



**UNIVERSIDAD
DEL AZUAY**

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Faculty of Law

School of International Studies with bilingual mention in International Trade

Investigation Project:

**DIAGNOSIS OF THE EXPORTABLE OFFERS OF THE CANTONS OF NABÓN
AND OÑA OF THE PROVINCE OF AZUAY**

**Graduation Work Previous to obtaining a bachelor's Degree in international
studies with Bilingual Mention in International Trade**

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Gratitude

To my parents for the unconditional support they have given me along my life and especially during these years of study in order to achieve my goals. To my grandparents, Haydee and Franco, who with their love, have been a significant support of my personal and academic formation. To my family and friends, who have been part of this experience, and finally to my teachers and classmates who guided me along this path.

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Abstract

The main objective of this research project is to diagnose the exportable offers of Nabón and Oña, to establish a baseline of the most developed associations and companies with a potential exportation of their goods and services. First, with the intention of understanding the objective and development of the project, a bibliographical research was carried out on the theories of international trade, the internationalization of companies, the definition of SMEs, and the export audit. Subsequently, the investigation team executed all the interviews with the selected companies and associations, with the purpose of gathering information to be analyzed and determine possible courses of action to improve the development of companies and associations looking for a potential internationalization.

Introduction

Ecuador's natural diversity provides an advantage in the production of certain goods. Azuay is a province located in the south of Ecuador where the third most important city is located. This region is characterized by its diverse production which has a huge potential to be developed to increase the internal and external trade. Therefore, there is an opportunity to carry out this project to encourage the increase of production and the commercialization of goods, thus generating an increase in income for both producers and society in the region.

This research belongs to a bigger project called the diagnosis of the exportable offers of the province of Azuay, led by the students of the University of Azuay, Professor Antonio Torres Dávila, professor of the same university and finally PROECUADOR. The main objective of this project is to promote the internationalization of goods produced throughout the province. In order to develop a clear and organized preparation and execution of the project, it has been divided according to several groups of cantons according to their location to realize the studies and analysis. Therefore, the present work will be focused on the cantons of Nabón and Oña, which are located in the upper basin of the Jubones River.

The lack of information of the productive existing activities in the province was the main reason to execute this investigation. The main objective of the project is to generate a baseline of the most significant producers after approaching the cantons Nabón and Oña and its producers, associations and companies, to be exposed to an analysis. Finally, we will look for possible lines of action to decrease limitations in the introduction in new markets. The results obtained will be part of the project that is being carried out for the whole province. General results are expected to be handled by PROECUADOR, which is in charge of the promotion of imports and exports and will use the information collected to improve the growth of companies and associations.

The research question of this project tried to conclude whether there is an exportable offer in the cantons of Nabón and Oña, based on the research and analysis of the data and information obtained from the selected companies and associations. For the development of this project, the research team made all the necessary contacts with the municipalities of the cantons to obtain the required information

about the producers of the area and finally conduct the interviews. The methodology consists of five parts that are divided in four chapters as defined in the next section.

In chapter one, a bibliographical study will be carried out on the theories of international trade, the theory of the internationalization of companies, the definition and classification of Small and Medium Enterprises (SMEs) in Ecuador and finally the concept and implementation of an export audit. To complete this study, we will base the research on books and scientific articles. The main objective of this chapter is to provide the basic concepts for the reader to acquire a better understanding of the following chapters. In chapter two, the main purpose is to provide all the necessary information about the area where the companies and associations that will be studied and analyzed belong; in consequence, a brief analysis of the cantons of Nabón and Oña will be presented in the following areas: historical, social, infrastructure, economic, geographic and productive. In chapter three, a list will be presented about all the productive actors interviewed and not interviewed, according to the cantons that are being investigated. Moreover, a file of each enterprise or association interviewed will be found, which carries information and figures based on contacts, location, organization or associativity, products, production, finances and sales. In addition, the files will be followed by a rating table, which will be used as the basis for the analysis that will be developed in the next chapter. Finally, in chapter four, the concept and development of the SWOT and crossed SWOT analysis will be applied for each company and association based on the information and qualifications established in chapter three. The main purpose of this analysis is to generate recommendations and lines of action for companies and associations to achieve the exportation of their goods and services.

1 Chapter one: Theoretical Framework

1.1 Introduction

After having determined the general objectives of this project and the methodology to carry it out, it is necessary to give way to the first chapter with a theoretical basis of the research project. For this, the need to carry out the investigation of the theoretical foundations on issues related to trade, international trade and the business sector that is going to be analyzed, is established. The main objective of this chapter is to create a theoretical framework on trade from its beginnings to the most current theories that can influence the social and commercial environment of companies and establish the theoretical parameters on the process of externalization of companies to new markets accompanied by the process of diagnosis of the state of business maturity. Next, we will proceed to establish the corresponding methodology for the aforementioned research and the creation of the corresponding theoretical basis.

The methodology of this chapter is focused on the research and creation of the theoretical framework of the present project. In the first place, the research of the theories of trade is planned, from its beginnings and its evolution to the current theories that determine the policies and commercial trends of the current world. A research was made of both primary and secondary sources, to gather information on the theories of trade. Secondly, all the parameters on the internationalization of companies are investigated with the aim of establishing a conceptual, clear and detailed explanation with all the characteristics, advantages, disadvantages and tools. For this, reliable primary and secondary bibliography that provides the necessary information is sought. In addition, the concept and categorization of companies in our system is explained: small and medium enterprises (SMEs). The aim is to establish the parameters for classifying the size and characteristics of companies. For this, the research team investigated in primary sources belonging to the governmental entities of the country. Finally, we study the concept and process of an export audit proposed by the national commission responsible for exports: PROECUADOR.

1.2 Theories of Foreign Trade

The interaction of economies and goods arises from the need faced by humanity in consuming goods that cannot be produced in his territory. This interaction, also called trade, gave rise to the exchange between groups of people.

Nowadays, international trade is established as the interaction between countries in their processes of exchange of goods and services. However, trade has been the object of study throughout its evolution, which is why several theories have been established according to the time. These have served as the engine for the functioning of the economies of the countries, but several have been replaced by new ones based on changing trends. The most important theories have been based on two main currents: which are represented in *laissez faire*, which is focused on the advantages of production and self-regulation of the market, and the mercantilist current which is focused on state or hierarchical intervention in production and the economy. Next, the most important theories of commerce are established. (Blanco, 2011)

1.2.1 Mercantilism

Mercantilism is considered the oldest established theory in the commercial field, which was expressed as the basis of the economy from the fifteenth century to the nineteenth century. During this period of time, the wealth of nations was measured by the amount of treasure available to them, which was represented in the gold reserves. The objective of the time, based on this economic philosophy, was to reduce to the maximum the income of goods coming from abroad and to promote to the maximum the shipment of goods produced by each nation. This economic method, which was carried out as a competition between nations, also had as a common goal in the countries to achieve a greater sale to the quantity of goods purchased from abroad. The objective was receiving compensation or payment in gold for the deficits generated between the difference in the amount of goods exported and imported.

Government policies also played a key role in this old trend where imports were restricted by subsidizing production, and where many countries benefited from the colonies. Countries took advantage of them to provide valuable raw material with the purpose of processing finished products. In this period the terms, favorable trade balance or unfavorable trade balance is born, which is the balance, positive or negative respectively, between the products exported and imported from a nation. Nowadays this concept is known as surplus or deficit. The surplus at the time

represented the economic power that nations had with respect to international trade (Daniels, Radebaugh, & Sullivan, 2013). The importation of goods at the time of mercantilism had an important significance as a waste of metals of the nation for importing products. Therefore, today an analogy is generated explaining how countries played as zero sum game, where exporters were the only winners. However, David Hume was the first to question this form of trade in 1752, seeking to prove the inconsistency of it (Lombana & Rozas, 2016).

1.2.2 Neomercantilism

Neomercantilism is a way of resurrection to mercantilist thinking with an approach where countries seek to encourage exports rather than imports. The objective of this neo trend is to reach a surplus so that, it would be focused on the social and economic area, knowing that a country could reach a total employment in its population through policies that stimulate the increase of production to all companies in a country. In addition, this trend centralizes the movements of capital in a nation and centralizes the monetary decisions of a country to a central public entity. Finally, part of the objective of this trend is to keep track of the national monetary value abroad in the exchange of currencies (Daniels, Radebaugh, & Sullivan, 2013).

1.2.3 Theories of Free Trade

This economic-commercial trend is determined by the lack of limitations on imports and the non-artificial promotion of exports. The market is the entity that determines the buyers and sellers and establishes their needs. Specialization is the basis of this philosophy, where production is both for an internal and external goal (Daniels, Radebaugh, & Sullivan, 2013).

1.2.3.1 Absolute advantage

At the end of the 18th century Adam Smith questioned the wealth of the countries. Thus, in 1776, he published his work "Wealth of the Nations" where he questioned the goods and services against the reserve in gold of a country to demonstrate its wealth. Here, it states that there are different countries that can produce the same goods however, some have greater efficiency. Among the ideas of Smith, he establishes the question: Why should a person buy domestically produced

products only, when there is possibility that abroad they could be cheaper? For this, Smith concludes that if a trade is restricted, the country should specialize its production in the field where it has a competitive advantage, so that its resources will be directed to the creation of a highly efficient industry.

This specialization implies the achievement of a specialized labor for a whole nation without wasting time in the change of production or its methods, and the long workdays would be an incentive for the development of more simplified and efficient methods for production. For this specialization, the free market would determine the advantage that a country presents. However, Smith already mentions the possibility of experiencing two kinds of advantages: the natural and the acquired.

The natural advantage is determined mainly by the climatic conditions of a country by the access it has to its natural resources and the availability of labor and its productive capacity. The result of these variables will determine where certain products can be best prepared at a lower cost to companies. Meanwhile, the acquired advantage is determined mostly by manufactured goods, which in the minority are agricultural. Normally it is the developed and specialized countries in technology which have this acquired advantage with constant improvements in processes and technology. In this case, countries will be easily distinguishable, where the high process technology would allow to produce goods homogeneously and in greater quantities (Daniels, Radebaugh, & Sullivan, 2013).

In short, the absolute advantage, according to Smith, is that the wealth of a country is determined by its production capacity of its workforce. The specialization would allow a more efficient production, with a lesser amount of resources and lower costs. In addition, internal mobility would be free for factors of production, production costs would be constant, and a perfect internal market would be faced in the specialized product; that is, free of additional fees or charges for its commercialization (Lombana & Rozas, 2016).

1.2.3.2 Comparative Advantage

David Ricardo is the author of this trend. It was in 1817 that he began to question the possibility of a country with an advantage for the production of several goods, or several countries that present an advantage and efficiency producing greater assets with the same amount of resources. The answer of this questioning gave as a result the comparative advantage, where the possibility of producing is

determined regardless of whether other countries produce the same goods or not. For this, it is important to note the opportunity cost of a country, which is the price of sacrificing the production of something with the objective of establishing which product has the greatest production advantage is best suited to import. A country gains by concentrating all of its available resources in the production of the goods in which it is most efficient (Lombana & Rozas, 2016).

1.2.3.3 The specialization

The specialization will also be determined by a series of factors for each nation. Here are the most influential factors to achieve this state. First, the full employment which assumes regardless of the type of advantage that is being discussed, where the use of 100% of the resources is intended. There are cases where some countries face a high unemployment rate or a significant percentage of unused resources; for this, import restrictions can be encouraged. Economic efficiency implies the search of finding efficiency in production, avoiding the vulnerability created by changes in technology in production. However, many economists have applied the “two countries two products” theory created by Adam Smith and David Ricardo but with a new way of reasoning with the aim of demonstrating the advantages of specialization in multinational trade. Transportation costs also play an essential role, since the cost of transportation should not be greater than the cost of production. Static and dynamic indicate the constant movement of factors, especially with respect to the resources of a country and technological renovations or discoveries. Smith and Ricardo set their theories in a static time, where permanent advantages are assumed forever. However, the variability of the advantage must be taken into account. Finally, production networks can be an important role in the production of goods, since a product can be made from things from different places (Daniels, Radebaugh, & Sullivan, 2013).

1.2.3.4 Theory of the Proportions of the Factors: Heckscher and Ohlin

To establish what products a country could market, it must be taken into account that the country can have different types of endowments such as labor or land and capital. The result of these endowments will be the factor that determines the differences in production costs and the advantages in their factors. For example, abundant labor can generate a low price for the work, and the scarce access to land or

capital can generate a high price for investment. This is why countries should excel in factors that are abundantly available to reduce as many costs as possible. Eli Heckscher, a leading economics professor in Stockholm Sweden, who established an initial theorem in 1919 where he mentioned:

"... the prerequisites for the initiation of international trade can be summarized as follows: a different relative scarcity, that is, different relative prices of the factors of production in countries that market; and different proportions of productive factors for different goods "(Blanco, 2011, p. 108).

Bertil Ohlin, a leading Swedish economist, modified Heckscher's theorem in 1933 and thus established the Heckscher-Ohlin model as the observation of the combinations of production factors, taking into account that each country may have a different strength. For each good produced there are different combinations depending on the country where it is produced, and their trade will depend on them. Countries with abundant capital generally require labor, which can be more expensive, so they would focus on capital-intensive goods. On the other hand, countries with abundant labor will take advantage of this factor to produce textiles, simple electronics, etc., for example (Blanco, 2011).

There are important variables to determine the combination of factors:

- A) People - Earth, where the author usually mentions how small countries do not produce goods that require large amounts of space, and vice versa.
- B) Manufacturing locations, where social, economic and political aspects play an important role in production. For example, high technology is available in Hong Kong; however, production spaces are small.
- C) Capital-Labor-Specialization. The theory of the proportions of the factors assumes that everything is homogeneous; however, the variables are changing.
- D) Process technology is an important factor in determining the costs of resources and production. For example, there are labor-intensive countries such as Pakistan and other countries with technology such as the United States, which for the production of the same good can differentiate in prices; for example: wheat.
- E) Product technology advanced technology in the products generates competitiveness in the market. The countries that have high investment are

usually those that face this type of acquired advantage, because of the access to education and science that they have. However, developing countries usually face a natural advantage over territorial and social resources (Daniels, Radebaugh, & Sullivan, 2013).

1.2.3.5 Paradox of W. Leontieff

German economist Leontieff conceived this theory in 1953, where he explained the workforce not as a homogenous factor, but as a categorized one where countries with high capital and developed countries have an educated and capable workforce. Leontieff also demonstrated by taking as an example American trade, as an abundant country of capital, that whose majority export is capital-intensive goods while its imports are mostly labor-intensive goods (Blanco, 2011).

1.2.4 Country Similarity Theory

Staffan Linder, a great Swedish economist, created this theory in 1961 with the aim of understanding which countries are closest to the commercialization. First, by focusing on developed countries, it is possible to see that large companies believe they are in a constant renewal and creation of products that in principle are of local necessity. However, they are looking for ways to reach new markets, especially foreigners, so in the first instance you should have a target like the domestic one to which the product was originally intended. The features and characteristics of the consumer population and their needs should be similar to those of consumers in the new markets to which they are seeking to reach. Among these characteristics are purchasing power, education and need.

However, to achieve optimal penetration in a new market, important variables must be taken into account such as specialization and acquired advantage, which means giving an additional advantage to the product in the foreign market so that the product is chosen among the competition and in some cases, in competition with the national products of the market. The cultural similarity will be an important advantage for entering a new market. In addition, trade agreements can encourage or discourage trade (Daniels, Radebaugh, & Sullivan, 2013).

1.2.5 New Theories of Commerce

From the mid-twentieth century and after the great influence of the world wars on the handling of foreign trade, a great step was taken in the revolution of communication and transportation technologies, the industrialization of world production. Unfortunately, nowadays trade is divided between the so-called developed and developing countries. All these factors generated new methods, trends and trade dynamics with the aim of achieving greater efficiency and effectiveness. Intra-industrial trade and the product life cycle at the international level are part of the newest transcendental trade theories (Blanco, 2011).

1.2.5.1 Intra-industrial trade

This theory differs from the Comparative Advantage theory because there are countries that exchange goods that could be similar. This trend was born under the new division given to the world between Northern - Southern countries, which characterizes as being developed or developing, respectively. This is why this type of exchange of similar goods has been detected in North-North trade or South-South trade. The clearest example of this new trend is the commercialization of vehicles, a completely globalized good that is marketed by developed countries (Daniels, Radebaugh, & Sullivan, 2013).

1.2.5.2 Product Life Cycle Theory

In 1960, Raymond Vernon published the theory of Product Life Cycle, where he put into analysis the effects of production in the era of globalization and how it affects imports and exports in countries according to their advantages. As one of its synthesis, technological products are developed in countries with high investment capacity. For this, the first step is to see the acceptance of the good produced in local markets. For reasons of competition in the market, the product must come out at the monopoly price to recover the investment. In addition, to be an innovative product, it is welcomed despite its price. After a certain time, the markets of other countries will want the product, so they will want to import it directly with the producer. Later in the new markets, the producers of these new countries feel able to produce similar goods or reproduce a similar technology, which over time generates a substitution of imports and gives rise to new exports. At that time, all producing countries will seek

standardization of production to reduce costs, for which new countries are sought for assembly where production costs are lower.

Finally, the country that invented the product ends up importing its own product, for reasons of economic advantage. Therefore, it can be determined that at this point, international trade generates a new type of growth, and new forms of production and advantages in production. This is why economists such as Krugman or Stiglitz mention the restrictions that would present a closed country for growth and to meet the needs of its population.

1.3 Internationalization of Companies Theory

The internationalization of companies does not refer only to a single type of business that crosses borders, but the amount or combination of international businesses that a company can carry out simultaneously. Therefore, internationalization is a process that a company develops over time, and it involves all business and operations that the company can perform in foreign markets. The most common business operation in the internationalization process is the export however, it is not the only one (García, 2012). In order to provide a detailed explanation, below is a general classification of the international business that a company usually performs.

A) Foreign Trade

Foreign trade refers to the purchase and sale of goods and services involving companies located in two different countries. In addition, foreign trade involves two different types of business as well: export and import. On the one hand, exports are the sale of goods and services to a country different from their own; in contrast to import, which is the purchase of goods and services from a foreign country.

B) Contractual Cooperation

Contractual cooperation refers to international cooperation agreements between two companies from different countries, which are established and arranged in a contractual document. The general objective of this type of agreements is usually directed to productive, commercial, financial or research areas, with the main characteristic of being of mutual benefit for the parties.

C) Investment in another company

This type of business is commonly known as foreign investment abroad or IDE, which refers to when a national company has the initiative to create or acquire a company located abroad, or transfer financial capital to a foreign company with the objective of acquiring a certain number of shares.

D) Projects in foreign markets

Projects in foreign markets are a combination or a sum of the international business developed previously in this thesis. Usually, these projects involve a more mature and advanced relationship between the related companies. There are companies that maintain complex projects that involve exports and imports as well as foreign investments and contractual cooperation with the objective of optimizing production by reducing costs through these mechanisms.

"Every company whose exports are internationalized, but any company that is internationalized does not have to export" (García, 2012); this phrase emphasizes the types of international business that exists and the process in which a company seeking to internationalize is involved. Although it is true that exporting is generally the first step that a company takes during its internationalization process, there are also companies that follow other processes, either by different preferences or objectives, or by variants that do not allow the company to export at that time. Next is a division of the two general reasons or situations for which a company cannot or does not wish to develop export as a first step of the internationalization process:

- a) When the main objective of internationalization of the company is not exporting, since there may be different interests or needs such as the importation of raw material to produce its products, the subcontracting of part or all of its production in a foreign country, foreign direct investment in another company or finally that the company is involved in international contracts or manages payments abroad.
- b) When the company cannot start the process of internationalization through exporting for the following reasons:
 - When the business activity is not exportable; for example, a beauty salon.

- When the legislation of the country to be exported does not authorize the purchase and sale of the goods or services that the company produces.
- When the transport price of the goods generates losses to the company, either due to the requirements of special market conditions or due to the weight and volume of the product.
- When the country of destination imposes tariff barriers or customs quotas that limit the entry of the company's products.

1.3.1 Types of Corporate Internationalization Strategies

Nowadays companies choose to internationalize with the aim of diversifying their sales and markets to reduce risk and increase profits. However, there are different internationalization strategies from which the company must select the most appropriate to its situation to obtain better results. Below are the three existing strategies:

1.3.1.1 Product expansion strategy

This strategy is normally used when a company seeks to increase its sales; however, due to market demand and the type of product offered, it becomes impossible to increase them. Consequently, the company is forced to diversify its production and expand its activities in order to achieve its objective. A clear example would be when a company that produces and sells meats and sausages is unable to increase their sales because the market is completely covered; therefore, the company is forced to offer a cafe restaurant service to increase sales and reach new consumers.

1.3.1.2 Market expansion strategy

The market expansion is used when the company increases the market segments or customer profiles that it is looking for at that moment. To accomplish this, the company offers the same product, but conditions it to the demands of the new segments and potential customers. For example, a company that produces and sells deodorants for men could make the decision to expand its market producing and offering deodorants for women.

1.3.1.3 Geographical expansion strategy

It is a strategy that a company implements when it offers its product or activity to the same segment of customers, but in a foreign country. A clear example of this would be a company that produces sports shoes, which has taken over the local market and makes the decision to increase its sales by exporting its product to consumers in other countries.

1.3.2 Types of businesses that make up the internationalization of the company

It should be noted that the company that is going through the internationalization process should analyze what international business should be used, depending on the country where it plans to go. If the export of products is possible, it is usually optimal international business to begin the internationalization, however; in certain cases as is established above, it is not possible. In this case, the company must analyze what other business options it could use. According to García (2012), when a company is internationalized by exporting its goods or services, it is better to implement other types of international business in order to consolidate exports and try to reach other countries where the export is not possible.

As established previously, there are several types of international business and each of them has different characteristics and objectives. Its implementation depends on the needs of the company that is in the process of internationalization (Kirchner & Marquez Castro, 2010). Below is a detailed list of international businesses with their respective objectives:

1.3.2.1 Export

The export is based on the constant and stable sale of goods or services of the company to clients located in a foreign country. The main objective of the export is to obtain customers and sales in foreign markets.

1.3.2.2 Import

The import consists in the purchase of inputs or raw materials that come from suppliers that are located in a foreign country and are necessary to complete the productive process of the company. The objective of the import is to get suppliers in foreign markets.

1.3.2.3 International business cooperation agreements

This type of international business is based on a contract or written agreement, to which the two parties involved are obliged to comply for a specific time. This type of agreements are characterized by being of mutual interest and benefit with a common objective. The objective of international business cooperation agreements is to achieve the desired objective through cooperation between the two companies.

1.3.2.4 Foreign Direct Investments

Foreign direct investments are financial transactions made by an investor from the local country to a company located in a different country. This transaction is made to acquire shares of the company located in the foreign country and through this to have a percentage of the control and of the royalties or profits of the company. To guarantee and legalize the fulfillment of the transaction is recorded in documents signed and accepted by the parties. The main objective of this type of business is to acquire control and management of the company in the foreign country.

1.3.2.5 Projects in foreign markets

This type of international business consists in obtaining a contract, so that the national company executes a project in a foreign country. This type of projects normally involves a combination of the businesses analyzed above. The main objective of this business is to obtain a contract for a project abroad (Kirchner & Marquez Castro, 2010).

1.3.3 Advantages and Disadvantages of import and export

While it is true that the internationalization of a company generates growth and welfare, there are also circumstances that may affect the normal development of the company's activities. Following is a list of the main advantages and disadvantages of the import and export of goods and services:

1.3.3.1 Advantages of the Export and Import

- Exploitation of the total productive capacity of the company, since in certain cases the production becomes larger than the local demand; this forces the company to place its surpluses in foreign markets.
- Implementation of economies of scale, given that the increase of the number of markets achieved increases the optimization of the use of raw materials and resources for production.

- The diversification of markets provides security and calm to the company. In case that the local market or the foreign markets in which the company develops its activities go through an economic crisis, the sales of a market replaces and solves the low sales in the other and vice versa.
- The short distance between the markets is a great advantage when exporting or importing goods and services, since the dispatch and distribution of the products are carried out immediately and generate low costs.
- The company generates a better image of itself and its products through the introduction and establishment of its products in foreign markets.
- Increase the profits of the company, taking advantage of the opportunity to sell a greater number of products and services in new foreign markets.
- Through experience and presence in foreign markets, knowledge and strategies are acquired that may be useful to the local market, for example, technological advances, sales techniques, etc.

1.3.3.2 Disadvantages of the Export and Import

- It generates vulnerability on the company, due to the emergence of strong and new competition either in the local market or in foreign markets.
- The company gets a permanent need for adaptation and renewal in the product's designs, production technology, marketing mechanisms and marketing tools, with a view to be a more competitive company against the competition.
- The tariff and non-tariff barriers imposed by the countries generate many difficulties for the company when importing or exporting its goods or services (Kirchner & Marquez Castro, 2010).

1.4 Small and medium enterprises (SMEs)

At an international level it is difficult to define a concept about Small and Medium Enterprises (SMEs), given that the main characteristics of this type of company change depending on the situation of each country. For example, in country X a company can have a gross annual sales value of \$ 5,000,000 and be considered a large company, and at the same time be considered a SME in country Y (GAVILANES, 2015).

On the other hand, as established in the official website of the Internal Revenue Service (Servicio de Rentas Internas, SRI, for its acronym in Spanish),

SMEs are defined as the group of small and medium enterprises that, depending on their sales volume, number of workers, value in assets and level of production, are classified in one of the two ranges. Additionally, SMEs in Ecuador usually develop numerous economic activities, of which the following stand out:

- Wholesale and Retail.
- Agriculture, forestry and fishing.
- Manufacturing industries.
- Building.
- Transportation, storage and communications.
- Real estate and services provided to companies.
- Community, social and personal services (SRI, 2015).

1.4.1 Classification and categorization of SMEs

According to the parameters established by the Comunidad Andina de Naciones (CAN), the classification and categorization of SMEs in the countries that are part of said international organization is as follows (Quito, 2017).

Table 1: Classification and categorization of SMEs.

Variables	Micro Enterprises	Small Enterprises	Medium Enterprises	Big Enterprises
Number of employees	From 1 – 9	From 10 – 49	From 50 - 199	≥ 200
Annual sales value (US\$)	$\leq 100,000$	100,001- 1,000,000	1,000,001 – 5,000,000	$> 5,000,000$
Amount of assets	Until US\$ 100,000	From US\$ 100,001 until US\$ 750,000	From US\$ 750,001 until US\$ 3,999,999	$\geq 4,000,000$

Authors: Francisco Hermida / Edgar Ávila.

Source: Cámara de Comercio de Quito (Boletín de la CAN).

1.4.2 Transcendence and statistical data of SMEs in Ecuador

SMEs constitute a large percentage of companies nationwide today, a fact that reflects the importance they represent in the economic and financial field of the country. Generally, SMEs are engaged in the production of goods and services, which makes them the basis of the country's social development in production, the purchase and sale of products. As usual, the economic growth of a country is granted

to large companies; however, in Ecuador the development of SMEs generates a great impact in it (GAVILANES, 2015). To demonstrate this point, below is a chart and a table that explain the distribution of companies according to their size in Ecuador during 2016:

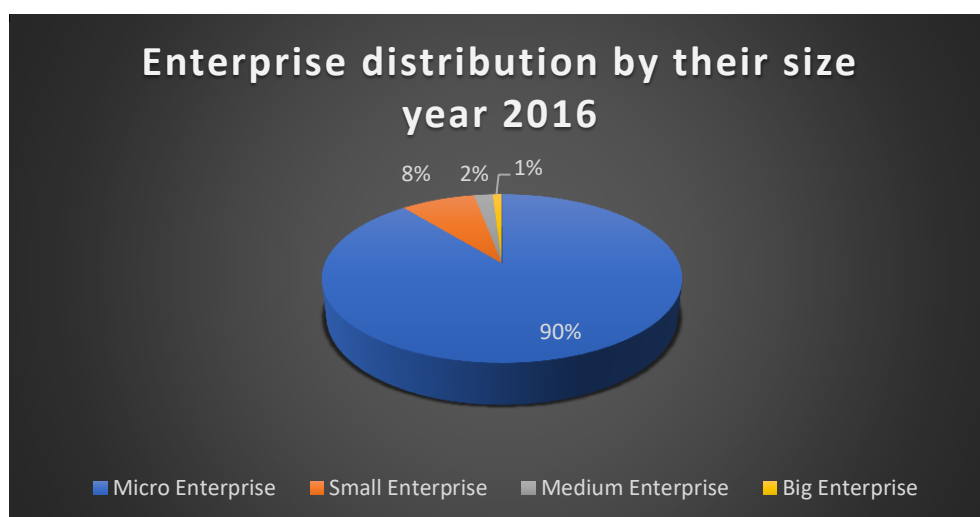


Figure 1:Enterprise´s Distribution by their size, year 2016.

Authors: Francisco Hermida / Edgar Ávila.

Source: Instituto Nacional de Estadísticas y Censos (INEC).

Table 2: Enterprise´s Distribution by their size, year 2016.

Enterprise Size	Number of enterprises	Percentage
Micro Enterprise	763,636	90%
Small Enterprise	63,400	8%
Medium Enterprise	12,846	2%
Big Enterprise	5,143	1%
Total	845,025	100%

Authors: Francisco Hermida / Edgar Ávila.

Source: Instituto Nacional de Estadísticas y Censos (INEC).

1.5 Diagnosis of Potential Export (Export Audit)

As established in the website document "Identification of Export Potential", prepared by the Institute for the Promotion of Exports and Investments (PROECUADOR, for its acronym in Spanish); the Export Audit consists in a set of analytical tools through which an in-depth study of the strengths, weaknesses, threats and opportunities can be carried out to determine if a company is able to export its goods or services. If this is not the case, this analysis makes recommendations and opinions on the characteristics of the company that should be improved to prepare its way to export. The factors of the company that are the object of analysis in the

Export Audit are internal and external. Consequently, each one has different attributes that will be studied. These main factors are as follows:

- Strengths:
 - Staff capacity.
 - Production system.
 - Knowledge and management of languages.
- Weaknesses:
 - Lack of access to financing.
 - Lack of a business plan.
 - Little or no experience in exports.
- Opportunities
 - Market niches.
 - Commercial agreements.
 - Emerging markets.
- Threats
 - Competition.
 - Tariff and non-tariff barriers.
 - Price.

The general purpose of the Export Audit is to diagnose the current situation of the company, determine as well as its export capacity, determine the areas in which it will need to improve its skills for export, identify target markets, recognize the competitive advantages of its products, generate recommendations and proposals to seek its internationalization, and, finally, serve as the basis for the elaboration of an export or internationalization plan (PROECUADOR, 2017).

1.6 Conclusions

In trade history, there have been many changes in the trends of wealth management. In the beginning, the mercantilist trend, has lost its apogee nowadays. Since the 19th century, free trade and self-market regulation have gained greater power, thus providing positive results for the growth of trade in the world. The production factors are the most important variables to consider, since these vary from one place to another and determine the advantages of production.

In Ecuador, 99% of the legally constituted companies are in the category of micro, small and medium enterprises. The size and organizational system of this type

of companies is characterized by being easy to use, which allows them to develop and grow easily. This growth in most cases involves internationalization, so it is considered necessary to implement an export audit to determine the situation they are in. With the goal of providing advice and establish a baseline of the state of the companies with respect to an export horizon.

2 Chapter

2.1 Introduction

After having analyzed all the necessary concepts and theories to understand and develop the preceding chapter in this research project, it is necessary to continue with the next step in the investigation. The approach method and analysis of the target region are some fundamental processes to understand all the influencing that we intend to determine of the companies and associations that will be the object of analysis of this project. Moreover, two cantons have been established for this work in the province of Azuay: Nabón and Oña. These cantons will be deeply studied focused on the most important aspects that will help to analyze the economic situation of the region and its companies or associations. It should be noted that these two cantons are located in the upper side of the Jubones River according to the territorial order of the province.

The main objective of this chapter is to analyze and determine the historical, economic, political, social, organizational, demographic, and geographical aspects of these cantons. As a secondary objective is to understand the current situation of this region and its development process. The methodology for this chapter, and the development thereof, are established as follows.

The methodology of this chapter seeks to conduct an in-depth study of the most important aspects of the region. The chapter is divided into two main parts due to the division of the research project: Nabón and Oña. For this, the research team traveled to the city hall of each one of the cantons to request their Territorial Ordinance Plans. However, the research team was informed in both cantons that these documents were available on their official websites. The research team used this material to obtain the main and most relevant information of each canton on the historical, social, political, geographical, among other themes. However, about the data not obtained in these documents, the official pages of each canton and the data provided by the National Ecuadorian Institute of Censuses (INEC) are used as resources to the investigation.

2.2 Canton of Nabón

2.2.1 General Information

Nabón is located in the southeastern region of the Province of Azuay in the south of the Equator. This region is located in the sub-basin of the León River, one of the main rivers of the province and the region. In addition, it

belongs to the hydrographic basin of the Jubones River. It is located 69 kilometers from the city of Cuenca. Its main access from the city of Cuenca or from



Figure 2: Nabón downtown.

Source: (Gobierno Autonomo Descentralizado Municipal de Nabón , 2017).

the city of Loja, being the closest cities, is by the high way Panamericana Sur Cuenca-Loja. However, it is closer to Cuenca, approximately 50 minutes away by car, while it is approximately 2 hours 30 minutes away from Loja. The municipality of Nabón is part of the 12 Municipalities that are settled along the hydrographic basin of the Jubones River, which is divided into three zones, high, medium and low (Decentralized Autonomous Municipal Government of Nabón, 2017).

2.2.2 Historical analysis

According to the Territorial Ordinance Plan of Nabón, the first inhabitants of the canton were the Tuncahuanes, who came from the center of the Andean highlands. These were the first developers of the farming system in the region through the cultivation of corn, gathering wild fruits and animal hunting. The life style of this place was looking for subsistence. The region has always been rich in species such as flora and fauna, so that is believed that the cultivation and fruit recollection was very varied. It is believed that after this era, the Cañari settlement arrived to the region, which was a more developed culture that dominated the Tuncahuanes. The Cañaris developed a new technology that increased the production, and in consequently generated surpluses that adapted to the new organizational system of this culture. This culture was already characterized by having a political and warrior division, which also had to be supplied with resources. Corn and Andean tubers were the basis of production.

Cacique Duma was one of the last commanders of the Cañari culture in this region. This cacique was a fighter who resisted the Inca conquest for a long time. Inca culture was achieving an imperial growth throughout the entire Andean region of the continent. Today, there is a sector called Dumpara,

which's boundary of the parishes Nabón and Cochapata in honor of the last cacique Cañari, where we can still find ruins. After the fight while facing the superiority of the Inca's army, the cacique realized the advantages that being part of the Incasic empire would represent. That is the reason why he accepted the requirements of peace offered by the Inca Yupanqui. This great fact took place with a great lodging of the cacique in the plateau of Pumapungo like a comprise of the Inca empire.

The domination was brief. In Nabón there are still old vestiges of Inca and Cañari constructions this is why it is possible to determine that the cañari culture was not highly modified due to the similarity of cultures that these two had. In the Inca period, Nabón became an important point of reference in the territorial empire. This important "Tambo" where chasquis were staying as a strategic point in the Road of the Inca, which communicated the Collasuyo with the Intisuyo.

At the end of the 16th century, the arrival of the Spanish ended the colonial era. However, the Andean Indians had a lot of resistance to this new regime, so in the sector there were several revelations. It is said that in the year 1599 the Jíbaros concentrated an insurrection plan that destroyed the cities of Logroño and Sevilla de Oro, killing a governor. In 1822, when Mariscal Sucre was already living the process of his independence dream, he camped with his troops in Nabón as a strategic area before arriving at the Battle of Pichincha that would defeat Spanish rule. In 1824, after the Battle of Pichincha, Nabón was already known as a canton. However, due to the processes of separation of the Gran Colombia and its territorial ordinances, the political organization of Azuay only recognized four cantons: Cuenca, Cañar, Gualaceo and Girón. This is how, in 1852, Nabón was constituted as a parish of the canton Girón, to later become part of the canton Cuenca in 1869, but just until 1884 when it returned to be a parish of the canton of Girón.

The process of cantonization of Nabón was full of effort that took more than 50 years. In 1934, Nabón's first attempts to achieve its canton status began during the first government of Velasco Ibarra. Its foundation was always to retake the status that Simón Bolívar had given to the place shortly after achieving independence from European domination. However, it was in 1976 that the idea was carried on again by Professor José Mayancela. Unfortunately,

the established requirements were not accomplished, and the procedure of the Internal Limits Committee of the National Congress was suspended. Pressured by the lack of basic services and the lack of links with the government system, the initiative was retaken in the government of Ing. León Febres Cordero, with its approval on July 7, 1987 to be proclaimed as the eighth canton of Azuay (Rosario., 2017).

2.2.3 Geographical Analysis

Nabón is located in the southeast region of the Province of Azuay in the south of Ecuador. It is characterized by its proximity to the sub-basin of the León River, and in the upper hydrographic basin of the Jubones River, one of the most important rivers of the province. The canton is organized and territorially divided into four parishes that are: Nabón, Cochapata, El Progreso and Las Nieves.

2.2.3.1 Relief Information

The Ministry of the Environment explains that the canton of Nabón is a Mountain Area whose macro relief belongs mainly to areas of high mountains ranging in (98.42%) and low mountains area ranging in (1.58%). The relief is composed of: High hills with an extension of 7,645,971.87 square meters, (1.17%); Cornices with an extension of 430,543.54 square meters, (0.07%); Crests with an area of 42,236.17 square meters, (0.01%); Slope area with an extension of 15,270,855.05 square meters, (2.33%); Ravines with an extension of 8,931,363.59 square meters, (1.36%); Mountainous reliefs with an area of 545,679,236.40 square meters, (83.20%); Gradients with an area of 77,887,017.41 square meters, (11.88%) (University of Cuenca, 2014).

2.2.3.2 Surface and Ground Information

Nabón has an area of 668.2 square kilometers characterized by its geographical features, especially dispersion on its territory. This area does not have homogeneity on its territory form. This implies a difficulty to the access to communities, their communication, transportation and commercialization of the goods produced there. According to the information of the Plan of Development and Territorial Ordering, the predominant land uses are herbaceous wasteland,

low dense shrub, as can be seen below with the percentages of their occupation: Herbaceous wasteland 26.10%, low dense shrub 22.72%, Grassland 14.20%, Natural pasture 8.22%, Grassland degraded areas 6.42%, Eroded area 3.79%, Pine plantation 3.02%, Very dense forest 2.67%, among others that establish a low percentage. It is considered that 3.78% of the land of the canton is underutilized so these areas could be reused and recovered for different types of activities. Meanwhile, according to the plan of territorial order of the canton mentions that 37.94% is over used (University of Cuenca, 2014).

2.2.3.3 Weather Information

The basin of Jubones river crosses a large part of the territories of the province of Azuay, Loja and El Oro, becoming one of the most important rivers in the region. This river descends from 4,120 meters above sea level until it descends to the sea level, which generates a variation on frequency, intensity and duration on its rainfall regime. In total, there is an estimated average of 979 mm per year of rain in all the Jubones basins. Although the region of Nabón can be considered a dry zone, among its parishes, *El Progreso* is drier with an average annual rainfall of 500 mm, unlike the forest parts of the basins of the rivers *Leon* and *Zhincata* where annual rainfall reaches up to 1,250 mm, which corresponds to the parishes of Nabón and Cochapata. There are water sources which are located in the protected forest zone. In terms of temperature, the predominant isotherms in Nabón have the following temperatures:

Table 3: Average temperatures of Nabón canton.

Parish	Average Temperature
Nabón	8°C y 10°C
Cochapata y Las Nieves	10°C y 12 °C
El Progreso	20°C y 22 °C

Source: PDOT Nabón.

Authors: Francisco Hermida / Edgar Ávila.

2.2.3.4 Natural Resources Information

Within the main natural resources that the region has, we can point out the areas destined for the exploitation of construction materials: arid and stone, and non-metallic minerals especially in the eastern part of the canton where the

forest and wasteland areas coincide. One of the interesting but unfortunate aspects is the lack of information about the operation of the companies focused on the extraction of these resources or the type of concession for which they work. As for kaolin, the exploitation of this natural resource is also currently evidenced. However, until now there have been no reports of activities that generate illegal mining, despite the lack of information that citizens have in this regard in the region. The approximate surface occupied for the exploitation of resources is estimated at 34.106 hectares, which are destined to the exploitation of kaolin generate a destabilization of slopes, erosions and dust.

Among the most important natural resources that have been degraded are the forests that are found in the upper region of the canton in areas of protective forest that have been pressured by pastures and livestock. However, these sectors have come into conflict because of the proximity between them and the impact they generate on the region of the water resource. The degradation is observed mainly in the basin of the Jubones River and the Leon River basin, which strongly affects the fertility of the soils estimated at 8,970.76 hectares (University of Cuenca, 2014).

2.2.4 Social Analysis

2.2.4.1 Demographic data

The demography of the canton shows a total of 15,892 inhabitants in the last census in 2010, of which 7,340 are men, representing 46.2% of the population, while there are 8,552 women representing 53.8%. The index that presents growth of the canton with respect to the last two censuses are expressed in 0.6%, an index that is low with respect to the total of the province of approximately 1.6%. However, the canton's population projections indicate a decrease in the growth rate from 0.6% to 0.2% by 2020; so, in 2020 the population will reach an estimated of 17,292 inhabitants.

Table 4: Demographic distribution, Nabón canton.

Parish	Urban	Rural
Nabón	1,229	8,297
Cochapata	-	3,072
El progreso	-	2,012
Las nieves	-	1,282

Source: PDOT Nabón

Authors: Francisco Hermida / Edgar Ávila

2.2.4.2 Data of the Schooling of the Sector

The level of education in the sector has faced a remarkable growth. In total in the canton Nabón, basic education increased from 2001 from 75% to 92.7%. Primary education increased from 2001 from 84.4% to 94.8%, while high school education increased its low average in 2001 from 12.4% to 37.2%. Finally, the higher education or university as the lowest percentage also faced an increase in 2001 from 1.4% to 7.4%. Based on these statistics, it is established that at least 90% of the population of the canton for 2010 attended and completed at least primary school studies. The increase of the schooling average in the canton has been 25.44%. On the other hand, the illiteracy rate decreased since 2010 from 24% to 20%. Unfortunately, regarding the number of educational establishments, since 2012 they have decreased from 66 to 60, of which four were closed in the parish of El Progreso. Of the total number of educational units registered, four are semipublic and the rest are public.

2.2.4.3 Ethnic groups

According to the results of the last census of the Ecuadorian National Institute of Censuses, it indicates that the canton identifies with the ethnic groups shown in figure 2.

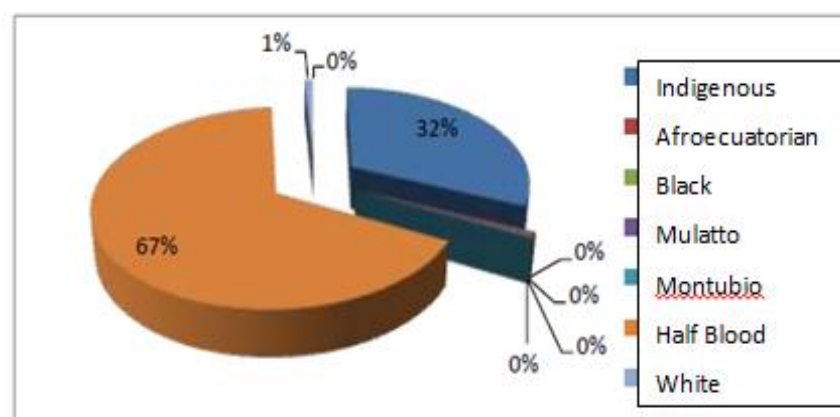


Figure 3: Distribution of ethnic groups in Nabón canton.
Source: PDOT Nabón

2.2.4.4 Human Mobility / Migration

International migration is one of the most important aspects of Nabón's social reality. This migration can mean both a threat, by the introduction of new cultures and the abandonment of homes, and as a strength by the sending of remittances with the aim of improving the quality of life of people. The index of international migration obtained in the census is 4.5% higher than what was

registered at the provincial level, which is 3.9%. The principal destinations were United States at 92.2%, Spain at 5.2%, Italy at 0.3% and other countries at 2.4%. The main reason for emigration has been work. However, the 2010 census shows that the migratory flow has decreased and that there is an increase in cases of a backflow or return of people. As for international immigration, there are figures of only 18 people, mainly from Peru, Colombia, the United States and Spain (University of Cuenca, 2014).

Regarding internal migration, there have not been many variations. Cuenca is still the main destination despite the fact that there are destinations such as the coast, the rest of the highlands or the east. According to the 2010 census, a total of 328 people from Nabón were registered residing in other cantons of Ecuador. 274 of them were settled in the canton of Cuenca, 12 in the rest of the cantons of Azuay, 10 in the province of Zamora, and the rest were found in other places in the country. As for the entry of people from other parts of Ecuador, in 2010 there were 1,234 inhabitants residing in Nabón, mostly from Cuenca, followed by Girón, Santa Isabel, Sigsig, Oña, Loja, Quito, among others.

2.2.5 Infrastructural Analysis

2.2.5.1 Data from the Health Service

The mortality rate in the sector has been decreasing, so that for 2013, for every 100,000 people, 409 people were dead. In addition, another rate that has decreased is the fertility rate in 2013, from 25.8 live births to 9.3 live births per 1,000 women. In 2014, child undernutrition average presented a raise as 32 of every 489 children.

On the other hand, health coverage has increased in the last years, however it still presents a problem with the lack of doctors. In 2010 there were only 17 doctors, while in 2014 there were already 25 doctors. In Nabón there are 11 health institutions, distributed as follows: 5 health posts, 5 health centers, and 1 public clinic or the main health center. The health center provides care in general medicine, dentistry, psychology, nutrition, pharmacy and nursing. The facilities of this center are new and provide all the necessary comforts; however, the lack of access to specialized medicines is evident.

2.2.5.2 Information on Transportation Means

Through resolution No. 058-DE-ANT-201446 Nabón was granted on August 28, 2014, the capacity to assume the responsibilities of transit and land transport of the canton according to the management model type C47, which covers: intra-cantonal public transport, commercial transport in conventional taxis, light commercial transport, institutional commercial school transport; as well as the setting of urban transport fares and conventional taxis. Currently, Nabón has three transport companies operating inter-cantonally, and six intra-cantonal transport companies.

2.2.5.3 Road Information

The road network of the canton consists of a total of 1,150.55 kilometers in length. However, it is considered that the road quality is not good due to the fact that there are connection deficiencies between the cantonal headwaters and the rest of the places. In summary, it can be observed that the greatest number of roads are trails, which represent approximately 35% of the total roads. These have no maintenance or a state that can provide comfort to its residents (University of Cuenca, 2014).

2.3 Oña canton

2.3.1 General information

Oña is a canton that belongs to the province of Azuay and located in the southeast of the province at 107 kilometers from the city of Cuenca. The canton has a population of 3,583 inhabitants according to the last census carried out in 2011. Geographically and organizationally it is composed of two parishes: San Felipe de Oña and Susudel.

2.3.2 Historical Analysis

Among the first antecedents of the canton Oña, this geographical area was inhabited historically by groups of hunters and then by the Cañaris. Later, existing documents confirm that approximately in the year 1539, a group of Spanish soldiers founded these lands, calling them then "Villa de Oña" with the objective of using them as part of the journey of their trip to Cuzco. In colonial times, Oña belonged to a group of families that acquired their land, and with the passage of time in 1804, they were sold to Xavier Sanmartín de Andocilla. After his death, the lands were distributed to his workers, who later formed the

settlements of Susudel (current parish) and Shurapamba. Later, in the year of 1854 Oña became a parish of Cuenca. However, 30 years later it became a parish of Giron as a result of its establishment as a canton. In spite of this, in the year 1890, Girón was not recognized as a canton anymore, for which Oña became parish of Cuenca again until the year 1917. On that date, Girón was again recognized as a canton, and as a result Oña returned to be a parish of Cuenca. Then, in the year of 1987 Oña became a parish of the Nabón canton due to its geographic proximity.

Considering their age and characteristic cultural features, the citizens and authorities of the Oña parish had the intention of carrying out all the necessary procedures to achieve the establishment of Oña as an individual canton. Consequently, on May 10, 1991 after years of management, Oña achieved its goal and acquired his ecclesiastical name in honor of its patron: "San Felipe" de Oña.

As for the name, there are 2 theories that history recognizes. The first contends that its name arose from the custom used by Spaniards who lived in South America to name the towns found based on the Spanish towns and cities with which they had similar geographical characteristics. In the case, the Villa de Oña located in the province of Burgos, Spain. The other one is a version that states that the name Oña comes from Hebrew, which means foot of the hill name given by the geographical location of the canton.

2.3.3 Geographic Analysis

To develop a clear explanation of the geography of Oña, a division of the following topics will be carried out location, surface, climate and territorial organization. Oña is located southeast of the province of Azuay, 107 kilometers away from the city of Cuenca, capital of the province; distance it takes to drive around 90 minutes. The transportation route that connects Cuenca and Oña, which is in better condition at present, is the Panamericana Highway # 35. In addition, in the south of the canton is located the triple border that divides the provinces: Azuay, Loja and Zamora Chinchipe as can be seen in the figures 4 and 5:

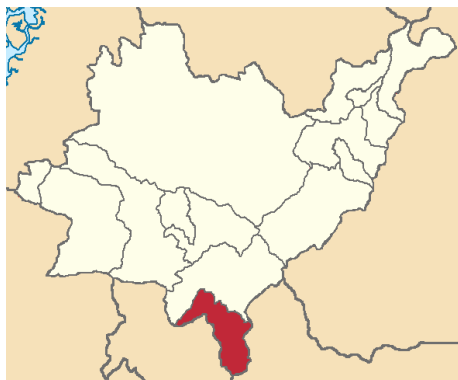


Figure 5: Azuay province map.
Source: (Oña, 2014).

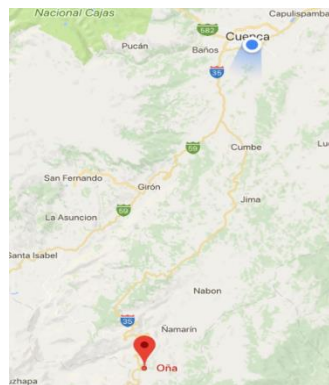


Figure 4: Oña canton location.
Source: Google Maps.

Coordinates:(-3.4689968, -79.1534422)

2.3.3.1 Data of the Canton Surface

The canton has an area of 294.06 km² space that represents 3.86% of the total area of the province of Azuay. As for the land, almost 57% of the surface of the canton is comprised of reliefs and irregularities, among them is the Mauta mountain, one of the highest in the area. These mountainous formations are part of the Andes mountain range; that is why the minimum height at which the canton is located is 1,160 m.a.s.l (meters above sea level) and the maximum height of 3 440 m.a.s.l. The canton San Felipe de Oña is located at 2,400 m.a.s.l. Table five shows the distribution of soil classes, their quantities and percentages with respect to the total area of the canton:

Table 5: Distribution of soil types, canton Oña.

Type of soil	Km2	Percentage
Eroded area	20.81	6.72%
Natural forest	32.68	10.55%
Planted forest	2.19	0.71%
Water bodies	2.98	0.96%
Short cycle cultivation	27.79	8.9%
Paramo	139.98	45.20%
Grass	12.44	4.02%
Shrub vegetation	66.77	21.56%
Urban zone	4.06	1.31%
Total	309.7	100%

Authors: Francisco Hermida / Edgar Ávila.
Source: PDOT Oña.

2.3.3.2 Climate Information

The regular temperate and dry climate is characteristic of Oña canton; however, the temperature can vary depending on the height. As a result, the height differences are presented by the terrains of the area. In addition, there is usually a heavy rain season during the months of February and March, and a dry

season during the months of July and August; as a result, both seasons directly influence the productivity of the canton. As established in the territorial arrangement planning of the Oña canton, the annual average temperature in the Oña canton is 15.1 ° C (Oña, 2014).

2.3.3.3 Territorial Organization of the Canton data

In 2007, the cantonal council of Oña appointed a commission to carry out the definition and final division of the communities of the canton. This division was made based on the following characteristics of each neighborhood and community of the canton (including the Susudel parish): organizational level, local infrastructure, geography, population, history, level of production, culture and tourism potential. As a result of the division carried out, the following neighborhoods, parishes and communities were established:

- Oña cantonal cantons: San Francisco, Buenos Aires, La Quinta, Mautuco and Capulispamba.
- Susudel Parish Districts: Susudel Center, Cuchudel, Sanglia, Pullicanga, Ingapirca and Tamboloma.
- Peripheral Communities: Morasloma, Rambran, Baijón, Hronillos, Chacahuizhco, Rode, Las Cochass-Putupano, Oñazhapa, Mautapamba, Chacapatá, Paredones, Cuscudoma and Zhila-Tardel-Pucará.

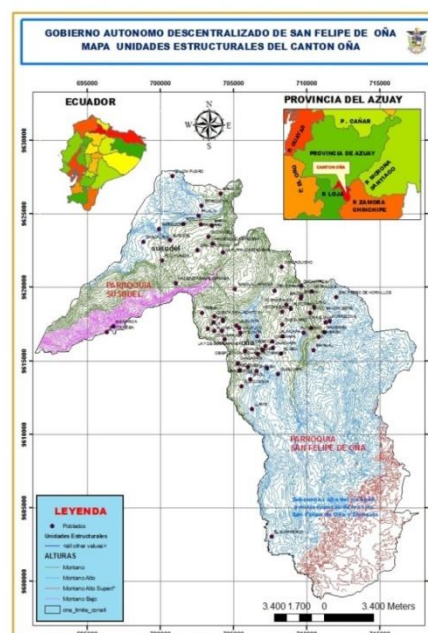


Figure 6: Map of structural units of the canton Oña.

Source: (Oña, 2014)

In figure 6 the division and location of the parishes, communities and neighborhoods of the Oña canton.

2.3.4 Social Analysis

2.3.4.1 Demographic data

According to the census carried out by the National Institute of Statistics and Census (INEC) in 2010, a population of 3,583 inhabitants was registered in

Oña; this represents 0.50% of the total inhabitants of the province of Azuay. On the other hand, 1,936 inhabitants (54%) were women and 1,647 (46%) were men. As for the place of residence, it is established that 24% of the inhabitants of the canton, reside in the urban area; that is, in the cantonal capital. Conversely, 76% of the population resides in the rural area of the canton. With respect to the distribution of inhabitants by parish, 2,395 people belong to the San Felipe de Oña parish, an amount that represents 65.84% of the total population of the canton; the remaining 1,188 to the Susudel parish, which represents 33.56% of the total population. In the figure 3, the population distribution by parish and sex is detailed.

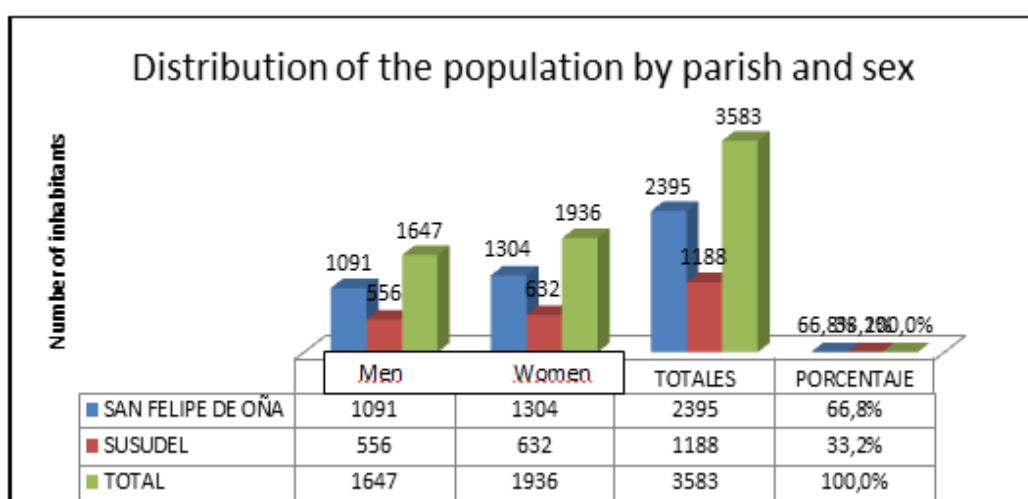


Figure 7: Distribution of the population by parish and sex, canton Oña.

Source: INEC.

Authors: Francisco Hermida / Edgar Ávila.

As it can be seen in figure 3, the number of female inhabitants is much higher than that of men; which is a clear consequence of the migration that exists in the canton. In the early 1980s, parents and young men began to migrate primarily to larger cities to seek work opportunities. However, since 2000, the number of migration of the canton increased remarkably; given that hundreds of inhabitants worried about the economic and political crisis that the country lived to date, migrated abroad in search of a better quality of life and job opportunities. According to the statistical data of the canton, Oña has 104 fellow citizens who have left the country in the last 20 years.

As for the number of homes, according to the census carried out by the INEC in 2010, there are 2,436 houses in the canton Oña, considering the urban and rural areas. However, not all homes are in the same condition or are given

the same use; it is for this reason that a division will be made according to the condition and use:

- 1,071 homes that represent 44% of the total are occupied with people who are based in the canton.
- 314 homes that represent 13% of the total are eventually occupied.
- 993 homes that represent 41% of the total are unoccupied.
- 58 homes, representing 2% of the total are in the process of being built.

2.3.4.2 Relations of Oña with other cantons and cities

Due to its geographical proximity and the availability of alternative highways and roads in good and / or acceptable conditions, both the cantonal head of Oña and its communities maintain a strong and constant economic, commercial, productive and social relationship mainly with the city of Cuenca, with the cantonal head and the communities of the Nabón canton and with the canton Saraguro.

2.3.5 Infrastructural Analysis

Throughout this section, a brief analysis will be carried out on the main basic services, buildings and roads that facilitate the social, productive, economic and commercial development of the inhabitants of the canton.

2.3.5.1 Information about the Roads and Means of Transport

The main road that connects Oña with the rest of the province of Azuay and the country is the Panamericana Sur, which is in excellent condition due to the constant and recent maintenance it has received. As a point of reference, taking this route the city of Cuenca is 100 kilometers from Oña. As for the transport service, there are 4 bus lines that have the final destination or origin the city of Cuenca and Loja respectively. However, all buses that travel this route compulsorily make a stop in the center Oña, which greatly facilitates the mobility of the inhabitants of the canton to the cities named above and their surroundings. The transport companies that carry out these tours are: Travelers, San Luis, Transporte Loja and Santa. The frequency of the transport service is made through intervals of 60 and 90 minutes depending on each company.

2.3.5.2 Information about Education services

At this time, education services offered in the canton try to satisfy the needs of all its inhabitants; that is why there is an educational center in almost all

the communities of the canton, these are divided into high schools, schools and kindergartens. These educational centers have been located and adapted according to the requirements considered by the cantonal government. The infrastructure and tools of the educational centers are of regular quality and there is also a shortage of teachers working in them. Subsequently, table 6 shows the division of the educational centers of the canton by type and number of students:

Table 6: Number of educational centers, canton Oña.

Type	Number of educational centers	Number of students
School	12	743
High School	4	438
Kindergarten	6	193

Source: PDOT Oña

Authors: Francisco Hermida / Edgar Ávila

2.3.5.3 Data of the Drinking Water Service

The canton has 44 water springs, of which only 7 provide water suitable for consumption to the inhabitants, covering the 91.4% of the total population.

2.3.5.4 Data of the Electric Power service

Since 1989, the Southern Central electricity company began offering its services in the canton of Oña; however, its main office is currently in the canton of Nabón. Nowadays, all the communities and towns of Oña receive electricity service. In total there are 1,538 users, which represents a coverage of 63.14% of the population.

2.3.5.5 Data from the Health Service

There are two health centers that offer their services to the inhabitants of the canton; one of them is located on 24 de Mayo street in the cantonal capital and the other in the Susudel parish. However, both health centers have basic tools to develop their activities, which does not allow to fully satisfy the emergencies of the inhabitants.

2.3.6 Analysis of the Political scope of the Canton

On Friday, September 16, 2011, the Cantonal Planning Council of Oña was formed during a meeting where the inhabitants were present. Once the council was formed, the main authorities and representatives of the canton were appointed to date, as follows:

- Mayor of San Felipe de Oña canton: Lcda. Germania Ullauri Vallejo.
- Representative of the Cantonal Council: Mrs. Guadalupe Lamadrid.

- Director of Planning: Arch. Abdón Gonzales Piedra.
- Director of the Department of Public Works: Israel Román Rengel.
- PDYOT technician: Ing. Gumercindo Eras.
- Planning Department Technician: Eng. Fabián Elizalde.
- Technical Department of Public Works: Eng. Milton Gonzales.
- Main representatives of the Cantonal Planning Council: Mr. Fabricio
- Regalado -Sra. Melania Quezada - Mrs. María Dolores Salazar.
- Representative of the Parochial Government: Mr. Patricio Naula.

2.3.7 Analysis of the Productive scope

2.3.7.1 Economic and Productive Activities

In the productive field, the most commonly developed activities by the inhabitants of Oña are agriculture, fruit growing, livestock, the administration of manufacturing industries, wholesale and retail trade, public administration and defense and construction. However, agriculture and fruit growing stand out over the rest of activities, since 60.2% of the economically active population of the canton is dedicated to it at present. Among the main products made in the field of agriculture and fruit and livestock in the canton are the following: kidney tomato, dairy, onion, coffee, sugar cane, vegetables, corn,

wheat, tree tomato, babaco and guinea pig breeding. As for manufactured products, the elaboration of Agave liquor, or better known in the area as "Tequila de Oña", is the most significant activity of the canton; since there is a medium-sized company that is dedicated to this activity, which will be detailed in depth in the next chapter of the document. Additionally, in the field of construction, the production of bricks and adobe forms part of one of the most developed productive activities in the canton (Oña, 2014). The variety of

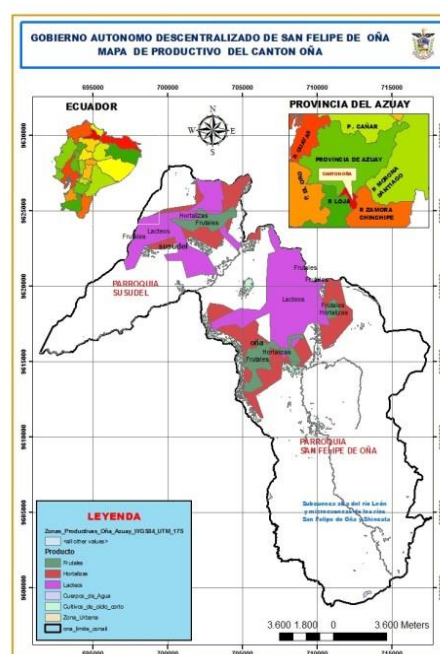


Figure 8: Productive Map of Oña.
Source: (Oña, 2014).

products produced in the canton is a consequence of the great geographical and climatic diversity and diversity that it has. In figure 8, is a map that divides the productive areas of the canton:

2.3.7.2 Number of Productive Establishments of the Canton

With the aim of establishing a division according to their productive activity, the productive establishments were separated into the following categories: manufacturing and industries, wholesale trade and retail crafts and services. Figure 5 is a chart that summarizes and explains the division:

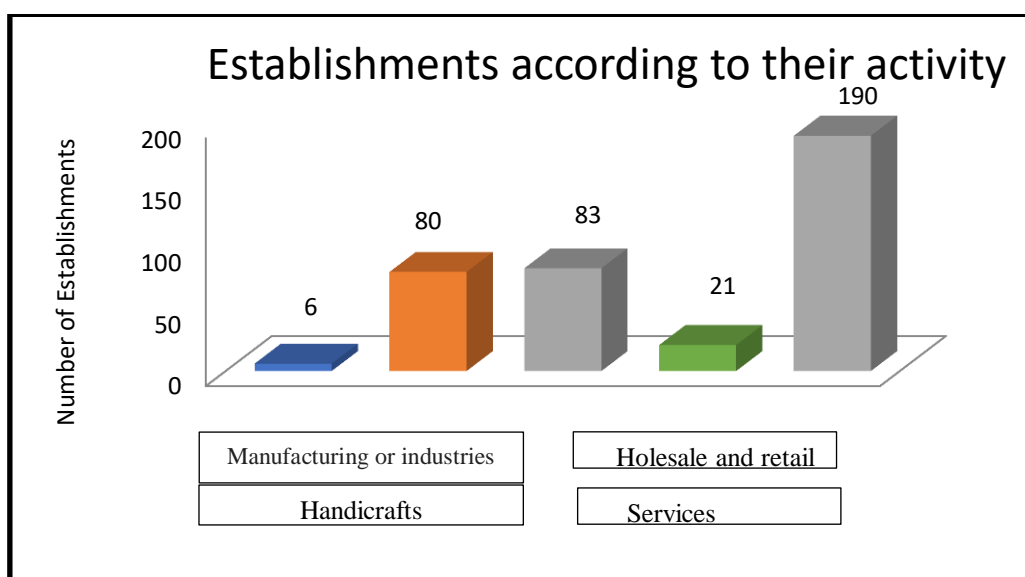


Figure 9: Distribution of commercial establishments, Oña canton.

Source: PDOT Oña.

Authors: Francisco Hermida / Edgar Ávila.

2.4 Conclusions

After having studied the most important aspects of each canton, it can be established that in both cantons in recent years there has been a slight increase in services and in the quality of life of people. It can be seen that the main canton that covers these improvements is Nabón, especially in the health field due to the increase in doctors and the renovation of medical care units. Education and schooling is also a general feature that has achieved better levels, where the numbers of people being educated have increased markedly in recent years. However, there are other aspects such as means of transport and roads, which continue to present problems and deficiencies in their operation. Both internal and international migration is a phenomenon that has affected both cantons, however, in recent years international migration has notably declined

significantly even though the remittances are an important source of income for the sector.

In the opposite direction, the number of people who have come to the cantons from other places to reside is very low. It can also be shown that the sector of the upper Jubones river basin, which includes the cantons of Nabón and Oña, has a lot of variation in the geographical area. That is, this region has a variety of climates and soils, so there may be a significant variety for production.

3 Chapter Three: Approach to SMEs.

3.1 Introduction

After having carried out an analysis on the Nabón and Oña cantons, it is possible to develop chapter three, which is the primordial trunk in this research project. This chapter contains the most important activity of the project: the field trip to gather the data about producers in the region. For this, it has been necessary to create a database, offered by the Municipal Autonomous Decentralized Government of each canton; with the aim of establishing a universe of producers, companies and associations, which will be subjected to a filter of choice to make visits. In addition, it was required the elaboration of a standard interview for all producers within an explanation of the project and collection of information from companies and / or associations.

The main objective of this chapter is to develop a database through interviews with the most important SMEs in regard to the production in the region. The importance of creating this database in a report format is the most important work since. Based on this information, it will be possible to issue an analysis and diagnosis, which is intended to be reflected in the next chapter, of the exportable offer of the region. Next, we will proceed to establish the databases and the corresponding methodologies for the realization and reach of the objective of this chapter.

3.2 Productive Generalities

The productive generalities have been divided by canton, in the following way:

3.2.1 Productive Generalities Nabón

Nabón is characterized by its variety of productive activities carried out by its inhabitants. However, agricultural, livestock, forestry and fishing activities account for the highest percentage, followed by the construction sector. It should be noted

that this sector dedicated to construction is characterized by temporary jobs, mostly held by men, who go out to other sectors or regions for this work. The tendency of labor distribution occurs equitably in the four parishes of the canton. The most important activities and their percentages of what they represent in the total economically active population (EAP) are detailed below, represented in the 40% of the total population represented by 5,932 people:

- Agriculture, livestock, forestry and fishing represent 60%
- Construction represents 14%
- Wholesale and retail trade represents 5%
- Home activity as employees represents 4%
- Public administration represents 3%
- Industry and manufacturing represent 3%
- Teaching represents 3%
- Other 8%

In the first division, as established by the INEC, "Agriculture, livestock, forestry and fishing", we find among the most important products in the region: guinea pigs, strawberries, milk, vegetables and horchata. In addition, there is production of wheat, onions, potatoes, kidney tomatoes, beans and carrots. However, the majority of producers in this division are dedicated to self-consumption, and a minority to production for trade. You can also find the production of agave liqueur, or locally called "*The Nabón tequila*", which is a traditional art of the region during the last decades and currently seeks to be resctored and protected in order to continue with its elaboration.

The main factors of production that affect the production of the sector are: land irrigation, land, market and infrastructure equipment. As for the land factor, it is influenced by its form of organization, which can be individual or communal. The communes of Chunazana and Zhiña handle a communal order due to their policy of indigenous organization. The rest of the sectors have an individual production order. In addition, most producers are characterized by smallholdings or production for self-consumption. On the other hand, agricultural activity represents a low percentage in terms of the total of the EAP. The irrigation systems come from the highest regions of the canton, mainly two: in its eastern part of the Shincata region, and in its western part there are around 200 reservoirs supported by the MAGAP.

There is equipment and technology especially in agricultural production, such as the case of horchata or milk. Finally, the influence of the markets also plays a fundamental role in production and sales. There are certain products such as strawberries, horchata and vegetables that face a significant trade in Cuenca. However, most are managed in a local consumption system, which is why in the case of vegetables, every so often the required demand to manage stable clients is not achieved. In the case of the production of guinea pig and milk, there are also large purchasing companies in the city of Cuenca (University of Cuenca, 2014).

3.2.2 Productive Generalities of the canton Oña

Regarding Oña, the most important activity to which the inhabitants dedicate themselves is agriculture. In the lower part of the canton the most significant crops are tomato kidney, onion, coffee, sugar cane, fruits of subtropical climate and vegetables. The upper part of the canton is characterized products of temperate / cold climate such as: wheat, barley, corn, beans and peas. Additionally, the production of tree tomato and the raising of guinea pigs has grown considerably in the last decade. On the other hand, the development of crafts such as hats, bouquet and fireworks are also part of the productive sector of the parish. Below is a list of the most important activities and their percentages of what they represent in the total economically active population, 43% of the total population, represented by 1,541 people:

- Agriculture, livestock, forestry and fishing represent 60%
- Manufacturing Industries represent 10.3%
- Construction 15.12%
- Wholesale and retail trade represent 4.9%
- Public administration and defense represent 5%
- Teaching represent 3.2%
- Others represent 1.48%

Additionally, there is a large production of agave liquor in the canton and brick making plays an important role in its economic activity.

The main production factors that generate an impact on the production of the canton are: land, land irrigation and market. Regarding the land factor, producers carry out their activities in different conditions given that only 64.5% of the UPA (Associative Productive Unit) owns the title of land used for production, whether

obtained by purchase, inheritance or donation. Conversely, the remaining 35.5% do not have the legalized title, which does not allow them to function normally in the formal land market or obtain credits for the benefit of the UPA. On the other hand, the irrigation system that provides clean water to the producers of the canton is characterized by supplying 92% of them and the remaining 8% are in negotiations to solve this problem. Regarding to the market, the canton has a market in the cantonal capital, which is available to all producers in the area (Oña, 2014).

3.3 List of actors interviewed and not interviewed by canton

Table 7: List of actors interviewed and not interviewed by canton.

Company or association name	Activity
Nabón	
Association of producers of avocado and small animals of Casadel	Production of avocado and small animals
Association of Horchatas La paz	Horchata production
Association of vegetables Producers San Juan Bautizta of Nabón	Vegetable Production
Association guinea pig producers Progreso	Guinea pig production
Association Queen of Fátima	Guinea pig production
Don Isaac Tequila	Production of agave liqueur, wines, honey
Chaguarmishqui Don Capelo	Production of agave liqueur, wines, honey
Association of Strawberries producers	Production of strawberries
Association of milk producers Shiña	Milk production
Association Freseros producers Wuashicasha	Production of strawberries
Association of guineapig producers Chunazana	Guinea pig production
Association of guineapig producers Nabón centro	Guinea pig production
Association of guineapig producers Ñamarín	Guinea pig production
Association San José de Tiopamba	Guinea pig production
Association Buena Esperanza of Tiopamba	Vegetable Production
Association try enterprising women	Guinea pig production
Association of quinoa producers Yanasacha	Quinoa Producers
Association of Tunas producers Yanasacha	Producers of Tuna

Association 13 de Junio Ñamarín	Guinea pig producers
Association of milk producers El Paso	Milk production
Association of producers of panela	Panela production
Association of corn producers Buravalle	Wheat production
Association Vegetables producers Ayaloma	Vegetable Production
Association Vegetables producers Tiopamba	Vegetable Production
Association of sheep wool producers	Production of sheep wool clothing and accessories
Association of Quinoa producers Udushapa	Quinoa production
Association of Strawberries producers Cochapata	Strawberry production
Association of milk producers Lluchín	Dairy Production
Association of vegetables producers la Ramada	Vegetable Production
Association of producers of small animals Morasloma	Production of small animals
Association of Strawberries producers de Nabón	Strawberry production
Association of guinea pig producers Rañas	Cuy Producers
Association of Horchatas producers Cochapata	Horchata production
Association of guinea pig producers Corraleja	Production of Cuyes
Association of guinea pig producers Ulucata	Cuy production
Association of tequila producers Puetate	Tequila production
Association Intercultural of Health of Nabón	Production of Creams
Association of stones producers Nieves	Production of stone objects
Association of small producers of Corraleja	Vegetable Production
Association of craftsmen of Nabón	Handicraft production
Association of tequileros	Tequila Production
Oña	
Association of guinea pig producers Nueva Esperanza	Guinea pig production
Association of small forks of dairy cattle of the Morasloma Páramos	Milk production
Association los Pinos	Production of strawberries and blackberries
Trancahuaico Distillery	Production of agave liqueur and honey
Association agro - ecologos Mautuco	Brick production
Association Pulcanga of corn producers	Wheat production

Association San Francisco	Adobe production
Producers of tomatoes producers Tamboloma	Kidney tomato production
Producers of tomatoes producers Baijón	Kidney tomato production

Source: Archivo personal.
Authors: Francisco Hermida / Edgar Ávila.

Table 8 shows the list of actors interviewed:

Table 8: List of actors interviewed by canton.

Company or association name	Activity
Nabón	
Association Intercultural Health of Nabón	Creams production
Don Isaac Tequila	Production of agave liqueur, wines, honey
Association of Strawberries Nabon	Strawberry production
Association of milk Shiña	Milk production
Association 13 de Junio Ñamarín	Guinea pig producers
Association of Horchatas Cochapata	Horchata production
Association of craftsmen of Nabón	Handicraft production
Association of tequileros	Tequila production
Oña	
Association of guineapig producers Nueva Esperanza	Guinea pig production
Association of small forks of dairy cattle of the Morasloma Páramos	Milk production
Extra	
El Mirador	Wine production
FERBOLA	Food production
Trancahuaico Distillery	Production of agave liqueur and honey

Source: Archivo personal.
Authors: Francisco Hermida / Edgar Ávila.

3.4 Methodology

The methodology for this chapter is divided into two parts due to the application that is carried out individually in each canton. The process of this application is also based on three main aspects for each canton: the approach to the GAD, filter database and interview process to companies and / or associations. The

existence of two different types of approach to the cantons is due to the different variables in their organization. The types will be explained as follows:

3.4.1 Applied methodology in Nabón canton

The first approach was made through a meeting between the research team, Mr. Antonio Torres, the project director, Eng. Luis Salcedo, representative of Pro Ecuador and Gerardina Ochoa who is in charge of the entrepreneurship center belonging to the Department of Services Management of the GAD. During the meeting that took place in the business room located in the canton hall of Nabón, the objective and methodology of the project were explained in detail. As a result, the research team received an invitation from the GAD Nabón to participate in the cantonal economic development roundtable. Eight days later, the research team and the Professor Antonio Torres presented the project to all the producers and associations involved in the cantonal economic development table with the objective of having a greater reception and obtaining contacts from the producers to carry out the respective interviews. At the end of the presentation, the research team collected the contacts of the producers who participated in the economic development table, and also received the list of associations and private producers of the canton offered by Gerardina Ochoa.

Then, a meeting was held at the Entrepreneurship Center of the Service Management Department of the Decentralized Autonomous Government of Nabón, with Gerardina Ochoa. The objective of the meeting was to establish a new filtered list for the visits in the base to the total list of associations and companies of the canton. To establish the new list, Gerardina Ochoa provided information on the 49 companies about the products, production quantities and number of members. It is evident that there is a large number of associations or groupings that do not have legal status, do not have current production or are already integrated into other larger associations. In addition, there is low variation of products, since many companies or associations are engaged in the same production as other people. There is a lot of competition in the products. For this, a list of ten companies was established to proceed with scheduling the visits. These ten companies were chosen by the follow criteria: quantity and production capacity, number of members, and finally, because they are the most outstanding companies in the products in terms of competitors. All the tangible products of the region were integrated into the ten companies, although these ten will also be studied to decide which of them will be part of this project.

Finally, the investigation team proceeded to the preparation of an interview agenda, which was done by contacting the presidents of the companies and / or associations by telephone, to set a date and place of meeting with all members. The interviews were carried out by mobilizing the research team in private transport to the point where the visit was established. In certain cases, the meetings were organized in the communal rooms where the producers belong or in the own property of the companies and / or associations. For this, the team received help and explanation about the places by Gerardina Ochoa, who was a fundamental aid in the application of this chapter.

During the interviews, the research team established an order of activities to be carried out at each visit. The importance of explaining a summary of the definition of an export and of the advantages represented by the export of goods for producers and companies, based on the theory of Chapter 1 of this project. Next is a detailed explanation of the role played by PROECUADOR in the country, as a public institution in charge of promoting exports and imports. In addition, it is necessary to explain the relationship created by the University of Azuay with PROECUADOR and the GAD of the canton for the project: Exportable Diagnostics is exposed. The stages of the project were explained with estimated schedule to be completed each. Finally, the team proceeded to collect the information required to be used in the mentioned diagnosis, in the following topics:

1. Associativity or organization.
2. Products.
3. Production.
4. Finance and Sales.

3.4.2 Applied methodology in Oña

The approach in the canton of Oña was carried out through a meeting organized between the research team, the Professor Antonio Torres, Luis Salcedo representative of Pro Ecuador and Efraín Ramón, director of the department of Planning and, Territorial Planning of the Municipality (GAD) of Oña, where the meeting took place. The objective and methodology of the project was explained in detail, with a positive acceptance by the municipality. Additionally, the support of the Ministry of Agriculture and Livestock was granted.

In a following opportunity, a meeting was again held with Efraín Ramón, where a database of all the legally registered associations and the communities

belonging to the canton was requested. In addition, information was requested on the productivity of the 6 associations legally registered in the GAD and the communities belonging to the canton, about: products, production quantity and associativity. Mr. Ramón delegated the activity to Dr. Tito Carrión, an official of the Ministry of Agriculture and Livestock, with whom a meeting was organized for the purification of data and an important support is received for the realization of the chapter. The meeting was held at the Panamericana Sur Cuenca - Loja, at kilometer 76 at the entrance to Tamboloma, with Dr. Tito Carrión. The database of the registered associations and the communities belonging to the canton was presented. Dr. Carrión has a high knowledge of the area and its production since as a MAGAP official visits to all producers in the region. A quick information was established regarding: associativity or organization, product and production quantities. Finally, a sample was established, to proceed with the visits, of three associations and two producers of the region, plus an important wine producer of the region, giving a total of six producers and / or associations belonging to Oña. Furthermore, these six producers will also be part of a study to establish who would be part of this project.

The investigation team proceeded to the preparation of an interview agenda, which was done by contacting the presidents of the companies and / or associations via telephone, to set a date and place of meeting with the members. The mobilization of the team was private transportation to the point where the visits were established. In certain cases, the meetings were organized in the communal rooms or in the Organization's own facilities. The accompaniment and guidance of Dr. Tito Carrión was received, who participated in the interview with the aim of generating confidence in the producers. Dr. Carrión was a pillar of fundamental help. During the interviews, the research team established an order of activities to be carried out at each visit. The importance of explaining a summary of the definition of an export was defined first, accompanied by the advantages that the export of goods represents for producers and companies, based on the theory of Chapter one of this project. The following was a detailed explanation of the role played by PROECUADOR in the country, as a public institution in charge of promoting exports and imports. In addition, the relationship created by the University of Azuay with PROECUADOR and the GAD of the canton was exposed to proceed with the project: Exportable Diagnosis. The stages of the project were explained with estimated time to be

completed each. Finally, the team proceeded to collect the information required to be used in the mentioned diagnosis, in the following topics:

1. Associativity or organization.
2. Products.
3. Production.
4. Finance and Sales.

3.5 General rating

In the final part of each the interviews, a table of measurement of the characteristics of each company and/or association was established to later make a measurement of the state of them with respect to an export horizon. This table was made by the research team, based on the Export Audit criteria and the four main topics established in the interview. Subsequent, there was the table with the evaluation criteria and the rubrics of qualification of each aspect, the same one that was established for the evaluation of 100% of the associations and / or companies to visit.

Table 9: Rating and rubric table for organizations

Appearance	Rating Detail	5	3	0
Organization				
Legal Entitlement	5 = Available - In Rule 3 = Available-Without Use 0 = Does not have			
Number of Members of the Company	5 = More than 12 3 = 8-12 0 = Less than 8			
Organization has Mission & Vision	5 = Has and Meets 3 = Has, does not comply or partially complies 0 = Does not have			
Established objectives	5 = Has and Meets 3 = Has, does not comply or partially complies 0 = Does not have			
Knowledge of Mission, Vision, Strategy and Objectives	5 = All 3 = More than half 0 = Do not know			
Have an organization chart	5 = Has and Meets 3 = Has, does not comply or partially complies 0 = Does not have			

Full understanding of comparative advantages	5 = Know 3 = They know partially 0 = Do not know			
They have unique taxpayer register	5 = Yes - Valid 3 = Yes- Not current 0 = No			
Export Goal	5 = Yes 3 = Wish - it is not a priority 0 = No			
Experience in the Market	5 = More than 7 years 3 = 2-7 years 0 = Less than 2 years			
	TOTAL			
Product				
Has Star Product	5 = Yes 0 = No			
Product Certification	5 = Yes 3 = In process, or does not require 0 = No			
Containers	5 = High Quality 3 = Medium Quality 0 = Does not have			
Adaptability of packaging / product presentation in the market	5 = Yes 3 = Progressively 0 = No			
Brand	5 = Has and uses it 3 = It has- it does not use 0 = Does not have			
Logo	5 = Has and uses it 3 = It has- it does not use 0 = Does not have			
IEPI registration	5 = Have 3 = In process 0 = Does not have			
	TOTAL			
Production				
Licenses for Production	5 = Yes 3 = In process 0 = No			
Have Machinery / Technology for Production	5 = Yes 3 = In process / bad conditions 0 = No			
Access to Raw Material	5 = Constant 3 = With Difficulty 0 = No			
Production Increase Capacity	5 = Yes - short / medium			

	term 3 = Yes-long term 0 = No			
Production Improvement Training	5 = Yes - often 3 = Occasionally 0 = Hardly			
Personnel for maintenance of machines	5 = Yes 3 = Yes with difficulty 0 = No			
Damages Environment due to Production	5 = Low 3 = Medium 1 = High			
Influence of season in obtaining raw material	5 = Low 3 = Medium 1 = High			
Eclusive facilities for production	5 = Yes 3 = Under construction 0 = No			
	TOTAL			
Sales and Finance				
Reinvestment of Profits	5 = High 3 = Average 0 = Low			
Established accounting mechanisms	5 = Constantly 3 = Eventually 0 = Never			
Sources of Financing	5 = Own 3 = Indebtedness 0 = No financing			
Sources of income	5 = For sales 3 = By contribution of members 0 = No income			
Disposition to indebtedness for growth	5 = If completely 3 = If partially 0 = No			
Tax Obligations in rule	5 = If completely 3 = If partially 0 = No			
Points of sale	5 = Premises, supermarkets, distributors, fairs, and others. 3 = Premises and fairs 0 = In factory or place of production			
Advertising tools	5 = Yes - use. 3 = Yes- Do not use. 0 = No			

They have Customer Service	5 = Yes - Specific Staff 3 = Yes- all members 0 = No			
Website / Social Networks	5 = Yes - use. 3 = Yes- Do not use. 0 = No			
Sales in Foreign Markets	5=Yes 0=No			
	TOTAL			
TOTAL OF ALL ASPECTS				-

Source: Archivo personal.

Auhtors: Francisco Hermida / Edgar Ávila.

3.6 Interviews

The following section is formed by the list of detailed reports with the information obtained in each interview. They will be organized according to the canton and in chronological order as they were made. In addition, you can find the location of each place where the interviews were conducted. This location is made up of a satellite map obtained in the Google maps application followed by the coordinates provided by this same page, that manages a WGS84 system where it shows the latitude and longitude, Northeast-Southeast.

3.6.1 Nabón Interviews

3.6.1.1 Association of Strawberries Nabón.

Table 10: Association of Strawberries Nabón profile.

Profile	
Name of the company / association	Association of Strawberries Nabón
RUC	190358542001
Representative	Mrs. Rebeca Ramón
Contacts	0980071290
Date of the interview	August 9, 2017
Meeting location	Coliseum of Nabón
Location of establishment / factory	Nabón Region
Flagship product	Strawberries
products	Strawberry and Mulberry

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila.

The Association of Strawberries Nabón, is a company dedicated to the production of strawberries and blackberries. This association was created with the aim of forming a front in the strawberry market, to provide a high-quality product. On Wednesday, August 9, 2017, the monthly meeting of the association was held at the Nabón Coliseum, where monthly meetings are held. Here, the established

methodology of interview was given, with a positive reception on the part of the members of the association. In figure 10, we can find the location of Nabón, being the canton to which the association belongs, within the location of the coliseum.

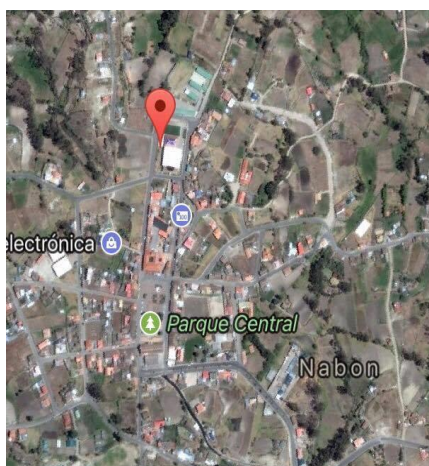


Figure 10: Interview location.
Source: Google Maps.

Coordinates:(-3.3372758,- 79.0676242)

3.6.1.1.1 Organization

The Association of strawberries producers of Nabón, was formed 13 years ago, on April 24, 2004. It began with 15 active members with the establishment of legal status. The association has an active and stable accounting system managed by the board, which is renewed every two years through a vote by all members of the association. Currently, the association board is comprised by: Ms. Rebeca Ramón as president, Nancy Bernardita Quezada as administrator and Nely Patricia Wacha Ramón as secretary, for the 2015-2017 term. The functions performed by the directive include the following:



Figure 11: Association of Strawberries Nabón interview.

Source: Personal file.

- Summon the members to monthly meetings on the second Wednesday of each month.
- Keep the accounts of the association: income and expenses, collection of monthly fee for each member.
- Monthly accountability to members about company expenses.
- Coordination of prices through the general assembly of the association.

3.6.1.1.2 Products and Production

- **Products**

The strawberry of the association is characterized by having a pronounced brightness, a dark reddish color and sweet taste. These strawberries belong to a type



Figure 12: Association of Strawberries Nabon products.
Source: Personal file.

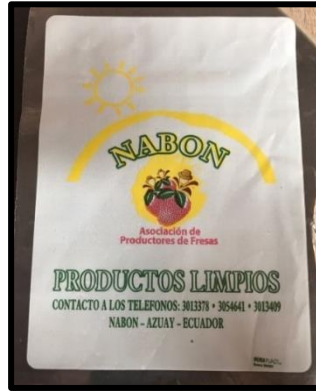


Figure 13: Association of Strawberries Nabon products.
Source: Personal file.



Figure 14: Association of Strawberries Nabon products.
Source: Personal file.

product called "Albion"

characterized by the greater resistance after harvest and its sweet taste, and it occurs in different sizes: large, medium and small. The medium is the most common in production. The product presents an advantage to be produced without chemicals, being clean or organic products. The company currently has a permission for the commercialization of strawberries in the market in Cuenca.

The product has a brand, being the same with which the members of the company market the product: Asociación de Productores de Fresas NABÓN. This brand also has a logo, the same one that has already been registered in the Ecuadorian Institute of Intellectual Property. The producers have established two methods of packaging for the sale of the product that are covers and tubs, which cover one pound and 1.50 pounds, respectively. These two marketing methods have the logo and brand of the association, as can be seen in figures 8, 9 and 10.

- **Production**

The association is mainly based on the production of strawberries, and eventually to a low production of mulberries. Each member / producer has at least one greenhouse for production, so the production of each member will depend on the number of greenhouses arranged. The Association seeks to have a standardized

product of quality, which has similar characteristics so that it is sold with all the production of the association and thus commercialize it on behalf of it. To achieve standardized practices, strawberry plants are acquired from the same supplier, MasAgro, located in Quito. It provides plants that come from California, United States for a value of \$ 0.25 per bush, delivered in Nabon.

Producers carry out the sowing of their plants accompanied by irrigation and respective care in the greenhouses for 4 or up to 5 months until the first harvest. From there, two harvests per week of each plant are made, and at the end of each week the production suitable for sale is put together and packaged by the association. The life time of each plant is two years. In terms of quantity, the association produces 1,000 pounds of strawberry per week, an average of 30 pounds per week per member. In order to achieve this amount of production, a minimum of 10,000 strawberry plants are needed inside the greenhouses. However, the weather and season can affect the amount of production. The best season occurs in the months of March, April and May; while the low season is August and July. The local market does not require obtaining health records or permits, so the association has not seen the need to obtain such records.

3.6.1.1.3 Finance

The association of strawberries of Nabón handles its finances through the administrator and the secretary of the directive, who collects the monthly funds that the members contribute for the logistic operation and for the administrative expenses of the association. The board always seeks to achieve growth in production and sales. The sales collected generate a profit mainly individual. However, a percentage of these are within the capital of the company.

3.6.1.1.4 Sales

The product is sold in two main presentations: a plastic tub that covers 1.50 pounds, at a cost of \$ 3 to the buyer, sold mainly to supermarkets. The second presentation is a cover that covers approximately 1 pound with the value of \$ 1, aimed at small buyers. The main weekly buyer of the plastic tub (1.50 pounds) is Coral Hypermarkets, which makes biweekly payments. Other markets includes: Nabón, La Paz and Cuenca, where there are buyers like: Gran Sol, Bulk, Oro Verde, Tutto Fredo, Chatos, Muccha, Frutilados.

3.6.1.1.5 Rating Table

Table 11: Association of Strawberries Nabon qualification table.

Aspect	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company	X		
Organization has Mission & Vision		X	
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives		X	
Have an organization chart			X
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market	X		
	41		
Product			
Has Star Product	X		
Product Certification	X		
Containers		X	
Adaptability of packaging / product presentation in the market		X	
Brand	X		
Logo	X		
IEPI registration	X		
	31		
Production			
Licenses for Production		X	
Have Machinery / Technology for Production			X
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines			X
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production		X	
	27		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income	X		

Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale	X		
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	32		
TOTAL OF ALL ASPECTS	131/185		

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

3.6.1.2 Association Intercultural Health of Nabón

Table 12: Association of Intercultural Health of Nabón profile.

Profile	
Name of the company / association	Association of Intercultural Health of Nabón
RUC	
Representative	Sra. Leonor Cabrera
Contacts	0985709428
Date of the interview	August 10, 2017
Meeting location	Cantonal head Nabón, canton Nabón. Old health center of Nabón.
Location of establishment / factory	Old health center of Nabón, canton Nabón
Flagship product	Creams
products	Creams, shampoo, macerated and syrups.

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila.

The Association of Intercultural Health of Nabón produces alternative goods for health of people based on traditional and ancestral methods. On Thursday, August 10, 2017, the monthly meeting of the Intercultural Health Association of Nabón was held in a space occupied by the association located in the old building of the health center of the Nabón canton, where logistic operations operate administrative aspects of the health center. Here the established methodology of interview was given, which was received positively by the part of the members of the association. Next, we find the location of Nabón, being the region where all the members and producers of the association are located, followed by the location of the place where the association holds the monthly meetings and the elaboration of its products.

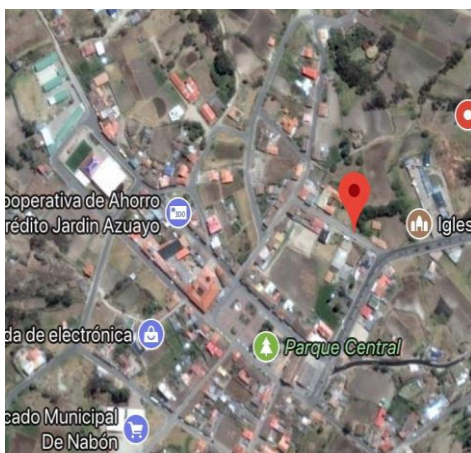


Figure 15: Interview location.
Source: Google Maps.

Coordinates: (-3.3377873, -79.0644555)

3.6.1.2.1 Organization

The association Intercultural Health of Nabón was established as such 11 years ago on March 15, 2006. The association was formed by 12 members and had the initiative and were part of the formulation of the statute. Simultaneously, the association obtained legal status and RUC. It



Figure 16: Association of Intercultural Health of Nabón interview.

Source: Personal file.

should be noted that the association receives constant financial support and

training from the public health center of Nabón. The association delegates its organization to a board of directors, which is renewed every two years through a democratic election among all the members of the association. The main functions and actions carried out by the board in this way:

- Coordinate the prices of your products through monthly meetings and analysis of production costs.
- Convene the members of the association to the monthly meetings that take place on the second Thursday of each month.
- Establish the funds that will be necessary to be subsequently requested to the Ministry of Public Health.

- Keep the accounts of the association in terms of income and expenses, and additionally collect the monthly fee established by each member for the association's expenses.
- Imposition and collection of fines and / or penalties for members who fail to comply with the guidelines of the company's bylaws.

3.6.1.2.2 Products and Production

• Products

The Intercultural Health Association of Nabón diversifies its production through the division of activities among its members, given that each one has their own ancestral skills and knowledge to produce a variety of organic products based on plants of the region. Among these products made by the association we can find: creams and ointments, shampoo, syrups and creams (used mainly for massages). Next, we will briefly analyze the characteristics of each of these products.

As for the creams and ointments, they are made from plants of the region, mainly nettle, valerian and rosemary. These creams have all the necessary properties to treat and relieve pain, discomfort and in some



Figure 17: Association of Intercultural Health of Nabón product.

Source: Personal file.

cases numerous diseases, including pain in bones and joints, muscle aches, acne

and relief of pain during pregnancy. Additionally, the Intercultural Health Association of Nabón concentrates its productive activity in the development of syrup and shampoo based on medicinal plants of the region. The natural syrup produced by the association is composed of extract of penco and a combination of valerian and rosemary. Its main function is the treatment of anemia and bone and joint pains. On the other hand, the shampoo is made with chamomile and aloe vera to strengthen hair.

Finally, the mash produced by the association are muscle relaxers used to massage; which are made from plants such as nettle, valerian and rosemary.

• Production

The association of Intercultural Health of Nabón is managed with an organized production where all the members of the same participate in the processes of

elaboration of the products. Mainly, the place where the production of the creams takes place, being the star products of the association, are the old facilities of the Nabón health center. In addition, the members of the association decided to create shifts in which they work in the production of creams in groups of six people who work every week thus achieving a total production of around 30 to 40 creams per month depending on the type. The members of the association dedicate their time to the production of the raw material, which are mainly the plants from which the creams are made. However, the harvest of the plants may face a shortage at certain time of the year due to the change in temperature or precipitation in the climate. However, the members of the association have reservations about the seasons so as not to discontinue the production of their creams. Unfortunately, the association does not have any kind of sanitary permits or licenses to back them as manufacturers of medicinal products. However, as mentioned, the association has the support of the Ministry of Health and the people who work in the health center.

3.6.1.2.3 Finances

Among the main means of financing that the association has is the Ministry of Health of Ecuador, which collaborates economically and logistically for the subsistence and development of the association. However, the association currently does not have funds allocated for the implementation of new technologies or new sales methods, nor does it have a registered trademark.

3.6.1.2.4 Sales

As for prices, the creams are sold in different types of sizes and presentations, ranging from \$ 5 to \$ 1. The 3 prices that the association manages for its sales are:

- \$ 3 normal size ointment
- \$ 5 large size
- \$ 1 small

The sales generated by these products go directly to the association, where an equitable distribution is made internally and according to the work and collaboration provided at the time of the production of the creams, thus being the way to generate profits for the members of the association.

3.6.1.2.5 Qualification table

Table 13 Association of Intercultural Health of Nabón qualification table.

--	--	--	--

Aspect	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company		X	
Organization has Mission & Vision			X
Established objectives		X	
Knowledge of Mission, Vision, Strategy and Objectives			X
Have an organization chart			X
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal		X	
Experience in the Market	X		
	29		
Product			
Has Star Product		X	
Product Certification			X
Containers		X	
Adaptability of packaging / product presentation in the market			X
Brand			X
Logo			X
IEPI registration			X
	6		
Production			
Licenses for Production			X
Have Machinery / Technology for Production			X
Access to Raw Material	X		
Production Increase Capacity		X	
Production Improvement Training		X	
Personnel for maintenance of machines			X
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production			X
	28		
Sales and Finance			
Reinvestment of Profits			X
Established accounting mechanisms		X	
Sources of Financing		X	
Sources of income		X	
Disposition to indebtedness for growth		X	

Tax Obligations in rule		X	
Points of sale		X	
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	21		
TOTAL OF ALL ASPECTS	84/185		

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila.

3.6.1.3 Association of craftsmen of Nabón

Table 14: Association of craftsmen of Nabón profile.

Profile	
Name of the company / association	Association of craftsmen of Nabón
RUC	
Representative	Tania Aguirre
Contacts	0981023439
Date of the interview	August 10, 2017
Meeting location	Land Terminal of Nabón
Location of establishment / factory	Many places
Flagship product	Carved stone
products	Carved Stone, Wheat Stalk, Corn Pucón and Cloth Ponchos

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association of craftsmen of Nabón is a company dedicated to the production of handicrafts of the region. This association was created with the

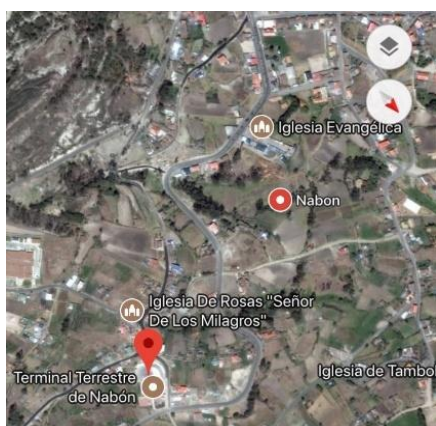


Figure 18: Interview location.
Source: Google Maps.

objective of promoting revenue in the region, in addition to promoting the tourist flow of the region and providing high quality products. On Thursday, August 10, 2017, a meeting was held with three members of the association in the land terminal of Nabón canton. Here the established methodology of interview was given, which was positively received by the members of the association.

Coordinates: (-3.3357553, -79.0594897)

The ultimate goal of the association is to provide the market with a wide variety of products that represent the cultural features of the region. Next, figure 14 shows the location of Nabón, being the canton to which the association belongs, followed by the location of the terrestrial terminal, where the meeting was held.

3.6.1.3.1 Organization

The Association of craftsmen of Nabón was formed in 2013 with 12 legally constituted members. Currently the association has eight additional members. The company has legal status with an assigned RUC and keeps an active accounting of its activities. This one appears in the MIPRO as producers of national crafts, but not all members still have the card. The company manages its legal and financial activities with the board that changes every three years through democratic elections. Blanca Coraisaca currently serves as president and the functions performed by the board of the association include:

- Organize the monthly meetings that take place between the members of the association.
- Rendering of monthly accounts to the members on income and expenses of the association.
- Discuss additional projects such as the tourist, commercial and cultural tour offered by the same association.
- Establishment of fines and / or sanctions for members who do not comply with the association's regulations.

3.6.1.3.2 Products and Production

• Products

The most outstanding products of the association include:

- Carved stone

The products in carved stone produced by Mrs. Blanca Coraisaca in the parish of Las Nieves de Nabón. These products are characterized by their difficult production process and their striking shapes. Products are mainly

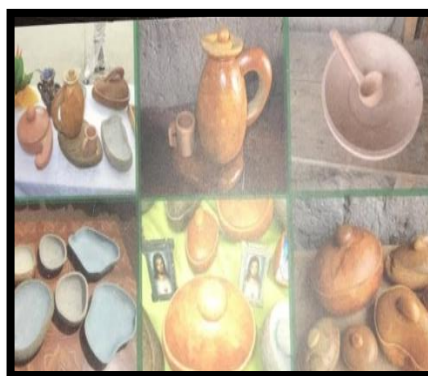


Figure 19: Association of craftsmen of Nabón products.

Source: Personal file.

made with grinding stones, crockery, or decorative objects. These are made based on the river stone and carved with special machines. In addition, under the request of customers, producers can provide specific forms according to the need of the consumer.

-Wheat Stalk

The products based on the wheat stem resemble toquilla straw, but with characteristics of a harder material. The most common products are hats. There are also smaller objects such as a light bulb for Christmas decorations, among others. Next, figures 16 and 17 show an example of the hat and a decorative object made based on the wheat stem:



Figure 21: Association of craftsmen of Nabón products.
Source: Personal file.



Figure 20: Association of craftsmen of Nabón products.
Source: Personal file.

-Pucón de Maíz

The corn pucón ornaments are made based on the leaves of the corn plant. Through a classification of the leaves, ornamental products are made. These products are determined by the skill of the people who make them. Among the most common products are: dolls, flowers, key rings and objects for decoration of births. Next, figure 18 is an example of the products made of the pucón of the corn.



Figure 22: Association of craftsmen of Nabón products.
Source: Personal file.

- **Production**

Each producer has his small factory at his home. However, jointly they manage training in the field that is needed, granted by public entities that work together with the municipal GAD of Nabón.

- **Producers of “pucón de maíz”**

Within the association of artisans of the Nabón canton, only one member has the necessary knowledge to work with the material: corn pucón. For the production the corn plants are planted in their own lands. When the plant is ready to be harvested, it is selected and the plant is subjected to a natural drying system to obtain the optimum state in which to work. Then the material that is in the best state to be worked is selected and the manufacturing is carried out. Each product is produced in different times and quantities. For example, flower figures take around 40 minutes each to make them. This production is made under request to the person in charge of its elaboration.

- **Producers of wheat stem**

There are two people who know the method to make accessories made from wheat stalk. Among them, María Morocho makes them at her home. The production process begins from the sowing of the wheat the plant needs to be harvested at a specific time to obtain the optimum state to be worked. Once the plant is harvested, the producers subject them to a drying process for days. The plants are selected, and several strips or strings are formed in the form of braids, which are sewn by hand with thread and reinforce them to maintain the shape of the accessories or objects. Once the product is finished, small colored ornaments are added to finally complete the product. As for the production quantity, it is done under advance order.

- **Stone stem producers**

Those responsible for this production are Blanca Coraisaca and her husband, who own their own workshop at home. The main raw material is river stone together with tools such as grinders and discs. The production process is complex and slow, since it is the producers

themselves who carry out the search and selection of the river stone in the rivers near the area of Nabón.

According to the shape, size and color in which the order was previously made the producers choose the stone and transport it to the workshop. Later, they make the figure or object using the grinder to give it the desired shape. In terms of production times, the making of a small piece of stone takes about five hours and a large piece can take up to a week. There is no exact accounting of the quantity of production, since they carry out their production according to the demand and previous orders.

Factors that impact production include: climate, season, ease of access to raw materials and lack of manpower. The latter is the most common, given that the products of the association are characterized by being handcrafted and there are few people in the region who possess the necessary knowledge for the elaboration of this type of products.

3.6.1.3.3 Finance

The association of craftsmen of Nabón, manages its finances through its president and the secretary of its board of directors, who make the collection of funds through monthly installments of the members for the logistic and productive operation of the same. The profit obtained from the sale of their products, the greater part is distributed individually according to the sales of each producer and the rest goes to the common economic fund of the association.

3.6.1.3.4 Sales

Regarding sales, each product has a different price as follows:

- Wheat stem hat: \$ 10
- Small wheat stem ornament: \$ 1
- Carved stone figures: between \$ 5 and \$ 50 according to their design and size
- Corn pucón ornament: \$ 2

The sales of the association of craftsmen take place in various places. Firstly, the association sales in the tourist office of Nabón which is located in the land terminal. In addition, each producer has a small place in their homes and regularly attend the fairs organized by the different municipalities of the cantons belonging to

the province of Azuay. Among the markets reached by the association are little stores in Nabón and from different parts of the province. Additionally, producers of stone stem figures have reached larger markets in recent years, since they receive orders from the city of Quito to manufacture tableware and decorative figures for certain hotels in the city.

3.6.1.3.5 Rating Table

Table 15: Association of craftsmen of Nabón qualification table.

Aspect	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company	X		
Organization has Mission & Vision			X
Established objectives		X	
Knowledge of Mission, Vision, Strategy and Objectives		X	
Have an organization chart			X
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market		X	
	29		
Product			
Has Star Product	X		
Product Certification			X
Containers			X
Adaptability of packaging / product presentation in the market			X
Brand			X
Logo			X
IEPI registration			X
	5		
Production			
Licenses for Production	X		
Have Machinery / Technology for Production			X
Access to Raw Material	X		
Production Increase Capacity		X	
Production Improvement Training		X	
Personnel for maintenance of machines			X
Damages Environment due to	X		

Production			
Influence of season in obtaining raw material		X	
Eclusive facilities for production			X
	24		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing	X		
Sources of income		X	
Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale		X	
Advertising tools	X		
They have Customer Service	X		
Website / Social Networks		X	
Sales in Foreign Markets			X
	40		
TOTAL OF ALL ASPECTS	98/185		

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

3.6.1.4 Association of tequila producers of Nabón

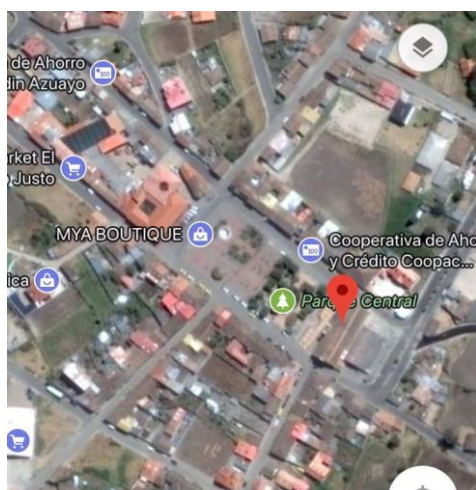
Table 16: Association of tequila producers of Nabón profile.

Profile	
Name of the company / association	Association of tequila producers of Nabón
RUC	-No Apply-
Representative	Sr. José Suconota
Contacts	0969908627
Date of the interview	August 17, 2017
Meeting location	Municipality of Nabón, Nabón canton.
Location of establishment / factory	-Does not apply-
Flagship product	Agave liqueur
products	Agave liqueur, wines, honey

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association of tequila producers of Nabón was born as an initiative of the people who dedicate their work to the distillation of the agave seeking to achieve a growth both in the unified production of the agave liquor and the promotion of the canton. Currently, it is in the process of obtaining legal status. On Thursday, August 17 at 9:30 am, a meeting was held with the members of the Association of Tequila Workers of Nabón in the entrepreneurship room of the offices of the GAD Municipal of Nabón. Here the established methodology of interview was given, with a positive reception on the part of the members of the association. Figure 23 shows the location of Nabón, being the canton to which all its members belong territorially, followed by



the location of the offices of the municipal GAD of Nabón which is the place where the meetings of the association are held with the help of the municipality.

Coordinates: (-3.3390726, -79.0651686)

Figure 23: Interview location.
Source: Google Maps.

3.6.1.4.1 Organization

The Nabón tequila association has been the process of establishing itself as a legal entity since 2015. The main objective of the association is to consolidate and strengthen itself as producers through joint work among all the members of the association. The association began with nine members, including two large producers and the rest are small producers who handle much lower production quantities. The nine members remain within the association to date and are those who made the implementation of the statute.

3.6.1.4.2 Products and Production

- **Products**

The association of tequila producers of Nabón is characterized by its main product, pure agave liqueur made from agave extract. This liqueur is characteristic of the Nabón region, given that the land in the area is perfectly suitable for sowing and harvesting the agave. It should be noted that the agave liquor was formerly called "tequila" in its market, given that the producers and consumers considered that it had a certain similarity in taste with the Mexican liquor "tequila". However, due to patent problems, agave liquor producers were forced to change the name of their product to "agave liqueur". On the other hand, the association also offers two additional products to its consumers, among them honey and agave wine. Agave honey is usually used to sweeten foods or to be consumed alone. Finally, the agave wine is a new product, and is characterized by its sweet and exotic flavor while providing the extract of the agave.

As for the brand, the association does not have one at present, since they are waiting to obtain the legal status to be able to give way to all the procedures of joint trademark. However, two of the nine producers (José Suconota and Remigio Capelo) have their own individual brand and their respective logo, which are already registered in the Ecuadorian Institute of Intellectual Property. In the same way, the association does not have packaging or labels that belong to it.

- **Production**

In the association of tequila producers of Nabón, there is no unified production since each member has different production quantities because not all of them are dedicated to the commercialization of this product. However, two of the nine members handle the highest production, with an average of 300 liters per month.

However, they have mentioned that they can reach a production of up to 1,500 or 2,000 liters per month. These two main producers, who already market the product, already have permits and licenses for the distillation of the agave liquor, as well as an ARSA sanitary registry granted by the Ministry of Public Health.

One of the peculiarities of this production is the time it takes for the plant to reach its productive capacity, which is approximately eight years. In addition, after this time of maturation of the plant, the productive time of the agave lasts approximately two to three months, before its death. The two main producers are also engaged in the purchase of the raw material, at a cost of \$ 0.75 to \$ 0.80 per gallon of the pulp of the agave. Therefore, it is estimated that a production of around 1,000 liters serves just 120 bottles of agave liquor.

3.6.1.4.3 Finance

The association of tequila producers of Nabón does not manage their finances at present, since they are still in process to obtain the legal status. The only economic contributions that have been handled within the association are those required to carry out all the processes for obtaining certificates and all the necessary requirements to establish themselves as such.

3.6.1.4.4 Sales

As for sales, the product of the association has not yet been marketed; therefore, it has only been done individually by its members. The approximate price of the products of the association was taken based on the prices managed by its largest producers that already market in several markets of the province; the price of the 750ml agave liquor bottle ranges between \$ 12 and \$ 15. On the other hand, among the markets reached by these producers we can find Loja, Nabón, Cuenca, Zamora, Machala and Quito.

3.6.1.4.5 Rating table

Table 17: Association of tequila producers of Nabón qualification table.

Aspect	5	3	0
Organization			
Legal Entitlement			X
Number of Members of the Company		X	
Organization has Mission & Vision		X	
Established objectives	X		
Knowledge of Mission, Vision, Strategy		X	

and Objectives			
Have an organization chart			X
Full understanding of comparative advantages	X		
They have unique taxpayer register			X
Export Goal	X		
Experience in the Market		X	
	27		
Product			
Has Star Product	X		
Product Certification			X
Containers			X
Adaptability of packaging / product presentation in the market			X
Brand			X
Logo			X
IEPI registration			X
	5		
Production			
Licenses for Production			X
Have Machinery / Technology for Production		X	
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines		X	
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production		X	
	30		
Sales and Finance			
Reinvestment of Profits			X
Established accounting mechanisms			X
Sources of Financing	X		
Sources of income		X	
Disposition to indebtedness for growth		X	
Tax Obligations in rule		X	
Points of sale			X
Advertising tools			X
They have Customer Service			X
Website / Social Networks			X
Sales in Foreign Markets			X
	14		
TOTAL OF ALL ASPECTS	76/185		

Source: Personal file.
 Authors: Francisco Hermida / Edgar Avila.

3.6.1.5 Association of Horchata of Nabón - Cochapata

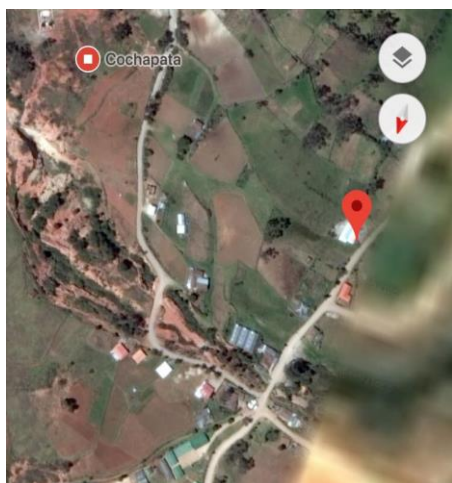
Table 18: Association of Horchata of Nabón - Cochapata profile.

Profile	
Enterprise / Asociation name	Association of Horchata of Nabón - Cochapata
RUC	190358550001
Representative	Mr. Vinicio Jaya
Contacts	0998456933
Interview date	August 30, 2017
Interview location	Cochapata, Nabón canton.
Plant location	Cochapata, Nabón canton.
Star product	Horchata
Products	Horchata

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association of Horchata of Nabón - Cochapata is devoted entirely to the production of Horchata, classic drink of the area. The association has its own factory built specially to produce their goods. Moreover, it is located 20 minutes from the Nabón cantonal header. On Wednesday, August 30, 2017 at 11:00 am, a meeting was held at the association's factory, where all the members of the association attended. Here the established methodology of interview was given, with a positive reception on the part of the members of the association. Figure 24 shows the location of Cochapata - Nabón being the region where the whole production process takes place and, there are all the members and producers of the association; followed by the location of the place where the association's factory is located.



Coordinates: (-3.3879529, -79.0851162)

Figure 24: Interview location.
Source: Google Maps

3.6.1.5.1 Organization

The Association of Horchata of Nabón - Cochapata, was formed 11 years ago, on May 13, 2006. This began with 19 active members, who collaborated to elaborate the statute, giving way to its legal status and RUC. Currently, the association has 11 members and also its own brand and logo. The association is managed with a directive that is renewed every two years through a democratic election. Currently, the president of the association is Mr. Vinicio Jaya since 2016 together with his secretary and treasurer. Among the main functions performed by the board are:

- Organize and call the monthly meetings of the association.
- Keep the accounts of the association in terms of income and expenses.
- Make the collection of \$ 1 that is intended to cover expenses and any necessary investment.
- Present the monthly accountability to members about company expenses.
- Establishment of fines and / or sanctions for members who fail to comply with the guidelines of the association's statute.
- Search for financing to develop works and investments if necessary.



Figure 25: Association of Horchatas Nabón - Cochapata meeting.
Source: Personal file.

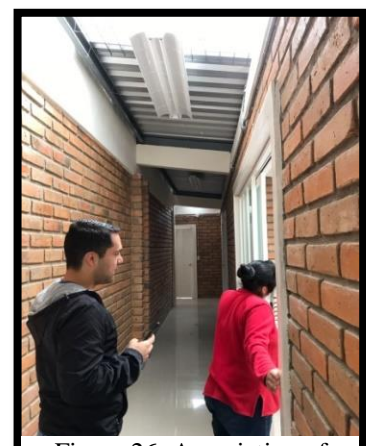


Figure 26: Association of Horchatas Nabón - Cochapata meeting.
Source: Personal file.

3.6.1.5.2 Products and Production

• Products

Horchata is a set of plants and nuts 100% organically produced, and it is used to prepare drinks or infusions. This preparation is characterized by its sweet taste and a captivating presentation, which is used for daily consumption and for the relief of certain body aches and pains. Horchata is composed of nine different types of plants

characteristic of the area: lemon verbena, lemon balm, mint, lemon verbena, roses, chamomile, ataco, green anise and orange leaf.



Figure 29: Association of Horchatas Nabón - Cochapata product.
Source: Personal file.



Figure 28 Association of Horchatas Nabón - Cochapata product.
Source: Personal file.



Figure 27: Association of Horchatas Nabón - Cochapata product.
Source: Personal file.

The association currently has the sanitary registry, "Nabón productos limpios" certifying its clean and organic production, and other permits to produce, pack and market its product. The product is marketed under the brand name: "Horchata de Nabón Sana y Natural". This brand has a logo, registered in the Institute of Intellectual Property of Ecuador (IEPI, for its acronym in Spanish).

The product is sold in a bag marked with its own design that shows the ingredients and characteristics of it. Each bag contains 36 grams of horchata, which yields 5 liters of the beverage. This type of packaging carries the logo and the brand of the association, the way of preparation and the recognition of Nabón clean Products as shown in figures 27, 28 and 29.

• Production

The association concentrates 100% of its production in the sowing, harvest and elaboration of dehydrated plants and fruits to prepare the Horchata. The association has its own factory built and adapted to their needs where all the manufacturing processes are carried out. The construction of this factory finished in 2016 and has modern machinery and facilities that lead to clean and quality

production. Moreover, the association currently has the sanitary registry, along with the recognitions of Nabón clean and agro-ecological products. With regard to the production process, the association focuses on carrying a 100% organic production; that is why they perform the entire production process within their factory. First, they plant the raw materials to make the Horchata in their own gardens, among which are: lemon balm, orange (only leaf is used), lemon verbena, lemon verbena, mint, roses, chamomile, ataco and anise.

Once the harvest is done the plants are taken to the factory and then separated according to their type before being put through a washing process. Once the plants have been washed, they are put into two types of ovens as its shown in figures 30 and 31, first to the drying oven, and then to the second oven where they are totally dehydrated. Next, the producers store the plants in the same way separating each type in large sacks. This process is repeated with each of the nine types of plants that make up the ingredients to prepare the Horchata.



Figure 31: Association of Horchatas Nabón - Cochapata machinery.
Source: Personal file.



Figure 30: Association of Horchatas Nabón - Cochapata machinery.
Source: Personal file.

Subsequently, the producers select the exact amount of each plant or fruit for each sheath to prepare the mixture and package it. As can be seen in figures 32, 33 and 34, the factory has all the tools and machinery necessary to make a quality packaging.



Figure 32: Association of Horchatas Nabón - Cochapata facilities.
Source: Personal file.



Figure 34: Association of Horchatas Nabón - Cochapata facilities.
Source: Personal file.



Figure 33: Association of Horchatas Nabón - Cochapata facilities.
Source: Personal file.

Once the entire packaging process has been completed, the producers weigh the sheaths that will be unrolled in a scale, for which the factory has a room suitable for this activity. Additionally, this room has a roller door and a ramp to facilitate and speed up the loading of the product to the truck that will be responsible for the handling of the merchandise; as it is shown in figures 35 and 36.



Figure 36: Association of Horchatas Nabón - Cochapata facilities.
Source: Personal file.



Figure 35: Association of Horchatas Nabón - Cochapata facilities.
Source: Personal file.

Regarding the quantity of production, the association currently produces 3000 bags of horchata per month. However, the factory of the association and the raw material they own, has a maximum capacity of 10,000 bags per month. On the other hand, there are factors of production that affect the quantity in a certain way; among them the weather and the season of the year. Winter is the least favorable season for producers.

3.6.1.5.3 Finances

The association handles its finances through its president and the secretary of its boards, which recollects monthly the dues that goes directly to the association monetary fund. In addition, much of its gross profit is reinvested by the association to cancel loans and invest in machinery. Moreover, the association had the financial assistance of the Ministry of Agriculture and Livestock (MAGAP, for its acronym in Spanish) for the acquisition of land and the construction of the factory where they currently produce.

3.6.1.5.4 Sales

As for sales, the Horchata 36-gram cover has a retail price of \$ 0.50 cents; and for wholesalers, a price of \$ 0.40 cents. Among the main markets of the association are Nabón, where it is sold directly in the factory and in several stores in the area; and Cuenca, where it has had a good reception in recent years. In Cuenca the association's product has been marketed in places such as: former Coopera (now the Gran Sol), the Mega tienda del Sur, and the Coral Centro. Additionally, the association has had contact and negotiations with the Coral Rio supermarket and several commercial stores in the city of Macas as well.

3.6.1.5.5 Rating Table

Table 19: Association of Horchatas Nabón - Cochapata qualification table.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company		X	
Organization has Mission & Vision	X		
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives	X		
Have an organization chart			X
Full understanding of comparative advantages		X	
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market	X		
	41		
Product			
Has Star Product	X		
Product Certification	X		
Containers		X	
Adaptability of packaging / product presentation in the market		X	
Brand	X		
Logo	X		
IEPI registration	X		
	31		
Production			
Licenses for Production	X		
Have Machinery / Technology for Production	X		

Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines	X		
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production	X		
	41		
Sales and Finance			
Reinvestment of Profits	X		
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income	X		
Disposition to indebtedness for growth	X		
Tax Obligations in rule	X		
Points of sale	X		
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	36		
TOTAL OF ALL ASPECTS	149/185		

Authors: Francisco Hermida / Edgar Avila.
Source: Personal file.

3.6.1.6 Association of milk Zhiña

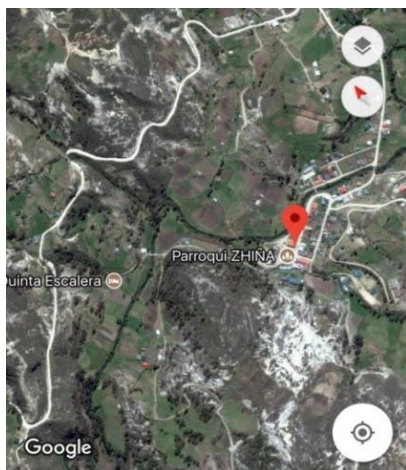
Table 20: Association of milk Zhiña profile.

Profile	
Enterprise / Asociation name	Association of Milk Zhiña
RUC	
Representative	Mr. Arnoldo Sagbay
Contacts	0967927943
Interview date	August 29, 2017
Interview location	Zhiña
Plant location	Zhiña
Star product	Leche
Products	Lácteos

Source: Personal file.
Authors: Francisco Hermida / Edgar Avila.

The Association of milk Zhiña is a company that is mainly dedicated to livestock farming and milk production. This association was created with the

objective of promoting livestock production. On Wednesday, August 29, 2017, a meeting was held with the president who gave us information about the association. Here the established methodology of interview was given, with a polite reception on the part of the members of the association. Figure 37 shows the location of Nabón, followed by the location of the Zhiña community where the meeting was held.



Coordinates: (-3.2831983, -79.0252040)

Figure 37: Interview location.
Source: Google Maps

3.6.1.6.1 Organization

The Association of milk Zhiña was formed in 2010 dedicated to the production of milk and its derivatives. The association started with 15 members, however, nowadays 20 people are legally part of the association. Since the formation of the legal association, there has not been changes in this board, which is under the command of Mr. Adolfo Sagbay, who is also a political representative of the community. He manages the administration, financing and justice of the community, providing providing all the services and benefits to those who are part of it. Among the functions performed by the board of the association are:

- Keep the accounts of production, income and expenses.
- Organize and call the monthly meetings of the association.
- Keep the accounts of the association in terms of income and expenses.
- Carry out the recollection of economic funds to finance expenses and financing of the association.
- Look for financing to elaborate works and investments if necessary.

3.6.1.6.2 Products and Production

- **Products**

The star product of the association is cow's milk. This product is characterized by its special flavor, which makes the demand of its market increase and generate greater demand in the markets for industrialization buyers. Currently, the milk is sold in quarries raw as it is milked every day. This product is sold under invoicing; however, it is delivered without packaging or brand with which it can be recognized in the market. However, a project



Figure 38: Association of milk Zhiña Product packaging.
Source: Personal file.

called "Crear" is currently in process, which seeks the implementation of a collection center to package the products and diversify them, creating a range of products derived from milk: cheeses, yogurt and delicacies. In addition, this project has as one of its objectives the implementation of a brand and official logo of the association. To achieve this, the requirements that the Ministry of Agriculture has granted them are already met, so it is expected to have them soon.

• Production

The association's production started with approximately 40 liters per day. The community Zhiña is composed by nine sectors, of which all are part of the production of cow's milk. Nowadays this production reaches 1,500 liters every day, in total of the nine sectors. However, the association seeks to achieve the production of three thousand liters per day with the guarantee of having a regular buyer. In addition, higher labor is also needed, which has become a problem in the region due to migration. As for local livestock, each cow produces around 12 to 13 liters per day, nevertheless, there are also cows that yield a greater production that can reach up to 20 liters per day of milk. However, a training tool is needed to increase and improve production, even though the company already has records certifying its production: Agrocalidad, ARSA, and recognition from the Ministry of Environment. In addition, the association is fighting for an ecological recognition because the feeding of the cows is composed 100% free of chemicals. Finally, the recollection and distribution of the final product is done by a car of the buyer company.

3.6.1.6.3 Finances

The financing method of the association is composed by a percentage that is charged from each liter of milk sold to the producers. This percentage, which corresponds to \$ 0.03 per liter, is designed to cover all the administrative expenses

that the operation of the association represents. Approximately, the company receives an income of \$ 45 per day from the percentages of liters sold. With this amount of money, projects such as the collection center are also being implemented.

3.6.1.6.4 Sales

The sales of the association are entirely designated to the company Parmalat. This company buys a liter of milk at \$ 0.42 to all the producers in the region. Therefore, the profits of the members of the association and of the producers will depend on the number of liters of milk milled per day and the number of livestock units. It has been already around three years since the association has managed direct sales with Parmalat, because the price offered is stable and the payments are fulfilled.

3.6.1.6.5 Rating Table

Table 21: Association of milk Zhiña qualification table.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company	X		
Organization has Mission & Vision			X
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives			X
Have an organization chart			X
Full understanding of comparative advantages		X	
They have unique taxpayer register	X		
Export Goal			X
Experience in the Market	X		
	28		
Product			
Has Star Product	X		
Product Certification		X	
Containers			X
Adaptability of packaging / product presentation in the market			X
Brand			X
Logo			X
IEPI registration			X
	8		
Production			
Licenses for Production		X	
Have Machinery / Technology for		X	

Production			
Access to Raw Material	X		
Production Increase Capacity		X	
Production Improvement Training		X	
Personnel for maintenance of machines			X
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production			X
	25		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income		X	
Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale			X
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	25		
TOTAL OF ALL ASPECTS	86/185		

Authors: Francisco Hermida / Edgar Avila.

Source: Personal file.

3.6.1.7 Association 13 de Junio of Ñamarín

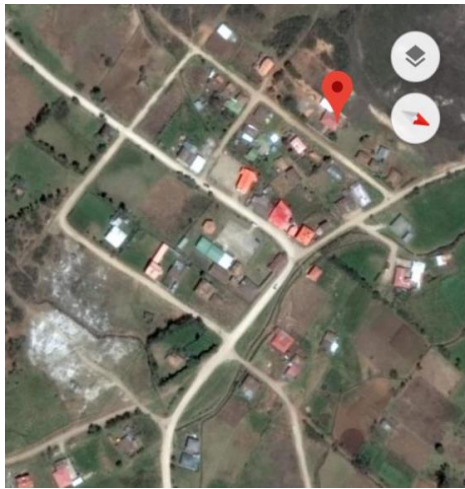
Table 22: Association 13 de Junio of Ñamarín profile.

Profile	
Enterprise / Asociation name	Association 13 de Junio of Ñamarín
RUC	190363414001
Representative	Mr. Luis Emeterio
Contacts	0939135482
Interview date	September 20, 2017
Interview location	Bayán, cantón Nabón. Salón comunal detrás de la iglesia
Plant location	Ñamarín, cantón Nabón
Star product	Cuy faenado
Products	Cuy – Pollo

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association 13 de Junio of Ñamarín is an association that is mainly dedicated to the production of guinea pigs. On Wednesday, September 20, 2017, the monthly meeting of the association was held in a communal space behind the church of Bayán, a community which belongs to Nabón. Here, the established methodology of interview was given, with a positive reception of the members of the association. Figure 39 shows the location of Nabón, being the canton to which the association belongs, followed by the location of Bayán, where the meeting was held.



Coordinates: (-3.3743842,-79.0586475)

Figure 39: Interview location.
Source: Google Maps

3.6.1.7.1 Organization

The association 13 de Junio of Ñamarín was formed in 2007 with 22 active members who took part in the realization of the association's statute. Subsequently, in 2010 the association was established as a legal entity granting a RUC. At the same time, three new members joined the association, giving a total of 25 members. However, currently the association has 18 members. The association has a good relationship with the Ministry of Agriculture and Livestock of Ecuador, so they frequently receive training regarding the raising of guinea pigs. Additionally, the association is managed with a directive that is renewed every two years through a democratic election with all its members. The current board of directors is represented by Luis Emeterio since 2016. The board perform the next functions as follows:

- Organize and call the monthly meetings of the association.
- Keep the accounts of the association in terms of income and expenses.
- Carry out the collection of economic funds to finance expenses and financing of the association.

- Present the monthly accountability to members about company expenses.
- Establishment of fines and / or sanctions for members who fail to comply with the guidelines of the association's statute.



Figure 40: Association 13 de Junio Ñamarín Interview.
Source: Personal file.



Figure 41: Association 13 de Junio Ñamarín Interview.
Source: Personal file.

3.6.1.7.2 Products and Production

•Products

The association was formed as producers and marketers of chickens and guinea pigs; however, guinea pig became the star product. The flavor of the product is determined by the diet that the guinea pig receives, which is based on: alfalfa, balanced, alfarina, sugar cane and wheat. The average weight of the product sold is approximately two pounds, considered the ideal weight to achieve a good flavor. In addition, its feeding is free of chemicals.

This product is sold in drawers; that is, in a state ready to be marinated and cooked. The drawers contain about 45 guinea pigs in each; however, commercialization is accounted for each guinea pig sold. It does not have a label, name or logo of the association that characterizes it, even though, according to the members of the association, customers recognize this product for its good taste.



Figure 42: Association 13 de Junio Ñamarín facilities.
Source: Personal file.

• Production

The association set the 100% of its production in the reproduction, rearing and slaughter of guinea pigs in an agroecological way. Reproduction and breeding is carried out individually, each producer has his own shed at home, however each member has the same methods and knowledge to obtain a uniform product. As for the production process, once the expected quantity of guinea pigs has been obtained after the reproductive process; the producers grows and feeds the guinea pigs in their own sheds. The nutrition provided to the animals consists of 4 foods: 90% alfalfa, 10% balanced (alfarina), sugarcane and wheat. The producers provide all the necessary care to the animals to maintain their health and preserve their quality. Subsequently, all the producers bring the guinea pigs to the plant and they are slaughtered once they have completed two or three months (tops) of age.

Currently, the association has its own slaughter plant, built and adapted to their needs where all the members of the association work together following an organized schedule to carry out the slaughter. The association has the recognition: Nabón clean products. Regarding to the operation of the plant, the producers carry out their work through shifts. The product is



slaughtered every 15 days in the plant, where six people work simultaneously.

Figure 43: Association 13 de Junio
Ñamarín facilities.
Source: Personal file

There are three groups of six producers that rotate biweekly to carry out this activity. Inside the plant, the association has a peeler, which peels 6 guinea pigs every 30 seconds. Finally, the slaughtered guinea pigs are stored in freezers for distribution. About the amount of production, the association produces 600 guinea pigs slaughtered monthly; but it can be increased if the demand does too.

3.6.1.7.3 Finances

The association manages a permanent accounting which is done by the current board. This accounting is based on the income that the producers receive, and on the contributions that each member of the association donates. Each month, the treasurer of the association receives a contribution of \$ 5 for each member of the association, which in total of the 18 members adds an amount of \$ 90 as monthly fixed income. In addition, for each guinea pig sold, a percentage of it remains for the association, this percentage is set at \$ 0.25. All the funds are destined for the expenses generated by the slaughter plant, for administrative expenses and tax liabilities, and finally for the reinvestment and improvement of production.

3.6.1.7.4 Sales

The guinea pig is sold at a price of \$ 10 in the slaughtered state. This standard price is calculated based on a guinea pig that weighs approximately two pounds, with a range from 1.6 to 2 pounds. Each producer sells the product at this price, and his earnings will depend on the number of guinea pigs produced. The main markets to which the association's product is sold to are: “El escondite” in Ricaurte, and at fairs held in Cuenca or in places close to Nabón. “El Escondite” is a prestigious restaurant of guinea pig and is the main buyer of the association nowadays.

3.6.1.7.5 Rating Table

Table 23: Association 13 de Junio of Ñamarín qualification table.

Aspect	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company	X		
Organization has Mission & Vision		X	
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives		X	
Have an organization chart	X		
Full understanding of comparative advantages		X	
They have unique taxpayer register	X		
Export Goal		X	
Experience in the Market	X		
	37		
Product			
Has Star Product	X		
Product Certification	X		

Containers		X	
Adaptability of packaging / product presentation in the market		X	
Brand			X
Logo			X
IEPI registration			X
	16		
Production			
Licenses for Production		X	
Have Machinery / Technology for Production	X		
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines	X		
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production	X		
	36		
Sales and Finance			
Reinvestment of Profits	X		
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income	X		
Disposition to indebtedness for growth	X		
Tax Obligations in rule	X		
Points of sale		X	
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	34		
TOTAL OF ALL ASPECTS	123/185		

Authors: Francisco Hermida / Edgar Avila.
Source: Personal file.

3.6.1.8 Don Isaac

Table 24: Don Isaac profile.

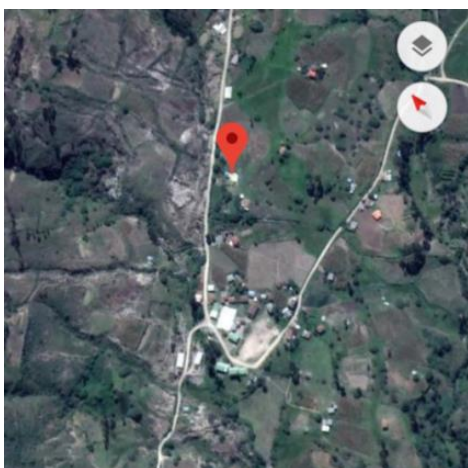
Profile	
Enterprise / Asociation name	Don Isaac
RUC	0703739417001
Representative	Mr. José Leonardo Suconota
Contacts	0969908627

Interview date	September 28, 2017
Interview location	El Progreso, Nabón. Don Isaac facilities
Plant location	El Progreso, Nabón
Star product	Agave liqueur
Products	Traditional Agave liqueur Agave liqueur “Gold” Honey Wine

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

Don Isaac, is a company formed and led by Mr. José Suconota, who belongs to the “Asociación de Tequileros de Nabón.” This company is located in El Progreso, a community that belongs to the canton of Nabón, which is 40 minutes away, near the León River. The company is mainly characterized by the high production of Agave Liquor, or locally called "Tequila de Nabón," in addition to a range of wines. A visit was made to the factory of the company on Thursday, September 28, where Mr. José Suconota was able to explain in more detail the processes of distillation and production that he has in his company. Figure 40 shows the location of Nabón, being the canton to which the company legally belongs, followed by the location of the Don Isaac factory.



Coordinates: (-3.3867049,-79.1218246)

Figure 44: Interview location
Source: Google Maps

3.6.1.8.1 History

The Don Isaac company was established in 2007, after Mr. José Suconota saw the opportunity to take advantage of all the Agave plants that he found. The name of the company "Don Isaac" was created in honor of Mr. Isaac San Martín, who had started with an undertaking on the distillation of the penco or "Agave" in 1983. José Suconota did not have the knowledge about this practice and this procedure.



Figure 45: Don Isaac facilities.
Source: Personal file.

Therefore, he asked for help from Mr. Isaac San Martin, since he was a well-known expert in the art of distilling the agave in the region, since he had dedicated most of his life to this activity. He provided all his knowledge about the process to Mr. Suconota, who launched the continuation of the venture and formed the small company, and he named it "Don Isaac" in honor of the mentor of the original idea, in 2007.

3.6.1.8.2 Organization

The company Don Isaac has the status of a legal entity, and its organization is simple, since Mr. Jose Suconota is the owner, the leader and the president of the business and production area. Within the productive processes, they have two people who provide permanent support in the distillation of the product. The company also leases two stores, one located in Cuenca and the other located in Oña, where it markets its products as well as the company uses distribution channels such as markets or supermarkets, etc.

3.6.1.8.3 Products and Production

- **Products**

Don Isaac is a micro-company dedicated to the production of alcoholic beverages made from classic natural plants and fruits from the area. The main product of the company is the pure Agave liqueur, but it also has other products such as: mango wine, blackberry wine, grape wine, tuna wine and honey extracted from

the penco or also known as "mishky". As for the brand, all the products offered by the company belong to the brand "Don Isaac", the same that is registered in the Ecuadorian Institute of Intellectual Property (IEPI). In the same way, the company and its products have a logo and a label that identifies them with the "Don Isaac" brand, the same ones that, like the brand, are already registered in the IEPI. Next, a brief description of each product will be given:

- Agave liqueur

The agave liquor is characterized by being made from 100% of the extract of agave without the use of chemicals in the production process. Formerly, it was related to and known as "tequila", since it has a certain similarity with the taste of the classic Mexican tequila. It is important to mention that there are two types of Agave liquor, the "Traditional or White" and the "Gold" type that recently came onto the market. It should be noted that Don Isaac's agave liquor has the sanitary registry to be produced and marketed in a normal way in stores, liquor stores and supermarkets.

On the other hand, the Agave liquor type "Oro" is prepared in the same way from the extract of the agave; however, the gold type has a special ingredient: the pineapple or fruit of the agave, which gives it a sweeter flavor and a yellow coloring. In terms of packaging and presentations, Agave's liquor can be found in 5 sizes of different containers of 750ml, 375ml, 250ml, 200ml and 170ml. In figures 46, 47 and 48 you can see the 2 types of liquor:



Figure 48: Traditional Agave liquor DON ISAAC.
Source: Personal file.



Figure 47: "Gold" Agave liquor DON ISAAC.
Source: Personal file.



Figure 46: DON ISAAC wines.
Source: Personal file.

- Wines

In the last two years the company Don Isaac saw the opportunity to use and take advantage of the raw material available in the area, that is why the initiative to produce wine was born. Don Isaac has four varieties of flavors in terms of their wine, among them are: strawberry, prickly pear, blackberry and grape. The added value of the Don Isaac wine is its exotic fruit flavors, which differentiates it from the rest types of wine present in the market. In figure 46, you can appreciate the variety of flavors of wines offered by the company.

-Honey

The honey made from the extract of penco is another of the products offered by the company Don Isaac, which is characterized by its yellow coloration, its sweet flavor and its properties and utilities. Among its many uses, penco honey can be used to: sweeten beverages and food, treat bone pain, it also works as an anti-inflammatory and is excellent for arthritis. The product is packaged and marketed in two types of containers, a container of 255ml and another of 355ml.

• Production

Among the workers of the company Don Isaac are: the manager and at the same time worker of the Don Isaac company Mr. José Suconota, his two children who work part time and three people who live near the factory and work in it. The company also has a small factory built and suitable exclusively for the productive process. Moreover,



Figure 49: Don Isaac facilities.

Source: Personal file.

the factory has an oven used for the distillation of liquor; which was manufactured by Mr. José Suconota, who knows perfectly the process to elaborate his product.

The company is involved in the production processes from the sowing and harvesting of agave generally, until the dispatch of the final product since the company wants to guarantee a quality product to the consumer. The sowing and harvesting of the agave involves a long process and waiting time, since a agave plant can be harvested for the first time 12 years after planting. Once this time is over, the

agave plant can be harvested twice a day for 2 months. A large agave plant on average yields between 180 and 240 gallons of liquor during its harvest time.

In certain occasions, the raw material sown does not supply all the level of production desired, that is why the company is forced to acquire it from other suppliers. The price at which the company purchases the raw material is \$ 0.75 cents per gallon of extract of agave or "mishky". The factors of production facing the company Don Isaac currently are the weather, the season of the year and the threat of shortage of raw material that roams in the area. To obtain a clear description of the productive processes, we divide by section the products with their respective explanation:

- Traditional Agave liqueur

The production process of traditional agave liquor begins with the sowing and harvesting of the agave as explained in detail above. Once obtained or acquired the extract of agave or "mishky",



Figure 50: Don Isaac facilities.

Source: Personal file.

it is stored three days in the plant

until making sure that the degree of fermentation is zero, which is necessary to prepare the product. Subsequently, the fermented agave extract is placed in the pot inside the oven to be distilled for 12 hours, after which time the product is finished. Once the final product is obtained, it is bottled and labeled for the future commercialization.

As for production, the company Don Isaac has the capacity to distill between 30 to 40 bottles of agave liquor a day, which would give a total of 1,500 bottles per month. However, due to financing issues and market conditions, the company currently produces 700 bottles per month.

- Agave liqueur type "Gold"

The production process of the agave liquor type "Oro" begins when the extract of agave or "mishky" is obtained, then it is stored three days in the plant until making sure that the degree of fermentation is zero, which is necessary to prepare the product. Subsequently, the fermented extract is placed in the pot inside the oven to be distilled for 12 hours. Furthermore, the fruit or also called "pineapple" is first

sliced and cooked from the penco and placed in the oven to give the liquor a special flavor. After 12 hours of distillation, the finished product is obtained and the corresponding bottling and labeling is carried out.

As for production, the company Don Isaac has the ability to distill between 30 to 40 bottles of agave liquor a day, which would give a total of 1500 bottles per month. However, due to financing issues and market conditions, the company currently produces 700 bottles per month.

- Honey made from the extract of penco (Agave)

The agave honey made by the Don Isaac company, follows a simpler process compared to its other products. First, the producer takes the extract of agave at 6:00am in the morning to the oven, where it is placed in a pot and boiled in a bain-marie. After boiling the product for 16 hours over low heat, you get the final product: agave honey. Regarding the amount of production, the company Don Isaac currently produces 300 liters per month of agave honey, however, its maximum production capacity is 500 liters per month. On average, the company produces between 600 and 700 bottles of 355ml honey monthly.

- Wines

The different types of wines elaborated by the company Don Isaac, are elaborated of natural fruits. Among the variety of flavors, the company offers: strawberry, prickly pear, blackberry and grape. It is important to mention that winemaking is a recent activity carried out by the Don Isaac company, that is why this product does not yet have the sanitary registry for its commercialization. To obtain the raw material, the producers acquire it from suppliers in the area, since the company does not carry out its sowing and harvesting. The company currently produces 200 bottles of 750ml monthly. However, the company has a maximum production capacity of 100 bottles of 750ml per month.

3.6.1.8.4 Finances

The income of the Don Isaac company, is determined directly by the sales for which Mr. José Suconota has decided to establish three main points of commercialization, which are in Cuenca, in Loja and in the Panamericana Cuenca-Loja highway, exactly located on the bridge that crosses the León river. These three places are leased by the company Don Isaac, where they sell exclusively the products of the company. In addition, the company has agreements with certain supermarkets

in the cities, such as the Megatienda del Sur in Cuenca, and sales were previously made in other commercial points such as Coral Hipermercados, Taxi Licoteca or the Taverna.

3.6.1.8.5 Sales

The company sells its products at very accessible prices for the market, where the profit generated goes directly to the company and a percentage of it is reinvested in the company. Among the prices of the products there are :

- Agave Liquor 750 ml "Tequila" \$ 12
- Wine 750 ml \$ 8
- Agave Liquor 750 ml "Gold Tequila" \$ 12
- Honey 350 ml \$ 10
- Honey 250 ml \$ 5

The Don Isaac company aims to build a new factory near the main road, to speed up the transportation system in the next years. To achieve this, the owner of the company is reinvesting the company's profit in the last years.

3.6.1.8.6 Rating Table

Table 25: DON ISAAC qualification table.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company		X	
Organization has Mission & Vision	X		
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives	X		
Have an organization chart	X		
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market	X		
	48		
Product			
Has Star Product	X		
Product Certification		X	
Containers	X		
Adaptability of packaging / product presentation in the market		X	
Brand	X		
Logo	X		
IEPI registration	X		
	31		

Production			
Licenses for Production	X		
Have Machinery / Technology for Production	X		
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines	X		
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production	X		
	41		
Sales and Finance			
Reinvestment of Profits	X		
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income	X		
Disposition to indebtedness for growth	X		
Tax Obligations in rule	X		
Points of sale	X		
Advertising tools			X
They have Customer Service	X		
Website / Social Networks			X
Sales in Foreign Markets			X
	38		
TOTAL OF ALL ASPECTS	158/185		

Authors: Francisco Hermida / Edgar Avila.

Source: Personal file.

3.6.2 Canton of Oña Interviews

The following section shows the detailed reports of each association arranged chronologically according to the interviews:

3.6.2.1 Association of small forks of dairy cattle of the Morasloma Páramos

Table 26: Association of small forks of dairy cattle of the Morasloma Páramos profile.

Profile	
Enterprise / Asociation name	Association of small forks of dairy cattle of the Morasloma Páramos
RUC	
Representative	Mr. Eddy Farez
Contacts	099488497, 5
Interview date	September 18, 2017
Interview location	Morasloma, Oña. Comunal salon behind the church.
Plant location	Morasloma, Oña.
Star product	Milk
Products	Milk

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association of small forks of dairy cattle of the Morasloma Páramos is dedicated to milk production. This association was created to take advantage of the knowledge that its members have about livestock and the land where they live, through the raising of cattle and milk production. On Monday, September 18, 2017, an interview was held with the directors of the association in the community hall in front of the church of Morasloma; a community that belongs to the canton Oña. Here the established methodology of interview was given, with a polite reception on the part of the members of the association. Figure 51 shows the location of Oña, being the canton to which the association belongs, followed by the location of Morasloma,

where the interview was conducted.



Coordinates: (-3.4512880,-79.1013770)

Figure 51: Interview location.

Source: Google Maps

3.6.2.1.1 Organization

The Association of small forks of dairy cattle of the Morasloma Páram was formed on January 5, 2015, which began with 16 active members. Simultaneously, the association obtained the legal status and was granted a RUC which is currently active. Years later, the association grew rapidly, consequently, nowadays it has 40 members who participate in the organizational and productive field. In recent years, the association has counted with the support of the governmental entity "Jardín Azuayo" to receive training on its productive process. The association is administered through a directive that is renewed every two years through a democratic election, which involves all its members. Currently, the president of the association is Mr. Eddy Farez, who has been on this charge since 2016. Among the functions performed by the board are:

- Organize and call the monthly meetings of the association.
- Receive the monthly financial contributions to pay for production and investment expenses.
- Keep the accounts of the association in terms of income and expenses.
- Discuss the construction of the future plant and storage center.
- Search for financing for works.
- Establishment of fines and / or sanctions for members who fail to comply with the guidelines of the association's statute.



Figure 53: Association of small forks of dairy cattle of the Morasloma Páramos interview.
Source: Personal file.



Figure 52: Association of small forks of dairy cattle of the Morasloma Páramos interview.
Source: Personal file.

3.6.2.1.2 Products and Production

•Products

The only product that the association currently offers to the market is milk, which is produced in a healthy way and sold wholesale to Parmalat. The milk is packaged in “cantaras” to carry out the dispatch and the subsequent sale. This product does not have its own brand, logo or packaging. However, the members of the association aim in the medium term to have their own factory and diversify their production and later have a brand and their own packaging that could differentiate their products in the market.



Figure 54: Association of small farms of dairy cattle of the Morasloma Páramos product.

Source: Personal file.

• Production

In terms of production, the association trains all its members in a synchronized style; since each member has a farm at home to develop the production process. This training was provided by Parmalat (Cuenca), with the aim of obtaining a product that meets their expectations. As for the production process, the first step is to obtain the necessary food and medicines to raise and take care of the cattle. The purchase of these implements is made jointly on behalf of the association to obtain higher discounts. Subsequently, each producer performs the ordering and stores the milk in cantaras on his own farm, to then gather all the production of the association and be able to mobilize and sell it more easily.

In terms of production amount, the association currently produces 1300 liters of milk per day, which would equal 30 average liters per head of cattle. Regarding to licenses and permits, the association does not manage this issue directly, since they sell all their production to Parmalat, which imposes as a requirement only one type of vaccination in cattle to carry out the business. On the other hand, the production factors that the association faces today are the season and the weather; since they directly affect the amount of land on their land to feed livestock.

3.6.2.1.3 Finances

The association manages a permanent and stable accounting, through the directive established every two years. This accounting is based on the income received by the producers, and on their contributions to obtain food and medicine for livestock. The income that each producer of the association receives is individual, since each producer earns according to how much milk he has produced. Currently, the association is conducting negotiations with the Municipality of Oña to acquire a certain type of financing that can afford the expenses of the construction of a milk production plant and a storage center.

3.6.2.1.4 Sales

The association manages a unified price of \$ 0.42 cents per liter of milk, a price that is established nationally. Nowadays, the association sells all its production to the company Parmalat in Cuenca, given that the company offers numerous benefits to the association in terms of economic credits and transportation facilities of the product. To transport the product from Morasloma to the Parmalat factory in Cuenca, Parmalat sends a tanker to the community every morning to pick it up.

3.6.2.1.5 Rating Table

Table 27: Association of small forks of dairy cattle of the Morasloma Páramos qualification chart.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company	X		
Organization has Mission & Vision			X
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives		X	
Have an organization chart			X
Full understanding of comparative advantages		X	
They have unique taxpayer register	X		
Export Goal			X
Experience in the Market		X	
	29		
Product			
Has Star Product	X		
Product Certification			X
Containers			X
Adaptability of packaging / product presentation in the market			X

Brand			X
Logo			X
IEPI registration			X
	5		
Production			
Licenses for Production		X	
Have Machinery / Technology for Production			X
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines			X
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production			X
	24		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing		X	
Sources of income		X	
Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale			X
Advertising tools			X
They have Customer Service		X	
Website / Social Networks			X
Sales in Foreign Markets			X
	25		
TOTAL OF ALL ASPECTS	83/185		

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

3.6.2.2 Association of guineapig producers Nueva Esperanza

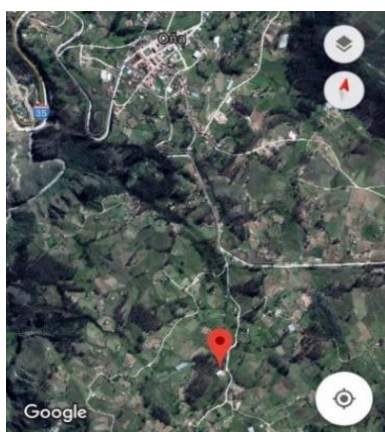
Table 28: Association of guineapig producers Nueva Esperanza profile.

Profile	
Enterprise / Asociation name	Association of guineapig producers Nueva Esperanza
RUC	0190370771001
Representative	Mrs. Mariana Ordoñez
Contacts	0993113597
Interview date	September 18, 2017
Interview location	Paredones Community
Plant location	Vía Oña-Paredones
Star product	Guinea pig
Products	Guinea pig

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The Association of guineapig producers Nueva Esperanza is an association that is purely dedicated to the production of guinea pigs. This association was formed with the main objective of generating greater income to the members of the region, through the commercialization of guinea pigs. On Monday, September 18, 2017, the monthly meeting of the association was held in a community space of the community of Paredones. Here the established methodology of interview was given, with a polite reception on the part of the members of the association. Figure 55 shows the location of Oña, being the canton to which the association belongs, followed by the location of the slaughter plant in Paredones, where the meeting took place.



Coordinates: (-3.4838432,-79.1485092)

Figure 55: Interview location.

Source: Google Maps

3.6.2.2.1 Organization

The Association of guineapig producers Nueva Esperanza, is currently composed of 16 active members. The association was formed in 2002 with legal status so they have a RUC. The Association has statutes and regulations, where it is



Figure 56: Association of guineapig producers Nueva Esperanza facilities.
Source: Personal file.

determined mainly minimum quantities of production for the members of the company, an also rules that govern its financial and organizational operation.

The board of this Association is headed by Mariana Ordoñez as president, and by Mr. Wilson Torres as vice president, who currently also has the position of deputy of the canton Oña. This directive is renewed every two years through a democratic election with the participation of its members. Moreover, the association currently has a plant that is soon to be inaugurated. The main functions of the directive can be described as follows:

- Collection of monthly funds for expenses of the association.
- Search of financing for investment in the company, and realization of credits on behalf of the same. They were recently granted a loan to build a plant.
- Organization of monthly meetings of the association.
- Keep the accounts of the association: income and expenses.
- Establish sale prices of the product for all members.

Unfortunately, this company did not welcome the exchange of information regarding to the total productive accounting of the association. It was possible to show an inequality in production quantities, since not all members of the association are aware of the total number of sales.

3.6.2.2.2 Products and Production

• Products

The Association of guineapig producers Nueva Esperanza, have guinea pig as its only product offered. This product is characterized by the good taste that is especially desired in Cuenca market. The members of the association affirm that the flavor of their product is determined by the feeding that the guinea pig receives, since

it is an agroecological feeding. All these feeding processes have been implemented thanks to training received by public entities with expertise in the area. In addition, the association is applying to obtain a registration of the agro-ecological committee that is being formed in the region, so that they can be certified as clean products. It is expected that this creative process will last approximately 6 months.

The average weight of the product sold is 1.6 and 2 pounds, since that is the exact weight that the market demands. This product is sold slaughtered; that is, ready to be marinated and cooked. The accounting of the product is done by each guinea pig sold and it is transported by the association to the buyer markets. The marketing of this product is not done under a brand or logo that may characterize the association, since the product is not delivered in containers.

• Production

The association concentrates 100% of its production in breeding, raising and slaughtering guinea pigs for the future sales. The reproduction and breeding of guinea pigs is done individually by each member, who must meet a minimum monthly production number. Thus, each member produces guinea pigs in their homes or sheds. However, feeding and breeding methods have been established for all members, with the aim of forming a uniform production. The main providers of balance and medicine for the guinea pigs produced by the association are in Cuenca and in Ambato, a recharged company called Bioalimentar. Currently the company does not have records or licenses that certify its production, however, the members have the short-term goals to obtain the possible records for production.

As for the process of production, the product can be used for slaughter after two to three months from birth. Normally each guinea pig during its reproduction can give up to six new offspring, knowing that a guinea pig can have up to four or five births in its life cycle. Therefore, guinea pigs can be classified into broodstock and for sale, since the flavor will not be the same. The guinea pig's pregnancy lasts approximately 67 days, and six hours after having given birth they may already be in heat for a new reproduction. The offspring are usually kept for 21 days with the mother and then get separated to avoid crossbreeding and genetic degeneration of the animal. After birth, a female guinea pig could be ready to breed when it turns three months old, while the male guinea pig at four months. There are three races of guinea

pigs: Inti, Peru and Andina. The Nueva Esperanza association is dedicated to the production and reproduction of the Andean race guinea pig in its entirety.



Figure 57: Association of guineapig producers Nueva Esperanza facilities.
Source: Personal file.



Figure 58 Association of guineapig producers Nueva Esperanza facilities.
Source: Personal file.

For the slaughtering process, the company makes a transfer of the slaughterhouse to the place of slaughter where they put the guinea pig to rest before the slaughtering in order to avoid animal stress. Currently the company has a plant that is very close to being inaugurated, this plant will be destined for the slaughter and sale of the product. It is considered that the amount of production could be increased with an investment support. However, the association does not have a real accounting of the quantity produced monthly, so it could not be reported in this project.

3.6.2.2.3 Finances

The association does not manage a stable accounting on its production, but each producer receives certain amount of money, which depends on the number of guinea pigs produced. The members of this association also make monthly contributions according to their needs.

3.6.2.2.4 Sales

The guinea pig commercialized by the association has a cost of \$ 10.50 in the slaughtered state. This product has an approximate weight between 1.6 to 2 pounds. Each producer sells at this price, and his earnings will depend on the number of guinea pigs produced. Its greatest competition is generated with the northern guinea pig that has a much lower price. The main markets to which the company markets are the: Alcatraz, Caballo and Escondite restaurants, all located in Cuenca. However, the company believes that the market demand is too large to cover it completely.

3.6.2.2.5 Rating Table

Table 29: Association of guineapig producers Nueva Esperanza qualification chart.

Aspects	5	3	0
Legal Entitlement			
Number of Members of the Company	X		
Organization has Mission & Vision	X		
Established objectives		X	
Knowledge of Mission, Vision, Strategy and Objectives	X		
Have an organization chart		X	
Full understanding of comparative advantages			X
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market		X	
	X		
Product	39		
Has Star Product			
Product Certification	X		
Containers			X
Adaptability of packaging / product presentation in the market		X	
Brand			X
Logo			X
IEPI registration			X
			X
Production	8		
Licenses for Production			
Have Machinery / Technology for Production			X
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training	X		
Personnel for maintenance of machines		X	
Damages Environment due to Production	X		
Influence of season in obtaining raw material	X		
Eclusive facilities for production		X	
	X		
Sales and Finance	36		
Reinvestment of Profits			
Established accounting mechanisms	X		

Sources of Financing	X		
Sources of income	X		
Disposition to indebtedness for growth	X		
Tax Obligations in rule	X		
Points of sale	X		
Advertising tools		X	
They have Customer Service			X
Website / Social Networks	X		
Sales in Foreign Markets			X
			X
TOTAL OF ALL ASPECTS	38		
Organization	121/185		

Source: Personal file.
 Authors: Francisco Hermida / Edgar Avila.

3.6.3 Extras

In this section, we can find details about 3 producers in the region, who do not meet the requirements to be analyzed in the previous section of this chapter, for reasons to be detailed below.

3.6.3.1 "El Mirador" Wine Production

During a visit to Oña, the investigation team noticed a wine producer whose industry is located three kilometers from the border between the province of Azuay and Loja, in the territory of the province of Loja. Furthermore, the rapprochement and support that this producer has with the GAD of Oña was witnessed, due to its territorial proximity. Therefore, the investigation team considered necessary to visit the vineyard and establish it in this report.

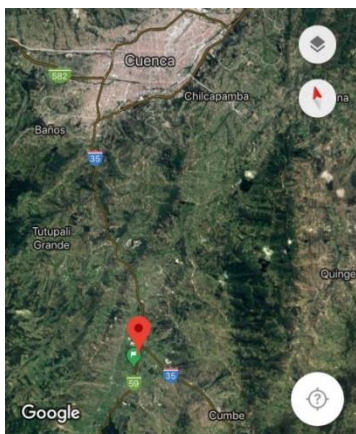
Table 30: El Mirador profile.

Profile	
Enterprise / Asociation name	El Mirador
RUC	-
Representative	Ing. Polibio Martínez
Contacts	0992310762
Interview date	September 28, 2017
Interview location	El tablón, Saraguro canton. Company facilities.
Plant location	El tablón, Saraguro canton.
Star product	Blackberry wine.
Products	Blackberry, strawberry and uvilla wine.

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The company El Mirador is dedicated to the production of wine and it began 10 years ago when its owner, the Ing. Polibio Martínez, took advantage of the resources he had to produce wine. On September 28, 2017, Mr. Martínez was interviewed in his factory located in El Tablón, community of the Saraguro canton, where the established methodology of the interview and exchange of information was given, with a great reception from the owner of the company. Figure 59 shows the location of El Tablón, where the interview was conducted.



Coordinates: (-3.4774503,-79.1665746)

Figure 59: Interview location..
Source: Google Maps.

3.6.3.1.1 Organization

The El Mirador company was founded in 2007 by its owner Mr. Polibio Martínez. The initiative of this venture arose from the vision of its founder, taking advantage of the natural resources he had on his land to put into practice the knowledge he had about the production of wine previously acquired in



Figure 60: El Mirador interview.
Source: Personal file.

Europe - France. The company currently has its active RUC and the phytosanitary registry to carry out a correct and clean production. In addition, the company has its own brand and logo obtained years ago. Regarding the organization, the company consists of 3 members, the owner, who is also involved in the production, and 2 assistants who work for the company. Additionally, the company "El Mirador" has had the support of the municipal GAD of Oña to participate in fairs around the Azuay province; with the objective of promoting their enterprise.

3.6.3.1.2 Products and Production

• Products

The company El Mirador first only offered the blackberry wine, since it was the specialty of the producer; however, currently the company also offers strawberry

and gooseberry wines. The wines that the company offers are characterized by their sweet aroma and flavor based on the classic fruits that are sown and harvested in the company's gardens. This wine has 13% alcohol, which makes it a light alcoholic beverage, it is also characterized by being completely organic since it does not carry chemicals and does not contain methane. Regarding to permits and licenses, the product complies



Figure 61: El Mirador products.
Source: Personal file.

the INEN 374 standard and has the sanitary registry to be produced and marketed around the country.

With respect to the packaging, the wine is marketed in a 750ml glass bottle, to maintain the quality and optimal state of it. In addition, unlike classic wine bottles, this wine has a metal lid, since it keeps in better condition and preserves its quality better than the cork commonly used. As mentioned above, the brand of the company is "El Mirador", however, the brand is not registered in the Ecuadorian Institute of Intellectual Property (IEPI).

• Production

In terms of production, the company has a large farm, where the orchards are located, and the raw material is sown and harvested and also the plant where all the necessary machinery for wine production is located. As for the sowing of the fruits, the farm has a large garden to plant the three types of fruits that the producer uses to make their wines: blackberry, strawberry and grapefruit.

With regard to the production process, the first step for the wine production is the sowing of the raw material. In the case of blackberries, they can be harvested at 10 weeks after sowing so that they reach an optimum state for the preparation of the wine; in the case of strawberries the harvest time is two to three weeks after sowing, and finally the uvillas take a longer time to be harvested, this time is eight to nine months after sowing. Once the raw material is obtained in its entirety, the fruit is taken to the plant and the squeezing



Figure 62: El Mirador facilities.
Source: Personal file.

of the same is carried out in the appropriate facilities for this purpose. The next step is fermentation, which consists of storing the already squeezed fruits in large tanks to ferment as it is shown in figures 62 and 63. This process lasts between two or three weeks in the case of this company. Afterwards, the wine is removed from the deposits previously used, and it is taken to the barrel where the methane is removed for three days. Finally, the wine is stored in the aging barrels, where it will rest for approximately a year to reach the optimum state for consumption. After the year of aging, it is filtered to the wine to get rid of any remaining fruit to finally proceed to bottling it.



Figure 63: El Mirador facilities.
Source: Personal file.

As for the production amount, El Mirador company has the capacity to produce up to 20,000 bottles per year. The main factors of production that the company faces are the winter season and the weather; since they affect the sowing and harvesting of the raw material.

3.6.3.1.3 Finances

The company El Mirador has a constant and stable accounting, which is made up of the income from sales and payments to its two workers. In terms of indebtedness and investments, the owner uses his financial funds to pay for them.

3.6.3.1.4 Sales

The wine offered by the El Mirador company is sold at a price of \$ 10 per bottle for the final consumer; however, when there are wholesale sales each bottle of wine is sold at a price of \$ 8. Generally, the wine from the El Mirador company is sold to visits to the farm where it is produced, in national fairs and also in local stores in Oña and its surroundings.

3.6.3.1.5 Rating Table

Table 31: El Mirador qualification chart.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company		X	

Organization has Mission & Vision		X	
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives		X	
Have an organization chart			X
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market	X		
	39		
Product			
Has Star Product	X		
Product Certification	X		
Containers	X		
Adaptability of packaging / product presentation in the market		X	
Brand	X		
Logo	X		
IEPI registration			X
	28		
Production			
Licenses for Production	X		
Have Machinery / Technology for Production	X		
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines	X		
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production	X		
	41		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing	X		
Sources of income	X		
Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale		X	
Advertising tools			X
They have Customer Service	X		
Website / Social Networks			X
Sales in Foreign Markets			X

	34
TOTAL OF ALL ASPECTS	142/185

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

3.6.3.2 Trancahuaico Distillery

Table 32: Trancahuaico Distillery profile.

Profile	
Enterprise / Asociation name	Trancahuaico Distillery
RUC	903481901001
Representative	Mr. Ángel Salvador Ortega Ramón
Contacts	0991834334
Interview date	September 18, 2017
Interview location	- Doesn't apply -
Plant location	Panamericana Sur, in front of Oña's gas station
Star product	Agave liquor
Products	Agave liquor Agave honey

Source: Personal file.

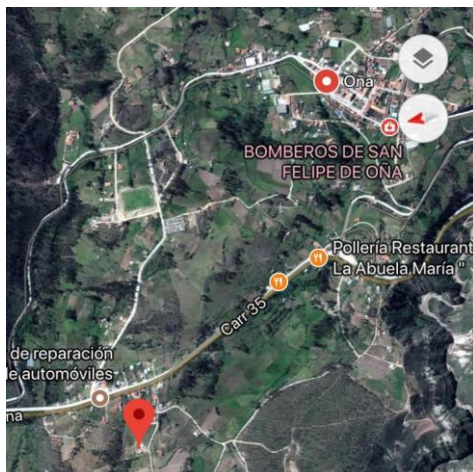
Authors: Francisco Hermida / Edgar Avila.

On the other hand, during one of the meetings that took place with Dr. Tito Carrión, an official of MAGAP, he informed the research team about the existence of a possessed tequila producer in Oña. The investigation team decided to interview this company, however, it has been inactive for 5 months, due to legal processes in which it is located.

Trancahuaico Distillery is a company that is mainly characterized for its high production of Agave Liquor. Due to the recent death of the original owner, the company has now suspended production; as well as the normal operation of it has been affected by the legal procedures that must be met to obtain the permits required by the regulatory entities. As a result, during the visit period, it was not possible to arrange a formal interview with the manager of the company. Despite this, the research team managed to communicate via telephone with the future manager of the company, who expressed that the Trancahuaico Distillery will return to its normal

operation in a few months. Simultaneously, the research team was authorized to take photographs of the back of the company's facilities.

Figure 64 shows the location of Oña, being the canton to which the company belongs, followed by the location of the distillation plant in the Panamericana Sur highway:



Coordinates: (-3.4602908,-79.1640757)

Figure 64: Interview location.
Source: Google Maps.

3.6.3.2.1 Additional data

In terms of production, the company Trancahuaico Distillery has a factory built and suitable for agave liquor production, which has a large production capacity. In addition, the company also has its own brand and logo as can be seen in figures 65 and 66.



Figure 66: Trancahuaico Distillery facilities.
Source: Personal file.

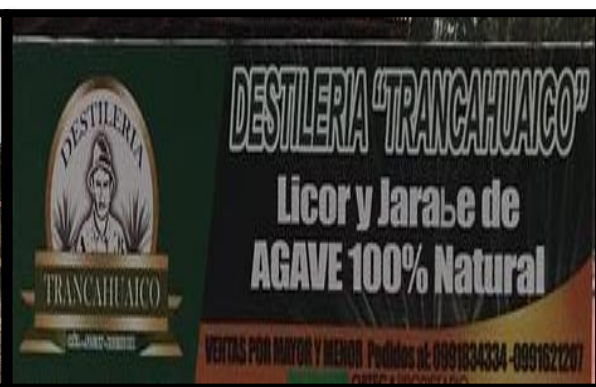


Figure 65: Trancahuaico Distillery facilities.
Source: Personal file.

3.6.3.3 FERBOLA

Within the territorial arrangement planning of the canton Oña, the research team found the existence of a company called FERBOLA, which produces food of various types. However, after contacting the owner of the company, it was established that the company does not currently belong to the Oña canton; given that the RUC of the company that belongs to the canton Oña was suspended years ago and reopened in Cuenca canton by the owner preferences. Currently, FERBOLA still owns part of its facilities in the canton Oña, which is why the research team considers it opportune to make the diagnosis to this company.

Table 32: FERBOLA profile.

Profile	
Enterprise / Asociation name	FERBOLA
RUC	103589750001
Representative	Fernando Moscoso
Contacts	0997380705
Interview date	December 31, 2017
Interview location	Tarqui, Cuenca canton. Company facilities.
Plant location	Km 16,5 Cuenca – Girón way.
Star product	Dry meat snacks. (Charqui)
Products	Dry meat snacks, confectionery, dehydrated fruits and chili pepper.

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

The FERBOLA company is characterized by the production and commercialization of foods made mainly based on supplies produced within the farm that belongs to the company. The owner and founder of the company is Fernando Moscoso, who received the visit of the research team cordially on December 31, 2017 in its factory. During the visit, the interview was conducted where the established methodology of the interview and exchange of information was given. Next, we find the location of Cuenca, being the canton to which the company belongs, followed by the location: Km 16.5 via Cuenca - Girón, where the interview was conducted.

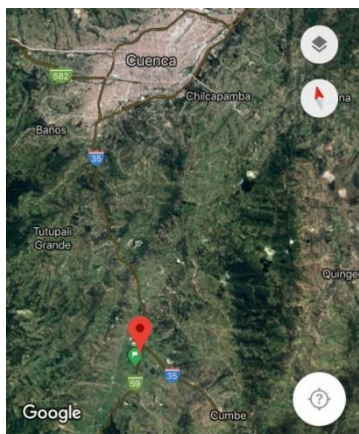


Figure 68: Interview location.
Source: Google Maps.

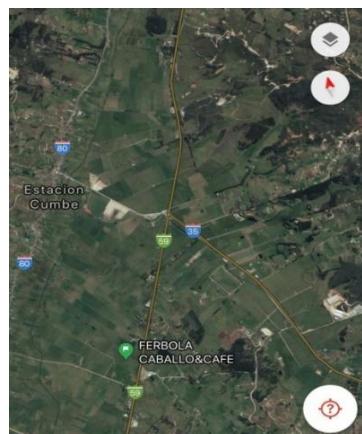


Figure 67: Interview location.
Source: Google Maps.

Coordinates: (-2.9001285, -79.0058965) (-3.0574507, -79.0508751)

3.6.3.3.1 Organization

The FERBOLA company was founded in 2005 by its current owner Fernando Moscoso, who knew all the necessary procedures to elaborate the products that currently the company produces and sells. In its beginnings, the company belonged legally and had all its facilities in the Susudel parish, which belongs to the Oña canton. However, due to tax preferences the owner of the company made the decision to close the RUC of the company that belonged to Oña; with the objective of establishing the company in Tarqui, Cuenca canton. Currently the company has a RUC that belongs to the canton Cuenca, the phytosanitary registry and all the necessary operating permits for the production and commercialization of its products. Additionally, FERBOLA has its own brand and logo legally established since 2005. As for the organization system, the company consists of 6 workers, the owner and 5 others who are involved in the field of organization and production.

3.6.3.3.2 Products and Production

- **Products**

The company's star product is dry meat snacks or also known as dry "Charqui"; which is made of beef and pork; either traditional or spicy. Additionally, FERBOLA produces six main products, which are divided into the following categories:

- Dry Products

Within the section of dry products are: dry meat snacks or "Charqui", chili powder and dehydrated fruits as it can be seen in figures 69, 70 and 71.



Figure 69: FERBOLA dry meat snacks.

Source: Personal file.



Figure 70: FERBOLA dehydrated fruits.

Source: Personal file.



Figure 71: FERBOLA dry meat snacks.

Source: Personal file.

- Sweets or Jams

Among the flavors of sweets or jams that the company makes are: milk with coconut, sweet quince, strawberry jam sweetened with Stevia and red fruit jam.

- Pickles

Within this category of products are: Pickled chilli based on seven types of peppers, capers and pickles as it is shown in figures 72 and 73.



Figure 73:
FERBOLA chili
peppers.

Source: Personal file.



Figure 72:
FERBOLA
alcaparras.

Source: Personal file.

In addition, the company has its own logo and brand, which were registered in the IEPI since 2005; and they are used in the own containers as it can be appreciated in the previous figures. With respect to dried meat, it is marketed in plastic bags with a capacity of 28 grams.

• Production

The company FERBOLA has a factory built for the production, packaging, labeling and dispatch of its entire range of products, which has all the permits and records to bring a constant and quality production. Additionally, the plant has its own laboratory, where analyzes and tests of its products are carried out regularly to guarantee their quality as shown in figures 74 and 75.



Figure 74: FERBOLA facilities.
Source: Personal file.



Figure 75: FERBOLA facilities.
Source: Personal file.

With regard to the production process, the first step is obtaining the raw material; in this serves the company is characterized to obtain it from its farms, the one located in the same direction of the production plant, and the other in Susudel. In certain cases, the company needs some inputs that are not harvested on their farms, therefore, they are forced to acquire them from suppliers mainly from the same area. For example, in the case of dried meat, its main supplier of inputs is the company La Italiana in Cuenca.

As to produce dried meat, once the raw material is obtained, in the production plant, it is subjected to dehydration in electric ovens. The final product is obtained in approximately 14 hours. In the case of coconut milk, the company produces it in a traditional way in its facilities, and the production time of this product is approximately 6 hours. It is important to mention that the company FERBOLA does not use any type of chemicals in its production processes. On production amounts, the company currently produces 3,000 bags of 28 grams of dry meat snacks weekly, and the rest of products according to the orders received. However, the company only uses 30% of the productive capacity of the plant today.

3.6.3.3.3 Finance

As for the company's finances, FERBOLA has a constant and stable accounting, which is made up of the income from sales and payments to its workers. In terms of indebtedness and investments, the owner uses his financial funds to pay for them.

3.6.3.3.4 Sales

FERBOLA markets its products throughout the country, since it is present in 2 of the largest supermarket chains nationwide for four and eight years respectively: Supermaxi and Coral Hypermercados. Additionally, the company is also present in numerous commercial stores in Cuenca and its surroundings. Regarding to the prices, the main products of the company are marketed as follows:

- 28g dry meat casing: \$ 2.25.
- 215g coconut milk pudding: \$ 3.15.

The company also manages marketing tools, using social networks and advertising spots in certain radio stations in the area.

3.6.3.3.5 Rating Table

Table 33: FERBOLA qualification chart.

Aspects	5	3	0
Organization			
Legal Entitlement	X		
Number of Members of the Company		X	
Organization has Mission & Vision	X		
Established objectives	X		
Knowledge of Mission, Vision, Strategy and Objectives	X		
Have an organization chart	X		
Full understanding of comparative advantages	X		
They have unique taxpayer register	X		
Export Goal	X		
Experience in the Market	X		
	48		
Product			
Has Star Product	X		
Product Certification	X		
Containers	X		
Adaptability of packaging / product presentation in the market	X		

Brand	X		
Logo	X		
IEPI registration	X		
	35		
Production			
Licenses for Production	X		
Have Machinery / Technology for Production	X		
Access to Raw Material	X		
Production Increase Capacity	X		
Production Improvement Training		X	
Personnel for maintenance of machines	X		
Damages Environment due to Production	X		
Influence of season in obtaining raw material		X	
Eclusive facilities for production	X		
	41		
Sales and Finance			
Reinvestment of Profits		X	
Established accounting mechanisms	X		
Sources of Financing	X		
Sources of income	X		
Disposition to indebtedness for growth		X	
Tax Obligations in rule	X		
Points of sale	X		
Advertising tools	X		
They have Customer Service	X		
Website / Social Networks	X		
Sales in Foreign Markets			X
	49		
TOTAL OF ALL ASPECTS	173/185		

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

3.7 Conclusions

After carrying out the analyzes, reports and qualifications of the associations and selected companies of Nabón and Oña cantons, the research team determined that there are few companies and associations that are currently in a possible productive and organizational state with a potential export horizon. Additionally, there is a large gap between productive and organizational development among the thirteen companies and associations interviewed. For example, seven of them have machinery and facilities exclusively for production. However, the rest carry out their productive processes in their homes in a handmade manner. On the other hand, it was concluded that only three companies handle advertising tools, which affects their development and growth in order to increase their sales and reach new local markets.

Another factor in common is the lack of introduction in new markets, given that, with the exception of two companies or associations, the rest have only reached the market of Cuenca; this is due to the result of lack of vision, resources and development of transport service for the canton's producers. On the other hand, five companies or associations have their own brand and logo and thirteen of them are legally established as a legal entity, a fact that brings numerous benefits for them. However, there are also some associations and companies that do not take advantage of these benefits and do not have their obligations in order at present.

4 Chapter four: Results

4.1 Introduction

After the development of the reports of the actors chosen and interviewed for the present project, accompanied by the qualification of their characteristics on the development of the company or association established in the methodology of the previous chapter; it is necessary to analyze the qualities of each company or association. For this, this chapter is made up of the SWOT analyze and crossed SWOT for each company or association. The same methodology has been defined for all the associations and companies interviewed.

The main objective of this chapter is to define the state in which each company or association is in regard to the development in the internal and external scope; with a possible export condition goal. Secondary objectives are the establishment of possible lines of action, which could help the growth of associations or companies, eliminating the limitations they present through their weaknesses and threats. Then, we will proceed to establish the corresponding methodology for carrying out the mentioned SWOT and crossed SWOT analysis.

4.2 Methodology

The methodology of this chapter is focused on reaching the analysis of the development grade of all the associations or companies that were interviewed in the previous chapter. For this, a study was required of the crossed SWOT and SWOT method as a established tool. First of all, the SWOT analysis is a tool used mainly to perform an evaluation and solution of the problems that could be found in a company. For the development of this analysis, first: the strengths, weaknesses, opportunities and threats that are part or have an effect on the selected company must be identified. The strengths and weaknesses of the company are considered as internal factors, referring to the organizational system and its products. On the other hand, opportunities and threats are considered as external factors, being conditions or factors alien to the company with a certain level of influence over it. To guarantee the source and veracity of the information obtained to carry out this analysis, the person in charge of the obtaining had to ensure that this information is provided by the members of the company, since they are the seers of the organization and they know with great detail the processes and characteristics that are handled in the company.

Regarding the SWOT analysis process, the factors should be examined in the following order: strengths, opportunities, threats and weaknesses. The objective of following this order is to optimize the performance of this analysis, since by first examining the threats, the company may previously establish strategies to combat them and subsequently reduce the effect generated by the weaknesses in the company. In this way, by reducing the impact of threats and weaknesses, the company will take advantage of its strengths and opportunities in a more efficient manner. The technique requires an analysis of the internal elements of the organization that influence its development, determined by the product or service provided by the organization influenced by its comparative advantages before the competition, in addition to the organization of the company. This analysis studies the main points of the context and identifies the opportunities, threats or obstacles. It is necessary to take into account that the factors evaluated for an organization can be a weakness as for another it can function as a strength, etc. (García López & Cano Flores, 2014)

Second, there is the crossed SWOT tool. This tool consists in the comparison of the variables in order to find possible solutions to the problems faced by the company based on the advantages or strengths that the company has against the disadvantages or weaknesses of it. The union of the variables can be realized between all, so much between only internal, only external, or interlaced.

For the realization of this chapter, the SWOT tool was applied based on the chart of qualifications established in the previous chapter to which each association or company has been submitted. However, the variables found in this table of ratings are expressed in internal aspects of the company, where according to their qualification, they will be established as strengths or weaknesses. In the external field, the establishment of the variables is constituted under the criteria of the research team based on the analysis of the sector, the cantons, and the palpable demands of the market. Regarding to the crossed SWOT, the methodology of joining the external variables with internal variables is established: strengths with opportunities, and weaknesses with threats; with the objective of establishing possible lines of action for a better development of the company or associations, and limitations for the determination of the barriers of the same.

4.3 Analysis by report

4.3.1 Association of Strawberries Nabón

4.3.1.1 SWOT

Strengths

- It has legal status, for which a RUC has been granted, with which the administrative accounts and the tax obligations are in order.
- It has the general objectives defined both in the commercial and productive areas, among which we find an export goal.
- Producers know the comparative advantages.
- It has more than 7 years of experience in the market, so it has strategic points of sale such as: Coral Hypermarkets, bakeries, etc.
- It has a certification for production, which is characterized by being free of chemicals, granting them the recognition of Nabón Clean Products.
- It has its own brand and logo; the same ones that are currently registered in the Ecuadorian Institute of Intellectual Property.
- It has 15 members.
- It enjoys easy access to raw materials.
- It has a great capacity to increase production.

Opportunities

- There is a great demand for strawberries in the area.
- There is an opportunity to introduce product in all supermarkets.
- Possibility of producing strawberry derivatives.
- There is no brand in the market.
- Organic products are currently in vogue for their benefits.

Weaknesses

- It does not have an organizational chart, so they do not have an established mission and vision.
- The containers with which the products are marketed are not very adaptable to the market, since they aren't made of resistant materials.

- It does not have exclusive facilities for the production or packaging of products, so it does not have machinery or technology either.
- It does not receive training frequently.
- It has a lack of financial liquidity, since they do not manage the reinvestment concept.
- It does not handle any kind of advertising tools, so they do not have a specific advertising plan.
- The product is highly perishable.

Threats

- There is a lot of competition in the market.
- Transportation needs to be effective.
- There are high demands of the market.
- Production is directly affected by weather and season.
- Foreign market segment.

4.3.1.2 Cross SWOT

Table 34: Association of Strawberries Nabón Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action plan	Limitations
<p>A. To introduce the product in more supermarkets in the area with the brand and logo of the association taking advantage of the experience in the market.</p> <p>B. To acquire financing on behalf of the association, as a legal entity, for the implementation of infrastructure and technology to produce strawberry derivatives.</p> <p>C. To increase production to reach a greater supply of the demand of strawberries in the market.</p> <p>D. To position the brand in the market as pioneers in the absence of a brand possessed in the product.</p> <p>E. Take advantage of the Nabón Productos Limpios recognition to satisfy the demand of organic products in the market through the</p>	<p>A. The climate directly affects production as there are no adequate facilities or technology for production and storage.</p> <p>B. The market has high demands on the characteristics of the product, which the association cannot guarantee due to lack of frequent training.</p> <p>C. Due to the perishability of the product, special transport is required to preserve the quality and temperature of the product.</p> <p>D. It is difficult to face the high competition in the market due to the lack of advertising tools and quality packaging.</p>

use of a comparative advantage. F. Optimal organization and accounting of production and sales, in order to achieve an increase in sales.	
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Source: Personal file. Authors: Francisco Hermida / Edgar Avila.

4.3.2 Association Intercultural Health of Nabón

4.3.2.1 SWOT

Strengths

- It has legal entity and RUC.
- It has easy and constant access to raw materials.
- They know their comparative advantages.
- It has more than seven years of experience in the local market.

Opportunities

- The alternative medicine market is broad.
- There is little competition in the market.
- Natural products are desired in the local and international markets.
- There are many distribution channels for the commercialization of the products.

Weaknesses

- It does not have mission or vision.
- It does not have an organization chart.
- It does not have product certification.
- The packaging of the products are of low quality.
- The association does not have its own brand or logo.
- It does not have licenses for production.
- It does not have machinery or exclusive facilities for production.
- Members not reinvest earnings.
- It does not currently have accounting.
- It does not have its own points of sale.
- It does not handle advertising tools.

Threats

- The market relies more on certified products.
- Low valuation in the prices of products in the local market.

- Lack of confidence in alternative medicine.

4.3.2.2 Cross SWOT

Table 35: Association Intercultural Health of Nabón Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action Plan	Limitations
A. Opportunity to acquire financing, training or infrastructure on behalf of the association as a legal entity. B. Take advantage of the knowledge of the comparative advantages of the products to introduce them to the alternative medicine market. C. Benefit from the experience in the market to face the little competition that exists in the market. D. Use access to raw materials to continue the production of alternative natural medicine. E. E. Opportunity to work with intermediaries for a better distribution of products.	A. Lack of license, certificates, brand and logo generates a distrust in the target market. B. Difficulty of increasing the value of this type of products, due to the lack of high quality packaging, strategic points of sale and the absence of advertising tools. C. Impossibility to increase the amount of production due to lack of facilities and machinery of the association. D. They do not have a mission, vision, or an organizational chart for the organization of production. E. E. They do not keep production and profit accounting, which makes reinvestment difficult.

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila.

4.3.3 Association of craftsmen of Nabón

4.3.3.1 SWOT

Strengths

- It has legal entity and RUC.
- It is comprised of more than 12 members.
- They know the added value of your products.
- It has a defined star product.
- It has an easy and constant access to raw material.
- They Carry accounts now and have all tax obligations in order.
- They manage advertising tools.

Opportunities

- Local handicrafts are highly desired in certain foreign markets.
- Take advantage of the filing of foreigners in the province of Azuay.
- Take advantage of the tax exemption determined by the Government for the export of handicrafts.

Weaknesses

- It has no established vision or mission.
- It does not have an organization chart.
- It does not have product certifications.
- It does not have packaging for marketing
- It does not have its own brand or logo.
- They do not have machinery or exclusive facilities for production.

Threats

- Little demand in the local market.
- Lack of appreciation of crafts in the local market.
- The foreign market is segmented.

4.3.3.2 Cross SWOT

Table 36: Association of craftsmen of Nabón Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action plan	Limitations
<p>A. Take advantage of the legal establishment of the association, and the added value of its products for the introduction of products in strategic market niches such as: DuttyFree and in this way generate recognition in foreign markets.</p> <p>B. Use the advertising tools to reach the growing market of foreigners eradicated in the area.</p> <p>C. Access financing on behalf of the association, as a legal entity, to implement production facilities of the association.</p> <p>D. Ensure constant production with easy access</p>	<p>A. Difficulty of creating a face due to the low demand of the local market, due to the lack of brand and logo of the association.</p> <p>B. Lack of appreciation and appreciation of the crafts in the market due to the lack of product certifications.</p> <p>C. Lack of a commercial strategy, absence of mission, vision and organization chart; to reach a foreign market that is segmented.</p>

to raw materials. E. Take advantage of the tax exemption for the export of products.	
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Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

4.3.4 Association of tequileros

4.3.4.1 SWOT

Strengths

- It has its defined objectives and also has mission and vision.
- It has more than eight members.
- Take advantage of its comparative advantages with respect to your product.
- It has long experience in the market by some of its members.
- It has its star product defined.
- Some members have machinery and technology for production.
- It manages easy and constant access to raw materials.
- It has a great capacity to increase production.

Opportunities

- There is demand for the product in foreign markets.
- Low competition of agave liquor product in the local market.
- Use new distribution channels available in the local and international market.

Weaknesses

- It does not have legal status or RUC.
- It does not have a defined administrative organization chart.
- It has no brand or logo defined.
- It does not have any product certification.
- It does not have containers for the commercialization of its product.
- It does not currently have accounting.
- It does not handle advertising tools.

Threats

- There is a growing shortage of Agave in the area.
- Foreign product competition with similar characteristics.

- Prices of similar cheaper imported products.

4.3.4.2 Cross SWOT

Table 37: Association of tequileros Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action plan	Limitations
<p>A. Take advantage of access to raw materials and capacity to increase production to meet the growing demand for the product in foreign markets.</p> <p>B. Take advantage of the long experience of some members to take over the market.</p> <p>C. Use the comparative advantages to excel in the face of low competition of national product in the market.</p> <p>D. Create new distribution channels available for the product in the local and international market.</p> <p>E. Benefit from the machinery of certain members of the association to increase production.</p>	<p>A. Existe una creciente escasez de la materia prima, el agave, dentro de la región.</p> <p>B. La ausencia de marca, logo, certificaciones y envases adecuados; impide hacer frente a la competencia del producto extranjero en el mercado.</p> <p>C. Los precios de una gama de los productos importados similares presentan precios más bajos.</p> <p>D. La carencia de personería jurídica, RUC, y organigrama, impiden un crecimiento de la asociación como tal.</p> <p>E. La falta de herramientas publicitarias dificulta la competencia con otros productos.</p> <p>F. Falta de voluntad por parte de ciertos integrantes para la conformación y desenvolvimiento de la asociación como tal.</p>

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

4.3.5 Association of Horchatas Nabón - Cochapata

4.3.5.1 SWOT

Strengths

- It has legal entity and RUC.
- It has all the tax obligations in order and it keeps accounts at the moment.
- It is composed of 11 members.
- It has mission, vision and its defined objectives.
- It has its star product defined.
- It has certifications and recognition of your product.

- It has its own packaging for marketing its product.
- It has its own brand and logo, and they are also registered in the IEPI.
- It has the current production licenses.
- It has a large capacity Increase in production.
- It has exclusive facilities and technological machinery for production.
- They manage the concept of income reinvestment.
- It has more than 11 years of experience in the local market.
- They market the product in different points of sale.

Opportunities

- Great demand in the local and international market for organic products.
- Differentiation of the product by cultural characteristics of the area.
- Diversify production.

Weaknesses

- It does not have an administrative organization chart.
- It has medium / low quality containers.
- It does not handle advertising tools.

Threats

- There is a great national and international level competition.
- Little knowledge of the product in external markets.

4.3.5.2 Cross SWOT

Table 38: Association of Horchatas Nabón - Cochapata Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action plan	Limitations
A. To supply the great local and international demand for organic products, considering the certifications and recognitions of the chemical-free product.	A. Difficulty of differentiation in tea competition at national and international level, due to the packaging and presentation of the

<p>B. Use the established brand and logo to intensify the differentiation of the product with its cultural characteristics of the region.</p> <p>C. Obtain financing through the legal personality of the organization with the aim of implementing training to diversify production in a new product range.</p> <p>D. Take advantage of the machinery and exclusive facilities available from the organization to increase production and product diversification.</p> <p>E. Take advantage of the experience that the organization has in the market to position itself in new points of sale in the area.</p> <p>F. Take advantage of the good organization and participation of all the members of the association, since they perform an equitable work as a team.</p>	<p>product that are of medium or low quality.</p> <p>B. Does not have an organization chart and fixed goals of the association.</p> <p>C. The lack of advertising tools makes it difficult to increase the knowledge of the product in foreign markets before the competition.</p>
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Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila.

4.3.6 Association of milk Zhiña

4.3.6.1 SWOT

Strengths

- It has the status of legal entity, so it has been granted a RUC with tax obligations in order.
- It has 20 official members; however, more than 40 people contribute in the production.
- It has about seven years of experience in the market
- It has a star product: milk.
- It has access to raw materials is abundant, so members have the capacity to increase production in a growing market demand.

Opportunities

- Diversification of production to milk derivatives: yogurt, cheese, etc.
- Growing local demand: it is a product of high consumption.
- Easy introduction of the product to the market.

Weakness

- It does not have specific objectives, so they do not have mission and vision either.
- It does not market its product in containers, as they do not have a brand or logo, as a result they are not registered in the Ecuadorian Institute of Intellectual Property.
- It does not have licenses for production.
- It does not have specific facilities for production or machinery or technology.
- It does not handle any kind of advertising tools or points of sale as a company.

Threats

- High competition in the market.
- Highly perishable products, they need a lot of care and preferable refrigeration.
- Difficulty in transportation, due to the type of product and the place of production.

4.3.6.2 Cross SWOT

Table 39 Association of milk Zhiña Cross SWOT analysis.

Strengths	Weaknesses
Opportunities	Threats



Potential: Action plan	Limitations
<p>A. Request financing through legal entity to acquire machinery, facilities and training, with the aim of diversifying production.</p> <p>B. Take advantage of access to abundant raw materials, through its 40 producers and collaborators, to supply the growing local demand for dairy products,</p> <p>C. Use the long experience in the market to achieve an easy introduction in the market.</p>	<p>A. Impossibility of facing the competition due to the lack of a brand, logo and advertising tools of the association.</p> <p>B. The lack of facilities and machinery for the production and storage of the product exacerbates the product's perishability.</p> <p>C. Dependence on the transportation of external or intermediary associations due to the location of the place of production.</p> <p>D. The lack of objectives, mission and vision prevent the organization from organizing growth.</p>

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila

4.3.7 Association 13 de Junio Ñamarín

4.3.7.1 SWOT

Strengths

- It has the status of legal entity, so it has been granted a RUC with the same accounting and tax obligations.
- It has 25 members.
- It has objectives and a defined organizational chart.
- It has a star product: guinea pig, which they know their comparative advantages in the way of their production practices.
- It has 10 years of experience in the market.
- It has a product certification to generate consumer safety.
- It has a high access to raw materials, so members have a considerable capacity to increase production.
- It has an exclusive factory for production where they have machinery for the treatment of their products.
- Its members and their board seek to encourage and fulfill the reinvestment of profits.

Opportunities

- Satisfy the demand of the nostalgic market, that is, migrants in other countries; especially in the United States of America.
- Great demand in the local market.
- Organic production.
- It is a traditional product that identifies a culture that is highly esteemed in the world by the Incas history.

Weaknesses

- The product is not sold in containers, so they do not have a brand or logo for marketing. The company has no registration with the Intellectual Property Institute.

- There is a low development of distribution channels, generating a certain dependence on buyers, and they do not handle advertising tools.

Threats

- The product is moderately perishable.
- Existence of a high demand in the local market.
- Resistance to introduction in foreign markets, the animal is a pet.
- Foreign market segment.

4.3.7.2 Cross SWOT

Table 40: Association 13 de Junio Ñamarín Cross SWOT analysis.

Strengths		Weaknesses
Opportunities		Threats



Potential: Action plan	Limitations
<p>A. Through the legal status reach a state of export of the product to meet the demand of the nostalgic market especially in the United States of America.</p> <p>B. Take advantage of the great capacity of production increase, the technology and the facilities of the association, to satisfy the consumption demand of guinea pigs in the local market.</p> <p>C. Use the certification and recognition of the organization to generate added value due to the high demand of organic products.</p> <p>D. Create a comparative advantage through the promotion of the product and its cultural and traditional characteristics of the Andean region.</p> <p>E. Capacity to increase production due to the number of members of the association.</p> <p>F. Take advantage of the effective and equitable organization that the organization leads through all its members.</p>	<p>A. The lack of brand, logo and packaging makes it difficult to create a differentiation from the competition in the region's market.</p> <p>B. The high perishability of the product requires adequate packaging and transportation to market the product in distant markets.</p> <p>C. The foreign consumer market of this product is highly segmented, due to the existence of a cultural barrier since the animal is considered a domestic pet in other countries.</p>

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila.

4.3.8 Don ISAAC

4.3.8.1 SWOT

Strengths

- It has the status of legal entity for which it has been granted a RUC with the same accounting and tax obligations in order.

- It has objectives and a defined organizational chart for the achievement of goals.
- It knows the comparative advantages of their products.
- It has 10 years of experience in the market.
- It has a star product: the agave liquor; however, they also have a diversification of products: wine and rum.
- It has products certification and production licenses.
- It has packaging for marketing, the same as the logo and brand. These are registered in the Ecuadorian Institute of Intellectual Property.
- It has a high access to raw materials, so members have the capacity to increase production if the market grows.
- It has exclusive facilities and machinery for production.
- Reinvestment of earnings is reflected in the company's growth.
- It has specific points of sale of the company, in addition to marketers.

Opportunities

- Take advantage of liquor demand in foreign markets.
- Take advantage of the demand in the local liquor market, as a new variety.
- Low competition of the product in the local market in this type of liquor.
- Use of new sales channels.

Weaknesses

- It does not have advertising tools for marketing.
- The company has only 5 members.
- Factory location.



Threats

- The raw material is finite and long process to obtain it.
- Foreign product competition, Mexico's tequila.
- Prices of similar cheaper imported products.

4.3.8.2 Cross SWOT

Table 41: DON ISAAC Cross SWOT analysis.

Strengths		Weaknesses
Opportunities		Threats

Potential: Action Plan	Limitations
<p>A. Through legal status, perform the process of internationalization of the company and positioning in international markets with the brand and registered logo of the company.</p> <p>B. Take advantage of the organization's experience to increase the expansion of markets and points of sale in the local market.</p> <p>C. Take advantage of the certifications and licenses to generate greater value and acceptance in the consumers of the local and foreign market.</p> <p>D. Use the diversification and innovation of the organization's products to meet the growing demand for liquor consumption in local markets.</p> <p>E. Use of new distributive channels to achieve greater sales and consumers.</p>	<p>A. Difficulty of creating against the competition of national and imported products given the lack of management of advertising tools for the promotion and marketing of products.</p> <p>B. The organization has only 5 members, being a low number of labor before a possible increase in demand in the product.</p> <p>C. The location of the factory hinders the easy transportation of the product and the access of possible new buyers.</p> <p>D. The production vision could be threatened in the long term by the possible shortage of the raw material in the long term.</p> <p>E. Threat of imported products that are introduced to the market with lower prices.</p>

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila

4.3.9 Association of small forks of dairy cattle of the Morasloma Páramos

4.3.9.1 SWOT

Strengths

- It has the status of legal entity and it has been granted a RUC.
- It has 40 members who participate in the production.
- It has established objectives for the growth of the company.
- It has a star product: milk.
- It has easy access to the raw material, so members have the capacity to increase production.

Opportunities

- Production diversification.
- There is a great demand for the product in the local market.
- Easy introduction of the product to the market.

Weaknesses



- They do not have a defined mission and vision, so they are not based on an organization chart either.
- Experience in the market since 2015.
- They do not sell with packaging or with a brand or logo. Because of this, it has no record in the Ecuadorian Institute of Intellectual Property.
- They do not have product certification or production licenses.
- There are no exclusive facilities of the association, so they do not have machinery or production technology either.
- They do not manage the association's sales points or advertising tools.

Threats

- High competition in the local market.
- Medium perishable product.
- Difficulty of transportation.

4.3.9.2 Cross SWOT

Table 42: Association of small forks of dairy cattle of the Morasloma Páramos Cross SWOT Analysis.

Strengths		Weaknesses
Opportunities		Threats
		
Potential: Action Plan		Limitations
A. Through legal status, acquire financing on behalf of the association to implement facilities and training in order to achieve the diversification of production.		A. Impossibility of facing competition in the local market since the association does not have its own brand and sells its production to companies that are marketed under another name.
B. Use greater productive capacity of the organization through its 40 members to meet the high demand of the product.		B. The lack of licenses and certifications makes it difficult to create a brand for the product and its marketing under its name.
C. The star product of the organization is one of mass consumption, so it is considered easy to introduce to the market.		

	C. The lack of facilities and machinery makes the treatment and storage of the product impossible.
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Source: Personal file.

Authors: Francisco Hermida / Edgar Avila

4.3.10 Association of guineapig producers Nueva Esperanza

4.3.10.1 SWOT

Strengths

- It is defined as a legal entity and has a RUC.
- It has defined their objectives and mission.
- It has more than 10 years of experience in the local market.
- It has facilities and exclusive technological machinery for production.
- It has easy and constant access to raw materials.
- It has a great capacity to increase production.
- The association currently keeps accounting and has all the tax obligations in order.
- It has recognition of organic products.

Opportunities

- Demand of the nostalgic market abroad, especially in the United States.
- There is a great demand in the local market.
- Market preference for organic products.

Weaknesses

- Does not have an administrative organization chart.
- Lacks product certifications.
- Does not have containers for the marketing of their product.
- The association does not have its own brand or logo.
- It does not have its own points of sale.
- Does not handle advertising tools.

Threats

- There is great competition in the local and international market.
- Resistance to the introduction of the product in foreign markets.
- Foreign market segment.

4.3.10.2 Cross SWOT

Table 43: Association of guineapig producers Nueva Esperanza Cross SWOT Analysis.

Strengths		Weaknesses
Opportunities		Threats



Potential: Action Plan	Limitations
<p>A. Search as an association a state of export of the product to satisfy the demand of the nostalgic market in the United States of America.</p> <p>B. Take advantage of the production capacity increase, the technology and the facilities of the association, to satisfy the consumption of guinea pigs in the local market.</p> <p>C. Use the certification and recognition from the organization to generate added value as an organic product.</p> <p>D. Capacity to increase production due to the number of members of the association.</p>	<p>A. The lack of brand, logo and packaging makes it difficult to create a differentiation from the competition in the region's market.</p> <p>B. The high perishability of the product requires adequate packaging and transportation to market the product in markets.</p> <p>C. The foreign consumer market of this product is highly segmented, due to the existence of a cultural barrier since the animal is considered a domestic pet in other countries.</p> <p>D. Unequal organization since not all the members are part of the sale of the product, nor are they aware of amounts of the utility generated by the association.</p>

Source: Personal file.

Authors: Francisco Hermida / Edgar Avila

4.3.11 El Mirador

4.3.11.1 SWOT

Strengths

- It has legal status and RUC.
- It has its objectives and mission defined.
- They know their comparative advantages.
- It has more than 10 years of experience in the market.
- It has licenses and recognition of its organic production.
- It has quality packaging for marketing.
- It has an own brand and logo.

- It has an easy and constant access to the raw material, which gives it a great capacity to increase production.
- It has exclusive facilities for production.
- The company keeps accounting and has all their tax obligations in order.

Opportunities

- Take advantage of wine demand in foreign markets.
- Take advantage of the demand in the local wine market.
- Differentiate their product by its ingredients.
- Use of new sales channels.

Weaknesses



- It does not have their brand or logo registered in the IEPI.
- It does not manage advertising tools for marketing.
- The company has only 3 members.
- Certain products do not currently have a phytosanitary registry.

Threats

- Foreign product competition in the local market.
- Lower prices of similar imported products.
- The preference of foreign wine in the local market.

4.3.11.2 Cross SWOT

Table 44: El Mirador Cross SWOT Analysis.

Strengths		Weaknesses
Opportunities		Threats
		
Potential: Action Plan		Limitations
A. Cover the local demand and introduce their wines of different flavors to the local market in fairs through the El Mirador brand. B. Take advantage of the capacity of production increase, the technology and the facilities of the association, to satisfy the demand of wine in the local market. C. Use certification and recognition from the organization to generate added value as an organic product. D. Use new sales channels to reach more		A. The lack of brand and logo makes it difficult to compete with the foreign product due to its low prices. B. Introducing the product to new markets can be difficult, given that the company does not handle advertising tools. C. It would be difficult to increase production immediately, since the company only has 3 workers.

4.3.12 FERBOLA

4.3.12.1 SWOT

Strengths

- It has legal status and RUC.
- It has its objectives, mission and vision established.
- It has 12 years of experience in the local market.
- It has licenses and product certifications.
- It has its own brand and logo of the company and are currently registered in the IEPI.
- It has a production plant suitable for its needs, of which it occupies only 30% of its productive capacity; which gives it a great capacity to increase production.
- It has a constant and easy access to raw material.
- They have all their tax obligations in order.
- Manages advertising tools.
- The company is present in numerous points of sale nationwide.
- Their products are made without chemicals.

Opportunities

- Demand for products without chemicals in the local and foreign markets.
- Their products are classics of the region, which is why they are highly sought after in the local market.

Weaknesses

- The number of full time workers of the company is low.
- In certain cases, the company depends on third parties to obtain the raw material.
- Impossibility of obtaining organic certifications for high prices and lack of custom in the local market.

Threats

- There is a high competition of similar products in the local and international market.
- There is competition from similar products in the foreign market that does have organic certifications.

4.3.12.2 Cross SWOT

Table 45: FERBOLA Cross SWOT Analysis.

Strengths		Weaknesses
Opportunities		Threats



Potential: Action Plan	Limitations
A. Take advantage of the brand, experience in the market, manage advertising tools and added value of the products to introduce them in foreign markets. B. Take advantage of the large production capacity of the plant to supply the demand in foreign markets. C. Obtain organic certifications of their products to generate confidence and competitiveness in the foreign market.	A. Difficulty of increasing production immediately, since the company only has 6 permanent workers. B. The fact that they obtain part of their raw material from suppliers makes it impossible to obtain a certification of organic products.

Source: Personal file.

Auhtors: Francisco Hermida / Edgar Avila

4.4 Conclusions

After having analyzed all the companies and associations through a classification of the positive and negative aspects of each, represented in an analysis of: strengths, weaknesses, threats and opportunities. The following general points can be established:

- 11 of the 12 companies and associations analyzed could take advantage of the legal status to obtain financing in order to acquire or construct their own facilities and increase the company's production.
- Five of the companies and associations interviewed have packaging as a strength, while the seven remaining companies have this disadvantage for a correct entry into new markets.
- Three of the companies handle advertising tools as a means of positioning in the market, so the remaining nine do not see the need to do so, generating a general trend of the lack of advertising tools.
- Five of the twelve companies have their own brand and logo, through which they could enter into new markets, either local or foreign.
- Ten of the twelve companies do not use intermediaries to take their products to distant markets, which can be considered a disadvantage; due to most of the companies studied in this project do not have the necessary resources to transport and dispatch their products. Therefore, the use of intermediaries for such action is essential.

5 Conclusions

Firstly, the economic and political tendencies in the commercial sphere of the world have been a factor that determined the countries and their production especially of goods and services. These trends have changed from a closed market in the mercantilist era, to extremely open markets marked by globalization and technological development competition where production can be diversified in several countries and repeated in many others. This opening of the market and its self-regulation has shown a growth of the economies in the world, especially in the more developed countries. This integrates those who are in the process of developing this trade and market of global needs.

In the case of Ecuador, business and commercial growth now covers 99% of companies that are in the category of micro, small or medium-sized companies. The management and development of this type of companies present simpler growth characteristics which allow them an easy insertion in new markets. However, it is necessary to establish an export audit to know the necessary parameters to reach external markets.

For the study of this category of companies and associations, two specific regions of the province of Azuay were established: the cantons of Nabón and Oña. In the rural sector of the province, it was evident that there have been increases in the quality of life of people, such as the increase of schooling in the region, or better access to health. However, there are other factors that present problems that become critical for trade in the sectors, such as transport and roads. These problems create a disadvantage in the productive sector, knowing that the region has a great variety of climates and soils, which allow a diversification of production. However, the commercialization and the economy is stagnating in the sector due to lack of access to new markets.

After having made the approach, several companies and associations in this sector were interviewed, so that a general state of production and companies in the Nabón and Oña region was concluded. In first place, few companies are in a state of advanced maturity in terms of production and organization to achieve the necessary standards for insertion in new markets. One of the main reasons for this lack of maturity is the great gap that exists between productive and organizational development. Even though eleven of the twelve entities interviewed have legal

status, only half of them have managed to set up production facilities or machinery by placing the rest in artisan methods with little organization. On the other hand, five entities have established logos and brands of which only three manage advertising tools. These characteristics were also reflected in the SWOT and Cross SWOT analysis of all the companies and associations interviewed.

6 Recommendations

After having made the approach to the sector and established twelve actors interviewed, we proceeded to perform the analysis indicated above for the development of this research project. We propose general recommendations based on the trends that have been evident in the region.

- Generate spaces and events that allow to share the benefits the companies and associations, the management of advertising tools, to reach new local markets in the first instance and possible international markets in the medium and long term.
- Create new advertising strategies through the development of a brand and logo for the goods produced in the region to achieve a boost in the previously achieved markets.
- Seek credit or any other form of financing through the legal entity of the companies and associations, to acquire machinery and building facilities for production.
- Seek help and advice by approaching fairs, public institutions such as municipalities or private universities, such as developing packaging with designs that meet market expectations.
- Search for new transport methods that comply with the legal operating regulations, which can serve all producers in the region to bring the merchandise or goods produced to the markets of the sector just like those of the most convenient cities.
- Promote the collaboration of the sector's producers, to create a front that can request the frequent maintenance and improvement of roads, with the aim of improving the quality of transport and ease of access.
- Seek training by approaching public or private institutions that provide assistance and advice in updating knowledge about production techniques, with the aim of improving them.

- Associate among existing producers and / or associations, which are dedicated to the production of similar goods, to strengthen and grow in the productive and organizational sphere.
- Investigate the diversification of goods produced in the sector to establish which can be produced without difficulty with the available factors.

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