. A company RUC.
2. Copy of the identity card.
3. Copy of the voting ballot.
4. Copy of appointment or employment certificate indicating the position, signed by the legal representative.
5. Authorization signed by the legal representative.

On the other hand, this process can be completed online through the Electronic Certification page ([www.eci.bce.ec](http://www.eci.bce.ec)), where these steps must be followed:



1. Choose the menu: Electronic Certification, then the Electronic Signature by
2. Enter the data on the Enter Request option, send and print.
3. A mail with the certificate of approval will be sent which must be paid at the Civil Registry offices (\$49.00 + TAX) or through a bank transfer.
4. Present the necessary documents required at the Civil Registry to obtain the signature and the token.



Figure 42. Electronic process to obtain electronic signature. Information obtained in Central Bank.

Previo a solicitar un certificado digital de firma electrónica, revisar las [normativas](#) correspondientes a cada tipo de certificado [DPC](#)(Declaración de Prácticas de Certificación), [PC](#)(Políticas de Certificados), [modelo de contrato](#)

Antes de iniciar su solicitud, verifique tener sus documentos escaneados en formato PDF, (tamaño menor o igual a 1Mb y legibles), que requerirá subir para el registro.

**Persona Natural**

- Digitalizado de Cédula o pasaporte a Color
- Digitalizado de Papeleta de votación actualizada, (exceptuando a personas mayores a sesenta y cinco años, las ecuatorianas y ecuatorianos que habitan en el exterior, los integrantes de las Fuerzas Armadas y Policía Nacional, y las personas con discapacidad)
- Digitalizado de la última factura de pago de luz, agua o teléfono

• **ECUAPASS** - Para Agentes de Aduana o importadores/exportadores, es obligatorio ingresar su número de RUC en el formulario de solicitud

[Ingreso a formulario de solicitud >>](#)

**Persona Jurídica**

- La empresa debe estar previamente registrada en el sistema [Registro de Empresa >>](#)
- Conocer el número de RUC de la empresa
- Digitalizado de Cédula o pasaporte a Color
- Digitalizado de Papeleta de votación actualizada, (exceptuando a personas mayores a sesenta y cinco años, las ecuatorianas y ecuatorianos que habitan en el exterior, los integrantes de las Fuerzas Armadas y Policía Nacional, y las personas con discapacidad)
- Digitalizado del nombramiento o certificado laboral firmado por el Representante Legal
- Autorización firmada por el Representante Legal. (En caso de subrogación o delegación, adjuntar el oficio de encargo o delegación) **Importante:** Para el día en que realice el pago, traer esta autorización en formato impreso. [Ver Modelo de Oficio >>](#)

[Ingreso a formulario de solicitud >>](#)

**Funcionario Público**

- La empresa debe estar previamente registrada en el sistema [Registro de Empresa >>](#)
- Conocer el número de RUC de la institución
- Digitalizado de Cédula o pasaporte a Color
- Digitalizado de Papeleta de votación actualizada, (exceptuando a personas mayores a sesenta y cinco años, las ecuatorianas y ecuatorianos que habitan en el exterior, los integrantes de las Fuerzas Armadas y Policía Nacional, y las personas con discapacidad)
- Digitalizado del nombramiento o acción de personal o certificado de recursos humanos
- Autorización firmada por el Representante Legal. (En caso de subrogación o delegación, adjuntar el oficio de encargo o delegación) **Importante:** Para el día en que realice el pago, traer esta autorización en formato impreso. [Ver Modelo de Oficio >>](#)

[Ingreso a formulario de solicitud >>](#)

Figure 43. Electronic process to obtain electronic signature. Information obtained in Central Bank.

**Solicitud Formulario**

**Datos de la Solicitud**

Seleccione el tipo de certificado para su solicitud

Persona Jurídica

Seleccione el tipo de contenedor para su certificado

Token

Seleccione la ciudad y oficina de entrega de su certificado.

Ciudad: Cuenca Entidad: DIRECCIÓN GENERAL DEL REGISTRO CIVIL IDENTIFICACIÓN Y CEDULACIÓN Oficina: SUCURSAL CUENCA - CENTRO-ALFONSO JERVES Y MANUEL VEGA

Lugar de entrega: Cuenca - DIRECCION GENERAL DEL REGISTRO CIVIL IDENTIFICACIÓN Y CEDULACIÓN - SUCURSAL CUENCA - CENTRO - ALFONSO JERVES Y MANUEL VEGA

Seleccione su Tipo de Identificación

Cédula

Ingrese su cédula

Por favor verifique que su información sea correcta y seleccione el botón siguiente para continuar con el registro de su solicitud.

Ayuda Siguiente

Figure 44. Application form to have an electronic signature. Information obtained in Central Bank.

Figure 44 Application form to have an electronic signature

**Solicitud Formulario**

**▼ Datos Empresa**

Razón Social:

**▼ Datos Personales**

Institución:  Llena este campo en caso de que el nombre de su institución sea diferente a la razón social de la empresa.

\*Cedula / Pasaporte:  010434110

\*Primer Apellido:

\*Segundo Apellido:

RUP (Compras Públicas):

\*País Domicilio:  ECUADOR

\*Provincia domicilio:  Seleccione ...

\*Ciudad de domicilio:  Seleccione ...

\*Dirección de domicilio:

\*Sector domicilio:

\*Teléfono Domicilio:  0172572522

\*Celular:  0967825850

\*Correo Electrónico Empresarial:

\*Correo Electrónico alternativo:

\*País Oficina:  ECUADOR

\*Provincia Oficina:  Seleccione ...

\*Ciudad Oficina:  Seleccione ...

\*Dirección de Oficina:

\*Teléfono Oficina:

\*Extensión:

Fax:

\*Cargo:

Figure 45. Application form to have an electronic signature. Information obtained in Central Bank.

**Uso Certificado**

☐ FIRMA DE DOCUMENTOS Y TRANSACCIONES

☐ CORREO ELECTRONICO

☐ AUTENTICACION

☐ CIPRADO

☐ SISTEMA NACIONAL DE PAGOS (SNP/SP/SCP)

☐ DEPOSITO CENTRALIZADO DE VALORES

☐ FACTURACION ELECTRONICA

☐ PROCESOS AUTOMATIZADOS DE FIRMA

☐ OPERACIONES DE COMERCIO EXTERIOR

☐ QUIPUX SISTEMA DE GESTION DOCUMENTAL

☐ SISTEMA DE GESTION DOCUMENTAL

☐ OTRO...

Uso de certificado solo para fines estadísticos.

**▼ Para fines internos de validación**

Estas preguntas son solo para validaciones internas del sistema.

\*Pregunta 1:  Seleccione ...

\*Pregunta 2:  Seleccione ...

**▼ Requisitos**

Si cumple una de las siguientes excepciones, la papeleta de votación no es requerida. (Marque la opción).

☐ Personas mayores a sesenta y cinco años.

☐ Extranjeros o ecuatorianos que residen en el exterior.

☐ Integrantes de las Fuerzas Armadas y Policía Nacional.

☐ Personas con discapacidad.

|  | Requisitos (Solo archivos PDF de tamaño menor o igual a 1MB)                     |   |
|--|--|---|
| *Copia clara de la papeleta de votación.   | <input type="button" value="Examinar..."/> No se ha seleccionado ningún archivo. | <input type="button" value="Limpiar..."/> |
| *Copia del nombramiento o certificado laboral firmado por el Representante Legal | <input type="button" value="Examinar..."/> No se ha seleccionado ningún archivo. | <input type="button" value="Limpiar..."/> |
| *Autorización firmada por el Representante Legal                                 | <input type="button" value="Examinar..."/> No se ha seleccionado ningún archivo. | <input type="button" value="Limpiar..."/> |
| *Copia a color oficial o pasaporte   | <input type="button" value="Examinar..."/> No se ha seleccionado ningún archivo. | <input type="button" value="Limpiar..."/> |

Figure 46. Application form to have an electronic signature. Information obtained in Central Bank.

#### ***4.5 Certificate of origin.***

To obtain a certificate of origin, the exporter shall login to the ECUAPASS page and prior to this requirement the exporter must have a TOKEN (digital signature). The exporter must generate the Affidavit of Origin (DJO), which lasts two years and is designed to determine whether the product meets the rules of origin set out in the agreements. As a result, it can benefit from tariff preferences. (PROECUADOR, [www.proecuador.gob.ec](http://www.proecuador.gob.ec), S. F.)

In the case of the company Artemma Art and Religion and with Peru as its target market, the authorized entity that must issue the certificate of origin is the Ministry of Industry and Productivity. (PROECUADOR, [www.proecuador.gob.ec](http://www.proecuador.gob.ec), S. F.)

#### ***4.6 Mode of transportation for the merchandise.***

The best mode of transportation option for the merchandise is through land transportation due to the short distance between Peru and Ecuador and because of its cheaper price, compared to other means. For this reason, we have opted to use the Incoterm CIF:

"Cost, Insurance and Freight" means that the selling company delivers the goods on the ship or provides the goods as already delivered. The risk of loss or damages of the goods is handed over to the other part when the merchandise is on the edge of the ship. The selling company must hire and pay for the necessary costs and shipping to bring the goods to the port of destination." (International Chamber of Commerce, 2010)

Therefore, we requested a proforma invoice from the Solcourier the company who gave us a quote of \$554.92 without TAX to transport approximately 47 kilos. Table 20 shows the average cost per box and per unit, taking into account the weight per box and the



number of items that each box contains. On the other hand, it is important to mention that this mode of transport only takes goods to Lima. As a result, we contacted the company Travico (transport company in Peru), who gave us a quote by phone of \$30 for the transfer of goods from Lima to Cuzco, which adds to the cost of each unit a total of 0.01 cent.

**Table 22**

*Unit cost of transportation of ornaments to Peru*

| <b>ORNAMENTS</b> | <b>COST OF<br/>TRANSPORTATION<br/>PER KILO</b> | <b>WEIGHT<br/>PER BOX</b> | <b>COST<br/>PER<br/>BOX</b> | <b>N°<br/>ORNAMENTS</b> | <b>COST<br/>PER<br/>UNIT</b> |
|------------------|--|---------------------------|-----------------------------|-------------------------|------------------------------|
| Small            | 11,8   | 0,15                      | 1,77                        | 125                     | 0,02                         |
| Medium           | 11,8   | 2,7                       | 31,86                       | 27                      | 1,19                         |
| Large            | 11,8   | 1,8                       | 21,24                       | 4                       | 5,32                         |

Cost of transportation of goods to Peru, quote obtained from Solcourier. Made by Fernanda Pineda and Daniela Torres.

#### ***4.7 Administrative Strategies.***

##### ***4.7.1 Department of Foreign Trade.***

For the company to export, it has been necessary to implement a Department of Foreign Trade, which aims to carry out export processes correctly and to keep up with new customs legislation resolutions that may affect the internationalization of the product.

To incorporate the new Foreign Trade Department, first, it is important to hire a broker. However, it has been decided that the Legal Representative will be trained to be able to carry out the activities. On the other hand, the company needs to hire a customs agent who will not be considered as a permanent employee of the company since this person will be hired only when the company needs to exports its products. "When a worker carries out a particular task for a certain remuneration, it includes the work for completing the entire task, without taking into consideration the time invested in completing it." (Ministry of Labor, 2016)

In order for the company's Foreign Trade department to be efficient, it must sign up in the "Exporta País" program, organized by the Ministry of Foreign Trade.

This program is aimed at MSMEs and actors from the popular and solidarity economy, whose beneficiaries are natural or legal persons. The advantages that the "Exporta País" program offers is training and coaching, technical assistance of products and certifications, as well as support in trade fairs and missions. (Proecuador, 2016)

#### *4.7.2 Steps to follow:*

To access the training courses that the "Exporta País" program offers, a company must do the following:

1. Enter the required information on the following webpage:  
[www.proecuador.gob.ec/exportapais/](http://www.proecuador.gob.ec/exportapais/)
2. Register the company's data, complete the required forms in the application and attach the supporting documents requested.
3. Companies can ask for assistance during this process from the MCE staff from its main offices, as well as in the zonal and national levels. (Proecuador, 2016)

#### *4.7.3 Requirements to sign up for the Exporta País program:*

1. A company must have a product with export potential.
2. It should be operating for at least 24 months.
3. That they are up to date with their tax and employer obligations.
4. The company must not have partners based in tax havens.
5. It must comply with the delivery of documentation required. (Proecuador, 2016)

#### *4.7.4 Requirements for a Company to be eligible for the Exporta País program.*

1. Company Conditions: Level of development of the business structure.  
(Proecuador, 2016)

"... The organizational structure of the company or organization is what allows the expressed allocation of responsibilities of the various functions and processes to different people, departments or subsidiaries" (Financial Encyclopedia, 2016)

2. Product features: Ability of the company to respond to changes and innovations of the export supply. (Proecuador, 2016)
3. Market conditions: Knowledge of the conditions to export effectively to the target market. (Proecuador, 2016)
4. Commercial and Marketing Terms: A serious development of the business strategy, use of materials and promotional tools for export. (Proecuador, 2016)
5. Compliance with export experience: Export process and potential business contacts. (Proecuador, 2016)

Finally, companies that meet the eligibility and enforceability criteria evaluated based on business conditions and complete the scoring process, qualify and are considered as pre-selected. (Proecuador, 2016)

#### 4.7.5 Program Phases.

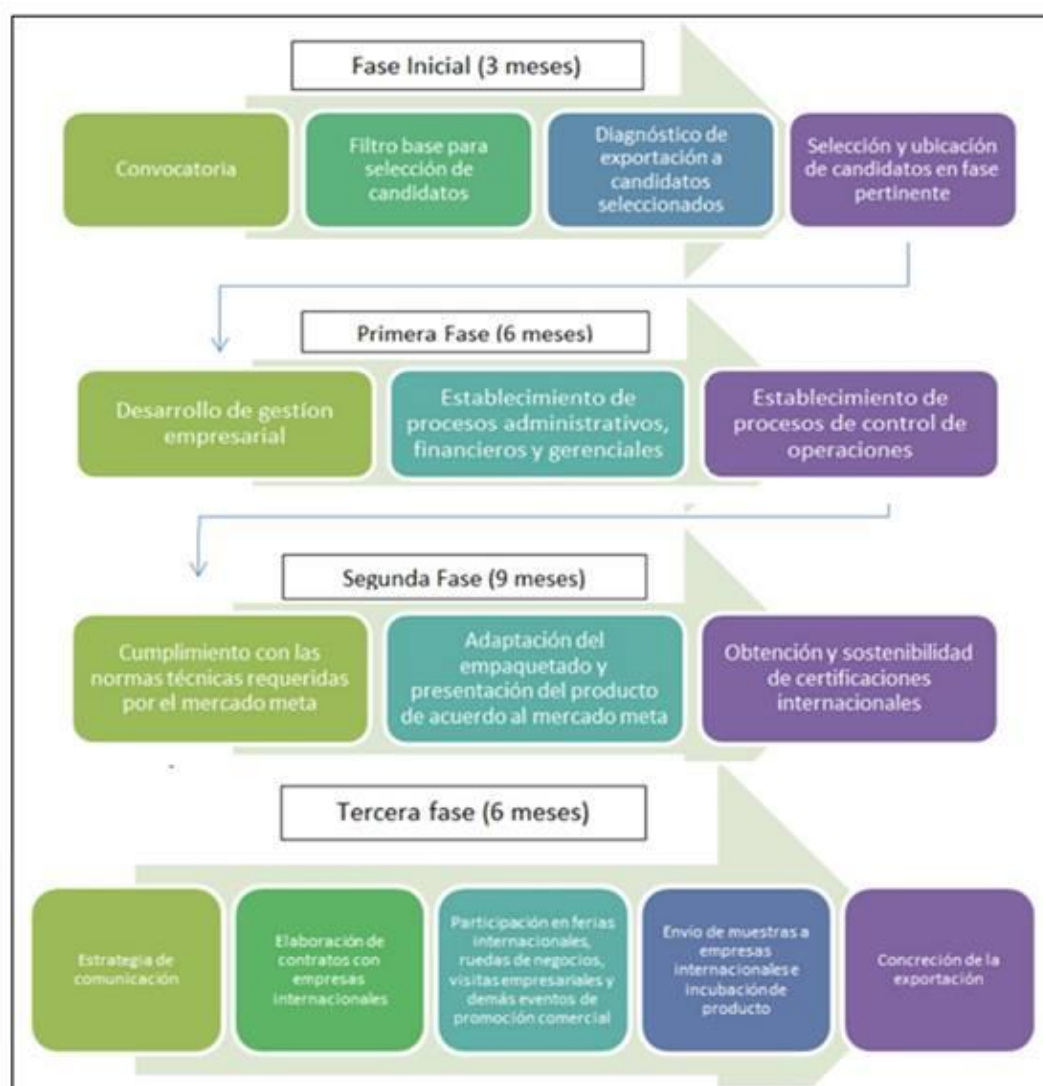


Figure 47. Process Stages to Capacitation of "ExportaPais". Information obtained in Proecuador.

This program intends to help Artemma Art and Religion succeed in obtaining the free training necessary to learn how to export as well as how to show their product internationally in the various fairs that are carried out by Exporta Fácil.

Moreover, the SBS Consulting Company provides foreign trade conferences in the city of Quito priced at \$897.75 for five people for two days with a duration of 8 hours each day.

#### ***4.8 Production Strategy.***

##### *4.8.1 Bottlenecks.*

**Contract a professional:** The Company has difficulties in the painting part of the production process since it does not work with an expert in this area. As a result, the need for new staff members dedicated to this job will be published in newspapers and social networks. According to Ramiro Edgar Abad Mejia, owner of the company, the selection and hiring of personnel for painting or “pincelado” must meet the following requirements:

1. Experience of one year minimum.
2. Knowledge of color techniques.
3. Knowledge in finishing touches and similar techniques.
4. Aging techniques.
5. Creativity.
6. University degree in object design.
7. Salary
8. With a college degree: \$500
9. Without a degree: Minimum Wage + pay for extra hours.

**Construction of a greenhouse for the drying process:** By analyzing the company’s production process, it was observed that there is not a place to dry the handicrafts, and this delays the production process. Therefore, the construction of a greenhouse has been considered as this may concentrate the heat required to make the drying of products easier and faster and to avoid the accumulation of products during this stage.

We spoke with Ing. Adrian Criollo who helped us with the design of the greenhouse (Figure 48) with the following measurements: 4.5 m high, 4.5 m long and 4.5 wide, established by the owner of the company. Engineer Fabian Sisa suggested the company use metal for the greenhouse structure instead of wood since it lasts longer. With wood the greenhouse would last for only approximately 5 years, while with the metal the structure, it may last from 35 to 40 years and the only thing that would have to be changed every 5 years is the plastic.

Therefore, Engineer Fabian Sisa gave us a quote of us \$300, where \$240 would pay for materials and \$60 for labor. This greenhouse will have a capacity of approximately 800 ornaments each month, which means that this expense can be recuperated since the production capacity of the company will improve and it will have the possibility to get better in a month if the discussed percentages are sold: 45% small, 35% medium and 20% large.

This time period is obtained by taking into account that normally the company produces 550 ornaments a month. To this value 30% of production is added as well since the company will be able to produce more by eliminating bottlenecks and this extra production will be exported as agreed with the Manager-Owner, giving a total of 715 ornaments. The difference between the amount that used to be produced and what can be produced now is 165 products, which generates a net profit of \$1,487.72 in about a month. If we consider that the fixed costs to export are \$1,488.20 per month and the greenhouse accounts for only 0.20 cents of this total, the total monthly recovery is \$299.90.

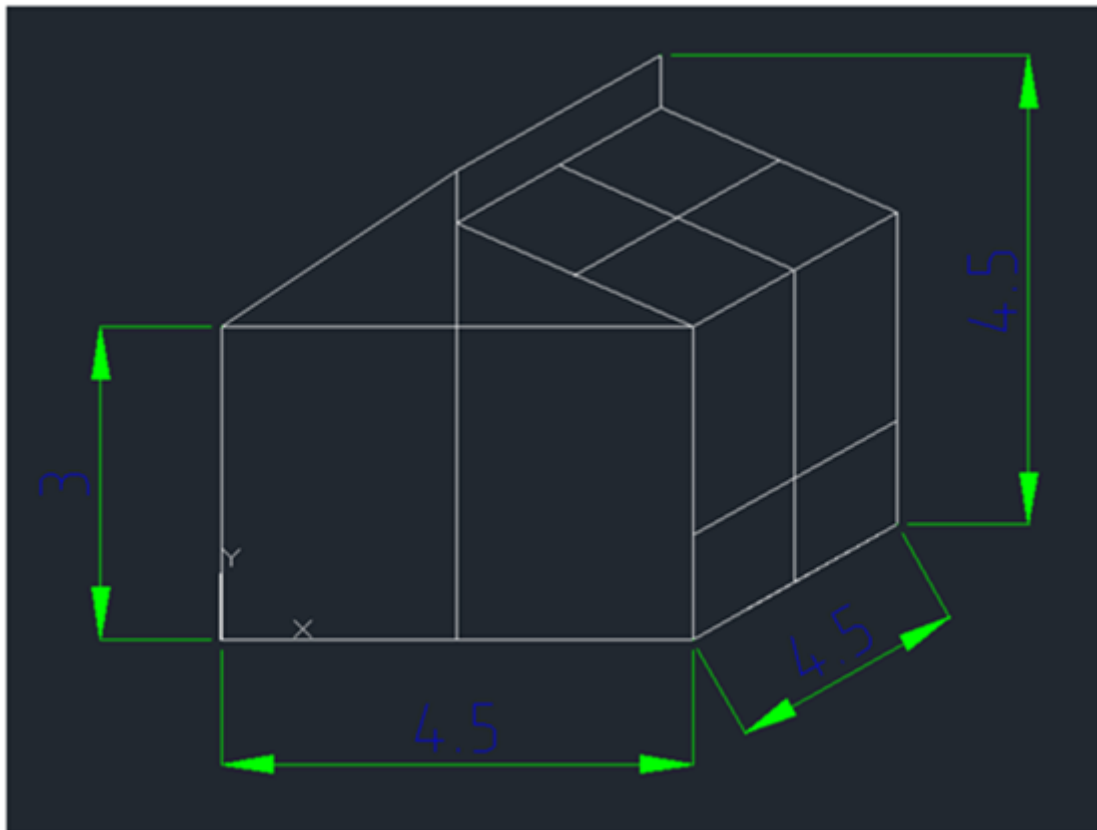


Figure 48. Greenhouse plan for drying process. Made by Eng. Adrian Criollo

**Packaging:** To determine the form of packaging for the products, they will be classified according to physical properties such as fragile and delicate items that could be damaged crack or break easily. The packaging will be selected according to the weight and size. Since this is a product that is not affected by moisture, the product should first be wrapped with paper. It is important to also protect the small details of each ornament that protrude and are more delicate.



Figure 49. First Stage of packaging ornaments. Information of Martinez, 2016.

The crafts will also be wrapped in bubble wrap for protection (the bubbles must be facing the craft) to avoid scratches and dust accumulation and so that it has a soft padding. (Martinez, 2016)



Figure 50. Second Stage of packaging ornaments. Information of Martinez, 2016.



It is recommended to avoid leaving parts uncovered in order to avoid future shocks. To avoid these drawbacks, when exporting, the handicrafts will be packaged in boxes with dividers depending on the size of the craft and will also be filled with plastic foam for added protection. (Martinez, 2016)

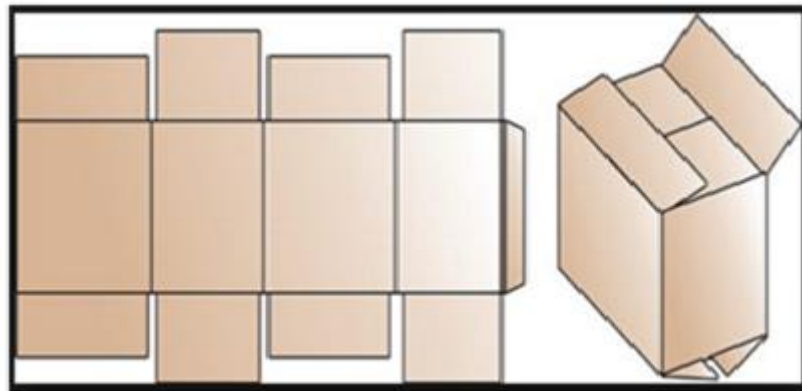


Figure 51. Design of packaging box. Information of [google.com/ images](https://www.google.com/images).

It is essential for the product boxes to say that the product inside is fragile. This way the people in charge of transporting the boxes will be careful when moving them.

A plastic film stretch will also be wrapped around stacked boxes so that these do not move around and to avoid the accumulation of dust on the products. (Martinez, 2016)

To know how much the packaging costs is, we have requested the price of materials used in the packing process. The company, “Cartoneras del Austro”, quoted the boxes at \$2.09 with measurements of 75 cm long, 50 cm high and 50 cm wide. The price of 4 kg and 50 cm of plastic stretch film is \$14.00. In the case of bubble wrap that is 1 m wide and 100 m wide, the company Facalo S.A. gave us a price of \$62.37. Finally, 90 \* 130 cm newspaper sold at Papeleria Monsalve costs \$0.09 cents.

**Prices of Materials:** Since these are export products, the production cost per unit increases. As a result, in Table 21 an approximate analysis is carried out of the amount of home décor items that each type of material can cover. It is important to emphasize that to determine the different groups, the images were divided by similarity in size, which is why costs can vary as it depends on the amount of material used and detail that each ornament has.

In the case of the boxes, 125 crafts fit in small, 27 in medium and 4 in large boxes, respectively. This value is divided by the price of each box, which is \$2.09, giving a unit value average of \$0.017 for small ornaments, \$0.08 for medium sized items and \$0.52 for large products. We can also obtain the unit value of the plastic stretch wrap by using the same calculations, since this item will cover the boxes containing the home décor items, which has a price of \$2.09, which gives us an average of \$0.016 for small units, \$0.047 for medium units and \$0.50 for large units. By obtaining these quotes from a single source, these values will be added to the final cost for a total of \$0.03 small, \$0.15 medium and \$1.02 large.

On the other hand, the bubble wrap, which has a price of \$62.37, can cover 457 small, 300 medium and 150 large home décor products, which results in an average cost of \$0.14, \$0.21 and \$0.42, respectively. In the case of paper, the price is 0.09 cents, which covers 8 small, 4 medium and 2 large ornaments, giving an average unit cost of \$0.01, \$0.02 and \$0.05, respectively.

Finally, in the same table the sum of the costs mentioned above can be observed, giving a total average cost of \$0.18 for small items, \$0.38 for medium items, and \$1.48 for large items.

**Table 23**

*Unit costs of packaging the ornaments to export to Cusco-Peru*

| CRAFTS | PLASTIC BUBBLES |          |           | PAPER |          |           | PAPERBOARD |          |           | STRETCH PLASTIC |         |           | TOTAL COST |
|--------|-----------------|----------|-----------|-------|----------|-----------|------------|----------|-----------|-----------------|---------|-----------|------------|
|        | PRICE           | QUANTITY | UNIT COST | PRICE | QUANTITY | UNIT COST | PRICE      | QUANTITY | UNIT COST | PRICE           | QUATITY | UNIT COST |            |
| SMALL  | 62.37           | 457.00   | 0.14      | 0.09  | 8.00     | 0.01      | 2.09       | 125.00   | 0.02      | 2.00            | 125.00  | 0.02      | 0.18       |
| MEDIUM | 62.37           | 300.00   | 0.21      | 0.09  | 4.00     | 0.02      | 2.09       | 27.00    | 0.08      | 2.00            | 27.00   | 0.07      | 0.38       |
| LARGE  | 62.37           | 150.00   | 0.42      | 0.09  | 2.00     | 0.05      | 2.09       | 4.00     | 0.52      | 2.00            | 4.00    | 0.50      | 1.48       |

Total unit costs of materials needed for the export of the ornaments elaborated by Artemma Arte y Religion to Cuzco. Quotes obtained from companies such as Cartoneras del Austro, Monsalve and Facalo. Made by Fernanda Pineda and Daniela Torres.

To obtain the average export costs, first the price for the national distribution of the products must be taken into account. Additionally, the cost of transport and packaging analysis must be carried out, as shown in Table 24. The sum of these three costs gives us a total of \$3.36 for small products, \$7.68 for medium items and \$16.57 for large ornaments. It has been decided, along with the manager-owner of the company that the same level of national income should be maintained, the percentage of 120%, which gives us a price without taxes of an average of \$7.39 for small ornaments, \$16.90 for medium ornaments, and \$36.45 for large ornaments in the target market.

**Table 24**

*Total unit cost of the ornaments to export from the company Artemma Arte y Religión to Cusco-Peru*

| <b>CRAFTS</b> | <b>COST PER UNIT AT NATIONAL LEVEL</b> | <b>COSTS (packing)</b> | <b>APPROXIMATE TRANSPORTATION COST</b> | <b>TOTAL COST PER UNIT TO EXPORT</b> | <b>PRICE WITH 120% OF PROFIT MARGIN</b> |
|---------------|--|------------------------|--|--------------------------------------|---|
| SMALL         | 3.16                                   | 0.18                   | 0.02                                   | 3.36                                 | 7.39                                    |
| MEDIUM        | 6.11                                   | 0.38                   | 1.19                                   | 7.68                                 | 16.90                                   |
| LARGE         | 9.77                                   | 1.48                   | 5.32                                   | 16.57                                | 36.45                                   |

Total de los costos unitarios por adorno para la exportación a Cusco-Perú. Elaborado por Fernanda Pineda y Daniela Torres.

Using the formula  $EXW + FOB + CIF + 16\% \text{ TAX}$  (added value tax in Peru), the price with tax in the target market is \$8.57 for small ornaments, \$19.60 for medium ornaments, and \$42.28 for large ones, generating a total sales per lot of \$1071.25 , \$529.20 and \$169.12, respectively.

**Table 25**

| <i>Total Export Price</i>                |       |      |      |                               |             |                   |                       |
|--|-------|------|------|-------------------------------|-------------|-------------------|-----------------------|
| Size                                     | EXW   | FOB  | CIF  | Subtotal<br>before tax<br>16% | Tax 16<br>% | Total per<br>unit | Export batch<br>total |
| Small                                    | 7,19  | 0,18 | 0,02 | 7,39                          | 1,18        | 8,57              | 1071,25               |
| Medium                                   | 15,33 | 0,38 | 1,19 | 16,90                         | 2,70        | 19,60             | 529,20                |
| Large                                    | 29,65 | 1,48 | 5,32 | 36,45                         | 5,83        | 42,28             | 169.12                |
| <b>Total cost of exporting ornaments</b> |       |      |      |                               |             |                   | <b>\$1769,57</b>      |

Total export price of large, medium and small handicrafts. Made by Fernanda Pineda and Daniela Torres

#### **4.09 Financial Analysis**

An export strategy is to improve production, increasing capacity of the company by reducing the waste of material during the production process and implementing methods. An example of this is the greenhouse, which will decrease the drying time and eliminate the bottleneck that exists.

However, it is important to note that these strategies must not affect the national production of the company. The goal is to maintain the same domestic production, while increasing in production an approximate of 30%, which will be purely for export uses, so this way the company can supply the domestic market and venture in the new market.

#### **4.10 Balance point.**

$$\begin{aligned}
 \text{PE} &= \frac{\text{FIXED COST}}{(\text{SALE PRICE1} - \text{COST OF PRODUCTION1}) * \% \text{ OF SALES} + \text{N2}} \\
 \text{PE} &= \frac{1488,2}{(7,39-3,36)*45\% + (16,90-7,68)*35\% + (36,45-16,57)*20\%} = \frac{1488,2}{9,02} = 165
 \end{aligned}$$

The balance point will be useful to know how many units the company has to sell in order to recover the money invested in exporting. In Table 25, the cost and the price of the units to export calculated above are taken into account, giving us a unit contribution margin of \$4.03 for small ornaments, \$9.22 for medium ornaments, and \$19.88 for large ornaments. It is important to highlight that the contribution margin is the result of subtracting the selling price of the product minus the cost of the product, which is equivalent to the profit percentage that each product gives the company.

On the other hand, by analyzing sales and through a conversation with the manager-owner of the company, an approximate sales volume was established, which is 45% for small, 35% medium and 20% large ornaments. Additionally, the fixed cost involved in exporting was analyzed, in which 30% of salary for people who already work in the company was considered, since this is the percentage of production that will be destined for exporting and it will be the salary for the painter hired. This gives a total of \$1488.20.

To these established values, it is necessary to add the multiplication of the unit contribution margin by the sales volume of each ornament, to obtain a percentage total of the contribution margin. This gives a result of \$9.02. Then, to obtain the total balance point, the fixed costs established must be divided by the percentage obtained, which results in the sale of 165 images a month in order to have a full recovery of the investment.

Finally, 165 ornaments must be multiplied by the sales percentage for a total of approximately 74 small, 57 medium and 33 large ornaments. The balance point in dollars can be obtained with sales of \$548.88, \$976.29 and \$1,203.24, an approximate cost of \$249.56, \$443.66 and \$546.99, and a contribution margin of approximately \$ 299.32, \$532.63 and \$656.25, respectively.

**Table 26**

| <i>Balance point for export ornaments</i> |              |               |              |              |
|---|--------------|---------------|--------------|--------------|
|   | <b>Small</b> | <b>Medium</b> | <b>Large</b> | <b>Total</b> |
| Unit selling Price                        | 7,39         | 16,9          | 36,45        |              |
| Unit variable cost                        | 3,36         | 7,68          | 16,57        |              |
| Contribution margin                       | 4,03         | 9,22          | 19,88        |              |
| Turnover                                  | 45%          | 35%           | 20%          |              |
| Units per product to sell                 | 74           | 58            | 33           |              |
| Income                                    | 548,88       | 976,29        | 1203,24      | 2728,41      |
| Variable cost                             | 249,56       | 443,66        | 546,99       | 1240,21      |
| Contribution margin                       | 299,32       | 532,63        | 656,25       | 1488,2       |

Balance Point of the adornments that should be sold in Peru to recover the costs that the company has.  
Made by Fernanda Pineda and Daniela Torres.

#### ***4.11 Production costs and projected sales.***

Table 26 shows the production costs and domestic sales in 2015 and exports planned for the next 3 years. In the first year, 30% of sales and costs are projected of the national results, since by optimizing the production process this capacity can be completed without affecting domestic production. If the company cannot reach this amount, the Manager-Owner stated that this would still be the optimal percentage that they wish to reach for their export products.

On the other hand, it can be seen in the second and third year that the growth is a total of 1%, since the domestic sales growth percentage was taken into account and also the difficulty for a company to establish itself in a new market. Finally, through these projections that the company makes in the Cuzco, Peru market, a profit margin of \$23,842.84 will be obtained in 2016, \$24,081.265 will be obtained in 2017 and \$24,322.08 will be obtained in 2018.

Table 27

*Costs and Sales projected to years 1, 2, 3, 4 of the export of ornaments of the company Artemma Arte y Religion al Cusco-Peru*

| RUBROS                                    | Year 1     | Year 2    | Year 3    | Year 4    |
|---|------------|-----------|-----------|-----------|
| <b>COSTS</b>                              |            |           |           |           |
| Annual Amount                             | 48,369.00  | 14,510.70 | 14,655.81 | 14,802.37 |
| Total monthly units                       | 887.41     | 231.65    | 233.97    | 236.31    |
| Monthly Amount                            | 4,030.75   | 1,209.23  | 1,221.32  | 1,233.53  |
| Total small ornaments                     | 1,813.84   | 544.15    | 549.59    | 555.09    |
| Total units small ornaments               | 574.00     | 161.95    | 163.57    | 165.20    |
| Total medium adornments                   | 1,410.76   | 423.23    | 427.46    | 431.74    |
| Total units medium ornaments              | 230.89     | 55.11     | 55.66     | 56.22     |
| Total large ornaments                     | 806.15     | 241.85    | 244.26    | 246.71    |
| Total units large ornaments               | 82.51      | 14.60     | 14.74     | 14.89     |
| <b>SALES</b>                              |            |           |           |           |
| Annual Amount                             | 127,845.12 | 38,353.54 | 38,737.07 | 39,124.44 |
| Total monthly units                       | 888.00     | 231.65    | 233.97    | 236.31    |
| Monthly Amount                            | 10,653.76  | 2,660.30  | 2,686.90  | 7,514.95  |
| Total small ornaments                     | 4,787.16   | 1,197.13  | 1,209.10  | 6,022.38  |
| Total units small ornaments               | 574.00     | 161.95    | 163.57    | 165.20    |
| Total medium adornments                   | 3,726.03   | 931.10    | 940.41    | 949.82    |
| Total units medium ornaments              | 231.00     | 55.11     | 55.66     | 56.22     |
| Total large ornaments                     | 2,140.57   | 532.06    | 537.38    | 542.75    |
| Total units large ornaments               | 83.00      | 14.60     | 14.74     | 14.89     |
| <b>Difference between costs and sales</b> | 79,476.12  | 23,842.84 | 24,081.26 | 24,322.08 |
| <b>Percentage of income</b>               | 64.31%     | 64.31%    | 64.31%    | 64.31%    |

Total costs and projected sales of Artemma Arte and Religion ornaments in the Cusco market. Made by Fernanda Pineda and Daniela Torres.

#### 4.13 Payback.

$$\text{Payback} = \frac{\text{ANNUAL INVESTMENT}}{\text{TOTAL ANNUAL SALES} - \text{TOTAL ANNUAL COST}}$$

$$\text{Payback} = \frac{19056,15}{38353,54 - 14510,80} = \frac{19056,15}{23842,84} = 0,79$$

This financial index is important to take into account since it reveals the period of time in which the company can regain its investment. In this case, the company seeks to invest in exports so the fixed costs previously determined, along with 30% of the worker's salary and the salary of the new employee are considered. To this value, the cost of the



greenhouse \$300 and the price of training courses \$807.75 must also be added, for a total annual investment of \$19,056.15.

The investment is divided by the profit, which in this case is projected with total sales of \$38,353.54 and annual costs of \$14,510.70, which results with a difference of \$23,842.84. The investment recover is obtained by using the rule of three that gave us a result of 0.79 which in days is equivalent to an investment of nine months and eighteen days.

#### ***4.14 ROI (Return on Investment)***

$$ROI = \frac{\text{SALES} - (\text{INVESTMENT} + \text{PRODUCTION COST})}{\text{INVESTMENT}}$$

$$ROI = \frac{38353,54 - (19056,15 + 14510,70)}{(19056,15 + 14510,70)} = \frac{4786,69}{33566,85} = 0,2511$$

This financial index seeks to determine the feasibility of investment that a project has, since it will verify how much from each invested dollar will be recovered. In this case the projected 2016 revenue is \$38,353.54 and the total investment is \$19,056.15, plus the cost projected for 2016 is \$14,510.70 (\$33,566.85).

To calculate this index, the subtraction of the total sales and sum of the investment with the prices, resulting with a total of \$4,786.69, then this value is divided by the same investment value, giving us a total of 0.2511 cents. This result means that for every dollar invested by the company for exporting its product, it will recovery a total of 0.25 cents.

#### **4.15 Chapter 4 Conclusion.**

In this chapter, certain applicable strategies that the company can use to eliminate gaps that prevent internationalization were established. We believe that the company needs more publicity to promote the quality of their products and materials, and as a result, the company should use social networks to increase awareness of their product on a national and international level. The company should also carry out marketing techniques in the target market, Cuzco - Peru because this way the product will become known and it will create expectations among customer in order for them to be interested in consuming the company's products.

On the other hand, we believe that the bottlenecks that this company has must be solved since it limits production and prevents the company to work at its full capacity. At the same time, this is a way to reach the percentage of expected sales as it seeks to have a 30% growth in exports without affecting the domestic production, with the possibility of supplying both markets. For this reason, it is important to note that the balance point is 165 images regarding unit costs obtained through the sum of export investments such as packaging and transportation, and the average selling price with the percentage of 120% of profit as is performed in the domestic market. Finally, the company expects to have an annual growth of 1% until the product can be positioned in the international market. On the other hand, the financial indexes analyzed show that the project is feasible because the company can recover the investment in nine months and eighteen days, and out of each dollar invested, 0.25 cents is recovered.

## **General Conclusions**

- The company started out as a family business, founded by Ramiro Edgar Mejia Abad in 1985 in the city of Cuenca. Artemma Art and Religion has grown since each family member acquired artistic skills at early ages, which generated diversity in its product, especially in the materials used such as resin and powder tagua, which allowed them to offer a different product to consumers. Now the company is located in the San Mateo neighborhood (RACAR sector), and it produces more goods, with the possibility of distributing to intermediary traders and expanding its market nationwide through craft fairs.
- The company has a good production capacity, however in the production flow two bottlenecks were found. The first is not having a skilled painter, and the second was caused because the company does not have a drying area. For this reason, the production flow can stop and not meet the market requirements.
- Through a comparative analysis of Germany, United States and Peru, these countries scored a total of 425, 382 and 441 respectively, making Peru the best target market since exporting to this country is easier thanks to factors such as logistics, similarity of culture and economic agreements like CAN, which does not charge Ecuadorian exports that are imported into this country.
- The SWOT analysis verified the fact that the company has customer responsibility to provide the best products and that it offers flexibility of models and designs and quality, while avoiding errors in these ornaments is a great strength that the company possess. In the case of opportunities, it has a great possibility of becoming an attractive product in Cuzco since similar products are not sold in this market. Also, it is easy for the company to reach this market because of the distance and due to the low costs caused by trade agreements. The weaknesses of the company

include not having advertising campaigns or transportation towards this foreign market and that craft prices tend to be high. Finally, the threat is that the company does not have any direct contacts in Cuzco-Peru to help promote the product, and as a result, it is possible that the product will not be received as expected in the market.

- The ornaments from Cuzco have different lower quality characteristics than those of the company, both in materials and workmanship. The prices in Cuzco are between \$31.78 for large ornaments, \$15.89 for medium ornaments and \$7.06 small ornaments, while Artemma Art and Religion's products without tax are \$36.45, \$16.90 and \$7.39 and with tax included the prices are \$8.57, \$19.60 and 42.28 respectively. This demonstrates that there is a slight difference between prices and the products can be competitive.
- The company requires advertising to promote their products, as well as the materials and quality that the items are made with. As a result, a sketch of the logo of the company was created, as well as one for the website. The Company also created pages on social networks like Facebook and Instagram. On the other hand, there are certain options that the company can take advantage of such as contacting businesses that sell complementary products such as Casaideas, furniture store Casa Grande & Home , and the Muebles Rony Company, since these sell products for the home. Finally, it important to publish ads in popular magazines and newspapers in Peru, such as SOMOS y tu Hogar, Exportar: economía, negocios y turismo, El comercio Peru, since the company can create customer expectation through these.
- The bottlenecks can be solved by making certain changes in the production process that will help improve the making of the ornaments by using the full production capacity.

- The optimum means of transportation to export the ornaments to Cusco-Peru is by land transportation, applying the incoterm CIP (Carriage and Insurance Paid to). A proforma invoice was provided by the Solcourier Company, which has a value of \$554.92 without tax to carry approximately 47 kilos. On the other hand, the cost for transporting the goods from Lima to Cusco has a cost of \$30, according to Travico.
- For packaging service costs, quotes from Cartoneras del Austro, Facalo S.A, and Papeleria Monsalve were obtained. The price for cardboard boxes is \$2.09, the plastic stretch wrap costs \$14.00, bubble wrap has a price of \$62.37, and newspaper costs 0.09 cents. When analyzing these prices, the boxes generate unit cost averages of \$0.017 for small ornaments, \$0.08 for medium ornaments and \$0.52 for large ornaments. The plastic stretch wrap costs a total of \$0.016, \$0.047 and \$ 0.50, bubble wrap costs \$0.14, \$0.21 and \$0.42, and newspaper costs \$0.01, \$0.02 and \$0.05, respectively.
- The average total export costs of these products taking into account transportation and packaging costs are \$3.36 for small items, \$7.68 for medium items, and \$16.57 for large items, with an average price of \$8.57, \$19.60 and \$42.28.
- The balance point of the company's export merchandise is 165 ornaments, divided into 74 small items, 57 medium items and 33 large items, which is the amount that must be shipped in order to recover the investment, considering a profit margin of 45%, 35% and 20 % respectively. This process will generate an income of approximately \$548.88 from small products, \$976.29 from medium products and \$1203.24 from large products. The cost is approximately \$249.56, \$443.66 and \$546.99, and provides a contribution margin of approximately \$299.32, \$532.63 and \$656.25, respectively.

- It is projected to have an increased production of 30% destined towards exports that will be possible because of the optimization of the production process, which would create the capacity needed without affecting the domestic production. The manager-owner of the company estimated that the budget for the first year of export sales would be a total of \$38,353.54 and the costs would be \$14,510.70. On the other hand, the growth of the second and third year is an estimate of 1%, considering national growth and the difficulty of establishing the company in the market, resulting in a total sales of \$38,737.07 and costs of \$14,655.81 in 2017, \$39,124.44 and \$14,802.37 in 2018. This analysis resulted in a profit margin of \$23,842.84 in 2016, \$24,081.265 in 2017 and \$24,322.08 in 2018.
- In the PAYBACK analysis, it was evident that the company can regain its investment in nine months and eighteen days, since it takes into account a total sale of \$38,353.54 and costs of \$14,510.70 per year, with an investment of \$19,056.15. This demonstrates that the company investment is recoverable and can generate profits after a short period of time as long as they strictly comply with the budget.

The ROI financial analysis concludes that for every dollar invested in export process of the company's product, the return on investment is a total of 0.25 cents. This amount is obtained by taking into account a sales of \$38,353.54 and a total investment of \$33,566.85. This result allows us to verify that the investment in this project is feasible since it can generate future earnings.

### **General Recommendations.**

- The company should implement an accounting system such as the Monica program, which costs approximately \$800.
- It should establish fixed salaries for the heads of the different areas and for the family members working in the company.
- Patent the company logo, as well as the ornaments created.
- Implement safety equipment in the establishment of the company.
- The company should make uniforms for its employees containing all safety equipment to prevent accidents.
- The company only has a supplier of raw material, resin and powder tagua, which are the main materials of the ornaments. We suggest conducting market research and acquiring a new supplier since having a monopoly can cause there to be a rise in prices in the future.
- The company does not have a foreign trade department, which is considered as an obstacle. However, the company has chosen to train the Legal Representative to work as a broker and simultaneously perform open work contracts along with a customs broker when required. On the other hand, the company will sign up for the "Exporta País" program, organized by the Ministry of Foreign Trade, in order to be eligible for different training courses and coaching, technical assistance for products and certifications, as well as support in trade fairs and missions.
- We recommend that the company hire a person in charge of painting the products with a salary of \$500, and also it should build a greenhouse for the drying process with measurements of 4.5 m high, 4.5 m long and 4.5 wide, quoted at \$300 by


Engineer Fabian Sisa. This will increase the capacity to 715 ornaments a month, generating an increase of 165 ornaments with a monthly recovery of \$299.90.


- The company produces different items and models that are distinguished by the shape and the raw material that they are made with. We suggest that the profitability of making different types of ornaments be analyzed in order to determine if this would provide greater value for the company and increase efforts in this range of products.
- For the internationalization process, the company must be registered as an exporter and at the same time obtain the certificate of origin of its products so that it can benefit from existing treaties between Peru and Ecuador.
- When applying the strategies suggested, we recommend for the company to start exporting in about a year because there are certain changes that they need to make in order to eliminate gaps. In the manufacturing process, the construction of a greenhouse should be carried out and a new person must be hired. It will take that person at least a month to get used to his or her job and to generate an increase in production. Also, according to the third stage of ExportaPaís, six months of training is required to perform the export process. Additionally, it will take the company approximately two months to register as an export company and to obtain the token and certificate of origin.





## Annexes

### *Quotation of the Solcourier transport company*



**solcourier cuenca** <solcouriercuenca@hotmail.com>  
31/05/2016  
Usted 

 [Responder](#) | 

Estimados

Favor confirmar, si requieren el envío Courier o carga? Porque como carga únicamente llegamos a LIMA

Según su requerimiento para Courier y únicamente incluye el transporte a domicilio UIO-MIA-LIM-CUZCO. como carga únicamente podíamos llegar a LIMA

Se debe considerar que para La aduana de Perú nos solicitan que la factura comercial sea original o al menos parezca original, considerando que el valor declarado sea menor a \$800USD y que esta cotización no considera valores generados en destino por aduana el valor es:

Peso 47kg  
Flete 523.51  
Fuel 31.41  
IVA 70.36 Estimados

Saludos



**Para:**  
**CC:**  
**CCO:**  
**Asunto:** Fw: RV: Cotización

---

**De:** solcourier cuenca <Solcouriercuenca@hotmail.com>  
**Enviado:** martes, 31 de mayo de 2016 15:35  
**Para:** Fernanda Pineda  
**Asunto:** Re: Cotización

Buenas Tardes

Estimada le informo que el valor es de \$625.28

Saludos

*Quote for packaging*



Papeleria Monsalve Cia. Ltda.

Matriz: Camino del Tejar 4-88 y Pelileo - Cuenca Telf. 285-8800  
RUC:0190097595001

**PROFORMA**

Caja: 11 Ref:CS-1-225468 PF- 005-005-000087612  
Cliente/Proveedor: 0105674782001 RAMIRO ABAD IDROVO Telf. 4082744  
Direccion: BARRIO SAN MATEO  
Fecha: Cuenca, 26 abril 2016 16:53:30 CREDITO Vend:PMU0

| Item     | Descripcion                         | Unid | Cant  | Valor   | Total |
|----------|-------------------------------------|------|-------|---------|-------|
| 01170000 | PLIEGO PAPEL PERIODICO 65X90 (Recic | 500  | 0.060 | 29.80+i |       |
| 01170018 | PAPEL PERIODICO 90 X 130 CHILENO (R | 500  | 0.090 | 44.90+i |       |
| 13609003 | PAPEL DE EMPAQUE 90X130 60GR (Recic | 500  | 0.193 | 96.30+i |       |

Annex 3 SBS Consulting quote



**SBS**  
*consulting*

SBS Morrigan S.A.  
Dir.: Inglaterra E3-106 y Av República  
(593-02) 601-0882 / 243-3478  
Quito Ecuador

PROFORMA

N: 00399  
RUC.: 1792533953001

Sr. (es): FERNANDA PINEDA

Dirección

Fecha 05 de Julio de 2016

RUC o CI.:

Teléfono: 984350116

Forma de Pago

| CANTIDAD                                | DESCRIPCIÓN   | VLR UNITARIO      | VALOR DE LA VENTA |
|---|---|-------------------|-------------------|
| 5                                       | SERVICIO DE CAPACITACION<br>OPERACIONES DEL COMERCIO<br>INTERNACIONAL CON ECUAPASS<br>QUITO<br>18 y 19 DE JULIO | 175,00            | 875,00            |
| SON: OCHOCIENTOS NOVENTA Y SIETE 75/100 |   | SUMAN:            | 875,00            |
|   |   | DESCUENTO:        | 87,50             |
|   |   | SUB-TOTAL         | 787,50            |
|   |   | I.V.A. TARIFA 14% | 110,25            |
|   |   | TOTAL PROFORMA    | 897,75            |



**SBSMORRIGAN S.A.**

RESPONSABLE

RECIBÍ CONFORME

C.I.:

Quote from Austro Cartonera.



## CARTONERA DEL AUSTRO CARTOAUSTRO CIA. LTDA

### Cotización

Razón Social: Sra. FERNANDA PINEDA

Cliente: Sra. FERNANDA PINEDA

Teléfono: 0984350116

Fecha: 21/04/2016

#### MEDIDAS INTERNAS EN MILÍMETROS

| Cantidad | Descripción | Largo | Ancho | Alto | Color | Test  | V. Unitario  |
|----------|-------------|-------|-------|------|-------|-------|--------------|
| 100      | CAJA A1     | 660   | 360   | 350  | KRAFT | 150   | <u>1.33</u>  |
| 100      | CAJA A6     | 750   | 500   | 500  | KRAFT | 250   | <u>2.69</u>  |
| 100      | CAJA A3     | 400   | 300   | 300  | KRAFT | 150   | <u>0.85</u>  |
| 1        | ESTRECH     | 4KG   |       |      |       |       | <u>14.00</u> |
| 1        | CINTA EMB   |       |       |      |       |       | 1.14         |
|          |             |       |       |      |       |       |              |
|          |             |       |       |      |       |       |              |
|          |             |       |       |      |       |       |              |
|          |             |       |       |      |       | TOTAL |              |

Forma de Pago: contado

ESTOS PRECIOS NO INCLUYEN EL 12% DE I.V.A

Validez de la Cotización: 03 Días

Observaciones: En todas las producciones hay un 10% en mas o en menos de producción.

Atentamente,

\_\_\_\_\_  
Deysi Guevara

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