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Comparative analysis of the purchase of Medium Density Particleboard with Melamine in national and international markets. The case of IMPORQUIVI Cía. Ltda.

Graduation project for the degree in International Studies with a concentration in Bilingual Foreign Commerce

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Dedication

The following graduation thesis is dedicated to my family, who have given me unconditional support and motivation to achieve my goals.

Acknowledgments

In the first place, I thank God for giving me a life filled with health and happiness. To my parents, whose example has shown me that despite the obstacles, we can never give up. To my classmates, for making my time at university so happy. To my professors, for their patience and good energy while sharing their knowledge. To my thesis director, who has been my guide throughout the development of this work. Thank you to all of the people who has been a part of my life these past 4 years of university, without doubt you are the best company I could have asked for.

Abstract

This project will analyze the situation of the company IMPORQUIVI Cia. Ltda. in regards to purchasing "Medium Density Melamine Particleboard" in national and international markets. By comparing information and statistical data on this product we can find the market that offers the greatest benefit to the development and growth of the company.

Key Words:

IMPORQUIVI Cía. Ltda.

MDP with Melamine

National Market

International Market

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Introduction

The following graduation thesis is elaborated with the purpose of reaching a fundamental point in the process of university education. Furthermore, throughout the development of this thesis the answers to uncertainties can be found about everything that was put forth during its elaboration. The first chapter contains the history of the company IMPORQUIVI Cía. Ltda., followed by Chapter 2, in which the supply of Melamine Particle Board by national producers is analyzed. The third chapter analyzes the purchase of Melamine Particle Board in the international market, and finally, Chapter 4 makes a comparative analysis between the purchase of Melamine Particle Board in the national and international markets.

This graduation thesis was developed using several methods: statistic data, interviews with the manager of the company Imporquivi Cía. Ltda., and information was gathered from secondary sources, which permitted a more realistic understanding of the situation confronted by the company and to gather better conclusions.

Chapter 1. The company IMPORQUIVI Cía. Ltda.

Introduction

The for-profit companies dedicated to commercialize products generally looking for providers with whom they can maintain a good financial relationship through which they can gain greater benefits and increase profitability and scalability.

Thanks to foreign commerce, options can be found not only in the national market but across borders. Current negotiations between different countries show that the world is moving towards an economic system that benefits the strengthening of international business. (Hill, 2001)

In the theory of absolute advantage, Adam Smith tells us the following: "When a foreign country can offer merchandise cheaper than what it costs us, it will be better to buy than to produce it, exchanging it for part of our own economic activity, put to use in those sectors in which we have the advantage of over the foreign" (Gonzales, 1993). As an example of that we have the Cuencan company IMPORQUIVI Cía. Ltda., which began commercializing national products and now is dedicated to importation.

1.1 The history of the company.

The company Imporquivi Cía. Ltda. was founded in 1984, in the city of Cuenca. Its founder was the engineer Lauro Belisario Quizhpe Quizhpe. In the beginning, the company dedicated to commercialize parquet flooring and wood tablets, exclusively Triplex¹, depending on a single national provider, the company Arboriente S.A.²

Wood is highly valued by the Cuencan carpenter. It is used for making furniture as well as in construction of ceilings and floors.

¹ Triplex - Wooden tablets made of plywood glued in thin, transversal sheets. The standard size is 1.22x2.44m, and can be found in varying thicknesses.

² Arboriente S.A.: "Anonymous partnership legally formed in 1978, dedicated to the production of plywood boards, known as Triplex, located in the city of Puyo, Pastaza Province" (Arboriente, 2015).

The first store established by Imporquivi Cía. Ltda. was located on Huayna Capac and Lamar streets. Its immediate competition was from the stores of Mr. Rodrigo Figueroa, Roberto Andrade, among others who had more experience in the Cuencan market.

After high demand of the product and the supply of a national company called CODESA³ (wood manufacturers from the Pelikano group), it was deemed necessary to increase the portfolio of Triplex thicknesses, as well as a variety of wood boards. Therefore, the company began commercializing a new product called Aglomerado⁴ (particle board), which was supplied by CODESA.

The introduction of the new product to the market was managed by a technician sent by CODESA, the supplier company, and the founder of Imporquivi Cía. Ltda. It was a complex process; however, the fusion of expertise on the product and the identification of clients made it possible. At the same time, it became necessary to expand the variety of products with accessories complementary to the making of furniture.

Everything previously mentioned benefitted Imporquivi Cía. Ltda., since having a new product and the help of a specialized technician in the field allowed the company to capture a greater part of the market and expand.

By 1994, the company Novopan del Ecuador - CODESA decided to commercialize its products under its own name, and opened a sales venue in the city called "Distablasa". This was the first wood business that arrived in Cuenca as part of a national franchise, commercializing a variety of products, among them: were Triplex, Particle Board, and Melamine Particle Board⁵. It is worth mentioning that some of the products they offered had already been introduced and accepted in the Cuencan market.

³ CODESA. - Contrachapados de Esmeraldas S.A.

⁴ Aglomerado (particle board)- Sheets of wood made up of small and equally sized particles, both in the exterior as well as the interior

⁵ Melamine Particle Board. - Boards made of wood particles, with the surface impregnated with melamine resins.

Once CODESA owned its own distributor in Cuenca, it did not make business sense for it to continue providing and helping other companies in the same city (Imporquivi Cía Ltda.), since its main objective was to take over the entire wood market. It was clear to Novopan del Ecuador that if a sub-distributor was able to use and commercialize its products, the growth of its own brand was assured. In consequence, Imporquivi Cía. Ltda. was directly affected, since its main provider of prime material broke off business relations with the company.

The decision to look for a new provider was made immediately and once again was done within the national market. They went to a group of wooden board manufacturers called Durini (who commercialized products through Edimca), a company founded by the manufacturers Aglomerados Cotopaxi-ACOSA S.A., a company dedicated to the production of particle board and MDF⁶, and Endesa and Botrosa, manufacturers of plywood⁷, decorative locks, among other products.

Durini was owner of several businesses, each of which was dedicated to producing a different kind of wood, MDF, Triplex, Particle Board, Melamine Particle Board, and veneered MDF. This meant that Imporquivi Cía. Ltda. experienced a 50% increase in its portfolio. With the new provider they were able to improve commercial relations, a better contract, and better methods of payment with long-term credit.

The consequences were positive: an increase in sales, an increase in the market share in Cuenca and even the sub-distribution of products outside of Cuenca. At that time Imporquivi Cía. Ltda. could compete with Distablasa.

As a part of the support provided by Durini to Imporquivi Cía. Ltda, a technician was sent, the architect Pablo Costain Chang, who would help introduce each of the products to be commercialized. Technical visits were made to various workshops, run by Mr. Costain and Mr. Quizhpe. Thanks to that, they were able to increase the understanding of the products and directly perceive the problems that the workshops faced. Through client trainings, a close bond was created with them, since they

⁶ MDF.- Medium Density Fiberboard.

⁷ Plywood: Boards of MDF with a sheet of wooden locks glued to each side.

demonstrated to the clients that beyond providing a product, Imporquivi Cía. Ltda. provided services and assessment to improve their working techniques.

For the next 10 years Imporquivi Cía. Ltda. worked with Durini as its sole provider of wood, it was considered the largest client in the Ecuadorian South, according to the figures of Durini's sales to Imporquivi Cía. Ltda.

In 2002, the transnational company Placacentro Masisa arrived in Ecuador: "A company founded in Chile in 1960, dedicated to the commercialization of wooden boards to various countries in Latin America, among them Brazil, Chile, Argentina, Colombia, Peru, Mexico and Venezuela" (MASISA, 2015). That same year, it spread to Ecuador's main cities. In Cuenca, Mr. Roberto Figueroa acquired the Placacentro Masisa franchise.

Following these events, the situation in Cuenca in regards to wood commerce was the following:

1. **Distablasa**: Direct distributor of Novopan del Ecuador-CODESA.
2. Familia Figueroa: Owners of the **Placacentro Masisa** franchise in Cuenca.
3. Imporquivi Cía Ltda.: Supported by the company **Edimca-Durini**.
4. Familia Andrade: Kept relations with several companies.

The three big sellers of wood in Ecuador were present in Cuenca. With this scenario, the Durini company increased its support to Imporquivi Cía. Ltda., since one way or another, it defended its products in the Cuencan market.

In 2005, after analyzing the homogeneity of the competition's portfolio of products, the idea of importation began to emerge. New products were sought out that would allow differentiation from the others. However, the priority was still to be a national provider. The first importations were of floating floors from Austria and iron fittings from Brazil. As a consequence of lack of experience, the importation of floating floors brought problems, despite its excellent quality, the price was too high. A factor that aggravated the situation was that floating floors were offered in Cuenca, of Chinese origin, at low costs. This led to the company abandoning the commercialization of floating floors and focusing its efforts solely on wood.

In 2009, Durini decided to open its own distribution center in Cuenca called "Edimca". This left Imporquivi Cía. Ltda. to once again face a crisis: its only wood provider would once again become its primary competition. One difference from the previous experience was that in this case, they would not break off business relations. Edimca would continue to be the company's provider.

At first there were no inconveniences; business relations with Edimca stayed the same. However, as time passed there were strong disagreements. The companies (Imporquivi Cía. Ltda. and Edimca) were after the same market segment, offered the same products and from the same brands. However, and for obvious reasons, Edimca had the following market advantages:

- Its brand was new in Cuenca's market but carpenters already knew Edimca's products.
- Edimca possessed the information in the Imporquivi Cía. Ltda. client data base, obtained during past technical visits.
- It had the power to offer lower prices.

This is when the restrictions on Imporquivi Cía. Ltda., who despite building a reliable image, had to face the new business contract and its sales conditions: 1) Limited purchasing access, 2) Shortened terms of credit, 3) prices that were often the same or higher compared to those that Edimca offered to the final consumer.

Durini had to give full support to its direct distributor, the company Edimca, and there was no better way to do it than by limiting one of its primary competitors and interrupting its growth. Imporquivi Cía. Ltda. found itself at a disadvantage by depending completely and directly on its provider.

1.2 Reasons why the company decided to import.

The impulse that led the company to look for international providers came from its previous experiences. Imporquivi Cía. Ltda. understood that wood manufacturers in Ecuador have their own distributors and sold their products exclusively through

them. Furthermore, they had no interest in helping the growth of other distributors that were not associated with them. The support given to Imporquivi Cía. Ltda. turned out to be a double-edged sword. On one hand there were the benefits of knowledge and assessments gained from the technicians sent by Durini an Novopan del Ecuador, but on the other hand the main benefit was taken away by the bigger companies: the client data base. This tool facilitated their work and strengthened their advantage: control over the final sales price.

The situation was clear. Novopan del Ecuador commercialized its products through Distablasa, Durini through Edimca, and Masisa through Placacentro Masisa. Imporquivi Cía. Ltda. tried to negotiate directly with the manufacturers, such as Aglomerados Cotopaxi or Novopan del Ecuador without any success, since their policies were established and they could not put their direct distributors aside.

Within this context, it was not possible to compete against the only companies that could provide material at a national level. To try and renegotiate would mean coming to a stand still, which is why, for lack of a better option, the company continued to work with Edimca under the conditions and limitations it imposed.

The way prices were managed did not permit Imporquivi Cía. Ltda. to grow; they were almost the same as the prices that Edimca offered directly to furniture workshops. Volumes of sales were limited and the delivery of merchandise took longer to be done.

In 2009, Imporquivi Cía. Ltda. changed direction and was renamed "Importadora y Distribuidora de Tableros de Madera, Imporquivi Cía. Ltda." (Importer and Distributor of Wooden Boards, Imporquivi Cía. Ltda.). The company began its first importation of raw MDF, a product that represented 77% of the company's sales, from the Chilean manufacturer "Polincay".

To start off the company imported a single container, in order to try the Cuencan market and introduce the product. Despite being a very similar product, there were small differences in quality and form of the boards, which ended up not being an impediment, since the product was accepted in the market.

The lack of national providers and the search for products in the international market helped to start a new phase in the company, in which it proved it could be more competitive offering imported products. By 2010, the company had gained four new providers: for MDF there was Berneck S.A., Fibraplac from Brazil and Polincay from Chile, for Triplex there was Eagon Laurano S.A., and for Veneered MDF there was EPA Ltda.⁸ from Chile.

A point on favor of Imporquivi Cía. Ltda. was the position of its brand in the market, due to its long trajectory and experience in the commercialization of wood in Cuenca. Furthermore, it is worth mentioning that since the company began importing it could be more competitive because it had better prices than those found in the national market.

Due to the company diminishing its purchases in the national market and increasing sales of its imported products, there was a negative reaction from its national provider Edimca. They decided to completely stop distributing all of their products to Imporquivi Cía. Ltda. That is how the search for international providers became the principal priority for the company. Imporquivi Cía. Ltda. understood that it needed to find products of greater value in order to face ever-increasing competition and stop depending on national manufacturers. In 2012, the company began business relations with Placacentro Masisa, principally related to MDF products, with which it worked only that year.

Towards the end of 2012, Imporquivi Cía. Ltda. began to work with the Colombian manufacturer Tablemac, which offered only distribution of MDF, and the following year an exclusive range of Melamine Particle Board in various colors, which was a tempting offer since Melamine Particle Board was a product the company had not been able to acquire until then and with which it had lost on a great part of the Cuencan market.

⁸ EPA.- Enchapadora de Paneles y Maderas

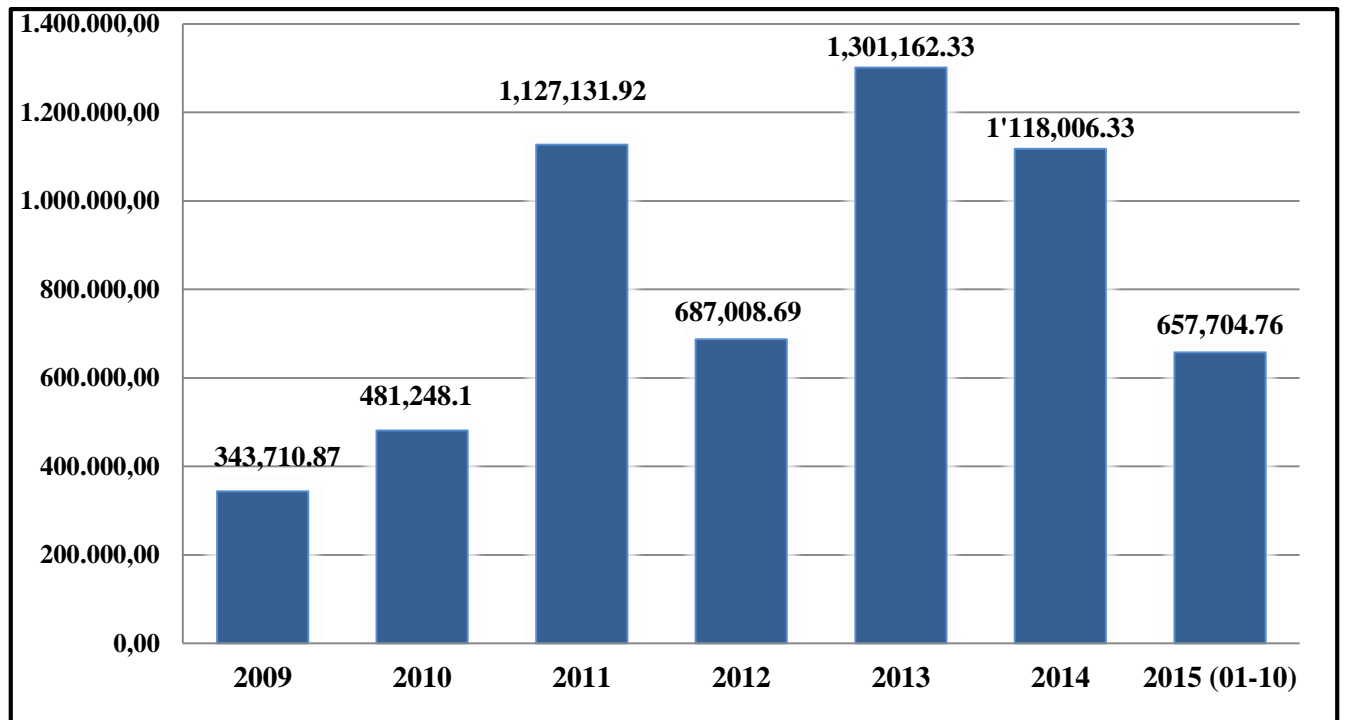
Imporquivi Cía. Ltda. was already established as one of the biggest wood distributors in Cuenca, carrying products that though of international origin were sold under the company's brand. The portfolios of wood distributors were very similar, so it was not enough to just sell a product. That was why the company started to offer services that made carpenters' work easier.

In regards to the company, it implemented a software program that aided the optimization of measurements, Corte Certo, and machinery for cutting, veneering and hinging boards. The inversion in machinery was of vital importance because products like Melamine Particle Board need all four services 90% of the time.

It is worth emphasizing that in 2014, the company once again took up business relations with a national provider, Distablasa, which offered Melamine Particle Board at a lower price than what could be found in the international market. It was convenient to begin working with them again. Said event showed Imporquivi Cía. Ltda. how worried the competition was about the success of introducing new products into the market and increasing sales due to importations, which generated the modification of prices with the aim that the company stop importing and start commercializing its products.

The product that represented the biggest source of income to the company and its inventory, and furthermore the most highly rotated, was MDF. The growth of the company is due in great part to the importation and commercialization of this product; thanks to it the company's brand was able to position itself even further in the market. When the company acquired this product in the national market it had a tendency to increase in price every year. From 2009, the product's price stagnated, and consequently companies started focusing on increasing services complimentary to the MDF.

**Graph 1: Annual Importations of MDF (Thousands of Dollars) (FOB)
(2009- October 2015)**



**Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina**

In Graph 1 it can be seen the amounts of MDF the company imported annually, in all its density, since the company began its importations in 2009, up to the month of October in 2015.

From 2010 to 2011, importations increased 134%, taking into account that Imporquivi Cía. Ltda. did not have a national provider. However, in 2012 importations decreased, exactly because that year the company began to once more buy products in the national market from Placacentro Masisa.

In 2013, importations increased by 89% and this was the year that showed the greatest level of imports of this product, mainly due to the fact that sales of MDF expanded from Cuenca to other cities.

Statistical data has been extracted from Cobus Group, "the only professionals organization dedicated to providing complete information and business contacts to Latin America and Spain, on which Mercosur statistics, as well as Bolivia, Chile, Colombia, El Salvador, Spain, Peru, Mexico, and Costa Rica." (Cobus Group)

Table 1. Percentage of Imporquivi Cía. Ltda.'s Annual Imports represented by MDF (Thousands of Dollars) (FOB) (2009- October 2015)

Percentage of Imporquivi Cía. Ltda.'s Annual Imports represented by MDF (Thousands of Dollars) (FOB)			
Year	Total Imports	Imports of MDF	Percentage of Imports represented by MDF
2009	458,412.00	343,710.87	75%
2010	639,348.69	481,248.1	75%
2011	1,284,031.95	1,127,131.92	88%
2012	808,683.91	687,008.69	85%
2013	1,870,144.12	1,301,162.33	70%
2014	1,619,602.24	1,118,006.33	69%
2015 (01-10)	1,327,162.41	657,704.76	50%

Source: Cobus Group

Created by: Quizhpe Vimos Daniela Cristina

As Table 1 confirms, MDF represented the highest percentage of the company's imports. It should be stressed that since 2013, the company began to import other products, such as OSB, boards of radiata pine and Melamine Particle Board, which is why the MDF imports began to decline.

**Table 2. Ecuador Importation of MDF boards
(Thousands of Dollars) (FOB) (2014)**

Ecuador Importation of MDF boards		
Importer Companies	2014	Share
Bosques Tropicales	489,595	3%
Masisa Ecuador	6,127,930	37.60%
Imporquivi Cía. Ltda.	1,100,714	6.80%
Empresa Durini	1,233,028	7.60%
Enchapes Decorativos	586,999	3.60%
Provedora de Madera y Materiales	2,789,713	17.10%
Novopan del Ecuador	3,061,025	18.80%
Otros	917,414	5.60%
Total	16,306,418	100%

Source: Notifix/Sisduan

Created by: Notifix

As it can be seen in Table 2, in 2014, Imporquivi Cía. Ltda. was fifth among MDF importers in Ecuador, representing 6.8%. The table was obtained from an online news source from Colombia called Notifix, "Where you can find data, news, and facts on the Furniture and Wood Industry. Information that can be used to make informed decisions from the Latin American perspective but without losing sight of the global setting." (Notifix, 2013)

1.3 Public Policies established by the Government.

The company took a hard hit in 2015 when Ecuador's public policies changed and a new norm became valid producing modifications in the rules for importing certain products. According to Resolution Nu. 011-2015 of the Chamber of Foreign Commerce, MDF would be subject to a temporary tax of 45% upon importation, starting 11 March 2015.

Table 3. List de products and its respective tariff (2015)

List de products and its respective tariff			
SUBHEADIN G	DESCRIPTION	TARIFF RATE	OBSERVATIONS ON TARIFF RATE
4401310000	-- <<Wooden pallets	45%	
4401390000	-- The others	45%	
4406900000	- The others	45%	
4409101000	--Small boards and skirting boards for parquets, unassembled	45%	
4409102000	-- Wood molding	45%	
4411120000	-- Of thickness less than or equal to 5mm	45%	
4411130000	--Of thickness greater than 5mm but less than or equal to 9mm	45%	
4411140000	-- Of thickness greater than 9mm	45%	
4411920000	--Of density greater than 0.8g/cm3	45%	0% only for fiber boards of high density of thickness less than or equal to 4mm.
4411930000	--Of density greater than 0.5 g/cm3 but less than or equal to 0.8g/cm3	45%	0% only for wood fiber tablets of high density of a thickness less than or equal to 3.5mm
4411940000	--Of density less than or equal to 0.5g/cm3	45%	

**Source: Ministry of Foreign Commerce
Created by: Quizhpe Vimos Daniela Cristina**

Table 3 shows the subheadings pertinent to MDF and the corresponding tariff of each. The only exception was MDF with a thickness of 4mm or less, which is exempt from the above mentioned tariff.

With this panorama, new methods were sought to substitute the income that MDF represented to the company, since the new prices were not competitive market prices, especially in distribution to other cities, which decreased 90%. The importation of such product had decreased, as it can be seen in Graph 1.

In 2014, US\$1,118,006.03 of MDF were imported and in 2015 (from January-October), only US\$657,704.76. There was a decrease of 41%.

The product that became the highest moving for Imporquivi Cía. Ltda. and that was not affected by safeguard duties was Melamine Particle Board. Product with which the furniture manufacturing presents: greater ease and speed in its assembly, lower cost, less toxic and is more hygienic. The manufacturers of said product were, and are, Distablasa and Tablemac.

On one hand, Distablasa held an advantage in regards to price (for a short time) and on the other, Tablemac had boards in exclusive colors. It is important to mention that this product needs extra services, cut veneer and hinged, which saves the carpenter time and, by owning the machinery for the previously mentioned amenities, allows the company to offer excellent customer service, a factor that sets one company apart from another.

In 2015, a new and very good offer was received from the company Duratex S.A., located in Brazil, providers of Melamine Particle Board, with which the company began to work and continues to work up to the present time.

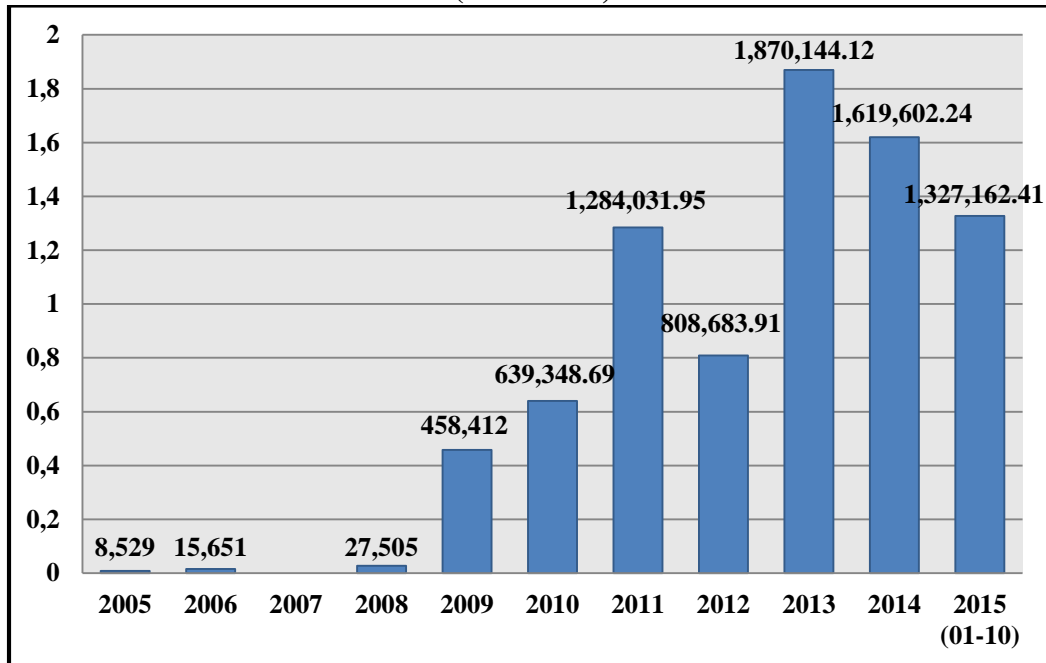
1.4 Growth of the company due to Imports.

Currently, the company imports 90% of its products and relies on providers from different countries, such as:

- Tablemac from Colombia, providers of MDF and Melamine Particle Board
- Berneck from Brazil, provider of MDF
- Timberni from Chile, provider of solid wood boards, Radiata Pine
- Louisiana Pacific from Chile and Brazil, provider of OSB
- Tece from Turkey, provider of wood Edgebanding and plate siding
- Duratex S.A. from Brazil, provider of Particle Board and Melamine Particle Board
- Distablasa, provider of Triplex, Veneered MDF and Melamine Particle Board
- Super Plywood from Ecuador, provider of Triplex
- Fibromaderas from Ecuador, who veneer MDF boards

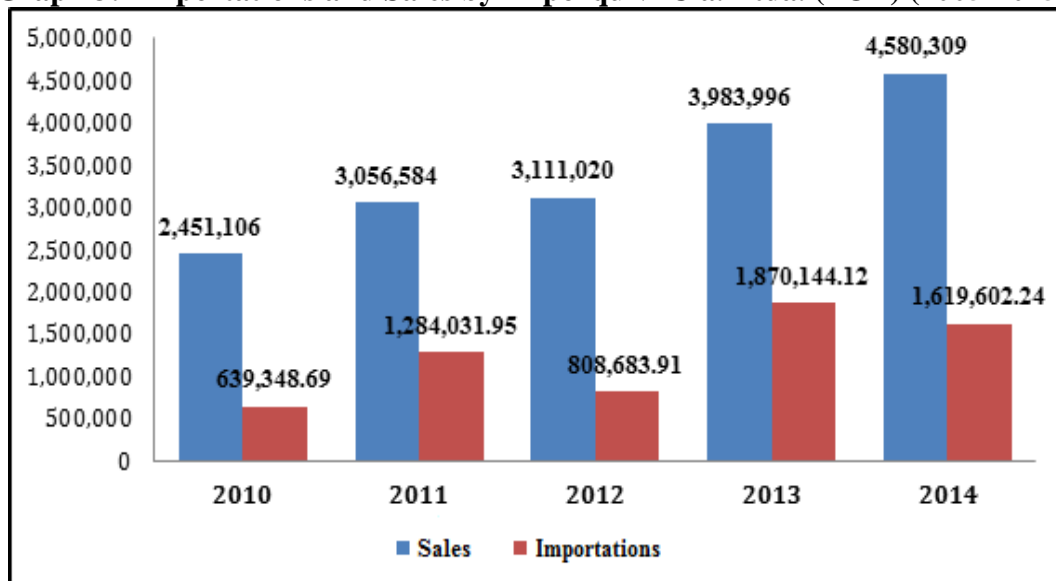
Importation has been a great opportunity for the company, by making it competitive, increasing profits, and lowering dependency on a national provider, allowing it to grow.

Graph 2: Importations by Imporquivi Cía. Ltda. (Thousands of Dollars) (FOB) (2005-2015)



Source: Cobus Group y Trade Nosis
Created by: Quizhpe Vimos Daniela Cristina

Graph 3: Importations and Sales by Imporquivi Cía. Ltda. (FOB) (2005-2015)



Source: Cobus Group y Trade Nosis
Created by: Quizhpe Vimos Daniela Cristina

**Table 4. Percentage of Annual Import Growth of Imporquivi. Cía. Ltda.
(Thousands of Dollars) (FOB)**

Percentage of Annual Import Growth of Imporquivi. Cía. Ltda. (Thousands of Dollars) (FOB)	
Year	Percentage of Annual Growth
2005-2006	83%
2006-2008	76%
2008-2009	1567%
2009-2010	39%
2010-2011	101%
2011-2012	-37%
2012-2013	131%
2013-2014	-13%
2014-2015 (01-10)	-18%

**Source: Cobus Group y Trade Nosis
Created by: Quizhpe Vimos Daniela Cristina**

**Table 5. Position of Imporquivi. Cía. Ltda. according to sales rankings of
Ecuadorian businesses (2010-2015)**

Position of Imporquivi. Cía. Ltda. according to sales rankings of Ecuadorian businesses (2010-2015)	
Año	Posición
2010	3484
2011	4057
2012	3707
2013	3763
2014	2951

**Source: Ekos El Portal de Negocios.
Created by: Quizhpe Vimos Daniela Cristina**

In order to better understand the growth of the company due to imports, we can analyze Graph 2 and Table 4, which show that the company increase its importations notably but has also experienced declines.

The greatest percentage is registered from 2008-2009, with growth of 1567%. The main reason for this sudden growth is that the company began its importation activities, buying mostly MDF. If the percentage of imports lowered in 2011, it was due to the necessity that emerged to acquire certain new products in the national

market. Another period of growth was seen in 2013, in which began the importation of Melamine Particle Board, which now represents the company's greatest profits.

Graph 3 shows that Imporquivi Cía Ltda., according to the ranking in Ekos Magazine in regards to sales by Ecuadorian companies, has reached a higher ranking over time. From 2010 to 2014, its position moved up 535 places and is now placed at #2951, which confirms the growth achieved by the company. Graph 3 shows Imporquivi Cía. Ltda. sales from the year 2010 to 2014, information that was taken from the Ecuadorian magazine Ekos, "Which gathers information, data, and puts those businesses on stage that are references in the Ecuadorian economy, since they have become the productive motor of Ecuador." (Ekos, 2015)

The needs of the company were affected many times by conditions generated by business relationships, as much with national providers as well as with international providers.

While it is true that with an international provider the company received better support, there were times that national businesses offered more advantages. It is worth noting that Imporquivi Cía. Ltda., with its imported products, represented competition to these big distributors. This is the reason why national businesses started to take away certain limits they had imposed and with that came better price offers to the company.

Commercial relations with national businesses had improved to a certain degree. However, there was still competitive friction, which caused problems during negotiations.

With all the information mentioned, it is necessary to create an analysis that shows what market offers greater benefits to the company. Taking into account all of the influencing factors and even the different experiences had by Imporquivi Cía. Ltda. For this analysis, the product that has been chosen was the Melamine Particle Board. This product is acquiring in the national and international markets.

Conclusion

Imporquivi Cía. Ltda. is a family-owned company that began its commercial activities with the sale of national products, working with larger businesses in Ecuador in the wood industry. However, different obstacles led it to seek out different opportunities with international providers.

Through the importation of products, the company achieved competitiveness and remains among one of the most important distributors of wood products in the city of Cuenca. Unfortunately, the needs the company has acquired have taken it from a dependence on the national to the international market. However, it is necessary to analyze commercial relations with both national and international providers, with the goal of finding out which market is more beneficial in order to continue negotiations.

Chapter 2. Analysis of the supply of Melamine Particle Board by producers in Ecuador.

Introduction

Melamine Particle Board is the product that most interests Imporquivi Cía. Ltda.; it is the product in which the company has invested the most machinery in order to offer better customer service, which has helped to increase sales.

In the national market, the only business that manufacture Melamine Particle Board are Aglomerados Cotopaxi (which commercializes its product through Edimca) and Novopan del Ecuador S.A. (which commercializes its product through Distablasa). These manufacturers have years of experience in the Ecuadorian market.

For this study, the situation of the manufacturers and their distributors will be analyzed. The commercial relations that Imporquivi Cía. Ltda. maintains with these two distributors of Melamine Particle Board will also be analyzed

2.1 Aglomerados Cotopaxi and Novopan del Ecuador: manufacturers of Melamine Particle Board.

In Ecuador there are only two manufacturing plants dedicated to the production of Melamine Particle Board: Novopan del Ecuador and Aglomerados Cotopaxi. The two companies have manufacturing headquarters in Quito and are the only companies that address national demand as well as all of the country's exports of Melamine Particle Board. It is worth mentioning that tariff subheading 441019, regarding the previously mentioned product, represents 0.37% of Ecuador's exportable products, without including crude oil. This is due to the increase in exportations over the past few years, information and data that will be later analyzed in regards to each manufacturer

Illustration 1: Ecuador's primary exportation products, excluding crude oil.

Ecuador's primary exportation products, excepting crude oil (Period 2003-2013)		
Subheading	Product	Percentage
080300	Bananas, fresh or dried.	19.04%
030613	Shrimp, lobster and other Natantian Decapods	8.43%
271019	Other fuels	8.17%
160414	Tunas, lisyados and sardines (Sarda spp.)	6.07%
060311	Roses	4.19%
180100	Cacao in granule, whole or halved, raw or roasted.	3.44%
160420	Other preparations and preserves of fish	2.82%
080390	Other bananas, dried.	2.77%
060310	Fresh produce	1.80%
710812	Other brute forms of gold	1.56%
270750	Other mixes of distilled aromatic hydrocarbons	1.54%
030617	Other shrimp, lobster and other Natantian Decapods	1.49%
151110	Brute palm oil	1.39%
210111	Extracts, eseness and concentrates	1.36%
870421	Other vehicles of a maximum total weight with load less than or igual to 5t	1.03%
230120	Flour, dust, and "pellets" of fish, crustaceans, mollusks or other marine invertebrates	0.99%
870323	Vehicles with cylinders greater than 1,500 cm3 but less than or equal to 3,000 cm3	0.96%
732111	Stoves that use gaseous fuels, or gas and other fuels	0.94%
060319	Other living plants and floriculture products	0.93%
200891	Hearts of palm	0.76%
870431	Vehicles with maximum load weighing less than or equal to 5t	0.76%
200980	Juice from any kind of fruit or vegetable (including "wild")	0.69%
030616	Shrimp, lobster and other cold water Natantian Decapods (Pandalus spp., Crangon crangon)	0.68%
440722	Ferrule, Imbuia and Balsa	0.58%
160413	Sardines, sardinellas and sprats	0.58%
870322	Cylinders greater than 1,000 cm3 but less than or equal to 1,500 cm3	0.56%
090111	Without decaffeinating	0.55%
151190	Other palm oils	0.55%
070410	Cauliflowers and broccolies	0.52%
080430	Pineapples (ananás)	0.42%
030419	Other filets of fish	0.40%
030429	Other fish meats	0.40%
740400	Copper wastes and rubbish	0.38%
441019	Other boards of wood	0.37%
240110	Tobacco not stemmed/stripped	0.35%
392020	Of propylene polymers	0.35%
401110	Of the kinds used in tourism automobiles (including the familiar kind break or station wagon and for racing)	0.35%
170490	Other kinds of sugars and baking products	0.34%
180400	Butter, grease and oil of cacao	0.34%
200799	Other preserves	0.33%
080450	Guavas, mangos y mangosteens	0.31%
151620	Greases and oils, vegetable and its fractions	0.31%
200899	Other preparations of vegetables	0.29%

Source: Secretaria General de ALADI

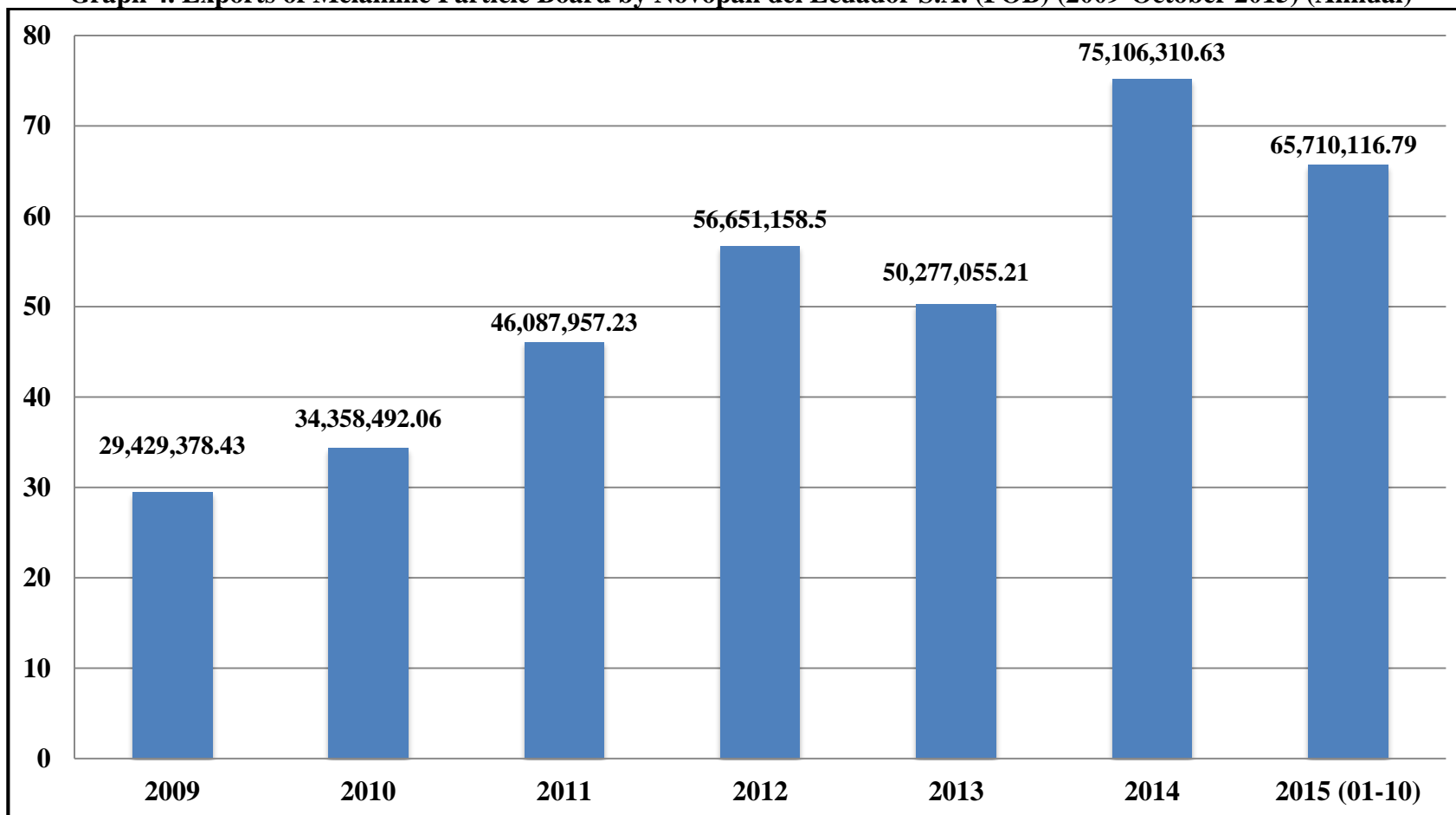
**Source: Secretaría General del ALADI
Created by: Quizhpe Vimos Daniela Cristin**

2.1.1 Situational analysis of Melamine Particle Board manufacturers in Ecuador.

Novopan de Ecuador S.A.

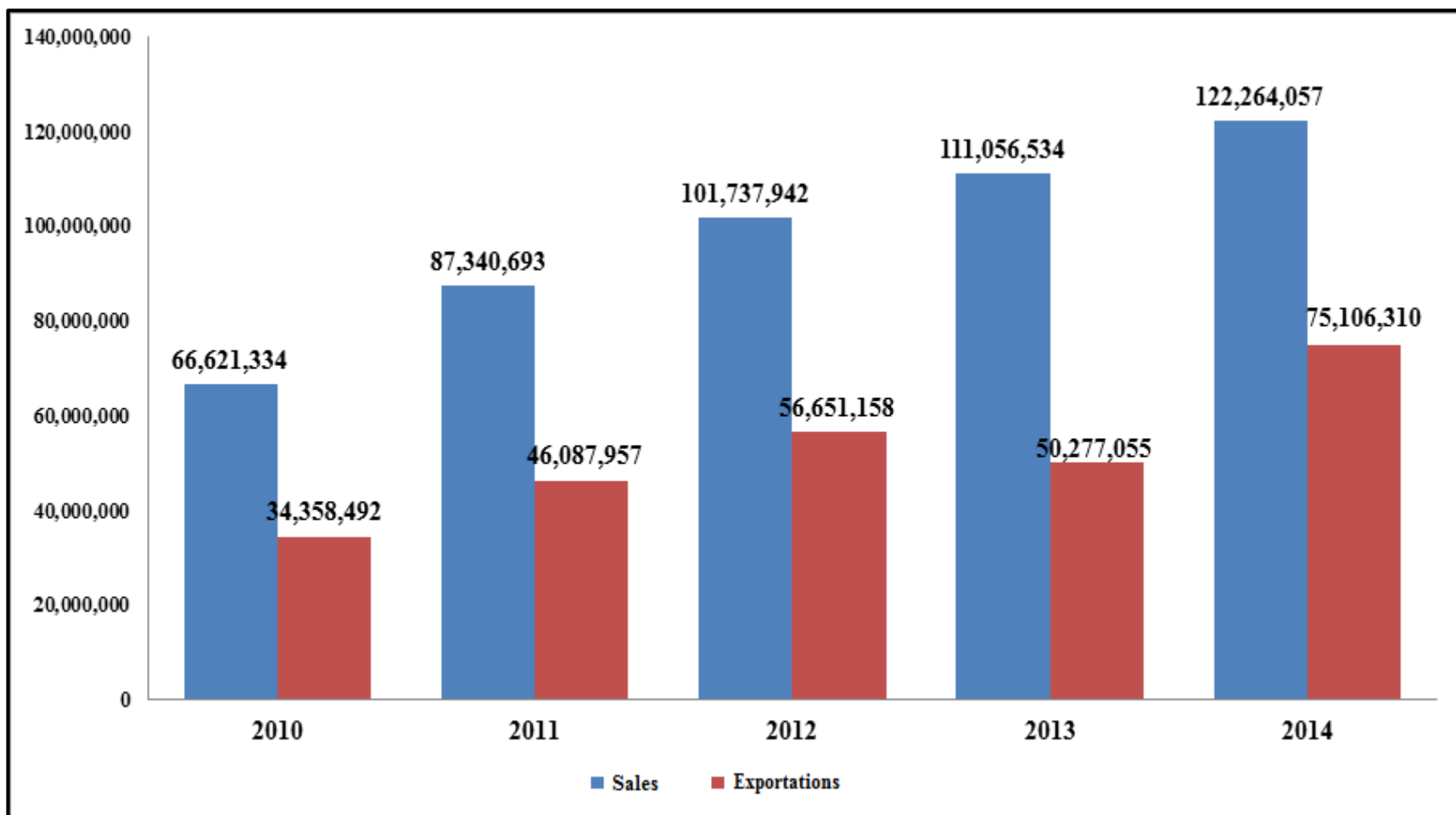
Novopan del Ecuador, originally named CODESA, started its first line of Melamines in 1996. According to the magazine Ekos and its Ecuadorian business ranking, due to its sales (taking into account the amount of sales up until 2014), Novopan is ranked in 153th place. "It is the biggest and most modern factory in the Andean Region, which sends a great part of its production to the international market, exporting products such as MDP and Melamine Particle Board to more than 13 countries" (Novopan del Ecuador S.A.).

Graph 4. Exports of Melamine Particle Board by Novopan del Ecuador S.A. (FOB) (2009-October 2015) (Annual)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Graph 5. Exports of Melamine Particle Board by Novopan del Ecuador S.A. (FOB) (2009-October 2015) (Annual)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Graph 4 gives a clear vision of Novopan del Ecuador's exports from 2009 up to October 2015. This data allows us to analyze the growth and declines that the manufacturer has experienced annually.

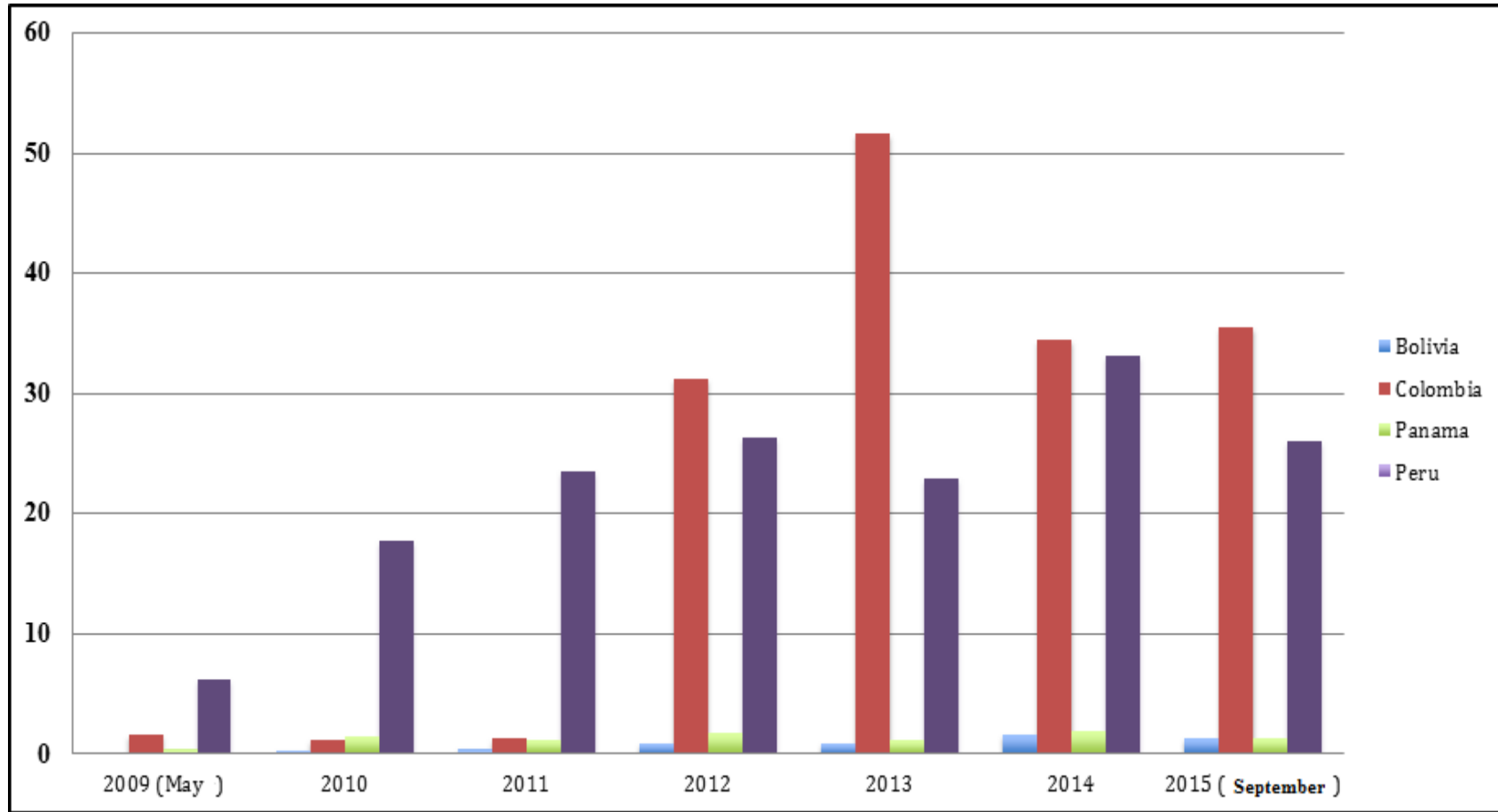
- In 2010, exports rose 16%
- 34% in 2011
- 22% in 2012
- In 2013, there was a decline of 11%
- In 2014, the situation changed and there was 49% growth
- In 2015, the growth analysis was done of the first three quarters since the data for the full year was not available. However, the analysis shows that growth from the 1st to 3rd quarters is 10%.

According to the article "Novopan increases its production capacity" in the magazine Notifix, the increase in exports is due to the enlargement of the production plant, since it was purported that in 2014 it would produce 400 boards an hour, a quantity that would help capture a larger market share.

In Graph 5 sales can be seen next to the annual exports of Novopan del Ecuador, from the year 2010 until 2014. The data is positive, since there was growth both in exports and in sales. The average rate of growth of sales is 17%. We can also observe the percentage that represents exports in total sales made by Novopan del Ecuador. In 2010 it was 51% and in 2014 it increased to 61%.

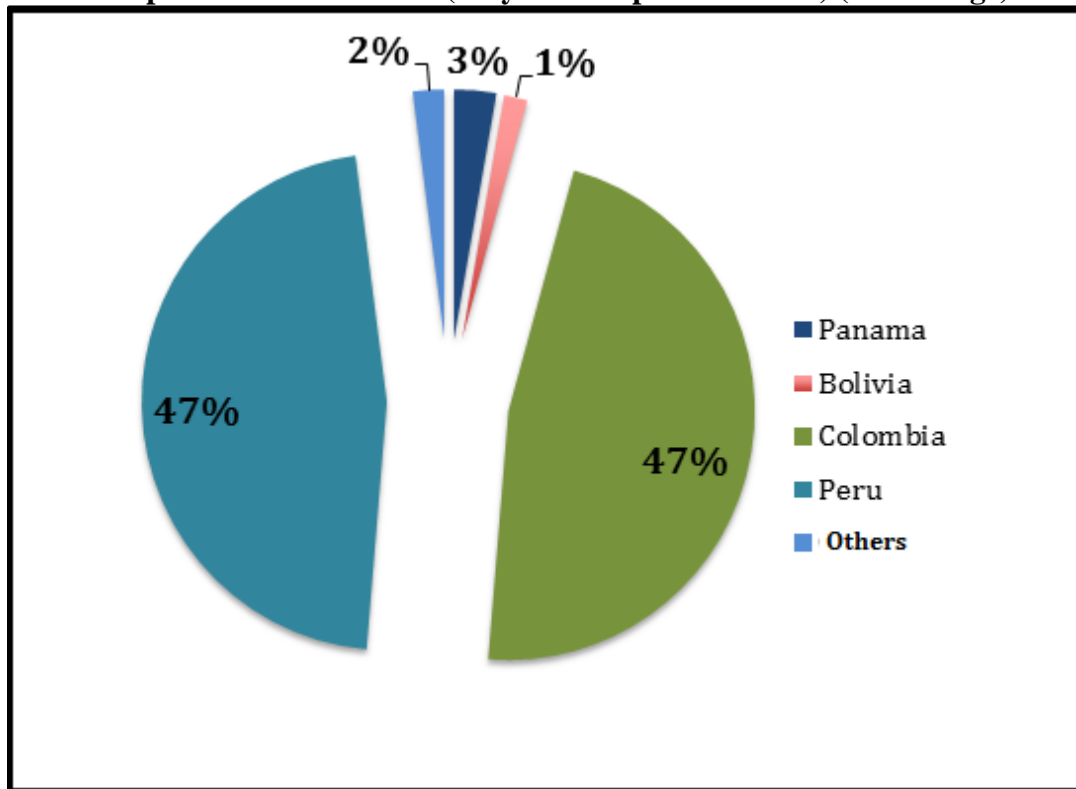
It is important to also analyze the scenario of the destinations to which Melamine Particle Board is sent. For that it is necessary to make a table that shows the main countries that form part of the commercialization of Melamine Particle Board.

**Graph 6. Exports of Melamine Particle Boards by Novopan del Ecuador S.A.
(FOB) (April 2009-September 2015) (Annual)**



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Graph 7. Percentage Representation of Exports of Melamine Particle Board by Novopan del Ecuador S.A. (May 2009-September 2015) (Percentage)



Source: Cobus Group

Created by: Quizhpe Vimos Daniela Cristina

Novopan del Ecuador S.A.'s exports can be seen in Graphs 4, 5, 6 and 7, which give a clear understanding of the development that the company has experienced from May 2009 to September 2015.

Graphs 6 and 7 show Novopan's primary markets in Ecuador. Among them are Peru, in first place, and Colombia with high percentage points of 47%. These are the top two on the list of countries that import the most Melamine Particle Board from Ecuador.

An interesting case is Bolivia. Despite its levels of importation, which can be seen in Graphs 6 and 7, it is a promising market. It began its importations of Melamine Particle Board from Ecuador in 2010 and each year it has had more presence, so much so that from 2013 to 2014 it increased its imports up to 82%. Analyzing and comparing the first three quarters of 2014 and 2015, it can be seen that imports have increased by 105%.

Among the reasons that explain this event is the growth in the Bolivian economy that goes hand in hand with the growth of the construction industry which grew 8.53% in 2014 due to residential constructions and the increase of public works. (Toro, 2014) In 2015, Bolivia was in the second place among countries with the greatest growth in the region. (Lazcano M., 2015)

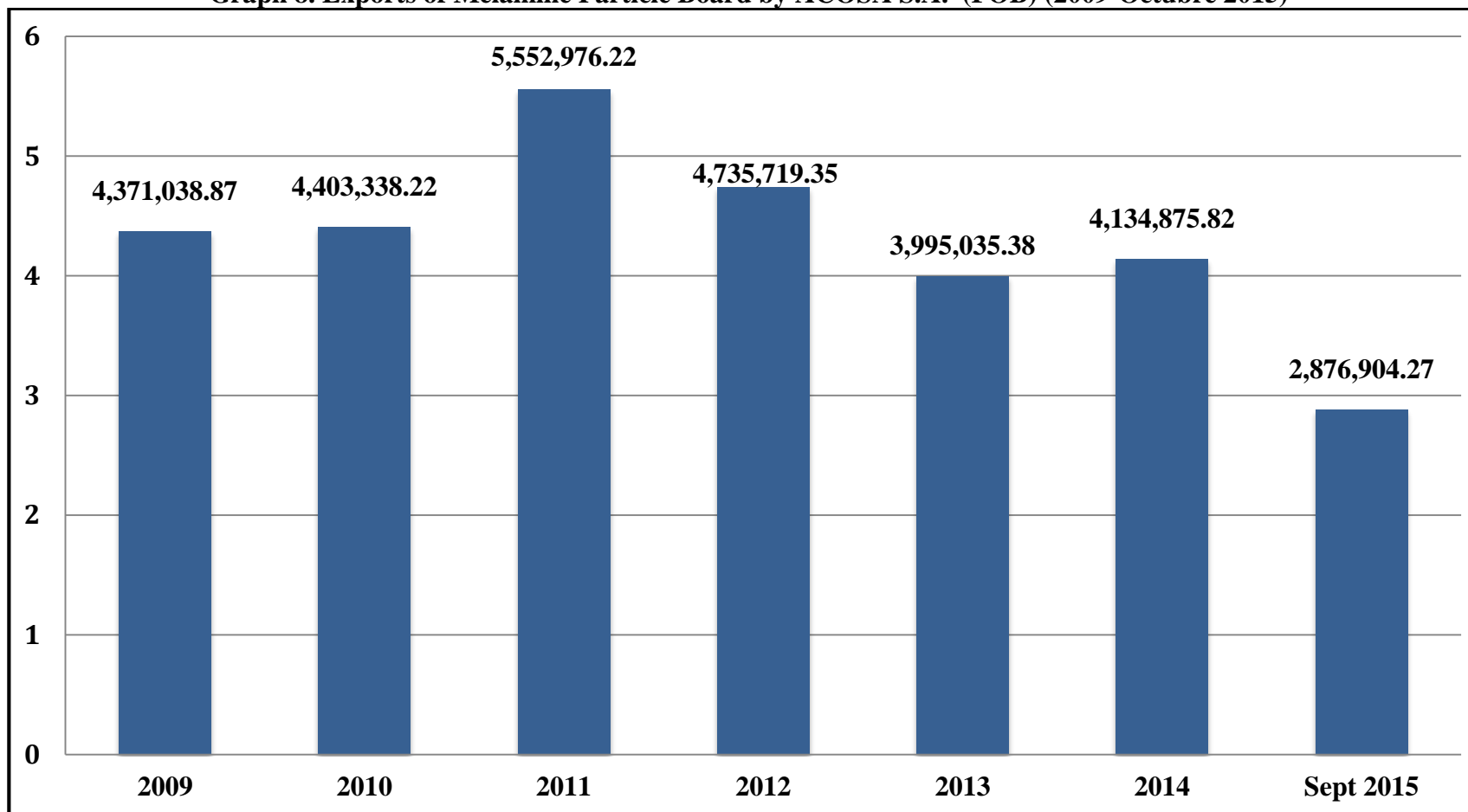
Panama, a Central American country, is also a significant market for Novopan del Ecuador in regards to Melamine Particle Board, since exports to this country increased by 61% between 2013 to 2014. As in the case of Bolivia, this is due to growth in the construction industry, which grew 7.5% between 2014 and 2015. In 2015, residential construction rates grew by 21.6% (Central América Data, 2016).

Finally, Graph 7 shows a group of "Others" that include the following countries: United States, El Salvador, Puerto Rico, Dominican Republic, Argentina, Mexico, Curaçao, Costa Rica, Jordan, Surinam, Venezuela, Holland and Guatemala.

Aglomerados Cotopaxi S.A. (ACOSA S.A.)

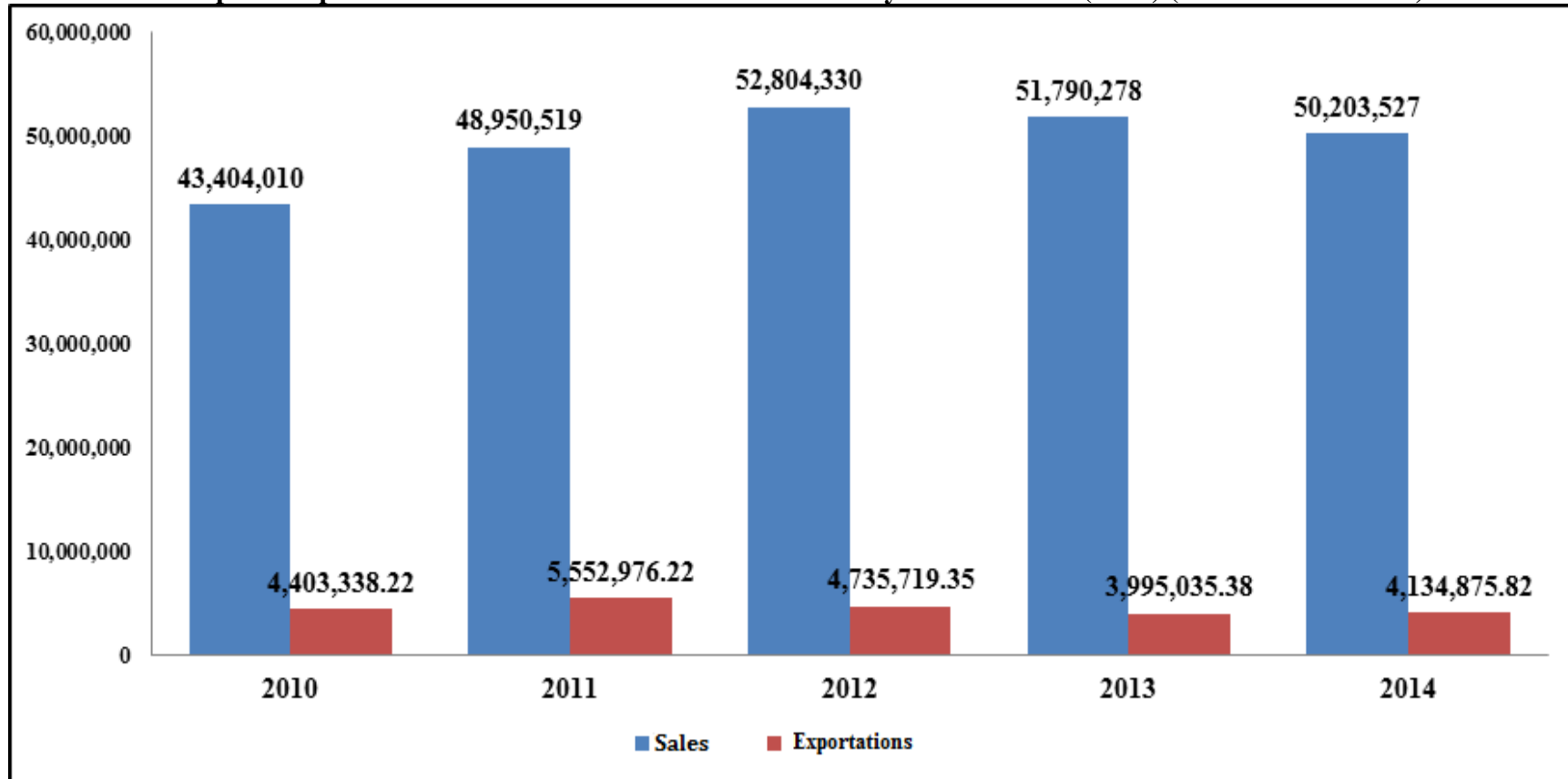
Aglomerados Cotopaxi S.A. forms part of DURINI's group of wood companies. It began its production plan in 1978 with Particle Board, but in 1996 it began its line of MDF (Aglomerado Cotopaxi). The magazine Ekos, in its ranking of Ecuadorian businesses according to sales, places the company at #376. In 2012, ACOSA S.A. acquired an entire company in Uruguay called Urupanel in order to increase its production and widen its market range for exports of Particle Board and MDF (Notifix, 2012). However, the company turned out not to be a good investment and went broke. In 2015, the company was bought by a Chilean firm called "Frutifor" (Observador, 2015).

Graph 8. Exports of Melamine Particle Board by ACOSA S.A. (FOB) (2009-October 2015)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Graph 9. Exports and Sales of Melamine Particle Board by ACOSA S.A. (FOB) (2009-Octubre 2015)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

In Graph 8 we can see that exports have a tendency to increase and then slowly decrease. However, the situation of ACOSA S.A. is completely different from those of Novopan del Ecuador S.A.

Analyzing the annual growth of exports, it can be concluded that:

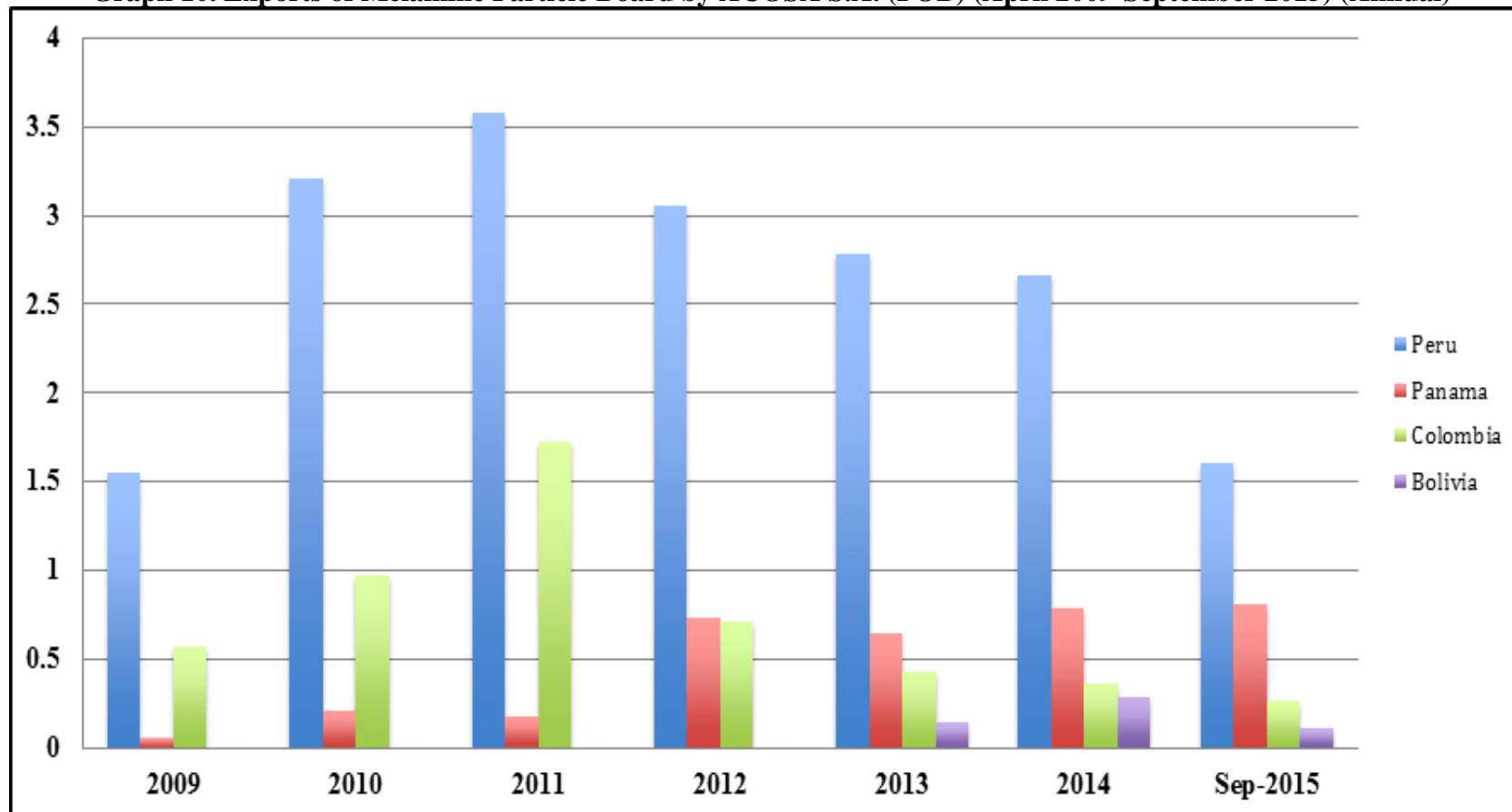
- In 2010, there was no growth
- In 2011, growth was 23%
- In 2013, there was a decline of 13%
- In 2014, there was a slight growth of 3%
- In 2015, the comparison of the first three quarters shows a decline of 20%.

In regards to the company's annual sales, shown in Graph 9, during the period from 2010 to 2014 we can see that growth was interrupted in 2013, when sales decreased by 2%. The average sales growth of ACOSA S.A. is 4%.

If ACOSA S.A.'s percentage of sales represented by exports is analyzed, it can be seen that in 2010 it was 10%, but in 2014 it lowered to 8%.

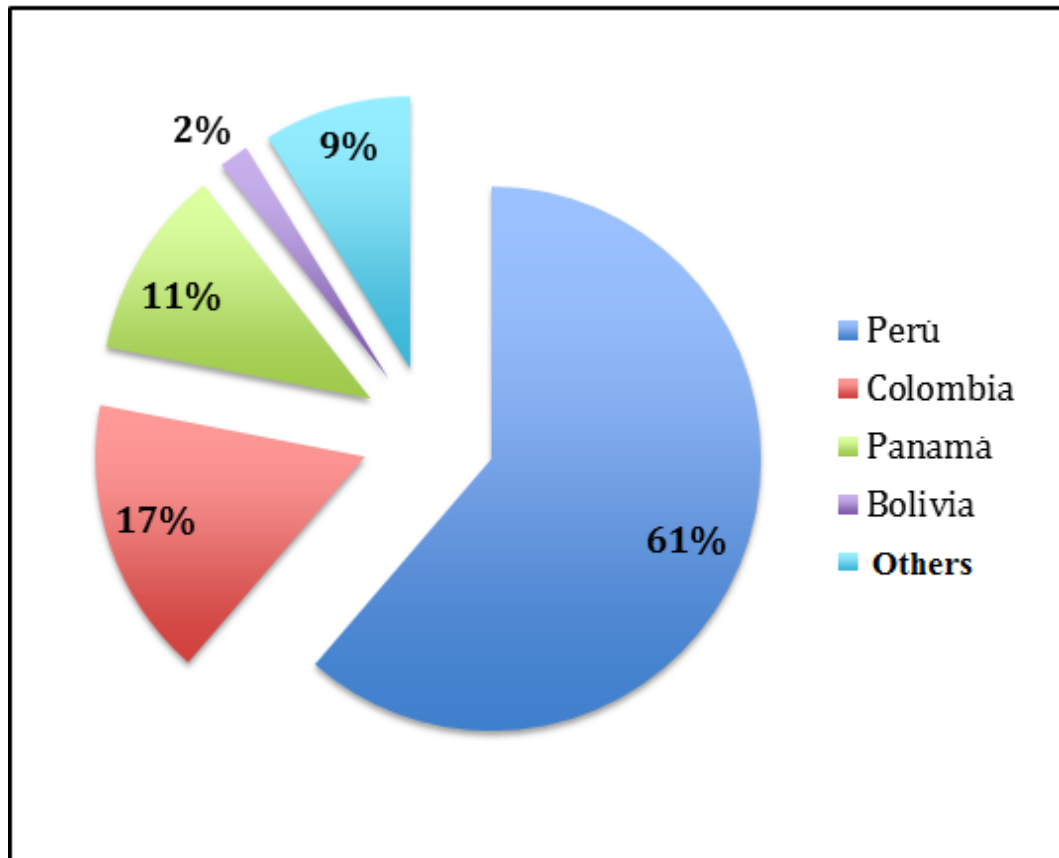
It should be remembered that the star product of ACOSA S.A. is not Melamine Particle Board in itself, but rather MDF. By being the only manufacturer of said product in the country, it has a great advantage over other companies that import it. Another factor on its favor are the new policies established by the government, which focus on the protection of national production. As was mentioned in Chapter 1, safeguards for MDF are at 45%.

Graph 10. Exports of Melamine Particle Board by ACOSA S.A. (FOB) (April 2009-September 2015) (Annual)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Graph 11. Percentage representation of the Melamine Particle Board exports of ACOSA S.A. (2009-October 2015) (Percentage)



**Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina**

Graphs 10 and 11 show the main international destinations to which ACOSA S.A. distributes its product.

We once again have Peru and Colombia with the highest percentages, as in the case of Novopan del Ecuador. Peru with 61% and Colombia with 17% of total exportations of Melamine Particle Board. However, it is easy to identify that there have been strong declines in exports, so much so that the two primary markets have an average decline (0.04% and 0.09%, respectively) during the period analyzed.

On the positive side, Panama's exports tend to increase. Bolivia, as previously mentioned, is a promising market. It clearly registers with good results. As previously mentioned, the increase in imports of Melamine Particle Board by Bolivia

and Panama are primarily due to the growth of the construction industry in both countries, and factor the directly influenced this behavior.

Graph 9 shows more markets, such as Guatemala, Mexico, Cuba and Chile, which are considered "Other."

The previous graphs, both those of Novopan del Ecuador and ACOSA S.A., give a global vision of the situation of each company in regards to exportations of Melamine Particle Board. We can even compare performances to each other, considering that they are the only companies that represent 100% of the supply in Ecuador of the product being analyzed. We can also find certain similarities in regards to the destination markets of their product.

In reference to Ecuador's total exports, a heightened concentration can be observed in two markets, Peru and Colombia, which make up 75% and only 25% of exports head to other countries, on average and during the entire period analyzed.

Table 6. Sales in the Wood Industry in Ecuador (Millions of Dollars) (2013-2014)

Sales in the Wood Industry in Ecuador (Millions of Dollars) 2013-2014			
Company	2014	2013	Var (%)
Novopan del Ecuador	122.3	111.1	10.1
Aglomerados Cotopaxi (ACOSA S.A.)	50.2	51.8	-3.1

**Source: Ekosnegocios.com
Created by: Notifix**

Table 6 shows that Novopan del Ecuador heads the list of companies that have the highest sales of wood in Ecuador, data that can be confirmed in the previous graphs. From 2013 to 2014 there was a 10.1% increase in the commercialization of all its products. In second place comes Aglomerados Cotopaxi (ACOSA S.A.). Among the companies that are dedicated to the sale of wood in Ecuador are also Enchapes Decorativos (Endesa S.A.), a manufacturer, and next to Aglomerados Cotopaxi, are providers of Durini companies (Edimca). Endesa S.A. has only shown slight growth.

**Table 7. Percentage of loss and gains of Ecuadorian businesses
(Millions of Dollars) (2013-2014)**

Ecuador, losses and gains in the wood industry (Millions of Dollars) (2013-2014)			
Company	2014	2013	Var(%)
Novopan del Ecuador	31.1	28.5	9.1
Aglomerados Cotopaxi	2.9	6.5	-55.4

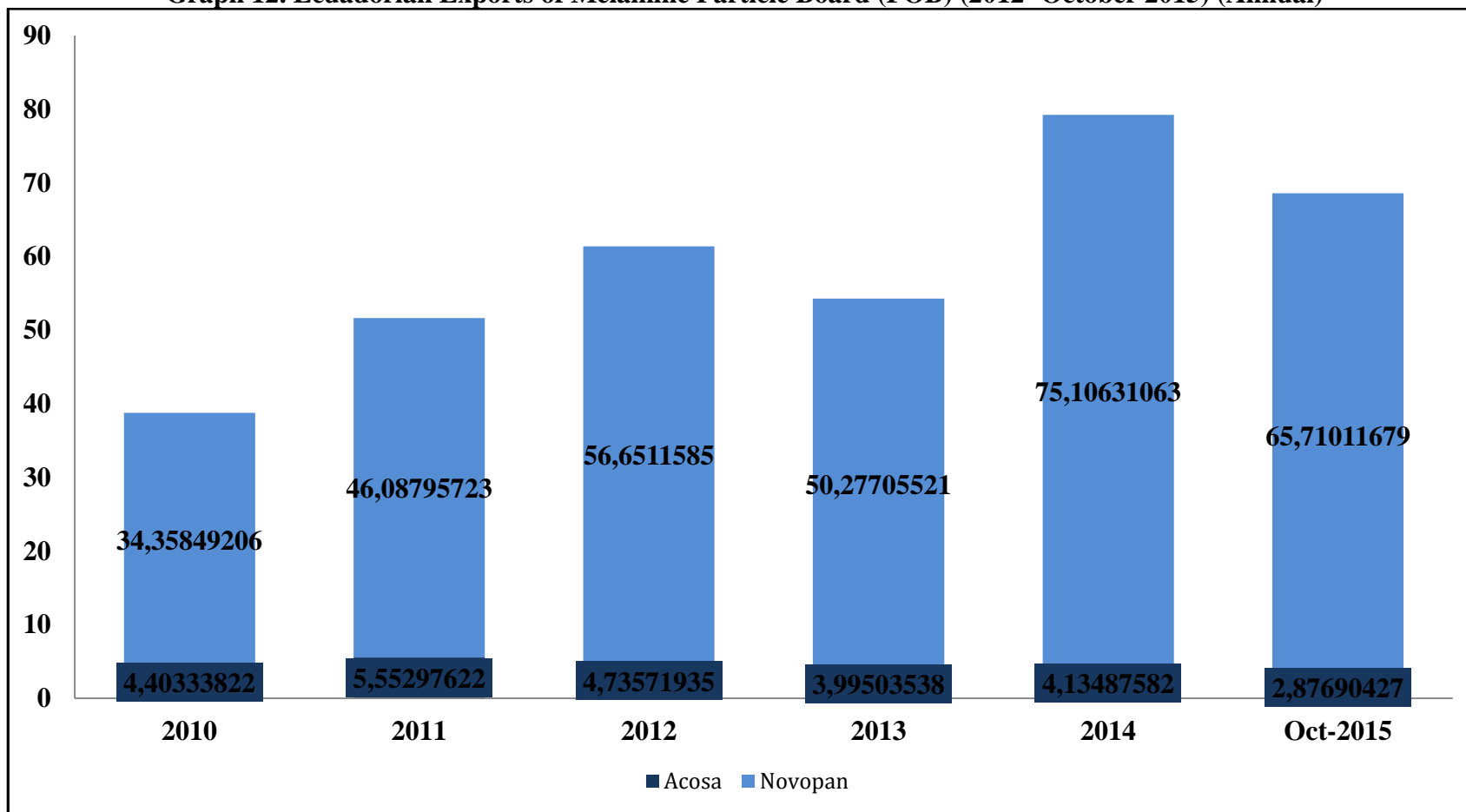
Source: Ekosnegocios.com

Created by: Notifix

Table 7 confirms that the primary wood companies in the country have had losses or gains during the 2013-2014 period. Once more for Novopan del Ecuador S.A. there are positive results, registering a gain of 9.1% during 2013-2014 period. This did not happen with the Durini group, which presented a loss for the same period.

The comparison between the two companies shows the state of the Ecuadorian market in regards to exports of Melamine Particle Board. Furthermore, it gives a general view of the situation of the only two manufacturers that produce this product.

Graph 12. Ecuadorian Exports of Melamine Particle Board (FOB) (2012- October 2015) (Annual)



Source: Banco Central del Ecuador and Cobus Group
 Created by: Quizhpe Vimos Daniela Cristina

As it can be seen in Graph 12, and has been analyzed throughout the chapter, there are only two companies in the entire country responsible for the total exports of Melamine Particle Board. Novopan del Ecuador exports 11 times more than ACOSA S.A. Looking at yearly summaries, it is noticeable that exports have increased over the years. Despite not having complete information for the year 2015, the exportation level is high. Annual growth is the following: in 2011, 33% growth; in 2012, 18%; in 2013, a decrease of 11%; and in 2014 there is once again growth, at 46%. The calculated annual growth for the first three quarters of 2015 is 8%.

2.2 Participation of manufacturers of Melamine Particle Board in Cuenca.

As was mentioned in the previous chapter, each provider has its own exclusive distributor, which is why any purchase of products must be transacted through Distablasa and Edimca. Both of these distributors are present in Cuenca.

Distablasa, representing Novopan del Ecuador S.A., has three locales in Cuenca. The first is located in the Industrial Park, the second on Joaquín Malo St. and Américas Avenue, and the third on Rafael María Arízaga St. (Novopan del Ecuador S.A., 2012)

The exclusive distributor of the manufacturer Aglomerados Cotopaxi S.A., Edimca, has two stores in Cuenca, the first located in the Industrial Park and the second on Daniel Fernández de Córdova St. and Américas Avenue. (Aglomerados Cotopaxi S.A., 2015)

It is important to mention a third company that offers this product in the national market. Despite not being a manufacturer, Placacetro Masisa has become strong competition for Imporquivi Cía. Ltda. This company has been working for 13 years in the Cuencan market. The notable product of this company is MDF. However, it has its own array of colors of Melamine Particle Board and sells in three locations. The first is located on Mariscal Lamar St. and Coronel Talbot streets, the second on

Bolívar St. and Vargas Machuca St., and the third on Américas Av. and Alfonso Cordero St. (MASISA, 2015)

In the case of Imporquivi Cía. Ltda., the main store is located in the Industrial Park, the first branch on Pío Bravo and Tomás Ordoñez streets, and the second branch on Nicolás de Rocha St. and Antón de Sevilla streets St.

It can be seen that in some cases the points of sale of different distributors are located in the same area, in the Industrial Park, where Distablasa, Edimca and Imporquivi Cía. Ltda. are present. On Américas Avenue all four businesses are present. Although Imporquivi Cía. Ltda. and Distablasa are not directly on Américas Avenue, they are on parallel streets.

2.2.1 Commercial relations between manufacturers and Imporquivi Cía. Ltda.

Novocentro Distablasa has been commercializing its products in Cuenca since 1994. That is to say, it has 21 years of experience as a distributor in this city. Remember that in the beginning, Imporquivi Cía. Ltda. was the main provider of the company. Unfortunately, they broke off business relations when the company decided to open its own location.

There have been occasions when the necessity and urgency of certain products have led Imporquivi Cía. Ltda. to return once more to said provider. In the same way, Distablasa has made several offers, which have been analyzed. On certain occasions business deals have been made but in other cases the international market (imports) has been preferred.

In the case of Melamine Particle Board, it is a product that Imporquivi Cía. Ltda. has been working with since it began business relations with Distablasa, although in low volumes. The year 2013 was when it really took hold of this sector of the wood industry. The color usually obtained is white, but when the opportunity arises or to satisfy a customer's need, other colors have been acquired.

One of the main disadvantages, which to a certain degree has also become an advantage, is that in Cuenca there was only the color range of Edimca, Distablasa and Placacentro Masisa. It is considered a disadvantage because there are cases when clients seek to expand construction and need the same color of Melamine Particle Board to match, and the limited color range on offer causes a problem. The advantage comes when people look for something new and different, and the exclusive color range that Imporquivi Cía. Ltda. offers in Cuenca outstands them from the competition.

Speaking of the company Edimca, its development in the Cuencan market began in 2009 - it was six years ago that it became part of the wood businesses in the city. However, its brand has a good position due to its national recognition. Imporquivi Cía. Ltda. maintained good business relations with this company, as it worked for 13 years commercializing its products. As mentioned in the previous chapter, negotiations ended due to new conditions imposed by Edimca. An attempt was made to take up business relations again, though directly with the manufacturers (Aglomerados Cotopaxi, Enchapes Decorativos and Botrosa), however all attempts failed.

One of Edimca's strong advantages is that it is positioned as a direct distributor of the only manufacturer of MDF in Ecuador. It must be reminded that since March 2015 the safeguards on the importation of MDF rose to 45% (Table 3). Taking this into account, Edimca was the only company that maintained the cost of production and was even able to offer MDF at prices lower than the capabilities of other distributors. The consequences were completely positive and it gained great strength in the market, not only in Cuenca but at a national level.

2.3 Purchase logistics of Melamine Particle Board in the national market

The national company with whom Imporquivi Cía. Ltda maintains business relations for Melamine Particle Board is Distablasa. Since 2013, the sales of this product increased thanks to the fact that Imporquivi Cía. Ltda. had machinery to offer complete services, and was able to increase its market reach. It is worth mentioning

that a sales representative visited the manager of Imporquivi Cía. Ltda's Sales Department to make a good offer on the product. The offer was evaluated and truly presented advantages over the offer made by the Colombian manufacturer, and so the purchase of product in the national market increased.

The logistics maintained by Distablasa are the following:

Place an order for material

The order of material must be made directly with the Distablasa sales agent, the person in charge of visiting the person in charge of purchases at the main location of Pisos&Maderas. The way of placing an order is via email or phone call. However, to avoid any kind of inconveniences or errors, the email can be referred to as proof and assure that the order was placed correctly.

Verify the availability of the product

The Sales Agent is in charge of sending the order to one of Distablasa's branches to be fulfilled, usually the point of sales is in the Industrial Park. Once there, the order is verified with the stock available in order to bill the purchase. If the distributor does not have the amount necessary, it requests more from the manufacturing plant, which delays the order.

Delivery of the order

The delivery of the order depends on the address it must be delivered to, since Imporquivi Cía. Ltda. does not have only one location. The delivery is made from the different points of sale of Distablasa. There are certain exceptions where the materials is only at one location and transportation to a branch is far away and can take more time.

Other factors to consider are:

Time

The time it takes from the time when the order is placed with the Sales Agent can vary according to inconveniences that may arise. However, the time where more loses are produced is during deliveries. Despite deliveries being made within the

same city and Distablasa having its own transportation, orders have taken up to three weeks. The inconvenience arises when the distance between a location and the Industrial Park is more than 5km and it takes more than two days to deliver.

If Distablasa notified that the merchandise requested is not available in Cuenca and it must wait for a delivery from the factory in Quito the wait time is understandable. But even if the material is available the wait time is too long.

Form of payment

Imporquivi Cía. Ltda. works on credit. However, there are times when the terms of payment established vary, since sometimes they are paid off ahead of time, or in cash. This depends on certain parameters such as discounts and the company's liquidity.

There are occasions when bills are made with mistakes on the discounts, and a "note of credit" must be requested. When remitting checks for Distablasa, there have been two situations in which the "note of credit" have not been sent, which caused problems when trying to verify the payment amount.

Commercial weaknesses between Distablasa and Imporquivi Cía. Ltda.

Limitations on purchase volume.

The order of materials must be done within certain parameters imposed by the provider, such as limits of purchase volume. This affects and impedes the growth of the company.

Reactions to complaints.

When merchandise arrives with defects, Distablasa solicits an email with an explanation and photos of the material. These are used by the head of the Sales Department to verify the information (a process that can take one to two weeks) in order to process and repair the damage. If it is approved, new material is delivered in two to three weeks. There is about a month time period in which to resolve any problems with deliveries of material in imperfect conditions.

Sending of notes of credit.

There have been inconveniences with the emission of bills, either due to mistakes with the discount or the days of credit. In one occasion, the process of asking for a Note of Credit to be sent took up to three months.

The previously mentioned points give an idea of what commercial relations are like with Distablasa; the process that must be followed from the moment there is a need for a product to when it is delivered to one of the locations. The topic of prices and credit has not been mentioned due to internal policies of the company. However, it will be evaluated in the last chapter by means of a comparison.

Conclusion

The purchase of Melamine Particle Board in the national market has taken place since Imporquivi Cía. Ltda. began in Cuenca. For different reasons, commercial relations have been interrupted. Nevertheless, the product, Melamine Particle Board, has created the necessity to take up business with national providers. Since there are only two options, Distablasa has been chosen as the most beneficial provider. However, due to certain weaknesses in negotiations with this national provider, Imporquivi Cía. Ltda. has decided to look for international providers.

Chapter 3. Analysis of the purchase of Melamine Particle Board in the international market

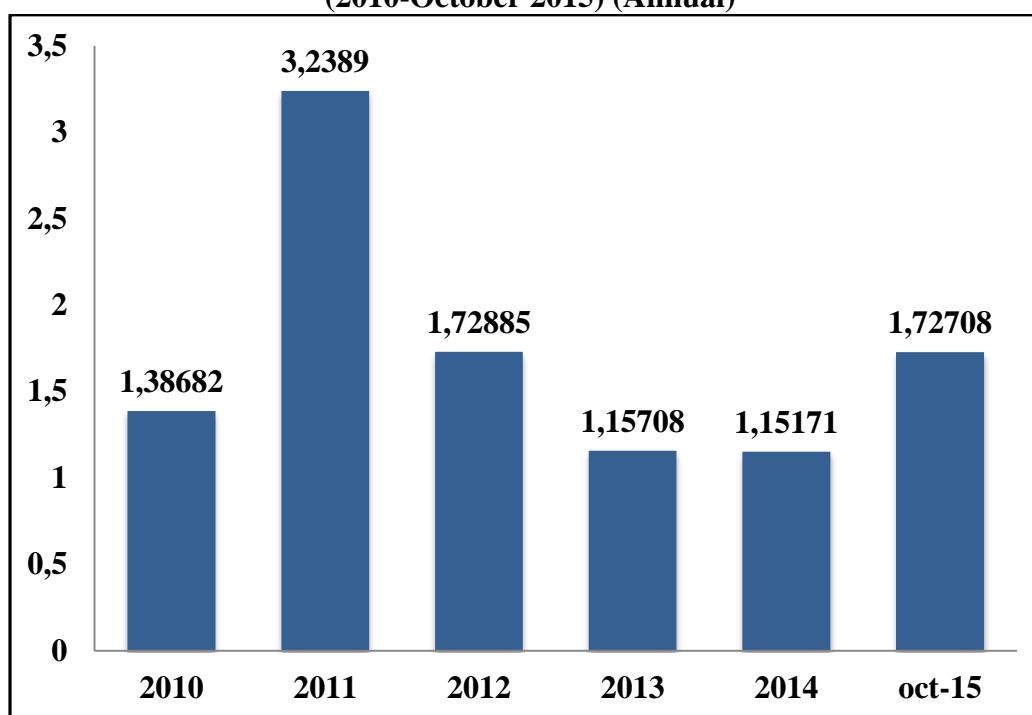
Introduction

The necessity of obtaining better providers of Melamine Particle Board has led Imporquivi Cía. Ltda. to look for the product in the international market, with the goal of achieving better results and being able to increase the commercial benefits of Melamine Particle Board. Two South American countries have been chosen, Brazil and Colombia.

3.1 Colombia and Brazil: Provider countries of Melamine Particle Board

Ecuador is a country that relies on two manufacturers of Melamine Particle Board (Aglomerados Cotopaxi S.A. and Novopan del Ecuador) as was analyzed in Chapter 2. Additionally, there are large volumes of production and capacity to export the product. However, there is a need to import it from other countries.

**Graph 13. Ecuadorian Imports of Melamine Particle Board
(2010-October 2015) (Annual)**

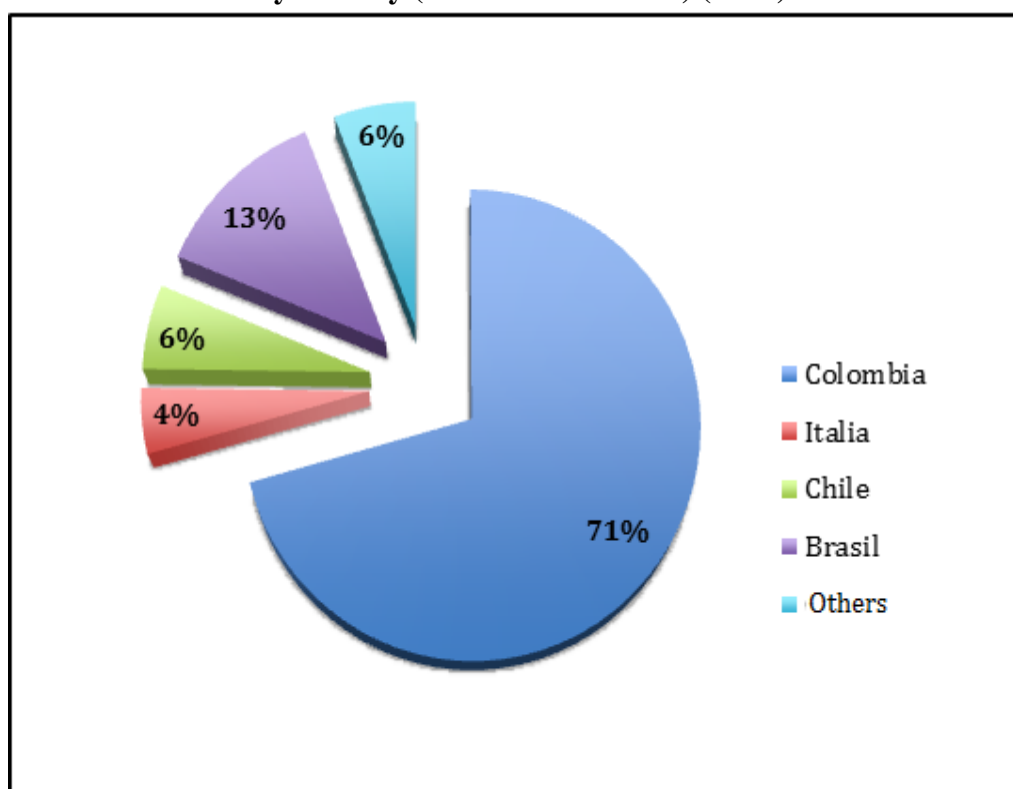


**Source: Banco Central del Ecuador
Created by: Quizhpe Vimos Daniela Cristina**

Graph 13 represents the total imports of Melamine Particle Board by Ecuador, from 2010 to October 2015. As can be seen in the graph, annual imports show a tendency to decrease. From 2011 (the highest point) to 2014, imports lowered 64%. In 2015 there is an increase.

According to the Central Bank of Ecuador, during the 2010-2015 period, twenty-two businesses were responsible for the imports of Melamine Particle Board to Ecuador. Among them are: Aglomerados Cotopaxi, Empresa Durini Industria de Madera (Edimca), Masisa Ecuador, Importadora y Distribuidora de Tableros de Madera (Imporquivi Cía. Ltda.), Provemadera S.A., among others.

Graph 14. Representation of the Average Import of Melamine Particle Board by country (2013-October 2015) (FOB)



**Source: Banco Central del Ecuador
Created by: Quizhpe Vimos Daniela Cristina**

In Graph 14 we find the main countries from which Ecuador imports Melamine Particle Board. The highest percentage is from Colombia, who leads the group with 71%, followed by Brazil, with 13%. It should be emphasized that according to the Central Bank of Ecuador, Brazil is a country that since merely 2014 is considered one of the main international markets that manufactures Melamine Particle Board. From 2014 to 2015, imports from Brazil increased 836%, while imports from Colombia in the same period grew only 25%.

Another curious fact, according to Notifix magazine in their article, "Ecuador consolidates its position as the biggest provider of imported particle board in Colombia," is that in 2014, Colombia's main provider of particleboard (including melamine) is Ecuador. Representing 55.8% of the total imported by Colombia, it increased 18.2% from 2013 to 2014 (Notifix, 2015).

In the case of Chile, the country has been present throughout the main purchasing markets of Melamine Particle Board in all of the years analyzed. We can see that its

percentage is lower compared to Brazil, a country that, as it was mentioned before, since 2014 is present as one of the most important markets to Ecuador. In the group named "others" we can find countries like: Germany, Spain, Portugal, China, United States, India, Sweden, Peru, Mexico, Guatemala, Panama.

3.2 International Providers to Imporquivi Cía. Ltda.

The imports of Melamine Particle Board by Imporquivi Cía. Ltda. began in 2013. It began to acquire Melamine Particle Board in the Colombian factory Tablemac, a manufacturer recognized for the highest production of wood boards in its country. It is worth mentioning that at the time, Imporquivi Cía. Ltda. was already negotiating with an international provider. First, it imported raw MDF, and due to the good relations achieved, it analyzed Tablemac's portfolio and found it an excellent option for Melamine Particle Board.

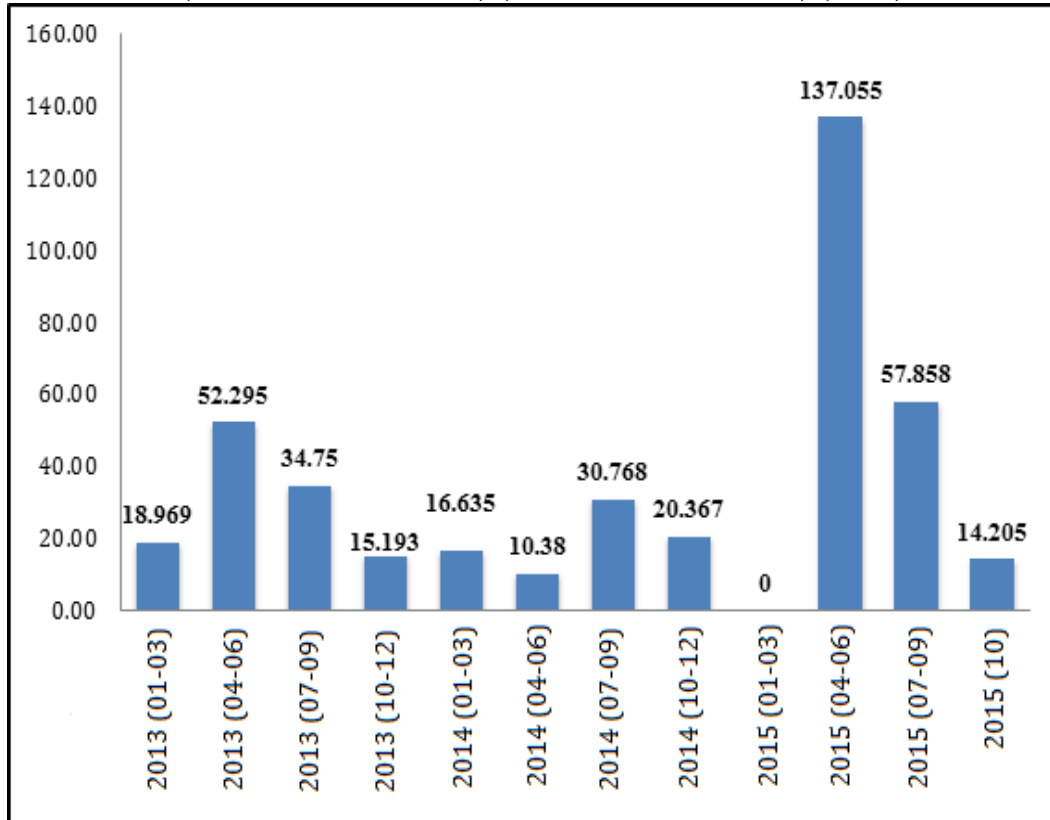
One of the advantages of Tablemac is its variety of products and, within the line of Melamine Particle Board, the extensive range of colors it has in stock. This gave Imporquivi Cía. Ltda. a competitive advantage over other wood distributors in Cuenca. The company Imporquivi Cía. Ltda. is the only Cuencan company that distributes this material, which has allowed it to commercialize the product within the city as well as to distribute it wholesale to other cities in Ecuador.

In 2015, Imporquivi Cía. Ltda., due to supply problems of Melamine Particle Board, decided to look for a new provider, this time in Brazil. The company Duratex (major shareholder of the Colombian company Tablemac), "is the largest producer of wood panels, faucets and bathroom tile in South America" (El Colombiano, 2012).

Commercial relations with Duratex began in May 2015 and are maintained today. One of the events that really benefited this commercial relationship was the difficult panorama faced by Brazilian manufacturers of wood boards (Berneck, Duratex, Arauco and Masisa), since in 2015 their domestic sales fell 10%. In consequence, wood manufacturing companies have begun to prioritize exportation in order to withstand the weak local market (Notifix, 2015).

The product imported from Brazil has different characteristics than those of other providers. This is why it has been immediately accepted in the Cuencan market, and, furthermore, Imporquivi Cía. Ltda. has received great support from Duratex.

Graph 15. Imports of Melamine Particle Board by Imporquivi Cía. Ltda. (2013-November 2015) (Thousands of Dollars) (FOB)



**Source: Banco Central del Ecuador
Created by: Quizhpe Vimos Daniela Cristina**

Graph 15 shows the importations of Melamine Particle Board made by the company Imporquivi Cía. Ltda. The first three quarters of 2013 show that the amount of product imported increased. This behavior is justified by the need to buy quantity and a variety of colors in order to begin its introduction to the Cuencan market. To commercialize Melamine Particle Board with new colors, there is also a need to increase the portfolio of complementary products, such as siding and self-adhesive covers in the same colors.

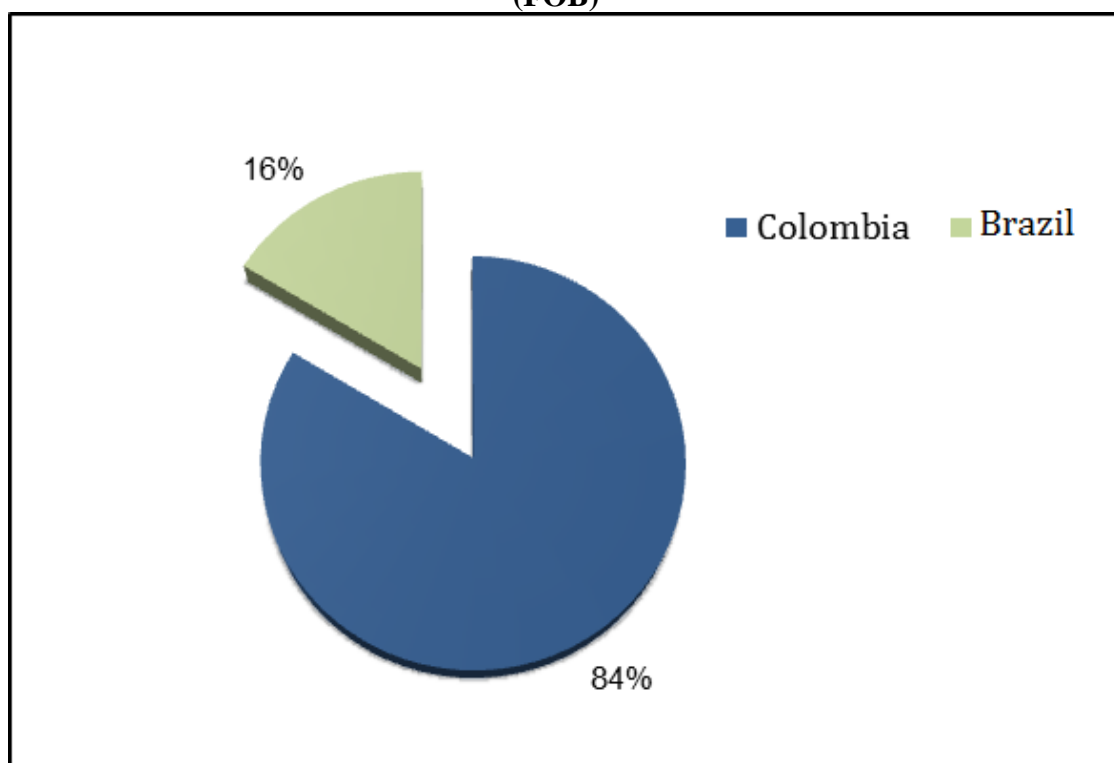
Remember that beyond depending on international providers, the product was also tried in the national market and it is why, as it can be seen in the table, imports

decreased in 2014. Actually, in the first quarter of 2015 there was no import. This was due mainly to the fact that the company Tablemac had problems with its production plant, and the need to acquire the product in the national market emerged immediately.

However, in the second quarter of the same year there was a large increase in imports and it is the period in which the best exports were tested, compared to the quarters analyzed. This situation was due to two factors:

1. The pending merchandise from Tablemac was brought.
2. In May 2015 importations began from Brazil.

Graph 16. Percentage representation of Imporquivi Cía. Ltda.'s imports of Melamine Particle Board (February 2013-October 2015) (Thousands of Dollars) (FOB)



Source: Cobus Group
Created by: Quizhpe Vimos Daniela Cristina

Shown in Graph 16 are the imports from Colombia, which are 5 times greater than those from Brazil. This is due to the fact that business with the Brazilian company began only recently in 2015, while Imporquivi Cía. Ltda. has been working with the

Colombian company since it began buying Melamine Particle Board in the international market in 2013.

3.3 Analysis of International Treaties, customs duties and safeguards on the importation of Melamine Particle Board from Colombia and Brazil

Ecuador participates in several treaties, both bilateral and multilateral, which has permitted some products to be more competitive than others, and even enter into some countries with advantages. On some occasions there is a partial benefit and in others a total advantage. Likewise are products that can come into Ecuador with tariff preferences, a result of mentioned treaties.

International Treaties attempt to mutually benefit all parties in order to improve commerce between countries. In regards to the product being analyzed, the valid treaties for Melamine Particle Board with subheading 441019, from the countries Colombia and Brazil, are the following:

In regards to the safeguards for Melamine Particle Board, according to Resolution No. 011-2015 of the Chamber of Foreign Commerce, the subheading 441019 does not present any temporary tax on its importation as of 11 March 2015, the date that this policy was established by the Ecuadorian government and became valid. Said event was a great benefit to the importation and commercialization of said product.

Brazil

According to the Ministry of Foreign Commerce in the Complementary Economic Agreement No. 59, undersigned between the Governments of the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay, and the Eastern Republic of Uruguay, States that form part of MERCOSUR⁹ and the governments of the Republic of Colombia, the Republic of Ecuador, and the Bolivian Republic of Venezuela, member countries of the Andean Community, in the Additional Protocol, according to Article 1st. "The Federative Republic of Brazil

⁹ MERCOSUR - "Mercado Común del Sur" or Southern Common Market

grants the Republic of Ecuador 100% preference on the items NALADISA¹⁰ 96 identified in the annex of the present Protocol."

According to the Ministry of Foreign Commerce, the date of undersigning the Agreement is 30 December 2009, and it became valid on 16 February 2011. Consequently, no safeguards have had to be paid for the entrance of Melamine Particle Board into Ecuador.

Colombia

The agreement made between Ecuador and Colombia is the CAN (Comunidad Andina de Naciones or Community of Andean Nations), formerly called Pacto Andino (Andean Pact). It is an Andean subregional integration agreement (Cartagena Agreement) which includes member countries Bolivia, Colombia, Ecuador, Peru and Venezuela.

The products commercialized between member countries of said agreement have duty-free circulation, which indicates that Melamine Particle Board comes in from Colombia without having to pay any taxes. However, on January 5, 2015 a safeguard was recorded on all products that come in from Colombia and Peru, due to the devaluation of their currencies (Enriquez, 2015).

A tax of 21% was applied to Melamine Particle Board imported from Colombia. However, this measure lasted for only 53 days (until February 27, 2015). Since then until today there has not been any kind of safeguard recorded on the product that has been analyzed (Enriquez C., 2015).

¹⁰ NALADISA - Nomenclature of the Latin American Integration Association (ALADI) based on the harmonized system of designation and codification of merchandise.

3.4 Analysis of the importation logistics of Melamine Particle Board from Colombia and Brazil to Ecuador

As has been mentioned throughout the chapter, the company Imporquivi Cía. Ltda. maintains commercial relations with Tablemac in Colombia and Duratex in Brazil, manufacturers from which it acquires Melamine Particle Board. The logistics managed between the two countries differs.

Colombia

The process begins with an analysis of the inventory of the product. It is necessary to obtain the average of monthly sales of Melamine Particle Board and according to the end data, decide the amount of material to order in advance.

International Purchase (Order of material)

The order of material should be made directly with the person in charge of Tablemac's exportations, by means of email alone, since phone calls can be inconvenient or misunderstood. The amount of material ordered is always based in the loading capacity available, in this case the truck that transports the material, to take advantage of the space available in the truck.

Verify availability of the product

The person who receives the order is the one in charge of verifying if the materials in the amount ordered are available. Due to the large volumes of material ordered, the factory takes about 15 to 25 days to produce the entire order. If one kind of Melamine Particle Board is not available, it can be substituted (with prior approval of the person in charge of Imporquivi Cía. Ltda.'s imports) for a different kind to complete the order.

Transportation of the material from the country of origin

The Tablemac factory is located in Barbosa Antioquía. The material is sent by land to the city of Tulcán, where the load is deposited in temporary storage. Shipping and insurance are the responsibility of Tablemac. Transportation takes around 3 days.

Customs clearance of the merchandise

INCOTRAN is the company in charge of the customs clearance process of the merchandise. The process takes about 8 days, as long as all the documents and payments are done correctly. The process ends the moment that the shipping company Transcomerinter receives the authorization to pick up the merchandise from temporary storage.

Shipping of material in Ecuador

Transportation from Tulcán to the final destination in Cuenca (Imporquivi Cía. Ltda. Storage) takes one workday. This is the responsibility of the company Transcomerinter.

Other factors to consider are:

Time

Time is considered from the moment the order is made by the person in charge of imports to the moment the order is delivered to any of the Imporquivi Cía. Ltda.'s storage units. This process takes from 40 to 50 days.

Form of payment

When commercial relations began with Tablemac, the form of payment was in cash. However, due to the good profile Imporquivi Cía. Ltda. has built, the company now offers credit. When purchase of Melamine Particle Board began, the company already had the advantage of credit. To date, there have not been problems with payments. Although it has not been the case, the option of an extra discount is always available if payments are made in cash.

There have been cases in which an error has occurred in the bill, because of discounts. To fix the mistake, notes of credit are issued, without any problem.

Commercial weaknesses between Tablemac and Imporquivi Cía. Ltda.

Production inconveniences

When the plant goes into maintenance the delivery process is delayed.

Reaction to complaints

When merchandise has arrived in unsatisfactory condition, the complaint form was filed, which specifies reasons why and the conditions in which the material was received. It is necessary to attach pictures of the shipment, which are better taken when the material is still in the truck.

To resolve the issue it is not feasible to return the merchandise to the factory, since it takes too long. The solution found by the two companies is to agree on a percentage of damaged goods and issue a note of credit for an extra discount.

Brasil

As with Colombia, time is of the essence. Likewise, an analysis must be done that helps Imporquivi Cía. Ltda. to manage and control inventories in order to avoid a stock shortage.

International Purchase (Order of material)

The order of material is coordinated directly with the person in charge of the manufacturer's exports. The only method of communication is email, since telephone calls can be inconvenient or misunderstood. The volume ordered is influenced by two factors. The first: the amount of stock needed and the second: the capacity of the container.

Verify availability of the product

The amount of material ordered requires production by the manufacturer, which takes two weeks. It is important to emphasize that the manufacturer Duratex has a large production capacity, as well as more companies that distribute its goods. If a certain kind of Melamine Particle Board is not available, the attempt is made to substitute it (with prior approval) with another kind to complete the order.

Transportation of the material from the country of origin

The Duratex plant is located in the state of Santa Catarina and the goods are transported to the port of Navegantes, located in the same state. Travel time is 2 hours.

Marine Transport

The merchandise leaves the port of Navegantes by sea until it reaches the port of Guayaquil, a process that lasts 35 days.

Customs clearance of the merchandise

The company Surtax is in charge of the nationalization process of the merchandise (approximately 8 days). During the process, the merchandise is kept in temporary storage at Customs.

Shipping of material in Ecuador

From Guayaquil, Matocoycape is the company responsible for land transport of the merchandise to Imporquivi Cía. Ltda.'s storage (about 8 hours).

Other factors to consider are:

Time

The time it takes for the import to arrive to Cuenca from Brasil is from 55 to 60 days, approximately. There are occasions when the delivery is delayed due to other factors, such as weather.

Form of payment

One of the advantages in this area is that the company Duratex, by belonging to the same group as the company Tablemac, shares its client database. Due to Imporquivi Cía. Ltda.'s good profile with the Colombian company, it obtained direct credit with Duratex. The form of payment from the very beginning has been through credit. This has been a huge benefit to Imporquivi Cía. Ltda.

Commercial weaknesses between Duratex and Imporquivi Cía. Ltda.

Production inconveniences

On the two occasions material has been imported from Duratex there have been no production inconveniences.

Reactions to complaints

The procedure is very similar to that of the Colombian company. It is necessary to fill out a document with the specifics of the damaged material, attach photos and, as a solution, proceed to give an extra discount on the damaged goods.

With the previously mentioned points, it is possible to envision what commercial relations are like between Imporquivi Cía. Ltda. and the companies Tablemac and Duratex: the process that must be followed from the moment there is a need of a product until it is received at a business location. The topics of price and credit have not been mentioned due to internal policies of the company. However, they will be analyzed in the final chapter via comparison.

Conclusion

Imporquivi Cía. Ltda. currently imports Melamine Particle Board from two of Ecuador's main provider countries: Colombia and Brazil. The imports have benefitted the company and allowed to gain an advantage over its competition, due to a range of exclusive colors and formats of the material, as well as not being affected by public policies and being exempt from paying taxes from the two countries because of international treaties Ecuador has signed. The company has two more options to obtain Melamine Particle Board and commercialize within the city of Cuenca, as well as outside the city.

Chapter 4. Comparative analysis between the purchase of Melamine Particle Board in national and international markets.

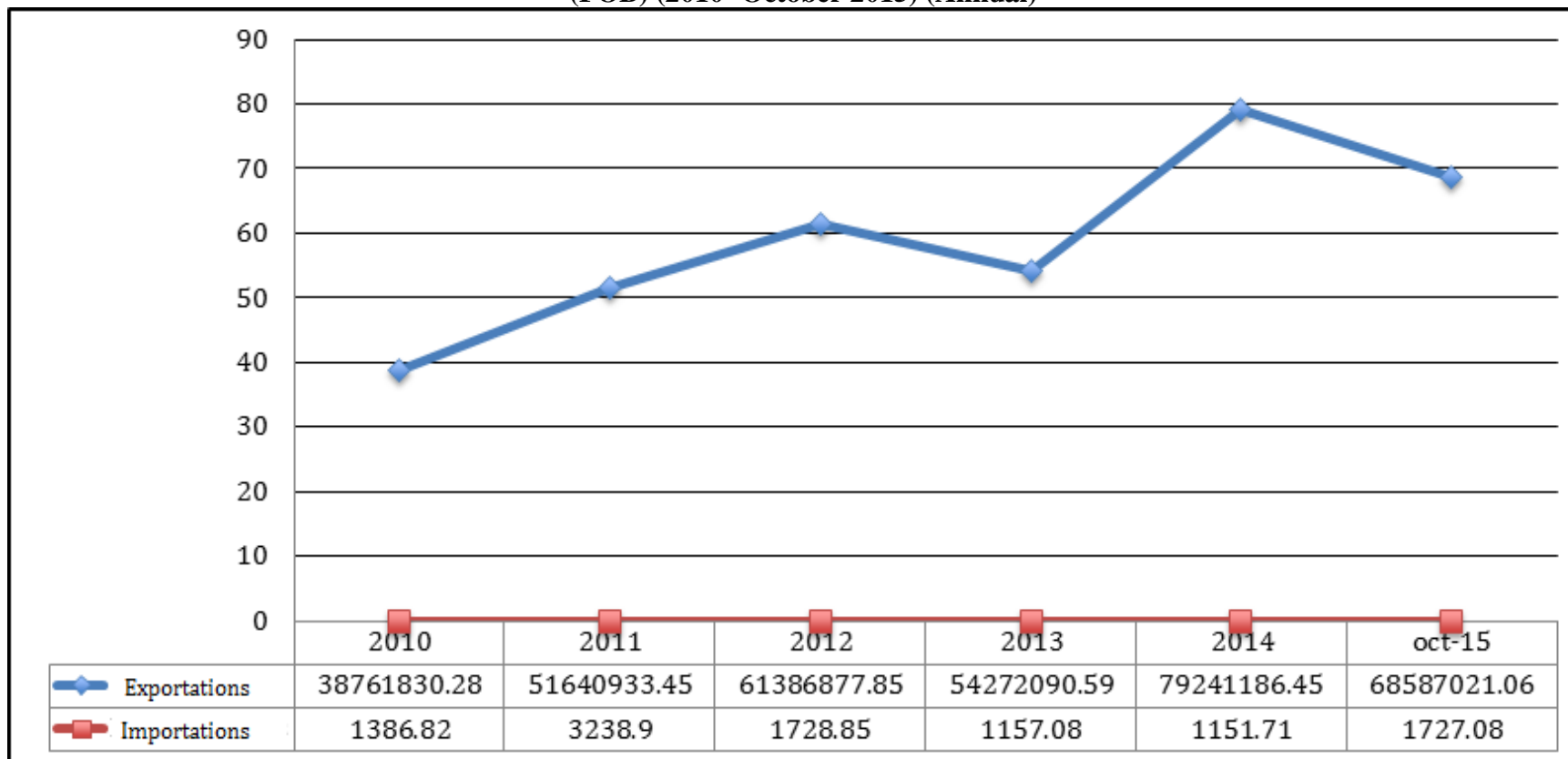
Introduction

Imporquivi Cía. Ltda. is a company that has had the opportunity to work with national and international providers, experiences that have helped it grow as a wood distributor in the city of Cuenca. However, it is important to verify the market that offers the most benefits and attributes to the growth of the company

4.1 Ecuador's situation in regards to the international market for Melamine Particle Board

As mentioned in previous chapters, Ecuador has two factories that produce Melamine Particle Board. However, it also imports the product from other countries. The exports were seen in Chapter 2 and the imports in Chapter 3. Now the difference between imports and exports of Melamine Particle Board will be compared.

Graph 14. Difference between Exports and Imports of Melamine Particle Board in Ecuador (FOB) (2010- October 2015) (Annual)



**Source: Banco Central del Ecuador
Created by: Quizhpe Vimos Daniela Cristina**

Shown in Graph 14 is the difference that exists between the amount of Melamine Particle Board that Ecuador exports versus what it imports from other countries. The differences are very high. In the last five years analyzed, imports have not even reached a million (the number scale used in the graph), which demonstrates that national production has the capacity to fulfill national demand with production left over to sell to other countries. If production of Ecuador's two manufacturers of Melamine Particle Board is so high, why is there a need for distributing companies like Imporquivi Cía. Ltda. to import?

In order to do the necessary analysis, the information gathered in Chapters 2 and 3 will be used as a guide to better understand the buying behaviors of Melamine Particle Board in Ecuador, Colombia and Brazil. The logistical chain of the three types of purchase are different.

Purchase of material

In this area there is not a great difference when making the purchase order with the three provider companies, Distablasa (national provider), Tablemac and Duratex (international providers). They are similar in that the best way of making an order is via email, as proof of the order and to avoid mistakes. The response by the seller of the national company is immediate, while the international companies can take a day. However, if a quick response is needed a phone call can be made.

Response to the quantity ordered

Distablasa must consult with its two locations in Cuenca and if the quantity ordered is not available, it is ordered directly from the manufacturing plant. The material from the plant in Quito can be sent in small shipments until the complete order is produced and arrives to Cuenca. In the case that the material must be produced, delivery takes two or three work weeks. It is not necessary to wait for large volumes of product in order to ship it, since Distablasa has small trucks. In the worst case, Imporquivi Cía. Ltda.'s trucks can go pick up the merchandise.

The quantity ordered from Tablemac is usually a minimum of three containers, due to the cost of the product, shipping, and insurance being lower the more product is

ordered. For this reason, production is necessary to fill the container capacity. Shipping in parts would mean a loss. Production can take two to three weeks.

With the manufacturer Duratex, the quantity ordered also requires production and the minimum amount necessary to fill a container. The plant ships a minimum of four containers. Because it is a much larger company, its production capacity is higher and orders cannot be small. The production of material takes one to two weeks.

In regards to making Melamine Particle Board, the manufacturer with the highest production capacity is Duratex; as previously mentioned it produces the required quantity in a week, while Tablemac and Distablasa need, in the best case scenario, two weeks to complete production.

One of Distablasa's advantages is that it is located in the same city and can send smaller shipments. This means that if the locations in Cuenca do not have the required stock, a small amount can be sent until the rest of the material arrives from Quito to complete the order. It is worth mentioning that due to internal policies, Distablasa does not tend to give up its product.

Delivery of Material

The manufacturer Novopan del Ecuador is in charge of Distablasa's Melamine Particle Board production and the plant is located in Quito. Transportation from the plant to the distributor in Cuenca takes one day.

In the case of Tablemac, the delivery into Ecuadorian territory (Tulcán) takes one week. There are factors that can delay transport, one of the usual causes being protests in Colombia, which block the roads to the Ecuadorian border. Another factor is weather. In the worst case, the merchandise arrives in two weeks.

With Duratex, it takes six weeks for merchandise to arrive to the port in Guayaquil, due to two types of transport that must be employed, land and water. There are also occasions when a delivery could be delayed. This situation has not yet happened.

In regards to distance, Distablasa has the advantage, since the plant being in the same country saves much time. The route taken by the other two companies is much longer. In the case of any damage to the material, the responsibility is solely that of the provider.

Customs

The customs clearance process takes up to eight days, from when the material arrives in temporary storage until the companies responsible for land transportation (from Guayaquil or Tulcán to Cuenca) have received permission to retrieve the merchandise. This process is done only for the merchandise received from the international market.

This adds eight more days to imports from Colombia and Brazil. The national provider saves time.

Local Transport

Distablasa headquarters are located exactly 3km from Imporquivi Cía. Ltda.'s main location, and 25km from the second branch. However, shipments tend to take up to two weeks to complete. It is understandable that a truck does not have the capacity to fit the entire order, but several shipments can be made in a day and Distablasa has more than one truck. On some occasions it has been necessary to send Imporquivi Cía. Ltda.'s trucks to save time.

In the case of Tablemac, the responsibility of transport is in the hands of the company Transcomerinter, who manages the pick-up of the merchandise from temporary storage and its transport to its final destination (Imporquivi Cía. Ltda.'s storage) in 8 hours.

Considering only local transport, who has the advantage is critical, since it has been shown that short distances do not necessarily mean the material arrives in less time.

However, considering transport in general, it can be concluded that Distablasa continues to have the best delivery time. In customs alone the merchandise takes 8 days, plus transportation from international territories.

Replacement of damaged goods

Another area in which time is an important factor. For any complaints to the three providers, a document must be filled out which specifies the reasons and shows that the material has arrived in bad condition. In the case of Distablasa, the vendor visits the Imporquivi Cía. Ltda. installations to verify the claim. But all three companies require the form, with photos attached as evidence, send via email.

The company that takes the longest to respond is Distablasa, who then proceeds to return the material and exchange it. The international companies, for reasons of time and cost, allow the company to keep the damaged material and issue a note of credit for an extra discount.

Business policies

In regards to the international companies, the only policy is the minimum order of at least two containers. In regards to payment of Melamine Particle Board, as was mentioned, a line of credit was immediately granted, and neither of the two manufacturers requires an advance payment.

With Distablasa, one of the policies that hinder a good negotiation is the imposed purchase limit. The first has to do with the ordering of material, which permits Imporquivi Cía. Ltda. to make only one order a month. The second is the instability of prices. The discounts offered in the proforma immediately vary (the discounts lessen and the products gets more expensive). The third is the limit on the quantity of product allowed per purchase.

The problem is that Distablasa is a direct competitor of Imporquivi Cía. Ltda. in Cuenca, which is why its customer service is not very good. In regards to the international providers, the greater the volume ordered, the larger the discount.

The last point of comparison and the main influence on purchases is the price and credit obtained with each provider. Because of internal policies of the company, the number values and amount of credit cannot be given, so percentages will be used for comparison. Costs include shipping, insurance, and other expenditures.

- The price obtained with the manufacturer Duratex is 15% less than the price with Distablasa. To emphasize, the price is what it costs Imporquivi Cía. Ltda. to get the product to Cuenca.
- The price of the Colombian manufacturer Tablemac is 10% less than the price of Distablasa. Likewise, the price is considered to be what it costs to get the product to Cuenca

Taking these two points into account, analyzed and compared, we can see a national provider that, despite having advantages over the international companies, most of all in regards to time, is at a great disadvantage in other points (price and treatment of the company). Compared to the price and customer service offered to Imporquivi Cía. Ltda by the international providers, the loss of time during transportation is more than made up for.

Conclusion

After having analyzed the information obtained on the purchase of Melamine Particle Board from both markets (national and international) in Chapters 2 and 3, it can be concluded that the most beneficial market to Imporquivi Cía. Ltda. is the international one and in which are found the manufacturers Tablemac and Duratex. Between the two manufacturers there is a 5% difference in price, which means the most suitable manufacturer for imports of Melamine Particle Board by Imporquivi Cía. Ltda. is Duratex.

It is important to emphasize that the Melamine Particle Board colors of Tablemac and Duratex have become well positioned in the Cuencan market and even in other cities in Ecuador, which is why these international companies aim to support the growth of Imporquivi Cía. Ltda. since it is the company that commercializes their product in countries other than Colombia or Brazil. If the company increases sales, their purchase volume from these manufacturers will also increase.

This does not happen with national manufacturers, since they are located in the same city and are trying to reach the same market. That is why they tend to limit sales to

other distributors, in order to avoid competition. Unfortunately, a company cannot get ahead if providers unwilling to be supportive, which is why Imporquivi Cía. Ltda. looked for options in other countries and managed to negotiate well with international manufacturers.

Conclusion

This analysis has shown that imports have played a fundamental role in the development of Imporquivi Cía. Ltda. Ever since the company began importing Melamine Particle Board under better conditions it has had a larger reach in the market and has been able to compete more equally with the other distributors of Melamine Particle Board in Cuenca. It should be noted that the increase in sales of Melamine Particle Board goes hand in hand with the company's acquisition of modern machinery, in order to provide better services.

In 2015, imports of Melamine Particle Board were emphasized, due to a new norm that modified the rules of importation on certain products. Safeguards were imposed on MDF, for example, but did not affect Melamine Particle Board. The tendency of Cuencan furniture was already leaning towards melamine, due to its low price, ease of preparation and placement, hygiene, lower toxicity and ranges of services available. With the 0% safeguard imposed on the product, its commercialization has increased considerably.

The tendency of the Cuencan furniture market even began to tend towards furniture made with melamine. One of the influential factors has always been price, which has improved and benefitted the product. Another important factor is the ease of building and moving the furniture, which was made possible by the implementation of new machinery that provided better customer service. Finally, not having to process the product and mix it with lacquer resulted in a more hygienic and less toxic product.

Despite there existing just two manufacturers of Melamine Particle Board in Ecuador, which have enough capacity to take care of the national demand and to export, small distributors have a need to import. It is understood that national providers want a lucrative business in which no other distributor can enter into the circle. The first national provider, called Aglomerado Cotopaxi, distributes its products exclusively through an intermediary called Edimca and the second and largest provider, called Novopan del Ecuador, commercializes its products exclusively through Novocentro Distablasa.

Imporquivi Cía. Ltda.'s need to import Melamine Particle Board is due to the fact that, unfortunately, in the national market there is not a provider that offers the necessary support to grow as a business. On the contrary, it is affected by the limitations imposed by the same providers. Imporquivi Cía. Ltda. has tried to negotiate directly with the manufacturers, asking for a rational percentage of utility, but has not gotten positive results.

The differences between buying in a national market and importing are evident. There really is no factor that emphasizes buying in the national market, considering that in delivery time there is large difference but the price and customer service completely overshadow that small advantage. The only thing in favor is when there is an urgent need. In terms of prices, having a product that is 15% and 10% cheaper is a great advantage, since the volume commercialized is 148m³ monthly, which is the equivalent of 4 containers.

If the national manufacturers came to an agreement with the national distributors to have a marginal utility that benefits both parties there would be no need to import boards. The trend in colors of melamine used in the country is comprised solely of colors created by these two national manufacturers, which is to say that they have complete positioning in the market. Unfortunately, and emphasizing once more, the manner of commercializing a product in the Ecuadorian market is not ideal, but rather the goal is to limit and inhibit the growth of small distributors.

Importations of Melamine Particle Board have benefitted national furniture production. Since 2013, when Imporquivi Cía. Ltda. began to import; the price of boards has not gone up but rather has decreased. Not only that, their services have innovated and improved compared to previous years, in which prices increased twice a year since they were controlled exclusively by national manufacturers. By achieving better prices and more services, furniture production has benefitted since it can increase and compete with imported furniture.

Including on the topic of protecting national production, Imporquivi as a distributor company does not import in order to damage the national market. If the policies of

Ecuadorian providers were seeking ways to support distributors and not limit them, there would be no need to import. The reality is otherwise and distributors cannot grow with the help of national manufacturers, and so are forced to turn to international providers to grow.

That is why Imporquivi Cía. Ltda. has gone from being a distributor of only national providers to importing 90% of its products. Thanks to imports from different commercializing entities, the company has achieved sustainable growth, has created more jobs and has introduced new products into the Cuencan market.

Recommendations

Based on an analysis of the conclusions, the following points are recommended to the Cuenca company Imporquivi Cía. Ltda.

The first recommendation focuses on maintaining a good relationship with all of the company's providers, both national and international. That is, not to lose business relations with any provider, since, based on Imporquivi Cía. Ltda's experiences, there are times when there is an urgent need to acquire the product. In these cases it is necessary to have a provider who can deliver the product in the shortest amount of time possible, which means Distablasa. Unfortunately, profit would be 15% less but with a 2-month gain in time.

The second is directed towards negotiations with national providers. Aglomerados Cotopaxi and Novopan del Ecuador should once again be approached and explained the difference between commercializing the product nationally and internationally, emphasizing the volume commercialized by Imporquivi Cía. Ltda. as well as the advantages of eliminating the entrance of new colors, other than those manufactured by these two companies. Perhaps that would cause a different reaction from the Ecuadorian manufacturers. If it cannot be arranged to meet directly with the manufacturers, it should be requested to deal with providers who are not from the city of Cuenca, in order to achieve better treatment and avoid the provider being direct competition to Imporquivi Cía. Ltda.

The final recommendation is to verify the logistical costs of both the containers that come from Brazil as well as those that come into Ecuador from Colombia. Try to renegotiate the logistical costs of the product which would be of even greater benefit, considering that the number of containers increases at certain times since there are not only containers of Melamine Particle Board but of other products sold by Imporquivi Cía. Ltda. as well.

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