



Universidad del Azuay

Faculty of Law

School of International Studies

Generation of a digital marketing plan for the international positioning of the "Euphoria" clothing factory, through the application of e-commerce and digital marketing tools.

Thesis prior to obtaining a Bilingual Bachelor's Degree in International Studies with a minor in Foreign Trade.

Authors: María Sebastienn Cevallos Briones y María Paula Delgado López

Director: Marco Antonio Ríos

Cuenca, Ecuador

2017

ABSTRACT

As a part of a globalized world where virtually all information is available to everyone, e-commerce has become a new way of doing business, providing benefits, opportunities, and a very bright future. This graduation project studies The Euphoria Collection Company, which proposes a digital marketing positioning plan for its virtual store, focusing on a target that permits the internationalization of the brand. The first chapter will analyze e-commerce and digital marketing, the second chapter will refer to the company and its products, the third chapter will define the main target and finally, the fourth chapter will recommend the positioning proposal. This project's objective is to adapt foreign trade to new trends in e-commerce, using innovative tools and strategies offered by new information and communication technologies.

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INTRODUCTION

Nowadays, thanks to globalization, the exchange of products and services around the world has been made easier. Companies, whether large or small, are becoming more competitive and dynamic, so it is important for them to focus on understanding and meeting the needs of its consumers, to create brand loyalty and gain more participation in the global market.

Globalization is directly linked to change and innovation, companies that do not adapt to this change and are not innovative, will not be able to enter the global market.

It is here that information and communication technologies (ICTs) emerge, that allow many small and medium enterprises (SMEs), that come from whether developed or developing countries, to benefit from the internet, mobile telephony, online advertising, among other technologies.

In the case of Ecuador, it is common to see how many SMEs fail to make themselves known or to position their brand in the international market. For "Euphoria", a relatively new company, this is also familiar, due mainly to the lack of knowledge of the market and, above all, to the neglect of the search for suitable distribution channels. In addition, the company also faces much more competitive brands and more demanding consumers in this new international scenario, where there are no geographical or time limits.

It is known that the use of the internet has become increasingly indispensable for companies offering products or services worldwide, and to create a positioning plan for the virtual clothing store "Euphoria", a strategy will be developed in a way that it will link the company with the virtual world in a safe and effective way.

Although in Ecuador, the use of the Internet for businesses is still considered as a practically new tool, this project will try to determine the advantages of a virtual store and how this can empower the company.

"In Ecuador, SMEs are of great importance for its economy, since they constitute the majority of companies in the country, are an important source of work, supply the domestic market, attract foreign capital and contribute significantly to the GDP of each country" (Castillo, 2015).

SMEs that import and export goods are the ones that take most advantage of ICTs, since they see in e-commerce and digital marketing an opportunity to position themselves in new markets of the international community. Additionally, they can use these new technologies to improve the interrelationship throughout its value chain.

For the present research project, a positioning plan for the virtual clothing store "Euphoria" will be made. This company focuses on the female market and aims to attack important obstacles in the marketing of women's clothing: the first one is related to the product, which includes its characteristics of origin, and innovative designs and trends, and the second obstacle focuses on how to promote the company through its website and the different distribution channels to reach the final consumer.

CHAPTER 1

1. Electronic Commerce and Digital Marketing

1.1. Introduction

In this chapter, the concepts of e-commerce and digital marketing are studied, as well as their main characteristics, the subjects or agents that intervene, the classification (B2B, B2C, C2C, A2C, A2B) and the advantages and disadvantages for both consumers and sellers. In this section, the two fundamental pillars of digital marketing (SEO and SEM) are also exposed, and finally the ten commandments of digital marketing are analyzed. These topics are analyzed in order to understand their use in foreign trade.

These concepts will serve as a basis for the understanding of the following topics that this thesis project will cover and they will also allow us to meet the objectives set by the company, since the market has been changing, evolving and innovating, due to the processes of globalization and important technological progress.

Companies that are able to adapt to these changes will be able to gain advantages over their competitors, since consumers are always subject to new lifestyles, consumption habits, demographic situations, and changing tastes and preferences.

1.2. E-Commerce

1.2.1. Concept

For Sevilla (2015), commerce is the socio-economic activity that consists of the purchase and sale of goods and services, whether for use, sale or transformation. It is the transaction of something in exchange for something of equal value.

On the other hand, electronic commerce can be defined as any type of economic activity, transaction, business, exchange or purchase and sale of products and services, where information and communication technologies are used (Del Aguila, 2000).

For the World Trade Organization, electronic commerce is "the production, distribution, marketing, sale and delivery of goods and services by electronic means" (WTO, 2013).

These commercial relationships can occur between entrepreneurs, entrepreneurs and consumers, between households, individuals, governments and other public or private organizations.

E-commerce focuses on the marketing of the company, through the electronic purchase and sale of goods and services, information search, negotiation between buyer and seller, online advertising, collection and payment management by the network and customer service, among others. In addition, it includes the provision of services such as online legal advice, after-sales services and electronic support for collaboration between companies (Moreno & Sáez, 2012).

The objective of selling on the internet is to offer goods and services with an added value to users, in order to turn them into potential customers and subsequently become loyal consumers. Today, Internet sales account for a large share of total worldwide sales.

1.2.2. Characteristics

According to Patricia Nieto Malgarejo, in her article "E-commerce", it is important to highlight some characteristics:

- Transaction of goods and/or services: Electronic commerce includes the selling of consumer and capital goods and information, financial and legal services, as well as healthcare, education and other activities.
- Use of electronic means: E-commerce is carried out by electronic means, or some means of communication. It is this feature that sets it apart from the conventional form of trading. What is mainly used in e-commerce is the internet, since it offers tools such as email, chat, web, social networks, among others.
- Reduction of transaction costs: Transaction costs include negotiation costs, relevant information, enforcing contracts, finding suitable options, among others. With e-commerce, the use of technology is more common and cheaper, there is a greater variety of products and services, schedules can be made more flexible, there is a reduction of costs in travel and mobility, among others.
- Opening of a new market: Nowadays, two types of markets can be distinguished, the traditional market based on the physical interaction between the seller and the buyer in a specific physical location or market, and the virtual market based on the use of new ICTs. These allow the transactions to be carried out freely without the need of a physical market, nor the physical presence of the buyer and the seller, transactions that can be performed at any time of the day. Thanks to e-commerce, borders between countries are eliminated, the market becomes larger,

and there is a greater demand for products and services and therefore a reduction in prices.

- Virtual commerce means: In e-commerce, the agents that interact with each other, generally do not have physical contact, nor do they need to know each other, everything is by electronic means and in a purely virtual way.
- A form of universal communication: This means that e-commerce has no limits, anyone can access it and can do it through the new TICS, especially thanks to access to the internet.

1.2.3. Subjects that intervene

According to Nieto, e-commerce involves two or more subjects:

- Entrepreneur or business: It is the natural or legal person, who offers the exchange of goods and the provision of services in a particular market. However, the concept of business has changed over the years, given the implementation of e-commerce, since the company does not need a specific physical establishment. Instead, it can exist in a virtual market.
- Consumer: It is the natural person or, in few cases, the legal person that purchases the goods or services to consume or use them for different aspects such as business, personal, family or domestic. Those who acquire the goods to reintroduce them into the market for sale or to cede them to third parties as property or for use are not considered final consumers.
- Administration or government: Made up by all bodies of the State.

1.2.4. Classification

Table 1. *Types of E-Commerce*

Modality	Definition
B2C "Business to Consumer"	Sale of final products to a consumer (virtual stores such as Amazon.com).
B2B "Business to Business"	Trade between companies, customer-supplier (markets for companies such as Opciona.com).
C2C "Consumer to Consumer"	Auctions in which particular users sell products (auctions like Ebay.com).
C2B "Consumer to Business"	

	Private consumers group together to have more strength and to place orders from companies (cooperatives like letsbuyit.com).
G2B/C/G “Government to Business/Consumer o Government”	Relations with public administrations and citizens, companies or other administrations (taxes via internet).

Source: (Grupo ARENTEIRO, 2007).

Created by: Authors.

- **Business-to-Business (B2B):** refers to the exchange of products, services and information between companies. It may be, for example, between a producer and a wholesaler or between a wholesaler and a retailer. The e-commerce between companies is less complex than between a company and a consumer, since when it comes to two companies, the parties are equals and therefore the relation is the same. It is important to emphasize that this type of commerce is generally performed on a great scale such as through a wholesale trade (Florez, 2014). Buyers and sellers contact each other in such a way as to facilitate transactions between them.
- **Business-to-Consumer (B2C):** It is the electronic transaction between the company and the consumer or refers to the strategy developed by commercial companies to reach the customer or end user directly. "In B2C e-commerce, companies sell their products to the general public, usually through catalogs using shopping basket software" (WTO, 2013). B2C also applies to financial institutions and any other type of business that establishes direct business relationships with its customers through the internet.
- **Business-to-Administration (B2A):** It occurs when businesses conduct business transactions and act as management providers. These are the relationships that exist between companies and public administrations or governmental organizations. The global communication of the company is based on this type of relationships (Paucar, 2014). In B2A, there is interactivity between the company and the administrations, in subjects such as the presentation of applications, the payment of taxes and taxes, request of the information, among others.
- **Consumer-to-Consumer (C2C):** private transactions between individuals or consumers, which are given either by exchanges of information or use of technologies (Arias, 2015). The commercial relations can be carried out

without the need of the creation of a company. Instead, only a supply and demand is necessary through the network where there are no intermediaries so that buyers and sellers contact each other directly. A major feature of this type of trade is the variety of products, prices and forms of payment that may be available.

- Administration-to-consumer (A2C): This allows transactions between citizens and government institutions, since thanks to electronic commerce, users can consult legal procedures, tax payments, obtain certificates, among others (Saura, 2014). This type of e-commerce streamlines transactions between citizens and public administration, allows citizens to make tax payments, access different services such as education, health or employment, as well as make suggestions or claims that facilitate governments to improve the quality of its services.

1.2.5. Advantages of E-Commerce

Table 2. *Advantages of E-Commerce*

For suppliers or sellers	For buyers or consumers
It allows suppliers and sellers to have much more presence in the international market, because there are no geographical limits or borders. The market becomes virtual, where distance is insignificant.	It has more variety and offers more options, because there are a lot of sellers or suppliers in the international market.
They can increase working hours without additional costs.	Reduction of costs and prices thanks to various offers.
Improves the quality of marketing since it reaches a greater number of people.	The convenience of buying from home, using a computer, tablet or mobile device, without having to go to a physical establishment.
It can increase the number of customers and the company can foster loyalty.	Customers can share information, reviews and opinions about products.
Strengthens a brand name, saving in paperwork (printing receipts / invoices), saving of salaries thanks to the automated sales system.	Customers can purchase products or services at any time of the day with no additional costs.

It allows the creation of businesses or digital and virtual companies, that do not need a physical space to provide customer service.

They have the possibility of acquiring products of difficult access and find them at better prices, thanks to the reduction of costs of the companies and the large number of competing companies in the market.

It allows small companies to compete in the world market, because it provides an equal opportunity for small, medium and large companies.

Cost reduction, which subsequently benefits the customer or buyer.

Sources: (Landaez, 2016), (Vásquez, 2015)

Created by: Authors.

1.2.6. Disadvantages of E-Commerce

According to Luis Serra (2014), the disadvantages are the following:

- It can generate some insecurity and fear when buying because consumers cannot see the desired product in person or contact the seller. Buyers and sellers, in e-commerce, are practically unknown, so they create fears when buying the product or service.
- It does not always facilitate communication between the company and the customer in order to process complaints or returns, due to the problem of distance and lack of knowledge of the seller and buyer.
- There is more difficulty in handling operational aspects (logistics, returns, among others), since the delivery of the product is an essential aspect for the proper functioning of e-commerce of non-digital products. There may be problems with locating a buyers order or delivering it.
- Consumers' behavior and buying habits need to be modified, as the customer is not yet accustomed to e-commerce, there are still many people who are not fully familiar with digital technology, the internet and computer science.
- For both consumers and sellers, security will always be a disadvantage when using e-commerce, since the buyers personal data may not be private, as well as the means of payment for the company. There is still a lot of insecurity with this type of digital transactions.
- Difficulty in locating and positioning virtual stores, since there are many virtual sites on the web that offer the sale of products and services. Due to this great

offer, it can be difficult for a company to position itself and have a strong presence in the virtual market.

- Customers may have difficulties carrying out the purchase process, especially for those consumers that have no experience with online transactions. For them it can be difficult to manage the website, forms, methods of payment, among other aspects.
- Companies may have difficulties adapting to e-commerce. If businesses today do not use e-commerce, they can be very affected and even become obsolete.

1.3. Digital Marketing

1.3.1. Concept

Marketing is considered as the philosophy that can guide a company or organization. Its purpose is to build unbreakable relationships with customers, trying to satisfy their needs, but above all, to arouse desires in them since it seeks to attract, maintain and increase the number of customers in order to gain usefulness, to be present in the market, and face their competition.

Marketing deals with customers more than any other business function. Its double goal is to attract new clients by promising a higher value and by preserving and increasing current satisfied clients. Many people think that marketing is just selling and advertising, and this is due to the daily barrage of TV commercials, newspaper advertisement, email listings, sellers and online ads on the Internet. However, both sales and advertisement are only the tip of the marketing iceberg. In general terms, "marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others" (Kotler & Armstrong, 2008).

1.1.1 Digital Marketing Definition

The digital revolution takes consumers around the world to companies that are located in other continents, making it possible for commerce and trade to cross borders. It also allows business opportunities and client satisfaction to exist without barriers.

Digital marketing let companies offer and advertise their products or services, as well as manage and attract new customers, optimizing their relationship network.

With the Internet's rise and the new ICTs, the use of traditional marketing techniques in digital environments started. It is understood that digital marketing is addressed to a large mass, where each one of the individuals should feel unique and special. This idea take us back to the customized service that clerks used to offer to their regular customers in other times. Nonetheless, nowadays this takes place in a digital environment (Castaño y Jurado).

Currently, through the network systems that computers implement and process, it is possible for telecommunications networks to exchange information and knowledge, without people being forced to meet in a common place and time. Therefore, digital marketing has become an interactive system within the set of actions of a company's marketing. It applies telecommunication systems to achieve the main goal that any marketing activity has, which is to get a measurable response towards a product and a commercial transaction (Marketing and advertising, 2010).

1.1.2 Characteristics

The main aspects of digital marketing are:

- It does not need a physical establishment.
- The benefit of long-distance communication between the supplier and the seller.
- Any product or service could be looked up online.
- The person could choose the best selection for any product or service and then purchase it at a given time.
- Specific information on the good or service could be found.
- It is possible to create communication networks with the consumers.
- It is possible to have access to better offers than the ones in other businesses.

Consequently, digital marketing is useful because it creates strategies and techniques to communicate and offer products or services in the online marketplace. In addition, it has other benefits: it enhances a brand's reputation, it attracts new potential customers, and it increases sales and profits. There will be no risk of competing with another company, and the cost of advertising would decrease.

1.1.3 Types of Digital Marketing

According to the authors Andrea Sánchez (2015) and Luciana F. (2015), the types of digital marketing are the following:

- **Content Marketing:** The information that is published is important so that the content is valuable enough for the customer. In this way, the product or service will position itself on the Internet. Moreover, content marketing seeks to inspire the consumer in order to gain brand value and increase their trust towards the organization. In addition, there is the advantage that current customers will become potential customers, since it is a way of increasing sales and doing business. The product or service will then position itself on different websites or online stores on Google thanks to the customer's positive feedback on social networks.
- **Inbound Marketing:** The purpose of this type of marketing is to let potential customers find a particular brand in a fast and easy way. It seeks to make them feel capable of trusting a company and encourages customer to get to know it. Therefore, they will turn to it whenever they have a need to satisfy. Inbound marketing provides the consumer a type of non-aggressive information, trying to capture his or her attention. As an example, there are blogs, YouTube videos and podcasts.
- **Relationship Marketing:** The main objective is to understand the customer. Companies need to be aware of the needs and desires that consumers demand every day. Hence, online organizations must create quality content, since it is not only about selling the product, but also the consumer's experience when buying it should be considered, which gives organizations a greater number of long-term customers. In addition, customers are important, since a company focuses on continuous improvement and innovation thanks to their customers' comments. However, it will also depend on efficient development in its distribution system and sales strategy.
- **Conversational Marketing:** It was created so an organization's brand would meet all the requirements from its clients, therefore they are willing to buy only from the same online store. Conversational marketing seeks to communicate with clients by asking questions that will help improve their service and thus, build a good online

reputation. By doing so, the organization and its customers will be benefitted at the same time.

- **Permission Marketing:** It is an anticipated strategy that helps brands by asking consumers if the brand could retain them. This way, there is respect towards customers by not being intrusive to their wishes and needs. It is easier for a company to gain more long-term customers because it has already earned the client's trust and it has let them know that that the business is viable and serious.

Nowadays, having a good appearance on the web is not as easy as one may think. However, to succeed in this digital era, a business needs the knowledge of these types of marketing strategies, especially if they intend to achieve the company's objectives, exceed the customers' expectations and keep them satisfied. In order to ensure this result, it is essential to take into account the customer's recommendations because thanks to them the business keeps working.

1.1.4 Key elements of Digital Marketing

It is worth mentioning that digital marketing has two fundamental elements that must be determined and applied in online sales strategy:

- **SEO (Search Engine Optimization):** They are strategies to improve browser searches and at the same, they seek to attract more high quality visitors to a web page, through browsers such as Google, Yahoo, Bing or Ask. SEO seeks to position a website and place it at the top of the search results in a browser when entering certain keywords that are related to the search (López R., 2013). Therefore, SEO defines keywords so that consumers can quickly find what the person is looking for. This way, the visibility of a company's website will improve in Google and other search engines. It will also work on a web by empathizing with long-term clients, trying to get a personal domain to consolidate the brand by increasing the number of consumers on its web site without having to pay for an advertisement service.

- SEM (Search Engine Marketing): It refers to the implementation of free, paid ads or advertising campaigns on the search engines. SEM uses tools that, thanks to the search engines, speed up the visibility and accessibility to web sites and pages. Search engines offer different advertising methods such as Google AdWords, Bing Ads or Yahoo. SEM helps getting high-quality visitors that will check the web page thanks to the keyword search, ad creation and conflict management. (Diccionario40deFiebre).

In other words, SEM is the paid positioning system for companies or organizations. It provides visible ads and campaigns since the first moment in which it appears on the market. The advantage is that it focuses on advertising and promotion on an online business through links, graphics or texts that are usually paid, allowing that this advertisement appear in all target countries, depending on the target the company wants to reach.

1.1.5. Digital Marketing's Advantages

According to the book *Marketing and Advertising* (2010), the advantages of digital marketing are shown in the following table:

Table 3. *Digital Marketing's Advantages*

From the buyer's point of view	From the seller's point of view
It offers comfort and convenience because it allows making the purchase regardless of the place or the time the person is in. Then, the delivery order is processed at the buyer's home.	It offers access to a growing global market. It adjusts to the market's evolution. The seller may quickly change the characteristics of his offer by adding products or modifying conditions.
It lowers costs thanks to timesaving opportunity-cost because less time is needed for the shipment, and all the effort and possible discomfort that could be generated from that.	Low entry and operational costs of the development service in virtual sales spaces.

Many information and options to search in order to make a decision.	There are no physical display costs of the products.
Facility to evaluate offers and make comparisons.	It works with fewer stocks compared to a physical location.
Surf on the internet in an attractive environment, interacting with media, which makes it entertaining.	The cost of catalogues maintenance and their distribution is minimized. In addition, the catalogues' delivery and the reception of processed orders disappear.
There is no pressures or seller's influences.	It gives the possibility of offering promotional videos, interactive offers while purchasing, which catches the buyer's attention.
There is privacy in the purchasing process due to the absence of the company's staff and other buyers.	<p>Adequate customer support, it allows to obtain as much as information between the customer and the business.</p> <p>It allows direct communication with the customers, improving their bonds.</p> <p>It allows having effective control of the results from all the marketing operations.</p>

Source: (Marketing y Publicidad, 2010).

1.1.6. Digital Marketing's Disadvantages

It is important to consider that digital marketing could also bring with it certain disadvantages for businesses and their customers, mainly because some companies are still unaware of this new technique and strategy. Additionally, there could be some mistrust to buy online, therefore the opportunity to offer a product or service on the web could not happen for the rejection that can lead to this.

Furthermore, due to the customer's fear of sharing their personal data and credit cards in the web, if the company's network is slow, it will lead to cancel the purchase.

Certain buyers would rather go shopping in stores because they need to see and touch what they are acquiring. In some cases, certain companies do not refund the customer's money, which causes that those customers stop buying in that online store.

1.1.7. The 10 Commandments of Digital Marketing

According to Fleming and Alberdi (2000), it is essential to learn the 10 commandments, which are key concepts to succeed on the Internet. These commands can be pinned in an office corkboard to remember the most important things that the strategy of an organization or an online company carries out. These commandments are:

- 1) Every campaign begins with a quality website: active appearance on the Internet to reinforce the brand and the sales.
- 2) When designing the website, the focus should be on the customer: you must create an interactive environment full of added value. The most important thing to consider is what the client wants.
- 3) Encourage feedback and the active involvement of each user: the Internet's bi-directionality provides an unprecedented opportunity, which is to open a communication channel directly with customers.

- 4) Create a community: Users are more involved in a web where they see that there is a community of people who share their interests and that together they help creating the site's content.
- 5) Try to personalize the customer's experience: Everyone likes to be treated individually and feel unique. The user name must be shown on the screen to create personal content for that consumer.
- 6) Increase customer's loyalty to strengthen the relationship with them: If an interactive and dynamic website exists, it should invite you to return often. It is important to think of promotional actions that will attract the customer again. Capture all the consumer's data (with their permission) to strengthen the relationship with the brand or company.
- 7) Promote the website with a banner campaign: The website must not be hidden in the Internet's jungle. In order to reinforce branding or simple to build a brand by sending people to its website, the creation of a shocking campaign with animated billboards (banners), located in high-traffic places will help.
- 8) Take advantage of a sponsorships' influence: When the type of audience you are looking for on the Internet is established, identify where these users gather. Support their favorite websites through sponsorships where the most interested users will be open and grateful for the contents brought to their community.
- 9) Apply new multimedia technologies: The Internet is increasingly looking more like television, regarding the contents. Start using audio, video, animation and cyber spots to highlight in the network.
- 10) Make money online: Make efforts on the Internet base on what your customer needs. Thus, they will increase the company's sales and also they will bring cost savings thanks to the web.

In digital marketing, it is important to be in continuous innovation, creating offers that attract the customer to purchase a product or service. Having an online store or website moves traditional trade to e-commerce. Additionally, a virtual store must be open 24 hours, have updated catalogues, product comparison, show their products or services, have a call center to attend the users' doubts.

1.2 Conclusion

For the development of this thesis, it has been considered important to first define the concepts of e-commerce and digital marketing, prior to begin with the study for the positioning of "Euphoria" virtual shop in the international market. Consequently, there is a better understanding of the subject to be treated.

Thanks to the analysis previously undertaken, it shows that both tools, digital marketing and e-commerce, are indispensable for a company's proper positioning and development to go into International Commerce.

Nowadays, the digital age has allowed these types of topics to provide a range of benefits and opportunities, both for businesses and for consumers. The main ones include: meeting the needs of customers or consumers, exceeding their expectations, the supply and demand of goods and services, using as a main tool the new ICTs, based on new lifestyles and consumption.

CHAPTER 2

2. Euphoria Company

2.1. Introduction

This chapter focuses on the business perspective, where a description of the company will be presented, as well as the products offered domestically and internationally. In addition, the chapter offers a description of the company's productive capacity, its organization, its production costs and the added value that distinguishes it from others.

Through this information, if the company's international market share increases and its potential and contribution to Ecuador will be demonstrated.

Once the relevant aspects of the company have been described through a SWOT analysis (strengths, weaknesses, opportunities and threats) a PEST analysis (political,

economic, social and technological), and also by analyzing Porter's Five forces. With this, the features and benefits the brand can offer to the consumer are identified.

2.2 Euphoria Collection

2.2.1. Company Overview

Euphoria Collection is an online women's clothing store, inspired by the latest fashion trends. It has a factory in the city of Cuenca, located on Rafael María Arízaga and Estevez de Toral streets. The company was created in 2013, with RUC # 0102287935001.

Its owner, Mr. Freddy Cevallos, and his team decided to create a virtual platform where people can check out and buy clothes in an easy and comfortable way. This initiative has allowed the company to have an opportunity to position itself in the national and international market since nowadays people are not completely tied to a specific brand as they did years ago. The company has a wide selection of original designs but most importantly, innovative designs for any occasion.

For the production of clothing, quality products are used and there is specialized staff in fashion and clothing, whose goal is always to satisfy the desires and changing needs of the customer.

Euphoria Collection is a relatively new company in the market. It focuses on providing the consumer a different shopping experience, with just a click from the comfort of their home.

2.2.2 Mission

Euphoria is a company devoted to the textile industry, manufacturing and selling women's clothes. The client can express her style and personality through the exclusive fashion items offered. It ensures excellent quality, with the best online shopping options to earn the customer's trust and loyalty.

2.2.3 Vision

Euphoria aims to be an innovative and creative company in terms of fashion. It produces clothes at affordable prices, taking advantage of the new digital era to achieve a

position in the national and international market. As a brand that shows style and exclusivity, it aims to gain the medium and long-term customer loyalty.

2.2.4. Corporate values

- Loyalty in fulfilling the mission statement.
- Keep transparency and ethics to the customers and in the company's activities.
- Creativity and exclusivity in the clothing's production and merchandising.
- Teamwork.
- Respect and honesty.

2.2.5 Objectives

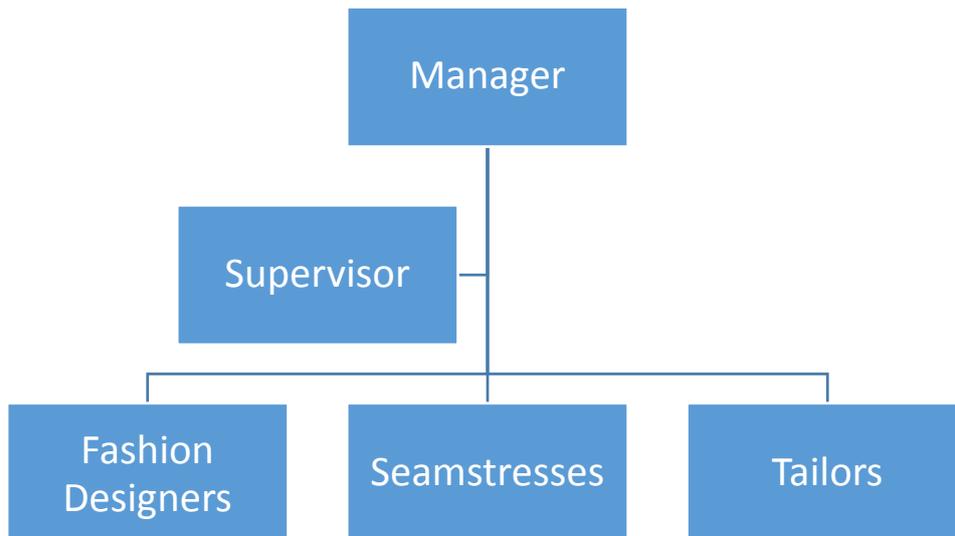
- Satisfy the customer, taking into account their changing needs and expectations.
- Acquire a significant number of customers internationally.
- Take a stand in the textile industry as one of the most important companies online.
- Be alert and creative to the new global trends to respond in a proactive and practical way.
- Always keep competitive prices.
- Provide elegance, exclusivity and style to consumers.
- Offer the best quality and generate added value.

2.2.6. Corporate Structure

The factory has only fifteen seamstresses, who are responsible for making the clothing, plus three people working in the administrative area and one person in charge of accounting.

Due to its small staff, it is considered as a small industry and therefore it would be within SMEs, it also belongs to the manufacturing sector. Currently, it has 10 high tech machines for the clothing production and manufacture.

Figure 1. *Euphoria Corporate Structure*



Source: Euphoria Collection, 2016.

Created by: authors.

2.2.7 Products

Euphoria Collection is a women's clothing online store, it designs and merchandise fashion clothes, with excellent quality. It is intended for casual, formal and semi-formal women from 15 to 45 years old. Currently, its stock has Small, Medium, Large and Extra Large sizes.

Casual Clothes:

- Jeans
- T-shirts
- Undershirts
- Turtlenecks and V-neck sweaters
- Leggings

Formal and Semi-formal clothes:

- Formal Pants
- Shirts
- Skirts
- Dresses

- Blouses
- Jackets
- Blazers

Materials:

- Cotton Spandex
- Chamois Cloth Spandex
- Silk Spandex
- Mottle Spandex
- Litmus Chiffon Fabric
- Lace Chiffon Fabric
- Normal Chiffon Fabric
- Ribbed Fabric
- Floral Fabric
- Lace Fabric
- Fabric with Figures
- Corduroy Fabric
- Jean Fabric
- T-shirt Fabric
- Striped Fabric
- Gabardine
- American Fabric
- Linen
- Crepe Linen
- Polyester Linen
- American Linen
- Ribbed T-shirt material
- Embroidered Georgette
- Satin Silk
- Wool
- Artificial Wool
- Cotton
- Embroidered Cotton
- Zippers
- Metal and Plastic Buttons
- Applets
- Accessories
- Elastics
- Thread
- Ribbons

2.2.8 Production Process

In order to create a long-sleeve silk blouse with zippers, the steps are the following:

- 1) Design: Sketches are designed according to the last trends so they adapt to the consumer's preferences.
- 2) Material Selection: Fabrics, buttons, zippers, threads and elastics are chosen. In addition, molds, scissors, needles, crochets, measuring tape, couture weight, crayons and other work tools are used.
- 3) Production: The clothes are made depending on the order.

- 4) Type of cloth cutting: It is done according to the type of blouse and mold. A slicer is used to speed up the process and avoiding the use of scissors.
- 4) Couture: In this part of the process, the blouse's sleeve are added with a sewing machine, the seamstress takes about an hour. If the blouse needs embroidery or a pattern, it is made in this stage.
- 5) Production and cleaning inspection.
- 6) Ironing: the garment is carefully ironed for the final customer.
- 7) Labeling.
- 8) Packaging.
- 9) Product storage.

2.2.9. Productive capacity

Euphoria clothing fabric can produce 100 to 150 items per day. Each machine operated by a seamstress produces 10 items, and the company has 15 seamstresses.

2.2.10 Price

It can be defined as: "the monetary value that is given to a good or service. It could also mean the amount of assets that a person is willing to give up for a good or service at a specific time, place and context" (Cazares, 2011).

The price is a powerful competitive tool. It influences the consumer's purchase decision, and generates revenue to the companies. When launching Euphoria's product to the market, it considers its pricing strategy as one of the most important aspects for success in the positioning of their product in the international market. Therefore, this work will analyze the 3c's of pricing: costs, customers and competition.

Cost

The cost includes everything related to the good's production. First, it includes direct costs, which are all materials, commodities, and machinery, among others. Second, it includes indirect costs, covering everything related to business, either rent, payment of

basic services and staff salaries. In addition, the last aspect related to costs is utility and profit, which are the ones the company wants to obtain from selling the product.

For Euphoria Collection, cotton is the main material for making and selling clothes. Its cost represents a high percentage of the total cost. For processing cotton, a large number of inputs, tools, machines and raw materials are applied, which gives it an excellent quality. For this reason, clothing made in cotton makes it easy to use, with a more detailed finish, being original and above all comfortable. Cotton represents 50% of the total cost while the other 50% is due to the use of threads, elastics, zippers, buttons, laces and other extra things the item has.

Customer

Determines the target to which the product is aimed. It is necessary to know the consumer's buying power, the price sensibility, their perception of the product's value and what amount of their income would they be willing to spend on the product. It is also important to take into account the quantity demanded for certain product. If there is high demand, then the item is high priced, and conversely if there is low demand, the price will be lower (López F., 2012).

Euphoria Collection is specialized in the manufacture of clothing for 15 to 45 year-old women. It offers all kinds of casual, formal and informal clothes and it is directed towards a middle and upper middle socio-economic class thanks to its exclusive designs, featuring the implementation of different accessories, jewelry, embroidery, and leather.

Euphoria Collection, as it devotes itself to selling online clothing for women, does not focus its sales to wholesalers. It rather sells the clothes directly to the final consumer. Therefore, a blouses' price can be between 25-50 dollars, depending on the type of fabric and design used. A blue jean, for example, costs between 38-45 dollars.

Competition

In order to define and properly analyze competitors, the company has to understand the relationship between their product and the one from the competition. Whether it is the price that sells, the advertising that it uses, the market segments it aims to, among others. In addition, this will allow the company to find or create new differentiators, to give added value to their products and a competitive advantage over other companies offering similar products.

The main competition Euphoria Collection currently has is Linio Ecuador. It is a virtual store in many countries such as Colombia, Peru, Chile, Argentina, Venezuela and Panama. It first appeared in 2012 presenting a catalog with over one hundred thousand items, products and brands, which would be quickly and easily offered through the Internet. Its business model is similar to Amazon's in United States because is a replica in charge of electronic commerce. This platform is an opportunity for national and local sellers to promote their products. Its current manager, José Javier Sáenz, who worked for a long time in Amazon.com, said that the business has approximately 25 million visits and 10,000 orders per day in Latin America (Czech, 2015).

According to Linio's Ecuador (2015) webpage, it shows how the business has changed e-commerce in Latin America. The proof is the satisfaction of hundreds or perhaps thousands of customers in Colombia, Mexico, Argentina, Chile, Panama, Venezuela, Peru and Ecuador. Linio Ecuador wants their guests to enjoy a pleasant, satisfying and enjoyable experience at the time of purchasing.

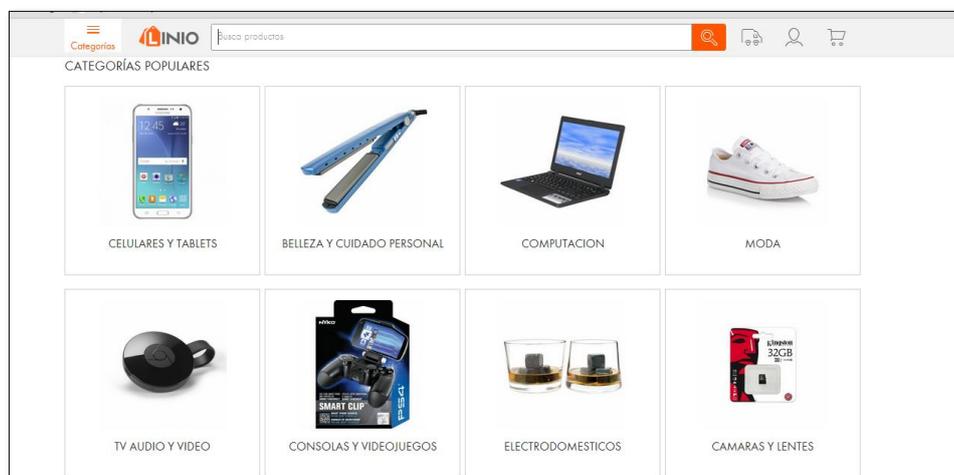


Image No. 1: Linio's Ecuador website

Source: (Linio Ecuador, 2015)

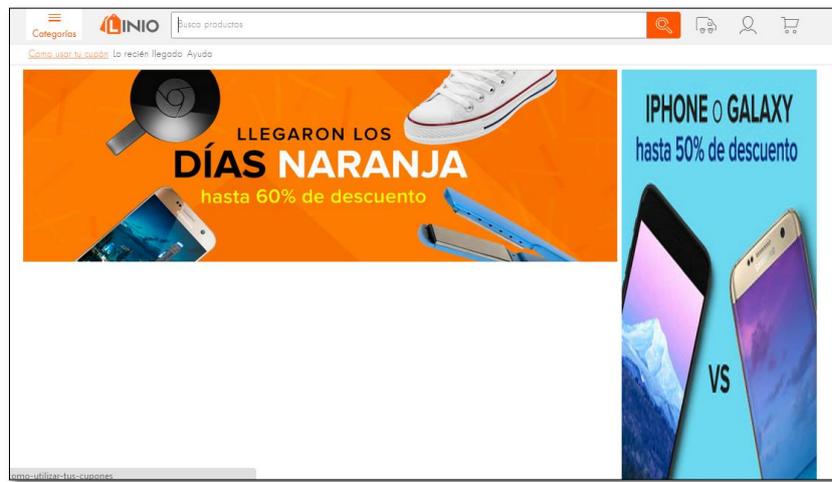


Image No. 2: Linio's Ecuador web promotion

Source: (Linio Ecuador, 2015)

As it can be seen, Linio Ecuador has great competitive advantage compared to Euphoria Collection, given that it not only sales clothes, but it also offers cell phones, tablets, computers, televisions, consoles, video games, beauty and personal care items. Finally, among its brands it includes some recognized ones such as Samsung, Huawei, Nokia, Sony and Converse.

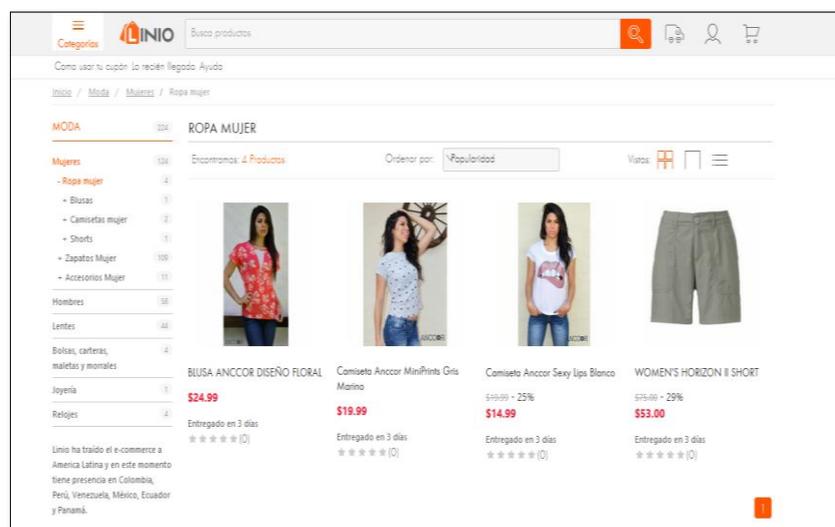


Image No. 3: Fashion Catalogue, Linio's Ecuador website

Source: (Linio Ecuador, 2015)

One disadvantage that Linio has is its limited variety of women's clothing, which represents an opportunity for Euphoria.

2.2.11 Type of products

- By its nature: As a clothing item, it is defined as a good, which is a tangible or physical product.
- According to its destination: It is a visible consumption product, since it meets the human need of clothing.
- By its duration: As a good quality tangible product, it can last up to 2 years or more, depending on the usage and care given.
- According to the reason of purchase: It is a product purchased to meet a personal need, and above all a basic physiological need.
- Depending on the purchase frequency: It is the individual's drive to meet a need, it can be because of the individual's culture, social media influence or by certain circumstances. All of this depends on the client's time and stage of life.

2.2.12 Brand and Logo

The brand is Euphoria Collection, which represents the intense feeling of pleasure that a person could have when wearing its clothes, as it shows happiness, well being and distinction. The name is in English because it pursues an international objective: grab the customers' attention in the United States, since it is a country that stands out as a leader in the design and fashion world. Additionally, American fashion has always been a model for the different clothing styles and habits worldwide. This brand was created with the idea to provide strength, conviction and confidence to its consumers.

The company logo is shown below:



Figure 2. Euphoria Collection Logo

Source: Euphoria Collection, 2016.

2.2.13 Added Value

Euphoria's clothing production has a high added value due to its high couture, inputs, tools and machinery used. Together, it generates luxury brand clothing and provides an excellent quality product. Hence, it allows the brand to create an international added value because it is hand made.

It is important to emphasize that clothing is always at the forefront of the fashion industry. It also uses cloth strips, accessories and genuine leather, which means a lot in the fashion industry. Some items are embroidered and finished by hand and are available in a variety of colors, prices and designs for all women.

2.3 SME's in Ecuador

Before we talk about the importance of SMEs, it is necessary to understand the meaning:

A SME is catalogued according to its sales volume, social capital, number of workers, and its production or assets level. These features are generally typical of this type of economic entities (SRI, 2015).

In Ecuador, the majority of SMEs are engaged in the wholesaling or retail trade businesses, fishing, agriculture, manufacturing industry, transport, among other activities

that do not require a high number of employees. It is important to mention that depending on their taxation type, they can be separated in natural or legal persons.

2.3.1 SME's categories in Ecuador

According to data from the Pichincha's Chamber of Small Industry (2001), the categories for the Ecuadorian companies are the following:

- Micro-enterprises: Employ up to 10 workers, and their fixed capital (without buildings and land) can go up to 20 thousand dollars.
- Craft Workshops: They are characterized by manual labor, with no more than 20 operators and a fixed capital of 27 thousand dollars.
- Small Industry: It can have up to 50 workers.
- Medium-sized Industry: It can have 50 to 99 workers and its fixed capital must not exceed 120 thousand dollars.
- Large companies: Those having more than 100 employees and 120 thousand dollars in fixed assets.

Table 4. *Clasificación of Ecuadorian Businesses*

Clasificación	Annual Sales	Number of employees
Micro-enterprise	Less than 100.000	1 to 9
Small Industry	From 100.000 to 1'000.000	10 to 49
Medium-sized Industry "A"	From 1'000.001 to 2'000.000	50 to 99
Medium-sized Industry "B"	From 2'000.001 to 5'000.000	100 to 199
Large company	From 5'000.001 and up	200 and up

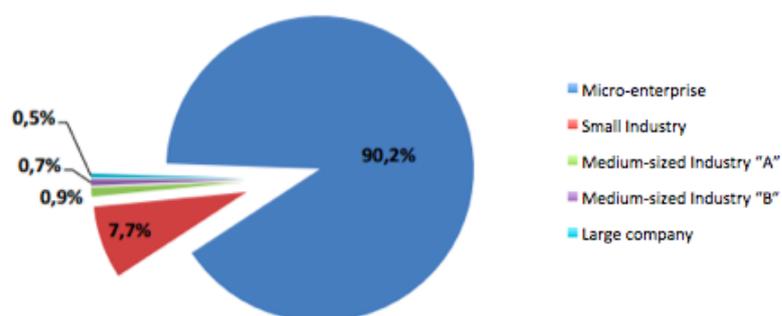
Source: (INEC, 2014).

According to this last table, it can be seen that Euphoria Collection is a small industry, since it has a small number of employees and machinery. However, it covers a broad market internationally, thanks to its online store.

In almost all countries in the world, SME's represent the largest number of companies and are a source of employment for the manufacturing and services sector. Additionally, they greatly contribute to the economic growth of their countries.

SME's and micro-enterprises mainly supply the domestic market, and its contribution to the GDP exceeds 50% in Ecuador. According to SRI, in 2011 there were 27.646 SME's, of which 13.332 belonged to the manufacturing sector, and within them, 4.661 were medium-sized, representing 34.96%, and 8.671 were small, representing 65.04%.

In 2014, according to INEC and SEMPLADES, there were a total of 843.644 companies in Ecuador, of which most were classified as micro-enterprises and small enterprises, representing 90.2% of the total number of companies. Small businesses accounted for 7.7%, with a total of 65.135 companies.



Business Size	No. of Business	Percentage
Micro-enterprise	760739	90.2%
Small Industry	65135	7.7%
Medium-sized Industry "A"	7929	0.9%

Medium-sized Industry “B”	5588	0.7%
Large Company	4253	0.5%
Total	843644	100%

Source: INEC, 2014

2.3.2. The importance of SME’s in Ecuador

As it can be seen above, more than 50% of the SME’s in Ecuador work in manufacturing and commercial activities. Later on and according to a study made by the IDE Business School (2006), SME’s in business activities represented 41% of Ecuadorian small companies. In terms of trade at the wholesale, it was 24%, and for retail, 14%, while other establishments and restaurants accounted for 2%. It is important to emphasize that, according to the same study, SME’s in finance, insurance and professional services activities sectors, accounted for 14%.

Currently, according to data provided by INEC (2014), 40.3% of small businesses are engaged in wholesale and retail trade and 8.8% are manufacturing industries.

Table 5. *Percentage of the economic activities in Ecuador during 2014*

Business Activity	Micro- Enterprise	Small Industry	Medium- Size Industry “A”	Medium- Size Industry “B”	Large Company
Total	100%	100%	100%	100%	100%
Agriculture, ranching, forestry and fishing.	11%	700%	8.70%	9.80%	5.10%
Mining and quarrying.	0.40%	0.50%	0.70%	0.90%	2.30%
Manufacturing industries.	8%	8.80%	8.80%	9.30%	15.70%

Electricity, gas, steam and air conditioning supply.	0%	0.10%	0.10%	0.20%	0.50%
Water distribution; sewerage, waste and sanitation management and activities.	0%	0.20%	0.20%	0.30%	0.60%
Construction.	3.30%	5.70%	5.70%	4.80%	4.00%
Wholesale and retail trade, vehicles and motorcycles repair.	36.10%	40.30 %	40.30%	44.70%	38.00%
Transport and storage.	10.8%	6.20%	6.20%	4.60%	3.40%
Accommodation and food service activities.	8.00%	3.60%	3.60%	1.60%	1.10%
Information and communication.	0.90%	1.60%	1.60%	1.40%	1.40%
Financial and insurance activities.	0.20%	1.00%	1.30%	1.90%	3.40%
Real estate activities.	2.20%	2.60%	1.60%	1.60%	1.20%
Professional scientific and technical activities.	5.10%	9.10%	6.30%	5.00%	3.10%
Administrative services and support activities.	2.80%	3.10%	3.10%	3.50%	1.80%

Public administration and defense; social security plans of mandatory affiliation.	0.10%	0.90%	1.70%	3.40%	11.20%
Teaching.	1.10%	4.70%	5.80%	2.90%	2.20%
Human health care attention and welfare activities.	2.10%	2.10%	2.20%	2.60%	4.00%
Arts, entertainment and recreation.	0.70%	0.40%	0.70%	0.40%	0.20%
Other service activities	7.10%	2.00%	1.10%	1.10%	0.80%

Source: (INEC, 2014).

Created by: authors.

In Ecuador, until 2006, SMEs were concentrated mainly in the larger cities, either because the majority of the population was found there, or because of the presence of large and important companies to which SMEs provide goods and services. In the case of Ecuador, Quito and Guayaquil are the largest cities. Quito has a concentration of 48% of the total of SME's and in Guayaquil there is 37% of the total. Other SME's are in other provinces such as Azuay with 5%, El Oro with 3%, Manabí with 2% and Tungurahua with 2% (IDE Business School 2006).

According to the INEC, until 2014 data had not changed significantly since small businesses were still concentrated in large cities, most of them in Quito and Guayaquil with 30.2% and 24.2%, respectively, followed by Azuay with 5.8%, Manabi with 5.6% and Los Ríos with 5.4%.

Table 3. *Concentration of companies by provinces*

Province	Micro Enterprise	Small Enterprise	Medium Enterprise "A"	Medium Enterprise "B"	Large Enterprise
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Total	100%	100%	100%	100%	100%
Azuay	5.80%	5.80%	5.40%	5.70%	4.60%
Bolívar	1.50%	0.50%	0.40%	0.30%	0.40%
Cañar	1.90%	1.00%	0.90%	0.70%	0.60%
Carchi	1.30%	1.00%	0.60%	0.70%	0.50%
Cotopaxi	3.20%	2.30%	2.10%	1.90%	1.20%
Chimborazo	3.50%	2.10%	1.40%	1.20%	1.10%
Imbabura	3.30%	2.50%	1.80%	1.50%	1.40%
Loja	3.50%	2.40%	1.90%	1.90%	1.60%
Pichincha	23.10%	30.20%	32.10%	33.40%	37.70%
Tungurahua	5.20%	4.20%	3.80%	3.40%	2.80%
Santo Domingo de los Tsáchilas	2.70%	2.80%	2.20%	2.40%	1.80%
El Oro	4.90%	5.40%	5.50%	5.00%	3.30%
Esmeraldas	2.20%	1.80%	1.40%	1.00%	1.20%
Guayas	18.30%	24.20%	28.00%	29.30%	31.80%
Los Ríos	3.60%	2.70%	2.80%	2.40%	2.60%
Manabí	8.60%	5.60%	5.00%	4.60%	4.30%
Santa Elena	1.10%	0.90%	1.00%	1.20%	0.50%
Morona Santiago	0.90%	0.60%	0.40%	0.40%	0.40%
Napo	0.90%	0.50%	0.50%	0.30%	0.30%
Pastaza	0.80%	0.50%	0.40%	0.20%	0.30%
Zamora Chinchipe	1.00%	0.50%	0.30%	0.40%	0.20%
Sucumbíos	1.20%	1.10%	0.80%	0.90%	0.70%
Orellana	0.90%	1.00%	0.80%	0.90%	0.60%
Galápagos	0.30%	0.40%	0.40%	0.30%	0.20%
Non-delimited zone	0.00%	0.00%	0.00%	0.00%	0.00%

Source: (INEC, 2014).

Created by: Authors.

1.4. PEST Analysis

1.4.1. Political

In 2006, Rafael Correa was elected president of the Republic of Ecuador by a majority of votes, for a period of four years and with the option of re-election, being reelected for two more periods.

The Ecuadorian State is made up of five state powers: legislative, executive, judicial, electoral, and transparency and social control.

In October 2008, the new Constituent Assembly of Ecuador was issued by the Constituent Assembly elected in 2007, which is based on the "Buen Vivir" or "Good Living," a constitutional principle that prioritizes the human being as part of a natural and social environment.

El Buen Vivir or Good Living

According to the Ministry of Education of Ecuador, Buen Vivir can be defined as:

The satisfaction of needs, the attainment of a dignified quality of life and death, loving and being loved, the healthy development of all, in peace and harmony with nature and the indefinite extension of human cultures. Good Living means having free time for contemplation and emancipation, and for the real freedoms, opportunities, capacities and potential of individuals to expand and flourish in a way that they simultaneously achieve what society, territories, diverse collective identities and individuals - seen as universal and as a particular human being at the same time - values as a goal of a desirable life.

The Good Living or Sumak Kawsay can be seen as much more than just way of life, where man is at peace and equity with nature and other human beings. Buen Vivir does not seek a life where consumerism and high purchasing power prevails. On the contrary, it seeks a society in which there is no exploitation and domination, where there are no social inequalities or discrimination to other communities, ethnic groups or cultures, where there is no gender inequality or pollution or environmental damage. Buen Vivir seeks a society where wealth is not measured by economic capacity, but rather by the amount of basic services given.

Objective # 10 of Buen Vivir is to impulse the transformation of the productive matrix, which is closely linked to the development of SMEs in Ecuador. This proposal seeks to change "from a pattern of exports specializing in primary products and extracting in a harmful way to one that favors diversified, eco-efficient production and with greater added value" (SENPLADES 2012), through the development of industries, creation of products with added value, substitution of imports, promotion of exports, and incorporation of new technologies.

Ecuador has been characterized as an extractive country, exporting raw materials and importing products made from these raw materials, which has put it in a condition of inequality against other countries, mainly due to the constant changes in the prices of raw materials. These unstable prices is the great difference between raw materials and processed products that already come with added value.

The goal of the change of the productive matrix is to change the image of Ecuador as an exporting country of raw material, through the elaboration of products with added value, that are destined not only for export, but which can meet the needs of domestic consumption, and thus substitute imports.

Through the use of raw materials, innovation policies and the use of more technology, quality products that can be recognized internationally will be produced. However, it is important to recognize that this type of change can only be seen in the long term, since currently, although the substitution of imports for processed products in Ecuador is a favorable aspect for the country, there is still not a big enough industry to supply the whole territory. Additionally, there lacks production and marketing of certain products that can only be found in certain countries, or if there are similar products or substitutes for them, they do not always meet the expectations and needs of consumers, for reasons such as quality or price. This is because there are many obstacles have been placed on the importation of these goods, whether by safeguards or other types of tariffs and trade barriers.

Government Incentives for Exports

The Ministry of Foreign Trade, through the Institute of the Promotion of Exports and Investments (Pro Ecuador), acts as a point of contact of foreign investment for national exporters, since it is in charge of executing the policies and norms of promotion of exports and investments. This is important since it promotes the supply of traditional and non-traditional products, as well as markets and actors in Ecuador, promoting their strategic insertion in international trade (Pro Ecuador, sf).

The strategic objectives of this entity are the following:

- To achieve an adequate promotion of the exportable supply of Ecuadorian goods and services, consolidating the current exports and promoting the deconcentration and diversification of exporters, products and markets.
- To achieve the diversification and empowerment of the exportable supply, through an investment that the productive chain and technological innovation generate.
- Achieve an adequate export culture, with emphasis on new foreign trade players.
- To achieve the strategic insertion in the international market of all national products, with a special emphasis on the goods and services offered by small and medium enterprises, and the actors of the popular and solidarity economy.

Pro Ecuador has been created as a tool for domestic producers, since the registration of natural or legal persons allows them to contact the Ecuadorian exporter to do business, thus presenting an opportunity to expand their market.

In addition, the Ministry of Foreign Trade has created a program called Export Country, which is aimed at providing training and individualized technical assistance to Ecuadorian companies, especially micro, small and medium enterprises, as well as organizations of the popular economy and solidarity, improving their processes and exportable supply, in order to be more successful in their target markets.

The benefits of this program, according to Pro Ecuador are:

- Promote the diversification of Ecuador's products and services for its internationalization.
- Promote the diversification of export markets for goods and services produced in Ecuador.
- Include new exporters or consolidate existing ones within the country's exportable supply.
- Include the actors of the popular and solidarity economy in the processes of export and internationalization.

Pro Ecuador's website shows that 239 companies of goods and services are part of the Export Country program, and the services that they gain are the following:

- Training and coaching: The training includes technical assistance, workshops, lectures and seminars, in order to improve the capacities of companies in specific issues identified during the Export Diagnosis and agreed in their respective action plans. Each module will offer a series of specific training sessions which will be carried out in groups. Coaching involves the assignment of company to a team made up of local and international experts who will provide technical assistance, which may be in person or from a distance.
- Technical assistance in products and certifications: Support is given to companies for the adaptation of a specific product, through improvements in product properties, labels, brands and obtaining national and international certifications, allowing their product to reach the target market. This support includes an initial diagnosis and support during implementation.

- Support at fairs and trade missions: Assistance will be given to companies for their effective participation in international promotion events, with the aim of expanding possibilities for the entry of their products into the target market.

This is a great opportunity offered to MSME's in order for them to be able to export. The Ministry of Foreign Trade seeks to support companies to meet certain technical requirements that are necessary to have an international certification, in addition to contributing to an improvement of the quality of their products, the promotion of these goods and the adaptation to the requirements of other countries.

Exporta fácil (Export Easy)

Another important program that has been created by the current government is Exporta Fácil or Export Easy, a simplified, agile, effective and economic system of exports through postal shipments.

According to its website (Exporta Fácil, 2011), the program is aimed at promoting the delivery of products from artisans, micro, small and medium entrepreneurs, and entrepreneurs and actors of the popular economy to the different international markets. Companies that implement this program take advantage of benefits offered by the different participating institutions such as the Ministry of Industries and Productivity, Pro Ecuador, Ecuadorian Postal Services, National Customs Service of Ecuador, and National Institute of Cultural Heritage, which in turn generates inclusion, competitiveness and local development.

Exporta Fácil (2011) offers the following benefits:

- Competitive rates.
- Free export assistance.
- Credits and discounts for corporate clients.
- Home delivery of shipments.
- Online tracking of shipments.
- Exports from anywhere in the country.
- Permanent training.
- Assistance to exporters through the call center: 1700 Correos.

- Free customs procedures.
- Participation in fairs.
- Business Opportunities.

The program is aimed at artisans and MSMEs, and seeks to generate their active participation through insertion in international markets, speeding up procedures by integrating IT platforms of all entities involved in the export process. It is easy to use since the user must enter the online Exporta Fácil portal and fill out an export application as well as the Simplified Customs Declaration (DAS) and meet certain requirements such as having a company RUC, Packing List, Commercial Invoice and other enclosed documents, depending on the type of merchandise. However, the export must only be in packages of up to 30 kilos each, whose FOB value does not exceed \$5,000 dollars (Exporta Fácil, 2011).

These government incentives have generated a benefit for domestic producers who wish to expand their goods to new markets, projecting them on a new path to success.

Stability and political risk



Image No. 4: Political Instability

Source: (Marsh & McLennan Companies, 2016).

The image shows that Ecuador, among other countries, is politically unstable due to unfinished mandates or presidencies in the last three decades, as well as the high degree of corruption and false promises, not to mention the crisis of 1999 that led to the change of

currency and the bank holiday. Even the current government has suffered attacks and strong opposition criticism because of Rafael Correa’s inappropriate behavior.

It is important to emphasize that for foreign investors the country’s policy from which they wish to import is of the utmost importance. The business sector expects that in the next presidential period the political conditions can improve, reducing factors such as popular revolts and eliminating certain restrictions, improving competitiveness and obtaining better opportunities for investment and growth.

1.4.2. Economic

Gross domestic product

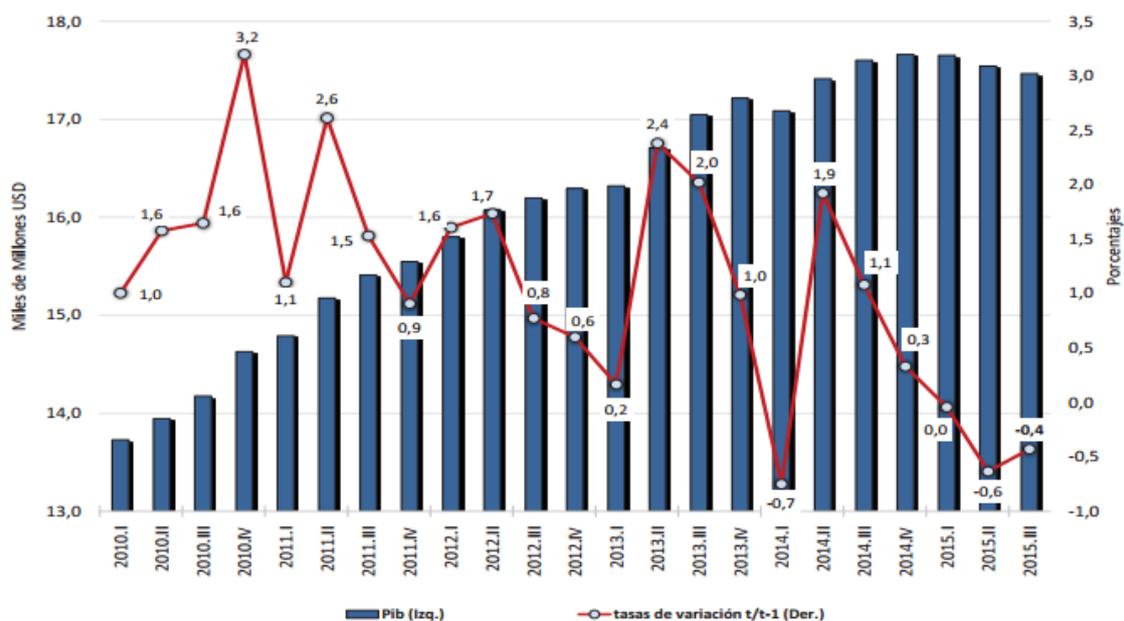


Chart 1. *Trimestral GDP, USD 2007.*

Source: (Banco Central del Ecuador, 2015).

In the Ecuadorian economy, the main source of income has always been oil, followed by shrimp, bananas and tourism.

In the 2010-2015 period, the GDP had the highest growth in the third quarter of 2010, with a percentage growth of 3.2%, which was driven by rising oil prices, foreign investment, etc. This type of increase implies that important advances and contributions can be made to certain sectors of the country. In this case it attracted new investments, improvement of basic

services like drinking water and energy, allowed greater social and public spending, improving health, transportation and education of Ecuadorians.

According to data from the Central Bank, poverty declined to 22.5% from 37.6% until 2014, since this GDP growth mainly helped the poorest. Since 2014, it can be seen that the outlook changes completely, in the first quarter of 2014 the GDP decreased to -0.7%, as it could have been due to the depreciation of the dollar, as well as the fall in oil prices. By 2015, poverty level rose from 22.5% in 2014 to 23.3% in 2015, mainly in the rural sector, where rural poverty increased from 35.5% to 39.3%. One of the most influential factors for the growth of poverty in recent months may be the earthquake that affected Ecuador's coastal zone, which left many families homeless, in addition to social losses, leaving hundreds injured and dead, resulting in an approximate reconstruction cost of about 3 percentage points of the GDP (World Bank, 2016).

According to the Central Bank, in Ecuador the economy is sustained in twelve sectors or activities:

- Manufacturing
- Oil and mines
- Commerce
- Construction
- Teaching and health
- Agricultural activities
- Other services
- Transportation
- Professional activities
- Public administration
- Mail and communications
- Other sectors

Out of these, the sectors with the largest GDP participation: manufacturing, oil and mining, wholesale and retail trade, construction and agricultural activities.

Over the years, the Ecuadorian economy has undergone important changes, especially in the composition of its GDP, since in previous years the economy had been supported by the oil and mining sector, which until 2004 had a GDP share of almost 14%. The change was so notorious that by 2014 the sector with the greatest GDP share was the manufacturing sector, with a participation of almost 12%. This is key for the Ecuadorian economy since it contributes to the productive development of the country, improves the use of technologies and is an important source of employment (EKOS negocios, 2015).

The manufacturing sector is divided into eight sectors:

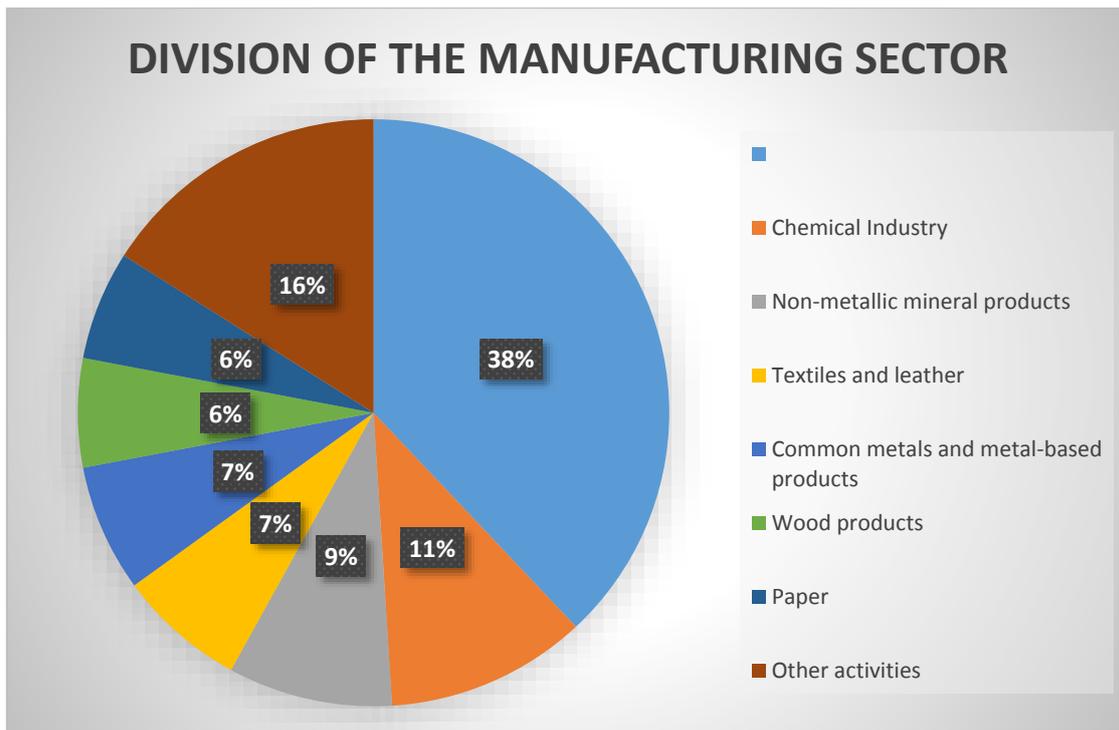


Chart 2. *Division of the Manufacturing Sector, Ecuador.*

Source: (EKOS negocios, 2015).

As shown in the chart, the most important and significant sector in manufacturing is food and beverages. However, the most interesting one for this project is textiles and leather, with a participation of 7% until 2014, which has been increasing until today, since according to data from the Central Bank, the apparel and footwear industry has had an average participation of 1% to 2% of the total Ecuadorian GDP.

Among the commercial activities that this sector entails, "80% are engaged in the retail sale of clothing, footwear and leather goods in specialized stores, 13% are involved in the retail of textiles, clothing and footwear in stores and markets, and 7% is dedicated to other businesses" (INEC, 2012).

Pichincha, Guayas and Tungurahua are the provinces where there is a greater concentration of companies and establishments related to the textile and leather sector.

Over time, the textile sector has been gaining importance, especially in exports. As can be seen in the following chart, the share of textiles, clothing, footwear and leather in total exports from 2000 to 2010 is 1.3%.

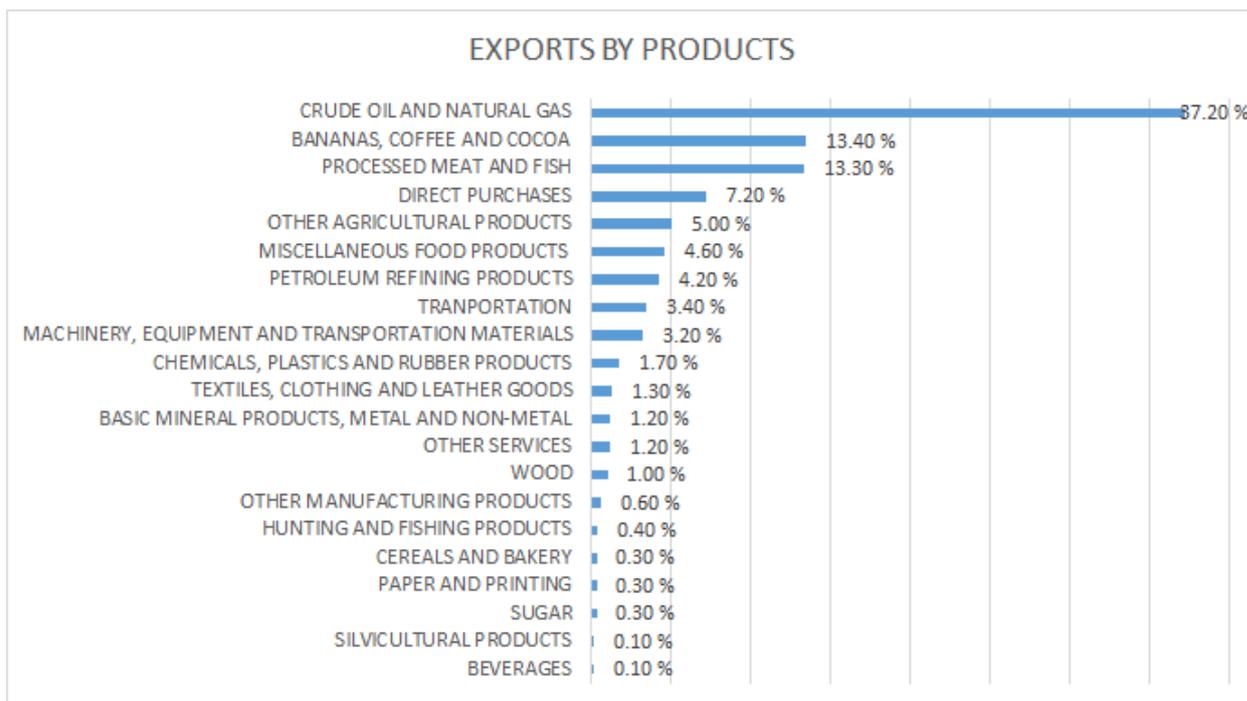


Chart 3. *Exports by product, 2000 - 2010.*

Source: (INEC, 2012)

Balance of payments

Table 4. *Balance of payments results, 2000 - 2016*

	Average		Results		
	2000-2006	2007-2015	2014	2015	2016 (First trimester)
1 Current account	0.30%	0.00%	-0.13%	-0.55%	0.00%
*Goods	1.40%	0.20%	0.00%	-0.43%	0.00%
*Services	-2.50%	-1.80%	-0.30%	-0.15%	-0.10%
*Rent	-4.90%	-2.00%	0.55%	-0.45%	-0.40%
*Current transfers	6.30%	3.70%	-0.40%	0.53%	0.50%
2 Capital and financial account	-4.40%	-0.20%	0.08%	0.15%	-0.20%
*Capital account	0.00%	0.10%	0.00%	-0.03%	-0.50%
*Financial account	-4.40%	-0.30%	0.08%	0.80%	0.40%
3 Errors and omissions	-0.20%	-0.10%	-0.08%	0.03%	0.10%
Global balance	-4.30%	0.20%	-0.10%	-0.38%	-0.10%

Source: (Banco Central del Ecuador , 2016).

Created by: Authors.

The balance of payments represents all transactions carried out by Ecuador with the world. According to the results table, it can be seen that from 2000 to 2015 the deficit of the

global balance decreased. However, this does not mean that there is a surplus. It can be established that the deficit of the last years is due to the safeguards imposed by the Ecuadorian government, which was supposed to help reactivate domestic production and improve the country's economy, but it was not the best alternative, since costs have risen and exports and the liquidity of the economy have fallen.

It is worth noting that one of the great problems that Ecuador has always had has been the lack of diversification of production, as there has been a conformism dependent on the oil sector and the sale of bananas, tuna, fish and plantains.

This deficit is also due to unemployment in Spain, Italy and the United States, which directly affects migrants' remittances, as well as other domestic problems such as internal unemployment, government behavior, the financial system, among others .

Balance of trade

In the first quarter of 2015, of the goods exported there was an increase in external sales of the following products: natural flowers by 73.7%, going from \$165.1 million in the fourth quarter of 2014 to \$286.8 million in the first quarter 2015; Oil products by 39.6%, which went from \$76.7 million to \$107.0 million; Tuna and fish, from %60.9 million to \$75.5 million with an increase of 23.9%; And bananas and plantains from \$666.5 million to \$755.7 million (13.4%), among the main products.

Oil exports decreased by \$834.3 million, which was associated with the reduction of the price of crude in the international market. Total imports decreased by -17.2% compared to the previous period.

Among the main products whose foreign purchases were reduced were: fuels and lubricants with a reduction of \$578.1 million (-34.2%); Construction materials with \$91.3 million (-32.8%); And industrial capital goods at \$164.9 million (-13.1%) (ECB, 2015).

In recent years, a negative trade balance has been created. According to the Central Bank, in the oil sector there has been almost a similar behavior, while the non-oil sector represents a deficit. At first sight, it can be seen that the oil sector continues to grow, and on the contrary the non-oil sector decreases, which makes the main problem the fall of oil prices, since if it becomes cheaper, it would worsen the situation (ECB, 2016).

It is important and necessary to mention that the Trade Balance should improve in order to change the economic situation of the country. It is expected that with the signing of the Treaty with the European Union, the exchange of goods and services will be reactivated, thus increasing production and trade, as well as having multiple advantages as a dollarized country.

It is important to remember that "since the middle of the last decade, Ecuador has been favored by high oil prices and, more recently, it has acceded to greater external financing, which allowed a significant fiscal boost. This impulse involved greater social spending and important energy and transportation investments. As a result, between 2006 and 2014, average gross domestic product growth was 4.6%" (World Bank, 2015).

According to this same source, the Ecuadorian economy had a significant increase in recent years due to the oil boom, although the outlook for the last years 2015 and 2016 has not been very good. "The World Bank notes that the dollar appreciation meant a loss of competitiveness for the Ecuadorian dollarized economy. This, together with lower oil prices, pushed Ecuador into a recession in 2015" (El Comercio, 2016).

These two factors have affected public and private companies. First, the fall of oil prices has created a difficult times and the inability of fulfilling objectives and sales, affecting the entire Ecuadorian economy in general, which has resulted in worker layoffs, and as a consequence a decrease in the consumption of luxury goods and services, causing consumers to buy only what is necessary to survive.

On the other hand, the appreciation of the dollar against other currencies and even more with those of neighboring countries has also affected companies. This is because as prices of Ecuador's products become more expensive, they become less competitive in foreign trade, generating monetary losses in the organizations or companies and thus reducing the income of foreign currency to the country.

In Ecuador, the highest consumer prices were recorded at the beginning of 2000, when annual inflation was 22.4%, which was a result of the dollarization process that the country was going through at that time. Years later, prices stabilized and gradually fell with annual inflation rates of 9.4% in 2002 and significantly reduced in 2010 with an inflation rate of 3.3%. Since that year, the variations have remained stable, and in 2012, the annual inflation was 2.12% (INEC, 2013).

Table 5. *Annual inflation*

Month	Year	Value
III Quarter		1.43%
II Quarter		1.66%
I Quarter		2.67%
Annual Value	2016	1.92%
III Quarter		3.42%
II Quarter		4.58%
I Quarter		3.78%
Annual Value	2015	3.97%
III Quarter		3.72%
Annual Value	2014	3.72%

Created by: Authors.

Table 6. *Inflation per quarter*

Month	Year	Value	Value By Quarters
III Quarter			1.43%
September	2016	1.30%	
August	2016	1.42%	
July	2016	1.58%	
II Quarter			1.66%
June	2016	1.59%	
May	2016	1.63%	
April	2016	1.78%	
I Quarter			2.67%
March	2016	2.32%	
February	2016	2.60%	
January	2016	3.09%	
III Quarter			3.42%
December	2015	3.38%	
November	2015	3.40%	
October	2015	3.48%	
III Quarter			4.09%
September	2015	3.78%	
August	2015	4.14%	
July	2015	4.36%	
II Quarter			4.58%
June	2015	4.87%	
May	2015	4.55%	
April	2015	4.32%	
I Quarter			3.78
March	2015	3,76%	
February	2015	4,05%	
January	2015	3,53%	
III Quarter			3.72
December	2014	3,67	
November	2014	3,76	

Source: (Banco Central del Ecuador, 2016).

Created by: Authors.

The quarter that showed the highest inflation rates was the second one in 2015, with 4.58%. Rates and changes in inflation have remained constant over the last three years, declining more and more, so much so that for the third quarter of 2016, the lowest inflation rate was only 1.43%.

The restaurants and hotels sector and the miscellaneous goods and services sector are the ones that contribute most to the variation of consumer price indices, as well as the ones that have the highest inflationary incidence. The following graph shows that for textiles, clothing and footwear there is an inflationary incidence of barely -0.0053%.

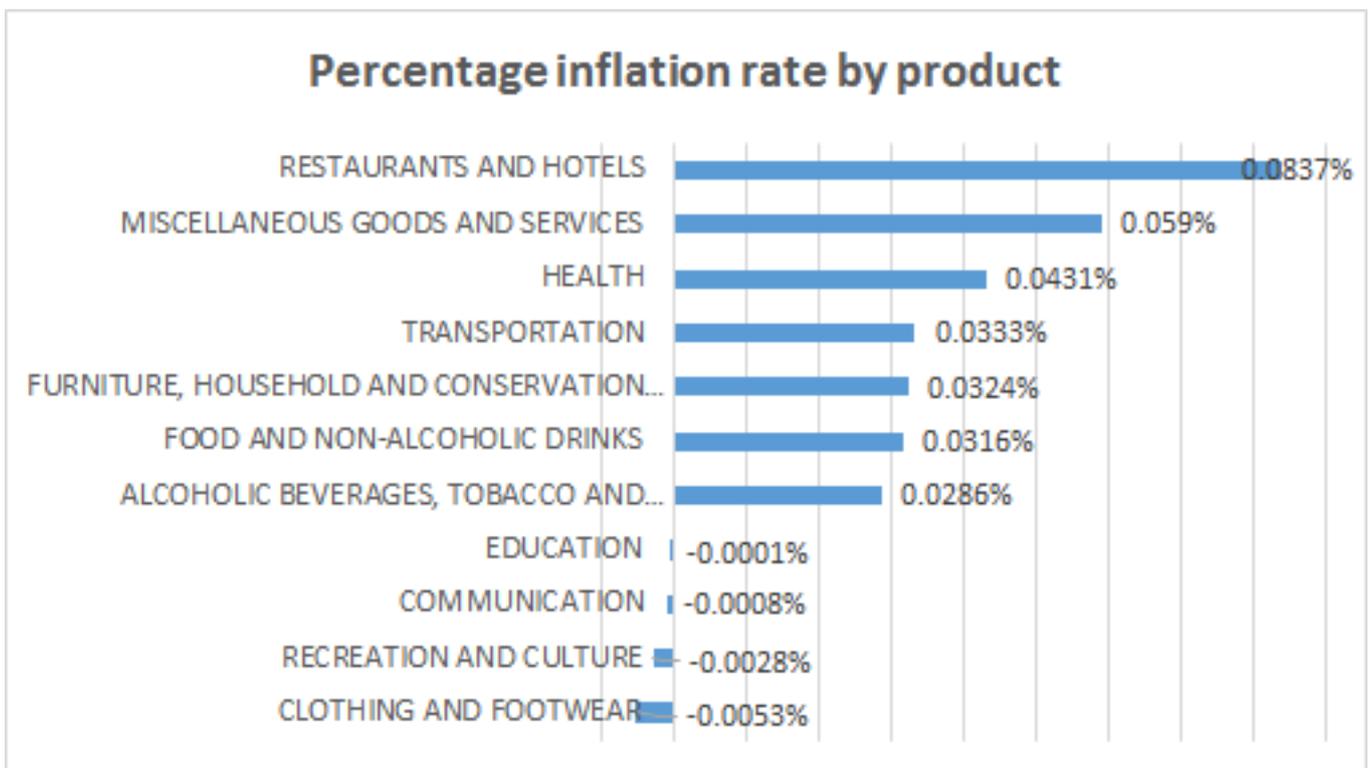


Chart 4. *Percentage inflation incidence by product.*

Source: (INEC, 2016).

It is also notable that in exports, the textile sector has no relevance, nor does it have a percentage that significantly helps the country's economy. That is why Euphoria Collection seeks to reactivate this sector, sending clothing to other destinations with similar tastes and trends in fashion, culture and traditions.

1.4.3. Social

Poverty Indexes

Table 7. *Poverty in major cities*

City	Dec-14	Dec-15
Quito	7.53%	8.72%
Guayaquil	12.71%	11.72%
Cuenca	7.82%	4.48%
Machala	11.87%	9.56%
Ambato	7.30%	7.99%

Source: (INEC, 2015).

Created by: Authors.

The cities with the highest percentage of poverty between 2015 and 2016 were Guayaquil with 11.72% and Machala with 11.87%. While, the lowest percentages are Cuenca with 4.48% and Ambato with 7.30%. It should be noted that between these two years there has been a reduction in the poverty index, due to the social policies implemented, the promotion of education, health, among other factors that contributed to the fight against poverty.

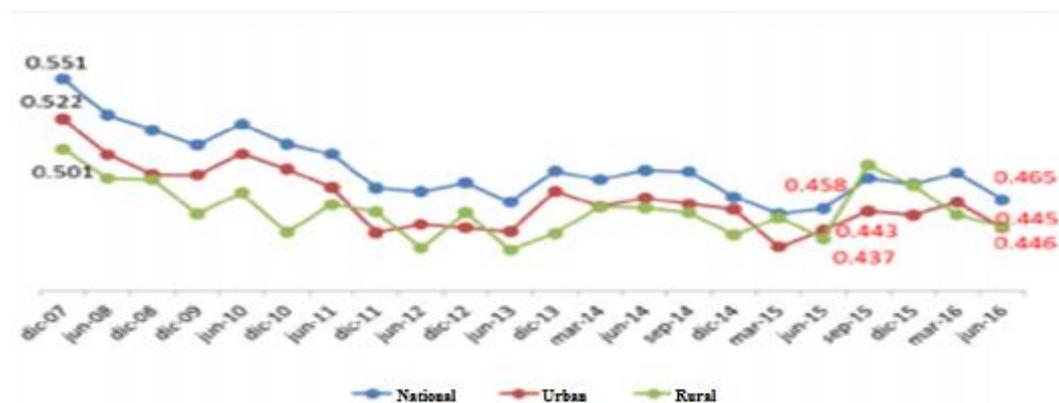


Chart 5. *Evolution of the Gini Coefficient.*

Source: (INEC, 2016).

Table 8. *Gini coefficient, June 2015-2016*

Indicator	Area	Jun-15	Jun-16	Diff	p-value
Gini	National	0.458	0.465	0.63	0.386

Urban	0.443	0.445	0.20	0.806
Rural	0.437	0.446	0.86	0.585

Source: (INEC, 2015).

According to this data, between June 2015 and June 2016 there does not exist a significant inequality in the economic income of the Ecuadorian population, since it does not approach the value 1 that would mean maximum inequality in the income. When comparing rural and urban areas there is only a slight difference between the two, which means that Ecuador is a country that equally distributes its income.

Unemployment rate

Table 9. *Unemployment rate, by self-represented cities, March 2008-2015*

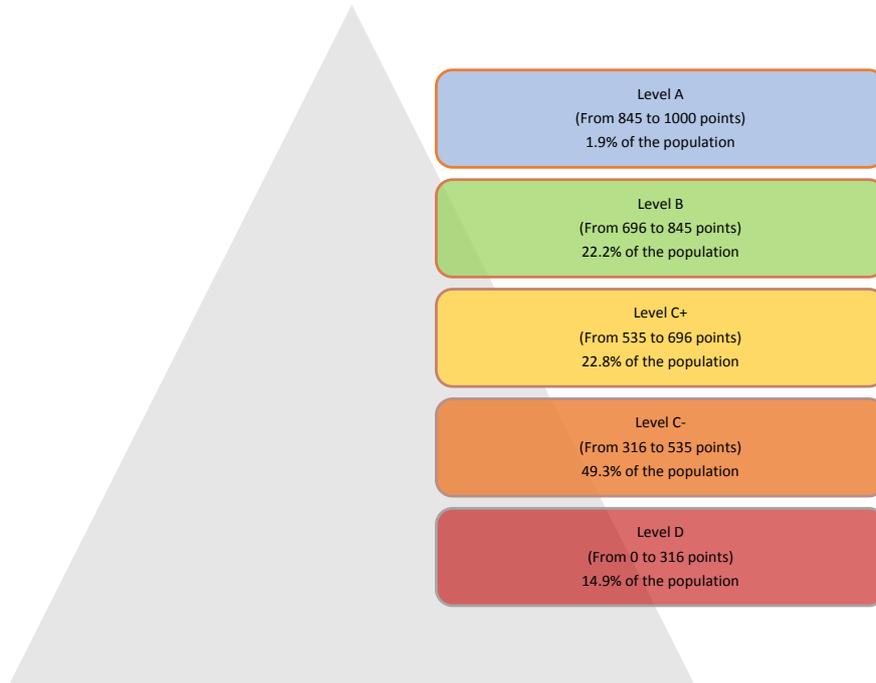
City	2008	2009	2010	2011	2012	2013	2014	2015
Quito	6.50%	7.20%	7.20%	5.70%	3.70%	4.10%	4.30%	4.40%
Guayaquil	8.00%	14.10%	12.30%	10.00%	6.30%	5.50%	6.10%	3.80%
Cuenca	5.00%	4.90%	3.80%	4.10%	4.70%	3.20%	3.20%	3.20%
Machala	5.10%	11.00%	8.10%	7.20%	5.90%	4.20%	3.80%	3.70%
Ambato	4.50%	4.10%	3.10%	3.50%	4.40%	4.40%	5.80%	6.40%

Source: (INEC, 2015).

Created by: Authors.

In the cities of Quito, Guayaquil, Cuenca and Machala, there was a significant decrease from March 2008 to March 2015, which represents an advantage for the country, since the majority of the population lives in acceptable conditions. Families can easily access a basic basket, and there is less immigration, as well as improvements in the country's productive apparatus, which stimulates companies to improve their quality and expand their market. Additionally, the labor force has grown, characterizing the Ecuadorian population as "active that generates wealth".

Figure 3. *Social Pyramid of Ecuador*



Source: (INEC, 2015).

Created by: Authors.

If Euphoria sold its garments inside the country, its market would be the first three levels (top of the pyramid), since its product meets the characteristics and needs that these people look for in the fashion industry. As a result, 35.6% of the population, or approximately 5 million people, are among the potential buyers of the Euphoria Collection brand.

1.4.4. Technological

Access to ICTs is a right of all citizens. For this reason, the current government, through the Ministry of Telecommunications and the Information Society, promotes the development of a society with state-of-the-art technological services, through internet access, equipment installations and training the country's children, youth and adults.

Telecommunications services in Ecuador have grown significantly. For example, in 2006, six out of every 100 Ecuadorians had access to the internet, and in 2012, the number rose to 60 out of 100. Also, in the last three years, Ecuador improved its position in the index of availability of network technology, and reached a better performance in terms of

telephone and Internet access services (Ministry of Telecommunications and Information Society, 2012).

It should be noted that in recent years, Ecuador has maintained a favorable policy regarding access to new ICTs, so much so that public and private companies have been able to adapt to the new digital age, thanks to a strong investment of the State in fiber optics and training, in a way that all people learn how to use the internet.

According to the National Secretary of Public Administration (2014), the Ecuadorian State must improve its management and quality in the provision of its services, for which the use of Information and Communication Technologies (TICS) becomes a factor key. The Ecuadorian government has been investing money to adapt its population and improve its services within websites that speed up procedures, obtain information, among other services.

Within the National Development Plan 2013-2017, the Secretariat notes that:

The Electronic Government organizes ICT's in the most convenient way to improve the way of relating to the four main actors (government, citizens, productive sector and public servants), thus eliminating communication barriers and strengthening relations and alliances for an increasingly interconnected and globalized society (2014).

The Ministry of Industries and Productivity known as MIPRO has a clear objective for MSMEs: to boost innovation in productive sectors, strengthening the activity of these companies and generating support for easy access to loans for the technological and commercial development of them.

With the implementation and easy access to technology, it contributes significantly to the eradication of digital illiteracy, giving Ecuadorians knowledge and information on the internet.

This is also a good alternative for national production to become known in foreign markets and to conduct major negotiations. It is time to take advantage of the new technologies for a better development, growth and progress of the country.

Under this vision, Euphoria Collection aims to reach international markets with an innovative image, taking advantage of the media, working as a team, promoting products and gaining a reputation as a brand and product quality, placing Ecuador in the world of fashion on a global level.

1.5. Porter's Five Forces

Porter's five forces are essential to businesses. These can maximize the resources of a company and thereby overcome the competition, achieving success in the target market.

Within this study, Porter's five forces play a critical role, helping to guide competitive strategy and determine long-term profitability.

1.5.1. Threat of substitutes

In the textile industry, competition is high. It is influenced by prices, quality, designs, marketing, advertising, promotions and, within the online marketplace, the forms of payment and delivery services.

In Ecuador, the number of companies that sell clothes online is limited and have not opened its doors to the foreign market. The main brands include Pinto, Neverland, De Pratti, Pasa and Tosi. These are properly positioned in the national virtual market.

As for international competition, there are US and European franchises that sell directly online in Ecuador and also have physical establishments in the cities of Quito and Guayaquil. Among them are: Zara, Stradivarious, Nine West, Forever21, Bershka, Aeropostale, Tommy Hilfiger, Polo Ralph Lauren, among others.

1.5.2. Bargaining power of suppliers

"It provides the suppliers of the company with the necessary tools to reach an objective" (Riquelme, 2015).

Euphoria Collection has several suppliers, and so the bargaining power of these is reduced. Having a good supply of raw materials means that most suppliers have affordable and concessional prices. Among the fabric suppliers are: Marcella Textiles and complements, Casa Farah and Telas Mil, in the city of Cuenca; Textinort Cía. Ltda. And La Megaventa, in the city of Quito; Texmoda, in Ambato; And finally Ivantex, in the city of Guayaquil. The only supplier of accessories, buttons and threads is Salamea Distributor.

1.5.3. Bargaining power of buyers

Companies have problems when their products have multiple substitutes in the market, for customers, or when products may have higher costs than their competitors. If buyers are

well organized, their demands may be higher and they may even demand a noticeable price reduction (Riquelme, 2015).

Currently, Euphoria Collection does not have significant bargaining power over its customers, since most of them buy items individually and impulsively, but not in large amounts, which prevents the comparison with the total production of the company.

The current market is characterized by a purchase tendency focused on prices. currently there are only a few people who buy because they are loyal to the brand. That is why Euphoria must create strategies that allows customers to become loyal to the brand, establishing competitive prices for their clothing.

1.5.4. Threat of new entrants

This refers to the potential income of companies that produce or sell products that are alternative to those of the industry (CreceNegocios, 2015).

One of the problems that Euphoria faces is the production of products similar to theirs, which sometimes are more efficient and cheaper. These types of threats can force the company to reduce its prices and consequently suffer losses in its income.

Clothing is a basic need, so substitute products are easily found in various fabrics, brands, quality and prices. However, not all items, accessories and designs are the same, and therefore the Euphoria Collection, offers couture garments and at a good price. The purchase of these items depends on the economic circumstances and preferences of each person.

1.5.5. Industry rivalry

Industry rivalry is characterized by clashes between companies and the use of large business strategies, and also by the intensity with which they carry out their projects and the way in which they use their imagination to try to overcome their competitor's actions. A company that stands out, in turn, puts pressure on the companies that surrounds it, which is why there will always be a latent rivalry between companies in the same industry (Riquelme, 2015).

Ecuador's textile industry is saturated, although not many companies have decided to open their doors to the international market for fear of possible risks that may occur in the target countries, tariff barriers, among other limitations. That is why the industry is

considered slow and uncompetitive on an international level, because there is no pressure from other competitors. This allows for the stability of prices and the company can be differentiated more easily among its potential customers.

1.6. SWOT Analysis

After getting to know the Euphoria Collection Company, it is essential to carry out a SWOT analysis (Strengths, Opportunities, Weaknesses and Threats):

Figure 4. *SWOT matrix, Euphoria Collection Company*



Source: Euphoria Collection, 2016.

Created by: Authors.

1.7. Corporate social responsibility

It is relevant to address this issue, since globalization has created a new business model and business management, in which most companies respond in an ethical and careful way to the environment.

Ecuador has joined this new trend of sustainable development so that companies can generate greater added value through their transactions and activities.

Corporate Social Responsibility has become a new form of management and doing business, in which the company ensures that its operations are economically, socially and environmentally sustainable. In this way, a company recognizes distinct interests and seeks the preservation of the environment and the sustainability of future generations. It is a business vision that integrates respect for people, ethical values, community and the environment with the management of the company, regardless of the products or services it offers, the sector to which it belongs, its size or nationality (Cagija).

According to the United Nations Association in Spain, Corporate Social Responsibility (CSR) is based on the following:

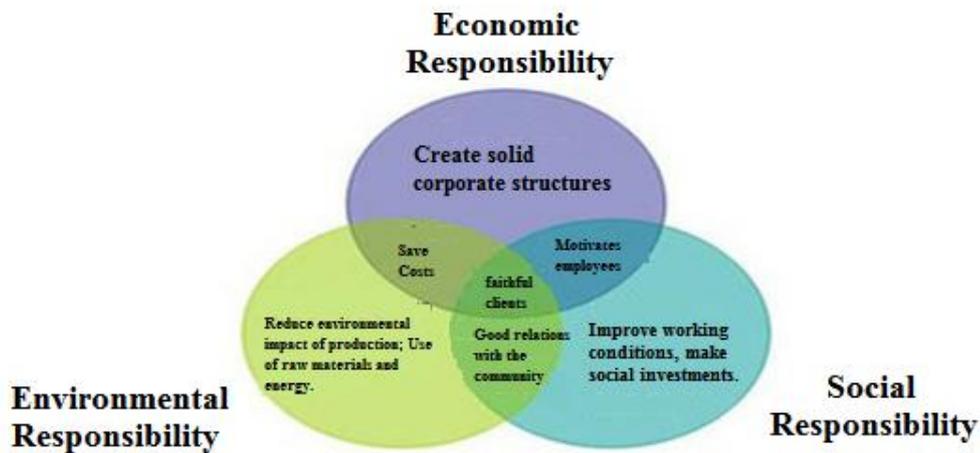
- Corporate Social Responsibility is the voluntary commitment that companies make for social, economic and environmental improvement.
- CSR goes beyond compliance with laws and regulations, taking into account their respect and strict compliance. Under the concept of management are a set of practices, strategies and business management systems that pursue a new balance between the economic, social and environmental dimensions.
- CSR is synonymous with investor transparency, good governance of listed companies, ethical codes, initiatives of social action and cultural patronage, among other initiatives. The social organizations develop their mission while establishing communication channels with the Administration and companies.

It is understood that Corporate Social Responsibility (CSR) focuses on the common good, creating added value for the company. By taking into account nature and, above all, human dignity, the company increases its reputation and brand recognition, as well as contributing to job creation and improving the quality of life.

CSR activities are developed on the basis of corporate initiatives and responsibilities, and go beyond just complying with the laws. CSR is a management model with three fundamental pillars: economic, social and environmental responsibility.

Implementing and practicing CSR can generate the following benefits:

Figure 5. *Benefits of CSR*



Source: Chamber of Ecuadorian-German Industries and Commerce.

Euphoria aims at CSR, through the constant pursuit of well-being for its staff, customers and development of its country. Currently, it protects the environment, through good practices and respect for Ecuadorian standards.

The company, in addition to seeking profits and becoming positioned in the international market, also seeks to have a positive and responsible impact within its operations, with greater and better productivity, technological efficiency, responsible hiring, loyalty to clients, respect for human rights, rational use of raw materials, among others.

Within its long-term goals, when the virtual store gains presence in the international market, they are to help the indigenous communities of Ecuador with contributions for their medicines and to make Christmas celebrations in nursing homes and foster homes.

Conclusion

In conclusion, Euphoria Collection is a small company looking for the opportunity to position itself in the international market, focusing its efforts on the "changing" needs of women, developing fashionable clothing with materials and machinery that generate added value to the product. For this, the SWOT analysis developed in this chapter is important, as this will be the basis for decision making and strategy planning.

With the change of the productive matrix in the country, Euphoria can offer its products to the foreign market, besides generating jobs and contributing to the GDP of the nation. Being a small industry, it can contribute in the reputation of the country within the

manufacturing sector and the fashion industry. Likewise, it can gain participation in international production, with creativity and innovation.

Thanks to the number of SMEs in Ecuador, it can be said that the level of competition and product quality has improved and Euphoria will be no exception.

It is important that Euphoria works in a responsible way with the environment, its geographic environment and in general with the people. This will allow the company to have access to an international certification in CSR, and in future it will gain more presence and a better reputation in the national and international market.

CHAPTER 3

2. Market Research

2.1. Introduction

In this chapter, the market research is developed in order to determine Euphoria Collection's possible target market. This is accomplished through an analysis of the data provided by the websites of Trademap, World Bank, Central Bank of the Ecuador and Santander Trade Portal.

In addition, this chapter presents the views of different companies on their export experience and the support received from the central government.

2.2. Qualitative research

2.2.1. Interviews with professionals

In order to understand how the export process is developed, interviews were conducted with the commercial representatives of three companies from Cuenca: Homero Ortega, Indurama and Pasamanería.

Homero Ortega (Sombreros De Paja Toquilla or Straw Panama Hats)

The toquilla straw hats have been present in the Ecuadorian market since the year 1899. Aurelio Ortega, grandson of owner Homero Ortega, explains that the company currently offers several products derived from the straw toquilla, such as the hats in 32 different models, shoes made of straw, wallets, purses, and, in the future, passport holders, household goods, fruit baskets, among others.

In order to export they have a base company, ie a holding company, which include Ortega Hats Company and Arte Pat.

They have gained much from the support of Pro Ecuador thanks to their invitations to international fairs. In 2015 they participated in Expo Milan, where they managed to attract new clients. Currently they have two local competitions, such as the toquilla straw hats Paredes and Serrano.

Its competitive advantages have always been quality and innovation. It has existed since four generations ago and still remains a family business. They won the Gold Bow in 1999, and in 2016, they won the title of one of the best Ecuadorian companies. Its quality is visible through the satisfaction of international clients.

At Homero Ortega they use two types of price for their products, their wholesale price and retail price.

In the international market, they sell raw materials to Italy and they are in charge of putting the brand, the design and the size. They have also ventured into the US market, because of the country's currency and the interest that Americans give to craft products. In the US market, they entered with the name KUMPU that means "hat" in Quechua, because this particular market besides buying a product of quality always looks for the history behind the product.

Its online store has not been very successful, since it is difficult to choose the size, the model and the fragility of the product through a virtual portal.

The most difficult challenge for Ortega Hats has been to learn to compete, since China can make the same hats with machinery. One of its advantages has been its constant innovation. Its strongest markets have been the United States, Europe and Japan. In Japan there is a direct virtual store available.

The key to this Ecuadorian company has always been to innovate without copying. Their recommendation for exporting is to look for an experienced customs agent, which allows access to other countries with an extensive market study.

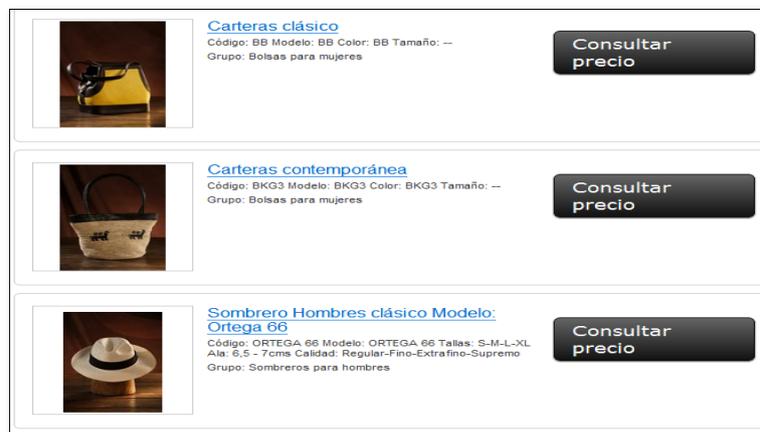


Image No. 5: Homero Ortega Products

Source: (Homero Ortega P.)

Indurama (Home appliances)

We interviewed the engineer Samanta Mejía, an executive of exports of the company Indurama. This is a company native to the city of Cuenca that is dedicated to the production, sale and export of kitchen and domestic appliances. The company was created in 1972, and

in 1985 it entered for the first time in the international market, exporting its products to Peru. Today, Indurama exports more than 60% of its production and has managed to establish itself in more than 25 countries in Latin America, Central America and the Caribbean.

The main products that the company produces and exports are gas cookers, electric cookers, and refrigerators. It also imports finished kitchen appliances (display cabinets, mini bars, refrigerators and coffee makers), to which the company gives them an added value and subsequently exports them to different target countries, such as Peru, Nicaragua, El Salvador, Guatemala, Colombia, Dominican Republic, Jamaica, Guyana, Grenada and Visen.

The company has offices in all the countries mentioned above from which the business is managed. According to Samanta, this is the key to the success of the company and to its international positioning. Once the customers' orders have been placed in the corresponding offices, the export process is executed. Indurama works with containers and generally maritime transport, due to the high weight and volume of its products, with the exception of Colombia and Peru, for which ground transportation is used.

Exporting to Latin American countries is an advantage for Indurama, since with most of them there are state agreements, which during the export process allows the company to show certificates of origin, Bill of Lading and packing lists, and also the customers are exempt from paying taxes.

Samanta explains that Indurama has not received significant help from the government to export its products, with the exception of Drawback that allows the government to return the total value of import taxes of products that are to be transformed. If these products are finished and given added value and exported to other countries by the Ecuadorian company, the government gives the total import fees back to them.

The main competitive advantages of the company are: high quality products (German raw material), which allows it to maintain its value; Constant innovation and product evolution; Timely delivery times; After-sales service; And, guarantee for all products.

The company manages a very broad marketing strategy, nevertheless it is directed to the target markets and any new opportunities. Indurama manages advertising by internet, in search engines, social networks and web page, also carries out advertising campaigns in paid television. Indurama does not carry out electronic commerce, since customers must go

directly to Indurama offices in each country. However, the company does offer information about its products and catalogs online, specifically on its website.

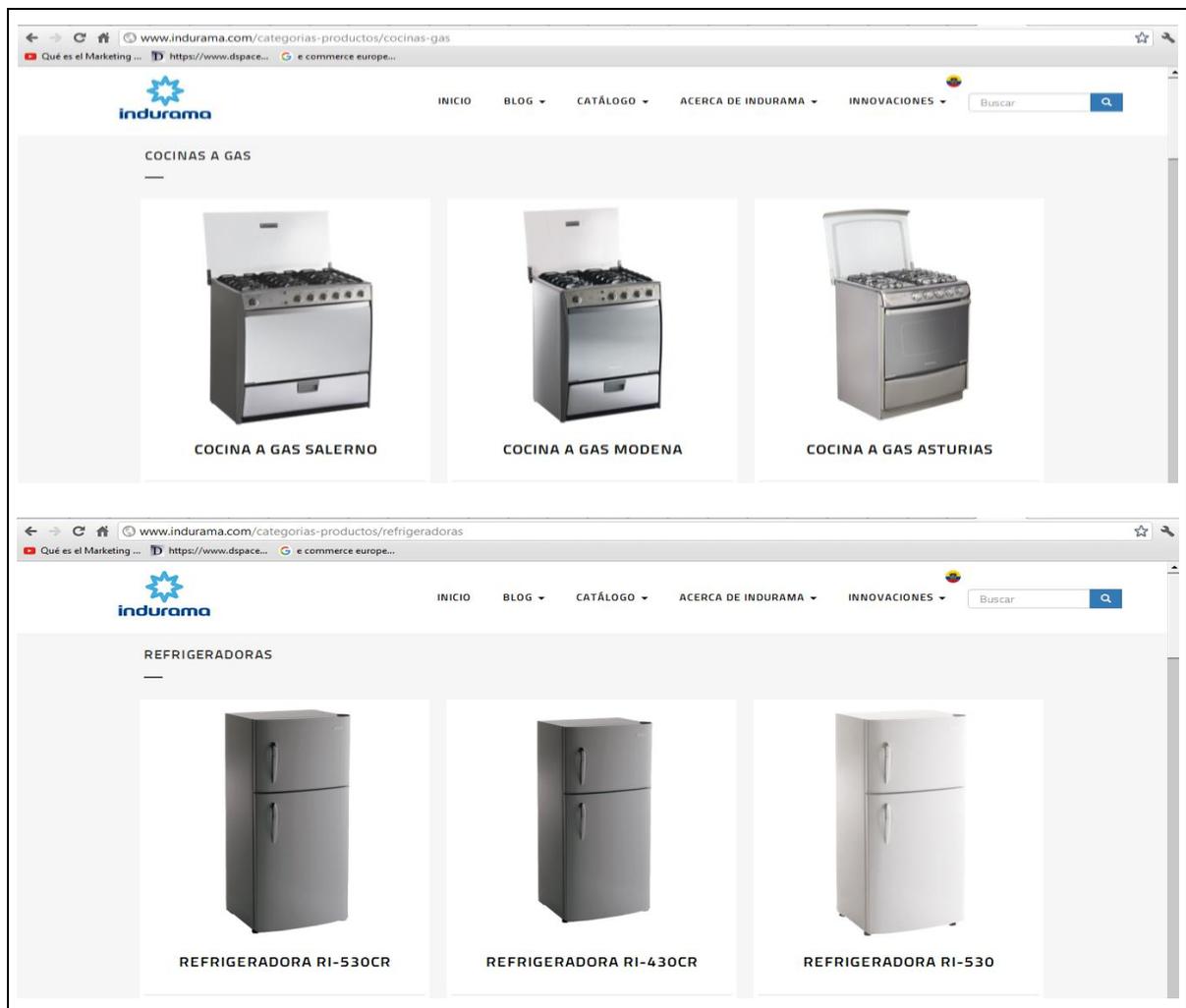


Image No. 6: Indurama Products

Source: (Indurama, 2016)

Pasamanería S.A. (Textiles)

When visiting Pasamanería we interviewed engineer Xavier Chiriboga, manager of the department of exports. This company is from Cuenca, created in 1935, dedicated to the production of clothing for children, teens and adults, as well as the production and export of threads and supplies for textile garments.

Currently, the company does not export clothing, but the products it exports are aimed at the markets of the Andean Community of Nations (CAN) (Colombia, Peru and, soon, Bolivia), since they do not have tariff barriers with these countries.

Engineer Chiriboga explains that they also have an interest in exporting to the countries of the European Union, mainly because of the future opportunities that will arise from entering these markets with zero tariffs on certain products.

Pasamanería imports the basic raw material, such as textile and cotton fibers, from countries like the United States and some from Asia, since Ecuador does not produce enough raw material. Then, the company gives a high added value to these products with the use of machines for the processes of spinning and weaving the fibers.

According to the manager, the company has not received support from the government lately, explaining that in previous years they had the opportunity to attend two international fairs but that now, they have not had the opportunity to assist. Regarding government programs and support in exports for the textile sector, it is inexistant.

The biggest challenge for the company has been the strengthening of the dollar, since the devaluation of the currency against the dollar, especially in Peru and Colombia, means that more money has to be paid for every dollar exported, and therefore products look much more expensive compared to other products that are generally imported from China. Therefore, the key to the company's success and competitive advantages are: high quality of its products, responsible compliance with its customers and speed of deliveries (between 1 to 3 days).

To enter different international markets, the company has a department specialized in Cuenca in charge of developing the market research that helps determine the main and possible buyers of textile products around the world. This area is also in charge of seeking and promoting attendance and presence in international fairs, such as Colombia Moda, Colombia Tex and Peru Moda.

The company does not have offices abroad, but maintains a direct communication with its clients. The internet, social networks, the company website and other services, facilitate contact with consumers. In addition, the company has strategic partners who present their products in their respective countries.

One of its objectives for 2017 is to generate online sales or "E-commerce."

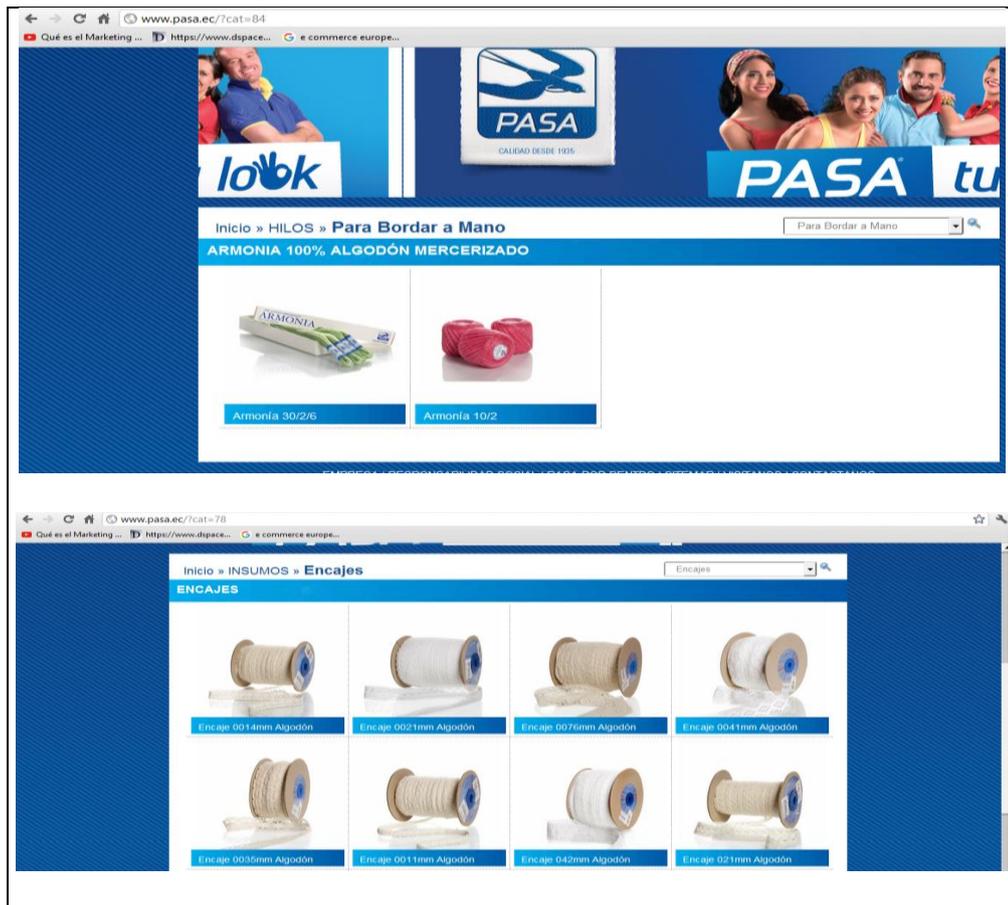


Image No. 7: Pasamanería Materials

Source: (Pasa, 2012).

2.3. Quantitative investigation

2.3.1. Brief Analysis of Ecuador's exports 2012 - 2015

Table 10. *Total oil and non-oil exports, Ecuador 2012-2015*

	2012			2013			2014			2015		
	Tons	USD FOB Value	% De Participation	Tons	USD FOB Value	% of Participation	Tons	USD FOB Value	% of Participation	Tons	USD FOB Value	% of Participation
TOTAL EXPORTS	12096	10417.1		11897	10168.8		12502	11123.5		13365	8190.3	
PETROLEUM	8593	6404.9	100%	8061	5642	100%	8663	5949.2	100%	9293	3136.2	100%
NON- PETROLEUM	3557	4012.2	100%	3835	4526.8	100%	3839	5174.3	100%	4072	5054.1	100%
Traditional	2622	1908.5	47.60%	2780	2116.5	46.80%	2821	2629.5	50.80%	3071	2683.4	53.10%
Bananas and Plantains	2410	964.3	24%	2559	1067.1	23.60%	2568	1105.1	21.40%	2782	1251.4	24.80%
Shrimp	85	525.5	13.10%	91	636.2	14.10%	118	1081.1	20.90%	137	932.7	18.50%
Cocoa and Elaborated Products	73	188.1	4.70%	81	194.9	4.30%	82	245.8	4.80%	109	323.3	6.40%
Tuna and Fish	35	140.7	4.50%	33	124.9	2.80%	40	126.2	2.40%	34	115.7	2.30%
Coffee and Elaborated Products	19	89.9	2.20%	16	93.4	2.10%	13	71.3	1.40%	10	6.3	1.20%
Non-Traditional	934	2103.7	52.40%	1036	2410.3	53.20%	1018	2544.8	49.20%	1001	2370.8	46.90%
Natural Flowers	55	354.9	8.80%	65	380	8.40%	68	409.6	7.90%	68	415.2	8.20%
Canned Fish	89	407.3	10.20%	113	580.4	12.80%	110	520.2	10.10%	106	400.6	7.90%
Mining Products	13	130.9	3.30%	54	256.2	5.70%	79	460.3	8.90%	38	362.8	7.20%
Other Metal Manufactures	40	148.5	3.70%	41	151	3.30%	40	139.4	2.70%	49	143.4	2.80%
Vegetable Extracts and Oils	102	127.5	3.20%	174	137.7	3.00%	124	130.2	2.55%	113	106.4	2.10%
Wood	95	60.7	1.50%	111	67.5	1.50%	144	82.2	1.60%	141	100.5	2.00%
Vehicles	9	110.1	2.70%	13	102.9	2.30%	5	65.5	1.30%	5	85.7	1.70%
Chemicals and Pharmaceuticals	33	133	3.30%	54	76.1	1.70%	28	65.6	1.30%	25	81.9	1.60%
Fish Flour	31	32.4	0.80%	35	57.6	1.30%	28	35.7	0.70%	32	56.3	1.10%

Juices and Canned Fruits	26	82.6	1.40%	24	54.9	1.20%	26	77	1.50%	30	67.8	1.30%
Manufactured Leather, Plastic and Rubber	23	82.6	2.10%	25	86.7	1.90%	28	89.3	1.70%	19	59.2	1.20%
Products made from bananas	53	36.6	0.90%	51	38	0.80%	72	50.4	1%	67	52.2	1.00%
Other Textile Manufactures	10	41.4	1.00%	10	43	0.90%	11	43.3	0.80%	9	33.2	0.70%
Paper and Cardboard Products	22	25	0.60%	26	23.8	0.50%	34	33.5	0.60%	23	25.8	0.50%
Raw Tabaco	2	19.4	0.50%	1	20.4	0.50%	1	22.2	0.40%	1	20.2	0.40%
Fruit	61	23.3	0.60%	35	16	0.40%	27	13.9	0.30%	31	19.4	0.40%
Braided and Pressed Wood	72	27	0.70%	78	24.3	0.50%	27	18.3	0.40%	66	23.7	0.50%
Other Products made from Seafood	5	8.7	0.20%	11	19.5	0.40%	8	11.5	0.20%	8	15.9	0.30%
Textile Fiber												
Garments	1	8.1	0.20%	1	8.1	0.20%	1	9.6	0.20%	1	7.7	0.20%
Abaca	5	7.8	0.20%	4	6.1	0.10%	3	5.2	0.10%	3	5.5	0.10%
Others	188	264.2	6.60%	156	259.6	5.70%	153	261.8	5.10%	167	287.3	5.10%

Source: (BCE, 2015).

Created by: Authors.

As can be seen, the total export value, in millions of dollars by 2015, is \$8,190.3, while the total export value in tons is \$13,365, implying that exports declined in 2015 compared to 2014, which had a total of \$11,123.5 of exports in millions of dollars and \$12,502 in tons. This decrease in tons can mainly be due to the drop in the unit price of oil, which, according to data from the Central Bank of Ecuador, decreased by 50.9% in 2015.

In Ecuador, exports contribute in large part to the country's economic development, among some of the main products of non-oil exports are bananas with the highest participation, followed by shrimp, cocoa, tuna and coffee.

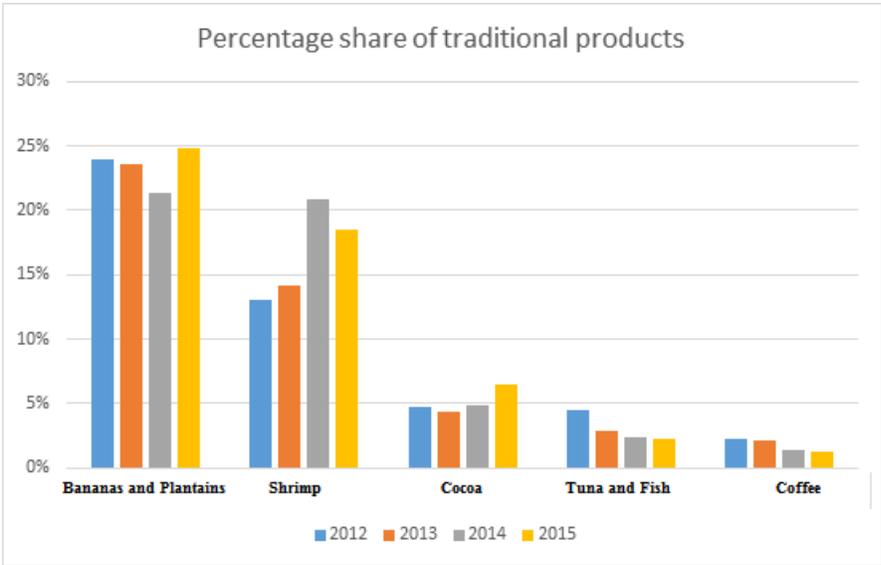


Chart 6. Percentage share of traditional products

Source: (BCE, 2015).

Created by: Authors.

On the other hand, in the case of non-traditional export products, those with the greatest participation until 2015 are canned fish, wood, pressed and braided wood, vegetable extracts and oils, natural flowers and products made from bananas.

Textile products are garments of textile fibers and other textile manufactures, representing a share of 0.20% and 0.70%, respectively, of total non-oil exports by 2015.

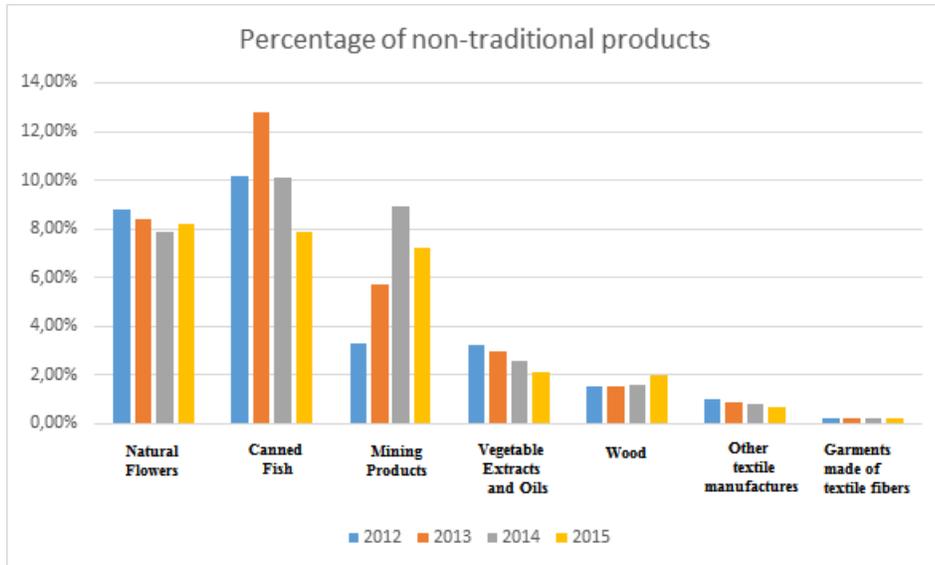


Chart 7. Percentage of non-traditional products.

Source: (BCE, 2015).

Created by: Authors.

The manufacture of clothing in Ecuador has always been characterized as a craft activity, which is why it is currently difficult to enter the foreign market, since the country has been recognized worldwide as an exporter of natural products. However, with the investment in high-end machines, use of excellent raw material and constant training, Euphoria Collection is expected to be a great competitor in the country's textile industry.

2.3.2. Selecting possible target markets

Market analysis according to tariff headings

Table 11. *Types of materials used in each garment*

Casual Clothing	
Tank Tops	
61.09	T-shirts, singlets and other vests, knitted or crocheted
61091000	Of Cotton.
610990	Of other textile materials.
61099010	Of acrylic or modacrylic fibers.
61099090	Others.
Shirt	
61.09	T-shirts, singlets and other vests, knitted or crocheted

61091000	Of Cotton.
610990	Of other textile materials.
61099010	Of acrylic or modacrylic fibers.
61099090	Others.
V-neck Sweaters and Turtlenecks	
61.10	Pullovers, cardigans, waistcoats (vests) and similar articles, knitted or crocheted.
61101110	Wool sweater jerseys
61101910	Other sweater jerseys.
61102010	Cotton sweater jerseys.
Leggings	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61046100	Wool or fine thread.
61046200	Of cotton.
61046300	Of synthetic fibers.
61046900	Of other textile materials.
Jeans	
62.03	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (pants)
62034210	Cotton denim fabric or denim.
62034220	Striped velvet corduroy.
62034290	Others.
62034300	Of synthetic fibers.
62034900	Of other textile materials.
Formal and semi-formal clothing	
Slacks	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61046100	Wool or fine thread.
61046200	Of cotton.
61046300	Of synthetic fibers.
61046900	Of other textile materials.
Shirts	
61.06	Women or girls' blouses, shirts and shirt-blouses, knitted or crocheted.

61061000	Of cotton.
61062000	Of synthetic or artificial fibers.
61069000	Of other textile materials.
Blouses	
61.06	Women or girls' blouses, shirts and shirt-blouses, knitted or crocheted.
61061000.	Of cotton.
61062000	Of synthetic or artificial fibers.
61069000	Of other textile materials.
Dresses	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61044100	Wool or fine thread.
61044200	Of cotton.
61044300	Of synthetic fibers.
61044400	Of artificial fibers.
61044900	Of other textile materials.
Skirts	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61045100	Wool or fine thread.
61045200	Of cotton.
61045300	Of synthetic fibers.
61045900	Of other textile materials.
Coats	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61043100	Wool or fine thread.
61043200	Of cotton.
61043300	Of synthetic fibers.
61043900	Of other textile materials.
Blazers	
61.04	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
61043100	Wool or fine thread.
61043200	Of cotton.
61043300	Of synthetic fibers.

61043900

Of other textile materials.

Source: (Aduana Del Ecuador, 2013).

Created by: Authors.

Table 12. *List of import markets for a product exported by Ecuador*

Unit: Thousands of US Dollars		Product: 6109 T-shirts and shirts, knitted or crocheted.					
Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total Value Exported	2015 Value in %
World	3472	3104	3272	3388	2464	15700	100%
Peru	447	428	709	877	904	3365	36.70%
Germany	1885	1921	1837	1764	834	8241	33.80%
Bolivia, Plurinational State of	14	8	51	225	287	585	11.60%
United States of America	33	46	8	9	163	259	6.60%
Guatemala	70	0	0	0	110	180	4.50%
Colombia	189	104	146	62	53	554	2.20%
Chile	85	52	36	19	52	244	2.10%
Spain	0	3	0	75	24	102	1%

Source: (Trade Map, 2016).

Table 13. *List of import markets for a product exported by Ecuador*

Unit: Thousands of US Dollars		Product: 6110 Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excl. Jackets)					
Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total Value Exported	2015 Value in %
World	5012	5067	4932	5116	4015	24142	100%
Mexico	2121	1897	1786	1829	1242	8875	30.90%
Colombia	881	1274	926	990	751	4822	18.70%
Chile	701	680	848	1026	648	3903	16.10%
Bolivia, Plurinational State of	482	378	605	451	518	2434	12.90%
United States of America	212	284	229	259	456	1440	11.40%
Costa Rica	275	146	158	143	96	818	2.40%

Source: (Trade Map, 2016).

Table 14. *List of import markets for a product exported by Ecuador*

Product: 6202 Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, waister jackets and similar articles, knitted or crocheted pants)

Unit: Thousands of US Dollars

Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total Value exported	2015 Value in %
World	349	559	763	787	809	3267	100%
United States of America	77	108	143	208	254	790	31.40%
Chile	106	150	254	263	218	991	26.90%
Canada	20	38	63	67	65	253	8%
Bolivia, Plurinational State of	8	14	20	19	51	112	6.30%
Spain	14	17	19	78	49	177	6.10%

Fuente: (Trade Map, 2016).

Table 15. *List of import markets for a product exported by Ecuador*

Product: 6104 Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, trousers, ...

Unit: Thousands of US Dollars

Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total Value Exported	2015 Value in %
World	280	557	683	521	797	2838	100%
United States of America	38	106	108	101	390	743	48.90%
Chile	63	271	304	119	99	856	12.40%
United Kingdom	2	0	7	4	96	109	12%
Panama	8	18	65	26	38	155	4.80%
Dominican Republic	1	6	14	26	23	70	2.90%
Spain	9	12	18	140	20	199	2.50%

Source: (Trade Map, 2016).

Table 16. *List of import markets for a product exported by Ecuador*

Product: 6106 Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted (except "T-shirts").

Unit: Thousands of US Dollars

Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total Value Exported	2015 Value in %
World	150	232	336	257	142	1117	100%
United States of America	19	156	217	97	82	571	57.70%
Panama	1	32	24	16	20	93	14.10%
Peru	80	4	2	2	20	108	14.10%
Colombia	19	24	52	66	12	173	8.50%
Aruba	0	0	0	0	2	2	1.40%

Source: (Trade Map, 2016).

Table 17. *List of import markets for a product exported by Ecuador*

Product: 610442 Women's or girls' cotton dresses, knitted or crocheted (except combinations).							
Unit: Thousands of US Dollars							
Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total value exported	2015 Value in %
World	27	389	380	200	488	1484	100%
United States of America	1	65	59	58	267	450	54.70%
United Kingdom	0	0	3	0	86	89	17.60%
Chile	0	242	201	18	19	480	3.90%
Hong Kong, China	0	0	0	0	18	18	3.70%
Dominican Republic	0	2	12	14	16	44	3.30%
Panama	1	15	23	15	16	70	3.30%

Fuente: (Trade Map, 2016).

Table 18. *List of import markets for a product exported by Ecuador*

Product: 610432 Women's or girls' jackets and blazers of cotton, knitted or crocheted (except Jackets and similar products)

Unit: Thousands of US Dollars

Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total value exported	2015 Value in %
World	16	31	11	39	7	104	100%
United States of America	8	5	7	9	5	34	71.40%
Costa Rica	5	23	3	0	3	34	42.90%
Cayman Islands	1	0	0	0	0	1	0%
Colombia	1	2	0	3	0	6	0%
Panama	0	0	1	0	0	1	0%
Peru	0	2	0	0	0	2	0%

Source: (Trade Map, 2016).

Table 19. *List of import markets for a product exported by Ecuador*

Product: 6104690000 Trousers, bib and brace overalls, breeches and shorts of textile materials.								
Unit: Thousands of US Dollars								
Importers	Value exported in 2011	Value exported in 2012	Value exported in 2013	Value exported in 2014	Value exported in 2015	Total value exported	2015 Value in %	
World	26	2	7	16	12	63	12%	
United States	0	0	0	13	12	88	12%	
Bolivia, Plurinational State of	1	0	0	0	0	26	0%	
Cayman Islands	1	0	0	0	0	2	0%	
Chile	8	0	0	0	0	9	0%	
Colombia	0	0	0	2	0	10	0%	
Cuba	0	1	0	0	0	3	0%	

Source: (Trade Map, 2016).

Trade Map provides clear information on the countries that buy from Ecuador, and this offers the opportunity to focus on the target markets. Below is a table that shows the countries that have bought the most textiles, specifically clothing:

Table 20. *Sum of products chosen for the analysis, by country, 2011-2015*

Unit: Thousands of US Dollars	
Importing Countries	Total Value
Mexico	8875
Germany	8241
Chile	6483
Colombia	5565
United States of America	4375
Peru	3475
Bolivia	3157
Costa Rica	1105
Spain	478
Panama	319
Canada	253
United States	198
Guatemala	180
Dominican Republic	114
Hong Kong	18
Cayman Islands	3
Cuba	3
Aruba	2

Source: (Trade Map).

Created by: Authors.

In this table, it can be observed that countries such as Mexico, Germany, Chile, Colombia and the United States have imported from Ecuador a great variety of garments, thus contributing to the country's economy.

It can be said that these are countries with greater economic development, with a high textile consumption and constant search of the new fashion tendencies, playing a transcendental role for Ecuador.

The following is an analysis of the five countries with the economic and social capacity to purchase an imported Ecuadorian product:

Table 21. *Summary of data from the five selected clothing importing countries*

DATOS ECONÓMICOS Y SOCIALES					
Country	Mexico	Germany	Chile	Colombia	United States of America
Population (Total inhabitants)	127,000,000 (2015 approx.)	80,722,792 (July 2016 approx.)	17,650,114 (July 2016 approx.)	47,220,856 (July 2016 approx.)	323,995,528 (July 2016 approx.)
Population growth rate (%)	1.2%	0.16% (2016 approx.)	0.8% (2016 approx.)	1.02% (2016 approx.)	0.81% (2016 approx.)
Economically active population	69.3%	54.1%	64.3%	63.5%	68.4%
Official coin	Mexican Peso	Euro	Chilean Peso	Colombian Peso	American Dollar
Exchange rate	1 USD= 20.25 Mexican Pesos	1 USD= 0.94 Euros	1 USD= 649.07 Pesos	1 USD=2.989,90 Colombian Pesos	1 USD=1 USD
Language	Spanish	German	Spanish	Spanish	English
Gross Domestic Product (GDP)	\$ 1.144 billons	\$3.358 trillion (2015 est.)	\$240.2 billons (2015 est.)	\$293.2 billons (2015 est.)	\$17.95 trillion (2015 est.)
GDP growth (%)	2.5%	1.5%	2.1%	3.1%	2.4%
GDP per capita	\$17,500 (2015 approx.)	\$46,900 (2015 approx.)	\$23,500 (2015 approx.)	\$13,800 (2015 approx.)	\$55,800 (2015 approx.)
Composition GDP by sector (%)	Agriculture:3.6%	Agriculture:0.6%	Agriculture:3.9%	Agriculture:6.8%	Agriculture:1%
	Industry:32.8%	Industry:30.4%	Industry:32.9%	Industry:34%	Industry:19.4%
	Services:63.3%	Services:69.1%	Services:63.2%	Services:59.2%	Services:79.5%
Annual inflation rate (%)	2.7%	0.16%	4.3%	5%	0.1%
Unemployment rate (%)	4.4%	4.6%	6.3%	8.9%	5.3%
Export Earnings (Year 2015)	\$381 billion (2015 approx.)	\$1.309 trillion (2015 approx.)	\$62.23 billion (2015aprox.)	\$38.12 billion (2015 approx.)	\$1.51 trillion (2015 approx.)

Imports Expenditures (Year 2015)	\$395.6 billion (2015 approx.)	\$1.017 trillion (2015 approx.)	\$58.74 billion (2015 approx.)	\$52.04 billion (2015 approx.)	\$2.273 trillion (2015 approx.)
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Source: (Banco Mundial, 2015), (Central Intelligence Agency, 2016).

Created by: Authors.

Among the countries considered possible target markets are:

- The United States, with a population of approximately 324 million, of which 68.4% are consumers, a country with a population growth rate of 0.81% per year, with a high value of imports (\$2,273 trillion dollars), and its currency is the dollar, which benefits both Euphoria and the country;
- Mexico has 127 million inhabitants, with an annual population growth rate of 1.2%, its language is Spanish, and its main currency the Mexican peso, which has a favorable exchange rate for the dollar. In the year 2015, Mexico imported \$395.6 trillion in textile goods.
- Germany has 80 million inhabitants, and has an annual population growth rate of 0.16%. The official currency is the euro, they speak German, and imports total to \$1,017 trillion. Although the trading benefits with Germany are minimal, such as its culture, the currency that is below the dollar, among other things, it is important to keep in mind the large number of inhabitants that it has and its great purchasing power.

Summary of data from the three selected clothing importing countries

Table 22. *Average monthly income per household*

United States	Mexico	Germany
\$4,247.00	\$555.91	\$4,349.41

Source: (Datos Macro, 2015)

Created by: Authors.

These countries are attractive markets, due to their income and their inhabitants' high purchasing power. It can be said that these consumers can easily buy an international garment, fashionable and of excellent quality like the ones the Euphoria Collection produces.

Table 23. *Structure of the population, according to age*

Countries/Ages	0-14 years old	15-24 years old	25-54 years old	55-64 years old	65 years old or more
United States	18.84%	13.46%	39.6%	12.85%	15.25%
Mexico	27.26%	17.72%	40.69%	7.41%	6.93%
Germany	12.83%	10.22%	40.96%	14.23%	21.76%

Source: (Datos Macro, 2015)

Created by: Authors.

Table 24. *Structure of the population by gender*

Countries/Ages	0-14 years old	15-24 years old	25-54 years old	55-64 years old	65 years old or more
United States	F: 29,854,687	F: 21,252,215	F: 64,135,619	F: 21,536,994	F: 27,525,255
	M: 31,182,660	M: 22,360,342	M: 64,170,791	M: 20,081,837	M: 21,895,128
Mexico	F: 16,402,301	F: 10,770,843	F: 25,938,909	F: 4,944,802	F: 4,702,026
	M: 17,167,636	M: 11,049,818	M: 24,174,900	M: 4,187,644	M: 3,827,870
Germany	F: 5,040,664	F: 4,044,789	F: 16,345,911	F: 5,788,493	F: 9,855,184
	M: 5,317,183	M: 4,203,985	M: 16,721,667	M: 5,695,117	M: 7,709,799

Source: (Central Intelligence Agency, 2016).

Created by: Authors.

Taking into account that the Euphoria Collection target market is made up of women between the ages of 15 and 54, it is estimated that many of the women in these three countries would be willing to buy through the website, mainly because they like to be fashionable and wear durable clothing. In addition, they have a high purchasing power and are almost always open to new trends. Another reason they would buy the brand is because they find online shopping convenient because transportation is faster and cheaper.

Average household expenditure of the three selected countries

Table 25. *Final consumption household expenditure*

Category: Clothing and Footwear						
Subcategory: Clothing						
Country	2012	2013	2014	2015	Total	Average
USA	\$301,155	\$308,108	\$314,316	\$321,764	\$1,245,343	\$311,336

Mexico	\$10,721.24	\$11,529.42	\$1,235,268	\$1,317,778	\$2,575,297	\$643,824
Germany	\$63,133	\$63,564	\$64,162	\$65,275	\$256,134	\$64,034

Sources: (Organization for Economic Cooperation and Development, 2015).

Created by: Authors.

Note: Values in billions of US dollars at the exchange rate of 1Usd = 1.06Eur, 1Usd = 2031 Mexican Pesos. Exchange rate of 12/14/16 on the Central Bank of Ecuador website. [Http://www.bce.fin.ec/index.php/component/k2/item/260-consulta-por-monedas-extranjeras](http://www.bce.fin.ec/index.php/component/k2/item/260-consulta-por-monedas-extranjeras).

Through this information, the total expenditure of households, in the category of "Clothing and Footwear", specifically in the "Clothing" subcategory, of the three previously selected countries can be obtained.

It can be seen that Mexican households spend the most in the clothing subcategory. Since 2012, they have spent an average of \$643,824 billion annually, followed by US households with \$311,336 billion annually, and finally \$64,034 billion dollars spent by Germans annually.

After obtaining this data, it is important to carry out the PEST analysis (political, economic, social and technological) for each one of these countries, in order to better select a target market and learn more about it.

PEST Analysis

It is very important to use this tool in order to learn about the environment in which the Euphoria Company will be introduced, especially in the political, economic, social and technological aspects, making it easier to understand the factors that cause greater or less impact on the company, and use these in favor of a good positioning and utility.

United States of America

Political

Santander (2016) explains that "The form of government in the United States is a federal republic based on representative democracy with the separation of powers between branches of government and is composed of 50 semi-sovereign states that enjoy great autonomy."

Political leaders in power

President: Donald Trump (Since January 2017): Republican Party.

Vice-president: Mike Pence (Since January 2017): Republican Party (Santander, 2016).

This new president, elected on November 8, 2016, is the 45th president of the United States. Trump's proposals and actions have created a great impact worldwide, including the border wall with Mexico to prevent undocumented workers in the United States, deportation of Immigrants and renegotiation or cancellation of trade agreements, among others that have already created fears and confusions among Wall Street investors. It is feared that his government is not the most appropriate, drawing a very uncertain landscape for everyone and leaving a world less globalized and more fragmented.

The political relationship between Ecuador and the United States has been characterized by ups and downs during the government of Rafael Correa, but despite the friction, the reality seems to demonstrate that the bonds are strong which is beneficial for both countries. There have been some difficult moments like the expulsion of US Ambassador Heather Hodges from Ecuador in 2011, and recently, other situations have complicated US-Ecuador relations such as the Ecuadorian Government's position in the cases of WikiLeaks founder Julian Assange and the former CIA technician Edward Snowden, both claimed by the US.

The Ecuadorian government has made decisions that have affected the presence of the US in the country, such as demanding the withdrawal of the US military from the embassy in Quito, the announced closure of the anti-drug cooperation office or the cessation of USAid (United States for International Development). They are measures that the United States regrets, although respects because of the states' sovereign character. It is possible to determine that this has not affected its bilateral relation.

"Although in all bilateral relations there are occasional obstacles or points of disagreement, in this case, the United States and Ecuador have much in common for what they are committed to the government and the Ecuadorian people in seeking and advancing in areas of mutual interest," said Quito Press Attaché Jeff Weinshenker. These measures, according to this source, do not imply that "there is not an effective cooperation on a wide range of other issues, such as trade. They remain the main trading partner of Ecuador and are expected to break a record in the trade balance this year," with transactions worth about \$19 billion.

In addition, nearly two million Ecuadorians reside in the United States. On the other hand, Americans represent the highest number of tourists that travel to Ecuador and also thousands of Americans have resided in the Andean country. As a result, beyond frictions

that have existed, the relationship is necessary for both countries and their governments. According to experts, such as professor at the University of San Francisco de Quito (USFQ), Juan Carlos Donoso, the relationship between the intermediate officials of both countries is "excellent", although there are frictions at the highest political levels. "It would not make sense for the Ecuadorian government to break relations," says the professor. Ecuador cannot afford to have a bad relationship with its main trading partner, and for the United States, among other reasons, Ecuador remains a good link in the fight against drug trafficking, being unfortunately a transit zone (El Comercio).

It is important to add that the Generalized System of Preferences (GSP) was renewed in June 2015, benefiting Ecuador's exports, which will be valid until December 31, 2017 with tariff 0 for about 400 subheadings. However, it is believed that Ecuador could further diversify its market because what will happen during Donald Trump's presidency is unknown (Ministry of Foreign Trade, 2015).

Economic

There is no denying that the United States has been the country that has driven the world economy for many years, becoming a very attractive market for exporters from all over the world.

Table 26. *US Economic growth indicators*

Growth indicators	2012	2013	2014	2015	2016e
GDP (billions of USD)	16,155.25	16,663.15	17,348.08	17,96820e	18,697.92
GDP (annual growth in%, constant price)	2.2	1.5	2.4	2.6e	2.8
GDP per capita (USD)	51,384	52,608	54,370	55,904e	57,766
Balance of public finances (% of,GDP)	-6.2	-4.1	-3.6	-3.1	-3
State Debt (as % of the GDP)	102.5	104.8	104.8	104.9e	106
Rate of inflation (%)	2.1	1.5	1.6	0.1e	1.1
Unemployment rate (% of the labor force)	8.1	7.4	6.2	5.3	4.9
Current account balance (billions of USD)	-449.67	-376.76	-389.53	-460.62	-551.5
Current account balance (% of GDP)	-2.8	-2.3	-2.2	-2.6	-3

Source: (Santander Trade Portal , 2015).

Created by: Authors.

Note: "e" refers to estimated data.

As seen in the period 2012-2016, the US GDP has increased, which is positive for the Euphoria Collection Company, because this country has a growing economy and a high consumer purchasing power.

GDP per capita has also increased over the same period which is at \$6,382, indicating that the United States is financially stable.

On the other hand, the States' debt together with the balance of the public finances represents a negative factor for the United States, since it harms the country's economy, making it necessary to invest properly to reduce this debt.

The inflation rate has declined in a high percentage. This fact is important because it is possible to determine if Americans would buy the products of Euphoria or not. In this case, lowering inflation would mean that Americans would prefer to buy local products as they become cheaper.

The unemployment rate indicates if there is unemployment in the country. This indicator has decreased from 2012 to part of 2016, by 3.2%. This is a positive factor because most people are in the capacity and conditions to work and, therefore, to consume.

The balance of Current Transactions, in this table, is negative, and this is because more products are imported than exported. However, this is a very positive factor for Euphoria as US consumers buy more from international markets.

According to the CIA FACTBOOK (Central Intelligence Agency) website, in the composition of GDP by sector of origin, it shows that agriculture accounts for 1.1% of the GDP, while industry accounts for 19.4%, and services 79.5%. The main agricultural products are corn, cotton, fish, etc. The industry sector is a highly diversified, world-leading, high-tech innovator, and is the world's second largest industrial producer, with the following products: oil, steel, motor vehicles, aerospace, telecommunications, chemicals, electronics, food processing, consumer goods, lumber and mining (Central Intelligence Agency, 2016).

Social

According to the CIA FactBook, in July 2016 the United States had a population of 323,995,528. Its population is divided by ethnicities or races, as follows: Whites correspond to 79.96%, blacks 12.85%, Asians 4.43%, natives of Alaska 0.97%, Native Hawaiian and

other Pacific Islander 0.18%, two or more races 1.61% and Hispanics including Mexicans, Cubans, Puerto Ricans, Dominicans, Spaniards and people from Central or South America, who live in the United States. 49% of the US population is male and 50.4% female, and their life expectancy in years is 77 years for men and 82 years for women. The majority of the American population is economically active and they range in age from 25 to 69 years, which represents 56.6% of the population (Central Intelligence Agency, 2016).

As has always been observed, in the United States there is an exaggerated consumerism, which is developed thanks to the relatively good standard of living of its inhabitants. "An average American consumes five times more than a Latin American, 10 times more than a Chinese and 30 times more than a Hindu." The good standard of living is fully linked to the well-paid jobs of its inhabitants, 68% of people aged 15-64 in the United States are employed, earning an average of \$57,139 a year (OECD, 2016).

The United States is the third most populous country in the world. Its most populated states are California and Texas, however the most populated city is New York. The official language and considered as mandatory is English, while Spanish is the second most spoken language in the United States and is also the principal and official language in Puerto Rico. Approximately 55.5 million people speak Spanish in this country, especially in the states of California, Arizona, New Mexico, Texas, Florida, Nevada and Colorado, due to the presence of large numbers of Hispanics in these areas (Diplomacy, 2016).

Technological

The United States is considered the pioneer of science and technology around the world, and accounts for 40% of total global expenditure on research and development. In the United States, most of the population has access to the internet, and after Iceland, it is the second country with the largest number of users with Internet access. Starting at the age of 12 they already use computers, tablets, and smartphones, in homes and schools. The Internet and telecommunications have significantly changed the way Americans live, how they relate, work, acquire goods and services, educate themselves, become informed, and entertain themselves.

In the US, innovation and technology are fundamental pillars for economic development, as they contribute significantly to the improvement of industrial practices and business production processes, and have made it easier for consumer to purchase products

and services. Thanks to e-commerce, consumers can purchase goods and services from a computer, phone or tablet, or from their homes.

According to data found in the United States Trade Guide, created by Pro Ecuador, in the US yearly electronic purchases account for more than \$ 3.3 billion directly purchased from producers, more than \$ 2 billion purchased from wholesalers and more than \$261 billion from retailers. The US digital market allows its consumers to be heard, since they can post their opinions and critiques of the products or services they acquire through social networks, websites and mobile applications (Pro Ecuador, 2016).

As for telecommunications, up to 2008 Europeans led the market, but today it is led by the United States, with mobile consumption representing five times that of Europeans (Serrano, 2014).

Mexico

Political

"The form of government in Mexico is a federal republic based on a presidential democracy. The president is simultaneously Head of State and Head of Government" (Santander Trade Portal, 2016).

Political leaders in power

President: Enrique Peña Nieto of the PRI party, since December 1, 2012.

Upcoming presidential election dates: July 2018 (Santander Trade Portal, 2016).

The political relations between Ecuador and Mexico, according to Pro Ecuador, are important in order to increase and consolidate the success of the export of cacao and palm oil, through the strengthening of relations between both countries (Ecuadorian producer-Mexican industry). The coordination of joint activities allows the elimination of tariff and non-tariff barriers that often limit trade relations.

Likewise, tourism and services sectors also have a good opportunity to achieve significant growth, as there are coincidences between the growth of this demand in Mexico and the attractive offer that Ecuador has. In the long term, markets can be developed for other sectors of Ecuador's exportable supply of traditional products such as bananas, shrimp, fish, and non-traditional products such as mango, processed foods, handicrafts, textiles, among others. The opportunities are presented in niches of high value in the Mexican market,

such as seasonal complementary products. In the case of products with low added value, it is indispensable to achieve positive results in the negotiation of the Extension of the Partial Scope Agreement No. 29, an agreement that will improve the competitiveness of Ecuador's exportable supply (Pro Ecuador, 2012).

The official visit to Ecuador by the Mexican President Enrique Peña Nieto, on March 9 and 10, 2014, was the most important event in the relationship between the two countries. For President Peña Nieto, the visit sought to reaffirm the will of the two governments to deepen their relationship and for the states to be able to cooperate, increase trade, strengthen their economies, have greater flows of citizens of both countries and, above all, to share experiences of success in different areas, which strengthens the development of both nations.

The visit was very successful. The following was accomplished:

- 1) The Mexican decision to strongly support the great project "Yachay: City of Knowledge", through the signing of five agreements of academic and scientific cooperation between Mexican institutions of high level and prestige and the Yachay Public Company.
- 2) The agreement to establish in Quito a branch of the Fondo de Cultura Económica, which will function as a bookstore, an editorial for Ecuadorian authors and as a cultural center.
- 3) The signing of the new Program of Bilateral Technical and Scientific Cooperation until 2016.
- 4) The road map to deepen the Partial Scope Agreement 29, which governs the commercial relationship and which will allow to increase trade flows in both directions.
- 5) Cultural cooperation including the exhibition in Ecuador of the great Mexican exhibition "Great Teachers of Mexican Folk Art", held in 2015 (El Comercio).

Mexico and Ecuador exchange commercial interests, cultural development, education, technology, among others. For instance, they exchange pre professional practices in the Embassy of Ecuador in Mexico. Trade exchanges allows a better equilibrium in the trade balance with the "Agreement 29", which in other words works to facilitate the entry of products in both countries. Among the main products exported are cocoa, canned seafood, and tires, while the products imported from Mexico are automobiles, iron and steel parts, spare parts, electrical machinery. Mexico is considered one of the main investors in Ecuador through its companies. The main Mexican company in Ecuador is Claro, whose owner is

Carlos Slim. The company is the country's most subscribed cellular phone brand. Another important company is Arca, the bottling plant of Coca-Cola in Ecuador (El Comercio).

Economic

Mexico is among the 20 largest economies in the world and is the second largest economy in Latin America. In 2014, its economy, which depends heavily on the health of the US economy, grew by 2.4%. Contrary to optimistic forecasts, it maintained a similar pace of growth in 2015 (2.3%). The IMF predicts a growth rate of 2.6% by 2016, being poverty and its large informal sector the main obstacles to higher economic growth.

Since 2012, the Mexican peso has fallen against the US dollar, the Chinese yuan and the sterling pound. The economy has benefited from the boom of its automotive sector which in 2014 became the largest producer of the subcontinent. Remittances from Mexicans living in the United States, which is the second most important source of foreign capital, grew steadily in 2014 and 2015. Foreign Direct Investment (FDI) declined in 2014 but rebounded strongly for the next year. The drop in the oil price of 2015 was a major economic challenge for Mexico, as its oil revenue was reduced by 38% during the first ten months of the year. Likewise, the oil sector suffered a decrease in production and a notable reduction in exports, resulting in a Mexican trade deficit.

Mexico continues to suffer from violence yet in 2015, President Peña Nieto declared that violence had diminished notably. However, most Mexicans believe the government is about to lose the war against drug trafficking. The popular media escape of drug lord “El Chapo” Guzman (although recaptured at the beginning of 2016) did not help to change this feeling. To calm the discontent, Peña Nieto made changes in his cabinet in 2015. Unemployment dropped to 4.3% in 2015. However, the informal sector employed more than 59% of the labor force. Inequalities are reflected in income and exposure to natural catastrophes. More than 46% of the population live in poverty (Santander Trade Portal, 2016).

Table 27. *Economic growth indicators in Mexico*

Growth indicators	2012	2013	2014	2015	2016
GDP (billions of USD)	1,186.60	1,261.86	1,291.06	1,161.48e	1,187.05
GDP (annual growth in%, constant price)	4.01	1.4	2.1	2.3e	2.8

GDP per capita (USD)	10,137	10,658	10,784	9,592e	9,692
Balance of public finances (% of GDP)	-4.5	-4.2	-4.7	-4.1	-3.6
State Debt (as % of the GDP)	43.2	46.4	49.8	52	52.1
Rate of inflation (%)	4.1	3.8	4	2.8e	3
Unemployment rate (% of the labor force)	4.9	4.9	4.8	4.3	4
Current account balance (billions of USD)	-16.36	-30.47	-24.98	-27.9	-24.29
Current account balance (% of GDP)	-1.4	-2.4	-1.9	-2.4	-2

Source: (Santander Trade Portal, 2016).

Credited by: Authors.

Note: "e" refers to estimated data.

From 2012 to August 2016, the GDP has increased, despite the decrease that occurred in 2012 and 2013. This indicator shows an evolution of the Mexican economy, which demonstrates that productivity is growing, and thanks to this job offers with good income stability increase, therefore more goods and services are consumed, being an important factor for the investment of the Euphoria Company.

The GDP, in the annual growth rate and during the same period, shows a decrease of 1.2%. The GDP per capita also shows a decrease, with \$445,000 dollars, which is why it can be inferred that the purchasing power of the Mexican country is not in the best conditions.

On the other hand, the balance of public finances shows that it has decreased, since in 2012 it was -4.5 and by mid-2016 it was -3.6. It can be said that the State has redistributed its resources, their expenses and investments in a more effective way. While the state's debt has increased, it is not a high figure, so this would not affect the Euphoria Company. The inflation rate has decreased between 2012 and part of 2016 by 0.9%, demonstrating an efficient improvement in the use of resources, reducing uncertainty, improving investment, which is important for the company.

The unemployment rate has also declined, in other words, Mexico has a very good active population. The balance of current transactions in billions of dollars has increased, since in 2012 it was \$ -16.36 and in mid-2016 it went up to \$ -24.29 billion; Also in the balance of current transactions the percentage of the GDP has increased in 0.6% between the analyzed years. It can be observed that Mexico imports more than it exports, that is to say that this indicator shows a deficit in the balance of current transactions of Mexico.

The main economic sectors, according to the composition of GDP, are agriculture with 3.6%, industry with 32.8% and services with 63.6%. The main agricultural products are corn, wheat, soybeans, beans, tomatoes and beef. Its main industry products are tobacco,

chemicals, iron and steel, oil, mining, textiles, clothing, motor vehicles, durable edible products and tourism (Central Intelligence Agency, 2015).

Social

According to data from the CIA FactBook (2016), Mexico has a population of 123,166,749 inhabitants, the same that can be decomposed as follows: Spanish Mestizo or Amerindian that represent 62% of the population, indigenous people represent 21%, Amerindians 7%, and others representing 10% of the population.

The majority of the population (90%) is concentrated in the center of the country, between the states of Jalisco and Veracruz, and approximately a quarter of the population is in Mexico City and its surroundings. In Mexico City, there are 20,999 million inhabitants, followed by Guadalajara with 4,843 million inhabitants, Monterrey with 4,513 million and Puebla with 2,984 million inhabitants.

Unlike Germany, Mexico has a relatively young society since the average age of its inhabitants is 28 years old. For men the average age is 26 years old and for women it is 29 years old. This is mainly due to high fertility rates and because every woman on average want to have two children. However, this may also represent a risk because the population continuously grows in Mexico which can have diverse effects on the country.

The majority of people in Mexico are economically active and are in the age range of 25 to 54 years old and represent 40.9% of the Mexican population (there are more women 25,938,909 than men 24,174,900), Followed by infants and children aged 0 to 4, accounting for 27.26% of the population, and adolescents and young adults aged 15 to 24, who represent 17.72% of the population. The life expectancy of Mexicans is 75 years old, 73 years old for men and 78 years old for women.

The official language is Spanish which is spoken by 92.7% of its population, but also Spanish and indigenous languages are spoken by 5.7% of its population and only indigenous languages are spoken by 0.8% of the population. As for religion, 82.7% of the population are Catholics, 5% are evangelicals, 1.4% are Jehovah's Witnesses, 1.6% of the population practice Pentecostal and 4.7% of the population do not practice any religion (Central Intelligence Agency, 2016).

The quality of life of Mexico's population has improved in the last years. However, not everyone has the same opportunities and access to the same things, whether they are

education, safety, health, paid employment, among others. For the same reason, the quality of life may be very good for some, but likewise, bad for others. The average annual family income of Mexican households is \$12,806 and there is significant social inequality, since there is a large gap between rich and poor. In addition to the growing social inequality, Mexico faces high unemployment rates and low-wage jobs, and about 60% of the population aged 15-64 are employed. There are no significant opportunities or inclusion for the indigenous population, and the problems with drugs, trafficking and thousands of homicides caused by drug cartels have not been solved (OECD, 2016).

Technological

Mexico is currently seeking to improve and advance in the technological field, despite the fact that the country is more a producer and exporter of raw materials than technology. However, its government has focused on the creation of a national digital strategy for the use of information and communication technologies, but not as a form of entertainment, as it has been used previously in this country, but rather as a tool to be able to promote social and technological development and, above all, as a tool to improve productivity. Of course, it is necessary to know that the results of this strategy will only be known in the long term.

According to the World Economic Forum, Mexico ranks 63th among countries that have successfully adapted to technology and is followed by Peru, Brazil and Colombia. Although it has managed to improve and increase positions in this field of technology, one of Mexico's main problems are the prices of mobile phones and internet access, since there is a monopoly in this area, which allows for the increase and decrease of prices at their convenience. In addition, most people do not have access to quality internet with adequate speed. Only 40% of the Mexican population has Internet access, which is a relatively low percentage compared to other countries (Manzur, 2015).

Regarding e-commerce, in Mexico, the growth of online shopping is strongly influenced by mobile purchases (Tablet and Smartphone). The main purchases are applications for mobile and tablets, music, among others. By 2015, three-quarters of users made at least one online purchase during the first quarter of that year. The major consumers are in the age range of 15 to 34 years of age.

The main products or services that are sold via e-commerce are as follows. In first place is travel packs since three out of ten users made a purchase related to travel in the last

three months of the year. After that comes clothing and accessories, digital downloads and tickets for events. One of the problems in Mexico when buying online is that not all platforms are safe at the time of payment since there is not enough privacy, or storage of information, and as a result there are constant thefts, scams and piracy on the digital platforms (AMIPCI, 2015).

Germany

Political

Germany has 16 states or provinces, which have governments and local legislatures that enjoy considerable decentralization with respect to the federal government. The head of government is the Chancellor, elected by absolute majority in the Federal Assembly, for a period of four years. The Chancellor holds the executive power, which includes the execution of the law and the direction of the country's daily affairs.

Political leaders in power

President: Joachim GAUCK (Since March 18, 2012) - Independent.

Chancellor: Angela MERKEL (since November 2005) CDU, head of a coalition supported by the CSU and the SPD.

Upcoming election dates Chancellery: December 2017.

Presidential elections: June 2017 (Santander Trade Portal, 2016).

According to the Institute for the Promotion of Exports and Investments Pro Ecuador, the political relations between Ecuador and Germany are aimed at promoting the Ecuadorian exportable supply in this country, since it represents the third destination market for the country in the European Union (Ministry of Foreign Relations and Human Mobility).

In order to provide greater stability and ease in the exchange of goods and services between these countries, on November 11, 2016 they signed a commercial agreement, which will allow the exportable supply not to have tariffs on certain products, which will be enforced on January 1. According to Diario El Comercio, Jorge Glas, vice president of the Republic of Ecuador, announced that the agreement will strengthen relations with the partners within the agreement, which include Colombia, Peru and the European Union. This will allow an even greater development of the productive matrix and the national growth, which will add to the national improvement that the country has had in the hydroelectric, telecommunication, road sectors, among others (El Comercio, 2016).

According to figures from the Central Bank of Ecuador (ECB), delivered by the Ecuadorian Exporters Federation, between January and August 2016, exports to the European Union totaled to \$1,886 million dollars and left a positive trade balance for the country with \$773 million. Europeans "value the excellent quality of Ecuadorian products such as bananas, shrimp, tuna, cacao and flowers," which is why the economies of the European Union and Ecuador complement each other. It should be added that the European Union's trade policy can support the development of Ecuador through the transfer of technology and innovation, which also allows the internationalization of small and medium-sized enterprises (MSMEs). Pro Ecuador believes that the MSMEs will gain a lot from this trade agreement. According to the entity, 996 medium and small companies export to this destination and 75% of what is produced by the companies of popular and solidarity economy is directed towards this destination (El Comercio, 2016).

It can be said that one of the main destinations for non-oil exports in Ecuador is Europe, since it has several advantages that will allow Ecuador to improve its production, diversify its economy and improve the living conditions of various sectors.

The German government has signed agreements for scientific and academic cooperation with Ecuador, which will allow them to create research networks between scientists from both countries, with an exchange of scholarships between them. Additionally, agreements have been signed on transport issues and environmental issues. It is worth mentioning that in spite of Ecuador's unilateral termination of cooperation with Germany on environmental issues in 2014, announcing that it would return the money it received from that country, the agreement was reopened in September 2015. Thanks to this, Ecuador agreed to carry out programs such as Forest Partner or Protected Areas and the creation of the National Institute of Biodiversity (ANDES, 2014).

Based on the above, it can be said that there is a significant commercial, political and cooperation relationship between these two countries. For Ecuador, it represents a great opportunity to offer its products, thus managing to diversify its market. For the Euphoria Collection Company, Germany proves to be an attractive market, thanks to its high purchasing power and because of its population fashion interest.

Economic

Table 28. *Economic growth indicators in Germany*

Growth indicators	2012	2013	2014	2015	2016
GDP (billions of USD)	3,541.58	3,746.49	3,874.44	3,371.00e	3,472.51
GDP (annual growth in%, constant price)	0,6	0,4	1,6	1,5e	1.6
GDP per capita (USD)	4,982	46,386	47,774e	41.267e	42,388
Balance of public finances (% of GDP)	n/a	0.4	0.6	0.5e	0.2
State Debt (as % of the GDP)	79.3	77	74.6	70.7e	68.2
Rate of inflation (%)	2.1	1.6	0.8	0.2e	1.2
Unemployment rate (% of the labor force)	5.4	5.2	5	4.7	4.7
Current account balance (billions of USD)	240.85	238.73	286.4	286.26e	277.87
Current account balance (% of GDP)	6.8	6.4	7.4	8.5e	8

Source: (Santander Trade Portal, 2016).

Created by: Authors.

Note: "e" refers to estimated data, n/a means data not available.

When analyzing the GDP in billions of dollars it can be said that from 2012 to mid-2016 it has declined but not in a very notorious way. Meanwhile, the percentage of GDP in annual growth increased and the GDP per capita from 2012 to part of 2016 shows that it has decreased by \$1,594 dollars, which is not an amount that greatly effects the economy. The balance of public finances is not significant and has decreased with the passing of these four years analyzed, which means that Germany knows how to distribute resources, investments and expenditures. It can be noted that the state debt has decreased by 11.1%.

The inflation rate expresses that there is a better economic stability with respect to the goods and services and less devaluation of the currency. On the other hand, the unemployment rate indicates that it has decreased by 0.7%, which is an advantage when entering into the market, since people would be willing to buy something extra, due to their income.

The balance of current transactions, in billions of dollars, has increased by approximately \$37,000,000 or 8%.

Currently, Germany is considered one of the strongest and most influential markets in the European Union, due to its economy and population.

Social

According to data from the CIA FactBook, until July 2016 Germany had a population of 80,722,792 inhabitants, becoming the most populous country in the European Union. Of its inhabitants, the German natives represent 91.5%, Turks represent 2.4%, and Greeks, Italians, Polish, Russians, Spaniards and Serbo-Croatian represent 6.1%. The most populous

city is Berlin, which in turn is the capital and has 3.56 million inhabitants, followed by Hamburg with 1.83 million and Munich with 1.43 million.

The majority of the German population is within the economically active population, with a age range of 25 to 54 years old, representing 40.96% of its total population. The average life expectancy of the German citizen is 80 years old, 78 years old for men and 83 years old for women. However, one of the challenges that Germany faces is the aging of its population and relatively low fertility rates.

The official language is German, but other languages are also spoken such as Danish, Frisian, Sorbian and Roma, which are official languages of the minorities. As for religion, Germany promotes the freedom to worship, which is why various religions are practiced throughout the country: 34% of the population are Catholics, 34% are Protestants, 3.7% are Muslims and 28.3% practice other religions (CIA FactBook, 2016).

Most of the German inhabitants have a good education and a good quality of life. The GDP per capita of Germany is 37,100 euros. In addition, its legislation focuses on promoting Germany as a social State, which prioritizes the social protection of all its citizens. Germany is a modern, multicultural country with a variety of lifestyles. Currently, about 16.4 million people are immigrants in that country. German society openly respects different sexual orientations and gender equality. Also, people with disabilities are increasingly incorporated into society (Germany Today, 2016).

Technological

Currently, Germany is carrying out a process of digital transformation in order to improve the development of the virtual market. This will contribute significantly to the industry and the tertiary sector. This is why many German companies have already used this tool of digitization in order to obtain improvements in manufacturing techniques and logistics processes.

Germany created a digital agenda, which encompasses digitization in all areas of society, such as culture, science, education, among others. With this digital agenda, Germany aspires to become the leading supplier of technology and digital expansion in Europe. Information and communication technologies play an important role in this transformation. The German market is in fourth place in the ICT sector after the United States, Japan and China.

In Germany, 87% of households already have a broadband connection, while 92% of households have access to 4G mobile telephony. The German government plans to reach the whole German territory by 2018 (The News of Germany, 2016).

In 2015, e-commerce produced a total of 65,340 euros, representing a growth of 12% compared to 2014. The internet has become very important in the German market since it increased the volume of sales by 11.7% in Germany. In 2015, a total of 52.3 million euros were purchases of products bought online and 12.9 million account for online services. The most sold item online is clothes and total sales are 10.06 million euros, followed by the electronics and telecommunications market with 7.55 million and books with 63.61 million euros (Belison, 2016).

Consumer demand profiles

United States of America

Prosperous economic sectors
In particular, three sectors show the most noticeable growth rates: computer / mathematics, community / social services, and health practice jobs. They are expected to grow by more than 20% in the coming decades.
Consumer behavior
The global crisis has raised consumer price sentiment, leading many of them to switch from their usual brands to less expensive ones. US consumers are increasingly aware of the environment when making purchasing decisions.
Consumer profile and purchasing power
The American consumer is very open to buying foreign products. The product supply is very diverse in the United States. The American consumer is rich and very diverse in their likes and interests. They value comfort at home, food and automobiles.
Consumer credit resources
The use of consumer credit is very high.

Source: (Santander Trade Portal, 2016).

Created by: Authors.

The demand profile of the US market shows that it has a high purchasing power and stable economic standards. With respect to its population, it is a very wide market, with a

great diversity in tastes, customs and cultures. Most US consumers look for convenience when purchasing a good or service. In recent years, the US has been characterized by preferring online shopping, due to the high technology available and ease of delivery, meaning that it is a materialistic society with great internet access. This consumer is a conscious and rational buyer, who is not only interested in the brand, but in the quality and price.

Mexico

Prosperous economic sectors
Automobiles, education and training, electronics, energy, equipment for environmental protection, construction, security, telecommunications and tourism.
Consumer behavior
Consumer behavior has evolved as the country has become wealthier. Many Mexican consumers look for good quality products that will save them time and money. The days of the 'transactions' are behind since most consumers now look for a relationship with the brand or business. Therefore, customer service is a very important factor in the decision to purchase an item. Mexicans are generally loyal to brands. Although the global financial crisis forced many consumers to buy lower-cost brands, they have developed a new sense of loyalty to them. Consumers have expressed that these lower-cost brands exceeded their expectations, with more than two out of five consumers saying they do not plan to return to the previous brand when their finances improve. Likewise, almost two out of five consumers stated that they no longer preferred the original brand.
Consumer profile and purchasing power
The average Mexican consumer has increased their purchasing power over the last decade and this trend will probably continue in the future. Over 75% of consumers live in urban centers, with the United States strongly influencing consumption habits. However, there is a considerable difference in purchasing power across the country. About 20% of the population lives below the poverty line and more than 58% in precarious conditions. The Mexican consumer is usually very aware of brands, focusing on the cost-benefit of a product or service. The consumer usually seeks a personalized customer service experience.
Consumer credit resources
Mexicans go through a euphoric period of purchases, so they tend to apply for bank loans. The financial services offered by department stores are a way to attract a large amount of customers.

Source: (Santander Trade Portal , 2016).

Created by: Authors.

The Mexican consumer profile is interesting, since it is a country that has become rich, or in other words, has increased its purchasing power, which means that buyers look for products that allow them to save time and, above all, money. They also have a high internet usage, and therefore are well adapted to technology. It is important to note that this country is similar to Ecuador in terms of clothing and culture, so it is believed that the products of Euphoria Collection could have an excellent reception, since they are not only linked to a brand, but also to price, comfort and quality. However, most Mexicans buy brand name clothing, which makes the positioning process of this company a bit difficult.

Germany

Prosperous economic sectors
New information technologies communication, banking, insurance, medical and chemical sectors.
Consumer behavior
Each month the GFK Market Research Institute publishes the consumer climate in Germany. German consumers have the habit of buying by catalog and, increasingly, by Internet. Price and quality are factors that influence the purchase decision.
Consumer profile and purchasing power
The German consumer shows a great tendency of comparing prices and shopping frequently at "discount stores". They are influenced by the sale offers and do not hesitate to visit several points of sale to take advantage of the most attractive prices. This consumer has very strict selection criteria depending on the type of product they want to buy. For long-lasting consumer goods, the following criteria is used: safety and quality, prestige, comfort, and price. For day-to-day products, the only determining criteria is price. For the purchase of professional equipment, preference for safety leads to purchasing criteria focused on quality, reliability, supplier tracking and after-sales service. The price is not one of the determining criteria in these type of products. In contrast, for smaller materials or industrial material, the price factor is the one that is most important.
Consumer credit resources
Consumer credit in Germany has grown very little in recent years. The reasons are diverse, which include the recently low economic growth, persistent unemployment, loss of consumer confidence, a culture against borrowing, among others.

Source: (Santander Trade Portal , 2016).

Created by: Authors.

After analyzing the demand profile of the German consumer, it can be said that it has a high purchasing power, which is on par with the technology and the use of the internet. As a result, it is a very interesting market for the Euphoria Collection Company. The Trade

Agreement signed in 2016 is a great opportunity of commercial exchange for both countries. The great advantage of these consumers is that they have adopted the habit of buying online, imposing the most important purchase factor, the price, since they are not very selective with regard to brands and prefer to shop at discount stores, taking into account factors like prestige, comfort and quality. The trends within Germany have varied towards the search for different products with added value that come from foreign markets, which should be taken advantage of by this company.

2.4 Selecting a Target Market

To achieve the 10-point weighted score, two types of criteria will be used. The first criterion will represent the relevance that the proposal of thesis paper seeks against the internal factors of each country. The score will be based on a total of 100% shown below:

Table 29. *Relevance of internal factors*

	Score (according to relevance for target market selection)
Opportunities	
Size of population	8%
Clothing expenditure	12%
Use of e-commerce	15%
Trade agreements	11%
Economically active population	11%
Other profile factors	10%
Threats	
Logistics and transit time	8%
Consumption trend recognized brands	6%
Low level of export of clothing	4%
Language of negotiation	5%
Other profile weaknesses	10%
Total	100%

Created by: Authors.

The following scores are based on each of the internal factors of the countries, whether it is a strength or weakness. This score will be based on 10 points according to the criteria shown below:

Table 30. *Score criteria according to internal factors*

Strengths	Value/10
-----------	----------

High	(1-3)
Medium	(4-6)
Low	(7-8)
Very high	(9-10)

Weaknesses

High	(9-10)
Medium	(7-8)
Low	(4-6)
Very high	(1-3)

Created by: Authors.

Finally, it is important to give a score to the United States, Mexico and Germany through the multiplication and qualification of these. From the sum of the values obtained of both strengths and weaknesses, a value of 10 for each one is obtained, the highest score being the country to which the web positioning proposal will be applied.

Table 31. Comparison between the United States, Mexico and Germany

OPPORTUNITIES	UNITED STATES				MEXICO				GERMANY			
	% SCORE	SCORE	EQUIVALENCE	SCORE/ % SCORE	% SCORE	SCORE	EQUIVALENCE	SCORE/ % SCORE	% SCORE	SCORE	EQUIVALENCE	SCORE/ % SCORE
POPULATION DIMENSION	8%	10	VERY HIGH	0.8	8%	3	HIGH	0.2	8%	10	VERY HIGH	0.8
COST OF CLOTHING	12%	9	VERY HIGH	1.08	12%	10	VERY HIGH	1.2	12%	10	VERY HIGH	1.2
USE OF E-COMMERCE	15%	3	HIGH	0.45	15%	6	MEDIUM	0.9	15%	10	VERY HIGH	1.5
TRADE AGREEMENTS	11%	7	LOW	0.77	11%	6	MEDIUM	0.60	11%	9	VERY HIGH	0.99
ECONOMICALLY ACTIVE POPULATION	11%	9	VERY HIGH	0.99	11%	10	VERY HIGH	1.1	11%	3	HIGH	0.33
OTHER APPEALING FACTORS	10%	9	VERY HIGH	0.9	10%	1	HIGH	0.1	10%	3	HIGH	0.3
THREATS												
LOGISTICS AND TIME OF TRANSIT	8%	9	LOW	0.72	8%	8	MEDIUM	0.64	8%	9	LOW	0.72
CONSUMER TRENDS RECOGNIZED TRADEMARKS	6%	5	HIGH	0.3	6%	6	HIGH	0.36	6%	10	LOW	0.6
LOW EXPORT LEVEL OF CLOTHES	4%	9	LOW	0.36	4%	8	MEDIUM	0.32	4%	10	LOW	0.4
LANGUAGE USED TO NEGOTIATE	5%	7	MEDIUM	0.35	5%	3	VERY HIGH	0.15	5%	9	LOW	0.45
OTHER PROFILE WEAKNESSES	10%	4	VERY HIGH	0.4	10%	10	LOW	1	10%	8	MEDIUM	0.8
TOTAL	100			7	100			6.6	100			8.09

Created by: Authors

The information above demonstrates that within the score of these three countries, Germany ranks first with 8.09, followed by the United States with 7 and Mexico with 6.6. While there is not a drastic difference in the scores of these three countries, Germany was chosen as an excellent opportunity to export the Euphoria Collection Company's products.

In addition, the following reasons were also considered:

- The trade agreement signed between the European Union, Peru, Colombia and Ecuador: this negotiation is an advantage for a long-term strategic vision, seeking a mutual benefit with one of the countries of the European Union, since it allows to improve and to strengthen the production. The European market focuses two essential factors, quality and value added. The export of women's garments are not traditional products that are exported from Ecuador, such as cacao, bananas, flowers, shrimp. The clothing that is exported will be part of the manufacturing industry and, therefore, will have greater added value. The goal is for Ecuadorian export products to be recognized as quality products and, in turn, for these to have a reduced tariff.
- Exporting to Germany is a challenge for the company because since 2007, Ecuador has tried to negotiate with the European market but there have been no optimal opportunities. Today, thanks to the agreement mentioned it has become easier to enter the market and, in turn, this will help make the company much more competitive thanks to the presence of different local and foreign companies that are in the destination country.
- Germany is the economic engine of Europe and, at the same time, is one of the most sustainable and competitive countries, representing the fourth largest economy in the world. In addition, according to the International Trade Statistics Yearbook 2013, published by the WTO , Germany was the third largest importer and exporter in the world in 2013, coming in behind China and the United States (Ministry of Foreign Trade and Tourism, 2014).
- Germany was chosen because it focuses its productive offer on automotive, aircraft, technology, medicine and food industry production. This is an advantage for the Euphoria Company since there is a good chance of there being high demand opportunities for its products.
- In reference to the German consumer profile, the country is the most populous of the European Union, which is made up by more women than men. Most are within the economically active population, in addition to having a good standard of living and

high purchasing power, which allows them to spend a little more on products that are not high-priority goods.

- It is important to emphasize that the German consumer is concerned about the price of the goods that they buy so that the company, as a strategy, will present constant offers throughout the year, which will be more significant on special dates and festivities.
- Germany goes hand in hand with the digital age and the internet has taken a position in its market. The best-selling products online in Germany are clothing, footwear and accessories.

2.5 Marketing Mix

The reason as to why the marketing mix is analyzed is because in the way it will be possible to combine the description of the four variables: product, price, place and promotion. As a result, the company can create suitable products that meet the expectations of their customers, and that in turn these have convenient prices so that they can be more easily distributed to the target market and so that their promotion and positioning be more efficient.

According to the website *TraposModa* (2016), in this type of analysis it is important to ask the following questions:

- What do customers want?
- How much are they willing to pay?
- How do they want their product delivered?
- What media sources can be used to get our message across effectively?

2.5.1 Product

As discussed in Chapter 2, the products and all their characteristics must be taken into account for an analysis with an international focus.

The products are aimed at the women's market, with an offer of casual clothes such as jeans, t-shirts, tank tops, sweaters and leggings, and formal and semi-formal clothing such as fabric pants, blouses, shirts, skirts, dresses, bags and blazers. The company seeks to manufacture accessories such as handbags, purses, belts, scarves, footwear, among others. It

is important to mention that the company intends to expand its range of products, incorporating clothing and footwear for men and children, in the long term.

Top Euphoria Collection Products

Casual Clothing



Image No. 8: Sleeveless Blouses



Image No. 9: Jeans



Image No. 10: Leggings



Image No. 11: Pants



Image No. 12: Tank tops



Image No. 13: V-neck sweaters



Image No. 14: Flat Shoes



Image No. 15: High-heel Shoes

Formal and semi-formal clothing



Image No. 16: Long sleeve blouses



Image No. 17: Shirts



Image No. 18: Slacks



Image No. 19: Pants



Image No. 20: Dresses



Image No. 21: Jackets



Image No. 22: High heel shoes



Image No. 23: Ankle boots

Sales

The most commonly sold casual clothing and the highest income generated by the company are from jeans, which contribute with a 60% of total income and tank tops generate 20%, especially those that have prints and other decorations. In the case of formal and semi-formal garments, the most sold are blouses with represent 50%, fabric pants represent 20% and dresses account for 15%. Euphoria Collection star products include short sleeve and long sleeve blouses.

It is important to recognize that a single star product will not always be available, since the fashion industry has to be constantly changing and innovating. So Euphoria is always changing the models in stock.



Chart 8. Casual Clothing

Source: (Cevallos, 2016).

Created by: Authors

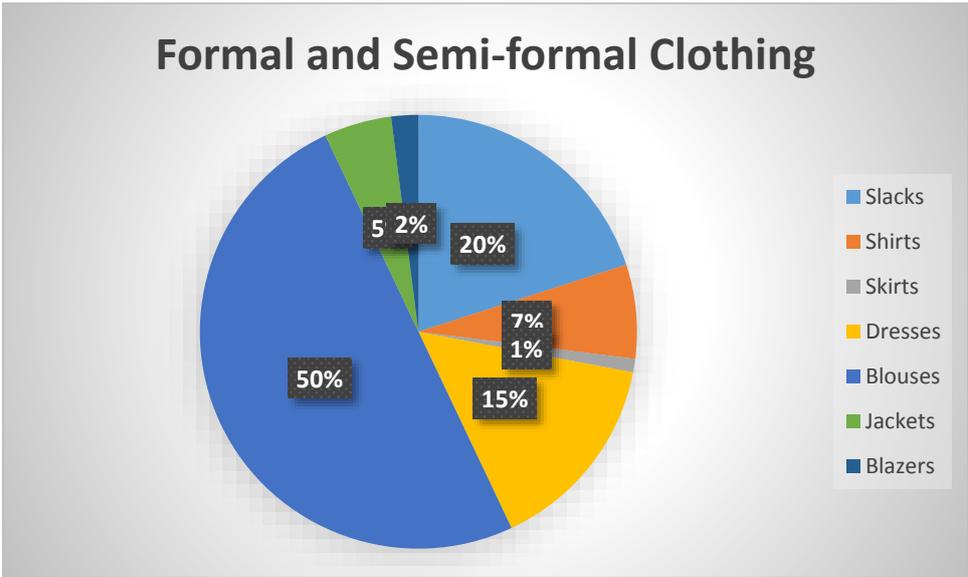


Chart 9. Formal and Semi-formal Clothing

Source: (Cevallos, 2016).

Created by: Authors.

Product levels

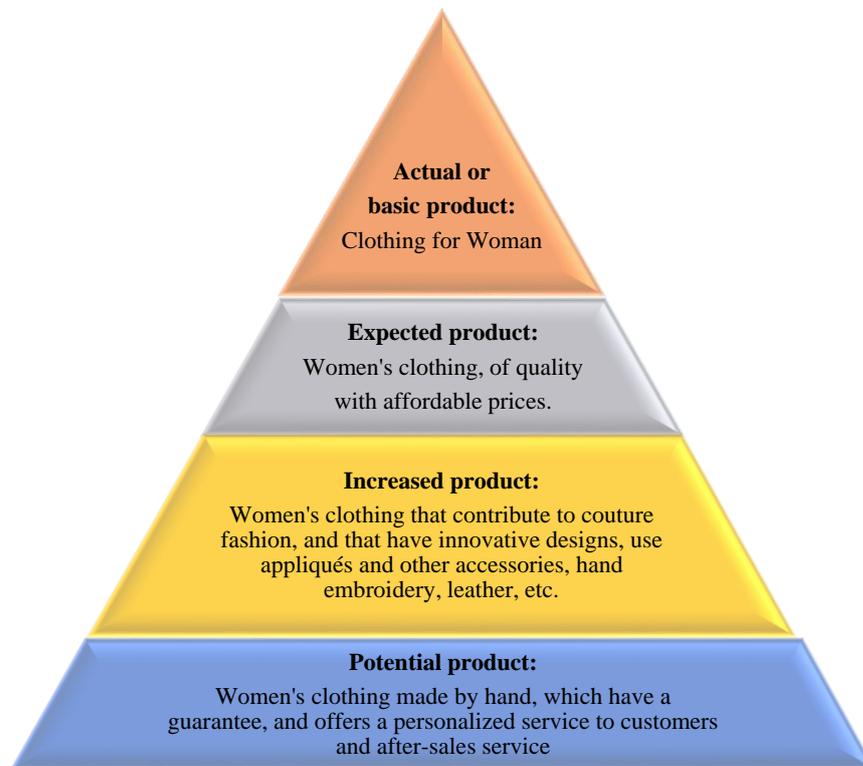
The main function of a product is to be able to satisfy a need, but what companies are looking for today is that their products not only satisfy needs but also the desires of customers, which is why they decide to gradually add value to their products.

Each value that is added to a product raises its level:

- 1) Basic or actual product: it covers the basic consumer need.
- 2) Expected product: these refer to certain conditions and attributes that the customer expects to receive when buying a product, characteristics that may be common in a specific product type.
- 3) Increased product: characteristics and attributes that make the product exceed customer expectations. They include benefits that are not expected by customers and the products are improved.
- 4) Potential product: represents the set of improvements, changes and transformations that allow the product to have a great added value, whether this includes after-sales service, guarantees, improvements in delivery, among others.

According to the increase of value that the Euphoria Company has been giving to its products, it is possible to define the following levels:

Figure 6. *Euphoria Collection product levels*



Source: (Cevallos, 2016)

Created by: Authors.

Characteristics and attributes of the products

Characteristics

- Long-lasting clothing.
- Innovative designs, based on the changing fashion trends around the world.
- Diversity of products for women, whether customers are girls, teens or adults.
- Designs are constantly updated.
- All products have a guarantee of quality.
- The products meet the market demands.

Quality

All the raw material used is of excellent quality. Most of the garments are made of cotton and some of them also have additional accessories that give the garments an additional value.

It is vital for the company to offer its customers more quality than quantity, which allows them to retain their customers and achieve their satisfaction.

Variety

Euphoria Collection has a stock that includes a diversity of models for each type of garment, as well as colors and sizes (small, medium, large and extra-large are the sizes available).

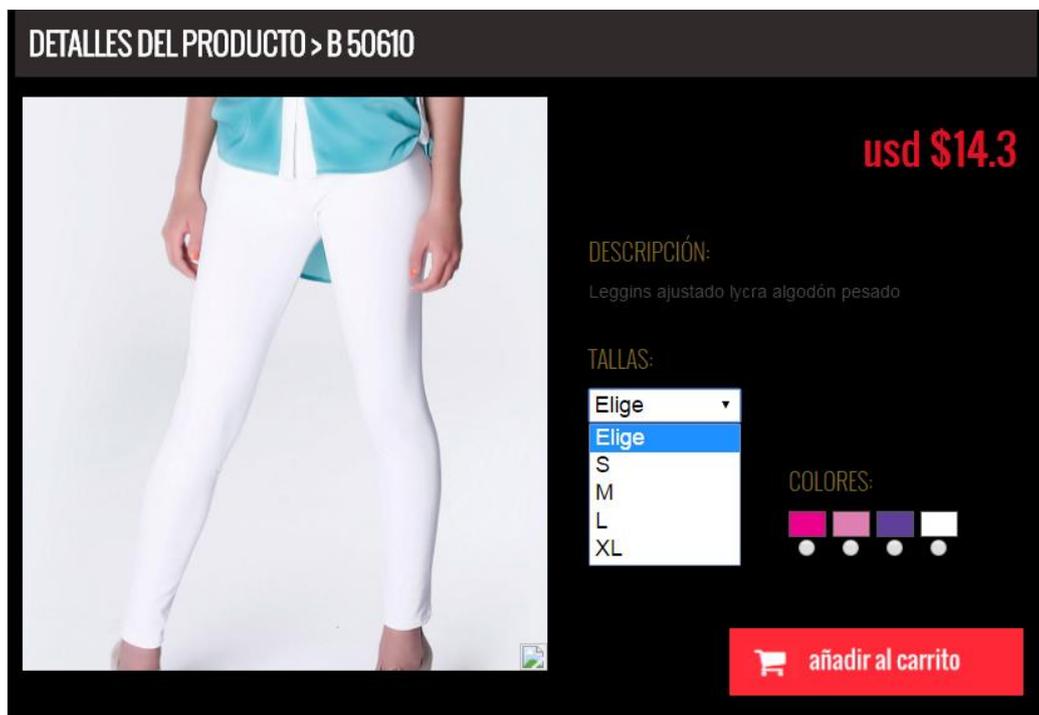


Image No. 24: Product description

Source: (Euphoria Collection, 2016)

Created by: Authors.

Designs

The company produces casual, semi-formal and formal clothing. The designs range from the simplest (leggings and tank tops) to the most complex (garments with stamps,

prints, accessories, embroidery, among others). Euphoria offers clothing for all types of styles.

Packaging and labeling

When dispatched each garment is wrapped with a thin lining of paper and is placed inside a plastic bag for protection. This bag has the name and logo of the company.

As for the labeling, the garments have two labels: one is sowed inside the garment and the second one is stapled onto the garment.

Label design

Bag design



Image No. 25: Label and bag designs

Source: (Euphoria Collection, 2016).

Created by: Authors.

Services

During the purchase and sale process, all of the possible information of each one of the garments will be available to the customers. The client has the option of communicating with the store's staff via email, telephone and social networks. In addition, an online chat system will be added to the website soon so that clients can receive personalized advice and can resolve any doubts and concerns.

Euphoria has a door-to-door service and an after-sales service to verify that the order arrived correctly and to know the level of customer satisfaction. The company is also open to suggestions or complaints.

Payment Methods

The website allows customers to make payments online by credit card, which when clicked leads directly to the PayPal system, to provide security to customers when making their transactions. Other forms of payment are through deposits or bank transfers.

2.5.2 Price

After receiving data and price information previously established by the company, the following tables have been made to better understand this data, which shows the type of product, the price range of each product segment and the average price:

Table 32. *Average prices of casual clothing*

Type of product	Price range	Average price
Sleeveless blouses	19.80 – 29.99	24.77
Jeans	22.99 – 44.20	33.36
Leggings	14.30 – 17.99	16.15
Pants	22.99 – 35.80	30.87
Tank tops	12.20 – 14.95	13.58
V-Neck sweaters	21.95 – 32.60	27.28
Flat shoes	31.50 – 44.35	37.93

Source: (Euphoria Collection, 2016).

Created by: Authors.

Table 33. *Average prices for formal and semi-formal clothing*

Type of product	Price range	Average price
Long sleeve blouses	21.50 – 27.99	24.59
Shirts	21.99 – 26.35	23.99

Slacks	32.49 – 35.40	34.09
Pants	31.90 – 38.30	34.67
Dresses	30.59 – 52.45	38.34
Jackets	45.22 – 59.60	52.41
High heel shoes	44.70 – 57.99	53.86
Ankle boots	52.35 – 55.99	54.23

Source: (Euphoria Collection, 2016).

Created by: Authors.

These prices have been obtained from the online catalog of the Euphoria Collection website and the information provided by the owner of the company.

The company has fixed the prices based on its fixed costs, variable costs and its margin of profit, which include the materials and accessories used in each product.

As part of the strategy for the incursion into the foreign market, it has been decided that prices will be maintained and the only thing that will change will be the shipping costs.

It is considered that the marked prices will be accepted by future customers. As mentioned before, Germany has consumers with a high purchasing power, and only in the case that products are accepted by customers, the Company will change its prices in the long term, without leaving aside the theory that price and quality go hand in hand: The higher quality the product has, the higher its price.

2.5.3 Promotion

Publicity

The promotion and communication of the virtual store of Euphoria Collection has not been updated. The Company has gained its customers through word of mouth and thanks to references of friends, family and people who have previously bought items from the store.

The website is not constantly updated, which brings problems and difficulties when customers make a purchase. It is important to note that Euphoria Collection also does not have social network pages, which are vital for the promotion of the website and the business.

Euphoria Collection carried out a campaign with publicity tapes in recognized radios, in some cities of Ecuador, especially in Cuenca. It also printed ads and distributed posters and brochures with images and information of the opening of the virtual store in the cities of Cuenca and Guayaquil.

At the moment, the company does not have any type of communication or promotion for international markets since it only focuses on the local and national level.

Sales promotions

The Company offers discounts for special dates, especially in December and even more in January. The sales remain for a certain time and appear in large ads within the website. Another purchase incentive is the promotion of free shipments to any part of Ecuador for orders that exceed one-hundred dollars.

2.5.4 Place

Market description

Germany is the market where the Euphoria Collection's garments will be offered. Through the online store, orders will be sent through Ecuador's Postal Service, FEDEX, Laar Courier or DHL.

Germany's standard time is UTC / GMT + 1 hour, ie six hours ahead, in relation to the time zone in Ecuador where the time zone is UTC / GMT-5/. During the summer, the time difference is seven hours, due to the time change in Germany (Pro Ecuador, 2015).

Digitally speaking, e-commerce has been deeply linked to the daily life of Germans, "counting on an 8% rate in e-commerce, that is to say it has reached 20 million euros in 2015, which is equivalent to approximately \$22 million" (Persio). In terms of opportunities, is a potential market for Euphoria, but to be able to establish itself in the market, the following must be taken into account:

Standards and requirements

Germany has strict rules, for example, the rules of the retention of personal data are very strict in that country. When a company ships its products from abroad to Germany,

certain requirements regarding packaging and recycling must be met, as well as the general requirements for the sale and protection of privacy (Persio).

Customer expectations

Not only should a company know the articles of the laws in order to start a commercial activity in another country, but also it must find ways to adapt to all those changes and above all how to satisfy the expectations of the clients and their habits.

A good strategy for customer service would be to provide a telephone contact or online chat through the website, so that German customers can communicate directly with the producers in English or German.

Another significant strategy that a company should offer is the payment with credit cards in the shopping cart option or PayPal. The company must offer a guarantee on the products, allowing the return of some of them for free in order to avoid the German customer possible discomfort and excess spending.

Trusted Shops: Quality seals (trust)

Trust for German customers means everything, which is why it is so important to have a seal of quality "Shop Zertifikat" or a certificate that guarantees absolute confidence of the e-commerce page. This is fundamental and it is advisable for a company to earn this seal.

Each country has its own certificate of quality. For example, the Trusted Shop certificate generates more confidence when making an online payment. The Trusted Shops quality seal indicates to consumers that their store meets the list of quality criteria, and also has expert auditing, through which the store will be evaluated to see if it meets all quality criteria. Receiving the online certificate with the authenticity of the seal of quality guarantees the site, offering customers protection. Customers will have the possibility to comment on the store and those opinions may be visible in the online store. They also will have available an efficient customer service (Trusted Shops, 2014).

It is key for sellers who are interested in the German market to know that a company cannot send bulk emails to people who have not previously requested information about the product and have not given consent to be contacted. E-mail recipients must leave their consent prior to receiving marketing communications in their mailbox. In the real world, Germans do not like to go shopping and they rather not spend too much time doing so. In

addition, saving, doing good business, and finding sales are still important elements in the purchase phase. This is evident since 54% of Germans declared that their first interest is to look at the price of the product, while only 44% are interested in quality (Persio).

2.6 Other factors that identify Germany as a target market

2.6.1 Logistics

Ecuador has three ways of entering the German market: by sea, by land and by air. In the case of the Euphoria Collection Company, it should use air transportation to get its products to the country since in the short term, its products will not be shipped in bulk quantities. Additionally, air transportation is the fastest way to reach its consumers.

Germany has a wide network of airports throughout the country, and 18 of them have customs facilities. The majority of goods arriving in Germany are concentrated in Frankfurt and then transported by land to its diverse destinations. LAN and KLM offer flights from Ecuador to Germany.

According to the German log book made by Pro Ecuador in 2015, the majority of exports from Ecuador to Germany are shipped in FOB terms. The export procedure of products to Germany, including the length of time in days and the cost of each process is as follows: the preparation of documents takes approximately four days and costs \$175 dollars, customs control lasts one day and costs \$30 dollars, port terminal handling lasts 2 days and costs \$310 dollars and the internal transport lasts two days and costs \$500 dollars, giving a total process cost of \$1,015 dollars.

The basic documents required to export to Germany are:

- Bill of lading.
- Commercial invoice.
- Export statement.
- Packing list (Pro Ecuador, 2015).

If the product comes from a country that has a treaty or agreement with the EU, a certificate of origin must be presented, but if it comes from a country that does not have an agreement with the EU, the product will require an import license.

2.6.2 Labeling and packaging requirements

It is important for a product to have a clear and legible label, which includes the name of the producer and the composition of the product. According to Pro Ecuador (2015), the German requirements for the labeling of products exported by Ecuador are the following:

- Definition of the product with the help of words taken from an approved list.
- The entire text must be in German, but the addition of other languages is authorized.
- Labels must be clear, legible and permanent.
- Warning or instructions must be included if necessary.
- Indications regarding content, ingredients, weight, and volumes must be in metric units. In regards to the composition of textile products, the label of each product should include the materials that make up a product in percentages, for example: 100% cotton, 50% cotton and 50% polyester, etc.
- Country of origin of the product.
- Manufacturer batch number.

2.6.3 Competition

In the German market, Euphoria's main competition is Zalando.

The story of Zalando is characterized by having a solid project and a firm investment. Zalando was created in 2008 in Berlin. It is an online fashion store that specializes in shoes and clothing for women, men and children. With offices in five countries, Zalando sells to a total of 14 markets, with three logistics warehouses. It has more than 1,000 employees, who manage sales of more than 150,000 products from eight categories belonging to more than 1,500 brands. The success of this company is based on making it easy for the customer to purchase products and offering a free return policy up to 100 days after the purchase.

The brand became popular in Germany thanks to an advertising campaign carried out in 2009. This campaign was based on a hook advertisement and they were able to negotiate at low cost with the main German television group for their publicity. This success allows the company to expand in its production since it not only sold shoes, but also household goods and after that opened stores in France, Italy and Holland. Zalando is based in Berlin, but at the same time it is able to adapt to all the markets it has entered. According to the article published by Samuel Rodríguez on the E-Commerce News website, all of these facts apply in the following areas or fields:

- Logistics: A centralized logistics model makes it easier for the company to be able to expand to other countries, since it simplifies the entire process and generalizes the preparation of orders for all destinations, whether a product is being shipped to a customer in Germany or Spain, the process is the same. Then, the particularity of each market determines the delivery to the final customer.
- Technology: Zalando has a centralized team dedicated entirely to the development of all its web pages. This keeps the pages up-to-date in Germany, Spain or Italy.
- Good Practices: In the Berlin headquarters, all managers can be found in the same place, which allows for a continuous dialogue and mutual benefit.
- Cost synergy: The greater the volume of purchase, the more cost-effective the unit cost of the product will be. With centralized management, this savings increase greatly.
- Payment methods: General methods are handled for all stores.
- Marketing: An international campaign is managed from headquarters, and these are entrusted to local agencies with greater knowledge about each market.

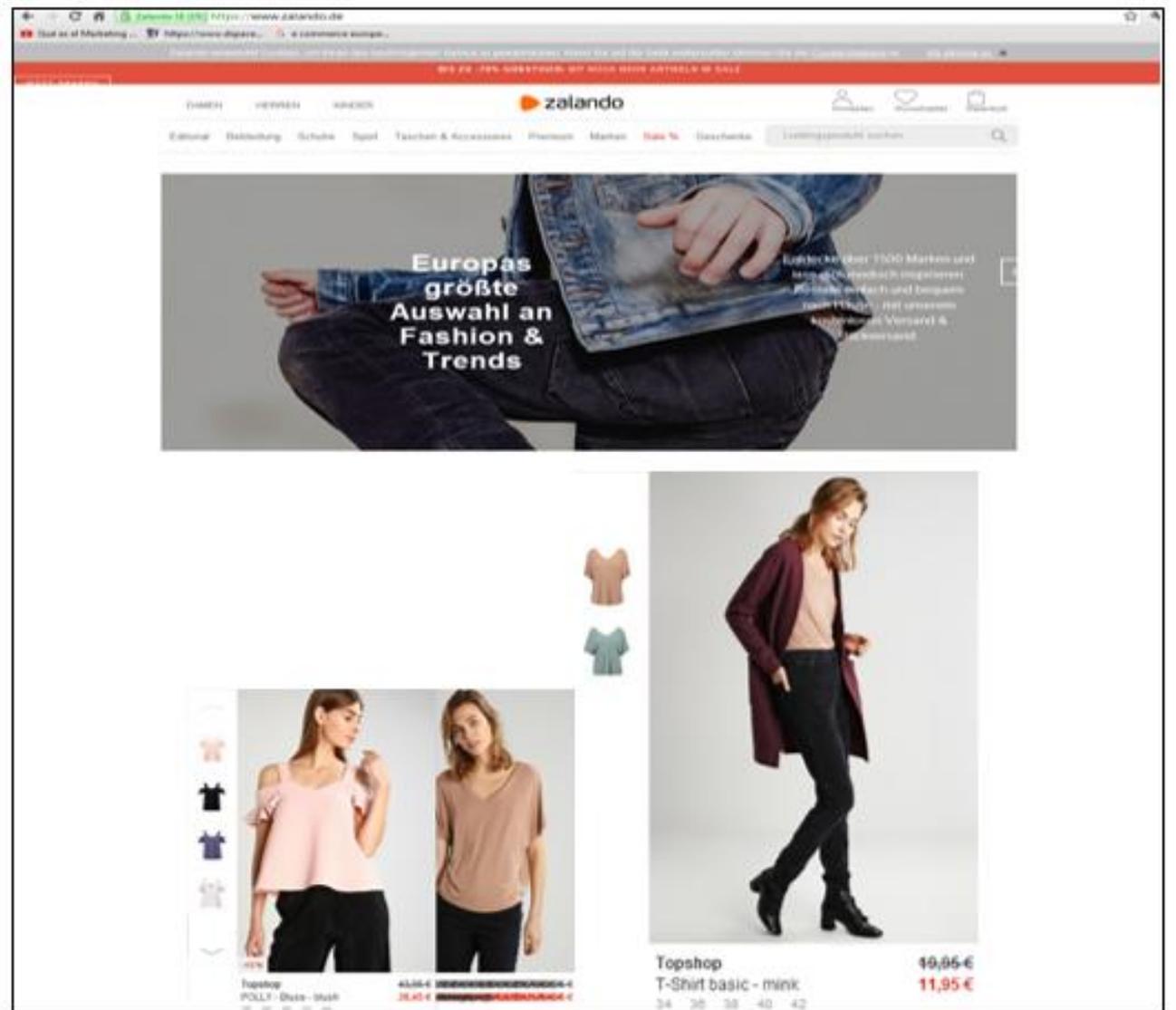


Image No. 26: Product promotion

Source: (Zalando)

Created by: Authors.

2.7 Conclusion

In this chapter, a market research was developed, considering quantitative and qualitative data that served to select the target market for the Euphoria Collection Company.

First, the political, economic, social, cultural and technological variables of each country were studied and then the consumer profile of each market was analyzed in order to determine the potential buyers of the Company's products.

A marketing mix analysis was also carried out which led to the conclusion that Germany is the most attractive country for the positioning of a the virtual store, since it is a

broad market with high purchasing power, with similar characteristics to the Ecuadorian consumers, completely adapted to e-commerce.

CHAPTER 4

3. Digital marketing plan for the positioning of the company in the target market

3.1. Introduction

In this last chapter, the proposal for the digital marketing positioning of the Euphoria Collection virtual store will be explained. First, the 4 F's of digital marketing will be analyzed to later determine the status of the company in terms of online positioning, mainly from its website. Then, the purposes for which the virtual store was previously created will be explained, as well as the steps to follow for the development of a website and its components, including the domain, costs, ordering systems, shipping and online payment, customer safety, reimbursement and return management and electronic invoicing.

Finally, we will describe the positioning plan, which will be mainly based on social marketing. The creation process of web pages and paid advertising for social networks such as Facebook, Instagram, Twitter and Pinterest will be presented, as well as the positioning in search engines and affiliate marketing.

3.2 The 4 F's of digital marketing

According to Paul Fleming, in his book "Let's Talk About Interactive Marketing", the 4 F's of Internet marketing are:

3.2.1 Flow

It is that mental state in which an internet user enters when going on a webpage that offers an interactive experience with added benefits.

Euphoria is a virtual store that offers an online catalog, with garments tailored to the customer's needs, made in a personalized way with materials and fabrics of great value and excellent quality. It has a clear and organized web page, in which there are options that allow the user to buy sale products, and offers free shipping for purchases starting at \$100. However, the website cannot be considered interactive because much of its information is outdated. The page was last updated in 2013 and the images of the clothes are not recent and do not catch the customer's attention.

3.2.2 Functionality

This term refers to having an attractive home page, with clear and useful navigation tools for the user. If the client has entered a flow state, this means that the customer is on their way to becoming captured, but in order for the flow of the relationship to not be broken, it is necessary to provide online functionality, or in other words, create pages that take the limitations of technology into account.

The user must interact on the web page, making use of the multiple options offered by the store. It is a simple, user-friendly website, which allows for images to load completely, without the use of much text. In addition, the customer can create a user account to receive discounts.

3.2.3 Feedback

This occurs when the relationship is being consolidated. The user is in a state of flux and also does not have many issues with navigation. The time has come to reach out to the customer and take advantage of the information of the user. The Internet gives companies the opportunity to ask the customer what they like and what could be improved. In short, it is important to dialogue with the client to get to know them better and to build a relationship based on their needs and to be able to customize the page accordingly after each contact.

The Euphoria Collection Company offers contact numbers for clients on its virtual store in the case that they have any doubts about the payment, shipping or production of the clothes. However, it must be taken into account that the user, especially foreign clients, will not be able to interact with the company in a very effective way since only contact numbers are available. It is recommended that the company offer other options on the website that provide online advice for their products through a chat. The company should also generate links to social networks such as Facebook, Twitter, Instagram and Pinterest, where customers can get extra product information and learn about new promotions, as well as give an opinion on the quality of the products and solve any doubts about delivery times, payment methods, shipments, customer safety, among others.

3.2.4 Brand Loyalty

The Internet offers the creation of user communities that contribute content in a way that a personalized dialogue with customers is established which allows customers to have more trust in companies (Emprendepyme.net).

When finalizing an online purchase, customers must rate and comment on their purchase experience and detail how fast or slow the transaction was, and what they would change or improve.

These criteria are important and serve as a basis for the company. According to what the potential customers comment, the company will take them into consideration in order to meet the needs of the client. The virtual store must offer tools that customers can use to rate the products directly in the store, or otherwise direct the clients to its social networks to allow the qualification of its products within them. Currently, the Euphoria Collection website does not offer tools that allow customers or users to rate their products and purchase experience.

3.3 Structure of the digital marketing plan

3.3.1 Defining a virtual store

A virtual store is a space on the internet where one can sell items 24 hours a day and seven days a week. The merchandise sold include different types of products that are presented in a very similar way to how they would be displayed and sold in a traditional store. Virtual stores have a special program that allows them to display images and descriptions of one or more products in a very "friendly" way, as if it were a seller. These stores also offer various payment methods that take advantage of "impulsive purchases" (Promonegocios.net, 2009).

Therefore, a virtual store is basically a web page that allows thousands of users to acquire physical products or digital services through the internet, making it accessible from anywhere in the world. One of its main advantages is that the amount of money a company invests is reduced compared to the total capital that would go into setting up a physical location. Moreover, millions of potential customers can be reached with automated processes without any limits.

3.3.2 The creation of the virtual store: For what purpose was this store created?

Euphoria Collection was created in 2013 to generate more potential customers, not only at the national level, but also to open the doors to the international market. It is a company inspired by the changing needs of women, that offer a wide range of clothing that will allow women to feel comfortable and enhance their figure, providing elegance and

comfort. Yet, it is not like any store because it neglects traditional commerce and focuses on a more complete and direct method.

Today, it seems easy to create a virtual store. However, in reality, it is difficult to win the trust of the customers and to add value to the garments, with a fair and competitive price, since there is a lot of competition in the fashion world.



Image No. 27: Euphoria Collection's Home page

Source: (Euphoria Collection, 2016)

Created by: Authors.

3.3.3 Store

By going to the link www.euphoriacollectionec.com, customer will instantly view clothing catalog offered by the Company. As can be seen in this image, the page shows an About Us (¿Quiénes somos?) tab, which will indicate the mission and vision of the company. This information seeks to generate confidence and security in the customers, as well as during the purchase and the post-sale process. Moreover, it highlights the added benefits of the Company's products and how they differ from the competition.



Image No. 28: Euphoria Collection Sale Promotions

Source: (Euphoria Collection, 2016).

Created by: Authors.

In general, every month the virtual store offers sale promotions, as can be seen in the image above, which corresponds to a sale published for December, 2016.

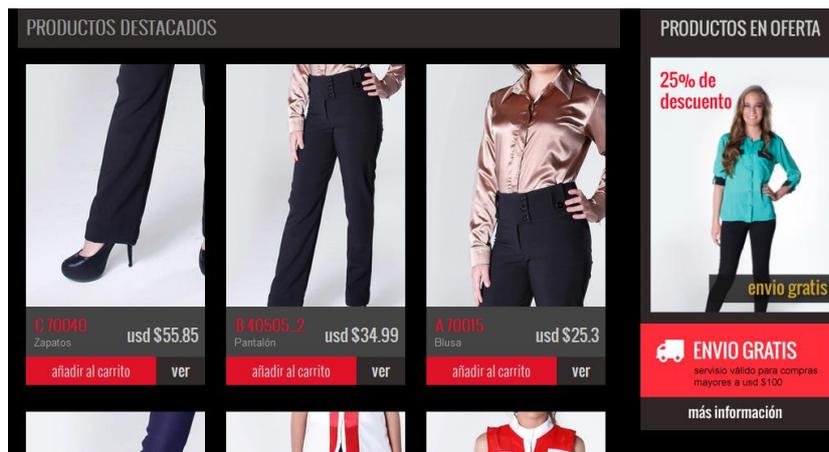


Image No. 29: Euphoria Collection's Featured Products

Source: (Euphoria Collection, 2016).

Created by: Authors.

At the top of the page, the featured products option is displayed, which refers to the most viewed and purchased products by customers.

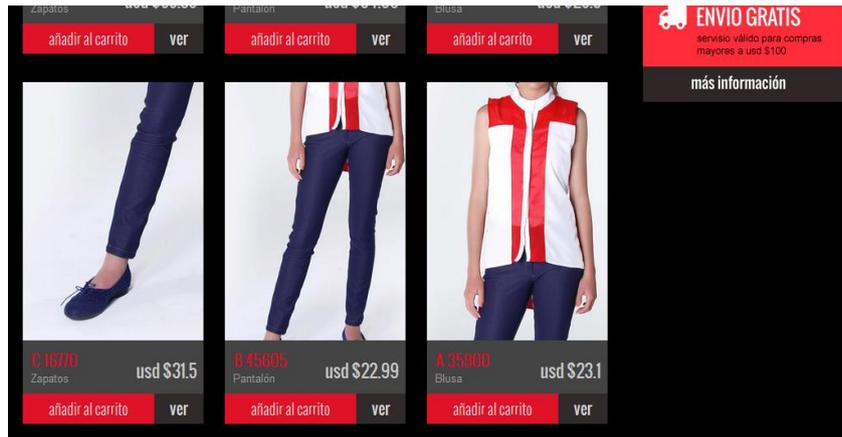


Image No. 30: More featured products by the Euphoria Collection

Source: (Euphoria Collection, 2016).

Created by: Authors.



Image No. 31: Euphoria Collection's Bottom Menu

Source: (Euphoria Collection, 2016).

Created by: Authors.

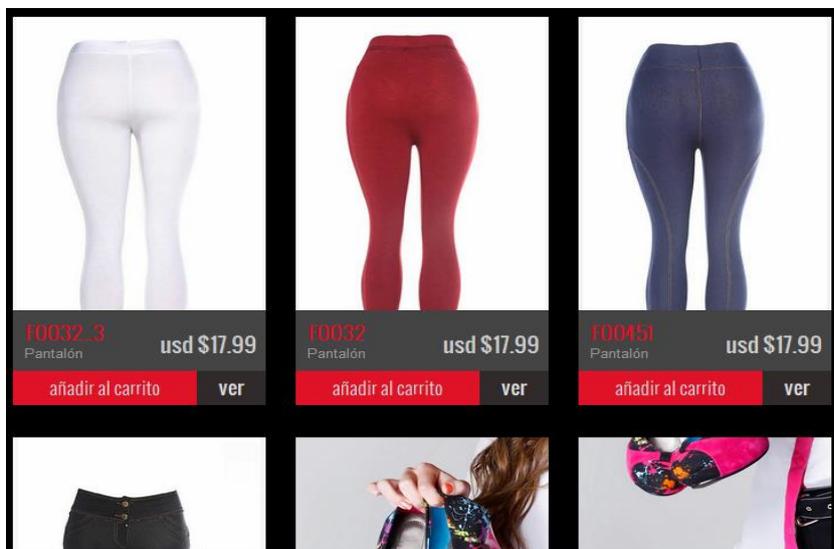


Image No. 32: Euphoria Collection Pants Models

Source: (Euphoria Collection, 2016).

Created by: Authors.

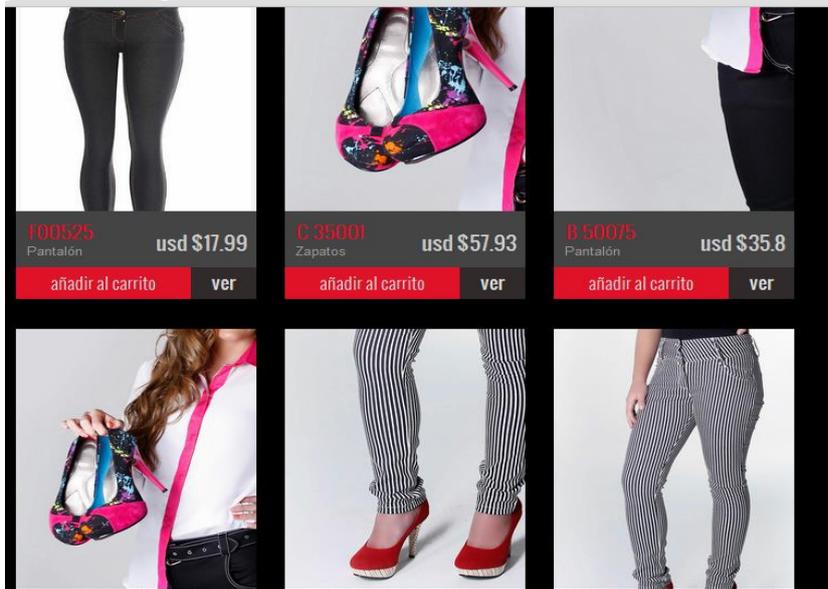


Image No. 33: More of Euphoria Collection Pants Models

Source: (Euphoria Collection, 2016).

Created by: Authors.

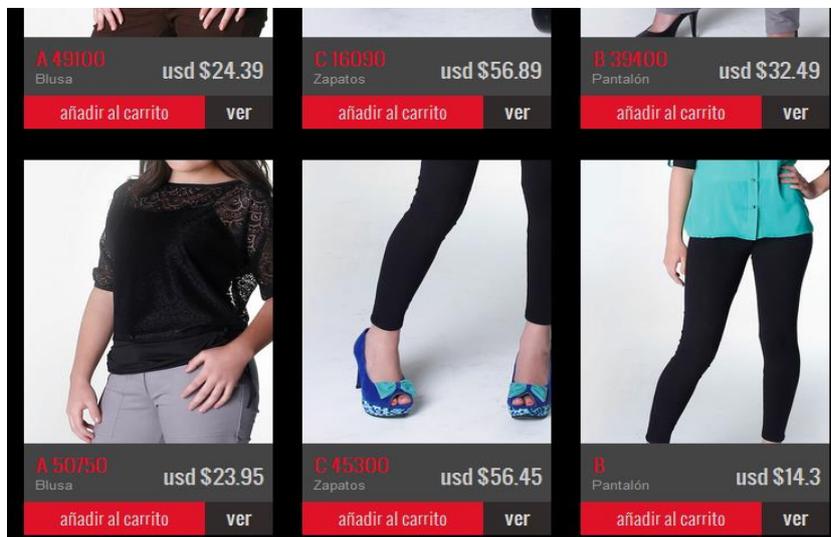


Image No. 34: Various garments from the Euphoria Collection

Source: (Euphoria Collection, 2016).

Created by: Authors.

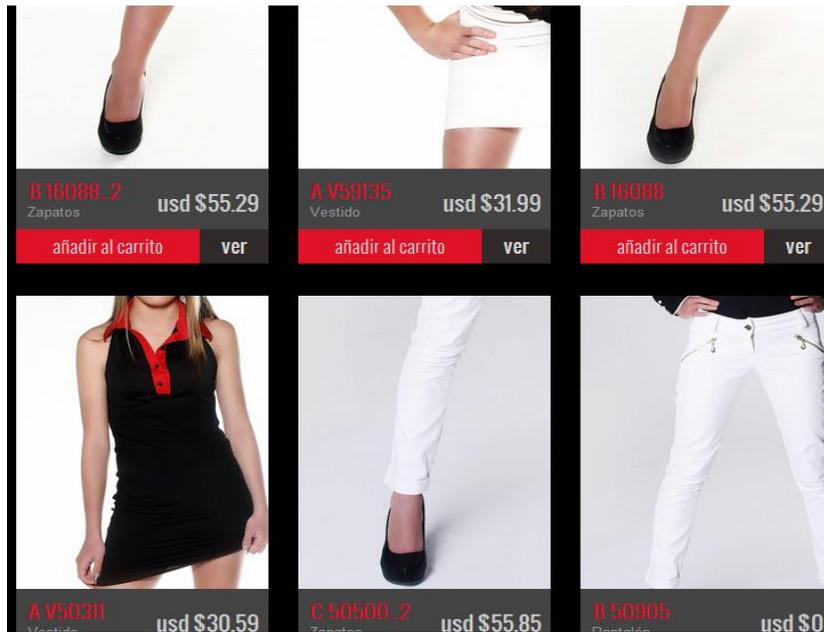


Image No. 35: Euphoria Collection Dresses and Shoes

Source: (Euphoria Collection, 2016).

Created by: Authors.

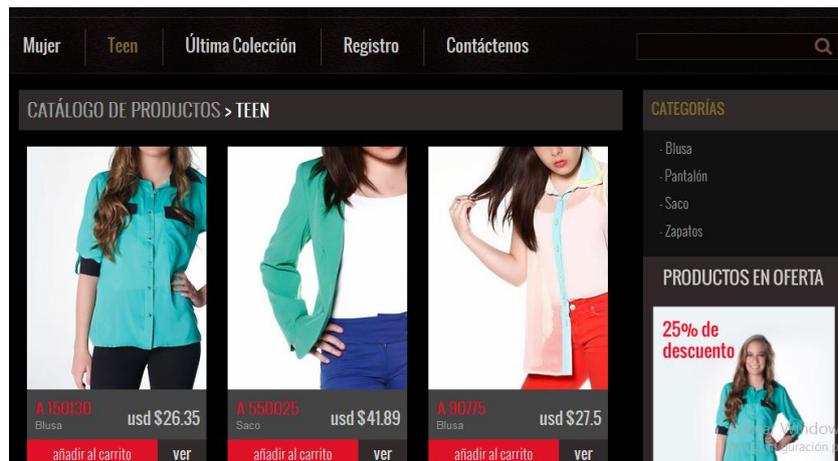


Image No. 36: Euphoria Collection TEEN Product Catalog

Source: (Euphoria Collection, 2016).

Created by: Authors.

Euphoria Collection offers two options, one for women ages 30-65 and the other for women ages 15-29: WOMEN or TEEN.

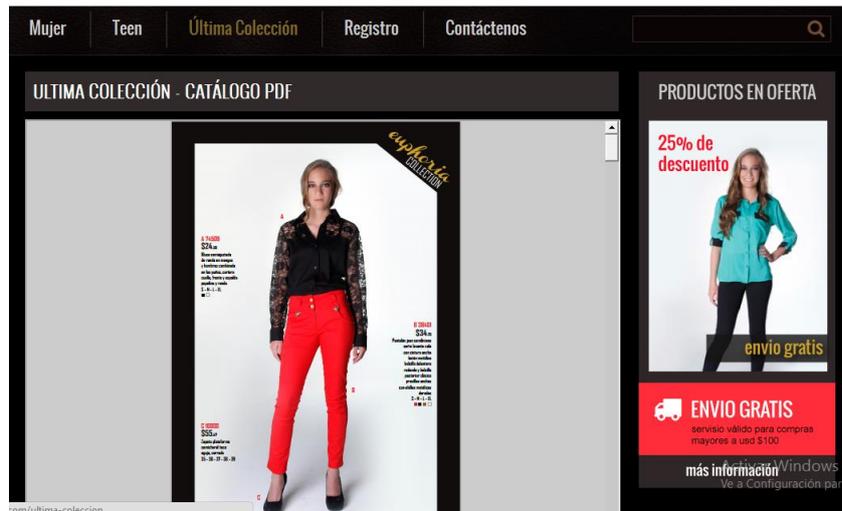


Image No. 37: Euphoria Collection latest collection catalog

Source: (Euphoria Collection, 2016).

Created by: Authors.

In addition, Euphoria has the advantage of always staying on top of fashion trends, and based on these trends they choose its latest collection products.



Image No. 38: Euphoria Collection Product Details

Source: (Euphoria Collection, 2016).

Created by: Authors.

Once the garment of choice is selected, the client has the option to choose the size (small, medium, large and extra-large), the color and the quantity of garments that they wish to purchase.

Image No. 39: User Registration

Source: (Euphoria Collection, 2016).

Created by: Authors.

By creating a free account, customers will have an easier access to more promotions, discounts and benefits, both on clothing and shipping rates. It also seeks to generate confidence in the consumer and to achieve direct contact.

Image No. 40: Euphoria Collection Contact Form

Source: (Euphoria Collection, 2016).

Created by: Authors.

On the website, the client is offered a contact channel, in which he or she must fill out a form and through this that person can present their any questions, suggestions or complaints they may have.

A total of \$500 was paid for the set-up of the website and its spot on the internet. Currently, the website has its own domain, hosting, and offers a shopping cart options and payments through credit cards, as well as a large storage memory. A professional photographer was paid for the development of the images that will be used for the promotional material. The photographer will take pictures of the company's merchandise every month and for each new collection new photographs will be taken.

3.3.4 Ordering, shipping and payment systems

In this section, the process of how to use the virtual store, primarily for online orders, will be explained, starting from placing items in the shopping cart, until the time of shipping.

For the shipments and payment systems, it is important to detail and offer a comparative analysis on the best option, both for the company and for the final consumer.

Ordering system

Figure 7. Euphoria Collection's Ordering System



Created by: Authors.

The figure explains the ordering process for the Euphoria virtual store. It is easy to see that this is a very simple process, however for the reception of the order to be more efficient and secure, it is recommended that within the process the following be added:

- The system should check the orders, since many times customers do not realize mistakes they make when filling out their data. The system will check that the address is correctly written and as detailed as possible, without missing contact details. If the information is incorrect, a person in charge of customer service will have to be contacted in order to correct the data.
- Fraud must be controlled to avoid high-value orders with cloned cards. Customers must create a store account and answer personal data questions to verify that it is the same person.
- The service should constantly improve, which will help the company to differentiate itself from its competition. Therefore, it is essential that Euphoria integrate on its website bulletin boards that inform users if there is availability of certain clothing, and it should also give the option that in case that a garment is out-of-stock, a buyer

can receive the item as soon as it is available. It is important to present a complete catalog.

- The most important thing to add to the Euphoria virtual store is a system that allows its customers to actively track their orders in order to provide information at each stage of the delivery process to the customer. This will help to build trust since it demonstrates the interest and concern that the Company has towards the customer and their orders, until the products' delivery and afterwards as well.

Shipping System

The shipping system is the most important service for the final consumer and for the company. So far, Euphoria has only shipped its products locally, using the Servientrega service.

For this service, it is considered essential that a single shipping agency be chosen. The agency should be the most suitable and effective, in other words it must deliver the products on time and in good condition to the address indicated and with an accessible rate.

For this, the following elements have been considered:

- The size and weight of the package.
- Delivery time.
- Tracking of the package.
- Competitive rates.
- Package insurance.
- Guarantee for any situation, from the moment the package is handed to the carrier.

Four possible supplier companies will be compared and analyzed in the following section:

1) Servientrega

Servientrega Ecuador S.A. was created in 1994. It is a company specialized in transport, logistics and foreign trade, with a very wide coverage at a national and international level. Today it works with 80% of the Ecuadorian market, making more than 2,100 transactions per day. It is responsible for the transport of documents, merchandise, as well as promotional logistics, packaging, international box office and distribution of

publications. It reaches more than 200 countries and more than 120 cities in Ecuador (Servientrega, 2015).

This company has two types of shipments. The first is known as "Premiere Merchandise", which is aimed towards natural customers and companies with multilevel sales, catalog or online, with high distribution needs, where a guide covers a unit for only one recipient, that is to say, it is a door-to-door service transportation, reaching towns and cities that are difficult to get to. The second type of shipment is "Industrial Merchandise", which works with a high volume of shipments, with sales in chain stores, wholesalers and distributors.

All these services are developed with a logistics process with minimum delivery times, minimum handling of the merchandise, media, security systems and technological development that allows the timely provision of information on each of the shipments.

In addition, it is worth mentioning that Servientrega is one of the leading transportation companies in the country. Its competitive advantage is its delivery time, since for example its estimated delivery time for Miami is two days, and for the rest of United States and Canada it is three days. For Bogota, Colombia the delivery time is two to three days, and shipments to other cities in Colombia take three to four days. In addition, South and Central America take two to three days, Spain, Italy, France take three days, the rest of Western Europe receives shipments in three to four days, Eastern Europe takes four to five days, Asia get shipments in five days and for the rest of the world it takes five days to get their shipments. For international shipping, a large box of clothes costs about \$100-\$194 to ship (Servientrega, 2015).

2) Ecuadorian Postal Service (Correos del Ecuador)

Correos del Ecuador is a public company of postal logistics services, with national and international coverage. Its human talent is committed to guaranteeing the efficiency and security in the provision of its services. In its range of products and services it offers the mailing and receiving of mails and packages, money transfers, complementary services, management of mailboxes, postal boxes, postal packaging, advertising and stamp collecting. It has 302 agencies nationwide and reaches 193 countries (Ecuador Post Office, 2017).

This public company Works with the Exporta Fácil program, which serves as a tool to facilitate Ecuadorian exports, aimed at encouraging the inclusion of micro, small, medium

enterprises (MSMEs) and artisans. It is a simplified, agile and economic system of exports by postal mail, through postal public operators. The Ministry of Industry and Productivity, Mintel, Pro Ecuador, SRI, SENAE, National Institute of Cultural Heritage, National Police of Ecuador and National Postal Agency are participating entities (Exporta Fácil, 2017).

Exporta fácil has two export modes:

- EMS service: It is the fastest service, which gives a priority treatment to packages by assigning them a bar code, which is in the shipping guide and the tracking of the package is guaranteed until its final delivery.

Weight: up to 30 kg.

Characteristics:

- Does not generate delivery report.
- Acknowledgment of a receipt.
- Tracking on the website.
- Compensation.

Table 34. *Delivery times at EMS International*

EMS INTERNACIONAL		
Delivery Destiney	Minimum Time	Maximum Time
America	4	5
Europe	6	7
Rest of the World	8	10

Source: (Exporta Fácil, 2017).

- Certified Service: This is the service through which a bar code is assigned for tracking. Packages receive a preferential treatment.

Small Package: Certified service in which you can send up to 2 kilos internationally, which can be used to send samples.

Postal Commitment: Internationally certified service depending on the weight accepted by the country from 2 kilograms to 30 kilograms.

Characteristics:

- Acknowledgment of receipt.

- Tracking (Tracking on the web page).
- Customers have the right to compensation.

Table 35. *International Certificate Delivery Times*

INTERNATIONAL CERTIFICATE		
Delivery Destiney	Minimum Time	Maximum Time
America	7	8
Europe	9	11
Rest of the World	12	13

Source: (Exporta Fácil, 2017).

In addition, this program offers compulsory insurance, all exported products whose FOB value exceeds USD \$50 must be covered by compulsory insurance. This must be paid in cash at an Ecuadorian Post Office when finalizing the process. This service entitles the shipper to compensation for loss and for the insured value.

The percentages of the premiums are:

- 2% for jewelry, glass and porcelain.
- 1.5% for other products.
- 10% deductible.

This insurance is provided by Seguros Rocafuerte for which the client does not have to do any additional processing (Exporta Fácil, 2017).

It should be mentioned that the value of goods shipped should not exceed \$5,000 and must not weigh over 30 kilograms. Packages have tracking and package insurance. Companies also receive certain discounts and as corporate clients, they can attain customs clearance. For Euphoria Collection, the express delivery is the most convenient, which is internationally delayed from four to 12 days, and the shipment of a large box costs between \$40-\$70.

3) **DHL**

DHL is present in more than 220 countries and territories on the planet, which makes it the most international company in the world. With more than 340,000 employees, it provides solutions for an infinite number of logistics needs. It is part of the world's leading postal and logistics company Deutsche Post DHL Group, and includes business units DHL Express, DHL Parcel, DHL e-Commerce, DHL Global Forwarding, DHL Freight and DHL Supply Chain (DHL, 2017).

DHL has a program in conjunction with Pymexporta, which is a logistics service focused on simplifying the process of internationalization of micro and small enterprises in Ecuador. With Pymexporta, DHL seeks to become a logistics partner through its door-to-door courier service, foreign trade advice and competitive prices. This service seeks to provide affordable prices for small and medium-sized companies, with discounts on the number of shipments, also offering advice on foreign trade. BASC certification guarantees security in customs and control of drug trafficking, and it has its own GPS system to locate and track the package. International shipments take between four and seven days depending on the final destination, the maximum weight allowed is 70 kilograms and insurance is already included in the cost of shipping. A large box costs about \$80-\$175, depending on the weight of the package (Pymexporta, 2017).

After analyzing these three alternatives, it has been determined that the most appropriate and precise option for the company and the final consumer is Correos del Ecuador. This is because first, the shipping costs are paid by the same company and thanks to the Exporta Fácil program, it is favorable since they provide free advice, free customs procedures, and assistance to opening more commercial doors. It also offers affordable prices compared to their competition, with insurance and package tracking, reaching Europe in a maximum of seven days.

Payment Systems

Management of reimbursements for means of payment

In a virtual store that is just being released in the international market, reimbursement is important since it is a safe method to gain consumer confidence.

In the case of credit cards, by entering an authorization code the cancellation of the purchase is generated. As for PayPal, the company must access their account and charge

them the total fee or if it was done by bank transfer, it can return the transfer to the same account number and the same value.

Electronic billing

According to the Internal Revenue Service, an electronic receipt is a document that meets the legal and regulatory requirements for all sales vouchers, guaranteeing the authenticity of its origin and the integrity of its contents. This electronic proof has legal validity as long as it contains an electronic signature. They can be: invoices, credit notes, debit notes, retention vouchers and referral guides (SRI, 2015).

After submitting and accepting the application for electronic invoicing, SRI itself is in charge of providing a software tool that sends, receives and signs and the e-mail must be sent to the end user and the company. It is important, at these times, to work with electronic invoicing, since it is environmentally friendly, it is cheaper, and there is no risk of misplacement at the time of shipment or cloning of it.

3.3.5 Positioning of the website

- 1) The first step is to click on the option that says "Register with your mail":



Image No. 41: Beginning of the Positioning Process

- 2) Then, a customers must enter their email address, either a natural person or a legal person, and then a password:



Image No. 42: Mail record for positioning process

3) Once the password is entered, the name of the company is announced:

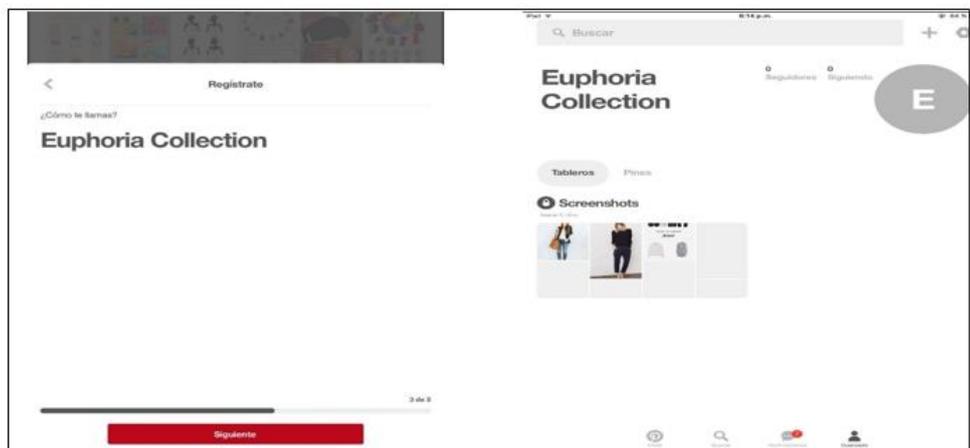


Image No. 43: Entire registration process

“Currently, Pinterest has approximately 20 million active day-to-day users, of whom the majority are women. Users comprise the age of 18-45 years old” (Matesa, 2015). Therefore, it is considered convenient and very necessary to create an account in this social network, since what is sought is to be on one of the most visited platforms, where people can upload pins, create boards, follow and have a million followers. This will help the company to make itself known and to generate potential customers. Pinterest is an alternative site that sells, performs events, shows and offers discounts and promotions.

Search Engines

It is impossible to know how many web pages exist today. However, through search engines, a user can easily find the page they are looking for.

Search engines help to find useful information on the web almost instantly and are considered to be determining applications of the internet era. A search engine is defined as

the tool that identifies web pages that appear to match the keywords (also called queries) written by the user and then provides a list of the best matches (C. Laudon & Guercio Traver, 2013).

The main and best known search engine is Google. "The purpose of this site is to organize the information of the world and make it universally accessible and useful" (Google, 2017). This search engine allows finding the name of a company, service or product at no cost, obtaining a number of results, known as SEO (Search Engine Optimization).

In the case of the Euphoria Collection, we will use Google AdWords SEM (Search Engine Marketing), which is basically a Google's advertising platform that is divided into the search network and the display network. The search network is made up by Google search sites, while the display network is a collection of more than one million websites associated with Google, videos and applications, such as YouTube. With AdWords, a user can create text, graphics or video ads and advertise them on any of these sites and search engines, in a quick and easy way, paying only for the clicks of internet users (Epyme, 2014).

- 1) The first step is to create an AdWords account. Sign in to <http://adwords.google.com/>. For this first step it is necessary to already have a G-mail account, or the user can create one with their respective password:



Image No. 44: Signing up for an AdWords account

- 2) Next, the user must enter the information of the website that will be associated with AdWords:

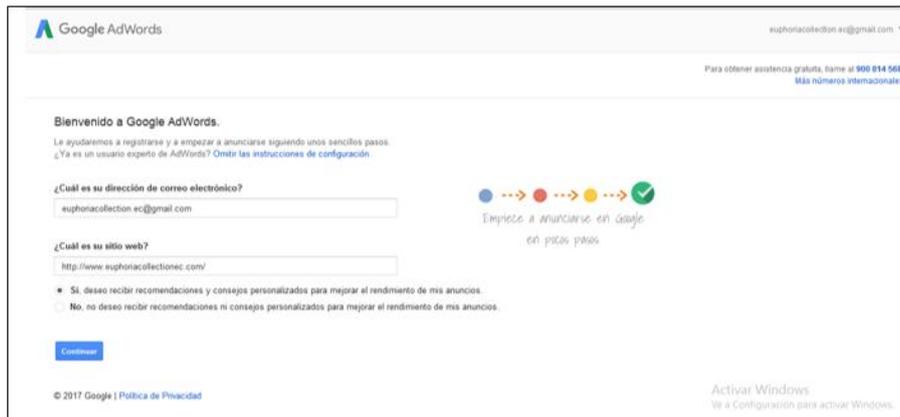


Image No. 45: Association of the web page

- 3) Here it is important to click on the option that you want to receive personalized recommendations and tips to improve the performance of your ads.

In this step, users can indicate the budget of the advertising campaign, the location of the market it wishes to reach, what type of network will be used, and keywords, phrases or something that draws attention to users that will be used for the ad.

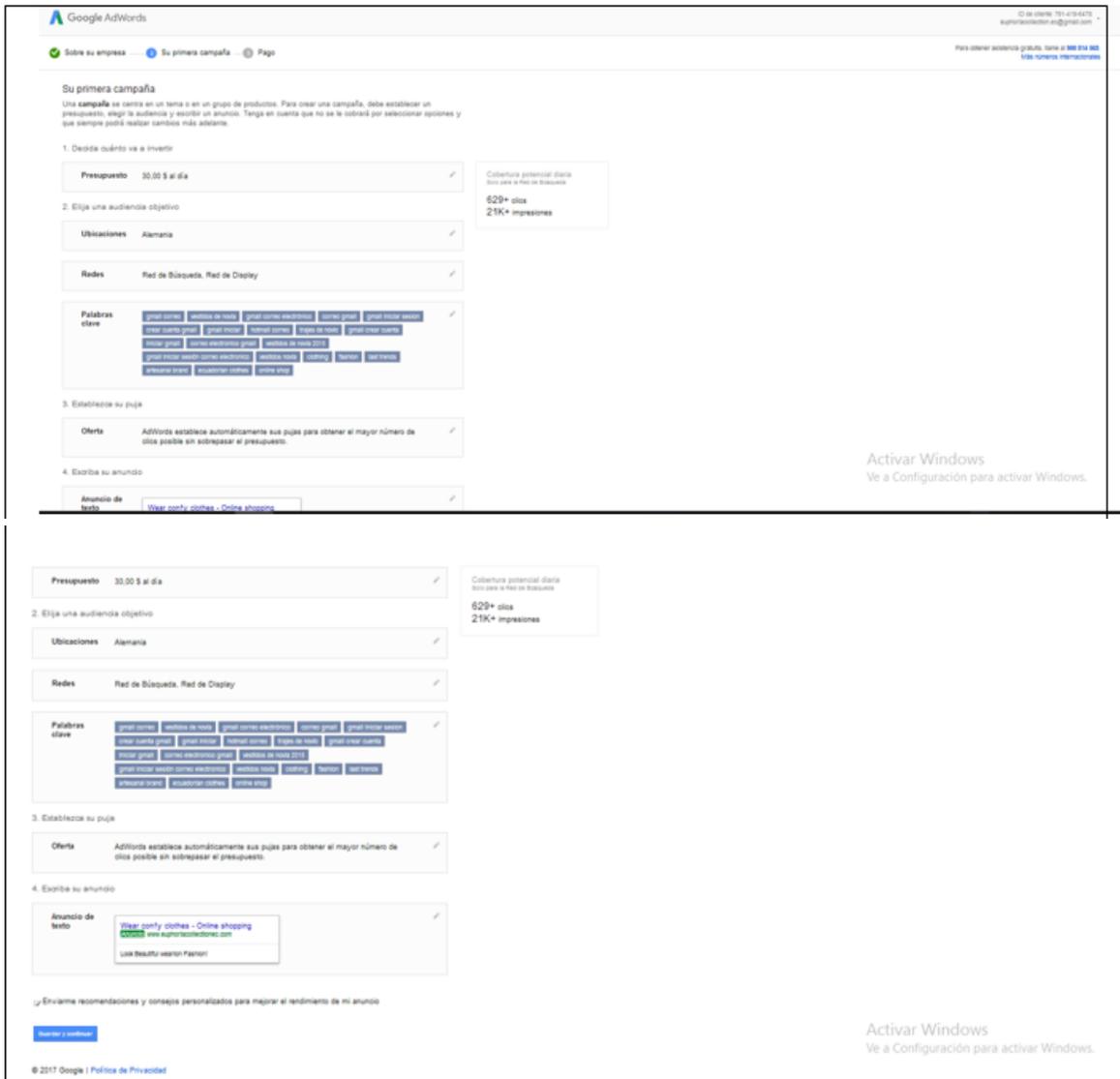


Image No. 46: Time zone for registration

- 4) This step consists of selecting the account's country, time zone and the currency in which it will operate. These points are of the utmost importance, since if campaigns are run in different countries and you want your ads to appear on a particular schedule, AdWords will be guided by the time zone you set here and not by the time zone or country where the campaign of where it is being managed. This is something to take into account when making campaigns in countries with different time zones (Epyme, 2014).
- 5) Finally, users have the option to check the ad campaign's movements through the clicks it gets.

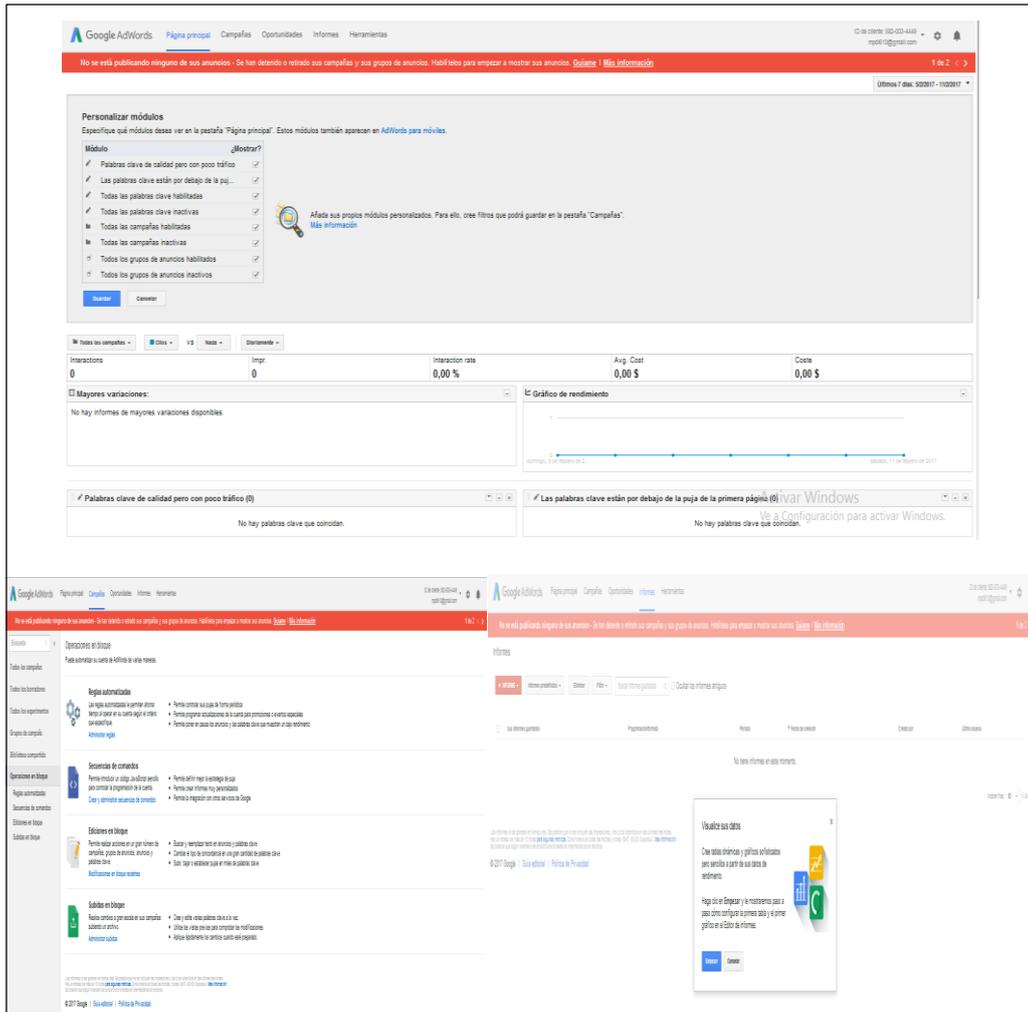


Image No. 47: Campaign movements

Google AdWords has Pay Per Click advertising, meaning that the company or the party that is interested in promoting its service or product can pay a certain amount of money to promote it through Google. This type of advertising can reach more customers online using keywords and the customer only pays for the click of the advertisement. However, it should be noted that this does not guarantee that the client that clicks on the ad will purchase a product or service in the virtual store, but it is a great way to become known and expand its market.

Affiliate Marketing

Affiliate marketing is a form of marketing in which a company pays a commission to other websites (including blogs) to send customers to your website. What it implies is a payment for performance. The affiliate or the affiliate network are paid only if users click

on a link or buy a product. Industry experts estimate that approximately 10% of all online retail sales are generated through affiliate programs (C. Laudon & Guercio Traver, 2013).

Zanox is the number one network in Europe. To win customers in Germany, it is necessary to use this page, which offers the possibility of winning potential customers.



Image No. 48: Zanox, affiliate marketing

Source: (ZANOX, 2017).

- 1) The first step is to enter the Zanox page, and choose the Zanox option for Advertisers:

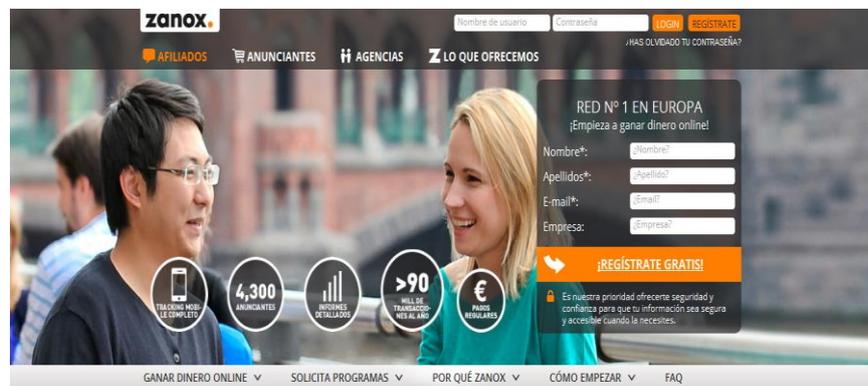


Image No. 49: Zanox, for Advertisers

Source: (ZANOX, 2017).

- 2) The second step is to fill out the company details and the name of its representative, as well as the company's address:

Image No. 50: Advertiser data form

Source: (ZANOX, 2017).

3) The type of visa is chosen:

Image No. 51: Choosing the type of vise

Source: (ZANOX, 2017).

1) The Euphoria store URL is added, as well as a brief description, and finally the target market is chosen:

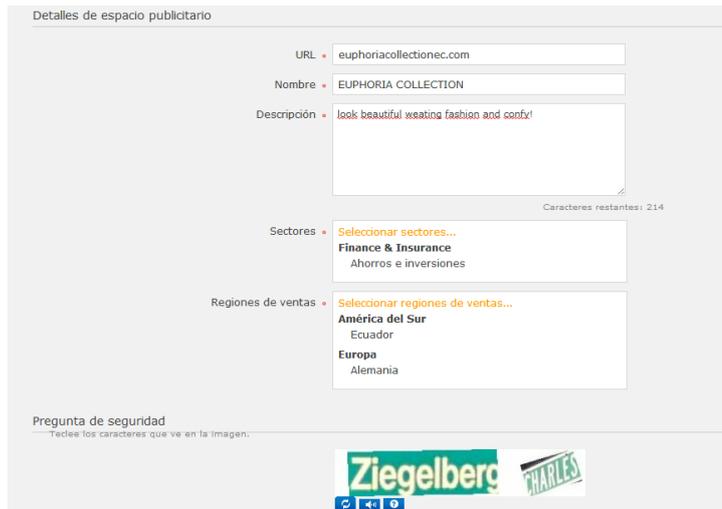


Image No. 52: Store URL or advertiser

Source: (ZANOX, 2017).

1) An email will then be sent to confirm the account, and it will be verified:



Image No. 53: Account Confirmation

Source: (ZANOX, 2017).

1) And finally you can view the profile of the company subscribed to this affiliate marketing page:

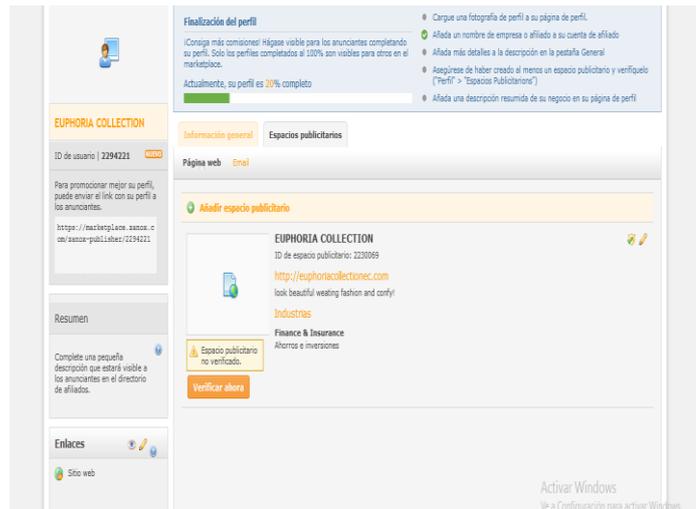


Image No. 54: Affiliate Display

Source: (ZANOX, 2017).

It is essential that Euphoria use this type of marketing, as it allows the company to promote its clothing to a segmented public, which in this case focuses on German women, paying a fee only when the user makes a purchase.

In order to measure whether the digital marketing proposals mentioned above are feasible or not, it is recommended to use the marketing metrics proposed by Domínguez and Muñoz (2010) as they analyze the productivity, efficiency and effectiveness of a company when it comes to marketing. It is a measure that helps to understand the causes and effects of the results that can be obtained, in order to project an improvement in the future results.

A company that seeks to experiment online marketing will be able to understand, improve and learn in order to implement its strategies and reach objectives. This will also help a company to determine if the web investment will generate profits.

The first recommended measurement is:

1) **Click Through Rate (CTR)**

It is the central measurement of internet marketing campaigns, which is the result of dividing the number of users who clicked on an advertisement or result by the total number of times a user entered website of the add, and the results are presented in percentages. The higher the CTR, the more efficient the advertisement is. If the results indicate a high response rate, this means that the campaign is being effective in terms of generating a response.

The equation is as follows:

NCTR = Number of clicks (number of views) / Number of times a user goes on the website

For example, the statistics of the servers indicate that a banner has been clicked about 200 times and the page has been visited by about 10,000, so:

CTR = 200 clicks / 10,000 website users, (200 / 10,000 = 0.02x100 = 2%), the result is 2%

The goal of the company was to achieve at least 1.4%, which means that the advertising promotion has been effective and has attracted the attention of a significant number of target customers.

2) Rebound Rate

This measurement represents the percentage of visits that do not go beyond the first page of the website (rebounds) of the total number of visits received.

The equation is:

Rebound Rate = Number of visits that do not pass the first page / Total number of visits

On the other hand, the stickiness rate shows the percentage of visits that have gone past the first page of the website:

Stickiness = 1 - (Number of visits that do not go beyond the first page / Total number of visits)

Example of rebound rate:

One company achieves 100,000 rebounds and 550,000 total visits as their results.

Rebound Rate = 100,000 rebounds / 550,000 total visits = 18.2%

Stickiness = (1) - (100,000 rebounds / 550,000 total visits) = 81.8%

The results indicate that users have visited the entire website and not just the first page, which means that the ads have captured the attention of customers and is interactive.

3) Interest Percentages

This measurement indicates the interest of visitors based on the number of pages they access, the clicks are assigned to those considered in each category:

- Low interest: visits less than 3 clicks / total visits.
- Medium interest: visits of 3 to 5 clicks / total of visits.
- High interest: visits of more than 5 clicks / total visits

The values of each category depend on the type of business. For example, an online virtual clothing store would be measured as follows:

- Low frequency: visits of less than 3 visits per month / total visits.
- Medium frequency: visits of 3 to 5 visits per month / total of visits.
- High frequency: visits of more than 5 visits per month / total of visits.

If the customer has had excellent experiences on the website, the company could maintain its quality standards, thus creating customer loyalty.

To determine if a customer is loyal and has purchased more than three times a year, the following can be carried out:

- Loyalty rate: Faithful Customers / Repeating Customers = %.
- Loyalty = Repetition x Loyalty rate.

Then, it can be determined that, for example, 75% of customers have repeated their purchases more than twice a year:

- Loyalty rate = $2,250 / 3000 = 75\%$.
- Loyalty = $3000 \times 75\% = 2,250$ loyal customers.

In summary, it can be said that 30,000,000 users saw the banner that the company paid for, while 550,000 others visited it, 12,000 internet users bought something and 2,250 people have become loyal customers.

4) Cost Per Visit (CPV)

It determines how much visitors on a company website cost a company. It measures the effectiveness of marketing actions, the purpose is to minimize CPV and increase ARV (Average Revenue per Visit).

The equation is:

$$\text{CPV} = \text{Marketing Costs} / \text{Number of Visits}$$

For instance, a company's marketing department has a budget of \$ 600,000, and they received visits from 550,000 users:

$$\text{CPV} = 600,000 / 550,000 = \$1.09 \text{ per visit.}$$

5) Average Revenue per Visit (ARV)

The purpose of this variable is to understand if the marketing strategy being implemented is one that works well or not. The value is based on:

$$\text{ARV} = \text{Sum Revenue generated} / \text{Number of visits}$$

For example, the income of a clothing web page totals 1 million dollars and the visits that have been generated in that period have been of 550,000, which is why the average of income per visit is:

$$\text{ARV} = 1,000,000 / 550,000 = \$1.80$$

On this website, each visit costs almost \$2, compared to the previous Cost per Visit measurement.

6) Order Conversion Rate (OCR)

OCR is used to describe the relationship between the visits that a website receives and the goals that are to be met. If marketing campaigns are successful in attracting a high number of visits, but these are not reflected in the Company's sales, the OCR does not increase and therefore, the strategy is not effective:

$$\text{OCR} = \text{Transactions or Orders placed} / \text{Total visits}$$

For example, if 12,000 transactions were made and a website is visited by 550,000 users, the OCR is around 2%:

$$\text{ORC} = 12,000 / 550,000 = 2.2\%$$

This means that the company must change its strategies and objectives.

7) Average Order Value (AVG)

The average value per sale or order combined with the per-visit revenue value and the conversion rate indicates that the website is being effective:

The equation is:

$$\text{AVG} = \text{Revenue generated} / \text{Number of Orders}$$

For example, if 12,000 transactions have been made and the revenue generated totals to \$1 million, the average sales value is \$83 dollars:

$$\text{AVG} = 1,000,000 / 12,000 = 83.3$$

8) Return of Investment of Digital Marketing (ROI)

ROI measures whether a company is putting the money invested in the campaign to use. For this, it is necessary to always designate a budget for the marketing actions to know if an income or exit of money is generated.

The equation is:

$$\text{ROI} = \text{Contribution per Order (CON)} / \text{Cost per Order (CPP)}$$

For instance, the contribution per order is \$45, and the cost per order is \$50:

$$\text{ROI} = 45/50 = 0.9 \times 100 = 90\%$$

This means that a company is generating a profit greater than the one it invested.

3.4 Conclusion

In this chapter, a digital marketing proposal is presented that would allow the Euphoria Collection Company to use tools, techniques and strategies to offer their clothing online. These will allow the company to obtain various benefits such as gaining recognition of their brand and reputation of the company, capturing customers and creating loyal clients, competing with companies worldwide, and also it is an alternative that will help the company to get generate more income.

The use of a Twitter account is highly suggested, as it is an excellent strategy for the company to make itself known and that users interested in fashion become interested with the virtual store. Twitter is a channel that helps a company build a brand image, give customers opinions and complaints or ideas, make several advertising campaigns, create a hashtag that defines Euphoria Collection and learn more about the competition.

Facebook is another social network to be implemented in this plan, since it is one of the main digital marketing tools to publicize a company or business, and it helps generate brand presence and make users visit the virtual store. Through this network, a company a can directly communicate with customers, either through a post on the company's profile or through a private message. A company can also determine its ratings and customer opinions, and it can also view its promotions and offers made through ads and paid advertisements that Facebook provides. In addition, it allows companies to publish content regularly, and encourage contests so that users can learn more about the company and its products.

Pinterest is a fashion blog, which helps promote companies and their brand, through photos, tips, videos, tutorials, etc. For Euphoria, this is a tool that will allow a large percentage of women related to the target to view images of the Company's clothing.

Instagram can also be put into use, since it is a social network that also helps fashion companies to promote their name and style, to create a brand reputation, and also allows a company to be up to date with new fashion trends. A Company can interact with the audience through hashtags, likes, followers and comments, and can also make live videos in which Euphoria asks its users to participate.

In addition, Google AdWords is also a digital marketing strategy that allows any company to make itself known through ads on Google, in a very easy and simple way. It is recommended that Euphoria configure and design advertising campaigns, since one of the advantages would be that the ads or keywords allow the company to be the first results in a search generated by internet users, and the virtual clothing store will in turn, be promoted.

And finally, Zanox is one of Europe's number one networks for digital marketing and specifically for affiliates, which allows a company to sell its products to a specific and segmented market, helping an international company to have greater and better coverage in the European Union, creating a satisfactory relationship in both advertisers and affiliates.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

To conclude with this thesis assignment, it can be said that e-commerce is considered as a useful and effective tool for any type of business that wants to improve its productivity, promotion, generate better profits, publicize and promote its brand, products or services, through a minimum investment, with easy access and basic procedures. It is, therefore, an alternative linked to the new information and communication technologies (ICTs), for small and medium enterprises that seek to carry out commercial transactions that transcend cultural and national boundaries, in order to attract more customers in the new virtual market and thus, eliminate the traditional and geographical limits, allowing their products or services to be available to more people.

Euphoria Collection is an Ecuadorian virtual clothing store for women, however it has seen the need to expand and participate in foreign trade. After having carrying out a study to determine the Company's target market, Germany was chosen as the best option. This is because it is a country that has stayed on top of the digital age and is an economically active country. Moreover, thanks to the agreement signed between Ecuador and the European Union, the exchange of goods and services can be done with greater facilities and less tariffs, prices, barriers and restrictions. For these reasons, it is a great potential customer where the company can take full advantage of the extra value it gives to its clothing and it can execute various digital marketing strategies in order to adapt to the new market.

It is important that SMEs today implement all the aid programs offered in Ecuador so that they can become international.

After analyzing the company, its products and its market, it is concluded that Euphoria can market its products abroad, since it has suppliers for its production, has the labor capacity and the machinery for production necessary. However, the company does not have the right information technology to develop the processes of marketing and brand positioning in the German market.

As a proposal for the positioning plan, useful and appropriate strategies have been suggested for the promotion of its brand and its products, such as the use of social networks, affiliate marketing, pay per click and search engines, proving its effectiveness through digital marketing measurements. The Company's advantage is that it already has a virtual store that operates since 2013. These digital marketing strategies are characterized by being relatively

low cost and accessible, are not complicated to understand and manage. It is important to point out that the company has been given various options to choose from according to what the company believes appropriate, since the objective of this thesis is to offer guidelines that the company can follow.

Nowadays, the internet has certain facilities and means that allow companies to interact with clients around the world. However, in order to obtain results it is necessary to plan, study, analyze and compare all alternatives and select the most feasible or suitable options that help reach the company's objectives. Both e-commerce and digital marketing present tools and strategies that promote products and generate potential customers. Most of these tools are free and in some cases, require minimum investments.

Recommendations

Under this perspective, it is recommended that any company that wishes to enter the international market must do so without fear of barriers or restrictions. It is important for companies to firmly believe in its production capacity, quality and added value, and above all never stop investing in improving their processes and technology. It is advisable that companies constantly change and evolve since all businesses need improvements to successfully achieve their goals, reach more customers and maintain its the good reputation.

We suggest that Euphoria update its website, in order to post only important content to avoid slow navigation. Euphoria Collection should be at the forefront, with a simpler design, but that is related to the tastes and preferences of its market.

We recommend that the digital catalog be updated, based on the likes and preferences of German women.

If the company implements one or several digital marketing strategies, these must be constantly monitored and reviewed. In case of good results, it is important that these efforts be multiplied.

The company does not currently have binding links that rate its products and the company as such, so it is recommended that the website offer these types of options and tools. This will allow customers to state their opinions, which will help the company to constantly make improvements. It is important that the customer is always given guarantees in the shipping service and that the quality of the product reaches customer satisfaction.

We suggest that the Euphoria Collection also invest in a virtual bilingual store, so that foreign consumers can understand everything.

In addition, we recommend that the Company carry out a photoshoot with models for all target ages, not just teens.

It is important that the company constantly participate in international fairs, especially in Europe, in order to find business partners and suppliers, and to achieve better access and exhibition in this market.

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