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Export Plan of Panama Hats to Spain

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ABSTRACT

This paper develops an export plan of *toquilla* hats to Spain for the company Blue Brand Co. Ltd. The research methodology was based on literature review and observation mainly, for the production process. The results are presented in four chapters: the first concerning the analysis of the product and the current situation of the company. The second shows the market analysis and it is complemented with the third chapter that presents a marketing plan considering the variables of: product, distribution, price and promotion, and international marketing strategies related to strategic objectives of the company. Finally the fourth chapter summarizes the conditions of international logistics and physical distribution to achieve an efficient and effective export activity.

INTRODUCTION

Statistical data shows that the export of panama hats has grown remarkably. This growing demand for the product is due to overseas markets trends. Also, it has been fostered thanks to government support and the availability of skilled labor. However, the capacity production levels have not been fully exploited. Many *toquilleras* in areas such as Sigsig and Biblián work seasonally or under specific requests only. Therefore the opportunity to increase exports and create numerous jobs is lost.

Furthermore, it is clear that the traditional hat is highly appreciated by foreign customers. Nevertheless the production trend is moving towards manufacturing more contemporary lines. Homero Ortega, Serrano Hat, and Ecuandino have launched these kinds of collections. In fact, the manufacturing of hats with modern styles permits to reach a bigger market, and also enhances innovation in the region and the country.

However, even if those companies have seized this opportunity, further improvement can be achieved. We see that the export of finished or trimmed hats since 2008 has increased, but unfinished hats are still exported. This may be explained by lower export costs and in many cases because the import houses (abroad) do not share their designs, ribbons, or other ornaments with local producers. In fact, there are factories that receive ribbons and designs from outside and work on demand with lower profits. In this way companies lose a high value-added export and the ability to send finished products with their own label of design and production.

Noticing this opportunity the company Blue Brand Cia. Ltda. is conformed in the city of Cuenca looking forward to starting its export activity. It has a deep appreciation of the cultural value of the panama hat, recognizes its esthetic and commercial value, but most importantly, identifies a fundamental advantage that is having reachable skilled labor force in the region. Furthermore, the industrial sector is fostered by diverse governmental programs.

According to information of foreign trade from the Central Bank of Ecuador the main importers of panama hats from in the period 2008 - 2011 were: France, Germany, USA, Spain, Japan, Chile, Australia, Italy, Belgium and Greece. These are interesting destinations for Blue Brand. However, considering the competition in the top three

destinations France, Germany and the United States, identifying a different destination is important. To this end and to justify the selection of the destination for the export plan a matrix that assessed five aspects was made. Those were:

- Ecuadorian commercial office in destination.
- Tariff rate
- Demand growth in the period 2005-2011 (first half).
- Ranking position of trading partners.
- Ease of access to information for the project.

To assign the score five countries were selected: Spain, Chile, Australia, United Arab Emirates and Brazil. After analyzing the matrix, Spain appeared to be the most attractive destination between the previously selected countries. This country is the fourth largest importer of panama hats from Ecuador. Between 2008 and the first half of 2011 it imported \$ 1,055.50, which corresponds to 10.94% of the total FOB value of the period. Spain is a market that recognizes the diversity of products based on the characteristics of the materials used, environmental friendliness, social responsibility, techniques and processes used in the manufacture of products, and their origin. Therefore, the crafts have great opportunities. This is why the study will focus on creating an Export Plan of Panama Hats to the Spanish market.

Considering the favorable conditions for the project, which are observed in the pre-study, the benefits of making this plan would be practical. It will allow the company to start their export activities based on an understanding of the activity, the Spanish market, the export requirements, the product marketing mix and other issues related to the proposed activity.

The analysis is divided into four chapters covering the fundamental questions of an export plan. In the first chapter the product to be exported and the company's current situation is analyzed. The second chapter reviews the requirements to enter the Spanish market, including cultural characteristics. In chapter three, a Marketing Plan for Blue Brand Cia Ltda is formulated; while in the fourth chapter export logistics are considered.

The methodology used to prepare this study has been based on literature review of books and online publications and statistical review online at sources such as Central Bank of Ecuador, Trade Map, National Statistics Institute of Spain, Central Statistical Center of the European Union, among others. In addition to this there have been visits to Sigsig, Biblián, and the company PAMAR for observing the production process. Likewise unstructured interviews were conducted to *toquilleras* and other business people in order to obtain key data for research.

CHAPTER 1: GENERAL OVERVIEW OF THE PRODUCT AND THE CURRENT ENTREPRENURIAL SITUATION OF BLUE BRAND CO.

Introduction

The *toquilla* hat is admired worldwide for its beauty. This handmade craft is known under the name of Panama Hat in most countries, responding to its popularization during the construction of the famous Panama Canal. However, the hands of Ecuadorian weavers are the ones who create this accessory of unique beauty that is highly appreciated.

For Ecuador the exportation of Panama Hats represents important revenues. The performance of the *paja toquilla* exportation has seen significant changes in the last years. In fact, it has suffered several crises. Yet, thanks to the latest fashion trends and the government support to this important economic segment and to small enterprises, the activity lives once again golden years.

The province of Azuay along with Manabí, are the most important landmarks of the business of *toquilla* in Ecuador. Thus, most of the hats exported from Ecuador are weaved and finished in the cities of Cuenca (Azuay) and Montecristi (Manabí) and in the surrounding areas which have many skilled weavers. For Cuenca, there are also important exporting firms of *toquilla* hats and helmets (unfinished hats).

Considering this important business opportunity, Blue Brand Co. seeks to expand its commercial activity to the international market. This requires a detailed analysis in the first instance of the product offered, as well as the enterprise. This chapter presents the main points concerning both issues.

1.1. Productive Sector Description

According to the procedures used in the making of the product, the main characteristics, and those who participate in the process of manufacturing, panama hats are included in handmade crafts in Ecuador. They are also classified as part of the agro-industrial sector due to the fact that the weaving with vegetable fibers is an activity

counted under this sector. (ONUDI, 2008). Still, it is also an accessory. Therefore it is important to consider both classifications for future study. Its production is linked with craft production or handicrafts but the goods are in the market of clothes and accessories in Spain.

1.1.1. Agro-industrial Sector

According to data from the Central Bank of Ecuador, textile manufacturers have enjoyed a steady growth in the GDP of Ecuador since 2008. It is expected that in 2011, growth will not be less than 4.5%. Moreover, its proportion is 14% in the sector. (2011). In the total of handcrafted exports, the percentage of *toquilla* hats exports is 2%, while another 2% is held by the export of *toquilla* helmets. This value while less representative than others as jewelry at 33% or ceramic at 9%, is still significant (Franco, 2006). The amount of the export of finished Panama hats over the total amount of exports in 2010 was 0.019%, whereas until November 2011, this accounted for 0.023% (BCE, 2011).

Chart No. 1: Percentage of Panama Hat Exports in the Total Exports amount of Ecuador 2008-2011¹

Year	Total Exports	Export of 65040000	Percentage %
2008	18818325,45	1167,34	0,006
2009	13863054,23	2137,22	0,015
2010	17489922,11	3369,13	0,019
2011	20375589,72	4597,26	0,023

Author made based on BCE data.

Within the main laws that promote the activity in this economic sector we find the Law for the Promotion of Crafts and Small Industries, the Law of the Popular and Solidarity Economy and many others regarding the defense of small businesses and craftsmen. (Red de Promoción de la Economía Social, 2010). Also, the government constantly provides technical assistance to micro, small and medium enterprises through the Ministry of Economic and Social Inclusion and the Ministry of Foreign Affairs, Trade and Integration.

¹ FOB value.

Regarding the promotion of *toquilla* hats exportation, the central government has shown special interest in it. Currently significant promotion is done for the hats manufactured in Azuay, and in 2011 major efforts were made by the Ministry of Foreign Affairs and the undersecretary in Cuenca. A clear example is the emergence of new market opportunities for companies from the region in Chile. Serrano Hat and the *Asociación de Toquilleras de María Auxiliadora* benefited from this efforts. (UNIDO, 2008).

From the Undersecretariat of Micro, Small, and Medium Industries and Handicrafts among other incentives, for 2012, have been assigned a total amount of about \$ 28 million for projects. This is in order to improve productivity and competitiveness of small companies individually or associated that are producing goods or services with added value. Therefore it is hoped to improve their production quality and access capability to national and international markets, through non-reimbursable technical cooperation (Ministry of Industry and Productivity, 2011).

Similarly, many other national initiatives are taking place. The FONDEPYME program has as an objective to contribute and ameliorate the conditions and capabilities of small businesses in Ecuador. Also, the National Bank for Development and the National Financial Corporation provide a wide range of credits under very good parameters for entrepreneurs.

Moreover, under the prioritized economic sectors for the Ministry of Industries and Competitiveness textiles are one of the most important; therefore this ministry provides the InnovaEcuador project. With this initiative, the implementation of innovative projects that diversify Ecuadorian offers in the international markets will have the possibility to receive financial assistance to generate development in this productive area (Ministerio de Coordinación de la Producción, Empleo y Competitividad).

Weavers

- Main features:
- Most of these are women (95%) (Albornoz, 2012).
- In recent years a model of community work and / or associative has strengthened.
- There are important associations such as the Associations.
- These are women who live in rural and urban areas who work to maintain their homes.

- In rural areas, especially in the more remote, there is more women working under request and sporadically.
- In urban areas women weave as a permanent job.
- The earnings are low because of the presence of one or more intermediaries.
- The artisans that give life to this work are found in various sectors of Ecuador, focusing mainly in the provinces of Azuay, Cañar, Manabí, and Guayas and Santa Elena to a lesser extent.
- The artisans who live in rural areas are engaged in this activity supplemented by other craft work or agriculture. While urban weavers, mostly domiciled in the cities of Cuenca and Azogues are, as mentioned by Oswaldo Albornoz, the wives of the workers and women with many children of unknown father, who specialize in this art and work long hours.
- -The main intermediaries are *revendones*-commonly called "dogs".

1.2. Product profile and main characteristics

1.2.1. Costumers' needs satisfaction

Panama hats are a creation that surprises many for their unique beauty and functionality. They are characterized for the malleability of the material that allows the manufacture of the most diverse types of hats and for their light and elegant finish.

Customers purchasing these hats vary a lot. However in most cases, in addition to being clients looking for a fashionable and elegant accessory, the clients for these kinds of goods are people looking for a product with a distinctive characteristic. For the panama hats this special quality of added value is being 100% handmade and with natural fibers.

1.2.2. Product description

Chart No. 2: Product Profile Card

Name of the product: <i>Sombrero de Paja Toquilla</i> /PanamaHat
Materials: <i>Carludovica Palmata</i> fibers treated, dried and in some cases dyed.
Color: Natural color is White. Dyed colors vary.
Design and style: Diverse. In general short and long wing.
Technical especifications: Must not be in direct contact with water. Must not be left in a closed enviroment with direct solar light. Do not press in the same part of the hat constantly. Hold from the bottom. Use a protective fabric when ironing.
Main motivations for use: Sun light protection Fashion trends Acccesory Ethnic products defense

Made by the author.

1.2.3. Manufacture process

1.2.3.1. Raw materials

The main raw material for the elaboration of panama hats is the *Carludovica Palmata* fiber, known in Ecuador with the name of “*paja toquilla*”. In other regions it is also known as *comorampira*, *lisan*, and *pichuhua*. However the most common name is *paja toquilla* (Aguilar, 2009, p. 19).

Illustration No. 1: *Carludovica Palmata* Plant



From:

<http://www.google.com.ec/imgres?q=planta+paja+toquilla&hl=es&biw=1016&bih=543&gbv=2&tbnid=R044yJvVNLrR6M:&imgrefurl=http://artedeecuador.onlc.fr/&docid=fbAXDFTCer1FwM&w=3281&h=2375&ei=Zcl3TsmAOJTIOAHvWZ2ODA&zoom=1&iact=rc&dur=361&page=2&tbnh=139&tbnw=204&start=8&ndsp=9&ved=1t:429,r:8,s:8&tx=129&ty=7>

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As a general description, María Leonor Aguilar mentions:

"Paja toquilla is a species of palm (of fibrous tissue) without trunk whose fan-shaped leaves emerge from the ground, supported by long cylindrical petioles. Each plant has broad leaves that reach two to three meters long. The outside of the leaves is green, the center of them is white ivory or white pearl and it is the part from where the straw is obtained for the manufacture of hats. . . The *Carludovica Palmata* grows wild in the rainforests of West and East regions, in zones located at an average altitude of 100-180 meters above sea level with temperatures ranging between 22 ° C and 26 ° C. Its soils are clayey cataloged. "(2008, p. 22).²

This plant belongs to the family of Ciclantáceas and it is native from America, more specifically from tropical America. Ecuador was the first country to industrialize, not only in the manufacture of hats but also in the elaboration of other decorative objects of daily use such as purses, placemats, napkin holders, necklaces, etc. . Currently the country is also the largest producer of this fiber concentrating production in the provinces of Guayas, Manabi and Esmeraldas (Aguilar, 2008, p. 23).

Growing *paja toquilla* does not represent major complications for farmers. It only requires temperatures above 25 ° C and rainfall of over 1700mm a year helped with a

² Translation made by the author.

land with good drainage conditions that does not allow gaps or swamps arising that would kill the plant. Therefore, this plant still grows wild in many areas.

1.2.3.2. Historical process

The importance of the Panama hat manufacturing for the region and the country is undeniable, in the words of Maria Leonor Aguilar:

"This manufacture has been and is an important occupational activity of our residents, since ancient times, and gaining consistency and strength in the Republican period, in which it will become, thanks to the export of *toquilla* goods, an important currency source for the Ecuadorian country" (2008, p.35).³

Illustration No. 2: Ancient *Manteña* Figure wearing a helmet (*toca*) made of toquilla



From: <http://www.cidap.org.ec/download/publicaciones/Paja%20toquilla.pdf>

As for the origins of the use of *toquilla* straws as a material for making hats, the American Folk Art Center (CIDAP) in one of its publications explains that this kind of weaving could have begun in the Integration period, within the Manteña Confederation since several archaeological figures showing people using protections in their heads as helmets that could have made out of *paja toquilla* have been found. This material could have been used in Guayas and Manabí (Aguilar, 2008, p. 41).

³ Translation made by the autor.

The weaving tradition started in these places, where villagers are considered skillful weavers and workers in the textile art. During the colonial period the masters of this art were taken to other parts of the country to teach indigenous peoples to weave, and even traveled to Peru and Colombia. By then the Ecuadorian hat became known as "jipa" (2008, p. 44).

In the year of 1630, the creole Don Francisco Delgado arrived on the coast of Manabí, he, admired by the ability of the native, initiated the waving of the helmets (*tocas*) similar to those religious women wear, and expanded the tradition of its use. For the manufacture he used the *mocora*, a straw very similar to the *Carludovica Palmata*. Some years later, instead of using *mocora*, they started the manufacture with *Carludovica Palmata*. And as the *tocas* became more light and with a more fine finish, the work became known as *toquilla*. (Aguilar, 2008, p. 45).

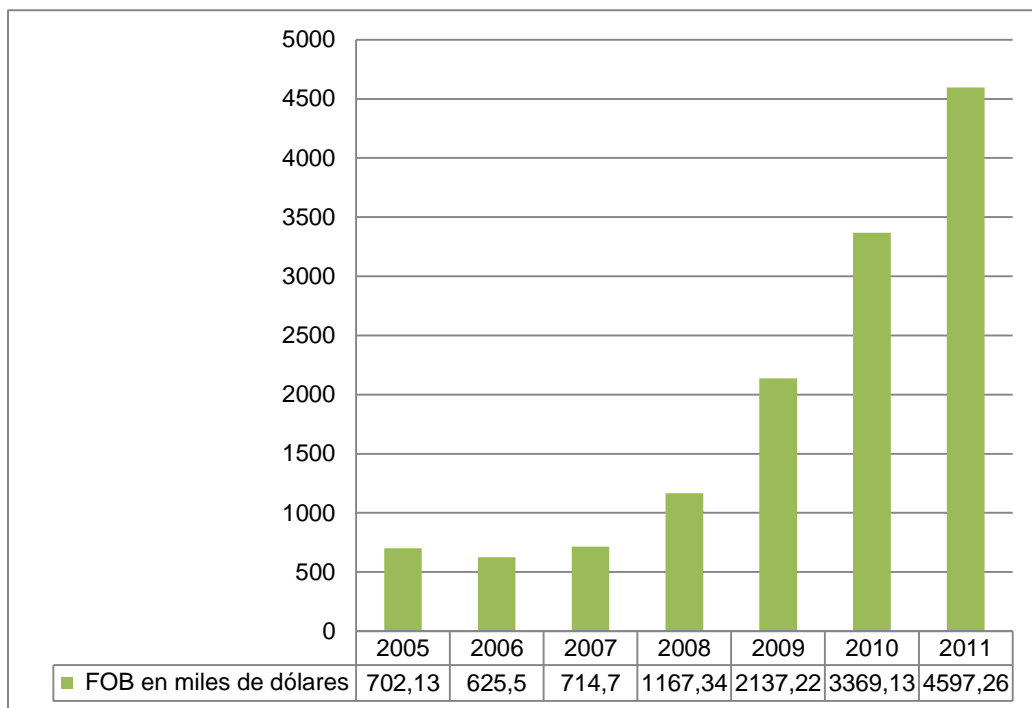
The hats' commercialization had a very important development during the presidency of Don Vicente Rocafuerte, who by banning the export of raw straws revitalized the hats manufacturing sector favoring trade and foreign exchange earnings from new markets. As a result, this craftsmanship spread throughout Ecuador providing productive employment to a large number of people, as in Azuay, with the introduction of this work since 1835 (2008, p.47).

Another interesting milestone was the export of *toquilla* hats to Panama. Since 1849, the hats manufactured in Montecristi, Jipijapa, and Cuenca were already sold in this country. Nevertheless, with the construction of the Panama Canal in 1880, the use of this hat becomes almost mandatory for their suitability to the climatic conditions, functionality and light weight. Since the union of both Atlantic and Pacific Oceans was a fact that kept the eyes of the world vigilant, the hat soon attracted attention from distant latitudes like Europe and North America, where they became demanded under the misname of Panama Hats (2008, p. 50).

In the following years the weaving of Panama hats continued in the country and it was in the decade from 1943 to 1953 when the highest numbers of exports were seen. Currently the exportation continues and the provinces of Azuay, Cañar and Manabí are the ones which maintain this ancient tradition.

In more recent years the expansion of exports has continued. Thanks to new laws proposed by the central government and the establishment of various agencies to support agribusiness companies the offer has expanded. Moreover, bilateral and multilateral treaties allowed the expansion of these export benefits which is another incentive. This can be seen in the chart provided below showing exports growth between 2005-2011.

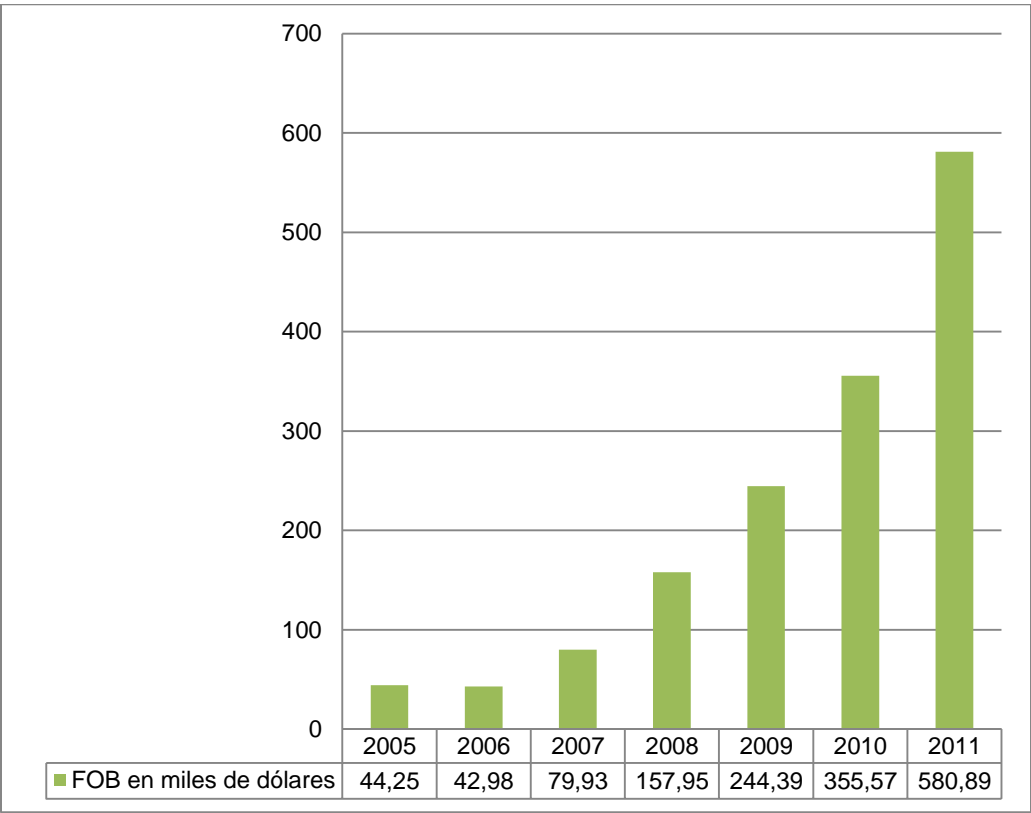
Chart No. 3: Total amount of Exports of *toquilla* Hats from 2005 to 2011



Values in FOB thousands of dollars. Made by the author based on BCE data.

In an approach to the target market, Spain, it is observed that according to information from the Central Bank of Ecuador in 2010 Ecuador was the fourth largest trading partner of this country in this tariff. The export growth to Spain has been held since 2005, reaching the years of most growth between 2010 and 2011, as set forth in the table below.

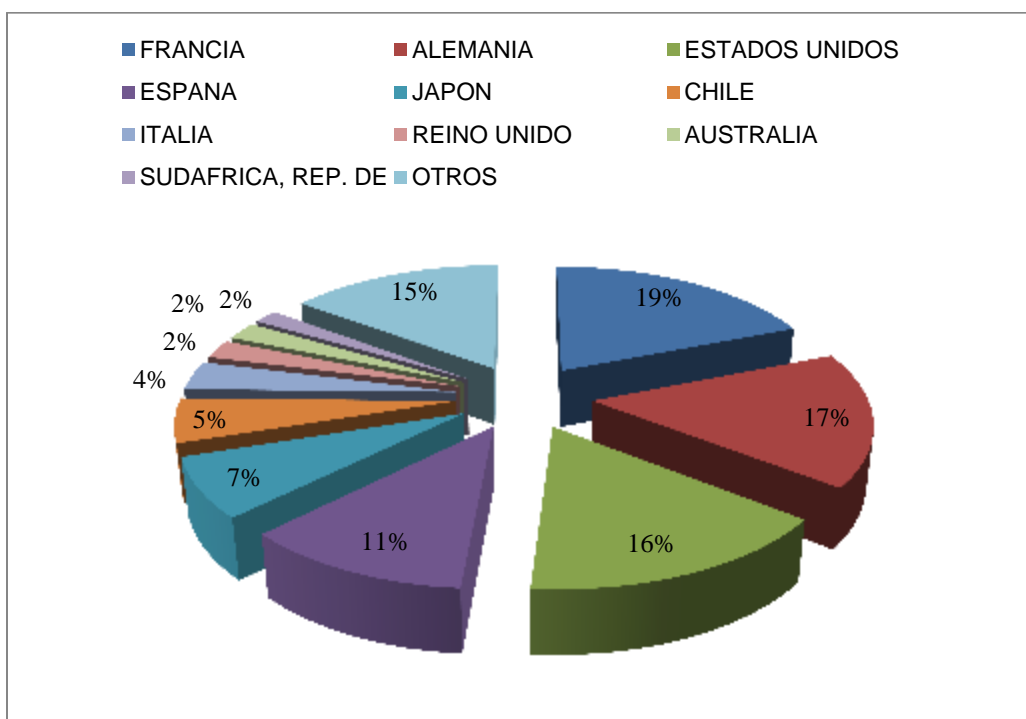
Chart No.4: Total Export of Panama Hats to Spain between 2005 and 2011



Values are in FOB thousands of dollars. Chart made by the author base don BCE data.

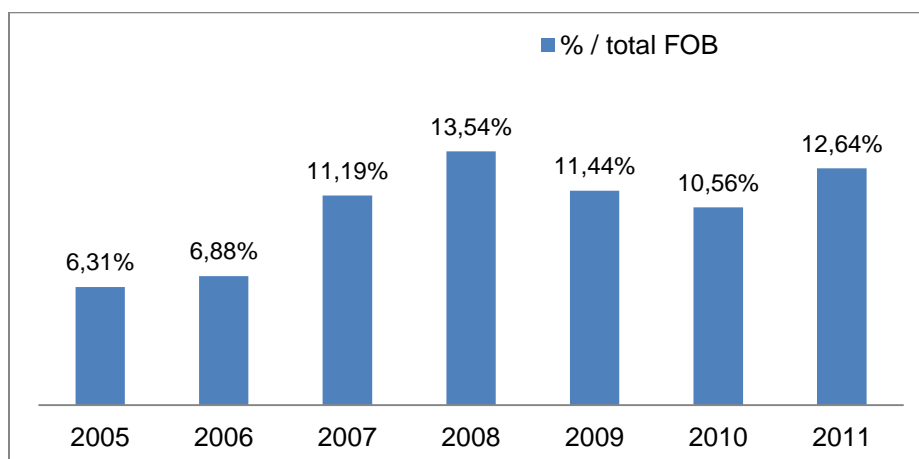
Undoubtedly, Spain is one of the largest trading partners of this tariff. According to BCE data, exports to Spain represent 11% of total exports (2005-2011).

Chart No.5: Main importers of Panama Hats between 2005 and 2011



Elaborated by the author base don BCE data.

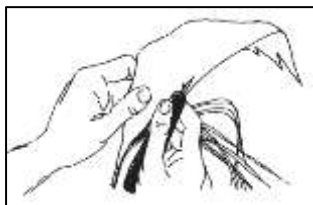
Chart No. 6 : Growth of Exports of Panama Hats to Spain between 2005- 2011



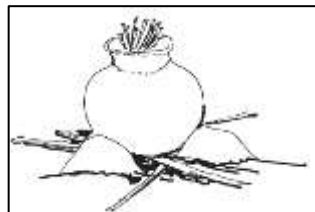
Elaborated by the author based on BCE information.

1.2.3.3. Production

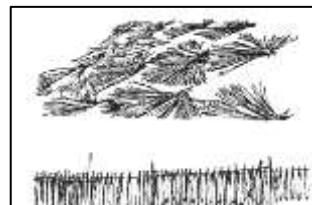
Illustration No. 3: Leaf treatment



Step 1.



Step 2.



Step 3.

Taken from: Desvaine, cocción y secado de la paja.

<http://www.cidap.org.ec/download/publicaciones/Paja%20toquilla.pdf>

Raw Material treatment

When the plant has reached maturity cuts are made as seen in illustration number three, in periods ranging from 15 to 30 days between them, usually coinciding with the waning moon. For these cuts *machetes* or sharp knives are used. Note that depending on the location of crop the raw material will have a different color.

With the straw the sheets are deveined and the fibers removed. Once this is finished, the fibers are cooked for 20 to 25 minutes in clay pots. This are filled with pure water or in some cases water with some drops of lemon to give the fiber more clearness.

The third process is to distill the water. This straw is placed on strings during one or two days as required. Special care is taken not to overexpose the fiber in the sun and also of continuously come off the straws. Once dried, the straws became cylindrical threads or wire as they entorchase in themselves, then the fiber is ready for weaving. Should weather conditions do not assist the drying stoves are used to do so.

María Leonor Aguilar proposes the following steps as a synthesis of the straw treatment:

1 - Selection of Buds (envelopes of tender leaves) that are suitable for use.

2 – Devein the buds; operation that involves letting the leaves free of rough bark that surrounds the fiber that is to be used.

3 - Cooking the buds in a jar of water, for twenty minutes.

4 - Drying until the straw is collected and acquires its characteristic whiteness.

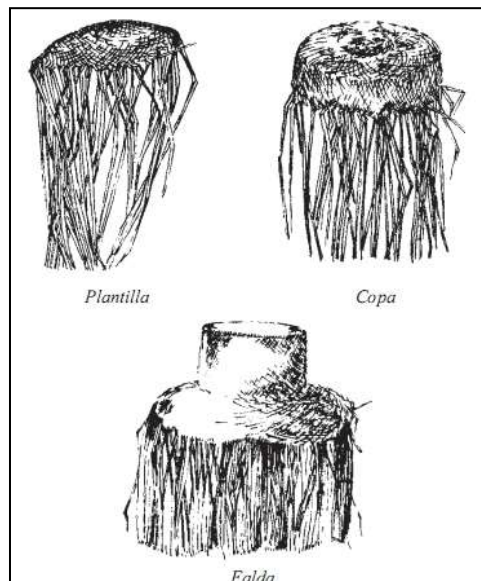
5 - Perfumed in a furnace to remove the bad part of the fiber. Last drying before selling the straw in the markets of the country (2008, p. 56). The straw is finally sold to buyers mainly in Azuay and Cañar.

An unusual procedure for the weavers is bleaching. The fiber is bleached using chemicals, the most important of which is sulfur (Aguilar, 2008, p. 96). It is unusual for its expensiveness and loss of time for the weavers. However for export, this is an important step. Therefore it is usual that export houses give the fiber to weavers once it has been bleached. This provides better quality in the final product (2008, p. 94).

1.2.3.3.1. The Weaving

The main parts of the hat are three: the “*plantilla*”, the cup and the wing. The weaving starts in the *plantilla*. For the weaving of this first part any instrument is used. For the weaving of the cup and wing a mold is indispensable. This is a piece of wood that helps to give the hat its fit and form. Also, a leather strap is used to help tighten the hat to the mold (Aguilar 2008, 96).

Illustration No. 4: Parts of the Hat



Taken from: <http://www.cidap.org.ec/download/publicaciones/Paja%20toquilla.pdf>

Once the weaving of the wing is over, the top off is made from left to right leaving the left over straws uncut. At this point the work of weavers ends.

The hat is ready for the finishes which are washing, tightening of the weaving, perfumed, pressing and bleaching. These processes are made in small and big factories or exporting houses.

1.2.3.3.2. Tightening of the weaving

This process consists on tightening the left over straws of the hat so that the weaving does not come apart. Also it includes the cut of the left overs. (Aguilar, 2008, p. 130).

1.2.3.3.3. Perfuming and composition

This second process consists on preparing the hat previously tightened. Involves washing, degreasing, rinsing, bleaching, perfuming, and pressing the hat (2008, p.132).

The process is done in a room sealed with sulfur fumes which whitens the hat in a time not less than eight hours. Then this is complemented by drying on patios or in drying machines that reach temperatures of 45 degrees Celsius in six to seven minutes (2008, p. 133). The following procedure is perfuming which bleached hats undergo once to set the color obtained after drying is repeated.

The molding, ironing and pressing are simultaneous techniques. By molding the hat is adjusted to a mold made of wood so that it takes its shape, at the same time the hat is pressed by soft knocks with a wood hammer to make the surface more regular and soft. At this point a lot of carefulness and experience is need as the weaving can be damaged. Then a hat iron is passed all over the hat to improve its appearance and make it look more even and smooth.

The technique in colored hats remains the same. What makes the difference is that after the bleaching the hat is dyed for about one hour.

After these processes, hats are classified by their quality, shape, type, sizes, etc. The decoration consists of placing the outer ribbon that surrounds the hat and other details, such as placing the inside ribbon known as "*tafilete*". This process may or may not be done in the country. Then hats are packed up and ready to be exported (2008, p. 136).

1.2.4. Costs

The cost of *paja toquilla* is not uniform, nor does it maintain a constant price. Prices vary according to demand and commercialization cycle. It is also clear that the leaves of greater length and quality can be significantly more expensive than those of lower quality. However, in general terms, it can be said that the straw is cheaper on the coast than in the Andean region, as there are more intermediaries (Aguilar, 2008, p. 148).

According to testimonies of weavers from the Biblián area, the normal quality bud is around USD \$ 7, the fine quality exceeds USD \$ 12, and lower quality is cheaper. However, in the case of associations, when purchased in larger volume the price becomes lower. For example *Asociación de Toquilleras del Sigsig* acquires the bud of USD \$ 5. Each heart serves for at least five hats.

Regarding the costs of semi-finished hats, it is clear that they are affected by the presence of more than one intermediary. So the original price at which sells the weaver, without the finishing, can become more expensive even at \$ 5 (depending on the quality of the hat) by intermediaries before reaching the main seller which gives the hat the finishing and places the price for export. According to Maria Leonor Aguilar, the price for the first intermediary means 40% or 45% of earnings in relation to the value originally paid to the producers, while the commissioners in turn, receive earnings of 10% to 15% (2008, p. 176).

According to data provided by CIDAP in December 2008 in the province of Azuay and in rural areas, particularly in Gualaceo and Chordeleg, a big hat of good quality was traded at \$ 3, 20 0 3.40 c / u, a smaller hat of good quality chulla type at U.S. \$ 3.00 or 3.20 c / u, a hat of good quality type *brisa* at U.S. \$ 2.20 to 2.00 c / u, and a big hat of good quality flat at \$ 3.50 to 3.40 each unit (Aguilar, 2008, p. 176). Today the prices for producers have improved in the case of the Sigsig *toquilleras*, the value they receive for pre-finished hats can range from \$ 4 to \$ 30 or more depending on their quality.

For finished hats total production cost ranges from \$ 8 to \$ 35 depending on quality. According to the *Asociación de Toquilleras de María Auxiliadora* production costs by grade level or level of quality are: \$ 8 for grade 2-5, considered semi-fine, \$ 24 for grade 6-8, called ultra-fine, and \$ 35 for grade 10 to 14, known as extra-fine.

While these indicators can serve as a general reference on prices especially in Azuay, variations can be considerable. There are hats that are made especially in the area of Montecristi in Manabí, whose production can take a year and costs can reach thousands of dollars. Similarly there are hats that include different materials and their production cost is variable according to them.

Blue Brand Costs and comparisons

Costs start from straw processing, pass through the weaving, transport and go up to the finished work, decoration and subsequent export process.

Processing costs of the fiber of toquilla are variable but usually occur as shown in the following table. Every “*ocho*” contains 42 buds that are used for making the hat.

PROCESS	OCHO
Cuting the toquilla	\$ 1,34
Selection	\$ 0,35
Cooking	\$ 0,71
Drying	\$ 0,19
Packing	\$ 0,13
Transporting	\$0,37
Total	\$ 3,09

Elaborated by the author based on information of the Strategic Plan for the promotion of *toquilla* Hat

The price of the *ocho* is influenced by transport and intermediaries, as well as the quality of the straw. It may vary from USD3 to USD12.

Considering the value of \$ 3.00 for an *ocho*, the unitary value of the bud is \$ 0.07. In the Andean region this value is not real, because the straw is transported from Manabí and Santa Elena does not cost less than \$ 0.11 to intermediaries and a value of \$ 0.20 to the weavers in Cuenca, Gualaceo, Ricaurte, Sigsig, Azogues, Déleg, Biblián and Cañar, on average.

Considering this we can summarize the costs of production of hats in Cañar and Azuay. This is shown in the table below:

Total Cost of weaving

Elaborated with 8 to 10 buds.

Detail	Value
10 <i>cogollos</i>	\$2,00
Utility for the weaver	\$1,00
supplies(water, brush,etc.)	\$ 0,75
TOTAL	\$ 3,75

Elaborated by the author based on information of the Strategic Plan for the promotion toquilla Straw Hat

Below is a breakdown of the costs of production of hats that Blue Brand has marketed in the country.

Blue Brand Production Costs

Detail	Unitary Value	Remarks
Hat quality 2-3	\$ 6,00	
Hat quality 3-4	\$ 7,00	
Tafilete	\$ 0,75	Buena calidad
Ribbon	\$ 0,75	Buena calidad
Box	\$ 2,30	Lleva de 80 a 100 sombreros
Transport	\$ 0,50	
Finishing	\$ 3,00	
Administrative and Staff	\$ 0,50	
Others	\$ 0,20	
Total cost 2-3	\$ 11,70	
Total cost 3-4	\$ 12,70	

Elaborated by the author.

The production cost of bidders who have a factory and machinery itself is lower by about 1.00 USD. Below is the cost of production of a factory in the city of Cuenca.

Costs of production of a factory in Cuenca

Detail	Unitary value
Hat 3-4	\$ 10,00
Tafilete	\$ 0,63
Ribbon	\$ 0,35
Total	\$ 10,98

Elaborated by the author based on information provided by PAMAR.

Commercial values in the domestic market are far from this cost since there is more than one intermediary before reaching the final consumer. So hats of Grades 2-3 and 3-4 are found from \$ 18.00 in local markets and in specialty stores or malls in the country from \$ 40.00.

Referential market prices of various grades are summarized below.

Raw hat price

3-4	\$ 10,00
4-5	\$ 14,00
5-6	\$ 16,00
6-7	\$ 18,00
7-8	\$ 21,00
8-9	\$ 24,00

Finished hat price

3-4	\$ 21,00
4-5	\$ 25,00
5-6	\$ 35,00
6-7	\$ 40,00
7-8	\$ 48,00
8-9	\$ 60,00

The unit selling price of Blue Brand finished hat grade 2-3 was \$ 15.20. So unity gain was \$ 3.50.

Cost to export

According to data provided by the international transport company Schryver of Ecuador, the cost of transportation including BL emission and other administrative expenses is around 3500 USD. To this must be added the cost of procedures once reached transportation to port. These costs are summarized below. Apply to a 20-foot container.

Preload costs

Procedure	Days	USD \$ Cost
Packing	5	\$ 1.000,00
Transport from the store	1	\$ 1.000,00
Document preparation	10	\$ 375,00
Customs and control	4	\$ 200,00
In port handling	2	\$ 360,00
Others	-	\$ 600,00
Total	20	\$ 3.535,00

Elaborated by the author based on Doing Business Org information.

Export costs

Procedure	Days	Cost
Transport insurance	-	2%
International transpor	30	\$ 3.500,00
Document preparation	4	\$ 150,00
Customs and control	1	\$ 150,00
Port and teminal handling	2	\$ 250,00
Internal transport	2	\$ 800,00
Ad Valorem		0%
IVA		16%
Other		\$ 500,00
Total	39	\$ 5.320,00

Elaborated by the author based on Doing Business Org information.

1.3. Tariff

Chart No. 7: Tariff

Section No. XII	FOOTWEAR, HEADGEAR, UMBRELLAS, STICKS, WHIPS, RIDING CROPS, AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES OF FEATHERS, ARTIFICIAL FLOWERS, ARTICLES FOR HAIR
Chapter No. 65	Hats, Head dress and their parts.
Tariff	6504
Tariff	650400
Tariff 65040000	Hats and other headgear, plaited or made by assembling strips of any material.
Comunitarian Code of Product (ARIAN)	6504000000-0000
National Code of Product (TNAN)	6504000000-0000

Made by the author based on BCE data.

Nandina 6504000000 subheading corresponds to "headgear, plaited or made by assembling strips of any material, whether trimmed". This is the subheading under which the finished hats of *paja toquilla* are exported. This item is enabled for export (BCE, 2011, ConsultaNandina).

1.4. Company's Current Situation Analysis

The company emerged from a business opportunity for the benefits of the region in craftsmanship. Especially in the city of Cuenca a very important center for the business of panama hats is found. Therefore Blue Brand seeks to consolidate itself as an exporter of hats located in this city.

The following is a summary sheet of the company:

Chart No.8: Summary Sheet of Blue Brand Company

Company Name:	Exportadora de Sombreros de Paja Toquilla Blue Brand
Type of Company:	Sales-Exports
Location:	Cuenca-Azuay
Time of operation:	1 year
Partners Number:	Three
Products and services:	The products are panama hats with new designs and incorporating materials like tagua or others in their finished or decoration. Besides, and considering the market a line of classic hats for adults and one of new models will be manufactured.
Legal Status:	Limited Company

Made by the author.

1.4.1. Current Situation Analysis

Opportunities:

- ✓ Simplicity in getting the products to be marketed.
- ✓ Sustained increase in export levels of *paja toquilla* hats from Ecuador.
- ✓ Strong non-primary export promotion in the country.
- ✓ Support to the crafts sector in Ecuador.

Threats:

- × Competition.
- × Loss of purchasing power by economic crises in the foreign market.
- × Emergence of associative models supported by the central government.

Strengths:

- ✓ Training of the staff in administrative areas.

- ✓ Knowledge of design and trends.
- ✓ English knowledge.
- ✓ Important contacts both at home and abroad.

Weaknesses:

- × Lack of consolidated organizational structure.
- × Lack of experience in international logistic operations.
- × Lack of a reknown reputation.

Mission Statement:

The mission of Blue Brand Hats is "Export quality paja toquilla hats promoting the development of this productive sector in Ecuador through coordinated business activities in a cooperative and equitable environment to allow its staff optimally unfolds."

Vision:

"Consolidating the company and brand as synonymous with quality and competitiveness and gradually expand its portfolio of products that promote the development of the productive sector of the region and the country."

Corporate values:

- Excellence.
- Ethics
- Quality.
- Creativity.

Overall Objectives:

- Be profitable.
- Conduct at least two annual exports of straw hats.
- Grow at a minimum rate of 5% per year.

- To sell a line of exclusive designer Blue Brand Hats hats.
- Consolidate the brand in the country.
- Manage optimally suppliers and provide fair prices.

1.5. The Product

1.5.1. General Type

Illustration No. 5: Fedora Hat



Fedora: This style is most often used today. It can be worn with a wide brim, as is more classic (known as Havana), or with fine wing, more modern, and even variations like Trillbi with nylon thread around the edges which bend the wing up or down.⁴

Illustration No. 6: Gambler



Gambler: Two main types can be distinguished the Cuenca gambler, of regular quality and the Montecristi Gambler of top quality. This kind of hat is mainly used by men.

5

⁴ From the files of PA Marcia. Ltda.

⁵ From the files of PA Marcia. Ltda.

Illustration No. 7: Colonial



Colonial: This hat can be rolled. We distinguish the Colonial Cuenca, of thicker fabric and Colonial Montecristi, finer. Used by men and women and can be manufactured with drafts for a summer style.

⁶

Prices vary depending on the quality of the weaving. In the local market fedora hats can be found in 20USD. Hats manufactured under special order can reach 5000 USD.

⁶From PA Marcia. Ltda. files

1.5.2. Color variation

Here are presented some of the colors that can be used. Any model of hat can be dyed.

Illustration No. 8: Color Variation



Taken from: <http://www.ecua-andino.com/>

Pamela style hats.

Illustration No. 9: Season Colors



Taken from: <http://www.ecua-andino.com/>

Fedora short wing hats.

1.5.3. Weaving designs

Illustration No. 10: Weaving Design-Color Use



Tomado de: <http://www.ecua-andino.com/>

Fedora hats.

Illustration No. 11: Weaving Design- Fretwork



Taken from: http://sites.amarillasinternet.com/modestohats/for_men.html
Gambler hat with fretworks.

Illustration No.12: Weaving Design- Gross Fretwork



Taken from: http://ep.yimg.com/ca/l/hatstore_2198_17298122

1.5.4. Variations

Illustration No. 13: Variation in the Wing and Band



Taken from: <http://www.ecua-andino.com/>

Illustration No.14: Wing style Variation







Taken from: <http://www.ecua-andino.com/>

Using nylon yarn in the border of the wing. Trillbi style.

1.5.5. Sizes

Toquilla hats can be classified by sizes in: Small, Medium, Large and Extra Large. The chart below shows the different sizes.

Chart No. 9: Sizes

	Inches	 British	 USA	 日本語	 Euro (cm)
Small / Pequeño	21 3/4	6 3/4	6 7/8	55	55
Petit / Klein / 小さい	22	6 7/8	7	56	56
Medium / Mediano	22 1/4	7	7 1/8	57	57
Milieu / Mittel / 媒体	22 5/8	7 1/8	7 1/4	58	58
Large / Grande	23	7 1/4	7 3/8	59	59
Grand / Groß / 大きい	23 1/2	7 3/8	7 1/2	60	60
Extra Large / Extra Grande	23 7/8	7 1/2	7 5/8	61	61
ExtraGroßes / 特大	24 5/8	7 5/8	7 3/4	62	62



Taken from : <http://www.panamahatshop.com/es/size.htm>

1.5.6. Quality

The quality of the hat is measured regarding the number of weaves per square inch. The classification of the hat varies according to its provenance. There are regular quality hats, fine, superfine and even high quality Montecristi hats are classified as superfine.

The illustration shows the variation in price according to the quality of the weave.

Illustration No. 15: Weaves per square inch and price

	130 weaves per square inch Price: € 37		195 weaves per square inch Price: € 57
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Taken from: <http://www.panamahatshop.com/es/quality.htm>

Conclusions

In this chapter the main findings pivot on the artisanal agro-industry, the growing exportation and finally on the benefits of the product and the analysis of the company, Blue Brand Co. Ltd. As for the industrial sector of Panama hats, different laws that promote the economic activity in this sector are found; for example the Law on the Promotion of Crafts and Small Industries and Law on Special Economic Zones. Besides the new Law of Popular Economy and Solidarity provides benefits to the artisanal sector and agro-business.

The government constantly provides technical assistance to micro, small and medium enterprises through the Ministry of Economic and Social Inclusion and the Ministry of Foreign Affairs, Trade and Integration. The Undersecretariat of MIPYMES and Handicrafts among other incentives, for 2012, offers about \$ 28 million for projects. This is to improve the productivity and competitiveness of small companies, individually or associated, that are producing goods or services with added value. The FONDEPYME aims to contribute to improve conditions and capabilities of small and medium enterprises. The National Development Bank (BNF) and the National Financial Corporation (CFN) offers credits under excellent parameters.

As a second point, the analysis shows a constant growth in the export of toquilla hats and helmets from Ecuador. According to the Central Bank of Ecuador, the exportation grew from 702.13 (thousands of dollars) to 4 597.26 (thousands of dollars) between 2005 and 2011. Similarly the export weight of this product on the total Ecuadorian exports, has been growing both in FOB value as in net weight in tonnes.

After completing the analysis, it is clear that Spain is one of the largest trading partners of Ecuador in this area, with over 10% of the total export quota (2005-2011). It is further

noted that between 2005 and 2011 the growth was from 44.25 (Thousands of dollars) to 580, 29 (Thousands of dollars) in the export of this item to Spain.

This export boom has occurred thanks to the attractiveness of the exportable offer. This is interesting for the singularity of the product, its raw material, the straw shawl, which allows creating different models. It also has great malleability and finesse. It is adaptable in terms of prices as weaving quality can be regulated. And in all cases it is susceptible to be dyed in different colors and adorned with many different elements. Moreover the production process proves its artisanal value, having not less than 90% of processes performed entirely by hand.

In terms of costs of the product, it is stated that these are variable. However it can be determined that the increase of pre-export product prices is not due to the high cost of raw materials, but rather to intermediaries who lengthen the supply chain d. Costs for hats manufactured in Azuay vary starting at 8USD depending on quality.

As a last point, regarding the company analysis it is verified that its main competitive advantage is the sum of the availability of skilled labor and human talent in the creative area. The company works with suppliers in Biblián Azogues and Sigsig; and partners in several areas such as finishes (PAMAR) in the city of Cuenca. The main disadvantage for the company is its lack of experience in the exportation process.

Blue Brand establishes as a general objective to conduct two annual exports and grow at an annual rate of 5%. Also seeks to provide fair prices to their suppliers and foster a professional development environment for its employees, with the core values of ethics, quality and creativity.

CHAPTER 2: SPANISH MARKET ENTRY REQUIREMENTS

Introduction

Spain is a country located in the Iberian Peninsula, member of the European Union since 1986. This country has a highly developed manufacturer and service industry. It is an important trading partner for many countries, especially for Ecuador as a result of the linguistic coincidence and a shared history.

As part of its entry to the European Union, it is clear that it has adapted many of its policies and regulations to the guidelines. This marks different areas as trade, customs, conflict resolution, and others. That is why many of the issues regarding its legislation will be closely linked to the study of those of the Union.

Concerning trade relations between Ecuador and Spain, these have been solid and have evolved favorably for Ecuador over time. The growth of total exports from Ecuador to Spain in 2010 was 10.9%. While in the same year, 429 sub-items were exported to this country. As already noted in the previous chapter, the export of *toquilla* hats, has not been the exception and has maintained a steady growth since 2005. Spain is within the top 5 trading partners for this item.

This chapter "Requirements to enter the Spanish market" centers on two axes, first the study of the market itself, indicating key points about the bilateral relations between Ecuador and Spain, the most important facts about the Spanish market, the consumer, and the consumption structure, etc. And as a second axis, practical requirements when operationalizing the export plan to Spain.

2.1. General Facts

- Official name: Kingdom of Spain.
- Area: 505,986 km².
- Geographic location: Southern Europe, on the Iberian Peninsula. In addition to the mainland, includes the Balearic Islands in the Mediterranean Sea, the cities of Ceuta and Melilla in North Africa and the Canary Islands in the Atlantic Ocean.
- Population: 47,021,031 people. (2010).
- Population growth: 0.6% (annual rate).
- Age structure:
 - 0-14 years 15%.
 - 15-64 years 68%.
 - 65 years and over 17%.
- Gender Structure: 0.98 (men per woman).
- Urban population: 79%.
- Population groups: 12.2% of the population is foreigners. In this group, the most numerous are Romanians, 1.8% Moroccan, 1.6%.
- Population cities:
 - Capital: Madrid (3,273,049).
 - Major cities: Barcelona (1,619,337), Valencia (809,267), Sevilla (704,198).
- Religions: Roman Catholic 72%, practitioners of other faiths, 2%.
- Languages: Spanish-Castilian-official language throughout the State. Catalan, Valencian, Galician and Basque are co-official in the respective regions.
- Administrative division: 17 regions, 50 provinces and 2 autonomous cities, Ceuta and Melilla.
- Welfare
 - Human Development Index (2010): 20 (place in world ranking 169 countries).
- Current GDP: 1,062,591 (million euros).
- PPP GDP: 1,369,000 (million USD).
- GDP per capita: 23,063 (euros).
- Global Competitiveness Index: 42.
- Per capita GDP Growth: 0.5% (annual rate).
- Structure of demand / GDP:
 - Private consumption 58.40%.

Government consumption 20.78%.

- Employment (2010).

Workforce / population over 15 years: 57.5%.

Unemployment rate: 20.3%.

- Prices (2011).

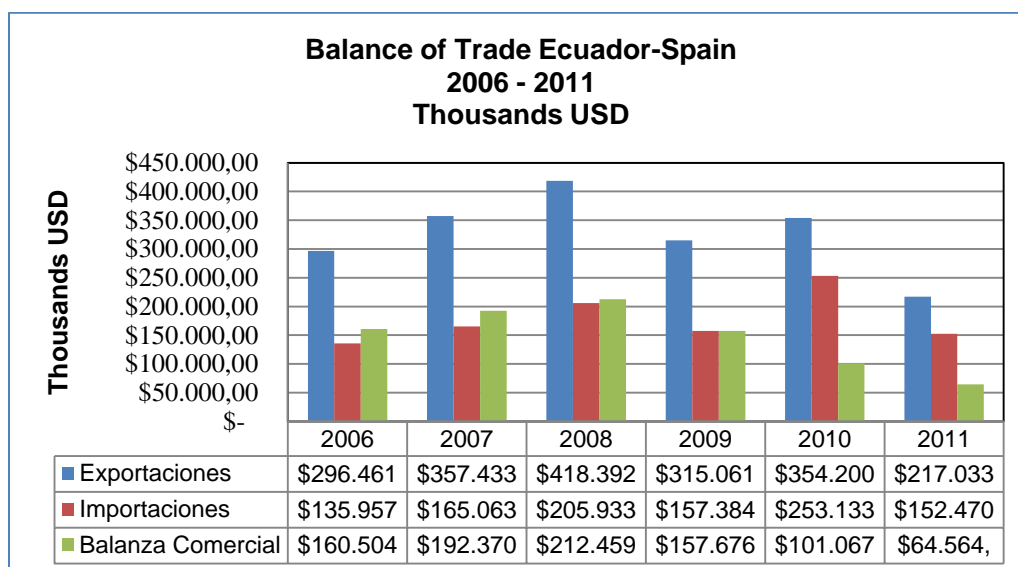
Consumer Price Index: 2.87% (annual change).

- Spanish commercial coverage rate: 78.04%. (ICEX, 2011).

2.1.1. General Trade Framework

Trade relations between Ecuador and Spain have been strong and have evolved favorably for Ecuador over time. The growth of total exports from Ecuador to Spain in 2010 was 10.9% (Spanish Chamber of Commerce in Ecuador). In the same year, 429 subheadings were exported to Spain. At its greatest extent these are for canned fish, shrimp, tuna and roses, accounting for 80% of the total. However the heading 650400 corresponding to Panama hats, has had a steady growth. As for the trade balance Ecuador-Spain, it has remained favorable for Ecuador for the past five years (until 2010) and, for the first half of 2011. This can be seen in Chart 10 presented below.

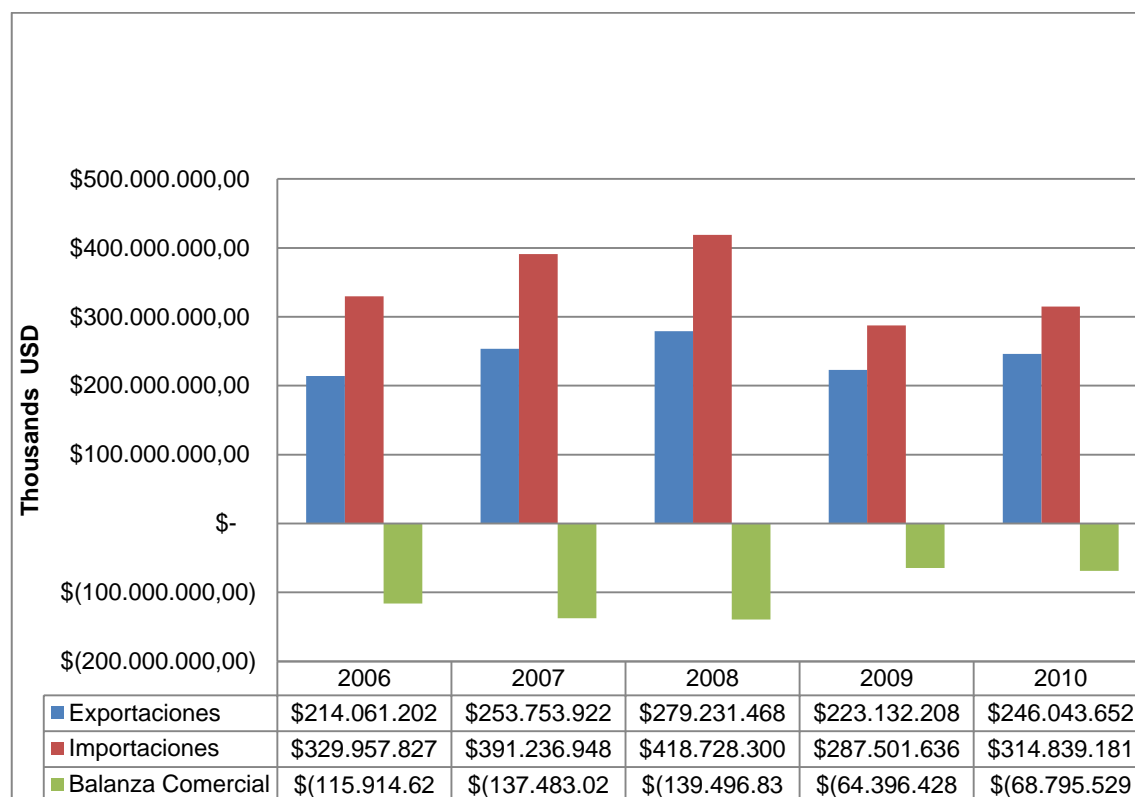
Chart No.10: Balance of Trade Ecuador-Spain 2006-2011



Elaborated by the autor based on BCE data

Not so the Spain-World Trade Balance in the period 2006-2010. It has had a negative balance according to data Trade Map. However this deficit has been reduced as shown in Table No. 11.

Chart No.11: Spain-World Trade Balance



Elaborated by the autor based on PROECUADOR and Trade Map Org. data

2.2. Bilateral Relations

According to the Embassy of Spain in Ecuador:

"The governments of both countries, driven by the constant demands of their respective societies, have been strengthening their bilateral ties. Today, migration and the strong desire of Spain and the European Union (EU) to support the strengthening of democratic institutions and stability of Ecuador are two cornerstones of its action "(2011).

Beginning in 2005 with the adoption of a new Law on Foreigners a new human dimension in their bilateral relations has been generated. This undoubtedly will directly

affect all areas, "a generating a much deeper and more substantive bilateral framework" (Embassy of Spain in Ecuador, 2011).

Among the points where the deepening of bilateral cooperation has become more noticeable between the two countries we find the answer to democracy support and institutional stability by Spain after September 11th. Likewise, the evolution of its economic and financial relations. A clear example was the exchange of debt for \$ 50 million for investment projects. Similarly there are consular relations and increasing activity in both countries, etc.

2.2.1. Business Spain-Ecuador

Spain is a member of the European Union, an issue that greatly influences its trade negotiations with the world. Furthermore according to the provisions of the WTO "The EU Member States are members of the WTO, (until November 30, 2009 the EU was known officially in the WTO for legal reasons as the European Communities (EC))" . Spain thus became a member of the WTO on January 1, 1995 (PROECUADOR-Sheet Commercial, 2011, p. 10).

The EU's Generalized System of Preferences (GSP), grants to developing countries' customs duty exemptions or reduced tariffs on their exports. "(PROECUADOR, 2010, p. 10). The GSP scheme's main objective is to contribute to reducing poverty and promoting sustainable development and good governance.

According to the Official Journal C242 of 29.09.2004, the GSP is valid until 2015, but the EU can make changes every three years. About these changes PROECUADOR expresses:

"So far, these changes have not affected the substance, the substance of the agreement, and are reduced to small adjustments in the implementation details. Modifications for the next three years (2012-2015) have been published in the official gazette but there is no reason to think that this will mean major changes. "(2010, p.11). Meanwhile, the Spanish government reiterated its support for the permanence of Ecuador in the group of countries eligible for GSP benefits in 2012 (Ecuadorian Embassy in Spain, 2012).

As for the applicability of the GSP system it is necessary to clarify that it has three different regimes:

- 1) General Conditions: All eligible countries benefit from it.
- 2) Special incentive arrangement for sustainable development and governance (GSP +): Provides additional benefits for countries implementing international standards for sustainable development and good governance.
- 3) "Everything But Arms" initiative: Gives the Least Developed Countries (LDCs) duty-free access and quota to EU markets (PROECUADOR, 2010, p. 11).

Currently, Ecuadorian exports benefit from GSP + (2009-2011). This is renewable indefinitely with respect to access conditions. Our country benefits from this system along with 16 other Latin American countries.

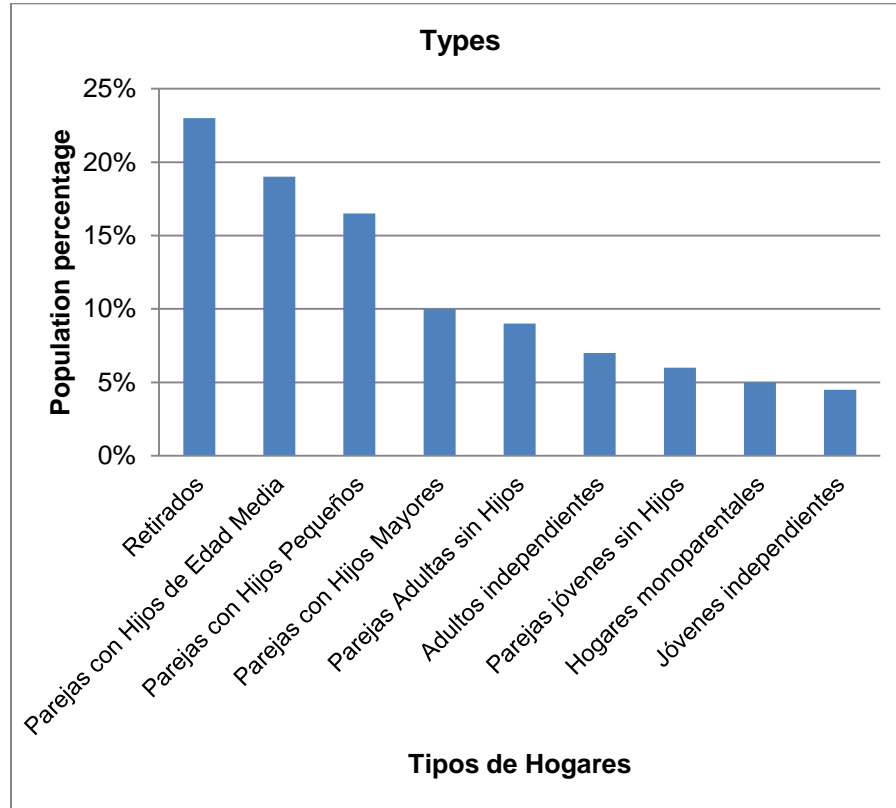
2.2. Description of the Spanish Market and the general tendencies

In general terms we can establish some facts about the current Spanish market. This market is about 47 million according to data from the National Foreign Trade Institute of Spain. The Spanish population is growing at an annual rate of 0.6% and its age structure indicates that 68% of the total population is between 15 and 78 years. On the other hand, the urban population is 79%. The most populated cities being Madrid (3,273,049), Barcelona (1,619,337), Valencia (809,267) and Seville (704,198) (ICEX).

Furthermore, 57.5% of population over 15 years is economically active population. The average income for 2010 is around 2500 euros (Europa Press, 2010). As for main expenditure items we find first housing, transportation and food in second place (National Institute of Consumption, Consumption Trends, p. 12-14).

Another important detail is the structure of Spanish households. As we can see in the chart the major families are those in which the couple is retired, secondly those who have children in middle age, and thirdly those with young children.

Chart No. 12: Composition of Spanish households



Elaborated by the author based on data from the Ministry of Agriculture, and Alimentation of Spain.

For this study, the target market is accounted for by people between 17 and 70 years in the province of Madrid. This province has a population of about 6.2 million inhabitants according to 2010 figures from the National Statistics Institute of Spain. The average income is about 2500 per year, of which 6% is used in the purchase of clothing and footwear (ICEX, 2011).

2.2.1. Main characteristics

Spanish consumers have characteristics similar to those of European consumers in general. They are demanding about the quality of goods and services purchased while always looking to get the most out of their money. Also they are interested in information about the products they buy, and look for "more and better information" on packaging and labels. As for fashion and apparel, comfort is the main feature when making a choice.(Laskurain, 2007, p. 1-3).

An important element to be considered in an analysis of consumption is that about 33% of the Spanish population is over 50 years old. This means that this sector of the population should not be ignored in this market.

According to data on the Spanish market and panama hats, it is stated that the superior quality product has an "important and stable market" especially during the summer season (June to September) and in the Canary Islands, Balearic and Marbella. Then, the summer designs should not be relegated. Similarly, an interesting demand of quality hats for golfers in the country has been detected (CORPEI, 2005).

Moreover, Spain is a market that recognizes the diversity of products based on the characteristics of the materials used, environmental respect (the packaging must be recyclable), social responsibility, techniques and processes used in the production, and their origin; then, handicrafts have great opportunities. Today's consumers increasingly value products that transmit values associated with nature, originality, personalization, cultural diversity, and generally anything that transmits distinctive values.

2.2.2. The youth market

According to the National Consumer Institute of Spain, in parallel with the increase of the length of the formative period of youth, the spending-time of supporting families increases; and also the diversity of goods and services required (Youth and Consumption).

The expenses of Spanish youth, once educational costs discounted according to the National Consumer Institute are primarily intended for:

- Sporadic payments, such as travel.
- The purchase of clothing and accessories.
- Procurement of goods and services related to leisure time (bicycles, cameras) or leisure activities (cinemas, nightclubs)
- Out of pocket expenses (eg snuff, transportation, entertainment magazines)
- Make gifts to families and friends (CDs, books) (National Institute of Consumption, Youth and Consumption)

Furthermore, a study by the research center Append through a telephone survey of 1012 people concluded the importance of analyzing consumer behavior as a function of age. Thus, it becomes clear that young people every day are considerably less brand loyal, more likely to buy unnecessary products and more responsive to market developments than older people. Append mentions:

"(Young consumers) are granting importance to brands as a purchase decision, but increasingly have less weight. Instead of increasing importance is experimenting with new products or even buying products perceived as unnecessary. "(Marketing Directo, 2006). Thus it is clear the market appeal for Blue Brand and Innovation initiative in design and use of materials.

2.2.3. The consumption structure problematic

The expenditure groups "transport", "Hotels, cafes and restaurants" and "clothing and footwear" are types of expenditure which is consolidating consumption habit among the population. Its greatest appreciation is for the medium and medium-high income groups over groups of lower income (National Consumer Institute, the patterns of consumption).

However, according to a study by the Spanish Institute of Consumption (IEC), spending on clothing and footwear is revealed as one of "the types of expenditure used by consumers to adjust their short-term spending programs"(consumption trends). This shows that these products have a luxury good character for consumers. However, if one considers that dress and shoes fill a need as basic, you can refine the above conclusion. According to the IEC, a more accurate interpretation of the data would be that much of the spending on clothing and footwear, especially clothing, is actually superfluous and therefore can be considered as a luxury.

2.3. Customs requirements, phytosanitary and other

The Spanish customs and tariff regulations, are in many cases similar to Ecuadorian. The main obstacles to access to the Spanish market are not in this respect rather relating to para-tariff requirements, like plant and animal health standards, among others. Here we analyze the main requirements and considerations to enter the Spanish market through export consumption regime.

2.3.1. Customs Regime

Regarding the application of the Code to the European Community, the Commercial Office of Ecuador in France with PROECUADOR reports:

"In 2005, the European Commission proposed replacing the Customs Code of 1992 for a modernized Customs Code. The modernized Customs Code Regulation entered into force on June 24, 2008. The modernized Customs Code creates a new electronic customs environment, includes the computerization of all customs formalities, streamlines and simplifies customs procedures is to achieve a balance between security 'supply chain' and trade facilitation and implementation harmonized by the Member States of customs controls based on a common framework and risk management in an electronic system for its implementation; promotes the concept of centralized clearance, and provides for the adoption of the concepts of single contact and centralized controls ("one-stop-shop"). Under the Customs Code (Modernised Customs Code and) requires that all imports are covered by an electronic customs declaration subject to appropriate customs regime, and all accompanying documents / evidence must be submitted electronically. "(PROECUADOR, 2010 , p. 33).

2.3.2 Economic customs regimes

According to the legislation, the customs system of the European Union include the release of goods for free circulation, customs transit, customs warehousing, inward processing, processing under customs control, temporary admission, outward processing export processing zones and free warehouses and re-export from the customs territory of the Community. In the current Community Customs Code are detailed customs procedures (2010, p. 34).

For Blue Brand, the customs procedure applied shall be free imports for consumption. However, depending on the client can be seen customs transit regime. In both cases the goods must comply with the requirements and established in the preceding paragraphs.

2.3.3. Application

According to PROECUADOR on imports Spain fits the guidelines of the European Union under the basic concept of the Common Economic Space So current legislation

for the European Union establishes the general principles of trade, and legal points which way is should follow in specific cases (PROECUADOR, Guía Comercial de España, 2010, p. 33).

Furthermore, and according to the Trade Policy Review of the European Communities, by the WTO in 2009, the Customs Code is applied uniformly throughout the customs territory of the Community. This is both to imports and for export of goods (2010, p. 34).

The routine procedure of submission of the customs declaration is made written or by a data processing technique and consists of the Single Administrative Document (SAD), presented together with the accompanying documents (invoices, certificates of origin, sanitary certificates and certificates of conformity and authenticity) (2010, p. 34).

The general requirements for customs entry for all goods, including Panama hats to the European Union are: the commercial invoice, transport document, packing list, declaration of customs value, transport insurance and the Single Administrative Document (2010, p. 34-35). Regarding the customs surveillance system, you can perform one or more controls, these are:

- Documents control.
- Identity check.
- Physical control.

Regime for samples

Sample shipment to Spain should be done through bills without commercial value. These samples can be sent for display at fairs, trade missions, or any similar event, as well as potential customers (PROECUADOR, Guía Comercial de España, 2011, p. 21).

2.3.4.Tariffs

Ecuador, like many other developing countries is a beneficiary of the General System of Preferences (GSP). Under this system the tariff that applies to most products entering the EU is zero (0)%. The most famous exception is the Ecuadorian Shrimp which pays 3.6% of bound tariff.

It is noteworthy that the revision of the EU GSP with the world occurs regularly and in 2012, a new revision was made. But as government entities have expressed PROECUADOR did not foresee major changes in its implementation to date. Likewise Spain has shown its support for this to follow Ecuador covered under the GSP trade benefits.

The Integrated Tariff of the EU is called TARIC. The TARIC contains provisions applicable to community and commercial goods imported and exported by the EU (European Union, 2010). According to information available on the official website of the World Trade Organization (WTO), the European Union has maintained a tariff rate of 0% for item 650400 corresponding to Panama hats since 2008. This situation is especially favorable considering that the tariff goes up to 20% in Brazil and in other cases bordering on 6% (OMC 2011).

2.3.5. Requirements-Tariff

In addition to the tariff classic European Customs law has evolved to incorporate current concerns. It highlights the following topics:

- Intellectual property.
- Threatened species.
- Fight against terrorism. (European Union, 2010).

In addition to these issues, "current", are maintained in-tariff barriers:

- Drugs.
- Food security.
- Agriculture.
- Environment.
- Fishing.
- Public Health.

- Consumer protection.
- Energy (European Union, 2010).

2.3.6. Sanitary Requirements / Phytosanitary (not applicable)

Under EU legislation, a number of general rules that apply to all foods whether they are fresh or processed. However in the case of Panama hats, these requirements do not apply.

2.3.7. Packaging requirements and labeling

EC/013/2000 Directive defines the labeling requirements set by the EU member states. This directive requires that products have a general labeling. Additionally, specific regulations are fixed according to the type of product.

Overall, the general labeling information must be presented in a language understood by consumers. The legislation provides the possibility to include multiple languages so that the product can be marketed in different countries. In what refers to the units to use the international metric system must be used (PROECUADOR, Guía Comercial de España, 2011, p.26).

The aspects to be considered in the general labeling are:

- The name under which the product is sold.
- Full list of ingredients or components listed in descending order of the amount of product present.
- The amount of certain ingredients or categories of ingredients.
- The net quantity of contents (weight, volume).
- The expiration date.
- The name of the manufacturer, packer or distributor.
- The instructions for use and storage.
- Lot identification.

- The country of origin (2011, p. 26-27).

Regarding labeling specifically to textiles or fibers manufactured based on the requirements of the EU are:

"Textile products must be marked and labeled at the time of marketing. When products are not intended for the final consumer, labeling and marking may be replaced by accompanying commercial documents. When the products are for the end consumer, the names, descriptions and textile fiber content should indicate clearly and legibly on labels, markings, packaging or promotional documents. A textile product composed of several parts that do not have the same composition shall bear a label stating the fiber content of each of the parties. Two textile products that have the same composition and form an inseparable whole may be submitted provided with a single label "(Unión Europea, 2009).

2.3.8. Other requirements

Licensing / Prior Authorizations

According to the last Trade Policy Review of the WTO, the European Communities require import licenses for products subject to quantitative restrictions, safeguards or oversight and monitoring of imports. Product coverage is determined in Community legislation (PROECUADOR, 2010, p. 38). In the case of Panama hats are not applicable.

Requirements demanded by the buyer

Terms of purchase and payment

Importers work, mostly under the FOB and CIF Incoterms 2010 for international trade. Incoterms 2010 are international terms of trade created by the International Chamber of Commerce ICC Paris to approve the terms of engagement of international sales.

The main definitions are:

FOB: Free on Board. Free on board, port of shipment.

The seller delivers the goods at the time when the load exceeds the ship's rail at the port of shipment, at that time the risk of loss or damage to the goods from the seller to the buyer is transferred. The seller contracts for major transportation by the purchaser. The vendor also performs customs formalities necessary for export.

Buyer pays all costs after delivery of the goods: freight, unloading at the port of destination, customs formalities for import, as part of its purchase price. You can, if you wish, take out insurance to cover the risk during transportation by ship (CIC, 2011, p. 7-9).

CIF: Cost, Insurance and Freight. Cost, Insurance and Freight

It means that the seller delivers the goods when these exceed the ship's rail at the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss or damage of the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer's risk of loss or damage to goods in transit (2001, p. 7-9).

Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIF term the seller is required to obtain insurance only on minimum cover. If the buyer wants more coverage, they need to agree as such expressly with the seller or to make his own extra insurance. The CIF term requires the seller to clear the goods for export. This term can be used only for transport by sea or inland waterways (2001, p. 7-9).

The European companies often ask the seller "credit provider" with the deferred payment to 60 or 90 days which are typically payments made by bank transfer, bill of exchange or check. The latter offers no guarantee of payment to the seller (PROECUADOR, Guía Comercial, 2011, p.27)

Others

Some requirements relate more specifically to the limitation of the potential impact of production on the environment (ISO 14001), on the method of management of a company (ISO 9000) or the practices of a corporation in terms of employment and human rights (business Ethics Initiative-ETI). Other standards, such as GlobalGAP²⁷

(formerly EUREPGAP) and the GFSI (Global Food Safety Initiative) are based on good agricultural practices and require the establishment of management systems for food security (ISO22000) (PROCUADOR, France Commercial Guide, 2010, p. 43-45). It is also important that exporters comply with international conventions considered by the International Labor Organization (2010, p. 43).

2.4. Documents required

According to the Institute for the Promotion of Exports and Investments of Ecuador (PROECUADOR) for shipments of commercial value the following documents are required:

- Original and copy of the commercial invoice indicating the Incoterm, term of sale value
- Certificate of Origin: For shipments that exceed the value of 60.10 Euros and 20 kg per package.
- Transport documents showing: Full details of the sender, telephone, marks and numbers of packages, weights.
- Import License: For shipments that exceed the value of 60. 10 Euros and 20 kg per package.
- Sale Contract (not used in all cases)
- Performa Invoice
- Packing List
- Transport Insurance Policies
- DAU customs declaration when the value exceeds 10,000 euros. (PROECUADOR, 2010, p. 38)

2.5 Steps to export

People both domestic and foreign are enabled for export activities in Ecuador, in compliance with the respective formalities. The steps to export are:

1. Have a Tax ID (Registry of Taxpayers or RUC) issued by the Internal Revenue Service of Ecuador (SRI), indicating the economic activity to take place.
2. Get a Digital Signature Certificate or Token through the Central Bank or Security Data. In the city of Cuenca, this can be done in FEDEXPOR in less than a week.
3. Register as an exporter in ECUAPASS system. That is the new customs system, which allows all foreign trade operators conduct their operations, import and export. This system was put in place since October 22, 2012. (PROECUADOR, 2012).
4. Once you have obtained the system, here you can:
 - Update the database
 - Create a user and password
 - Accept usage policies
 - Register signatures (SENAE, 2012).

5. Pre-shipment stage

The documents to be completed by the exporter prior to shipment will be:

- Original commercial invoice
- DAE (Declaración Aduanera de Exportación)

It starts with the electronic transmission of Customs Export Declaration (DAE) in the new system ECUAPASS, according to PROECUADOR, it may be attached with a preform invoice or documentation which count prior to shipment, and that statement is not a simple intention of boarding but a statement that creates a legal relationship and obligations to comply with the National Customs Service of Ecuador by the exporter or declarant (PROECUADOR, 2012).

The data highlighted in the DAE are:

Data from exporter or declarant

Description of merchandise

consignor or data

destination of the cargo

amounts or weight, and other information relating to the goods. (SENAE, 2012)

- Packing list.
- Prior Authorizations
- Origin Certificates

- Transport Document (= Seaway Bill of Lading / By Land = Bill of Lading (ICC) / By Air = Air Waybill).

Opening the Export

In ECUAPASS system the exporter can personally open the export. However it is advisable, considering the amount of exports to hire a customs broker to advice on the opening and closing of the operation. For this process is required commercial invoice, packing list and prior authorizations.

According to information from SENA:

"Upon acceptance of the DAE, the Primary Zone merchandise enters the district in which he embarks, result of which the temporary storage registers and stores prior to export. The exporter will be notified assigned the inspection, the same as can be: Documentary, Physical Capacity, and Auto Channel. In the case of Auto, the departure clearance, understood thereby embarking authorization shall be automatic upon admission charge to temporary deposits. In case of Documentary inspection it is designated the official in charge of the proceedings, the admission charge, after which proceed to the review of electronic data and scanned documents, and shall close there are no proper news. In which any observation will be recorded by electronic notification scheme under the new system. After closing the Export Customs Declaration (DAE) will change its output state to the load authorized and may be loaded. In case of physical inspection proceeds as described above in addition to the physical inspection process of the load and its corroboration with electronic and digitized documents." (2012)

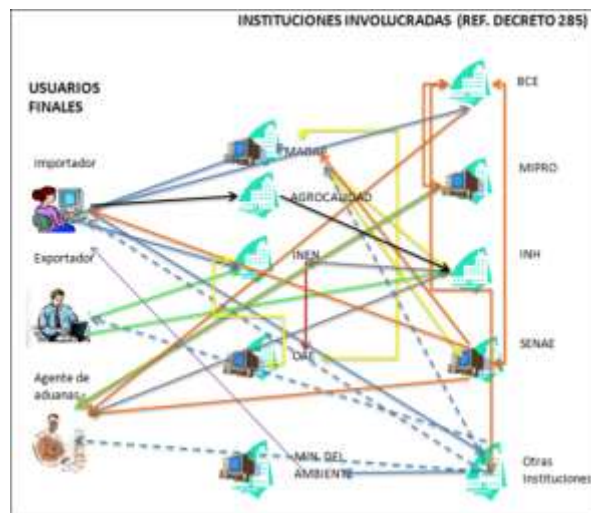
6. Post-shipment stage

The closing operation is performed before the SENA and manages to get the final DAE, for which it has a period of 30 days after shipment made. For this procedure the following documents are required: Copy of the commercial invoice, a copy of the packing list, copy of certificate of origin, non-negotiable copies of the transport document. (PROECUADOR. Exporter Guide 2012)

The export process has been simplified in 2012 through Executive Order No. 285. This is described in a circular to exporters of Foreign Trade Ministry of Ecuador:

"The Government, through Executive Order No. 285, published in Official Gazette No. 162 of March 31, 2010, declared a foreign trade policy implementation of the Single Box to foreign trade, as a means of simplifying procedures which will go into production the third week of January 2012." (Directorio de operaciones comerciales, 2011).

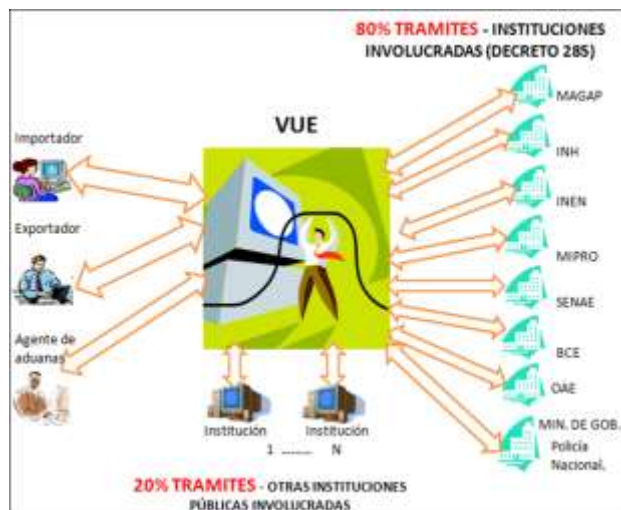
Illustration No. 16: Situation prior to the implementation of VUE: Foreign trade processes and institutions involved



Taken from:

http://www.mcpec.gob.ec/index.php?option=com_content&view=article&id=1183&Itemid=147

Illustration No. 17: Current situation with the implementation of the VUE



Taken from:

http://www.mcpec.gob.ec/index.php?option=com_content&view=article&id=1183&Itemid=147

Overall the process is simple. First the exporter enters all required information in a single document. The VUE performs the necessary validations and separate information for each agency should be involved. The VUE receives authorization of the organizations involved and communicates this to the user. Finally the VUE interacts with national customs and other countries by providing information that facilitates the release of products.

The main benefits of this new system VUE are:

- Cost reduction of physical movements to pursue the matter.
- Reduction in the time of paperwork and document delivery.
- Removal of privileges and not justified preferential treatment.
- Elimination of the steps or process attached documents.
- Elimination of downtime.
- Reduced response time to the user.
- Access 24 hours a day, 365 days a year.
- Allows monitoring of the status of the processing (Ministerio Coordinador de Producción, Empleo y Competitividad, 2011).

Payment of imports

In international operations, Spain, usually uses as a means of payment abroad, transfer and the UCP 600 documentary credit. Documentary credits are usually linked to bank guarantees or insurance policies against default.

- Operations less than 20,000 euros, international transfer after goods transfer.
- Over 20,000, documentary credit UCP 600.
- Greater than 60,000 euros, documentary credit UCP 600, confirmed.
- Over 100,000 euros, documentary credit UCP 600, confirmed and bank guarantee (PROECUADOR, 2011, p. 30).

2.6. Profile Negotiator Spanish

Important Features of the Spanish personality

The sense of honor and pride are the most typical features of the Spanish character. One must be careful not to hurt feelings. Once the Spanish have taken a position it is difficult to turn it back (Lamazares, 2008, p.32).

Attitude with the "foreign"

According to the author above, the Spanish have a dual attitude. On the one hand they show great admiration for foreign products and little value for those made in Spain, however, they consider that Spain is the best country in the world, in the sense that there is no country in which you enjoy more of life (Lamazares, 2008, p. 32-38).

Business Meetings

Some important points about business meetings are:

- Appointments must be booked a week in advance, and be reconfirmed one or two days before.
- You should try to get an interview with the most influential person. It is a hierarchical society.
- Punctuality as in Ecuador, is not a virtue. 10 to 15 minutes late is acceptable for Spanish businessman.
- It is normal at the beginning of the meeting to hold an informal chat about the trip, climate, customs of the country, current issues, etc.
- In the first contact with foreign companies, the Spanish do not usually get to negotiate the terms of the transaction, but explore the possibilities of doing business.
- Avoid asking deeper questions about the company, industry or competition. Spanish businessman could get unconfident.
- The gesticulation is normal and should not make feel overwhelmed the negotiator.
- The trading environment is formal but calm. When dealing with key aspects, the Spanish negotiator is more serious, but during the conversation is friendly and cheerful. Telling jokes is very common.
- It is important to prevent the Spanish negotiator to take full control of the word as it is believed that the one who most speaks is the one who better defend their arguments.
- It is very common that the Spanish give advice or correct the opinions of the other party (Lamazares, 2008, p. 32-38).

The negotiation process

The relevant points about the negotiation process are:

- It is important to leave room for concessions, not many. The practice of bargaining varies according to regions. "In the Mediterranean area (Catalonia, Valencia) is

widespread, while in the north (Basque Country, Galicia), is just practiced." (2008, p. 35).

- Decisions are made in a hierarchical way. Most issues, especially proposals for new suppliers or partners, are decided at the highest level of the company.
- Even if the negotiating function is delegated, the manager or leader is always informed.
- It is not recommended to use pressure tactics. It is best to stay in touch and ask often as about the process, showing interest.
- The Spanish avoid saying "no" directly. When they are not interested in reaching an agreement they lengthen the response or show themselves as inaccessible (do not answer emails or calls)(2008, p. 32-38).

Protocol Standards

According to Olegario Llamazares, among the most common uses are:

- The handshake is the most common practice of greeting. When a man greets a woman who already knows, or in the greeting between two women who are known they usually give two kisses on the cheeks.
- The presentation card use is widespread. They are usually given at the beginning of the meeting to all the assistants to the meeting.
- It is also normal to introduce people with the name and surname and not to include titles. Unlike Latin America, the titles are rarely used.
- There are two ways of talking: informal (*tu*-you) used between people who already know each other or between people of a similar age; and formal ("*usted*"-you) for the first conversations between people who don't know each other or from different ages.
- Talking favorites are politics, family, holidays and sports (especially football).
- Avoid talk of terrorism, migration problems, or criticize bullfighting, nor to make comparisons between regions, especially, Madrid and Barcelona.
- Business meals are very common among companies. They start about 14:30. and often extend at least half an hour. The business talk is usually reserved for the end of the meal, to desserts or coffee time. It is that the persona who proposed the meal to start the conversation, also to pay the bill. Guests must praise the quality of the dishes and say thanks when leaving.

- When acting as host it is important to choose a good restaurant where you eat well since the Spanish greatly appreciate good food and good wine.
- It is habitual to tip in bars, restaurants and taxis, but not in hotels. Between 5% and 10% of the amount is considered fine.
- When invited to lunch or dinner at a private home, the guest should not accept the first offering since it may be a courtesy. Accept if the host insists. In this case should bring a gift, chocolates, a cake or a bottle of wine can be a good choice.
- Spain's appearances are important. It is therefore advisable to be well dressed.
- In large cities (Madrid and Barcelona, especially) the suit and tie are required. In small towns or when visiting companies located in industrial estates more casual clothing can be worn.
- The work schedule begins about 09:00 / 09:30 and ends about 18:30 / 19:00. From 14:00 to 16:00 is difficult to locate people in business as they make a pause to eat. (Lamazares, 2008, p. 32-38).

It is clear that these guidelines cannot encompass the complex Spanish cultural crucible. This is why it should be the basis to form a general idea and to understand the kind of negotiation process that will take place. Not so, in any way is a recipe for all cases. It is better to remain vigilant and culturally sensitive during negotiations.

Conclusions

On the Ecuador-Spain trade balance, it seems that it has stayed favorable for Ecuador for the past five years (until 2010) and, for the first half of 2011. Bilateral relations remain strong in different areas. Among the points that the deepening of bilateral cooperation has become more visible between the two countries we can consider the answer to democracy support and institutional stability by Spain after the 30S and the evolution of its economic and financial relations.

The overall benefits to the commercial area are covered by the application of the Generalized System of Preferences (GSP) by the European Union. This system gives developing countries' customs duty exemptions or reduced tariffs on their exports in order to contribute to reducing poverty and promoting sustainable development and governance.

In addition to this benefit it is observed that the most relevant data about the Spanish market is:

- 68% of the total population is between 15 and 78 years.
- The urban population is 79%, being the most populous city Madrid (3,273,049).
- 57.5% of the population over age 15 is economically active population.
- The average income for 2010 is around 2500 euros a month. • In terms of family structure, the major is made up of retired couples, the second by couples with children in middle age, and the third with small children.
- The target market, the province of Madrid, with a population of 6 million.
- The population spends 6% of its income on shoes and clothing.

Spanish consumers have characteristics similar to those of European consumers in general. They are demanding about the quality of goods and services purchased while always looking to get the most out of their money. Also they are interested in information about the products they buy, look for "more and better information" on packaging and labels. As for fashion and apparel, comfort is the main feature when making a choice. But at the same time, they do consider fashion, design and quality.

Moreover, Spain is a market that recognizes the diversity of products based on the characteristics of the materials used, environmental respect (the packaging must be recyclable), social responsibility, techniques and processes used in the production, and their origin; therefore, handicrafts have great opportunities. Today's consumers increasingly value products that transmit values associated with nature, originality, personalization, and cultural diversity, the maintenance of the nature, and anything that transmits distinct values.

Entry requirements for imports cover several points. First it should be mentioned that the current legislation is the Customs Union. Besides the integrated tariff, TARIC, states that the ad valorem heading "Panama Hats" is 0% since 2008. Moreover, it is clear that European law is strict about phyto-sanitary requirements, and others, but in the case of the products offered by Blue Brand, they are not pertinent. As for the labeling, it is important to follow the guidelines established by law and detailed in this chapter.

On the paperwork for imports, the main conclusions can be established around the implementation of the new system VUE, or one stop export window. This enables the

reorganization of processes into a single entity. It is also important to consider that as in Ecuador, Spain uses the INCOTERMS 2010 as a set of terms for international purchase agreements.

CHAPTER 3: INTERNATIONAL MARKETING PLAN

Introduction

The International Marketing Plan is one of the fundamental tools for successful export performance. First it goes from the recognition of the current situation of the company Blue Brand Co. Ltd. which was analyzed in the first chapter. Then it incorporates knowledge of the market as discussed in Chapter 2, and finally states the main marketing strategies in line with the market and the selected product.

Marketing does not operate in a vacuum but in a complex and changing environment. Other actors in this environment as suppliers, intermediaries, customers, competitors, publics, etc. can work for or against the company. There are also environmental forces such as demographic and economic, those shape marketing opportunities, poses risks and affect the company's ability to serve customers.

In response to these information needs, a Marketing Plan for Blue Brand Co. Ltd. is presented. First a study of the macro and micro environment of the company is offered. Then an explanation of the analysis of the four Ps of Marketing and finally general strategies for strategic marketing objectives are presented.

3.1. Micro-environment Analysis

The microenvironment refers to those forces close to the company: suppliers, marketing intermediaries, customer markets, competitors and publics that affect its ability to serve the customer (Kotler and Armstrong, 2008, p. 66).

3.1.1. The company

For the proper functioning of the marketing operations it is essential that different areas of the company are aligned by a common goal, under the same vision and mission. For Blue Brand, these have been already determined to facilitate the optimal operation of the marketing strategies through the initial situation analysis, the initial strategic plan, and the organization of functions. These three documents are discussed in the first chapter.

3.1.2. Suppliers

Suppliers provide the necessary resources for the company to meet its objectives. This is why it is important to the analysis and strategy formulation for the optimal functioning of trade relations. First we must point out that Blue Brand has direct suppliers, and associated suppliers as shown in the tables below:

Chart No. 13: Direct Suppliers, Weavers.

Location	Contact	Notes
Biblián	Margarita and Rosa Inga Sanango	Do not have necessary technology to perform finishes.
Sigsig	Leonardo Jimenez	Technology available.
Azogues	Asociación de Toquilleras de Azogues	Technology available.

Elaborated by the autor.

Chart No. 14 : Associated Suppliers of Blue Brand

Name	Location	Contact	No. Weavers	Notes
PAMAR	Cuenca	Pablo Monsón y Wilson Guevara	Counts with associated weavers.	Associate for termination of hats. It has equipment and personnel. Termination cost \$ 1.35 to \$ 2.00 per hat.
ATMA	Sigsig			Associate
CINTAS	Cuenca	Pablo Vintimilla	-	Design and manufacture.
MANDALA	Cuenca	Verónica Bermeo	5 artisans	Associate for attachment of craft elements to the finished product. Performs design work and manufacture parts in various materials and elements including tagua jewelry.

Elaborated by the author.

There are two fundamental issues around the analysis of suppliers and concern for the availability of raw materials and supply problems, and delays in production and delivery times. Regarding the availability of resources, there is sufficiency of raw materials and human talent. Blue Brand has about 150 weavers associated. As for delays, it is established that the vast majority of companies exporting *toquilla* hats deal with delays

in delivery by suppliers. However, as a testimony *toquilleras* from Biliblián mention that these delays are often due to lack of payment by intermediaries.

Partners Management Strategies

- The first strategy concerning suppliers has been the development of strategic alliances; with these Blue Brand was able to contact all suppliers, make itself well known and especially get the required support and commitment to comply with the terms of production.
- The second strategy is essential, and it is **pay on time**. After analyzing the payment situation and terms for the weavers, it was established that they receive their payment even up to two months after delivery. In this, Blue Brand is committed to meet the deadline of 15 working days after delivery to cover 50% of the payment, and to make an advance payment of 50%.
- Another important strategy is communication. It is clear that the communication channels should allow information to flow effectively in all areas. For this in the Organization Chart the communication needs are clearly mentioned.
- As an incentive to the weavers who work with the company special programs by Blue Brand are offered, for example at the beginning of the school year, a time when, according to testimonies from the weavers, the greatest needs are apparent.
- As a strategy for associate partners, Blue Brand will give them a promotional space in its website.

3.1.3. Marketing Intermediaries

According Kotler and Armstrong, Marketing intermediaries help the company to "promote, sell and distribute its products to final purchasers and include distributors, physical distribution firms, marketing services agencies, and financial intermediaries." (2008, p. 66).

Distributors

For Blue Brand, the distributor is *Industrias Sombrereras Españolas*. The company is one of the leading companies in the market of all kinds of hats in Madrid and throughout Spain. It has a long corporate history and also has great reputation in the apparel and accessories market.

Illustration No. 18: Website of the main distributor



Taken from: <http://www.isesa.es/principal.html>

The main advantages of selecting a single distributor to start export business activities are the facility of communication, and the use of operational knowledge of the dealer.

Physical Distribution Companies

These companies are the ones that allow the movement of goods from the seller to the buyer. Blue Brand has two reliable transport companies and professional.

Chart No. 15: Associate Transporting Companies

Name	Location	Contact	Notes
Transportes CITEP	Cuenca	Jhony Ortiz	Heavy transportation to port.
Schryver Ecuador	Cuenca	Yuli Vivanco	Transportation containerized cargo and bulk cargo. Packaging Advisory, containerization, etc..

Elaborado por la autora.

Financial Intermediaries

These companies are those that help finance transactions or insure against risks associated with the sale of goods. They include banks, insurance companies, credit institutions. Regarding the financial overview of Blue Brand, the initial capital available is 170.000USD. The bank associated is Banco Pichincha, a bank of experience and "A" level internationally. Blue Brand foresees the opening of an account with additional benefits for MIPYMES, plus the bank offers a secure international transfers system with the approval of the Central Bank of Ecuador.

Illustration No.19: Detail of some of the services offered by Banco Pichincha for MIPYMES



Taken from: <http://www.pichincha.com/web/empresas.php>

Moreover, considering the export activity of Blue Brand, an insurer is required. Is selected the insurance broker, Segurazuay SA, a company with representation in the city of Cuenca and already working in partnership with International Shryver and Shryver Ecuador was selected.

3.1.4. Customers

A fundamental difference between customer and consumer must be considered. While the Blue Brand product offered will be designed with a focus on the final consumer, as mentioned in Chapter 2, the one buying directly from Blue Brand (Client) will be the distributor, *Industrias Sombrereras Españolas*. This means that Blue Brand export start in a trade market.

The requirements of customer information are:

- Who is the potential customer?
- What demands?
- What improvements would wish on products now offered by the competitors?
- On what is base their purchase decision?

Analysis:

Who is the Client? The potential customer is ISESA (Industrias Sombrereras Españolas S.A.).

Beginning of activity: 1985 Activities: Manufacture, import, export, distribution.

The company's philosophy focuses on three points: the quality, finish and design of their hats. For this they have built a strong reputation both nationally and internationally (ISESA, 2012).

What is the demand? ISESA imports several types of hats. In the case of Ecuador imports especially helmets and hats of toquilla.

What improvements are desired on products now offered by the competitors?

The company has suppliers of panama hats. However, as a typical feature of European customers, it is not brand loyal and is open to change depending on the benefits provided. The proposal of Blue Brand represents flexibility in design, for the same price. This is what makes it attractive. The client seeks changes in designs, quality and competitive price.

Other highlights:

- Negotiates with bank transfers, and credit cards.
- Maintains strict quality standards.
- Negotiate with 30% deposit and pay up to 30 days after delivery of the goods.
- Requires visiting the business center in Spain to close any business deal.
- It requires sending samples.
- It has great strength in the area of design and market research.
- It has ISO 9001:2000.

3.1.5. Competitors

According to Kotler and Armstrong, the marketing concept states that "to succeed a company must provide greater customer value and satisfaction than competitors" (2008, p. 70). Hence the importance of knowing them and answering questions like:

- Who are they?
- Where are they?

- What do they sell?
- To whom do they sell?
- What are their advantages?
- What are their weaknesses?

Analysis

Based on information from the Central Bank of Ecuador a summary of all exporters of *toquilla* hats to Spain between 2005 and 2011 is:

Chart No. 16: Exporters of Panama Hats to Spain from 2005 to 2011

EXPORTERS
ALVAREZ CAMPO EDWIN PATRICIO
ARELLANO VELASQUEZ SEGUNDO
AVILA BRITO VICTOR JAIME
COMPAÑIA EN NOMBRE COLECTIVO PAMAR Y COMPAÑIA
ECUA-ANDINO
EXPORTADORA K. DORFZAUN C. LTDA.
FADAVILL S.A.
FERNANDO MORENO HAT COMPANY CIA. LTDA.
FICHAMBA VASQUEZ CARLOS ALBERTO
FONDO ECUATORIANO POPULORUM PROGRESSIO
GUERRERO MOSQUERA WILO ALFREDO (CONTINUES)

GUEVARA ROMAN ANGELICA MARTHA
GUEVARA ROMAN MARIA PIEDAD
HOMERO ORTEGA P.E HIJOS C.LTDA.
LEITON GOMEZ JANETH MARIELA
LOJANO PUNIN JOSE ANTONIO ARTESANIAS JOSELO
MALDONADO PINEDA MARIA GRACIELA
MALES GUERRERO MARIA JUANA
MIRANDA PINTO PAOLA CRISTINA
MORALES CHALAPUENTO LUIS ALFONSO
OLICARGO INTERNATIONAL CIA.LTDA.
ORTEGAHATS CIA. LTDA.
QUINDE VICTOR HUMBERTO
RAFAEL PAREDES SEMPERTEGUI E HIJOS CIA
REVELO MUENALA CESAR ALFONZO
ROMAN TERREROS TERESA DEL CARMEN
ROSAPRIMA CIA. LTDA.
RUIZ MALDONADO SISA ERNESTINA
SARAVA CARGO CIA. LTDA.
SEGOVIA CHIZA JOSE RAFAEL
SERRANO HAT EXPORT CIA. LTDA.

SISTEMAS AEREOS DE COMERCIO SADECOM CIA.LTDA.
TAPIA QUINTEROS CHRISTIAN IVAN
TRANSREALCARGA CIA. LTDA.
UZCHA CRIOLLO MARLENE BEATRIZ
VALENCIA CUESTA JUAN FERNANDO...
VASCONEZ PERUGACHI PATRICIO JOSE
VELASQUEZ ANRANGO LUIS ALBERTO
VILLACRES ZURITA MARIA FANNY
YACELGA ROMERO MARGARITA
YAMBERLA DE LA TORRE FABIAN
YAMBERLA OTAVALO NARCISO
YANAPI S.A.

Made by the author based on Banco Central del Ecuador's data.

Of this group, the main competitors for finished hats are:

Compañía en Nombre Colectivo PAMAR & CIA

Who are they?

According to information provided in the website of PAMAR, this company started thanks to the entrepreneurship of the current owner and manager, Pablo Munzón. It is said that he left his job as a presser in a hat factory and opened his own workshop to finish them. His parents know weaving, his mother still does it and that motivated Pablo to continue to grow with his family in this business (PAMAR, 2012).

Pamar is a producer of toquilla products, three generations in the production and export of these articles. Pamar was recently recognized for its activity by FEDEXPOR.

The company works with weavers in Azuay and Cañar, Sigsig, Chordeleg, and Gualaceo. Every Monday the weavers bring the product to the factory, which is selected by degrees, wings, fabric qualities and then they are prepared to be finished.

Where are they?

PAMAR Co. Ltd. is located in the city of Cuenca. As in the case of Blue Brand, its suppliers are located in Azuay and Cañar.

What do they sell?

They have a varied range of models, quality and styles. Thus, each hat goes through a process depending on the customer and order. This industrial plant is very flexible. The process in the factory is done by about 25 people.

It is noteworthy that most of the finished hats have their ribbons imported. That is done under the trademark of a third party in the country of destination.

To whom do they sell?

They sell in the Spanish market but without a brand.

What are their advantages?

Their main advantage is to have a factory to give the finishing process to hats. They have also built a name and image nationally recognized by organizations like FEDEXPOR and PROECUADOR. Therefore, they are invited to fairs and international business negotiations.

What are their weaknesses?

According to testimonies, there is discontent from the weavers on price and payment terms.

In addition their business structure is not well organized and they do not have a research and development department. Also, their website is not fully operational; it does not have a catalog or social network presence.

Ecua-Andino Corp.

Who are they and where are they?

The main partners of Ecua Andino Corp. are Lecaro and Edgar Alejandro Sanchez. This company is engaged in the export of panama hats since 1983. In 2010 they had revenues of one million dollars. (Metroecuador, 2010).

The company participates in about 25 international fairs annually and also has stores and distributors as noted below:

Shops:

Guayaquil-Ecuador

Albatroz, mz 28 solar 4.

+593 42 326375 / +593 42 325339

Paris-France

Marina Gutiérrez-Bergia

21 rue Saint-Blaise 75,020

+33 (0) 1 46 59 46 32

marina@ecua-andino.com

Bensheim, Germany

Katia Knoch

9 D-64625 Ringgartenstr

+49 (0) 6451 770 64 80

info@ecua-andino.de

Distributors:

- Canada
- El Salvador
- Greece
- Hong Kong
- Israel

- Mexico
- Paraguay
- Peru
- Puerto Rico
- Russia
- South Africa
- Spain
- Turkey
- United Arab Emirates, Qatar, Bahrain, Kuwait, Oman and Saudi Arabia
- United States
- Uruguay (Ecu-Andino Corp. 2012)

What do they sell?

They have a diverse line of models. However, the trend displayed is from regular quality hats to semi fine, not so elaborated as is the case of Homero Ortega and Serrano hats. The company launches two collections each year, these are developed in Ecuador.

To whom do they sell?

In responding to this question one of the main advantages of the company can be found. Ecuandino sells to the five continents, but even more interesting, it has partners such as the official organizers of the Roland Garros tournament and Cartier brand.

What are their advantages?

Without doubt the main advantage is the market expansion plan of Ecuandino. Also this is complemented with a strong Internet presence and social networks effective management.

What are their weaknesses?

As mentioned at the beginning, Ecuandino is only an export house. Their suppliers are located in the city of Cuenca, one of these, PAMAR Co. Ltd. This results in higher costs, as finished hats are purchased at market prices and then exported.

EXPORTADORA K. DORFZAUN CIA. LTDA

Who are they?

K. Dorfzaun is one of the oldest export houses founded in 1939. It is a family company, which has 100% Ecuadorian capital. It provides semi-finished hats to companies in other countries and also exports finished hats.

Where are they?

The company is based in the city of Cuenca. Its suppliers are located in the province of Azuay and Cañar.

What do they sell?

Its export of unfinished products is important. Moreover, most finished products are not sold with the own brand.

To whom do they sell?

Its main customers are in the European continent and the United States.

What are their advantages?

They have a factory, quality machinery and years of experience in the market.

What are their weaknesses?

They do not have notoriety in their image. Also, they are not found in social networks. For this company, the tendency to market unfinished products remains.

FONDO ECUATORIANO POPULORUM PROGRESSIO

Who are they?

The GSFEPP is a private foundation with a social non-profit purpose, and hosted by the Ecuadorian Episcopal Conference. It was born from a common intention of a group of bishops, priests and laity. (FEPP, 2012).

FEPP is a foundation that works in many areas and has a number of subsidiaries as Salinerito, CAMARI, CODESARROLLO, among others, that complement their business activity. Also promotes trade and associative models among the indigenous community.

Where are they?

FEPP is headquartered in the city of Quito. However their networks are throughout the country, including Cuenca, where they have a cellar, the store CAMARI and CODESARROLLO.

What do they sell?

FEPP sells items that promote the development of indigenous Ecuadorians. It exports goods ranging from dairy products to Panama hats.

To whom do they sell?

The main buyers of FEPP are in the European continent, thanks to contacts made since its establishment by the Salesian priests who came from Italy.

What are their advantages?

The most interesting advantage is the cost competitiveness of FEPP. When operating on a model of community associations the intermediation costs can be eliminated. They also have great support from the government sector in terms of promoting small businesses and the crafts sector defense.

On the financial side the FEPP has its own credit union, CODESARROLLO. ´

What are their weaknesses?

Their main disadvantage is the lack of a well-defined structure to handle the export process. On the other hand they do not have a department of research and development, or marketing. Its main customers have come through personal contacts of the Salesian Italian priests still living in Ecuador and that to the date are still supporting the organization.

FERNANDO MORENO HATS CIA LTDA.

Who are they?

According to information from the official website of Moreno Hats, the company has an experience of 20 years in the industry. But the formation of this company is recent. His experience as an independent company is 5 years. (Moreno HatCompany, 2012).

Two important features of the company are innovation and social responsibility. Those make it a major competitor.

Where are they?

They are located in the city of Cuenca. Their providers are located in Azuay, Cañar, and also they have established contacts in Montecristi.

What do they sell?

The company focuses on finished hats. They design their products and procure to continually innovate. Their collection is varied as in the case of other companies.

To who do they sell? Its exports are increasing and are currently present in four of the five continents.

What are their advantages?

This young company has government support for business contacts and export promotion.

Also they have advantages regarding the manufacture of hats with high-tech machinery and process-specific.

What are their disadvantages?

Their main weaknesses is the lack of experience as a new company besides the loss of important business contacts when it got independent.

HOMERO ORTEGA E HIJOS CIA. LTDA.

Who are they?

Homero Ortega is a panama hats manufacturer that, as it states on its official website, and has contributed to the spread of this product and its position in the global context. Five generations have been dedicated to this activity and they are the cover letter of the company as a sign of experience, reliability and quality . (Homero Ortega, 2012).

Where are they?

They are located in the city of Cuenca. They are producers, traders and exporters.

What do they sell?

Their line includes both classical and contemporary hats. Their quality is unquestionable and recognized worldwide.

To whom do they sell?

They sell in the five continents and are currently the leading company in finished hats.

What are the advantages?

- They have up-tech machinery.
- They have specialized weavers working only for the company.
- They count with ISO 9001 - 2000 for the activities of design, production and exportation of articles of toquilla.

What are their weaknesses?

They are a solid company with highly developed activities in the sector. But they do not have a fresh and up- to date approach to the market.

What do they sell?

They have different lines of products of high quality.

3.2. Analysis of the macro-environment

The macro -environment of the company is formed by those forces that influence its opportunities and pose risks to its operations. According to Kotler and Armstrong, major macro-environment forces are:

- Demographic Forces
- Economic Forces
- Natural Forces
- Technological Forces
- Political Forces
- Cultural Forces (2008, p. 68).

3.2.1. Demographic forces

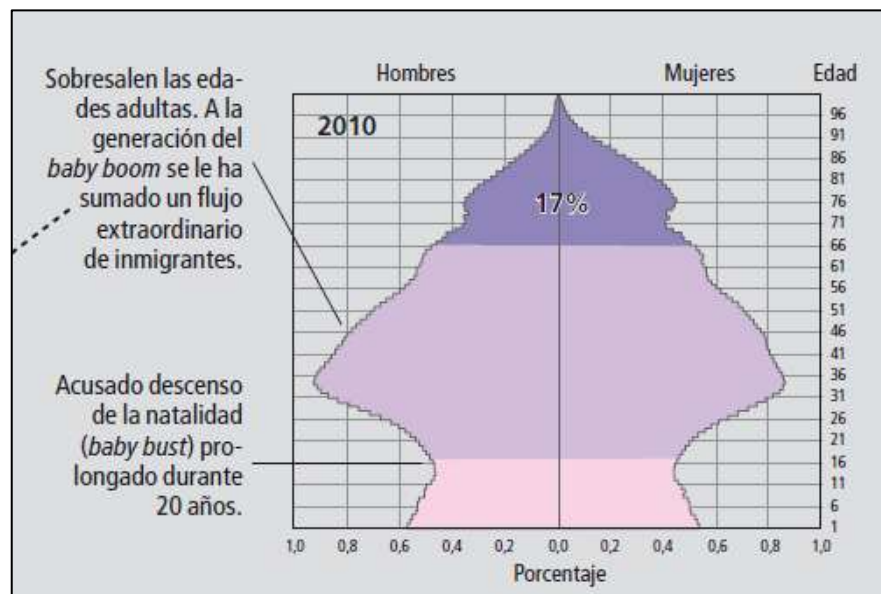
The main reasons for a study of the demographic area are the changes that occur in populations that make up the target market and that can impact business.

3.2.1.1 Changes in the age structure of the population

One of the main considerations in Spain is the demographic trend of an aging population. This is due according to María José Gonzales, to the fact that most young couples choose not to have children or have one or two children. Also an increased longevity by several factors is noticed in this population (2010, p. 20). Clearly, there are exceptions, however in general terms this is a typical phenomenon in European countries and some Asian countries like Japan.

A study in this population mentioned: "In Spain the proportion of people over 64 years grows. Between 1975 and 2010 increased from 10 to 17 percent and growing ... "(Perez, 2010, p. 36). The population pyramid is shown in the following illustration, as well as key demographic factors affecting it.

Illustration No. 20: Population pyramid for 2010 and key demographic factors



Taken from: <http://digital.csic.es/bitstream/10261/29071/1/2010Inv+Ciencia.pdf>

From this illustration we can conclude that most of the Spanish population is in adulthood that is to say that they are over 21 years old. There is also a significant 17% of the population over 65 years.

3.2.1.2. Changes in the family unity

Some important facts about the family structure in Spain are:

- An 18% of the Spanish households are made up of people living alone. (From this 18% about 60% are older than 50 years).
- A 7% of households are single parent.
- Couples without children make up more than 20% of households, and another 20% have only one child.
- Large families have been reduced to be a 3% of households (PWC, 2011, p. 45-47).

3.2.2. Economic Forces

The Spanish Crisis

The Spanish crisis had its beginning in late 2008 after the global financial crisis, but its impact is felt to this day. The consequences of the Spanish crisis are reflected not only in macroeconomic indicators, but more recently in sectors as real estate, with the end of the housing bubble, and employment, where there are records of 22% of unemployment in 2012.

This study will not analyze the crisis in depth but it will refer to it in terms of its consequences affecting the Blue Brand business opportunity in the target market. For this, the following analysis focuses on statistical information about the essential factor of crisis and consumption.

As a general indicator, it should be mentioned that the crisis is most highly concentrated in medium, medium and low economic sectors of the population. Meanwhile, unemployment is seen more strongly in the younger segments of the population, especially those under 30 years.

3.2.2.1. Changes in the spending on Textiles and Crisis

Spending in the textile sector in 2007 compared with the year 2011 was reduced by about 10% for furniture 13%, and 6% food. Although the reduction is significant, it should be noted that according to statistics this reduction was seen mainly in the lower middle income strata (PWC, 2011).

Other studies indicate that the fashion industry is in general one of the most hit in “frequency of purchase” This has decreased due to the crisis and is expected to have a gradual recovery. As in the previous case the decrease in the frequency of purchase is more common in low income levels.

In the chart below the frequency of purchase is analyzed during the crisis.

Chart No. 17 : Frequency of purchase during the Crisis by level of Income

	Higher	Equal	Lower
Less than 20,000 euros/year	12,4%	36,8%	50,8%
De 20 a 40,000 euros/year	8,5%	50,5%	40,9%
De 40 a 60,000 euros/year	4,4%	63,7%	31,9%
De 60 a 80,000 euros/year	3,0%	60,6%	36,4%
Más de 80,000 euros/year	13,3%	80,0%	6,7%

Elaborated by the autor based on PWC study data.

It is emphasized that the Spanish with incomes above 40,000 euros per year have maintained their purchasing frequency by more than 60%, those with incomes between 20 and 40000 have maintained their purchase frequency in 50.5%.

Other interesting facts to consider when framing the marketing strategies are the change in the buying pattern; you may notice differences before, during and after the crisis as seen in the tables below.

Chart No. 18: Buying patterns before the Crisis

	Purchased cheaper options	Purchased more expensive options	Did not buy this product
Basics(t-shirts, jeans.etc.)	40,9%	54,1%	5,0%
Formal (Suits, dresses)	25,7%	53,6%	20,7%
Fundamentals (Shirts, skirts)	38,0%	58,3%	3,7%
Seasonal wearing	37,4%	56,2%	6,4%
Shoes	33,9%	64,4%	1,8%
Underware	42,3%	55,9%	1,9%
Accesories	31,6%	40,8%	27,6%
	36,0%	55,0%	10,0%

Elaborated by the author based on PWC data.

Chart No. 19: Buying patterns during the Crisis

	Purchased cheaper options	Same options	Purchased more expensive options	Has stoped buying
Basics(t-shirts, jeans.etc.)	53,0%	43,4%	1,4%	2,2%
Formal (Suits, dresses)	44,9%	44,1%	2,1%	8,9%
Fundamentals (Shirts, skirts)	50,3%	44,8%	2,5%	2,4%
Seasonal wearing	47,0%	43,0%	2,6%	7,3%
Shoes	45,7%	49,0%	2,8%	2,4%
Underware	48,2%	47,6%	2,4%	1,8%
Accesories	48,4%	38,5%	1,6%	11,6%
	48,0%	45,0%	2,0%	5,0%

Elaborated by the author based on PWC data.

Chart No. 20: Buying Patterns after the Crisis

	Will buy cheaper options	Same options	Will buy more expensive options	Will stop buying
Basics (t-shirts, jeans, ect)	25,8%	60,3%	13,5%	0,4%
Formals(Suits, dresses)	23,6%	57,9%	17,3%	1,2%
Fundamentals (Shirts, skirts)	24,1%	61,4%	13,6%	0,9%
Seasonal wearing	23,8%	60,6%	14,1%	1,5%
Shoes	22,6%	61,9%	15,2%	0,3%
Underware	24,6%	61,5%	13,3%	0,6%
Accesories	25,4%	58,3%	14,0%	2,3%
	24,0%	60,0%	14,0%	1,0%

Elaborated by the author based on PWC data.

According to the tables presented, it is clear that during the crisis about 40% of the population will seek cheaper options in clothing and accessories of the season; however, the percentage of those who will buy the same differs minimally with about 30%. The pattern after the crisis will largely maintain the same purchase options during the crisis with 59%. This pattern will change gradually over the years post crisis for perhaps more expensive options (PWC, 2011, p.26).

According to studies, the criteria related to the price of the product have increased in importance during the crisis to the detriment of factors such as branding, fashion and more related to product quality. In the following chart the diverse factors related to the purchase of textiles is analyzed:

Chart No. 21 : Main factors of purchase. Comparison before.- during and after the Crisis

	Before the crisis	Before vs During	Before vs After	During vs After
Criteria related to the price				
Good relation quality/price	12,6%	8,2%	11,9%	3,4%
Cheap prices	7,4%	46,6%	25,1%	-14,6%
Prices range	5,1%	23,6%	7,9%	-12,7%
Criteria related to the product				
The clothes fit me well	12,5%	-3,5%	4,2%	7,9%
Quality of the product	10,8%	10,7%	-1,1%	10,9%
Sizes range	7,4%	3,7%	6,5%	2,8%
Good Brand, well-known	7,9%	-13,7%	-10,8%	3,4%
Range of products	6,4%	-8,9%	-0,8%	8,9%
Are fashion-adaptable, create tendency	5,2%	-19,6%	-20,3%	-0,8%
Speed to renew collections	3,4%	-15,4%	-21,2%	-6,9%
Criteria related to the store				
Convenient location	5,5%	-0,7%	-6,5%	-5,9%
Personnel quality/ Helpful character	5,8%	-5,7%	-1,6%	4,3%
Environment/ social causes	5,2%	-13,6%	-15,1%	-1,8%
Environment quality	3,1%	-12,3%	-21,2%	-10,1%
Others	1,7%	18,8%	-2,4%	-17,8%

Taken from PWC, "Evolución o Revolución". Page 26.

It is noted that the criteria in the comparison of before vs during the crisis, which have greater negative change are related to social causes, and environment, good brand, fashion, trend, and changing collections. Those that have shown more positive variation are cheaper products and price range. Once again we can mention the growing importance of prices for the Spanish market in this time of crisis.

3.2.2.2. Crisis and distribution chains

The supply chain and its use by Spanish customers are important data to be considered when structuring the logistics and distribution plan for Blue Brand. Primary data can be seen in the tables below:

Chart No. 22: Use of Supply Chains before, during, and after the Crisis

	LowCost	Value for Money (teenagers)	Value for money	Average profile Chains	Department stores
Before the crisis	16%	37%	30%	8%	9%
During the crisis	21%	43%	25%	5%	7%
After the crisis	18%	38%	29%	6%	9%

Taken from PWC, Evolución o Revolución. Page 29

Chart No. 23: Variation in the use of Average profile chains before, during, and after the Crisis.

Average Profile Chains	Before	During	After
Less than 20000 euros/year	10,9%	3,4%	5,3%
From 20 to 40000 euros/year	16,7%	5,2%	8,7%
From 40 to 60000 euros/year	20,2%	11,7%	13,8%
From 60 to 80000 euros/year	33,3%	33,3%	33,3%
More than 80000 euros/year	13,3%	33,3%	13,3%

Taken from PWC, Evolución o Revolución. Page26.

Chart No. 24: Variation in the use of Department Stores

Department stores	Before	During	After
Less than 20000 euros/year	36,4%	14,3%	21,8%
From 20 to 40000 euros/year	49,5%	34,8%	36,2%
From 40 to 60000 euros/year	62,8%	52,1%	55,3%
From 60 to 80000 euros/year	66,7%	63,6%	66,7%
More than 80000 euros/year	40,0%	53,3%	33,3%

Taken from PWC, Evolución o Revolución. Page 26.

Chart No. 25: Variation in the use of *Value for Money* chains

Value for money	Before	During	After
Less than 20000 euros/year	48,6%	41,4%	38,0%
From 20 to 40000 euros/year	46,3%	46,7%	39,0%
From 40 to 60000 euros/year	42,6%	48,9%	44,7%
From 60 to 80000 euros/year	39,4%	39,4%	39,4%
More than 80000 euros/year	20,0%	40,0%	20,0%

Taken from PWC, Evolución o Revolución. Page 26

The percentages increased variation during the crisis are the value for money. This means that consumers will seek establishments with a good quality-price ratio in making purchasing decisions.

Then Blue Brand should opt for a strategy Value for money. Defending this position, the author Edward William notes that "low cost without differentiation is a strategy that continues to support the price as the main claim, while the no cost but value well identified, hybridizes the specific value for each client, with an adjusted price for its value "(2011).

Among the suggestions to be taken into account we find

- Reduce costs to an economically viable level.
- Identify costs that generate customer value " good costs " and "bad costs" that do not.
- Remove the products not valued by customers
- Improve operational efficiency system (William, 2011).

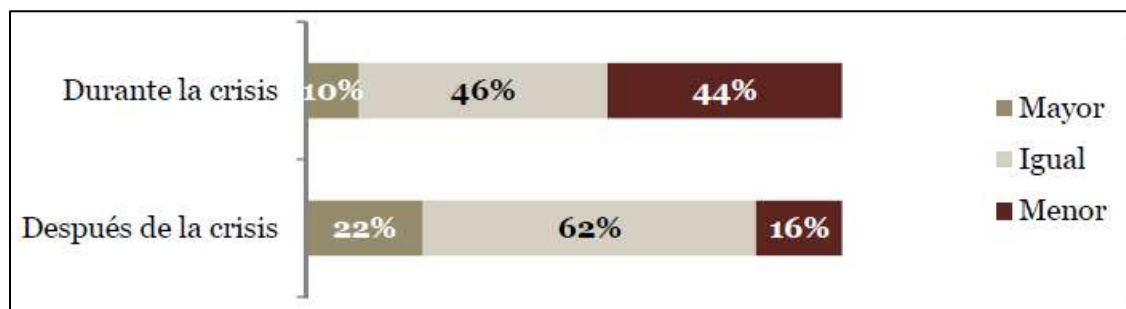
3.2.2.3. Cost restraint Measures

The crisis has affected the income of potential customers. This causes the need to opt for containment measures. The main cost containment measures are firstly choose store-brands, which refers primarily to consumer products and goods for home. The second option is to reduce overall consumption. Options to reduce spending on clothing and footwear have about 9%, while opting for cheaper options is around 6%.

3.2.3.4. Frequency of purchase

The frequency of purchase for clothing, footwear and accessories during and after the crisis can be seen in the picture below.

Illustration No. 21: Frequency of purchase of clothing, footwear and accessories during and after the Crisis



Taken from:

[http://kc3.pwc.es/local/es/kc3/publicaciones.nsf/V1/E82B249958948D98C125782A0045F9AC/\\$FILE/info_consumo.pdf](http://kc3.pwc.es/local/es/kc3/publicaciones.nsf/V1/E82B249958948D98C125782A0045F9AC/$FILE/info_consumo.pdf)

The decline in the frequency of purchase in the fashion sector, says PwC, Spain, is widespread but is more concentrated in low-income segments (2011.25). That can be seen in the table below:

Illustration No. 21: Frequency of purchase during the crisis per income Level

	Mayor	Igual	Menor
Menos de 20.000 euros/año	12,4%	36,8%	50,8%
De 20 a 40.000 euros/ año	8,5%	50,5%	40,9%
De 40 a 60.000 euros/ año	4,4%	63,7%	31,9%
De 60 a 80.000 euros/ año	3,0%	60,6%	36,4%
Más de 80.000 euros/ año	13,3%	80,0%	6,7%

Taken

from:[http://kc3.pwc.es/local/es/kc3/publicaciones.nsf/V1/E82B249958948D98C125782A0045F9AC/\\$FILE/info_consumo.pdf](http://kc3.pwc.es/local/es/kc3/publicaciones.nsf/V1/E82B249958948D98C125782A0045F9AC/$FILE/info_consumo.pdf)

3.2.3. Natural Forces

Kotler and Armstrong mentioned that the forces of the natural environment include natural resources that are required as inputs or that result affected by marketing activities. For this marketing plan it should be took into account important trends as raw material shortages, pollution, etc.(2008, p. 66).

3.2.3.1. Availability of Raw Materials

The raw material is *Toquilla* or *Carludovica Palmata*. This plant is native of the Americas and grows wildly in Ecuador, mainly in the tropical forests of the eastern and western regions in areas with an average altitude of 100-180 meters above sea level with temperatures between 22 and 26 degrees Celsius (Aguilar, 2009, p.19-21). The main production is in the provinces of Guayas, Manabí and Esmeraldas.

According to Maria Leonor Aguilar Ecuador has optimum ecological conditions for normal development and growth of *Carludovica Palmata* (2009.29). Furthermore there are not problems with the seasonal crop, as this raw material can be obtained all over the year. However, prices fluctuate depending on demand and supply material.

3.2.3.2. Environmental Concerns

Nowadays a critical issue is the respect for nature and the sustainable use of materials in the manufacture of products and packaging. Even if the manufacture of the hat doesn't impose environmental or natural threads, its packaging in general consumes considerable amounts of paper. Therefore in the process of packaging recycled paperboard shall be used, this can be seen in the annex on the packaging. And if required by the dealer individual boxes, these should also be made from recycled material. For this we can get the assistance of a company based in Cuenca, Cartopel Cia.

3.2.4. Technological Forces

These forces according to Kloter and Armstrong are those that "create new technologies, and in turn generate new products and market opportunities" (2008, p.83).

The technology applied to this specific business relies mainly on improving the quality and design of the products. Thus, for example there are factories with machines that reduce drying times from days to hours, as explained in the first chapter, while others have machinery for *hormado* and finishing. In both cases it is important to note that the implementation of new technology should not only be practical but also affordable and profitable. The technology is held by many companies in the sector like Homero Ortega and Serrano Hats, while other plants, such as the case of PAMAR, partner of Blue Brand for finishing, are making important investments to improve their machines and manufacturing processes.

Illustration No. 22 : Machinery for the *maceteado* of the hat



Taken from: <http://www.eltiempo.com.ec/noticias-cuenca/36722-corpei-capacitara-a-productores-de-sombreros/>

A clear example is the implementation of ergonomic chairs for the weaving in several associations in the province. This project was carried out in 2008 with the support of Red Productiva, USAID, the, at that time existing, cluster of *toquilla* and the Design Faculty of the University of Azuay. This has improved the position of women at the time

of weaving and allowed them to make their work more comfortably (Aguilar, 2009, 104-106).

Illustration No. 23: Weaver using an ergonomic chair



Taken from: <http://photos.state.gov/galleries/ecuador/32152/cuenca/4.html>

3.2.5. Political Forces

Political environment consists of "laws, government agencies, and pressure groups that influence various organizations and individuals in a given society and limit them" (Kotler and Armstrong, 2008, p. 82). For Blue Brand there are several government instances that influence its activity.

It is clear that the national government through various mechanisms and institutions such as PROECUADOR, the Ministry of Industry, Employment and Competitiveness and others have strengthened the support to exporters and especially to small entrepreneurs who start their activities. Through these various programs, the government provides assistance to each of the steps to take to start a export business, from market research, to facilitating contact with foreign clients, including financing and promotion tools. This supports experiments its best years based on recent laws and norms as seen below:

Illustration No. 24: Main laws related to the Panama hat exporting activity



Taken from: <http://www.industrias.gob.ec/consorcios-de-exportacion-y-origen/>

On the other hand, this legislative support has resulted in the creation of government bodies and in the improvement of other, then the main public bodies supporting exporters are:

Proecuador:

Illustration No. 25: Corporate image of PROECUADOR



Taken from: <http://www.proecuador.gob.ec/>

This institution under the Ministry of Foreign Affairs, Trade and Integration, replaced CORPEI (Corporation for the Promotion of Exports and Investments of Ecuador) and its main areas are:

- Free advice to the exporter.

- Business intelligence.

- Export Promotion.
- Investment Promotion.
- Contact with sales offices worldwide.

Besides PROECUADOR custom services, this entity has a large library on markets, products and requirements to export in their website (PROECUADOR, 2012).

Ministry of Foreign Affairs, Trade and Integration

Illustration No. 26: Logo of the Ministry of Foreign Affairs, Trade and Integration



Taken from: http://www.mmrree.gob.ec/com_exterior/indice.asp

The Ministry has three undersecretaries supporting specialized foreign trade activities, these are:

- Undersecretary for International Trade Negotiations

Its mission is: "To lead and coordinate the processes of negotiation of trade agreements for the development and economic integration that contribute to the strategic insertion of Ecuador in the international economy and the advancement of Latin American integration, and proposes policies within the scope of its jurisdiction" (Ministry of Foreign Trade and Integration, 2012).

- Undersecretary of Trade and Investment

Its mission is:

"To lead and coordinate the management of trade and investment by promoting the diversification of export markets and products, in a line that includes small and medium producers, seeking strategic investments for endogenous development and the joint global trade seeking harmonious development of peoples, and to propose policies within the scope of its jurisdiction "(Ministry of Foreign Trade and Integration Affairs, 2012).

- Technical Undersecretariat of Foreign Trade

The undersecretary's mission is:

"Coordinate the defense of the interests of Ecuador in trade negotiations, bilateral, regional and multilateral ensure compatibility of trade policies and measures with the Constitution, other national, international commitments undertaken by the State and its defense in international and propose measures to protect trade, safeguard to address unfair trade practices and protect domestic production and actions for the implementation of the national industrial development policies and productive complementarity with commercial partners and coordinating the implementation of the strategies, policies, guidelines and directives in areas of their competence "(Ministry of Foreign Trade and Integration, 2012).

Coordinating Ministry of Production, Employment and Competitiveness

Illustration No.27: Image of the Coordinating Ministry of Production, Employment and Competitiveness



Taken from: <http://www.produccion.gob.ec/programas-y-servicios/>

The Coordinating Ministry of Production, Employment and Competitiveness, supports the diversification of the productive sectors of Ecuador and promotes business innovation. Also looks for a balanced and harmonious development in all regions of the country.

In this ministry, the main agent for the country's exports is the Ministry of Industry and Productivity, which has several projects that provide technical advice and financial assistance to individual and enterprises in the country. Among the current programs we find Producepyme, Exportafácil, and various business reverse fairs. Also under the command of this ministry we find the undersecretary of small and medium enterprises, handicrafts and entrepreneurship.

Ecuador Customs

Illustration No. 28: Logo of Ecuador Customs-SENAE



Taken from: <http://www.aduana.gob.ec>

According to information from the official website of the SEANE, their mission statement is: "Promoting the Good Life of Ecuadorian society through efficient control of foreign trade to promote fair competition in economic sectors, having as the basis of our service a honest and productive Human Resource, appropriate technology and a focus on continuous improvement "(Customs of Ecuador, 2012).

Resolutions on foreign trade

In addition to these organizations is important to keep in mind the resolutions of the COMEX, which was the organization designated since 2010 as the organ replacing, COMEXI, which is responsible for approving national public policies on trade policy. Also, the resolutions of the SENAE, in customs, which are regularly published in its website.

3.2.6. Cultural forces

The cultural environment is made up of institutions and other forces that affect values, perceptions, preferences, and behaviors of a society. (Kotler and Armstrong, 2008, p 20.) This arena is analyzed in depth in the second chapter, in the analysis of the final customer.

3.3. International Marketing Mix: Product, Price, Place and Promotion.

Kotler and Armstrong, defined as the marketing mix: The set of controllable tactical marketing tools that the firm combines to produce a desired response in the target

market. Marketing mix includes everything the firm can do to influence the demand for its product (Thompson, 2005).

For its part, the Marketing Terms Dictionary of the American Marketing Association defines the marketing mix as those controllable variables that a company uses to achieve the desired level of sales in the target market (Thompson, 2005).

The components of the marketing mix are product, price, place and promotion. Felix Paguay defined these elements:

- Product: Any good, service, idea, person, place, organization or institution that is offered in a market for purchase, use or consumption and meets a need (2010).
- Price: It is the exchange value of the product, as determined by the utility or satisfaction from the purchase and use or consumption of the product (2010).
- Place or Distribution: Element we use to get a product to reach the customer satisfactorily (2010).
- Promotion: Pursue and spread a message to a target audience response (2010).

However, today the four Ps proposed by Mc Carthy, have lost some relevance for the growing importance and centrality of customer needs as the core of business. Considering this shift Robert Lauterborn proposes the 4Cs of Marketing. The application of the 4Cs, does not become exclusionary for the use of the 4 Ps, but helps to expand and improve them (López, 2006, p. 40). These are:

- Customer Value: Refers to the change of position from: what can we offer? For: what the customer wants us to produce?. Emphasizes understanding what the customer values, wants and how they want it. The combination of customer value is a blend of quality, service and price (Lopez, 2006, p. 41).
- Cost: It is based on the potential value that the customer spends to achieve the satisfaction needed. Loses importance the production cost assumptions. The price is based on the perceived value by the customer (2006, p. 42).

- Convenience: This C, refers not only to the place, but also to the right time to purchase the good or service and how it can be easily reached by the client (p.42).
- Communication: In the new marketing approach refers to a dialogue with the consumer, not just the way to send information by various means. Techniques are necessary to provide feedback (p.42).

3.3.1. P1: Product – Customer Value

Within this new marketing approach more directed towards the consumer, Blue Brand must modify the traditional approach, which would establish a company that sells hats, the new approach can be summarized in the statement of value:

We sell the possibility to wear a stylish garment to protect yourself from the sun and the experience of wearing an accessory that follows the last fashion trends.

Summary of product attributes:

- Design: Several: short wing and wide wing.
- Quality: Being a handmade product the quality and mass production is guaranteed but all the hats will not be identical. It is a functional, comfortable, versatile and durable product.
- Differentiation: Differentiation in design.
- Packaging: Using recycled materials.
- Label: features usage and product care.
- Diversification: Models, two seasons a year.

3.3.1.1. Customer Value

3.3.1.1.1. Translating trends for 2013

To create value for customers in the field of fashion and accessories there are several ways to get to know trends. One of the main ways is to receive information directly from agencies of cool hunting, which condense styles on the runways of the world in annual

reports. The designers rely on these reports to create lines and thus a fashion trend in clothing and accessories that all customers want is born.

The WGSN (Worth Global Style Network), considered a leader in collecting trends, each season displays a detailed preview of the main trends, and for the period 2012/2013 base of colors is already released. In these reports Blue Brand will get most of the inspiration for creating value for their customers.

Trends-fashion and value to the customer

Color

Both for WGSN to Pantone, another leading global trends hunter, orange tones are the favorites of 2013. Well illustrated by the trends seen so far in the year 2012.

Illustration No. 29: Color palette 2013



Taken from: http://www.google.com.ec/imgres?imgurl=http://tendenciastop.com/wp-content/uploads/2012/07/Tendencias-maquillaje-verano-2013-2-Custom.jpg&imgrefurl=http://tendenciastop.com/2012/07/11/tendencias-maquillaje-verano-2013/&h=374&w=500&sz=28&tbnid=6faRn1zXvdCYbM:&tbnh=97&tbnw=130&zoom=1&usg=__

Other macro trends

According to the annual report of the WGSN and fashion pages as Marie Claire Spain and Pantone, some of the macro trends are:

- Fall-Winter Trend: black color usage
- All year: Mixing textures like lace, linen, and others.
- All year: Costume Jewelry and details.
- All year: Using patterns in bright colors, especially orange.
- All year: Using leather belts.
- All year: Mixing contrasting, vibrant colors.

Graphic Inspiration: prints, textures and color

Illustration No. 30: Fashion Trend: Mixtures



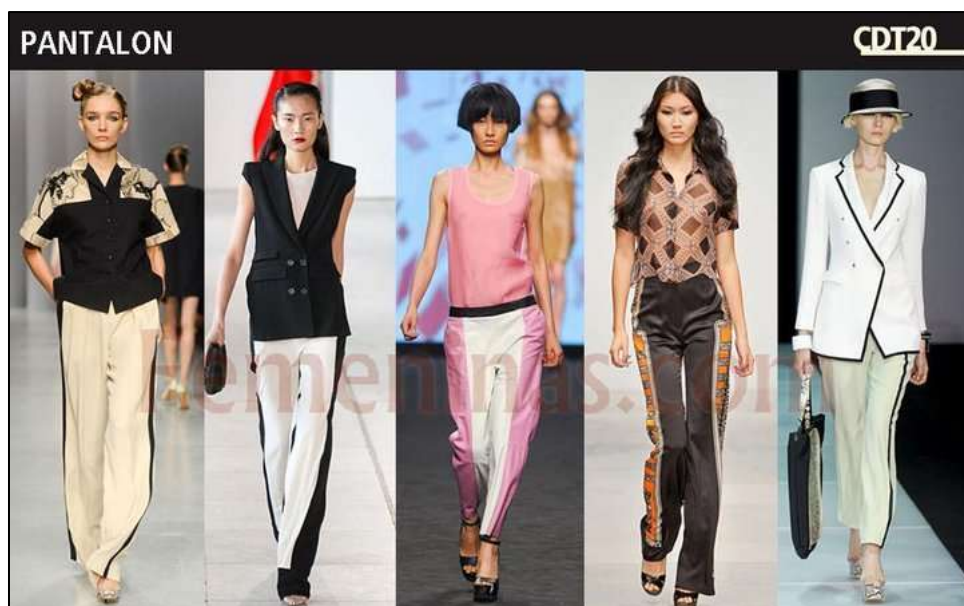
Taken from: <http://www.wgsn.com/core-services>

Illustration No. 31: Trends: Menswear fashion – Floral Shirts and Hats



Taken from :<http://www.femeninas.com/moda-verano-2013.asp>

Illustration No. 32: Trends: Menswear fashion- Suit traussers



Taken from :<http://www.femeninas.com/moda-verano-2013.asp>

Illustration No. 33: Trends: Little shorts for summer



Taken from: <http://www.femeninas.com/moda-verano-2013.asp>

Illustration No. 34: Trends: Prints and textures



Taken from :<http://www.femeninas.com/moda-verano-2013.asp>

Illustration No. 35: Trend: Summer with mixture of pastels and prints



Taken from :<http://www.femeninas.com/moda-verano-2013.asp>

Color Palette and mixtures

Illustration No.36: Palette mixture for 2013



Taken from: <http://www.femeninas.com/paleta-de-colores-verano-2013.asp>

Illustration No.37: Palette mixture for 2013



Taken from: <http://www.femeninas.com/paleta-de-colores-verano-2013.asp>

Pallete from PatoneTrendforecasting

Illustration No. 38: Colors simple from Pantone



Taken from: <http://www.pantone.com/pages/products/product.aspx?pid=1284&ca=90>

Some trending models. Value for customer 2012-2013

Illustration No.39: Chanel Hat



Taken from: <http://www.marie-claire.es/moda/accesorios/fotos/20-sombreros-irresistibles-para-el-verano/springfield>

Illustration No.40: Emilio Pucci Hat



Borsalino from Emilio Pucci. 160 euros. Taken from: <http://www.marie-claire.es/moda/accesorios/fotos/20-sombreros-irresistibles-para-el-verano/springfield>

Illustration No.41: Eugenia Kim Hat



Eugenia Kim. 255 euros. Taken from: <http://www.marie-claire.es/moda/accesorios/fotos/20-sombreros-irresistibles-para-el-verano/springfield>

Illustration No.42: Springfield Hat



Pamela XXL Springfield. Taken from: <http://www.marie-claire.es/moda/accesorios/fotos/20-sombreros-irresistibles-para-el-verano/springfield2>

Illustration No. 43: Burberry Hat



Burberry, 375 euros. Taken from: <http://www.marie-claire.es/moda/accesorios/fotos/20-sombreros-irresistibles-para-el-verano/burberry1>

3.3.2. P2: Price-Value

For Blue Brand the price selection strategy will be to continue the market trend. For this in the catalog we see the final price of the models. This is because it is its first experience exporting. This strategy will vary as the company receives information about the appraisal of the product by the customers. The price changes are given according to the use of supplementary materials such as ribbons, and others like *tagua* or leather details.

Some of the variables that Kotler and Armstrong propose for the analysis of the price are:

Retail price suggested by the manufacturer: The overall strategy is to follow the market trend, offering competitive prices. For the pricing process the communication strategy with the dealer is important.

Discounts: Discounts are available for requests of production in advance, increases in the volume level of the demand and according to the season.

Payment Period: As specified in the profile of the Spanish negotiator, payment periods can be up to 40 days.

Credit Terms: Work with a deposit of 30% of the total and 70% after collect of documentation in the accredited bank.

3.3.3. P3: Place-Distribution Channel-Comfort

A distribution channel is understood as a business structure and interdependent organizations that enable a product to go from the manufacturer to the consumer. Producers move through distribution channels through physical distribution and logistics (Ricoverti, 2012).

The distribution channel importance mainly lies in the fact that a decision in this gives the benefit of time and place in ideal conditions. When considering the exclusive products, they should be only in certain places to keep their exclusivity. For the benefit of time, this is to bring a product to the consumer at the right time according to their preference.

Distribution Channel Design

For the design of the channel, to determine its length and the number of intermediaries to be involved in it to make it optimal Cinzkota proposes the consideration of eleven factors. These factors are both external and internal and they are:

External

- Client characteristics.
- Culture.
- Difference.

Internal

- Company objectives.
- Character.
- Capital.
- Cost.

- Coverage.
- Control.
- Continuity.
- Communication. (2008, p. 416)

External factors for the design of the channel

The customer is always the main determinant of the channel, the basic element is to answer how, when and where the customer wants to buy the product. While the general characteristics about the client had been analyzed, their average income, spending on clothing and accessories, etc., where do they purchase the products is not fully acknowledged. For this, the intermediary is who may help position the product in the right place. As for the frequency of purchase, it is not high considering that it is a luxury or superfluous product. Its purchase has the highest frequency in summer time.

Internal factors for the design of the channel

Business objectives

The company's goal is to perform two annual exports. They must be considerable and obey a JIT (just in time) inventory to reduce storage costs. Therefore, the selection of a single intermediary wholesaler in destination would be the most profitable alternative considering the frequency and volume of exportation.

Capital

Another important factor is the capital. Initially the company has capital from partners, therefore it is very liquid. However it is not available for risky investments such as opening a shop, or performing as a physical distribution company in destination. These are not options compatible with the current situation of the company.

Costs

Costs must be controlled and reduced. Thus logistics for more than one distributor considering the volume of production of Blue Brand would be unnecessary.

Coverage

Coverage can be of three types intensive, selective and exclusive. Intensive coverage uses numerous intermediaries to reach a large market. Selective coverage is based on the choice of a given number of intermediaries for each area in which the company needs to enter. Finally exclusive coverage involves only one distributor in a market (Czinkota, 2008, p.413).

According to Czinkota, in the early stages of the introduction of a product, the company should concentrate its efforts only on the most attractive market or niche, and once, a solid strengthening exists, it can expand the distribution (2008, p. 417).

Coverage and Control

Coverage is another factor that indicates that the best supply chain would use a single broker. Pricing, promotion, and types of display of the product are criteria in which the company loses some control by having intermediaries. However, for Blue Brand a starting company intermediary's expertise is needed in these three aspects.

Continuity

It refers to long term design of the channel. It is important to consider that this channel can be continuous trying to eliminate unexpected inconveniences that may affect the product distribution (Czinkota, 2008, p. 424).

Channel Selection

After considering the factors proposed by Czinkota, the following chart summarizes the option of selecting a single intermediary.

Chart No. 27: Distribution Channel Selection

FACTOR		DISTRIBUTION OPTIONS		CRITERIA
		Single Intermediary	Several Intermediaries	
EXTERN	Client characteristics	x		Specialized knowledge
	Culture	x		Specialized knowledge
	Difference	x		Specialized knowledge
INTERNOS	Objectives	x		Aligned with strategic planning
	Capital	x		Impossibility of major investments
	Cost	x		Reduction of logistic costs
	Coverage	x		Specialized knowledge
	Control	x	x	Loss of control in promotion strategies. Leverage on knowledge.
	Continuity		x	Dependence
	Communication	x		Easy coordination and information flow

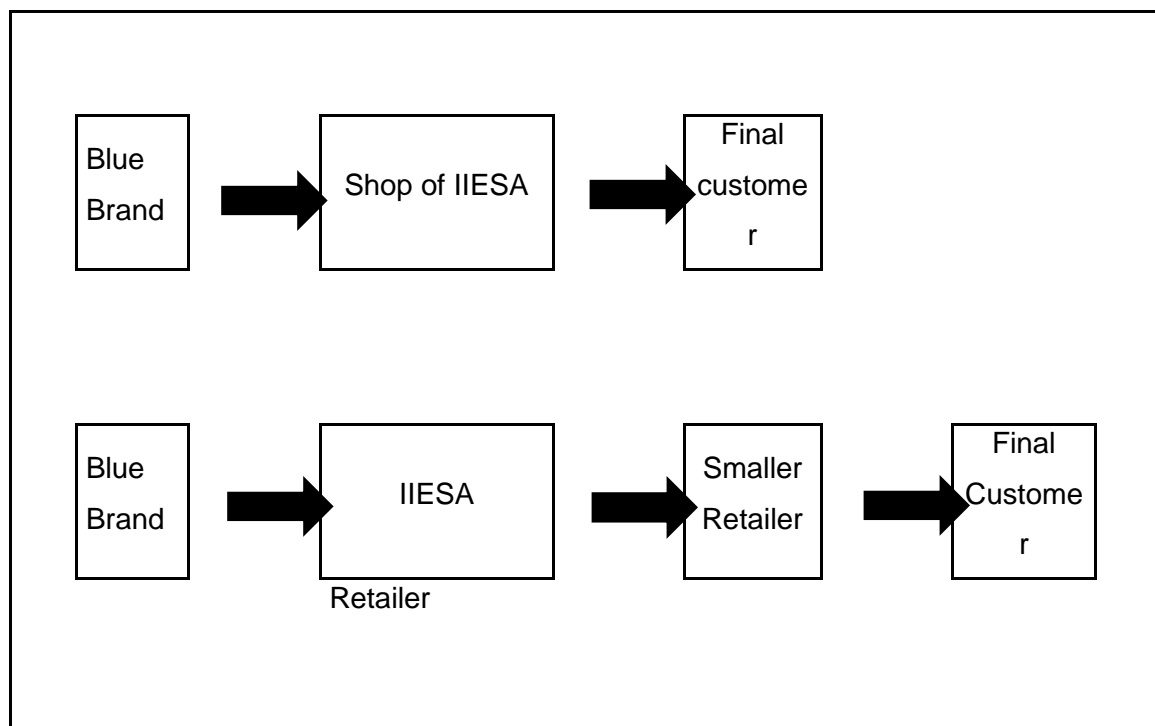
Elaborated by the author

The best option considering the use of expertise, capital available, handling and other costs, is a single intermediary. The advantages of this channel selection are several. However the most important is the possibility of benefiting from the knowledge and expertise of a leading company in the area in the market. Other advantages revolve around communication as well as it facilitates the coordination of sales and the overall process. Similarly, the promotional effort and the message can be developed jointly exploiting the facility to communicate with one dealer and using its knowledge of the market. As for the cost, it is clear that logistics flows are more economical.

It is logical to cite that once Blue Brand gains a bigger market, a new distribution channel will need to be analyzed to involve more patterns or further strategies.

Here above we find a graphical description of the two way channel handled by an only final distributor: *Industrias Sombrereras Españolas*.

Illustration No. 44: Distribution Channel of IIESA



Elaborated by the autor.

3.3.4. P4: Promotion – Conversation

Promotion refers to the set of actions taken by a company as its communication strategy for the target market. The main tools related to promotion are sales promotion, advertising, public relations and direct marketing (Thompson, 2010).

Sales promotion

It refers to a set of incentives that encourage the growth of sales in the short term. The sales promotion strategies can be directed to consumers and sellers or distributors (Thompson, 2010). In this case Blue Brand will have sales promotion strategies for the dealer and sales promotion strategies for the final customer designed jointly with the dealer. The main tools of sales promotion are:

- **Samples**

Samples are fundamental for the sector in which Blue Brand operates. The distribution of samples to the wholesaler should be performed twice a year previous to the launch of new collections. For this, Blue Brand can use the EXPORTA FACIL system.

- **Coupons**

The rise of social networks and the use of internet have enabled the emergence of online coupons. Blue Brand can manage a double strategy of Electronic Newsletters containing coupons for those clients who check them.

- **Discounts**

Blue Brand will have two main criteria for discounts. The first is prompt payment, and the second is early production orders. In this way the company will have greater ease in its operational activities, while providing an incentive to the buyer.

- **Awards and competitions**

Through Facebook, companies have achieved the possibility to receive direct feedback from clients, this information is of vital importance when designing the product. An

excellent way to encourage conversation with customers through Facebook, is offering rewards for their feedback.

- Advertising gifts

Once analyzed the lifestyle of potential customers is analyzed, it is clear that small gifts can give more personalization to the final product. A deeply rooted habit among those who purchase goods such as *toquilla* hats, is reading. For this an optimal advertising gift could be bookmarks made of leather and *toquilla*.

Advertising

It is common that companies pay for advertising campaigns to take their message to the final customer. However, with the use of new technologies based mainly on the internet, advertising options can be free or much more economical.

Before launching an advertising campaign there are five fundamental steps:

- 1) Determining the objectives of the campaign

The main goal for Blue Brand is to gain visibility on the Internet and exhibit a more serious character through its communication strategy in general.

- 2) Determining the budget to be designated

The designation of the budget may vary and should use strategies to control and regulate it constantly.

- 3) Adoption of the message

The message should deliver the business values.

- 4) Determining the means

The means to be used must be of international reach given the nature of the company.

- 4) Evaluation

The evaluation will be periodical and handled by the marketing area.

Strategies

Pay per click on Google AdWords

This is the online advertising system of Google. You can set a maximum budget to control spending and monitoring is easy through tools like Google Insights or Analytics.

Steps for a Google Adwords campaign are summarized by the international consulting company Barrabés as follows:

First you must create an account on the site of Google AdWords. You can choose between beginner or advanced modes. Then the main steps are:

- 1) Selection of clients can be done by language and location.
- 2) Post Editorial: Put title, first and second description line, display URL and landing page.
- 3) Election of the key words which are the words that respond to the research criteria of the costumer. It is advisable to choose a mix of general and specific words related to the product.
- 4) Define the maximum expenditure: find out how much you will be spending every day.
- 5) After creating the campaign, it can be modified and can be followed up through AdWords. (2012, p. 24-34).

Pay per click on Facebook Adds

This system is very similar to Google Adwords. This type of advertising can include a title, an image, a text, and a link. This link can be to an external website to Facebook or to a page within Facebook itself. Advertising is located on the right side of the Facebook pages.

Using this tool, Facebook allows you to select different geographic variables, demographic, social and professional, ensuring that your ad will be seen by the target audience. Furthermore, the monitoring is facilitated by an easy to use and very graphic system. (Barrabés, 2011).

Facebook Fan Page

The business pages are very popular today. However, their potential is not exploited. Through these pages businesses are able not only to make the company and its product known in the media but they can also obtain customer feedback and run promotions and contests. For optimal management of Fan Pages companies must observe the guidelines of Facebook which are available within this social network.

Once the page is created the main guidelines for the maintenance and optimization of this are:

- 1) Constant update: Contents should be shared continuously. The minimum frequency is three times a week.
- 2) Authoring content: Conversation should reflect that behind the posts someone stands responsible for them.
- 3) Reflect the interests of customers: The posts should not only advertise the services but seek to attract customers for their interests. For this we must share interesting content or provide advice as the expertise of the company through Facebook.
- 4) Show the benefits of the products offered: It can be done through the publication of photos of the customer experience with the product.

Corporate Website

Creating a website used to be expensive and difficult to maintain. Now tools are easy to use and completely free. The main and most used is Wix.

Illustration No. 45: Company image of Wix



Taken from: <http://es.wix.com/create/website/html/all/web/5>

Essential steps to create a free website with Wix are:

- 1) Enter the user data and register.
- 2) Select the type of site to be created.

- 3) Select the template you want to use and click on edit.
- 4) Customize the website, or edit the selected template.
- 5) Change the name of the page title and subtitles.
- 6) Add contents and images.
- 7) You can change backgrounds and more.
- 8) Finally, other elements such as Finds us on, or videos, etc. can be added.

Upload videos to YouTube

This is a very effective and completely free advertising media. After having some videos uploaded you can create a separate channel of Blue Brand.

Electronic Newsletter

Basic recommendations to create and maintain a corporate newsletter:

- Give importance to the content.
- Send it regularly.
- Show advantages to subscribers.
- Reflect clearly who is sending the newsletter. (Barrabés, 2011).

The steps used to create a newsletter are:

- 1) Create a list of addresses. (It is done manually or using a computer program).
- 2) Create the newsletter; many online apps help companies to perform this activity.
- 3) Create a campaign to send the newsletter.
- 4) Follow up on the results of the same, and check how many customers opened the newsletter.

Managing Twitter

Twitter is considered a minibloggs service where all users can read at real time about their interests and share what most attracts their attention. The Twitter campaign should focus on sharing “retweetable” content that appears interesting and captures the attention of potential customers.

Sales Force

According to Professor Benjamin Sanchez, managing the sales force is "a process that involves planning, organizing, directing and controlling the personal selling efforts" (12). This management process should include some fundamental steps, these are:

- Recruitment.
- Training.
- Motivation.
- Remuneration.
- Evaluation.

Promotional strategies employed with the sales force.

The aim of these techniques is encouraging sellers to show enthusiasm in achieving the company objectives. The main motivation strategies will be:

- 1) Sale commissions
- 2) Travel opportunities

It is important to consider that in addition to its own sales force, the distributor is a fundamental part of the sales strategy of Blue Brand. For this, the company must also create promotional techniques for intermediaries.

According to Benjamin Sanchez, the goal pursued by these techniques is to "achieve an increase in sales to distributors, such as increasing the number of orders, gain their loyalty, increase sales efficiency, expand the range of products display, etc." (13).

This is done using techniques such as:

Assistance to dealers: It is to help dealers advising them on the products, sales and information management.

Stimulation activities: these are often used to launch new products or when a company wants to achieve greater presence of the products at the points of sale. Blue Brand should offer discounts, sales contests, special offers, etc..

Actions on the point of sale: These in order to help intermediaries in the development of the shopwindow design and the merchandising of the product in general (13).

Public relations

According to Natalia Martini, public relations are:

"A set of strategic communication activities coordinated and sustained over time, which are designed to strengthen ties with different audiences, listening, informing and persuading them to achieve consensus, loyalty and support from them in shares present and / or future "(1998).It is noteworthy that the public of the company is comprised of both internal and external agents. Thus, employees of the company are part of the public, as well as distributors, government agencies and others.

Some of the main objectives of public relations are:

- Earn prestige or a favorable image.
- Promote the products.
- Ensure enthusiasm and willingness of employees and organizations.
- Overcoming misconceptions and prejudices (Martini, 1998).

For the formulation of a communication strategy of PR there are some phases that Philip Lesly mentioned, these are:

Identify the business

Blue Brand develops internally in the commercialization area having direct contact with weavers and transporting companies. Externally, however, it is an exporting company, this is its core business activity. In this case, it requires above all the support of external public sector as government agents for the promotion and expansion to international markets.

Define the attitude of stakeholders and objectives

The general attitude of the internal groups:

- Weavers.

- Transporters.

The general attitude is found primarily favorable after the first production experience. However, the general attitude of the weavers to export corporations is rather negative, mainly for late payments and purchase at very low prices. On transport the attitude is favorable but expects similarly, a commitment to prompt payment.

The general attitude of external groups:

The main external group is formed by government agencies. Especially a specific entity: PROECUADOR. As part of the Ministry of Foreign Affairs, Trade and Integration, their focus is clearly in favor of entrepreneurship and export. This could be identified as a favorable attitude for Blue Brand.

The objectives:

- Achieve good will.
- Breaking prejudices.
- Promote the company.

Planning:

The plan must adapt to the human, financial and technical resources of the company.

Workforce:

It is essential to achieve the good will of weavers and transporters. For this, a plan concentrated on corporate values of ethics and quality should be formulated.

Strategic Actions:

- Prompt payment campaign.
- Awards for best providers.
- Community gifts for Christmas and New Scholar Year.

External audiences:

Promoting both the company and its products will increase the company's visibility, generate goodwill and win business opportunities.

Strategic Actions:

- Strengthening relationships with contacts in PROECUADOR.
- Active participation in fairs and seminars.

After considering all the variables related to planning both for the internal and external publics, it is important to follow the two last steps which are executing the actions, and evaluating. Evaluation is one of the most important parts of Public Relations and will permit to further campaigns, change strategies and monitor company's objectives.

Other public relations strategies

- Special events to give information about the product and the brand.
- Conferences to suppliers on quality and design.
- Direct communication with influential groups and agents in the country.

3.4. International Marketing Strategies

3.4.1. Market Share

To earn a competitive position in the market is the main challenge for any company. The market share strategies seek to attract more customers and thereby obtain greater profits.

An interesting model to increase market share is obtained by dividing the total market into four sectors (Aguilera, 2011). Each sector has to follow a different approach regarding its characteristics:

Market leader: "This is the company that has accomplished to position its brand in the consumer's mind and is the company that controls the majority of the market share with 40%. Moreover, the strategies of these businesses are focused on trying to expand their market share while protecting their current participation over time "(Aguilera, 2011).

In the case of study the company would be Homero Ortega and Serrano Hat.

Aspirant Company: "It is the company that has about 30% of the market share in an industry; this company is always waiting to win the position of the market leader. Such companies usually follow a strategy of total and direct attack against the industry leader, in order to take some markets "(2011).

Share this position: Pamar Company and Ecuadino.

Follower Company: "Normally these are companies are usually found in third place in an industry and their share is around 20%. Such companies follow a strategy of maintaining their market share and are not assuming any risks or aggressive positions towards other brands "(2011).

This position is shared by several smaller companies, mainly FEPP and ATMA.

Specialized company: "As the name says, these businesses are focused on fully satisfy a certain segment of the market that is not being heard or has been neglected by all previous companies described above, that is the basis of its strategy, it is important to mention that the vast majority of new businesses usually follow such strategies, on the other hand these businesses usually have about 10% of the market "(2011).

Market share strategy of Blue Brand: Specialized Company.

From the above description, Blue Brand seeks to initiate its market share participation through the attention of a specific market sector. The market share strategy will mix with the differentiation that focuses on creating fashionable hats and trends, and similarly complemented by strong distribution channel supported by a single buyer with great knowledge.

3.4.2. Sales level increase

Strategies for increasing levels of long-term sales are three:

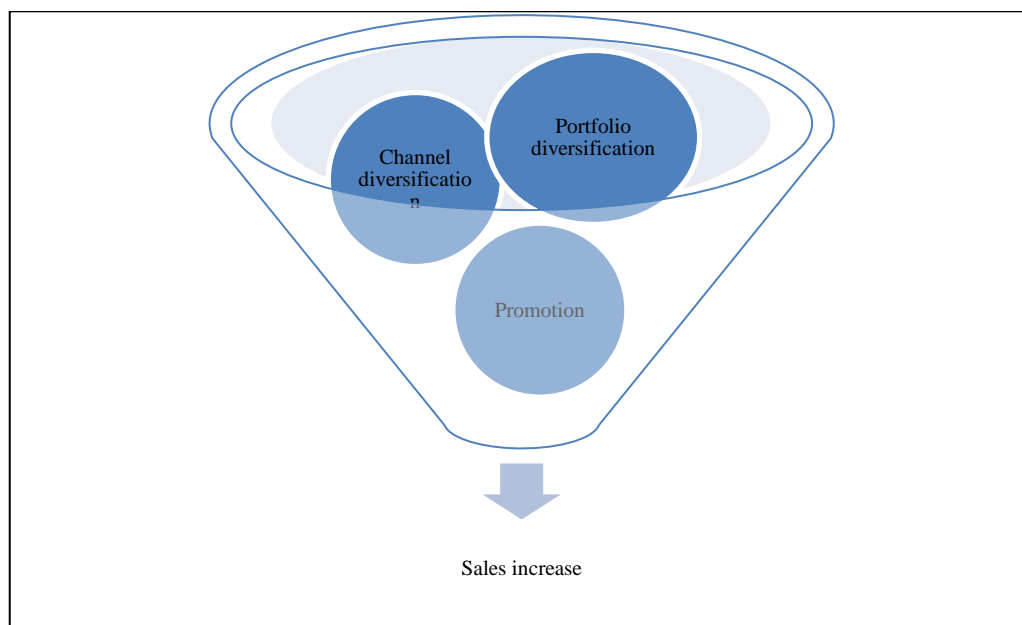
- Diversification of product portfolio
- Expansion of the distribution channel
- Expansion of promotions

These three strategies should be complemented by those strategies of growth that will allow accomplishing the main objectives of sales increase of Blue Brand. They are long term since it is a new company with a small distribution channel.

Product Diversification refers to both new models as new product applications, new uses. This means the company can expand the portfolio offering a line for golfers, or innovating by creating different products made with *toquilla*.

As for channel diversification, once Blue Brand gains more experience in the export activity, it can be extended to detail shops and other wholesalers. Finally and once expanded the channel to gain greater freedom in deciding on the product, the company can offer promotions, such as discounts for season, or summer-brand alliance.

Illustration No.46: Level of Sales Increase Strategy Mix



Elaborated by the author.

3.4.3. Profitability increase

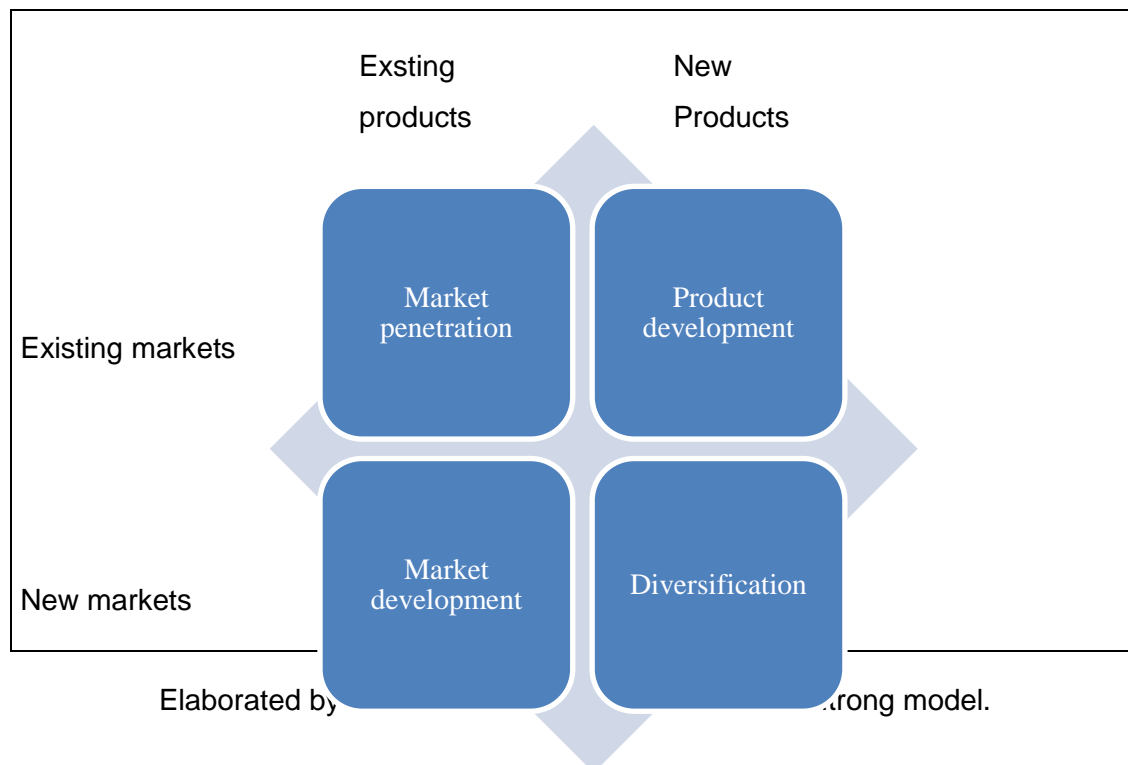
The basis of the strategy is cutting values (costs) that are not considered as costs creating value for the customer.

3.4.4. Growth

It is important to mention that the company has to seek not only growth but profitable growth. This should be considered in the definition of a strategy and in operational plans. The basic strategies for the growth of a company are pointed by Kotler and Armstrong :

- Market Penetration Strategy: Sell more to current customers without changing the products. Improvements are possible in advertising, pricing, service, etc..
- Market Development Strategy: Identify and develop new markets for existing products. It may be new demographic markets or new geographic markets.
- Product development strategy: to offer new or modified products to current markets.
- Diversification Strategy: Start or buy businesses located outside of its current products or markets (2008, p. 44).

Illustration No. 47: Growth Strategies



Considering that the products offered by Blue Brand are new and have their own characteristics, the growth strategy will be one directed to Product Development. It

focuses on the modification of the details of the traditional hat, adding value to the customer according to fashion and trends.

3.4.5. Positioning

The position of a product refers to "how consumers define the product based on their important attributes, that is the place the product occupies in consumers' minds in relation to competing products" (Kotler and Armstrong, 2008 , p. 185). The product positioning strategy seeks to influence the complex set of perceptions, impressions, and feelings that consumers have for the product through marketing plans and operations.

Steps to select the positioning strategy

For the selection of the positioning strategy there are three basic steps, these are:

- 1) Identify a set of possible competitive advantages on which the positioning could be build
- 2) Select the right competitive advantages.
- 3) Choose a global positioning strategy. (2008, p. 185).

Following these steps the company will differentiate itself by creating a unique package of attractive competitive advantages. Once having the right positioning advantages, the company must effectively communicate and present the chosen position to the market.

Positioning goal of Blue Brand:

- Having a customer who perceives that Blue Brands delivers more VALUE.
- Having a market that perceives the company as a provider of greater VALUE.

Competitive Advantages

Competitive Advantage: Advantage over competitors that is acquired by offering the consumer greater value, either through lower prices or higher benefits to justify higher prices. The competitive advantages of a company can be both physically in the product as in the pre-or post-sales service. Differentiation can also be subtle and perceived through the competitive advantage of the company's image or brand. In fact, the image of the company must communicate its value expressing its personality.

There is discrepancy in the number of competitive advantages that should be used to position (differentiating) the product, service, or business. There are marketers who believe that a single attribute should be used and therefore the company should concentrate on being the best in that attribute. For example Wal-Mart, is now synonymous with low prices. But others consider best to present a mixture of many advantages for the positioning strategy.

However, not all differences and competitive advantages should be selected to define the overall strategy of positioning, each difference must be selected considering if it is:

- Important: The advantage or difference provides to buyers a benefit highly valued by them.
- Distinctive: Competitors do not offer the difference, or the company can offer the more distinctive one.
- Superior: The difference is superior to other ways in which customers might obtain the same benefit.
- Communicable: The difference can be communicated to buyers, and they can perceive it.
- Exclusive: competitors cannot easily duplicate the difference.
- Affordable: Buyers can pay the difference.
- Cost effective: For the company it is profitable to introduce the difference. (Kotler and Armstrong, 2008, p. 188).

Selecting the Positioning Strategy

There are basic aspects of the product that influence the strategy:

As for the quality: Being a product made by hand, complete uniformity in production cannot be offered. The quality must be measured considering the nature of the product.

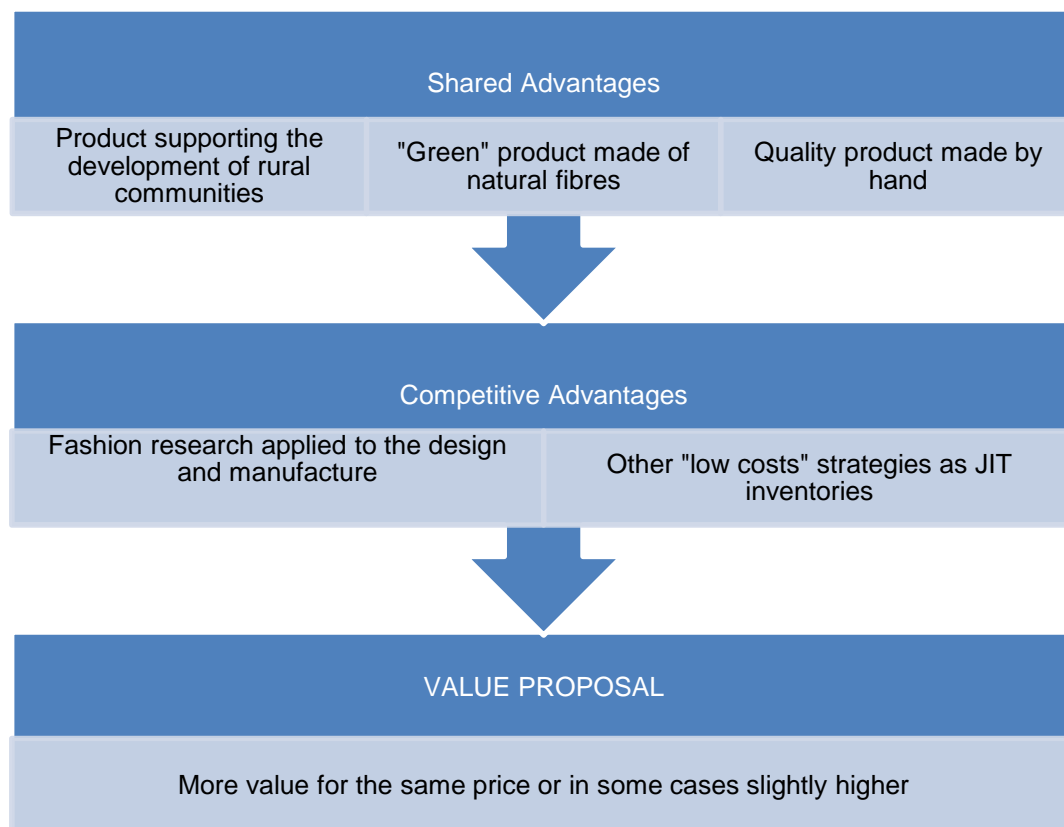
Shared Advantages: These are products whose manufacture supports the development of rural communities; off course if fair prices are offered for those who knit the hat.

Furthermore it is a product made with natural fibers. Blue Brand shares these advantages with the competitors.

Selecting relevant competitive advantages for brand positioning strategy:

- Products developed after deep investigations of fashion and trends.
- Support from a dealer with deep knowledge of the market.

Illustration No. 48: Value proposal and selection of competitive advantages



Elaborated by the author

Positioning Statement:

For customers seeking fashion accessories or those who want to protect their skin from the summer sun in a stylish manner, Blue Brand offers a range of Panama Hats on par with the latest trends, a step forward in the world of fashion.

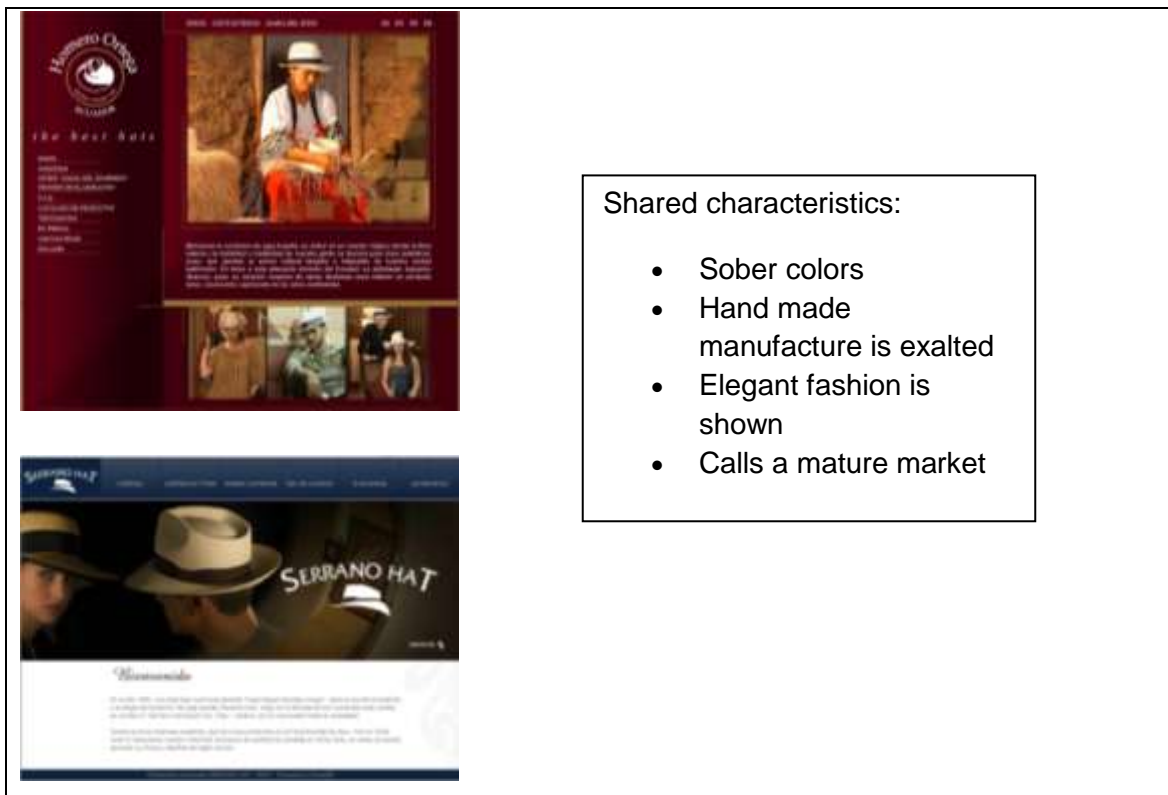
Image differentiation

As for the positioning of competition, we see two well-marked groups:

- On the one hand we find Homero Ortega and Serrano Hat with messages that project: quality, style, target markets affiliation of rather mature ages. The colors are sober as their message.
- On the other hand we find Ecuandino and Pamar, they project a more colorful image, for younger markets.

In no case the projected image responds to a page of FASHION accessories. This is where Blue Brand image and positioning strategy differs.

Illustration No. 49: Image and Brand detail of Homero Ortega and Serrano Hats



Elaborated by the author taking the corporate image of the websites of Homero Ortega and Serrano Hat.

Illustration No. 50: Brand image of Pamar&Cia and Ecuandino Hats



Elaborated by the author taking the corporate image from the websites of PAMAR and Ecu-Andino.

3.4.6. Differentiation

The differentiation provides the product a feature that set it apart from others in the same industry. According to a Marketing strategists: "Providing a differentiation was usually considered as an alternative strategy. However, today, due to the high number of competitors and the demands of consumers, differentiation should be a prerequisite if the company wants to achieve success" (CreceNegocios, 2011).⁷

The basic strategies of differentiation are:

- In the attributes of the product, for example, to provide extra functionality that competitive products do not have.
- In the design of the product, for example, ease of use, or durability.
- In the models, for example, in style, or in the variety of models.

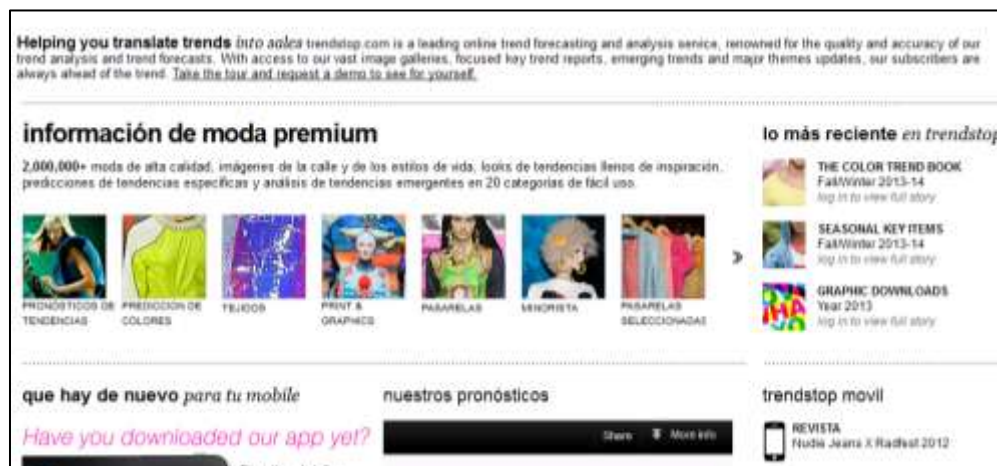
⁷ Translation by the author.

- The customer focus, for example, offering and being characterized for providing excellent customer service.
- The price, for example, offering lower prices than the competition.
- In providing an extra service, for example, to offer a free service of maintenance.
- The speed of attention, for example, the speed of order taking and delivery of products.
- In providing personalized service, for example, to advise clients personally at the time of purchase. (CreceNegocios, 2011).

For Blue Brand the strategy of product differentiation is based on the range of hats and design and in providing personalized advice to the buyer. However, creating difference in the models should be based on a deeper knowledge of fashion and target market than those that have competition. In order to stay ahead in fashion there are several support tools. The first and least expensive is the fashiontrending subscription service.

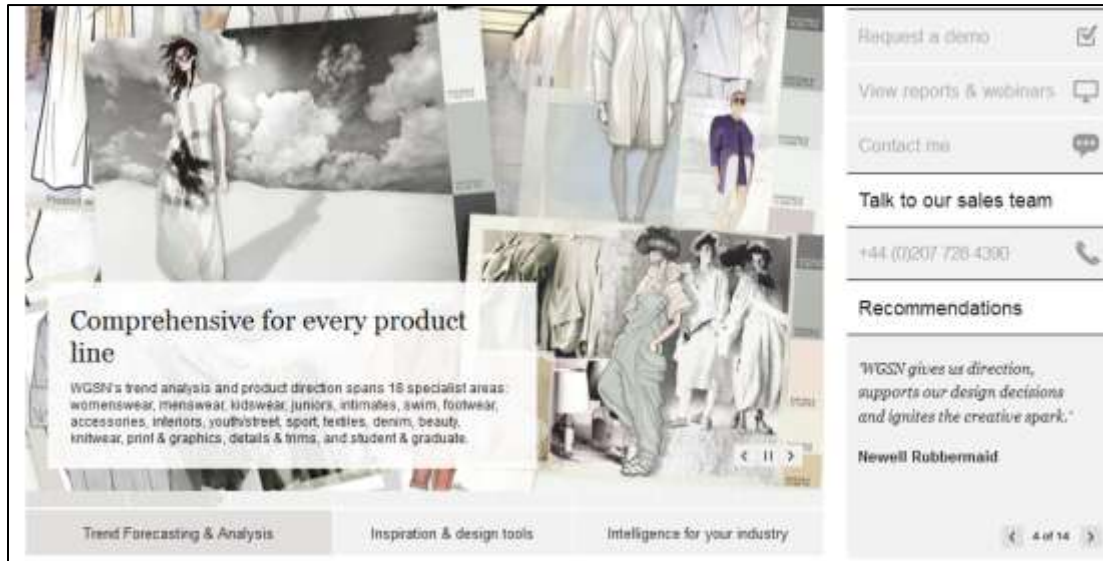
Globally, the main trend fashion hunters are trenstop.com and wgsn.com. Two Internet sites specialized in forecast of trends, fashion, structures, textures, accessories, jewelry and design. Both have great popularity and are used by the biggest names in fashion. They have different services, many at affordable prices.

IllustrationNo.51: Detail of the services provided by Trenstop.com



Taken from: <http://www.trendstop.com/>

Illustration No.52: Detail of services offered by WGSN



Taken from :<http://www.wgsn.com/core-services>

3.4.7. Brand development and building

According to Kotler and Armstrong, brands are very valuable and enduring assets that must be carefully developed and managed. The real value of a brand is its power to attract the preference and loyalty of customers. The brand equity value is measured to the extent to which the customer is willing to pay more to buy a particular brand. According to the authors mentioned above, 72% of consumers would pay 20% more for their favorite brand, while 40% would pay 50 percent more in the same case(2008, p. 214).

Therefore Blue Brand must build a solid brand since it gives competitive advantages. One of them is loyalty from customer as well as the ease to launch new models and lines based on previous acceptance.

Brand Creation

Among the most important decisions we can find are the positioning, selection, sponsorship and brand development.

Brand positioning:

Brands can be positioned based on:

- Product Attributes

- Desirable benefit of the product
- Values and beliefs (2008, p. 215).

Of these three options marketers believe that the second and third options are the best, since the first is easily copied by competitors. The benefits and transmitted values are more desirable to the customer.

Brand Name Selection

There is no set rule for determining a brand name. According to Kotler and Armstrong it is in part science, art and instinct (2008, p. 216). However there are some considerations that are elemental, even when they are not a recipe:

- It should suggest something about product features and benefits.
- It should be easy to pronounce, recognize, and remember.
- The brand name must be distinctive.
- The name must be extendable (to other products, or business areas).
- It should be easy to translate into other languages.
- Must be able to be registered to protect it legally. (Kotler and Armstrong, 2008, p. 214).

Brand Sponsorship

Sponsorship alternatives may vary. The main ones are to launch the product with a manufacturer's brand, to sell products to a reseller that assigns a private brand, to sell the product under licensed brand, or to make a joint brand between two companies.

In the case of Blue Brand, the company is looking to get the product to the final customer with the company's own brand. Regarding this, the dealer has manifested its acceptance.

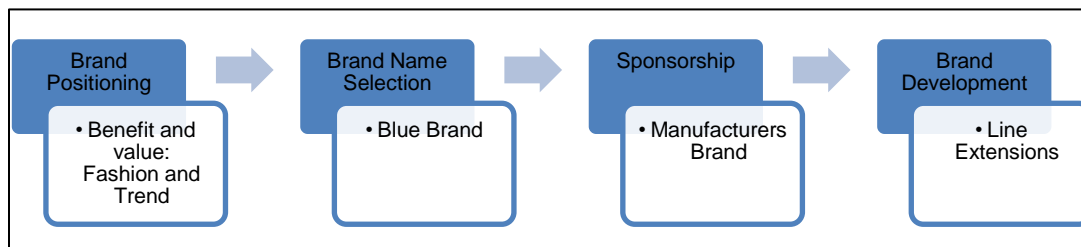
Brand Development

The alternatives regarding the brand development are:

- Line extensions (same product with different models, flavors, etc..).
- Brand extensions (New categories of products).
- Multibrands (same product with new brands).
- New Brand (new brand for a new product) (2008, 215).

Finally after analyzing the decisions for the brand development strategy, the theoretical application is summarized below:

Illustration No. 53: Brand Development Strategies Approach for Blue Brand



Elaborated by the author

The Brand strategy will be complemented with the communication strategy and also through the product image.

Illustration No. 54: Blue Brand-Brand



Designed by Juan Esteban Machado for Blue Brand.

3.4.8. Development of new products

The concept of new product development refers to the creation of original products, improvements made on a given product, product modifications, and new brands through research and development efforts of the company (Kotler and Armstrong, 2008, p.239).

The generation of new products has some steps starting with generation of ideas. These can come from two sources, first internal sources comprising market research that is performed within the company. The external sources arise from hearing complaints or suggestions from customers, that is listening to their demands directly (2008, p. 242-245).

The next step in the development of new products is the evaluation of ideas. In this step the company selects the most valuable ideas analyzing different aspects. The depuration enables the development and proof of a concept. Once clearly developed and tested, the product can be manufactured under this concept and marketed with greater chance of success (p. 242-245).

Implementation of the strategic steps for new products development for Blue Brand:

- Generation of ideas

Come from both channels

Internal: Own investigation through subscriptions and research.

External: Feedback from the dealer on arrival, through customer reviews in websites.

- Depuration of ideas:

This will be made by comparing both internal and external outcomes.

- Development and testing of the concept

The development of the concept will take place within the company, and it will be tested through Facebook or other online marketing tools.

- Commercialization and marketing communication strategies

For the development of new products, Blue Brand will have two annual seasons during which new models will be launched to the market.

3.4.9. Internationalization

There are a number of conditions that make companies decide to internationalize. However the two basic cases may be proactive stimulus and reactive incentive. These can be summarized in the following table.

Chart No. 28: Business Incentives for internationalization

Proactive	Reactive
<ul style="list-style-type: none"> • High earning advantages <ul style="list-style-type: none"> • Unique product • Technological advantage • Exclusive information • Economies of scale • Size of the market 	<ul style="list-style-type: none"> • Competitive pressure <ul style="list-style-type: none"> • Overproduction • Low national sales <ul style="list-style-type: none"> • Overcapacity • Full national markets • Proximity to new clients and ports

Elaborated by the author based on Czinkota model.

Besides these aspects, the appeal of a destination country depends on the product, the geographical factors, the population income, the political climate and other factors.

In the case of Blue Brand the internationalization strategy relies on a proactive stimulus. This is the availability to create unique products. This is combined with advantages such as the availability of skilled labor and production capacity in the region.

There are companies that export their surpluses occasionally or others that do it consistently. Blue Brand is international from birth. This means the products are created having the international market in mind, they do not require adjustments.

3.4.10. Competitive Advantages

Just in Time Inventory

It was evident, especially in companies such as PAMAR Cia Ltda and Asociación de Tejedoras de María Auxiliadora, that large stocks of hats are kept. These are not stored in a manner that prevents the damage of the natural fibers due to external elements. In addition to this damage, it is clear that having large stocks of merchandise represents expenses for the company.

In response to this, Blue Brand will implement a JIT strategy. Just in Time, or JIT, is defined as: "A manufacturing system where all activities are developed such that the components and materials required in the production process are in the right place, at the exact moment they are needed" (Sanchez, 2010, p.2).⁸

Overall objectives are to produce a quantity that is accurate regarding the demand, to continually improve, and to eliminate unnecessary wastes of all kinds. The main elements of this strategy are:

- Inventory reduction.
- Pull system (in contrast with push systems).
- Minimize preparation time.
- Optimal speed production.
- Creation of units of production.
- Optimization of plant distribution.
- Small lot size (2010, p. 3).

The advantages of just in time production are:

- Inventory reduction.
- Quality improvement.
- Operations synchronization.
- Production flexibility.

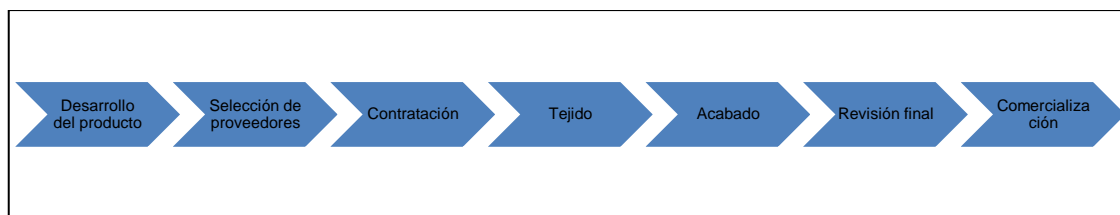
⁸ Translation made by the author.

- Unprofitable activities elimination.
- Facilities use optimization.

It is an optimal inventory system for Blue Brand considering it uses small lots required for different models and also it seeks zero defects and continuous improvement. The JIT model is achieved through planning times by a clear timetable and using the PULL methodology, which means that a product activity cannot begin until the preceding activity has been finished completely.

The general JIT map for Blue Brand is:

Illustration No. 55: JIT map of Blue Brand



Elaborated by the author.

3.4.11. Customer loyalty

To create brand loyal customers is complex. It incorporates all the processes, if the company responds to requests, if it performs according to market information, , how and what we sell, and how it acts in the post-sale. The differentiation in these processes makes clients feel satisfied and in return trust a brand and in some cases recommend it to others.

The customers of Blue Brand start inside the company, from suppliers and distributors and extend to final customers.

- The provider loyalty strategy is a very simple strategy that consists on payment on time.
- The distributor loyalty strategy is two-way communication. That is the constant feedback for the application of knowledge in products and the common benefits that emerge from this communication.

3.5. Summary of International Market Segmentation

For this study, the target market is considered to be people between 17 and 70 years of old from the province of Madrid. This province has a population of about 6.2 million inhabitants according to 2010 figures from the National Statistics Institute of Spain. The average income is about 25.000 euro per year, of which approximately 6% is used in the purchase of clothing and footwear.

3.5.1. Demographic

- Age: 17-70
- Gender: Female and Male
- Socioeconomic status: Medium-high and high. From 30,000 euros a year.
- Nationality: Spanish

3.5.2. Geographic

- Region of the country: Community of Madrid – Spain
- Size of the region: 6.2 million inhabitants
- Weather: Warm-seasonal

3.5.3. Behavioural

- Frequency of purchase: Occasional
- Place of purchase: several
- Purchase Quantity: Generally more than one unit. The young customer under 25 years purchases one unit generally.

Conclusions

There are key issues that pose challenges for Blue Brand. One of them is undoubtedly the Spanish economic crisis that has impacted not only sectors like real estate, but the general consumption. In this scenario, the study shows how Blue Brand should respond

and in what market sectors it should concentrate so that its operations are not jeopardized.

After the analysis of the cost containment measures during the crisis, the downsizing of consumption in general, and consumption trends in the area of textiles, the main findings are three. First, it is clear that the crisis is reflected in the consumption of textiles but especially in population sectors with low and middle income. Therefore, Blue Brand should not focus their supply to these sectors. Moreover, the second key issue is the valuation loss of characteristics that were highly appreciated before. This is an curious case, we can see that before the interest in "green" or ethical manufacturing products has lost importance when purchasing. A similar tendency is found in issues such brands over money issues. And thirdly, the cost containment measures and close observation of the prices will be a feature that will remain in markets even after the crisis.

Another very important factor in the Spanish market is demographics. The analysis shows that a large percentage of the population is over 17 years old; this phenomenon is known as aging. We also observe that the majority of the conformation of the Spanish family (units) present few members, a single child, none or at most two. These characteristics affect the buying habits and consumer lifestyles of Spanish people.

While these external factors are critical, the internal factors cannot be put aside while they affect the activities of Blue Brand. On the one hand there is a large government support through various institutions and programs. This is complemented by the availability of a skilled labor force, sufficiency of raw materials and complementary services.

In response to these positive factors, Blue Brand can take the business opportunity planning a strategic marketing that can change favorably the four Ps proposed by Kotler product, price, place and promotion. First, according to the requirements of the analyzed market the product should provide original features and focus on the latest fashion trends. In order to get this, fashion forecast tools affordable to the company are the optimal solution. As for the place or distribution, it is concluded that a short channel will be successful to benefit from the expertise of a single dealer on arrival with great experience and reputation.

Continuing the strategic implementation of the four Ps of marketing it is clear that in terms of price, the most effective strategy is to keep the same prices and offer greater value. Similarly, in terms of promotion, everything revolves around the image and product differentiation. Blue Brand must differentiate itself from competitors as a leading company in fashion accessories; to get these strategies focused under this provision should be planned to take full advantage of online marketing opportunities.

The study in this chapter is complemented by the development of simple strategies for each strategic objective such as growth, profitability, positioning, etc., without leaving aside the importance of providing both suppliers and distributors extra benefits for their collaboration with the company. All these strategies are based on key ideas such as differentiation, JIT inventory, the internet-based technologies, among others.

CHAPTER 4: INTERNATIONAL LOGISTICS

Introduction

International Logistics is one of the key sectors in the global economic environment. The growing trade globalization movements give daily a greater impact to infrastructure and systems used in this area. While new technologies, mainly supported through the use of internet, allow orders to arrive and be processed immediately from buyers to producers.

Regarding national logistics, this sector represents a significant share of gross domestic product and total economic activity. In recent years, the Spanish international logistics industry has enjoyed high growth rates and its logistics market is positioned in the fifth place in the European logistics markets (Lopez, 2005). Meanwhile, Ecuador has chosen technological improvement strategies for its main international logistics areas and has received international concessions in its major ports. The international logistics allows greater commercial positioning and rising incomes for the countries of the world.

However, it not only represents an important segment of the country's GDP, it is primarily important for those actors who work with it every day, in other words for companies. Foreign trade transactions are facilitated through a rational and efficient logistics system that generates competitiveness. The international logistics system supports industry, allowing the association between suppliers and buyers saving time, reducing costs and risks.

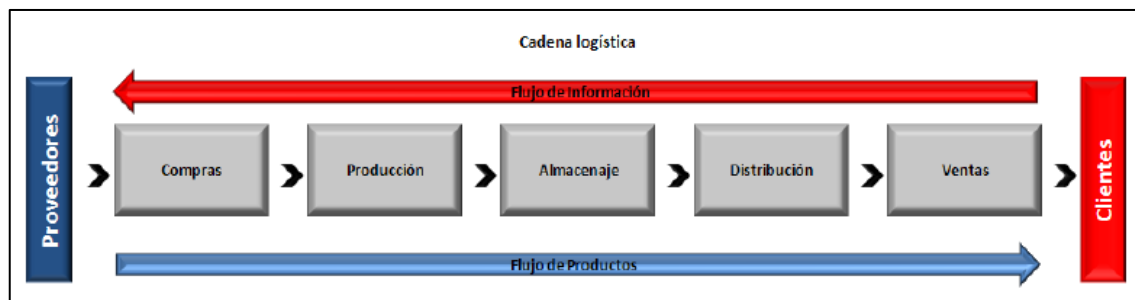
Because of this importance, this chapter analyzes the main concepts about international logistics. Furthermore, it not only presents a theoretical method but also applies the main models of International Physical Distribution, points out the most important logistics enclaves for the Export Plan of Blue Brand, and mentions logistics optimization strategies.

4.1. International Logistics

Logistics is the management process part of the supply chain responsible for the "planning, implementing and efficient control of flow of materials and / or finished goods, and related information flow, from the origin point to a destination point, completely satisfying customers' needs and generating minimum operational costs "(Villamizar, 2009, p. 3).

The supply chain refers to the continuous process of material and information flow between suppliers and customers as can be seen in the chart below.

Illustration No. 56: Supply Chain Map



Taken from: http://camara.ccb.org.co/documentos/4220_logistica_dfi_cedritos.pdf

By managing the logistics, companies seek to achieve efficiency and effectiveness. Efficiency because while the less time a product remains at each one of the supply chain stages lower costs will be added to the final value of the product and the market will be supplied faster, effectiveness because lower costs can translate into higher operating profit (Villamizar, 2009, p.4).

As a key tool within the supply chain the Forecasting is used to initiate with the historical knowledge of the market, the seasons, etc. Besides, the forecast of accumulated time in the chain is also important. These and other tools help companies to achieve an optimal management of its logistics and supply chain (Roca, 2010).

4.1.1. Supply Chain Global Strategies

In the case of Blue Brand the main strategies for an optimal management of the supply chain that enable efficiency and effectiveness are:

- Seasonal Forecasting.
- Anticipate time given to suppliers and work by defined times.
- JIT Inventories (Just in Time).
- Continuous communication with the main distributor
- Lead-Time compliance and continuous review. Lead Time: From production to distribution the expected time is 6 months.

4.1.2. International Physical Distribution

As can be seen in Figure No. 62, the IPD is a fundamental part of the logistics chain. In exporting firms it is also undoubtedly one of the processes with higher risks and costs and should be carefully observed.

Definition

The IPD refers to the logistic process that is performed to place the product on the international market. For this, the terms negotiated between the seller and the buyer mainly based on the international system proposed by the International Chamber of Commerce, INCOTERMS 2010 are observed.

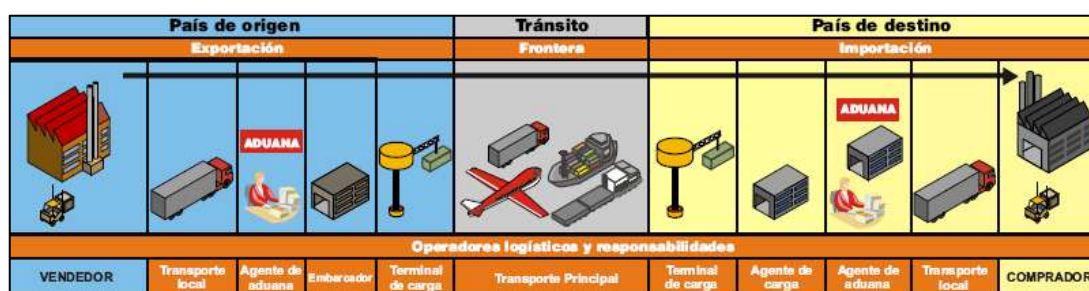
Objective

The main purpose of IPD is to minimize the time, cost and risks that may arise along the way, from the departure point to the final point at destination (High Logistics, 2011, p.3).

Process

The process that includes the IPD can be seen in the graph below.

Illustration No. 57: Process Map of International Physical Distribution



Taken from: http://camara.ccb.org.co/documentos/4220_logistica_dfi_cedritos.pdf

Costs

The main costs within the IPD are the international transport, customs clearance services and warehousing, and insurance. The table below summarizes these and other expenses of the IPD.

Chart No. 29: IPD Costs

	Costos & Variables	Términos en inglés	Explicación	Precio
País de origen	1. Costo del producto	Product cost	Incluye desarrollo, adaptación, control de calidad, empaque, embalaje, marcas y algún otro proceso necesario para colocar el producto disponible para la exportación	
	2. Utilidad del vendedor	Seller profit	Calculada de acuerdo a los parámetros del mercado y al país de destino	
	3. Cargue	Loading	En las bodegas del vendedor	EXW (... lugar convenido)
	4. Transporte local	Domestic carriage – inland freight	Hasta el punto de embarque	
	5. Seguro local	Insurance	Hasta el punto de embarque	
	6. Documentación	Export documentation	De exportación	
	7. Bodegaje y embarque	Warehousing and shipping	Manejo en punto de embarque	
	8. Agenciamiento aduanero	Customs clearance	Despacho de aduanas para exportación	FCA (... lugar convenido)
	9. Entrega al costado del buque	Delivery alongside the ship or vessel	Manejo hasta ese punto	FAS (... puerto de embarque convenido)
	10. Transbordo	Transshipment	Cargue en el buque	FOB (... puerto de embarque convenido)
Tránsito	11. Transporte principal	International main carriage	Desde el punto de embarque hasta el puerto de destino	CFR (... puerto de destino convenido)
	12. Seguro transporte principal	Transport Insurance	Desde el punto de embarque hasta el puerto de destino	CPT (... lugar de destino convenido)
			Desde el punto de embarque hasta el puerto de destino	CIF (... puerto de destino convenido)
			Desde el punto de embarque hasta el puerto de destino	CIP (... lugar de destino convenido)
País de destino	13. Entrega en la frontera	Delivery at frontier	Manejo hasta ese punto	DAF (... lugar convenido)
	14. Entrega a bordo	Delivery on board	Manejo hasta ese punto	DES (... puerto de destino convenido)
	15. Entrega al costado del buque	Delivery on the quay	Descargue en puerto	DEQ (... puerto de destino convenido)
	16. Desembarque y bodegaje	Unloading – Terminal handling	Manejo en punto de desembarque	
	17. Documentación	Import documentation	De importación	
	18. Transporte local	Domestic carriage – inland freight	Hasta las bodegas del comprador	DDU (... lugar de destino convenido)
	19. Agenciamiento aduanero	Custom clearance	Despacho de aduanas para importación	
	20. Arancel	Customs duty, import charges	Impuesto de nacionalización de acuerdo a su clasificación arancelaria que se aplica sobre el valor CFR-CIF o CPT-CIP	DOP (... lugar de destino convenido)
	21. Utilidad del comprador	Buyer profit	Si aplica para productos de comercialización	PVP (Precio venta público en destino)

Taken from: http://camara.ccb.org.co/documentos/4220_logistica_dfi_cedritos.pdf

The costs and who covers them varies according to the use of INCOTERMS. In the case of Blue Brand, after signing the international contract it will be established if the company or the distributor is responsible to pay the expenses according to the previous agreement. The illustration shows the responsibility to cover costs and insurance requirements according to INCOTERMS 2010.

Illustration No. 58: Incoterms 2010: Responsibilities and Costs

Incoterms 2010											
Modalidad de transporte	Mercancía acondicionada para su venta	La carga en el almacén del vendedor	Transporte exterior en origen	Formalidades aduaneras de exportación	Gastos manipulación en origen	Transporte principal	El seguro de la mercancía	Gastos manipulación de destino	Formalidades aduaneras de importación	Transporte interior en destino	Entrega de la mercancía al comprador
EXW	Polivalente										
FCA	Polivalente										
FAS	Marítimo										
FOB	Marítimo										
CPT	Polivalente										
CIP	Polivalente										
CFR	Marítimo										
CFI	Marítimo										
DAT	Polivalente										
DAP	Polivalente										
DDP	Polivalente										

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Vendedor
 Comprador
 Vendedor / Comprador

Taken from: <http://www.proecuador.gob.ec/wp-content/uploads/2012/05/intercoms.jpg>

Stages

The stages of the IPD are:

- 1) Analysis of the load to be transported.
- 2) Preparation of packing and crating.
- 3) Selection of the means of transport.
- 4) Costs.
- 5) Documentation.

Finally regarding to the IPD, we found in the following table a summary of all its components.

Table No. 30: Basic Components of IPD

COSTS		TIME	QUALITY OF SERVICE
Direct	Indirect	Duration	Reliability
Packing	Administrative	Interfaces	Competition
Crating	Inventories		Complementation
Unitization	Transit Time		Effectiveness
Documentation	Delivery Time		Efficiency
Handling			Frequency
Storage			Image
Transport			Risks
Insurance			Rapidity
Customs			
Banking			
Agents			

Taken from:

http://books.google.com.ec/books?id=JYydauBcri0C&pg=PA12&lpg=PA12&dq=la+importancia+de+la+distribucion+fisica+internacional&source=bl&ots=IPZJXN3caU&sig=_LWCom6TFXSkOTTav3cPh4x4yY0&hl=es&sa=X&ei=OOVoUOrbDZLS9ATxhoHIDQ&ved=0CHcQ6AEwCQ#v=onepage&q=la%20importancia%20de%20la%20distribucion%20fisica%20internacional&f=false

4.2. International transport

International transport, is also called main transport, and is accountable for crossing borders and delivering the products in the country of destination. It is the backbone of the IPD operations and depending on the negotiated Incoterms defines the route of shipment and delivery to the buyer.

To select the transport mode the main factors to consider are:

- Rate.
- Distance
- Transit Time.
- Value of goods.
- Insurance.
- Packaging and Crating.
- Costs and loading and unloading times. (High Logistics, 2011).

4.2.1. Selection of international transport

In the case of Blue Brand the air and maritime transport are analyzed, since by land transport is not possible. According to a study the main general considerations of the transports mentioned before are:

Air

- Airport to Airport is hired through air cargo agents.
- The goods are transported in loose cargo and shipped by quotas or positions.
- Transport documents are airway bills (AWB).
- The advantages are speed, reliability, security and lower insurance costs.
- The disadvantages are higher costs, limited capacity, and restrictions for certain dangerous products (Villamizar, 2009, p. 27).

Maritime


- Applies to maritime waterways, inland waterway as rivers or lakes.
- Port to port is hired through shippers or cargo agents.
- The cargo is shipped in specialized containers which must be consolidated.
- The transport document is the Bill of Lading (B / L).
- The benefits include lower rates, mass transport of large volumes; diversity and specialization of ships, there are no restrictions for dangerous products.
- The main disadvantages are the low speed; insurance and packaging are more expensive, port costs, high risks of looting and damage, and spaced frequencies (Villamizar, 2009, p. 28).


Containers


There are three types of containers to carry the load that Blue Brand can use. We found a container of 20', 40' and 40' High Cube. However, the most used in the port infrastructure of Ecuador are the 20 and 40 feet.

The precise cubic capacity can be seen in the chart below.

Illustration No.60: Container Types and Capacity

<div> <div>Contenedor 20' Estándar (20' Standard)</div>  </div>	Medidas internas (Internal dimensions L x W x H)	Capacidad (Cubic capacity)	Carga útil (Payload)	
			Estándar (Standard)	USA / Canada
Carga seca (Dry cargo)	5,9 x 2,3 x 2,3 m	33 m ³	22.100 kg	15.875 kg
	19'5" x 7'8" x 7'9"	1.165 cubic ft	48.721 lbs	35.000 lbs
	Medidas externas (External dimensions L x W x H)	Tara (Tare weight)	Máximo peso bruto (Gross weight)	
	6,1 x 2,4 x 2,6 m	1.900 kg	Estándar (Standard)	USA / Canada
	20' x 8' x 8'6"	4.189 lbs	24.900 kg	17.775 kg
			52.910 lbs	39.189 lbs

<div> <div>Contenedor 40' Estándar (40' Standard)</div>  </div>	Medidas internas (Internal dimensions L x W x H)	Capacidad (Cubic capacity)	Carga útil (Payload)	
			Estándar (Standard)	USA / Canada
Carga seca (Dry cargo)	12 x 2,3 x 2,3 m	67,3 m ³	27.396 kg	19.050 kg
	39'6" x 7'8" x 7'9"	2.377 cubic ft	60.401 lbs	42.000 lbs
	Medidas externas (External dimensions L x W x H)	Tara (Tare weight)	Máximo peso bruto (Gross weight)	
	12,2 x 2,4 x 2,6 m	3.084 kg	Estándar (Standard)	USA / Canada
	40' x 8' x 8'6"	6.799 lbs	30.480 kg	22.134 kg
			67.200 lbs	48.799 lbs

<div> <div>Contenedor 40' Alto cubaje (40' High cube)</div>  </div>	Medidas internas (Internal dimensions L x W x H)	Capacidad (Cubic capacity)	Carga útil (Payload)	
			Estándar (Standard)	USA / Canada
Carga seca (Dry cargo)	12 x 2,3 x 2,6 m	76 m ³	29.600 kg	19.050 kg
	39'6" x 7'8" x 8'9"	2.684 cubic ft	65.256 lbs	42.000 lbs
	Medidas externas (External dimensions L x W x H)	Tara (Tare weight)	Máximo peso bruto (Gross weight)	
	12,2 x 2,4 x 2,9 m	3.940 kg	Estándar (Standard)	USA / Canada
	40' x 8' x 9'6"	8.685 lbs	33.540 kg	22.990 kg
			73.941 lbs	50.685 lbs

Taken from://camara.ccb.org.co/documentos/4220_logistica_dfi_cedritos.pdf

4.3. Logistic conditions from Ecuador

Ports

Ports are defined as "the set of works, facilities and services that provide the space of calm water necessary for a secure stay of ships, while performing the loading, unloading and storage of goods. Geographically a port is a natural or artificially constructed corridor on the shores of an ocean, lake or river "(Marron, 2008).⁹

In Ecuador, the main commercial ports from north to south are:

⁹ Translation by the author.

Illustration No. 61: Ports of Ecuador



- Esmeraldas Port
- Manta Port
- Guayaquil Port
- Bolivar Port

Taken

from:<http://www.google.com.ec/imgres?q=mapa+principales+puertos+del+ecuador&hl=es&biw=1024&bih=481&tbm=isch&tbnid=6CviHYRGKp5GM:&imgrefurl=http://auto.ec/1/historia/republica.php&docid=g3blnLJtsiBnpM&itg=1&imgurl>

Esmeraldas

Illustration No. 62: Image of the Port of Esmeraldas



Taken from:

http://www.puertoesmeraldas.gob.ec/xampp/joomla/index.php?view=category&catid=2&option=com_joomgallery&Itemid=107

The geostrategic position of the port of Esmeraldas is very favorable. It is equidistant to southern markets, Asia, central and North America; this favors the development of the maritime-port activity (Marron, 2008).

The alternate routes that communicate with other regions of the country are: The “ruta del sol” on the north and south of the province, Quito-Calacalí -La Independencia-Esmeraldas, San Lorenzo-Esmeraldas-Quito-Ibarra, Esmeraldas-Santo Domingo - Aloag-Quito (2008).

Commercial port installations in Esmeraldas have an area over 732,525 m² and are equipped with infrastructure and facilities as follows:

- Two main docks with an area of about 9000 m² and a length of 350mt.
- A service dock with an area of about 2400 m² and a length of 104mt.
- A Roll On-Roll Off dock with an area of 274.11 m² and a length of 18.42 m.
- The depth of water (draught) is 11.50m.
- Paved patios for storage of goods with an area of 138,992.37 m².
- Unpaved patios for storage of goods with an area of 161,462.55 m².
- Three covered warehouses for merchandise storage and a warehouse for dangerous cargo.
- Asphalt roads and concrete sidewalks.
- Free Zone of 232,327.99 m² (Puerto de Esmeraldas, 2012).

Manta

Illustration No. 63: Image of the Port of Manta



Taken from:

http://www.google.com.ec/imgres?q=puerto+de+manta+foto&um=1&hl=es&sa=N&biw=1600&bih=796&tbm=isch&tbnid=f0JB_LRFVYTefM:&imgrefurl=http://www.ecuadoracolores.com/ed2011_ago/pages/page_31.html&docid=CeMzYMuic5SDtM&imgurl=http://www.ecuadoracolores.com/ed2011_ago/pages/resources/page31_img04.jpg&w=710&h=456&ei=mc9kULeDJZG50AH85oFA&zoom=1&iact=hc&vpx=976&vpy=479&dur=293&hovh=177&hovw=273&tx=93&ty=112&sig=107952691270798352862&page=3&tbnh=140&tbnw=187&start=63&ndsp=35&ved=1t:429,r:4,s:63,i:284

This port has an access to the open sea 25 nautical miles from international maritime traffic route. It has no channels and its natural depth is 12 meters at the lowest tide. This facilitates the entry of deep draft vessels (Marron, 2008). According to the official site of the Port of Manta, it has the following facilities and infrastructure:

- It has two breakwater docks adding 800 linear meters capable to receive at the same time up to 4 vessels (Container Ships, Bulk Carriers, Teamsters, Fishing and Cruises). Both docks have a platform width of 45 meters each one and a depth of 12 meters.
- It has 119,012 m² of storage areas between patios and decks. Besides, it has two balance that provide the weighing service.
- It offers services to container ships, bulk carriers, teamsters, fishing and cruises, among these services:
 - Access.

- Anchorage.
- Pilotage.
- Wharfage.
- Tugboat.

It offers the following services to containerized cargo:

- Stowage (stack process)
- Loading and unloading
- Cargo Movement.
- Storage.
- Electric outlets (Puerto de Manta, 2012).

Additionally, there are special equipments available operated by private companies such as hoppers, cranes, special spreaders, etc.

Guayaquil

Illustration No. 64: Image of the Port of Guayaquil



Taken from: <http://www.apg.gob.ec/institucional/galeria#ver>

The access to the port terminal from the sea is performed through a natural arm that was known as *Canal del Morro*, and that is nowadays called *Estero Salado*. The access channel has the following characteristics:

- Length: 51 nautical miles, divided between an external channel of marine environment (10.8 miles) and an inner channel with estuarine influence (40.2 nautical miles).
- Width: 122 m. - Depth: 10.5 m.
- Average amplitude of the tide at the entrance: 1,80 m.
- Average amplitude of the tide at the foot of the spring: 3,80 m. (Autoridad Portuaria de Guayaquil, 2012).

The Port Authority of Guayaquil in charge of managing this port was established in 1958. Its creation responded to an emergency pronouncement considering that the construction of a new port near Guayaquil was essential to boost the economic development of Ecuador. Currently, the port handles about 90% of imports and exports, so it is considered the main commercial port of the country (Marron, 2008).

According to information from the site of the Port Authority of Guayaquil, this port has a modern infrastructure that allows it to provide services to all kind of ships, as well as handling and storing containers of any type of dry or refrigerated cargo (Autoridad Portuaria de Guayaquil, 2012). Their infrastructure and services are listed in the main page and these are:

- Four container terminals concessioned to Contecon S.A.
- A bulk terminal.
- Six multipurpose terminals each one of 185 m long.
- Draught of 10m.
- Several storage patio and warehouses as noted in the tables below:

Table No. 31: Available patios at the Port of Guayaquil

Tipo de Carga	Patios	Área (m²)
Contenerizada	Nº 1 y 2	111365,06
Contenerizada	Nº 3	24099,02
Contenerizada	Nº 8	70790,49
Banano	Nº 9	57948,73
Contenerizada	Nº 300	11073,29
Banano	Nº 500	6287,39
Contenerizada	Nº 600	10257,06
Contenerizada	Nº 700	20410,80
Consolidación y Desconsolidación	CFS	28244,78
Parqueadero de Vehículos	Vehículos Bananeros	30195,99

Taken from: <http://www.apg.gob.ec/servicios/facilidades>

Table No. 32: Available Warehouses at the Port of Guayaquil

Tipo de Carga	Bodegas	Área (m²)
General	Nº 7	7.255,17
General	Nº 8	7.207,20
Refrigerada (Fuera de Servicio)	Nº 2	4.097,14
Multipropósito	Nº 3	4.546,64
Multipropósito	Nº 4	4.546,64
Multipropósito	Nº 5	4.546,64
Multipropósito	Nº 6	4.546,64
Policía	Antinarcóticos	1.352,00
En Abandono	Nº 23	1.352,00
Mantenimiento de Equipos	Nº 21 y 22	2.417,41
General	Nº 31 y 32	3.853,20
Bananos	Nº 41 y 42	3.911,46
Bananos	Nº 51 y 52	3.903,40
Bananos	Nº 61-66	9.105,69
Consolidación y Desconsolidación	Entre bodega Nº 7 y 8	4.218,91
Para Rayos X	Entre bodega Nº 23 y 24	962,00
Carga Peligrosa	Nº 1, 2, 3	4.265,44

Taken from: <http://www.apg.gob.ec/servicios/facilidades>

Regarding equipment, these are modern and allow all activities required for container and merchandise loading and unloading and other activities of handling. The following table indicates the type of equipment and its location in the harbor.

Table 33: Port of Guayaquil Equipment

Ubicación	Tipo	Cantidad	Capacidad
Muelles	Grúa Pórtico Riel	2	51 Ton.
	Grúa Móvil de Llantas	4	41 Ton.
Patio	Grúas RTG	8	41 Ton.
	Side Lifter (Vacíos)	4	8 Ton.
	Tractores de Patio	25	50 Ton.
	Chasis de Patio	27	40 Ton.
Transferencias	Top Loaders (Llenos)	15	40 Ton.
Bodegas	Auto Elevadores	40	Variados
Módulo 4	Básculas	2	80 Ton.
Calle H	Básculas	9	80 Ton.
Calle E	Básculas	1	80 Ton.
Bodega 7	Básculas	6	2.5 Ton.
Bodega 8	Básculas	3	2.5 Ton.

Taken from: <http://www.apg.gob.ec/servicios/facilidades>

Bolivar

Illustration No. 65: Image of Port Bolivar



Taken from:

<http://www.google.com.ec/imgres?q=puerto+bolivar&hl=es&biw=1600&bih=796&tbn=isch&tbnid=mqswJKCUoK-rtM:&imgrefurl>

It is located in *El Oro* province, protected by *Jambelí* Archipelago. The distance from the sea buoy to the mooring area is 4.5 nautical miles. According to Miguel Marron, it has a strategic position that allows it to be only 13 miles from the international traffick routes and near to Panama Channel (Marron, 2008). Regarding infrastructure and services, we found that:

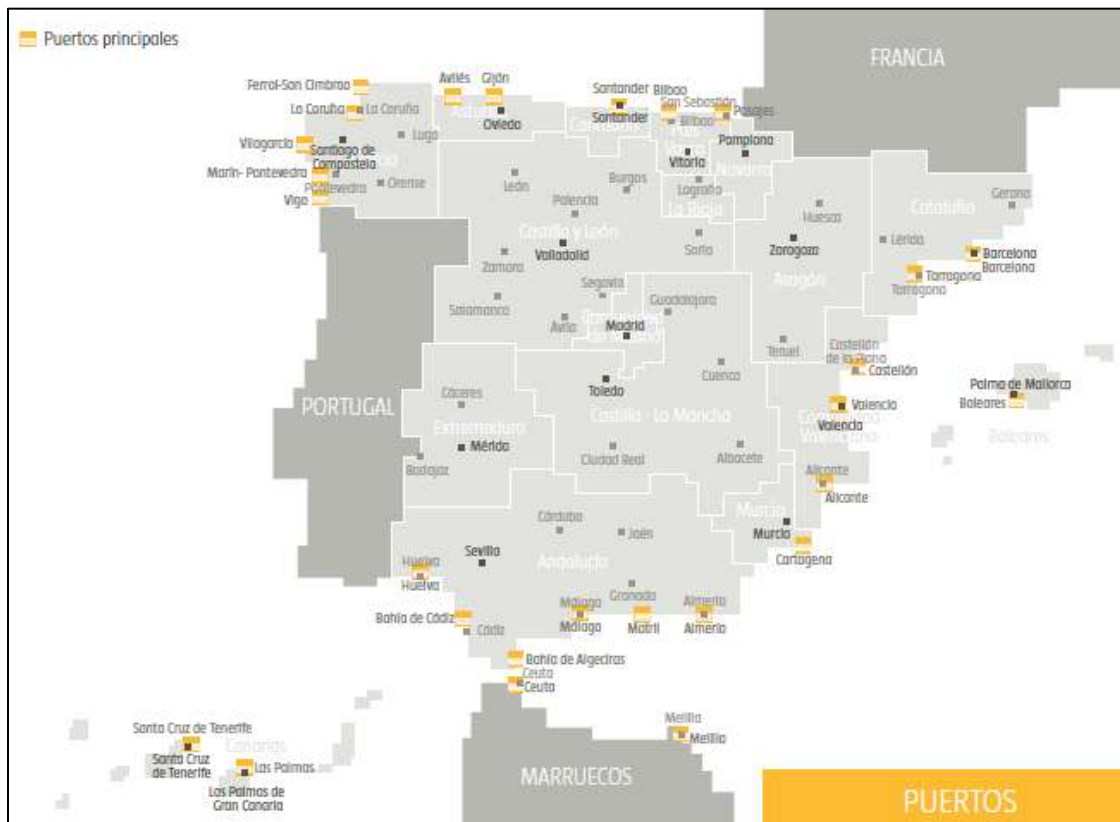
- It has a breakwater wharf with two berthing fronts, length of 130m and width of 30m, draught of 10.5.
- A marginal wharf which length is 365 m, width is 25 m and water dept is 10.5 m.
- It allows a simultaneous mooring of two ships of 27,000 TB.
- A special coast wharf for tourist services of 60 m and draught of 5.70 m.
- Storage Areas of 27,104 m² including warehouses and patios.
- Six general cargo warehouses for a total of 10,152 m².
- Six banana palletizing warehouses with a total of 14,592 m²
- A warehouse of 2,360 m. for bulk (2008).

4.4. Conditions of physical access in Spain

4.4.1. Seaway, maritime access

Spain has an excellent maritime access; its shores are home to more than 53 international ports. However, the most important are: Algeciras, Barcelona, Valencia and Bilbao. Most port infrastructure is located in the Mediterranean, with three major ports specializing in container handling, Algeciras, Barcelona, Valencia, while in the north of the country Bilbao port is located.

Illustration No. 66: Ports Map of Spain



Taken from

<http://www.investinspain.org/icex/cma/contentTypes/common/records/viewDocument/0,,00.bin?doc=4326195>

Port of Algeciras

The Port of Algeciras is located in the Western Mediterranean and it is a very important platform for container transshipment. According to statistics cited by PROECUADOR, it exceeded 70 million tonnes in total traffic and more than 2.8 million containers in 2010 (PROECUADOR, Commercial Card, 2011, p. 34). Furthermore, totalizes more than 10 km of docks in its different seawalls, which manage all kinds of passenger and goods.

Illustration No. 67: Image of the Port of Algeciras



Taken from:

<http://www.google.com.ec/imgres?q=puerto+de+algeciras&num=10&hl=es&biw=1600&bih=796&tbn=isch&tbnid=S36qmBPR6fUawM:&imgrefurl=http://megaconstrucciones.net/%3Fconstruccion%3Dpuerto-bahia-algeciras&docid=l8C2tCewSt1NGM&imgurl>

The Port of Algeciras offers a wide variety of port services: stevedoring companies, tugs, pilotage and mooring and a Port Community that facilitates the operations concerning the provision of bunkering and ship repairs (Port of Algeciras Bay, 2012).

According to the Port Authority, its docks have:

- The most modern and advanced equipment for stowage and unloading
- Modern storage facilities
- Equipment fully qualified for the docking and undocking of ships.
- An important fleet of tugs and a competent labor force (Puerto Bahía de Algeciras, 2012).

Port of Barcelona

Illustration No. 68: Image of the Port of Barcelona



Taken from:

http://www.google.com.ec/imgres?q=puerto+comercial+de+barcelona&hl=es&biw=1600&bih=796&tbn=isch&tbnid=60Qbf92YZCxljM:&imgrefurl=http://www.absolutcruceros.com/page/207/&docid=_4mrLUwumZeAHM&imgurl

The port known as the solution of Europe in the Mediterranean, has two inlets or entrances, the south entrance is the oldest of both. Some specifications about them are:

Southern entrance:

- Orientation: 191.8 °
- Width: 370m
- Draught: 16 m

Northern entrance:

- Orientation: 205 °
- Width: 145 m
- Draught: 11.5 m

In general, the port has an area of 1065.3 hectares. Its docks and moorings have a length of 20.3 km with a draft of 16 m. Moreover, within its infrastructure it counts with 203,304 m² of covered storage. (Puerto de Barcelona, 2012).

Port of Valencia

Illustration No. 69: Image of the Port of Valencia



Taken from:

http://www.google.com.ec/imgres?q=puerto+de+valencia&hl=es&biw=1600&bih=796&tbn=isch&tbnid=AwmHlb6slceu9M:&imgrefurl=http://www.redpbipmexico-internacional.org/usuario/nota.php%3Fid%3D4471&docid=f9JsRyx3tQL7M&imgurl=http://ienpac.com.mx/img_biblio/valenciadic.jpg&w=600&h=478&ei=AtVkUKSDG4_o8QTx94HQCA&zoom=1&iact=hc&vpx=306&vpy=150&dur=10339&hovh=200&hovw=252&tx=56&ty=88&sig=107952691270798352862&page=1&tbnh=141&tbnw=187&start=0&ndsp=28&ved=1t:429,r:1,s:0,i:68

Valencia port is the leading commercial port in the western Mediterranean in terms of volume of containerized goods. In 2010, 64 million tons passed through the ports of Valencia, Sagunto and Gandia, the three ports are under the management of Valenciaport. The most important of these is the port of Valencia due to the large amount of volume of both export and import handling. Also, it can receive almost any type of cargo (PROECUADOR, Commercial Card, 2011, p. 35).

Regarding container traffic, Valenciaport is the first commercial port of Spain and is in the top ten ports in Europe and among the fifty most important ports worldwide in the movement of containers (2011, p. 35).

Valenciaport offers high-performance facilities for all types of traffic (liquid bulk, dry bulk, conventional general cargo, containerized general cargo and passengers).

Port of Bilbao

Illustration No. 70: Image of Port of Bilbao



Taken from:

http://www.google.com.ec/imgres?q=puerto+de+bilbao&hl=es&biw=1600&bih=796&tbn=isch&tbnid=ni13ljmUSASZnM:&imgrefurl=http://www.paisvasco-informacion.com/2011/11/cae-el-cartel-del-transporte-del-puerto.html&docid=6nyPhhrkgxz9AM&imgurl=http://4.bp.blogspot.com/-Riqo5cdGRzw/TrF4BMVEo_I/AAAAAAAAAGPQ/xMjHe7n081A/s1600/puerto_bilbao.jpg&w=500&h=400&ei=1tVkUJ3MNsH30gGj_IDYBg&zoom=1&iact=hc&vpx=405&vpy=152&dur=384&hovh=201&hovw=251&tx=134&ty=95&sig=107952691270798352862&page=1&tbnh=147&tbnw=190&start=0&ndsp=28&ved=1t:429,r:1,s:0,i:68

It is one of the major centers of transportation and logistics of the Atlantic Arc in Europe. It has docks with water depth of 32 m and a total length of 20 km. Its covered storage is about 480.000m² and 27,000 of warehouses. It also has a perishable cargo terminal with a capacity of 23,000 m³ (Bilbao Port, 2012).

4.4.1.1. Shipping lines operators, time and cost

According to PROECUADOR, the major shipping lines are BBC Chartering, CCNI, Marglobal, Evergreen, and Transvisa from Guayaquil. The transit time, varies according to the destination port in Spain (2011, p. 36-38). The following table highlights the average transit times.

Table No. 34: Transit Times to Spain

Port Destination	of Transit in days
Bilbao	31-38
Barcelona	30-36
Valencia	26-29

Taken from: <http://www.proecuador.gob.ec/wp-content/uploads/downloads/2012/02/TT-Europa.pdf>

Regarding costs, the price of sending a 40 is approximately USD 2,500.00 variable and subject to negotiations and specifications. However, the seasons vary as do the costs (PROECUADOR, Commercial Card, 2011, p. 37).

4.4.2. Land routes

4.4.2.1. Highway network

This network consists of approximately 163,577 kilometers of roads. It includes toll roads, freeways, dual carriageways and conventional roads. This figure does not include urban streets, neither agricultural or forest ways (PROECUADOR, Commercial Card, 2011, p. 37).

The routes allow connections nationwide optimizing costs and times. It is important to note that all seaports have direct connections to major highways for transporting containers and goods throughout the territory.

The graph shows the main road links of Spain.

Illustration No. 71: Spanish Highways Network



Taken from:

<http://www.investinspain.org/icex/cma/contentTypes/common/records/viewDocument/0,,00.bin?doc=4326195>

4.4.2.2. Railways

Railroad network

The Spanish rail network has 17,074.1 km length. Most of Spain's rail network is managed by ADIF, and operated in the field of passengers by Renfe operator, and by other new companies in the scope of goods. The narrow roads by LVEF and others in some autonomous regions (FGC, Euskotren, FGV, SFM) (PROECUADOR, Commercial Card, 2011, p. 38).

Illustration No. 72: Railways network in Spain



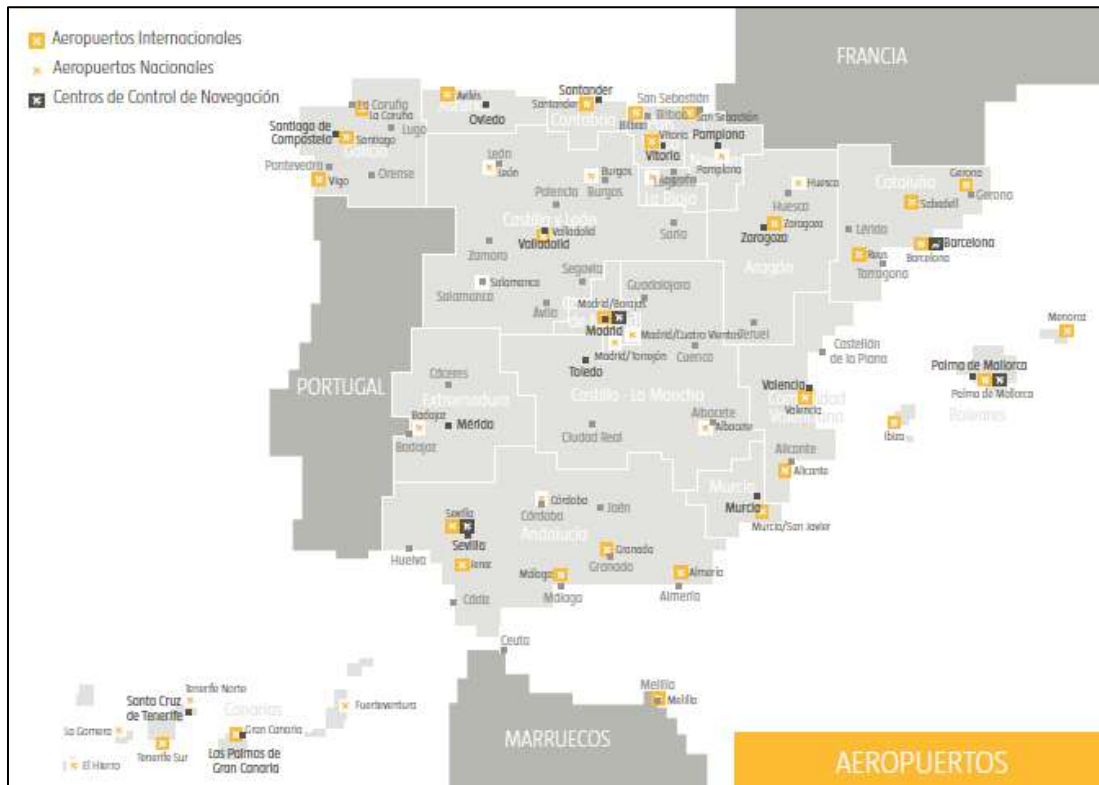
Taken from:

<http://www.investinspain.org/icex/cma/contentTypes/common/records/viewDocument/0,,00.bin?doc=4326195>

1.4.3. Airway

Spain has more than 100 airports, of which 33 are international, the most important are: Alicante, Barcelona, Madrid-Barajas, Malaga, Palma de Mallorca, Sevilla, Valencia and Zaragoza. Today Spain invests in infrastructure and services renewal of two of its most important airports (PROECUADOR, Commercial Card, 2011, p. 38).

Illustration No. 73: Spanish Airports



Taken from:

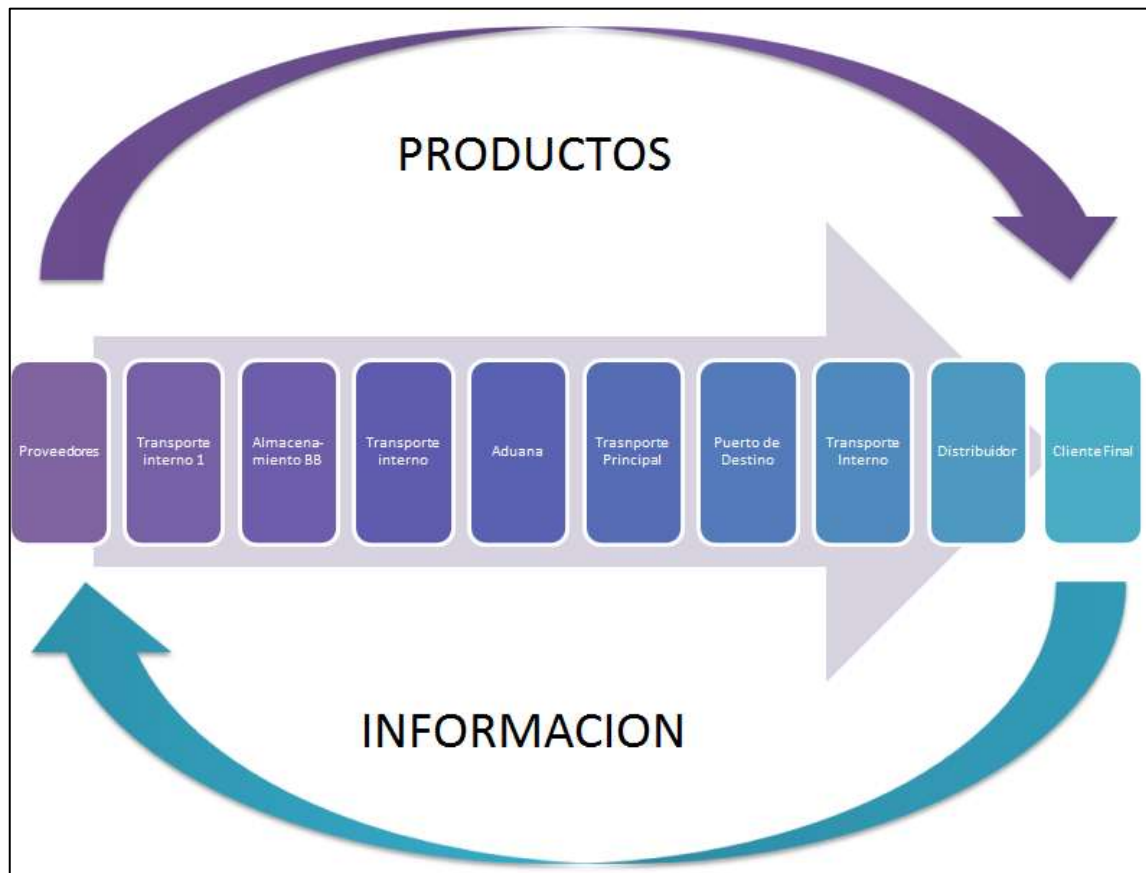
<http://www.investinspain.org/icex/cma/contentTypes/common/records/viewDocument/0,,00.bin?doc=4326195>

4.5. Logistics Chain of Blue Brand

4.5.1. General logistic map

The following map summarizes the general logistics of Blue Brand Co. Ltd.

Illustration No. 74: Logistic Map



Elaborated by the author.

1.5.2. Stakeholders involved in the IPD

Table No. 36 Main IPD Actors of Blue Brand			
Commercial Environment		Operational Environment	
Government Institutions	Private Organizations	Users	Providers
Ministries : Ministry of Foreign Affairs, Trade and Integration	Chambers and Associations: Fedexpor, Chamber of Commerce and Chamber of Industries. Association with CIDAP	Exporter: Blue Brand	Packers: Blue Brand
Customs: Custom of Ecuador and Spain		Importer: Industrias Sombrereras Españolas	Containers Operation: Consigned to CONTECON, Port of Guayaquil.
Promotion Organization: Proecuador		Marketer: Industrias Sombrereras Españolas	Storage-Warehouse: CONTECON
			Port Operations: Consigned to COMAR
			Transportation: Internal: Ortiz Transport. Main: Schryver from Ecuador
	Insurers: AC Seguros Ecuador		
	Agents: COMAR		
			Banks: Banco Pichincha

Elaborated by the author

1.6. Logistics Strategies

- Time commitment deliveries: have dates and times clearly identified with the different actors of the IPD.

- Continuous improvement of the forecast system: through ongoing communication with the distributor, improve demand forecasting in quantity, product specification and times.
- Inventory Management: General strategy of JIT.
- Get services of physical distribution from providers with experience to improve cost and time.
- Manage direct shipments with the distributor: In other words, eliminate unnecessary stores.
- Systematic management orders: To establish the method for handling and order processing.
- Maintain levels of flexibility in unexpected situations.
- Make strategic alliances with carriers and agents. (Schryver, Transportes Ortiz, COMAR).

Conclusions

Proper planning of international logistics for Blue Brand is vital mainly in two aspects: it ensures cost savings and allows risk reduction. Cost savings are achieved through strategies such as JIT inventory that reduce excessive storage costs or detained products in the production chain. Furthermore, the correct selection of the actors in the IPD processes let lowers costs, and contributes to reduce the risk.

Among other important aspects for reducing risks within the supply chain, we find the seasonal forecast and the continuous review of the Lead Time. This reduces the possibility of being in divergence with the demand, and having excessive times that affect this demand. All this is complemented by the continual flow of information from the distributor to Blue Brand.

Regarding logistical access, the analysis shows favorable conditions for export. Ecuador has developing ports, yet with good access to the international sea that foster maritime trade. The equipment and facilities complete the requirements for export. In the case of Spain, the infrastructure, equipment and intra-port connections, facilitate the import. We find modern installations and facilities to transport goods from port to any part of Spain through the railway or road.

As a key part of the Export Plan, the international logistics analysis shows the feasibility of bringing products from Blue Brand to Spain in favorable conditions in the frame risk-cost-time.

CONCLUSIONS

The beauty and functionality of *toquilla* hats are unquestionable. Achieving global recognition these days, their history goes back to ancient periods preceding colonial times. It is apparent that their use began in the Manteña Confederation in the province of Manabí from where the tradition of the weaving expanded throughout the country and it was even exported to neighboring countries. This practice lived through boom years during the construction of the Panama Channel, when distant latitudes mistakenly began to demand the famous "Panama Hat" that could be seen in all the pictures of those days.

However, today Ecuador claims sovereignty over this craft. In recent years, its export has regained the strength that it once had in past decades and has reached top numbers mostly between 2009 and 2011. This has happened thanks to government support through various agencies and programs that have fostered its production and export. While at the same time fashion trends have provided the opportunity to expand the offer.

In response to this trend and great business opportunity, Blue Brand decides to start its export activities after finding its first commercial opportunity in 2010 when it provided the Ministry of Tourism of Ecuador 15000 hats with the slogan "Ecuador loves life." To ensure the start of a successful export activity, I proposed the development of this work focused on providing the necessary information about the product, the market, the marketing strategies, business needs and logistical requirements. In this research the main conclusions are presented in a similar order to the study made here below.

Regarding the traditional agricultural sector to which the *toquilla* production belongs, this study shows a positive development for the sector. It has different laws that promote its economic activity as the Law on the Promotion of Crafts and Small Industries, Law of Popular and Solidary Economy and the Law for Defense of the Artisan. Meanwhile, various programs facilitate the development of business activities of this sector allowing them to contribute to the national economy; these are run by several agencies such as the Undersecretary of Small companies and Handicrafts, the National Development Bank and the National Finance Corporation.

As mentioned earlier, the export growth of this product has been sustained in recent years, as is evidenced in statistical analysis of the Central Bank of Ecuador and other sources. The value of exports increased from 702.13 (thousands of dollars) to 4 597.26 (thousands of dollars) between 2005 and 2011. In the case of the target market, Spain, the positive trend has maintained this pattern; also, it imports more than 10% of the world total quota for this item.

This export boom has occurred thanks to the attractiveness of the exportable product. This is interesting because of the uniqueness of the product which due to its material, the toquilla straw, allows the creation of different models. It also has great malleability and finesse. It is adaptable in terms of prices as its finesse can be regulated. Furthermore, in all the cases is likely to be dyed in different colors and decorated with many different elements. Moreover, the production process proves its value as a handmade craft, having not less than 90% of processes performed entirely by hand.

Concerning the analysis of the company, it can be verified that its main competitive advantage is the sum of the availability of skilled labor, with the availability of human talent in the creative area. The company has suppliers from Biblián, Sigsig and Azogues and partners in various areas such as finishes (PAMAR) in Cuenca city. The main disadvantage of the company is the lack of experience in exporting. Blue Brand establishes as a general objective to conduct two annual exports and grow at an annual rate of 5%. Also, it seeks to provide fair prices to its suppliers and foster a professional development environment for its employees, with the core values of ethics, quality and creativity.

In an approach to the target market, the study reflects that bilateral relations remain strong in different areas. Among the general benefits in the commercial area is the verification of the application of the Generalized System of Preferences (GSP) by the European Union. This system, of which Ecuador is a beneficiary, gives developing countries duty exemptions or reduced tariffs on their exports. Therefore, the toquilla hats benefit from a 0% tariff.

The Spanish market has distinctive characteristics that must be taken into account when offering products and services. The study concludes that the main features include the aging population, the high rate of urban population, family units with few members, and the percentage of income assigned to spending on textiles (6%). It is

also clear that the Spanish consumer has similar characteristics to those of European consumers in general. These consumers are demanding about the quality of goods and services purchased while always looking to get the most out of their money. Moreover, they are interested in the information about the products they buy, looking for "more and better information" on packaging and labels.

On the other hand, Spain is a market that recognizes the diversity of products based on the characteristics of the materials used, environmental respect (the packaging must be recyclable), social responsibility, techniques and processes used in the production, and their origin. Regarding these perceptions, handicrafts have great opportunities.

Regarding the paperwork for imports, the most important considerations are related to the implementation of the new system VUE, or single window for exports. This enables the streamlining of processes and allows all the processing into a single entity. It is also important to consider that as in Ecuador, in Spain INCOTERMS 2010 are used to set the terms of the purchase agreement internationally. Also, international transfers are more common than credit letters.

There are key issues that represent challenges for Blue Brand. One of them is the Spanish economic crisis that has impacted not only sectors like real estate, but also in the general consumption. Given this, the study shows how Blue Brand must respond and on which sectors it should concentrate with the purpose of not endangering its operations.

After the analysis of the cost containment measures during the crisis, low consumption, and consumption trends in the area of textiles, the main findings are three. First, it is clear that the crisis is reflected in the consumption of textiles but especially in sectors with low and middle income. As a result, Blue Brand should not focus its offer on these sectors. Moreover, the second key issue is the valuation loss in characteristics that were highly prized before. This is an interesting case because we can see that the interest in "green" or ethical manufacturing has lost importance when purchasing. Also, issues such as marks over issues as quality-price. Thirdly the cost containment measures and close observation of the value/price will be features that will remain even after the crisis.

While these external factors are fundamental, the internal factors that affect the activities of Blue Brand cannot be put aside. On the one hand there is strong government support, through various institutions and programs. This is complemented by the availability of labor, raw materials and related services. In response to positive factors, Blue Brand can take the opportunity planning a strategic marketing that would change to their favor the four Ps proposed by Kotler product, price, place and promotion. First the product, according to market requirements, should provide novel features and focuses on the latest fashion trends. For this, affordable fashion forecast tools are established for the company. Regarding the second P: place, the company is able to structure a short channel to take advantage of the expertise of a single distributor on destination with great experience and reputation.

Continuing with the strategic implementation of the four Ps in marketing it can be found that in terms of price, the most effective strategy is to keep the same prices and offer greater value. Furthermore, in terms of promotion, everything revolves around the image and product differentiation. Blue Brand must differentiate itself from competitors as a leading company in fashion accessories, for this, the company plans clear strategies focused under this precept to take full advantage of online marketing opportunities without neglecting public relations.

In terms of marketing planning, the study is complemented by the development of simple strategies for each objective as growth, profitability, positioning, etc., and without leaving aside the importance of providing both suppliers and distributors additional advantages for their collaboration with the company. All these strategies are based on key ideas such as differentiation, JIT inventory, technologies based on internet, and others.

A proper planning of international logistics for Blue Brand is vital mainly in two aspects: it ensures cost savings and allows risk reduction. Cost savings are achieved through strategies such as JIT inventory that reduce costs of excessive storage or products detained in the production chain. Also, the right selection of the actors in the IPD processes lowers costs, and contributes to reduce the risk. Among other important aspects for reducing risks within the supply chain, we find the seasons Forecast and the ongoing review of the Lead Time. This reduces the possibility of being in disagreement

with the demand, and otherwise having excessive times that affect this demand. All this goes together with the continual flow of information from the distributor to Blue Brand.

For logistical access the conditions are favorable for exportation. Ecuador has developing ports, however with good access to the international sea. The equipment and facilities accomplish the requirements for an efficient export. In the case of Spain, the infrastructure, equipment and intra-port connections, facilitate the import. There are modern installations and facilities to transport goods from the port to any part of Spain through the railway network or road.

In general the conditions to enter the Spanish market and start the exporting activity are favorable if these are planned and according to the investigation. It is necessary to consider the image differentiation of the company, the use of a short distribution channel, the optimal management of suppliers and the use of labor and human talent available. It is also important to keep clear the importance of directing the supply to an economic sector that has not been the most affected in the target market after a severe economic crisis and always considering its particularities. Blue Brand can take advantage of a business opportunity that certainly revalues a national handicraft of great beauty.

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