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Diagnosis of the exportable offer of the textile sector of Cuenca’s urban zone

Graduation Work Previous to obtaining a bachelor’s Degree in international studies with Bilingual Mention in Foreign Trade

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DEDICATION

The present work is dedicated to my parents, for their infinite support and unconditional love.

I am here thanks to them.

Vanessa Carolina Alvarez Quezada
DEDICATION

To my parents.

Juan Manuel Rendon Reinoso
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ABSTRACT

The present study was jointly carried out with institutions of Cuenca, which provided information about its productive environment, with the aim of determining the exportable potential of its textile sector. With the participation of some SMEs from the mentioned sector, it was possible to gather information and analyze their current situation. In this way, it is intended to boost the growth of SMEs in Cuenca and, therefore, encourage the development of the industry in Azuay, seeking to implement internationalization as a tool to achieve these goals.
INTRODUCTION

The main objective of this investigation is related to international trade. This study aimed to evaluate the expansion possibilities of different Small and Medium Enterprises (SMEs) of Cuenca, through increasing or implementing the exportation of its products (international trade) as part of its operational activities. For that reason it is very important to consider in this study, different theories that exist about international trade, and how all of them have evolved through time to reach a completely interconnected world. It is also important to understand concepts that also complete this subject, as for example, internationalization and the process of its implementation.

International trade is a very important aspect to companies from all over the world. It is important to look for new opportunities that could be found in foreign markets because of the increasing demand of products in the world. That is why, the search of this study was to evaluate and determine the exporting potential of different SMEs from the textile sector of Cuenca. This evaluation offers information about this productive sector so it could be used to enforce the already existing opportunities, which could lead to growth and development of the textile sector.

In the Ecuadorian economy, the textile sector is one of the most important industries; more accurately, Azuay is the third province of Ecuador with the most quantity of businesses and workshops related to the textile industry. For that reason, it is important to collect information about the different businesses that belong to this sector. There were different institutions that supported the attainment of this project, for example, Pro Ecuador, Ministry of Industries and Productivity (MIPRO), Public Company of Economic Development of Cuenca (EDEC by its Spanish abbreviation) and Chamber of Small Industry of Azuay (CAPIA by its Spanish abbreviation). The help of these institutions allowed to determine the different business that would be part of this investigation: and that by their characteristics are classified as SMEs. It is also important to notice
some distinctions from the most representative businesses of the textile sector which are not cataloged as SMEs, but represent a fundamental part of this industry. With the provided information from the different institutions aforementioned, a list of SMEs that comply with the required characteristics to be part of this project was obtained.

To determine the export potential of the previous chosen SMEs, an Export Audit was created based on previous models which have been proportionated by the different institutions that collaborated in this Project, and also with a basis from the acquired knowledge during the course of the career of International Studies. In this document the different business that are part of the project are evaluated in four main areas: administrative, financial, sales and production. This evaluation helped to obtain the desired results to meet the objectives of this investigation. This document gave the qualification in order to proceed to make a respective analysis of each of the productive entities that are part of this project.

Through the conducted interviews with the different businesses, were identified different aspects related to the process of production, administration and commercialization of the SMEs. This model allowed the analysis of the actual situation of the participating businesses, through the application of two main schemes: SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and CAME (Correct weaknesses, Assume threats, Maintain strengths and Exploit opportunities). These models helped to reach a more complete analysis of the obtained results from the Export Audit that evaluated each of the participant business of this study. These analyses, also led us to offer recommendations with the aim of identifying pros and cons of the participant SMEs, in order to provide solutions that could strengthen the development of the businesses and textile sector in general.

The diagnosis of the exporting potential of the participating businesses in this investigation, seeks to provide information about the actual situation of the textile sector in Cuenca, mainly focused on small and medium businesses or industries, since it has been noticed that little information exists and has been collected directly from the SMEs to show a real and precise situation of them. In this way this investigation could be considered as the first stage of a bigger
project that recommends the internationalization of SMEs from textile sector, with the aim to promote the development and growth of Azuay industries.

This Project also searches to provide information about internationalization and international trade, mainly focusing on what they are, how they work and which are the benefits of incorporating these tools in today’s businesses and industries. The different SMEs from textile sector in Cuenca could get diverse opportunities that represent international trading, by expanding their markets and sales to improve the economy, which could benefit not only industries, but all the country.
Introduction

Through history many theories and concepts have been proposed to describe what the purpose of international trade is. Countries trade between one another mainly because of the need to exchange different goods and services with the aim of reaching adequate distribution of resources worldwide. This exchange developed over thousands of years, and nowadays it has become an essential factor in the development and growth of the countries.

Nowadays, the world is completely interconnected, so it is possible to confirm that no country could be successful by itself. Everyone needs everyone through different measures. In a globalized world it is essential to understand how international trade works, to reach the best possible opportunities from these that are emerging in different markets worldwide. The main element of this investigation is Ecuadorian SMEs and their exporting capacity. The project seeks to provide information that could make an internationalization plan for those businesses, noticing the importance and opportunities that international trade brings. To accomplish this purpose, it is essential to understand what and how international trade works, the concept of internationalization, and how this applies to Ecuadorian SMEs.

1.1 International Trade Theories

International trade has a wide scope that includes concepts of: industrialization, interdependency, division of labors, etc., so it is hard to establish a general definition that includes all aspects. According to Roman (1998) international trade, it can be understood as “the economic activity
based on the exchange of goods, capital and services that carries out a specific country with the rest of the countries from the world, regulated by international norms or bilateral agreements”. Through the years different theories have been developed. Different theories related to international trade have been analyzed and criticized, that means a substantial input to understand commercial relations that countries build worldwide. Different existing theories have been helpful to explain why countries trade with each other, which are their principal partners and what do they trade. It also explains benefits and consequences that international trade brings.

1.1.1 International Trade through History

Mercantilism was one of the first theories on which international trade was based. This was an economic model developed between XVI and XVIII centuries based on the premise that “a nation benefits from international trade only when it has a favorable balance in it trade balance” (Ffrench-Davis, 1979), which means that the wealth of a nation was measured according to the quantity of precious metals that were accumulated from the positive result in their balance. During the mercantilist period, the quantity of precious metals (especially gold and silver) that a State possessed were used as a reference to measure its wealth.

According to this indicator, countries seek to increase the quantity of precious metals that they possess that comes into the country, as well as trying to reduce the minimum outflow of those metals. This was reached by a strict control of the commerce, implementing protectionist policies such as the imposition of high rates of tariffs to foreign products. “Mercantilism set up a decisive state intervention, severe and meticulous regulations which tended to encourage exportable production, reduce imports, prohibit the exit and stimulate the entry of precious metals” (Ávila y Lugo, 2004).

The ideas that were promulgated by mercantilists started to receive serious criticism, causing it decay at the end of XVII century, a period in which other economic theories began to gain strength. Adam Smith, in his work Wealth of the Nations, presented several arguments that basically expressed that, the set of policies chosen by the government favored the interests of those in
power, but not the people in general. He also pointed out “In the mercantile system the consumer’s interest is almost constantly sacrificed compared to that of the producer, because it seems that the ultimate purpose of any activity and trade is production and not consumption” (Smith, 2011).

At the end of the XVIII century and the beginning of the XIV some influential economists began to investigate the causes of international trade, with the aim to demonstrate the advantages and benefits of free trade. Adam Smith, considered the father of the economy, was one of the economists who declared himself in favor of free trade, since he firmly believed that it should be mutually beneficial. From these thoughts, another theory of foreign trade known as “absolute advantage” was born. This theory indicates that, when applying free trade, “each country could specialize in the production of those goods in which it had an absolute advantage (or that could produce more efficiently than other countries) and import those others in which it had an absolute disadvantage (or that it produced less efficiently)” (González Blanco, 2011). In this way, Adam Smith emphasizes the importance of free trade in increasing the wealth of the countries of the world, pointing out in one of his most famous books that “The maxim of any prudent parent is to never try to do at home what it would cost him more to do than buy. The tailor does not manufacture his shoes but buys them from the shoemaker” (Smith, 2011).

Therefore, the absolute advantage is given by the lower cost of producing a good in relation to the production cost of another country. A State may have an absolute advantage over another due to natural conditions, cheap working capital, higher technology, or any other factor that represent a minor cost than in another country. In other words, when absolute advantage is applied, it could be said that the ‘X’ country could provide a ‘Y’ country with a much cheaper goods or services than the cost of production that had to face ‘Y’, if it would decide to produce it by itself.

This theory proposed by Adam Smith was reinforced and refined by another important economist of the time, David Ricardo. Defending the idea that free trade is beneficial for all countries involved and thanks to his abundant work and research, Ricardo introduces the concept of Comparative Advantage at the beginning of the 19th century. This is what is known as the Ricardian Model
which explains, “Even in the case of having absolute advantages in all goods, it would be convenient to specialize in those in which it is relatively more efficient and import the remaining goods” (Lugones, 2008).

The Comparative Advantage handles the assumption that work is the only factor of production of a good, which means that the difference between one country and another is only the productivity of work. In this way, it explains that a country must export those goods that, thanks to its work, produce more efficiently, and import those that it produces relatively more inefficiently. To better illustrate his theory, Ricardo tries to demonstrate it through an example between Portugal and England, in which the relationship of work and the production of two goods is explained with: wine and cloths. England can produce cloths for a year with the work of 100 men, and wine with the work of 120 men (during the same period of time); while Portugal can produce wine with the work of 80 men and cloths with the work of 90 men. Consequently, it is better for England to import wine, and for Portugal to export it.

This exchange can be made even when the imported merchandise can be produced in Portugal by a smaller amount of labor than in England. Even though the cloth could be produced with the work of 90 men, it would be imported from a country where the work of 100 workers is used, it would be more profitable for it to use its capital in the production of wine, in which it would obtain a greater amount of cloths from England, that he could produce by investing in the manufacture of cloths (Quoted in Ramales Osorio, 2013, p. 50).

Subsequently, the Swedish economists, Eli Heckscher and Bertil Ohlin, start from the model proposed by Ricardo and try to complement it by developing a new model that sustains the reason why international trade has significant differences in it production factors (land, labor and capital) between different countries worldwide. Heckscher proposed that “the requirements for the start of international trade can be summarized as follows: different relative scarcity, which means, different relative prices of the factors of production in the countries that trade, and different proportions of productive factors for different goods” (Quoted in Blanco, 2011, p.108).

The Heckscher-Ohlin model mainly states that countries have to specialize in those goods that, in order to be produced, make use of the abundant factors
from each respective country. In other words “a country will export the good whose production requires the intensive use of the relatively abundant factor and that represents low cost to the country, and will import the good whose production requires the intensive use of the relatively scarce and expensive factor to the country” (García Escobar, 2010). For example, a country that has abundant labor and relatively less capital should specialize in the production of goods that make use of an extensive labor force.

To better understand this model it is important to understand the concept of relative abundance and intensive use.

A country with relative abundance of labor may have a greater or lesser absolute number of workers than another country. Relative abundance would be given by the labor / capital ratio, and not because of the absolute number of workers. So, a labor intensive product is a product it is a product whose manufacture requires a high labor / capital ratio (Lugones, 2008).

The Heckscher-Ohlin model is considered as a complement to the classical theories of Adam Smith and David Ricardo, and consolidates as the neoclassical or traditional theory. Consequently, it became the dominant theory since it explained in a better way the purpose of international trade. “Consequently, for traditional theory there is no reason to hinder international free trade since it is beneficial both for central (producers of manufactures and capital goods) and peripheral countries (producers of primary products and raw materials)” (Ramales Osorio, 2013).

1.1.2 Current International Trade

After the end of World War II, international economic relations were completely reduced and deteriorated because of the periods of war. Most countries in the world agreed that it was necessary a restructuration of the global rules on economic, commercial and financial matters. This is how the International Monetary Fund, and the International Bank for Reconstruction and Development (later know as International World Bank) were created; and “in a relatively short period, countries agreed on basic norms that would regulate international economic relations, and defined and created the international organizations to develop and implement this regulation”
This institutional structure had to be completed with the creation of an organization specifically focused on trade; however, the idea could not be completed and the General Agreement on Tariffs and Trade appeared instead. This system was established in 1947 with the signing of this agreement, which, through international cooperation, sought the liberalization of world trade. GATT then became the only international instrument that regulated commercial exchange among the 23 initial members.

Once this system was established, several rounds of negotiation were held, which dealt with issues related to tariffs, taxes, restrictions, and other commercial aspects in the international field. During the seventh round, known as Uruguay Round, it was agreed to establish an organization that was aimed at regulating international trade. Thus concluding the Uruguay Round in 1994, whose final act (Marrakesh Final Act) was signed by 125 countries. “The first article of the Marrakesh Final Act, like the eighth, acquires vital relevance, since the establishment of the World Trade Organization is recognized (WTO) and its legal personality, respectively” (Witker Velásquez, 2011).

From that moment on, the World Trade Organization became an international entity in charge of the norms and rules that regulate trade between its membered countries. However, the WTO contemplates itself in different ways, cataloged as “an Organization to liberalize trade. A forum for governments to negotiate trade agreements. A place for them to resolve their commercial differences, that applies a system of commercial rules” (World Trade Organization, 2015).

Currently, the WTO works essentially through negotiation forums in which many topics related on international trade are discussed. From these negotiations arise agreements, which seek to achieve the main objective of this organization. “WTO Agreements are extensive and complex because it deals with legal texts that cover a wide variety of activities” (World Trade Organization, 2015), which can be agriculture, product safety, intellectual property, etc. These agreements are achieved through compliance with the principles promulgated by the WTO that are basically: trade without
discrimination, freer trade, predictability, and promotion of fair competition, development promotion and economic reform.

Within the framework of foreign trade, it is important to consider that “The mission of the WTO is to supervise the multilateral trading system that has been gradually implanted in the last 60 years, as well as promoting the expansion of international trade in goods and services, allowing a free, secure and predictable access” (Ministerio de Agricultura - Gobierno de Chile, 2011). In other words, this organization is in charge of facilitate and management of the way in which trade is carried out between its different members (164 currently), promoting free trade and establishing rules to guarantee fair and constructive trade.

1.2 Internationalization

To understand the concept of Internationalization it is important to consider a much broader one: globalization As Guillermo De la Dehesa explains in his book Understanding Globalization, the concept of globalization, which can be understood as a dynamic process that involves the global integration and freedom of the different global markets (work, goods, services, technology and capital) (De la Dehesa, 2000). In addition, Michael Porter uses this term to differentiate a multinational company from a global one, which pursues a global strategy. According to Lucanera and Gonzales (2011), Globalization has generated a much more complex economic and business environment that leads to consider internationalization as a feasible strategy for the development of companies. Considering these concepts; globalization makes a main emphasis on the production based on the market and its expansion. This completely revolutionized business, since as Theodore Levitt explains, “it was moving from a conception of production based on the product cycle to a global market conception” (Levitt, 1983). That is why nowadays, several companies have focused their activities towards the expansion of their markets. This process is what is known as internationalization. Welch and Loustarien define it as “a set of operations that facilitate the creation of relatively stable links between companies and international
markets through a process of expansion, growth and international projection” (Welch & Luostarinen, 1998).

The search for new markets results in the occurrence of a global integration of very important aspects for trade, such as: economy, technology, finance, information, and even culture. According to Oskar Villareal this process influences in such way that the potential strategies of each company could increase, making its characterization more complex and generating a high degree of heterogeneity among international companies (Villareal Larrinaga, 2005). This has led to a constant growth of competition among the various industries, since they seek a production that satisfies and could be profitable for the different markets that many companies tries to reach.

This new way of growth is quite interesting in terms of the current business development, since it represents important advantages for companies, it allows not only faster growth of the industry, but also businesses are forced to be more competitive and adapt to global requirements. This, according to Alpizar and Sanz, allows a company to increase its target market, facilitates the diversification of country risk index by attracting the income of international currencies and also generates learning experiences for companies, achieving development for them (Sanz & Alpízar, 2012).

The internationalization process interconnects a number of aspects that have led to a complete evolution in trade, production and finance, which, as mentioned above, has led to a global phenomenon, the globalization. This has generated an accelerated expansion of goods, information, knowledge, and even cultural processes not only in terms of strategies or activities of the industry but of the population in general. To better understand how these global strategies adopted by companies influence their evolution, Villarreal summarizes the concept of Internationalization as:

A corporate strategy for growth by international geographic diversification through a long-term evolutionary and dynamic process that gradually affects the different activities of the value chain and the organizational structure of the company, with a commitment and growing involvement of its resources and capabilities with the international environment, and based on augmentative knowledge (Villareal Larrinaga, 2005).
In addition to this concept, Villareal also proposes a scheme in which different approaches to internationalization are presented which show how it is related with different theories that are also evaluated in this study. Such as: International Trade Theories, Business internationalization, among others.

Table 1: Internationalization theories

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Micro – Macro Economic Perspective</th>
<th>Business Perspective</th>
<th>International strategy Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theories</td>
<td>Foreign Trade Theories</td>
<td>Company Internationalization Theory</td>
<td>Theory of Multinational Company and Foreign direct investment</td>
</tr>
<tr>
<td>Approach</td>
<td>Why trade exists between countries?</td>
<td>Why and how is a company internationalized?</td>
<td>Why Multinational exists?</td>
</tr>
<tr>
<td>Economic Approach</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Organizational or Managerial Approach</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: La internacionalización de la empresa y la empresa multinacional: una revisión conceptual contemporánea, 2005
Author: Oskar Villareal Larrinaga

There are different main approaches based on the different theories of internationalization that have been developed through time. Trujillo, Rodríguez, Guzman and Becerra classify them as follows: First, referring to the analysis of the operations of the multinational company, and more specifically its direct investment activities, which means that, internationalization is considered from an economic perspective where all those theories are included and that describe the internationalization process from a purely cost-
based perspective (Trujillo Dávila, Rodríguez Ospina, Guzmán Vásquez, & Becerra Plaza, 2006). In this approach there are outstanding authors as: Michael Porter with his theory of the competitive advantage of nations, Dunning's Electrical Theory as well as others like Kindleberger and Hymer or Buckley and Casson who all agree that for a company to start its internationalization process, it must have a certain type of competitive advantage over the competition. Trujillo, Rodríguez, Guzman and Becerra indicate, “This competitive advantage may have its origin in production, technology, organization, management or marketing” (Trujillo Dávila, Rodríguez Ospina, Guzmán Vásquez, & Becerra Plaza, 2006).

The second theoretical scheme focuses on internationalization from a process perspective, where internationalization is conceived as a process in which an increase of shared resources between markets is achieved, but also an acquisition and increase of knowledge. As the name of this approach indicates, it considers the process that a national company goes through to become a multinational business. Authors such as Vernon, Jordi Canals, Yip and Monti make reference to that as part of this process, along with the increase of resources it is also possible to obtain experience, knowledge and business partnerships as the company goes through each of the different stages of internationalization.

The third approach refers to internationalization from the perspective of networks, which takes into consideration the interaction with foreign markets that allows an exchange of information and resources between the networks that are formed through the process of internationalization. This approach is quite related to the previous one, since it analyzes the different opportunities presented to the company once it is part of a ‘network’ of inter organizational interactions between companies. There are outstanding authors as Johanson and Mattson, who make a special emphasis on the internationalization of companies through the new wave of social networks.

Finally, the phenomenon of companies known as the Born Global is discussed, which according to Madsen and Servais “are those companies that are already internationalized or that get internationalized in their years of life” (Madsen & Servais, 1997). However, it is important to consider that the purpose
of this research is to determine the possibility of internationalizing medium and small companies in the textile sector, so this phenomenon is not very relevant to this study because as mentioned by: Trujillo, Rodríguez, Guzman and Becerra, “most companies expect to consolidate in local markets before facing internationalization processes” (Trujillo Dávila, Rodríguez Ospina, Guzmán Vásquez, & Becerra Plaza, 2006). Without a doubt this is the case of most of the companies that were evaluated in this investigation.

1.3 SMES

According to Cardozo, Velasquez and Rodríguez, within the business area conceptual complexity is general and for this reason, various criteria and approaches have been established to achieve an adequate conceptualization of what an SME is, such as: type of activity, technology used, productive intensity, investment levels, sales volume, or employment capacity. (Cardozo, Velasquez de Naime, & Rodríguez Monroy, 2012). These criteria have led to multiple proposals to define and classify SMEs, which vary between regions and countries. For this reason it is interesting to consider what is mentioned by Cardozo, Velásquez and Rodríguez, who indicate that, while in the European Union there exists a unique definition of SMEs, Latin American countries do not have a common agreement on the concept.

In Ecuador, Internal Revenue Service (SRI by its Spanish abbreviation) defines SMEs as: “the group of small and medium-sized companies that, according to their sales volume, social capital, number of workers, and their level of production or assets, present characteristics of this type of economic entities” (Servicio de Rentas Internas, 2017). Considering that SMEs are a type of company, it is important to complete this concept with its respective definition, for what is considered as proposed in Annex 1 of the Regulation (EU) nº 651/2014 of the European Commission (This regulation is taken into account because it is the only one in the world that has established a specific definition for ‘SMEs’), where it indicates the following:

Any entity, regardless of its legal form, that exercises an economic activity will be considered a company. In particular, entities that exercise an artisan
activity or other activities on an individual or family basis will be considered companies, as well as partnerships and associations that exercise an economic activity on a regular basis (Comisión Europea, 2014).

In addition, authors such as: Julio García del Junco and Cristobal Casanueva define this term as follows: "entity that through the organization of human, material, technical and financial elements provides goods or services in exchange of a price that allows the retribution of used resources and also the achievement of certain objectives" (García del Junco & Casanueva Rocha, 2001).

Simon Andrade, the author of the book 'Diccionario de Economía', says that a company is “an entity formed with social capital, and that apart from the work of its promoter can contract a certain number of workers, its lucrative purpose is translated into industrial and commercial activities, or the provision of services” (Andrade, 2006).

These proposals make it possible to complete the understanding of what an SME is, which would be a type of company that is classified in different ways according to the different characteristics that this may have.

Because of this, it is important to analyze how SMEs are classified within some Latin American countries according to parameters established by the Andean Community of Nations (CAN). According to the Article 3 of Decision 702 from the Commission of the Andean Community, SMEs are considered as “Companies included in the following ranges of employed personnel and gross value of annual sales” (Comunidad Andina de Naciones, 2008):

<table>
<thead>
<tr>
<th>Variables</th>
<th>Stratum I</th>
<th>Stratum II</th>
<th>Stratum III</th>
<th>Stratum IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>1-9</td>
<td>10-49</td>
<td>50-99</td>
<td>100-199</td>
</tr>
<tr>
<td>Gross Value of Annual Sales</td>
<td>(\leq 100.000)</td>
<td>100.001-1.000.000</td>
<td>1.000.001-2000.000</td>
<td>2.000.001-5.000.000</td>
</tr>
</tbody>
</table>
(*) Commercial margin for commercial business
It will prevail the Gross Value of Annual Sales over the Staff Number

Source: Decisión 702 de la Comisión de la Comunidad Andina
Author: Comunidad Andina de Naciones (CAN)

Considering what is stated in Article 3 of CAN decision 702, the Chamber of Commerce of Quito states that, based on this classification, Ecuador made an adaptation of this scheme:

By resolution, the Superintendence of Companies, Securities and Insurance, which welcomed the classification of small and medium enterprises (SMEs), according to the regulations implemented by the Andean Community in it 1260 Resolution and also based on the current domestic legislation, establishes the following scheme (Cámara de Comercio de Quito, 2017):

<table>
<thead>
<tr>
<th>Variables</th>
<th>Micro Enterprise</th>
<th>Small Enterprise</th>
<th>Medium Enterprise</th>
<th>Big Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>From 1 - 9</td>
<td>From 10 - 49</td>
<td>From 50 - 199</td>
<td>&gt;200</td>
</tr>
<tr>
<td>Gross Value Of Annual Sales</td>
<td>&lt;100.000</td>
<td>100.001 – 1.000.000</td>
<td>1.000.001 – 5.000.000</td>
<td>&gt;5.000.000</td>
</tr>
<tr>
<td>Amount of Assets</td>
<td>Up to USD 100.000</td>
<td>From USD 100.001 To USD 750.000</td>
<td>From USD 750.001 To 3.999.999</td>
<td>&gt; 4.000.000</td>
</tr>
</tbody>
</table>

Source: Boletín Jurídico: Clasificación de las PYMES, pequeña y mediana empresa
Authors: Cámara de Comercio de Quito, 2017

This signifies the different classifications that a SME could have according to its characteristics, such as number of employed personnel, annual sales value and amount of assets.
1.4 SMEs internationalization

As mentioned before, the concept and process of internationalization, is constantly growing globally, which is why many companies from different sectors have chosen this strategy as an option of expansion and growth. In addition, nowadays, global industry demands companies to expand their borders and make their products competitive in more than one market. This is without a doubt the result of the globalization of economic, technologic, and informatics factors that have been fundamental aspects in the implementation of internationalization processes in companies.

As this process is a phenomenon that has expanded globally, Latin America and its SMEs are not an exception, which is why an analysis of SMEs and their internationalization process will be carried out, using data from Ecuador, Cuenca, and Latin America. Information from the Economic Commission for Latin America and the Caribbean (ECLAC) indicate that within the region, Small and Medium Enterprises (SMEs) “represent around 99% of the total number of companies and employ about 67% of the total number of workers, what makes the development of these companies a vital part for the development of the economy” (Comisión Económica para América Latina y el Caribe (CEPAL), 2018). However, within the same ECLAC report, and several individual studies, indicates that a very low percentage of these companies decide to start with internationalization processes. This is why it is interesting to determine the internationalization potential that locally exists in SMEs, more specifically in textile sector of Cuenca, which is the main objective study for this investigation.

According to what is stated in the section that refers to internationalization, one can noticed that this process provides several advantages for companies. Considering the importance of SMEs within the Latin American and local economy, it is interesting to analyze the process of internationalization of them in order to determine the possible advantages that companies from this study could access to open a wide range of growth opportunities for companies.
This is why it is necessary to understand how the process of internationalization is conceived. According to Bertagni and Noceti (2014) from the PWC Business School of the University of San Andrés in Argentina, the internationalization process is conceived as “the set of operations that transcending the borders of a country over a period of time, in a systematic way, establish links with economic agents in other countries”. Considering this conception corroborates how the process of internationalization represents growth for companies, because, by transcending borders, they expand the possible markets for their product, and at the same time they get an improvement in the knowledge of the industry; which also represents a benefit for the economy of the country in which the company is located.

Several authors and economic theories point out that export is one of the most viable methods for obtaining foreign currency to a specific country or economy. However, Bertagni and Noceti mention that “In general, when talking about Internationalization, we think about exporting, although this is the most common way, […] it’s not the only one”. “In addition to the Export and the FDI, the SMEs companies can resort to nontraditional methods to internationalize, some of them are: Franchising, Leasing, Joint Venture, International Subcontracting, Maquila Contracts and Export Consortiums” (Bertagni & Noceti, 2014).

However, this study seeks to determine the export potential of SMEs from the textile sector, so export is considered the main means of internationalization for these manufacturing companies. As it was mentioned above, the normal cycle followed by companies is to consolidate first locally and then expand their business into foreign markets. Bertagni and Noceti mention that once the company has decided to face internationalization processes, in the beginning, they will begin with sporadic exports and then move on to regular operations, based on an export plan directly if their capacity allows it, or counting on the presence of an external or own sales agent (Ibidem, 2014).

An investigation carried out by the European Commission of the General Directorate of Companies and Industry shows that, “the aforementioned studies have already shown the direct relationship between internationalization and the increase in SMEs Profitability”, and furthermore
that, “Proactive internationalization reinforces growth, increases competitiveness and supports the long-term viability of the company” (Comisión Europea de la Dirección General de Empresas e Industria, 2008).

However, it must be considered that, despite the main difficulties that the process of internationalization represents, there are also challenges according to the country in which companies are established. Firstly, it must be considered that among the main difficulties that an SME has to achieve an internationalization is the lack of information and knowledge about the process, since they are unaware of the challenges, benefits and procedures. Another aspect that interferes with the internationalization process is the generational gap of information produced by globalization, since there are companies that have been founded years ago, which, according to it business conception, their main objective was to develop just inside the global market. However, current competition has forced companies to expand their development with a wider global vision. In addition, the resources that a company may or may not have will always be a determining factor for the implementation of an export project, since aspects such as: economic situation, infrastructure and personnel must be considered.

On the other hand, the situation of Ecuador must be considered which places SMEs in an environment that offers few opportunities for expansion, especially to international markets. This occurs due to economic situations such as the fact that the US dollar is the main currency in Ecuador, so it could not be devaluated according to Ecuador’s needs to make its products more competitive than other countries, especially Colombia and Peru. In addition there are labor policies that increase labor costs, resulting in a strong disadvantage in comparison to other countries that offer products with a cost to that it is almost impossible to compete.

**Conclusion**

The way in which foreign trade is conceived has evolved over many years, becoming a very important aspect to the economy for many countries
around the world. Nowadays it is vital to understand how international trade works, and the opportunities that different people, companies, and governments can obtain from it. Globalization has undoubtedly played a very important role in the interconnection that the world has today. Today it is impossible for a company to only think locally, it must consider the option of going further and take advantage of the opportunities offered by different external markets.

In the case of Ecuador, SMEs, companies that are classified as small and medium according to different characteristics, are a vital part of the country's economy, since most part of businesses have only recently been established over the last few years belonging to this category. For this reason, it is essential to begin to propose internationalization projects for these types of companies, since this process allows multiple opportunities for both SMEs and for the country itself. This is mainly due to the income of foreign currency generated by the export of products, which leads to a revitalization of the economy. That is why it is important to inform the main industry actors about what is and what represents internationalization for its companies, so that they know how to deal with the different difficulties that may arise as well as considering the multiple advantages that could be obtained in the case of starting a project of this type. It would also be helpful if the government improves the conditions of the business environment, so that the medium and small industry have the opportunity to compete in new markets, since in reality, it is very difficult for them.

Finally, it must be considered that internationalization involves a whole process in which resources, information and infrastructure are required and in case a company decides to undertake a project of this type, it must assume that its growth and expansion will take place gradually. According to the type of product offered and how it is handled, the company may gradually expand into new markets through the acceptance they may be obtaining, considering the different specifications and characteristics that these countries require.
CHAPTER II: GENERAL ASPECTS OF CUENCA

Introduction

Cuenca, the capital of Azuay province in terms of population and economy, is considered the third most representative city in the country. As the study focuses on the analysis of the textile sector of the urban area of Cuenca, it is necessary to consider general aspects, such as: history, population, climate, geography, education, health, etc., considering in more detail the productive and economic aspect of the canton. Since this study focuses on the textile sector of Cuenca, it is essential to review this information, thus achieving a better analysis of the productive and export potential that this sector may possess. The data obtained from the different Development and Territorial Plan (DTP), both from the province and the canton, will allow a broad understanding of how different factors can influence the development of that sector, and therefore in the local and national economy.

2.1 General aspects

2.1.1 History

Santa Ana de los Ríos de Cuenca is the official name of the administrative capital of Azuay. It was founded on April 12, 1557 under the order of the Viceroy of Lima, Andrés Hurtado de Mendoza to Mr. Gil Ramirez Davalos. It is important to consider that as Dr. Miguel Angel Peña mentioned, before being baptized by the Spaniards as Santa Ana de los Ríos de Cuenca, it was already a city named Tomebamba which was formed by a large town with a Cañari population (Peña Astudillo, 1984).

Cuenca is also known as the Athens of Ecuador because of its cultural, artistic and architectonic diversity. For this reason, its historic downtown was declared a World Heritage Site by the United Nations Educational, Scientific and Cultural
Organization (UNESCO) on December 1st, 1999. Its urban landscape influences the ostentation of this title, since the city mixes history and modernity. Its architecture includes European designs from colonial periods (15th and 16th centuries) that portray cobbled streets in the historic downtown which opens its way to the modern city. There are four rivers that run through the city: Tomebamba, Yanuncay, Machangara and Tarqui, which honor Cuenca’s official name.

2.1.2 Geography

Cuenca canton, capital of the province of Azuay, is located in the southern area of Ecuador, located with the following limits: to the north with the Province of Cañar, to the south with the cantons of Camilo Ponce Enríquez, San Fernando, Santa Isabel and Giron, to the west with the province of Guayas and to the east with the cantons of Paute, Gualaceo and Sígsig. According to the online portal, Date and Time, Cuenca is located at a height of 2,543 meters above sea level, under the following coordinates: latitude: 2° 54’01” S, longitude: 79° 00’16” W (DateandTime, 2017). Data from the National Secretariat of Development and Planning (SENPLADES by its Spanish abbreviation) indicates that Cuenca is the third largest city in Ecuador, with an extension of 3.2 thousand km2, which covers 38.3% of the total territory of Azuay province.

Cuenca, being located in an Andean region, has a very diverse climate. According to the Atlas Plan of Land Management, there are 6 climate types that vary according to the cartographic location and annual temporality. In the urban area it predominates “a semi-humid equatorial climate in which oscillates temperatures between 18 and 22 degrees with rainfall that does not exceed 500 mm per year” (GAD Municipal del Cantón Cuenca, 2016). It should be considered that even though the city extends into a valley, its Andean location influences generates sudden changes in temperature. This is why the second most common type of climate is the high equatorial mountain that goes from 8 ° C, which results on an average temperature that oscillates between 12 ° and 15 ° C.
2.1.3 Population

The canton is divided into twenty-one rural parishes, and fifteen urban, which only represents 2.34% of the total extension of Cuenca territory. Regarding its population, according to the National Institute of Statistics and Censuses (INEC), there are 603,269 people, with a population growth of 15% in seven years. It is important to consider that “66% of the population are concentrated in the cantonal capital, while the remaining 34% is distributed in the twenty-one rural parishes” (GAD Municipal del Cantón Cuenca, 2016); which the most populated are those rural parishes that surround the city, such as: El Valle, Turi, Ricaurte, Sinincay, Baños, etc.

Regarding the population, it is also important to consider that according to information from the last census conducted in 2010, the concentration of inhabitants by age indicates that the majority of Cuenca’s population is young. According to Atlas PDOT de Cuenca, which shows the following data: an average age of 15 to 19 years that represents 10.32%, followed by the range of 20 to 24 years with 10.10%, and finally the group of 10 - 14 years with 9.96% of the total population (GAD Municipal del Cantón Cuenca, 2016).
Table 4: Population age by gender

<table>
<thead>
<tr>
<th>Quinquennial Age Groups</th>
<th>GENDER</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Total</td>
</tr>
<tr>
<td>Less than a year</td>
<td>4745</td>
<td>4454</td>
<td>9199</td>
</tr>
<tr>
<td>1 to 4 years</td>
<td>19416</td>
<td>18980</td>
<td>38396</td>
</tr>
<tr>
<td>5 to 9 years</td>
<td>24622</td>
<td>24073</td>
<td>48695</td>
</tr>
<tr>
<td>10 to 14 years</td>
<td>25355</td>
<td>24987</td>
<td>50342</td>
</tr>
<tr>
<td>15 to 19 years</td>
<td>26255</td>
<td>25889</td>
<td>52144</td>
</tr>
<tr>
<td>20 to 24 years</td>
<td>24882</td>
<td>26158</td>
<td>51040</td>
</tr>
<tr>
<td>25 to 29 years</td>
<td>21859</td>
<td>23972</td>
<td>45831</td>
</tr>
<tr>
<td>30 to 34 years</td>
<td>17174</td>
<td>20175</td>
<td>37349</td>
</tr>
<tr>
<td>35 to 39 years</td>
<td>14059</td>
<td>17470</td>
<td>31529</td>
</tr>
<tr>
<td>40 to 44 years</td>
<td>11864</td>
<td>15594</td>
<td>27458</td>
</tr>
<tr>
<td>45 to 49 years</td>
<td>10997</td>
<td>14167</td>
<td>25164</td>
</tr>
<tr>
<td>50 to 54 years</td>
<td>9171</td>
<td>11865</td>
<td>21036</td>
</tr>
<tr>
<td>55 to 59 years</td>
<td>7686</td>
<td>9631</td>
<td>17317</td>
</tr>
<tr>
<td>60 to 64 years</td>
<td>6383</td>
<td>7883</td>
<td>14266</td>
</tr>
<tr>
<td>65 to 69 years</td>
<td>4970</td>
<td>6686</td>
<td>11656</td>
</tr>
<tr>
<td>70 to 74 years</td>
<td>3679</td>
<td>5036</td>
<td>8715</td>
</tr>
<tr>
<td>75 to 79 years</td>
<td>2727</td>
<td>3610</td>
<td>6337</td>
</tr>
<tr>
<td>80 to 84 years</td>
<td>1926</td>
<td>2693</td>
<td>4619</td>
</tr>
<tr>
<td>85 to 89 years</td>
<td>1072</td>
<td>1690</td>
<td>2762</td>
</tr>
<tr>
<td>90 to 94 years</td>
<td>495</td>
<td>762</td>
<td>1257</td>
</tr>
<tr>
<td>95 to 99 years</td>
<td>137</td>
<td>256</td>
<td>393</td>
</tr>
<tr>
<td>100 years and over</td>
<td>23</td>
<td>57</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>239497</td>
<td>266088</td>
<td>505585</td>
</tr>
</tbody>
</table>

Source: Redatam INEC, 2010
Author: GAD Cantón Cuenca PDOT, 2015

Table 4 also supports the existence of a trend in which most age ranges shows a higher number of women, which results in a total of 266,088 women and 239,497 men distributed in Cuenca.
2.1.4 Social aspect

Within the social aspect it is important to start by analyzing the basic needs and services that are offered to the population. Firstly considered is the aspect of housing and home characteristics, according to the PDOT, within the urban area 45.5% of the population live in their own homes, while 60% in rural parishes.

Education

Regarding education, which is a fundamental aspect in social analysis, it mainly considers to the inhabitants within 0 to 19 years, which according to the PDOT, forms a total of 198,776 children and adolescents. Of which, according to the school level and sex the data is established as follows:

Table 5: Students by school level and gender

<table>
<thead>
<tr>
<th>CANTON</th>
<th>LEVEL</th>
<th>GENDER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>WOMEN</td>
<td>MEN</td>
</tr>
<tr>
<td>Cuenca</td>
<td>Initial</td>
<td>3.105</td>
<td>3.093</td>
</tr>
<tr>
<td></td>
<td>Basic</td>
<td>53.912</td>
<td>55.162</td>
</tr>
<tr>
<td></td>
<td>Baccalaureate</td>
<td>15.384</td>
<td>15.627</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>72.401</td>
<td>73.882</td>
</tr>
</tbody>
</table>


Author: GAD Cantón Cuenca PDOT, 2014

The total number of inhabitants between the age of 0 to 19 years, and the total number of students enrolled at all levels; it results in a 73.59 percentage of the total of children and young people from Cuenca who assists to educational institutions. This is quite an adequate indicator showing that the majority of inhabitants in this age range are educated in local institutions.

Regarding higher education, according to INEC data, the population and housing census of 2010 indicates that by then, the number of students...
attending institutions of higher education was 86,668 people. It is important to consider that Cuenca has three universities, of which Universidad del Azuay and Universidad Católica de Cuenca have been rated by the Council for the Accreditation and Quality Assurance of Higher Education (CAQAHE) as B category, and Cuenca University received the highest rating (A category).

It is also important to consider that “in Cuenca, the illiteracy rate is 4.86%, 2.42% in the urban area and 9.88% in rural peripheries” (GAD Municipal del Cantón Cuenca, 2016).

Health

To analyze this aspect, it is necessary to consider the importance of infrastructure, which allows covering and providing the best possible attention to Cuenca population. In total, Cuenca has 168 health establishments among which are: hospitals, clinics, health centers, (among public and private institutions), which, according to the GAD, provide first level health care in different specialties.

Additionally, it should be considered that a part of the analysis in terms of health also includes the evaluation of infrastructure and basic services, such as: electricity, water, wastewater systems, etc. According to data from the 2010 census, the water service within the urban area of Cuenca covers about the 96.5% of it, while in the rural area this indicator varies according to each parish. The one with the less amount of coverage is Victoria del Portete showing 38.9%, while Llacao shows a 91.1%, which represents the one with major coverage among rural parishes. In this way the average coverage at the whole canton is 87.9% of homes that have access to the public network of water.

In terms of electric power, the percentage of coverage in the urban area is about 99.64%. The rural parishes that have the least percentage of coverage are: Chaucha (82.79%) and Molleturo (84.89%) (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015). Finally regarding the aspect of infrastructure and sanitation, the solid waste disposal system is also considered, because it is influential on people’s health. Cuenca PDOT
indicates the following data, which was obtained from the 2010 National Census “the coverage of garbage collection (by collector system) is around 87.97% and 12% deficit regarding the total amount of houses” (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).

Within the health aspect it is appropriate to analyze, the affiliation percentage to Social Security in Cuenca, which according to PDOT data, shows that, within the urban area, the percentage of affiliation to the general social security National Institute of Social Security (IESS by its Spanish abbreviation), is 25.66% and in rural area, an average of 9.25%. This data indicates that, the majority of Cuenca’s inhabitants do not contribute to Social Health Insurance.

**Human Mobility**

Finally, within the social aspect it is important to analyze Cuenca’s human mobility, since historically, the southern region of Ecuador has been the area with the highest migration rate in the country. According to Cuenca PDOT (2011), the largest migratory flows began in 2000, and according to the National Census conducted in 2010, that year was registered a total of 16,685 people who immigrated from the canton. Considering the totality of population that is shown in Cuenca PDOT (505,585 people), the resultant migration rate was around 3.30%.
Table 6: Cuenca migration, age of leaving the country

<table>
<thead>
<tr>
<th>AGE OF LEAVING THE COUNTRY</th>
<th>MEN</th>
<th>WOMEN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 4</td>
<td>110</td>
<td>84</td>
<td>194</td>
</tr>
<tr>
<td>5 - 9</td>
<td>152</td>
<td>119</td>
<td>271</td>
</tr>
<tr>
<td>10 – 14</td>
<td>269</td>
<td>196</td>
<td>465</td>
</tr>
<tr>
<td>15 – 19</td>
<td>1818</td>
<td>865</td>
<td>2683</td>
</tr>
<tr>
<td>20 - 24</td>
<td>2642</td>
<td>1484</td>
<td>4126</td>
</tr>
<tr>
<td>25 – 29</td>
<td>2082</td>
<td>1255</td>
<td>3337</td>
</tr>
<tr>
<td>30 – 34</td>
<td>1131</td>
<td>814</td>
<td>1945</td>
</tr>
<tr>
<td>35 – 39</td>
<td>961</td>
<td>482</td>
<td>1443</td>
</tr>
<tr>
<td>40 – 44</td>
<td>595</td>
<td>291</td>
<td>886</td>
</tr>
<tr>
<td>45 – 49</td>
<td>358</td>
<td>181</td>
<td>539</td>
</tr>
<tr>
<td>50 – 54</td>
<td>184</td>
<td>140</td>
<td>324</td>
</tr>
<tr>
<td>55 - 59</td>
<td>104</td>
<td>83</td>
<td>187</td>
</tr>
<tr>
<td>60 – 64</td>
<td>64</td>
<td>65</td>
<td>129</td>
</tr>
<tr>
<td>&gt; 65</td>
<td>96</td>
<td>60</td>
<td>156</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10566</td>
<td>6119</td>
<td>16685</td>
</tr>
</tbody>
</table>

Source: INEC, 2010
Author: I. Municipalidad de Cuenca PDOT, 2011

2.2 Economic-political system of Cuenca

2.2.1 Productive structure

Cuenca is one of the most productive cantons in Azuay, since the most part of productive activities that are carried out in the province are concentrated in this city; besides “It has a high industrial, commercial, artisan, banking, academic and small production development consolidating itself as the axis of economic development not only of region 6, but of the southern part of the country” (Gobierno Provincial del Azuay, 2015).
The productive activities of Cuenca are mainly focused on what is known as the tertiary sector of the economy, which means service related activities (trade, professional activities, real estate, transport, telecommunications, public administration, financial activities, health, etc.). Secondly, we have the secondary sector, as shown in the following figure, manufacture is the activity that contributes the most to Cuenca’s economy, with a percentage of 22.58% according to data from the Central Bank.

![Figure 1: Gross value of Cuenca by branch of activity](image)

Source: Banco Central del Ecuador, 2010
Author: GAD Cantón Cuenca PDOT, 2014

### 2.2.2 Economic structure of the population

According to INEC information, today, the total population of Cuenca reaches 603,269 people. On November 1st 2017, however, according to the 2010 National Census, there was a total of 505,585 inhabitants. This number must be considered, since the existing data regarding Working Age Population (WAP) are specified according to information obtained in this census.
Working Age Population (WAP) includes men and women from 15 years and up, which is a total of 409,295 people that represent 80.96% of the Total Population (according to 2010 information). WAP is used to calculate all referent data about Economically Active Population (EAP) which is “all people from 15 and over who worked at least one hour a week, or even if they did not work, but do had a job (employed people), or those people who did not have a job but were available to work (unemployed)” (Instituto Nacional de Estadísticas y Censos - INEC, 2016), and the Economically Inactive Population (EIP) that is everyone “aged 15 and over, which are not classified as employed persons but neither as unemployed people, for example: rentiers, retirees, pensioners, students, housewives and others” (Instituto Nacional de Estadísticas y Censos - INEC, 2016). Based on INEC information the following results regarding to Cuenca are shown:

In total, the Economically Active Population is 231,072 people, which represents 56.46% of the WAP; while the Economically Inactive Population would be within the remaining 43.64%, with a total of 205,726 people. It is important to emphasize that within the EIP, the percent of women is much greater because housewives are included in this classification. On the other hand, it must also be considered that the employed population represents the
96.6% of EAP, which means 223,232 people, while 3.4% (7,840 people) are in the unoccupied population group (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).

The productive activities that generate most employment in Cuenca are commerce and manufacturing industries, which represent the 21.9% and 17.9% of total productive activities, as it is shown on illustration 9. On the other hand, the tasks, activities or jobs that EAP performs the most in Cuenca are jobs as officers, workers and craftsmen representing a 21.4% of its total; while in second place are the sellers and service workers that represents 20.3% of its total as it is shown on the figure below.

Figure 3: Cuenca’s EAP according to its activity branch

Source: INEC, Censo 2010
Author: GAD Cantón Cuenca PDOT, 2014
Unemployment

The unemployment rate is determined according to the relation between the Economically Active Population and the unemployed population. The parishes in which most of the population is concentrated have higher unemployment rates. For this reason, according to studies carried out by Autonomous Decentralized Government of Cuenca that are exposed in Development and Territorial Order Plan, Cuenca’s urban area has an unemployment rate of 3.76%, followed by San Joaquin with 3.28%, Ricaurte with 3.22%, and Baños 3.18%. The last two locations are rural parishes; in the rest of parishes, there is an unemployment registered less than 3%. Among which is the parish of Molleturo, which occupies the last place, (1%) (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).

2.2.3 Economic establishments

Most of the existing economic establishments in Azuay province are located in Cuenca. As the following graphic shows, within the economic establishments the most representative activity is Commerce which represents a 48.1% of its total. Below are presented service and manufacturing
establishments that represent a 37.6% and 14.1% respectively. It is important to emphasize, “The main manufacturing industries are textile manufacturing, followed by furniture manufacturing which is in second place” (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).

On the other hand, the employed personnel from aforementioned economic establishments it is distributed by 47.9% in commerce, 30% in services activities, and 21.6% in the manufacturing industry. Respect to other establishments, manufacturing companies concentrate less percentage of employees because the machinery that is used, which replace the activities that several people could perform, reduce the number of workers.

![Figure 5: EAP by economic branch and establishments](image)

It is important to consider that according to Cuenca GAD, most of the existing establishments in Cuenca correspond to companies that are registered as natural person (92.9% approximately), which means that most businesses are familiar or fall into the SMEs category (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).
de Cuenca - GAD Cuenca, 2015). In addition, according to obtained data from the 2010 National Census, the economic activity that concentrates the most employed population is of retail and wholesale trade (commerce). In second place it is the manufacturing industry, followed by several activities that are catalogued as services activities. It is also important to consider that the highest registered income in the mentioned census, were generated by economic activities related to manufacture of goods, followed by commerce with 48.7% and 31.5% respectively of the total income in the canton.

Another important fact is that Cuenca has a significant number of artisan workshops that involve thousands of workers directly and indirectly. Nowadays, approximately 11,826 artisans have been identified of which more than half are engaged in activities related to sewing, embroidery, etc. Among which are manufacturers of fabrics, leather and straw weavers. Most of them are concentrated in the urban area with 55.24%, while rural area represents 44.76%.

2.2.4 Productive organization

Many businesses have been established focusing on different productive areas, such as: food, appliances, furniture, leather, textiles, etc. Some of them have seen the need to associate with the objective of improve competitiveness to reach growth within the area they operate. Clusters and guilds have been formed in order to focus on reaching the previous mentioned objectives. Currently, it is estimated that 73.3% of total affiliated business belong to secondary sector, followed by 25% of tertiary sector and just 1.7% on primary sector (Gobierno Autónomo Descentralizado de Cuenca - GAD Cuenca, 2015).

2.3 Textile sector of Cuenca

2.3.1 History

The beginning of Ecuadorian textile industry dates back to the time of La Colonia. Before the Spaniards arrival, some textile techniques were already
known by the Inca people who used to make garments from the wool obtained from their flocks. “The expansion of the textile industry occurred from Ibarra to Cuenca and coincided with the growth of provincial mountain capitals; the factories of these cities, well-articulated thanks to the railroad, came to represent 90% of the textile industries of the country in 1930” (Cuvi, 2011). Work continued on wool until the beginning of the 20th century when cotton was introduced for the first time. Little by little companies and associations focused on the manufacture and of garments were consolidated by using all types of fibers; “Currently, Ecuador generates products using mainly cotton, wool, polyester and acrylic fibers.” (Cordero Cobos, 2013).

Nowadays the provinces with the largest number of companies within the textile sector are: Azuay, Guayas, Imbabura, Pichincha and Tungurahua. According to Ecuador Textile Industry Association (AITE by its Spanish abbreviation), yarns and fabrics are the main products produced within the country. It also affirms that the production and manufacture of textiles, both for home and clothing, has been increasing over the years, which places the textile industry as the third largest within the national manufacturing sector (Asociación de Industriales Textiles del Ecuador - AITE, 2017).

2.3.2 Productivity and economy

The textile sector is part of the manufacturing industry, which includes those economic activities that are dedicated to the physical or chemical transformation of a wide diversity of raw materials, intermediate goods and different products for consumption and sale (Gobierno Provincial del Azuay, 2015).

It is important to start by analyzing the influence that the textile industry has within Ecuador, since according to INEC data, “textile sector generates several places of direct employment in the country, becoming the second manufacturing sector that employs the most labor force, after the food, beverages and tobacco industry” (Asociación de Industriales Textiles del Ecuador - AITE, 2017). The economist Santiago León, Minister of Industries and Productivity, mentions that this sector generates around 17,425 jobs, and its sales represent around the 8% of Gross Domestic Product (GDP) between 2007
and 2015 (Agencia EFE, 2017). This data indicates that the incidence of the textile sector is quite important for the dynamism of the Ecuadorian economy.

It is important to mention that textile sector represents great importance for the economy and commerce of the country, which has been seriously affected due to the crisis in Ecuador since approximately 2012, “year in which it fell 7.67 percent in its Gross Domestic Product (PIB) compared to the previous year” (Diaz Crespo, 2016). In terms of foreign trade, data also indicates a considerable fall considering that in 2015 Ecuador exported 66.4 million US dollars (FOB Value), which represents a drop of 27.16% compared to 2014. It is also important to consider this negative data, because it shows, how this crisis has affected different businesses including those that are part of this study.

Javier Díaz, President of Ecuador Textile Industry Association – AITE, mentions that this situation is quite serious for the development of the textile industry, since the companies that are part of it, more than an environment of prosperity and growth, they have had to face a subsistence environment (Diaz Crespo, 2016). According to Azuay PDOT, among the aspects that have generated these difficulties are: cheap labor force, mainly from Asian countries, which has meant an increase in imports, not only of textiles but of products in general, due to the low prices offered by foreign countries, that has greatly complicated a fair competition for domestic producers (Gobierno Provincial del Azuay, 2015).

**Conclusion**

Cuenca has characteristics that are favorable for the economic and productive development. For example, when considering different aspects such as climate, it can be determined that it facilitates agricultural production; besides, the installed infrastructure contributes greatly to the development of the city and its citizens. There is data that demonstrates high rates of education, sewerage, public health and social welfare of the general population; it also has excellent coverage of electricity and potable water. These factors establish a suitable scenario for the development of Medium
and Small industry. On the other hand, it is important to emphasize that Cuenca is the most productive canton Azuay province, where most activities are concentrated in the tertiary sector of the economy. The most important economic activities of the canton are: commerce and manufacturing industries that cover the most part of businesses and jobs percentage. It should be noted that most of these companies belong SMEs category.

Within manufacturing industries, the textile sector industry is very important, it has been developing since the time of La Colonia to present day consolidating in five main provinces, Azuay among this. Textile sector is the second manufacturing sector that uses the most labor force, besides considering that it represents approximately 8% of the country’s total GDP. Considering the importance that this sector represents to local economy, the importance of the internationalization of small and medium-sized companies that operate within the manufacturing sector should be considered.
CHAPTER III: CUENCA TEXTILE SMES

Introduction

The textile industry is a very important sector for the Ecuadorian economy, Azuay is the third province that covers more textile workshops with 11.65% of the country's total. For this reason, within the realization of this project it is important to consider the most representative companies of the textile sector in Cuenca. Although there will be no special emphasis on the study of them, most of these companies are consolidated as big industries; and therefore, those are not part of the SME category, but the economic importance they represent for the sector and the city merits a brief analysis of some of the most relevant.

From a list provided by different institutions that collaborate with the project, businesses were selected that met the necessary characteristics to be a part of the study. Each company has been evaluated in four main areas: administrative, financial, sales and production, which will allow to determine the export potential of SMEs from Cuenca that would be graded according to the obtained qualification in the Export Audit.

3.1 Main actors from textile sector

3.1.1 Actors that are not cataloged as SMEs

Amongst the most important textile companies in Cuenca, due to its prestige, recognition and number of sales nationwide, it is important to consider Pasamaneria Tosi, which has a considerable trajectory of 82 years within the textile sector.

In the beginning, the company produced supplies for clothing industry, such as laces, elastics, lace, ornaments and ribbons. In the course of the 1940s, the
production of knitted garments was added to its production lines. All these products are commercialized under the brand ‘PASA’ (Pasamaneria, 2018).

Nowadays it has become consolidated as one of the most relevant companies in this sector, being of great importance for the economy of the country, since it provides employment to approximately 800 people and also exports some of its products to Colombia and Peru.

Costuras Internacionales Ltd. is another one of the most representative companies within the textile area, however, it does not focus its production on the manufacture of garments, but rather on the manufacture of various textile goods focused on industrial area. Some of these products are: wicks of textile materials, protectors for incandescent gas burners and tubular fabrics, hoses, conveyor belts and transmission belts (are reinforced or not with metals or other materials), sieve cloth, filter cloth, felt, etc. Costuras Internacionales Ltd. is registered on SRI with RUC number 0190405729001 and is cataloged as a big industry. It began its commercial activities on October 21, 2014, and in just 3 years. According to its annual sales number, it has become one of the most representative textile industries in Cuenca. This is perhaps due to the exclusivity of the products they offer.

It is also important to consider those companies that are part of the textile sector that do not elaborate its products, but only commercialize them. These companies also represent a significant percentage in terms of sales, so they will be considered briefly within this study. Amongst the most representative are: Duramas whose main economic activity is the retail sale of products for floor covering, such as: carpets, curtains, tapestry, etc. Started its activities in 1979, counting with 38 years of experience. Another of the textile trading companies is Tapitex, which despite having few years in the market has achieved excellent sales results. Tapitex began its activities in 2012 and its main activity is the wholesale of textile products such as yarns, wool and fabrics.

It is important to mention that currently in Cuenca, there are several companies that have partnered with the objective to achieve better competitiveness and technological development within the textile sector. According to Regional Integration and Development Agency of (ACUDIR by
its Spanish abbreviation), it has managed to constitute the following institutions:

- Azuay leather and footwear cluster (ASOPIEL by its Spanish abbreviation) with 39 business.
- Cluster of textile confection of Cuenca (CONFECUENCA by its Spanish abbreviation) with 25 business.
- Straw Cluster of Azuay with 15 companies (Gobierno Autónomo Descentralizado del cantón Cuenca - GAD Cuenca, 2014).

3.1.2 SMEs category actors

Within the SMEs category, many relevant companies can be considered for the textile sector and the economy of Cuenca, for that reason they would be a part of this investigation. The list of companies mentioned below was obtained from the databases provided by the different institutions that collaborate with the project. However, it is important to highlight that in the list that is shown below, not all the companies that are part of the textile sector of Cuenca are registered.

Table 7: List of companies from textile sector

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aguja y Línea Diseño y Confección</td>
<td>Frada Sport</td>
<td>Ochoa Arizaga Jessie Carolina</td>
</tr>
<tr>
<td>Almacenes Casajoana Ordoñez Ltd.</td>
<td>Gestiones &amp; Rentas del Ecuador Gestirent S.A.</td>
<td>Ochoa Galán Bertha Virginia</td>
</tr>
<tr>
<td>Almacenes Kids &amp; Kidz Ltd.</td>
<td>Gm Gustavo Moscoso Ltd.</td>
<td>Ortega Ortega Alexandra Beatriz</td>
</tr>
<tr>
<td>Almacenes Lira Ltd.</td>
<td>Hermanos Martinez Sportswear Ltd.</td>
<td>Procesadora de Sombreros Uzhca e Hijos</td>
</tr>
<tr>
<td>Alvear Iglesias Janeth Magali</td>
<td>Hobbycentro Ltd.</td>
<td>Procostura Ltd.</td>
</tr>
<tr>
<td>Anacleta Coqueta</td>
<td>Homero Ortega Peñafiel e Hijos Ltd.</td>
<td>Productos Betoven Ltd.</td>
</tr>
<tr>
<td>Aplicaciones Artísticas S.A. Aplicartsa</td>
<td>Iler Alban Jenny Margoth</td>
<td>Pulla Vélez Rosa Elvira</td>
</tr>
<tr>
<td>Areldi Jeans</td>
<td>Import Textil Home Imtexthome Ltd.</td>
<td>Rodeport</td>
</tr>
<tr>
<td>Nombre</td>
<td>Importador</td>
<td>Exportador</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Austrodiseti Ltd.</td>
<td>Importaciones &amp; Exportaciones Impex-Kbs Ltd.</td>
<td>Rodrigo Vélez Flores Ltd.</td>
</tr>
<tr>
<td>Baesaimport Ltd.</td>
<td>Indurap Ltd.</td>
<td>Ropa Casual Confecciones</td>
</tr>
<tr>
<td>Bernal Hats</td>
<td>Industria de la Confección Referee Ltd.</td>
<td>Rotex</td>
</tr>
<tr>
<td>Bridiscom Ltd.</td>
<td>Industria de la Moda Inmoda Ltd.</td>
<td>Runamaqui Sombreros Ltd.</td>
</tr>
<tr>
<td>Comercial Importadora Astudillo López Ltd.</td>
<td>Industrial Comercial León Bermeo e Hijos Ltd.</td>
<td>Sandra Correa Limitsc Ltd.</td>
</tr>
<tr>
<td>Comercializadora de Insumos y Calzado Comincaza Ltd.</td>
<td>Jeanstex Ltd.</td>
<td>Sarmiento Orellana Ruth Cecilia</td>
</tr>
<tr>
<td>Cominca Ltd.</td>
<td>Konforthogar Ltd.</td>
<td>Serrano Hat Export Ltd.</td>
</tr>
<tr>
<td>Confecciones Valverde</td>
<td>Kossmoran Ltd.</td>
<td>Sipromer Ltd.</td>
</tr>
<tr>
<td>Cooperativa de Producción Artesanal Centro de Bordados Cuenca</td>
<td>Lenical Ltd.</td>
<td>Soluciones Industriales y Médicas Soinmed Ltd.</td>
</tr>
<tr>
<td>Corporación Cobos &amp; Cobos Ltd.</td>
<td>Letaljeans Ltd.</td>
<td>Sombreros El Austro</td>
</tr>
<tr>
<td>Costuras Internacionales Ltd.</td>
<td>Lucía Palacios Espinoza S.A.</td>
<td>Soncloty Jeans</td>
</tr>
<tr>
<td>Creaciones Andreali</td>
<td>Maggy Andrade Map Ltd.</td>
<td>Taller Artesanal de Antonio Peña e Hijos</td>
</tr>
<tr>
<td>Creaciones Daniela</td>
<td>Maldonado Bowen Ltd.</td>
<td>Telepoint S.A.</td>
</tr>
<tr>
<td>Creacom</td>
<td>Mandril</td>
<td>Textiles H. Brito Ltd.</td>
</tr>
<tr>
<td>Dicovs, Diseños, Confecciones y Ventas Ltd.</td>
<td>Mc Hats</td>
<td>Trajes Moscú</td>
</tr>
<tr>
<td>Distridenim Ltd.</td>
<td>Mejía Carpio José Adrián</td>
<td>Trazos</td>
</tr>
<tr>
<td>Ec Sombreros y Artesanías</td>
<td>Mercantil Tosi S.A.</td>
<td>Ulloa Gavilanes María Graciela</td>
</tr>
<tr>
<td>Explorador Andino</td>
<td>Moda Jeans</td>
<td>Vinpacking Ltd.</td>
</tr>
</tbody>
</table>
From the companies mentioned above, a selection process was carried out based on different criteria such as, being cataloged as SMEs, that are manufacturing companies and that are a part of the textile manufacturing sector (excluding production of leather and footwear). This resulted in a final database of 24 companies, of which it was not possible to interview the following: Aplicaciones Artísticas S.A. Aplicartsa, Exportadora de Sombreros Aurelio Mora e Hijos Ltd., Procesadora de Sombreros Uzhca e Hijos, Serrano Hat Export Ltd., Taller Artesanal de Antonio Peña e Hijos, Industria de la Moda Inmoda Ltd., Jeanstex Ltd., Konforthogar Ltd., Rotex, Trazos and Letaljeans Ltd.

The main reasons why interviews with the mentioned companies were not carried out are: lack of cooperation from managers, lack of interest in export projects, lack of time to grant an interview, or that in some occasions there was no response.

Finally, it was possible to get the interviews from 13 companies that are listed below:

1. Areldi Jeans
2. Creaciones Andreali
3. Dicovs, Diseños, Confecciones y Ventas Ltd.
4. Frada Sport
5. Hermanos Martínez Sportwear Ltd.
6. Homero Ortega Peñafiel e Hijos Ltd.
7. Industria de la Confección Referee Ltd.
8. Kossmoran Ltd.
9. Modas y Telas Zhiros Modtezhi Ltd.
10. Modasa S.A.
11. Procostura Ltd.
12. Productos Betoven Ltd.
13. Sombreros El Austro

3.2 Methodology

The methodology used in the investigation consists of five stages, based on a qualitative-quantitative method of valued interview. This method seeks to collect qualitative information through a semi-structured personal interview, to subsequently process this information by translating it into quantitative data that is expressed in an Export Audit.

The first stage consists in the compilation of information regarding the existing companies in the textile sector from the urban area in Cuenca. This stage was carried out with the support of several public institutions such as Pro Ecuador, Ministry of Industries and Productivity (MIPRO), Public Company of Economic Development of Cuenca (EDEC by its Spanish abbreviation) and Chamber of Small Industry of Azuay (CAPIA by its Spanish abbreviation). These institutions provided an important database to researchers so it could be used as a secondary source of information for the project.

The next step is to create a general database with the information provided by the aforementioned institutions. A total of 89 companies were obtained within the textile sector, of which, in accordance with the provisions of Decision 702 of the Andean Community of Nations (ACN) are respectively detailed in chapter 1 of this study. Only 46 meet the necessary characteristics to be considered within the SMEs category. Companies that are engaged to the import and trade of textile products are not considered because the main objective is to analyze the productive capacity of Cuenca, which results in a
final base of 24 companies that meet the requirements to be part of the investigation.

Finally, 13 interviews were conducted due to the lack of cooperation from some companies. Once the final database was established, the approach began towards these companies. For this to occur, there needed to be assistance provided by CAPIA and MIPRO, which were an important link between the companies and the investigators. Once the dates of the meetings had been specified, a semi-structured personal survey was carried out which allowed open questions that provided the characteristics of a conversation. This interview focused on four main areas: administrative, financial, sales and production.

The resulting information from the interview was translated into a technical instrument that determined the export potential of each company, which is known as Export Audit. The Export Audit model used in the research was built based on three sources: previous Export Audit models developed by the institutions that collaborate with the project, the Export Potential Test provided by Pro Ecuador, and the contribution of each of the researchers generated by the knowledge acquired throughout their studies. The Export Audit is divided into four sections, where some of the most important aspects evaluated are:

Table 8: Export Audit evaluated aspects

| Administrative Area | • Organization, management and systems  |
|                     | • Strategic Plan                       |
|                     | • Document management and processes     |
|                     | • Planning for export                   |
| Financial Area      | • General accounting and financial information |
|                     | • Financing                             |
|                     | • Indebtedness capacity                 |
Each of the mentioned areas have a specific rating depending on the incidence they have to achieve an export plan. This method allows to determine the export potential of companies. The respective qualification to each area is:

Table 9: Area Classification

<table>
<thead>
<tr>
<th>AREA</th>
<th>QUALIFICATION OVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>0,50</td>
</tr>
<tr>
<td>Financial</td>
<td>1,00</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>1,50</td>
</tr>
<tr>
<td>Production</td>
<td>2,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,00</strong></td>
</tr>
</tbody>
</table>

Each qualification was assigned according to the methodology of this study, considering the importance that each area represents when starting an internationalization plan. The most important aspect considered is the production area. A good production plant is a key factor so the products that
are generated could offer competitive quality and allow a regular and continuous supply to their customers. Even more in the case that the search for external markets is sought, since without these described characteristics, an internationalization plan could not be conceived.

Secondly, the Marketing and Sales area is considered because even though the company could make very competitive products in terms of quality and innovation, it would be necessary to sell those products. It is precisely the sales area that keeps a company afloat that is why this aspect is considered second in order of importance, because proper advertising and marketing become key factors to gain market locally. Also, external markets give special attention to the perceived value of the product and the brand, aspects of which that this area is responsible for.

For the financial and administrative area, lower values were assigned (1/5 and 0.5/5 respectively), not because its importance is not considerable, but by considering the focus of this study it has been determined that these are not areas that condition the realization of an internationalization project. In the financial area today there are multiple credit facilities of which companies could access if they are decided to carry out a project of this type. On the other hand, when evaluating the administrative area, which is the one with the lowest rating, it is considered that there are cases in which companies do not have an adequate organization or organizational structure and even so, positive results have been obtained currently of commercializing their products in foreign markets.

The final stage is to evaluate and analyze the results of each of the companies with the intention of issuing a report to diagnose the exportable potential of the textile sector of Cuenca. This information will provide recommendations aimed at improving and reinforcing aspects of the companies to raise their performance both locally and internationally in the event of a possible export project.
3.3 Interview application

3.3.1 Areldi Jeans

3.3.1.1 Profile

Areldi Jeans is a company that has great prestige nationwide, and has been built after its 37 years in the market. Areldi is constituted as a natural person and is affiliated to the Chamber of Small Industries of Azuay (CAPIA). It is important to mention that their brand is registered under intellectual property protection throughout Latin America. At the start, Areldi was dedicated to the manufacture of Jeans; and over time, it expanded its range of production considering the possibility of expanding its market by offering a wider variety of products. Due this expansion, the creation of different models of clothes was introduced, adding styles and designs focused on the respective region where each product is marketed. Currently Areldi Jeans has managed to position its product nationally with very good results.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Areldi Jeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Garments for men, women, children and babies</td>
</tr>
<tr>
<td>Location</td>
<td>Monay Baguanchi Km 3.5 (Cuenca, -2.906131, -78.953752)</td>
</tr>
<tr>
<td>Contact</td>
<td>Eng. Julio Cesar Pachar</td>
</tr>
<tr>
<td>Phone and references</td>
<td>072879241 / 072832666</td>
</tr>
<tr>
<td>Interview date</td>
<td>October /18 /2017</td>
</tr>
</tbody>
</table>
3.3.1.2 Main company aspects

Administrative or Organizational Aspects

Within the administrative area it is possible to emphasize the considerable trajectory that the company has, which gives it recognition and prestige both locally and nationally. Regarding the organization, despite being a family business, the company has an organizational chart in which they are responsible for each of the critical areas such as production, sales, administration and design, for which they are properly prepared. Each area poses a control and supervision system for the activities that are carried out within them. In addition, the company has a strategic plan that contains aspects such as mission, vision, values, objectives and strategies that are very useful to guide the company to the achievement of its goals. Areldi has a manual of procedures and functions that is well established, to ensure that the activities that are carried out comply with a specific order and provide a quality product. It is important to mention that although Areldi has a very good organization in terms of production and administration, the Company does not have any type of quality certification.

The company sent its products abroad once to the United States and Spain. However, this export project did not achieve great success due to the current economic situation of the country which is quite unfavorable, since there are several disadvantages such as economic policies, logistics, etc., thus making it difficult to compete with countries such as Peru and Colombia that have the possibility to offer a cheaper product due to their currency and labor policies, therefore being almost unbeatable rivals. This is the reason why the company has almost completely ruled out the possibility of developing a plan to export their products, thus focusing on serving the local market, in which they have an excellent acceptance and coverage.

Financial Aspects

Within the financial area it is important to emphasize that the company has a general budget for the realization of its activities each year. Due it is required to present accounting information, Areldi has it prepared and updated, and
this information is frequently analyzed so it allows taking decisions based on this information in order to obtain an adequate control within the activities that the company develops. In addition the break-even point, costs per product and even the estimated time to recover the investment are established since they have a very well organized system to control this type of information that allows them to establish clear goals according to the desired profitability.

Currently, the company uses external financing sources to finance its activities. Bank financing is mainly obtained through Banco del Pichincha and National Finance Corporation (CFN by its Spanish abbreviation). In case that an export plan was made, the company would need and is open to the idea to further expand its funding sources to be able to carry out this kind of project. This is because it would be necessary to buy new machinery, increase personnel and perhaps even invest in international certifications. It is important to mention that even Areldi has the required guarantees to be able to access extra funding sources however they do not plan to do so, because export is not one of its immediate objectives on which they would like to invest. Areldi would rather seek to improve local positioning.

Marketing and Sales Aspects

As mentioned above, the company has a responsible person for the Sales and Marketing area who manages a budget that is established for the advertising activities that are carried out throughout the year. Areldi does not have an active website since it is still under development. The main means of advertising are social networks, Facebook specifically, where they offer information about their products to provide a better approach to the client. In addition, there are promotions twice a year for this as well as an increase of advertising through flyers or banners around the different cities where their product is commercialized.

It is important to mention that several market studies have been carried out within the country, these studies have been extremely useful to firmly position their nine points of sale nationwide. Their sales are mainly retail at their stores and the principal payment method is cash.
Production and Product Aspects

The production system used by the company is mostly mechanized, but its production also involves part processes that are carried out manually. Within the production methods, there exists a constant quality control for each of the processes used. In addition there is specialized technical staff that performs constant maintenance of the machinery. As mentioned before, in case of carrying out an export project, the company would need to increase its production capacity to supply both, local and external markets.

The company has different suppliers of raw material for the manufacture of their goods, these suppliers are selected according to the characteristics of the product, always giving special attention to its quality. It is important to mention that a large part of the used materials are imported. There exists a specific control in terms of inventory management, which controls both, the raw material and the final product, which facilitates compliance with established delivery deadlines or to cover extraordinary orders.

Areldi Jeans uses a well-developed distribution channel, since they have their own means of transportation to distribute their product to each of their sales points around the country.

3.3.1.3 Final Results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of Areldi Jeans.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.39/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.97/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.14/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.86/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.36/5.00</strong></td>
</tr>
</tbody>
</table>
Areldi Jeans has a final grade of 4.36 over 5, which indicates that there are important aspects that make it a company with the potential to export its products. Among the most important aspects it can be mentioned that currently its productive capacity covers orders at a national level in a very efficient way. However, within the goals of the company there is not much interest for the search for new external markets. This is mainly due to the fact that the national market is currently its main interest, market in which they want to continue expanding to cover a greater amount of sales. Although Areldi has tried to export in previous years, the economic obstacles that exist in Ecuador make it difficult to develop a feasible export plan for these types of products. Annex 1 shows the respective ratings given to each of the areas covered in the interview.

3.3.2 Creaciones Andreali

3.3.2.1 Profile

Creaciones Andreali is constituted as a natural person, it is affiliated to CAPIA, among others institutions. Andreali has a trajectory of approximately 35 years. In its beginnings it was dedicated to the manufacture of sleepwear, and through time they considered that their production line could be expanded considering the existing demand in the country. Thus, seven years ago they focused their productive activities according new fashion trends. Nowadays their product is distributed nationwide.

Company name            Creaciones Andreali  
Product                  Garments for men, women and children  
Location                 Azuay 1-11 - Guayas (Cuenca, -2.901668, -79.019711)  
Contact person           Nancy Lojan  
Phone and references     0998299275
3.3.2.2 Main Company Aspects

Administrative or Organizational Aspects

Within the administrative area it is important to highlight the considerable trajectory of the company, which gives it recognition and prestige in the local market. The company has an organizational chart where managers are selected for each of the critical areas such as production, sales, administration and design. Each area has a control and supervision system for the activities that are carried out within them. In addition, the company has a strategic plan, but it is not rigorously followed. The company has previously considered the possibility of exporting its products working with public institutions such as Pro Ecuador, however there are several disadvantages such as political, economic, logistics, etc. There is also direct competition in countries such as Peru and Colombia, which, due to their currency and labor policies, have the capacity to offer a cheaper product. In spite of the mentioned obstacles, Andreali is very interested in commercializing its products to external markets, assuming the risks that may arise, as well as being willing to make a possible association with other producers in order to carry out an export plan.

Financial Aspects

Within the financial area it is important to mention that the company has a general budget for the realization of its activities. Since it is required to present accounting information and Andreali has it prepared and updated. This information is frequently analyzed so it allows taking decisions based on this data in order to obtain an adequate control within the activities that the company develops. In addition the break-even point and costs per product are well established, so it would be able to reach the desired profitability. Currently the company is able to self-finance its activities, so it does not have external debt. However, in the case that an export plan was made, the company would need and is willing to carry out a project of this type, since it has the guarantees to be able to access financing sources.
Marketing and sales aspects

As mentioned above, the company has a person in charge in the Sales and Marketing area that manages resources according to the different activities that are carried out throughout the year. Since it does not advertise its products frequently, Andreaí has website and social networks, where they offer information about their products. It is important to consider that the company has two registered trademarks: KKO and Andreaí, under which, most of their products are commercialized. Most of their sales are made wholesale and on credit, since their customers are mainly large chains nationwide.

Due to the existing interest for export, the person in charge of marketing area has carried out market studies along with Pro Ecuador, to determine potential external customers that could appreciate the product. However, they have not been specified due the aforementioned obstacles. They have also been a part of macro business conferences with the intention of positioning their product in new markets. They have not participated in national or international fairs, but would be interested in being part of these types of projects.

Productive and product aspects

The production system used within the company is mostly mechanized, which indicates that part of the process is carried out manually. Improvement projects have been carried out sporadically in the different production processes and has specialized personnel that performs quality controls throughout the process. In addition, there are technical personnel who perform constant maintenance of the machinery. In case of carrying out an export plan, the company would need to increase its productive capacity to supply both the local and export markets, since they do not have a store to commercialize their products, its current distribution channel is based on direct delivery to different chains nationwide.
3.3.2.3 Final Results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of Creaciones Andreali.

Obtained results:

- Administrative Area: 0.38/0.50
- Financial Area: 1.79/2.00
- Marketing and Sales Area: 0.97/1.00
- Production Area: 1.07/1.50
- Total: 4.22/5.00

Creaciones Andreali reaches a final score of 4.22 over 5, which indicates that there are several points or important aspects that make it a company with potential to export. Among the most noteworthy aspects, it can be mentioned that its production capacity currently covers orders at the national level, market in which it commercialize its two registered brands. In addition, there is great interest in the search for new markets abroad, despite several obstacles that make it difficult to achieve an export plan. Annex 2 shows the respective ratings given to each of the areas treated in the interview.

3.3.3 Dicovs, Diseños, Confecciones y Ventas Ltd.

3.3.3.1 Perfil

Dicovs, Diseños, Confecciones y Ventas Ltd. It is registered as a limited company so it belongs to the Superintendence of Companies since 2010. It started its activities in 1991, reaching 26 years of experience. It began as a small craft workshop, making garments.
that were sold in popular markets of the city. However, over time, its production evolved to the production of boutique clothing and business uniforms.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Dícos, Diseños, Confecciones y Ventas Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Casual and uniform garments</td>
</tr>
<tr>
<td>Location</td>
<td>Esteves de Toral 10-41 and Gran Colombia (Cuenca-2.894039, -79.009591)</td>
</tr>
<tr>
<td>Contact person</td>
<td>Ing. Mariana Baculima</td>
</tr>
<tr>
<td>Phone and references</td>
<td>2827466 / 0998667659</td>
</tr>
<tr>
<td>Interview date</td>
<td>November/11/2017</td>
</tr>
</tbody>
</table>

### 3.3.3.2 Main Company Aspects

#### Administrative or Organizational Aspects

Dicovs has an organizational chart in which different areas are contemplated, however not all have a specific responsibility for each. In terms of strategic planning, Dicovs has duly identified different aspects such as mission, vision, values, and objectives, which are an important guide for the operation of the company. It is important to note that for the production processes, the company does not have an established procedures manual, since these processes are carried out most of the time in the same way. In this aspect, the company still works under a traditional method.

In the year 2000, Dicovs had the intention of making an export, however the manager mentions that the project could not be executed since its productive capacity was not sufficient to supply its demand. Besides this occasion, there has not been a similar project. This is due to the various difficulties that the country is going through, since competition in bordering countries is extremely difficult to equal in terms of prices. According to the manager, this situation has led to many businesses to stop it production and change their business to the importation of products for resale. There have also been existing cases where the factories leave the country to start their production in foreign countries.
**Financial Aspects**

Regarding the financial area it is important to mention that Dicovs has a general budget for the realization of its activities, which is very useful for both making financial and production decisions. Dicovs Ltd. Due it is required to present accounting information, Dicovs has it updated and well organized. The company has a break-even point and costs per product established, which allows a control within the financial aspect that facilitates reaching the planned profitability. To finance its activities, Dicovs uses external financing sources, mainly through banks. Currently it has an established credit line with Banco de Guayaquil, in which their production plant is mortgaged. At this point it is important to note that although there was the possibility of an export plan the company would not be able to carry out a project of this type since a strong investment in labor and machinery would be necessary to be able to increase and improve its production. However, the current situation of the company is not adequate enough to support this type of project.

**Marketing and sales aspects**

Regarding the aspect of Marketing and Sales, it is important to mention that within this area the company does not have a person in charge of it, there is not an established budget for Marketing and publicity since they do not advertise their product to a greater extent. Dicovs has a Facebook page where there is mainly information about the company and how to contact them, but not about the products they offer. According to the manager, the advertising that has been most useful to them has been customer satisfaction, since one satisfied customer comments on another and so on.

Within this aspect it is important to point out that since 1995, Dicovs has a brand and logo registered by Ecuadorian Intellectual Property Institute (IEPI by its Spanish abbreviation) under which, the company commercializes their products. Regarding certifications, despite the fact that the company uses prime raw material, the product does not have any type of quality certification. Since the products they sell the most are uniforms for institutions, most of their sales are made wholesale and by cash.
An interesting aspect that has come to affect sales and therefore the growth of the company is that, in addition to the difficult economic situation that Ecuador is facing, Tranvia project has strongly affected Dicovs. This is because their store is located in an area that has been affected by the works of this project, since those cause access difficulty and even more difficulties to stop or park vehicles. This situation has meant a significant decrease in clients for Dicovs, which has had quite negative consequences its economy. It should be noted that the company does not currently have the interest or the capacity to undertake an export plan, besides the multiple political and economic difficulties that the country is going through. The situation for the company is not in good condition, because as mentioned above they have even thought of changing the business model, instead of simply producing and importing products to commercialize them.

**Productive and product aspects**

The difficult situation that Dicovs is going through has forced the company to fire a good part of the staff, which has received some machines as part of their liquidation. The production plant is wide and very well adapted, however, it currently operates with 40% of its productive capacity; this because their sales have been dramatically reduced in recent years.

The production system used within the company is mostly manual, although there are also mechanized processes that have decreased along with the demand for the product that the company offers. There are no quality controls throughout the production process, however, the administrative manager performs certain inspections at different points to try to reduce errors. The manager points out that due to the reduced production capacity, he does not consider it necessary to have trained technical personnel for the maintenance of the machines, since it does not require constant repairs. As mentioned above in case of carrying out an export plan, the company would not only be disinterested, but also would not have the productive capacity to execute a project of this type.

In terms of inventory management, a control is carried out for both, raw material and the final product, which makes it easier to establish and
accomplish deadlines. Currently, the main distribution channel for their product is the delivery they make to their customers, as well as small sales in their store. It is important to mention in terms of production that, the waste they generate is minimal and in many cases, resulting traces that are reused or given away.

### 3.3.3.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of Dicovs, Diseños, Confecciones y Ventas Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.24/0.50</td>
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<tr>
<td>Financial Area</td>
<td>0.72/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>0.43/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.63/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.02/5.00</strong></td>
</tr>
</tbody>
</table>

After the respective evaluation, it is determined that Dicovs, Diseños, Confecciones y Ventas Ltd. reaches a score of 3.02 over 5, which indicates that the company has certain deficits within some aspects that would make it difficult for it to execute an export plan. In addition, their owners show no interest in making a plan of this type, because there are several reasons that make it very challenging. Among the most important are the economic difficulties mentioned above, which complicate the situation of Dicovs, Diseños, Confecciones y Ventas Ltd. This situation conveys that not only does the company not show interest but also complicates their capacity to export; it should be emphasized that there are even difficulties to stay within the local market. Annex 3 shows the respective ratings given to each of the areas treated in the interview.
3.3.4 Frada Sport

3.3.4.1 Profile

Frada Sport is a family business that over the years has been growing and building prestige at the local level after its long trail (around 19 years). This company is dedicated to the manufacture of uniforms and all kinds of sportswear, for which uses 'intelligent' fabrics according to each garment. It is constituted as a limited company, so it is part of the Superintendence of Companies. It is important to mention that their brand is registered under intellectual property protection. In their beginnings they worked under the artisan modality, producing mainly uniforms of local. Over time they expanded their production range considering that they could expand their market offering more variety of products, so they started the production of different sports clothes.

Company name Frada Sport
Product Sportswear manufacture
Location Cdra. Católica, Calle Obispo Ordóñez Crespo 2-16 (Cuenca, -2.880499, -78.987337)
Contact person Esperanza Bueno
Phone and references 072340975 / 0740110251
Interview date October/17/2017
3.3.4.2 Main Company Aspects

Administrative or Organizational Aspects

Within the administrative area it is possible to emphasize the considerable trajectory with which the company counts, which grants it recognition and prestige both, local and nationally. Regarding the organization, Frada, despite being a family business, has an organizational chart where managers are identified in each of the critical areas such as production, sales, administration and design, which are very well prepared. It is important to mention that in each area there exists control, however the productive process is the one that receives the most attention to procure a quality product. Regarding its strategic plan, the company has aspects such as mission, vision, values, objectives and strategies that are not constantly reviewed or followed rigorously since they have been simply written in the company’s articles of incorporation. Frada does not have any type of quality certification.

The company has not made formal exports, however there is a small football team in the United States that buys its products throughout different seasons of the year. A delegate of the team makes the purchase in Frada stores and it is responsible for taking the uniforms to their country. There is interest to carry out an export project and some progress has been made regarding this issue. However, in addition to the difficult economic situation that Ecuador is facing, it is difficult to find a market in which to consolidate because of the direct competition in countries such as Peru and Colombia.

Financial Aspects

Within the financial area it is important to emphasize that the company has a general budget for the realization of its activities. Frada Sport is required to keep account and is up to date with its tax obligations as well as has updated accounting information. Frequent analysis of this data allows decision making in order to obtain an adequate control and order of the activities that the
company develops. In addition, the Break-even point and the costs per product are well established.

Currently, the company uses external sources of financing to finance its activities. Frada Sport obtains loans and financing mainly through banking sources. In case an export plan was made, the company would need and is willing to further expand its funding sources to be able to carry out a project of this type, since it would be necessary to buy new machinery, increase personal, and maybe even invest in international certifications. Besides, the manager mentions that Frada Sport has the guarantees to be able to access extra funding sources.

**Marketing and sales aspects**

Frada has a person in charge in the Sales and Marketing area that handles a fixed budget for the advertising activities that are carried out throughout the year. Frada Sport currently has an active website, however the main means of advertising are social networks, Facebook specifically, in which they offer information about their products to provide a better approach to the client. It also mentions a word of mouth marketing in which a satisfied customer comments on the quality of their products, which according to the manager, has been a very useful method to promote their brand. The sales of their products are mainly made within their two stores located in Cuenca. There are occasions in which, depending on the client, wholesale and credit sales are made, especially with large institutions.

**Productive and product aspects**

The production system used within the company is mostly mechanized, but there also exists manual processes. Within the production processes, a constant quality control is carried out in each of the stages. In addition there is technical staff that performs constant maintenance of the machinery. In case of carrying out an export plan, the company would need to increase its productive capacity to supply both the local and export markets.

The company has suppliers of raw materials for the manufacture of its products, it is important to mention that there is not established a specific
supply criterion; but they are supplied according to the existing demand of orders. Most of the used inputs used are imported, but purchased from an intermediary. This is why the company has considered the possibility of directly importing certain raw materials.

3.3.4.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of Frada Sport Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.28/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.94/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.14/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.76/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.12/5.00</strong></td>
</tr>
</tbody>
</table>

Frada Sport reaches a final score of 4.12 over 5, which indicates that there are important aspects that make it a company with export potential. Among the most noteworthy aspects, it is important to mention the quality of its products as well as the production capacity that allows filling local orders in a very efficient way. This is because in addition to their production, in some cases, they also manage maquila production in some cases. There is an interest for the search of new markets abroad, which is why Frada have already analyzed possible projects and markets in which they could expand their sales in the future. However, to reach a plan of this type, there are certain aspects that the manager is aware, they must improve; besides considering the political and economic events that are generated at national and international level. Annex 4 shows the respective ratings given to each of the areas treated in the interview.
3.3.5 Hermanos Martinez Sportswear Ltd.

3.3.5.1 Profile

Hermanos Martinez Sportswear is a company dedicated to the manufacture of sportswear for high performance athletes. They have been in the market for seven years and are currently a leading brand recognized throughout Ecuador. The company was constituted between four siblings (two men and two women) who have been athletes their whole lives, facing the need to resort to external suppliers to obtain the specialized clothing they needed, thus forming a company that offers these types of products was born. They are recognized by the production process in which modern machinery is used (sublimation, sewing, etc.), thus ensuring the quality of the garment and the comfort of the athlete to achieve optimal performance the sport he practice.

Company name: Hermanos Martinez Sportswear Ltd.

Product: Manufacture and distribution of specialized sportswear

Location: Av. Ricardo Muñoz 2-18 - Padre Matovelle (Cuenca, 2.903974, -79.014188)

Contact person: Ing. Augusto Martinez

Phone and references: 072819730 / 0998520539

Interview date: October/23/2017
3.3.5.2 Main company aspects

Administrative or Organizational Aspects

The company has an established organizational chart in which its division is shown by departments, meaning that there is a person in charge of each of the main areas that are managed (accounting, sales, production, design). Each person in charge is very well prepared for its respective area. There is also a control system for the activities that are carried out in each department in order to have a report of them. The company has established a strategic plan in which the mission, vision, objectives and strategies of the company are described and have been duly communicated to the staff. Currently it lacks procedural or formal functions manuals, but they are working on these documents. They are part of the Textile Guild and the Chamber of Commerce of Cuenca, in whose seminars they actively participate.

Within the strategic plan, long-term objectives and goals are contemplated, in which the interest of Hermanos Martínez Sportswear to export its products is evident, they hope to realize this project until 2018. Currently no formal exports have been made, however, its brand is recognized in different parts of the world due to the auspices granted to different athletes who have participated in several international events. They have employees whom are fluent in English and to import certain raw materials they hire the services of an agent who is in charge of the necessary procedures. In the case of carrying out an export plan, it would be handled through the same agent. In addition, they would be willing to assume the necessary risks that would imply starting an export plan.

Financial Aspects

Hermanos Martínez Sportswear financial area is managed through an annual budget for each of its principal areas, according to the programmed activities for them. The main investment that was made in founding the company was through the National Financial Corporation (CFN by its Spanish abbreviation), which performs audits of the company each, three to six months. In addition to this, Hermanos Martínez Sportswear has another source of external
financing through a banking institution in the United States. The company intends to cancel the entire loan made through CFN for the beginning of 2018, with which it would be a possibility to resort to another loan to carry out an export plan, since it would be necessary to hire more personnel to cover possible orders (local and external).

Marketing and sales aspects

Within the Sales and Marketing department there is a person in charge of carrying out the activities scheduled throughout the year and there is a specific budget established for this task. Hermanos Martínez Sportswear has a name, logo and slogan registered in the competent entity. Its brand is MSportswear, which is managed together with three different slogans. The company takes the positioning of its brand very seriously, since it is considered one of the key factors for its success. They have worked since the beginning in the recognition of their brand, competing with strong brands that were already positioned and are currently pioneers in specialized sportswear in Ecuador. They have participated in several national fairs where they have made their product known however they have not participated in international fairs, but they have the interest to do so.

Hermanos Martínez Sportswear does not advertise its products in a traditional way (although it has social networks and a website), but mainly uses sponsorships for sports events of its lines and athletes. For this activity a budget is allocated and the athletes are chosen at the beginning of each year, after evaluating each of their profiles. Currently the company has 18 athletes in different disciplines who are sponsored nationally, and that are always in the first places in the competitions that they participate. This has facilitated the positioning of the brand, because as the manager explains, the athletes seek to use the same equipment or clothes that are used by those in the first place. There was a particular sponsorship in 2004 to the continental cycling team, which participated in a competition for six months in Europe. The athletes wore MSportswear apparel, which served as a point of reference in this continent, making the brand known internationally. As mentioned above, the company has a website through which they make online sales.
On its page are descriptions of its products and the generalities of the company, as well as a catalog of certain products in stock. Their sales are mainly made in cash, but they also offer the option of credit to reliable customers. Regarding customer service Hermanos Martínez Sportswear offers guaranteed products, so if there is any disagreement with the suit or garment, it would be immediately fixed so the client could be totally satisfied with it. Hermanos Martínez Ltd. has several distribution channels for its products. Its main point of sale is its own store located in the same place as the administrative offices. In addition, as indicated above, they have customers around the country that commercialize their brand; they also have online sales through their website.

**Productive and product aspects**

The production system of the company is mostly mechanic, but some areas such as printing and sublimation are automated. Continuous improvement projects are constantly carried out within the different production processes, with the aim of guarantee maximum quality in their products. There are people in charge of the supervision and quality control in each one of the manufacturing stages of the product; this personnel is in constant preparation. The company also has technical personnel apt to maintain the equipment and machinery used in the process. For the time being, they are not using all their productive capacity, but if they do, they could easily supply foreign markets in the case of carrying out an export plan.

Their product has several competitive advantages that differentiate it from other similar products in the local market. The company manages custom and specialized designs according to the athlete needs. In the same way, a design provided by the client can be adapted to the necessary specifications. The machinery used to manufacture the product is considered as ultra-sharp technology. It is considered the most updated, and its sublimation process is unique throughout the country. In addition, they use patterns according to the ergonomics needs of the athletes, which are created according to the activity performed by the client this can be a weightlifter, cyclist, etc.
The raw material that is used in the manufacture of their product is mainly imported fabrics specifically programmed for the different activities of the client, those products are furthermore internationally certified. The company has many international suppliers that are rigorously analyzed to meet necessary quality standards. For the purchase of raw material and management of inventories, they have a system with the quantities of raw material and final product, to keep track and to facilitate the fulfillment of delivery deadlines.

3.3.5.3 Final results

After the interview, the next stage is to evaluate the company rating, covering the main analyzed areas. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of Hermanos Martínez Sportswear Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.45/0.50</td>
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<tr>
<td>Financial Area</td>
<td>0.89/1.00</td>
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<tr>
<td>Marketing and Sales Area</td>
<td>1.33/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.93/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.60/5.00</strong></td>
</tr>
</tbody>
</table>

Hermanos Martínez Sportswear reaches a final score of 4.60 over 5, which indicates that the company is well prepared to carry out an export plan in the future. One of the most important aspects of the company is its production system, since they handle high technology machinery (some of them unique in the country), which gives a high added value to their final product.

It is important to notice that, the company was founded with the idea to commercialize its products abroad, so its strategic plan and all the activities that have been carried out since then have been directed to meet this long-term goal. Annex 5 shows the respective ratings given to each of the areas treated in the interview.
3.3.6 Homero Ortega Peñafiel e Hijos Ltd.

3.3.6.1 Profile

Homero Ortega is a company that has a great international prestige that has been forged after its long trajectory since 1972, which give it 45 years of experience. Homero Ortega is dedicated to the manufacture of panama hats. It is constituted as a limited company, so it is part of the Superintendence of Companies, and it is also affiliated to the chamber of commerce. It is important to mention that their brand is registered under intellectual property protection and that its products are marketed around several countries of the world. From the beginning, hats were exported to a few countries, and throughout time, the sale of them spread to countries on all continents.

Company name: Homero Ortega Peñafiel e Hijos Ltd.
Product: Panama hats manufacturing
Location: Av. Gil Ramírez Dávalos [Cuenca, -2.891038, -78.992846]
Contact person: María Angélica Molina
Phone and References: 072849822 / 07867600
Interview date: October/17/2017

3.3.6.2 Main company aspects

Administrative or Organizational Aspects

Within the administrative area it is important to emphasize the considerable trajectory that the company has that gives recognition and prestige both locally and internationally. Within the organization, the company has an
organizational chart where managers are identified in each of the critical areas such as production, sales, administration and design. In each area there is a very well developed monitoring system to control the activities that are carried out within them. In addition, the company has established a strategic plan that includes mission, vision, values, objectives and strategies, aspects that have been fundamental towards the process for Homero Ortega to achieving his goals. It is important to consider that the company plans to keep improving some aspects as well. The manual of procedures and functions are duly established to ensure that the activities that are carried out comply with a specific order, and thus provide a product that meets high quality standards. It is important to mention that all these processes are reflected in the ISO-9001-2008 certification that the company has, this certification refers to continuous improvement in terms of quality management.

The company has vast experience in foreign trade because from its establishment, it has sent its products to foreign markets. Currently Homero Ortega has come to consolidate as one of the most solid companies internationally, in terms of Panama hats export. Its main export markets are: United States, Paris, Japan, Italy, Germany, Australia, and it plans to expand into new markets, mainly to Europe, where this type of product is highly desired. Homero Ortega hats are sold in many other countries worldwide, thus covering sales in absolutely all continents.

**Financial Aspects**

Homero Ortega does not have a general budget specified, since it is an aspect that is controlled month by month according to the orders and needs that exist. Due to this, Areldi is required to present accounting information and has it prepared and updated. This information is frequently analyzed so it allows taking decisions based on this information in order to obtain an adequate control within the activities that the company develops. In addition, the break-even point and the costs per product have been established, in order to have an adequate control of the performance within the company.

To carry out the activities of the company, Homero Ortega has a self-financing system for them, which means that, it does not have any kind of credits or
debts with banks or other institutions. It is also mentioned that in case of expanding their production to satisfy a more ambitious export plan, the company would be able to finance this improvement without the need of the banking system.

Marketing and Sales Aspects

As previously mentioned, the company has a responsible person in the sales and marketing area, however there is not an established budget for advertising activities. In addition to the great prestige and reputation that works as self-publicity to Homero Ortega, the company also uses an active website which offers highly detailed information about their products to provide a better approach to the client. This means, along with social networks, has become the most efficient advertising method for the company since it is through these electronic spaces that the client has the opportunity to observe all the models of available hats, their prices and even some specifications. All this information facilitates clients from different parts of the world the option to contact and negotiate with the company. Homero Ortega sales are made in different ways according to the customer, since they can be wholesale, retail, on credit or cash. In addition to their website, they also have stores nationwide where they sell their products.

Production and Product Aspects

Considering the necessary process to make Panama hats, the production system used within the company is mostly mechanized, however certain parts of the process are also carried out manually. There is a rigorous quality control within the production processes for each of the methods. In addition there is specialized technical staff that perform constant maintenance of the machinery. Currently the productive capacity easily covers the national and international demand.

For the manufacture of its products, Homero Ortega has suppliers of raw materials, which are selected with rigorous quality standards. It is important to mention that the raw material of the company is not the toquilla straw itself, but the already woven hats that pass by different processes to improve its
quality and design. In terms of inventory management, a control is carried out on both, the raw material and the final product. This facilitates compliance with the established delivery deadlines and with the control in terms of production and delivery. It is worth mentioning that the company has clean production processes and an adequate management of the generated waste, which is mainly biodegradable since its main raw material is a plant (Carludovica Palmata - Paja toquilla).

3.3.6.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it was transcribed and evaluated into an Export Audit with the objective to determine the export potential, as well as the productive capacity of

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.48/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>1.00/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.26/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>2.00/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.74/5.00</strong></td>
</tr>
</tbody>
</table>

Homero Ortega Peñafiel e Hijos reaches a final score of 4.74 over 5, which indicates that there are several points or important aspects that make it a company with excellent export potential. Among the most noteworthy aspects, it is important to consider the trajectory of the company that besides giving it recognition has also allowed it to offer a quality product. Besides being very well financed with its own resources they also have an excellent productive capacity that allows it to fill orders both locally and internationally in a very efficient way. All of these factors have been decisive for the company to create a path to international markets for some years now. Annex 6 shows the respective ratings given to each of the areas treated in the interview.
3.3.7 Industria de la Confeccion Referee Ltd.

3.3.7.1 Profile

Industria de la Confeccion Referee Ltd. is a company founded ten years ago, in November 2007. It is dedicated to the design, manufacture and marketing of sportswear for men, women and children, especially those who practice sports such as athletics, cycling, gym and walking. They also design and develop sports uniforms for schools and colleges, as well as for companies or sports clubs. The fabrics used by Referee are high technology, which help the client when performing any physical activity, as they improve performance, visibility and safety. The company is affiliated to Chamber of small industry of Azuay (CAPIA), participating actively in the different seminars that are carried out by this institution.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Industria de la Confeccion Referee Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Outwear for men, women and children</td>
</tr>
<tr>
<td>Location</td>
<td>Av. de las Américas 55-99 - Padre Aguirre</td>
</tr>
<tr>
<td>Contact person</td>
<td>Eulalia Maldonado (Cuenca, -2.902480, -79.012819)</td>
</tr>
<tr>
<td>Phone and references</td>
<td>2837818</td>
</tr>
<tr>
<td>Interview date</td>
<td>October/23/2017</td>
</tr>
</tbody>
</table>

3.3.7.2 Main aspects

Administrative or Organizational Aspects

The company began its functions about ten years ago and consumers not only recognize its products in Cuenca but also throughout the country. The organization of the company is established in such a way that there is a responsible person in each of the key areas, such as sales, accounting,
production, management, etc. Most part of personnel is part of the production area, which is divided into sub areas that are: pattern, cutting, sewing, screen printing, and sublimation. The company has established a strategic plan in which the vision, mission, objectives and strategies are established, this aspects have been duly communicated to each of the areas in order to fulfill their goals. They have a manual of functions and are still working on a procedures manual, as part of a project that is being carried out in conjunction with students of Business Engineering of Universidad de Cuenca. It is currently affiliated to Chamber of Industries, Employment and Production (CIPEM by its Spanish abbreviation), and also to Chamber of small industries of Azuay (CAPIA). Referee constantly participates in preparation seminars, especially in the area of accounting and production, as it is considered to be departments that must be constantly updated to achieve a good performance of the company. Currently they do not have any certification neither have they participated or established any project aimed at obtaining one.

The company has never carried out an export project, and is currently not interested in doing so. However, it should be mentioned that Referee executives are aware that exports should be part of a long-term vision of the company, so they do not quit the idea to export in the future. Presently they seek to focus on having greater coverage in the local market and increasing their sales. There are some people within the company who are fluent in English who also have personnel with experience in foreign trade and know about the requirements to start exporting.

Financial Aspects

Referee is managed through the establishment of an annual budget for each of the areas; especially for the sales area, aspect that is analyzed every month. The company has to keep accounts so it has updated their financial documents, with which they constantly work to make decisions aimed at meeting the objectives established in the strategic plan. They have also established their break-even point and cost per product, which are extremely important information to determine the profitability of their products. Referee currently has sources of external financing from Ecuadorian banking
institutions. In case of carrying out an export plan, capital injection would be needed, so they would look for ways to finance the project with their own resources; if they need more resources, they would be willing to apply for a loan.

**Marketing and Sales Aspects**

Within the sales area there is a departmental head and a work group responsible for managing the areas of Marketing and Sales. The company has a registered name, logo and slogan with which it advertises and publicizes its different products in the market. Their trademark is Referee, which has already achieved an established position in the local market. Although Referee does not dedicate itself to strongly advertise its products in a traditional way, it has a website and social networks through which it is sought to reach the different clients of the country. The Marketing plan currently managed by the company is focused precisely on strengthening these two advertising sources. Its website is constantly updated with the aim of promoting all the products, new releases, promotions, etc. On the other hand, on their Facebook page they seek to support and participate in different mass sporting events (cycling, athletics, etc.), and in this way get as many followers as possible to continue making their products known to the public. They have not participated in international fairs and currently they are not interested in being part of them.

The company has two types of customers: the final consumer that represents most sales and the corporative customers who usually cancel by cash, but they also have the option to buy by credit (30, 45 days) according to the amount and the client. Regarding customer service, Referee seeks that the customer is fully satisfied with their products, so they have refund and guarantee policies.

**Production and Product Aspects**

Referee has a mostly mechanized production system, with some processes carried out manually. Currently they have in mind the purchase of machinery that would replace certain manual stages of the production process. There are people in charge of quality control in the different stages of the process,
as well as the final product. The personnel in charge of the machinery are in constant training with the objective of exploiting to the maximum its capacities. Currently they are not using their total production capacity, but there are times when the demand for their product increases and it is necessary to use it all. They have not seen the need to increase their productive capacity; however, a major problem in the production process is that it is divided into two different small factories, which undoubtedly delays the continuation of the process and increases the time it takes to make a garment.

The raw material used by Referee is mainly high-tech fabrics that help the athlete to improve their performance, flexibility and comfort. They have specialized personnel for the design of their products, since they are always making new collections from various factors such as their experience, trends, customer information, etc. However, garments are also designed according to the needs and specifications of the customers. Considering distribution channels for their product, their main point of sale are two stores in Cuenca, one located in Remigio Tamariz Street and other in Americas Avenue. They also manufacture uniforms for different colleges and schools in the canton, as well as for different companies.

3.3.7.3 Final results

Once the interview is completed, each of the involved areas (administrative, financial, sales and production) are evaluated. The information obtained through the manager was transcribed and evaluated in an Export Audit in order to determine the export potential as well as the productive capacity of Industria de la Confeccion Referee.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.38/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.92/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.18/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.93/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.42/5.00</strong></td>
</tr>
</tbody>
</table>
Industria de la Confección Referee reaches a final score of 4.42 over 5, this indicates that the company is well established and an export plan for the future could be projected. It is important to take into account that currently Referee has no interest in taking its products to the foreign market, but rather they are focused on supplying the local market and better positioning their brand. Their product has an important differentiator that could make it competitive abroad; however, the directors of Referee, as well as managers of other companies, mention some inconveniences with the policies and currency that the current government of Ecuador handles. Annex 7 shows the respective ratings given to each of the areas treated in the interview.

3.3.8 Kossmoran Ltd.

3.3.8.1 Profile

Kossmoran is a company that has a great prestige at a local level, the same one that has been forged after its long trajectory since 1983, making a total of 34 years of experience. His production is focused mainly on casual clothes and sportswear. It was constituted as a limited company, so it is part of the Superintendence of Companies. It is important to mention that its brand is under the protection of intellectual property, and its products are successfully sold within the city. It started making clothes only on request and over time its production has increased, thus selling its products in its own stores located in the city.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Kossmoran Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>Clothing manufacture</td>
</tr>
<tr>
<td>Location</td>
<td>Fco. Moscoso 6-36 - Miguel Moreno (Cuenca, -2.913864, -79.001279)</td>
</tr>
</tbody>
</table>
3.3.8.2 Main company aspects

Administrative or Organizational Aspects

Within the administrative area it is important to highlight the prestige of the company, which has facilitated the commercialization of its products, since throughout its history it has been forged as a well-recognized brand at a local level. As for the organization, the company has an organizational chart where managers are identified in each of the critical areas such as production, sales, administration and design. Kossmoran has developed a strategic plan that contains aspects such as mission, vision, values, objectives and strategies. Kossmoran does not have a manual of procedures and functions established, however there are processes that are put in common with the staff to ensure that the activities carried out follow a specific order and to have some control of the operations of the staff. It is important to mention that despite the good prestige of Kossmoran products, the company does not have any type of certification.

The company has sent its products abroad only once, however this sale was not considered a formal export as such, since the buyer was responsible for carrying out all the logistics processes to take the product to his country (Aruba). Kossmoran has considered exporting its products, however has decided to focus its activities on the local market currently. In the first place, it considers that there are several situations that hinder the export of textile products such as economic policies, logistics, etc.; in addition to the strong competition represented by countries such as Peru and Colombia. Secondly, they consider that with all the obstacles mentioned, it would be a waste of time and resources to plan an export project, which would be very difficult to consolidate. For this reasons, the company has decided to focus its efforts to remain stable in the local market. In this way Kossmoran almost completely discards the possibility of developing a short-term export project.
Financial Aspects

Within the financial area it is important to emphasize that the company has a general budget for its activities year after year. However, it should be mentioned that due to the existing economic instability, certain modifications have to be made within the budget in order to adapt to reality. Being obliged to keep accounts, is up to date in its tax obligations and has updated accounting information which is analyzed frequently allowing decision making to obtain an adequate control and order of the activities performed. In addition, the equilibrium point and the costs per product have been established, to have an adequate control of the performance within the company.

Currently, the company uses external financing sources to finance its activities. Kossmoran obtains loans and financing mainly through banking sources. If an export project was made, the company would need a strong injection of capital, but due to the situation in which the company is currently located as well as the economy of Ecuador, Kossmoran is not willing to carry out a process of this type that requires a high level of indebtedness. This is because the company has several short-term debts; so in the possible scenario of carrying out an export project, it would be in the long term once these debts are covered and the economic environment analyzed again.

Marketing and Sales Aspects

Regarding the Marketing and Sales area, it is important to mention that Kossmoran does not have a person in charge of said area, nor does it have a budget set for carrying out advertising activities. This is because the manager mentions that in previous years it was necessary to invest in advertising in the press, radios, etc., however nowadays social networks have facilitated this, being the most used means to offer details about their products, information about discounts, etc.; in this way, a greater approach with the client is achieved. Kossmoran has two stores within the city, where most of the sales are made retail with the option to pay on credit and cash.
Production and Product Aspects

The production system used within the company is mostly mechanized, also performing a certain part of the process manually. Within the production processes, monitoring is carried out in each of the methods used to ensure a quality product. Kossmoran has a designer who is responsible for the creation of different collections according to different seasons. Currently, the productive capacity easily covers the national demand, and would have the capacity to also cover orders abroad, however, as mentioned above, this type of projects are not of current interest for the company.

3.3.8.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it were transcribed and evaluated in an Export Audit in order to determine the export potential as well as the productive capacity of Kossmoran.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.28/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.94/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.14/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.76/2.00</td>
</tr>
<tr>
<td>Total</td>
<td>4.11/5.00</td>
</tr>
</tbody>
</table>

Kossmoran reaches a final score of 4.11 out of 5, which indicates that there are several points or important aspects that make it a company with good potential to export their products. However, due to multiple factors mentioned above, an export project is not within the short-term objectives of the company. Kossmoran has decided to focus on the local market and due to its considerable trajectory it has managed to establish a good level of recognition within the city. In Annex 8 you can see the respective qualifications given to each of the areas treated in the interview.
3.3.9 Modas y Telas Zhiros Modtezhi Ltd.

3.3.9.1 Profile

Modas y Telas Zhiros Modtezhi Ltd. is a company founded on January 22, 1991. It started its functions as a factory dedicated to the manufacture of all kinds of garments; however, since 2001 they have focused their business on the design and manufacture of clothes for boys and girls from six months to eight years. Its main objective is to create and sell high quality children's fashion, designing a new collection every month according to the needs of its customers, guaranteeing the exclusivity and quality of its products. In recent years, reengineering strategies have been implemented in the factory, making investments to acquire new machinery and train their employees on efficient production processes. The majority of Zhiros employees are women from Azuay, whose husbands have emigrated, with the aim of helping to reduce the impact of migration. Its institutional values are focused on ethics, quality and productivity, always seeking the comfort and well-being of children. Currently, their products are positioned in the market and their brand is easily recognized throughout Ecuador.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Modas y Telas Zhiros Modtezhi Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Childrens clothing manufacture</td>
</tr>
<tr>
<td>Location</td>
<td>Batallón Numancia 4-101 and Calle Primera (Cuenca, - 2.879388, -78.980486)</td>
</tr>
<tr>
<td>Contact</td>
<td>Patricio Maldonado</td>
</tr>
<tr>
<td>Phone and references</td>
<td>2864533 / 0984268069</td>
</tr>
<tr>
<td>Interview date</td>
<td>October/25/2017</td>
</tr>
</tbody>
</table>
3.3.9.2 Main company aspects

Administrative or Organizational Aspects

Zhiros is a company that has been in the market for more than 25 years, which is why it has won recognition not only from its clients in Cuenca, but also at a national level. It has an established organizational chart in which the company is divided into departments for its different key areas such as management, sales, production, design, accounting, etc. They have a strategic plan that includes aspects such as vision, mission, strategies and clear objectives, on which the company is based to carry out its day-to-day functions. At the same time, they have procedure and functions manuals. Currently they do not have any type of certification, however, they comply, in an 'informal' manner, with national and international quality standards. Zhiros is part of to the Chamber of Small Industry of Azuay (CAPIA).

Currently, the company is not interested in an export project due to several factors, both internal and external. Within the company there are staff who are fluent in English and have experience in foreign trade management; however, currently, Zhiros is interested in fulfilling the objectives that have been set for the local market. In addition, its manager said that the company is in a process of reengineering in which it is trying to improve some processes within it, so that is its priority currently. On the other hand, he mentions that in the past there has been the possibility of exporting to international markets such as Bolivia and Puerto Rico, but due to the strong competition in Colombia and Peru has not been completed.

Financial Aspects

As for the financial area, Zhiros is managed through budgets established annually for the development of different activities carried out in each area of the company. Zhiros is a company obliged to keep accounting so they have several financial documents, which they periodically analyze for making important decisions. They also have break-even point and cost per product established to determine and analyze the prices of their final products. Currently, the company has external financing sources that include national
banks; in addition, it is planned to make a loan with the National Financial Corporation (CFN) for the realization of a future project. In the case of carrying out an export project, Zhiros would need external financing to be able to do it; however, currently they are not interested in exporting, so they are not willing to carry out this activity.

Marketing and Sales Aspects

In the area of Marketing and Sales there is a person in charge who manages an annual budget for the activities that are carried out within this area (approximately five percent of the sales of the previous year). Zhiros has a name, logo and slogan established and registered within the corresponding institutions. The Marketing and Sales department is not focused on advertising its products, since only a small part of the budget is destined for these activities, however, its main advertising sources are its website and social networks, through which they make known its collections, promotions and different products. The brand that runs the company is Zhiros, which already has some time in the market so it is well known within Cuenca, and to a lesser extent at the national level.

One of the approaches of Zhiros to make the product more attractive, has been the packaging, which has been designed to give greater value to the product. The different packages, especially in babies clothing, are quite striking and they definitely attract the attention of customers. With regard to sales, approximately 98% of its sales are made on credit to large customers, but sales are also made to the final consumer in cash. In terms of customer service, Zhiros has several return policies and guarantee with the aim that the customer is completely satisfied with their products.

Production and Product Aspects

Modas y Telas Zhiros Modtezhi Ltd. is in a reengineering process focused mainly on the improvement and updating of its production processes, a system that is currently mechanized with very few processes carried manually. The company manages a satellite production system that consists of working with workshops outside the main factory, some of them belong to Zhiros and others
are producers who are hired by the company; however, the main stages of production are carried out inside the factory. Within each production stage there is a person in charge of quality control, both of the process and the final product. The machinery used for the manufacture of the product is in constant maintenance (every week), by a specialized technician external to the company. Currently use or not of their total production capacity depends on the existing demand in the market.

As for the product offered by Zhiros, as mentioned above, the focus is on children from six months to eight years old. They manufacture all kinds of garments such as T-shirts, jeans, jackets, sportswear, dresses, rompers, etc. They use mainly imported raw materials, whose suppliers are duly qualified based on different criteria that the company establishes; this depends on the demand and the different collections that are intended to be launched on the market. Likewise, they manage a system of inventories of both raw material and final product to facilitate the fulfillment of orders made by their customers. Regarding its distribution channels, its main point of sale are several stores located in the urban area of Cuenca. Another channel would be its wholesale customers who are responsible for the distribution of their product throughout the country. They also have online sales through their website, making deliveries throughout Ecuador.

3.3.9.3 Final results

Once the respective interview was concluded, covering the main areas of the company, we proceed to evaluate its status. The information provided by the manager of the company was transcribed and evaluated in an Export Audit, to determine the export potential, as well as the productive capacity of Modas y Telas Zhiros Modtezhi Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.34/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.75/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.14/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.97/2.00</td>
</tr>
</tbody>
</table>
Modas y Telas Zhiros Modtezhi Ltd. reaches a final score of 4.20 out of 5, which indicates that the company is quite well and could be a candidate to carry out an export project. However, it should be noted that within the Zhiros projects there are no plans to take their products to the foreign market. Although the company could comply with the demands of other countries, its manager mentions that there are different obstacles to do it. In addition, it emphasizes the economic and social problems that exist in Ecuador, which makes it difficult to consider a long-term project. In Annex 9 you can see the qualifications obtained in each of the areas worked.

3.3.10 Modasa S.A.

3.3.10.1 Profile

Modasa S.A. is an Ecuadorian company that has been growing through time. Currently it has more than 23 years of experience in the manufacture of business uniforms, both for women and men, and other accessories for clothing. The company works under four registered trademarks in Ecuador and other countries, which are Herrera by Mónica, Incomodasa, Unimoda and MHF Collections. Modasa is recognized for its excellent quality, and currently distributes its product throughout the country, being the number one company nationwide supplier of business uniforms. Among its main clients are Corporations, Banks, Financial Institutions, Concessionaires, Insurers, Ministries, Decentralized Autonomous Governments (GAD), among others.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Modasa S.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Clothing manufacture</td>
</tr>
</tbody>
</table>
3.3.10.2 Main company aspects

Administrative or Organizational Aspects

Modasa S.A. is a company that is already several years in the market so it has gained recognition and prestige; it is also one of the main distributors of business uniforms nationwide. The company has an established organizational chart in which it is divided into different areas or departments such as sales, production, administration, accounting, etc. Within each department there is a person in charge of supervising and controlling the different activities carried out by the personnel of the area. In addition, the administrative manager is responsible for collecting information from the different areas to handle a feedback of the activities that are carried out within the company. Modasa S.A. has a strategic plan established and reviewed periodically. They have manuals of procedures and functions, which are constantly updated in order to be up to date on any reform or change that exists in the sector. Currently they do not have any type of certification, but they are working on a project to obtain an ISO by next year. Currently, Modasa is affiliated to the Chamber of the Small Industry of Azuay (CAPIA).

Regarding exports, the company has not made any sale to foreign markets so far; however, they are extremely interested in carrying out an export project in the future. The company’s strategic plan includes long-term objectives in which it is planned to market its products in the foreign market. Within the company, they have staff who speak English and have basic knowledge of foreign trade management. The company is willing to take the risks and learning necessary to carry out an export project.
Financial Aspects

Regarding the financial area, the company manages an annual budget for each of the key areas of the company mentioned above. The company is obliged to keep accounting and has all the financial documents up to date, which are reviewed periodically (every fifteen days and monthly) to ensure that the objectives set out in the strategic plan are being met. They also have a point of balance and cost per product developed with the purpose of establishing prices for its products. Currently, they do not have external financing sources, meaning that all the activities carried out within the company are financed with their own resources. In the case of carrying out an export project, it would be necessary to inject capital; to make this possible the company would be able and willing to finance or seek new sources of external financing to achieve it.

Marketing and Sales Aspects

Within the area of Marketing and Sales there is a person in charge of the entire department, who manages a budget to perform different activities scheduled annually. The company has name, logo and slogan registered in the different competent institutions. Currently, Modasa S.A. manages four different brands, which are Herrera by Mónica, Incomodasa, Unimoda and MHF Collections. The company does not promote its products in a traditional way, but they use other means by which they make their products known such as their web page and social networks, which are constantly updated. In addition, the manager mentions that his most important source of publicity are his clients, since through them his products are known by others. Modasa S.A. has conducted some market studies within the country, and some incomplete studies in foreign markets.

As for sales, the company manages a system in which the customer must deliver an advance for the manufacture of his uniform. Once delivered, the costumer sign a delivery note in which he expresses that is satisfied with it, and then proceeds to cancel the total amount for the product. The company has guarantees of concession and sales, and also provide a guarantee of two years regarding the manufacture of the uniform and one year regarding the
fabric itself. In the event that the product is defective or requires modifications, the company does so without cost as part of its customer service policies. Modasa S.A. has not participated in international fairs.

**Production and Product Aspects**

Modasa S.A. handles a production system that is mostly mechanized, with certain parts of the process still being done manually. Each stage of the production process is supervised by personnel in charge of quality control; likewise, when the product is finished, an inspection is carried out to verify that it meets the required standards. The machinery used in the production process is constantly revised, and maintenance is carried out periodically to maintain its optimum state. They are currently using 100% of their productive capacity, but it depends on the orders made by their customers. Modasa also works with more than 80 satellite workshops, which have been duly qualified and analyzed by specialists, so in the case of carrying out an export project, would have no problem in covering large orders.

As mentioned above, the main product of Modasa S.A. are business uniforms, however, they also have a line of casual clothing for men that is traded under the brand Herrera by Mónica. The company has a designer, who is responsible for creating the clothing required by customers. It is also possible to adapt to specific designs requested by them. Modasa is based on four principles for the manufacture of its products:

- **Diversity:** It offers alternatives for each day of the week, clothes that can be worn daily.
- **Sustainability:** There is a commitment to the environment, choosing fabrics composed of natural fibers that are durable, versatile and simple to iron.
- **Adaptability:** The product is able of adapting to all climates present in the country.
- **Flexibility:** The product is able to adapt to different silhouettes.

Modasa manages an inventory system, for raw material and final products, which makes it easier for them to know when and what fabric they must buy.
to fulfill their orders. They have several suppliers, which have been previously qualified, and their purchasing criteria are based on the study of the suppliers and the needs of their customers to choose fabrics. They handle customized logistics for the delivery of their products, offering pre-sales and after-sales services. These services range from taking measurements to delivering the product. The client can check the status of his uniform on the company's website, and the box number and section in which it will be currently of delivery. Each uniform is delivered with the name of the person.

### 3.3.10.3 Final results

After the interview, we proceed to evaluate the state of the company, covering its main areas. The data collected from the information obtained from the interview were transcribed in an Export Audit with the objective of determining the export potential, as well as the productive capacity of Modasa S.A.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.43/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>1.00/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.18/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.97/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.58/5.00</strong></td>
</tr>
</tbody>
</table>

Modasa S.A. reaches a final score of 4.58 out of 5, which indicates that the company is capable to carry out an export project in the future. Among the most important aspects of the company we can emphasize its customer service system and its pre-sales and after-sales services, which are characterized by offering the customer a completely personalized treatment. It is also important to mention than the company already has recognition and prestige in the local market, which has led it to be noticed in foreign markets. Currently, they have some clients abroad who have expressed the desire to work with Modasa, so the company is extremely interested in starting an export project for the following year. In Annex 10 you can see the qualifications obtained in each of the areas worked.
3.3.11 Procostura Ltd.

3.3.11.1 Profile

Procostura is registered as a limited company and it belongs to the Superintendence of Companies. It started his activities as a small family business 30 years ago, in which his founder manufactured clothing for other companies, but then they considered that they could market its own products; thus reaching to distribute them at national level, under 3 registered trademarks that are property of Procostura Ltd.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Procostura Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Jeans, shirts and pants manufacture</td>
</tr>
<tr>
<td>Location</td>
<td>Vía Chilcapamba S/N - Vía al Valle (-2.919717, -78.972195)</td>
</tr>
<tr>
<td>Contact</td>
<td>José Rolando Cabrera</td>
</tr>
<tr>
<td>Phone and references</td>
<td>4126914</td>
</tr>
<tr>
<td>Interview date</td>
<td>October/18/2017</td>
</tr>
</tbody>
</table>

3.3.11.2 Main company aspects

Administrative and Organizational Aspects

Within the administrative area it is important to start by mentioning that the company doesn’t have an established organizational chart, however there are managers for some of the areas. It is noteworthy that within each production area a control and supervision of the activities is carried out. Regarding the strategic organization of Procostura, the different aspects such as mission, vision, values and objectives are not specified or established in a
formal way, however, efforts are made to comply with the goals that are projected year after year.

About ten years ago, Procostura sent its products abroad (Colombia and Peru), however these sales were not considered formal export, since the company was responsible for transporting the product only to the borders, from which customers managed the logistics processes. With this experience the manager of the company considered the possibility of exporting their products in a formal way, since he saw a potential market in neighboring countries. However, he found several limitations that made difficult to accomplish an export project. Among the main problems mentioned is the strong disadvantage in which it is facing countries such as Peru and Colombia, which for their currency and labor policies have the ability to offer a cheaper product. Currently the economic and political situation of the country has been the main factor for the company to left aside an export project; however, the manager mentions that in case of finding a customer who likes their products and accept their prices, he would like to export them.

Financial Aspects

Due to the political and economic adversities that the country is going through, the manager mentions that the current financial situation is quite irregular, which is why the general budget for carrying out his activities is under constant modifications. Procostura Ltd. is obliged to keep accounts and is up-to-date with its tax obligations. It has up-to-date accounting information which is extremely useful for making decisions regarding the financial and production aspects. It should be noted that the company has established a break-even point and the costs per product to establish goals according to the desired profitability.

Currently the activities carried out by the company are financed by their own resources, which means that they do not resort to external sources such as banks or corporations to access loans or credits. This point is extremely remarkable since it represents a considerable advantage to not have pending obligations to third institutions. However, in the same way in case an export project was made, the company would not need more investment or
indebtedness, since it currently has enough capacity to be able to cover orders both nationally and internationally.

**Marketing and Sales Aspects**

As mentioned above, the company does not have a specific organization defined, however the administrative manager is responsible for the aspect of Marketing and Sales, which manages resources according to the different activities that are carried out throughout the year. Procostura does not frequently advertise its products, considering that most of its sales are wholesale. It is important to mention that sometimes advertising is used in berries located in the cities where the company’s product is sold the most, such as Guayaquil and Machala. Procostura doesn’t have a web page, however it has a Facebook page in which it offers information on how to contact the company and certain details of its brands and products. It is important to consider that the company has three registered brands: Trucker, PPK, and Ungaro under which they market their clothing. Most of its sales are made wholesale and on credit, it is important to note that its main market targets are medium and medium-low strata, so one of its most important marketing points is La Bahía in Guayaquil.

Although there is a desire and interest to export their products, no formal project or market study has been carried out due to the many existing political, economic and competitiveness barriers. The manager believes that it would be quite difficult to get into a new market, however he mentions that it would be great to find the opportunity to send his products abroad and thus expand his sales.

**Production and Product Aspects**

In terms of production, one of the most remarkable aspects is the fact that due to the economic and political difficulties constantly mentioned by the manager, production has now been reduced by approximately 40%. This happened due to the fact that the orders have decreased because of the difficult situation that the country is going through: in addition to the labor measures that have been established, which have made difficult to hire more
personnel. The production system used within the company is mostly mechanized, also performing a certain part of the process manually.

The company has several suppliers of raw material for the manufacture of each of its products, which are selected according to the characteristics required by each cloth (jeans or shirts). Currently, the distribution channel of its product is based on the delivery of the product to large commercialization points, generally popular markets focused on the medium and medium-low socioeconomic stratum.

It is worth mentioning that the company has clean production processes and an adequate management of the waste generated. Due to the location of its productive plant, it does not create inconvenience to surrounding houses.

### 3.3.11.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it were transcribed and evaluated in an Export Audit with the objective of determining the export potential, as well as the productive capacity of Procostura Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.32/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.97/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.06/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.93/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.28/5.00</strong></td>
</tr>
</tbody>
</table>

After the respective evaluation it is determined that Procostura Ltd. reaches a final score of 4.28 out of 5, which indicates that there are different points in which the company demonstrates solidity, making it a company with export potential. Among the most noteworthy aspects, it can be mentioned that its production capacity currently covers orders at a national level. Unfortunately, although there is a great desire and interest to expand its sales to other countries, entering markets abroad has become extremely complicated by
the difficulties noted above. In Annex 11 you can see the respective ratings given to each of the areas covered in the interview.

### 3.3.12 Productos Betoven Ltd.

#### 3.3.12.1 Profile

Productos Betoven is a company that offers a very interesting product, since it is dedicated to the manufacture of clothing and accessories for pets. It is registered as a limited company and belongs to the Superintendence of Companies since 2009, it is also affiliated to the Chamber of the Small Industry of Azuay (CAPIA). He started his activities in 1995 counting with a total of 23 years of experience. The business started at the initiative of its founder, who is a blind person who had the idea of making pet textiles since it was a market that had little coverage. Over the years, her daughter María José Saldaña went away to oversee the business and together with her father they made Productos Betoven, an innovative Cuenca company with great potential within the sector.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Productos Betoven Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>Pet clothing and accessories manufacture</td>
</tr>
<tr>
<td>Location</td>
<td>Guadalajara S/N - Circunvalación Sur (Monay, Cuenca-2.894933, -78.963784)</td>
</tr>
<tr>
<td>Contact</td>
<td>Luis Saldaña</td>
</tr>
<tr>
<td>Phone and references</td>
<td>2459412</td>
</tr>
<tr>
<td>Interview date</td>
<td>October/16/2017</td>
</tr>
</tbody>
</table>

Figure 17: Productos Betoven
3.3.12.2 Main company aspects

Administrative or Organizational Aspects

Within the administrative area it is important to start by mentioning that Productos Betoven has an organization chart in which there are specified people in charge of different areas, however the manager mentions that although there is an organizational chart, the working method is mostly horizontal. With regard to strategic planning, Productos Betoven has duly identified different aspects such as mission, vision, values and objectives, which is of great help to grow as a company, since it is an aspect that is reviewed year after year to evaluate its growth and to propose new goals, as well as strategies. There is no specific control system for production processes, however the company has an established procedures manual. It is worth mentioning that these procedures are carried out most of the time in the same way, however there are occasions when, due to the type of product or to some specific requirement of the client, there are small variations in the process.

About three years ago, Productos Betoven was extremely interested in undertaking an export plan to Colombia. The project could not be completed, since the desired profitability could not be achieved if price reductions were made to be more competitive. However, the interest of the company to expand its borders, has led to a continued search for a possible market to export. A few months ago, the manager visited Panama, where he saw the possibility of introducing his products because he determined that this country, despite being a duty-free point, had similar products but with inferior quality and higher prices. This situation generated great interest for the company to embrace this opportunity.

Financial Aspects

Regarding the financial area, it is important to mention that Betoven Products has a general budget for carrying out its activities, which is analyzed jointly at the General Shareholders’ Meeting once a year. Products Betoven Ltd. is obliged to keep accounts, and has updated accounting information which is.
extremely useful for making decisions, both financially and in production. In the same way, the company has break-even point and the costs per product established which allows a control within the financial aspect, which facilitates reaching the planned profitability.

Products Betoven finances its activities mainly through banking sources, specifically credits and loans from Banco del Pichincha; in other words, its main sources of financing are external. At this point it is important to point out that in the event that an export project is undertaken, the company would need capital injection, that is, increase its capital through new loans. Productos Betoven would be willing and able to assume these risks, since it has the necessary guarantees to be able to support this type of projects.

**Marketing and Sales Aspects**

Productos Betoven has a person in charge of the Marketing and Sales area, who handles an established budget. They work with different types of advertising, such as magazines, newspapers, radios and even some local television channels (Cuenca). In addition, Productos Betoven manages social networks and an online digital catalog, which facilitates the approach with the client, so that he has a knowledge, not only of the products but also how to contact them or how to locate one of their stores. Within this aspect is important to note that, Productos Betoven has three stores in which beauty services like grooming, haircuts, nail repair, etc. are provided for pets. Their products are also sold in these stores, but they sell them to different chains and warehouses nationwide, too. They have positioned themselves as the most important company in the line of pet clothing.

Although there is desire and interest to undertake an export project at some point, no formal plans or market study has been carried out, since the manager also makes reference to the fact that the political, economic and competitiveness barriers that exist make it difficult to position itself in a solid way in new markets. However, it is planned to continue analyzing markets and opportunities to export their product.
Production and Product Aspects

Currently, the company operates with 60% of its production capacity. Therefore, in the event that an export project is executed, Productos Betoven would be able to supply both its local market and the possible country of destination. The production system used within the company is mostly mechanized, also performing a certain part of the process manually. In this regard it should be noted that, besides its internal productive capacity, Productos Betoven also has satellite workshops that manufacture its products in case it is necessary to expand or speed up the productive capacity.

Currently the distribution channel of their products is based on the delivery to different stores and chains nationwide, in addition to sales made in their stores. It should be noted that despite the excellent characteristics of their products, they do not have any type of quality certification.

3.3.12.3 Final results

The interview included topics related to the main areas of the company, such as administrative, financial, production and sales. The data obtained from it were transcribed and evaluated in an Export Audit with the objective of determining the export potential as well as the productive capacity of the Productos Betoven Ltd.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.38/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.97/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>1.12/1.50</td>
</tr>
<tr>
<td>Production Area</td>
<td>1.90/2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.37/5.00</strong></td>
</tr>
</tbody>
</table>

After the respective evaluation, it is determined that Productos Betoven Ltd. reaches a final score of 4.37 out of 5, which means that the company is at a fairly adequate level to undertake an export project. Among the most noteworthy aspects, it can be mentioned that its production capacity covers orders at a national level, a market in which it is considered the leading
company within its category. It is important to emphasize the great desire and interest to expand its sales to other countries, because despite of the difficulties mentioned above, the company’s eagerness serves as a motivation to continue the search for a possible market to export its products. In Annex 12 you can see the respective ratings given to each of the areas treated in the interview.

3.3.13 Sombreros el Austro

3.3.13.1 Profile

Sombreros el Austro is a family company affiliated to the Chamber of the Small Industry of Azuay (CAPIA). It was founded by Carlos Pesantes’ grandfather more than 40 years ago. Initially they began to use similar techniques to other toquilleras, however they were developing exclusive processes according to the knowledge and practice that they had acquired all their work life, from the knitting of the hat to the finishing. Currently this technique constitutes the secret ingredient of Sombreros el Austro, and it is precisely this characteristic that has attracted the attention of large companies such as Serrano Hat, who regularly request their services. The company is managed by Carlos Pesantes and his wife, and currently have 4 workers.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Sombreros el Austro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Panama hats</td>
</tr>
<tr>
<td>Location</td>
<td>Vía Sinincay (Miraflores), Barrio Santa fe (-2.871712, -79.007955)</td>
</tr>
<tr>
<td>Contact</td>
<td>Carlos Pesantes</td>
</tr>
<tr>
<td>Phone and references</td>
<td>2390021</td>
</tr>
<tr>
<td>Interview date</td>
<td>October/18/2017</td>
</tr>
</tbody>
</table>
3.3.13.2 Main company aspects

Administrative or Organizational Aspects

Regarding the administrative area, it is important to mention that thanks to its long history it has a certain prestige and recognition within the sector, however, due to its product marketing system, the company is not recognized by local or external consumers. As for the organization of the company, they do not have an established organizational chart, but they do have people in charge of certain areas that are considered important for the company’s operation. The different activities carried out within Sombreros el Austro are supervised in a certain way, but they do not have a control system as such. Neither do they have an established strategic plan, however, objectives, mission, vision and goals are applied informally, which are always based on ‘looking forward’.

Sombreros el Austro is totally interested in an export project, and is willing to take risks and acquire the necessary knowledge to carry out such project. The manager has had contact with one or two people from abroad who have been interested in buying their product, however no business has been completed due to the lack of knowledge and experience in the area. No person associated with this company has experience in foreign trade, nor handle English or another language, which has been a major obstacle to achieve export. Furthermore, they do not have the help of an institution or person that serves as a link between the producer and customers abroad. For all these inconveniences they have decided to focus on the local market, without leaving aside the possibility of export in the future.

Financial Aspects

For the management of the financial area of the company, Sombreros el Austro does not work with a fully established budget, but resources are assigned according to the activities that are carried out, or according to the needs that appear at the time of performing different tasks. They are required to keep accounts so they have different financial documents, which they analyze from time to time in order to make decisions. They have not
calculated a break-even point as such, but they know the amount they need to sell to cover their expenses. The company has a loan, but it is estimated that the entire debt will be cancelled by 2018.

**Marketing and Sales Area**

Sombreros el Austro has its name registered in the Internal Revenue Service (SRI), but do not have a logo or slogan established, therefore they don’t manage a self-brand. They have made their company known due to their reputation and the excellent quality of their products. In addition, several researchers from the textile sector have interviewed the owners of this company, and they have been made known by the magazines or essays written by such researchers. Neither do they manage a website or social networks, however it is important to emphasize that they are currently creating an account on Facebook, as well as a marketing project with the help of their children. All of their sales are made on credit, since their product is bought by large national chains that are already positioned in the market, so these chains serve as intermediaries between the producer and the final customer. Such chains market the products under their own brand and the name of Sombreros el Austro is not mentioned.

Regarding Customer Service, the company manages a policy aimed at full satisfaction of its customers, so they offer guarantees of their products. No market research has been carried out locally, however they are guided by the trends and what the client requests, as well as their vast experience in the production of Panama hats. Neither have participated in any international fair but there is considerable interest in this regard, however they consider that they lack of experience and knowledge on the subject, so they would need help from an institution or some expert in it.

**Production and Product Aspects**

The company manages a mechanized production system in most processes, but there are also some that are carried out manually. It has trained personnel for the management of the machinery involved in the manufacturing process, however Carlos points out that there is no greater risk or difficulty in its use.
Maintenance of the main machinery is performed every year, and some are periodically reviewed. Currently they produce around 4,000 hats per month (depending on the orders of their customers) but their total capacity is up to 6,000 hats per month, so they have enough machinery to cover orders from abroad in the case of carrying out an export project. The Panama hat is a very popular product all over the world, so there is no need to make modifications or adapt the product according to the target market. However, several designs can be made according to the customer’s specifications in size, color, fabric quality, etc.

Sombreros el Austro has as suppliers of its raw material several small weavers in Sígsig, Cuenca, Azogues, etc., who buy the hat woven under strict quality standards. In addition they also weave their own hats under special circumstances. In terms of inventory management they have a fairly large stock, and they make a general inventory of the raw material and final product each year.

The distribution channel of your product is based on intermediaries, which, as mentioned above, do not sell under the name Sombreros el Austro, but under their own brand. This is the case of Serrano Hat, who has worked with Sombreros el Austro for year because of the quality offered by this company. They are currently looking for ways to establish their brand and to publicize their product under it, with the aim of starting selling directly to customers.

### 3.3.3 Final results

After doing the respective interview, covering the main areas of the company, we proceed to evaluate the status of the same. The data obtained from the information provided by the manager were transcribed and evaluated in an Export Audit in order to determine the export potential as well as the productive capacity of Sombreros el Austro.

Obtained results:

<table>
<thead>
<tr>
<th>Area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Area</td>
<td>0.21/0.50</td>
</tr>
<tr>
<td>Financial Area</td>
<td>0.91/1.00</td>
</tr>
<tr>
<td>Marketing and Sales Area</td>
<td>0.71/1.50</td>
</tr>
</tbody>
</table>
Sombreros el Austro reaches a final score of 3.57 out of 5, which indicates that there are several key points within each area that must be addressed or improved in a certain way. The aspects that should be emphasized of this company are its productive capacity, and the great interest in positioning its product and carrying out an export project. The company has a great track record in the textile sector, however it has not taken advantage of the different competitive advantages it has, and that could help it to have greater recognition both nationally and internationally. In Annex 13 you can see the qualifications obtained in each of the areas worked.

**Conclusion**

The textile sector of Cuenca is composed mainly of small and medium industries, which are the main focus of this research. A total of 46 companies belonging to the category of SMEs were obtained, of which those engaged in the import of textile products were eliminated. In total, 13 SMEs were evaluated, obtaining mostly encouraging results. However, different difficulties were encountered that would be an obstacle when carrying out an export project.

Below are each company’s qualifications, establishing a comparison between them, which will facilitate the analysis of the information obtained regarding the situation of the textile sector of Cuenca.

<table>
<thead>
<tr>
<th>COMPANIES</th>
<th>ADMINIS.</th>
<th>FINANC.</th>
<th>MARK./SALES</th>
<th>PRODUC.</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areldi Jeans</td>
<td>0,39</td>
<td>0,97</td>
<td>1,14</td>
<td>1,86</td>
<td>4,36</td>
</tr>
<tr>
<td>Creaciones Andreali</td>
<td>0,38</td>
<td>0,97</td>
<td>1,07</td>
<td>1,79</td>
<td>4,21</td>
</tr>
<tr>
<td>Company Name</td>
<td>0.24</td>
<td>0.72</td>
<td>0.43</td>
<td>1.63</td>
<td>3.02</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Dicovs, Diseños, Confecciones y Ventas Ltd.</td>
<td>0.28</td>
<td>0.94</td>
<td>1.14</td>
<td>1.76</td>
<td>4.12</td>
</tr>
<tr>
<td>Frada Sport</td>
<td>0.45</td>
<td>0.89</td>
<td>1.33</td>
<td>1.93</td>
<td>4.6</td>
</tr>
<tr>
<td>Hermanos Martínez Sportswear Ltd.</td>
<td>0.48</td>
<td>1</td>
<td>1.26</td>
<td>2</td>
<td>4.74</td>
</tr>
<tr>
<td>Homero Ortega Peñafiel e Hijos Ltd.</td>
<td>0.38</td>
<td>0.92</td>
<td>1.18</td>
<td>1.93</td>
<td>4.41</td>
</tr>
<tr>
<td>Industria de la Confeccion Referee Ltd.</td>
<td>0.28</td>
<td>0.94</td>
<td>1.14</td>
<td>1.76</td>
<td>4.12</td>
</tr>
<tr>
<td>Kossmoran Ltd.</td>
<td>0.34</td>
<td>0.75</td>
<td>1.14</td>
<td>1.97</td>
<td>4.2</td>
</tr>
<tr>
<td>Modas y Telas Zhiros Modtezhi Ltd.</td>
<td>0.43</td>
<td>1</td>
<td>1.18</td>
<td>1.97</td>
<td>4.58</td>
</tr>
<tr>
<td>Modasa S.A.</td>
<td>0.32</td>
<td>0.97</td>
<td>1.06</td>
<td>1.93</td>
<td>4.28</td>
</tr>
<tr>
<td>Procostura Ltd.</td>
<td>0.38</td>
<td>0.97</td>
<td>1.12</td>
<td>1.9</td>
<td>4.37</td>
</tr>
<tr>
<td>Productos Betoven Ltd.</td>
<td>0.21</td>
<td>0.91</td>
<td>0.71</td>
<td>1.74</td>
<td>3.57</td>
</tr>
<tr>
<td>Sombreros El Austro</td>
<td>0.35</td>
<td>0.92</td>
<td>1.07</td>
<td>1.86</td>
<td>4.20</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>70%</td>
<td>92%</td>
<td>71%</td>
<td>93%</td>
<td>84%</td>
</tr>
</tbody>
</table>

In this table you can see the averages of all the companies that participated in the research, divided according to the areas evaluated in the Export Audit. In the Administrative Area an average of 0.35 is reached, which means that companies comply with 70% of the aspects that are evaluated. In the

Authors: Vanessa Alvarez, Juan Manuel Rendón
Financial Area, an average of 0.92 was obtained, equivalent to the compliance of 92% of the aspects evaluated in the Export Audit. In the Marketing and Sales Area an average of 1.07 is reached, which represents the 71% compliance of the aspects that are evaluated within it. In the Production Area an average of 1.86 was obtained, which means that 93% of the evaluated aspects are met.

Finally, the general average is 4.20 out of 5, which represents the compliance of 84% of all aspects evaluated within each of the areas of the Export Audit. This indicates that the results obtained by the companies that participated in the research reflect an adequate potential to be able to undertake an internationalization project. If the most valuable aspect (production area) is taken into account, it can be observed that almost all of the companies comply with most of the aspects evaluated.

The results obtained, together with the observations and recommendations of each company, are analyzed in the next chapter.
CHAPTER IV: DIAGNOSIS OF THE EXPORTABLE OFFER OF THE TEXTILE SECTOR

Introduction

After having identified different aspects inherent to the production and marketing process in each of the companies that are part of the research, this chapter will analyze the external and internal impact of these to determine, through a SWOT analysis, the different potentials and limitations that companies have. This analysis will allow a better interpretation of the situation in which each company finds itself from an objective point of view. To fulfill this purpose we used the CAME model, which allows the recommendations to aim to strengthen and empower each company in different ways, through correct weaknesses, assume threats, maintain strengths and exploit opportunities.

This process will allow each company, taking into account their strengths and weaknesses, to improve both productive and administrative, which will facilitate an export project, if it is within the planning of the company, or otherwise it will lead to reinforce and boost their current activities.

4.1 Companies’ SWOT

4.1.1 Areldi Jeans

Strengths

- The trajectory of the company (37 years) gives it a very good recognition and brand positioning, both locally and nationally.
- Areldi has a very well established production plant, with sufficient capacity to supply the local market, and could even cover a possible internationalization.
- The brand is registered under intellectual property protection, which prevents similar products from being marketed under it.
• Its production is adapted according to the needs of different regions of the country.
• The structure of the organization is very well defined, which allows them to accomplish tasks in an organized and timely way.
• It has the necessary guarantees to request credits and thus finance its activities.
• It has its own stores in Ecuador.

Opportunities

• Expand their market to other countries.
• Increase your sales nationwide, taking into account that their brand has been gaining prestige over the years.
• Obtain a quality certificate.
• Improve the productive capacity of the plant, since they have the opportunity to finance this kind of project.

Weaknesses

• The product does not have any type of quality certification.
• The website is not fully developed.

Threats

• Competition of similar products within the country.
• Competition of similar products from abroad.
• Political and economic instability in Ecuador.

4.1.2 Creaciones Andreali

Strengths

• Andreali makes sales nationwide, so its products already have some recognition through large commercial chains throughout the country.
• Currently, the company does not have any type of external financing, so all the activities are financed with the company’s own resources.
Opportunities

- Gain recognition and better position of the brand.
- Participate in international and national fairs to publicize their products and brand.
- Bring their products abroad, since they have the capacity and the means to comply with an export plan.
- Credits in the financial market to be able to carry out projects that contribute to the growth and development of the company.

Weakness

- There is no advertising material.
- They do not have their own stores, but they sell its products through intermediaries.

Threats

- There is no advertising material for their products and they do not carry out advertising projects regularly.
- They do not have their own stores, but their products are marketed by intermediaries.

4.1.3 Dicovs, Diseños, Confecciones y Ventas Ltd.

Strengths

- Dicovs has a considerable trajectory of approximately 26 years, which has been of great help to stay within the local market in the current period of crisis.
- They have a well-established production plant, which is able to cover an export plan and even meet certain international standards.
- Their brand is registered in IEPI.
- Its production is made with very good quality raw material.
- It has its own store.
Opportunities

- Improve sales at a national level, taking into account that the products could be better publicized.
- Improve their productive capacity since they have a plant with an excellent structure that should be used.

Weaknesses

- The products don’t have any type of quality certification.
- They do not have a web page.
- They do not take advantage of the productive capacity of their plant.
- There is no adequate administrative organization.
- They do not advertise their product.
- Their economic situation is not optimal.
- Access to the stores is currently quite limited.

Threats

- Increase in competition of similar products within the country.
- Competition of similar products from abroad.
- Political and economic instability that the country is going through.

4.1.4 Confecciones Frada Sport Ltd.

Strengths

- Frada Sport is performing its functions within the textile market for around 19 years, time in which it has been gaining recognition and prestige in some cities of the country, mainly in Cuenca.
- Its production is done with excellent quality raw material, being the main differentiator of its product, since intelligent fabrics are used according to the technical specifications required by each type of garment.
- It has two own stores where it markets its products.
Opportunities

- Take advantage of the demand for textiles of this type to improve their sales at a national level, and even expand into international markets bearing in mind that they have a fairly competitive product because of the raw material with which it is made.
- Improve their productive capacity, since they have sufficient guarantees to finance an expansion and improvement of their plant.
- Register their brand.

Weaknesses

- The product does not have any type of quality certification.
- They do not have a web page.
- Lack of organization in the production plant.
- Organizational structure.
- They do not advertise their product frequently, nor do they carry out promotions to increase their sales.
- The brand is not registered.

Threats

- Direct competition of similar products within the city.
- Competition of similar products at a national and international level.
- Political and economic instability that the country is going through.

4.1.5 Hermanos Martínez Sportswear Ltd.

Strengths

- Its production process uses high-tech machinery, which is considered to be the most high-tech equipment in the country. In addition, the sublimated machinery is unique in Ecuador, which is recognized by the largest sublimated companies within it.
- The raw material used to make their product are specialized fabrics that adapt to the needs of the client. Each fabric requires different specifications or characteristics according to the sport that the client
practices. All fabrics used by the company have different quality certifications, and guarantees.

- The product offered by Hermanos Martínez Sportswear is a specialized garment, customized and adapted according to the needs of each athlete. This type of product is not commonly found in the domestic market, so they are considered number one in Ecuador.
- The way in which they handle the advertising of the product is not usual, but they work primarily through sponsorship. This has made it possible to publicize its brand, not only at the national level but also in some countries of the European continent.
- They currently have a low level of indebtedness, since the only loan they keep in the present, expects to be canceled in 2018.

**Opportunities**

- Increase sales through the expansion of their market, since their product and services are practically unique in Ecuador.
- Create a brand position in foreign markets through the auspices of elite athletes, who are part of international sporting events.
- Invest in projects to extend their auspices, not only to athletes in Ecuador, but in several Latin American countries.

**Weaknesses**

- Their product is aimed at a very specific target market, so there is not a large number of customers nationwide, which limits their sales.
- There is no personnel that has specific training for the creation and elaboration of the type of product that the company manages.

**Threats**

- The existing competition abroad, since there are brands with a strong position that are already established in the global market.
- The economic, monetary and labor policies that the current government of Ecuador has, since they represent an obstacle when competing with other companies at an international level.
4.1.6 Homero Ortega Peña fiel e Hijos Ltd.

**Strengths**

- Homero Ortega has 45 years of experience in the market, which has given him excellent recognition and prestige worldwide.
- Its production is made with raw material that is selected under rigorous quality standards.
- The production processes are well defined, since they have procedures manuals and established functions.
- It has a very well structured web page that has been very useful for the growth of the company.
- Their brand is registered and protected under intellectual property.

**Opportunities**

- Expand even more their sales in international markets taking into account their prestige.
- Improve their productive capacity since they have sufficient guarantees to finance an expansion and improvement of their plant.
- Offer the online purchase modality, either wholesale or retail.
- Increase their sales nationwide, through the creation of stores for their products.

**Weaknesses**

- They do not offer online purchases on their website.
- They do not have their own stores internationally.

**Threats**

- Competition of similar products within the country and abroad.
- Possible economic and labor policies that the government could adopt, affecting its production and profits.
4.1.7 Industria de la Confeccion Referee Ltd.

Strengths

- Referee uses specialized fabrics for the manufacture of its products, which are considered intelligent since they have advanced absorption. They also allow stretching without losing the initial dimensions at the end of physical activity.
- The designs presented by the company are made by professionals, who are in charge of creating different collections based on the needs, tastes and preferences of their clients.
- Referee is a brand that is positioned in the national market and especially in Cuenca, so it has recognition and prestige from its target market.

Opportunities

- Bring their products to foreign markets, as they have a differentiator that could facilitate the positioning of their brand in other countries.

Weaknesses

- The machinery used in the production processes is not up-to-date, which reduces efficiency in relation to other processes carried out by the competition.
- Because the factory is divided into two, the processes are hampered by the lack of continuity in them. In addition, the delivery times of the final product are longer.
- The products do not have any quality certification.

Threats

- Competition in the global market, which are basically brands that already have international recognition.
• The economic, monetary and labor policies that exist in the country, which present a disadvantage to be able to compete with other brands internationally.

4.1.8 Kossmoran Ltd.

Strengths

• The company has 34 years functioning, which has given it very good prestige at the local level, since its brand has a good recognition within the city.
• It has three stores, which facilitates the commercialization of its products.
• Some of its products comply with INEN quality standards, which makes it easier for them to be sold in different cities throughout the country through several chains nationwide.

Opportunities

• Improve their sales locally, and open up a stores in other cities of the country, taking into account the good prestige of their brand.
• Improve their productive capacity since they have sufficient guarantees to access loans that allow them to finance an expansion and improvement of their plant.

Weaknesses

• They do not have a web page, making it difficult for potential customers to have knowledge of their products.
• They do not advertise their product frequently.
• Their product does not show major modification or innovation.

Threats

• Direct competition of similar products within the city, especially in the sportswear segment.
• Competition of similar products at national and international level.
• Political and economic instability that the country is going through, which makes it difficult not only to develop an export project, but also sales at a local level.

4.1.9 Modas y Telas Zhiros Modtezhi Ltd.

Strengths

• The company has a long history, which has given it recognition not only locally but in different parts of the country.
• The application of reengineering has made it possible to improve and update significantly both its production processes and the activities carried out in the administrative and sales area. This has undoubtedly had an important impact on the quality of its service and product.
• Zhiros designs and manufactures collections for different times of the year, and offers an entire collection every month, so there is always variety in styles.
• The company has developed special packages to improve the presentation and appreciation of the product, which has meant an increase in the perception of its value.
• It has several of its own stores as the main point of sale for its products, which helps to position its brand in a better way.

Opportunities

• Promote the brand constantly to achieve a better positioning.
• Compete internationally due to the existing demand.

Weaknesses

• The company is quite indebted, maintaining some sources of external financing, mainly banking.
• No value has been assigned for the advertising of their products, which has reduced the recognition of their brand.
Threats

- The strong competition in Peru and Colombia, which have significant advantages when it comes to offering a cheaper product.
- The policies that are currently being handled within Ecuador have meant an obstacle for the company to achieve some of its stated objectives.

4.1.10 Modasa S.A.

Strengths

- The company has national recognition, being the largest supplier of business uniforms in the country.
- Currently does not have any type of external financing, so their activities are self-financed.
- It has a logistics and customer service system that has been recognized as one of the best in Ecuador.

Opportunities

- Obtain an ISO certification, since the company has implemented quality controls in its processes.
- Existing financial credits for investment.

Weaknesses

- Its productive capacity is not very extensive, so large orders are handled through satellite workshops.
- Lack of knowledge and experience in foreign trade management by the administrative staff.

Threats

- The competition that exists both nationally and internationally, which offer suits or uniforms at a lower price.
- The different policies that are managed in Ecuador and that are an obstacle when competing with other companies at an international level.
4.1.11 Procostura Ltd.

Strengths

- Procostura has an experience of 30 years, the same that has given it recognition in the market in which it operates.
- It has three trademarks registered under the names of Trucker, Ungaro and PPK, under which it markets its products to different cities in the country.
- It has its own financing sources for its activities.

Opportunities

- The current demand would allow them to increase its sales nationwide.
- Credits that could allow to finance an expansion and improvement of their plant.
- Take advantage of technological media by creating a web page and better manage of current social networks in order to achieve closer contact with the client.

Weaknesses

- Their product does not have any type of quality certification.
- They do not have a web page.
- Lack of organization in the production plant. The appropriate machinery is available, however there are no responsible persons established for each area of the production process.
- They do not advertise their product frequently.
- The current economic situation has generated a lower consumption of textile products, especially within its target market.

Threats

- Direct competition of similar products within the city.
- Competition of similar products at a national level, especially jeans made in Pelileo.
- The preference of the people to buy products of abroad brands.
• Political and economic instability that the country is going through may continue to affect the company as its sales will be reduced.

4.1.12 Productos Betoven Ltd.

Strengths

• It is the leading company in Ecuador within the sector in which it operates.
• The company has been operating in the textile market for 23 years, given it a very good recognition within it.
• Their trademark is registered under intellectual property protection in IEPI.
• They offer an original product in terms of use and design, since there are few companies dedicated to the manufacture of garments for pets at a national level. In addition their designs are quite innovative.
• It has two stores where they provide beauty services for pets and sell their products.

Opportunities

• Increase sales nationwide and open stores in new cities in the country where their product is not yet positioned, taking into account that they are leaders in the manufacture of clothes and accessories for pets and there is no greater competition within this sector.
• Carry out market studies to take advantage of opportunities to introduce their products in foreign markets.
• The financial guarantees available to the company could allow the financing of an expansion project.
• Better publicized their products in a web page or social networks, considering the growing reception of them.
• Participate in quality certification projects.

Weaknesses

• Their product does not have any type of quality certification.
• They do not have a web page.
• They do not advertise their product frequently, especially in electronic media.

Threats

• Competition of similar products at a national and international level.
• Political and economic instability that the country is going through.
• The type of product offered by the company is not essential, so its consumption could decrease if economic problems persist.
• Being a market that is not fully covered, new competitors can rise.

4.1.13 Sombreros el Austro

Strengths

• Production process that have been exclusively developed by Sombreros el Austro, giving their product an exceptional quality.
• The productive capacity of the company, which could easily cover large orders.
• Low level of indebtedness handled by the company, since at the beginning of next year they will cancel the only loan they have and begin to self-finance their activities.

Opportunities

• Position their brand nationally, to be recognized by end consumers and gain prestige by taking advantage of the existing demand in the country.
• Export their products, which have an important differentiator, to foreign markets where there is great demand for this type of goods.

Weaknesses

• The company is not properly organized, which could represent an obstacle to comply with necessary standards.
• They do not manage their own brand, although they have a registered name they do not have a logo.
There is no recognition in the market by final consumers, but only by intermediaries and large chains.

Lack of knowledge and experience in foreign trade management, in addition to the lack of contacts abroad.

**Threats**

- Competition of established brands that already have recognition not only locally but internationally.

4.2 Companies’ Cross SWOT

4.2.1 Areldi Jeans

**Potentialities**

- Areldi could take advantage of the trajectory and prestige that it has at the national level making it a starting point to make its way to other countries.
- The production plant that the company has will allow it to increase its productive capacity and therefore its sales, either nationally or internationally.
- Considering that the company has a designer and taking into account its technology and productive capacity, it could make more variety of styles and clothes.
- Areldi has an excellent administrative organization and a well-established production plant, so it could participate in a quality certification project.

**Limitations**

- By not having a quality certification, customers would prefer to buy products either national or foreign that have some type of certification.
- Areldi does not have a website in operation, so it is losing market compared to the competition, which in some cases uses electronic means of communication to better publicize its products, or even to make online sales.
4.2.2 Creaciones Andreali

Potentialities

- Andreali manages two brands, Andreali and KKO by Andreali, which are registered in the Ecuadorian Institute of Intellectual Property (IEPI). These brands could be better positioned at the national level, which will mean gaining recognition and prestige within the target market of the company. In addition, obtaining national recognition makes it easier to position these brands in foreign markets.
- Opportunity to participate in national and international to make their products and brands known.
- Create an export projects in which objectives and strategies are set in order to start exporting their products. Also learn and know about requirements and other necessary procedures to take their products abroad.
- Look for a source of external financing, if necessary, to invest in a project to improve production processes and to carry out an export plan.

Limitations

- Andreali does not have advertising material or carry out advertising activities to promote its products. This is a disadvantage compared to other companies that manufacture similar products and that are constantly promoting their products.
- The company does not have its own stores where its products are marketed, which makes the recognition of its brands even more difficult for its potential customers.

4.2.3 Dicovs Diseños, Confecciones y Ventas Ltd.

Potentialities

- Dicovs has a very well established production plant, a factor that could be exploited if its sales improve, mainly if they better publicize their product.
• Dicovs has the capacity to make more products, and could update its models to cover a wider market.

Limitations

• Dicovs does not carry out a good advertising plan for its products and does not have a website and gives little use to social networks, which is why it loses many clients to the competition that operates with this type of advertising.

• The administrative organization of the company is not well defined, which not only makes it difficult for Dicovs to obtain a quality certification, but also could cause problems in aspects such as production, suppliers and even financial and accounting areas.

• It is located in an area where access has been affected by tramway works, this situation has considerably reduced the company's sales.

• Dicovs has not made a modification or update of its product, and many people choose to buy clothes of a more updated style, or brands that are considered superior due to the fact that come from abroad.

4.2.4 Confecciones Frada Sport Ltd.

Potentialities

• Frada Sport has a very competitive product as it is made with high quality fabrics that adapt according to the use for which they are intended. This aspect would help them to increase their sales not only at a national level but also abroad.

• Brand quality and recognition are crucial factors in encouraging the company to register Frada under intellectual property protection in IEPI, in order to prevent other sportswear manufacturers from marketing similar products under its brand.

• The company has resources and guarantees necessary to make improvements in its production plant.
Limitations

- Due to the type of market to which their product is destined, customers may prefer clothes that have a quality certificate, which could generate a market loss to companies that make similar products and have this type of certificates.
- Frada Sport does not have a web page, which is a factor that undoubtedly leaves the company lagging behind the competition, since it is a very useful tool to advertise its brand, its products and even sell them.
- The company has a well-established production plant in which there is modern machinery, however its organization has certain problems in terms of space. For example, raw material is not stored in an orderly manner.
- The fact that their brand is not registered, leaves the company unprotected in the event that similar products of lower quality are sold with its brand, since by not having a registration they could not take legal action.

4.2.5 Hermanos Martínez Sportswear Ltd.

Potentialities

- Exploit the potential that has been invested in the machinery used in its production process, making this important part of the process known, which undoubtedly represents a differentiator for its final product. Their high technology machinery is considered the most advanced in the country, and the sublimated equipment is unique, which is why it is a determining factor of the product offered by Hermanos Martínez Sportswear.
- Possibility of market expansion, since the product offered by Hermanos Martínez Sportswear is practically unique nationally. In addition to being a fully specialized cloth, customized and adapted according to the needs of each athlete, the raw material used to make the product are specialized fabrics with very specific characteristics for each sport with several international certifications.
• Create a position for their brand internationally through the type of advertising handled by Hermanos Martínez Sportswear. Resources could be allocated to the expansion of sponsorships not only to first level athletes in Ecuador but also in other Latin American countries.
• Possibility of looking for new sources of external financing to be able to invest in several projects such as obtaining a certification, expanding their auspices, an export plan, etc.

Limitations

• Due to the specialized product offered by Hermanos Martínez Sportswear and the target market to which it is addressed, there is not a large number of clients that require this type of garments in the country. For this reason it would be ideal to expand its market, however the policies dictated by the Ecuadorian government represent an obstacle to achieve it.
• Within this area there are no people that have specific training for the manufacture of the type of product offered by the company. While, in other countries, specialized programs have been developed in this type of garments, which gives an advantage to the competition that already has an internationally positioned brand.

4.2.6 Homero Ortega Peñafiel e Hijos Ltd.

Potentialities

• The excellent prestige that the company has in different markets around the world serves as a reference for other countries to acquire Homero Ortega hats.
• Due to the excellent acceptance of its product in the market, Homero Ortega could increase their sales if online sales were offered through their website.

Limitations

• By not offering the option to sell on its website, Homero Ortega can lose market to the competition not only nationally but also internationally,
since they earn more customers if they advertise their products through it.

- Because of the lack of stores both locally and internationally, the sales potential and brand position is reduced.

4.2.7 Industria de la Confección Referee Ltd.

Potentialities

- Referee offers products with intelligent specialized fabrics, which has given it recognition in the local market. It also has exclusive designs which are designed by a professional team. Because of these differentiators in their product they have the potential and capacity to position their brand internationally and take their products to foreign markets.

Limitations

- The machinery used in the production process is not updated; also its factory is divided into two parts, so the efficiency and effectiveness at the time of making a garment is diminished. This in turn presents a limitation when it comes to meeting short delivery times, compared to its competitors.
- The existing competition, not only in the local market but in foreign markets, is quite large, which undoubtedly hinders the Referee brand’s position in them. It should also be noted that Referee products do not have any certification, which represents a limitation compared to other companies that do have this feature.
- The policies managed by the current government also present a limitation for Referee, since there are other countries where these policies favor producers and allow cheaper products to be offered.

4.2.8 Kossmoran Ltd.

Potentialities

- Kossmoran is a company that has very good recognition at a local level, this aspect could help them to expand it to other cities in the
country. Taking into account that this prestige would facilitate the introduction of its products in such cities.

- Kossmoran could update and improve the productive capacity of its plant, which would be very useful, not only to increase the number of clothes that can be produced but also to innovate them.

**Limitations**

- By not having a quality certification, market is lost to local and international competition with the same type of products.
- Kossmoran has been losing market within its sector since there is no greater publicity of its products, and also its models and styles have been falling behind in terms of design and innovation. This aspect puts the company at a disadvantage compared to others that advertise and have their products updated.

**4.2.9 Modas y Telas Zhiros Modtezhi Ltd.**

**Potentialities**

- Zhiros has a long history, which has granted recognition mainly in the province of Azuay. The company could promote its brand in a better way and more constantly to achieve a better positioning at a national level. It is also worth mentioning that it has its own stores, which will undoubtedly be of help when gaining greater participation in the target market.
- Take full advantage of the reengineering that has been applied in the company in recent years, improving the quality of both the production processes and the final product. Also, they must take advantage of the skills that the staff has acquired throughout the process for the company growth.
- Increase the perception of the value of their products through improvements in their designs, packaging, etc., which has already been done through special packaging that has considerably improved the presentation and appreciation of their products.
Limitations

- The company has some debts, which significantly limits its investment capacity. Most of their earnings is destined to the cancellation of these debts, which minimizes their final income.
- Advertising has not been considered as one of its priorities, which has reduced its market. This has made the strong competition existing mainly from Peru and Colombia have greater opportunities to introduce and position their products in Ecuador.

4.2.10 Modasa S.A.

Potentialities

- The company has recognition and prestige in the local market, considering itself the number one in Ecuador to provide business uniforms to different institutions and companies. This facilitates the positioning of their products in foreign markets, who have already heard about the products offered by Modasa; some of them have already had a first approach with the company.
- Due to the implementation of improvements in the company, especially in the production process, it is possible to obtain an ISO 9001 certification that will undoubtedly grant a quality guarantee of its products, as well as an added value for them. This will make a very important difference compared to similar products offered by the competition.
- Currently Modasa has indebtedness capacity since it does not have any type of external financing, so it could easily invest in several projects with the objective of improving the positioning of its products.
- It has a very specialized logistics and customer service system, which has been recognized as one of the best in the whole country, and many companies have tried to follow the example of Modasa, implementing similar systems. This could mean an added value for their product, since many of the clients to whom it is addressed value this type of characteristics.
Limitations

- The production capacity of the factory sometimes does not provide for large orders, so the company works with satellite workshops to be able to manufacture the required garments. Although these workshops have been properly qualified and have quality standards required by the company, sometimes it can be complicated and not very efficient to work this way, since control of the processes is lost. This could mean a decrease in the quality of their products which would be a disadvantage compared to the existing competition.
- The lack of knowledge and experience in foreign trade management, both for administrative and sales personnel, presents a limitation when carrying out an export project. For this reason, it is necessary to hire third parties or to be informed correctly of the necessary requirements to be able to take their products abroad.
- The different economic, labor and monetary policies that are handled in Ecuador also present a limitation when reaching foreign markets. Many of these policies are a disadvantage compared to other countries that offer the same products at a lower price.

4.2.11 Procostura Ltd.

Potentialities

- Procostura has managed to sell its products in different cities, this experience could serve as a reference and starting point to open up new markets at a national level, and even look for opportunities abroad.
- Procostura has a very well structured production plant, however, it is not used at 100% capacity. This aspect could be exploited in case the company gets new markets, since it has the capacity to supply them, thus increasing their sales and taking advantage of their productive capacity.
- In case of improving its administrative organization, it would facilitate its introduction into new markets, since it would improve aspects such as advertising and product presentation.
Limitations

- Procostura has been losing market to the competition because of different reasons. Their product does not have any type of quality certification, it is not frequently promoted, they do not have a website and their social networks are not well managed. All these aspects reduce their market and make the company lose ground in comparison with the competition that tries to better publicize its products, giving a better presentation of the same, etc.
- Regarding the competition, it is very important to mention that the jeans that are made in Pelileo are aimed at the same target market of Procostura, however their jeans are much cheaper with which it is extremely complicated to compete.
- Taking into account that its target market is low and medium-low socioeconomic strata, and considering the difficult situation the country is going through, the sale of its product has been diminished.

4.2.12 Productos Betoven Ltd.

Potentialities

- Productos Betoven has been forged as the leading company within the sector of clothing and accessories for pets in Ecuador. This recognition has been of great help for the company to position its products in different cities of the country. In the same way this aspect could be useful to be able to enter new markets abroad.
- Productos Betoven has an online digital catalog in which they advertise their products, however, the creation of a web page would help to provide a better service, improve its presentation and therefore increase its recognition internationally.
- Both the products and the production processes of the company meet very good quality, control and organization criteria. Productos Betoven could easily get a quality certificate, which would make their product even more competitive in different markets.
Limitations

- Most of the companies that compete globally, have a website to better publicize their products and achieve a closer relationship with the client, however Productos Betoven does not have a website so it could be losing market to the competition.

- While it is true that Productos Betoven is the leading company in its sector in the national market, it is a market where there is not much competition, so there is the possibility that new companies may offer added values that Productos Betoven do not have, such as: website, quality certifications, etc.

- The products offered by the company are not considered as first necessity, but rather as a complement for pets. If it is taken into account that the economic situation of the country is not optimal, the sales of the company could be diminished.

4.2.13 Sombreros el Austro

Potentialities

- Sombreros el Austro has developed a production process exclusively managed by them, since there is no other company that manufactures products in the same way as them. They claim to have a unique process that increases the quality of their products, and gives them a very important added value. No doubt this represents a significant differentiation.

- Manage of their own brand would make it gain a position first locally and then internationally. Sombreros el Austro has differentiators that make their product stand out against similar ones in the target market. It is necessary to start managing a name, brand and slogan to achieve an adequate positioning and sell their products abroad.

- The low level of existing indebtedness provides the ability to seek new sources of external financing to carry out an export plan, or to invest in projects that would help position the brand in the national market.
Limitations

- The company does not manage its own brand, but the marketing of its products is done through intermediaries. This has resulted in consumers in the local market not being aware of the products offered by their company. Their hats are recognized only by intermediaries, who have worked with Sombreros el Austro for several years.
- Several established brands that already have national and international recognition and prestige, present a strong competition for Sombreros el Austro. The fact that the company does not have its own brand, undoubtedly contributes to making it much more complicated to gain recognition in the local market.
- There is a lack of knowledge and experience in foreign trade management, which makes it difficult to carry out an export project.

4.3 Recommendations

4.3.1 Areldi Jeans

Areldi’s trajectory and prestige are undoubtedly two of the most remarkable factors of the company, since the 37 years it has been in the market have allowed it to win a very good recognition at a national level, this aspect make the company maintains an average number of sales, which has even been increasing. Similarly, this aspect could serve as a starting point for its introduction in new markets internationally. Areldi’s production plant is able to supply both the local market and a possible foreign market. It is important to consider that its organization in terms of administration and procedures would allow the company not only to expand its markets but also its production line, thus expanding the variety of styles.

Areldi’s production plant is modern, wide and in very well established, allowing the company to offer an excellent product. However, Areldi does not have any type of quality certification, but considering the quality of their product and the organization at both, productive and organizational level, would facilitate the company to easily obtain a quality certificate.
Considering the excellent organization of the processes of the company, it is important to emphasize that although it has a good product and modern procedures, it does not have a web page. This undoubtedly weakens the company against competition. Having a web page would allow the company to have a better opportunity to promote its products, expand its market, and provide more information for their clients.

Correcting these weaknesses will allow the company to strengthen itself to face the increasing competition that exists not only at the national level, but also in similar products from different countries around the world; and considering also, that the economic situation of the country could negatively influence sales and therefore the growth of the company. The manager should take measures to deal with this situation in the best way making promotion plans for sales increase. The company has carried out this type of projects previously with very good results.

4.3.2 Creaciones Andreali

Creaciones Andreali has several key aspects in which it could focus to improve its productive capacity and its position within the target market, and thus be able to carry out a successful export plan. The company does not have significant strengths within the sector in which it operates, however, it should try to keep the ones it have and also create new ones to give the company an advantage over other companies that offer similar products. Regarding their opportunities, they should seek to exploit them, as this would make the company be in a better position. Primarily it is important to focus in the position of their two brands, through social networks, participating in fairs, advertising, etc. It is important to make their products known and to gain prestige in the market, this in turn will facilitate the exportation of their products.

On the other hand, it is necessary to take into account the main weaknesses of the company, which are an obstacle to continue growing and meet its objectives. The main deficiencies detected must be corrected in such a way that they are no longer a negative factor when carrying out an export plan. They must create a marketing plan and allocate resources to advertise their brands. Likewise, the company does not have its own web site that facilitates
the positioning of its brands in the market, which is very important to take into account. Regarding the threats that were identified, it is necessary that the company creates tools with which they would face them. In this case, it is important to create a position in the market and gain recognition from their potential customers.

4.3.3 Dicovs, Diseños, Confecciones y Ventas Ltd.

Dicovs has a considerable trajectory, which has been an important factor for the company to have been able to face various adversities that have arisen. Undoubtedly the company can take advantage of this factor not only to maintain itself, but to increase its business, expanding its production line, making better publicity of its product, making use of the recognition that its brand has locally, which even serves as a starting point for its market expansion.

Another Dicovs' strength is the good infrastructure it has, both in its production plant and its store. This aspect is quite significant because the company could take advantage of it to improve and increase its production. Also, with an improvement in advertising expand its sales, taking into account that they could market their products under their registered brand.

On the other hand it should be taken into account that the company has certain weaknesses that lag behind the competition. Among them, the most important is its lack of publicity, not only through digital media but in general. Dicovs should improve this aspect to approach new customers and provide them with information about their products. In addition there should also be an improvement in terms of administrative organization that allows they to control both financial and productive aspects. In this way the company could even participate in quality certification projects since the level of its product is quite competitive.

Taking into account these aspects in which the company shows certain weaknesses, it is important to analyze the threats that arise due to them. Dicovs has neglected the issue of innovation of its clothing and if this is compounded by the lack of publicity, it is almost inevitable that the company
will lose market in relation to its local and international competition. So if there is no improvement in these aspects, these types of threats will end up affecting even more the stability of Dicovs. In addition, another external factor has already weakened them in term of sales, since the difficulty of accessing their store generated by the works of the Tranvia project has caused a serious decrease in the concurrence of customers. Dicovs must face this situation and take measures to approach the client and provide some comfort despite the adversities. Maybe offering the option of a parking either own or near store.

4.3.4 Confecciones Frada Sport Ltd.

Frada Sport has important strengths as a brand, as it has recognition locally, especially in sportswear. The company offers high quality products, since intelligent fabrics that perform specific functions according to the requirement of different type sports are used to manufacture its product. This, together with the stores available to market their clothes, are undoubtedly strengths that the company should maintain and even improve, since considering the quality of its product, the company could expand its sales to different markets and further strengthen it by making quality certification and brand registration projects.

These aspects can also be considered as weaknesses since the lack of a quality certificate or a trademark registration, make the company weak compared to its competition, since within the textile sector these two aspects are very important. There are also shortcomings in advertising since they do not have a web page and do not promote their product frequently. If these aspects are improved, there will be a better knowledge of the brand and therefore, a sales increase. These weaknesses make the company prone to lose market to local and mainly international competition, since they have registered trademarks, quality certificates, etc. The company should face this threat trying to promote its product in a better way to gain market locally and then internationally.
4.3.5 Hermanos Martínez Sportswear Ltd.

Hermanos Martínez Sportswear Ltd. has several key points in its favor, since the type of product it offers and its positioning at the national level have led to its consolidation within the market. The company has very important strengths that must be maintained, such as the production process used to manufacture the different specialized garments, the fabrics used as the raw material of the product and the way in which its brand and products are advertised. Regarding the opportunities that were identified, it is necessary that their activities are aimed at exploiting them. It is important to focus on the expansion of their market due to the type of product offered by Hermanos Martínez Sportswear. They could exploit the potential invested in the machinery that is operated within the production process. This could be achieved through the extension of its auspices, not only to elite athletes within Ecuador, but to several other countries, mainly in Latin America, which will lead to the recognition of its brand internationally.

On the other hand, special attention should be paid to the weaknesses and threats of the company, which, while not many, can be very significant when meeting the company’s objectives. The identified weaknesses must be corrected, which in the case of the small number of customers at the national level, could be addressed by expanding their market through an export project. Likewise, to correct the lack of personnel with specialized training in the type of product developed by the company, training and employee retention plans can be created, guaranteeing even more the quality of their processes. As for the named threats, they can be addressed by taking advantage of the company’s opportunities. These will represent a significant tool when competing with brands that are already established in the international market, as well as the different policies that the current government of Ecuador handles.

4.3.6 Homero Ortega Peñafiel e Hijos Ltd.

Homero Ortega has a great recognition in different countries of the world which has allowed the company to have a strong prestige and strength that have been forged through its long trajectory. This aspect has been of great
help for the company to introduce its products easily in new markets. Within its strengths it should also be mentioned that its production plant is very well constituted, which puts the company in the capacity to cover orders around the world, always providing a product that meets rigorous quality standards. Another of the strengths of Homero Ortega is the website that is very well developed and in which they offer detailed information about their product. They also have the opportunity to increase their sales even more if they get to market their hats through their website, as they could reach an even wider market by offering wholesale and retail sales through it.

This same situation is what positions the company with a certain weakness compared to the competition, since there could be companies dedicated to the manufacture of Panama hats that offer online sales. For this reason, the company should consider incorporating the online sale option, to face the competition. In this way, it would also be facing its main threats, since it could compete without problems with products both locally and internationally, and if it already makes exports it could better face the economic instability that the country has, since they would be working with foreign currencies, thus strengthening not only their company, but even boosting the country’s economy.

4.3.7 Industria de la Confección Referee Ltd.

Within Referee’s strengths, it is important to emphasize the type of specialized fabrics they use as raw material to manufacture their products. In addition, their designs are exclusive and collections are created according to the needs of their clients. It should also be noted that Referee is a brand that is already positioned at a local level, which could undoubtedly give it recognition at a national level and subsequently at an international level. Regarding the opportunities that have been identified, basically it is to take their products to foreign markets. Due to the type of specialized product they offer, they have a great advantage and differentiating from other similar products offered in the market. Also, its brand’s position also plays an important role when it comes to exporting its products to other markets.
On the other hand, it is necessary to correct the weaknesses that the company has as they could represent an obstacle to export their products. The machinery used by the company is not updated, so they should invest in new machinery, thus improving the production process. With these improvements, they would be able to participate in certification projects, which would raise the value of the final product. In addition, the factory is divided into two parts, so they would need to find a place where they could join the whole process and improve the efficiency of it. In reference to the identified threats, it is possible to highlight the great existing competition, which could be faced by applying improvements in both the production process and the organization of the company, as well as working on the position of its brand. In this way tools would be created that could help to face the present threats and those that could appear in the future. However, it is important to mention that for the moment Referee is not interested in export and its main objectives are to focus first on the local market.

4.3.8 Kossmoran Ltd.

Kossmoran is a company that has a very good recognition within the city, this aspect has allowed it to obtain and maintain clients throughout its 34 years of experience. This aspect together with the quality of its products are the main strengths of Kossmoran. It is also important to mention that the fact of having three stores to market their products and that some of their products comply with INEN quality standards, have also been considerable aspects that have made their sales increase. These factors give Kossmoran the opportunity to expand into different markets nationally and in the future to different countries.

By focusing on the weaknesses of the company, it can be mentioned that although Kossmoran has local recognition, the company does not frequently advertise its product or have a web page, which, could make them lose market. On the other hand one of the aspects that has weakened the company against its competition is that some of the models of their garments have lagged behind in terms of innovation, an aspect that could also be improved since Kossmoran has designers and a well-equipped production plant.
If the company does not make these types of corrections, it could be affected by potential threats, since there is strong local competition that makes similar products and has better managed its designs and advertising activities. This does not take into account the strong competition from clothes coming from abroad, which in some cases offer even lower prices. Kossmoran must face these threats in order not only to maintain its sales, considering the difficult economic situation that the country is going through, but also to search for new markets.

4.3.9 Modas y Telas Zhiros Modtezhi Ltd.

Modas y Telas Zhiros Modtezhi Ltd. has several positive and negative points that could affect an export plan, if any were carried out. The company has several strengths that should be maintained and improved if possible, such as the reengineering that has been applied in recent years with the aim of improving not only the organization of the company, but also the production processes that are managed; processes that have positively affected the products and services offered by Zhiros. It has recognition and positioning within the local market, as well as several own stores that have contributed to raise the value of its brand and therefore of its products. Another strength of this company, is that they design their collections according to the tastes, preferences and needs of their customers, which are offered every month. In addition, different special packages have been developed, especially for baby clothing, which have improved the presentation and acceptance of the product. Regarding the opportunities that have been identified, it is important to mention that they must take advantage of the capacities that have been acquired by applying reengineering in the factory. They must also promote their brand constantly to achieve a national positioning and facilitate the carrying out of an export project in the future.

On the contrary, weaknesses and threats that could represent an obstacle to achieving its objectives have been identified, especially in the future. Among the weaknesses, it was found that the company maintains debts with mainly banking institutions, for which reason many of its resources are destined to cancel them. This would mean that there is no room for investment in improvement projects. In addition, no advertising is carried out, which has
reduced recognition at the national level. With regard to the determined threats, the company should take advantage of the improvements that have been made, as well as its strengths, in order to face the strong competition coming from Colombia and Peru. It is important to mention that currently, Zhiros is not interested in exporting its products, since it first wants to fulfill objectives that have been raised locally.

4.3.10 Modasa S.A.

Modasa S.A. is a company that has several key points that are important when developing an export project. The company has several positive aspects that are considered as strengths, which should focus on improving or maintaining. One of the most important is the recognition that has at the national level, being the number one company supplier of business uniforms. It has a fully customized logistics and customer service system, which is considered one of the best in the whole country, which increases the value of its products. In addition, their activities are completely self-financed, since they use their own resources to fulfill the necessary tasks within the company. Regarding the opportunities that have been identified, there is the possibility of obtaining an ISO certification, which will further increase the perception of the value of their product, and also improve their production system. There is also the possibility of taking their products to foreign markets, since it has prestige within Ecuador, which may facilitate its introduction to other countries. Because it does not have any type of indebtedness, it would be able to count on external financing sources for improvement projects within the company, or to carry out an export plan.

On the other hand, there are some weaknesses and threats that must be corrected and addressed in order to carry out an export plan and meet the objectives of the company. Its productive capacity does not supply certain large orders, so it is necessary to resort to satellite workshops, which reduces the control of the processes carried out. In addition, there are no personnel with experience in foreign trade management, which makes it difficult to prepare and fulfill an export plan. Within the threats it is important to point out the existing competition and the policies that the government of Ecuador handles, which can be addressed by taking advantage of the different
opportunities that the company has. It is worth mentioning that Modasa is willing to assume the risks and the learning that comes with introducing its products abroad, which undoubtedly is a great contribution to achieve its export objectives.

4.3.11 Procostura Ltd.

Procostura has several strengths, including the recognition it has gained in the market in which it has been operating for approximately 30 years. This aspect has allowed its three registered brands under which it commercializes its products to gain a really good position, a factor that has been key to open market in different cities of the country. In addition, as a strength we can mention the way in which the company manages the production and financing areas, in which they have a well-established plant where control processes are carried out to obtain a quality product and have the ability to self-finance their activities. All these factors provide Procostura the opportunity to continue expanding within the national market and even seek new markets abroad. For this, it could also be useful to create a web page or better manage social networks to achieve greater customer contact, and thus increase their sales.

Regarding the weaknesses, there are also several aspects that the company should correct. It is important to mention that although its productive capacity is quite good, there is a bit of disorganization mainly generated by the administration, since the company does not have an established organizational chart. This situation could generate problems in terms of production, compliance with delivery deadlines, etc. In addition, there is also a considerable lack of publicity for Procostura’s products, since not only they do not have a web page, but there is very little use of social networks and advertising in general. Because of these aspects the company could fail to face some adversities, including strong national competition, specifically from Pelileo, as these companies could take away a lot of market if they handle advertising in a better way. It should also be considered how the company’s sales have been affected due to the economic situation of the country. Procostura could face this situation by making promotions that drive their target market to buy their product.
4.3.12 Productos Betoven Ltd.

Starting with Productos Betoven strengths, it is fundamental to mention that it is the leading company at a national level within the textile sector, focused on pets. This has been achieved after 23 years of being in the market. This trajectory has given it the opportunity to expand his sales to multiple parts of the national territory, distributing them to retail and also to large chains in different cities of the country. It is also important to consider as a strength the fact that their brand is registered, under which it distributes its product also in different own stores that it has within the city. It is worth highlighting the quality and originality of the products made by Productos Betoven, which together with the mentioned strengths could give the company the opportunity to continue growing nationally and internationally, since it has a very good competitive level. For this, Productos Betoven also has the opportunity to advertise in a better way, mainly in digital media. In this way its products will reach a greater number of people and markets, thus making the company more competitive internationally.

As for the weaknesses of the company, there are not many, but if corrected, they would mean a very important boost for the company. Starting with the advertising aspect, it can be mentioned that if Productos Betoven offered information about their company and its products on a web page, the company would undoubtedly cover a wider market. However, not having information in this type of media, can mean a loss of market to competition mainly from other countries. In the same way, the fact of not having a quality certification despite offering a product of very good level can lag in a certain way the company against the competition. These aspects are of important consideration, since by correcting them, it would make it easier to face the threats, which are not only products from abroad, but internally. Also, due to the situation that the country is going through, there could be a decrease in the sales of the company, because their product is not considered of first necessity, for which the company must carry out plans to increase sales or promotions of its products.
4.3.13 Sombreros el Austro

Sombreros el Austro has different aspects that are necessary in order to comply with an export project in the future. The company have different strengths that they have to maintain or improve if possible. Mainly, it is very important to highlight the company’s production process. It has been developed and improved by the owners of Sombreros el Austro. This aspect is considered the secret ingredient for their products. With the productive capacity of the company, it could easily cover large orders from abroad. Another aspect considered as a strength is the low level of indebtedness of Sombreros el Austro currently. Regarding the opportunities identified, it is important to focus mainly in the registration, establishment and promotion of their own brand in order to have a better position in the target market. It is important to have a good marketing plan to help the company fulfill their brand establishment objectives, and to gain recognition. Once positioned in the target market, there is an opportunity to take their products abroad, mainly highlighting the added value of the product that would be their ‘secret ingredient’.

On the other hand, weaknesses and threats of the company have been identified, and these could make difficult to elaborate and comply an export project. Regarding the weaknesses of the company, it is important to notice that it is not well organized and it does not handle its own brand. Their products are sold through an intermediary costumer, making the final costumer ignore Sombreros el Austro work and products. The lack of knowledge and brand positioning represents a very important obstacle to fulfill their export objectives. Also, the lack of knowledge and experience in international trade within the company, make it more difficult to carry on an export project. The company’s main treat is the existing competence both locally and internationally. It is important to mention that the fact that the company does not count with recognition, prestige and brand position in the target market, make it difficult to compete with other brands that already have this characteristics. These is why the company should focus mainly in marketing aspects, for both the product and company.
Conclusion

After evaluating some of the most representative companies of Cuenca’s textile sector, it has been possible to determine that there are many products with a great export potential that could be exploited to introduce them in international markets. Productos Betoven, Hermanos Martínez Sportswear and Industria de la Confeccion Referee, offer original, quality and with high added value products. However because of various difficulties like economic, logistic and currency policies, and also the competition from other countries, they have not carried out an export project. It is important to mention that the main reason for this to happen is because of the currency, labor policies and labor cost of other countries, that can offer the same products at prices that, in some cases, are even lower than the cost of production within Ecuador. Also it is necessary to highlight that Ecuador does not count with commercial agreements like other countries do, make it even more difficult to introduce their products in international markets.

Because of these obstacles, although Cuenca has the productive capacity and intention to export its final products, companies cannot be part of an export project. Although there are some cases in which companies have found an opportunity to introduce their products abroad, the intention to do so fails mainly because of the difficulty of competing with not only countries from another continent but from neighbor ones. Because of these, companies should recognize their strengths, opportunities, weaknesses and threats with the objective to take advantage of the characteristics that strengthen them, and to be able to correct and face obstacles and difficulties that may appear when carrying on an export project.
CONCLUSION

Currently, global interconnection has generated multiple aspects to expand and homogenize thus giving rise to a standardization of important economic, political, social, technological, and even cultural processes. The way in which foreign trade has evolved and become part of this homogenization is a clear example of how globalization modifies and even forces different states, towns, companies and businesses to be part of it. This happens in order not to be left behind in a world that increasingly shares and exchanges processes and information that leads to great competitiveness at a global level.

After having analyzed different theories of foreign trade and taking into account how they have influenced the current internationalization processes, it is concluded that this phenomenon has become a standardized concept. As it is mentioned in the first chapter of this study, internationalization has come to be considered as a key strategy for the development of companies, which includes the medium and small industries that are precisely part of this study.

Taking into account the importance that currently represents an internationalization project, it was considered important to analyze the export potential that exists within the textile sector of Cuenca. Once this study was concluded it was determined that there are companies and brands that count with excellent quality products that have a high potential to be introduced in foreign markets.

However, a common problem for almost all the evaluated companies is the difficult economic situation that the country is going through, since the official currency gave them a strong disadvantage in terms of price competitiveness. Neighboring countries such as Peru and Colombia, which have a similar production have the power to devalue their currency making their prices more attractive in foreign markets. In addition, there are also difficulties given by economic and labor policies that have caused Ecuador to become a
country that offers little security to start a business, both for local and foreign investors.

Despite these difficulties, there are brands and products that have initiated activities focused on an internationalization process. The quality, prestige and differentiation offered by certain brands have been precisely the factors that have made their products successful at a local level and have offered competitive potential in international market. These have generated the possibility of expanding their businesses, improving the economy of the country.

All this data about the quality and potential of the products and companies was evaluated in an Export Audit in which the results were quite encouraging according to the evaluation of each company. However, as mentioned above, the economic difficulty of the country and the competition from neighboring countries are strong impediments to carry out an export plan. Despite this situation, the data indicates that the textile sector of Cuenca has good business potential.

There are notable companies such as Betoven Products, Hermanos Martinez Sportswear, Homero Ortega and Areldi that have forged an excellent reputation. They also have differentiating elements in their products which have led them to undertake an export project with quite ambitious objectives.

It is clear that the objective of most companies is to expand, which is why many of them, especially the medium and small industries that are booming and represent most of the businesses in the country, will seek means and facilities for their expansion, trying to opt for an internationalization process.

The medium and small textile industries have a promising potential for expansion, and also represent an important part of the economy, both regionally and locally. In addition, they handle a considerable amount of money and employ a significant percentage of Ecuadorians. Finally, it is very important to take into consideration the textile sector of Cuenca so it can continue developing and growing despite the obstacles that currently exist in the country. It would be of great help for the government to provide
improvements for the entrepreneurs’ security and stability, so that they can continue developing their businesses locally and, if possible, internationally. It should be stressed that there are many companies that were evaluated in this study that are an example for the rest. Despite strong disadvantages, their quality, innovation and perseverance have been key factors to raise the value and competitiveness of their products, making possible their introduction in new markets.


