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*“FEASIBILITY STUDY FOR THE EXPORTATION OF FOOTWEAR FROM TIZNADO  
COMPANY TO THE SPANISH MARKET”*

**Graduation project prior to obtaining the bachelor’s degree in**

International Studies with bilingual mention in Foreign Trade

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## **DEDICATION**

I dedicate this work to my parents Héctor and Mercedes, for being my fundamental pillar  
and for their infinite love.

To my sister Gabriela for always encouraging me to dream high.

To my dear granny Delfa, for her love.

To my aunt Martha, for being unconditional, and to Mateo and Victoria, who make my  
days happier.

**Evelyn Chiriboga**

This graduation project is dedicated to my parents, Joselo and Patricia.

To my brothers Dayanara and Matheo, without whom I would not have made it.

Thanks for your love, support, affection, advice and patience.

To my life partner Mateo, for his unconditional love and support and for always knowing  
what to say and do to be able to continue.

**Paula Sarmiento**

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First, to God for lighting up our life.

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To Tiznado, for opening the doors of their company for us.

To our parents and relatives, who have been the main promoters of our dreams.

**Evelyn Chiriboga and Paula Sarmiento**

## **ABSTRACT**

The Tiznado Company has stood out in the market thanks to its trajectory and its commitment to quality and differentiation of its products for its intermediary or end customers. In recent years, Tiznado has experienced growth in production and sales. In this context, a feasibility study was carried out to enable this Ecuadorian footwear company to export its products to the Spanish market. Through a mixed methodology; of exploratory and descriptive scope, the study concluded that the footwear industries in Spain and Ecuador differ considerably. The results indicate that exporting to Spain, as a destination country, is not feasible from the point of view of business management. However, it is feasible from the perspective of the return on investment in the export project.

*Keywords:* Foreign trade, footwear, export feasibility.



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## INTRODUCTION

The word commerce refers to the "purchase or exchange of goods and services," while *foreign* is an adjective that indicates something that "belongs or is related to other countries" (Royal Spanish Academy, 2022). Therefore, considering the concepts of these words, it could be assumed that Foreign Trade is the sale and exchange of goods and services between countries.

In the 18th century, the mercantilist current was on the rise, which consisted of a political and economic system based on the assumption that the wealth of countries was due to the accumulation of precious metals. Likewise, another important event at the time was the Industrial Revolution, which began in the middle of the 18th century that revolutionized the productive and economic system worldwide. In this panorama, the Scottish economist Adam Smith, in the year 1776, in his work *The Wealth of Nations*, criticized the mercantilist system and tried to explain the reason for trade between countries. Among his most important postulates, absolute advantage stands out. It was born from the industrial revolution and the division of labor which was restricted by the size of the market. Smith argued that countries with access to larger markets could divide labor more efficiently and thus become more productive. Furthermore, the absolute advantage consisted in the fact that, due to this division of labor and factors inherent to each country there were some countries better than others; that is, more efficient at manufacturing the same goods. For Smith it was the absolute advantage that motivated countries to trade, since they benefited both nations and companies (Krugman et al., 2018).

As industries and the excessive growth of the economy and commerce during the 20th century increased, companies began to become more competitive in order to remain in the market. To explain this phenomenon of accelerated growth many theories appeared during this century were considered as modern economics theories. Without a doubt, within the modern doctrine of the study of economics, Michael Porter's is the theory that has most influenced this area of economics. Porter proposed a model in his work "The Competitive Advantage of Nations in 1990," which aims to explain the pattern of behavior of companies in international trade in terms of profitability based on five forces that affect it. These five forces are: rivalry between competitors, threat of new competitors, bargaining power of

suppliers, bargaining power of customers, threat of potential substitute products (Porter, 2015).

For the purpose of this investigation is necessary to highlight Paul Krugman's New Theory of Commerce. Krugman's explanation of like-country trade was proposed in 1979 and involved two key assumptions: first, that consumers prefer a diverse selection of brands; and second, that production favors economies of scale. Krugman explains that each country can specialize in producing a few brands of a certain type of product, instead of specializing in different types of products. When there are economies of scale in production, countries may be locked into disadvantageous trade patterns. However, this author also points out that, although globalization has been positive, since the 1980s, the process known as hyperglobalization has played a role in increasing inequality. Even so, trade remains generally beneficial, even between similar countries, because it allows enterprises to save costs by producing on a larger and more efficient scale, and because it increases the range of brands available and sharpens competition between firms (Krugman et al. al., 2018).

On the other hand, regarding the internalization of SMEs, Ecuadorian legal regulations classify companies at different levels and, for the purposes of this work, several regulatory bodies have been considered, which will be addressed in order of importance. First, the Constitution of the Republic of Ecuador (2008) designates the Internal Revenue Service (SRI) as the entity in charge of tax control of the income generated by companies. The obligations to which they are subject must be answered depending on the type of taxpayer registered in the Single Taxpayer Registry.

Similarly, the Organic Code of Production, Trade and Investment (COPCI, 2019) classifies SMEs according to their size, which is determined by the number of workers and the amount of income. However, it is important to mention that the Tax Code, which regulates the SRI, recognizes the so-called SMEs internationally as MSMEs, since within its parameters it also includes micro-enterprises.

In this context, this study arises as a recognition of the importance of the internationalization of footwear companies in Azuay. The Tiznado company, footwear producers in the city of Cuenca, has the need to carry out strategic planning. For this reason, a feasibility study was conducted to mitigate risks in the event that the company implements a plan of export. For

this, information was obtained that allows knowing the strengths, threats, opportunities and weaknesses that were analyzed externally and internally, with the intention of knowing the degree of feasibility that the company presents in the internationalization process.

## **ARGUMENT OF THE STUDY**

The national footwear market is saturated with imports. Foreign and national competition has led shoe manufacturers to seek alternatives to offer different products, with quality and costs that allow them to maintain their offer in the market. However, even with this basic problem, Tiznado Company has managed to stand out in the market and has a track record, vision of quality and differentiation in its products towards its intermediary or final clients, which are growing in production and sales in the last years. Their investment is intended to improve the quality of the inputs that are part of their final product.

Because of this, within its projects for new product designs, the use of sustainable materials and raw materials typical of Ecuador and the province of Azuay such as macana and toquilla straw, are being analyzed. This focus has been given with the purpose of offering a unique and exclusive product that adjusts to a specific market, making known products with Ecuadorian identity with high added value.

## **GENERAL OBJECTIVE**

Determine the feasibility of exporting footwear from the Tiznado Company to the city of Madrid- Spain.

## **SPECIFIC OBJECTIVES**

- Review the bibliography and information collected to know the current situation of the footwear sector in Ecuador and Spain.
- Study external and internal factors that allow evaluating the export feasibility of Tiznado Company.
- Determine the financial economic feasibility of this study.



## METHODOLOGY

This study contemplates an exploratory and descriptive investigation and integrates a mixed analysis, both quantitative and qualitative. Within qualitative research, a collection of bibliographic information is carried out, using information from related studies that have methodologies that integrate variables and that are considered to evaluate the feasibility of exporting. In this way, an analysis of the macro environment was carried out. It is worth emphasizing that the collection of information has been considered through primary, secondary and tertiary sources, since these are essential when analyzing the internal and external situation of the footwear sector in the countries that make up this research, considering social factors, economic, political, technological, foreign trade statistics, consumer preferences, trade agreements, demand, price, among other variables.

The sources-guide to obtain secondary information were investigated in web pages, theses, reports, papers, books, investigations, Trade Map, Pro Ecuador, World Bank, Central Bank of Ecuador, National Institute of Statistics and Censuses (INEC); National Institute of Statistics (INE, Spain), National Customs Service of Ecuador (SENAE), SRI, Ecuadorian Standardization Service (INEN), among others. However, primary sources are also used, with the interview technique, to access first-hand information from Tiznado Company, in addition to considering the contribution of the president of the National Chamber of Footwear of Tungurahua CALTU and experts in the footwear sector, with which an attempt is made to collect information that helps to identify the degree of feasibility of the case study.

Additionally, the size of the actors is identified, based on what is defined by the COPCI (2019, as cited in Chávez et al., 2018), to organize the businesses by dimension, characterized as follows:

- Microenterprises (From 1 to 9 collaborators – Annual sales equal to or less than \$100,000);
- Small Business (From 10 to 49 collaborators – Annual sales of \$100,000 to \$1,000,000);
- Medium Company (From 50 to 199 collaborators – Annual sales of \$1,000,000 to \$5,000,000);

- Large Company (More than 200 collaborators – Annual sales of more than \$5,000,000).

In addition, in order to identify the actors in the footwear sector, the segmentation used by the SRI (2022) was considered as follows: "Special Taxpayers" or "Large Companies"; "Other Taxpayers" or "Medium Companies" or "Natural Persons". This in order to be able to better identify the evolution and performance of the sector in each of these types of actors.

Regarding quantitative research, numerical information is collected to generate statistics in the period of the last 5 years, which contribute to the support of the objective presented in this investigation, with the purpose of quantifying and carrying out a comparative analysis that allows the development of the objective of this study. Within the quantitative research, the causal-comparative method will be used, in which an attempt is made to identify the similarities, differences and characteristics that allow us to define variables to compare and analyze the cause-effect relationship with the purpose of evaluating the internal and external factors which negatively or positively influence the internationalization process. These were chosen according to the research of the revised theory, where an attempt has been made to identify factors that explain the causes that can influence the results obtained by companies in their internationalization process. Below are the following authors who were considered: Papadopoulos et al. (2002); Horta (2012); Billkey (1978); Madsen (1987); Aaby and Slater (1989); Fernandez et al. (2008); Hoyos-Villa (2019); Mendoza (2020); White et al. (2012).

For example, in the model presented by Papadopoulos et al. (2002) these variables of opposite position are presented under the name of the constructs "potential demand" and "barriers of trade" of the countries that are being analyzed. Within each of these factors, variables have been included in order to meet the criteria that, on the one hand, determine the positive characteristics of international markets, which is called "potential demand". For example, the authors consider the following variables: (a) estimated consumption, (b) import penetration, (c) origin advantages, and (d) market similarity. On the other hand, to describe the problems that the foreign market may present, collected within the construct "barriers to trade", the authors propose the following variables: (a) tariff barriers, (b) non-tariff barriers, (c) geographical distance and (d) exchange rate.

In other studies such as those by Katsikeas et al., (2000), the target market to be exported is defined using the market selection model, analyzing the potential demand and trade barriers offered by some countries. Similarly, Fernández et al. (2008) describe competitive export factors, in other studies both internal and external factors that affect companies are determined in business plans using PESTEL analysis tools, the 5 forces or Porter's diamond and the SWOT analysis of companies who want to internationalize. For this study, the factors for the company (case study) are identified later, with their respective variables that will help interpret and determine comparisons and affectations that, finally, will allow determining the degree of feasibility in relation to the internationalization of the Tiznado Company.

This study uses the revised theory in David (2003) where the business diagnosis method is applied, through the evaluation matrices of internal factors (EFI) and external factors (EFE). Thus, it is defined that the purpose of an external audit is to create a defined list of the opportunities that could benefit a company and the threats that must be avoided, for which external forces have been analyzed in five categories: economic forces, social forces, cultural, demographic and environmental; political, governmental and legal forces; technological forces and competitive forces. On the other hand, the purpose of an internal audit is to consider the strengths and weaknesses of a company in the functional areas of business which include management, marketing, digital transformation, finance and accounting; production, operations, research and development, as well as the management of management information systems.

First, a list of ten to twenty external factors that were identified in the external audit process is drawn up, both opportunities and threats, that affect the company and its sector. Similarly, for the key internal factors identified in the internal audit process, both strengths and weaknesses are included.

Second, each factor is assigned a value ranging from 0.0 (not important) to 1.0 (very important). This value indicates the relative importance of said factor to be "successful" in the sector to which the company belongs. Opportunities receive higher values than threats, but threats can also receive high values if they are too adverse or severe. The sum of all the values assigned to the factors must be equal to 1.0.

Third, in the case of external factors, a rating of one to four is assigned to each factor to indicate how effectively the company's current strategies respond to that factor, where: (4) corresponds to "Excellent", (3) the response is "above average", (2) the response is "average level" and (1) the response is "poor".

For internal factors, a rating of one to four is assigned to each factor to indicate whether that factor represents a "major weakness" (1), a "minor weakness" (2), a "minor strength" (3) or a "greater strength" (4). Note that strengths should be rated (4 or 3) and weaknesses should be rated (1 or 2).

Fourth, the value of each factor is multiplied by its rank to determine a weighted value. Finally, fourthly, the weighted values of each variable are added to determine the total weighted value of the company.

To interpret the results, it is considered that the highest possible weighted value for a company is 4.0 and the lowest possible is 1.0. The average total weighted value is 2.5. For external factors, a total weighted value score of 4.0 indicates that a company is surprisingly responsive to opportunities and threats in its industry; In other words, the company's strategies effectively take advantage of existing opportunities and minimize the potential adverse effects of external threats. A total score of 1.0 means that the company's strategies do not take advantage of opportunities or avoid external threats. And in the case of internal factors, value scores well below 2.5 characterize companies that are internally weak, while scores well above 2.5 indicate a strong internal position.

Finally, through financial economic analysis, the viability of the company is determined considering information that comes from the preparation of projections and scenarios that allow identifying the profitability of a possible internationalization of the company, through indicators such as: VAN and TIR, investment recovery time, level of indebtedness, among others, to finally, based on the results, determine the degree of feasibility in this aspect of great relevance for the company's decision-making.

## CHAPTER 1. SITUATIONAL ANALYSIS

### 1.1. Analysis of the Footwear Sector in Ecuador

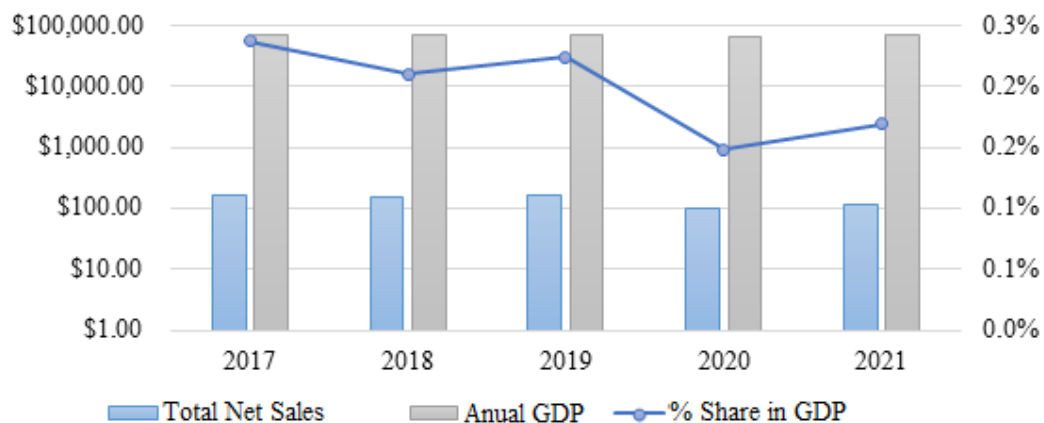
#### i. Characterization of the Sector

The country's manufacturing industry represents an economic activity that generates formal and informal employment; participation in the annual GDP of 14% on average in recent years can be identified. Similarly, in the "Report of the Manufacturing Industries Sector", it is indicated that this industry represents 11.80% of GDP in 2022. The sales of the sector, during the period between January and December 2021, added a total USD 25,871 million; which represents an increase compared to the levels prior to the pandemic (Superintendency of Banks, 2022).

Considering the information provided by the virtual platforms of the SRI (2022) and the Central Bank of Ecuador (2022), figure 1 was prepared to show the sales declared by actors in the footwear sector in the last 5 years. In 2021, the value of US \$180 million dollars was generated. Compared with the sales generated by all the companies belonging to the manufacturing industry, it can be calculated that the participation of the footwear industry represents the 0.5%. The participation of the footwear sector, in relation to the annual Ecuadorian GDP, represents 0.15% on average for the last 5 years.

**Figure 1**

*Participation of the footwear sector in relation to GDP (in million of USD)*



Source: (Central Bank of Ecuador, 2022; SRI, 2022)

The SRI uses the International Standard Classification ISIC 4.0 to identify its taxpayers, in order to differentiate the different activities that are part of the productive performance of the country. The activities that have been considered for this study and that are part of the footwear sector are:

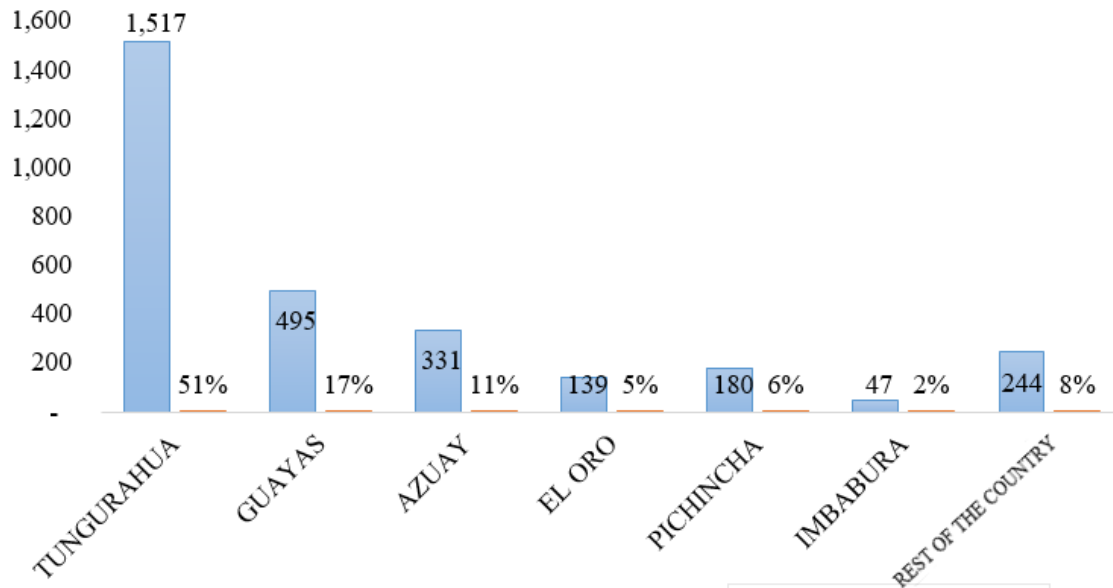
- C1410.09: Manufacture of other clothing accessories: footwear made of textile materials without application of soles, etc.
- C1520.01: Manufacture of footwear, ankle boots, leggings and similar articles for all uses, of any material and by any process, including molding (shoe upper). C1520.02: Manufacture of leather parts for footwear: uppers and parts of uppers, soles and insoles, heels, etc.
- C1520.03: Support services for shoe manufacturing on a fee or contract basis.

Figure 2 shows the taxpayers that are part of the "Footwear Manufacturing" activity. The year 2022 shows an active state, with a total of 2,953 taxpayers. Within the assets, according to the type "Special Taxpayer," five were identified, four of which are "Companies" and one "Natural Person." According to the type of "Other Taxpayers," 2,948 were identified distributed between "Natural Persons" and "Companies."

The province of Tungurahua is home to the majority of footwear manufacturers in the country, since it represents 51% of all taxpayers. It should be noted that in this canton a greater development of this activity has been identified, it has been transmitted by several family generations, for which there is a workforce of those who develop their skills within the factories and many of these do so after their graduation. workday. This allows them to generate extra income with their own workshops. On the other hand, the rest of the sector is geographically located and represented respectively in Guayas with 17%, Azuay with 11%, Pichincha with 6%, El Oro with 5%, Imbabura with 2% and the rest of Ecuador 8%, where there are companies that have been in this activity for more than 40 years (Villavicencio, 2022).

**Figure 2**

*Taxpayers in the footwear sector in active status*



Source: (SRI, 2022)

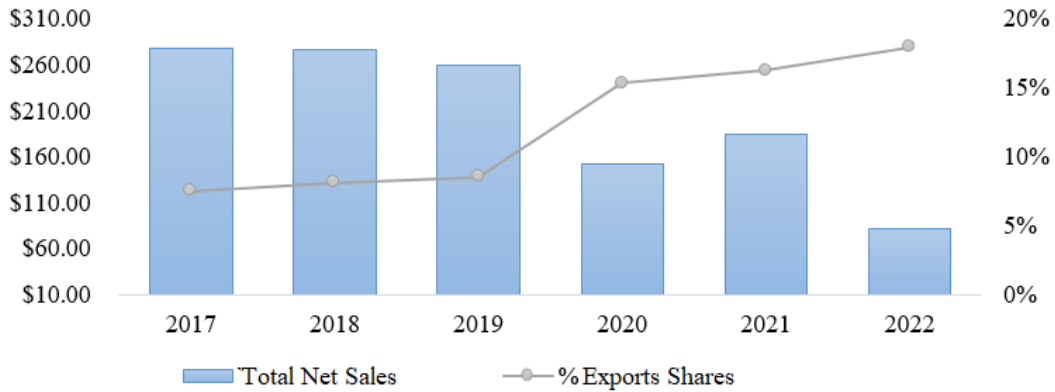
The employment generated by the manufacturing industry is around 400 thousand people (Primicias, 2022). However, an exact figure has not been found in relation to the footwear sector, since there is no information based on a study to identify the actors. Even so, the information provided by the Presidency of the Republic (2019) and Líderes (2012) has been considered, where they indicate that in Ecuador there are 100 thousand jobs in this sector. It should be noted that there are informal manufacturers in this sector, there are micro-businesses and small businesses precariously built, with little or no financing and, for the most part, they are part of this sector as the only source of income and survival.

ii. Economic evolution

In the year 2022, a sum of US\$ 81 million dollars is recorded in the first semester for total sales; in the year 2021 they add up to \$184 million dollars; in 2020 they totaled US\$152 million, which represents a 42% drop, compared to the sales declared before 2019, since an average of declared sales of US\$280 million dollars was found in the last 10 years. Figure 3 shows the declared sales of the sector in recent years.

**Figure 3**

*Economic performance of the footwear sector, in Ecuador (in millions of USD)*

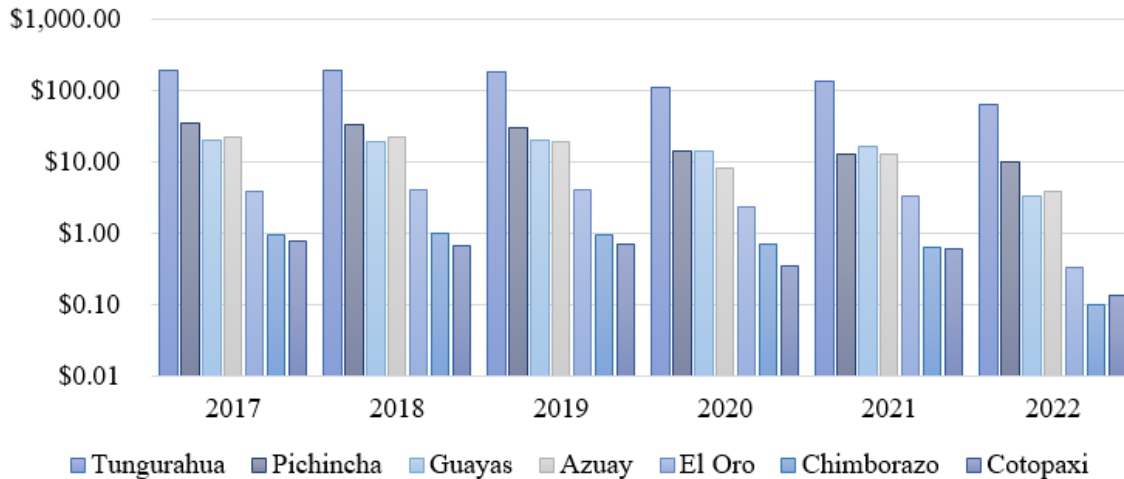


Source: (SRI, 2022; Trade Map, 2022)

The following figure number 4 shows the information obtained through the SRI (2022), in relation to the declaration of sales generated by the sector in form 104, which corresponds to the value added tax for natural persons and companies, which are segmented by geographic location.

**Figure 4**

*Total Net Sales by Geographic Location (in millions of USD)*



Source: (SRI, 2022)

Most of the production is generated in the province of Tungurahua, therefore, higher sales. This has represented an average of 73% in recent years. It can be seen that "Special



Taxpayers" represent 66% on average. In second place is Guayas, with 9%; followed by Pichincha and Azuay, with 7% respectively. The rest of the country represents the remainder of the percentage. Taking into account the study prepared by Sánchez et al. (2019), it was found that the production of pairs made by the Ecuadorian footwear sector was 31 million in 2018, according to the president of the National Chamber of Footwear CALTU, in a publication in *Modaes Latinoamérica Magazine*.

The sector faces year after year the challenge of sustaining its competitiveness, due to the affectation produced by imports that originate from countries where the cost of production is lower, encouraging competition in prices and quality. This becomes a weakness for shoe manufacturers, since very few have a quality management system, they do not have trained personnel, the difficulty when acquiring different raw materials at competitive costs, the cost of labor and few value-added products. In addition, companies do not carry out laboratory tests to certify the quality of their products, which has led to a poor perception of the national product and, therefore, more consumption of imported footwear.

In conclusion, it can be seen that shoe manufacturers fail to position themselves in the domestic market. Therefore, there is no planning to diversify its sales in international markets in the medium or long term. However, in the cantons where footwear production is known, projects have been generated for the purpose of attracting local and international tourism. This sustains family structures in urban and rural areas that depend on this activity to generate income, although few comply with the regulations to certify the quality of their products and most want to sustain this activity, investing in automation, technology, raw materials, certifications and innovation in designs, in order to be able to compete against global competition.

### iii. Production

#### a) Raw materials

Based on the interview with Villavicencio (2022), it is indicated that the supply in the raw materials sector is given by national suppliers and importers, the latter use the following tariff headings that are found within chapter 64, belonging to the sector of footwear identified in SENA (2022) and in Trade Map (2022). In Table 1., it was possible to

identify the following goods and their unit CIF values with which they have been imported on average.

**Table 1**

*Description of footwear raw materials according to subheading*

| <b>Subheadings</b> | <b>Detail</b>                     | <b>CIF Unitario</b> |
|--------------------|-----------------------------------|---------------------|
| <b>6406100000</b>  | Except Shoe Uppers - Uppers       | \$1 a \$10          |
| <b>6406200000</b>  | Rubber or plastic soles and heels | \$1 a \$10          |
| <b>6406901000</b>  | Templates                         | \$1 a \$3           |
| <b>6406909010</b>  | Buttresses, Gaiters And Heel Pads | \$0.50 a 2\$        |
| <b>6406909020</b>  | Toe caps                          | \$0.50 a 5\$        |
| <b>6406909090</b>  | The rest                          | \$1 a \$5           |

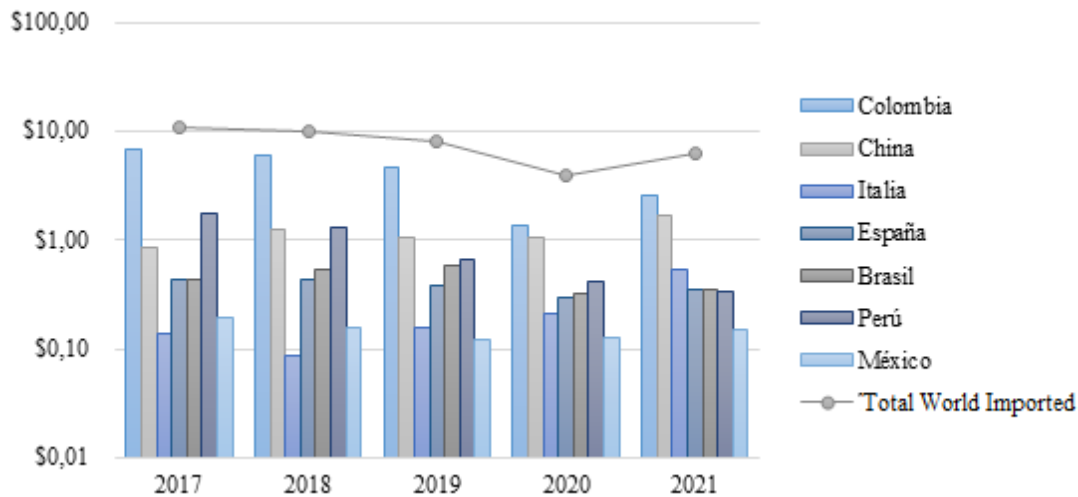
Source: (SENAE, 2022)

In 2021 a total of US\$5 million dollars was imported and in 2020 there was a total of \$2.5 million dollars, demonstrating the lack of supply in these atypical years since it reflects a 40% decrease in relation to the years 2019 and 2018. Regarding the total net value imported in 2021, there was a total of US\$6 million dollars. It should be noted that the participation of subheading 6406200 represents 70% of imports in relation to footwear inputs; in second place, there is subheading 64069010, which represents 20% of imports.

It can be seen in Figure 5, the countries from which there is a dependence on imported raw materials are: Colombia, with an average representation of 52% in recent years; followed by China, with 18%, Peru 11%, Brazil 6%, Spain 5%, Italy, with 4% and Mexico, with 2%.

**Figure 5**

*Countries of origin of raw material imports (in millions of USD)*



Source: (Trade Map, 2022)

Within the value chain of the sector at the national level, there are companies that produce inputs for footwear, most of which are located in the canton Ambato. According to the interview with Santiago Villaseñor (2022), supplier of inputs to the footwear sector for more than 5 years, the following characteristics of production of raw materials in the country were identified:

- The importers of raw materials do not have a differentiation in their products, which has the effect of not being able to innovate in the development of new footwear designs with raw materials with quality and without differentiation. This causes the majority of producers, at the national level, to produce similar footwear.
- A Company dedicated to the manufacture of shoe soles, with a 100% installed capacity can generate a production of 200,000 pairs per month, which is a great opportunity to supply the national market. These types of companies are innovating apart from offering good quality products. These companies have been born due to the need of the sector in terms of different products at lower costs.
- This type of company also provides the injection service per pair of soles, which has a cost of US\$0.25 if it is single-color and a cost of US\$0.75 if it is two-color, already offering a type of differentiation. The cost of a dozen soles can vary between US\$10 to US\$15 depending on the type of product due to its materials or quality.

- Within the production of soles you can find the following: expander, PVC soles, EVA soles, TR soles, Insoles, Latex Foam, PU Foam, Linings, interlinings, toecaps, buttresses.
- There is the provision of services for lamination, injection of soles, rectification of pastelones and manufacture of uppers.
- The majority of distributors have captured most of the market, since 90% of the companies in the sector do not import or manufacture their own inputs.

#### b) Quality

The INEN (2020) and the companies that are part the sector have worked together on the regulations of the quality of footwear production in the country. It contains parameters and tests that manufacturers must obtain in different types of products that have been evaluated on the basis of international regulations already implemented in other countries dedicated to the manufacture of footwear.

Within the production of safety footwear, the INEN-ISO 20344 standard is in force, this international standard specifies the basic and additional (optional) requirements for safety footwear for general use. It includes, for example, mechanical risks, slip resistance, thermal risks, ergonomic behavior (INEN, 2020). According to the records of the INEN laboratories from 2014 to 2020, it was found that the different footwear components are tested according to the following detail:

- Leather is tested for traction (NTE INEN –ISO 3376; NTE INEN 1061), water resistance % (NTE INEN ISO 5404), elongation, flexion and absorption percentage according to (NTE INEN 1926)
- The sole is tested for flexion hardness and abrasion resistance (NTE INEN -ISO 20871); reference methods ISO 4649, according to the Ecuadorian Technical Standard, NTE INEN 1813.
- Corrosion resistance tests are carried out on the metallic elements that contain the safety boots according to NTE INEN ISO 20344: 2014.
- Impact resistance tests (NTE INEN ISO 20344: 2014) and compression resistance are carried out in accordance with the Ecuadorian Technical Standard, NTE INEN 1922.

- Seam resistance tests are carried out on the threads to prove their quality of union according to NTE INEN 1920.

There are also regulations that involve the production of school shoes, women's and men's shoes. However, in Ecuador there are only five companies that have national or foreign quality certifications, the rest use technical parameters to review the quality of their products within their companies, but these procedures cannot be certified.

#### b) Type of production

According to the interview with Villavicencio (2022), it was indicated that manufacturers in the country serve various customer segments, since they have different production lines. However, it should be considered that, in production volumes, the manufacture of school footwear occupies the largest share of national production, followed by the manufacture of footwear for women and men, safety, protection and work footwear, mountain footwear, sports shoes and orthopedic shoes (Líderes, 2012).

According to Parra (2016), the percentages in sales according to the types of footwear manufactured in the country are in first place leather footwear representing 45%; injected, 25%; sports, 15% and plastic 15%. Based on a brief survey of footwear manufacturers in Cuenca, it was possible to see that they diversify their production depending on their customers, available raw material, costs and market prices, with seasonal demand as a parameter that arises from events such as: mother's day, father's day, back to school, end of year festivities. They have also managed in some cases to produce on the request of clients; that is to say, that there is no specialization in a single type of footwear.

Among some of the bottlenecks that the sector presents to sustain its market share, for example, is that most manufacturers do not have quality certifications of their products. To this is added the informal sale and smuggling, the lack of knowledge and experience to import quality raw materials at low cost. Likewise, there is unfair competition between manufacturers. Raw material importers do not have a diversity of materials and there is dependence on neighboring countries, these being the ones who introduce the final product to the national market. The local tanneries have high prices and their products are in line with the reality of footwear worldwide, since the majority of quality leather is exported. On the

other hand, the consumption of leather footwear has a downward trend, since sports shoes are the most consumed worldwide. Other obstacles are the shortage of qualified labor, the lack of access to financing, the non-existence of market studies of the Ecuadorian consumer and finally, the lack of public policies focused on encouraging the development of the sector.

Below, in Table 2 are the types of products that are manufactured in the country based on a visit to stores of national manufacturers, information from the web and social networks in order to identify the products and average prices of the actors in the sector.

**Table 2**  
*Type of footwear manufactured in Ecuador*

| <b>Type of Product</b>                     | <b>Details</b>   |
|--|--|
| <b>Women Footwear</b>                      | Casual Footwear, Heeled Footwear, Boots, Ankle Boots, Ballerinas, Espadrilles, Platforms, Orthopedic Footwear, Sandals.                                  |
| <b>Men Footwear</b>                        | Oxford, Boots, Ankle Boots, Moccasins, Casual, Mountain Shoes, Orthopedic Shoes, Sandals.  |
| <b>Children's Footwear</b>                 | School Shoes, Casual, Canvas Shoes, Sandals.   |
| <b>Security shoes, Protection and Work</b> | Rubber boots.<br>Steel Toe Safety Shoes, Antistatic Safety Shoes, Dielectric Safety Shoes, Safety footwear with waterproof protection, or other similar. |
| <b>Sports Shoes</b>                        | Footwear with textile, Soccer Shoes, Cemented Footwear, Sneakers   |

Source: Own elaboration

It is also identified within large companies, the presence of recognized national brands in the production of school footwear and canvas footwear can be highlighted. Also, you can find family structures classified within what would be medium and small companies which have recognition of their brands in the manufacture of footwear for women and footwear for men with national recognition. On the other hand, the type of safety protection and work footwear has gained a market within public purchases and sales that have a final destination to companies from different industries in the country managing to compete in price and quality against imported products.

Next, in Table 3, the price ranges that are part of the research carried out for the previous table are presented.

**Table 3**  
*Price range by product type*

| <b>Type of Product</b>                              | <b>Sale Price</b>  |
|---|--------------------|
| Children Footwear<br>Men Footwear<br>Women Footwear | USD\$15 a USD\$100 |
| Sports Shoes  | USD\$20 a USD\$120 |
| Security shoes,<br>Protection and Work              | USD\$40 a USD\$150 |

Source: Own elaboration.

#### **iv. Commercialization**

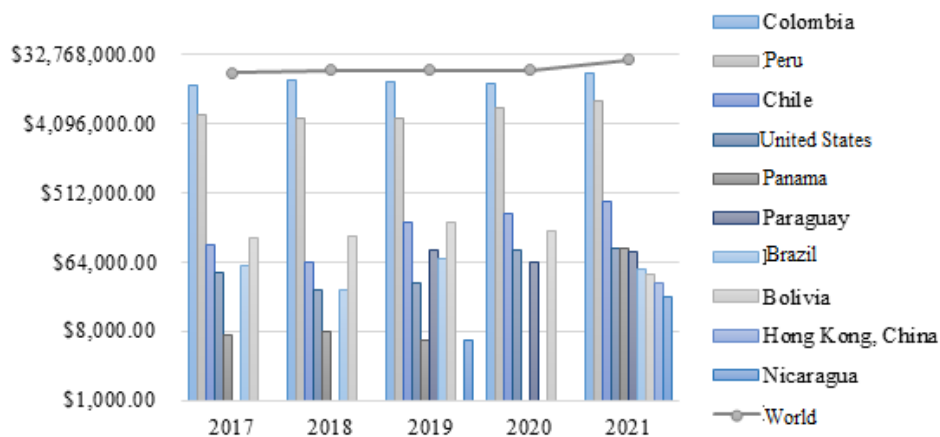
The distribution channels of the actors in the sector have as destination the commercial chains. Among them are: La Favorita Corporation, El Rosado Corporation, CORAL, Etafashion, De Prati, Súper Éxito, PICA and Depisar. On the other hand, they also have clients such as wholesalers and retailers. A lower amount is the one that has its own stores or makes online sales. Finally, it should be noted that the footwear sector has become involved in public procurement processes, which has led to the consumption of national production in government institutions.

There are no market studies on the consumption of footwear in the country, therefore, the preferences of final consumers cannot be directly identified. However, Villavicencio (2022) indicates that shoe factories project their productions based on festivities such as: start of classes, Mother's Day, Father's Day, Children's Day, Christmas and New Year's Eve, since those are seasons where the demand increases. He also indicates that the marketing method can vary depending on the type of manufacturer, since several have negotiations with big commercial chains so that they make the offer. Other manufacturers have their own point of sale; instead, artisan manufacturers tend to offer their products in places of commerce such as popular markets.

#### **v. Exportations**

In Figure 6, the performance of exports in the year 2021 is displayed; with a value of US\$29 million, taking into account that 95% have been destined for the neighboring countries of Colombia and Peru. Then there is Chile, with 1% and the United States, with 0.30%.

**Figure 6**  
*Footwear export destinations from Ecuador*



Source: (Trade Map, 2022)

Exportations have had a growth of 10% in the last 5 years. In this way, they have maintained a growth of 2%, in each year, until 2021. Within the products exported by the sector, identified by Subheadings and description, it has been identified that 96% of exports are concentrated in three Subheadings: 640192 (Footwear with waterproof soles and uppers made of rubber or plastic); 640419 (Footwear with rubber or plastic soles and textile uppers) and 640411 (Sports footwear, including tennis, basketball, gym, and training shoes) (INEN, 2013; Ministry of Foreign Trade, 2017).

In order to obtain more information on the export scene, a brief interview was conducted with Poma (2022), Advisor to the Leather and Footwear Sector at ProEcuador. She indicates that market studies have been carried out for the footwear sector, where countries such as: Bolivia, Chile, Colombia, Peru have been identified, but the information has been generated to search for markets for industrial safety footwear. Footwear companies do not have strategic planning focused on opening international markets because their knowledge and productive capacity have not allowed them to open these horizons. Within the project "Ruta del Exportador" there is a segmentation of the companies, according to the progress in the traffic lights that the entity establishes as part of the project. There, the necessary



requirements must be met to be able to count on the support to be part of fairs, missions or international market studies.

Most shoe manufacturers do not have prior experience. Within their planning is the possibility of exporting, but they have not yet succeeded due to the lack of information on foreign trade, market studies, participation in fairs or missions. However, there is interest in being able to look at this issue in the long term, since companies do not have the productive capacity, quality, marketing methods, logistics, among other factors, to be able to offer their products abroad. It is important to mention that the production cost of a pair of shoes in Ecuador is not competitive in relation to large producers worldwide. However, globalization and within it, considering trade agreements, become mechanisms for industries to develop, compete and seek to enter new markets, which ultimately becomes growth in the sector.

The actors in the sector request a review of the correct application of tariffs for imported products, as well as a review of prior import documentation, by the competent entity, given that there have already been several claims about undervalued products, irregular imports, contraband in port and borders. For this reason, from the unions, it has been recommended to maintain tariff measures, safeguards or compensatory measures to government entities aimed at sustaining the sensitivities of the sector and, on the other hand, it is also recommended to review the benefits that trade agreements may have, by moment of being able to identify facilities such as the opening of tariffs on imported machinery or inputs (Villavicencio, 2022).

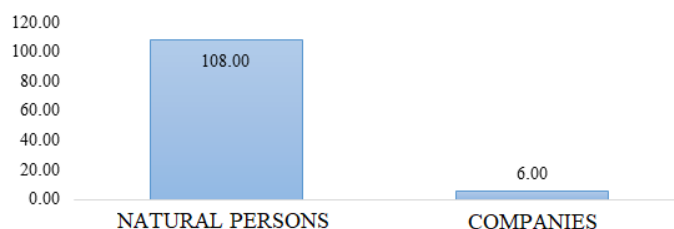
## **1.2. Analysis of the footwear sector in the Cuenca**

### **i. Characterization**

In the Province of Azuay there is the footwear manufacturing activity of which family structures in urban and rural areas are part. Gualaceo is the most recognized productive area in this activity where you can identify the "Footwear Route" that covers the majority of small producers. It has been identified that this type of producer provides maquila services, that is, they receive orders from "Medium and Large Companies". The participation of this province is 11% in relation to the total number of companies nationwide, where you can find artisans, SMEs, and medium-sized companies in cantons such as: Gualaceo, Chordeleg, Cuenca, Paute, Santa Isabel, Sigsig. Based on the information obtained from the SRI (2022), in Figure

7, "Other Taxpayers" are identified within the Cuenca which are Natural Persons or Companies.

**Figure 7**  
*Taxpayers in Active status – Cuenca*



Source: (SRI, 2022)

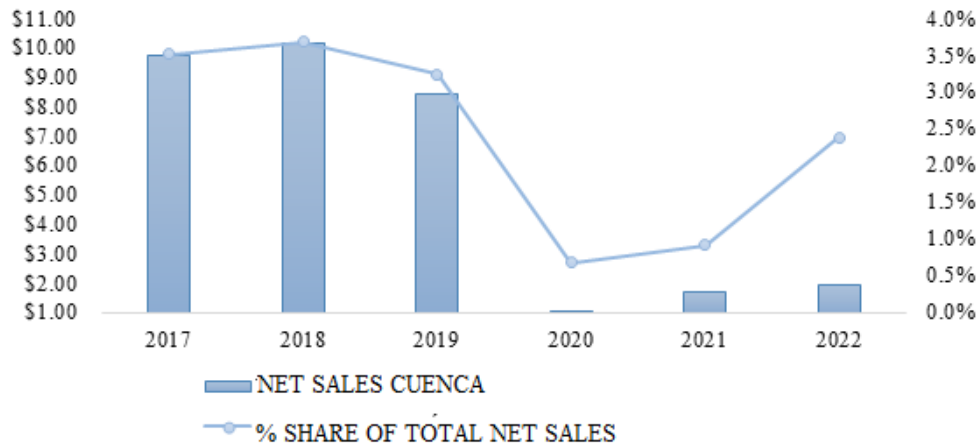
It was possible to demonstrate through the SRI (2022), that there is a large number of taxpayers in a "Passive" or "Suspended" status, which has been an effect of the closure of activities due to the lack of competitiveness that has caused the imported products to become rivals, triggering in a migration of labor, which becomes one of the biggest problems that this activity has in the country, the lack of qualified human capital and the lack of educational entities that promote this type of learning.

**ii. Economic performance**

The sales generated by the footwear manufacturers in the Cuenca Canton, are identified for the last years in Figure 8, where the sales generated by the actors located in the Cuenca Canton represented an average of 2.5% in the last years. In addition, the post-pandemic recovery in production and sales has been slow, and has not yet reached pre-pandemic values.

**Figure 8**

*Economic Performance of the Cuenca Footwear Sector (in millions of USD)*



Source: (SRI, 2022)

The sales generated in the year 2022 add up to a total of US\$1.9 million dollars; in 2021, a total of US\$1.6 million dollars, which meant a decrease of approximately 70% in relation to the operations that occurred prior to COVID - 19. The direct effect is evident in the closure of companies, unemployment, in the change of price of products to the final customer, the last have not generated purchases of luxury goods.

### **1.3. Institutional Context of Tiznado Company**

"Tiznado" was born from the taste of its founders for fashion and with the business idea in which quality products could be developed that can demonstrate that what is made in Ecuador can compete with international brands. That is why every day Tiznado strives to know and apply techniques and knowledge that allow us to maintain continuous improvement. The Tiznado brand refers to or expresses Ecuadorian culture, its roots, as a nation in which the word Tiznado becomes a synonym for mestizo, an Ecuadorian race, which it proudly represents. Tiznado also reflects the art in the finishes they give to the products, which is a kind of darkening or smudge, which leaves a carbon mark. They consider themselves a proudly Ecuadorian company, the result of a long-term programmed study by three brothers motivated to build and carry out a project that was always their dream. In August 2014, in the city of Cuenca, the implementation of the company with the Tiznado brand began, thus

contributing to the development of the industry generating sources of employment for skilled artisans who with their daily effort produce international quality products.

The information below has been collected through an interview with the company.

a) Mission

Design and manufacture footwear and accessories with high quality standards, combining artisan techniques and cutting-edge technology, to market them with an efficient service, satisfying the needs of the most demanding customers.

b) Vision

To be a leading company at the national level, with a brand recognized for its quality and excellence in unique and innovative designs, implementing continuous improvement, which allows us to grow and endure over time.

c) Corporate Objective

The main objective of the company is the design and manufacture of footwear and accessories, maintaining artisan manufacturing techniques, taking care of every detail in the process, complementing with new production methods and technology, to find the perfect balance in comfort, design and quality of the products that generate satisfaction to our customers.

d) Values

Social: Offer a quality product to our clients in a way that satisfies their needs with comfortable, competitive prices, with quality and guarantee on the products.

Organizational: Offer your products the appropriate quality standards, using raw materials according to technical specifications that comply with existing regulations. In addition, always being at the forefront of fashion for continuous improvement.

e) Target Market

The most accurate determination to define the profile of actual and potential consumers of leather shoes is guided mainly in the medium-high socioeconomic level of the geographical area at the national level of Ecuador, especially in the city of Cuenca, Quito, Machala, Loja,

Macas, Riobamba where the main activities of footwear such as: footwear for ladies, gentlemen and also cleaning accessories are developed. Starting from its designs focused on the new European fashion trends adding its personalized touch, where they enter with new designs in casual, formal and urban shoes for men. They start with the design of their lasts, which they send to specialized national companies until they reach the desired shape. The raw material used is of the best quality, where the true contribution of the added value of this product is concentrated and its differentiation that is given in its elaboration, with a quality control in each process from the cutting to packaging, achieving an almost perfect final product.

The brand is represented by nature, local architecture, adventure, music, family, and classic automobiles, where its footwear designs inspire and provide a unique style to that of the competition. Its portfolio this 2021 has new products for women and accessories, which reinforces its position in the women's market.

#### f) Raw Materials

The main raw material for the development of products are leather, macanas, linings and insoles with a national origin, the other components such as ornaments, sole appliqués, studs, are purchased from national stores and in other cases imported. A direct development with suppliers has already been carried out so that the raw material such as leather is processed according to the needs of the product.

#### g) Quality

The experience and training allow them to recognize the quality of the raw material, as well as the fact of working with suppliers that have been in the industry for more than 30 years. Raw materials comply with all international quality standards and requirements, in specific cases raw materials are exported to some countries. At the moment the brand does not have quality certifications.

Until now, shipments have been made abroad for final customers and to sell in the local market it is not required to comply with these regulations. However, the certification process is known, so it is necessary to determine a value and effort for its implementation.

#### h) Products

For the time that the company works with the line of formal footwear for men, it is the one with the highest sales and reception in its target market. Product collections are constantly being developed with approaches to the acceptance of certain product lines and international trends are taken as a reference. However, for products with identity, the cost increases and there is a very small niche; that is why the project is not executed.

Export products will be type A, quality materials, which allow them to be at the level of any export product, with an added value that will be the personalization and use of materials that give a local identity. The company has the installed capacity required for export. However, there is a deficient workforce specialized in footwear, which complicates the desired growth.

#### i) Marketing

They have their own store, sales through distributors and sales through stores specializing in the sale of footwear. For the export project, they want to contact and locate their products in physical stores in the city of Madrid, which already have a history of selling Ecuadorian products. On the other hand, they want to start selling through a web page to promote their brand internationally. However, they have not carried out market studies, the information they access is from web pages, where the appreciation of European consumers for products with an Andean identity is observed.

### **1.4. Analysis of the Footwear Sector in Spain**

#### i. Characterization of the Sector

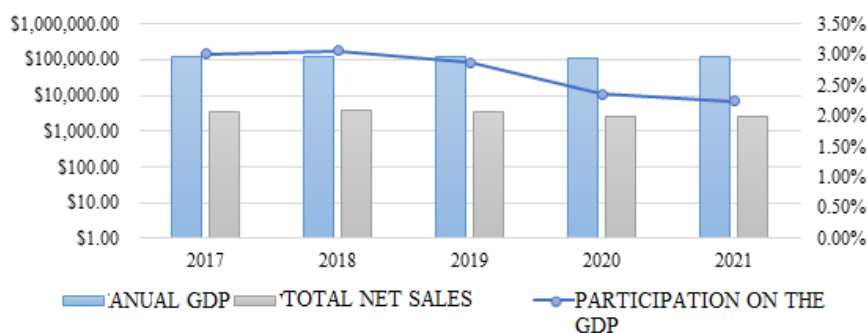
The manufacturing sector in Spain, during 2021, increased by more than 8%, while billing increased by 16% and exports grew by close to 20%. The economic reactivation during the first half of 2021, together with the weakness of the dollar and the supply problems of raw materials, contributed to making it more expensive. This occurred, especially, in the industrial metals sector, as well as in energy matters, since these two are more linked to the global economic cycle (CaixaBank Research, 2022).

Based on the information obtained in Aquora (2021), it can be identified in Figure 9 the sales declared by the Spanish footwear sector. The participation of this industry represents an average of 2.5%. For the year 2021, the sales generated were US \$2,694 million dollars. However, it should be noted that it has been losing strength within the Spanish market in

recent years and the difficult economic situation derived from the pandemic only increased the problem. In 2020, the industrial production of the footwear manufacturing sector experienced a drop of more than 81% compared to 2015 and in the last twelve months more than 45%.

**Figure 9**

*Participation of the Footwear Sector in relation to GDP (in millions of USD)*



Source: (INE, 2022; Aquora, 2021)

According to Ernst and Young (2020), the total contribution to employment, including external activities linked to the sector, reaches 4.1% of the labor market. In addition, it generates six billion euros in taxes: three thousand seven hundred million in VAT, two billion in Social Security contributions and three hundred and thirty million in Corporate Tax. The sector has been a key piece in the economic and social modernization of the country. Spanish companies are among the countries with the greatest innovation in recent decades and currently represent more than 10% of the Spanish productive fabric. Regarding the number of employees, for the year 2021, 43 thousand people were found working for companies in the sector; This has increased in relation to the year 2020 since, due to the effects of COVID-19, employment was affected and 33,000 people were registered as employees (Aquora, 2021).

Taking into account the National Classification of Economic Activities (CNAE, 2009), this sector includes the codes of the CNAE 15.2 group, which correspond to footwear manufacturing activities (Idepa, 2021). According to this activity, there are around 4,000 companies, there are 7 "Large Companies" and the rest are medium or small manufacturers,

for which the majority belong to the SME segment (Ministry of Industry, Commerce and Tourism, 2021a). Companies represent 12.6% of the total dedicated to this activity in the European Union. In addition, it should be noted that there are 2,420 exporting companies. However, in recent years, the number of companies in the sector has decreased by 12% (Aitex, 2021),

It is a benchmark sector inside and outside its borders; it attracts shopping tourism, with 13% of the total produced in Spain. In addition, these measures promote the internationalization of Spanish companies in more than 100 countries and represent, in Spain, at least 8.7% of exports. Likewise, the textile, clothing and footwear sector generates employment in many municipalities in different regions of Spain, especially in the Valencian Community, Catalonia, Galicia, Andalusia and Castilla la Mancha, which accumulate 70% of employment in this industry (Ernst and Young, 2020).

In the ranking of Autonomous Communities that contributed the most to the fashion industry, the Valencian Community, Catalonia, Galicia and Andalusia remained the four leaders in terms of employment and number of companies. Fifthly, the Community of Castilla-La Mancha took over from Madrid, which held this position in the previous edition of the report. In terms of fashion sales, Catalonia, the Valencian Community, Galicia, Madrid and Andalusia were proclaimed champions (Modaes and Cityc, 2021)

To learn about the latest news in Spanish fashion, the following events can be found in this country: Mercedes Benz Fashion Week, Madrid es Moda, the Madrid Fashion Show, MOMAD Shoes, the Madrid Fashion Film Festival, TRESemmé MFSHOW WOMEN and the salon MOMAD METROPOLIS that occur mostly in the autumn and winter period. Other important options are the Vogue Fashion Night Out and Gastrofashion, which take place within the Gastro and San Jorge Juan festival. As can be seen, Madrid has several fashion exhibitions. Finally, it should be noted that Madrid is in the top 10 fashion city in the world. Spanish fashion occupies an important place in the international arena, even in the haute couture market. The Las Salesas neighborhood is less formal than the Salamanca neighborhood, and alternative fashion options created by young local designers can be found in the Triball and Chueca neighborhoods (Turismo Madrid, 2022).

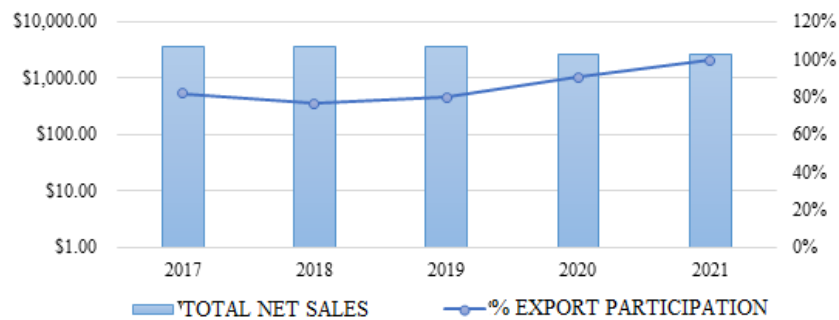


## ii. Economic evolution

In the year 2021, a sum of US \$2,278 million dollars is registered. In the year 2020 they add up to \$2,964 million dollars; while, in 2019, US\$3,162 million were added, where an average declared sales of US\$3,000 million dollars was found in the last 10 years. In Figure 10, the declared sales of the sector in recent years can be seen.

**Figure 10**

*Economic Performance of the Spanish Footwear Sector (in millions of USD)*



Source: (Aquora, 2021)

In 2020 marked by the COVID-19 pandemic, the Spanish footwear industry saw its production drop by more than 35 million pairs of shoes compared to the figure recorded during the previous year. Specifically, a total of approximately 83.1 million pairs were produced in Spain in 2020, a year marked by the COVID-19 pandemic, the apparent consumption of footwear in Spain was around 196.5 million pairs. of shoes. This figure represented a decrease of approximately 89.1 million with respect to the volume consumed during the previous year (Aquora, 2021).

## iii. Production

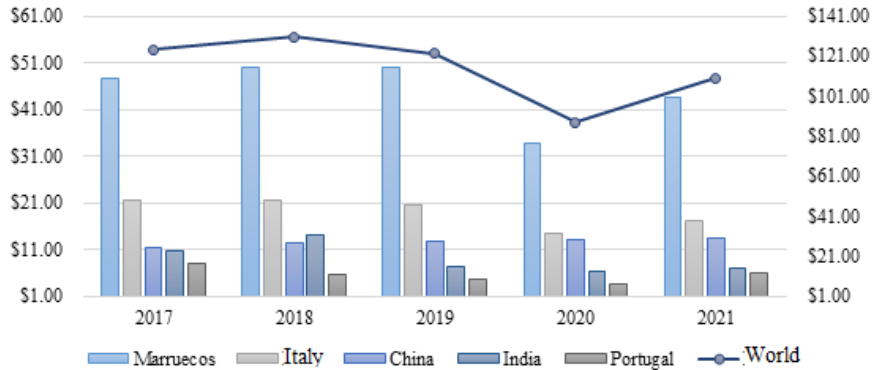
### a. Raw Materials:

The raw material for making shoes varies depending on the type, for example, basketball shoes are not the same as women's shoes. Large manufacturers use various types of raw material to make shoes. The most popular is leather. There are other materials such as canvas, satin, polyester blends, etc., which are also widely used. The Spanish Association of

Footwear Component Companies has indicated that the recovery of the productive sectors after the pandemic has been difficult due to the scarcity of raw materials and the sharp increase in transport prices (Efe, 2021).

The general director of the Spanish Association of Footwear Components (AEC) indicated that, at a national and European level, they depend on international manufacturers to obtain pigments, glues, plastics and polyurethanes, since these products are not produced in Spain. In addition, no tanning is produced in the country, with the exception of some in Catalonia and the province of Valencia, which is why they are imported. So, there is dependence on the international market, from the Ukraine area, for example, where there was a firm with headquarters in Elche, skins are imported from India, Bangladesh, Asia, and also from northern Europe. The lack of cellulose is also evident, fundamental because the insoles are made with paper and cardboard, and in terms of prices, materials such as rubber have become much more expensive (Serrano, 2022). Below, in Figure 11, are the main suppliers of raw materials for Spanish manufacturers.

**Figure 11**  
*Main exporters of raw materials to Spain (in millions of USD)*



Source: (Trade Map, 2022)

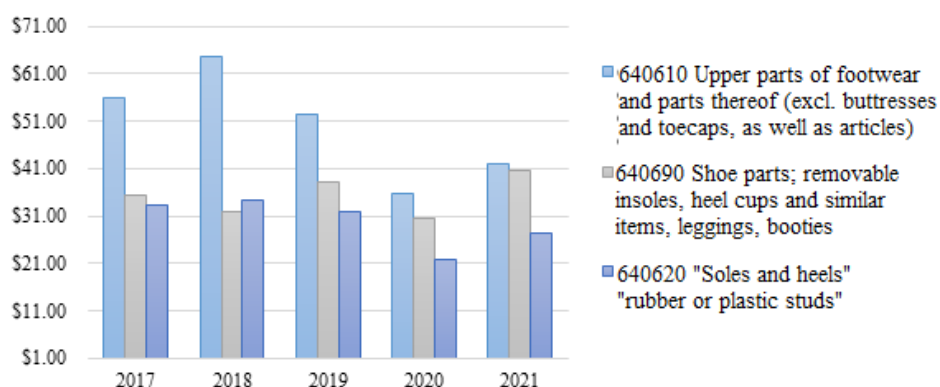
With 42%, Morocco is the main supplier of raw materials, recording a value of US \$43 billion by 2021. In second place is Italy, with a 16% share. In third place is China, with 12%; while, in fourth place, India with 6%. Finally, there is Portugal, with 5% of the total imported. The rest of the percentage is divided between countries such as: Hungary, Romania, Tunisia,

Germany, Poland, France, Vietnam, the Netherlands, Mexico and Bangladesh, which together represent 15% of the total imported.

In Figure 12, it can be concluded that subheading 640610 represents 55% of imports in relation to raw materials on average for the last 5 years. In second place is subheading 640690, which represents 38% and, finally, subheading 640620, which represents 32%.

**Figure 12**

*Evolution of Subheadings imported raw materials (in millions of USD)*



Source: (Trade Map, 2022)

b. Quality:

Shoes have a very varied category, with various designs that use a wide variety of materials and require a large number of different production processes. Due to this, the process of testing and quality control of footwear is very demanding (Qima, 2022). For this reason, in this country there is the Spanish Standardization Association, whose objective is to promote the development of the activity sectors through the use of technical standards, in such a way that it can guide all the participating and involved actors in this effort. (UNE, 2022). Within its objective, there are Technical Committees for Standardization, CTN 59 corresponds to the Leather, footwear and derivatives industries, which together with footwear manufacturers and laboratories work together on standards and test methods for the sector. Below, you can see a few standards developed by this committee, since there are around 600 tests that are carried out, the following are listed as an example:

- Footwear. Test methods for heels. Retention force of heel nails (ISO 19957, 2021).
- Footwear. Critical substances may be present in shoes and their components, which is why the test method is used to quantitatively determine polycyclic aromatic hydrocarbons (PAHs) in footwear materials (ISO 16190, 2021).
- Footwear. Chemical tests. General principles related to sample preparation (ISO 21061, 2021).
- Footwear. Critical substances potentially present in footwear and footwear components. Determination of dimethyl fumarate (DFMU). (ISO 16186, 2021).
- Footwear. Critical substances potentially present in footwear and its components. Part 2: Determination of phthalates without solvent extraction (ISO 16181-2, 2021).
- Footwear. Determination of the coefficient of friction for footwear and sole components. Test method (ISO 24267, 2020).
- Footwear. Test methods for complete footwear. Flexural durability (ISO 24266, 2020).
- Footwear. Test methods for the resistance of the upper part to rubbing with a rubber strip. (ISO 24265, 2020).
- Footwear. Test methods for hollow and compact heels and tops. Cap fixing resistance. (ISO 24264, 2020).
- Footwear. Strength of fixation of straps, decorations and accessories. (ISO 24263, 2020).
- Footwear. Test methods for uppers, lining and insoles. Color fastness to rubbing and fading. (ISO 17700, 2019).
- Footwear. Test methods for buttresses and stops. Sticking ability. (ISO 20863, 2018).
- Footwear. Test methods for zippers. End joint strength (ISO 10750, 2015).
- Footwear. Complete shoe test methods. Resistance of the cut-sty joint (ISO 17708, 2018).}
- Footwear. Test methods for midsoles. Fatigue resistance (ISO 18895, 2006)
- Footwear. Test methods for cuts. Water resistance (ISO 17702, 2003)
- Leather. Fastness tests. Color fastness to saliva (ISO 20701, 2017)
- Footwear. Test methods for the verification of linings and insoles, through static friction (ISO 22653, 2003)

According to INESCOP (2022), it is prepared to carry out more than 600 different tests on footwear materials and components and, likewise, on the finished shoe itself. Thus, there are well-defined and documented test methods, as well as optimal equipment for testing and evaluating the quality of footwear. Most of these standards are internationally accepted and are updated and adapted to the needs of the footwear manufacturing and use processes.

The alliance with the Technical Center for Leather, Footwear and Leather Goods (CTC), based in Lyon (France), focuses especially on providing certification and quality control services for companies, in such a way that support is provided with the configuration of a network of partners, laboratories in Spain and clients globally, predominantly in the Asian continent (INESCOP, 2022).

INESCOP, a footwear technology center located in Valencia, Spain, presented the Footwear UX-LAB, a recent laboratory dedicated to evaluating the quality and improving the comfort of footwear through the use of the latest technologies in the field of health. and comfort (Adminca, 2022).

For its part, the Qima shoe test protocol (2022) includes the following physical and mechanical tests:

- Union in the seat piece and adhesion of the templates
- Flexibility in the heel area
- For high heels, the heel fixation resistance is measured
- Pull tests to verify components and accessories
- Verification of symmetry
- Color shading
- Verification of color and its fastness, with rubbing tests
- Smell test
- Test to verify the quality of zippers and laces
- Harmful substances
- Fiber identification
- REACH test
- Test of appropriate size

- Weight test
- Labeling resistance
- Barcode scan test
- Prevention of mold contamination
- Prevention of metal contamination
- Adhesive verification for logos and prints
- Water test
- For clothes with 100% cotton, there is the burn test
- Antibacterial and antimicrobial test
- Formaldehyde test
- Dimethyl fumarate test
- Verification of corrosion levels
- Slip resistance
- Resistance to wear of the sole
- Strength of seam bartacks
- Cord strength and durability

The footwear sector in Spain has many companies and tests that allow the evaluation of their footwear in all phases of development and production, which is a competitive advantage, since having this type of analysis, testing of materials and components that make up the finished product, that is, the comprehensive evaluation of the shoe, result in fewer defective products, improve quality, and increase customer loyalty and satisfaction, which has the purpose of improving the brand image (Qima, 2022).

c. Type of products:

Listed below are the different shoes manufactured by Spanish companies. Spanish shoe brands offer a wide variety of footwear, including mountain shoes, party shoes, walking shoes, casual shoes, moccasins, sports shoes, nautical shoes, and many other varieties. , which makes Spain a benchmark for the industries of this sector in the world. Regarding innovation and advanced technology in materials, Spanish manufacturers have combined leather as the main material with technological advances in favor of comfort and design.

Added to this, Spain is a benchmark in orthopedic footwear because it has evolved a lot in recent years to offer quality materials and benefits to people with delicate feet, including advances in insoles and soles that are distinguished by their quality and functionality (L'Alqueria, 2021).

The city of Elche is home to several renowned companies such as Pikolinos, Panama Jack, Gioseppo, Porronet, Saxo, and also important sports brands that manufacture sneakers, shirts and pants. Some examples are Joma and Kelme, which have achieved success, standing out as one of the most recognized cycling teams in the world (Olivares, 2019).

#### **iv. Commercialization**

According to the study carried out by the EAE Business School (2022), the apparent consumption of footwear in Spain in 2020 was 196.5 million pairs of shoes, considering that there was a decrease of approximately 89.1 million compared to the volume consumed before the pandemic. The income generated by the online sale of footwear is 1,875 million US dollars in 2021 and it is expected that until 2025 it will have a growth of 2,800 million dollars. The average expenditure per person on clothing and footwear was €405.48 in 2020, which, it should be considered, had a decrease of 28.8%, compared to 2019 (€569.55). Growth is expected to slow down in the coming years: 3.5% in 2023 and 3.1% in 2024. Meanwhile, for 2025, 1.9% is projected.

The number of people who bought clothing, shoes, and accessories over the Internet in Spain stood at around 14 million in 2020. This figure not only represented an increase of more than 2.5 million compared to the previous year, rather, it was the largest number of registered online fashion buyers in the country during the study period. In 2020, the average expenditure of Spanish households on children's footwear amounted to approximately 42 euros, which represented a decrease of around 13 euros with respect to the figure registered during the previous year. In the case of women's footwear, the same trend was experienced with a drop in average spending close to 51 euros in one year. For their part, although households in the country also spent less money on men's footwear on average, the decrease was smaller. Specifically, average spending on men's shoes in Spain was around 90 euros in 2020, compared to 128.1 euros the previous year (Aquora, 2022).

According to Pinker Moda (2022), in its shoe consumption report in Spain, it can be identified that women buy more footwear than men and, despite the fact that both see quality as an important factor, in such a way that this is its main attraction, women pay more attention to design and men to durability and resistance. Hence, 65% of the women surveyed state that they buy shoes based on trends, compared to 31% of men. In addition, of those surveyed, half say they are loyal to the store where they always buy, while 35% say they do prefer to change. Regarding the fashion consumption habits of Spaniards, it is indicated that 6 out of 10 Spaniards buy clothes and shoes every month, with an average monthly expense, per person, estimated at 90.50 euros. Another interesting fact is that 8 out of 10 do not know how much their wardrobe is worth, although if they had to estimate an average it would be around 2,480.70 euros. Finally, almost 59% have more than 35 items of clothing in their closet.

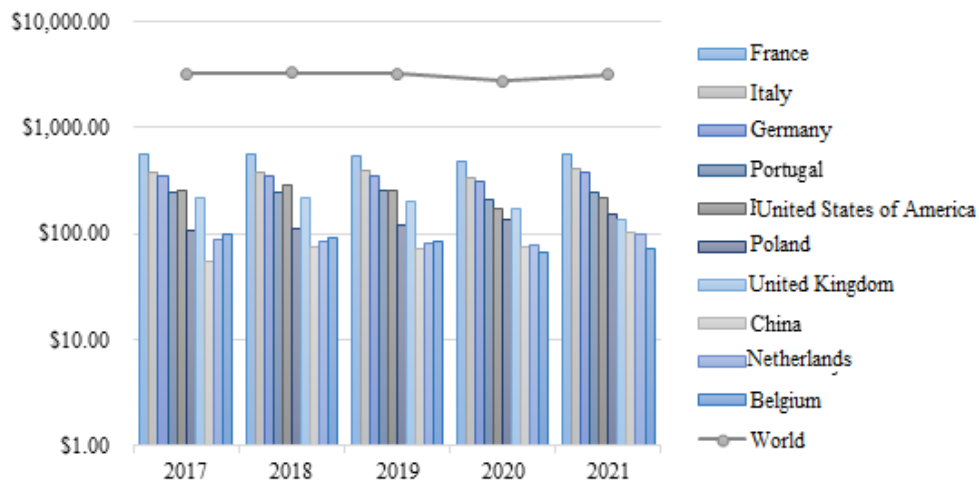
#### **v. Exportations**

Footwear exportations have continued their upward sales trend during the first two months of the year. For this reason, in February of this year, Spain sold shoes worth 280.8 million euros abroad, which represents an increase of 25.2% compared to February 2021, for which, to a certain extent, an increase of 4.3% was seen compared to February 2020, just before the start of the COVID-19 pandemic (Revista del Calzado, 2022).

Spain's exports have 200 countries that are the final destination of their products, that is, they have a powerful diversification in international markets, for which, in Figure 13, are the destinations of exports from Spain to the world. Total net exports for the year 2021 totaled US\$ 3 billion, identifying France as the first destination since it represents 17% of the total exported. However, the difference with the rest of the countries is almost minimal, so it can be concluded that the majority of buyers are on the same continent, except for the case of the United States, which represents 7% of foreign sales in the sector. (Trade Map, 2022).



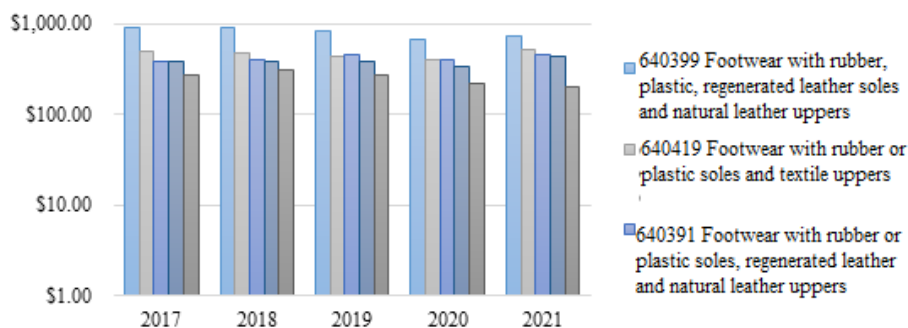
**Figure 13**  
*Top 10 export destination countries (in millions of USD)*



Source: (Trade Map, 2022)

According to the latest report from the Ministry of Industry, Commerce and Tourism (2021b), in the first two months of 2022, Spanish firms sold shoes worth 497.6 million euros abroad. Compared to the same period in 2021, exports were 22.3 percent higher, while in relation to the accumulated value of January-February 2020, the value of exports fell 5.6 percent. Regarding imports, in the first two months of this year, Spain acquired footwear abroad for an accumulated value of 629.3 million euros.

**Figure 14**  
*Top 5 Subheadings exported by Spain (in millions of USD)*



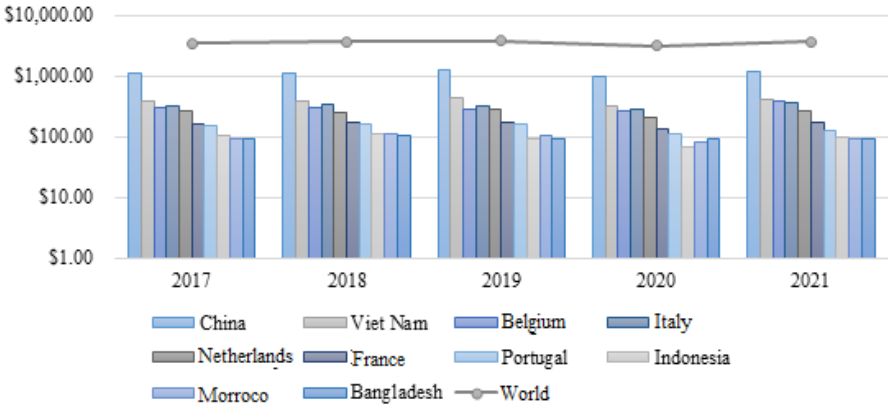
Source: (Trade Map, 2022)

In 2021, the Spanish footwear industry exported approximately 149.7 million pairs of shoes. This data represented an increase of around 18.2 million pairs with respect to the export volume registered during the previous year. France became the main destination for Spanish footwear in 2021, importing approximately 32.5 million pairs of shoes during the referred year. Italy and Portugal were in second and third position, respectively (Aquora, 2021). Around 42% of the shoes in Spain are produced in Elche, which is why they are producers that stand out in Europe. The export of footwear from this city contributes significantly to the province of Alicante having one of the highest trade surpluses in the country. Alicante footwear is very important since 90% of Spanish footwear exports to the United States come from the province of Alicante. This significant amount represents 8% of the imports of this type of product for the North American country (Olivares, 2019).

**vi. Importations**

In Figure 15, the main countries from which footwear is imported to Spain it can be identified that in 2021, total imports amounted to an average value of US \$3 billion dollars in the last 5 years.

**Figure 15**  
*Top 10 origin of imports to Spain (in millions of USD)*

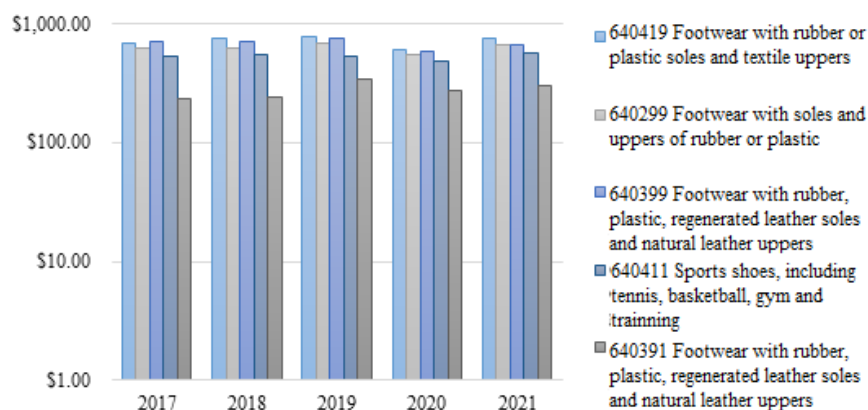


Source: (Trade Map, 2022)

With a 33% share in recent years, China is the main exporter of footwear to Spain. It is followed by Vietnam, with 11%. In third place is Belgium, with 10%. In fourth place, Italy appears, with 10%; In fifth place are the Netherlands, with 7%. Subsequently, there are the rest of the countries that represent 3% in relation to the total imported. In Figure 16, the

main Subheadings that have been imported to Spain are found, where it can be identified that subheading 640419 represents 20% of the total imported products. Then there is subheading 640299 and 640399, representing 18% respectively, while subheading 640411 represents 15%. Finally, subheading 640391 represents 8% in relation to total imports.

**Figure 16**  
*Subheadings imported by Spain (in millions of USD)*



Source: (Trade Map, 2022)

In 2021, the Spanish footwear industry imported approximately 260 million pairs of shoes. This data represented an increase of just over 15 million pairs with respect to the import volume registered by the country during the previous year. China was the main source of footwear sold in Spain in 2021. Specifically, the Spanish footwear industry imported approximately 146.4 million pairs of shoes from the Chinese market during the aforementioned year. Vietnam and Bangladesh ranked second and third, respectively. (Now, 2022)

For their part, shoe imports reached a value of 1,247 million euros, an increase of 5.4% compared to the previous year, due to retained demand after a year without leaving home. However, compared to 2019, purchases are still 19.2% below (Godoy, 2021).

## CHAPTER 2: FEASIBILITY ANALYSIS

### 2.1 Analysis of the macro-environment of Spain

#### i. PESTEL

This type of analysis studies the external factors that are key to the development of industries such as: political, economic, sociological, technological, legal and environmental. Next, the factors that are related to the analyzed destination country and its footwear industry are reviewed, evaluating the factors that affect Tiznado's performance and that it cannot directly control, in order to identify opportunities and threats, as well as its competitiveness and establish the company's ability to obtain benefits or anticipate possible risks (Fahey and Narayanan, 1986).

#### a) Political

The political model of Spain is identified as a constitutional monarchy and a parliamentary democratic system. Power is decentralized and the autonomous communities have a high degree of legislative, executive and fiscal autonomy. The effects of the COVID-19 pandemic have caused problems for political stability, as have the effects of the results of the elections on the independence of Catalonia where, by increasing its parliamentary majority, this shows that the question of Catalan autonomy without solving remains essential. In any case, the reforms and investments agreed upon in the Recovery, Transformation and Resilience Plan will be implemented in the future and to define priorities (Santander Trade Market, 2022).

Spain is expected to recover its pre-pandemic economic level and the ability to implement reforms in the green and digital sphere with the use of "Next Generation EU" funds, which are intended to improve the country's sustainable production. In addition, it should be noted that last year, among the 55 main economies in the world, Spain ranked 13th, remaining on a prestigious global list, even above the United Kingdom, France, Germany or Italy (Badillo et al., 2021).

The Government of Spain through ICEX España Exportación e Inversiones is a public company whose objective is to promote the internationalization of Spanish companies and attract foreign investment. Together with the Federation of Spanish Footwear Industries (FICE), the "Global Through Innovation" is planned, a program whose goal is to internationalize shoe companies through improvements, renovations and transformations in

the field of digitality that allow them to improve their competitiveness. Therefore, this political situation is attractive for imports from countries such as Ecuador (Ministerio de Industrias, Comercio y Turismo, 2021a).

#### b) Economic

GDP growth in Spain will reach 4.1% in 2022 and 3.3% in 2023. This marks signs of economic recovery, considering that its paralysis during the months of confinement generated a drop in GDP in the years 2020 and 2021. The collateral damage of the pandemic should be considered as a turning point, such as the shortage of some raw materials for the industrial sector, the increase in their price and international transport that has also increased in the cost, which harms production and leads to price inflation for the final consumer (BBVA Research, 2022).

Due to the fact that industrial production is highly intensive in raw materials, and given the scarcity and problems in international transport, these have been factors that have affected the operations of companies in the footwear sector worldwide. Inflation has become the biggest risk, so it is necessary to make decisions that help distribute costs equitably. Therefore, family spending has been negatively affected, spending on some goods would be showing a decrease, for example, home furnishings, technology, footwear and fashion have been affected by the impact that the pandemic in the usual forms of commerce and life itself of the Spanish, fail to recover pre-crisis levels, therefore, the demand for the Tiznado product depends on this type of variable that can affect the purchase of it (BBVA Research, 2022).

#### c) Sociocultural

Spanish society is undergoing profound structural changes. The transformations associated with globalization, the greater interconnection of economies and production systems globally, and rapid technological change are changing economic, social, and cultural patterns in a way that seems irreversible (Henar and Segales, 2015).

Credibility and trust are considered by companies as one of the crucial skills when it comes to competing and generating growth. The current hyperconnection in society has created a difficult time for companies to maintain credibility and trust; the risk of losing them could be high. Consumers and the general public demand that all organizations follow and adhere to

high standards and rigorous ethics. The Spanish business sector is highly developed and has a high degree of internationalization; however, we believe that alliances with local companies offer excellent opportunities to enter other markets. The Spanish market has 46 million inhabitants and received more than 82 million tourists annually in 2019 (PwC Interaméricas, 2022).

Below, in Table 4 the current population in Spain has been considered. It has been identified on the basis of research by the company in the city of Madrid, which is where it is needed to focus the target market. To achieve this, men and women between the ages of 20 and 65 have been considered, since Tiznado wishes to focus its designs, promotion, and sales on this segment.

**Table 4**  
*Population segmentation in Spain - Target Market*

| <b>Gender</b> | <b>N.º Total population in Spain</b> | <b>N.º of population in Madrid (from 20 to 64 year)</b> | <b>Target Market</b> |
|---------------|--------------------------------------|---|----------------------|
| Men           | 23.236.999                           | 2.051.948   | 200.000              |
| Women         | 24.195.806                           | 2.163.348   | 200.000              |
| <b>TOTAL</b>  | <b>47.432.805</b>                    | <b>4.215.296</b>  | <b>400.00</b>        |

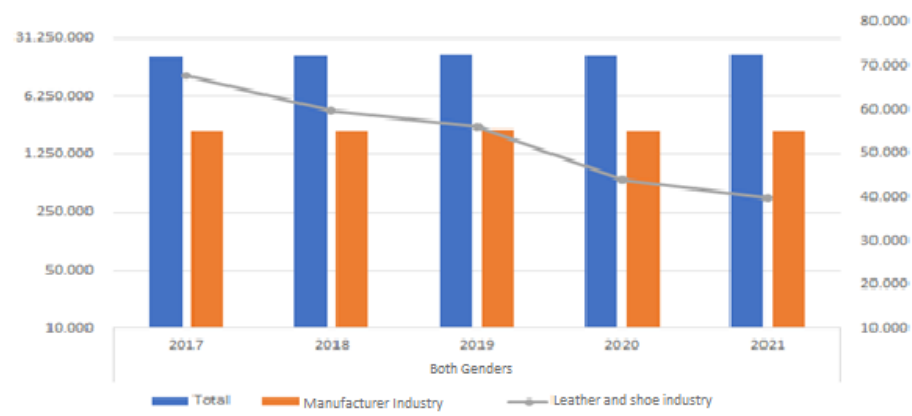
Source: (INEN, 2022)

Tiznado must know in depth the tastes and preferences of who will be his consumers, therefore, within the sociocultural distribution in Spain, there are different types of generations, such as baby boomers (1935-1960), generation X (between the years 60-80), generation Y, better known as millennials (between the years 1980-2000) and, finally, the most current generation, called Z. Among all these generations, companies aim to attract the attention of consumers. millennials, since they are the ones currently in the labor market and the ones who make consumer decisions. However, generation Z will be the one to lead the consumer decisions of tomorrow. In this case, companies will have to adapt, since there are obvious differences in terms of consumption. Therefore, Tiznado must closely analyze how to approach this type of consumer to achieve future sales, which are consistent with their tastes and preferences (Mestres and Llorens, 2021).

Regarding unemployment, due to the stagnation of the economy, a large part of Spaniards were forced to take advantage of the Temporary Employment Regulation Files (ERTE) until the reactivation of activity and many others, especially in the hospitality sector, have suffered the worst of the outcomes with the total closure of their businesses, leading to the unemployment of their workers and registering an unemployment rate of 15.8% in 2020, but that in this year 2021, has begun to decrease, reaching the moment by 15.4% (INE, 2021).

Next, in Figure 17, it can be seen that the number of employees has decreased in recent years. In the second quarter of 2022 it increased by 383,300 people in relation to the previous quarter (1.91%) and stands at 20,468,000 employed people.

**Figure 17**  
*Evolution of employment in Spain (2017 - 2022)*



Source: (INE, 2022)

On the other hand, it is observed that the workforce in the leather and footwear industry has had a significant decrease in this country (INE, 2021). In Royal Decree-Law 8/2021, of May 4, social bonuses were established for the self-employed that offset the reduction in their turnover or the total transfer of businesses and in Royal Decree-Law 20/2020, of May 29, established the minimum vital income that guarantees a safety net for those people who lack income, which is an indicator of the stability of the footwear sector in this country (Santander Trade Market, 2022).

d) Technological

According to the "Digital Readiness Index 2019" study, where the technological infrastructure of 141 countries is evaluated, Spain is ranked 29th in the ranking of countries, having analyzed, among others, infrastructure, adaptability, human capital or government investment. According to the budgets of the Government of Spain in 2021, the percentage of investment in this matter has increased to its historical maximum, almost 60% of the budget of the Ministry of Science and Innovation (Cisco, 2019). The modernization of the means of production due to the constant technological change that society is experiencing in all its areas makes companies produce more efficiently and productively, even if it implies a large expense in infrastructure (Murillo, 2017).

In the footwear sector in Spain, companies have developed technology that also allows the extraction of a series of ecological fibers for the manufacture of footwear, they have implemented 3D printing of garments, the use of sustainable raw materials. And in relation to marketing, the digitization of sales has been carried out through electronic commerce or E-commerce, which is increasingly winning the game over physical stores, since they now represent 20% of total consumption. (Cisco, 2019). Therefore, Tiznado should concentrate its efforts on innovating in its marketing channels that are aimed at this type of sales with a vision of internationalization.

#### e) Ecological

The "Health and Environment Strategic Plan" of Spain provides paths towards sustainability, through the provision of management tools so that they can face current environmental problems, with the objective of promoting healthy environments, reducing health risks that arise from environmental factors and everything that conditions them. In such a way, the possibilities of acquiring diseases are lowered or reduced, in turn identifying future threats (Ministry of Health, 2022; Ernst and Young, 2022). This requires a preventive approach and intersectoral collaboration to address the underlying causes of these risks and protect the health of the population. On the part of the citizens, it is clear that, in Spain, the majority want and have proposed to live according to ethics and the precepts of sustainability, being considered as the Europeans most committed to it today. According to a survey, a third of Spaniards expressed their desire for companies to create products that facilitate a more sustainable lifestyle and protect the future of the planet. This could include plastic-free



products, among others. This shows that there is a growing interest on the part of the population in taking measures to reduce environmental impact and contribute to a more sustainable world (CSR Commitment, 2022).

For its part, the Asociación Moda Sostenible España (2022) is helping Spanish sustainable fashion brands, making them visible, informing about aid and subsidies in the sector, facilitating access to sustainable suppliers, etc. The footwear manufacturing industry is considered one of the most polluting, this is related to the toxic elements that are used to manufacture inputs such as leather. This association ensures that, in the manufacture of the garments, no chemical inputs, such as dyes and auxiliaries, have been used. It also guarantees that the product is free of dyes and/or other harmful chemical substances, for example, through the "Textile Exchange", a globally recognized certification, which consists of verifying the exact amount of organic material that has been used for the production. manufacture of the final product. It does not use chemicals beyond organic material. Therefore, Tiznado, by using sustainable materials, can gain strength and opportunity to communicate to its customers the conscious use of environmentally friendly products.

#### f) Legal

According to the IAB Spain Annual Study of eCommerce 2019, almost 70% of Internet users in Spain make purchases online, which is equivalent to approximately 20.3 million people between the ages of 16 and 65. This trend in the corporate world is driving the increase in online business creation. Therefore, it is important to know the legal and tax requirements that online stores are subject to. For the opening of an online business, certain legal aspects different from those of a physical store must be taken into account, considering that the measures concerning Law 7/1996, of Retail Trade Regulation through digital media, can be highlighted, where it is considered Delivery times of a maximum of 30 working days from the purchase, the right of withdrawal, payment by card, making substitutions as long as the possibility is reported and there are no stocks. In addition, the company may substitute the product for one of equal or better quality, without implying changes in price. According to Royal Legislative Decree 1/2007, the so-called General Law for the Defense of Consumers and Users and other complementary laws are stipulated, where it is indicated that an online store must indicate: the final price, the return period, the form of cancellation of the order,

the damage suffered by the product during its transport and will be the responsibility of the owner (Current Company, 2020). Next, in Table 5 the analysis is presented as a conclusion of each one of these factors that are part, with the purpose that it can contribute to the present study.

**Table 5**  
*PESTEL Analysis – Spain*

| FACTOR               | ANALYSIS  |
|----------------------|---|
| <b>POLITICAL</b>     | It is evident that the security that Spain offers in the political field does not generate uncertainties for companies in the footwear sector in Spain, on the contrary, it has support in the field of public policies that positively affect the growth and development of the sector, both that these are being structured focused on the future by having within their plans the use of sustainable materials, innovation and digital transformation.   |
| <b>ECONOMIC</b>      | Considering that after a pandemic the world suffered an economic problem, Spain shows a slight recovery, however, the uncertainty that currently exists due to the war with Russia, the increase in the inflation rate, lead us to conclude that the economic situation is a negative point that must be constantly reviewed, therefore, these factors are considered very strong threats, since, since there is an impact on the income and consumption of Madrid fans, it could affect the internationalization plans of the footwear company.  |
| <b>SOCIOCULTURAL</b> | In relation to these factors, given the events as a consequence of the pandemic, they have triggered very negative situations of which thousands of homes and generations. Changes in lifestyle, in recent years we could appreciate a change in relation to consumption habits, society values production within Spain more due to its effort and the knowledge that choosing these options will help family members get ahead , as well as the use of environmentally friendly materials and the use of technology as a means of communication and marketing.   |
| <b>TECHNOLOGICAL</b> | It can be seen that the shoe industry in Spain is adopting Industry 4.0 technology in its factories, like most industrial sectors. Industry 4.0 refers to the fourth industrial revolution and is characterized by the use of advanced technologies, such as artificial intelligence, the Internet of Things and advanced automation, to improve efficiency and productivity. These technologies can help optimize production processes and reduce costs, among other benefits. It therefore has companies seeking to integrate technology into their products to give them added value and turn them into "smart clothing". This means that the shoes or sneakers would be connected to other devices and could offer additional functionalities. This commitment to technological innovation has become increasingly important in the fashion and footwear sector, as companies seek to differentiate themselves and offer more attractive products to consumers. This has led the industry to stop focusing solely on the materials used and place more emphasis on adding value to the final product (Cámara Valencia, 2020). |
| <b>ECOLOGICAL</b>    | It can be analyzed that environmental factors are of the utmost importance for the Spanish population, who are committed to protecting the environment and with it the tendency to prefer the production and consumption of goods that provide solutions to cut problems such as global pollution.  |
| <b>LEGAL</b>         | In conclusion, for the project of the Tiznado company, in Spain there are legal mechanisms that open up a company located in Ecuador to open an online store, under the regulations and requirements that must be met, in order to offer the sale of its products. and achieve the internationalization of the company.   |

Source: Own elaboration

## **ii. Competitiveness Analysis**

Porter's (2015) competitive advantage model contemplates that, for a company to achieve competitive advantage, it must focus on creating sustainable strategies over time, as well as taking offensive or defensive actions to create a defensible position in an industry, in order to successfully face competitive forces and generate a return on investment.

The analysis of the 5 forces of Porter (2015), allows us to consider that this strategic model for the analysis of the industry and the development of the business strategy, helps to use concepts based on industrial organization and economics, managing to identify the five forces that determine the competitive intensity and, therefore, the attractiveness of a market. The analysis in relation to the Tiznado company and the footwear sector in Spain is presented below.

### **a) Bargaining power of consumers**

The case of Tiznado is somewhat different, since it is an exclusive production, limited for a clientele with greater purchasing power. The target market is smaller, with greater bargaining power, which negatively affects the price in relation to similar or substitute products, such as, for example, in Spain where the "Spanish espadrille" is found. In relation to this Spanish product, it was possible to identify through the internet that the price varies around USD\$40 when the company sells it to the distributor and around USD\$100 for sale to the public, which could practically be called a luxury product in a country with high purchasing power. That is why the innovation and variety in the Tiznado design should be considered as a competitive advantage, achieving the purpose of attracting the end customer. And it is that, having the existence of substitute products, the client can decide to change his opinion regarding his consumption and it is here where Tiznado must generate commercial strategies to adapt in a short period of time to an international market.

### **b) Bargaining power of suppliers**

Tiznados is located in an area where the raw material to be implemented is very close, therefore, in order to be competitive, it would be necessary to limit costs. On the other hand, suppliers can be a bottleneck, if a company does not have enough suppliers to cover the raw material needed to produce its product. In addition, suppliers in Spain could be reviewed, to

achieve the integration of production processes or raw materials, which could translate into added value, quality, and lower production costs.

c) Threat of new entrants

The Tiznado company is located in an industry in which, internationally, there are large companies that achieve production levels with much higher volumes than SMEs. For this reason, there is a large number of competitors, in different product lines, with a multitude of brands that offer different products at more affordable prices. Some of these competitors are companies with similar criteria, Spanish entrepreneurial companies whose main product line is textiles. Much of its success lies in social networks, for example, the company "Yuccs" that has been using bamboo material since 2021, the first Sneakers made with this material in Spain, and they have innovated in a collection of boots that has had a lot of success. reception. This company aims to achieve unique, sustainable and environmentally friendly footwear, since, in recent years, more than twenty brands have appeared in Spain that focus on offering adequate quality within the framework of ecology. As the Secretary General of the European Footwear Confederation, Carmen Arias, rightly mentions, sustainability and digitization can be key factors for the success of high-quality products in a difficult economic environment. It is necessary to have government support to sensitize consumers on these issues (Rodríguez, 2022).

There is another case, the company in Barcelona – Spain called Indianes. This is focused on manufacturing sustainable shoes. For this reason, it has innovated with a catalog of footwear made with banana fiber and other natural components that are, of course, previously recycled and that have the characteristic of being biodegradable (Efe Verde, 2019). This means that the shoes are made from materials that are environmentally friendly and can be recycled or composted naturally when they are no longer useful. Indianes is focused on offering sustainable and environmentally friendly footwear options, and this creation is an example of how it is innovating in this regard.

To achieve this purpose, the Indianes company imports the fiber from Colombia. Once in Spain, the company "Shima Seiki" transforms the raw material into the base fabric for making shoes. The company markets its products online and has recorded profits of around 80,000

euros, while they claim to have sold at least 1,200 pairs of shoes (Efe Verde, 2019; El Español, 2019).

d) Threat of new products

The case of the production of footwear with new sustainable materials or footwear that has an artisan identity, can be a threat for Tiznado, for which it must be taken into account that this factor must be considered one of the most important when innovating. The existence of substitute products has been evolving in high-end segments. One of the technologies that is having the greatest impact on the footwear industry is 3D printers, through the use of this tool several of the design and manufacturing processes have been greatly facilitated (Atria Innovation, 2022).

e) Rivalry between competitors

In the footwear sector, in Ecuador, local production could produce this same product without giving so much importance to quality and design. The unfair competition found in the country must be a factor to take into account, but in relation to the footwear sector in Spain, it is considered that due to the simple fact that it is not so easy to replicate a product originating from a specific geographical area. Due to the lack of raw materials available in that area at one point, it would be difficult for there to be an important rivalry for Tiznado in the target market.

However, the footwear market is saturated by the existing high competition, being an important entry barrier. With this large number of competitors, the company must look for differentiation methods in its products, as well as brand and culture identification, where new competitors do not affect sales with price wars or special offers, effects that a company new to internationalization could not match. Below, in Table 6, is the analysis of the five forces of Porter (2015), which are part of this study focused on the company Tiznado.

**Table 6***Porter's 5 Forces Analysis*

| <b>FACTORS</b>                     | <b>ANALYSIS</b>   |
|------------------------------------|---|
| <b>Consumer Bargaining Power</b>   | The company will have low bargaining power if the products are unimportant to customers, their customers must know about quality and exclusivity, which differentiates the product. Therefore, the bargaining power is medium, because consumers buy the company's product in a very small volume, but because of the level of differentiation it is high with respect to the other products offered on the market.   |
| <b>Suppliers Bargaining power</b>  | An important factor is backward integration, suppliers in this regard have great bargaining power since most of the products that the company sells are made to order from different suppliers that are in charge of the raw materials and their preparation or production.   |
| <b>Threat of New Entrants</b>      | There is a strong competitiveness in the footwear market, it will always be risky for the Tiznado company to try to position its product abroad, however, when trying to implement the use of attractive materials by hand and internationally known, with the use of technologies and quality management According to international parameters, you could manage to consolidate your product in the target market, since there is currently a demand and supply of similar products as could be observed in this factor. |
| <b>Threat of New Products</b>      | Tiznado intends to determine a market niche with difficulties for competitors, differentiating itself in production as well as in the low cost of production. By offering much more personalized footwear than those sold in "fast fashion" fashion companies.  |
| <b>Rivalry between Competitors</b> | Therefore, although a footwear company has differentiators, will dominate a large part of the market and will have power over its suppliers and customers, the truth is that the competition can be very close. The company must constantly innovate as a market penetration strategy to achieve its objectives.  |

Source: Own Elaboration

## 2.2. Analysis of internal and external factors.

### i. SWOT Analysis Tiznado Company

The authors of the SWOT analysis (Thompson and Strikland, 1998), establish that it estimates the effect that a strategy has to achieve a balance or adjustment between the internal capacity of the organization and its external situation. These are the opportunities and threats. It is a very useful strategic analysis tool, especially in the case of SMEs, to identify the key factors, both in the internal and external environment that the company must take into account to carry out its internationalization strategy.

Next, in Table 7, the analysis of the Tiznado Company has been carried out, with the intention of being able to identify the key factors so that the company can specify its export plan.

**Table 7***SWOT of Tiznado Company focused on internationalization*

| <b>STRENGTH</b>   | <b>WEAKNESSES</b>  |
|---|--|
| <ol style="list-style-type: none"> <li>1. The designs are personalized and exclusive.</li> <li>2. They know the tastes of their target market.</li> <li>3. There is a good customer perception in relation to the quality of raw material and final product.</li> <li>4. Raw material with a level of differentiation and high added value</li> <li>5. Promotes innovation and adaptation to the market.</li> <li>6. They have training in the area of research, development and technology.</li> <li>7. Products optimally positioned in their domestic market segment.</li> <li>8. They develop products based on international trends.</li> <li>9. They use appropriate technology to have international production standards.</li> <li>10. Control of costs and operational efficiency.</li> <li>11. Installed capacity with a vision of internal supply and for export.</li> </ol> | <ol style="list-style-type: none"> <li>1. Skilled labor.</li> <li>2. Digitization or digital transformation.</li> <li>3. The promotion of your products is appropriate and efficient.</li> <li>4. Demanding and expensive quality controls to achieve the INEN quality standard.</li> <li>5. Experience in the international market.</li> <li>6. They have national or international quality certifications.</li> <li>7. Availability and high costs of imported raw materials.</li> <li>8. Reputation and recognition in the national sector.</li> <li>9. Development and growth of the company in recent years.</li> </ol>   |
| <b>OPPORTUNITIES</b>  | <b>THREATS</b>   |
| <ol style="list-style-type: none"> <li>1. Demand for products considered high-end.</li> <li>2. Trade Agreements, tariff preferences.</li> <li>3. Social awareness about ecological products and materials.</li> <li>4. Appropriate distribution channels (Shoe Stores)</li> <li>5. High level of footwear imports.</li> <li>6. Accessibility to make sales through digital media.</li> <li>7. Demand for handicrafts.</li> <li>8. Alliances with companies that encourage R&amp;D of the product.</li> <li>9. They develop a business plan to identify markets abroad.</li> <li>10. Visit to international shoe fairs.</li> </ol>   | <ol style="list-style-type: none"> <li>1. Companies with more experience and technology.</li> <li>2. Economic crisis.</li> <li>3. Product does not adapt to consumption or does not meet expectations.</li> <li>4. Informality of the Spanish footwear sector / copying of designs.</li> <li>5. Accessibility to raw materials.</li> <li>6. Non-tariff or technical barriers.</li> <li>7. Volatility of demand and changes in footwear prices.</li> <li>8. Public policies focused on the development of exports in the sector.</li> <li>9. Excessive amounts of taxes.</li> <li>10. International logistics costs.</li> </ol> |

Source: Own elaboration

Based on an interview with Tiznado, experts and information collected that is related to the footwear sector both nationally and internationally, the main Strengths (F) have been identified, which are factors internal to the company, in which this it will support itself to succeed in the internationalization process; Weaknesses (D) are also internal factors, but they hinder the success of the Plan and, therefore, must be corrected in a planned manner; Threats

(A) are factors in the external environment of the company and, therefore, cannot be controlled, but which could jeopardize the fulfillment of the objectives of the Plan, so it is necessary to know about them; Opportunities (O) factors of the external environment, but that can favor, if they are used appropriately, the fulfillment of said objectives. It should be noted that a SWOT matrix provides information for the development of strategies, where these must be generated on the basis of each of the factors that make up the matrix and ranked for subsequent execution. For this reason, in this study, an attempt is made to take these factors to evaluation, in order to know the degree of feasibility to carry out the internationalization process.

## **ii. Internal Factors**

This chapter focuses on identifying and evaluating a company's strengths and weaknesses in functional business areas, including management, marketing, finance, and accounting; production and operations, research and development, among others. In addition, it examines the relationships between these business areas, as well as the strategic implications of the important functional area concepts, and describes the process of conducting an internal audit (David, 2003). By virtue of this, a review of information is made with the intention of being able to reinforce the evaluation on the basis of data that help to qualify in the most efficient and objective way possible.

The fashion sector is important from both an economic and a social point of view. It contributes to economic growth through employment generation and wealth creation, and also plays an important role in society in terms of personal expression and lifestyle. In addition, the fashion sector is an important consumer of materials and resources, so it is essential that it be approached in a sustainable way to minimize its environmental impact (Rodríguez, 2022).

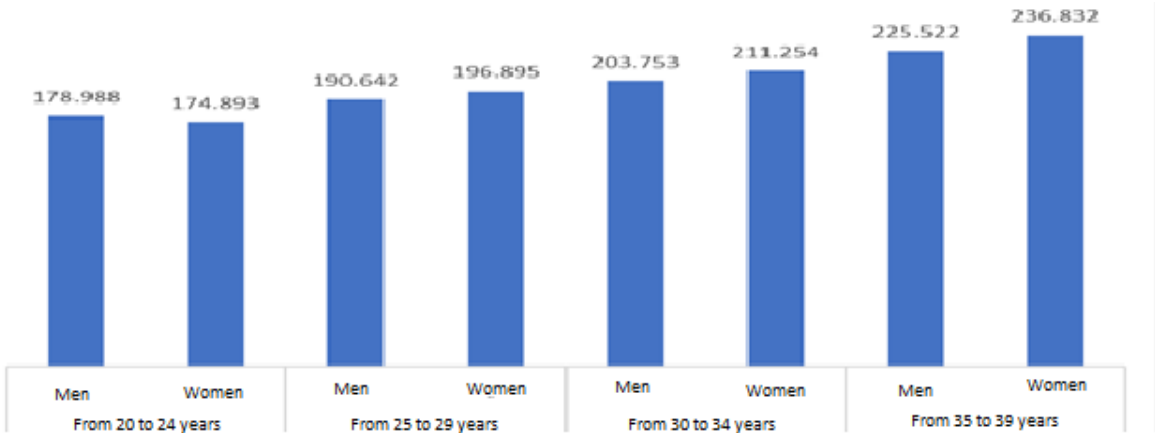
Companies in the fashion sector play an important role in the Spanish economy, as they contribute 2.8% of the national GDP and 4.1% of the labor market. This shows that the fashion sector is a fundamental economic driver, and its impact extends beyond its own activity. In addition, their relevance goes beyond the national territory of Spain since they represent at least 9% of exports and 13% of world shopping tourism (Ernst and Young, 2020).



Footwear is the most demanded product in the fashion market in Spain, not only during autumn or winter, but it is a product that is sought throughout the year. For this reason, in 2020, 10.8% of total sales corresponded to shoe products. In particular, the metropolitan region of Madrid and Barcelona have a greater participation in the value of online sales. However, online fashion is more successful in Madrid than in Barcelona, where participation only reaches 8.4% (Salesupply, 2021).

Below, in Figure 18 is the segmentation of the target market that the Tiznado company wishes to focus on, which has been considered on the basis of the INE (2022). It should be noted that the total employed active population has been considered, as well as the population employed in the manufacture of footwear at the national level in the last 5 years.

**Figure 18**  
*Target Market Segmentation in Madrid – Spain*

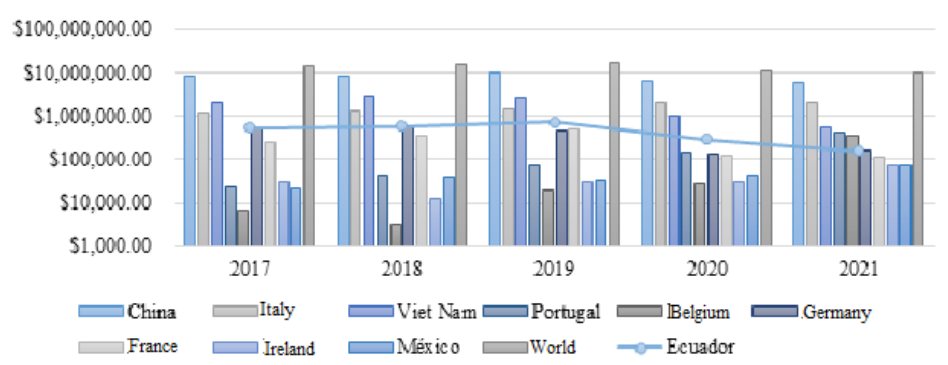


Source: (INE, 2022)

The first historical references to formal toquilla straw hat weaving workshops can be found at the end of the 18th century, when the Spanish monarch Carlos IV abolished rates for manufactures and authorized the establishment of workshops and factories in the American colonies; among them, those made of "toques and straw hats." Later, in 1859, the Queen of Spain ordered an infantry company to be organized in Aranjuez whose daily uniform includes a "Jipijapa hat", referring to the toquilla hats that were woven in that town in Manabita. Since the 19th century, toquillera production and its export reached important levels in the

mountainous provinces of Azuay and Cañar, joining the world export market. The direct implication of this phenomenon falls particularly on the city of Cuenca (INPC, 2013).

**Figure 19**  
*Origin of imports of natural fiber hats from Spain*



Source: (Trade Map, 2022)

The "Padre Rafael González" Craft Production Cooperative, located in the province of Cañar, markets its products under the "Bibilak" brand. This organization was founded in 2015 by the Biblián Municipal GAD and currently has 120 artisans, of which 75 are active and produce 600 hats. These hats are sold both locally, nationally and internationally. Since its creation, through the "Bibilak" brand, around 24,000 hats made with toquilla straw have been exported to different destinations such as Italy, Spain and the United States (El Telégrafo, 2019).

For its part, the commercial office of ProEcuador, in Madrid, considered as an initiative to promote toquilla straw hats made with the hands of artisans from the provinces of Azuay, Cañar and Manabí, at the Adolfo Suárez Madrid-Barajas airport, in order to give to know the true origin of the toquilla straw hat in the summer season of Spain and Europe. Consequently, for weeks, when travelers arrived at the terminal 4 check-in area, they watched a 10-second video featuring this emblematic product from Ecuador (El Universo, 2018). The toquilla straw hat is mainly produced in the provinces of Manabí, Azuay and Cañar. The main export destinations for these hats are Germany (18%), France (12%), the United States (12%), Japan (12%), Spain (8%) and other countries (39%). (ProEcuador, 2019).

Another event that demonstrates the value of toquilla straw is the "Artisan-Artist", opened by the Ecuadorian Cultural Center in Madrid, where toquilla straw hats and filigree jewelry made in Chordeleg have been exhibited. In the new Ecuadorian Cultural Center, activities that motivate interest in art, cinema, literature and the cultural heritage of Ecuador are promoted. And at the same time it is a space open to the community so that they can participate in training workshops (Presidencia de la República del Ecuador, 2017). It is in these events and, with the support of the government, that Tiznado could make its way towards the export of its products and why not, include the toquilla straw material in the elaboration or ornamentation of its footwear.

Research on the growth of consumption in the footwear sector, among other variables reviewed in the first chapter of this study, however, have not been able to make production or sales forecasts, since they have not been able to consolidate exports. Due to this, it is desired to develop a business plan for the internationalization of a product that adapts to the unsatisfied demand, that is related to a product and with the cultural identification of Ecuador; directly from the province of Azuay. For this, it is necessary to use Company designs and raw materials such as macana and toquilla straw, of which there is evidence of knowledge and consumption in Spain. Like the consumption of handicrafts and footwear in general, in the city of Madrid, in various neighborhoods that have been listed in this study.

The company must carry out on-site market research, as well as participate in Fashion events and/or Fairs in this city to find out if its product can be accepted prior to its production and export. According to the information reviewed in relation to the consumer in Spain, a main importance was identified for the quality of its products, which is a determining factor for the entry of products from the company Tiznado to Madrid. In Spain there is a development of the footwear sector based on innovation and quality of raw materials. In the case of Ecuador, companies do not give the perception of having certificates and complying with regulations for the quality of their products.

The Tiznado company indicated that it does not have quality certifications for its products to be exported, nor for the production that they currently carry out; they only have internal

processes that regulate or try to maintain the quality of their products. For all this, their clients have mentioned that their products are of good quality, one of the main characteristics that the company tries to maintain as a competitive strength. The Tiznado company has generated production tests in recent years, adapting raw materials, designs that fit an export market, which consumes artisanal values and value-added production as it is made by hand. Its design and production department has constantly attended training to be aware of innovation in the sector. However, the cost of developing prototype tests is high, which is why the company has not yet been able to identify a line in which to invest. For this reason, they want to carry out on-site research on consumption in Madrid, to define it more accurately.

The Tiznado company indicates that, from the beginning of activities until now, they have developed products based on international and national trends, considering market studies carried out by their design department. They also indicate that their sales have increased since their creation, each time they have managed to open a market in different provinces of the country, in different distribution channels. Now, they are looking to open their own stores, which will allow them to consolidate their brand in the domestic market. Tiznado, within its production processes, has automated and manual technology, which have been identified and found appropriate since they were imported from countries like Brazil, which have technological development in this industry. Their installed capacity is currently 60% on average, which indicates that they could supply production destined for the international level. As the Tiznado company indicates, initially low production volumes will be proposed, which could easily be adapted to daily manufacturing processes.

The company is constantly investing in acquiring knowledge that can develop its level of growth. However, finding qualified labor (who has been specifically trained in footwear) is almost impossible in the sector. This is a weakness that all companies in the sector suffer from. Tiznado indicates that it has representation in the province of Azuay; Clearly, its growth lies in the Cuenca canton and has gained expansion at the national level, in provinces such as Pichincha, Guayas and Tungurahua. They have implemented social networks within their distribution channels as marketing methods, which has meant that they have experience in logistics, something essential to be able to implement processes within the export plan.

Below, in Table 8 the factors and variables that have been evaluated in an interview have been identified.

**Table 8**  
*Internal Factors Assessment (IFF)*

| Internal Key Factors   | Value       | Classification | Weighted value |
|--|-------------|----------------|----------------|
| <b>Strengths</b>   |             |                |                |
| The designs are personalized and exclusive.  | 0,10        | 4              | 0,40           |
| Raw material with a level of differentiation and high added value                              | 0,10        | 4              | 0,40           |
| They know the tastes of their target market  | 0,05        | 3              | 0,15           |
| There is good customer perception in relation to the quality of raw material and final product | 0,05        | 3              | 0,30           |
| Promotes innovation and adaptation to the market   | 0,05        | 3              | 0,15           |
| They have training in the area of research, development and technology                         | 0,05        | 4              | 0,20           |
| Products optimally positioned in their domestic market segment                                 | 0,05        | 3              | 0,15           |
| They develop products based on international trends  | 0,025       | 3              | 0,08           |
| They use appropriate technology to have international production standards                     | 0,025       | 3              | 0,08           |
| Control of costs and operational efficiency  | 0,025       | 3              | 0,08           |
| Installed capacity with a vision of internal supply and for export                             | 0,025       | 4              | 0,10           |
| <b>Weaknesses</b>  |             |                |                |
| Skilled labor  | 0,10        | 2              | 0,10           |
| Digitization or digital transformation   | 0,05        | 1              | 0,05           |
| The promotion of your products is adequate   | 0,05        | 2              | 0,10           |
| Demanding and expensive quality controls to achieve the INEN quality standard                  | 0,05        | 1              | 0,05           |
| Experience in the international market   | 0,05        | 1              | 0,05           |
| They have national or international quality certifications                                     | 0,05        | 1              | 0,05           |
| Availability and high costs of imported raw materials.   | 0,05        | 1              | 0,05           |
| Reputation and recognition in the national sector  | 0,025       | 2              | 0,05           |
| Development and growth of the company  | 0,025       | 1              | 0,03           |
| <b>Total</b>   | <b>1,00</b> |                | <b>2,60</b>    |

Source: Own Elaboration

Tiznado has obtained a score of 2.60. This means that, being just above the average, which is 2.5, it can be identified that management, marketing, finance and accounting; production and operations; research and development, as well as management decisions are not fully developed. Weaknesses were evidenced that the company must rectify in order to consolidate its export process. In summary, Tiznado does not have previous export experience, nor does it have experience in implementing commercial methods to be able to export, they do not

have exporter permits, they do not have personnel trained in international business and, nevertheless, the growth in their production and sales has generated the uncertainty of seeking international markets, which allow them to diversify their sales, which means that the company tries to achieve parameters in all factors that are adjusted for projection abroad.

### **iii. External Factors**

In addition to internal factors, there are aspects outside the company that influence its performance and that generate a positive or negative impact, generating uncertainty in microentrepreneurs, regarding the income or costs that must be assumed when seeking an expansion of the business. market. These factors are grouped under the label "environment" which refer to all the characteristics that influence the success or failure of a product in the market, both in the domestic market and in foreign markets. These characteristics include economic, political, social, legal factors; as well as access to distribution channels, type of customers, competitiveness, among others. It is important to take into account all these characteristics when establishing a marketing and export strategy to ensure success in the market (David, 2003).

For this reason, to enter the Spanish market, the location where it is expected to stand out would have to be taken into account. If it is in Madrid, you have to consider the Las Salesas neighborhood, as a less formal option than the Salamanca neighborhood. There is also Triball and Chueca, where alternative fashion proposals are found, some of which are created by young local designers. In the Barrio de Salamanca, the luxury stores of the city of Madrid are located, being an important space for stylists and Spanish firms. In the Los Austrias neighborhood is the Taller Puntera, where leather crafts are made and top-quality items are made, one by one, completely by hand (Madrid, 2022).

Entry barriers, at the international level, are considered as factors outside the companies, but they influence their penetration in foreign markets. Among these variables, the most important ones in the export process have been considered. In the case of Ecuador, by having the Free Trade Agreement with the European Union, it makes it easier for companies with a vision to export, since from the beginning of the agreement a 0% tariff was obtained for the entry of products of footwear to Spain, in what is identified as a fortress.

In the case of the economy and costs of foreign trade, for example, international logistics, given the existence of global externalities such as the post-pandemic effect, the current war between Russia and Ukraine, the devaluation of currencies, the volatility of demand and prices that this generates in the market, can equally generate a positive or negative symptom depending on the effect they cause.

In the case of competitiveness, the power of China in this sector must be considered, given that it has produced more than half of all footwear in the world. However, the share of Asian countries in global shoe manufacturing has slowly increased in recent years at the expense of others such as China. In the last ten years, there has been a decline of more than six percentage points. In 2021, India strengthened its position as the world's second largest shoe manufacturer, having managed to make and export almost twice as much as the third-ranked country of Vietnam. Last year, the Philippines replaced Iran in line ten, in the ranking, which was the only difference between this ranking and the one that had been published a year ago. Brazil ranks fifth among the main footwear manufacturers, with a share of 3.6%. It is the largest non-Asian footwear manufacturer, closely followed by Mexico, which accounts for 0.9%. No European country is among the top ten producers. This shows that most of the footwear production is concentrated in Asia, while manufacturers from Latin America and North America have a smaller share; although they do come close, as in the case of Italy, which is in thirteenth place, one of the best located. Spain, on the other hand, moved up one position in 2021 compared to 2020, ranking sixteenth (Revista del Calzado, 2021).

It has been considered that the lack of existence of products similar to those that the Tiznado company wishes to market in Madrid can be a great advantage, since the raw material is only produced in the province of Azuay. It should be noted that this raw material is recognized internationally and in Madrid; However, Tiznado does not have trained personnel or a plan focused on the internationalization of its products and they are in the first market exploratory phase and in the initial production phase. The lack of public policies or projects incentivized by the Government, focused on the development of the footwear sector, must also be taken into account, otherwise it can be reviewed in Spain. Below, in Table 9 are defined the factors for this study.

**Table 9**  
*Evaluation of External Factors (EFE)*

| External Key Factors  | Value       | Classification | Weighted value |
|---|-------------|----------------|----------------|
| <b>Opportunities</b>  |             |                |                |
| High value product demand   | 0,10        | 4              | 0,40           |
| Trade agreements tariff preferences                                 | 0,10        | 4              | 0,40           |
| Social awareness about ecological products and materials.           | 0,10        | 4              | 0,40           |
| Appropriate distribution channels                                   | 0,05        | 4              | 0,20           |
| High level of footwear imports                                      | 0,05        | 4              | 0,20           |
| Accessibility to make sales through digital media                   | 0,05        | 3              | 0,15           |
| Visit to international shoe fairs                                   | 0,025       | 3              | 0,08           |
| They develop a business plan to identify markets abroad             | 0,025       | 2              | 0,05           |
| Alliances with companies that encourage R&D of the product          | 0,025       | 2              | 0,05           |
| <b>Threats</b>  |             |                |                |
| Companies with more experience and technology                       | 0,10        | 2              | 0,20           |
| Economic and world crisis   | 0,05        | 2              | 0,10           |
| Product does not adapt to consumption or does not meet expectations | 0,05        | 2              | 0,10           |
| Informality of the Spanish footwear sector / copy of designs        | 0,05        | 2              | 0,10           |
| Accessibility to raw materials                                      | 0,05        | 2              | 0,10           |
| Non-tariff or technical barriers                                    | 0,05        | 2              | 0,10           |
| Demand volatility and changes in footwear prices                    | 0,05        | 2              | 0,10           |
| International logistics costs                                       | 0,05        | 1              | 0,05           |
| Public policies focused on the development of exports in the sector | 0,025       | 1              | 0,03           |
| <b>Total</b>  | <b>1,00</b> |                | <b>2,80</b>    |

Source: Own Elaboration

The total value score of 2.80 indicates that Tiznado is above average in its efforts to apply strategies that take advantage of external opportunities and avoid threats. It is important to note that a thorough understanding of the factors used in the EFE Matrix is more important than the actual assigned ratings and values.



### CHAPTER 3: ECONOMIC FINANCIAL ANALYSIS

The following chapter tries to determine the financial economic feasibility, as a basis for making investment decisions, for which the projections of the financial statements are presented: profits and losses, cash flow for financial planning, balance sheet and net cash flow. cash to measure the return on investment.

#### 3.1 Investment for internationalization

Currently, Tiznado manufactures products that have given it recognition in its target market at the national level, for which reason the financial statements of the company are attached in Appendix B with the intention of visualizing its current status. However, it should be noted that this study considers a feasibility analysis for the internationalization of the company, for which the corresponding economic and financial factors are evaluated, with the purpose that conclusions can be issued in relation to the feasibility of the variables. that are part of the profitability measurement of the project.

Following, in Table 10 there are several items which have identified that Tiznado company does not have all the details, so they must be implemented in order to develop new products and generate sales abroad according to parameters that the target market demands.

**Table 10**  
*Investment for the internationalization of Tiznado*

| Details                                  | Annual Value       |
|--|--------------------|
| Molds                                    | \$ 1.000,00        |
| Lasts                                    | \$ 1.000,00        |
| Prototypes / Samples                     | \$ 5.000,00        |
| Training in Design and Innovation        | \$ 1.000,00        |
| Foreign Trade Training                   | \$ 1.000,00        |
| Sales Training - International Marketing | \$ 5.000,00        |
| International fairs                      | \$ 3.000,00        |
| Certifications (Quality - Processes)     | \$8.000,00         |
| Unforeseen                               | \$ 5.000,00        |
| <b>Total investment</b>                  | <b>\$30.000,00</b> |

Source: Own elaboration

The Tiznado company already has an investment focused on innovation and development of new products, which has been accompanied by national and international courses focused on

innovation. It can be identified that 50% of the investment is focused on the production of new products and seeks to certify their quality, one of the primary factors requested by the target market in Spain.

### 3.2. Financing

The company has considered covering the financing of the investment through its own capital and through indebtedness with a financial entity. In table 12 is the proposed structure which has been calculated in order to contribute to the analysis of the following financial statements. In addition, in Annex 5, there is the amortization table of the analyzed debt.

**Table 11**

*Investment financing structure for internationalization*

| <b>Detail</b>                | <b>Amount</b> |
|------------------------------|---------------|
| <b>Own capital</b>           | \$15.000,00   |
| <b>bank loan</b>             | \$15.000,00   |
| <b>TOTAL</b>                 | \$30.000,00   |
| <b>Financial Institute:</b>  | BANECUADOR    |
| <b>Amount:</b>               | \$15.000,00   |
| <b>Term:</b>                 | 5             |
| <b>Annual interest rate:</b> | 11,50%        |
| <b>Frequency</b>             | 12            |
| <b>Periods Monthly</b>       | 60            |
| <b>Monthly Fee</b>           | \$329,89      |
| <b>Total Amount to Pay</b>   | \$19.793,35   |

Source: Own elaboration

According to the Financial Statements found in Annexes 3 and 4, it can be identified that the company has generated losses in the economic cycle analyzed. However, its partners indicated that financial results have been improving post-pandemic and they have 40% of their current assets as accounts receivable. Its sales have been increasing, which has been giving the company greater stability and solvency, since only 18% of current liabilities are made up of debts with financial institutions. Finally, it can be specified that the company must carefully review its debt ratios, in order to adequately carry out the investment required to advance with the internationalization project.

### 3.3. Structure of costs and expenses

**Table 12**  
*Production costs*

| <b>MODELS</b>                    | <b>BOOT – BOOT<br/>MACANA AND TOQUILLA STRAW</b> |                     |                 |                         |
|----------------------------------|--|---------------------|-----------------|-------------------------|
| <b>DETERMINATION OF THE COST</b> | <b>UNIT OF MEASUREMENT</b>                       | <b>UNIT COST \$</b> | <b>QTY/UNIT</b> | <b>TOTAL VALUE UNIT</b> |
| <b>CAPELLADA</b>                 |  |                     |                 |                         |
| Leather                          | Dm2  | \$ 0,29             | 15,00           | \$ 4,64                 |
| Macana / Straw Nozzle            | Dm2  | \$ 0,30             | 10,00           | \$ 3,00                 |
| Lining Fabric                    | Metro  | \$ 8,00             | 0,25            | \$ 2,00                 |
| Entretela                        | Metro  | \$ 5,80             | 0,25            | \$ 1,45                 |
| Closure                          | Unit   | \$ 0,75             | 1,00            | \$ 0,75                 |
| Cambrado                         | Pair   | \$ 1,00             | 1,00            | \$ 1,00                 |
| <b>SOLE</b>                      |  |                     |                 |                         |
| Sole                             | Pair   | \$ 4,00             | 1,00            | \$ 4,00                 |
| Reinforcement template           | Pair   | \$ 1,00             | 1,00            | \$ 1,00                 |
| <b>TEMPLATE</b>                  |  |                     |                 |                         |
| Template                         | Pair   | \$ 1,30             | 1,00            | \$ 1,30                 |
| <b>SHOE FINISHES</b>             |  |                     |                 |                         |
| Liquids / waxes                  | Mug  | \$ 35,00            | 0,004           | \$ 0,14                 |
| <b>RAW MATERIAL COST / PAIR</b>  |  |                     |                 | <b>\$ 19,28</b>         |

Source: Own elaboration

Tiznado, currently, maintains an approximate production of 15 thousand pairs per year, which is made up of formal and urban footwear for men and women; in addition to a portfolio of products such as cleaning kits, belts and wallets. Its daily production, on average, is 5 pairs, of which a Worker is in charge. This, in turn, is supervised by the Production Manager, who is in charge of reviewing the quality of the final product. To carry out the implementation of the production of the new products to be exported, the following information is considered, which is found in Table 14, in relation to the projection projected by the company, based on

the analysis of the target market and the installed capacity of the company. This information has been used to identify in Table 15, the raw material costs necessary to comply with the production. In the same way, in Table 16, the direct labor costs are found, where the information with which Tiznado currently works was considered.

**Table 13**

*Raw material cost projection*

|               | <b>Macana Boot Men</b> | Macana Boot Women | <b>Total Annual</b> |
|---------------|------------------------|-------------------|---------------------|
| <b>Year 1</b> | 250                    | 250               | 500                 |
| <b>Year 2</b> | 250                    | 250               | 500                 |
| <b>Year 3</b> | 500                    | 500               | 1000                |
| <b>Year 4</b> | 500                    | 500               | 1000                |
| <b>Year 5</b> | 1000                   | 1000              | 2000                |

Source: Own elaboration

**Table 14**

*Production forecast for export*

|               | <b>Macana Boot Men</b> | Macana Boot Women | <b>Total Annual</b> |
|---------------|------------------------|-------------------|---------------------|
| <b>Year 1</b> | \$4.820,00             | \$4.820,00        | \$ 9.640,00         |
| <b>Year 2</b> | \$4.820,00             | \$4.820,00        | \$ 9.640,00         |
| <b>Year 3</b> | \$9.832,80             | \$9.832,80        | \$ 19.665,60        |
| <b>Year 4</b> | \$9.832,80             | \$9.832,80        | \$ 19.665,60        |
| <b>Year 5</b> | \$19.665,60            | \$19.665,60       | \$ 39.331,20        |

Source: Own elaboration

**Table 15**

*Direct Labor cost projection*

| <b>N<sup>a</sup> Workers</b> | <b>Years</b>       |                    |                     |                     |                     |
|------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
|                              | 1                  | 2                  | 3                   | 4                   | 5                   |
| <b>1</b>                     | <b>\$ 7.155,98</b> | <b>\$ 7.155,98</b> |                     |                     |                     |
| <b>2</b>                     |                    |                    | <b>\$ 14.311,96</b> | <b>\$ 14.311,96</b> |                     |
| <b>3</b>                     |                    |                    |                     |                     | <b>\$ 21.467,94</b> |

Source: Own elaboration

Finally, in Table 17 with the indirect manufacturing costs the projected cost statements have been prepared. These indirect manufacturing costs have been calculated in relation to labor, considering that they constitute 5% of it.

**Table 16***Projection of Indirect Manufacturing Costs*

| 1                  | 2                  | 3                  | 4                  | 5                   |
|--------------------|--------------------|--------------------|--------------------|---------------------|
| <b>\$ 4.293,59</b> | <b>\$ 4.293,59</b> | <b>\$ 8.587,18</b> | <b>\$ 8.587,18</b> | <b>\$ 12.880,76</b> |

Source: Own elaboration

It should be noted that the aforementioned costs vary considering an inflation fluctuation of 2%, which affects the costs of raw materials and labor. In the case of labor, as the quantity to be produced increases, it is considered to hire an additional worker, to comply with the scheduled production. In Table 18 are the expenses that are related to rents, water, internet, cell phone plan, mobilization, cafeteria, salary of administrative staff.

**Table 17***Projection of Administrative Expenses*

| <b>Period</b> | <b>Total Amount</b> |
|---------------|---------------------|
| Year 1        | \$ 10.155,98        |
| Year 2        | \$ 10.155,98        |
| Year 3        | \$ 20.515,08        |
| Year 4        | \$ 20.515,08        |
| Year 5        | \$ 30.671,06        |

Source: Own elaboration.

In Table 19, are the expenses that are part of the international commercial management that must be carried out, considering that the terms of negotiation with the buyer are adapted to the FOB Incoterm, that is, that Tiznado will be responsible for the merchandise until the port of departure, considering the following factors

**Table 18***Sales Expenses Projection (FOB)*

| <b>Detail</b> | <b>SALES COMMISSION</b> | <b>TRANSPORTATION, NATIONAL LOGISTIC</b> | <b>MARKETING PROMOTION</b> | <b>EXPORTATION COSTS</b> | <b>TOTAL</b> |
|---------------|-------------------------|--|----------------------------|--------------------------|--------------|
| <b>Year 1</b> | \$ 4,217.91             | \$ 1,000.00                              | \$ 6,000.00                | \$ 1,400.00              | \$ 12,617.91 |
| <b>Year 2</b> | \$ 4,079.20             | \$ 1,000.00                              | \$ 6,000.00                | \$ 1,400.00              | \$ 12,479.20 |
| <b>Year 3</b> | \$ 8,158.39             | \$ 2,000.00                              | \$ 12,000.00               | \$ 2,800.00              | \$ 24,958.39 |
| <b>Year 4</b> | \$ 8,158.39             | \$ 2,000.00                              | \$ 12,000.00               | \$ 2,800.00              | \$ 24,958.39 |
| <b>Year 5</b> | \$ 12,237.59            | \$ 3,000.00                              | \$ 18,000.00               | \$ 4,200.00              | \$ 37,437.59 |

Source: Own elaboration

However, with the intention of being able to know the viability of another negotiation term that the buyer abroad could request, in Table 20 is the projection of costs with the obligations determined by the Incoterm CIF, with the price of the international transport to Madrid. Thus, it is finally possible to compare the profitability of the two options.

**Table 19**  
*Sales Expense Projection (CIF)*

| PROJECTION OF ANNUAL SALES EXPENSES |                  |   |                     |                   |              |
|-------------------------------------|------------------|---|---------------------|-------------------|--------------|
| Detail                              | SALES COMMISSION | TRANSPORTATION, NATIONAL AND INTERNATIONAL LOGISTIC | MARKETING PROMOTION | EXPORTATION COSTS | TOTAL        |
| Año 1                               | \$ 4,217.91      | \$ 12,000.00  | \$ 6,000.00         | \$ 1,400.00       | \$ 23,617.91 |
| Año 2                               | \$ 4,079.20      | \$ 12,000.00  | \$ 6,000.00         | \$ 1,400.00       | \$ 23,479.20 |
| Año 3                               | \$ 8,158.39      | \$ 24,000.00  | \$ 12,000.00        | \$ 2,800.00       | \$ 46,958.39 |
| Año 4                               | \$ 8,158.39      | \$ 24,000.00  | \$ 12,000.00        | \$ 2,800.00       | \$ 46,958.39 |
| Año 5                               | \$ 12,237.59     | \$ 36,000.00  | \$ 18,000.00        | \$ 4,200.00       | \$ 70,437.59 |

Source: Own elaboration

With the aforementioned information, it can be concluded that the best option from the point of cost-benefit terms, the FOB Incoterm turns out to be the most convenient. However, this will depend on the bargaining power with which Tiznado can make sales internationally. Sales Expenses increase by 10%, when taking responsibility for international logistics, which ultimately reduces the seller's profit margin. In Table 21 and 22, it is possible to show the difference that may exist depending on the negotiation term of Tiznado with its buyers, identifying that in the case of doing so with Incoterm FOB, the total production costs and expenses are lower than those of a CIF Incoterm, which directly affects the sale price. It should be noted that a profit of 20% has been considered in the first and second year, 30% in the third and fourth year and 50% in the fifth year.

**Table 20***Statement of Costs and Projected Expenses FOB*

|                                     | <b>1</b>     | <b>2</b>     | <b>3</b>     | <b>4</b>     | <b>5</b>     |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Raw material</b>                 | \$ 9,640.00  | \$ 9,640.00  | \$19,280.00  | \$19,280.00  | \$38,560.00  |
| <b>Direct Labor</b>                 | \$7,155.98   | \$7,155.98   | \$14,311.96  | \$14,311.96  | \$21,467.94  |
| <b>Indirect manufacturing costs</b> | \$4,293.59   | \$4,293.59   | \$8,587.18   | \$8,587.18   | \$ 12,880.76 |
| <b>Production cost</b>              | \$21,089.57  | \$21,089.57  | \$ 42,179.14 | \$ 42,179.14 | \$72,908.70  |
| <b>Unit Variable Cost</b>           | \$ 42.18     | \$ 42.18     | \$ 42.18     | \$ 42.18     | \$36.45      |
| <b>Administrative expenses</b>      |              |              |              |              |              |
|                                     | \$10,155.98  | \$ 10,155.98 | \$ 20,515.08 | \$ 20,515.08 | \$30,671.06  |
| <b>Selling expenses</b>             |              |              |              |              |              |
|                                     | \$ 12,617.91 | \$ 12,479.20 | \$24,958.39  | \$24,958.39  | \$37,437.59  |
| <b>Financial expenses</b>           |              |              |              |              |              |
|                                     | \$ 1,603.42  | \$ 1,317.83  | \$ 997.60    | \$ 638.54    | \$235.95     |
| <b>Operating costs</b>              |              |              |              |              |              |
|                                     | \$24,377.32  | \$ 23,953.00 | \$ 46,471.07 | \$ 46,112.02 | \$ 68,344.60 |
| <b>Total cost</b>                   |              |              |              |              |              |
|                                     | \$45,466.89  | \$45,042.57  | \$88,650.21  | \$88,291.15  | \$141,253.30 |
| <b>Utility</b>                      |              |              |              |              |              |
|                                     | \$ 9,093.38  | \$ 9,008.51  | \$ 26,595.06 | \$ 26,487.35 | \$ 84,751.98 |
| <b>Sale price</b>                   |              |              |              |              |              |
|                                     | \$ 54,560.26 | \$54,051.09  | \$115,245.27 | \$114,778.50 | \$226,005.28 |
| <b>Unit Sale Price</b>              |              |              |              |              |              |
|                                     | \$ 109.12    | \$ 108.10    | \$115.25     | \$114.78     | \$ 113.00    |

Source: Own elaboration

**Table 21***Statement of Costs and Expenses Projected CIF*

|                                     | <b>1</b>     | <b>2</b>     | <b>3</b>      | <b>4</b>      | <b>5</b>      |
|-------------------------------------|--------------|--------------|---------------|---------------|---------------|
| <b>Raw material</b>                 | \$ 9,640.00  | \$ 9,640.00  | \$19,280.00   | \$19,280.00   | \$38,560.00   |
| <b>Direct Labor</b>                 | \$7,155.98   | \$7,155.98   | \$14,311.96   | \$14,311.96   | \$21,467.94   |
| <b>Indirect manufacturing costs</b> | \$4,293.59   | \$4,293.59   | \$8,587.18    | \$8,587.18    | \$ 12,880.76  |
| <b>Production cost</b>              | \$21,089.57  | \$21,089.57  | \$ 42,179.14  | \$ 42,179.14  | \$72,908.70   |
| <b>Unit Variable Cost</b>           | \$ 42.18     | \$ 42.18     | \$ 42.18      | \$ 42.18      | \$36.45       |
| <b>Administrative expenses</b>      |              |              |               |               |               |
|                                     | \$10,155.98  | \$ 10,155.98 | \$ 20,311.96  | \$ 20,311.96  | \$30,467.94   |
| <b>Selling expenses</b>             |              |              |               |               |               |
|                                     | \$23,617.91  | \$23,479.20  | \$ 46,958.39  | \$ 46,958.39  | \$ 70,437.59  |
| <b>Financial expenses</b>           |              |              |               |               |               |
|                                     | \$ 1,603.42  | \$ 1,317.83  | \$ 997.60     | \$ 638.54     | \$235.95      |
| <b>Operating costs</b>              |              |              |               |               |               |
|                                     | \$35,377.32  | \$34,953.00  | \$68,267.95   | \$67,908.90   | \$10,141.48   |
| <b>Total cost</b>                   |              |              |               |               |               |
|                                     | \$ 56,466.89 | \$ 56,042.57 | \$ 110,447.09 | \$ 110,088.03 | \$ 174,050.18 |
| <b>Utility</b>                      |              |              |               |               |               |
|                                     | \$ 11,293.38 | \$ 11,208.51 | \$ 33,134.13  | \$ 33,026.41  | \$ 104,430.11 |
| <b>Sale price</b>                   |              |              |               |               |               |
|                                     | \$ 67,760.26 | \$ 67,251.09 | \$ 143,581.22 | \$ 143,114.44 | \$ 278,480.29 |
| <b>Unit Sale Price</b>              |              |              |               |               |               |
|                                     | \$ 135.52    | \$ 134.50    | \$143.58      | \$ 143.11     | \$ 139.24     |

Source: Own elaboration

It can be analyzed that the FOB Incoterm allows Tiznado to offer its products at competitive prices. On the other hand, it can be seen that the greater the amount of sale, the lower the cost of production, for which Tiznado should aim for larger volumes in order to reduce costs and achieve a higher profit margin, for which It must make a good market penetration and an investment in the sales force at an international level. Finally, it should be noted that the Variable Unit Cost, in both cases, is the same, which is quite high, considering the prices and costs of similar products imported or produced in the destination country.

### 3.4. Income Statement

In Table 23 and 24 the Net Profit shown by the financial analyzes can be seen in the two cases, indicating that, in the case of CIF, it would deliver greater profitability. However, the points mentioned in the subject of total costs and expenses should be considered, which affect the sale price to the buyer, since in the end these varying margins will affect the final consumer in the price, which will make it this a point that must be analyzed and considered when looking at the behavior of the market.

**Table 22**  
*FOB Projected Income Statement*

| Concept / Period                | 1           | 2            | 3             | 4             | 5             |
|---------------------------------|-------------|--------------|---------------|---------------|---------------|
| <b>Income</b>                   | \$54,560.26 | \$ 54,051.09 | \$ 114,981.22 | \$ 114,514.44 | \$ 225,680.29 |
| <b>Production cost</b>          | \$21,089.57 | \$ 21,089.57 | \$ 42,179.14  | \$ 42,179.14  | \$ 72,908.70  |
| <b>Gross profit</b>             | \$33,470.69 | \$ 32,961.52 | \$ 72,802.08  | \$72,335.31   | \$ 152,771.58 |
| <b>(-) Operational expenses</b> | \$24,377.32 | \$ 23,953.00 | \$ 46,267.95  | \$ 45,908.90  | \$ 68,141.48  |
| <b>(-) Depreciation</b>         | \$1,000.00  | \$ 1,000.00  | \$ 1,000.00   | \$ 1,000.00   | \$ 1,000.00   |
| <b>Utility Operation</b>        | \$8,093.38  | \$ 8,008.51  | \$ 25,534.13  | \$ 25,426.41  | \$83,630.11   |
| <b>Financial expenses</b>       | \$1,603.42  | \$ 1,317.83  | \$ 997.60     | \$ 638.54     | \$ 235.95     |
| <b>Earnings Before Taxes</b>    | \$6,489.85  | \$ 6,690.69  | \$ 24,597.46  | \$24,848.80   | \$83,516.03   |
| <b>Income Tax 22%</b>           | \$ 1,427.79 | \$ 1,471.95  | \$ 5,411.44   | \$ 5,466.74   | \$ 18,373.53  |
| <b>Net profit</b>               | \$ 5,062.16 | \$ 5,218.74  | \$ 19,186.02  | \$ 19,362.06  | \$ 65,142.50  |

Source: Own elaboration



**Table 23**  
*CIF Projected Income Statement*

| Concept / Period                | 1            | 2            | 3             | 4             | 5             |
|---------------------------------|--------------|--------------|---------------|---------------|---------------|
| <b>Income</b>                   | \$ 68,401.63 | \$ 67,778.22 | \$ 144,013.51 | \$ 143,391.14 | \$ 278,606.13 |
| <b>Production cost</b>          | \$ 21,089.57 | \$ 21,089.57 | \$ 42,179.14  | \$ 42,179.14  | \$ 72,908.70  |
| <b>Gross profit</b>             | \$ 47,312.06 | \$ 46,688.65 | \$ 101,834.37 | \$ 101,212.01 | \$ 205,697.42 |
| <b>(-) Operational expenses</b> | \$ 35,911.79 | \$ 35,392.28 | \$ 68,600.49  | \$ 68,121.74  | \$ 101,220.13 |
| <b>(-) Depreciation</b>         | \$ 1,000.00  | \$ 1,000.00  | \$ 1,000.00   | \$ 1,000.00   | \$ 1,000.00   |
| <b>Utility Operation</b>        | \$ 10,400.27 | \$ 10,296.37 | \$ 32,233.89  | \$ 32,090.26  | \$ 103,477.30 |
| <b>Financial expenses</b>       | \$ 1,603.42  | \$ 1,317.83  | \$ 997.60     | \$ 638.54     | \$ 235.95     |
| <b>Earnings Before Taxes</b>    | \$ 8,689.95  | \$ 8,890.69  | \$ 31,136.53  | \$ 31,387.87  | \$ 103,194.16 |
| <b>Income Tax 22%</b>           | \$ 1,911.79  | \$ 1,955.95  | \$ 6,850.04   | \$ 6,905.33   | \$ 22,702.72  |
| <b>Net profit</b>               | \$ 6,778.16  | \$ 6,934.74  | \$ 24,286.49  | \$ 24,482.53  | \$ 80,491.44  |

Source: Own elaboration

Once again, it can be seen that the greater the amount to be exported, the profitability indices are much higher than tiny amounts, with which it is barely possible to cover production costs and expenses, as is the case in the first and second year. The terms of the negotiation, although they affect the final results, do not do so to a great extent. The really important thing is to be able to offer a competitive price to the buyer, so that the end customer in Madrid can be attracted by the product. However, it should be noted that the market targeted by Tiznado has tastes and preferences for high-end items, so the price in both cases could indicate that they are adequate, but in relation to similar products or direct competition, as is in the case of the "Spanish Espadrilles", they are at a price similar to that projected in both cases. For this reason, a necessary marketing campaign must be generated in order to gain a niche in this market.

### 3.5 Cash flows

Tables 25 and 3. show the projected Cash Flows for the two Incoterms that have been analyzed, where the same relationship as the previous chapters is maintained. The financial economic results that have been presented in cash flow are encouraging, since positive results are recorded in all periods, which allows the company to be in a position to recover its investment, considering that its primary production could sustain the operations of the company, while the internationalization project continues to grow in size.

**Table 24***FOB projected cash flow*

|                           | <b>0</b>     | <b>1</b>    | <b>2</b>    | <b>3</b>     | <b>4</b>     | <b>5</b>     |
|---------------------------|--------------|-------------|-------------|--------------|--------------|--------------|
| <b>Sales revenue</b>      |              | \$54,560.26 | \$54,051.09 | \$115,245.27 | \$114,778.50 | \$226,005.28 |
| <b>Financing</b>          | \$ 15,000.00 |             |             |              |              |              |
| <b>Total income</b>       | \$ 15,000.00 | \$54,560.26 | \$54,051.09 | \$115,245.27 | \$114,778.50 | \$226,005.28 |
|                           |              |             |             |              |              |              |
| <b>Production costs</b>   |              | \$21,089.57 | \$21,089.57 | \$ 42,179.14 | \$ 42,179.14 | \$ 72,908.70 |
| <b>Operation Expenses</b> |              | \$24,377.32 | \$23,953.00 | \$ 46,471.07 | \$ 46,112.02 | \$ 68,344.60 |
| <b>Interests</b>          |              | \$ 1,603.42 | \$ 1,317.83 | \$ 997.60    | \$ 638.54    | \$ 235.95    |
| <b>Loan Amortization</b>  |              | \$ 3,958.67 | \$ 3,958.67 | \$ 3,958.67  | \$ 3,958.67  | \$ 3,958.67  |
| <b>Taxes</b>              |              | \$ 1,427.79 | \$ 1,471.95 | \$ 5,411.44  | \$ 5,466.74  | \$ 18,373.53 |
| <b>Investment</b>         | \$ 15,000.00 |             |             |              |              |              |
| <b>Total expenses</b>     | \$ 15,000.00 | \$52,456.77 | \$51,791.02 | \$ 99,017.92 | \$ 98,355.10 | \$163,821.44 |
|                           |              |             |             |              |              |              |
| <b>Net Financial Flow</b> | \$-30,000.00 | \$ 2,103.49 | \$ 2,260.07 | \$ 16,227.37 | \$ 16,423.40 | \$ 61,183.84 |
| <b>Accumulated Flow</b>   |              | \$ 2,103.49 | \$ 4,363.56 | \$ 20,590.91 | \$ 37,014.31 | \$ 96,198.14 |

Source: Own elaboration

**Table 25***CIF Projected Cash Flow*

|                              | <b>0</b>     | <b>1</b>     | <b>2</b>    | <b>3</b>     | <b>4</b>     | <b>5</b>      |
|------------------------------|--------------|--------------|-------------|--------------|--------------|---------------|
| <b>Ingresos Por Ventas</b>   |              | \$67,760.26  | \$67,251.09 | \$143,581.22 | \$143,114.44 | \$ 278,480.29 |
| <b>Financiamiento</b>        | \$ 15,000.00 |              |             |              |              |               |
| <b>Total Ingresos</b>        | \$ 15,000.00 | \$67,760.26  | \$67,251.09 | \$143,581.22 | \$143,114.44 | \$ 278,480.29 |
|                              |              |              |             |              |              |               |
| <b>Costos de Producción</b>  |              | \$ 21,089.57 | \$21,089.57 | \$ 42,179.14 | \$ 42,179.14 | \$ 72,908.70  |
| <b>Gastos Operación</b>      |              | \$ 35,377.32 | \$34,953.00 | \$ 68,267.95 | \$ 67,908.90 | \$ 101,141.48 |
| <b>Intereses</b>             |              | \$ 1,603.42  | \$ 1,317.83 | \$ 997.60    | \$ 638.54    | \$ 235.95     |
| <b>Amortización Préstamo</b> |              | \$ 3,958.67  | \$ 3,958.67 | \$ 3,958.67  | \$ 3,958.67  | \$ 3,958.67   |
| <b>Impuestos</b>             |              | \$ 1,911.79  | \$ 1,955.95 | \$ 6,850.04  | \$ 6,905.04  | \$ 22,702.72  |
| <b>Inversión</b>             | \$ 15,000.00 |              |             |              |              |               |
| <b>Total Egresos</b>         | \$ 15,000.00 | \$63,940.77  | \$63,275.02 | \$122,253.40 | \$121,590.58 | \$ 200,947.51 |
|                              |              |              |             |              |              |               |
| <b>Flujo Neto Financiero</b> | \$-30,000.00 | \$ 3,819.49  | \$ 3,976.01 | \$ 21,327.82 | \$ 21,523.87 | \$ 77,532.78  |
| <b>Flujo Acumulado</b>       |              | \$ 3,819.49  | \$ 7,795.56 | \$ 29,123.38 | \$ 50,647.25 | \$ 128,180.02 |

Source: Own elaboration

### 3.6. Financial evaluation

Below, in Table 3.17., is the analysis of financial indicators, with which it can be shown that the internationalization project is viable from the economic and financial point of view.

**Table 26**

*Evaluation of financial indicators*

| <b>INCOTERM FOB</b>                     |             |
|---|-------------|
| <b>NET PRESENT VALUE</b>                | \$35,007.41 |
| <b>IRR</b>                              | 33%         |
| <b>RECOVERY PERIOD</b>                  | 3,57        |
| <b>WEIGHTED AVERAGE COST OF CAPITAL</b> | 10%         |
| <b>INCOTERM CIF</b>                     |             |
| <b>NET PRESENT VALUE</b>                | \$54,612.39 |
| <b>IRR</b>                              | 43%         |
| <b>RECOVERY PERIOD</b>                  | 3,04        |
| <b>WEIGHTED AVERAGE COST OF CAPITAL</b> | 10%         |

Source: Own elaboration

From the economic and financial point of view, the "Feasibility Study for the Export of Footwear from the Tiznado Company to the Spanish Market" is viable, because the financial indicators are the result of the projection of project flows and are higher to 0, in the case of net present value. In addition, it has an internal rate of return higher than the weighted average cost of Tiznado, which is related to the utility and profitability review generated by the company's exports. However, since these are sales projections, this does not ensure that the project ends up being positive, since the company does not have previous experience in this type of marketing, which is a relevant factor in this type of negotiation.

## CONCLUSIONS

- Review the bibliography and information gathering to know the current situation of the footwear sector in Ecuador and Spain.

In relation to the first specific objective, it is concluded that there is a huge difference between the footwear industries in Spain and Ecuador, which means that, from the beginning, the destination country is seen as a potential market. At the same time, it is a market where there is high power from competitors and buyers. In Spain, the footwear sector is much more representative in terms of its contribution to GDP, which is why the private sector enjoys government support, without neglecting private investment in this country, since there are brands of international fame, where its main market is the United States and nearby countries in Europe. However, they have a great dependence on footwear imports from Asia, which has given the consumer high bargaining power, given the high competition that exists, in type of product, price and place of sale, the latter, being one of the most important, due to its growth in online sales, which in the future could be a sales channel to be investigated by SMEs that wish to internationalize their products.

- Study external and internal factors that allow evaluating the feasibility of exporting the company Tiznado.

Regarding the second specific objective, the adoption of international trade in companies requires changes in business models and internal processes. For many companies, especially SMEs, how to go about this transformation can be challenging and introduce uncertainty as to the profitability of embracing international trade.

Knowing in detail the internal and external factors of the company is important because it can help to determine why exporters do not take advantage of the full potential of their business and also to know why many companies fail or incur losses when they carry out export activities. . For example, the use of social networks or electronic commerce systems can facilitate contact with potential customers, partners or intermediaries, which would favor the capture of market information, customs or cultural trends and, with it, the discovery of new business opportunities and the reduction of uncertainty caused by entering unknown foreign markets.

The entry requirements related to certifications, permits and standards that the product must meet to enter the destination country; the adaptation of the product that occurs according to the level of knowledge of the consumers that the SME is acquiring through the collection of information or in the different instances of sale of the product and the improvement of the sales channels, the cost and prices of the market, the specialization in niches and the opening of new options where to offer the product such as online sales channels, are factors with which Tiznado has a minimum strength, on the contrary, it is where the company has to put its efforts and improve in these factors that allow it to achieve a favorable and sustainable internationalization.

The negotiation model that shows greater feasibility from the economic and logistical point of view for Tiznado is the FOB incoterm, since this would allow him to have the responsibility of taking the merchandise to the loading point. Consequently, this leads to offering the product to international buyers with differentiation and added value, but not considering price as a product differentiator. It should be identified that, if sales are recurring or sales volumes are large, surely the payment, packaging and logistics conditions will mean that the process has to be carried out continuously, which was identified as reducing production costs.

Tiznado has a feasibility to guide their efforts towards an "experimental export", companies begin to export to geographically and culturally close markets and their earnings from export sales are modest. Some marketing activities are transferred to intermediaries, which is known as indirect export. Export activity is usually intermittent and, therefore, it is a critical stage in the internationalization process. Many companies abandon export at this stage. However, in order for Tiznado to consolidate its market abroad, it must invest efforts in improving its weak internal factors, so that it can compete in the medium term with footwear suppliers in Madrid.

Therefore, the "Feasibility Study for the Export of Footwear from the Tiznado Company to the Spanish Market" is not feasible from the point of view of business management. It can be concluded, based on the evaluation of internal and external factors, that the Tiznado company is within the feasibility range of Minor Weakness, since they have been identified within the variables analyzed, which the company must still implement. or develop actions

to make sales abroad. The company must consider the results obtained in this study, which serve as an indication to create solutions to the factors studied, in order that the degree of export feasibility can increase in the short or medium term and can specify the internationalization of its products. ; As long as this does not happen, it will not really be possible for the company to export its products to Spain, as the destination country.

- Determine the financial economic feasibility of this study.

It can be concluded that, in both cases, the Net Present Value (NPV) of the project flows shows a positive value over the time that has been considered for the projection. For this reason, the Internal Rate of Return (IRR) also shows a positive value, considering that Tiznado's weighted average cost of capital is 10%, which indicates that the return on investment in the export project is feasible, since that financially, it can be considered that if IRR is greater than the rate expected by the shareholders, or the debt rate with which the company has managed to finance its operations, the project generates profitability that is adjusted to what is desired by its owners, and it also generates the necessary flow to cover its indebtedness. Therefore, Tiznado is feasible in its economic viability, but it is emphasized that it is not for the export of its products.

Finally, it must be considered that the recovery period is slow, since the time to recover the investment is almost 4 years, which, in the world of fashion, is a considerable time. Therefore, the trends in consumption and supply are dynamic, so it does not ensure that Tiznado can maintain its export with the same concept for this time, so it is concluded that the export project would not be feasible under these conditions.

## RECOMMENDATIONS

Understanding how to adjust pricing strategies and, more generally, who the SME's competition is and which consumers to target, can be decisive for the success of operating on a platform. This is particularly relevant in a cross-border e-commerce context, where the demand is not necessarily the same as that faced in the local market.

Designing a promotional sales strategy, not neglecting the quality of the products and customer service, as well as providing incentives for customers to leave a good rating is a challenge whose overcoming can help to gain visibility and build trust in the platform. .

Obtain information about the export and import ecosystem, reduce the development needs of internal areas, administrative processes and human resources in SMEs. This effectively limits the costs of cross-border e-commerce.

The choice of the channel must consider how the SME will want to use it and the terms and conditions related to the use of the information, for example, the use of social networks allows not only to be in contact with customers, but also to carry out market research at low cost. , carry out product testing and obtain the opinion of consumers first hand. Likewise, with good management of social networks, they become the greatest community builder.

If Tiznado decides to develop its own online store or join an established platform, the first phase consists of a direct electronic commerce strategy, where the entire digital operation is handled by the company that offers the product, without intermediaries between the client and the company. In this case, the SME must take care of the hosting of the site and its promotion, the management of digital media, the catalog of products or services, the forms and means of payment available, logistics and delivery, customer service mechanisms and post- sale, as well as being responsible for the return, fraud and confidentiality and data security policies.

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## APPENDICES

### Appendix A: Tizado strategic planning focused on the search for export feasibility

Tizado\*

Cuenca, 17 de junio de 2022

Señoritas,

Evelyn Chiriboga y Paula Sarmiento

ESTUDIANTES DE LA UNIVERSIDAD DEL AZUAY

Ciudad

De mi consideración:

Conocedor del proyecto de tesis que desarrollan para la empresa de producción de calzado de marca Tizado, presento la información solicitada:

- El producto de la marca Tizado está dirigido hacia un segmento de mercado masculino y femenino con un rango de edad entre (18 a 50) años.
- El objetivo de nuestra empresa es desarrollar un producto con características y valor agregado de identidad nacional que nos permita exportar hacia otros países; a los productos se agregaría combinaciones entre cueros naturales, suelas materiales reciclados, plantillas biodegradables, fibras naturales (banano, piña), textiles naturales como macanas y tejidos andinos, paja toquilla, plata en filigrana, entre otros, contarán con empaques de cartón reciclado biodegradable.
- Los productos serán impulsados en nuestras redes sociales y página web.
- El precio de nuestros zapatos se encuentra partir de los 65.00 hasta 150.00 dólares
- Los productos estarían enfocados para colecciones verano e invierno.

Cualquier información adicional que requieran, la empresa la otorgará con mucho gusto, les deseo éxito en el desarrollo del proyecto.

Atentamente,



Dis. Marcelo Quezada Jiménez.

PROPIETARIO

Appendix B: Product catalog



# TIZNADO

DEJA HUELLA POR DONDE CAMINES.



A. BOTIN CEROSO Y EXCELL CAFE  
CODIGO: TZB001-70024



B. BOTIN CEROSO Y EXCELL NEGRO  
CODIGO: TZB001-70020



**Tallas: 34 35 36 37 38 39**  
Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Caucho Ultra Resistente  
Plantilla: Alto-impacto Extra-Confort

**\$35.00**  
Precio no incluye Iva.

A. BOTIN NUBUCK DURAZNO  
CODIGO: TZB001-70001



B. BOTIN NUBUCK NEGRO  
CODIGO: TZB001-70002



**Tallas: 34 35 36 37 38 39**  
Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Caucho Ultra Resistente  
Plantilla: Alto-impacto Extra-Confort

**\$35.00**  
Precio no incluye Iva.



A. MOCASIN CHAROL Y GAMUZON NEGRO  
CODIGO: TZC001-90022



B. MOCASIN GAMUZON Y BUFALO AZUL  
CODIGO: TZC001-90025



Tallas: 34 35 36 37 38 39

Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Topic rubber  
Plantilla: Alto-impacto Extra-Confort

\$32.50

Precio no incluye iva.

A. MOCASIN BERLUTTI MENTA  
CODIGO: TZC001-90020



B. MOCASIN BERLUTTI PITAL  
CODIGO: TZC001-90021



Tallas: 34 35 36 37 38 39

Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Topic rubber  
Plantilla: Alto-impacto Extra-Confort

\$32.50

Precio no incluye iva.

A



A. BOTIN CAIMAN CAFE  
CODIGO: TZB001-70222

\$42.50

Precio no incluye iva.

Tallas: 34 35 36 37 38 39

Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Topic rubber  
Plantilla: Alto-impacto Extra-Confort

A



A. BOTIN IBERICK VINO  
CODIGO: TZB001-70281

\$42.50

Precio no incluye iva.

Tallas: 34 35 36 37 38 39

Capellada: Cuero Vacuno  
Forro: Textil y cuero  
Suela: Topic rubber  
Plantilla: Alto-impacto Extra-Confort

# Appendix C: Initial situation state

| TIZNADO   |                                      | BALANCE GENERAL |           | AL: 30/09/2022                      |  |
|---|--------------------------------------|-----------------|-----------|-------------------------------------|--|
| Av. González Suárez s/n y Ramayana esquina.               |                                      |                 |           | Miércoles 14 de Septiembre del 2022 |  |
| R.U.C.: 0104910591001 Nuestra Calidad es su Seguridad     |                                      |                 |           | Todos los locales                   |  |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:50:24 Pág: 1 |                                      |                 |           |                                     |  |
| Usuario: SANTIAGO QUEZADA (g) Reporte: Balgen (imp)       |                                      |                 |           |                                     |  |
| <b>ACTIVO</b>   |                                      |                 |           |                                     |  |
| <b>ACTIVOS CORRIENTES</b>                                 |                                      |                 |           |                                     |  |
| <b>150.888.40</b>   |                                      |                 |           |                                     |  |
| 10101   | EFFECTIVO Y EQUIVALENTES AL          |                 |           | 3,736.79                            |  |
| 1010101   | CAJAS                                |                 | 379.04    |                                     |  |
| 101010101   | CAJA GENERAL                         |                 | 379.04    |                                     |  |
| 10101010101   | Caja                                 | 379.04          |           |                                     |  |
| 1010102   | BANCOS                               |                 | 3,137.75  |                                     |  |
| 101010201   | BANCOS NACIONALES                    |                 | 3,137.75  |                                     |  |
| 101010201001  | Guayaquil (002489857)                | 4,040.35        |           |                                     |  |
| 101010201004  | Piñincha (2100144269)                | 1,856.53        |           |                                     |  |
| 101010201005  | Jardín Acacay (2040300)              | -2,603.49       |           |                                     |  |
| 101010201006  | BanEcuador (4-01326357-4)            | 20.00           |           |                                     |  |
| 101010201007  | Jap Juventud Ecuatoriana             | 319.36          |           |                                     |  |
| 101010201008  | Banco Pichincha (2208035974)         | 305.00          |           |                                     |  |
| 1010104   | INVERSIONES                          |                 | 220.00    |                                     |  |
| 101010401   | INVERSIONES                          |                 | 220.00    |                                     |  |
| 101010401001  | Inversiones a Corto Plazo            | 220.00          |           |                                     |  |
| 10105   | ACTIVOS FINANCIEROS                  |                 | 61,736.72 |                                     |  |
| 1010505   | DOCUMENTOS Y CUENTAS POR             |                 | 59,031.04 | 59,031.04                           |  |
| 101050502   | DE ACTIVIDADES ORDINARIAS QUE        |                 | 59,031.04 |                                     |  |
| 10105050201   | Cuentas                              | 44,556.77       |           |                                     |  |
| 10105050203   | Cheques Postfechados                 | 14,444.27       |           |                                     |  |
| 1010208   | OTRAS CUENTAS POR COBRAR             |                 | 1,798.18  |                                     |  |
| 101020801   | CUENTAS AL PERSONAL                  |                 | 1,362.18  |                                     |  |
| 101020801002  | Alex Cambeasca Antipicos             | -60.00          |           |                                     |  |
| 101020801006  | Victor Daniel Quitipa Morucho        | 150.00          |           |                                     |  |
| 101020801010  | Wlmar Dumaguana Sumbra Antipicos     | 100.00          |           |                                     |  |
| 101020801014  | Carlos Dario Rodriguez Lomasia       | -60.00          |           |                                     |  |
| 101020801016  | Juan Pablo Ochoa Brito Antipicos     | -30.00          |           |                                     |  |
| 101020801021  | Carlos Santiago Quezada Jimenez      | 791.81          |           |                                     |  |
| 101020801022  | Pedro Marcelo Quezada Jimenez        | 469.37          |           |                                     |  |
| 101020801024  | Ruth Marlene Pardi May Antipicos     | 30.00           |           |                                     |  |
| 101020803   | DEUDORES VARIOS                      |                 | 436.00    |                                     |  |
| 101020803002  | Jorge Bolivar Argudo Lituma          | 436.00          |           |                                     |  |
| 1010209   | (-) PROVISION CUENTAS                |                 | 907.50    |                                     |  |
| 101020901   | Provision Cta. Incoobrables          |                 | 907.50    |                                     |  |
| 10103   | INVENTARIOS                          |                 | 49,355.72 |                                     |  |
| 1010301   | INVENTARIOS DE MATERIA PRIMA         |                 | 44,323.36 | 44,323.36                           |  |
| 101030101   | Inventarios de Materia Prima         | 44,323.36       |           |                                     |  |
| 1010311   | INVENTARIOS REPUESTOS                |                 | 5,032.36  |                                     |  |
| 101031101   | Inventario de Herramientas Generales |                 | 5,032.36  |                                     |  |
| 10104   | SERVICIOS Y OTROS PAGOS              |                 | 700.00    | 700.00                              |  |
| 1010402   | ARRIENDOS PAGADOS POR                |                 | 700.00    |                                     |  |
| 101040201   | Arriendos Pagados por Anticipado     |                 | 700.00    |                                     |  |
| 10105   | ACTIVOS POR IMPUESTOS                |                 | 35,369.17 |                                     |  |
| 1010501   | CREDITO TRIBUTARIO A FAVOR DE        |                 | 31,496.81 |                                     |  |
| 101050101   | CREDITO TRIBUTARIO                   |                 | 6,211.55  |                                     |  |

| TIZNADO   |                                   | BALANCE GENERAL |           | AL: 30/09/2022                      |  |
|---|-----------------------------------|-----------------|-----------|-------------------------------------|--|
| Av. González Suárez s/n y Ramayana esquina.               |                                   |                 |           | Miércoles 14 de Septiembre del 2022 |  |
| R.U.C.: 0104910591001 Nuestra Calidad es su Seguridad     |                                   |                 |           | Todos los locales                   |  |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:50:24 Pág: 2 |                                   |                 |           |                                     |  |
| Usuario: SANTIAGO QUEZADA (g) Reporte: Balgen (imp)       |                                   |                 |           |                                     |  |
| 101050101001  | Credito Tributario IVA            | 4,482.94        |           |                                     |  |
| 101050101002  | Credito Tributario RETENCIONES    | 1,728.61        |           |                                     |  |
| 101050102   | RETENCION IVA                     |                 | 4,791.18  |                                     |  |
| 101050102001  | Retencion 30% IVA                 | 4,264.86        |           |                                     |  |
| 101050102003  | Retencion 100% IVA                | 436.32          |           |                                     |  |
| 101050103   | I.V.A. PAGADO                     |                 | 20,584.08 |                                     |  |
| 101050103001  | I.V.A. Pagado Mercadería          | 16,601.05       |           |                                     |  |
| 101050103002  | I.V.A. Pagado Servicios           | 3,983.03        |           |                                     |  |
| 1010502   | CREDITO TRIBUTARIO A FAVOR DE LA  |                 | 3,872.36  | 3,872.36                            |  |
| 101050201   | RETENCION IMP A LA RENTA          |                 | 3,872.36  |                                     |  |
| 101050201001  | Retencion 1% Renta                | 3,833.64        |           |                                     |  |
| 101050201002  | Retencion 2% Renta                | 38.72           |           |                                     |  |
| <b>ACTIVO NO CORRIENTE</b>                                |                                   |                 |           |                                     |  |
| 10201   | PROPIEDADES, PLANTA Y EQUIPO      |                 |           | 91,318.12                           |  |
| 1020103   | MUEBLES Y ENSERES                 |                 | 4,068.40  |                                     |  |
| 102010301   | Costo Adq. Muebles y Enseres      |                 | 1,970.27  |                                     |  |
| 102010303   | Costo Adq. Muebles y Enseres      |                 | 2,098.13  |                                     |  |
| 1020106   | MAQUINARIA Y EQUIPO               |                 | 82,417.93 |                                     |  |
| 102010603   | Costo Adq. Maquinaria Produccion  | 82,257.93       |           |                                     |  |
| 102010604   | Dep. Acum. Maquinarias Produccion | 180.00          |           |                                     |  |
| 1020107   | EQUIPO DE OFICINA                 |                 | 133.93    | 133.93                              |  |
| 102010701   | Costo Adq. Equipo de Oficina      |                 | 133.93    |                                     |  |
| 1020108   | EQUIPOS DE COMPUTACION            |                 | 2,010.00  | 2,010.00                            |  |
| 102010801   | Costo Adq. Equipos Computac       | 2,010.00        |           |                                     |  |
| 1020110   | OTROS PROPIEDADES PLANTA Y        |                 | 1,200.00  |                                     |  |
| 102011001   | Costo Adq. Otros Activos Ft.      |                 | 1,200.00  |                                     |  |
| 1020111   | PROGRAMAS DE COMPUTACION          |                 | 1,467.86  |                                     |  |
| 102011101   | Costo Adq. Programas de Com       |                 | 1,200.00  |                                     |  |
| 102011103   | Costo Adq. Pagina Web             |                 | 267.86    |                                     |  |
| <b>TRANSITORIAS</b>                                       |                                   |                 |           |                                     |  |
| 10901   | CUENTAS TRANSITORIAS              |                 | 1,579.56  | 1,579.56                            |  |
| 1090102   | Cuenta Transitoria                |                 | 1,579.56  |                                     |  |
| <b>TOTAL ACTIVOS :</b>                                    |                                   |                 |           |                                     |  |
| <b>243,796.680</b>  |                                   |                 |           |                                     |  |

| TIZNADO   |                                     | BALANCE GENERAL |           | AL: 30/09/2022                      |  |
|---|-------------------------------------|-----------------|-----------|-------------------------------------|--|
| Av. González Suárez s/n y Ramayana esquina.               |                                     |                 |           | Miércoles 14 de Septiembre del 2022 |  |
| R.U.C.: 0104910591001 Nuestra Calidad es su Seguridad     |                                     |                 |           | Todos los locales                   |  |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:50:24 Pág: 3 |                                     |                 |           |                                     |  |
| Usuario: SANTIAGO QUEZADA (g) Reporte: Balgen (imp)       |                                     |                 |           |                                     |  |
| <b>PASIVO</b>   |                                     |                 |           |                                     |  |
| <b>PASIVO CORRIENTE</b>                                   |                                     |                 |           |                                     |  |
| <b>133,725.60</b>   |                                     |                 |           |                                     |  |
| 20103   | CUENTAS Y DOCUMENTOS POR            |                 | 24,265.70 | 24,265.70                           |  |
| 2010301   | OBLIGACIONES INMEDIATAS             |                 | 24,265.70 |                                     |  |
| 201030101   | PROVEEDORES                         |                 | 24,265.70 |                                     |  |
| 201030101001  | Proveedores de Mercaderías          | 22,555.71       |           |                                     |  |
| 201030101002  | Proveedores de Servicios            | 1,635.35        |           |                                     |  |
| 201030101004  | Proveedores Ocasionales             | 74.64           |           |                                     |  |
| 20104   | OBLIGACIONES CON INSTITUCIONES      |                 | -33.79    | -33.79                              |  |
| 2010401   | LOCALES                             |                 | -33.79    |                                     |  |
| 201040102   | Sobregiros Bancarios                |                 | -33.79    |                                     |  |
| 20107   | OTRAS OBLIGACIONES CORRIENTES       |                 | 25,139.54 | 115,112.74                          |  |
| 2010701   | CON LA ADMINISTRACION               |                 | -25.00    |                                     |  |
| 201070101   | RETENCIONES POR PAGAR               |                 | -25.00    |                                     |  |
| 201070101008  | Servicio de transporte privado de   | -25.00          |           |                                     |  |
| 201070103   | IVA COBRADO                         |                 | 25,164.54 |                                     |  |
| 201070103001  | IVA Cobrado Mercaderías             | 25,164.54       |           |                                     |  |
| 2010703   | CON EL IESS                         |                 | 89,973.20 |                                     |  |
| 201070301   | Aporte IESS por Pagar               |                 | -645.03   |                                     |  |
| 201070302   | Prestamo o Credito Hipotecario por  |                 | 90,618.23 |                                     |  |
| 20113   | OTROS PASIVOS CORRIENTES            |                 | -5,619.05 | -5,619.05                           |  |
| 2011301   | OTRAS CUENTAS POR PAGAR             |                 | -5,619.05 |                                     |  |
| 201130101   | Prestamo de Terceros                |                 | -5,619.05 |                                     |  |
| <b>PASIVO NO CORRIENTE</b>                                |                                     |                 |           |                                     |  |
| <b>47,077.91</b>  |                                     |                 |           |                                     |  |
| 20204   | CUENTAS POR PAGAR DIVERSAS          |                 | 47,077.91 | 47,077.91                           |  |
| 2020401   | LOCALES                             |                 | 47,077.91 |                                     |  |
| 202040101   | Prestamo Sr. Carlos Antonio Quezada |                 | 35,000.00 |                                     |  |
| 202040106   | Prestamo Credito y Linea de Credito |                 | 12,077.91 |                                     |  |
| <b>TOTAL PASIVOS :</b>                                    |                                     |                 |           |                                     |  |
| <b>180,803.51</b>   |                                     |                 |           |                                     |  |

| TIZNADO   |                                    | BALANCE GENERAL |           | AL: 30/09/2022                      |  |
|---|------------------------------------|-----------------|-----------|-------------------------------------|--|
| Av. González Suárez s/n y Ramayana esquina.               |                                    |                 |           | Miércoles 14 de Septiembre del 2022 |  |
| R.U.C.: 0104910591001 Nuestra Calidad es su Seguridad     |                                    |                 |           | Todos los locales                   |  |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:50:24 Pág: 4 |                                    |                 |           |                                     |  |
| Usuario: SANTIAGO QUEZADA (g) Reporte: Balgen (imp)       |                                    |                 |           |                                     |  |
| <b>PATRIMONIO</b>   |                                    |                 |           |                                     |  |
| <b>PATRIMONIO ATRIBUIBLE A LOS</b>                        |                                    |                 |           |                                     |  |
| <b>58,180.00</b>  |                                    |                 |           |                                     |  |
| 30101   | CAPITAL                            |                 | 58,180.00 | 58,180.00                           |  |
| 3010101   | CAPITAL SUSCRITO O ASIGNADO        |                 | 58,180.00 |                                     |  |
| 301010104   | Capital                            | 22,180.00       |           |                                     |  |
| 301010105   | Xavier Brito / Yolanda Quezada 25% | 36,000.00       |           |                                     |  |
| <b>RESULTADOS ACUMULADOS (RESOLUCION)</b>                 |                                    |                 |           |                                     |  |
| <b>61,562.42</b>  |                                    |                 |           |                                     |  |
| 30601   | GANANCIAS ACUMULADAS               |                 | 61,562.42 | 61,562.42                           |  |
| 3060101   | Ganancias Acumuladas               |                 | 61,562.42 |                                     |  |
| <b>RESULTADOS DEL EJERCICIO</b>                           |                                    |                 |           |                                     |  |
| <b>-4,968.72</b>  |                                    |                 |           |                                     |  |
| 30702   | (-) PERDIDA NETA DEL PERIODO       |                 | -4,968.72 | -4,968.72                           |  |
| 3070202   | Pérdidas Acumuladas                |                 | -4,968.72 |                                     |  |
| <b>TOTAL PATRIMONIO :</b>                                 |                                    |                 |           |                                     |  |
| <b>114,773.70</b>   |                                    |                 |           |                                     |  |
| <b>RESULTADO DEL PERIODO</b>                              |                                    |                 |           |                                     |  |
| <b>-51,781.13</b>   |                                    |                 |           |                                     |  |
| <b>TOTAL PASIVO + PATRIMONIO :</b>                        |                                    |                 |           |                                     |  |
| <b>243,796.68</b>   |                                    |                 |           |                                     |  |
| Gerente General:  |                                    | Contador:       |           |                                     |  |

# Appendix D: Tizado financial statement

| TIZADO  |                              |            | BALANCE DE RESULTADOS              |  |                   | TIZADO  |                                      |           | BALANCE DE RESULTADOS              |           |           |
|---|------------------------------|------------|------------------------------------|--|-------------------|---|--------------------------------------|-----------|------------------------------------|-----------|-----------|
| Av. González Suárez s/n y Ramayana esquina.               |                              |            | DESDE:01/01/2022 HASTA: 30/06/2022 |  |                   | Av. González Suárez s/n y Ramayana esquina.               |                                      |           | DESDE:01/01/2022 HASTA: 30/06/2022 |           |           |
| R.U.C.: 0104910591001 Nuestra Ciudad es su Seguridad      |                              |            |                                    |  |                   | R.U.C.: 0104910591001 Nuestra Ciudad es su Seguridad      |                                      |           |                                    |           |           |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:51:03 Pág: 1 |                              |            |                                    |  |                   | Fecha de Impresión: 14 - Sep - 2022 Hora: 18:51:03 Pág: 1 |                                      |           |                                    |           |           |
| Usuario: SANTIAGO QUEZADA (U) Reporte: Balance Fin (R)    |                              |            |                                    |  |                   | Usuario: SANTIAGO QUEZADA (U) Reporte: Balance Fin (R)    |                                      |           |                                    |           |           |
| Miércoles 14 de Septiembre del 2022                       |                              |            |                                    |  |                   | Miércoles 14 de Septiembre del 2022                       |                                      |           |                                    |           |           |
| INGRESOS  |                              |            |                                    |  |                   | COSTOS  |                                      |           |                                    |           |           |
| <b>INGRESOS ACTIVIDADES ORDINARIAS -92,511.790</b>        |                              |            |                                    |  |                   | <b>COSTO DE VENTAS Y PRODUCCION 119,035.040</b>           |                                      |           |                                    |           |           |
| 40101   | VENTAS DE BIENES             |            |                                    |  | -92,700.69        | 50101   | MATERIALES UTILIZADOS O              |           |                                    |           | 71,674.33 |
| 4010101   | VENTAS 12%                   |            | -61,924.00                         |  |                   | 5010101   | COMPRAS 12%                          | 55,022.63 |                                    |           |           |
| 401010101   | Ventas 12%                   | -67,670.75 |                                    |  |                   | 501010201   | Compras 12%                          | 56,535.13 |                                    |           |           |
| 401010102   | Descuento en Ventas 12%      | 294.73     |                                    |  |                   | 501010202   | Descuento en Compras 12%             | -616.86   |                                    |           |           |
| 401010103   | Devolucion en Ventas 12%     | 5,462.02   |                                    |  |                   | 501010203   | Devolucion en Compras 12%            | -895.64   |                                    |           |           |
| 4010102   | VENTAS 0%                    |            | -31,030.68                         |  |                   | 5010103   | COMPRAS 0%                           | 6,568.41  |                                    |           |           |
| 401010201   | Ventas 0%                    | -30,623.67 |                                    |  |                   | 501010301   | Compras 0%                           | 6,845.65  |                                    |           |           |
| 401010202   | Descuento en Ventas 0%       | 126.58     |                                    |  |                   | 501010303   | Devolucion en Compras 0%             | -277.24   |                                    |           |           |
| 401010203   | Devolucion en Ventas 0%      | 407.50     |                                    |  |                   | 5010104   | OTROS EN COMPRAS                     | 2,507.73  |                                    |           |           |
| 401010204   | Otros Ingresos               | -941.09    |                                    |  |                   | 501010401   | Transporte en Compras                | 493.34    |                                    |           |           |
| 4010103   | OTROS EN VENTAS              |            | 253.99                             |  |                   | 501010402   | Servicios en Compras                 | 364.08    |                                    |           |           |
| 401010301   | Transporte en Ventas         | 253.99     |                                    |  |                   | 501010403   | Otros costos y gastos en Compras y   | 848.18    |                                    |           |           |
| 40102   | VENTAS DE SERVICIOS          |            | 188.90                             |  | 188.90            | 501010404   | Gastos en Compras                    | 100.50    |                                    |           |           |
| 4010203   | OTROS EN VENTAS              |            |                                    |  |                   | 501010405   | Desarrollo de productos (Molds,      | 701.63    |                                    |           |           |
| 401020301   | Transporte en Ventas         | 188.90     |                                    |  |                   | 5010105   | IMPORTACIONES                        | 7,575.56  |                                    |           |           |
| 40105   | OTROS INGRESOS               |            |                                    |  | -171.750          | 501010501   | Importacion de Mercaderia            | 7,575.56  |                                    |           |           |
| 40305   | OTRAS RENTAS                 |            |                                    |  |                   | 50102   | (+) MANO DE OBRA DIRECTA             |           |                                    | 36,002.77 |           |
| 4030502   | Otros Ingresos Financieros   | -39.75     |                                    |  |                   | 5010201   | SUELDOS Y BENEFICIOS SOCIALES        | 34,150.34 |                                    | 35,768.99 |           |
| 40306   | NO OPERATIVOS COTIDIANOS     |            | -132.00                            |  |                   | 501020101   | Sueldos producción                   | 1,618.65  |                                    |           |           |
| 4030604   | Otros Ingresos no Operativos |            | -132.00                            |  |                   | 501020102   | Trabajos realizados por terceros     | 233.78    |                                    |           |           |
| <b>TOTAL :</b>  |                              |            |                                    |  | <b>92,683.540</b> | 5010202   | GASTOS DE PLANES Y BENEFICIOS A      | 10.00     |                                    |           | 1,815.89  |
|   |                              |            |                                    |  |                   | 501020201   | Alimentación a Empleados Produccion  | 223.78    |                                    |           |           |
|   |                              |            |                                    |  |                   | 501020203   | Refrigerios y Cafeteria Produccion   | 200.00    |                                    |           |           |
|   |                              |            |                                    |  |                   | 50103   | (+) MANO DE OBRA INDIRECTA           | 200.00    |                                    |           |           |
|   |                              |            |                                    |  |                   | 5010302   | GASTOS DE PLANES - BENEFICIOS A      | 200.00    |                                    |           |           |
|   |                              |            |                                    |  |                   | 501030201   | Indemnizaciones - Liquidaciones      | 1,615.89  |                                    |           |           |
|   |                              |            |                                    |  |                   | 5010303   | COSTOS Y GASTOS INDIRECTOS DE        | 1,615.89  |                                    |           |           |
|   |                              |            |                                    |  |                   | 501030301   | Costos y Gastos indirectos de        | 754.94    |                                    |           | 754.94    |
|   |                              |            |                                    |  |                   | 50104   | (+) OTROS COSTOS INDIRECTOS DE       | 8,787.11  |                                    |           |           |
|   |                              |            |                                    |  |                   | 5010407   | SUMINISTROS, MATERIALES Y            | 2,218.01  |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040701   | Herramientas Menores                 | 1,580.00  |                                    |           |           |
|   |                              |            |                                    |  |                   | 5010408   | OTROS COSTOS DE PRODUCCION           |           |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040801   | SERVICIOS BASICOS                    | 63.63     |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040801001  | Agua Producción                      | 2,154.38  |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040801002  | Energia Electrica Producción         | 4,298.28  |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040802   | ARRIENDOS                            | 690.82    |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040802001  | Arriendos Planta de Producción       | 581.82    |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040803   | MANTENIMIENTOS                       | 97.15     |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040803001  | Mantenimiento y adecuacion de la     | 1,580.00  |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040803002  | Mantenimiento y Repuestos de         |           |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040803003  | Utiles de Aseo y Limpieza Producción |           |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040804   | DESARROLLO DE PROYECTOS              |           |                                    |           |           |
|   |                              |            |                                    |  |                   | 501040804001  | Desarrollo de Proyectos Producción   |           |                                    |           |           |

| TIZADO  |  |  | BALANCE DE RESULTADOS              |  |  | TIZADO  |  |          | BALANCE DE RESULTADOS              |  |          |
|---|--|--|------------------------------------|--|--|---|--|----------|------------------------------------|--|----------|
| Av. González Suárez s/n y Ramayana esquina.               |  |  | DESDE:01/01/2022 HASTA: 30/06/2022 |  |  | Av. González Suárez s/n y Ramayana esquina.               |  |          | DESDE:01/01/2022 HASTA: 30/06/2022 |  |          |
| R.U.C.: 0104910591001 Nuestra Ciudad es su Seguridad      |  |  |                                    |  |  | R.U.C.: 0104910591001 Nuestra Ciudad es su Seguridad      |  |          |                                    |  |          |
| Fecha de Impresión: 14 - Sep - 2022 Hora: 18:51:03 Pág: 2 |  |  |                                    |  |  | Fecha de Impresión: 14 - Sep - 2022 Hora: 18:51:03 Pág: 2 |  |          |                                    |  |          |
| Usuario: SANTIAGO QUEZADA (U) Reporte: Balance Fin (R)    |  |  |                                    |  |  | Usuario: SANTIAGO QUEZADA (U) Reporte: Balance Fin (R)    |  |          |                                    |  |          |
| Miércoles 14 de Septiembre del 2022                       |  |  |                                    |  |  | Miércoles 14 de Septiembre del 2022                       |  |          |                                    |  |          |
| INGRESOS  |  |  |                                    |  |  | GASTOS  |  |          |                                    |  |          |
| <b>TOTAL : 119,035.040</b>                                |  |  |                                    |  |  | <b>GASTOS DE VENTA 6,759.430</b>                          |  |          |                                    |  |          |
|   |  |  |                                    |  |  | 60101   | GASTOS DE PERSONAL DE VENTAS           |          |                                    |  | 3,002.00 |
|   |  |  |                                    |  |  | 6010101   | SUELDOS, SALARIOS Y DEMAS              | 3,000.00 | 3,000.00                           |  |          |
|   |  |  |                                    |  |  | 601010102   | Quezada Jimenez Yolanda Beatriz        | 2.00     |                                    |  | 2.00     |
|   |  |  |                                    |  |  | 6010103   | BENEFICIOS SOCIALES E                  |          |                                    |  |          |
|   |  |  |                                    |  |  | 601010307   | Gastos Medicina y Botiquin Personal    | 3,757.43 |                                    |  |          |
|   |  |  |                                    |  |  | 60102   | GASTOS GENERALES DE VENTA              |          |                                    |  |          |
|   |  |  |                                    |  |  | 6010208   | MANTENIMIENTO Y REPARACIONES           | 3.57     |                                    |  | 3.57     |
|   |  |  |                                    |  |  | 601020802   | Mantenimiento Equipos, Instalaciones,  | 102.50   |                                    |  |          |
|   |  |  |                                    |  |  | 6010210   | COMISIONES VENDEDORES                  | 819.13   |                                    |  |          |
|   |  |  |                                    |  |  | 601021001   | Comisiones Vendedores Internos         | 192.12   |                                    |  | 192.12   |
|   |  |  |                                    |  |  | 6010211   | PROMOCION Y PUBLICIDAD                 | 819.13   |                                    |  |          |
|   |  |  |                                    |  |  | 601021101   | Publicidad Ventas                      | 192.12   |                                    |  |          |
|   |  |  |                                    |  |  | 6010212   | COMBUSTIBLE                            | 226.87   |                                    |  |          |
|   |  |  |                                    |  |  | 601021201   | Combustible Ventas                     | 14.00    |                                    |  |          |
|   |  |  |                                    |  |  | 6010215   | TRANSPORTE EN VENTAS                   | 212.87   |                                    |  |          |
|   |  |  |                                    |  |  | 601021503   | Ticket Aéreos                          | 462.05   |                                    |  |          |
|   |  |  |                                    |  |  | 601021504   | Pasajes, Taxis, Parques, Peaje, Ventas | 95.93    |                                    |  |          |
|   |  |  |                                    |  |  | 6010216   | GASTO DE GESTION (AGASAJOS A           | 290.00   |                                    |  |          |
|   |  |  |                                    |  |  | 601021602   | Atención a Clientes                    | 76.12    |                                    |  |          |
|   |  |  |                                    |  |  | 601021603   | Donaciones y Obsequios                 | 1,508.64 |                                    |  |          |
|   |  |  |                                    |  |  | 601021604   | Plan Celular Ventas                    | 279.99   |                                    |  |          |
|   |  |  |                                    |  |  | 6010217   | GASTOS DE VALOR VENTAS                 | 153.92   |                                    |  |          |
|   |  |  |                                    |  |  | 601021701   | Hospedaje Ventas                       | 1,074.73 |                                    |  |          |
|   |  |  |                                    |  |  | 601021703   | Alimentación Ventas                    | 278.89   |                                    |  |          |
|   |  |  |                                    |  |  | 601021704   | Viaticos Ventas                        | 4.31     |                                    |  |          |
|   |  |  |                                    |  |  | 6010223   | CUENTAS INCOBRABLES VENTAS             | 274.58   |                                    |  |          |
|   |  |  |                                    |  |  | 601022302   | Incobrables Varios Ventas              | 163.66   |                                    |  |          |
|   |  |  |                                    |  |  | 601022305   | Cuentas por Cobrar Incobrables Ventas  |          |                                    |  |          |
|   |  |  |                                    |  |  | 6010227   | OTROS GASTOS                           |          |                                    |  |          |
|   |  |  |                                    |  |  | 601022702   | Suministros y Materiales de Oficina (  |          |                                    |  |          |
|   |  |  |                                    |  |  | <b>GASTOS DE ADMINISTRACION 15,305.530</b>                |  |          |                                    |  |          |
|   |  |  |                                    |  |  | 60201   | GASTOS DE PERSONAL DE                  |          |                                    |  | 7,123.64 |
|   |  |  |                                    |  |  | 6020101   | SUELDOS, SALARIOS Y DEMAS              | 7,113.64 |                                    |  |          |
|   |  |  |                                    |  |  | 602010102   | Quezada Jimenez Pedro Marcelo Sueldo   | 3,000.00 |                                    |  |          |
|   |  |  |                                    |  |  | 602010103   | Quezada Jimenez Carlos Santiago        | 1,133.64 |                                    |  |          |
|   |  |  |                                    |  |  | 602010105   | Zhinney Bravo Cumandá Elizabeth        | 10.00    |                                    |  | 10.00    |
|   |  |  |                                    |  |  | 6020103   | BENEFICIOS SOCIALES E                  |          |                                    |  |          |
|   |  |  |                                    |  |  | 602010305   | Alimentación a Empleados               | 180.25   |                                    |  | 180.25   |
|   |  |  |                                    |  |  | 60202   | GASTOS GENERALES DE                    | 375.58   |                                    |  | 8,181.89 |
|   |  |  |                                    |  |  | 6020205   | HONORARIOS, COMISIONES, Y DIETAS       | 180.25   |                                    |  |          |
|   |  |  |                                    |  |  | 602020505   | Servicios Contables / Contabilidad     | 365.58   |                                    |  |          |
|   |  |  |                                    |  |  | 6020208   | MANTENIMIENTO Y REPARACIONES           | 10.00    |                                    |  |          |
|   |  |  |                                    |  |  | 602020801   | Mantenimiento Vehículos Administración |          |                                    |  |          |
|   |  |  |                                    |  |  | 602020802   | Mantenimiento Equipos, Instalaciones,  |          |                                    |  |          |

**BALANCE DE RESULTADOS**  
 DESDE: 01/01/2022 HASTA: 30/06/2022

Todos los locales

Miércoles 14 de Septiembre del 2022

|                              |  |  |          |                   |
|------------------------------|--|--|----------|-------------------|
| 5020209                      | ARRENDAMIENTO OPERATIVO                  |  | 3,080.00 | 3,080.00          |
| 502020901                    | Arriendo Locales y Oficinas              |  |          |                   |
| 5020211                      | PROMOCIÓN Y PUBLICIDAD                   |  |          | 50.40             |
| 502021101                    | Publicidad Administración                |  | 50.40    |                   |
| 5020212                      | COMBUSTIBLE ADMINISTRACION               |  |          | 534.16            |
| 502021201                    | Combustible Administración               |  | 534.16   |                   |
| 5020215                      | TRANSPORTE                               |  |          | 92.89             |
| 502021504                    | Pasajes, Taxis, Parques                  |  | 92.89    |                   |
| 5020216                      | GASTO DE GESTIÓN (AGASAJOS A             |  |          | 15.00             |
| 502021601                    | Agasajo a Trabajadores, Navidad.         |  | 15.00    |                   |
| 5020217                      | GASTOS DE VIAJE                          |  |          | 2,234.31          |
| 502021702                    | Movilización Adm                         |  | 943.97   |                   |
| 502021703                    | Alimentación Adm                         |  | 45.25    |                   |
| 502021704                    | Viaticos Adm                             |  | 1,139.17 |                   |
| 502021705                    | Plan Celular Administración              |  | 105.92   |                   |
| 5020218                      | AGUA, ENERGÍA, LUZ.                      |  |          | 241.94            |
| 502021802                    | Energía Eléctrica Administración         |  | 91.48    |                   |
| 502021804                    | Servicio Internet                        |  | 150.46   |                   |
| 5020219                      | NOTARIOS Y REGISTRADORAS DE LA           |  |          | 324.54            |
| 502021901                    | Gastos Registrador Mercantil y de la     |  | 324.54   |                   |
| 5020227                      | OTROS GASTOS                             |  |          | 1,052.82          |
| 502022702                    | Suministros de Oficina Administración    |  | 72.88    |                   |
| 502022703                    | Suministros Varios Adm.                  |  | 32.00    |                   |
| 502022704                    | Útiles de Aseo y Limpieza Administración |  | 4.23     |                   |
| 502022706                    | Refrigerios y Cafetería Administración   |  | 168.76   |                   |
| 502022750                    | Gastos Varios Adm                        |  | 326.09   |                   |
| 502022751                    | Varios Gastos Personales                 |  | 448.86   |                   |
|                              | <b>GASTOS FINANCIEROS</b>                |  |          | <b>7,385.630</b>  |
| 50301                        | INTERESES                                |  |          | 5,790.50          |
| 5030101                      | Intereses por prestamos Bancarios        |  | 5,003.00 |                   |
| 5030104                      | Intereses pagados a Sr Carlos Antonio    |  | 787.50   |                   |
| 50302                        | COMISIONES                               |  |          | 78.89             |
| 5030201                      | Comisiones Bancarias                     |  | 78.89    |                   |
| 50303                        | GASTOS BANCARIOS                         |  |          | 1,516.24          |
| 5030301                      | Costo Chequeras, Notas Debito, Crédito   |  | 22.50    |                   |
| 5030302                      | Gastos Bancarios                         |  | 1,493.74 |                   |
| <b>TOTAL</b>                 |  |  |          | <b>29,450.590</b> |
| <b>RESULTADO DEL PERIODO</b> |  |  |          | <b>-55,802.09</b> |

Appendix E: Financing amortization

| <b>Years</b> | <b>Monthly Fee</b> | <b>Interest</b> | <b>Capital Payment</b> | <b>Final Balance</b> |
|--------------|--------------------|-----------------|------------------------|----------------------|
| <b>0</b>     |                    |                 |                        | \$15,000.00          |
| <b>1</b>     | \$329.89           | \$143.75        | \$ 186.14              | \$14,813.86          |
| <b>2</b>     | \$329.89           | \$141.97        | \$ 187.92              | \$14,625.94          |
| <b>3</b>     | \$329.89           | \$140.17        | \$ 189.72              | \$14,436.21          |
| <b>4</b>     | \$329.89           | \$138.35        | \$ 191.54              | \$14,244.67          |
| <b>5</b>     | \$329.89           | \$136.51        | \$ 193.38              | \$14,051.29          |
| <b>6</b>     | \$329.89           | \$134.66        | \$ 195.23              | \$13,856.06          |
| <b>7</b>     | \$329.89           | \$132.79        | \$ 197.10              | \$13,658.96          |
| <b>8</b>     | \$329.89           | \$130.90        | \$ 198.99              | \$13,459.97          |
| <b>9</b>     | \$329.89           | \$128.99        | \$ 200.90              | \$13,259.07          |
| <b>10</b>    | \$329.89           | \$127.07        | \$ 202.82              | \$13,056.25          |
| <b>11</b>    | \$329.89           | \$125.12        | \$ 204.77              | \$12,851.48          |
| <b>12</b>    | \$329.89           | \$123.16        | \$ 206.73              | \$12,644.75          |
| <b>13</b>    | \$329.89           | \$121.18        | \$ 208.71              | \$12,436.04          |
| <b>14</b>    | \$329.89           | \$119.18        | \$ 210.71              | \$12,225.33          |
| <b>15</b>    | \$329.89           | \$117.16        | \$ 212.73              | \$12,012.60          |
| <b>16</b>    | \$329.89           | \$115.12        | \$ 214.77              | \$11,797.84          |
| <b>17</b>    | \$329.89           | \$113.06        | \$ 216.83              | \$11,581.01          |
| <b>18</b>    | \$329.89           | \$110.98        | \$ 218.90              | \$11,362.10          |
| <b>19</b>    | \$329.89           | \$108.89        | \$ 221.00              | \$11,141.10          |
| <b>20</b>    | \$329.89           | \$106.77        | \$ 223.12              | \$10,917.98          |
| <b>21</b>    | \$329.89           | \$104.63        | \$ 225.26              | \$10,692.72          |
| <b>22</b>    | \$329.89           | \$102.47        | \$ 227.42              | \$10,465.31          |
| <b>23</b>    | \$329.89           | \$100.29        | \$ 229.60              | \$10,235.71          |
| <b>24</b>    | \$329.89           | \$98.09         | \$ 231.80              | \$10,003.91          |
| <b>25</b>    | \$329.89           | \$95.87         | \$ 234.02              | \$9,769.90           |
| <b>26</b>    | \$329.89           | \$93.63         | \$ 236.26              | \$9,533.63           |
| <b>27</b>    | \$329.89           | \$91.36         | \$ 238.53              | \$9,295.11           |
| <b>28</b>    | \$329.89           | \$89.08         | \$ 240.81              | \$9,054.30           |
| <b>29</b>    | \$329.89           | \$86.77         | \$ 243.12              | \$8,811.18           |
| <b>30</b>    | \$329.89           | \$84.44         | \$ 245.45              | \$8,565.73           |
| <b>31</b>    | \$329.89           | \$82.09         | \$ 247.80              | \$8,317.93           |
| <b>32</b>    | \$329.89           | \$79.71         | \$ 250.18              | \$8,067.75           |
| <b>33</b>    | \$329.89           | \$77.32         | \$ 252.57              | \$7,815.18           |
| <b>34</b>    | \$329.89           | \$74.90         | \$ 254.99              | \$7,560.19           |
| <b>35</b>    | \$329.89           | \$72.45         | \$ 257.44              | \$7,302.75           |
| <b>36</b>    | \$329.89           | \$69.98         | \$ 259.90              | \$7,042.85           |
| <b>37</b>    | \$329.89           | \$67.49         | \$ 262.40              | \$6,780.45           |

|           |          |         |           |            |
|-----------|----------|---------|-----------|------------|
| <b>38</b> | \$329.89 | \$64.98 | \$ 264.91 | \$6,515.54 |
| <b>39</b> | \$329.89 | \$62.44 | \$ 267.45 | \$6,248.09 |
| <b>40</b> | \$329.89 | \$59.88 | \$ 270.01 | \$5,978.08 |
| <b>41</b> | \$329.89 | \$57.29 | \$ 272.60 | \$5,705.48 |
| <b>42</b> | \$329.89 | \$54.68 | \$ 275.21 | \$5,430.27 |
| <b>43</b> | \$329.89 | \$52.04 | \$ 277.85 | \$5,152.42 |
| <b>44</b> | \$329.89 | \$49.38 | \$ 280.51 | \$4,871.91 |
| <b>45</b> | \$329.89 | \$46.69 | \$ 283.20 | \$4,588.71 |
| <b>46</b> | \$329.89 | \$43.98 | \$ 285.91 | \$4,302.80 |
| <b>47</b> | \$329.89 | \$41.24 | \$ 288.65 | \$4,014.14 |
| <b>48</b> | \$329.89 | \$38.47 | \$ 291.42 | \$3,722.72 |
| <b>49</b> | \$329.89 | \$35.68 | \$ 294.21 | \$3,428.51 |
| <b>50</b> | \$329.89 | \$32.86 | \$ 297.03 | \$3,131.48 |
| <b>51</b> | \$329.89 | \$30.01 | \$ 299.88 | \$2,831.60 |
| <b>52</b> | \$329.89 | \$27.14 | \$ 302.75 | \$2,528.84 |
| <b>53</b> | \$329.89 | \$24.23 | \$ 305.65 | \$2,223.19 |
| <b>54</b> | \$329.89 | \$21.31 | \$ 308.58 | \$1,914.61 |
| <b>55</b> | \$329.89 | \$18.35 | \$ 311.54 | \$1,603.06 |
| <b>56</b> | \$329.89 | \$15.36 | \$ 314.53 | \$1,288.54 |
| <b>57</b> | \$329.89 | \$12.35 | \$ 317.54 | \$971.00   |
| <b>58</b> | \$329.89 | \$9.31  | \$ 320.58 | \$650.41   |
| <b>59</b> | \$329.89 | \$6.23  | \$ 323.66 | \$326.76   |
| <b>60</b> | \$329.89 | \$3.13  | \$ 326.76 | \$0.00     |

## Appendix F: Workforce cost

| MONTH        | LEASES            | Thirteenth       | Fourteenth       | IESS<br>Employer<br>Contribution<br>(11.15%) | Reserve<br>Funds<br>(8.33%) | Vacations        | TOTAL              |
|--------------|-------------------|------------------|------------------|--|-----------------------------|------------------|--------------------|
| January      | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| February     | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| March        | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| April        | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| May          | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| June         | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| July         | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| August       | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| September    | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| October      | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| November     | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| December     | \$425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$35.40                     | \$17.71          | \$596.33           |
| <b>TOTAL</b> | <b>\$5,100.00</b> | <b>\$ 425.00</b> | <b>\$ 425.00</b> | <b>\$ 568.65</b>                             | <b>\$ 424.83</b>            | <b>\$ 212.50</b> | <b>\$ 7,155.98</b> |

## Appendix G: Administrative expenses

| MONTH               | LEASES             | Water,<br>Internet,<br>Cellular Plan,<br>Mobilization,<br>Cafeteria, etc. | Salaries           | Thirteenth       | Fourteenth       | IESS<br>Employer<br>Contribution<br>(11.15%) | Reserve<br>Funds<br>(8.33%) | Vacations       | TOTAL               |
|---------------------|--------------------|---|--------------------|------------------|------------------|--|-----------------------------|-----------------|---------------------|
| January             | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| February            | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| March               | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| April               | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| May                 | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| June                | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| July                | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| August              | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| September           | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| October             | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| November            | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| December            | \$ 100.00          | \$150.00  | \$ 425.00          | \$ 35.42         | \$ 35.42         | \$ 47.39                                     | \$ 35.40                    | \$ 17.71        | \$ 846.33           |
| <b>TOTAL ANNUAL</b> | <b>\$ 1,200.00</b> | <b>\$ 1,800.00</b>  | <b>\$ 5,100.00</b> | <b>\$ 425.00</b> | <b>\$ 425.00</b> | <b>\$ 568.65</b>                             | <b>\$424.83</b>             | <b>\$212.50</b> | <b>\$ 10,155.98</b> |