



UNIVERSITY OF AZUAY

Faculty of Law

International Studies School

Possibilities of Exportation for Silver Jewellery Produced in
Chordeleg

Thesis developed before to get the Degree as License in
International Studies with Bilingual Mention in International
Commerce

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Cuenca – Ecuador

2006

Dedication:

This essay is dedicated to my maternal grandparents and mother. They are the people who gave me the guide to be the kind of person who I am now.

They are my main base to get what I need and want.

Gratitude:

First of all, I thank to God to give me the opportunity to culminate this essay satisfactorily. I thank to my family because of their unconditional help and permanent advices make me to get my objectives. Besides, I thank to my thesis director, Economist Luis Tonón, because of the guide to give me I could get a quality essay.

The ideas and the content of this essay are responsibility of its author:

Miss. María Fernanda Ordóñez Martínez

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ABSTRACT:

Currently, the exchange of products is the base for the economies of the different countries. Ecuador presents to the world more than an option of new products. Inside this option is the silver jewellery produced in Chordeleg. This detail creates the need to look for the possibility to export this product knowing the entire product and recognizing its strengths. After to know all these details about the product, it is important to search a good market which joins with the product. It is necessary to look for the opportunities and threats of the selected market. The silver jewellery from Chordeleg, Ecuador presents a great quality; and, even though their details and characteristics join perfectly with any of the studied markets; the focus must be to the United States. This is because the data show that this market know the product and could have a better acceptance of it.

INTRODUCTION:

At the present time, the international trade is one of the main bases of national economy, the economic stability of the towns depends of its incomes, and many sources of production are generated based on the exportable offer of the country.

Ecuador is a rich country in exportable offer; being a tradition to offer the world agricultural and oil products, and leaving aside other products that have been part of the national economy for many years and have allowed hundreds of people and whole towns to subsist of the incomes that they obtain for these.

The societies need different productive sectors to have enough drive when they look for new markets to develop their growth. The innovation of these sectors makes the different countries offer better products and therefore be attractive for the international and national demand. Although Ecuador doesn't present an industrialized climate for the manufacturing of its products, at least it has the strength that most of them can be manufactured in quantities for export and with the required quality to be accepted at world level.

In this group of products that are not very exploited we find the silver jewellery whose main characteristics have been the acknowledgement for the quality of its items and having been the life sustenance of Chordeleg canton since nowadays this business is a family tradition in this town of the province of Azuay. Then it can be established that a big quantity of the silver jewellery that is produced in Ecuador comes from this canton and therefore, the Ecuadorian population shows this town as an attractiveness of the province of Azuay.

When talking about silver jewellery, we talk about different items for people to use as ornaments; it is well-known that using silver it is elaborated not only jewels, but also many useful articles to be used by people as well as objects for decoration of places or religious temples.

The present project has as main objective to make known about the profile the manufactured silver jewels present in the Chordeleg area, as well as to know generally what designs are elaborated in the Province of Azuay to determine the exportation potential of these products in international markets whose demand is drawn by this type of jewels.

The project will begin with a description on how to elaborate the product and the quality that the same one has in order to obtain the characteristics of the jewels, look for the markets that better accept the same ones for their export. Once the product is well defined as well as its quality, the project presents the importance that the silver jewels have had for the national market, its incidence and its distribution in Ecuador, letting us know if the product has been or not important and what percentage of its market consumes this product. Also, in this chapter the importance of the silver jewels is determined inside the exportable offer of Ecuador, that is to say, if the same ones have been exported in previous years or if they have not been considered as possible products of international sale.

Finally, the present project allows us to see the possible markets for the silver jewels of Chordeleg; it lets the producers know the characteristics and important details that are necessary to determine the export toward those places. In the same way, the possible strategies for the entrance to the market whose characteristics are the most compatible with the product to be exported are put forward. This way, it is possible to give a better spectrum of the possibility of converting the silver jewel as an innovative product of the exportable offer of the country.

CHAPTER #1

1. GENERAL ASPECTS OF THE PRODUCT

1.1 PROJECT BACKGROUND:

Ecuador for being a rich country in a diversity of offer for the world, in 1997 feels the necessity to have an entity that helps to the promotion of exports and attraction of foreign investment. Under this idea and the Law of Foreign Trade and Investments (LEXI) in June of 1997 the Corporation of Exports and Investments Promotion–CORPEI with the purpose of promoting the exports and investments of the productive sectors, by means of technical services of quality, contributing to promote the image and the competitive development of the country" (CORPEI, ¶4).

From this mission, the different objectives and work guidelines come off, among which we can find the creation of different programs that allow an excellent development of their activities and a better attainment of the goals to be achieved. Among the CORPEI programs, we find the Program of Diversification of Non Traditional Products whose idea is set in the investigation and identification of new exportable offers for Ecuador. This diversification includes a series of products both agricultural and manufactured that can enter in the basic market basket to be exported, allowing this way not only a better trade with more offer, but also a better lifestyle for the producers of this offer and for the area and country in general.

Silver jewellery is a sector that doesn't have bigger exploitation in Ecuador, for this reason it fits perfectly in this diversification program and is the core of the present work. The silver jewels are items that for their design and texture can have a big degree of acceptance in the international market and they are elaborated in the Ecuadorian Austro, specifically in Chordeleg canton, located in the province of Azuay. It is a family tradition and the main activity of the area.

Under this precedent, the present work will be carried out, which will include the investigation and determination of the product profile, silver jewels, the national market profile and finally the international market profile where the silver jewels could turn into an export product. In the same way, it will have the determination of the product *marketing mix* for a better admission in the international market.

1.2 PRODUCT ANTECEDENTS:

1.2.1 THE JEWEL THROUGH THE TIME:

Throughout the time, jewels have had a very important significance in the different cultures of the world, since this article has been one of the main exhibitors of the people's likes and tendencies in the different strata of societies. That is to say, jewels are a good sample of what people like to wear and of how they determine the concept of beauty inside their social group. From this fact, we can say that jewels are also a great determinant of a person's social status inside the society where they live. This is basically for the high value they acquire due to the materials and characteristic of the same ones and in some cases like that those of aboriginal cultures, jewels have been one of the most valuable instruments in adoration of their gods.

Also jewels are a complement for clothing, since they are used in the clothes or over them, as well as in different parts of the body; making this articles a main workpiece that makes the difference in the ostentation of people.

These details have caused that jewels become items of supreme importance at the present time, since they have allowed us to recognize the tendencies of people's likes throughout the years and this way to mark the periods of evolution of history, since as the years have passed by, the humans have improved their art in the handling of metals and in the elaboration of jewels.

In the case of silver jewels, the evolution of the same ones and the societies that have used them have their stay in the Eastern world and in Africa, that is to say, the cultures of the Asian and African countries are the ones that have known how to develop better methodologies to mold the silver because their likes have shown a major tendency toward that metal, while in the Western hemisphere, people prefer the gold.

According to what is known in the Western region, in the Middle Age people begin to work with silver because they begin to use this material in the elaboration of coins and this causes the expansion of silver all over the world. In the same way, in Europe and America silver is known as the material for coins and the towns that elaborate jewels of this material are few. In the age of Renaissance, the elaboration of jewels becomes an art more of that time and the same sculptors were painters and jewellers making this art a beauty work.

During the XIV, XX and XXI centuries, silver jewels are a lucrative work for the towns that have and know about this art. Due to the propagation of the international trade and the different theories of markets development, the countries that have the knowledge for the elaboration of silver jewels have achieved that their production be of international offer and with big remunerations. This has caused that developed countries even industrialize the production of these items and therefore it becomes a more competitive and demanded product in the market.

1.3. PRODUCT DESCRIPTION:

1.3.1 PRODUCT CHARACTERISTICS:

Jewels are items that have several elaboration forms, what makes that the characteristics of the product change according to its elaboration form. The characteristics presented below are typical of the handmade elaboration:

- Elaborated in melted silver.
- Elaborated by craftsmen.
- Designs according to tendencies.

However, it is important to emphasize that the product not only can be elaborated under these characteristics, but also there exists the possibility to elaborate it under designer's details. In that case, the characteristics of the product would be the following:

- Elaborated in melted silver.
- Elaborated by career designers.
- Exclusive designs and of own creation, based on the inspiration or demands of the market.

Also, the product can be elaborated in industries and in this case the characteristics of the same one will be the following:

- Elaboration in melted silver.
- Use of heavy machinery.
- Elaboration of mass-produced designs.
- Simple designs and modeled by machines.

It is important to emphasize that in anyone of the previously mentioned cases, to the final product it can be included precious stones and pebbles that will give even more style to the finished jewel.

This way, depending of the way of elaboration of the product, the production form can be classified this way:

1. Smithing
2. Design Smithing
3. Industrial Smithing
4. Maquila (it is used mainly in gold, for what it doesn't have major relevance in the present document)

1.3.2 MATERIALS TO BE USED IN THE PRODUCT ELABORATION:

The jewels can be elaborated with pure silver or with metals mixtures to give him colour or different texture, obtaining this way a bigger variety in raw material for the elaboration of this product.

Under this aspect, it is important to specify that the silver characteristics make this metal something favourable for the elaboration and commercialization of jewels as typical products of Chordeleg region.

1.3.2.1 SILVER:

PHOTOGRAPH N° 1

SILVER



Source: <http://es.geocities.com/quimicavirtuall/archivos/ag.jpg>

DESCRIPTION AND ETYMOLOGY:

The name "silver" comes from the Latin word "*plattus*" whose first meaning is "plane" and subsequently it would become "metal sheet". The use of this word as part of the daily language generated that at the present time, silver be the name given to the metal; however, in Latin the metal had the name of "*argentum*" and it is where its symbolism, Ag, comes from. For its characteristic color and shine, the ancient people attributed it unique characteristics and they identified it as a metal coming from the moon.

Silver is a chemical element, that is to say, an element that cannot break down easily in simpler parts through chemical reactions, that is to say, a single class of atoms with the same number of protons in its nucleus.

In the periodic table, silver is part of group 11 together with copper and gold, since these three metals are denominated as "metals for coining" and they are supposed to be relatively inert and difficult of corroding, as well as power conductors, being the main one silver in this aspect.

Finally, its atomic number is 47, that is to say, its positive number for protons and neutrons quantity. Also, it is a transition metal, that is to say, it forms an ion or a molecule charged electrically for what it can form alloys with other metals of the same characteristic and its oxidation is varied.

SILVER PROPERTIES:

Silver is a malleable material, which is to say, it is propitious to be worked in different items; characteristically of white, brilliant, soft color and nonrusting that can acquire great polish. Of all metals, it is the most reliable heat and power conductor; its melting point is 962° C, its boiling point is 2.212° C and its relative density is 10,5. As for its hardness as a metal, this oscillates between 2, 5 and 2, 7, transforming it into a metal harder than gold but softer than copper.

SILVER APPLICATIONS AND USES:

PHOTOGRAPH N° 2

SILVER APPLICATIONS AND USES



Source: <http://www.ampere.com/images/precious1.jpg>

The applications that have been given to this metal throughout the years are diverse, from which, most of them continue in force, they are as follow:

- As beautiful metal, for the elaboration of jewels and imitation jewelry.
- In the production of coins.
- In photography, since its nitrate reacts to the light and it is used it in plates emulsions, films and photographic paper.
- In electricity, in the operation of the power generators of railroad locomotives.
- In the elaboration of mirrors for its great reflectance it has when mixing with aluminum.
- In alloys of dental workpieces.
- As catalytic metal of oxidation reactions.

- For alloys in welds of electric contacts.
- For galvanic silver.
- To silver glass
- In colloidal state in medicine.
- As representative sign of the second position in sport competitions.
- And in the popular folklore as a magic metal that defeated the forces and supernatural creatures as vampires and werewolves.

STANDARD SILVER:

PHOTOGRAPH N° 3



STANDARD
SILVER

Source: <http://es.wikipedia.org/wiki/Plata>

Silver acquired such an importance for the world that the use of the same one became part of the law requirements, that is to say, for legislation it was denominated as silver if the precious metal contained in its linkage the minimum quantity of fine established by the legislation, this quantity is expressed in a percentage per thousand in its weight or thousandths.

First, it is established as standard (being Spain the country that established this denomination) the use of a standard silver of 999, 925, and

800 thousandths, and then it is reformed and becomes 916 and 750 thousandths. At the present time, silver is used according to the objective of elaboration, for example, in extremely delicate objects; the maximum of purity of the metal is used with 1000 thousandths. As regards to jewels and luxury articles, they are elaborated over 900 and 750 thousandths or grams.

SILVER DEPOSITS AND ITS WORLD PRODUCTION:

Silver is a metal whose existence in abundance occupies number 66 in the world, the biggest deposits through history are in Mexico and Peru. However the big demand and the exploration of new mines have caused that for the year 2005, Australia, Russia and United States open their mines to the production of this metal.

"*The Silver Institute*" is the main organism at world level that receives data as for production, demand, prices, producers, demanders, offerers among other details concerning this metal. This institute indicates that in 2005, the silver production reached 641.6 million ounces, growing 29% of the previous year, it also points out that the main mine of silver in the world is in Australia with a production of 48.80 million ounces in 2005, and then we have the existent mines in Mexico and Russia.

SILVER DEPOSITS AND ITS PRODUCTION IN ECUADOR:

In Ecuador, the production areas of this metal are specifically in Nambija, Chinapitza, Ponce Enriquez, Portovelo and Pacto, places that present a high mining activity.

In Azuay, the places where this metal is extracted are specifically:

- Cerro Verde
- Chahuán

Unfortunately, for our country, silver has not been a product of big importance and neither it has been a completely exploited metal in the country or at least not completely reported. The detail of silver exploitation according to the Department of Energy and Mines only reports data of the years 1996, 2002 and 2004 and since there, in our country we do not have any data about the extraction of the metal as shown in the following chart:

TABLE N° 1
REGISTER OF SILVER EXTRACTION REPORTED IN ECUADOR

Metal in grams	1996	2002	2004	Total reported production in Ecuador
Plata	7.996	96.341,50	371.959,35	476.296,85

Source: Dirección Nacional de Minería (DINAMI)
Elaborated by the author

This lack of information impedes us to know how important the production of this metal is for the country and what percentage the production of silver jewels could have.

1.3.2.2 STONES USED IN THE ELABORATION OF THE FINAL PRODUCT:

Basically, the tendencies of the silver jewels market have the following tendency:

For craftsmen's and industrial jewels, pebbles are used mainly such as: Opals, Oriental Turquoise, Western Turquoise, Jade, Jacinth, Berkeyite, Tourmaline and Garnet; and then the precious stones such as: Diamond, Oriental Emerald, Western Emerald or Peruvian, Oriental Ruby, Spinel Ruby, Sapphire, Oriental Amethyst, Western Amethyst, Oriental Topaz, Western Topaz and Marine Water, this happens because the second ones increase in great proportion the added value of the product and put up the price of the jewel, however these jewels are used, but in little proportion.

For the case of designer's jewels, the type of stones depends of the market demands and collection that the same ones present in that moment,

for this reason, the use varies and a marked tendency for this situation cannot be specified directly. However, the most used tendencies are with pebbles, among other details for the price and manipulation it can be given.

1.4 PURCHASE OF RAW MATERIAL:

The raw material used for the elaboration of jewels is as follows:

1. Silver as main material and which will be used to make jewels.
2. Precious stones or pebbles as complement to give him the value added to part of the design the jewel has.

According to the surveys carried out in February, the goldsmiths of Chordeleg area that are properly handmade and industrial ones, these ones don't import the raw material (silver and stones). The raw silver is bought to the bordering producing, or by mean of intermediaries in the different provinces. In the case of the stones obtaining, these are bought to distributors of the cities of Quito and Guayaquil, or sometimes of the self producers.

The designers maintain the same purchasing logistics with the difference that the precious stones also obtain them of some intermediary residing in Cuenca, Riobamba or Ambato.

The industrial producers could carry out the import steps, but these producers are those located properly in the city of Cuenca, because of those located in Chordeleg there is not report of the realization of this activity.

Also, these surveys reveal that for the buyers of Chordeleg as well as for Austro designers, they can get the diamond easily in the country but they don't specify with clarity and accuracy which other stones can be gotten locally. However, in spite of this lack of information it can be said that at least

in this material, the producer has a wide range to choose in prices, quality and origin.

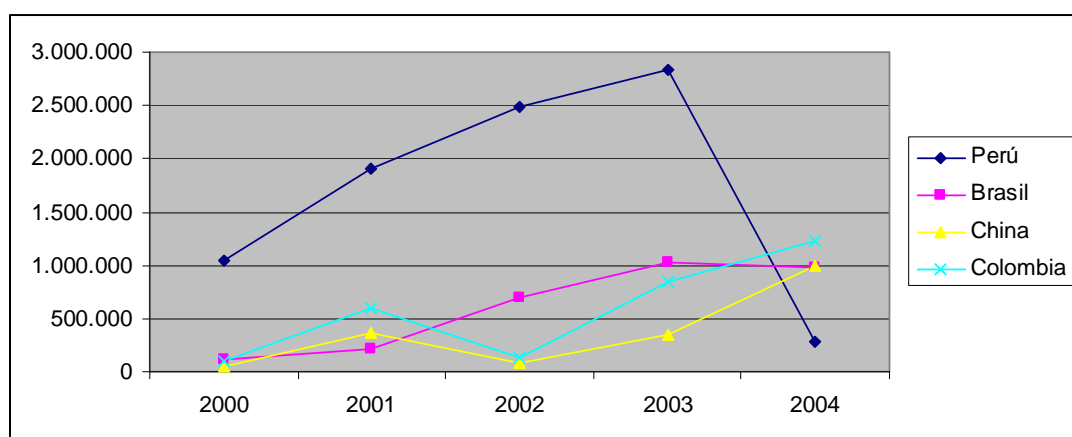
Of the previously mentioned detail comes off the possibility that the rest of stones that the producers get, come from the imports that the country of these products carries out, where Peru is located as the main supplier of this product during 2000-2003 because for 2004 it is clear the fall this country suffered, allowing Colombia to be the main supplier during 2004, followed by China and even Brazil. This demonstrates that the trade dynamics with Peru lowers notably but neither it becomes null. In the case of Colombia, the data show that the trade dynamics of these products is varied, because it has years of bonanza as 2004, likewise it has lower years as 2002 whose sale falls evidently in relation to previous and later years. In relation with China, the trade dynamics with this country is very similar to what happens in Colombia, falling the sales in Ecuador in the year 2002, but in 2004 we see that the country boosts and it increases its sales again.

It is important to emphasize that although Brazil is not inside the first three countries suppliers of precious stones and pebbles for Ecuador, its sales for this country show significant data and they constantly increase without reporting any falling of sales during the year, what makes that this country also becomes a significant supplier for Ecuador and even a direct competition of the previously mentioned countries and because it is not a competition for Ecuador also presenting as exporter of these products.

Concerning the tendency imports, at world level, Ecuador has increased its import level 265.85%, what indicates that the importance the precious stones and pebbles have obtained throughout the time for Ecuador and this causes a growth in the jewellery sector because it is supposed that there exists a bigger demand of this product, since there exists a bigger demand of the jewel. At level of countries the tendency is also a growth, except Peru that has fallen notably for 2004.

GRAPHIC N° 1

IMPORTING TENDENCY OF ECUADOR OF PRECIOUS STONES AND PEBBLES IN DOLLARS 2000 – 2004



Source: Trade Map
Elaborated by the author

Then based on the previous graph, Peru falls 73, 07% while Colombia grows 1212, 77%, China 2021, 28% and Brazil 812, 96% placing them as main commercial partners of this product for Ecuador.

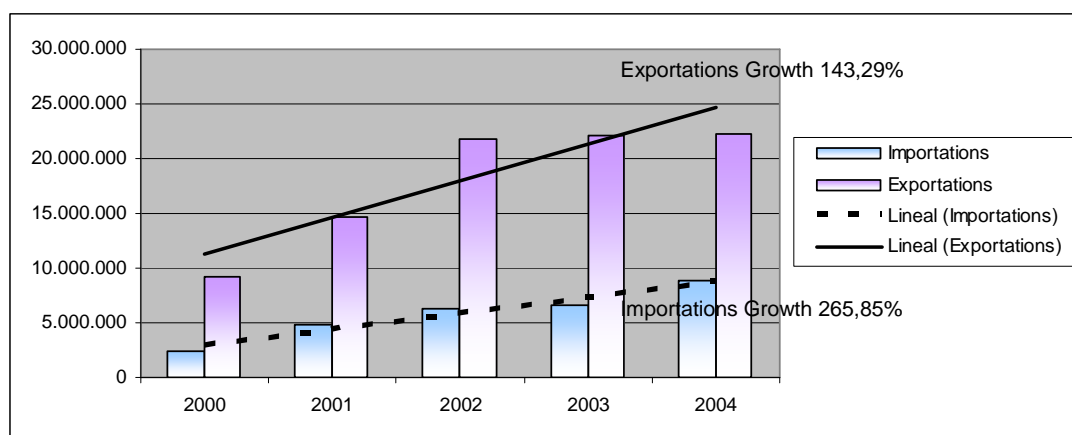
Previously, it was said that Ecuador as well as it imports, except silver, it exports precious stones and pebbles, being United States and the countries of the European Union such as the United Kingdom and Switzerland and in spite of the ups and downs that the sales of precious stones and pebbles have presented in Ecuador, its tendency has grown during the period 2000-2004, growing 143,29%, that is to say about 28,65 % annual, while of the main countries, the annual growth is as follows:

- 77,39% for the United States
- 3,44% for the United Kingdom,
- While of Switzerland, for the dynamism, it can be said that its growth has been of more than 100000% during this period, but when having a purchase of US \$0, 00 during 2001, it makes that its annual variation cannot be exact.

The data show then that the trade of precious stones and pebbles for Ecuador is a sector that in spite of not having bigger relevance in the world field, it powers significant figures for the country and it can mainly be a reference to determine that also the jewels production is increasing, in the case of silver jewels, even the one of the designer will be the most used pebble. This trade has a positive commercial scale, because Ecuador exports more than what it imports as shown it the following graph.

GRAPHIC N°2

ECUADORIAN COMMERCIAL BALANCE OF PRECIOUS STONES AND PEBBLES TRADE IN DOLLARS 2000–2004



Source: Trade Map
Elaborated by the author

As shown in the graph, although both activities have a positive growth, the exports have been bigger in value than the imports, generating a trade balance in favour of Ecuador.

1.5 ELABORATION OF THE PRODUCT:

The elaboration of jewels is one of the oldest works in all mankind's history, and in Ecuador, it is a family tradition that has kept throughout the years.

In the case of the Azuay area, Chordeleg is the place where the art of silver jewellery has been developed with great cleverness and skill. This place is one of the areas with more incidences of jewellers and being this activity

which powers the trade, it is a family tradition, transforming this area into a place that produces excellent silver jewels and which has great acceptance by the national consumer and even the international tourists that visits the place.

In this area, you can find a variety of silver jewels and almost all the owners are jewellers that elaborate the item. They follow the sequence described below.

1.5.1 HANDMADE AND DESIGNER'S ELABORATION OF SILVER JEWELS:

Both artisans and designer's production have the same elaboration outline of jewels because the jewel is elaborated in a manual way and based on a design chosen by the customer as is the case of the jeweller or by creation as is the case of the designer.

A characteristic the craftsmen jewellers have is that the designs they elaborate are drawn by themselves as a model for elaborating the workpiece, and many times until they get the exact pattern, they make two or three basic items that sometimes become unique for the changes carried out. Then, it can be said that the craftsmen jewellers are also designers but without any title that certifies it.

In the case of the certified designers, their items are unique because they come from their own imagination based on the fashion and market tendencies, but at the moment of elaborating the jewel or rough workpiece, their production system is the same as the craftsmen jewellers because the workpiece reaches more value.

The steps for the elaboration of jewels are detailed below:

1. Foundry:

Foundry is an activity through which rough silver becomes liquid in order to be mixed and given the appropriate texture to alloy or mix it with other metals to give it colour. For melt downing, a gas torch is used with an extremely thin flame and a crucible, using these two tools we can also:

- Solidify meshes or residuals.
- Alloy two or more metals.
- Weld workpieces of an object.
- Manufacturing of solid and mushy workpieces.

Silver is melt downed at a relatively high temperature, because at the moment it is welded, the temperature will lower to be able to model the workpiece with the appropriate form. In this same stage, silver is mixed with other metals to obtain the desired colour; however in the case of silver, its original colour is kept and it is only mixed with pure copper (20 grams in 100 grams of silver of 1000) to give the material a better texture to be able to define the characteristic colour of silver, and this way we obtain what is known as the alloys, that is to say the mixture of two or more metals and it is achieved melt downing them in one pot, after solidifying, the solution will adopt a crystallized structure

PHOTOGRAPH N° 4

CRUCIBLE



Source: Photographs taken by the author

2. Forging and Rolling:

Forging is the activity where using a steel anvil and a hammer of the same material, the melt downed silver is cut backed, that is to say, the material is coined by sheer hard work:

PHOTOGRAPH N° 5

ANVIL AND HAMMER FOR FORGING OF MATERIAL



Source: Photographs taken by the author

Then it is sent to the laminating machine that is a manual or electric machine that consists of four masses and is used to prepare the material either in laminas or to make threads.

PHOTOGRAPH N° 6

LAMINATING MACHINE



Source: Photographs taken by the author

From the laminating machine it will pass to the queues, which will give the thickness desired for the material to be able to work in the jewel:

PHOTOGRAPH N° 7

QUEUES



Source: Photographs taken by the author

From this step it passes to the calliper to measure that the obtained thickness is the necessary one for the jewel or it spins him until obtaining the necessary thickness again:

PHOTOGRAPH N° 8

CALIBRATOR



Source: Photographs taken by the author

Once the raw material has been modeled and prepared for the elaboration of jewels, the workpiece is elaborated.

3. Elaboration of the workpiece:

After the raw material is obtained, in this case silver, the smith jeweller starts the elaboration of the workpiece, that is to say, to give it an exact figure by welding it and using pliers and other tools to obtain different varieties and forms. It is important to point out that in this point the jewel is a rough workpiece, it has not been finished, and it has just form and the exact spaces for the placement of stones.

In the same way, at this point the workpiece suffers what is called as reduction; that is to say, the original material is reduced by sanding, washing, and modelling the workpiece; for this reason a box is used to collect the material that falls from the jewel. The reduction is generally considered as 10% of material loss and this percentage is deducted from the final jewel cost.

PHOTOGRAPH N° 9

PUMICE

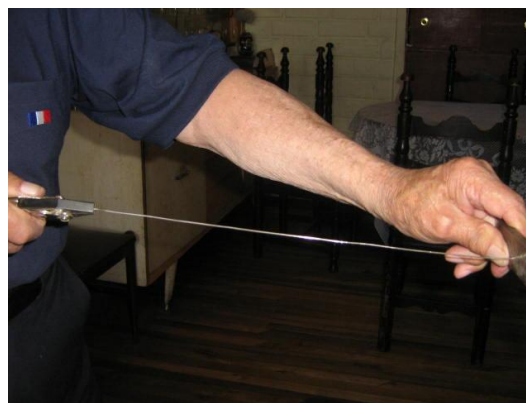


Source: Photographs taken by the author

The pumice serves as a base to model the workpiece in the desired form, and a flexion point is used, that is to say, a support elaborated with mud and of quick drying, this support when subject to fire doesn't suffer any change and it is easy to weld or carry out any other activity with the same one.

PHOTOGRAPH N° 10

PLIERS



Source: Photographs taken by the author

This tool is used when we want to wiredraw the raw material or the chains wires; it has a slot in one of its grousers, from where the wires or the workpiece can go out.

PHOTOGRAPH N° 11

DRILL



Source: Photographs taken by the author

This tool allows perforating the workpieces which are very delicate and small; it has a special point that doesn't damage the workpiece.

PHOTOGRAPH N° 12

COMPASS



Source: Photographs taken by the author

The compass allows measuring the workpieces stamps and the same workpieces; it has a firm tip and the other one is like a delicate tip so that when the workpiece is touched, it doesn't damage this tip.

PHOTOGRAPH N° 13
CLAMP AND HOLDER-ON



Source: Photographs taken by the author

These two tools serve especially when we want to model rings or any workpiece that needs to be hooked to give it a special form.

PHOTOGRAPH N° 14

TOOLS FOR MOLDING OR GIVING SPECIFIC DETAILS TO WORKPIECES



Source: Photographs taken by the author

The following are different tools that for the fineness of the workpieces they have tips and other fine details that do not damage the workpieces.

PHOTOGRAPH N° 15

WORKING BOX



Source: Photographs taken by the author

The box is the most characteristic tool in the jeweller's work because in this place, the jeweller makes total elaboration of the jewel since it has several advantages for them as for example, it serves to collect the reduction of the original material, or due to its closed texture, the stones that will be used can be placed, among other details.

This tool is characteristically elaborated in wood with different divisions where they put the most delicate tools and they generally work on the central box; this box is covered of metal or aluminium and over it they put newspapers, which allow them to pick up the material residues.

4. Determination of the technique:

In this activity, the jeweller specifies the technique that will be used to give a better quality and differentiation to the final workpiece, the techniques to be used can be:

✖ Enamelled jewel:

This technique is used to give a special shine to the jewel, it is carried out with a special material called "*iguila*", a kind of plant; the special characteristic the jewel should have for this technique is high edges so that it can resist the enamel.

✖ Rodinada Jewel:

It is the technique by means of which the workpiece becomes totally smooth and it is obtained when submerging the workpiece in water with cyanide and aqua regia.

✘ Molded or draft jewels:

This type of decoration is obtained when applying the pattern to the elaborated workpiece and it is shaped then with the compass and finally the workpiece is drafted based on a mold.

It is important to specify that the workpiece should be subjected to any of these techniques before decorating it with precious stones or pebbles since the materials that are used to obtain these techniques in the jewels can damage the stones.

✘ Filigree:

It is a technique inherited from Persia, and at the present time it is known in the entire world. Using this technique, a wide range of objects and manufactured jewels are elaborated as animals, birds, etc. It arrived to Ecuador brought by people from Chordeleg as an innovation for the production of jewels in the area. This technique is carried out thanks to the elaboration of wires that are extremely fine, these wires are elaborated in queues, then using pliers they are quadding among them and then flattened; once this has been made, they are placed in molds using clamps and they are shaped according to the form specified in the mold, they compact and are decorated, obtaining this way a filigree workpiece.

5. Jewelling the workpiece:

This step refers to the placing of the stone once the workpiece doesn't have to suffer more processes; jewelling generally is carried out with a claspers and fine pliers to support the workpiece and this way to place the stone in the space determined and even measured previously, so that it can fit exactly; if this space has "legs or lashes" to hook the stone, they are simply placed and closed against the stone,

while if it is heddle, the stone is placed at pressure and stuck with silicon being always at the same level of the jewel's hole edge.

PHOTOGRAPH N° 16

JEWELLING A RING



Source: Photographs taken by the author

As seen in the picture, the use of pliers, in this case, is indispensable to place the stones, since many times the stones are so small that they cannot be taken with the hands.

6. Termination of the Jewel:

Once the whole previous process has concluded, the last steps in the jewel start. The jewel is boiled in hot water with bicarbonate and lemon to clean the same one of any dirt or of the prints left by the jeweller; then it is polished with a special thread known by the jewellers as “‘chillo’ thread”, this way, more shine is obtained and the silver colour is smoothed, it is polished with a special pasta and it is dried off.

Once the jewel is dried, this is completely finished and ready to be delivered to the consumer or to be part of one of the jewellery shops where it will be displayed.

1.5.2 INDUSTRIAL ELABORATION OF THE SILVER JEWEL:

Besides the process followed by the smith jeweller, there exists an industrial form of elaborating the jewel, the same that is known as "*casting*" technique; that means the elaboration of jewels in series, that is to say, an automation of the jewels production in a specific stage, in this case in the elaboration of the workpiece form.

This process has several steps, which are similar to those followed by the traditional jeweller, but it is technical at the moment, because molds that allow the elaboration of more than a workpiece at the same time are used.

CASTING:

This is the processing method used by the current industry for the elaboration and production of jewels in series; it requires modern equipment conformed by:

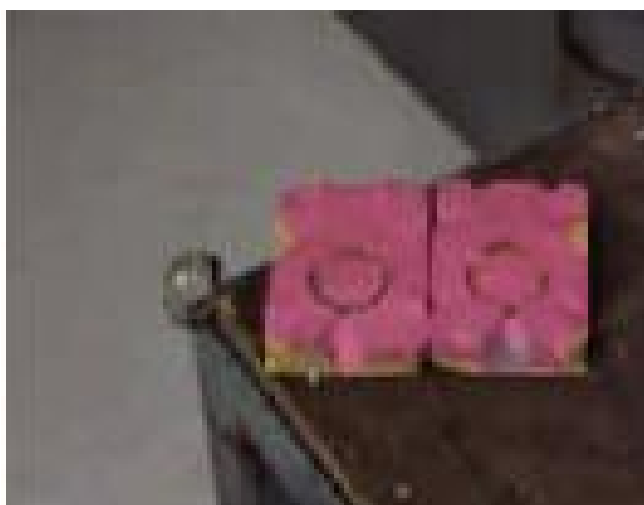
- Vacuum, tool that works with compressed air and the rest with electricity of 110 volts.
- Oven.
- Electric pot.
- Dies (molds used for the elaboration of workpieces, the same that are made of rubber).
- Workpieces tree.
- Jar.
- *Támbola* – polishing machine.

The first step is to wax and fix the rubber molds of several workpieces in order to introduce them in a “tree” form inside the vacuum.

To introduce them in the previously detailed tool, the workpieces should be placed in kind of “jar” that will be covered with casting plaster that has been properly prepared by means of an appropriate formula in quantity of water and powder plaster and weighed in a special scale.

PHOTOGRAPH N° 17

SILVER JEWELS WORKPIECES MOLDS



Source: Sistema de Inteligencia de Mercados CICO - Corpei

PHOTOGRAPH N° 18

WORKPIECES TREE



Source: Sistema de Inteligencia de Mercados CICO - Corpei

PHOTOGRAPH N° 19

JAR



Source: Sistema de Inteligencia de Mercados CICO - Corpei

Once the jar and the workpieces mold are ready, they are placed in the vacuum to extract all the bubbles or porosity that could damage the workpieces.

PHOTOGRAPH N° 20

VACUUM



Source: Sistema de Inteligencia de Mercados CICO - Corpei

After that, the jar and the molds are dried outdoors for about two hours, and once it is dried, it is inserted in an oven preheated for about 30 minutes; there it remains from 60 to 120 minutes, according to the jar size.

PHOTOGRAPH N° 21

OVEN



Source: Sistema de Inteligencia de Mercados CICO - Corpei

While the workpieces are in the mold, the workers have to prepare the material, that is to say, they start to melt down the silver that most of the times is made with the conventional method of melting pot and torch, or to make it faster, an electric crucible is used as shown in the picture, it has the same form and characteristics as the melting pot, with the difference that it has its own motor and should be connected to current flow. This helps the worker not to melt down the silver using the torch.

PHOTOGRAPH N° 22

ELECTRIC CRUCIBLE



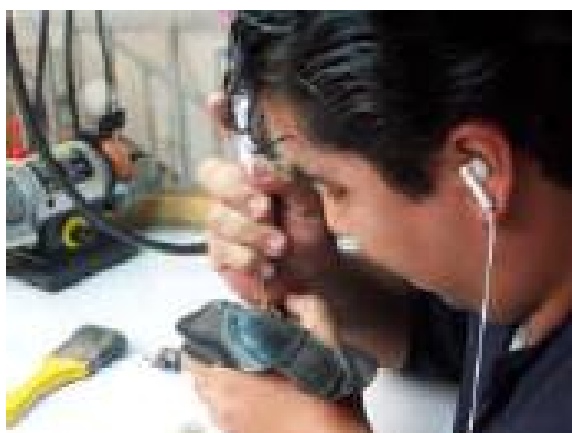
Source: Sistema de Inteligencia de Mercados CICO - Corpei

Once the jar is ready and silver is melted down, the same is placed in wax molds and cools down outdoors for a moment, and then it is immersed in water. The axle is taken out of the jar, and then it is water pressured with compressed air in order to clean it. Next, it is whitewashed using sulphuric acid. The pieces are cut and then assembled and finished according to the required model.

Their finishing is the same as any other jewels either they have beautiful stones or pebbles, synthetic stones, pearls or others.

PHOTOGRAPH N° 23

WORKPIECES JEWELLING



Source: Sistema de Inteligencia de Mercados CICO - Corpei

After that, the jewels are smoothed and polished in appropriate motors or with the modern use of a *Támbola*, which system consists on introducing the jewels in a liquid and as the machine goes round they become polished at an appropriate time. This way, the jewel is ready to be delivered to a jewellery shop for its respective sale.

It is important to emphasize that in the industrial productive process, jewels are mass produced and this makes its models to be also mass produced; what produces that their cost be cheaper, since many workpieces of the same model can be found. This doesn't happen with smiths' and designer's jewel.

1.6 VARIETIES OF SILVER JEWELRY:

For the elaboration of different jewels designs, as the case of silversmiths, the models are taken mainly from United States, Spain, Italy, India and Japan, catalogs, and hundreds of wax models are kept for the elaboration in casting.

The products elaborated by means of Smithing are:

RINGS: For weddings, graduations, exclusive designs for women and men, solitary rings, that is to say with a single stone for the women or flat rings for men. The ring is maybe the jeweler's workpiece most used among consumers.

EARRINGS: There is a variety of designs such as: Buttons (they consist of a holder and a fastener); earrings with pendants of a variety of designs that are made of silver in claw form (cones) or with pearls and/or precious stones, pebbles or synthetic; rings that can also be made just of silver, or with stones as the previous ones, in a variety of sizes and designs taken from catalogs or made up by themselves.

CHAINS: they are manufactured in a variety of designs, the same that can be good to connect some models of necklaces for their size and thickness.

BANGLES: they can be used by men and women. They have a variety of stones according to the cases, in most of them a badge is inserted to engrave initials or different names, or stones and/or pearls are placed. Sets of earrings and necklaces can be made.

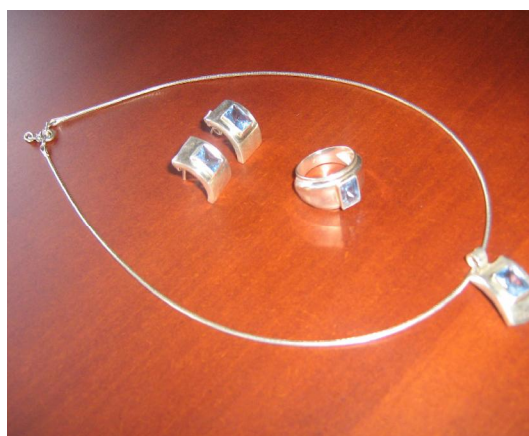
EARRINGS: It is the smiths' specialty, since it allows them to develop all their talent and creativity in the elaboration of several models. They are made according to the demands and the economic possibilities of customers. The same can be a simple stone or pearl hanging of a cord, or some earrings with silver covers and encased of brilliant mountings.

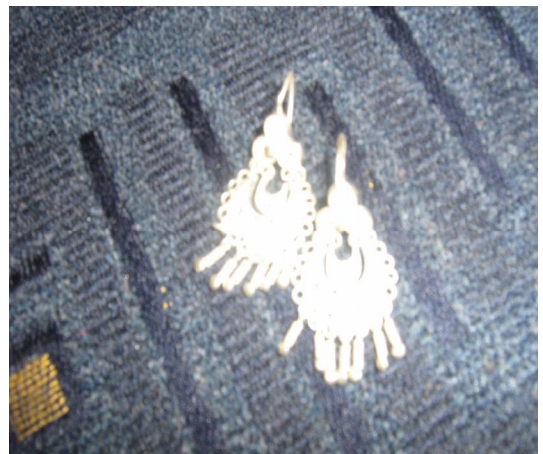
TRINKETS: It is another important and fascinating aspect of smithing, since a variety of models can be elaborated, from a simple letter until a variety of human and animal figures, talismans, zodiacal signs, crosses, medals, etc.

EXCLUSIVE DESIGNS: Although in smaller quantities, the smiths are able to create any model, either suggested by the customer or by innovation of catalogs, and in several cases they are exclusive designs which have special stones that have been recommended by Japanese and Italian entrepreneurs, as is the case of tagua nut or vegetable ivory, a native natural product from Ecuador that allows the combination with precious metals as silver and beautiful stones or pebbles, becoming a new product that can have great acceptance in international markets.

PHOTOGRAPH N° 24

VARIED MODELS







Source: Photographs taken by the author.

1.7 QUALITY OF THE PRODUCT:

In this aspect, the jewels are products that require of an excellent quality to fulfil national and international sales standards. The jewels have certain characteristics that make up the quality of the same ones and these are:

1. Design: The design should cover the consumer's desires and needs, or a jewel loses its quality in this aspect. The designs should be made according to the fashion tendencies or very original in the case of designers.
2. Weight / Caratage: if a jewel weighs a certain quantity of grams, the same one should weigh the same; only this way the jewel is meant to be of good quality.
3. Presentation: the product, to show its excellent quality to the consumer, should be exhibited in containers or cases according to the type; that is to say, high value jewels cannot be given in paper cases. It is important to emphasize that the presentation of the jewel shows its quality.

In the case of the production in Chordeleg, the product quality is very good, since it fulfils all requirements when been exhibited to the ultimate consumer. The presentation of the jewel is very important among smiths of the area and the exhibition of the same one offers a better service to the customer.

In the case of designers, it is very important to emphasize that the presentation of jewels is excellent because there are different forms of delivery such as bags elaborated with paper and boxes with different shapes, which give the jewel an added value.

A specification that is inside the quality rates of the jewel is its weight, because in the case of smiths and designers, the final cost of jewels is determined by their weight. This detail has generated great trust, since consumers know that they are paying for a good jewel.

1.8 CONCLUSIONS OF THE CHAPTER:

The product that Chordeleg presents to the world is a high quality product and recognized nationally and internationally. It is a product of which designs and details are attractive to the buyers.

Generally, although the product can be a copy of models, because of their elaboration by hand, the same one is more attractive and more laborious since it depends of the jewellers' ability to obtain the exact model of such product. In the case of the industry, because they are mass produced, jewels lose their value and their cost can decrease because it is produced in big quantities. In the case of jewels' designers, they have the same luck as smiths, but with an added value to their product because the jewels were designed and manufactured by them.

Under these parameters, it can be established that the product can be sold abroad and it has high acceptance due to the variety of its models and to the quality and guarantee given at the moment of purchasing the

same one. Although smiths don't have the capacity to produce jewels because they are small manufacturers, the union of all of them could maintain a big stock of silver jewels to be sold in international markets.

CHAPTER #2

2. NATIONAL MARKET FOR SILVER JEWELS:

2.1 CHARACTERISTICS OF MARKET:

2.1.1 CAPACITY OF PRODUCTION:

The capacity of jewels production in Ecuador is in the area of Azuay; this area, Chordeleg, is the first producer at national level, but unfortunately as for production of silver jewels, there aren't any accurate data, since jewellers don't report their exact production, or most of the times, they don't register the production. It is known generally that the total production of this area for the year 2000 was between 100 and 200 kilos of finished jewels every month.

The problem of data registration is not only in the province of Azuay, but also at country level, making it difficult to estimate the size of the national market for silver jewels, making this way a more uncertain trade and production space for investment.

TABLE N° 2

MONTHLY CAPACITY OF PRODUCTION IN EACH PROVINCE DURING THE YEAR
2000

Province	Monthly Production in Kilograms
Azuay	100 a 200 kilograms
El Oro	80 a 90 kilograms
Pichincha	60 a 80 kilograms
Guayas	60 a 80 kilograms
Chimborazo	50 kilograms
Imbabura	40 a 50 kilograms
Tulcán	40 a 50 kilograms
Tungurahua	40 kilograms
Cotopaxi	30 kilograms
Milagro	30 kilograms

Source: FEORA – Federación Ecuatoriana de Orfebres, Relojeros y Afines
Elaborated by the author

After the province of Azuay, the province of El Oro is the second one in the elaboration of jewels, while Guayas and Pichincha are below the two previous ones and it is because of the existence of exploitation mines that allow the jewellers to have access to raw matter and this way to elaborate jewels more quickly.

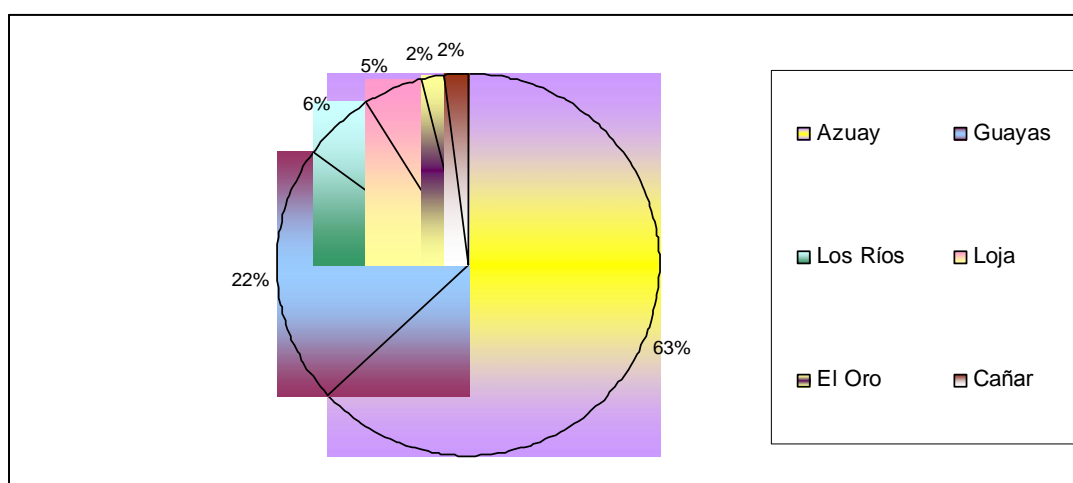
Although there is not an exact register of silver jewels production in current years, in the year 2005, the Department of Foreign Trade published the Smiths Map, what has allowed us to specify the number of existing smiths' shops in Ecuador and this way we could know the magnitude this labour has among the Ecuadorian population.

Azuay registers the existence of 741 smiths' shops out of 1153 shops registered in the national territory, that is to say, this province has 63% of jewels production. After this province is Guayas with 22% of goldsmiths' shops, that is to say a total of 253 shops; and the others are distributed in the provinces of Los Rios, Loja, El Oro, and Cañar according to the registered data.

It is important to emphasize that although El Oro is the second province in production of jewels, it only has 2% of the total shops of Ecuador. This means that these shops are highly productive places and give 100% of its capacity in comparison to the number of shops that Azuay has.

The province of Pichincha doesn't register any shops at national level, but it occupies the third position in production, what means that this activity is sporadic or it just concentrates on industry.

GRAPHIC N° 3
DISTRIBUTION OF SMITHS SHOPS IN ECUADOR IN PERCENTAGE
2005



Source: Corpei - CICO
Elaborated by the author

A very interesting detail this Smiths Map presents is that in Loja there are smiths' shops, but in the registered production this province is not an important producing area, what let us know that these shops don't have an enough productive capacity to make this activity an essential part of the area's production.

According to the surveys carried out in the area of Chordeleg on February for CORPEI, the producers point out that at present the jewels production has decreased because of the economic instability the country suffers. It has caused that people who know about this art migrate to other countries and leave their profession, causing a rise in price of jewels.

2.1.2 MARKET SIZE:

Although the national market is not considerable in figures because it is necessary the production figure of silver jewels every year, at least we can analyze the imports and exports registered by the country during the last years.

2.1.2.1 ECUADORIAN IMPORTS OF SILVER JEWELS:

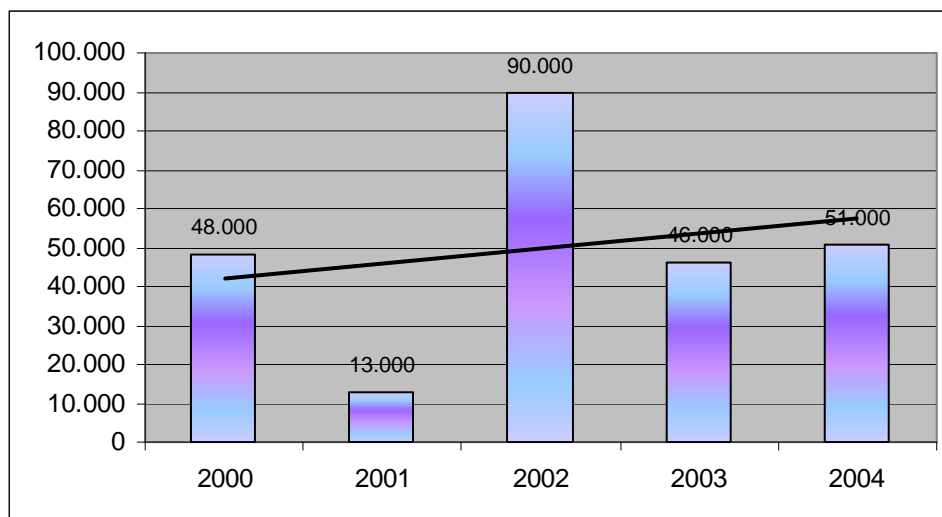
As a silver jewels importer, Ecuador occupies the position 117 and the quantity of jewels that it imports represents 0% of the world exports, that is to say, it is not an important country as for jewels importation at world level, but it is important to emphasize that the jewel is a product of easy entrance, without customs, because it can be taken by a person without any complication.

In 2004, the country imported a total of US \$51.000,00 registered, according to data reported in the Trade Map and the countries from which it imported, are from Germany US \$28.000,00 that represents 55% of the total imported and 45% of not registered countries.

The growth tendency is 6, 25% from 2000 to 2004, what means a value of 0, 52% of annual growth, being the year 2002 the better one as shown in the graph.

GRAPHIC N° 4

ECUADORIAN IMPORTS TENDENCY OF SILVER JEWELS IN THE WORLD IN DOLLARS 2000–2004



Source: Trade Map
Elaborated by the author

It can be seen that the most decreasing tendency in the purchasing of silver jewels during the period from 2000 to 2004 is the year 2001, after the attack to the World Trade Centre in the United States that although it is a distant country for Ecuador, it depends of the remittances that the migrants send to it, and during that year everything was blocked, especially silver jewels.

2.1.2.2 ECUADORIAN EXPORTS OF SILVER JEWELRY:

In the case of exports, the value registered in 2004 of this product in the Trade Map is USD \$15.000, 00, a value that shows a clear decrease because in 2001 and 2002 the sales were more than USD \$100.000, 00. This decreasing tendency is a disturbing aspect because a product that has a good acceptance abroad is decreasing its sales.

It is also necessary to emphasize that the entrance of several assembly plants, especially to the city of Quito, has caused that the registration of

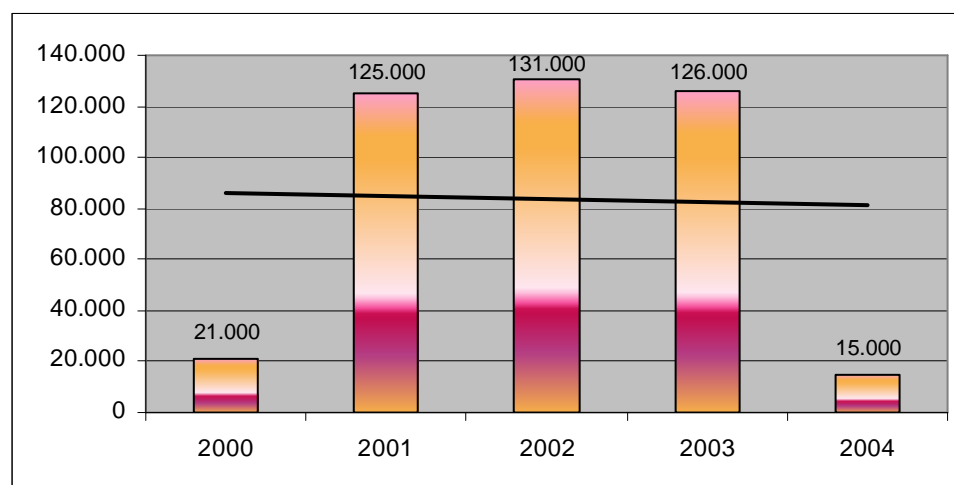
international sales decreases notably, despite Ecuador is not a country with cheap production and labour costs.

In spite of this existing decrease, Ecuador occupies the position 89 in the export of silver jewels, but the exported value is not representative; its trade partners for this product are the United States which imports US \$10.000, 00 and Colombia with US \$5.000, 00.

The growth tendency of Ecuador's silver jewels exports during the period 2000 -2004 was 28,57%, that is to say, the country instead of increasing and offering better products, is decreasing and losing markets; this would represent a decrease of 2,38% monthly.

GRAPHIC N° 5

ECUADORIAN EXPORTS TENDENCY OF SILVER JEWELS IN THE WORLD IN DOLLARS 2000–2004



Source: Trade Map
Elaborated by the author

The fact that there are more imports than exports causes a deficit in the silver jewels balance of trade that in 2004 was registered in USD \$36.000,00.

It is expected that although there is a deficit in the international trade of silver jewels, in the local trade there is great purchase that helps the progress of this sector that for the last market tendencies is growing again.

2.1.3 PRODUCT SEASONS:

Silver jewels are not products which production is marked or requires a specific date to increase its volume, however, the demand and production of this product increases in Christmas, San Valentine's Day and the Mothers' Day because it is an attractive gift especially for the woman.

Besides these dates, the demand maintains a stability that is a little altered on vacations, when the number of national and foreign tourists that visit the area of Chordeleg, increases.

2.1.4. MARKET SEGMENT OF SILVER JEWELS:

Silver jewels are very attractive products among women that are from 18 to 50 years old what causes that the models be produced in more exotic and attractive styles; the same way, designer's production of unique workpieces is more attractive for this market segment.

Most of men don't use silver jewels; they like to wear gold or golden workpieces instead.

2.2 SALES STATISTIC:

The product sales are carried out through jewellery shops of the country and the area where they are manufactured. In the case of the area of Azuay, it is a tradition to find jewellery shops mainly in Chordeleg and in Cuenca's downtown.

Many people travel to Chordeleg in search of silver jewels that are cheaper, the flow of purchasers is high, but it increases during the weekends. The consumers are national and foreigners who are fascinated with the big quantity of jewellery shops.

In the case of Cuenca's downtown, the jewellery shops are dispersed and there are more gold jewels than silver ones.

In the case of designers, they use fairs, exhibitions, CIDAP or the Central Bank for the exhibition of their jewels; there are few designers that have own locals.

The surveys carried out in Chordeleg revealed the following fact as for sales statistic:

- Monthly sales: \$2.500 to \$4.000 dollars in jeweller's denominated as grades.
- Monthly sales: \$500 to \$1.500 in medium and small jewellery shops.

2.3 INCIDENCE OF THE PRODUCT IN THE NATIONAL MARKET:

Although there is not any statistic that determines the importance the silver jewels have in the national market, the same one has a great acceptance among national consumers.

In the case of the Azuay area, the elaboration and sale of silver jewels is a productive sector, which produces important wealth, but unfortunately it doesn't register the movements that are carried out and that would help us know how much incidence it has in the national production and how much it represents in the total of the gross incomes.

For the acceptance silver jewels have in the sector of Chordeleg, it can be said that jewels have a very wide possibility to be a new exporting product.

But at the time that a registration and more specific data are required, a major control is needed, because according to Chordeleg

inhabitants, they say that silver jewels don't need to be packed and can be taken abroad as hand packaging

2.4 SALES COSTS AND PRICES OF SILVER JEWELS AND RAW MATTER:

The cost of raw matter and the sale price of finished jewels are controlled by several factors that are based mainly on the price imposed by the international market. The rise in price or impoverishment of the product depends of the fluctuations of the same ones plus the date and consumption tendencies.

2.4.1 COST OF RAW MATTER:

The raw matter, in this case silver and precious stones or pebbles have the following cost breakdown according to the surveys carried out on February, 2006 and according to the prices specified by the world institute of silver.

Among smiths:

- Gram of rolled Silver: \$0,28 cents of dollar
- Laboured gram of Silver: \$0,90 cents of dollar

Among designers:

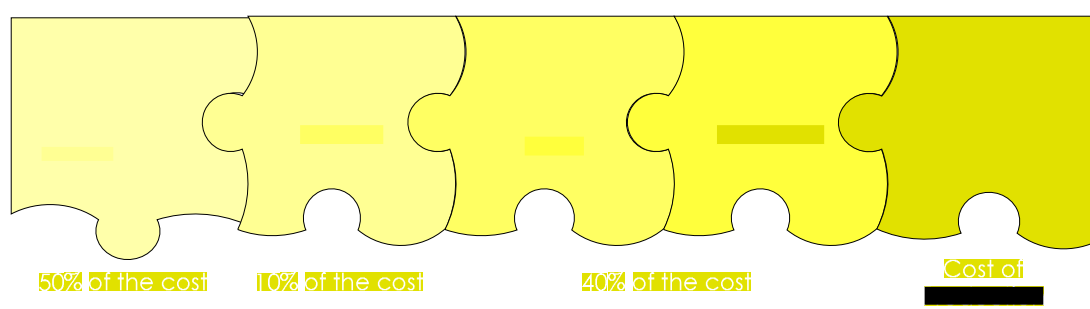
- Gram of rolled Silver: \$1,00
- Gram of Silver of Italian jewel: \$1,35
- Gram of Silver with stone: \$2,00

2.4.2. SALE PRICE OF SILVER JEWELS:

The sale price of finished jewels depends of the workpiece, its finishing and weight of the same one, but it is important to know that the breakdown of the same one is given in the following way:

DIAGRAM N° 1

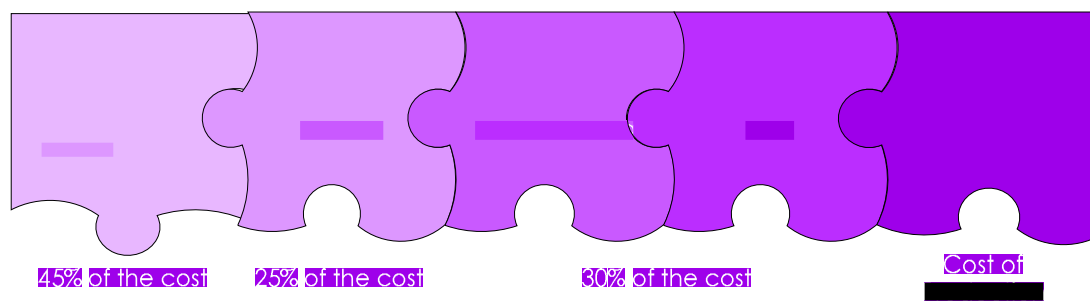
DETERMINATION OF SALE PRICE OF SMITHING SILVER JEWEL



Source: Interviews made in Chordeleg, February 2006.
Elaborated by the author

DIAGRAM N° 2

DETERMINATION OF SALE PRICE OF DESIGN SILVER JEWEL



Source: Interviews made in Chordeleg, February 2006.
Elaborated by the author

As seen in the diagrams 1 and 2, the biggest proportion is set by raw matter, because it serves to produce jewels, in the case of designers, the design has its weight in the final cost, while in the case of smiths, the production process prevails, because it is the space where more time is dedicated to the jewel.

This price suffers an increase if it passes from a producer to a distributor and then to the ultimate consumer, the increase is generally of 30%, that is to

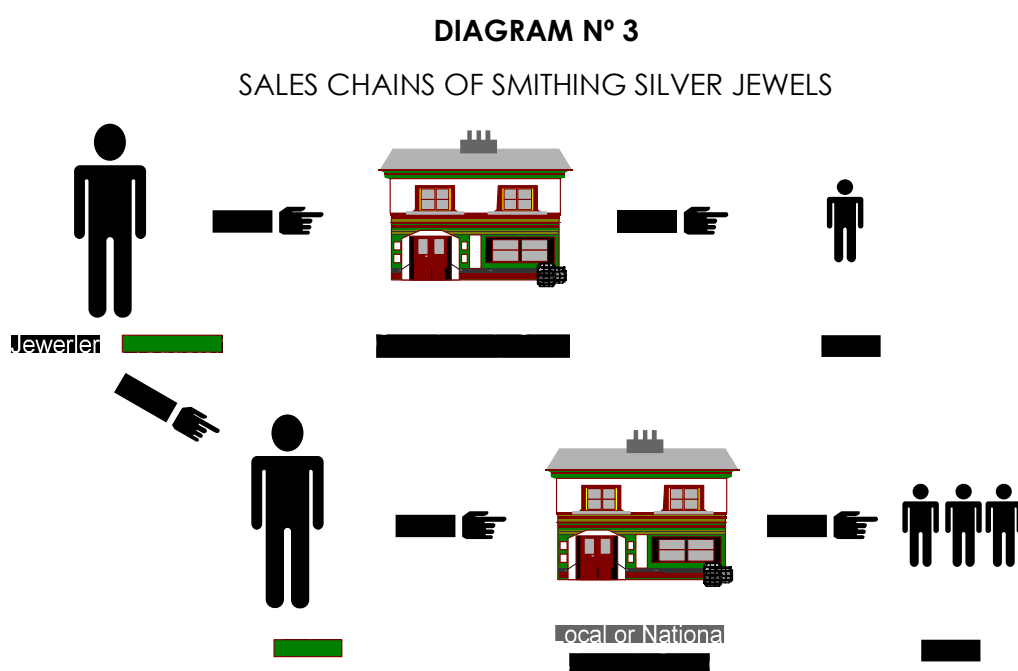
say, the distributor earns 30% of the producer cost who increases 20% of profit for the sale to this last one.

2.5 SALES LOGISTICS:

The traditional silver jewels come to the consumers under the traditional sales chains, that is to say, sales in local, regional, or national jewellery shops, and most of the times they have to make use of a distributor, which is the contact that helps the product to enter to jewellery shops. In the case of the Chordeleg area, the most common thing is that the workpieces stay in the jeweller's jewellery shops for their sale to consumers.

In the city of Cuenca, which is the nearest market for selling silver jewels, almost all jewellery shops are located downtown, but there are more gold jewellery shops than silver ones.

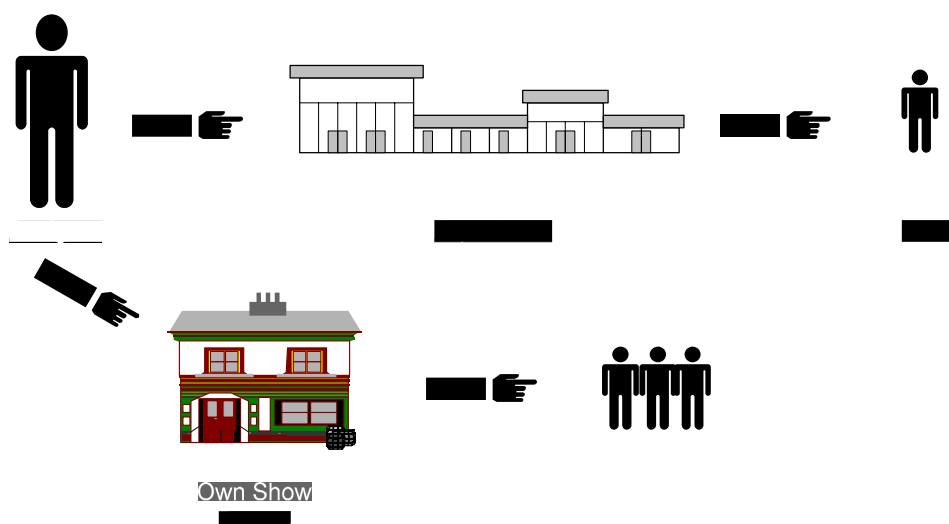
In the case of designers, the workpieces come to the consumers by means of fairs or exhibitions that are carried out in the city or in the country. Some designers have their own exhibition locals, which are located downtown, as is the case of Cuenca.



Source: Interviews made in Chordeleg, February 2006.
Elaborated by the author

DIAGRAM N° 4

SALES CHAINS OF DESIGNER'S SILVER JEWELS



Source: Interviews made in Chordeleg, February 2006.
Elaborated by the author

It is important to emphasize that the designers don't use an intermediary for their product sale, because if carried this way, the workpiece would become too expensive and could run the risk to be copied and would lose the exclusivity seal that the designers give because they are the only sellers of their products.

2.6 JEWELERS ASSOCIATIONS:

Among the most representative associations at national level, we have the following ones:

- Ecuadorian Federation of Smiths, Watchmakers and Similar, FEORA
Address: Quito
- Center of Training, Enabling, and Technification of Ecuadorian Craftsmen "CFCTARE."
- Association of Jewelers of Azuay (AJA)
Address: Antonio Borrero 3-11
Telephone: 072 82 82 97

- CIDAP
Address: Hermano Miguel 3-23 and paseo 3 de Noviembre
Telephone: 072 82 94 51

- Craftsmen Chamber
Address: Chordeleg

- Smiths Union
Address: Chordeleg
Contact: Miguel Intriago

2.7 CONCLUSIONS OF THE CHAPTER:

As appreciated in the previous data. The national market of silver jewels is a completely uncertain space for the manufacturers of this product. The manufacturer doesn't belong to the group of traders that leaves his shop to promote his jewel and to show it to the demand, in fact, he doesn't leave his store: what produces to be more difficult the promotion and knowledge of the same one. However, this detail makes the jewel to become more attractive due to the consumer's curiosity, and then a cut in the distribution chain flow is produced.

On the other hand, at country level, the silver jewel should fight against preferential likes of consumers because it is a tradition that the jewel elaborated in gold has a bigger tendency at the moment of deciding the purchase it, but in the case of the international demand, there are market niches where definitively exists a consumption tendency toward silver jewels.

Besides the different likes the local market presents, the fact that the jewel is a completely simple product to transport makes it easier to distribute this product at national and international level, making that the registration of information and movement be even more complicated and therefore the results that can be obtained or the data that can be gotten on the movements of this market become more and more uncertain.

In the same way, as the data of silver jewels exports show, the activity of the country is totally null, wasting this way an excellent exporting product and losing the opportunity of a development for the country and a better lifestyle for producers, but paradoxically concerning the imports, the international silver jewels more and more gain ground inside the country, creating this way a bigger competition that unfortunately is determined among other things by the cost factor, there would be the possibility that the Ecuadorian jewels lose competitiveness because of higher prices for consumers.

Finally, the Ecuadorian market of silver jewels in spite of being an uncertain space of trade for the local and international producers, more and more becomes a space of attractive business for these products, what makes that the Ecuadorian jewel should fight its market position to have a better blunting in the international markets. It is necessary that Ecuador appreciates what it has at home so that it can provide a better promotion of the product. The silver jewels elaborated in Chordeleg, are jewels that for their texture and finishing are compatible with any other jewel of any part of the world, but it is necessary that their market help them more to expand their trade.

CHAPTER #3

FIRST PART

3.1 INTERNATIONAL MARKETS:

3.1.1 WORLD ENVIRONMENT OF SILVER JEWELS COMMERCIALIZATION:

At world level, silver jewels are a highly accepted product, what has allowed that Asiatic countries find a commercialization space for their products and this way to increase the purchasing value of their market.

The trade that is carried out with this type of product doesn't require of many packing specifications, but it is necessary to keep an extreme security during their transportation, since due to their high cost, they are workpieces that generate enough value and wealth.

For the silver jewels commercialization, the tariff heading of the harmonized system N° **71.13.11** that corresponds to the description: "silver jewels even covered or plated with other precious metals", such heading allows a harmonization when exchanging the product among the different countries, as well as it also allows to maintain registers of those transactions that are carried out when having a system that standardizes the products under a single number at world level. It is important to know that in spite of existing this harmonized system, there are many countries that have developed their own tariff for commercialization or they use a detail of 8 or 10 digits in the tariff heading of the product; in these cases, it is important to be guided by the description of this number, as well as to the explanatory notes of the imports and exports tariff of every country to avoid problems when the products enter to the same ones.

Once the heading to be commercialized with and its respective description are known, a better data contact and even the tariff measures that are put on the product can be kept.

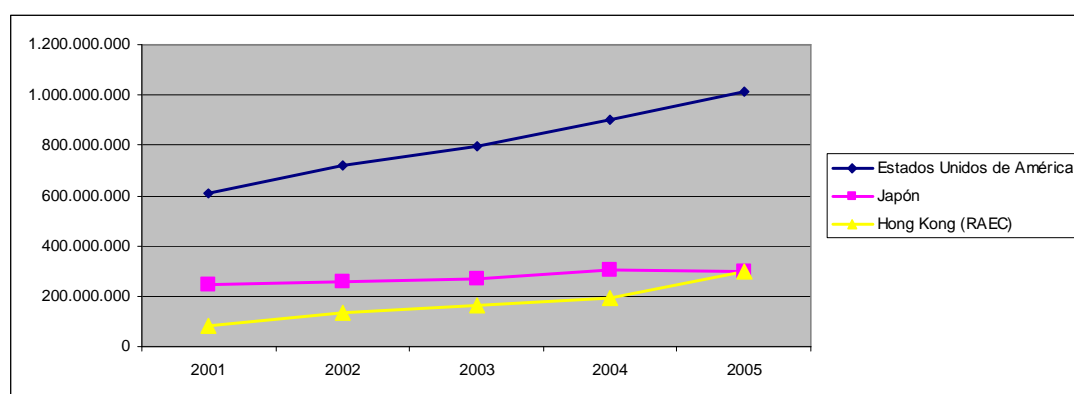
For the present work, the posting stated above will keep as reference for the data obtained from the Trade Map that is the tool of statistical information of the United Nations Conference for Trade and Development (UNCTAD) whose year of reference for analysis will be 2005.

3.1.1.1 WORLD IMPORTS OF SILVER JEWELS:

The principal country that imports jewels is the United States with a total of imports during 2005 is USD \$1.012 millions and with a growth tendency of 13, 11%, this tendency has kept since the year 2001. This country is followed by two extremely important Asian countries, Japan and Hong Kong, that have also kept a continuous growth stability during this period, being notorious the growth of the last country with 51,15% in its imports.

GRAPHIC Nº 6

GROWTH TENDENCY OF THE THREE PRINCIPAL IMPORTING COUNTRIES OF



SILVER JEWELS IN DOLLARS 2001–2005

Source: Trade Map
Elaborated by the author

It is clearly to see in the graph that the United States is the importer of silver jewels that razes the world market, leaving under the other two countries, likewise, we can see the importance that Hong Kong has taken when it reached Japan in 2005 in the imports of this product, standing out the detail that this market is growing and not decreasing, that is to say, the figures of these countries walk on a positive way.

These countries are followed by the European Union countries, Canada and Australia, the same ones, except the United Kingdom, which has a negative growth rate of -15, 49%, have grown positively in the imports of this product, allowing to see that the demand of silver jewels at world level is an increasing variant in among consumers likes as shown it the following chart:

TABLE N° 3
PRINCIPAL IMPORTING COUNTRIES OF SILVER JEWELS
2001 - 2005

Importers	Value US\$ 2001	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Value US\$ 2005	Tendency of Growth %
United States of America	611.506.000	717.352.000	793.544.000	901.614.000	1.012.498.000	13,11
Japan	246.681.000	255.227.000	267.656.000	303.912.000	301.232.000	4,42
Hong Kong (RAEC)	83.708.000	132.242.000	162.181.000	194.038.000	297.786.000	51,15
Germany	129.552.000	147.631.000	184.163.000	224.362.000	243.815.000	17,64
United Kingdom	7.504.000	102.375.000	129.577.000	1.703.000	1.694.000	-15,49
France	55.572.000	60.483.000	78.043.000	97.057.000	113.086.000	20,70
Italia	40.356.000	46.707.000	59.354.000	70.455.000	68.418.000	13,91
Canada	27.379.000	32.636.000	37.358.000	48.503.000	54.247.000	19,63
Australia	14.172.000	2.068.000	29.378.000	43.923.000	39.801.000	36,17
Swaziland Liechtenstein	22.211.000	24.383.000	37.107.000	41.813.000	38.209.000	14,41

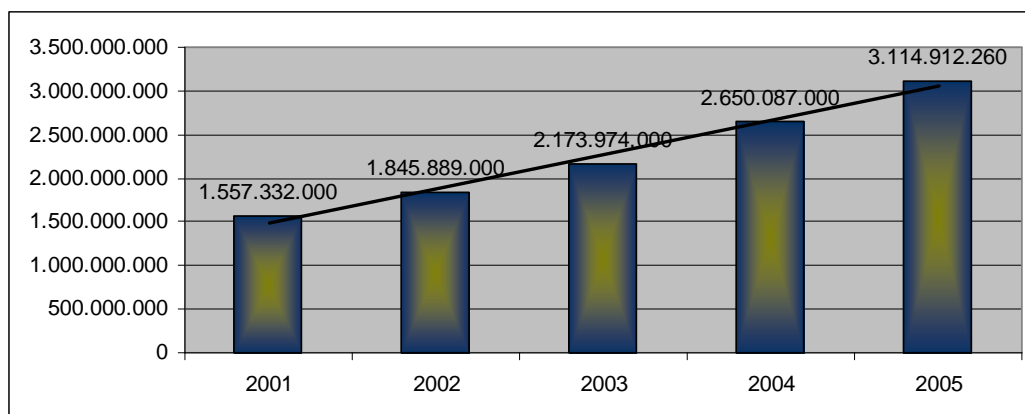
Source: Trade Map
Elaborated by the author

When we see that the imports data are positive, it can be determined that the general tendency is positive. During 2005 in the whole world there was a silver jewels importation of USD\$3.114 millions, with a tendency of annual growth of 17, 54% in the period 2001–2005, and according to the commercialization situations of this product, it seems to keeps the tendency

in the following years, giving the opportunity that new markets be the main characters or at least direct actors in this market.

GRAPHIC N° 7

GROWTH TENDENCY OF WORLD IMPORTS OF SILVER JEWELS IN DOLLARS 2001–2005



Source: Trade Map
Elaborated by the author

3.1.1.2 WORLD EXPORTS OF SILVER JEWELS:

For 2005, the 10 principal exporting countries of silver jewels in the world presented a completely positive growth tendency, being Hong Kong the principal exporting country, followed by Italy and China; for this title we have the important presence of Mexico as fourth exporter of silver jewels and whose growth tendency is 45% annual, and if it speeds up its production and uses 100% of its productive capacity, it can have a space among the three main exporters of silver jewels.

TABLE N° 4
PRINCIPAL EXPORTERS OF SILVER JEWELS IN THE WORLD
2001–2005

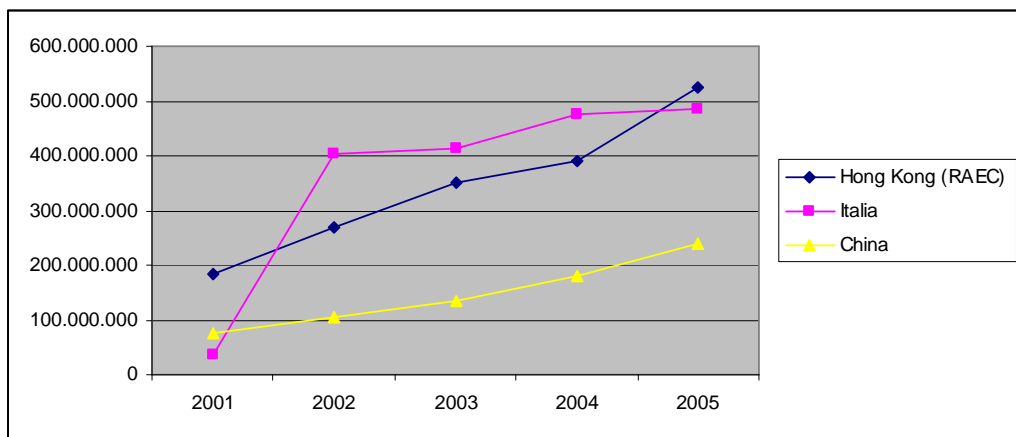
Exporters	Value US\$ 2001	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Value US\$ 2005	Tendency of Growth %
Hong Kong (RAEC)	182.872.000	269.435.000	351.316.000	389.817.000	523.231.000	37
Italia	37.477.000	403.517.000	413.435.000	476.557.000	486.883.000	240
China	76.176.000	103.556.000	135.878.000	178.932.000	240.227.000	43
México	57.817.000	65.412.000	75.100.000	112.779.000	187.840.000	45
United States of America	60.475.000	77.194.000	99.357.000	132.533.000	137.771.000	26
Germany	53.666.000	57.540.000	77.755.000	93.795.000	100.471.000	17
France	24.885.000	31.689.000	42.857.000	50.596.000	61.977.000	30
United Kingdom	27.246.000	39.915.000	44.730.000	58.609.000	52.834.000	19
Indonesia	17.557.000	17.775.000	25.225.000	25.043.000	37.006.000	22
Denmark	20.683.000	20.207.000	26.781.000	28.577.000	23.693.000	3

Source: Trade Map
Elaborated by the author

It is important to emphasize that in contrast to the imports, among the first three countries, we have Italy and two Asian countries as suppliers of this product, standing out China as a traditional country in the elaboration of silver jewels. Hong Kong is the first exporter for 2005 with a growth of 37% annual and it is almost reached by Italy that had been the main exporter of silver jewels in previous years. Although Italy during this year doesn't decrease these exports, it is overtopped by the country mentioned before, and mainly its growth is spectacular for its year to year growing of 240%, and if it keeps that rhythm, it will become the first exporter of silver jewels again. Although China walks slowly in its growth, it soon will have the first position in this trade because of its growing of 43% annually.

GRAPHIC N° 8

GROWTH TENDENCY OF THE THREE PRINCIPAL COUNTRIES EXPORTERS OF SILVER JEWELS IN DOLLARS 2001–2005

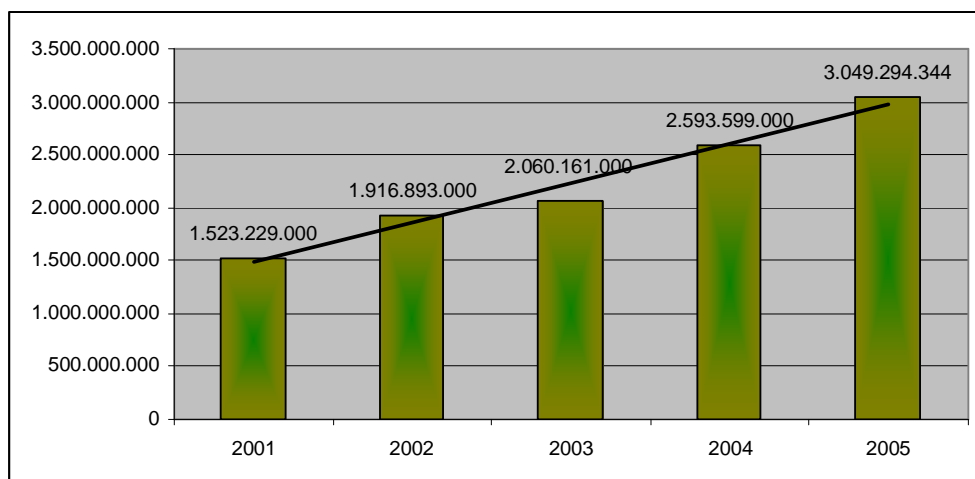


Source: Trade Map
Elaborated by the author

At world level, the registered growth has been of 17, 57%, which is very similar to world imports and also the tendency is constantly growing during 2001 and 2005. The total exported in the world is USD 3.049 millions.

GRAPHIC N° 9

GROWTH TENDENCY OF THE WORLD EXPORTS OF SILVER JEWELS IN DOLLARS 2001–2005



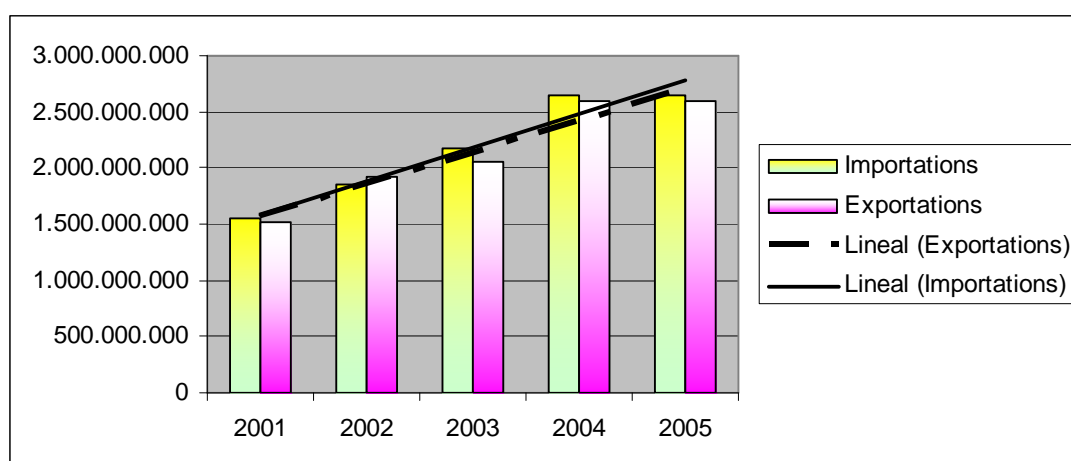
Source: Trade Map
Elaborated by the author

The imports and exports growth of silver jewels in the world almost have been similar in the last years, and their annual growth is approximately 18%, and the existent offer covers the effective demand, what is beneficial for the countries that trade with this product, since they have satisfied consumers and sold production, but not a stock of articles.

GRAPHIC N° 10

WORLD BALANCE OF TRADE OF SILVER JEWELS IN DOLLARS

2001–2005



Source: Trade Map
Elaborated by the author

3.1.2 IDENTIFICATION OF POSSIBLE EXPORT MARKETS FOR ECUADORIAN SILVER JEWELS:

The exports market that Ecuador would have for its silver jewels is ample; however under the following characteristics of markets and for a better analysis, it is better to determine the three markets which will be chosen for their best export possibility.

The markets selected for analysis are the following ones:

TABLE N° 5**MARKETS SELECTION FOR THE ECUADORIAN SILVER JEWELS**

Market Selected	Reason
United States of America	<ul style="list-style-type: none">• Main Commercial Partner of Ecuador• It is an exporter of Ecuadorian's jewels.• It has lots of Ecuadorian migration, so it could help to facilitate the distribution chain.
Spain	<ul style="list-style-type: none">• This country does not have lots of silver jewels exportations.• This country has the same language to the commerce increase.• This country is the second destination for Ecuadorian migration, so it could facilitate the distribution chain.
Singapore	<ul style="list-style-type: none">• It is a new market with some good details for the jewels.• Costumers buy silver jewels.• This country is an important market incide the jewelery commerce.

Elaborated by the author

3.1.3 MARKET AUDIT OF THE PREVIOUSLY SELECTED MARKETS:**3.1.3.1 WHAT IS A MARKET AUDIT?**

According to the markets searching manual of the Dutch Centre of Market Information CBI, it can be denominated to the Market Audit as an implement that allows the analysis of opportunities and threats of the market, that is to say, there is a better knowledge of sales volumes, exports, local production, distribution channels, tariff barriers, competition, among other;

allowing the manager to take decisions at the moment of deciding if it enters or not to a specific market.

3.1.3.2 MARKETS CHOSEN FOR THE MARKET AUDIT OF SILVER JEWELRY OF ECUADORIAN AUSTRO AREA:

- United States of America
- Spain
- Singapore

3.1.3.3 PRODUCTS:

- Smithing Silver Jewellery and/or designer with precious stones or pebbles.

3.1.3.4 ANALYSIS OF THE ENVIRONMENT OF PRE-SELECTED COUNTRIES AND THEIR PRINCIPAL CHARACTERISTICS:

In table N° 6, we can see a description of the relevant data in the markets that have been selected for this research. We can point out some details such as the United States is the first economical country at world level, for what its demand is high, and it has a high purchasing power because its living standard is high and it allows its inhabitants to have access to different advantages. This country has a growth of 3, 5 % annually, what allows people to have many luxuries.

Spain, for being part of the European Union, has had a big growth. It is actually one of the countries with bigger growth and stability. Its growth is of 3, 4%, what allows its population to have a higher purchasing power. In this case, it is important to mention that the Spanish economy is sustained in the migrant's labour, but they also have a better living standard. There is an

extremely open market for silver jewellery due to the crown tradition in the use of sumptuary objects for a better decoration and personal fashion.

On the other hand, Singapore is an economy that has grown gradually throughout the years. Of the three countries that were compared as shown in the table, it is the one that has registered a bigger growth in the last years, 6, 4%, bearing in mind that its population is a group of traditions. Silver Jewelry is then a product of great success, since it is part of its decoration. It is a small country in comparison to the other two ones, but at the same time this country is highly productive in its industry, what allows to give a better stability and relative tranquillity to the inhabitants.

TABLE N° 6
PRINCIPAL DATA OF THE PRE-SELECTED COUNTRIES

Estimated Data at 2005	United States of America	Spain	Singapore
Population	298.171.951	40.397.842	4.492.150
Total Area	9.629.091 Km2.	504.783 km2	692,7 km2
PIB	US\$ 12,4 billons	US\$ 1,1 billons	US\$ 124,3 millardos
GNP per. cápita (US \$)	US\$ 43.550	US\$ 25.500	US\$ 28.100
GNP Growth	3,5%	3,4%	6,4%
Industry GNP	20,4%	29,5%	33,9%
Inflation	2,4	3,4%	0,4%
IVA Standard	Depend of the State	16%	5%
Currency	Dollar Americano	Euro	Dollar de Singapore (SDG)
Exchange Rate	1 US dollar per 1 US dollar	1,26 euros per 1US dollar	1 dollar of Singapore per 0, 64 cents of US dollar

Source: CIA FactBook - Wikipedia
Elaboración Propia

According to these data, both markets are good for the entry of the Ecuadorian jewellery, since the same one requires a high living standard with acquisitive power because of the cost they have and the possible consumers of these three mentioned markets.

3.1.3.4.1 CHARACTERISTIC OF THE PRE-SELECTED MARKETS:

UNITED STATES:



The United States of America is the fourth bigger country of the world, with a vast territory of different climates that allow the existence of a great diversity of needs, likes and customs.

A great part of the diversity comes from migration and high birth rate, what has produced that its demographic growth be high and there exist different markets for each populations segment.

The American economy is the biggest in the world, with a GDP that represents a third part of world production, caused by the productivity increase, technological innovations and a moderate inflation. The economy for being flexible creates more innovation and occupational positions. It is an economy more and more guided to services, where the tertiary sector has an approximate figure of 80% of GDP. On the other hand, industry and construction contribute about 18% and agriculture and mining are relegated to a secondary roll, representing less than 3%.

The American market is one of the most attractive for international trade due to the great wealth, but the introduction of new competitors has created the necessity to increase products interchange. The economically active population of these countries is of 298 millions in 2005, what caused that the per capita income be 43.550 dollars, but that it is not well distributed in the population's segments.

SPAIN:



This country is a parliamentary monarchy that is part of the European Union, what has allowed it to come out of recession its population suffered due to economic instability. This country is a territory that actually is conformed by a population of Latin immigrants, who work in agriculture and services.

It is a country that has autonomous provinces. For this reason, the main concentration of people and development is centred in its capital, Madrid, and that those populations that are autonomous have to look for their individual development.

The use of Euros as official currency allowed that the devaluation the Spanish peseta suffered be stopped and now it has an annual growth of 3, 4%. Its market has almost 41 million people that with a per capita income of US \$25.000 dollars can have a lifestyle with certain luxuries. Unfortunately, wealth is not distributed in equitable form.

SINGAPORE:



This is a country which has almost 5 million inhabitants, and has achieved an impressive growth in its economy, thanks to the industrial development and the complete optimization of resources. It is a country whose stability has allowed eradicating the corruption. Its geographical position transforms it into a strategic area with coastal access, what has caused that during the Second World War be part of the Japanese empire.

In 1969 they achieve their independence, and their politics are more authoritarian than a multi-partisanship democracy, that paradoxically contrasts with the fact of being a free market economy with transparency in the commercialization process of the products, since it has the biggest seaport in the world in number of containers arrival and tonnage of products discharge.

In spite of being participant of big problems like the technological recession of 2002 and several epidemics in 2003, this country has gotten by, allowing the population not to lose their lifestyle that has kept for many decades.

UNITED STATES:

3.1.3.4.2 CHARACTERISTICS OF UNITED STATES SILVER JEWELRY MARKET:

3.1.3.4.2.1 MARKET SIZE:

At the present time, the market of the United States of America is one of the biggest at world level, in 2003, the consumption of silver workpieces, silver watches, decoration silver workpieces or crockery made of this material was of USD 10.580 millions that in contrast with the previous year has increased 3, 4%.

Of this consumption, it is assumed that around 15% concerns to silver jewellery, that is USD 1.587 millions of the total consumed that used come from Italy, but at the present time, there is a bigger variety to choose from.

3.1.3.4.2.1.1 LOCAL PRODUCTION;

The jewellery sector of the United States is a sector that has developed for many years, mainly in the Northeast of the country. In the last decade it expanded to places as Florida and California; that is to say, it is a mature sector because there are famous jewellers and jewellery shops, since its production not only covers the national demand but also the international.

In 2003, the local production of silver jewellery reached USD 5.800 millions that during the last years has been reduced in the number of employees that it uses, since more than 80% of the 2300 existent manufacturers have less than 25 people for the elaboration of workpieces. Also there is a recession in the use of the capacity installed for the production, since of the 74% that was used in 1999; it has decreased to 73% in 2003, due to the problems suffered in 2001 by the terrorists attack.

3.1.3.4.2.1.2 IMPORTS:

As for the imports, for the year 2005, the United States of America became the first importer of silver jewellery when buying to the world a total of USD 1,012 millions; what demonstrates that in spite of the national production and of being a mature market, it has the necessity to cover its demand with foreign offer.

The first exporting country for United States of America is China, that is mostly for the quality, design and texture the jewels have, the total exported of this country is USD 280 millions that has increased yearly to 13,11% since 2001. This country is followed by Thailand that has a diverse variety in their models. This country is gaining a strong market inside the United States of America, its growth is 37% annual and this demonstrates the acceptance of the product by consumers.

In spite of being known at world level as the best jewel, the best quality and the best design, Italy in the last years has had a negative growth in the American market, locating this country as the third exporter for the United States with a total of USD 140 millions that means 1, 2% of the production sold in the previous year.

Countries like Mexico, India and Israel show on the other hand the growth that they have reached in the last years as suppliers of this product to the United States of America.

TABLE N° 7

**PRINCIPAL EXPORTING COUNTRIES OF SILVER JEWELRY FOR THE UNITED STATES
2001–2005**

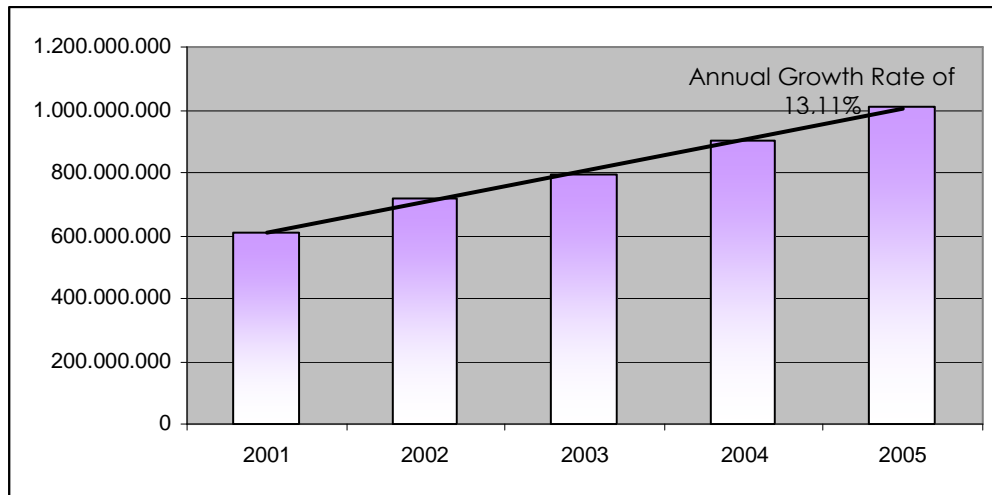
Exporters	Value en US\$ 2001	Value en US\$ 2002	Value en US\$ 2003	Value en US\$ 2004	Value en US\$ 2005	Annual Growth Rate %
World	611.506.000	717.352.000	793.544.000	901.614.000	1.012.498.000	13,11
China	100.147.000	139.342.000	186.347.000	226.838.000	280.633.000	36,04
Thailand	175.260.000	201.175.000	213.835.000	239.819.000	236.773.000	7,02
Italia	149.424.000	154.025.000	141.418.000	141.152.000	140.397.000	-1,21
México	44.164.000	50.276.000	56.385.000	74.866.000	130.893.000	39,28
India	25.065.000	39.719.000	50.850.000	53.247.000	72.400.000	37,77
Indonesia	27.385.000	31.608.000	34.197.000	46.945.000	35.399.000	5,85
Spain	8.798.000	11.749.000	16.385.000	21.151.000	16.080.000	16,55
Israel	3.936.000	6.561.000	7.337.000	8.739.000	15.005.000	56,24
Canada	8.274.000	8.457.000	10.007.000	12.944.000	11.874.000	8,70
Hong Kong (RAEC)	15.223.000	14.083.000	13.108.000	9.907.000	10.311.000	-6,45

Source: Trade Map
Elaborated by the author

The growth registered in the imports of silver jewellery of United States of America has been a tendency that comes from the year 2001 as shown in graphic N° 14. The sector importer of silver jewellery has not stopped its purchases, on the contrary the demand of the consumers for this product has increased, for what it is evident that market has become more attractive for new sellers but at the same time it requires of more innovation.

GRAPHIC N° 11

GROWTH TENDENCY OF UNITED STATES IMPORTS OF SILVER JEWELRY IN DOLLARS 2001-2005



Source: Trade Map
Elaborated by the author

3.1.3.4.2.1.3 EXPORTS:

As for exports, the world market has been even more generous with the United States, when allowing it to have an annual growth of 25,56% from 2001 to 2005, having buyers like Japan that grows in this same period 100% annual and Canada whose total of imports during 2005 was USD \$20,572 millions.

In this trade area, the decreasing problem of Italy comes once again, and also Switzerland with 3, 95% and 6, 68% respectively.

On the other hand, countries like Dominican Republic and Bahamas are completely new markets and not very known, but apparently, they are quite beneficial for the American silver jewellery sellers, since its has the third and fifth position respectively. They are also countries that have grown their purchases to United States of America that Dominican Republic during 2004 has the first position as country importer of American silver jewellery.

TABLE N° 8

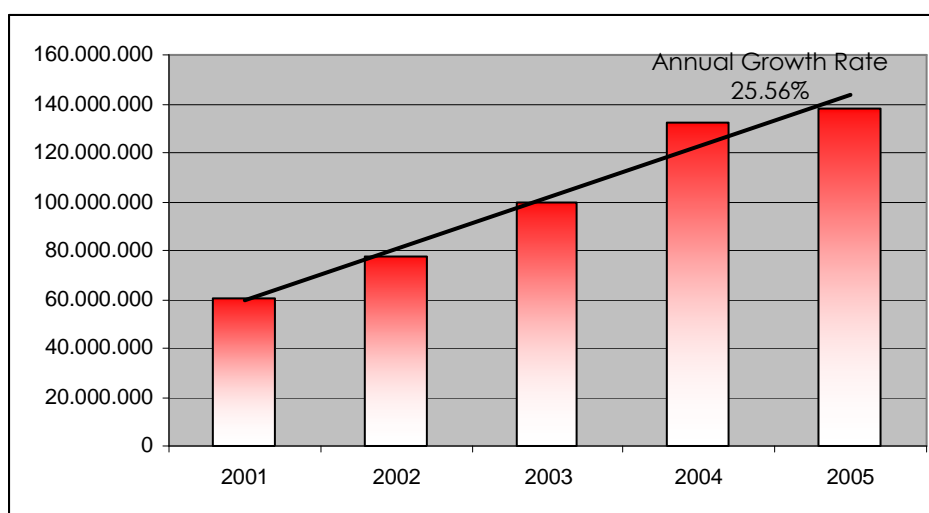
PRINCIPAL IMPORTING COUNTRIES OF UNITED STATES SILVER JEWELRY
2001 – 2005

Importers	Value US\$ 2001	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Value US\$ 2005	Annual Tendency of Growth %
World	60.475.000	77.194.000	99.357.000	132.533.000	137.771.000	25,56
Japan	1.064.000	19.634.000	23.435.000	25.226.000	32.090.000	583,20
Canada	8.403.000	8.784.000	10.966.000	14.940.000	20.572.000	28,96
Dominican Republic	7.260.000	10.400.000	15.196.000	28.589.000	17.591.000	28,46
Hong Kong (RAEC)	3.798.000	4.531.000	5.032.000	12.710.000	16.631.000	67,58
Bahamas	335.000	490.000	1.691.000	3.206.000	4.559.000	252,18
United Emirate Arabs	2.873.000	2.355.000	2.920.000	3.321.000	4.393.000	10,58
United kingdom	1.916.000	3.301.000	6.808.000	4.640.000	4.074.000	22,53
Italia	5.050.000	7.690.000	3.223.000	2.011.000	4.053.000	-3,95
Swaziland y Liechtenstein	5.820.000	3.080.000	3.790.000	2.302.000	3.877.000	-6,68
Germany	885.000	1.840.000	4.405.000	3.289.000	3.637.000	62,19

Source: Trade Map
Elaborated by the author

GRAPHIC N° 12

EXPORTS GROWTH TENDENCY OF UNITED STATES SILVER JEWELRY IN DOLLARS
2001–2005



Source: Trade Map
Elaborated by the author

3.1.3.4.2.2 CHARACTERISTICS OF DEMAND:

The consumer of silver jewellery in the United States is a person who likes luxurious things, due the positioning that this product has in the consumers mind, they have the purchasing power and perception to acquire these products.

However, poor people can access these products, since they are attractive for American consumers. This is because jewellery shops have a variety of models and prices.

According to study data carried out by the institute of foreign trade of Spain, 59% of consumers from United States prefer silver jewellery that are prized between USD \$300 and USD \$500, what would allow the Ecuadorian smithing jewel to have great acceptance in this trade space; while just 6% of population acquire jewels that cost more than US \$1.500. Then it is an excellent space of development for the Azuay designers of silver jewellery.

Also, this study details that of all consumers of silver jewellery, 57% are women and 42% are men what demonstrates that likes and consumption tendencies are imposed by women; men don't have bigger weight in this decision.

3.1.3.4.2.2.1 MARKET SEGMENTS:

Concerning the market segments the potential exporters could be focused; it is important to say that mainly the people segment born from 1946 to 1964, that is to say the generation of "babe boomers" due that they represent 30% of population's consumption. This segment is one of the most representatives in the United States and also the one that has had more access to the different advantages of growth as well as the disadvantages presented by economic recessions. They are a group of people that for 2007 will achieve a revenues level higher than USD 2 billions. Also they are the

group of people that for more than two decades have imposed the fashion and current tendencies.

The sale of silver jewellery to consumers older than 50 years is also very important. This segment represents 27% of the population's total and 37% of the population considered as adult people.

Lastly, the luxury buyers segment, which represent 47% of the consumers, with revenues of more than USD 100.000 per year. This group of consumers due to the purchasing power is focused in looking for excessive quality and design exclusivity; it is the perfect space for designers.

3.1.3.4.2.3 TRADE CHANNELS:

For the silver jewellery distribution we have the following options:

1. Direct sale: this option refers to the opening of an own branch in the country that has all the sales rights of jewels, a showroom for the public in general. For this option there should be a high sum of money, because this store should be a prestigious place that will have a high investment.

The most favourable areas for a showroom are New York, in places as the Fifth Avenue or Streets 45 or 48; and Los Angeles in Broadway.

2. Indirect sale: this option will have an intermediary that is in charge of delivering the product to the ultimate consumer. It is preferable to have an American or a person that is living several years in that country so that he/she knows until what extent the jewel is delivered to the different stores for their sale.

3. Retailer: An option by means of which a piece reaches the final consumer, since these stores try to get the most consumers to offer them their product.

4. Internet Sales: one of the current distribution channels of the country, since 90% of purchases on - line, 47% belongs to jewellery workpieces, what minimizes even more the wait for sale; only a very attractive advertising is needed for the company.

5. Trade Fairs: the use of fairs and exhibitions carried out in the country is the best way for marketing and opening markets, since through these trade spaces there is a direct contact with the client or with the trade channels. Below are detailed the fairs in the United States:

TABLE N° 9
FAIRS FOR SILVER JEWELRY IN THE UNITED STATES

Fair	State or City	Dates
JCK (Jewelers Circular Keystone)	Phoenix Las Vegas New York	February June September
JA (Jewelers of America)	New York	January y July
Jewelry Couture Collection	Phoenix	Mayo y June
New York International Gift Fair	New York	Enero y August

Source: Instituto de Comercio Exterior ICEX
Elaborated by the author

3.1.3.4.2.4 TARIFF MEASURES:

In the case of the United States, there are the following tariff measures for the entrance of silver jewellery.

TABLE N° 10

TO THE PRODUCT: 71131120; SILVER JEWELRY, ARTICLES AND PARTS OF PREC METAL
VALUED NOT OVER \$18 PER DOZEN PIECES OR PARTS

Tariff measures	Tariff equivalent ad-Valueem	Non ad-Valueem Tariff	Agreement with the following countries
Rights mnf (applied)	13.5%		
Tariffs non-mnf	110%		
Preferential Agreements for the countries of the Generalized System of Preferences	0%		
Preferential Agreements for the countries, Initiative for the Caribbean Basin	0%		
Law of Andean Commercial Preferences	0%		
Preferential Agreements for Canada	0%		
Preferential Agreements for Israel	0%		
Preferential Agreements for Jordan	0%		
Preferential Agreements for Mexico	0%		
Preferential Agreements for Australia	0%		
Preferential Agreements for Chile	0%		
Preferential Agreements for Singapore	10.1%		

Source: Market Access Map
Elaborated by the author

For the case of Ecuador, the tariff preference that governs until the moment is the law of Andean commercial preferences that establishes that the tariff entrance ad-Valueem be of 0%, but in the event of pull out this law the widespread system of preferences would be used that governs a tariff ad-Valueem of 0%; but if there is not any of the options described above, the tariff ad-Valueem shall be paid that indicates the tariff measure established by all the countries members the World Trade Organization that for the United States it is of 13,5%.

This point would place Ecuador in total disadvantage as for costs, because if it tries to compete with Latin American countries as Mexico or Chile, it won't have any advantage, since these countries have direct agreements with the United States and their tariff to be paid is 0%.

SPAIN:

3.1.3.4.3 MARKET CHARACTERISTICS OF SPANISH SILVER JEWELRY:

3.1.3.4.3.1 MARKET SIZE:

The Spanish market is one of the most attractive trade spaces for the insert of diverse products and among these we have products as silver jewels. This market has a pleasing acceptance of the product mentioned before, if we take into account that the growth has not been bigger, and even at level of trade area, the European Union has lost some relevance in products that have been considered as traditional, this it is the case of Italy with silver jewels.

The consumption of silver jewellery in Spain during 2003 represented 8% of the total consumption of the European Union, since during this year it reached a total of USD 2,185 millions approximately.

3.1.3.4.3.1.1 LOCAL PRODUCTION;

The Spanish production during 2003 reached 2, 5 million ounces, that is to say, around USD 56, 2 annual millions, without presenting any increase of the previous year, a detail that apparently was a constant in the main countries. Spanish production concentrates more on gold jewellery, of 100% jewellery companies that exist in this country, just 10% are of silver jewellery; the 90% remaining is of gold jewellery; making this an industry that knows how to manage the production and to channel it in a better way.

The Spanish jewellery are located mainly in Cordoba, Valencia, Madrid and Barcelona and they are of medium to high type because under their dependences they use more than 20 people annually and in this sector there are 7.600 economically active people. In total, there are 3.500 companies that are dedicated to this occupation but that in the last decade they don't work too much because the Spanish demand is

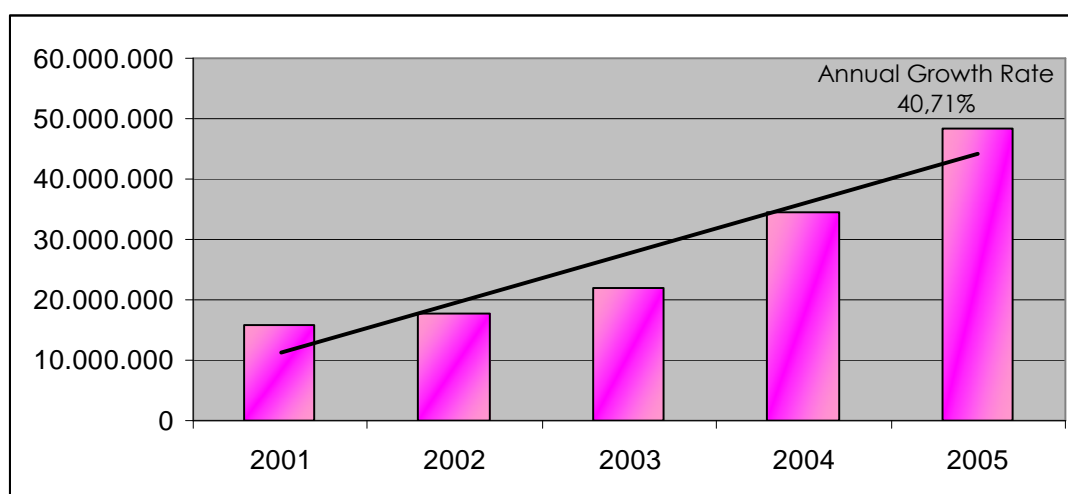
unsatisfied, then they have to import and export to gain image at world level.

3.1.3.4.3.1.2 IMPORTS:

Spain is not a big importer of silver jewellery, however in the last decade the trade of this workpiece has had a notorious increment; during 2004 the total exports of this product was USD 49,386 millions with a growth tendency of 40, 71%, what allows to see that the market is taking force inside the international context and that the product is in demand.

GRAPHIC N° 13

GROWTH TENDENCIES OF SPAIN IMPORTS OF SILVER JEWELRY IN DOLLARS
2001-2005



Source: Trade Map
Elaborated by the author

This growth tendency comes from the workpieces entry of the Asian market that have shown a better innovation and mainly better costs in their products.

The main exporter for Spain of silver jewellery was Italy; during 2004 it exported USD14 millions, growing 15, 49% annually but in comparison with China growth, this second country has grown 338%, what allows us to see the importance and weight this market is taking in the world, since for later years,

it would not be strange that China becomes the first exporter of silver jewellery. Thailand is a country that is constantly developing.

In Latin America, just Mexico has increased its product exports under this tariff posting; and in the tenth position we find the United States.

TABLE Nº 11
MAIN SPANISH EXPORTING COUNTRIES OF SILVER JEWELRY
2000–2004

Exporters	Value US\$ 2000	Value US\$ 2001	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Annual Growth Rate %
World	15.940.000	17.699.000	22.036.000	34.520.000	48.389.000	40,71
Italia	7.896.000	7.806.000	8.623.000	10.124.000	14.010.000	15,49
Thailand	2.133.000	2.185.000	3.355.000	7.698.000	11.092.000	84,00
China	366.000	880.000	1.843.000	256.800.000	6.558.000	338,36
France	1.187.000	172.000	1.614	2.238.000	3.172.000	33,45
Hong Kong (RAEC)	200.000	490.000	810.000	3.025.000	2.937.000	273,70
México	536.000	524.000	791.000	1.089.000	2.912.000	88,66
India	662.000	816.000	960.000	2.052.000	2.224.000	47,19
Germany	474.000	562.000	766.000	971.000	1.136.000	27,93
Turquoise	72.000	79.000	81.000	316.000	8.170.000	2249,44
United States of America	277.000	167.000	534.000	801.000	458.000	13,07

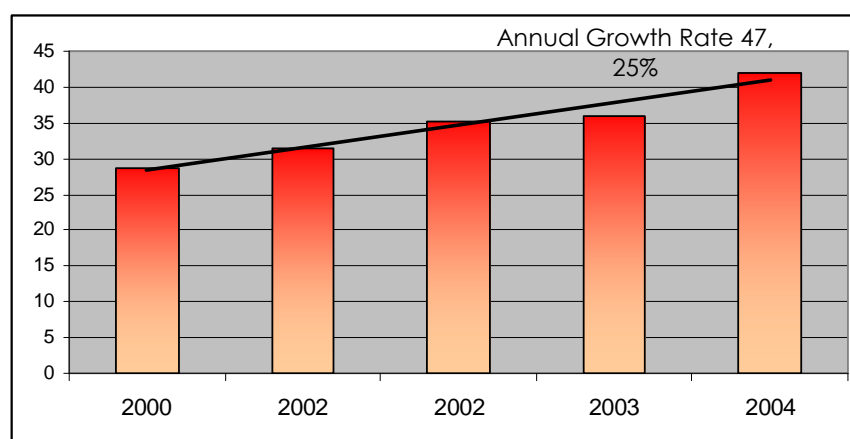
Source: Trade map
Elaborated by the author

3.1.3.4.3.1.3 EXPORTS:

In this aspect, Spain has positioned its silver jewellery as a consumers' necessity at world level and although it is not a big exporter, for the end of 2004 it reached USD 42,7 in exports that represents a growth of 47,25% of the total exported.

GRAPHIC N° 14

SPAIN EXPORTS TENDENCY OF SILVER JEWELRY IN DOLLARS 2000-2004



Source: Trade Map
Elaborated by the author

Of this total exported, a little more is sent directly to the United States, transforming this market in the main buyer of Spanish silver jewels, this market has grown in the last years and thanks to the stability of world trade; it is expected that the tendency continue growing, following this market is the market of France, which reaches in 2004 a total of US \$5, 6 millions.

The third importing country of Spanish silver jewellery is Portugal that has had an important growth in its purchases to this country. Portugal imports around USD \$3, 66 millions with a growth of 267%.

In Spain, we can see that the imports tendency is projected to near countries of the region, due to the product security; however, it is important to emphasize that sooner or later it will have to be open to new markets. Very soon, China will have the *top of mind* of consumers including those of Europe, and then even the possibilities inside the same continent become more reduced.

TABLE Nº 12**PRINCIPAL IMPORTERS OF SPANISH SILVER JEWELRY 2000–2004**

Importers	Value de US\$ 2000	Value de US\$ 2001	Value de US\$ 2002	Value de US\$ 2003	Value de US\$ 2004	Annual Growth Rate %
World	28.575.000	31.405.000	35.194.000	35.990.000	42.077.000	47,25
United States of America	9.974.000	14.493.000	15.160.000	18.577.000	21.016.000	110,71
France	1.856.000	2.546.000	3.520.000	4.609.000	5.648.000	204,31
Portugal	998.000	1.404.000	1.529.000	1.923.000	3.669.000	267,64
United Kingdom	1.234.000	2.298.000	2.672.000	2.385.000	2.647.000	114,51
Germany	457.000	481.000	1.021.000	961.000	1.173.000	156,67
Japan	3.894.000	4.296.000	3.370.000	1.334.000	904.000	-76,78
Italia	431.000	647.000	777.000	635.000	885.000	105,34
Belgium	299.000	390.000	438.000	567.000	638.000	113,38
Andorra	146.000	166.000	180.000	301.000	607.000	315,75
Ireland	212.000	338.000	461.000	351.000	446.000	110,38

Source: Trade Map
Elaborated by the author

Of these data, it can be determined that the imports and exports market has its specific focuses, but at the same time, it must be careful with the handling of their strategies, due to the razing form with which China is gaining market.

3.1.3.4.3.2 CHARACTERISTICS OF DEMAND:

The demand in the last years has presented two important characteristics: “retro chic” that has to do with of a combination between elegant and nostalgic things of the past; and “fashion colour” that presents a sexy style and is according to the fashion that consumers like.

Concerning the design, for women, the preferences tendency keeps models that have beautiful stones or pebbles and that their form is attractive and innovative; for men, a simpler and more discreet tendency that stands out a style for them.

It is important that the jewel be versatile, that is to say, that it can be adapted perfectly as a complement of several dressing styles. The tendency

of having a style of different jewels according to the occasion no longer exists, but more utility of the jewel is looked for in several situations.

In general, the demand tendency of Spain is very linked to the changes that are given in fashion, especially in dressing fashion; however, the tendency continues being modern. Once again it is important to define that Spain doesn't have a great segment of buyers of silver jewels but it is focused in gold jewels.

3.1.3.4.3.2.1 MARKET SEGMENTS:

In Europe and Spain the population is generally segmented for ages, because this way they know what the consumer wants for being of the same age, a few times, the population is segmented for economic revenues or for regions, because in that case there would be smaller and more repetitive groups since generally the European market is influenced by fashion imposed by the big designers at world level.

In the case of silver jewellery, it is preferable that the segmentation be made by ages, since this way, the like's tendencies could be defined better as:

Girls from 3 to 7 years: the purchase decision is very similar to the characteristics that mothers use and it is a market that will allow the jewel growth.

Girls from 8 to 12 years: this market segment has already the decision of own purchase and depends of fashion tendencies.

Youths from 13 to 19 years: this is a very important market segment because aside taking in mind the fashion tendencies, they don't have a lot of purchasing power, and what they look for is something that is functional in several events of their life. Many times it is even a segment that prefers to use

the fantasy jewels and not the original ones for the changes the same ones have constantly.

Women that work from 20 to 45 years: a market segment with more capacity of decision in the fashion that want to use. Their tendency is according to the personal likes but it is always classified among the colourful retro. The quality, the innovation and exclusivity are factors that prevail when choosing the jewels and the price loses importance because it is a working segment.

Housewives from 20 to 65 years: A segment that prefers cheap silver jewels and not too sophisticated, since most of the times they will be used just in social events.

Men: in this segment we have two segments that are the sophisticated ones, who prefer traditional silver jewellery that are not attractive and preferable moderate and are used just to stand out one of the dressing garments as the tie or jacket. On the other hand the young men that prefer silver jewellery more attractive agreement to the man's new tendency of using the piercing.

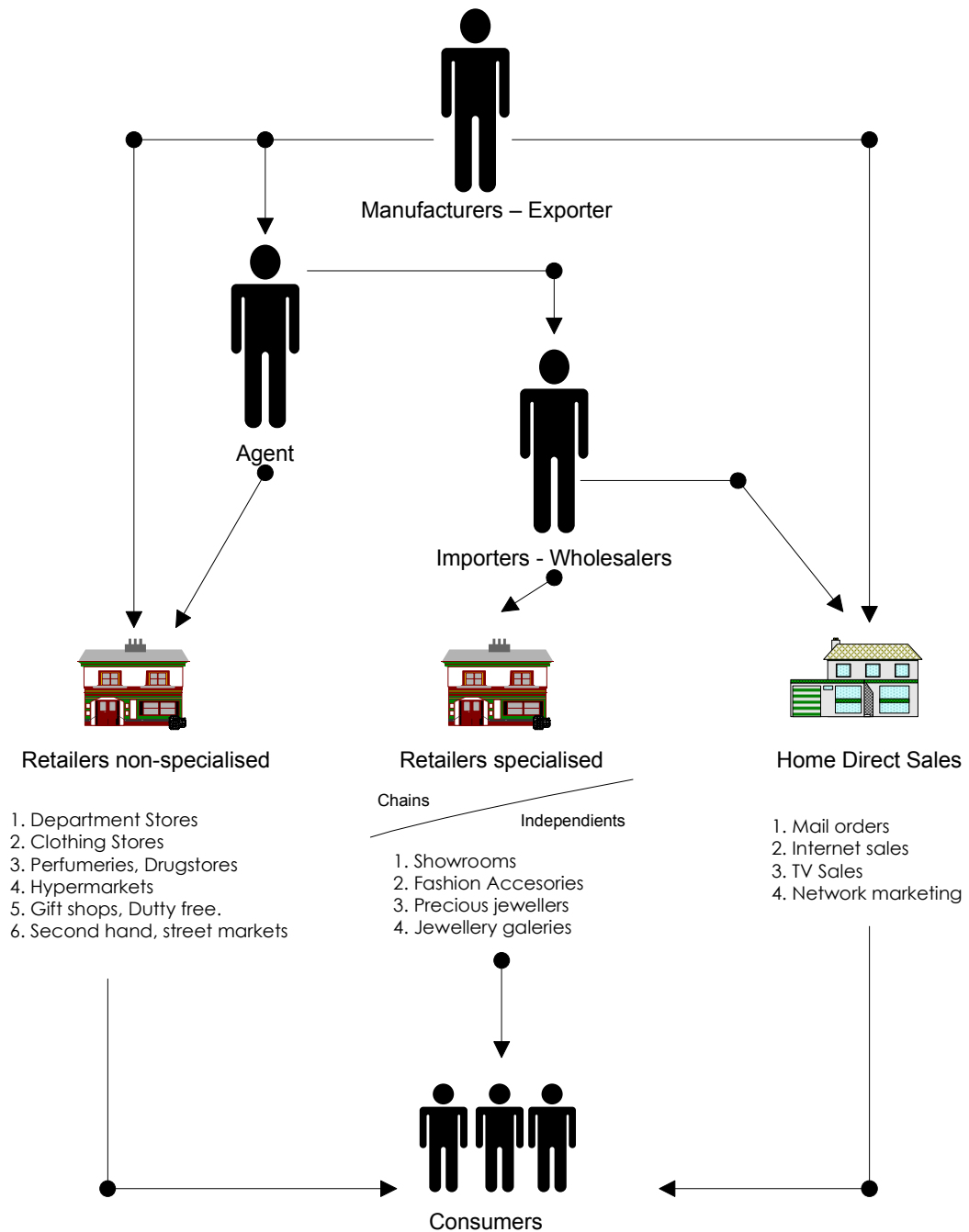
Other; men/women more than 65 years: in this segment the tendency is classic that it presents quality, style, and exclusivity doesn't leave the price. This is also one of the biggest segments in the market of Europe and Spain.

3.1.3.4.3.3 TRADE CHANNELS:

The typical trade channels for Spain are importers or wholesalers due to the great influence this sector has on the main sales chains to consumers as shown in the following diagram:

DIGRAM N° 5

TRADE CHANNELS IN SPAIN FOR SILVER JEWELRY



Source: CBI
Elaborated by the author

3.1.3.4.3.4 TARIFF MEASURES:

Concerning the tariff measures, Spain maintains with Ecuador the SGP agreement, General System of Preferences, for this reason a tariff of 0 % should be paid, but if this agreement would not exist, Ecuador, as shown in

the chart, doesn't have any preference with this group of countries and in such case, the tariff of more favoured nation would be applied, that is 2, 5%, this percentage doesn't increase the final cost of the product, what is beneficial for the ultimate consumers.

TABLE N° 13

Tariff measures	Tariff equivalent ad-Valueem	Non ad-Valueem Tariff	Agreement with the following countries
Rights mnf (applied)	2.5%		
Preferential Agreements for Island	0%		
Preferential Agreements for Liechtenstein	0%		
Preferential Agreements for Norway	0%		
Preferential Agreements for countries and places overseas	0%		
Preferential Agreements for the countries of the Generalized System of Preferences	0%		Excluding China, India, Thailand
Preferential Agreements for Less Development Countries	0%		Excluding Myanmar
Preferential Agreements for Africa, Caribbean and Pacific Countries (part of the CEE)	0%		
Preferential Agreements for Albania	0%		
Preferential Agreements for Bosnia and Herzegovina	0%		
Preferential Agreements for Croatia	0%		
Preferential Agreements for Macedonia	0%		
Preferential Agreements for Yugoslavia	0%		
Preferential Agreements for Angolia	0%		
Preferential Agreements for Maracas	0%		
Preferential Agreements for Tunez	0%		
Preferential Agreements for Egypt	0%		
Preferential Agreements for Gaza Strip	0%		
Preferential Agreements for Jordan	0%		
Preferential Agreements for Lebanon	0%		
Preferential Agreements for Syria	0%		
Preferential Agreements for Chile	0%		
Preferential Agreements for Islands Feroe	0%		
Preferential Agreements for Israel	0%		
Preferential Agreements for Mexico	0%		
Preferential Agreements for South Africa	0%		
Preferential Agreements for Switzerland	0%		
Preferential Agreements for Turquoise	0%		
Preferential Agreements for beneficiary countries of the disposition of the incentive for sustainable development	0%		

Preferential Agreements for Bulgaria	0%		
Preferential Agreements for Rumania	0%		
Preferential Agreements for Andorra	0%		
Preferential Agreements for San Marino	0%		

Source: Market Access Map
Elaborated by the author.

SINGAPORE:

3.1.3.4.4 CHARACTERISTICS OF SINGAPORE'S MARKET OF SILVER JEWELRY:

Singapore, at the present time, is a country that has a constant growth in the trade operations it carries out. This market is characterized for having one of the main transparency outlines when carrying out the activities, what has achieved a better transparency at the moment of having the goods in the port and destination place. One of the main characteristics of the jeweller's sector in Singapore is the interest for quality jewels with precious stones and pebbles and elaborated with electrum, silver and diamonds that make the jewel an attractive accessory.

3.1.3.4.4.1 MARKET SIZE:

Although the market of Singapore is not still very developed, the reputation it has gained at world level has made of this place an attractive space of jewels purchasing for tourists that come from Indonesia, Japan and Thailand. Also, in spite of being a relatively small market, it is clear that the economy ups and downs have not cemented this market, and the little left is used to know if it is possible to increase the demand of these products.

3.1.3.4.4.1.1 LOCAL PRODUCTION;

During 2000, the local production rose to 223 million dollars, but these figures are not enough to cover the bases, or a time and communication problem would come out from it.

Basically, jewellers, during product shortage, sell their national production and keep the design jewellery due to the high costs they can reach. It is also important to emphasize that if main producers fail, there is the possibility to have a new contact in order to manufacture the workpieces in countries like China, Malaysia, and Hong-Kong, because they are the cheapest countries for having the most economic labour force.

The companies in Singapore are generally familiar, what makes that they don't have a bigger growth production and size and even investment possibilities.

3.1.3.4.1.2 IMPORTS:

Singapore is relatively a new market which in the last decade became a trade space with middle to high purchasing power. The value of imported and exported silver jewellery does not have much relevance, but because of its growth, and an improvement in the environment that surrounds us, in the following years, this market will become one of the most important at world level. The total imported for 2005 was USD \$18,038 million dollars that represents 73% of annual growth, taking into account the period from 2002 to 2005.

For the previously mentioned year, 2005, we can add that Singapore's market was recovering from diverse crisis but despite that, the main exporting market for this country is Hong Kong due that they are very close from each other and the good relationships they have. On the other hand, Italy has registered an annual growth of 149%, exporting to Singapore a total of USD 3,978 millions, during 2005.

It is important to emphasize that there is not any country from Latin America integrating this market. It is due to the unimportance this market gives to the others that are growing significantly.

TABLE N° 14

**PRINCIPAL EXPORTING COUNTRIES OF SILVER JEWELRY IN SINGAPORE 2002 –
2005**

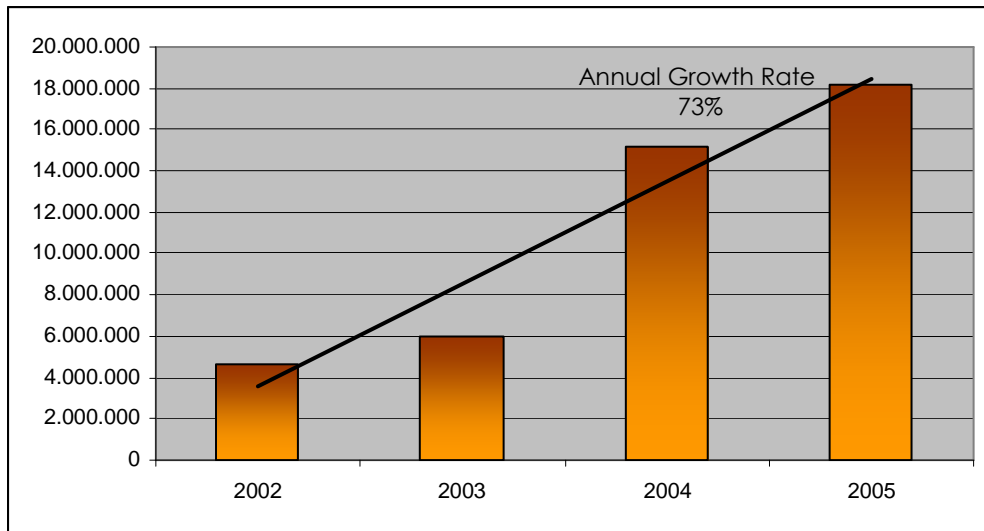
Exporters	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Value US\$ 2005	Annual Growth Rate %
World	4.627.000	6.000.000	15.181.000	18.138.000	73
Hong Kong (RAEC)	737.000	695.000	4.268.000	5.128.000	149
Italia	1.953.000	2.749	4.600.000	3.978.000	26
France	62.000	121.000	1.180.000	1.633.000	633
Thailand	431.000	200.000	6948 000	1.610.000	68
India	38.000	98.000	381.000	1.389.000	889
Malaysia	137.000	169.000	620.000	844.000	129
United States of America	470.000	229.000	527.000	709.000	13
Switzerland y Liechtenstein	255.000	921.000	1.802.000	667.000	40
Indonesia	0	0	0	658.000	0
Demark	272.000	395.000	552.000	539.000	25
Korean Republic	5.000	16.000	400.000	273.000	1.340
Germany	7.000	24.000	45.000	1.740.000	6.189
United Kingdom	1.000	39.000	34.000	127.000	3.150
United Emirates Arabs	88.000	40.000	166.000	94.000	2

Source: Trade Map
Elaborated by the author

As shown in the following graph, it is surprising the growth rate this market has reached. It is important to emphasize that the product must be of good quality and exclusivity, what adds bigger worth to the workpiece or workpieces.

GRAPHIC N° 15

GROWTH TENDENCY OF SINGAPORE'S MARKET IN DOLLARS 2002–2005



Source: Trade Map
Elaborated by the author

3.1.3.4.1.3 EXPORTATION:

Concerning silver jewellery exports, this country, although it has a considerable annual growth of 119%, in three markets of supreme importance its sales are reduced around 19%, what causes tenseness, since they are extremely powerful markets whose tendencies are the consumption of this product.

During 2005, Indonesia appears, according to the data of the Trade Map, as the first importer of silver jewels of Singapore with a total of USD 2,441 millions. This country, since that year, begins its trade with Singapore for what in front of mature markets as those of Hong Kong and the United States.

As shown in chart N° 15, aside the markets before mentioned as principal for Singapore, there are other markets that although they have not had bigger increases, they are still competing for a better position in this list. It is important to emphasize that most countries are from Asia and some from Europe.

TABLE Nº 15**PRINCIPAL IMPORTING COUNTRIES OF SILVER JEWELRY IN SINGAPORE**

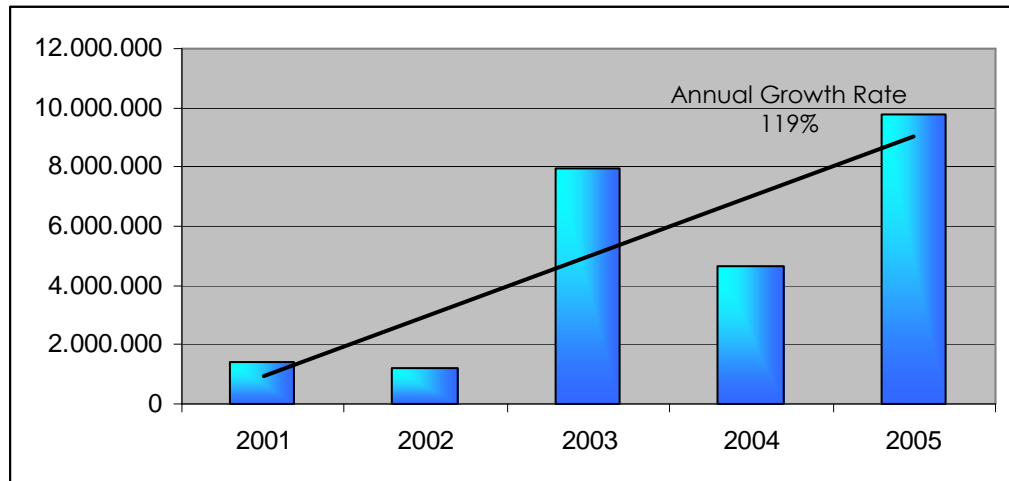
Importers	Value US\$ 2001	Value US\$ 2002	Value US\$ 2003	Value US\$ 2004	Value US\$ 2005	Annual growth Rate %
World	1.401.000	1.238.000	7.951.000	4.631.000	9.747.000	119,14
Indonesia					2.441.000	0,00
Hong Kong (RAEC)	1570000	1160000	5.661.000	883000	1.644.000	0,94
United States of America	35000	45000	536000	392000	1.591.000	889,14
Malaysia	72000	25000	137000	120000	1.441.000	380,28
Japan	654000	445000	1.315.000	2.161.000	731000	2,35
Australia	139000	50000	63000	236000	502000	52,23
Thailand	8000	26000	7000	27000	341000	832,50
Switzerland y Liechtenstein	20000	14000	42000	255000	168000	148,00
Germany	11000	0	2000	52000	117000	192,73
United Emirates Arab	27000	0	0	1	84000	42,22

Source: Trade Map
Elaborated by the author

Although exports have grown in figures, it is important to keep in mind that in the last years the silver jewellery sector of Singapore has presented a great dynamism in its growth, and maybe it will cause some uncertainty at the moment of carrying out negotiations for the possible uncertainty of knowing the change the sector will have.

GRAPHIC N° 16

GROWTH TENDENCY OF SINGAPORE'S EXPORTATIONS OF SILVER JEWELRY IN DOLLARS 2001–2005



Source: trade Map
Elaborated by the author

3.1.3.4.4.2 DEMAND CHARACTERISTICS:

The tendency of jewels use in the Singapore's market is specially focused in electrum, silver, platinum jewellery and diamonds that are generally worn by young by people. The most common marriage rings are made of silver or many times of electrum because they are more economic, but it is expected that this tendency goes by quickly due to traditional thing jewellery as "Poh Heng" collections which are just worn by women older than 50 years; determining that the silver jewellery market is exclusively for young generations.

The silver jewellery in Singapore is the most common gift to celebrate birthdays, marriages, births and anniversaries and some specific dates according to the religion of the consumer.

3.1.3.4.4.2.1 MARKET SEGMENTS:

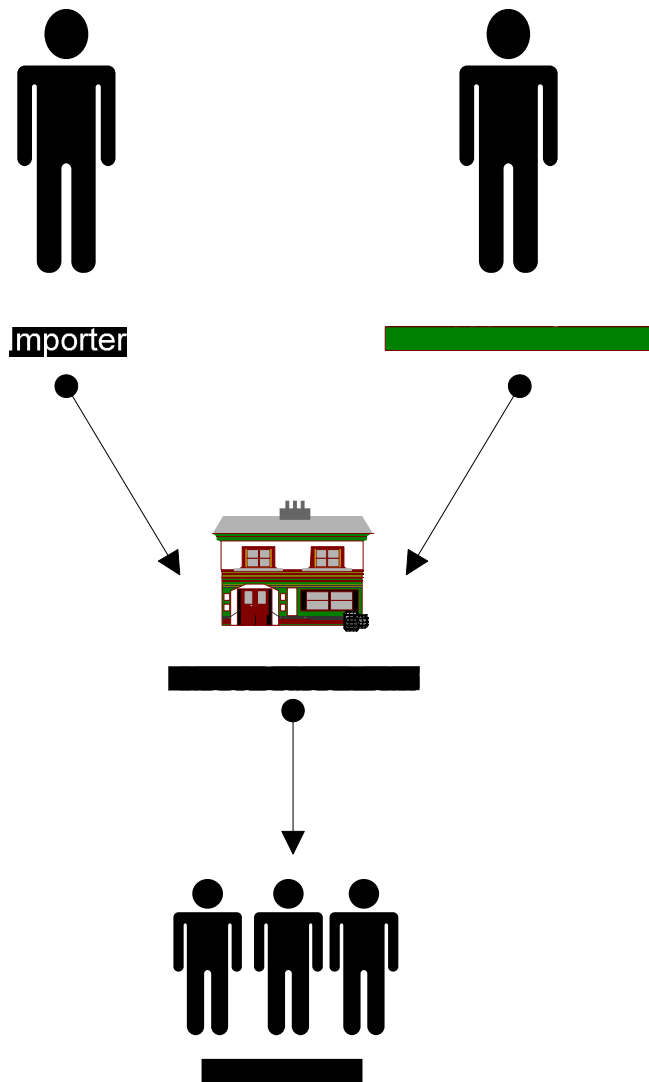
In this case, as mentioned previously, the main segment to which the distributors can go is the youths' from 24 and older that mainly show expressiveness and pleases innovative things.

3.1.3.4.4.3 TRADE CHANNELS:

It is important to determine, in spite of having several ways for import, the jewellers prefer the direct sales, that is to say, to sell in their own branches of the country and this way to perform better services to the client because it allows him to have direct credit in the purchase he is doing.

DIAGRAM N° 6

SINGAPORE'S TRADE CHANNELSS



Source: Proexport – Colombia
Elaborated by the author

Aside from this channel, which is the most popular, there are many fairs as a way to exhibit and attract new clients, but hardly ever they can do direct sales of the product. The most important fair is “Stone Technology”.

3.1.3.4.4 TARIFF MEASURES:

Singapore, which is a new country, does not apply the idea of tariff barriers for the other countries and does not have any agreement that reduces the tariffs or improves its competitiveness system as for details like these.

The only tariff registered by the Market Access Map for the countries that enter with products to this market is 0% for being a right or royalty for the countries that belong to most favoured nation.

3.1.4. EXPORT AUDIT:

If the market audit allows us to analyze the market and the opportunities and threats that the market has; also according the Dutch CBI, the export audit is the match of the company with the market to know if it is prepared or not to enter in this commercial space.

The export audit has 3 processes:

1. A process where an analysis of the strengths and weakness is carried out to identify:
 - a) The company resources (administration, organization, production and finances)
 - b) The commercial tools that the company uses and its Marketing Mix.
2. External factors of the selected markets should be evaluated to determine the opportunities and threatens.
3. The third factor is the environment of the analyzed markets.

The export audit is not an export business plan or an action plan to improve the company weaknesses; it is only an instrument that helps the manager to take a decision on the base of analytic information.

The conclusion of the export audit should indicate if a company is qualified to export to a market or not. As well as it should be remarked the main weaknesses that must be improved to export successfully, identifying

how to use the company's strengths in appropriate way to create a competitive advantage.

Besides the before mentioned, the export audit has as objective to determine if the previously selected markets have opportunities or if their threats are bigger than these opportunities, therefore it allows select an objective market with a bigger success probability.

3. 1. 4. 1 CURRENT SITUATION OF THE ASSOCIATION:

For the jewellery sector of Austro, it is a big challenge to export the jewellery that is produced, because their production, sale and distribution is completely individualized and it hardly will be able to cover representative fees in international markets, and first of all, they need to be linked as a craftsmen association

The product that they offer is of total quality, and the fact that its price is based on the weight of the workpiece gives trust to consumer.

The jewel of the Austro region is of excellent acceptance, and at country level there is an excellent image of design, quality, innovation and fair price.

3. 1. 4. 2. ANALYSIS OF THE ASSOCIATION STRENGTHS AND WEAKNESSES:

TABLE N° 16

98

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Strategic Administration		X		Help on behalf of Corpei for the attainment and declaration of the smith's association.	In spite of having a smiths' association that joins all the jewellery producers, there is not any plan to be developed, everything is still in ideas that should be improved.

TABLE N° 17
ORGANIZATIONAL STRUCTURE

Parameter	Level				Strengths	Weaknesses
	Low	Medium	High			
Organizational Structure			✓		The association is well consolidated and with leaders that are pleasant for all members.	
Power and decisions making			✓		All the association members know about decisions and activities that will be carried out.	

TABLE N° 18
FINANCIAL SITUATION OF THE ASSOCIATION

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Financial Situation	x				The members of the association are small producers that depend of their sales to accede to more raw materials and to more production of silver jewellery.
Liquidity		x		When consolidating activities, they have international cooperation and co-financing programs that promote the exportation of silver jewellery from Ecuador Austro.	

TABLE N° 19
INFRASTRUCTURE

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Infrastructure offices		x			They have the physical space of the association to meet.
Infrastructure			✓	The shops of each one of the members of the association are equipped with enough machinery to carry out a correct production.	

TABLE N° 20

SYSTEM OF QUALITY ADMINISTRATION AND PRODUCT CERTIFICATIONS

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
System of Quality Administration	x				It doesn't have a trademark of the product, and far from it, the idea of implementing a quality administration.
Laboratory of Quality Control	x				They don't have a Department of Quality; the product goes by the jeweller's view.
Quality of the Product			x	The quality of the product is high, and has an excellent national image.	
Standard and rehearsals of quality required by the client or by the market	x				There is not anything about these tendencies.
Description of the Product	x				They do not how to use these tools for a better handling of

					the jewellery production or recognition of possible defects or damages in the productive process.
Indicators of quality performance	x				There is not any quality indicator of performance.

TABLE N° 21
LOGISTICS AND OPERATIONS

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Methodology for the production planning of the Distribution system	x				The production planning is based on the sales of the previous month.
Computer technology for the operations administration	x				There is not anything technified.

TABLE N° 22
PRODUCTION

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Production Capacity			✓	The quantity of raw material that they buy is produced.	
Number of Working Shifts			x	The work only depends on the jeweller or at maximum the operatives they have, but shifts are not required for the production of silver jewellery.	
Production capacity			✓	What is bought in raw material.	

TABLE N° 23**FLOOR DISTRIBUTION AND PREVENTIVE MAINTENANCE**

Parameter	Level			Strengths	Weaknesses
	Low	Medium	High		
Floor Distribution (Lay Out)			X	The shop distribution is adapted to the jeweller's necessities.	
Preventive maintenance	x				There is not anything about this type of theories

3. 1. 4. 3 OPPORTUNITIES AND THREATS OF THE SELECTED MARKET

In general terms we can say that the international environment is very favourable for the export and international commercialization of silver jewellery. The world production of jewels more and more grows, leaving new spaces for sale in different countries and mainly giving opening to countries that were usually left behind of the international trade for their low production of other products.

Among the main silver producers we have Peru, Australia, and Mexico, while in silver jewels production we have countries as Hong Kong, China, Italy, the United States, which are the principal.

As for the selected countries, the United States, Spain and Singapore, they represent a stable macro-economic environment, and condition of demand and imports that make these countries very interesting markets for the Austro sector of Ecuador, as seen in the following table that summarizes the opportunities and threats of these markets.

TABLE Nº 24

OPPORTUNITIES AND THREATS OF THE SELECTED MARKETS

OPPORTUNITIES	THREATS
Imports of Silver Jewellery:	Exports of Silver Jewellery
<ul style="list-style-type: none">• The three countries are importers of silver jewellery.• The United States is the first importer of this product.• Singapore is a small market that recently is entering to the world trade.	<ul style="list-style-type: none">• The three countries export silver jewellery.• In the last years, the United States has decreased its exports toward several countries of the world.

National production

- For the United States, the national production for 2003 was USD 5.800 millions. It has a use of 80% of the installed capacity.
- Spain is a country that doesn't have bigger production of silver jewels USD 56 millions, 2300 companies.
- Singapore is a country with production due to very high labour costs.

National production

- Mobility of the jewellery shops toward different countries of Asia in search of lower labour costs.

International competition

- Great Asian production that presents innovative cheap models.

TRADE CHANNELS

- In the USA and Spain there is a lot of dynamism in the trade channels; these are well developed.

TRADE CHANNELS

- In Singapore the principal trade channels and the most used is the direct sale.

Tariffs

- At the moment, Ecuador doesn't pay any tariff for the Andean preferences, in the USA.
- In Spain, it doesn't pay for SGP.
- In Singapore the right of most favoured nation is 0%.

3. 1. 4. 4. CONCLUSION OF EXPORT AUDIT

As seen in the Market Audit, the three selected markets have high access possibilities to Ecuadorian Austro silver jewellery, since the silver jewellery market is growing and has many development opportunities for countries that need to diversify their exporting offer.

Although the selected markets are producers, and the United States is even the main importer, it is important to bear in mind that it is necessary to enter the market and get a number of consumers that trust in the Ecuadorian product and this way little by little it continues extending the importance toward consumers and to begin with the implementation of an improvement infrastructure for the jewellers association that is seen as a company that generates employment for hundreds of people.

Although the three countries are favourable, it should be taken into account that only the United States keeps an exporting culture with us, and it could open more easily to market, since a great number of ultimate consumers will be migrants who will support the products coming from their country. However, Spain would be in the same situation, but this country prefers gold jewellery and not silver, and this country buys jewellery from Italy, which is a country that has lost marketing due to the entrance of China and its extremely low costs, the quality of Italian jewels is not compared and the whole image of the same ones is important in the whole world.

The problem that Singapore would have is the cultural barriers because this country is a traditional in certain details and mainly in spite of not being a big producer neither a buyer or a seller, had a total impact in the last years that apparently would raze with small markets such as the Ecuadorian one.

Concerning tariff barriers, Ecuador should not pay any taxes to any country when entering to them, what makes that with international competition we have a great comparative advantage.

3. 1. 4. 4.RECOMENDATION OF EXPORT AUDIT

The three selected markets are interesting for the entrance, however it is recommended that for the knowledge of the United States market at short-term to enter this because there are jewellery shops that are already exporting to that place, and the same outline can be taken, and it is a market with more demarcated market segments that can differ with the branches contact that is carried out.

To Middle and Long-Term the idea is that the smiths association grows, then it is important to consider the possibility to enter the other two markets but always with a strategic plan that allows to surround directly the segment of the chosen market, and for that moment, the product will be better Molded and will have more quality; then it will be easier to competes with producers as Italy, France and Germany. The presence of this competition makes bigger the risk to fail when entering to Spain.

SECOND PART

3.2 POSITIONING STRATEGY OF THE PRODUCT:

3.2.1 WHAT IS A POSITIONING STRATEGY?

As Kotler and Armstrong quote in their book "Marketing, eighth edition" a positioning strategy is the way in which the consumers define to the product based on important attributes of the same one.

In the case of silver jewellery, the positioning strategy will begin based on the national consumer's perception, that is the jewels that are produced in Chordeleg at the moment have an excellent image before the national consumers and the foreign tourists that visit the area; then the positioning strategy begins with the diffusion of that image when the foreign tourists or the national consumers leave the country.

The Austro area silver jewellery can be positioned as:

- "the jewels that complement your beauty"
- "the perfect accessories to startle your beauty"
- "the ideal workpiece that allows us to see how lovely you are"
- "the complement that was missing to be yourself"
- "the jewel is a complement, but you are the shine of it"

The country mark will be included in any of these phrases, so that a better definition of the jewel origin place can be given.

3.2.2 TRADE CHANNEL DETERMINATION:

For the distribution of silver jewellery, the best channel with for the sale of the same is the **broker** because by means of this diverse national as international contacts can be carried out without spending a lot of time to dispatch the order. That is to say, the agent contacts the company with the wholesaler or dealer, national or international and once made the negotiation and accepted the terms; the agent has the opportunity to continue looking for more buyers, while the association takes charge of the distribution logistics.

3.2.3 DETERMINATION OF THE PROMOTION STRATEGY:

Due to the product type, the best promotion strategy is the use of **fairs** both national and international, since this way the final consumers know the product and assure the quality.

When developing the strategy of fairs, it is import to consider some details that will be beneficial at the moment of taking the products beyond national borders.

To participate in a fair, it is necessary that the products of Chordeleg canton link their production under one concept of design and quality so that it is the product of the Chordeleg jeweller's association. Then it is important to know the financing necessity because the fairs stands are generally very expensive. This financing can come from a series of organisms, among them we have CORPEI, or by means of projects of the European Union or of the United States that co-finance this type of activities for a bigger growth of the countries in development.

When the fair stand is assured, it is necessary prepare the product to be exhibited, that is to say. Also, it is important to print catalogues for silver jewellery exhibition, where it can be specified the material and the elaboration process of jewels, so that it will be clear that the jewels are

handmade. Also, it is important that the catalogue contains all information about the association and producers, because it is easier to contact these people for future purchases. Finally, the catalogue should be in agreement to the jewellery tendency that is in exhibition. In the same way, it is very importance that the catalogue contains the country mark and the phrase of positioning of Azuay silver jewellery.

In the fair, it is important that the representatives have communication fluidity for the sales performance and promotion, since the silver jewellery of Chordeleg is a product that its single appearance calls the consumer's attention. Once this drive of fairs has been done, the agent will follow-up the contacts and the commercial exchange will begin.

3.2.4 DEVELOPMENT OF MARKETING MIX:

Developing the *marketing mix* is the same as know the vital points to market silver jewellery; it is basically a summary presentation of all the points that have been studied in this work:

DIAGRAM N° 7
MARKETING-MIX FOR SILVER JEWELRY.



Elaborated by the author.

In the previous diagram it is clear that if we link concepts the *marketing mix* has, it is possible to obtain a recommendable way so that the product has a good acceptance in the market.

It is necessary to determine the product that will be sold, that is to say, to know if the characteristics that the same one has are those that the market requests. In this case, it is necessary to know if the silver jewellery is according to the demand as for models, tendencies, stones, among other

details. Then the price establish would be established according to market cost of raw matter and labour and the final value is in agreement to what the market is demanding. After that, it is important to establish the promotion and advertising for the product.

After understanding and determining the four concepts, the negotiations that are carried out will gain a positive and durable direction for producers of the Chordeleg canton.

3.3 CHAPTER CONCLUSIONS:

In this chapter, we can see that the environment analysis of silver jewellery in the world demonstrates the great dynamism of this product. The silver jewellery is an export product for many countries and others open their gates to the consumers' demands.

In the case of silver jewellery of Chordeleg it is clear that to middle term it is preferable that the producers enter to the United States market, because it has more favourable situations for the trade of products coming from Ecuador and as pointed out in the conclusions of Export Audit, it is a well-known market where consumers can go according to their necessities.

The United States, in spite of being a developed market, has a great consumer's proportion that goes beyond tendencies of the current world. Many times, this country has classic consumers that prefer handmade jewellery, or if they know that they are products coming from countries in development, such products gain a bigger attractiveness; then it is important to take advantage of these characteristics.

On the other hand, in spite of having that market segment which he likes typical jewellery, the products must be innovated, that is to say, the jewels should always be showing and demonstrating new tendencies of typical and classic tendencies. It should remain as a product that allows

wearing the delicate material, and the client must be informed about new production possibilities.

Although there is a big market as the United States', it is recommendable to maintain the markets of Spain and Singapore to avoid a single concentration and mainly not to lose the possible consumers these markets have for Chordeleg jewels. At the present time, Spain has a great number of migrants who likes their own jewellery, so it is important to take advantage of this market to have more relevance in the international market.

In the case of Singapore, although it is a completely unknown market, it can be a space of positive trade for Chordeleg products, because little by little some demands can be generated for national governments for a closeness of commercial relationships with this country and to have a better trade of the jewel.

This way, it is clear the importance it has of entering little by little to the markets, as seen previously, the product is ready for the market. The main necessity is to have good way promotion and positioning of country and product.

GENERAL CONCLUSIONS:

At the present time, the silver jewellery market is a very important space trade inside the sector of jewellery industry. Every time, there are more markets that open up to this commercialization and they leave space to their industries to carry out more products exchanges, increasing this way their trade incomes.

Thanks to these openings, countries as Ecuador or African countries can develop a better trade because they are products that were not commonly exported and their production was not exploited since the world demand didn't request these products.

Nowadays, the world demand has had its increase, and developed countries as the United States, France, Germany, and European countries in general need to import when not being able to cover their demands or when not having a demand whose exigencies overtake the national products characteristics.

Ecuador is a country whose export potential needs to be exploited beyond natural resources and traditional products for export as tuna, shrimps, banana, and flowers, among others. The silver jewellery is a good example of what can be shown to the world. As seen in the present study, this product has an excellent quality and a unique design that make of the jewels a completely different and innovative product for the world. As a country, there is the possibility to open the opportunities for smiths and design jewellers as those of design, both types of jewels are attractive in international markets and mainly they are well paid allowing this way not only to innovate but also to progress the producer because the incomes for what he makes will be higher.

Also, it is important to know that at the beginning an important market segment could not be covered among the international buyers but it is primordial to start with segments to achieve the complete segment, with the

value added that for that moment the production will be 100% efficient and the client will have in his hands a better and quality product.

Finally, it is necessary that the small producers leave the national frontiers and show the world what Ecuador produces, also is time that the national demand accepts the potential these products have, and organisms as CORPEI encourage making growth projects for exports and possibilities to export these products.

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ATTACHMENTS:

INTERVIEWS MADE TO THE PRODUCERS OF SILVER JEWELLERY OF CHORDELEG AND TO THE DESIGNERS OF SILVER JEWELLERY OF CUENCA:

A.1.1 STRUCTURE OF THE INTERVIEW:

CORPORACIÓN DE PROMOCIÓN DE EXPORTACIONES E INVERSIONES CORPEI

INFORM INTERVIEW

INFORM DATA:

1. Company Name:

2. Legal Representative:

3. Company Address:

4. Telephone Number / Fax:

5. Website or E-mail:

COMPANY DATA:

6. Objective:

7. Kind of Company:

Manufacturer

Commercial

Small Industry

Medium Industry

Big Industry

Other

8. Tributary Number (RUC):

9. Number of Shareholder:

10. From where comes the money:

National: _____

Foreign: _____

Both: _____

11. How many years does the company have?:

12. The reason to open the company:

13. Where does the company work?:

14. Does the company join to some group?

Yes, it does _____

No, it does not _____

Don't know _____

PRODUCTION DATA:

I. Infrastructure:

15. How is the place where you produce the jewellery?

II. Technology:

16. How much is the installed capacity?:

17. How many products is the production capacity per month?

18. What is the machinery that you use to produce the silver jewellery?

19. How many foundries do you normally make by month?

III. Raw Material:

20. How did you get the raw material?

Laminas _____

Lingoes _____

Others _____

21. How much time do you buy the material?

Daily _____
Each week _____
Once per month _____
Twice per month _____
Three times per month _____
Each month _____
Each two months _____
Each three months _____
Each six months _____
Each year _____
Others _____

22. How much grams of silver dou you buy?

23. How did you get the material? Do you:

Import _____
Buy to local vendor _____
Produce the raw material also _____
Others _____

IV: Labour

24. Do you need helpers to produce the jewellery?

Helpers _____ (go to the next question)
Elaborate by yourself _____ (go to the question 27)

25. How many helpers do you have?

26. From the helpers of this factory, how many are qualified labour?

27. How much time do you take to elaborate the jewellery?

V. Selling:

28. How much selling do you have?

29. The selling are::

Local _____
Regional _____
National _____
International _____

VI. Costs y PVP

30. How did you get the cost?

31. How did you get the benefit of the jewellery and get the price?

VII: Designs and Tendencies:

32. How do you decide the shape and designs of the jewellery?

A.1.2 Interviews:

The interviews were made in Spanish. In the Spanish version of this document, you would find the documents.