



FACULTY OF LEGAL SCIENCES

SCHOOL OF INTERNATIONAL STUDIES

EXPORT PLAN OF SILVER JEWELRY, APPLIED CASE AT "ISABEL LÓPEZ"
JEWELRY

GRADUATION PROJECT AS A PREREQUISITE FOR OBTAINING THE DEGREE OF
INTERNATIONAL STUDIES BA, WITH MENTION IN BILINGUAL FOREIGN
COMMERCE

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DEDICATION

The present Thesis Project is dedicated to my parents, who were always my support all along my University career and my brothers and friends who also were by my side, giving me the necessary words and encouragement to reach this goal in my life.

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ABSTRACT

This Project aims to promote a small business and expand its horizons by means of exporting its products. It also pretends to create and analyze its commercial profile, research on the international market, determine the target market and establish the necessary procedures in order to reach the expected goal.

Being applicable in a real practical case, this project aims to apply all the knowledge gained about Commerce and International Trading over the last four years, and contribute to the National output.

INTRODUCTION

It is important to highlight that jewelry has evolved through years; hunted animal bones and teeth were used at first, subsequently precious and limited materials which increased the value of jewels started being used. Not being satisfied, human beings have continued designing new ways and with new resources that without being precious gave value to jewels because of the design, shape, color, material, textures and processes. Currently, jewelry is seen embodied in costumes as jewels, that is, it can be found from the most precious metals like gold, silver and platinum to materials like wood, acrylic or vulcanized rubber. (Design and Communication Studies Center, 2015)

Human beings have always been innovative, from the beginning have experimented, recognized and transformed resources. Generating in this way different types of necessities in people, and jewelry has been one of those, giving the chance to people to stand out and be different from the rest.

Currently, jewels have been declared by UNESCO as intangible heritage, called this way because of the practices, representations, expressions, knowledge, and techniques that have been transmitted generation by generation. This heritage instills and identity sense to the different communities and is understood as intangible since it is transmitted by imitation and experience. Giving this way an added value to knowledge and not only to the resource that was used.

Handmade production is found among the microenterprises, it does not count with many workers and the capital holdings do not exceed the 20 thousand dollars. Moreover, it is important to mention that in Ecuador there are numerous microenterprises which emerge from entrepreneurial ideas that later become into family businesses of all kinds.

The artisanal sector in Ecuador is totally extensive since used raw material can vary according to region, giving each one an identity sense. Thus, in Manabí province we find toquilla straw for the manufacturing of hats; in the tropical forests of Manabí and Esmeraldas we find ornaments and jewels combined with silver among others. In Azuay province we find silver jewelry combined with stone and endemic materials from the region, as it is artistic or utilitarian ceramic (PROECUADOR, 2014)

However, originality, good taste and quality are features that differentiate jewelry from Azuay to other in Ecuador. All kinds of earrings, pins, pendants, bracelets, necklaces in silver, gold or other materials. In most of the cases, pre-Columbian and colonial designs are used; at the same time production of modern jewelry of all kinds is being performed by using emeralds, brilliants, opals, aquamarines and legitimate cultivated pearls. The filigree technique is definitively the one that causes the most interest in Azuay jewelry. This one consists on getting strings out of the gold and silver of different thickness and it is used to cover spaces but leaving some empty ones in order to create a translucent weaving (ARTISANAL GUIDE OF CUENCA, 2014).

According to some authors, the filigree technique has its origins in Asia, it was developed in Spain and Portugal, and when the Spanish colonized us, implemented in America. Out of this material the traditional “candongas”, which are earrings commonly, uses by Cuenca native women and generally by women around the entire province, as an essential accessory for formal dress (ARTISANAL GUIDE OF CUENCA, 2014).

In other words, jewelry in Azuay is wide and diverse, there are many artisans dedicated to the production of jewels in different types of materials and different designs for all tastes. However, many of them work on jewelry as a tradition and as a way of living, in a passive just waiting for people to come looking for the product, instead of taking advantage of their knowledge and search for a new market. It is necessary here to encourage these little businesses not just to strengthen in the local market but to continue growing by means of commercializing their products internationally.

According to John Daniels in his book about international business (2013), states that enterprises participate on international business since foreign sources offer companies lower prices, new or better products and additionally operational knowledge. Additionally, helps them expand their sales, acquire resources, and reduce risks.

- *Expand Sales*

There are potential consumers around the world which can be found in a single country. It is also important to highlight that international businesses are not the exclusive field of big companies, in the United States, a 41% of the exports value is done by small and medium companies, thus generating value when becoming global. (DANIELS, 2013)

- *Acquire resources*

Producers and distributors look for products, services, resources and components from foreign countries, since national supplies are inadequate then are send to the U.S.A. (DANIELS, 2013).

- *Reduce Risks*

To commercialize in different countries in different business cycles can minimize fluctuations in sales and utilities. There can be countries in which sales increase or decrease depending on the stability of the country, it is not the same to operate in a country which is in recession to country which is economically expanding. (DANIELS, 2013)

CHAPTER I

1. STRUCTURE OF THE COMPANY

The present chapter describes the Enterprise “*Isabel López Joyería*”: its objectives, productive processes, current market positioning, jewelry industry profitability and an analysis of current strengths and weaknesses in order to get further knowledge about the company and determine the availability to export its product.

1.1 IDENTIFICATION OF THE COMPANY

1.1.1 Backgrounds

ISABEL LOPEZ – JEWELRY is an Ecuadorian Company from Chordeleg County, Azuay province, present in national market since 2011. Works on 18kt gold and 925kt silver jewels, with the use of traditional techniques in its manufacture and the human team which is committed with the satisfaction of the customer, the advance of trends and vanguard in design. It has brides’ collection like tiaras, headbands, combs and rings; it also has a jewelry collection denominated Toquilla & Filigrana, making of it a handicraft product, a fusion of two artisanal techniques internationally recognized by UNESCO. (Isabel López Joyería, 2014).

The development of Toquilla & Filigrana Collection is the result of works on jewelry with 925 carats silver and also the toquilla straw threads and the silver filigree strings interwoven in the same handmade weaving in which shapes and figures in different texture are incorporated to jewelry. Thus being the technique which gives the added value to the handicraft and which thanks to the artisans has been perfected and adjusted to the traditional technique in order to present and innovative proposal. (Isabel López Joyería, 2014)

It is important to highlight that metals like silver are commonly used in jewelry works. However, in the province of Azuay jewels use to be differentiated because of its quality and traditional technique called filigree and toquilla straw which is representative in the manufacture of hats. This way of making handicrafts currently represents our intangible heritage, in which knowledge about manufacturing methods constitutes part our local identity and as citizens it is our duty to preserve, spread and protect it.

1.1.2 Mission

Isabel López Joyería has as its mission the specialization in the design and manufacturing of silver handmade jewels of high quality, produced by the best jewelers, with innovative techniques, no aggressive to the environment and in the search of cultural revaluation and promotion of local development by means of a human team committed and oriented to the satisfaction of our clients.(Isabel López Joyería, 2014)

1.1.3 Vision

In the next three years, we will consolidate as a company, producer of silver and filigree jewels in the local market as much as in the international, a well-known and competitive company, specialized in high quality jewels and a development of values focused on customers. (Isabel López Joyería, 2014)

1.1.4 Specific Objectives

- To generate profit
- To preserve artisans' excellence in the crafting as well as in the design in order to become a reference of quality on every stage of the manufacture processes.
- To bring motivation among young artisans in the county and make them consider jewelry as a socio economic development factor.
- To promote jewelry as a product of commerce, fair and socially responsible.
- To internationalize the product, especially the Toquilla and Filigrana Collection
- To get to production levels that permit we reach big scale economies.
- Improve the quality of our clients and employees.

1.2 PRODUCTION PROCESS ANALYSIS AND ITS CAPACITY.

According to Isabel López (2014), the 925 carats silver jewels elaboration process with the filigree technique is the following:

1.2.1 Casting

Handmade process

To every 100 grams of 10000 carats silver, a 5% of copper and borax is added, it is then placed on a bowl called melting pot and with the help of a blowtorch, and it is heated to a temperature of 900 ° C approximately, from 8 to 10 minutes. Once the raw material is melted to a point in which it becomes malleable, according to the 925 carats silver handling processes. Then it is emptied on a cast called metallic raw so that it can be taken to the cooler, or it can just be submerged into water until we get silver bars.

1.2.1.1 Lamination

This process is made on a machine

Silver bars are placed between the rolls of the laminator in this process, the bar goes through this process as many times as it becomes thinner and longer until we get a 130mm. silver string. This string is the rolled and boiled again for about 2 or 3 minutes so that it compresses and finally is submerged into sulfuric acid, it is dried and washed with clean water in order to proceed with the threading.

1.2.2 Threading

Handmade process

One of the extremes of the silver rolls is sharpened with the help of a sharpening tool and once it is ready, it is placed on a spinner N° 130, and with the help of a clamp it is pulled by hand repeatedly until the caliber of the string is reduced to a spinner N° 0.24. The silver string is then threaded and placed over pumice stone and annealed on fire for about 2 or 3 minutes approximately until the water has been absorbed completely, once it is annealed it is rolled.

1.2.3 Braid

Handmade process

For this procedure two 4 cm x 5cm x 20 cm long wooden strips are required. The string is folded on the half and the extremes are held; finally with the help of the wooden strips we start turning the strings little by little until we get the first braid. We repeat this process two times until we get a stretched braid.

1.2.4 Flattening

This process is made on a machine

The process of using the laminator with flat rolls, is so called string flattening. It is then placed on pumice stone and annealed for about 2 or 3 minutes and the product of this is nominated "filigree".

1.2.5 Contouring

Handmade process

For the contouring process, step 1.2.3 called braid is repeated, after that, the material is worked according to the thickness, silver string section, shape and design of the jewel that is being manufactured.

1.2.6 Filling and welding

Handmade process

Once the structures have been welded, the filling process starts, using the filigree string, and considering the product specifications and the desired design.

1.2.7 Finished Product

Handmade and machine-made process

Once the jewels are finished, with the help of a point polisher the welding excesses are reduced, then the jewels are placed in water with bicarbonate for a period from 5 to 10 minutes in order to whiten them. The jewels are removed from the bicarbonate water, washed with clean water and with the help of a metallic brush and some detergent they are polished until shining. With this last step, jewels are ready to be commercialized.

Some of the main finished products that are commercialized by Isabel López Joyería:

Illustration 1. Filigree technique silver jewels



Source: (Isabel López Joyería, 2014)

Illustration 2. Silver rings collection



Source: (Isabel López Joyería, 2014)

As it can be observed, the productive process takes time and having not reached the international market, the company currently is not producing big scale. However, it is important to pay attention to the fact that new machinery is being used to speed the process, increase volumes and adapt to the needs of the target market. At the same time, we look for consolidation on an associative model, along with local artisans.

1.3 CURRENT NATIONAL MARKET POSITIONING

Isabel López Joyería has been present in the national market since 2011 and throughout this time has participated in beauty contests, bride dresses parades, expositions and generally in fashion events. It is important to highlight the acceptance it has had in the province as in cities like Quito and Manta, places where the brand is already known and comfortably positioned. Moreover, the company has participated on international fairs as it is the Fashion Fair in Milan. Lately, in December 2014 it was considered to take part on the Amor America NY Project organized by Poecuador, the one that consists don being part of a permanent showroom for exhibition and product sales in Soho-Manhattan and direct sales of products via e-commerce on the web site of America Amor among others. The company is committed to dabble in Foreign Commerce therefore it is working hard to internationalize the product. (Isabel López Joyería, 2014)

Company images on beauty contests and weddings:

Illustration3. Silver Artwork



Source: (Isabel López Joyería, 2014)

Illustration 4.Tiaras and Combs for Brides



Source: (Isabel López Joyería, 2014)

1.3.1 PROFITABILITY OF THE ENTERPRISE

The Ministry of Foreign Commerce is currently working to expand new horizons and continue increasing the amount of exports. Likewise, it counts with an institution called "PROECUADOR", which mission is to promote the exportable supply of goods and services of Ecuador with emphasis on the diversification of products, markets, and actors; and the foreign investment attraction, always acting according to the aims of the National Plan of Good Living (PROECUADOR, 2013).

Tabla 1. Silver Jewelry exports of 20-09-2013 in kilograms and dollars.
SILVER JEWELRY EXPORTS IN KILOGRAMS AND DOLLARS

| SUBHEADING T Silver Jewelry exports of 20-09-2013 in kilograms and dollars. en Kilogram | | | | | | | | | | | |
|--|--|------|--------|------|--------|------|--------|------|--------|------|--------|
| ARANCEL | DESCRIPTION | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | |
| | | Kg. | USD | Kg. | USD | Kg. | USD | Kg. | USD | Kg. | USD |
| 7113110000 | JEWELS SILVER PLATED COVERED OR SILVER JEWELRY, INCLUDING WEATHER COATED OR PLATED IN OTHER PRECIOUS METAL EVEN OTHER PRECIOUS METALS | 30 | 82.000 | 30 | 90.000 | 40 | 98.000 | 126 | 72.000 | 30 | 88.000 |

Source: (CENTRAL BANK 2015)

Made by the Author

The above chart shows that exportation of silver jewels has increased in the last 5 years, which makes us notice that the product is been well accepted internationally and that the amount of exports tends to rise. Therefore, with the knowledge that the company has a broad availability of high quality models and a well-known intangible value, we can deduce that the profitability of the current industry is positive.

1.3.2 Relationship between raw material and design

In order to ease the analysis of the industry's profitability the cost of the manufacture of a work piece is showed compared with the price in the market, to which is necessary to know in advance the price of silver over the last five years, this is showed in the next chart, with a decreasing tendency, while the price in the market of the finished jewel is kept. This fall benefits the jewel artisanal sector since the cost of production decreases and the profitability increases.

Graphic 1. Price of silver in the last five years (2011-2015) in American dollars.



Source: (STOCK MARKET NY, 2015)

The value per kilogram of silver is \$ 13.91 and for a part is used about 100 grams of silver as already explained in the production process , examples of net income are presented leaving about making some pieces

Chart 2. Analysis of Net Incomes- Tiaras and combs

| | |
|---------------------------------------|-----------------|
| CURRENT RAW MATERIAL PRICE / KILOGRAM | \$13.91 |
| RAW MATERIAL PRICE / ONE PICE | \$ 5.50 |
| DE PRODUCCIÓN COSTS | \$35.00 |
| TOTAL INVERSTEMENT | \$40.50 |
| SALES PRICE | \$100.00 |
| NET INCOMES | \$59.50 |

Made by the Author

Chart 3. Analysis of Net incomes – Rings

| | |
|---------------------------------------|----------------|
| CURRENT RAW MATERIAL PRICE / KILOGRAM | \$13.91 |
| RAW MATERIAL PRICE / ONE PICE | \$4.00 |
| DE PRODUCCIÓN COSTS | \$20.00 |
| TOTAL INVERSTEMENT | \$24.00 |
| SALES PRICE | \$50.00 |
| NET INCOMES | \$26.00 |

Source: (Isabel López Joyería, 2014)

In terms of percentages it can be said that the profitability of a tiara is of 57% while in rings it is of a 24%. Generating a total profitability of the jewel from the area of approximately 50%, which represents more than the half of incomes and which makes it totally profitable in the market, considering that the price of raw material as we observed in graphic No. 2 shows a downward trend that will increase the total profitability.

1.4 SWOT ANALYSIS OF THE ENTERPRISE

According to Kotler and Armstrong (2010), the SWOT analysis comprises the study of strong and weak points of the enterprise internally and externally. This one helps to analyze the positive and negative factors, using the positive ones to neutralize or eliminate the negative ones.

1.4.1 Internal Aspects

Strengths

- Availability of raw material.
- Quality product with a high added value by the artisanal manufacturing.
- Variety of designs.
- Cultural preservation of Ecuadorian costumes and traditions.
- Highly qualified personel.
- Availability of capital for investment and internationalization of the business.
- Values into the entrepreneurial culture.
- A vision of Future by the Owner

Weaknesses

- Low production levels
- Lack of advertisement in the national market
- Not technified production
- Lack of experience in the international market
- High production costs

1.4.2 External aspects

Oportunities

- Globalization and regionalization of economy.
- Increasing market of potential customers, abroad.
- Easy access to raw materials and supplies.
- Relationships with International Cooperation Organisms.
- Contact with guilds and associations to offer the products.
- Possible strategic alliances with other microenterprises.

Threats

- Instability of country policies.
- Arrival of new competitors with a bigger economic power.
- Desertion of trained people, which causes waste of resources.
- Lack of support of state policies by the National Government.
- Bad application of laws and policies that support artisans.
- Loss of cultural identity

Isabel López Joyería will face many different internal and external factors that represent a menace for its own development, however, with a clear idea of the possible threats, and also the strengths the company can be ready to overcome any problem in the case they show up.

Having done an internal analysis of the company, we can conclude that one of the main problems that could appear at the moment of the exports would be the low production scale. However, we can overcome this weakness and the lack of not technified labor force with the strength of the capital for the investment on new machinery and human resources, which will help the company to continue expanding the national market.

The investment capital of “Isabel López Joyería” is approximately of \$10.000 for the implementation of new machinery and additional expenses on the production. This amount is established by the owner who on her experience thinks her business will reach a great advance, which will permit the beginning of product exportation not in a big scale but good quality products that satisfy the requirements of consumers.

The company is different to others in terms of product quality, with a high added value on the artisanal production, factor that is imperative in the national and international market. Regarding the experience of Ecuador in the international market, the variety of products will be an excellent introduction card for positioning the artisanal product, emphasizing on the quality, as it was stated before.

To reach the international market, it is necessary to know in advance the target market, its characteristics, benefits and possible barriers that might show up. Data and analysis which will be presented in the next chapter.

CHAPTER II

2. RESEARCH AND STUDY OF POTENTIAL MARKETS

In this chapter the country “Isabel López Joyería” is going to export its products will be determined. An analysis of the potential markets and once we have selected it, we will proceed to check the profile in order to know what methods to use at the time of the export.

2.1 CRITERIA FOR THE MARKET SELECTION

The delimitation of the target market will be performed and the political-economic situation as well, according to the statistical findings. The research bibliographic-documental methodology will be used; first the criteria will be analyzed and finally each one of them.

2.1.2 Market Expansion.

Comprises a detailed product consumption data, that is, to delimit the main consumer countries and also the world product imports in general, by means of quantities, prices, and frequency of imports.

This one measures the economies in 189 countries, works with different indicators and areas, granting reports that ease the information to start business with micro enterprises (WORLD BANK, 2015)

2.1.3 Development level.

According to data obtained from the World Bank in relationship with the GDP in many countries of the same level, which can be observable, the PPP transforms the prices of goods produced in different countries, to the ones manufactured in the U.S.A. and which will serve as a foundation for the calculus to have an effective and equalitarian comparison among countries around the world, with a established tariff heading at the moment of the exportation.

2.2 SILVER JEWELRY TARIFF HEADING

A continuación se fija la partida arancelaria de exportación de nuestro producto, dato que nos ayudará en el cálculo de las importaciones y los aranceles de los mercados potenciales a seleccionar.

Chart 4. Silver jewelry tariff heading

| NANDINA | DESCRIPCIÓN | Type of heading | UNIDAD MEDIDA | PERISHABLE | IMPORT PERMISSION | EXPORT PERMISSION |
|----------------|--|-----------------|--------------------------|------------|-------------------|-------------------|
| 711311000 0 | SILVER JEWELRY, INCLUDING PARTS IN OTHER PRECIOUS (PLATED) | SUB-HEADING | KILOGRAM NET/LIQUID (kg) | NO | Authorized | Authorized |

Source:(BANCO CENTRAL DEL ECUADOR, 2015)

2.3 ANALYSIS OF POTENTIAL MARKETS TO BE SELECTED

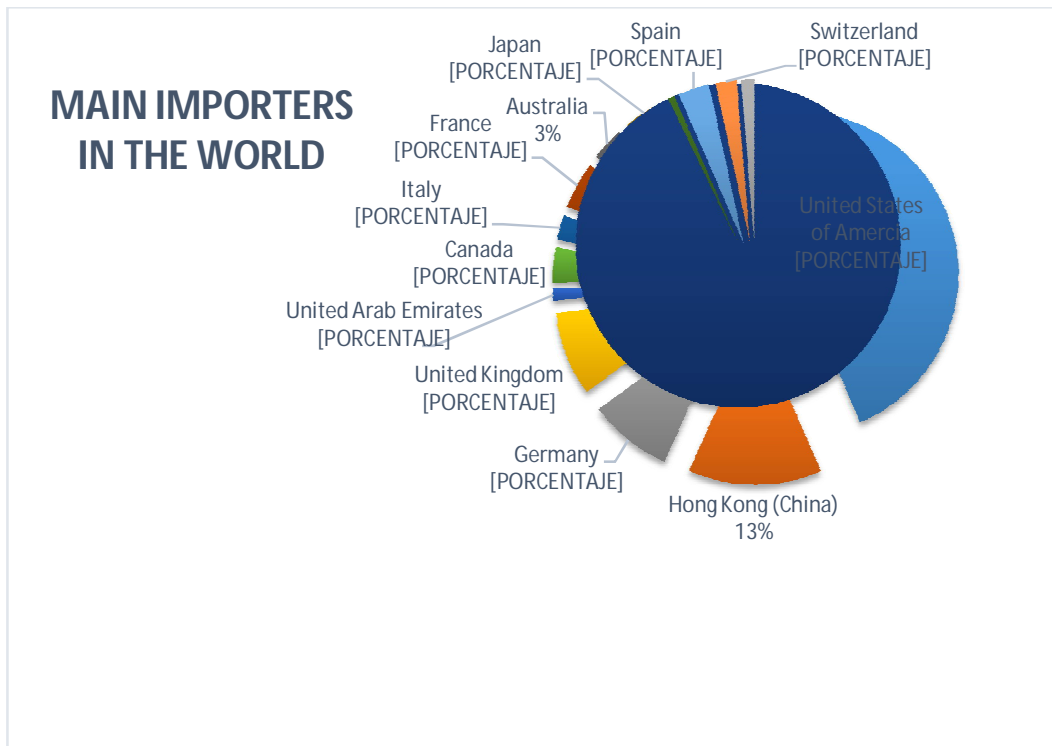
Once the tariff heading to be applied on the silver jewelry exportation has been detailed, we will proceed to analyze the extension of the market worldly according to the total of exports during the last years.

Chart 5. Main silver jewelry importers around the world in American Dollars 2010-2014

| IMPORTERS | IMPORTED AMOUNTIN 2010 | IMPORTED AMOUNTIN 2011 | IMPORTED AMOUNTIN 2012 | IMPORTED AMOUNTIN 2013 | IMPORTED AMOUNTIN 2014 |
|--------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| World | 5.868.420 | 6.892.602 | 6.934.368 | 7.257.945 | 8.150.742 |
| United States of America | 1.993.061 | 2.218.090 | 2.074.019 | 2.196.434 | 2.121.172 |
| Hong Kong, China | 615.764 | 868.367 | 1.023.114 | 976.852 | 1.316.766 |
| Germany | 385.844 | 582.837 | 551.193 | 617.130 | 673.238 |
| United Kingdom | 392.412 | 369.287 | 390.643 | 430.829 | 511.540 |
| United Arab Emirates | 55.565 | 122.777 | 346.819 | 321.243 | 418.673 |
| Japan | 197.758 | 209.508 | 213.786 | 180.372 | 328.186 |
| Italy | 115.050 | 206.609 | 197.079 | 219.099 | 281.428 |
| Canada | 162.652 | 221.405 | 230.144 | 263.453 | 264.395 |
| France | 217.036 | 223.105 | 208.714 | 219.105 | 232.511 |
| Australia | 156.317 | 187.688 | 164.899 | 191.195 | 195.401 |
| Russian Federation | 0 | 0 | 99.895 | 139.266 | 172.012 |
| Spain | 144.675 | 122.835 | 89.661 | 100.276 | 108.283 |
| Singapore | 16.104 | 25.244 | 29.528 | 31.697 | 102.929 |

Fuente: (TRADE MAP, 2016)

Graphic 2. Main silver jewelry importers around the world in percentages 2010-2014



Source: (TRADE MAP, 2016)

Made by the Author

The data presented about the main importers world level shows that the United States is the country with a major amount of product importations from different parts of the world, next comes Hong Kong with a 13%, Germany and the United Kingdom with 8% and Canada with 4%. It is important to remember that the American market is very consistent and in development, while the market of Hong Kong is not and the other mentioned countries have smaller markets than the first ones.

Chart 6. Silver Jewelry Importers from Ecuador in American Dollars 2010-2014

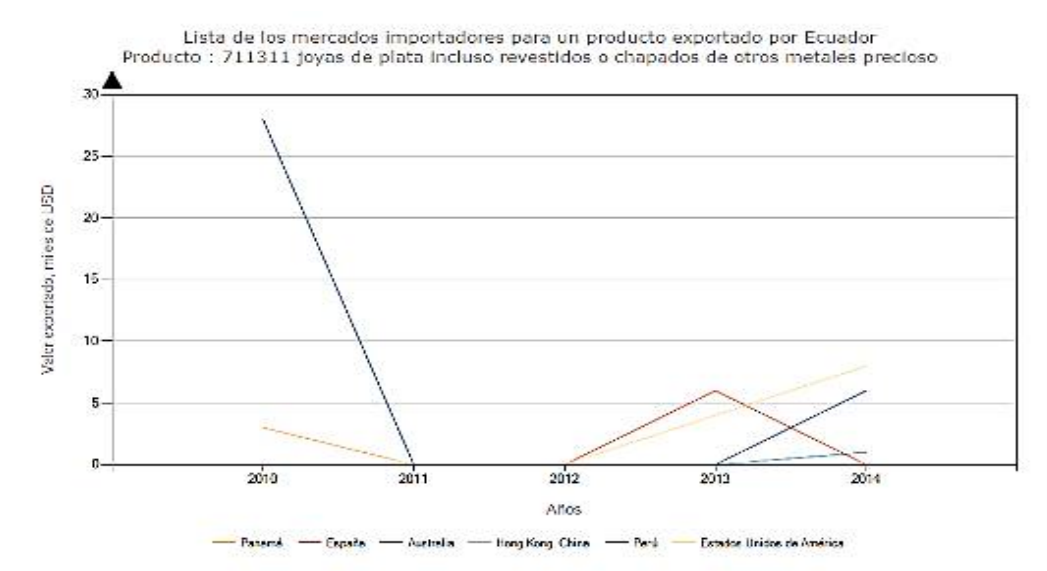
| IMPORTERS | IMPORTED AMOUNTIN 2010 | IMPORTED AMOUNTIN 2011 | IMPORTED AMOUNTIN 2012 | IMPORTED AMOUNTIN 2013 | IMPORTED AMOUNTIN 2014 |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| World | 81.000 | 82.000 | 90.000 | 69.000 | 72.000 |
| Colombia | 50.000 | 82.000 | 90.000 | 58.000 | 57.000 |
| United States of America | - | - | - | 4.000 | 8.000 |
| Peru | 28.000 | - | - | - | 6.000 |
| Australia | - | - | - | - | 1.000 |
| Hong Kong, China | - | - | - | - | 1.000 |
| Panama | 3.000 | - | - | - | - |

Source: (TRADE MAP, 2016)

Currency: American Dollars

From 2013 there is more customs control for a more reliable statistical registration regarding the international commerce of jewels due to previously this type of product has been transported as personal luggage. (TRADE MAP, 2015)

Gráfico 3. Silver jewelry Importer markets from Ecuador: period 2010-2014



Source: (TRADE MAP, 2016)

According to the statistics, it is observable that there is a tendency to the international commercialization of silver jewels, however we have to take into account that the

United States has increased the amount of imports and the other registered countries show a little raise in the last year.

Next the position of the countries according to *Doing Business* indicator made by the World Bank is shown (2015)

Chart 7. List of countries according to “Doing Business” indicators. año 2015.

| ECONOMY | EASE TO DOBUSINESS (RANGE) | TAXES PAYMENT | CROSSBORDER COMMERCE |
|-------------------------|---------------------------------------|--------------------------|---------------------------------|
| Singapore | 1 | 5 | 1 |
| New Zealand | 2 | 22 | 27 |
| Hong Kong SAR, China | 3 | 4 | 2 |
| Korea, Rep. | 5 | 25 | 3 |
| Norway | 6 | 15 | 24 |
| United States | 7 | 47 | 16 |
| United Kingdom | 8 | 16 | 15 |
| Finland | 9 | 21 | 14 |
| Australia | 10 | 39 | 49 |

Source: (WORLD BANK, 2015)

Made by the Author

The ten countries can be observed easily in order to do business world level, which can be used as vital information to select the target market of the present investigation project since we could start with the country that offers more dynamism in the process of jewelry importation.

Chart 8. Gross Domestic Product (GDP) converted into American international dollars by purchasing power parity (PPP) (in Miles de Millions)

| PAÍS | 2010 | 2011 | 2012 | 2013 | 2014 | TOTAL |
|----------------|--------|--------|--------|--------|--------|--------|
| Estados Unidos | 15.273 | 15.517 | 15.878 | 16.230 | 16.618 | 79.516 |
| China | 12.613 | 13.810 | 14.880 | 16.023 | 17.188 | 74.514 |
| India | 5.481 | 5.845 | 6.142 | 6.566 | 7.044 | 31.078 |
| El mundo árabe | 5.115 | 5.259 | 5.599 | 5.759 | 5.871 | 27.603 |
| Japón | 4.406 | 4.386 | 4.463 | 4.535 | 4.530 | 22.320 |
| Alemania | 3.325 | 3.447 | 3.461 | 3.471 | 3.526 | 17.230 |
| Rusia | 3.094 | 3.226 | 3.336 | 3.381 | 3.402 | 16.439 |
| Brasil | 2.861 | 2.973 | 3.026 | 3.109 | 3.113 | 15.082 |
| Francia | 2.389 | 2.438 | 2.443 | 2.459 | 2.463 | 12.192 |
| Indonesia | 2.045 | 2.171 | 2.302 | 2.430 | 2.553 | 11.501 |
| Italia | 2.119 | 2.131 | 2.071 | 2.035 | 2.026 | 10.382 |

Source: (WORLD BANK, 2015)

Made by the Author

It can be observed that the United States is the country with the best GDP due to purchasing power, followed by China, India and Arabia. Then, the GDP per capita in the United States in relationship with the handicrafts market is the following:

Chart 9. GDP Per-Capita in the United States in relationship with the handicrafts market in American dollars.

| PIB (PARIDAD DE PDER ADQUISITIVO) |
|---|
| \$15.04 Billones (Estimado 2011) Comparación del País al Mundo: 2 \$14.82 Billones (Estimado 2010) \$14.38 Billones (Estimado 2009) <i>Nota: Data en Dólares Estadounidenses de 2011</i> |
| PIB (TASA DE CAMBIO OFICIAL) |
| \$15.06 Billones (Estimado 2011) |
| GDP - TASA DE CRECIMIENTO REAL |
| 1.5% (Estimado 2011) Comparación del País al Mundo: 169 3% (Estimado 2010) -3.5% (Estimado 2009) |
| PIB - PER CÁPITA (PARIDAD DE PODER ADQUISITIVO) |
| \$48,000 (Estimado 2011) Comparación del País al Mundo: 12 \$47,800 (Estimado 2010) \$46,800 (Estimado 2009) |

Source: (PROECUADOR, 2012)

The United States has the biggest GDP in the world, however, there are other factors that determine the purchasing power of citizens, which is determined by the price increase in products like clothing, education, housing, gas, health, which are vital for consumption.

2.3.2. Selection of the Target Market

Once the necessary data has been presented, we proceed to select the target market for the enterprise “*Isabel López Joyería*”, by means of the necessary indicators.

Chart 2. Indicators for the market selection año 2014.

| INDICATORS | COUNTRY NO. 1 | COUNTRY NO. 2 | COUNTRY NO.3 |
|------------------------------------|---------------|---------------|----------------------|
| Jewelry Importer Country - World | United States | China | Germany |
| Jewelry Importer Country - Ecuador | Colombia | Spain | United States |
| Ease to do business | Singapore | Nueva Zealand | China |
| Tax payments | China | Singapore | Denmark |
| Cross border Commerce | Singapore | China | Korea, Rep. |
| Better GDP per PPP | United States | China | India |
| Better GDP Per-Capita | United States | Luxemburg | Liechtenstein ore |

Source: (PROECUADOR, 2014)

Made by the Author

(BANCO MUNDIAL, 2015)

The results throw that China is one of the countries that imports the most silver jewelry in the world, business friendly, with no difficulty in tax payment and with one of the best GDP. In second place we have the United States, being the country that imports the most silver jewelry in the world, third in imports from our country and with the best GDP, being then superior to China. Finally, it is important to take Singapore into account since it represents the best country to do business with and has not many barriers regarding tax payments, however not being among the main importer countries of our product makes it difficult to select it as the first destination of our product. Qatar is not included in the chart because it was positioned 4th until 2014.

With these two tentative countries, we will elaborate a PEST analysis, that is, a political, economic, social and technological analysis of each one according to data, and determine the best option to direct the production of silver jewelry.

2.3.2.1 Political – Economic – Social – Technological Analysis of China

Political

China has been part of a reform process that has caused economic and social imbalances so government has emphasized on the economic growth in quantitative terms, being these engine of the exports economy and investments. Currently this country tries to find a growth model of sustainable and innovative quality.

Since the Chinese government has become interested in commercial policies, it has participated on agreements of free commerce world level, so far it counts with 16 FTA associated, which embraces 28 economies. It is important to mention that this opening has happened because the free commerce China – ASEAN is the biggest in the world in terms of population and the third biggest in terms of nominal GDP. The signed agreements are detailed next:

- FTA China- Asean.
- FTA China- Pakistan.
- FTA China- New Zealand.
- FTA China- Singapore.
- FTA China- Chile.
- FTA China- Peru.
- FTA China- Costa Rica.
- Agreement of Enhanced Agreement Association between Continental China and Hong Kong.(CHINA BRIEFING, 2013)

That is, the emphasis the Chinese government is paying on Foreign Commerce will favor Ecuador. However, it is important to notice that Ecuador is not part of the previously mentioned agreements, yet.

Economic

Tabla 11. Datos Económicos de China 2014

| DATOS ECONÓMICOS CHINA | |
|------------------------------------|----------------------|
| NIVEL DE INGRESOS | INGRESO MEDIANO ALTO |
| PIB EN TÉRMINOS DE PPP | 18.09 TRILLONES |
| TASA DE INFLACIÓN | 2% |
| POBLACIÓN BAJO EL NIVEL DE POBREZA | 6.10% |

Source: (WORLD BANCK, 2015)

Made by the Author

According to the World Bank Statistics, the Gross Domestic Product per capita in China was of \$ 3865.88 American dollars in 2014, equivalent to 31% of the world average with a ratio of \$873.24 from 1960 to 2014, reaching its highest level of \$3865.88 USD in 2014 and a historical minimum of \$83.33 USD in 1962. (WORLD BANK, 2015)

The economy in China grew a 6.9% yearly in October 2016, slightly below the 7,0 per cent in the last trimester and the weakest one in the first trimester on 2009. The statistics surpassed the market expectations and a strength in services and consumption, due to the manufacturing and export of products. (TRADING ECONOMICS, 2015)

Social

Chart 12. Social Data in China 2014

| DATOS SOCIALES CHINA | |
|---------------------------------------|-------------------|
| POBLACIÓN | 1.36 MIL MILLONES |
| EDAD MEDIA DE VIDA | 36.8 |
| DESEMPLEO | 4.10% |
| ESPERANZA DE VIDA | 75.2 |
| INDICE GINI- DISTRIBUCIÓN DEL INGRESO | 37% |

Source: (CIA FACTBOOK, 2016) **DATOS SOCIALES CHINA**

Made by the Author

POBLACIÓN
136.748.538

EDAD MEDIA DE VIDA
36.8

Graphic 1. Annual Population growth in China: January 2013 – July 2015



Source: (TRADING ECONOMICS, 2015)

From the following chart we can highlight the decrease in the GINI index, which is about the distribution of total incomes of the country. When this index is equal to 0 it means there is a perfect equity, while 100 means a total inequity of incomes (CHINA GRIEFING, 2013).

Even though poverty in China has diminished notoriously, it is still affecting for a round a 10% in the total population (approximately 120 millions of people). The difference in the life levels can be noticed while travelling from the city to the countryside, from urban areas in the coast to the west where people live with less than a dollar a day. (SANTANDER TRADE, 2015)

Technological

Chinese technology characterizes for copying big brands, and also purchasing companies in the occident and investing millions of dollars on research to innovate its own technology. Nowadays, China is a very competitive market not just for its prices but also for the quality. (EURONEWS, 2014)

In September 2014, the industrial production expanded on a 75% since September 2014. From January to September 2015, the investment on capital assets increased to 10,3% in comparison to the same period in 2014 (TRADING ECONOMICS, 2015)

2.3.2.2 Political-Economic-Social-Technological Analysis of the United States of America.

Political

The government of the United States has reduced commercial barriers, promotes international relationships and manages a theory of commerce that promotes the economic growth. It is the first importer and second exporter of merchandising. However, only the 30% of its GDP corresponds to commerce. It is because of this reason that in 2010 a promotion of exports policy has been adopted in order to double on a five years term. According to Business Portal Source of Santander Bank, based on World Bank Statistics. (SANTANDER TRADE, 2015).

Even when the United States has relationships with all world, its principal commercial associates are the NAFTA countries (North American Free Trade Agreement that includes Mexico and Canada) China and the European Union (SANTADER TRADE, 2015), which means that the open commercial policy managed by the United States favors totally Ecuador since it eases the entrance of products to their market.

Economic

Chart 13. United States of America Economic Data, 2014

| USA Economic Data | |
|--------------------------|-----------------|
| LEVEL OF INCOMES | HIGH INCOMES |
| GDP IN TERMS OF PPP | 17.37 TRILLONES |
| INFLATION RATE | 1.60% |
| POVERTY LEVEL POPULATION | 15% |

Source: (BANCO MUNDIAL, 2016)

Made by the Author

The American economy has a major GDP world level, due to the increase of productive technological factors that provoked an stable inflation and a work stability, since its economic pattern is focused on services, occupying the eighty percent of GDP, so does the industry and construction contribute with an eighteen percent, however, agriculture and mining represent only a three percent (WORLD BANK, 2015).

Social

Chart 14. Social data in the United States 2014

| DATOS SOCIALES ESTADOS UNIDOS | |
|---------------------------------------|-------------|
| POBLACIÓN | 321.368.864 |
| EDAD MEDIA DE VIDA | 37.8 |
| DESEMPLEO | 13.40% |
| ESPERANZA DE VIDA | 78.74 |
| INDICE GINI- DISTRIBUCIÓN DEL INGRESO | 41.10% |

Source: (CIA FACTBOOK, 2016)

The data show an excellent overview in relationship with the cost of the investment, since it lacks of poverty percentage and keeps a growth of positive annual GDP.

Technologic

The United States is the first country heading the list of yearly classifications in use of technologies with a 7, 71 over 10, followed by Sweden with a 7,47 over 10, Denmark with 7,18 and Spain with 3,65 according to the Scorecard Analysis world level (CNN EXPANSION, 2011)

2.3.3 PEST Analysis of China Vs. The United States.

According to the China and U.S.A PEST analysis, the best option for exports is the American market.

- The United States is one of the biggest commercial associates of Ecuador in our non-oil scale. Moreover is one of the main importers of handicrafts in the world.
- The American economy has a major GDP world level, due to the rise of productive technological factors which provoke a stable inflation and work instability
- Even when poverty in China has decreased notoriously, it continues to affect around the 10% of total population (approximately 120 millions of people)
- The government of The United States has reduced commercial barriers, promotes international relationships and manages a theory of commerce in which the economic growth is promoted.

- Negotiation with the United States results much easier because of the language compared to China, moreover it is important to consider the cultural difference, being then more accessible the American market for Ecuadorian companies.
- Shipping costs and transport are more economical.
- For the exporter Company, demanded quantities are more accessible to the United States than to China.

For the above reasons, the American market is defined as the best destination, leaving an open possibility for future negotiations with China

2.4 STUDY OF THE SELECTED MARKET AS A DESTINATION

Knowing that the United States of America will be the market destination, it proceeds to analyze through a brief introduction of the Country, and then the analysis of the offer and demand of silver jewels.

2.4.1 Generalities

The United States of America is located in North America, with borders to the North with Canada, to the south with Mexico, to the east with the Atlantic Ocean and the Caribbean Sea, and to the west with the Pacific Ocean. The population in the United States of America reaches the 313 millions of habitants and the high migration level has been one of the principal reasons of the high population growth and especially by the wide variety of ethnics, religion and culture. A 70.96% of the population are white, 15.1% are Spanish speakers, 12.5% are black people, 4.43% Asians, 0.97% American Indian native and the 0.18% are Hawaiian native. The most populated states are New York, California, Florida, Texas and Pennsylvania (PROECUADOR, 2012).

Is important to mention that has a great infrastructure of transportation, it has a road network of more than 136.701 miles, over than 3,728.227 miles of railroads and additionally possess the main volume cargo airports of the world. Regarding to the sea access, both on the Atlantic and Pacific Ocean counts with more over 400 ports. (PROECUADOR, 2012).

2.4.2 Likes and preferences of the market as a destination

New York, as one of the most developed destinations is furthermore one of the states with multiculturalism. The women population reaches about two million people, and as a plus the New Yorker women has been qualified as an active segment who always looks for quality.

According to the market study realized by the Continental Institute of Peru it shows below some of the characteristics of the New York customer:

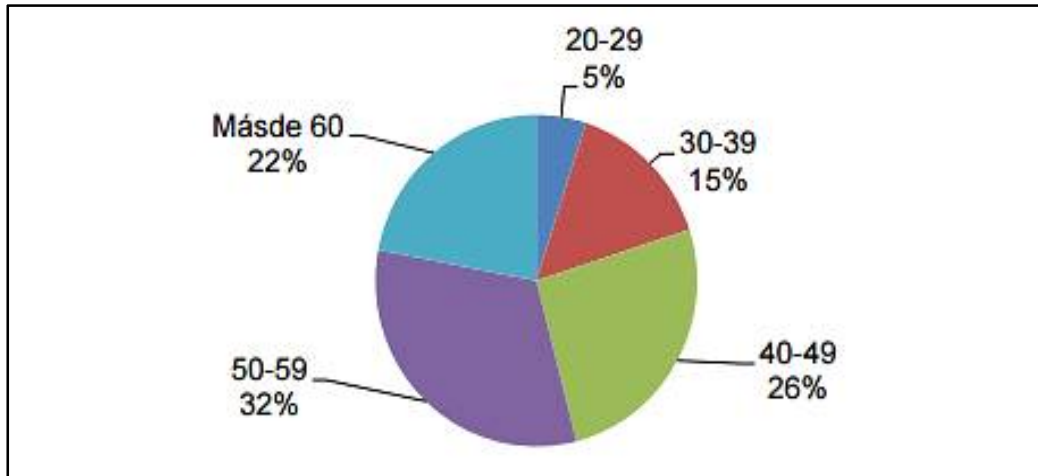
- Upper-middle class
- Value the personalized service on the point of sale
- Searches distinction and quality
- The products that may associate to an innovation or exclusivity are more valued for its quality before its price.

The customer is looking that the luxury product that they acquire is overhead to the rest, or at least above the average. That is the reason why don't stint on high payments of the wished jewels. In other words, the New Yorker and its idiosyncrasy are associated with the consumption of luxury goods, especially when it comes of jewelry items.

The 90% of the commercialized jewels on New York is demanded by women, that shows the perfect niche which the exporters should get. Even though the women presence is significant, it should be stressed that the high fixed-costs on this market is given on the part of men who acquires the most expensive pieces for gifts. However is important to consider the role of women on society, where it shoes more independent and improvements on the purchasing power (INSTITUTE CONTINENTAL, 2012)

The result of a survey realized by the JCOC "JewelrOpinion Council" to 1000 jewel customers men as well as women emphasizing again that the women market constitutes without doubt the majority segment of the results are showed below:

Figure 2. Percentage of consumption of jewels in New York by age category

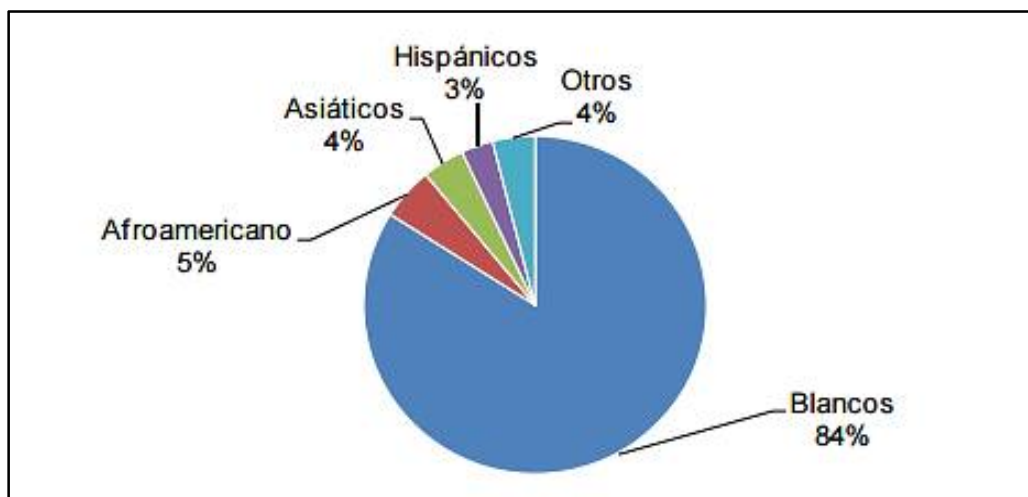


Source: (JCOC, 2010) JewelryConsumerOpinion Council”

It is right to conclude that, the customers average age can be found on a range from 40 to 60 years old, or the called “*babyboomers*”, wherein being adults have financial stability and a biggest acquisition of expensive properties or well known as luxury goods.

It is also important to consider the ethnic composition of consumption, because this will help to know which ethnic groups have the most presence on consumption.

Figure 3. Percentage of consumption of jewels in New York by ethnic group



Source: (JCOC, 2010)JewelryConsumerOpinion Council”

It is clear that the customer's percentage of jewelry customers on the United States of America is the white or Caucasian with an 84% of the demand.

In other words, the New Yorker customer profile is the one with white women between 40 and 60 years old, a market that prefers for those novel and exclusive products, it means that the customer searches for make a difference, among many products and its varieties, emphasizing that what attract attention is one that reflects quality and can show a certain glamour level.

2.4.3 Demand for jewelry made on silver

On 2013, the silver jewelry demand reached a total FOB of 2 million dollars, this product is imported from Thailand, China and mainly in India. It is interesting to see that the imports of our product are high, in that tell us that they do not only consume jewels produced on their country, but also tendency and a total acceptance to the demand of foreign jewels.(TRADE MAP, 2016)

Chart 15. Main imported products by the United States of the world on 2014

| PRODUCT DESCRIPTION BY CHAPTER OF HEADING HARMONIZED | VALUE IMPORTED 2014 (THOUSANDS OF USD) |
|---|--|
| Mineral fuels , mineral oils and products of their distillation | 347.716.349 |
| Machines, nuclear reactors , boilers, machinery and mechanical appliances . | 324.309.315 |
| Machinery and electrical equipment , parts thereof; recording devices | 314.770.007 |
| Vehicles, cars, tractors, cycles, other vehicles. | 261.050.027 |
| Instruments , devices optical, photographic , cinematographic, measuring | 75.189.710 |
| Natural or cultured pearls , precious and semiprecious stones and similar | 63.198.807 |
| Pharmaceutical products | 72.600.452 |

| | |
|--|------------|
| Organic chemicals | 53.639.279 |
| Furniture; surgical medical furniture ; articles of bedding and similar | 51.959.396 |

Source: (TRADE MAP, 2016)

*Calculation of CCI based on statistics of a COMTRADE

On the table above, the main ten products that the United States import from the world are identified, among these it would stressed that in sixth position to: the fine or cultured pearls, precious and semi-precious stones and similar. Wich brings an idea of the products made with precious materials, are totally accepted and Isabel Lopez jewelry will have a favorable reception on tastes and prefers with respect to market.

2.4.4 Offer of jewelry made on silver

Following next, the main ten countries that sell jewels made of silver to the United States and its total amount on dollars on the year of 2013 can be seen in a better way.

Table 16. Main exporters of jewels all over the world, year 2014.

| EXPORTADORES | VALOR EN 2014 (MILES DE USD) |
|---------------------|-------------------------------------|
| India | 1.864.719 |
| Tailandia | 1.693.994 |
| China | 918416 |
| Alemania | 835.358 |
| Hong Kong, China | 788.012 |
| Italia | 706.313 |

Source: (TRADE MAP, 2016)

The market of the United States today is one of the biggest globally, for the consumption of silver articles which include silver jewels, silver watches, silver decorative articles or kitchenware, of this consumption, around the 15% has to be with silver jewels (TRADE MAP, 2016) similar, with finished and designs slightly lower, on that market.

On the other hand, it can be seen that Ecuador is not one of main bidders of silver jewels to the United States, which could result difficult to introduce a product to the market which Ecuador has not been reached yet with the strength needed; however, not having a bigger national competitor this factor can be used as an opportunity. In addition, the New York market as discuss, is a market that demand high quality and exclusive items, is the perfect niche to start exporting because Isabel Lopez jewelry complies with the requirements and also offers a plus to its product that is elegance. Undoubtedly, Isabel Lopez jewelry should be focus on making difference and entering the American market, particularly on the New York state to begin.

CHAPTER III

3. INTERNATIONAL NEGOCIATION AND EXPORT CUSTOMS REQUIREMENTS

3.1 INTRODUCTION TO INTERNATIONAL NEGOTIATION AND RELEVANT ASPECTS

Reference is made to the international negotiation, the “marketing of a product between two or more countries” (Hill, 2001). The process entails a series of protocols to follow and realize successfully. For that reason, the different ways that make easier the management of this process are presented following next, for example, it is recommended that the small and medium sized enterprises realize a demonstration of its products on international fairs, trade missions and business rounds.

- Trade fair: is an exposure of our product in order to exchange information and made business between different parts with particular interests in an economic sector. Achieved on a geographic location previously defined at a time of the year as a social, economic and cultural event. (PARIS, 2013)
- Trade Missions: are concentrated group tours, wich are previously organized to increase trade of a country with another. Consisting with collective travel groups to an objective market, generally of many enterprises. (PARIS, 2013)
- Business Rounds: event in which many enterprises of one or many sectors are summoned in order to create reunions to become aware of the products both sellers and purchasers. (PARIS, 2013)

Chart 17. Pros and cons of the Commercial Fairs

| COMPARATIVE ADVANTAGES | | |
|---|---|---|
| TRADE FAIRS | TRADE MISSIONS | BUSINESS ROUNDS |
| Present and sell of products | The businessmen are presented with a favorable policy framework | The business reunions are made directly |
| An analysis of the market price sensitivity can be made | With the support of governmental agencies | You can analyze different types of channels in a single business environment |
| You can experiment with new forms of attention and Marketing | Direct contacts are made and start personal relationships | Contacts are made inter-business and personal |
| The results are effective | The results are seen in the long term | The results are seen in the short term |
| COMPARATIVE DISADVANTAGES | | |
| TRADE FAIRS | TRADE MISSIONS | BUSINESS ROUNDS |
| One-to-one relationship and not massively to the entire public. | Sometimes represent more, a commitment that a way of doing business | Do not normally attend large enterprises |
| Existe la presencia de gran parte de visitantes que no son consumidores del producto. | It is difficult to get to know all the people who are going to meet and if you are the ideal contacts | While everything is scheduled, beforehand can have betrayals |
| The duration is of few days. | Are short and it is very difficult to break out of the established protocol | Each business meeting is short in itself but can still be on the outside of the wheel |
| Expensive | Fairly expensive | Low cost |

Source: José Antonio Paris, Search and selection mechanisms of the customer or supplier International, 2013. Developed by: the author

Considering that the international fairs have an effect that allows open for business to the international fairs buyers of the international fair, it proceeds to focus in a better way to reach them.

3.2 INTERNATIONAL FAIRS

José Franco, consultant specializing in training export culture and logistics of participation in international events, the seminar "to participate in international exhibitions with an emphasis on business rounds" Organized by PROECUADOR in 2013 gives guidelines for participation in international fairs.

3.2.1 Types of International Fairs

3.2.1.1 *By its product*

- Sectorial: textile, artisanal, metal mechanic, housing, wood industry, etc.
- Multisector: includes different products or sectors on the same place

3.2.1.2 *By their assistants*

- Professionals: wholesale buyers, retailers, stores, networks, etc.
- Generals: from providers to wholesale buyers, retailers and public at large.

3.2.1.3 *By the type of business that may realize*

- Exhibition: contacts are obtained, sales are not made but after the fair.
- Commercial: Commercial transactions are made during and after the fair

3.2.1.4 *By the type of exhibitors*

- Regionals: with exhibitors from the region.
- Nationals: with exhibitors from the country.
- Internationals: with exhibitors from all over the world.

3.2.2 Specific objectives of the International Fairs

- Attract new customers.
- Expand into new markets.
- Begin or continue exporting.
- Find raw material new suppliers.
- Analyze the answers of potential customers.
- Search of strategic alliances (partners).
- Analyze the competence.
- Updated in tendencies.

3.2.3 Participation in a International fair

- Visiting the fair: The small company assists as visitant, without stand, with the objective of investigate how the tendencies of the market are, the customer, their competence, technology or production techniques, packaging and labeling, promotion techniques or make contacts. Can make contacts; known the competition closer, the tendencies of the products and the market; collect strategic information to their business planning; analyze the important and quality of the fair; and, projects the viability of its participation as exhibitor in the next edition.
- Participation: After evaluating the fair, it seems appropriate participate on the fair, with the purpose to reduce costs and achieve a bigger impact, contact and relate with customers, evaluate new products, etc. very similar to the exhibition ones but also searches the realization of medium- term business that justifies the investment.

3.2.4 Activities for the participation in an International Fair.

Before travelling to the fair:

- Make copies and bring all of the documents that support the inscription to the fair, and the procedures and preview communications made with the organizer.
- Bring work schedules, notebooks, commercial cards, letterhead of the artisan, request forms, bills, publicity material, etc.
- Bring a camera, calculators, laptops, cables, etc.
- Be ready with the product (samples), publicity material, banners, leaflets or flyers, samples for the audience, gifts, contract registration forms.
- Carry the structure (precast) of the stand.
- Search for new products, suppliers, customers, meet with important customers, planning event outside the fair (such as dinner for important customers, etc.)

During the fair:

- Attract visitors to the stand: should be creative, should wake interest of visitors.
- Make that the professional visitors fill the registration visit form.
- Organize attraction events (palpable samples of the product).
- Send e-mails every night with information requested by the visitors.
- Apply surveys to the visitors.
- Assist to conferences and exhibitions realized during the fair, learn.
- Investigate the competence.

At the end of the fair:

- Order the dismantling of the stand and the transport of the materials and products to the place of origin.
- Selling or nationalization of merchandise; deliver to dealers or agents.
- In the office: make evaluation reunion and tracking contacts and clients or potential suppliers.

3.2.5. Detail of necessary Items to participate in the International Fair

- Costs for the space of the stand. (includes basic services as electricity, light points, cleaning, furniture, shelf, air conditioner, telephone connection, internet access).
- Costs for decoration, stand arming.
- Travel costs (hotel, feeding, mobilization, etc.).
- Transportation costs (cost of sample shipping, products, customs, insurance, packing, boxing, etc.).
- Costs for display cases.
- Contingencies.
- Entertainment expenses.
- Costs for models.
- Publicity
- Events.

3.2.6. Purchase- sale terms.

Marketing Channels

The distribution decisions are a long-term decision that cannot be modified easily and conditions in a bigger way the commercial strategy design.

In this case for the exportation of silver jewels, considering that the negotiation term is the importer CIP in USA and from the part of Equator, the contract ends in the moment that the Jose Joaquin de Olmedo Airport in the city of Guayaquil with destiny to the JFK New York Airport,

In this case for the export of silver jewelry, taking into account that the term of negotiation is the importer in USA and IPF on the part of the company in Ecuador, the contract ends the moment that in the Jose Joaquin de Olmedo Airport of the city of Guayaquil with destination the New York JFK Airport, depending on the type of transport to be used, so that briefly explains the most appropriate channel of distribution that it applies to exports to be performed, in this case:

Chart 5. Channels at the distribution process Source

It can be indicate that the product before being made should have a production process first, where the forms and colors are detailed. It will count with a department where the indispensable raw material can be found for the artisanal production of the product.

- Attach the exportable supply and product details to the contract.
- The terms of the condition of the goods given to the customer: i.e. packaging, etc.
- Place where the merchandise are delivered and the transport conditions.
- Quantity determination.
- Prices and other remaining conditions.
- Payment methods and conditions to be used.
- Delivery conditions: that is if will be partial shipments or total deliveries.
- Delivery date and penalties clauses in the event of.
- Validity of contract. (Franco, 2015)

3.3. PRODUCT EXPORT PROCESS THROUGH EASY EXPORT PROGRAM

Considering that Isabel Lopez Jewelry is a small business, it is recommended that begin its exportation process through the tool which makes exportations easier called "Easy Export", the same that was created to promote the small, medium sized enterprises (SME) and artisans to the international market. This government Project is oriented to bring a simplified system, agile and rentable of exportations by postal consignments through a public postal operator.

Process

The exportation process on the customs office consists in two phases:

Pre- Shipment phase

"Begins with the electronic transmission of a customs exports declaration form, the same can be coupled of a pro forma invoice or an invoice and documentation found prior to shipment. That declaration form is a legal relation and compliance commitments with the SENA by the exporter or declaring.

The export custom declaration (ECD) might be associated to more than one bill of lading (Master bill of lading or House bill of lading), air waybill (Master bill of lading or House bill of lading), or waybills, as long as it is the same destination, even when have embarked on different means of transport.

The ECD can be generated only with the number of balance sheet invoice without attach the invoice digitally. The commercial invoice scanned or in physical form is not a necessary support document of attach to continue with the clearance process of the exported merchandise.

It should be mentioned that of being necessary the presentation of original documents, as a result of control the public server can be required.

Once that the exporter is enabled could mobilize the load to the custom area where it will be registered the entry to primary area and will be embark the merchandise to be exported to the final destination.

(SBSCONSULTING GROUP. TEODORO, 2016)

Post- shipment phase

- The merchandising after being entered to the primary area to the exportation, the exporter has a 15 business days to regularize the export with the final transfer exportation from the ECD
- In the case of airway exports of fresh perishable products, the deadline is 15 business days after the expiration date (last day of the month) of the shipping order.
- Previous to the final sent of export from the ECD, the load transporters should send the export load manifest with the respective transport documents.
- The SENA will validate the ECD information with the load manifest or air waybill. If the validation process is successful, an acceptance message will be sent to the exporter or customs officer with the ECD authorized.
- The exporter or customs officer will be present the following documents to the export department of the district that the merchandise departs, When the ECD is numbered:
 - ✓ Printed ECD.
 - ✓ Printed air waybill.
 - ✓ Printed final or finals commercial invoice.
 - ✓ Shipment documents.
 - ✓ Prior authorization originals (when apply).

To verify the assignation of the canal water, the gauge's name or the authorized enabling path as the case may be; it should be access through the option (2.11 service dispatch/load information, customs clearance tab) on the ECUAPAS system.

(SBSCONSULTING GROUP. TEODORO, 2016)

Air waybill transport

In the appendix No. 1 a blank format of an AIR WAYBILL can be found. **(AWB)**

The air waybill is the means of transport with recent development, and therefore the most modern. This fact impact on a simple signing up, with a big presence of the new technology and electronic procedures and standardized globally. Charges, destinations and flights are gathered on international publications, that we will be able to consult on the internet or with a simple call to our bulking agent or forwarding agent. In spite of this operational simplicity, their high cost converts the air waybill manages in a

sensitive point inside the logistical system where an error could mean important financial consequences. This is why is necessary to count with the right knowledge and assessment.

In this case and for the silver jewels transfer to the United States, the air waybill was chosen, due to the small weight of the merchandising and considering the following advantages:

- Promptness.
- Smooth administration procedures.
- Lower risk of damage to the merchandise. Is the mean of transport with low accident rate.

The air waybill, non- negotiable, serves as a receipt to the sender. Emitted by the airline or by the consolidator, the same that should emit three copies of the bill of landing, one to the exporter, one to the shipper and one to the importer; the AWB indicates that the shipper has accepted the property contained on the list and compromises to carry the shipment to the airport of destination, according to the terms noted on the reverse of the original bill.

In addition, the AWB serves as documentary evidence of the charter agreement, freight bill, insurance certifies and the customs declaration when concluded. The cargo manifest offers instructions to the shipper staff about the handle, dispatch and delivery of the shipments.

The shipper will not carry any part of the consignment until he has received all the shipment and until the AWB was emitted by himself. As stated on the back of the document, the shippers reserve the right to transport the shipment in any way he can. This means that can transfer to other shippers, even by truck if they think is for the benefit of all. Remember the AWB is non negotiated and cannot be used as a collection instrument.

The shipments with transference should be consigned to a local bank (in the city where the consignee is located) and should be specified the name and address of the notified consignee. Even the AWB envisages an area for the insurance, it is preferable verify with the shipper the security of the coverage, because some of them do not do it.

This is the last document that the shipper receives to begin with the procedure of customs clearance of the shipping.

It is not a requirement that should be registered at the MIPRO because only have to register the importers and exporters in reference to the following items:

- 1.1. For textile and footwear import (Resolution 401 del COMEXI). .
- 1.2. For salts import (Resolution 391 del COMEXI).
- 1.3. For raw material import (Resolution 449 del COMEXI).
- 1.4. For ferrous an non- ferrous metals waste (Resolutions 400 y 445 del COMEXI).
- 1.5. For leathers and skins (Resolution 402 del COMEXI)

National custom service of Equator (SENAE)

The National Custom Service of Equator SENAE, previously known as Ecuadorian National Corporation CAE, is an independent state-owned company updated and oriented to the Ecuadorian enterprises service. It allows an interaction with import and export process facilitating the dynamism of foreign trade of the country with the international environment. The institution maximum representative will be called the SENAE managing director. It is observed that in addition, within the established reforms for 2012 the custom surveillance service name itself as Custom Surveillance Unit (SENAE, 2014).

The National Custom Service of Equator administration will correspond to the manager or general manager, who will be the maximum authority and legal representative, judicial and extrajudicial, which shall exercise the administration controls, operational and surveillance listed in this code, through the referred authorities in the previous article on the customs territory (SENAE, 2014).

It can be indicated that the SENAE, as well known, is one more of the institutions that searches to preserve the warranties of merchandise arrived to the country. In the case of the import process for purposes of the mass distribution of the product in the country, this institution should approve or not the merchandise categorization that the importer and his customs agent have been categorized. This very important point for the importer has to be considered because the physical merchandise should be keep an agreement on the composition and operation respectively for the regarding compliance that have been selected on the paper trail and electronic support on the Custom Import Declaration, as established. (SENAE, 2014)

Based on the SENAE website information, in case of existing an inconsistency between what is declared and what is really importing, it will be the SENAE the entrusted to classify the merchandise in conformity with the assigned flume has established, considering either the economic readjustment, and budget, that the importer should consider to release the merchandise for their effects on Ecuadorian territory.

Through the best quality of professionalism and staff integration, in this institution, can provide service policy thoroughly controlled both merchandise flow in and out to the country to the foreign trade operators. A clear example is the search of a better interaction through process as Ecuapass, focused in generate a foreign trade activity with much more dynamics to whom participate on it. In this the SENAE, will be the entity that will lead the various electronic and physical functions that were established earlier in the SICE, Thus the National Service of Ecuadorian Customs, one of the institutions of greater responsibility and interaction in processes of foreign trade.

Digital Signature

The certificate of electronic signature is equivalent to the identity card but in the electronic world. So that somebody can marry, remove a bank account, make loans or other, this must be identified. Likewise in the technological world of the internet, you need to identify the persons unequivocally and the best way to do so up until now has been through digital certificates (known as Digital Signature certificate)

For use in the Ecuapass, identify a person, who works in a company, this will be the operator of Foreign Trade (ECO).

The information required for ECUAPASS:

- RUC of the company.
- Address of the company.
- Full Names of the Legal Representative.
- ID number.
- Conventional and cellular number of the company.
- Email contact in the company.
- Natural Person

3.3.1 Export Requirements

The access to this service is what gives to all exporters in any place of the country through the website www.exportafacil.gob.ec and you need to meet the following requirements:

Requirements to qualify as exporter before the customs

1. Have the Ecuadorian citizenship cards that establishes the age of majority of the person that you want to export.
2. Write constitution legalized in case of be legal person. Report of Metropolitan Regulation (IRM)
3. Count with the Single Tax Registry (RUC) issued by the Internal Revenue Service (SRI).
4. Have commercial invoice (authorized by the SRI).
5. Certificate of Origin.
6. Transport document (in the case of use Courier registers a shipping code).
7. Fill the form with details of the establishment and of the legal representative of the same. (Remember that this form must have a signature and registration number of sponsorship of a lawyer).IEPI
8. Register on the Web Site of the National Customs Service of Ecuador (SENAE). www.office.gob.EC
9. Fill the simplified customs declaration.
10. Count with a buyer in the exterior and have already negotiated the commercial transaction certifying that the form of payment.
11. Packing list (packing list which lists the units of what is being sent).
12. Count with one or several packets until 30 kilos.
13. Count with an FOB value of up to \$5,000 for simplified customs declaration DAS.
14. Certificate of Good non patrimonial. (MINISTRY OF INDUSTRIES, 2015)(SENAE, 2014)

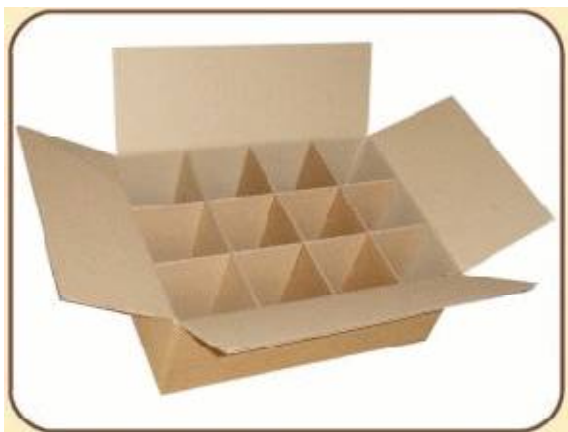
3.3.2 Packaging

El embalaje genérico podrían ser cajas de cartón, en cuyo caso se colocarían de la siguiente manera:

The packaging of the jewelry should be performed in small boxes (25x25x15), boxes medium (40x30x20) or large boxes (45x70x52), with a maximum weight of 31,5 kilograms that is the weight allowed by the United States that is where will be the export of the product. It is necessary to take into account the fact that the jewels need a special packaging that allows the product to arrive in perfect condition and with security.

Within each of these boxes are placed 2000 crafts in their respective packaging, on two floors, each one of them with 4 rows of 250 units, i.e. on each floor Iran 1000 units, using separations from same cardboard to avoid any damage.

Chart 5. Inside the packaging for the silver jewelry



Developed by: The Author

The labeling of the product helps the exporter to keep track of the goods when it is moved by the different systems, and assists the wholesalers and retailers in the use of good practices. Labels can be pre-printed in cardboard boxes, or pasted, stamped or painted in the packaging and packaging. The labeling of mark can help advertising the product, Packer and/or carrier.

Some carriers also provide brochures detailing methods of preservation or recipes for consumers.

3.3.3 Final Export Process

All exported products whose value FOB exceed USD\$50, are forced to hire a compulsory insurance which will be charged in case when closer to conclude its proceedings at the post office of Ecuador. This service gives you the right to compensation for loss and by insured value.

The percentages of the premiums are:

- From \$200
- 2 per cent of the value of consumption in jewelry, crystal and porcelain
- 1.5 per cent in the rest of products
- 10% deductible for each event (loss).

This insurance will provide Rocafuerte Insurance Company, i.e. that "Isabel López Jewelry" does not have to make any additional processing. Covers risks by total or partial loss and damage to goods by fire, explosion, collapse and collision, fall of aircraft, rollover or derailment.

If the exporter so requests, the insurance can be expanded to cover other risks such as theft (total or partial), spots, breakage, spillage, oxidation or wetting. 502 Minimum.

Once entered the product in the post office of Equator, a bar code will be assigned that is in the guide of the shipment. The same that will give the proper follow up of our product until it is delivered in the United States.

Es importante tomar en cuenta que realizar envíos de joyas por correo es sumamente riesgoso,

3.3.4 Service Policies

Payment Policy - The client is obliged to liquidate the detail in its entirety before being sent the merchandise. In the event of payment with automatic charge to a credit card via telephone, the customer must provide their number; expiration date and security code of your credit card, in case of not having quota or a dictation error, the order will take to be made the charge.

Delivery Policy. - Delivery times are preferred tee times and not mandatory, however we are aware that the quality of service that we offer you, depends to a large extent on the timely deliveries are made, so that a great effort is made to ensure that it did however will be offered 2 times in the day: one in the morning and another in the afternoon, this anticipating difficulties for shipments to the United States.

Product policy.-Due to the nature of the product, it can happen that because of the season of the year or some unforeseen event in inputs, is not available the product chosen (even when we seek to maintain in catalog products which we know have some guarantee of availability).

Privacy Policy.-The information regarding orders, customers, types of payment, dates, hours and signatures against receipt, are handled under a strict policy of confidentiality; so that with the exception of the customer, does not provide any type of information to any person.

3.3.5 Easy Export values- Personal Journey

Another option is to take the jewels in cab with the passenger, as hand luggage. As had been mentioned previously, it is much safer to perform the export of jewelry through personal travel.

Chart 18. Comparison CIF- Easy Export vs Personal Journey

| EASY EXPORT CIF | | CIF PERSONAL TRAVEL | |
|------------------|------------------|-----------------------|-----------------|
| FOB | \$ 4.500 | FOB | \$ 4.500 |
| INSURANCE | \$675 | SAFE PASSAGE INCLUDED | \$ 750 |
| FREIGHT | \$ 800 | | |
| TARIFFS | \$ 0 | TARIFFS | \$ 0 |
| TOTAL CIF | \$ 5.9750 | TOTAL CIF | \$ 5.250 |

Source: (CORREOS DEL ECUADOR, 2015)(LAN ECUADOR, 2015)

Developed by: The Author

It can be seen that perform a personal journey along with the jewelry is in addition to secure a little cheaper if you buy the tickets in advance. However, it is up to the power of the company to choose the means by which it will begin to export, based on the availability of time, availability of staff and the volume of the requested merchandise by its future customers.

GENERAL CONCLUSIONS

At the end of this thesis work and after an internal analysis of the company, selected a target market, analyzed the same and have given the necessary guidelines to start marketing the product of Isabel López jewelry in the United States you can conclude as follows:

1) The current Government promotes the diversification of products and markets, supporting and encouraging to small businesses to expand their horizons and begin export their products with added value. That is to say that to be "Isabel López Jewelry" a small company that wants to break into the foreign market will not find greater obstacles in their export process.

2) In spite of the fact that the company at the moment no account with a production scale, account with the investment capital to meet the quantities demanded by your future clients.

3) The quality and variety of its products will help you to cope with the fact that you do not have sufficient experience in the international market.

4) The best export destination to begin is the United States, since it is one of our major importers in our balance of trade of non-oil, proving more accessible both in freight costs and transport as well as in terms of negotiation.

5) "Isabel López Jewelry" should as a first step for negotiations abroad, attend international fairs in the country of destination, where you can find potential clients and in addition to study your competition.

6) The company has two paths to follow for the export of your product, both the tool "Easy Export" and through personal travel in which the product go along with the person who travels. The second is already presented that throughout history and so far, turns out to be the surest way of the export of jewelry.

7) The production and marketing of silver jewelry is a good alternative to generate high economic gain by as much as he can become a sustainable source of foreign currency earnings from exports.

8) It is important to be informed about the laws, rules and regulations in force in the importing country as in the exporting country in order to avoid that the commercialization process suffer delays.

RECOMMENDATIONS

1) Assistance to International Fairs, it is not necessary to begin to participate as an exhibitor. On the contrary, as had been detailed in the third chapter of this work, it is recommended to visit fairs and take into account the details necessary for on a future occasion to be able to participate as an exhibitor.

2) It is also recommended to focus solely on the average consumer- high since the company account with products of high quality and with a variety of layouts that are the features that this type of consumer are looking for. In addition to performing an analysis on the prices at which these products will be offered that may not be the same as those of the national market.

3) In the event of success in the International Fairs, take into account that investment is important more capital in machinery, resources and processes to produce greater quantities and comply with the requirements of the potential new customers.

4) "Isabel López Jewelry" should export its products through personal travel. This will provide greater security for your product, however it is important to take into account that the Easy Export tool was properly created with the aim of giving a good service to their users and that is a quick way to export.

5) It is necessary, with the purpose that the jewelry of high quality, with exclusive designs to improve their competitiveness in international markets and are known to the global level.

6) It is necessary to promote the creativity of the jewels of the workshop of Isabel López, to compete in the market with products of similar characteristics. The quality standards with which they work the producing companies in Ecuador must evolve according to the standards required by the external markets, in order to comply with its requirements of quality of the product and in this way to increase export volumes.

GLOSSARY

Jewels

The international dictionary Word-Reference (2015) defines the jewels as "adornment of gold, silver or platinum, with pearls or precious stones or without them, used especially by women".

Similarly defines the jewelry like (definition.org, 2014):

Craftwork jewelry uses the precious metals, the fine stones, enamel, etc. This is the difference of the craftwork (work of precious metals) itself and of the crimping (embedding of precious stones or thin in gold, silver or other metal).

Craft Production

According to Article 36 of the Regulation of the profession of the craftsman:

It is considered a craftsman to the person who exercises a creative professional activity around a specific profession in a level mainly manual and according to their knowledge and technical skills and artistic, within a process of production. Work in an autonomous manner, derives its livelihood mainly of such work and transformed into goods or services useful its physical and mental exertion (UNESCO, 2014):

According to the definition adopted by the UNESCO/ITC Symposium (2014):

Artisanal Products are those produced by artisans, either entirely by hand or with the aid of hand tools or even mechanical means, provided that the contribution of the craftsman direct manual remains the most important component of the finished product. Occur without limitation with regard to the quantity and using raw materials from sustainable resources. The special nature of artisanal products is based on their distinctive characteristics, which can be utilitarian, aesthetic, artistic, creative, linked to the culture, decorative, functional, traditional, symbolic and significant whether religious or social.

SME

According to the Internal Revenue Service SRI, is known as SMES to the collection of small and medium-sized enterprises that according to their sales volume, social capital,

the number of workers, and its level of production or assets presenting the characteristics of this type of economic entities (SRI, 2010).

In Ecuador, according to their size, enterprises have the following categories:

- Microenterprises: those that are constituted by a maximum of 10 workers, and its fixed capital does not exceed the 20 thousand dollars (discounted buildings and land).
- Craft Workshops: are those that are characterized by having a manual work, with maximum 20 operators and a fixed capital of 27 thousand dollars.
- Small Industry: are those that do not work with more than 50 workers.
- Medium Industry: are those that work with about 50 to 99 workers, and the fixed capital does not exceed 120 thousand dollars.
- Large Enterprises: are those that have more than 100 workers and 120 thousand dollars in fixed assets.

According to the workshop of mechanisms of export of the ALADI there are the following advantages and disadvantages of the microenterprises in Ecuador (ALADI, 2010):

Advantages

- key elements to create wealth and employment
- To intensify the economy, dissolves the problems and social tensions.
- Requires lower investment costs.
- It is the sector that uses more inputs and domestic raw materials.
- Has the potential to achieve export niches for non-traditional heritage created in the sector.
- Account with a high capacity to provide goods and services to the large industry (subcontracting).
- Is flexible to associate and face demands of the market.

Disadvantages

- Low level of technology.
- Low quality of production, the absence of standards and high costs.
- Lack of credit, with high cost and difficult access.
- Labor without qualification.
- Production is geared more to the internal market.
- Lack of participation in the international market.

Foreign Trade

Is the exchange of goods or services present between two or more countries so that each one can meet their needs for both internal and external market is regulated by rules, agreements and international conventions to simplify processes and seeks to cover the internal needs which cannot be met by the national production. (National Institute of Trade and Customs 2013)

Is the process of exchange of goods or services is also known as imports or exports. Exports refer to sales abroad of products or services, while imports are those goods or services that are bought and in this way enter within a country. (Daniels, 2013)

That is to say that the foreign trade can be necessary for companies to arise, since many of the times the national market is saturated and the prices of the competition are difficult to achieve by its high level of production. This is how small businesses must seize the idea of exchange of goods at the international level, i.e. in which each country benefits from the products or resources from other countries to meet their needs.

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APPENDIX

406 - AIRPORT OF DEPARTURE - 0000 0000 406 - 0000 0000

| | | | | | | | |
|---|-----------------------|---|-----------------------------|---|-----------------|---|--|
| 1 SHIPPER'S NAME AND ADDRESS SHIPPER'S ACCOUNT NUMBER | | NOT NEGOTIABLE AIR WAYBILL (AIR CONSIGNMENT NOTE) | | | | | |
| 2 CONSIGNEE'S NAME AND ADDRESS CONSIGNEE'S ACCOUNT NUMBER | | Copies 1, 2, and 3 of this Air Waybill are originals and have the same validity. It is agreed the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF (also available at www.aircargo.ups.com). ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER, AND SHIPPER AGREES THAT THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge. | | | | | |
| ISSUING CARRIER'S AGENT NAME AND CITY | | ALSO NOTIFY NAME AND ADDRESS (OPTIONAL ACCOUNTING INFORMATION) | | | | | |
| AGENT'S IATA CODE ACCOUNT NO. | | Received in good order and condition at 20 Place on 21 Date/Time 22 Signature of Consignee or his agent 23 | | | | | |
| 3 AIRPORT OF DEPARTURE (ADDRESS OF FIRST CARRIER) AND REQUESTED ROUTING | | CURRENCY 5 WT/WAL 6 OTHER 6 DECLARED VALUE FOR CARRIAGE 6 DECLARED VALUE FOR CUSTOMS 6 | | | | | |
| 4 AIRPORT OF DESTINATION | | FOR CARRIER USE ONLY FLIGHT/DATE | | AMOUNT OF INSURANCE INSURANCE - If shipper requests insurance in accordance with conditions on reverse hereof, indicate amount to be insured in figures in box marked amount of insurance. | | | |
| 7 HANDLING INFORMATION | | | | | | | |
| The shipper certifies that these commodities, technology or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited. | | | | | | | |
| 8 NO. OF PIECES RCP | 9 GROSS WEIGHT | 10 RATE CLASS COMMODITY ITEM NO. | 11 CHARGEABLE WEIGHT | 12 RATE / CHARGE | 13 TOTAL | 14 NATURE AND QUANTITY OF GOODS (INCL. DIMENSIONS OR VOLUME) | |
| PREPAID / WEIGHT CHARGE / COLLECT | | VALUATION CHARGE | | PICKUP CHARGES | | OTHER CHARGES | |
| TAX | | SHIPPER'S R.F.C. (AMOUNT TO BE ENTERED BY SHIPPER) | | DELIVERY CHARGES | | TOTAL OTHER CHARGES DUE AGENT | |
| TOTAL OTHER CHARGES DUE CARRIER | | SIGNATURE OF SHIPPER OR HIS AGENT | | EXECUTED ON | | SIGNATURE OF ISSUING CARRIER OR ITS AGENT | |
| TOTAL PREPAID / TOTAL COLLECT | | CURRENCY CONVERSION RATES / TOTAL COLLECT IN DESTINATION CURRENCY | | (Date) (Time) at (Place) | | NO. 3 ORIGINAL FOR SHIPPER 406 - 0000 0000 | |
| FOR CARRIER'S USE ONLY AT DESTINATION (ALL COLLECT CHARGES IN DESTINATION CURRENCY) | | CHARGES AT DESTINATION | | TOTAL COLLECT CHARGES | | TOTAL COLLECT CHARGES | |

0287201, ASIA 11/12 RFD