



Faculty of Legal Sciences

School of International Studies

**Business Plan B2B for ROSWEL HIGH QUALITY BRAND of THE MURILCO
ECUADOR S.D.A Company**

**Thesis submitted in partial fulfillment of the requirements for the Bachelor's
degree in International Studies bilingual minor in Foreign Trade**

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Cuenca, Ecuador

2017

DEDICATION

The present dissertation work is dedicated to my parents and siblings. Despite the problems they always were an unconditional and constant support throughout my career. They always try to help me to go ahead and navigate the obstacles. I want to thank God who gave me the chance to become a better person every day of my life.

AKNOWLEDGEMENT

I want to thank my family because they helped me to go through this learning experience. During these four years they made me feel secure and confident to pursue my goals. Finally, to God for giving me the Faith to believe that one can do everything with passion and courage.

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ABSTRACT

These research work gives the reader the knowledge of the essential requirements to start a business in a general way, analyzing the most relevant components. Subsequently a brief analysis is made about the legal aspects that concerns the companies, their constitution, and above all on Electronic Commerce, within Ecuador. Finally, a complete analysis has been raised in MURILCO ECUADOR SDA company and its ROSWEL brand, and a B2B business plan is proposed as an alternative to bigger incomes and a greater expansion of its activities within Ecuador.

INTRODUCTION

The business world is an exciting world and full of opportunities, everyone can undertake and become recognized business people, all you need is a good business idea, enough resources to start, and a positive attitude for work. The present research work provides the reader with a clear idea to become a successful entrepreneur. The first chapter will talk about basic topics such as determine what a company is, its different types and above all, the different requirements within Ecuador to start a company: from a legal and structural point of view. Also in this chapter, business strategies concepts are defined, the most relevant types and what it takes to establish one of those; likewise, topics regarding brands, and at the end everything that refers to electronic trade and its current aspects with most relevant at the world trade, and its current impact within the Ecuadorian market.

In the second chapter of the research work, the central idea will be to address the most important legal topics that every entrepreneur has to know in Ecuador. It starts by analyzing international relations, trade, tariff issues and trade agreements (every point is centered at the Ecuadorian case), legal statutes are analyzed about imports and exports that are established by Ecuadorian law, together with a brief analysis of the involved institutions in these activities and the role they play. Finally, an analysis is made on The Ecuadorian legislation regarding the activities of ELECTRONIC TRADE, so relevant points inside the trade law, signatures and data messages can be reviewed, in addition to the ORGANIC CODE OF THE SOCIAL ECONOMY OF KNOWLEDGE (INGENIOS CODE).

Finally, a complete analysis is presented regarding the whole information about MURILCO ECUADOR SDA company and its main ROSWEL HIGH QUALITY brand of products, the aim is to understand how the company works and which is its methodology of work, therefore an analysis of the history and the brand role at the sales

that were made at the last 5 years will be very useful. The final goal of this work will be to propose a work strategy for the next 12 months (2018), in which the business structure is exposed and let other business activities introduce the B2B sales system (e-commerce), as an alternative to sustainable development, that could lower costs, and increase the sales at a national level, and that in the end it will represent new client incomes and a considerable increase of its role within the Ecuadorian market.

CHAPTER NO 1. BUSINESS AND ELECTRONIC COMMERCE CONCEPTS

The Company

Historically, by referring to a company, an entrepreneurship idea is understood just when the main goals are established. These objectives involve a plan of activities which mean that any individual who wants to undertake a new business with certain goals must go into building a structure according to the work someone wants to carry out for the company. Within the company, the procedures have to be clear and feasible. “This idea born in European factories during industrial revolution. The aim was to increase capital in order to design new processes for the company. And this refers primarily to the administrative process” (Reynoso Castillo, 2014)

All of this has been a transformation process in which the productive processes, initially worked only manually, began to introduce tools and machinery that speed up the company's activities. Finally, these would contribute to the evolution of the company's concept within an organization of goods and services intended to be placed on the market. However, throughout history, the concept of company has experienced several modifications according to the sector towards which the underlying concept apply. In other words, “nowadays an entrepreneur¹ has different meanings, and this could be as a business², a community, etc., this concept allows to create companies from different social and economic perspectives. As many experts, a company is a social and economic reality” (Reynoso Castillo, 2014).

¹ “It is the person or entity, of any kind for which an activity or service is carried out (Labor Code) ”(IESS, 2017)

² Occupation, work (REAL ACADEMIA DE LA LENGUA, 2017)

From a legal point of view, the company's concept is presented in a variety of ways as far as its inclusion increases in social, economic and political life of nations. Hence, a broad regulatory framework would consolidate, since the birth of a company and during its legal existence, in both private³ and public⁴ law. However, certain companies often operate in more than one country and their internal policies are created for the whole structure of the enterprise so their struggle against application of national laws and trade-related constraints has been constant. For this reason, people always sought laws which go beyond national boundaries, "many experts think that the first efforts to make an international law into commerce was in the creation of the common law⁵, for an example the New Jersey law of 1896 started that a company was able to acquire a part of another company" (Reynoso Castillo, 2014).

As institutions, the companies play a key role in the development of a country. These organizations turn out to be the economic image of a nation in the international community. The institutions might be of different types such as: industrial, economic, governmental, services, etc. However "the primary role is important not only in economic terms because the industries create work places too, and generate a regional development" (Castro, García, & Adame, 2015). Who creates the companies? The entrepreneurs and businessmen, two key concepts to understand the meaning of a company.

³ Law governing the condition of people and their relationships with each other (REAL ACADEMIA DE LA LENGUA, 2017)

⁴ Law governing the relations between States and international organizations, and on the other, the internal structure of each State and the relations between public entities and citizens (REAL ACADEMIA DE LA LENGUA, 2017)

⁵ COMMON LAW

Entrepreneurs and businessmen

Two terms considered synonyms are, however, significantly different, “an entrepreneur is not necessary a good businessman and vice versa, although there are more well-known cases of entrepreneur and businessman (Steve Jobs, Michael Dell) but are not the same when it comes to businessman and entrepreneurs with successful” (Castro et al., 2015). An entrepreneur is someone who makes innovative or difficult activities in pursuit of a goal, while a businessman is mostly related to a company either as founder, owner, or executive. Both concepts were found in the “Diccionario de la Real Academia de la Lengua”.

Entrepreneur

A word with more than 250 years of history which refers to people characterized by acquiring products at low prices in order to sell them at a higher price. “The word entrepreneur emerged in the text *Essai Sur la Nature du Commerce en General*, written as Richard Cantillon” (Castro et al., 2015). Over the years, the term suffered some changes in order to adapt to the evolution the society. Different authors as Say or Knight related this concept with the word investment, which in economic terms refers to who invest a capital to get incomes. Although, “an entrepreneur seeks to reduce the costs at the time of choosing the capital investment” (Castro et al., 2015).

According to recent studies, the entrepreneurs are generators of an economic growth. This is because the establishment of new businesses has a positive impact on a country’s economy. Both Johnson and Lovenman state that “the entrepreneur spirit has to be one of the new fields into the investigation of business management” (Castro et al., 2015), so we talk about pre-science⁶.

⁶ There are a group of statements the science community consider as truths before to be prove it. (Castro et al., 2015)

The main features of an entrepreneur are:

- The majority are young people who believe that work experience prior to college education is extremely important.
- The Ernst and Young firm carried out a study towards 685 entrepreneurs, "where 45% has their first business before 29 years old, 31% starts before 39 years old. Only 10% starts a business before 20 years old."
- An entrepreneur should have work experience in order to get successful. 33% agree with this statement. However, the other 30% see the university as the only requirement to get successful.
- People between 20 years old and 29 years old should not have any type of compromise such as a family or a formal partner.
- Image 1 shows the different ages of entrepreneurs:

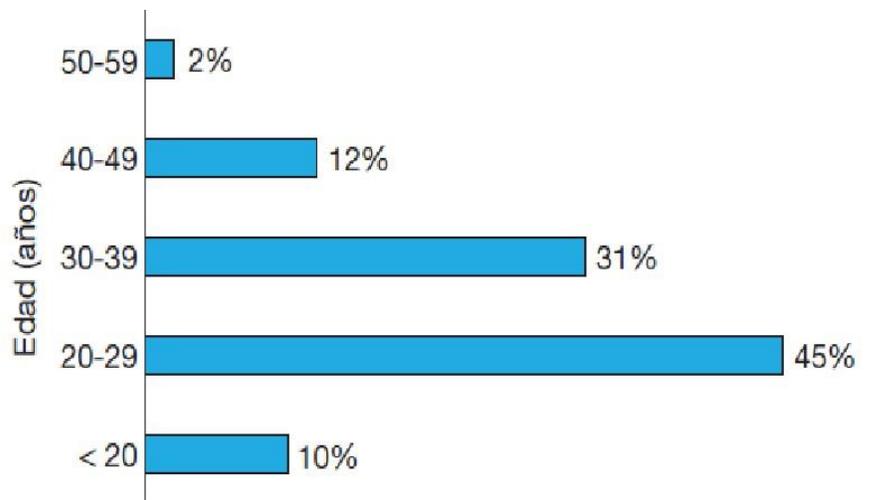


IMAGE 1 – Age range to start a company. Source: (Castro et al., 2015)

In the same way, we find obstacles for those who choose to follow the path of entrepreneurship. One of the most common troubles has to do with the financing; and this is not only for a new business since when it comes to traditional companies it is difficult to obtain resources into new projects. So, each new entrepreneur needs resources that allow him grow up according new investment, and once this is done we can get a new

expansion within the production activities. So, if the old companies have problems to get new resources, it will be harder for a new businessman to get them without a wide credit history. “It is clear that the banks and other financial institutions are not the best option for a new business. Conversely, the funds of specialized investment such as the family resources or the friend’s help are the best option,” (Castro et al., 2015)

Then, image number 2 expose the different steps to get resources for an entrepreneur:

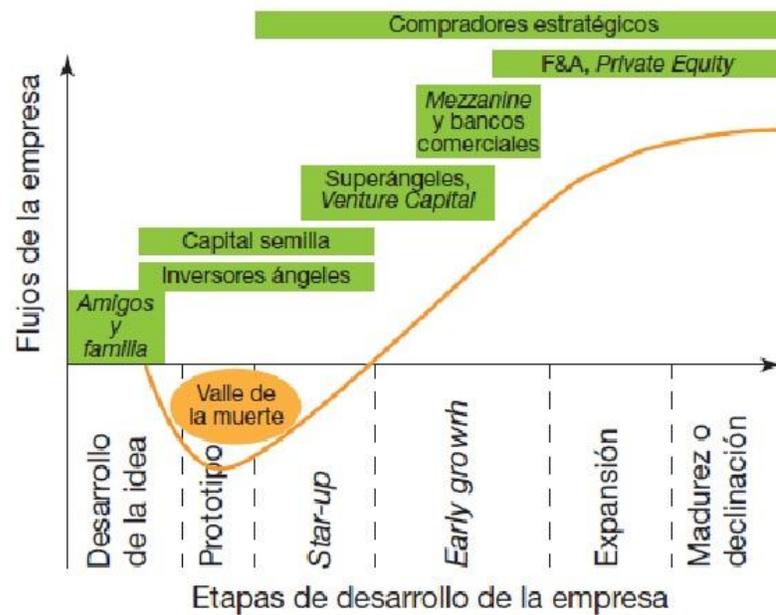


IMAGE 2 – Development steps for a company. Source: (Castro et al., 2015)

According to graphic 2, the horizontal axis presents the evolution of a company in its stages of growth, and the vertical axis shows a financing perspective based on the different financiers over the time.

Businessman

Generally, someone who provides economic resources in order to establish a company and take control of it might be considered as a businessman. However, over the years new points of view and various types of enterprises emerged so the concept of businessman

has evolved as well. However, someone who puts the money in a business is not always who runs the company. For instance, are the investors because they provide the money but require the third party's results. "The investors are economic agents that control the way to produce incomes; this is a Marxist concept; the capitalist is a social class identify as an industrial class that are the opposite of the worker class. And this worker class has to sell their work to these industrials to get incomes to survive" (Castro et al., 2015).

According to Alfred Marshall⁷, the businessman has become a key element within a productive process, in addition to the other three traditional factors such as earth, capital and work. The mission of a businessman is to innovate, look for new tools, directions and to achieve goals. Basically, a businessman must be a leader with empathy, sympathy, imagination, and perseverance "Most economists agree that there are two kinds of businessman: the owners and the executives. The latter begins hand in hand with the increase of companies in which the former figure of businessman that provided his capital and work is gradually disappearing when defining the interest of the owner or shareholder on the dividends, and the manager's interest in the growth of the company because of status and higher salary" (Castro et al., 2015)

This means that new complementary ideas came up in order to satisfy certain roles, for example when it comes to minimize the risk of a Company. In his book "Uncertainty and Profit", Frank Knight highlights that a risk taker businessman is who analyses various random situations with known properties to which a probability of occurrence is assigned, in other words the businessman takes a financial risk since he must make long-term forecasts on future demand which is uncertain in both quantity and price and the benefit

⁷ British economist. He studied at the Merchant Taylor's School and St. John's College in Cambridge, where he graduated in mathematics in 1865. He converted Cambridge into the main economics faculties of the English-speaking countries, and had as his disciple's important economists, such as Pigou or Keynes (Bibliografias y vidas, 2017) (London, 1842 - Cambridge, United Kingdom, 1924)

is the reward by taking the risk. Knight defines this benefit as residual and unknown. (Castro et al., 2015).

Nowadays, most of the notes about what is a businessman also explain guidelines about entrepreneurship. Different observations emerge from those who, metaphorically, destroy the company to subsequently rebuild it from the bottom up and creating and propose new technological systems as well. Shumpeter⁸, in his book “*The theory of economic development: an inquiry into profits, credit, interest and the business cycle*”, asserts that innovation is the best path to growth. According to him, every dynamic activity led to optimal outcomes within an organization. Innovation includes:

:

- A. Introducing new products.
- B. Introducing new productive processes
- C. Moving on into new markets
- D. Identifying new providers of raw materials
- E. Reorganization of an industry

Shumpeter contends that every businessmen are responsible for implementing technological changes in order to develop a capitalist system. The author believes in a three-stage process: “(a) invention, defined as the creation of new products or production processes, which is not an exclusive idea from the entrepreneur, but from creative inventors; (b) innovation, which is the application of the invention towards commercial or industrial uses, considered as the main function of the innovative entrepreneur, and (c) imitation, used by the conservative entrepreneurs, who imitate (copy)” (Castro et al.,

⁸ Economist and Austrian sociologist. He began his higher education in Vienna, where he was a pupil of the main representatives of the Austrian school, F. von Wieser and Von Böhm-Bawerk. In 1907 he continued his studies in Great Britain. Austrian Finance Minister (1919), he devoted himself mainly to teaching, being a professor in Bonn and Harvard. In 1932 he settled permanently in the USA (Biografías y vidas, 2017)

2015). And in order to carry out these steps, a businessman must have initiative, vision, imagination, and above all leadership.

This brief comparative analysis between entrepreneurship and businessman has made it possible to obtain clear ideas about why these two terms have different purposes. Firstly, an entrepreneur, based on its wit and enthusiasm, must be who proposes innovative changes with products and processes. On the other hand, a businessman is who provides his own money and takes these funds to get an increment of the company's value. (Castro et al., 2015). As a final result, the entrepreneur makes the company innovative, while a businessman runs the organization.

Types of Companies.

As institutions, companies have suffered many changes along history. Now, when it comes to analyzing the different types of organizations, it is true that there are different criteria regarding the current classification of enterprises. However, it is worth quoting the INEN approach and their "*Informe Directorio de Empresas y Establecimientos*", which explains the classification in accordance with the reality of Ecuador.

Initially, this report is defined as "The first step of systematization of administrative records, and it is a system that provides full information about Ecuadorian companies. This is a data source for research and statistics analysis as well" (INEC, 2014). The information is provided and gathered by two more statutory institutions: SRI (Servicio de Rentas Internas) and IESS (Instituto Ecuatoriano de Seguridad Social). The methodological record includes: enterprises registered at SRI; data according each province, canton, and city; data about economic activities according to ISIC⁹

⁹ It constitutes a coherent and consistent classification structure of all economic activities carried out by companies, issued by the United Nations (UN), based on a set of concepts, principles and standards of classification (INEC, 2014).

(International Standard Industrial Classification), excluding activities as: "T-HOGARES" (INEC, 2014).

In order to have a better understanding: INEC facilitates the following key concepts:

- Enterprise: Economic agent (natural or legal person) with autonomy and responsibilities who can carry out productive activities.
- Establishment: It is a company or part of it, located in a single place, where productive activities are carried out.

Size of the Company

It is a variable that classifies companies according to their total value of annual sales and total number of employees. There are four categories: large company, medium company, small company, micro company. Although, in Ecuador the INEC proposes a fifth type, subdividing the medium companies into A and B type:

- Large: Sales for an amount of \$ 5000001 or more; from 200 employees and more.
- Medium B: Sales from \$ 2000001 to \$ 5000000, from 100 employees to 199.
- Medium A: Sales from \$ 1000001 to \$ 2000000, from 50 employees at 99.
- Small: Sales from \$ 100001 to \$ 1000000, and from 10 employees to 49.
- Microenterprise: Sales equivalent or less than \$ 100000, from one employee to nine.

According to this classification, the definition of MSMEs stands for: "The group of small and medium-sized enterprises that, according to their volume of sales, social capital, number of employees, their production and asset-related level, present unique features of this type of economic entities" (Servicio de Rentas Internas, 2017). In addition, many

studies use the acronym MSMEs when referring to Micro, Small and Medium Enterprises. The following image shows the registered institutions that operate within Ecuador:

Número de Empresas por Tamaño de Empresa				
Tamaño de Empresa	2012	2013	2014	2015
Microempresa	52.114	57.298	60.901	65.389
Pequeña empresa	5.438	5.532	5.732	5.516
Mediana empresa A	629	656	694	679
Grande empresa	626	644	668	653
Mediana empresa B	478	517	521	491

IMAGE 3 – Companies sizes. Source: (INEC, 2017)

After analyzing the information, it is important to take into consideration the figures of both Micro and Small enterprises, due to these represent meaningful data when analyzing MURILCO ECUADOR Sda, which is the present case study. In this respect, it is worth noting that the total value of MICROENTERPRISES generated in the Ecuadorian economy was \$54.3 million or 14.5% of the total companies. Furthermore, the small companies generated \$1349.1 million or 20.3% of the total number of values. This information represents an important key when it comes to analyze the situation of MURILCO ECUADOR Sda. (INEC, 2017).

Classification by Branch of activity

In order to complete this list, it is necessary to consider the provisions of the ISIC, issued by the United Nations, through its Economic and Social Council (ECOSOC). This Council is responsible for collecting, generating and analysing wide ranges of economic, social and environmental data to which the member states of United Nations resort. Likewise, the ISIC plays a key role within the UN when providing constant information necessary for overview, analysis and assessment on the functioning of an economy over time. The report includes 21 different sections however the present research will consider the following:

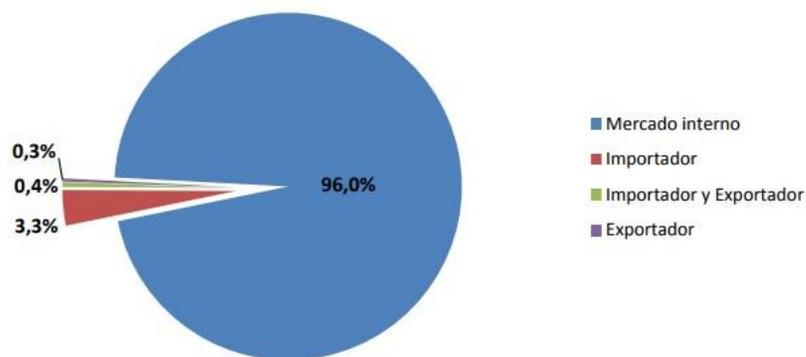
- Manufacturing Industries: Section 32 is highlighted (Other manufacturing industries).
- Wholesale and retail trade; repair of motor vehicles: section 42 Wholesale trade, except motor vehicles and motorcycles.
- Financial and insurance activities: Section 64 on Financial Services is highlighted, and Section 65 (Insurance) as well.
- Administrative and support service activities: Section 77 on rental and leasing activities and section 78 on employment activities are highlighted.

Classification based on the economic sector.

According to this subdivision, the economic activities are clustered into sections. This method allows a simplification of the sectoral structure of an economy. According to the INEC (National Institute of Statistics and Census), the mentioned sections are divided into 19 types. Although, only relevant types that have to do with the research scope will be considered:

- Manufacturing industries
- Commerce
- Information
- Financial
- Among other services

According to these sections, during 2014 and with not much variation along 2015, the five main economic activities covered 73.1% of companies, of which commerce represented 36.69%, and manufacturing 8.1%. In addition, the Import activity represents 3.3% of the 843644 enterprises within Ecuador. Finally, it should be stressed that 5,8 % of the total number of Ecuadorian companies are based in Azuay.



Sectores Económicos	No. Empresas	Porcentaje
Mercado interno	809.567	96,0%
Importador	27.802	3,3%
Importador y Exportador	3.711	0,4%
Exportador	2.564	0,3%
Total	843.644	100,0%

IMAGE 4 – Companies structure according each activity 2014. Source: (INEC, 2014)

Classification by type of Legal Unit

Typically, there are two well-known kinds of legal unit: Natural Person, and Legal Entity Status. The first one refers to “national or foreign individuals who carry out legal commercial activities” (Servicio de Rentas Internas, 2017); while the second focuses on, “legal entities that conduct legal business activities based on their own legal structure, this type is subdivided into two: private and public” (Servicio de Rentas Internas, 2017). According to INEC, these two types are divided into more kinds of societies, and each one of them has different legal requirements, the classification is as follows:

Natural Person

- RISE (Simplified tax Regime of Ecuador)
- Natural persons required to maintain accounting records.
- Natural persons not required to maintain accounts.

Legal persons

- Company incorporated in a profit-making society.

- Organization incorporated in a non-profit society.
- Public company
- Public institutions
- Organizations from popular and solidarity economy.

Within Ecuador, the statistical data indicates that, in 2015, the 89, 4% of companies belongs to category “Natural persons” and the remaining percentage to “Legal Persons”. In other words, Ecuadorian people prefer to carry out simple formalities rather than cumbersome and lengthy operations in order to start a business. On the other hand, it is possible that political, legal, social, or even labour circumstances have a strong influence on the decisions of the merchants who begin their activities in Ecuador. The numbers show that, from approximately 842000 companies in Ecuador, there are only 90000 legally conformed as institutions, so the opportunities for sustainable economic growth remain limited.

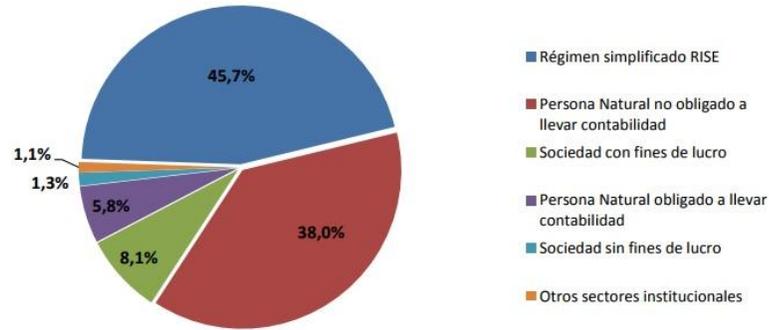
Additionally, a national indicator is proposed which classifies companies according their stratification, that is to say what kind of relation the employees maintain with each other within an organization. In order to obtain that information, three activities have been considered: sales registered in the Internal Revenue Service (IRS), affiliated workers with the Ecuadorian Social Security Institute (IESS), and those who pay the fee corresponding to the Ecuadorian simplified tax regime (RISE). Thus, four key variables are obtained: RISE, only employment, sales and employment, only sales, and affiliated workers:



Cobertura 843.644 empresas

IMAGE 5 – Companies structure according the employee’s status. Source: (INEC, 2014)

Lastly, graphic 6 explains the legal division that Ecuadorians tend to use, this means, only the indicators with the largest number of actors are considered, whether they are Natural or Legal persons. Finally, in 2015 there were 380000 enterprises working with RISE system representing 45.7 % of the total amount; also, the Natural persons that are not obliged to maintain accounts represent 38 % which means approximately 32000 companies; and 68000 profit-making enterprises representing 8.1 %.



Forma institucional	No. Empresas	Porcentaje
Régimen simplificado RISE	385.132	45,7%
Persona Natural no obligado a llevar contabilidad	320.649	38,0%
Sociedad con fines de lucro	68.635	8,1%
Persona Natural obligado a llevar contabilidad	49.071	5,8%
Sociedad sin fines de lucro	11.201	1,3%
Otros sectores institucionales	8.956	1,1%
Total	843.644	100,0%

Nota: * Otros sectores institucionales, agrupa los sectores con participaciones individuales menores al 1%, lo conforman: Institución pública; Economía popular y solidaria; Empresa pública.

IMAGE 6 – Companies structure according their economic status. Fuente: (INEC, 2014)

Requirements for the marketing of goods/services in Ecuador. How to establish a company in partnership?

Once the concepts mentioned above have been studied and understood, it is convenient now to study these situations in Ecuador. It is necessary to find which are the steps an entrepreneur must go through in order to start a new business? As already mentioned, there are two types of legal structures: NATURAL and LEGAL. Regarding this, the SRI states the following:

- a) NATURAL PERSON: “Any individual who carries out some economic activity are obliged to enroll in the RUC; issuing and delivering sales receipts authorized by the SRI for every transaction and filing tax returns according to their economic activity” (Servicio de Rentas Internas, 2017).
- b) LEGAL PERSON: “The Companies are obliged to obtain a RUC; issue and deliver sales receipts authorized by SRI for all of their transactions and file tax returns according to their economic activity. The deadlines for submitting these statements are set according to the ninth digit of the RUC” (Servicio de Rentas Internas, 2017).

It is therefore appropriate to talk about two cases: The first is focused on businesses that, without requiring a legal incorporation, carry out their activities anyway. On the other hand, the latter refers to those companies incorporated under a legal organization and based on different business models. Within Ecuador, the statistics place most of the enterprises in the category of Natural Persons. For that reason, in order to further clarify this situation, some important requirements are mentioned below.

Steps required to market goods or services as Natural Person

In order to legalize an activity, a unique taxpayer registry (RUC¹⁰) must be obtained. Thus, whether it be for a single person or a whole society, the type of activity to be carried out is identified, where and based on which structure. In case of natural persons, a list of basic requirements is described below:

Basic Requirements:

- A. Presentation of the Identity Card, Visa or Passport.
- B. In order to proof the address and branch, there are three provisions:
 1. If it is registered under the name of the taxpayer, spouse, parents, siblings or children (basic service bill, mobile phone bill, urban or rural property, bank statement or credit card, credit or debit notes issued by basic services, lease contract or invoice, deed of purchase-sale of the property)
 2. If it is registered under the name of the taxpayer or his / her spouse (municipal patent, fire department permit)
 3. If it is registered under the name of the taxpayer (certifications of use of offices or commercial premises, certificate of domicile granted by the nearest Parish Board)

¹⁰ "It is the number that identifies each taxpayer, whether individuals or companies, who perform an economic activity" ("Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC)," n.d.)

Specific Requirements: According to the type of activity to be carried out, these must be identified and the steps shown in Figure 7 must be followed:

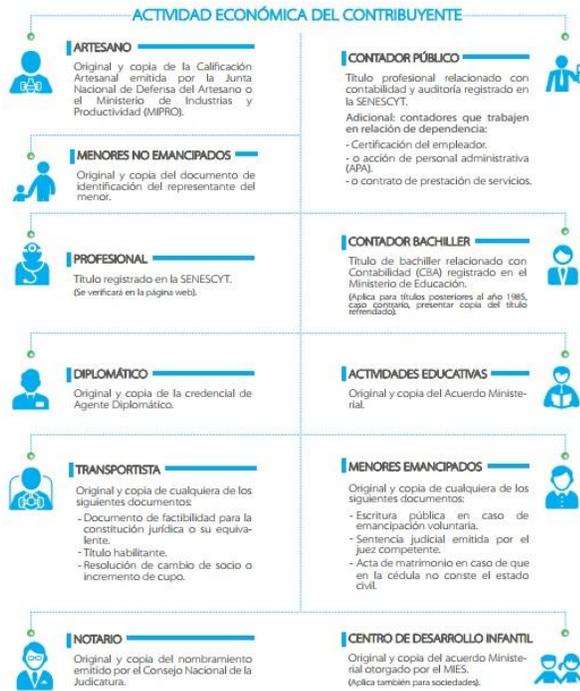


IMAGE 7 –People activity. Source: (“Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC),” n.d.)

It is important to know the procedure to perform the update, cancellation or suspension of the RUC. In the first case, the taxpayer must go to the SRI with their identification, visa, or passport, even with a refugee credential or with a document explaining the change he wants to do. This whole procedure might be completed on Internet. To do this, the petitioner has previously requested a password for the online services and then register on website www.sri.gov.ec and select the option “RUC update”.

The following can be updated:

- Fantasy name or trademark
- Data regarding the Location of the registered office
- Counter data updating

- Management of establishments (headquarters or branch)
- Means of contact
- Updating of types of establishments

As to the second case, if one is talking about suspension, this applies when there is no economic activity carried out. So, if the cancellation of the RUC is to be done, this will be possible only in the event of death of the taxpayer or cessation of activities of non-resident foreigners in Ecuador. In both cases, the original identity card or passport has to be presented (ID card, visa, passport) to which a cancellation request must be attached. In the case of death of the tax payer, the death certificate must be presented as well. If the procedure is being completed on internet, the applicant must provide a personal password, otherwise he will have to go to a tax service center to get a new one.

There are important benefits for those who use RISE system:

(“Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC),” n.d.):

- The payment of taxes can be made through monthly fees or a global payment without filling forms.
- Discount of 5% of the share throughout the year for each new employee affiliated to the IESS.
- Withholding exemption.
- There is no obligation to maintain accounts.
- Issuance of sales notes which will only contain the date of transaction and the total amount (without the breakdown of the VAT).

As mentioned above, any natural person, not only has the chance to start a business by obtaining a RUC but also, they have the chance to get the RISE. “It is defined as the system that facilitates and simplifies the payment of taxes, through monthly or annual fees which replaces the common declaration and payment of VAT and Income Taxes” (“Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC),” n.d.).

However, the following conditions have to be fulfilled for a Natural person to start productive activities:

- a. If a business is available, the incomes must not exceed \$60000 a year, nor having more than ten workers.
- b. If a Natural person has a business and a job, the incomes in relation to dependency must not exceed the taxable income tax base and the total amount of incomes must not exceed \$ 60000.
- c. For a business venture, the annual incomes should not be greater than \$60000.

According to SRI data, people are able to get the RISE if they are: retailers, micro-industrialists, transporters, self-employed workers, restaurants and hotels, farmers, fishermen, farmers, poultry producers, miners, construction services, micro entrepreneurs and other services in general. On the other hand, the following types will not be eligible for RISE:

- Companies (individuals who have been retention agents within the last 3 years)
- Taxpayers who carry out activities such as: bagging, advertising, storage of products of a third party, organization of public shows, professional practice requiring a university degree, customs agents, production of goods or provision of services recorded to Special Consumption (ICE) , Natural persons whose incomes are under relation of dependency, fuel commercialization, printing of documents by graphic establishments authorized by the SRI, casinos, gambling rooms, brokers, leases of real estate, rental of movable property, agricultural nature, etc

Once the RUC or RISE are obtained, then the business can be started without any problem. Nevertheless, a natural person must provide information regarding taxes and pay according the chosen system. The real trouble would be to decide what to produce and how to sell it within the Ecuadorian market.

Steps to follow to market goods or services as a Legal Person

When it comes to societies, it is inevitable to talk about structures with a legal conformation. These institutions have to pay more taxes and have many different obligations under the law. The first step is to get a RUC using the name of the new company (“Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC),” n.d.):

- Submit the forms RUC 01-A (full and signed by the legal representative), and RUC 01-B (only if the company has branches apart from the headquarters)
- Original and copy of the document of creation of the company, appointment of legal representative, Identity Card and passport or visa.
- Copy of the company's location.
- For the process of updating, canceling or suspending the RUC, the steps to follow are the same as for NATURAL PERSONS, adding the forms RUC 01-A and RUC 01-B (in case of updating).

	Bajo el control de la Superintendencia de Compañías, inclusive las compañías tenedoras de acciones o holding y sucursales extranjeras.
	Bajo el control de la Superintendencia de Bancos.
	Civiles y comerciales.
	Civiles, de hecho, patrimonios independientes o autónomos con o sin personería jurídica, contrato de cuentas de participación, consorcio de empresas, empresas unipersonales.
	Organizaciones sin fines de lucro y bajo control de la Superintendencia de Economía Popular y Solidaria (SEPS).
	Sector público y empresas públicas.
	Condominios.
	Embajadas.
	Juntas administradoras de agua.
	Compañías tenedoras de acciones o holding.
	Cajas de ahorros, cooperativas y bancos comunitarios.
	Fideicomisos y fondos de inversión.
	Establecimiento permanente con representación.
	Sociedad extranjera no domiciliada en el Ecuador.
	Ligas deportivas barriales.
	Partidos y movimientos políticos.
	Campañas electorales.
	Fondos complementarios previsionales.
	Convenios internacionales.
	Sucesiones indivisas.
	Organizaciones no gubernamentales extranjeras (ONG).

IMAGE 8 –People economic activity. Source: (“Inscripción, actualización y cierre Registro Único de Contribuyentes (RUC),” n.d.)

Once the kind of company is chosen, the Legal person has to indicate the place where the activities will be carried out. In this case there are three options available:

- a. If it is registered in the name of the company or legal representative, spouse, partner or shareholder, the requirements are: basic service bill, mobile or fixed telephone bill, urban or rural property, credit or debit notes for basic services, lease contract or invoice, loan agreement, deed of purchase of real estate, certificate of property registration.

- b. If it is registered in the name of the legal representative or the shareholder, the requirements are: bank statements or credit card.
- c. If it is registered in the name of the company or legal representative, the requirements are: (municipal patent, fire department permit, any document issued by the public entity)
- d. If it is registered in the name of the company, legal representative or shareholder, the requirements are: certifications of use of premises or offices, certificate of domicile by the nearest Parish Board.
- e. If the taxpayer does not comply with any of the mentioned above, the requirements are: original letter of assignment of free use of the property, copy of the identity card of the property owner, copies of forms, physical or electronic invoice, statement of account, lease agreement

The most important aspect within a company is their structure. In order to build an organization there are different ways regarding logistical and legal aspects. An article from “El Telégrafo” newspaper shows twelve steps to build a company. (Diario El Telégrafo, 2013).

Firstly, the status of the company has to be established, basically by having two common options: if it is a limited (family) company or entity, or if the company will be established through the meeting of 2 to 15 partners. Once chosen the most appropriate option, the company will have a limited number of actions. However, if one wants to enter in the exchange of shares¹¹, an open capital company must be established.

After, a name shall be reserved and selected in the Superintendence of companies, this process takes approximately 30 minutes, and the main objective is to prove that there is

¹¹ The objective of the stock exchange is to connect people, both natural and legal, who have funds to invest in companies seeking financing. (Diario El Comercio, 2017)

no similar name in the country. Next, the statutes have to be created and subsequently validated through a minute supported by an attorney. This part of the process takes three hours approximately. The third step consists in opening a current account in any bank of Ecuador. “The basic requirements may vary depending on the institution, however they are usually as follows: minimum capital \$400 for limited companies and \$800 for anonymous companies; a letter of partners detailing the participation of each one, copies of ballot papers, ballot papers of each partner and certificate of the capital integration accounts, whose delivery takes approximately 24 hours” (Diario El Comercio, 2017).

Finally, every owner must complete the public deed through the submission of the following documents: the reservation of the name, the certificate of capital integration, and the draft with the statutes. Then, the Superintendence of Companies must approve the statutes by a resolution that takes approximately four days to be published. Commonly, when a company is emerging, the authorities announce the new through different media in order to make the process public. For that reason, the notice is printed in the local newspaper.

After the publication, the company has to obtain the municipal permits which are “essential to operate, so the municipal patent must be paid. Only with the documents described above can the company be registered in the Mercantile Registry” (Diario El Comercio, 2017). Finally, the company may schedule the first meeting of authorities, and there they can name the representatives. Once the whole process is completed, the Superintendence of Companies provides the documents in order to enable the RUC. “As a last step, the appointment of the manager of the company, appointed at the Shareholders' Meeting, with his acceptance reason, must be registered, which must happen within 30 days after his appointment” (Diario El Comercio, 2017).

To conclude, citizens have access to full information about the process to start a new business in Ecuador. All the documents are easy to obtain for everybody. With regard to Natural persons, the process is quite easy, even a child can do it by internet. In case of

Legal persons, the capital required to create a company is not really a huge amount so the process does not take much time. As mentioned earlier, the basic challenge, however, is to decide what to do, how to produce, how to distribute, how to obtain economic sources. Furthermore, the amounts are not to be huge therefore a Legal person's company needs to conduct many different analyses regarding financial and social factors according to the kind of business selected to start.

Business Plan

In order to generate an action plan, a procedure manual, or a scheme of rules and objectives, there are some important issues that any company has to carry out. A business plan involves to know what the main purpose of the organization is, and the steps to follow in order to achieve this goal. In the case of US SMALL BUSINESS ADMINISTRATION this plan "is an essential roadmap for a business success. This document usually projects from 3 to 5 years in the future of the company and describes the intended route to be followed in order to increase the revenues" (US SMALL BUSINESS ADMINISTRATION, 2017). Then, some recommended steps to generate this business plan are listed below. It is worth noting that the success of any company will depend on the creativity of their owners and also their capacity to analyze internal and external factors that arise in the market.

Description of the Company

The main idea here consists in analyzing every component and element of the company. Thus, the objective is to provide an accurate idea about the objectives pursued and the corporate posture to the employees, customers, and executives. Within this section the following elements are included (US SMALL BUSINESS ADMINISTRATION, 2017):

- Description of the business nature and identification of the market needs that are sought to satisfy.

- An explanation of why the company's products or services can solve those needs.
- List of potential consumers, organizations or companies that seek to serve or provide goods or services.
- Specification of the potential competitive advantages that are believed will make the business idea successful; such as location, specialized personnel, efficient operations, additional services for customers, etc.

Description of the Project

On this part of the proposal, the aspects that the company is going to change in order to get the goals are presented. "UNIVERSIDAD ESPIRITU SANTO" provides an investigation through its report "how to do a business plan" (Santo, 2012):

- a. General Index: It shows a panoramic view of the desired project. This should have symmetry with the schematic elaboration of the business plan.
- b. Justification: It is based on a practical perspective and gives considerable reasons about why the proposed research is being investigated.
- c. Problem to solve: It seeks to solve the problems/needs of the society from certain pertinent approaches.
- d. General Objective: Indicates the purpose to which all resources and efforts of the business plan should be addressed. It talks about the qualitative results that the plan intends to achieve through determined actions. Every objective must be measurable.
- e. Executive Summary: Describes objectives related to the market, financial, and operational analysis.
- f. Mission and Vision: The mission states the overall purpose of the project; while the vision defines what can be achieved over time.
- g. Goals: Purposes established by the business plan, according to a market, operational and financial scope.

- h. Legal viability: It refers to the permits, licenses, trademark registration, and set of actions that regulate the business plan.

Market analysis

According to SBA, a market analysis must illustrate all the expertise of the industry to which the company belongs. That expertise would allow to obtain conclusions to identify necessities, new fields, new customers, and new opportunities to get incomes, easier to be obtained. This analysis commonly involves the following parts(US SMALL BUSINESS ADMINISTRATION, 2017):

- a) Overview and description of the Industry: It describes the industry including its current size and historical growth range, so the company must be based on the competition and its characteristics. It is important to list a list of prospects as well.
- b) Market Information Goal: It focuses on measuring the scope of the target market. It must contain a detailed research on the elements of the market, avoiding to have a too broad market which hinders the achievement of planned objectives.
- c) Distinctive Characteristics: Establishment of the primary needs of consumers, so it is important to determine if the activities meet the expectations. Furthermore, the consumer demographics must be studied in order to know if there are buying trends.
- d) Market size: It includes data of annual purchasing trends within the industry. The purpose is to conclude: What the annual growth of the market within a year could be? What is the market share and the number of customers expected to hoard in a particular geographic area?
- e) Price targets and gross margins: Define the price structure, gross profit levels, and discount strategies that can be applied. This approach must focus only on the results of the market's study and the tests carried out.

Many different studies show that the enterprises always try to implement a SWOT study (Strengths, Weaknesses, Opportunities y Threats) in order to know what parts have to be

improved by the company. Therefore, in order to develop a competitive analysis this analysis “should identify the competition by line of products or services and the market segment” (US SMALL BUSINESS ADMINISTRATION, 2017); Then, a SWOT analysis must contain:

- Market share
- Strengths and weaknesses
- Importance of the target market for our competitors
- What would be the barriers to entering the target market?
- What advantages or opportunities the market offers?
- Identify indirect or secondary competitors
- Finally, it is necessary to investigate every kind of legal requirements or restrictions that can be offered by the market regarding the relationship with consumers, and legal provisions against industry by government entities.

Operative analysis

As UEES mentioned, this is, “a study that quantifies the investment amounts and the operational costs to carry out the project, such as the size of production, the use of financial, human and technological resources, during the subsequent start-up” (Santo, 2012). The study has four parts:

- a. Location and description of facilities
- b. Production methods: manufacturing mechanisms of the project, times of the manufacturing process, and if economies of scale are used.
- c. Production capacity of the business.
- d. Supply chain (operation, transport, inspection, storage).
- e. Human resources: What kind of personnel is required to execute the plan?

Financial analysis

This process can be compared with a medical autopsy. First off, it is necessary to make a complete study regarding numeric and statistic results that a company has registered within a period of time, most of the cases involve a five years period. The UEES shows some characteristics about this study (Santo, 2012):

- a. Statement of results projected to 5 years: It seeks to present a sales budget towards a given future, expressed in quantitative terms.
- b. 5-year projected cash flow (with or without own financing): It refers to a financial tool that measures future conditions during the lack of liquidity of a project. To do this, the projections of incomes and cash outflows will be required.
- c. Break-even analysis: It studies the amount of income that equals the total of costs.
- d. Sensitivity analysis (raise at least two scenarios): It involves two scenarios, the first defined as optimistic, and the other conservative, and both might vary depending on expenses and income.
- e. Analysis of the internal rate of return, rate of return, net present value, and return on investment.

Each one of these indicators has a specific role which is:

- Internal rate of return: Given certain cash flows, it is the maximum rate of return that the project generates.
- Profitability Index: It is a way to measure the progress of a project by calculating the discounted cash flows between the net investments.
- NAV (net present value): Sum of all future flows presented by the project, brought to present value and discounted at a preferential rate, less initial investment. This indicator means that

in the event that NPV is positive, it can be said that a project is approved, otherwise, if it is negative, the project could be suspended because its future losses would be greater than the initial investment.

- Return on investment: It measures the estimated time in which the initial net investment is expected to be recovered, this means in how many years the cash flow will be the same as the initial investment value.

The results of any business plan are always going to depend on the previous market research, this is the quality of numbers that the company gets from the market to calculate any indicator. In this respect, the entrepreneur must have creativity and imagination to enter in a market with new products in order to satisfy the necessities of people. It is important to analyze factors such as technology used by competitors, in order to have a good posture on the environmental factors, and to give the product an extra value on the products from the competitors.

There are different kinds of business plans, the difference lies in the time and extension that each plan requires to be applied. Another factor refers to the goals a plan could achieve. Some examples of plans are the following(Bplans, 2016):

- Strategic plan: Focused on reordering internal activities to achieve an objective, but not so much for analyzing financial statements.
- Expansion plan: It might require every step of a standard plan, but with a simpler structure which looks for a company in order to identify the common errors of its procedures and determine ideas to increase the range of activities and its market share.
- Annual operations plan: It presents specific goals and proposes delivery dates less than one year.
- Feasibility plan: It is used if a new technology, product or new market has to be validated.

Brands

In the business world, there are different components regarding the role of a company within a society. For that reason, several changes have been analyzed according national and international systems of law. The brands, considered as the identity of a product or service, are defined as the image of a company with its clients and in the eyes of competitors. They are an important element that shows what the objective of a company within a market is? Also, within a business framework, different strategies have to be added for a brand to direct the company's image towards more market segments.

According to the Ecuadorian law, the Organic Code of Knowledge, Creativity and Innovation (Código Ingenios), it is the document that manages the information about brands. According to article 11, the main function of this code is: "To substantiate the procedures and to resolve the granting or denial of the registrations of industrial property rights of patents of invention, utility models; industrial designs; brands; commercial slogans; trade names; and distinctive appearances (...)" (Constituyente, 2016); Then, the idea with Roswell is to collect more information about how to establish a successful brand. In terms of brands it is also important to talk about Intellectual Property. This section, in turn, is subdivided in Patents and Distinctive Signs which analyze other elements of the commercial life such as: commercial names, trade names, geographical indications and designations of origin.

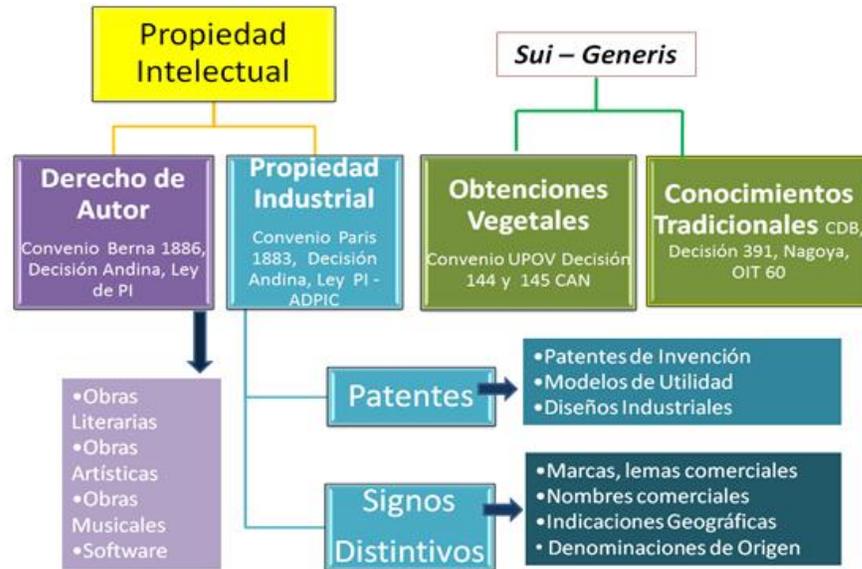


IMAGE 9 – Intellectual Property classification. Source: (Constituyente, 2016)

So, when a company starts its activities a new brand is created which means that a product or service is going to be distributed and promoted through a new image. And in the case that the new brand is successful, this must be registered according to the laws of the country where it was originated. So, when a company starts its activities a new brand is created which means that a product or service is going to be distributed and promoted through a new image. And in the case that the new brand is successful, this must be registered according to the laws of the country where it was originated. The right of priority explained in art. 263 of the “Código Ingenios” states that “the first application (...) of a mark validly presented to a national, regional or international authority with which Ecuador is bound by a treaty ... shall confer on the applicant or his environmental a right of priority in order to request in Ecuador a patent or a registration regarding the same matter. The scope and effects of the right of priority shall be provided by the Paris Convention for the Protection of Industrial Property” (Constituyente, 2016)

At this point, it is time to talk about Brands. This topic is studied within Chapter VI of the “Código Ingenios”, according to the article 359 regarding the registered brands “A trade mark shall mean any sign capable of distinguishing goods or services on the market. Signs

that can be represented graphically can be registered as trademarks. The nature of the product or service to which a trademark is to be applied in no case will be an obstacle to its registration” (Constituyente, 2016). Then, it is worth noting the following examples of brands:

- Words or a word combination
- Images, figures, symbols, graphics, logos, monograms, portraits, labels, emblems and shields.
- Sounds, smells and tastes.
- Letters and numbers.
- A color delimited by a shape or a combination of colors.
- The shape of the products, their packaging or wrapping.
- The reliefs and textures perceptible by the sense of touch.
- Animations, gestures and sequences of movements;
- Holograms
- Any combination of the signs or means indicated in the previous sections

On the other hand, according to Article 360, a brand cannot be considered in the following cases:

- a. A brand cannot be registered according to the first paragraph of the previous article.
- b. Lack of distinctiveness.
- c. They consist exclusively of a sign or indication which may be used in commerce to describe the quality, quantity, destination, value, geographical origin, time of production or other data, characteristics or information of the products or services for which such sign or indication is to be used, including laudatory expressions referring to those goods or services.

- d. They consist exclusively of a sign or indication that is the generic or technical name of the product or service in question.
- e. If it consists of a color considered in isolation, without being delimited by a specific form.
- f. If it reproduces or imitates the name of the State, local governments or their official symbols, as well as the names, acronyms and official symbols of public institutions, agencies and entities, or signs that constitute a country mark, unless their registration is requested by the competent authority.
- g. If it is contrary to law, morality, public order or morality.
- h. Relative Prohibitions: It involves those mentioned in art. 361, nine cases are highlighted, of which the first one is highlighted due to it talks about signs that are identical or resemble a previously requested mark.

The registration mark procedure must be carried out before the competent Ecuadorian authority in terms of Intellectual Property. In the case of Ecuador, it is the IEPI (Instituto ecuatoriano de Propiedad Intelectual). The users can access the IEPI Web site and a virtual box containing the data of the applicant is created, then a PHONETIC SEARCH¹² is requested at the cost of \$6 and it is completed within a category called NICE¹³, after conclude that it has not equal or similar marks, it is necessary to fill out the Mark Registration Application in which the information of the holder of the branch and the physical details of the same must be registered. Once this type of distinctive sign is determined, by detailing it physically and specifying colors, shape or type, \$206 must be paid. After completing these steps and canceling the corresponding values, the process takes approximately between six and seven months.

¹² Search process for names similar to the one that is proposed to register through the IEPI.

¹³ The Nice Classification, established by the Nice Agreement (1957), is an international classification of products and services applied to the registration of trademarks. (Organización Mundial de la Propiedad Intelectual, 2017)

The payments must be processed in a bank institution (BANCO DEL PACIFICO). To do this, users have to print the application explained above. As the 363 article states: “The application for registration of a trademark shall be submitted to the national authority competent in intellectual property rights according to the content, requirements and other rules provided by the corresponding regulation. Likewise, the regulations will establish the requirements, deadlines and procedures, among others, the examination of the application, its publication, the filing of oppositions and the granting or denial of the application” (Constituyente, 2016).

There are some advantages for registering a brand. The 364 article explains what the exclusive right to use a brand is. In this respect, the article says that the brand must be used just as it was registered. On the other hand, in the article 365 the Duration of registration of a mark is explained, which is 10 years from the date of its concession and may be renewed for successive periods of ten years. Finally, the renovation process is explained in 266 articles and states that the holder of the registration, or who has a legitimate interest, must request its renewal before the competent authority in the matter of intellectual property, six months before its expiration date, however, it can exceed six months of grace counted from the date of expiration of the registration to request its renewal. During this period the registration of trademark will remain in full force.

Once the brand is registered, the owner not only assures for himself the exclusive use of the brand in the market and all the benefits derived from its marketing, but also a legal protection over competitors who intend to use the brand without permission and for their own benefit. The article 367 explains the Rights conferred by the mark registration in which the acquisition of the same allows the owner the right to prevent that third parties use the brand without consent in the following cases (Constituyente, 2016):

- To apply or place the mark or an identical or similar mark on products for which the mark has been registered; on products

linked to the services for which it has been registered; or on the packaging, wrapping, packaging or packaging of such products.

- To delete or modify the mark for commercial purposes.
- To manufacture labels, containers, wrappings, packaging or other materials that reproduce or contain the mark, as well as to market or hold such materials.
- To use in trading an identical or similar sign, where such use could cause confusion or a risk of association with the registrant.
- To use in trading an identical or similar sign to a well-known mark in respect of any goods or services, where this would cause the holder of the registration unfair economic or commercial damage by reason of a dilution of distinctive force or commercial value or advertising of the mark, or by reason of an unfair use of the prestige of the mark or its owner.
- Making public use of an identical or similar sign to a well-known mark, even for non-commercial purposes.

Types of brands

There are many different kinds of brands depending on their characteristics, structure, objective, commercial image and about the kind of products and services the brand represents. The most common types are:

- a. Word marks: They are used to identify a product or service through a word or set of words letters or numbers and their combinations, without specifying specific drawings or colors.
- b. Figurative marks: They have a figure that may or may not evoke a concept.
- c. Mixed Marks: Composed of a denominational part and a graphic part, they can be combinations with designs, graphs or logos, letter or special spelling.

- d. Three-dimensional marks: They identify the shape of the products or their packaging, packaging or wrapping. They have high width and depth.
- e. Sound Marks: Noises or sounds that identify a product or service in the market.
- f. Smell marks: Smell that identifies a product or service in the market.
- g. Tactile marks: Signs that are identified through the texture of the presentation of the product.
- h. Well-known marks: These are signs that are identified as being of high reputation by the relevant consumer sector.
- i. Renowned brands: They are recognized as such not only by the relevant sector of consumers but by all, recognize it by its quality.

It is quite important for any businessman or entrepreneur to know in which category the brand may be included. In this way, they could get more incomes if they know what their legal advantages are. Also, it is important to know the appropriate process of a brand registration. However, there is not only a TRADEMARK when registering the image of a company or its products, but there are other elements such as Commercial slogans, which according to art. 395 of the “Código de Ingenios”, the commercial slogan is understood as the word, phrase or legend used as a complement to a trademark.

Electronic Commerce (e-commerce)

Technology has suffered many changes during last decades, and the commerce has been a witness of how the technology has provoked improvements in many different ways. The evolution of ICTs has produced changes in the ways of work of many different sectors. However, e commerce refers to “the economy, banking, consumers, marketing, finance, who have been involved in the process of change” (Choshin & Ghaffari, 2017). The necessity of avoiding limitations in terms of logistics within business between different countries has been demanding the inclusion of technology, “The necessity of avoiding

limitations in terms of logistics within business between different countries has been demanding the inclusion of technology” (Choshin & Ghaffari, 2017).

It should be stressed that Internet plays a fundamental role when it comes to applying these new techniques in electronic commerce. Also, E Commerce has allowed different business companies to diversify their activities and to increase the employment positions within their organizations. “In order to improve the efficiency of e-commerce, commercial notification and commerce as such, should be improved and easy to use. Commercial notification requires a break from the monopoly to information that provides an opportunity to be competitive, which at the end ends up seeking social justice” (Choshin & Ghaffari, 2017).

So, E commerce can be defined as a tool that “has caused and allowed variations in the way of offering and demanding goods and services, since it has facilitated the form of communication between its various actors, therefore has forced to establish different fundamental changes in business vision in terms of better production and a better relationship between consumers and manufacturers” (Choshin & Ghaffari, 2017). Enterprises have achieved significant advantages thanks to the internet use, such as: rapid dissemination of information regarding their products and activities, the achievement of a greater number of potential consumers and even breaking international barriers when crossing boundaries.

Electronic Commerce in MSMEs

Nowadays, there are many different factors that affect E commerce within enterprises. Electronic commerce has suffered improves according to the commercial sector of a company, so enterprises that emerged without a huge capital have considered the use of technology as one of the best alternatives to be competitive within the market. “Clearly e-commerce does not generate a new concept of commerce in general, but it has generated growth never seen before in several industries in recent years, knowing that INTERNET

has been one of the major responsible in making this event possible. However, a successful administration and e-commerce implementation through a meticulous plan, which seeks to improve the distribution of resources, correct identification of needs, and determination of consumer expectations must be made before applying technological knowledge” (Choshin & Ghaffari, 2017).

Therefore, different studies propose four important factors that MSMEs should consider in order to practice e commerce. Every enterprise has to analyze each one of these factors and apply them in a correct way, these are the followings (Choshin & Ghaffari, 2017):

- Scientific factors: this type includes issues such as executive management of knowledge and business experience, employee capabilities, perceptions and consumer buying awareness.
- Environmental factors: Includes markets, government laws, producers and consumers.
- Human factors: category related to the accessibility and application of internal resources and the number of specialized and trained employees for certain areas.
- Technical factors: Application of technology, cost management and security.

A study conducted in Taiwan delivered results from various enterprises applying e commerce as an alternative of development and a competitive tool. Using a detailed questionnaire and a statistical model, the researchers proposed a conceptual model with which they could analyze the impact of e-commerce on Taiwanese companies. The results of the study determined the following success factors among companies that used e-commerce, and are (Choshin & Ghaffari, 2017):

- a. Performance factor: Consumer satisfaction, improvement of prices and competitive benefits.

- b. Marketing factors: Online advertising, recognition of the brand in the conscience of consumers.
- c. Operational factors: Improvement of quality, better internal communication, security of online payments, simple designs on WEB pages, clear and accurate information.

Types of e commerce

There are five types of this kind of commerce, and each category shows different characteristics about the enterprises behavior that use ICTs. The types have different techniques to satisfy customer necessities, the types are:

- B2B: Trade or business-to-business activities using INTERNET as a means of communication, there is no consumer intervention here (Wohlmuth, 2016).
- B2C: Trade or business activities performed by consumers. Basically, it occurs when a consumer uses INTERNET in order to search products or services, offered through WEB sites of different companies.
- B2E: Commerce or activities carried out by the company towards employees. Thus, the companies offer via INTERNET better prices and discounts directly to their employees.
- C2C: Trade or activities carried out from consumer to consumer, an event caused by the need of a consumer to dismiss a product that he or she has purchased and is willing to sell it through INTERNET.
- G2C: Trade or activities carried out from government to consumer, this happens when governments allow citizens to carry out their own procedures using INTERNET as the main way to exchange information, this includes payments and transfers online.

Mobile Operating Systems (MOS)

Currently, there is a new component within ICTs that might change forever the way of getting communication between users, enterprises, and consumers. The smart phones, tablets, laptops, even smart vehicles, have changed the human's life facilitating the way to talk with the world, faster and easier. "Computers, as we know them today, have transformed the life of the contemporary human being in all respects. From their mass production, at a much more affordable price for the average user and for companies and institutions, their use has been generalized in such a way that most of the daily activities are linked, directly or indirectly, to a computer" (Get & Guerra, 2010). The intelligent machines began their functions with a researching purpose or even a military goal. Now these machines control everything from a traffic light until a bank transference.

Currently, it is clear that every personal data is managed by government institutions and transferred to financial institutions or credit cards companies. And those companies whose marketing strategies are based on knowing our profile in depth, launch new products based on trends of taste and need found even on social platforms of INTERNET such as FACEBOOK, INSTAGRAM or TWITTER, "computers help and interfere in our life, and create identities and habits of consumption, technology serves to institute more effective and more pleasant forms of social control and social cohesion" (Get & Guerra, 2010). Now, the computers manage an easy language that can understand and interpret the user's necessities through small machines as smart phones. "The hardware cannot perform all these tasks on its own. It was necessary to create a whole new programming language able to communicate with machines, Furthermore, it was necessary to create an interface, a sort of interpreter between the language of the machine and the average user-that allowed the mass production of the computer for domestic and commercial uses" (Get & Guerra, 2010).

In order to understand better this topic, it is important to identify the concept of operative system as computer "tools that control what the hardware does, and facilitate the use of

other applications and hardware through a graphical interface; in other words, the windows and icons that we use to access other programs and the devices we connect to the machine: digital cameras, printers, hard disks, among many others” (Get & Guerra, 2010). We have many operative systems as: Windows, Microsoft Corp.; Mac OS, Apple Inc., and the different distributions of GNU / LINUX, where the former dominates the market with 92.77%. (Get & Guerra, 2010).

It is proved that a computer can influence in the lifestyle of anyone. However, it is necessary for entrepreneurs to develop new ways to get a faster communication towards people, which is why the mobile technology has been developed. Cellphones were created as a wireless way of communication that initially people were able just to do calls and send small texts. Nowadays, INTERNET let people to use new forms of using cellphones or smartphones. There are several brands offering cell phones, but two mobile operating systems (SOM) are preferred by companies; the first one is ANDROID which is said to be the most popular SOM in the world, whose latest version of August 2017, ANDROID O 8.0 promises better speed and processing; while the second is the SOM of Apple Inc., iOS with its latest version to be released in August 2017 with iOS 11 (elperiodico, 2017).

Finally, within the mobile operative systems the mobile applications (APPS) have been created as main mean of interaction between users around the world. The SOCIAL NETWORKS (FACEBOOK, TWITTER, INSTAGRAM, SNAPCHAT, MY SPACE) provide some advantages in order to apply communications and to get new marketing strategies. The industries have learned to understand these new necessities of users, and an example of this is definitely the music industry which has established the STREAMING technology to get a better downloading of songs and playlists. Furthermore, the STREAMING operation is presented to better understand the development of SOM and its potential vis-à-vis consumers (ite educación España, 2016):

- Connection to the server: The client player connects to the remote server and the remote server starts sending the file to it.

- Buffer: The client begins to receive the file and builds a buffer or store where it starts to save it.
- Start playback: When the buffer has been filled with a small initial fraction of the original file, the client player begins to display it while continuing in the background with the rest of the download.
- Connection rate drops: If the connection experiences slight decreases in speed during playback, the client could continue to display the content by consuming the information stored in the buffer. If it consumes all the buffer it would stop until it is refilled.

Business WEB Pages within MSMEs.

It is learned now why it is important to be a good entrepreneur and to know how to choose the best structure for an enterprise to depending on what is the accomplishment, and also about the advantages of applying ICTs within business plans, “the adoption of information and communication technologies (ICT), and of e-commerce or e-commerce in particular, benefits companies as the reduction of transaction costs is increased as well as the speed and efficiency of processes and organizational operations” (Jones, Motta, & Alderete, 2016). Therefore, the INTERNET shows a new field with new opportunities and tools that helps to enjoy a better relationship with the customers. Commonly, the companies offer INTERNET services containing the whole data of the products and services. With this vision, customers could know how they can use our products and services in order to choose the better option in the market.

However, “In order to achieve efficiency in line and to operate in the current highly competitive business environment, the companies need to provide multiple relevant information (quantitative and qualitative) which feeds a process of continuous improvement of the company’s management, in order to achieve organizational goals” (Jones et al., 2016). Within MSMEs, the scarce resources cause a notorious fragility as a

result of the increasing technological and economic change. For this reason, the MSMEs are obliged to analyze the risks and opportunities to implement action plans whose objectives are oriented to the ICTs implementation. At this point, it is important to stress the importance of CONTROL MANAGEMENT SYSTEMS “Management control systems have stopped measuring organizational performance with solely financial indicators; now they also evaluate performance in relation to qualitative objectives in order to make processes more efficient, improve quality or response times, etc. Some authors relate performance with the organizational forms, others ascribe it to the types of learning, and even to cultural and identity aspects” (Jones et al., 2016).

The Electronic Commerce can be applied when an enterprise practices the ICTs, especially on the internet, to get interaction with customers and suppliers, even with other companies. “e-commerce or e-commerce includes the execution of transactions through Internet or other computing networks, whenever the rights of ownership or use of goods and / or services are transferred” (Jones et al., 2016). And now, we learn about a new concept, E-READINESS, which is the degree of capacity or preparation of a company to conduct the opportunities of creation of value facilitated by the use of INTERNET.

Therefore, a successful business depends on factors such as the capacity to access and use INTERNET connection or the capacity of a company in order to organize its internal activities in order to adapt them to an E commerce system. “The adoption of electronic commerce in enterprises can be considered a process of adoption of a specific type of ICTs. These are complex organizational processes in which the company gradually learns to use and take advantage of this technology, making efforts to develop specific organizational competencies required, which lead to a greater maturity in the use ICTs” (Jones et al., 2016).

INTERNET of things (IoT)

One of the latest concepts of internet use, is Internet of Things (IoT). This refers to the digital connection between everyday objects and Internet. This idea came up in the early 30s of the past century where the man-made objects created tended to be more interactive in the daily lives of people. The consumers began demanding products that facilitate their normal activities whether at home or at work. In the present century and, with the emergence of the smart mobile devices, many useful tools have been developed which turn these objects into smart products that can connect to internet in order to maximize their basic features and functions and thus providing users a complete interaction in different activities.

According recent studies, it is believed that in 2020 there will be more than 26 billion of products connected to the web. In economic terms, an increase of incomes of \$1.9 trillion about the production of IoTs is estimated to happen. (Fernandez-Gago, Moyano, & Lopez, 2017). Logically, new legal needs are created to satisfy the companies and consumers' demands regarding the occupational safety that must be reinforced when using the IoT. This is given because, for a common citizen, a company and a manager who carries out activities around the IoT could begin to distrust them and demand greater assurances of protection of the information which is exchanged in those systems since the greater amount of data will be of personal use, and the immediate results are given by companies that, during 2014, invested 8% more on safety with regard to activities conducted online (Fernandez-Gago et al., 2017).

It is a fact that the implementation IoT will contribute to generate greater sales value for enterprises, to expand the market reach and a better distribution of their commercial information, even though many of these activities among the different types of foreign trade (B2B, B2C, etc.) will be conducted under uncertain circumstances and unsafe conditions. It is clear that the traditional security mechanisms will not be enough, however, the managing systems might be a great help in these cases. Finally, the

enterprises will need more trained personal in order to develop new process managing systems that allow to enhance the business structures, thus applying traditional marketing activities using the ICTs as a mean of communication and considering the IoT as an important tool for dissemination and as a meeting point for the online commercial activities to be applied. (Fernandez-Gago et al., 2017). Then, new employment opportunities will arise, but also, the rapid growth of Electronic Commerce forces companies, even more SMEs, enter into this virtual business world, if they want to be competitive it will be necessary to be at the forefront of ideas, in other words, it is important to evolve.

E commerce in Ecuador

Nowadays, many different types of business are conducting their activities in Internet with the purpose of offering customers new advantages. The word WEB will be one of the most used terms within the common language of citizens around the world. The MSMEs have decided to apply e commerce as a new alternative in order to be competitive in different markets. Maybe because when applying a business plan through Internet, this could be cheaper than implementing a physic structure. The control mechanisms and the internal structure that must be managed to be efficient have also been emphasized. In Ecuador there is no exception, it is true that it may be a nascent and inexperienced field, but for MSMEs, and according to studies carried out by ESPOL in Guayaquil: “There are four key factors: payment mechanisms, transaction security, quality of the WEB page, and investment in advertising” (Ramos, Plata, & Almeida, 2015).

New strategies need to be applied if one seeks to use e commerce. The creation of a WEB page must be proposed according to the company’s objectives and necessities. Also, new commercial rules to control the business in this new system have to be established in order to maximize the speed of Internet servers for Ecuador, and implementing the use of electronic money or e-money. However, in Ecuador, there are few who actually consume

through the mobile applications or web pages of companies, it is said that “Despite the alternatives and possibilities that Internet offers to its consumers that make purchases by that means, only the 2% of the total number of users that visit an electronic commerce end up concreting the purchase” (METRO ECUADOR, 2017).

In the case of a new entrepreneur begins a business, it could be a difficult work but not impossible. The use of Internet is definitely a great tool to obtain more customers with less investment. According to Metro Ecuador newspaper, we have four marketing tips:

- To segment the audience: It is necessary to obtain as much information as possible about how many people visit to your website, in order to direct the campaigns to key buyers.
- To publicize the brand: To increase the value of the company, the customers must be able to easily recognize the business.
- To be patient: Most online retailers want their campaigns to succeed immediately for a fast return on investment.
- Do not abuse retargeting: One of the keys to success is not to invade or bombard your consumers with a multitude of ads.

And, what about the statistics of e commerce in Ecuador? According to an investigation conducted by ESPOL, 21.39% of the marketing of products and services have been carried out using Internet during 2016; and 21.60% of companies have opted for obtaining improvements in their web presentations for online payments in their pages; it is said that 22.60% of businesses have achieved sufficient security to do purchases and sales through the WEB; although, 41.10% of the Ecuadorian companies' websites are not considered a hundred percent safe for consumers, that is why customers still prefer physical contact and feel the quality of the products offered. Finally “36.20% of businesses at national level consider that using Internet to expand their businesses is not something indispensable” (Ramos et al., 2015).

CHAPTER N. 2. INTERNATIONAL LEGAL CONTEXT, AND ECUADORIAN LEGISLATION ON INTERNACIONAL AND ELECTROCNIC TRADE

International Relations

Currently, there are different ways developed by humans in order to achieve a good communication in legal terms. Always, humans have been developing means to get a good system within every state and nation creating rules to control the behavior of citizens, and so on with the international colonization of the world since the countries had to create rules to control the relations between nations. Before analyzing the commercial legal field, it is important to understand how the interaction within the international community occurs. We will talk about VIENNA TREATY of 1969

When talking about international agreements between two or more countries, the term Treaty is the most accurate word used and according to art. 2, “it is understood by Treaty an international agreement concluded in writing between states and ruled by international law, whether it is contained in a single instrument or in two or more related instruments and whatever their particular denomination is” (United Nations, 1980). However, every state has the right to choose if they want to ratify, accept, approve or accede to a treaty due to is it not an obligation. Also, a treaty can be celebrated as an International Organization as well.

Then, as well as an enterprise, a state needs to appoint a legal representative. This person has the capacity to negotiate a treaty according to the necessities of their state, this is explained within art. 7, “For adoption to authenticate the text of a treaty, to express the consent of the State to be bound by a treaty, a person shall be deemed to represent a State” (United Nations, 1980):

- If full powers are submitted before the treaty, or

- If it is reduced from the continuing practice by the parties involved, or under other circumstances, that the intention of the States involved has been to consider that person as a state representative for such purposes and to prescribe the presentation of full powers.

As any treaty, the parts must analyze the documentation regarding the conditions to complete this treaty. They can propose a Reserve. The art. 19 states that, in order to develop a Reserve: “A State may do a reservation at the time of signing, ratifying, accepting or approving a treaty or acceding to it, unless” (United Nations, 1980):

- The reservation is prohibited by the treaty.
- The treaty provides that only certain reservations may be carried out, among which the reservation in question is not included.
- That, in cases for which no provision is made in the paragraphs A and B, the reservation is incompatible with the object and purpose of the treaty.

About the behavior of any country in the International Community the states have rules to avoid conflicts as a result of the clash of cultures. So, the international treaties have two important provisions regarding this situation as mentioned in Art. 26 which shows the meaning of PACTA SUND SERVANDA that means that a treaty has to be completed in good faith. And the second point, within Art 27, when it talks about internal rules of any country. A country may not invoke the provisions of its domestic law as justification for a Treaty infringement (United Nations, 1980).

Finally, any treaty can be modified if the parties consider it necessary. These capabilities to modify a treaty are explained in Art. 39 “A treaty may be amended by agreement between the parties” (United Nations, 1980). The Vienna Convention states that a State may unilaterally apply nullity, termination or suspension of the application of treaties if this is considered convenient in order to protect the internal interests of its citizens, as it is mentioned within Section V of the Vienna Convention. So, once the International

Relations have been explained briefly, and once concluding that the nations play a fundamental role in the international community, it is time now to analyze how those relations are done in economic terms.

International Commerce

Nowadays, the world has witnessed how the boundaries have been reduced to symbolic issues. Thus, any activity could be conducted by actors from different cultures or countries. The ITCs can help humans to make easier this communicative revolution by getting an interaction with more actors around the world. Furthermore, in terms of business the states use these ITCs in order to get more information of other countries and to know what they need and how they can help them to get it.

At this point, the definition of Globalization may be defined as “The extension of the scope of social, political and legal institutions at an international level, and the global diffusion of modes, values or trends that fosters the uniformity of tastes and customs” (REAL ACADEMIA DE LA LENGUA, 2017), so the globalization has caused many changes in the way that commercial treaties are carried out. Researchers such as Czinkota or Ronkainen have sought answers to these challenges “in the framework of trade and their institutions and strategies for regulation” (Vanegas, Restrepo, & González, 2015).

Then, it is imperative to understand new meanings of topics that globalization proposes as a new way to see the business and treaties. (Vanegas et al., 2015) Griffith propose three of them:

- To understand problems related to the management and performance of the international firm, the process of internationalization of companies, the role of multinational companies, the globalization of economies and emerging markets.
- The topics associated with cultural influences and global consumption, corporate social responsibility and citizenship of multinationals, ethical issues in

international business, effects of public policy and standardization of study methodologies.

- Legal aspects of international business.

It is necessary to understand some concepts concerning the study of International Commerce (Vanegas et al., 2015):

- Overview of International Trade: Through historical data, the explanation of trade, investment and migration patterns is sought; sovereign debt; multilateral system and its effect on world trade.
- Impact derived from the forms of integration: Current trends prevent an exponential growth in integration needs, through agreements with different types of scope (commercial, investment, economic, monetary), so that this type of linkage has reconfiguration of industrial trade, in national and sectorial production.
- Financial Aspects: Financial capital crosses border frontier seeking to maximize the return on its investment, so studies seek to answer the reasons for certain financial flows.
- International crises: An economic crisis generates a break point and a rethinking of the foundations on which an economic apparatus is based.
- Exchange rate: The price ratio between a national currency and a foreign currency.
- Entrepreneurial and organizational environments: Within the international market, there is a competition between firms, so the research topics are focused on: how these companies enter in the markets, how they do business and how they are associated, also regarding (export, offshoring / outsourcing, acquisition / merger, licensing, franchising, joint-venture, consortium, maquila, and own manufacturing).

World Trade Organization (WTO)

When referring to international treaties concerning commercial issues, it is necessary to conduct a brief analysis about the Organization that controls every rule on this topic. The WTO “is the only international organization dealing with the rules of international trade or trade between countries. The pillars on which this institution lies upon are the WTO Agreements, which have been negotiated and signed by the vast majority of countries that are involved in global trade and ratified by their respective parliaments. The objective is to help producers of goods and services, exporters and importers to carry out their activities” (World Trade Organization, 2017).

The World Trade Organization might be analyzed in different ways; however, the main purpose of the organization is to help countries to achieve deals and to sign commercial treaties. Every member has power within the organization and all the decisions are approved by majority, “either by their ministers (who meet at least once every two years) or by their ambassadors or delegates (who meet regularly in Geneva) (World Trade Organization, 2017). The intentions of WTO are explained in different legal documents that have many different activities. These treaties are the basis of the multilateral system in the worldwide commerce.

Import Licenses

At international level, and according to the Agreement on Import Licensing procedures, the mentioned steps must be simple, transparent and predictable so that they don't constitute a barrier to trade. This means that every country has to right to provide the necessary information for any businessman regarding the obtaining of licenses. Also, the countries must explain to the WTO how to establish new procedures in order to get licenses.

Duties

In any procedure concerning international commerce, whether it refers to importation or exportation, the entrepreneur should be familiar with the duties and tariffs that are applied since in most of the cases their calculation represents a key financial aspect in order to determine whether a commercial treaty is profitable or not. The duties are “the customs duties applied to imports of goods are called tariffs. Tariffs provide goods produced in the country an advantage in terms of market prices and provide a source of revenue for governments” (World Trade Organization, 2017). During Uruguay Round¹⁴, every participant promised to avoid many duties in order to foment international transactions. Nowadays, one of the most important programs to foment the marketing of agricultural and nonagricultural products is the Doha Development Agenda.

What are the specific commitments that the WTO members acquire vis-à-vis the tariffs? These provisions are contained in the so-called schedules of concessions, which reflect the current tariff concessions and other commitments made by the members in the context of commercial negotiations during the Uruguay Round. “All the WTO Members have a Schedule of Concessions attached either to the Marrakesh Protocol annexed to the GATT 1994 or to a Protocol of Accession. The content of the Schedules changes over time in order to take account of various changes, such as negotiations under GATT Article XXVIII or rectification procedures” (World Trade Organization, 2017).

¹⁴ It lasted seven and a half years, almost twice the expected period. Towards the end, 123 countries participated in it. It covered almost all of the trade, from toothbrushes to pleasure craft, from banking services to telecommunications, from wild rice genes to AIDS treatments. (World Trade Organization, 2017)

The lists are divided into 4 parts:

- a. Part 1. Concessions subject to the most-favored-nation principle or MFN concessions, peaks applicable to the products of other WTO Members.
- b. Part 2. Preferential concessions (customs duties arising from the trade prescriptions listed in Article I of the GATT).
- c. Part 3: Concessions on non-tariff measures.
- d. Part 4: Specific Commitments on Domestic Support and Export Subsidies for Agricultural Products.

These duty lists are structured by the Harmonized Commodity Description and Coding System established by WTO, this has 21 sections and 99 chapters:

- Tariff heading number
- Designation of products
- Type of right
- Current concession established
- Rights of first negotiator (e.g. major suppliers of products)
- Concession incorporated for the first time in a GATT Schedule
- Rights of first negotiator on previous occasions
- Other rights and charges
- In relation to agricultural products, special safeguards may also be indicated

Analysis of commercial policies

In recent years, the Ecuadorian government has decided to apply measures to stop commercial treaties between national and international enterprises. The main idea is to boost the national production and the research within Ecuador, but not only is Ecuador the country with this idea since all over the world different states have adopted these measures. However, the WTO is responsible for monitoring national trade policies, and

“the core of that work is the Trade Policy Review Mechanism (MEPC). Every WTO member is subject to review, although the frequency with which each country's review is made depends on their level of participation in global trade” (World Trade Organization, 2017).

The WTO has legal documents to control this situation “Most of the WTO Agreements are the result of the Uruguay Round negotiations held in 1986-94 and signed at the Marrakesh Ministerial Conference in April 1994. There are around sixty agreements and decisions, totaling about 550 pages” (World Trade Organization, 2017).

The safeguards

Any member of the WTO can apply this measure in order to avoid the import of any product for a period of time. The main purpose is to protect any field of national production. “These measures could always be used under the GATT (Article XIX). However, they were often not used, as some governments preferred to protect industries by "gray zone" measures ("voluntary" restraint agreements on exports of products such as automobiles, steel and semiconductors” (World Trade Organization, 2017). The WTO treaty refers to the safeguards establishing a maximum period of time to apply these measures. This is called the Extension Clause.

According to the statistics submitted by the WTO concerning safeguards, any country has to present a report in terms of the application of a new duty. Ecuador presented the following reports for the initiation of investigations on Safeguards: two in 1999, one request in 2002, four in 2003, one in 2010 and one in 2014, this mean nine requests for safeguard measures (World Trade Organization, 2017). With regard to the safeguard measures adopted by each member, Ecuador presented the following: one in 2001, one in 2003, one in 2004, one in 2010, and one in 2015, i.e. had five applications within its customs territory.

Commercial treaties

Throughout history, every country has assimilated the advantages that they can obtain if states work collectively. In some cases, providing preferences in some fields, or even strategic alliances, and the WTO usually encourages its members to notify whenever they sign a treaty. There are two types of agreements: Regional trade agreements (RTAs) that are defined as reciprocal trade agreements between two or more parties (including Free Trade and Customs Unions), and preferential trade agreements, considered by the WTO as unilateral trade preferences.

Next, two graphics about Ecuador and their relations with other nations around the world are presented.

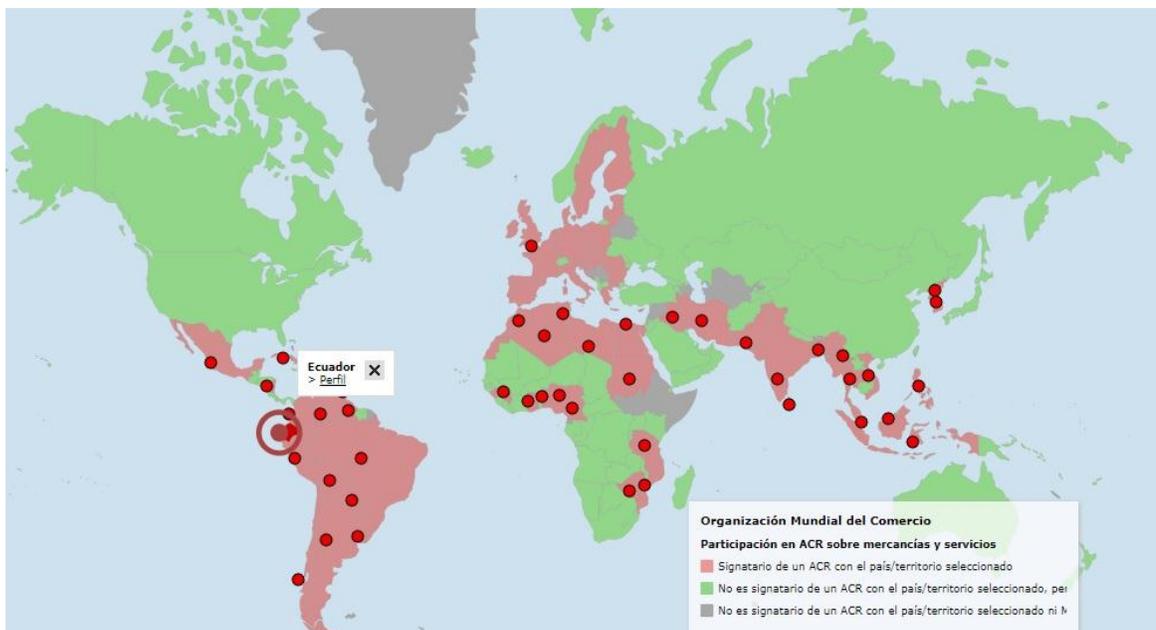


IMAGE 10 - Ecuador and their politic treaties. Source. (ACR). (World Trade Organization, 2017)

Within this map, one can see the relations regarding commercial agreements that Ecuador has around the world: in Latin America, most of them with the exception of Suriname, in addition to Mexico, Cuba and Nicaragua (these within America), also with the European Union (EU), in Africa with Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, within

Central Asia with Iraq, Iran, Pakistan, India, among others, in addition to Indonesia, Malaysia, Singapore, and the Republic of Korea.

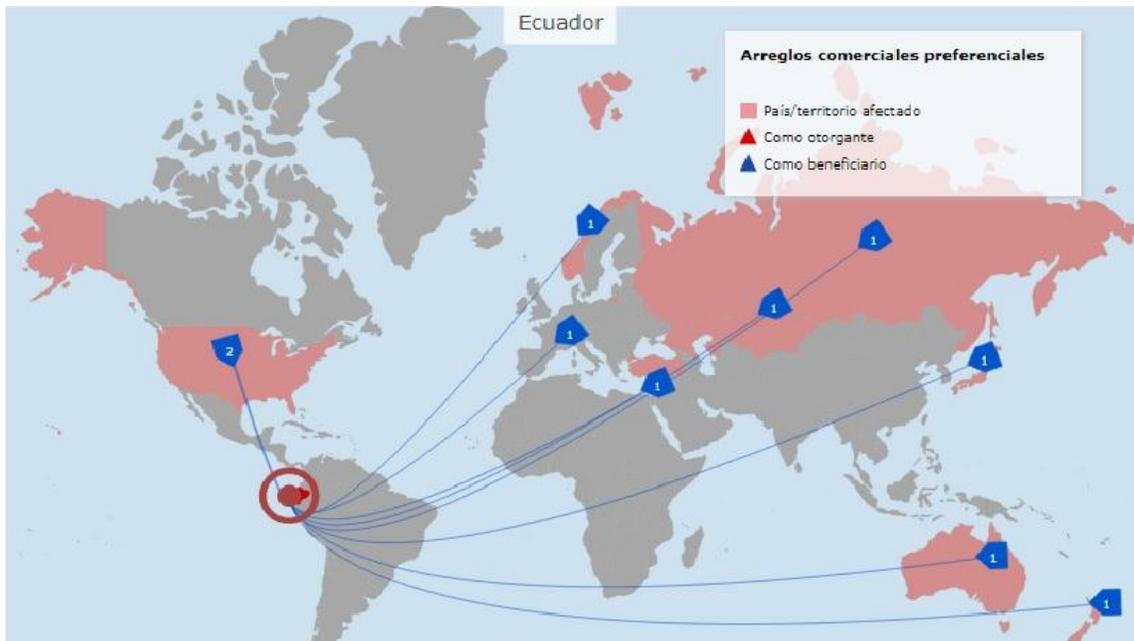


IMAGE 11 - Ecuador AND THE PREFERENTIAL TREATIES. Source. (ACPR).
(World Trade Organization, 2017)

Ecuador has signed economic treaties with: United States, Norway, Switzerland, Turkey, Kazakhstan, Russian Federation, Japan, Australia, y New Zealand.

Ecuadorian Legislation concerning International Trade

In Ecuador the source code directly related to commercial issues is the Commerce Code, under which there are some interesting articles according to the present research work. Article 1 states that: “The Commercial Code governs the obligations of traders in their commercial operations, and the acts and contracts, even if is executed by non-traders” (Pérez, 2014), In addition, Article 2 contends that traders are those who, having the capacity to contract, make trading their habitual profession. Article 3 indicates that they

are acts of commerce, either by the contractors, or of one of them only, emphasizing what Art. 4 mentions, the mercantile customs supplement the silence of the Law:

- The purchase or swap of movable things.
- The purchase and sale of commercial establishments.
- The companies of warehouses, shops, bazaars, inns, cafes.
- Transportation by land, rivers or waterways.
- The deposit of goods.
- Insurance.
- Everything concerning bills of exchange or promissory notes to order, even among non-traders.
- Bank operations.
- Brokerage operations.
- Stock exchange operations.
- Construction operations.
- Ship owners' associations.
- Maritime expeditions.

According to the Civil Code any person is able to contract, but there are some exceptions explained in Article 7:

- Church corporations, religious and clergy.
- Public officials who are prohibited from exercising trade under Article 242 (266) of the Penal Code, except for the exceptions established in the same article.
- Those who have not received rehabilitation

In order to be an authorized merchant, there are some requirements exposed in section two of the Art 21 that states “The registration of commerce will be carried in the Registration Office of the canton, in a book lined, foliated and whose leaves will be signed by the

Political Leader of the Canton. The seats will be numbered according to the date they occur, and signed by the Registrar of Property” (Pérez, 2014), this point is also referred in the Companies Law, specifically within the Article 19 and 23.

Regarding the validity of a commercial contract, this can be considered as legal when it is celebrated by two or more availed merchants, according to the Article 140. Furthermore, in order for the verbal proposal of a business to be mandatory for the proposer, it must be immediately accepted by the person to whom it is addressed. In the absence of such acceptance, the proponent is free, as it is specified in Article 141 of the Commercial Code. And as for claims for non-compliance, the Article 164 states that “Commercial contracts are tested by any means of proof admitted by civil law. Furthermore” (Pérez, 2014):

1. - With the extracts from the books of the corridors, according to Art. 86;
2. - With the books of the corridors, as it is established in Art. 87; and,
3. - With accepted or approved receipts, and, according to the Law, are recognized.

Both buyer and seller are considered key actors within a negotiation. They have important responsibilities when trading. Art. 189 states that “Once the contract is completed, the seller must deliver the products sold in the agreed time and place. If the deadline is not indicated, the seller must make the goods sold available to the buyer, within twenty-four hours after the conclusion of the contract. In case that the place for delivery is not appointed, this activity will be carried out in the place where the merchandise remains while the sale is perfected” (Pérez, 2014). Likewise, after the delivery of the goods sold to the buyer, the buyer will not be heard in the claims about quality defects or lack of quantity that would had been examined at the time of delivery and received without reservation, as it is explained in Art. 192.

As for the buyer, the Article 201 contends that “The buyer has the right to require the seller to deliver an invoice of the goods marketed, and to place at the foot of it the receipt of the total price or the part that has been delivered. Without claiming against the contents of the invoice, within the eight days following the delivery of it, it will be considered irrevocably as accepted” (Pérez, 2014).

Import and export

Commonly, people are always thinking about how to invest their resources in order to get more and more incomes, that is why imports and exports are two interesting choices. One can import from foreign producers or even talk to develop ideas about how to produce goods or services within our country. The Organic Code of Production of Commerce and Investments (COPCI), in its Article 9 literal c, states that “The freedom of import and export of goods and services, except those limits established by current regulations and according to what they establish the international agreements of which Ecuador take part” (Asamblea Nacional, 2010),

In the same way, Article 72, literal e states that “Regulate, facilitate or restrict the export, import, circulation and transit of non-national or nationalized goods, in the cases provided by this Code and in international agreements duly ratified by the Ecuadorian State” (Asamblea Nacional, 2010), at the same time “It is necessary to issue the rules concerning registrations, authorizations, prior control documents, licenses and import and export procedures, other than customs, general and sectoral, including requirements to be complied, other than customs formalities” (Asamblea Nacional, 2010),). And, as additional duty, the nomenclature of the classification and description of the import and export goods must be approved and published.

In the import-export sector, it is imperative to talk about the duties rules as well. The different modalities proposed by the COPCI are expressed in Article 77, which states that

“Tariffs may be adopted under different technical modalities, such as” (Asamblea Nacional, 2010):

- a. Fixed tariffs, where a single tariff is established for a subheading of the customs or foreign trade nomenclature or,
- b. Tariff quotas, where a tariff level is established for a certain quantity or value of imported or exported goods, and a different tariff than imports or exports that exceed that amount.

On the other hand, another modality specified in the annexes of the international treaties that Ecuador has signed are also recognized. This is because the national tariffs must not interfere with the compromises that Ecuador has acquired at the time of accepting a treaty. The Art 81 states “The electronic procedures for the approval of requests, notifications and procedures related to foreign trade and customs facilitation will be recognized as valid” (Asamblea Nacional, 2010). One of the ideas proposed by the Ecuadorian government has been to promote the national production, as it is explained in the Article 93 which states “The State shall promote export-oriented production and promote it through the following general mechanisms and direct application, without prejudice to those contemplated in other legal norms or programs of the Government” (Asamblea Nacional, 2010), however, as it will be proposed in the final chapter of this work, to produce goods within national territory is not always the best path to take.

Likewise, there are many obligations for import and export, in this respect the art 111 states the subjects of the Customs Tax Obligation, are defined as "subjects of the tax obligation: the active subject and the taxable person:

- a. Active subject of the customs tax obligation is the State, through the National Customs Service of Ecuador.
- b. Passive subject of the customs tax obligation is who must satisfy the respective tax as taxpayer or responsible.

Both the Natural and Legal person who do business must be registered in the “Servicio de Aduana del Ecuador” in accordance with the provisions established by the National Director of the mentioned institution. In the case of imports, the taxpayer is the owner or consignee of the goods; and, in exports, the taxpayer is considered the consignor (Asamblea Nacional, 2010).

Ecuadorian Customs Service

Depending on each country, there are different institutions responsible for controlling the activities concerning international commerce. In the Ecuadorian case, the SENA E is the institution responsible for import and export processes. It is a government organization with its own autonomy, and is considered a modern company. The SENA E “is in constant innovation, perfecting the processes, with the aim of providing a high-quality service to the users. It is important to stress that, typically, the human resources of this type of institutions are considered as indispensable, that's why we believe in people” (SENA E, 2017).

Within the SENA E, the “Dirección Nacional de Vigilancia Aduanera (UVA) is part of the administration of SENA E, to which the execution of the operations with the prevention of the customs crime and its investigation in the national territory corresponds, its duty consist in supporting to the Attorney General of the State.

Its mission is “To prevent customs crime in the primary and secondary areas; to support the General Directorate in the planning and execution of the customs control in its different stages and processes, and to carry out the technical investigations leading to the verification of the existence of the customs crime.” (SENA E, 2017). The main mission of UVA is to fight the custom delinquency. In order to get this goal, UVA is equipped with high technology and economic resources.

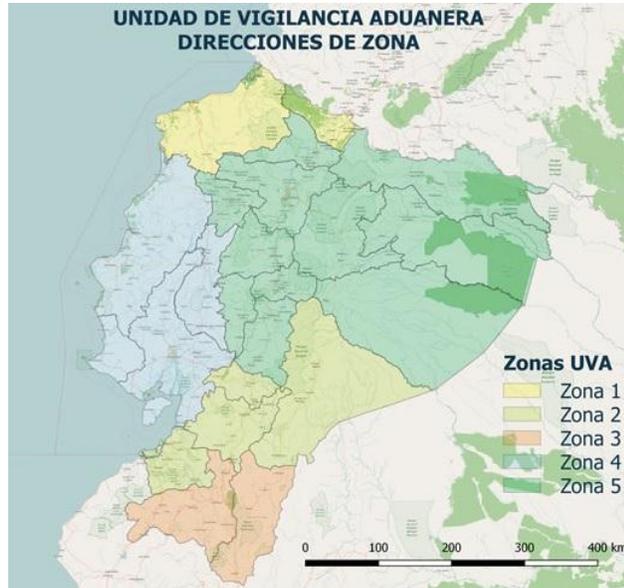


IMAGE 12 – Unidad de Vigilancia Aduanera. (SENAE, 2017)

Then, its show tho graphics to explain the structure within SENAE processes:



IMAGE 13 – General Process Management SENAE. (SENAE, 2017)

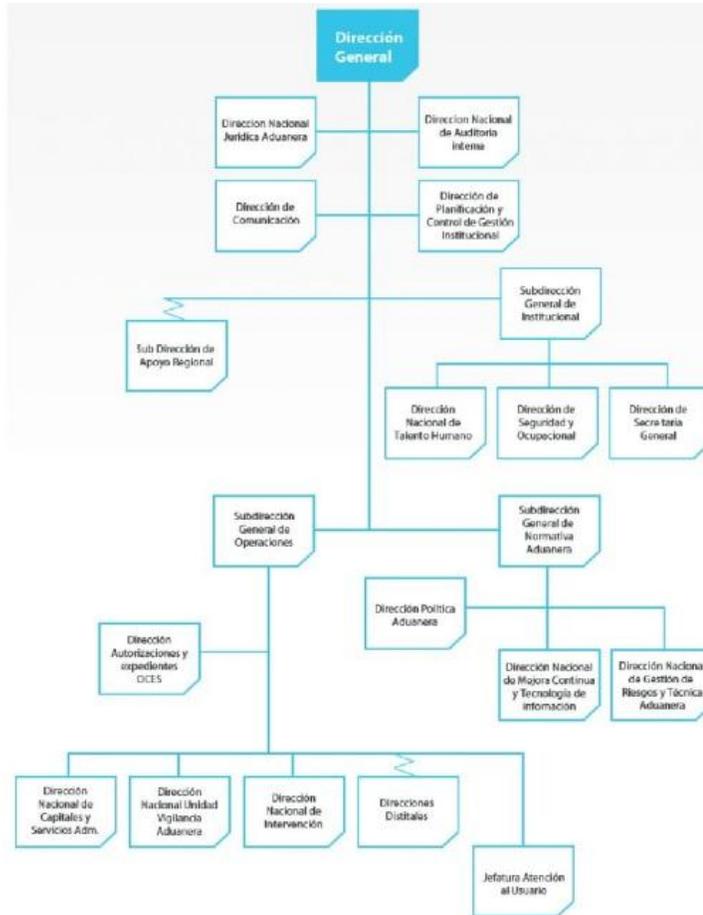


IMAGE 14 – General Administrative direction of SENAE. (SENAE, 2017)

Central Bank of Ecuador (BCE)

It is one of the most important organisms in Ecuador regarding economic issues. The BCE has some special FUNCTIONS, its purpose is to facilitate the economic activities in order to be carried out normally. According to Central Bank of Ecuador (BCE) website, the main functions of the BCE are the following (Banco Central del Ecuador, 2107):

- It enables people to have notes and coins in the quantity, quality and in the required denominations.
- It facilitates payments and collections that every people do in cash, or through the private financial system.

- It evaluates, monitors and permanently controls the amount of money in the economy, for which the banking reserve is used as a tool.
- The Bank reviews the integrity, transparency and security of the resources of the State that are handled through our banking operations.
- The Bank provides individuals, companies and public authorities with information for making financial and economic decisions.

Also, it is important to explain some of the principal functions of BCE. First of all, BCE is the entity responsible for the registration of the enterprises regarding electronic certification. In addition, it is the agency in charge of issuing electronic signatures upon request, which must comply with the following guidelines depending on the legal status of the applicant (Banco Central del Ecuador, 2107):

Natural Person

- Digitizing of Certificate or Passport in Color.
- Up-to-date voting ballot digitized, (except for people over sixty-five years old, Ecuadorians and Ecuadorians living abroad, members of the Armed Forces and National Police, and handicapped people).
- Digitizing of the last water, telephone or electricity bill.
- For Customs Agents or importers / exporters, it is mandatory to enter the RUC number in the application form.

Legal Person

- The company must be previously registered in the system.
- It is required to know the company's RUC number.
- Digitizing of Certificate or Passport in color.
- Digitizing of the voting certificate (updated), (except for people over sixty-five, Ecuadorians and Ecuadorians living abroad,

members of the Armed Forces and National Police, and disabled people).

- Digitizing of the appointment or labor certificate signed by the Legal Representative.
- Authorization signed by the Legal Representative. (In case of subrogation or delegation, attach the office of commission or delegation).

As relevant aspects, as of June 24, 2016, every public servant must obtain their digital certificate as a natural person, that is, they will no longer be able to request the same or renew it as public officials. In addition, “They are reminded that the processes of approval, payment and issuance of certificates in containers (token, file and roaming) will be made exclusively in the offices of the Civil Registry, authorized by the Certification Body Central Bank of Ecuador; and will be processed through the web portal” (Banco Central del Ecuador, 2107).

Import requirements

The first step for an Ecuadorian citizen to import or export is to acquire the RUC (Unique Taxpayer Registry), whose steps have been explained earlier. These are necessary “to be in active status with valid authorizations to issue sales vouchers and referral guides, to be recorded as located and in the white list determined in the Internal Revenue Service (SRI) database (Cámara de Comercio de Quito, 2016). Although, this requirement excludes imports of: small passenger packages, household articles, coffins or amphorae containing corpses or human remains, unaccompanied baggage, those provided for in the Immunities Act, Diplomatic Franchising and Privileges, and vehicles orthopedic.

Furthermore, every employer is obliged to be part of Ecuapass¹⁵ of SENAE, and must obtain the electronic certificate called Token HSM, in order to save the certificates. Then, once the TOKEN is obtained, the employers have to go to website ecuapass.gob.ec and choose the option “Solicitud de Uso” to be registered in Ecuapass, so they can be a representative, general employee, representative of the entity and entity.

Importers “must comply with the guidelines for the subscription of the Andean Declaration of Value (VOD) form. The data required for the DAV will be extracted from the data entered in the same Customs Import Declaration (DAI); once the DAI is transmitted, the computer system will be able to electronically generate the DAV that will enjoy full legal validity” (Cámara de Comercio de Quito, 2016). After, a custom agent has to celebrate a mandate contract to present a DAV from an importer.

In order to transmit a statement, an importer cannot have debts with SRI neither with the IEISS. This requirement includes the following customs procedures: import for consumption, temporary admission for re-export in the same state, temporary admission for inward processing, processing under customs control, customs warehouse, re importation in the same state, free warehouses, special warehouses, fairs international and accelerated courier or courier. According the kind of imported products, there are some new requirements, for example:

- Registration of imports of pesticides.
- Registration of imports of seeds in the Magap.
- Registration of arms imports.

¹⁵ It is the NEW CUSTOMS SYSTEM of the country, which will allow all Foreign Trade Operators to carry out their import and export customs operations. Program launched since October 22, 2016. (Pro Ecuador, 2017)

On the other hand, there are certain specific requirements such as the previous control from COMEX “The Foreign Trade Committee (COMEX) states the list of products subject to pre-import checks. It is understood by procedures or documents of previous control the following: registries, permissions, authorizations, obligatory notifications and certificates identified in the payroll appointment, so each tariff subheading should be revised” (Cámara de Comercio de Quito, 2016); Some of these cases will occur when importing products of the plant kingdom, import of narcotic and psychotropic substances, or in case of importing processed food or beverages that require health control. It is important to know that there are goods which cannot be imported, and in order to know which these are the SENA E details a list of products, which can be consulted on its website.

Also, there are technical rules required by Ecuadorian authorities, for every national and international product and service. The rules are applied for national production and foreign products. One example is the obtaining of the INEN-1 certificate (recognition certificate), “For imports made for consumption, of goods subject to compliance with technical standards and regulations, when the import amount of the tariff subheading is greater than \$2000 FOB per month, except for textiles, clothing and footwear, which will not be subject to such” (Cámara de Comercio de Quito, 2016).

Furthermore, it is necessary to present the DAI. This document has to be submitted in a physical or electronic medium according to SENA E layout. The customer has 15 days to present it and 30 days after the arrival of products. The documents that must be attached to the DAI will be:

- Accompanying documents: Those called prior checks must be processed and approved before the shipment of the imported goods.

- Support documents: Transport documents, commercial invoices, certificates of origin, and documents of the general direction of SENA E.
- Insurance policy: The cost of transportation insurance that is declared, even if the policy is not presented, must be the same as the one contained in the transport insurance policy when it exists, which will cover from the place of delivery of the to the port or place of importation.

The process consists of the following steps (Cámara de Comercio de Quito, 2016):

- a) Presentation of the DAI
- b) Authorization of payment: This is given once the liquidation of the taxes and the payment of the same in the financial institutions have been made.
- c) Capacity: For the clearance of goods that require customs declaration, any of the following automatic, electronic, documentary or physical (intrusive or non-intrusive) capacity shall be used. The selection of the gauging mode will be carried out according to the analysis of risk profiles implemented by the SENA E.

The concept of the taxable base of customs duties is defined as: “The customs value of imported goods. The customs value of the goods will be the transaction value of the goods plus the costs of transportation and insurance, determined according to the provisions governing the customs valuation. For the calculation of taxes, the sum of the following values is included” (Pro Ecuador, 2017):

- FOB PRICE (Value supported with invoices).
- FREIGHT (International Transport Value)
- INSURANCE (Premium value).
- AMONG OTHER ADJUSTMENTS DETERMINED BY ARTICLE 8 OF THE WTO ASSESSMENT AGREEMENT.

Within the settlement of taxes and payments prior to the withdrawal of merchandise and nationalization, the following are settled:

- Tariff duties: taxes on foreign trade, such as ad valorem (percentages that are applied on the value of goods), specific, and mixed.
- Tariff release
- Additional variable duties or tariff reductions for agricultural products subject to the Andean Price Band System (SAFP)
- Fodinfra: Tax of 0.5% of the value in Customs for the Child Development Fund.
- Value-added Tax (VAT)
- Special Consumption Tax (ICE)
- Foreign Currency Exit Tax: 5% over the value of all monetary operations carried out abroad, with or without the intervention of institutions that integrate the financial system.

Export requirements

Before explaining issues concerning exportations, it is important to talk about PRO Ecuador which is the entity responsible for promoting investment and exports of Ecuadorian products. Pro Ecuador forms a component part of the Ministry of Foreign Trade and its functions are focused on executing the policies and norms of promotion for exports and generating investments within the country, its main purpose is to promote the supply of traditional and non-traditional products, markets and actors of Ecuador, thus generating a strategic insertion in global trade.

Pro Ecuador has a significant network of offices that according to its Web Site are distributed as follows (Pro Ecuador, 2017):

- Six national offices responsible for seeing to the provision of the needs of the territory and maintaining constant contact with the national producers and exporters.
- Thirty-one international offices, focused on research, negotiation and opening markets that benefit Ecuador.

It is not the main goal of this dissertation work to explain how a businessman or entrepreneur can export but it represents an interesting key for Ecuadorian factories to produce and sell goods and services in foreign markets. According to PRO Ecuador, both Ecuadorians and foreigners residing in the country can export, as natural or legal persons. The following steps must be completed in order to be an authorized exporter before the SENAE:

- Have a RUC
- Be registered on the SENAE website.

Next, it is necessary to present a Single Export Declaration which has to be filled according to the instructions established in the Export Clearance Handbook, in the custom district where the process is being carried out. Every export must present the following documents (Pro Ecuador, 2017):

- Exporter RUC.
- Original commercial invoice.
- Prior authorizations (when the case warrants it).
- Certificate of Origin (when the case warrants it).
- Registration as an exporter through the website of the National Customs Service of Ecuador.
- Transport document.

As a final comment regarding these two processes, it can be said that both imports and exports might be quite productive businesses even for both an Ecuadorian citizen and a foreign company. From a legal point of view, the procedure is not that complicated since every Natural or Legal Person has access to all the data in order to complete the process. Rather, the success of these operations will depend on the economic and logistics analysis that merchants carry out regarding the international markets where the goods are intended to be marketed. Ecuador represents a relatively small market; however, it is a territory with a range of climates suitable for different extensive and intensive enterprises. Furthermore, its natural regions are separated by short distances which can result in viable business opportunities. If anyone is planning to invest, why not the Ecuadorian market?

INCOTERMS

The logistics aspects are one of the most important steps within the international negotiation. These refer to the way in which the merchandise is mobilized from country to country. And, under what conditions both the buyer and the seller are going to proceed during these types of processes. To do this, the International Community has established guidelines in order to determine responsibility between the parties depending on the level of negotiation achieved. The mentioned guidelines refer to national and international terms and have been denominated as Incoterms. They were developed by the International Chamber of Commerce (ICC) and their aim is to facilitate the process of international negotiations, “they define obligations and rights of the buyer and seller, describe the tasks, costs and risks involved in the delivery of merchandise from the seller to the buyer” (Pro Ecuador, 2017). provided the Incoterm is established within the buy or sell contract.

The last update of the INCOTERMS occurred in 2010, the same shows the following classification, according to the type of transport that it is intended to use:

Rules for any mode or modes of transport:

- EXW (Ex Works)

- FCA (Free Carrier)
- CPT (Carriage paid to)
- CIP (Carriage and Insurance Paid to)
- DAT (Delivered At Terminal)
- DAP (Delivered At Place)
- DDP (Delivered Duty Paid)

Rules for sea and inland waterway transport:

- FAS (Free Alongside Ship)
- FOB (Free On Board)
- CFR (Cost and Freight)
- CIF (Cost, Insurance and Freight)

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

© 2010 Cámara de Comercio Internacional CCI

●	Vendedor	■	Comprador	■	Vendedor / Comprador
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IMAGE 15 – INCOTERMS 2010, Source. (Pro Ecuador, 2017)

Ecuadorian Legislation on Electronic Commerce

The legal system of Ecuador had considered the necessity to enter into an age of innovation as a result of the social, political, and even cultural changes. As mentioned earlier in the present dissertation, one of the activities that has grown most in recent years are those carried out via Internet, that is why enterprise have adapted to the new systems of communication which are faster and overcome cultural limits and boundaries. However, these activities require the protection of actors involved in these new interactions. Thus, the task of regulating the electronic commerce has been fundamental in any legal apparatus around the world.

The Electronic Commerce, Signature and DATA Messages Act

In Ecuador, the Electronic Commerce, Signature and Data Messages Act was approved and passed by decree 67 of the Official Supplementary Registry number 557 from April 17 of 2002. At the time, the late Ecuadorian Congress was responsible for analyzing the following: “The use of information systems and electronic networks, including Internet, has become important for the development of trade and production, allowing the realization and concretion of many important businesses, for both the public sector and the private sector” (Nacional, Electronico, Datos, Preliminar, & Generales, 2002). Also, the entity decided that citizens have the right to obtain more information regarding how to use Internet in order to complete processes, so these can be a means for the development of trade, education and culture in future.

The main purpose was to increase the commercial activities. In addition to performing acts and contracts of civil and commercial nature, to which it is necessary to regulate, standardize and monitor them, through the issuance of an Act specialized in the matter. And that: “It is imperative that the Ecuadorian State is envisaged with legal tools that

allow the use of electronic services, including e-commerce and an easier access to the increasingly complex networks of international businesses” (Nacional et al., 2002).

Now, a brief analysis of some important articles according to this research work is presented. The article 1 states that “the mentioned law regulates data messages, electronic signatures, certification services, electronic and telematics contracting, the provision of electronic services, through information networks, including electronic commerce and the protection of the users of these systems” The law handles a total of 11 general principles regarding Electronic Commerce, explained from Art. 2 to Art. 12, the same ones that refer to (Nacional et al., 2002):

- Legal recognition of data messages: Data messages will have the same legal value as written documents.
- Incorporation by reference: Legal validity is recognized for information not contained directly in a data message, provided that it appears in the same, in the form of a referral or an attachment accessible through a direct electronic link and its content is known and expressly accepted by the parties.
- Intellectual property: Data messages will be subject to international laws, regulations and agreements related to intellectual property.
- Confidentiality and reservation: The principles of confidentiality and reservation for data messages, whatever their form, medium or intention is, are established.
- Written information: When the law compels or requires the information to be written, this requirement will be fulfilled through a data message, provided that the information contained is accessible for later consultation.
- Original information: When the law compels or requires that the information to be presented or preserved in its original form, this requirement will be fulfilled through a data message, if required by law, it can be verified that it has preserved the integrity of the information from the moment it was first generated in its definitive form, as a data message.

- Conservation of data messages: All the information subject to this law, may be preserved; this requirement will be filled through a data message file.
- Data protection: For the processing, transfer or use of databases obtained directly or indirectly from the use or transmission of data messages, the express consent of the data subject will be required, who may select the information to be shared with third parties.
- Origin and identity of a data message: Unless proved otherwise, a data message shall be understood as provided by the sender who authorizes the receiver to act in accordance with the content of the message, when there is a concordance between the message identification of the issuer and its electronic signature.
- Sending and receiving of data messages: Unless proved otherwise, the time and place of sending and receiving the data message shall be presumed.
- Duplication of the data message: Each data message will be considered different. In case of doubt, the parties will ask for confirmation of the new message and will have the obligation to verify the authenticity of the message.

At this point, it is important to understand some definitions such as Electronic Signature, which are attached to or logically associated with a data message and can be used to identify the owner of the signature in relation to the data message and indicate that the owner of the signature approves and recognizes the information contained in the data message, just like it is explained in Art. 13. These signatures according to Art 18, they will have an indefinite duration and may be revoked, annulled or suspended in accordance with what the regulation to this law indicates. It recognizes the obligations that the holder of the signature may have, the same that are settled in Art. 17. (Nacional et al., 2002):

- a) Comply with the obligations derived from the use of the electronic signature;
- b) Exercise due diligence and take the necessary security measures, to keep the electronic signature under its strict control avoiding any unauthorized use;
- c) Notify by any means the related persons, when there is a risk that their signature will be controlled by unauthorized third parties and improperly used;

- d) Verify the accuracy of their statements;
- e) Respond to obligations arose from the unauthorized use of his signature, when there is no due diligence to prevent its use, unless the recipient is aware of the insecurity of the electronic signature or has not acted with due diligence.
- f) Notify to the information certification entity about the risks of its signature and request in due time the cancellation of the certificates; and,
- g) The others indicated in the law and its regulations.

Similarly, in order for a signature to be extinguished, there are four possible scenarios: will of its owner, death or incapacity of its owner, dissolution or liquidation of the legal person or holder of the signature, and for a judicially declared cause. Also, as stated in Article 20, the Certificate of electronic signature, which is the message that certifies the linking of an electronic signature with a particular person, through a verification process that confirms their identity. The institution responsible for issuing these certificates shall be those companies or legal entities that issue electronic signature certificates and are able to provide other services related to electronic signature, authorized by the corresponding entity (in 2002 was the National Telecommunications Council) and shall be subject to the regulations issued by the President of the Republic, this according to Art 29 of the Law of Electronic Commerce.

Title III deals with information regarding electronic services and electronic recruiting, telematic aspects and consumers rights. The art 43 states that “any activity, commercial, financial or service transaction, carried out with data messages, through electronic networks, will be subject to the requirements and solemnities established in the law that governs them, whenever the law is applicable, and will have the same value and the same legal effects as those indicated in the said law” (Nacional et al., 2002). “. In the same way, Article 45 analyzes the subject of the validity of electronic contracts, stating that they can be implemented through data messages, and that validity or binding force will not be denied to a contract for the sole reason of having used one or more data messages during

its formation. “The improvement of electronic contracts will be subject to the requirements and solemnities provided for under the laws and will have a site of refinement that has to be agreed by the parties” (Nacional et al., 2002).

The article number 47 refers to the jurisdiction concerning the disputes that might arise in this type of contracts, so the article states that in case of inconvenient the parties shall be subject of what the jurisdiction expressed in the contract, and in case of absence, the parties will be submitted to the provisions of the Ecuadorian Civil Prosecution Code, provided it comes to a contract submitted to the consumer law “Before the consumer or user expresses their consent to accept electronic records or data messages, he or she must be clearly, accurately and satisfactorily informed about the equipment and programs required to access such records or messages. The user or consumer, in granting or confirming their consent electronically, must reasonably demonstrate that they can access the information which is the object of their consent” (Nacional et al., 2002).

Another important issue has to do with the kind of information that users will obtain through electronic means. According to the Article 50, a consumer related to the provision of electronic services within the country, must be sufficiently informed about their rights and obligations, always in accordance with the provisions of the Organic Law of Consumer Protection and its regulations, and in the case of goods or services “to be acquired, used or used by electronic means, the offered must inform about every requirement, condition and restriction so that consumers can acquire and make use of the promoted goods or services” (Nacional et al., 2002). In this respect, all forms of advertising, publicity, and information regarding electronic services, by either electronic networks or via internet, will be conducted in accordance with the law, and their non-compliance will be sanctioned according to the current legal system in Ecuador.

In terms of legal disputes, “The data messages, electronic signatures, electronic documents and national or foreign electronic certificates, issued in accordance with this law, regardless of their origin or generation, shall be considered as evidence. For its assessment

and legal effects, the provisions of the Code of Civil Procedure shall be observed” (Nacional et al., 2002), However, in case of an electronic signature issued by an accredited certification entity is presented as evidence, it will be presumed that this meet the requirements set out in the law, and therefore the data contained in the electronic signature has not been altered from its issuing date and the signature specifically belongs to the signatory. The taking of evidence will be carried out under the following circumstances (Nacional et al., 2002):

- a) When submitting a data message within a judicial process in national courts or tribunals, the computer support and the paper transcription of the electronic document must be attached, as well as the elements necessary for its reading and verification, when required.
- b) In case of the challenge of a certificate or electronic signature by any of the parties, the judge or court, upon request of a party, shall order the corresponding certification entity to send the electronic signature certificates and documents on which the signatory's request was based, duly certified; and,
- c) The facsimile shall be admitted as a means of proof, provided it has been sent and received as a data message, maintaining its integrity, has been preserved and complies with the requirements contemplated in this law.

Computer Infractions

New concepts were introduced during the last up-date provided for this law in 2014, as the articles from 57 to 64 were abolished by the Ninth derogatory provision published in the Official Gazette N° 180 of 10 February 2014. The following modifications were established:

- First: Certificates of electronic signatures, issued by foreign certification bodies accredited abroad, may be revalidated in Ecuador provided they comply with the terms and conditions required by law. The revalidation will be made through an accredited information certification entity that guarantees, in the same way as it does with its own certificates, such compliance.
- Second: Accredited information certification entities may provide time-stamping services. This service must be technically accredited by the National Telecommunications Council. The implementing regulations of law will include the requirements for this service.
- Third, Adhesion: No person is obliged to use or accept data messages or electronic signatures, unless this voluntarily adheres to the form provided in this law.
- Fourth: No exclusion, restriction or limitation to the use of any method to create or treat a data message or electronic signature, provided that the requirements indicated in the present law and its regulation are met.
- Fifth: The Act recognizes the right of the parties to freely opt for the use of technology and because of the subjection to the jurisdiction agreed by arrangement, agreement or private contract, unless the provision of the electronic services or use of these services is conducted directly to the consumer.
- Sixth: The National Telecommunications Council will take the necessary measures, so that the rights of the certificate holder or of third parties, when the certificate revocation occurs, for cause not attributable to the holder of the certificate.
- Seventh: The provision of information certification services by accredited information certification entities will require prior authorization and registration.
- Eighth: The exercise of activities established in this law, either by public or private institutions, will not demand new requirements or additional requirements to those already established, in order to guarantee the technical efficiency and legal certainty regarding the procedures and instruments used.

- Ninth, Glossary of terms: For the purposes of this law, the following terms shall be understood as defined in this article.

In summary, the data messages refer to any information created, generated, processed, sent, received, communicated, or archived by electronic media, which that can be exchanged by any means. In addition, an Electronic Information Network is defined as a set of electronically interconnected information systems and equipment. Furthermore, Electronic Commerce is defined (a key concept for the purposes of this research work) as any commercial transaction made in part or in full, through electronic information networks. Also, the right to privacy determined by the Political Constitution of Ecuador is recognized, for the purposes of this law, and includes the right to privacy, confidentiality, reservation, secrecy about data provided in any relationship with third parties, to the non-disclosure of personal data and to not receive unsolicited information or messages.

Organic Code of Social Economy of Knowledge (Código Ingenios)

The “Código Ingenios” was created by the National Constitutive Assembly of Ecuador. Its fundamental goal is stated within article 1, this is: “To regulate the National System of Science, Technology, Innovation and Ancestral Knowledge provided for in the Constitution of the Republic of Ecuador and its articulation mainly with the National Education System, the Higher Education System and the National Culture System, in order to establish a legal framework in which the social economy of knowledge, creativity and innovation is structured”. However, the articles within this document try to generate national production. In addition, the law refers to brands, commercial names and other important issues that have already been mentioned earlier of this research dissertation.

However, it is important to highlight the Article 469 since it refers to the cancellation or modification of a domain name (with respect to a Web page), and states that “when a

distinctive sign declared as notoriously known had been unduly registered in the country as part of a domain name or an e-mail address by an unauthorized third party at the holder's request, the national competent authority in terms of intellectual rights shall instruct either the entity where the name or address was registered or whom has carried out such registration, to proceed with the cancellation or amendment of the e-mail address or domain name's recordable, or its transfer in favor of the sign's owner, wherever the use of these is susceptible of having some of the effects mentioned in Article 465" (Constituyente, 2016).

CHAPTER N. 3 BUSINESS PLAN B2B FOR MURILCO ECUADOR SDA

MURILCO ECUADOR SDA.

So far, a lot has been said about enterprises, entrepreneurs, brands, businessmen and others components to obtain more information regarding a traditional company. Also, several legal issues have been explained in order to start a new business according to the Ecuadorian laws. MURILCO ECUADOR SDA has completed these process during its commercial life within Ecuadorian market. Then, it is imperative to talk about this company, its history, the work style, etc. That is why an analysis concerning the strengths and weaknesses is proposed. The main purpose is to establish a new plan to transform the traditional activities in order for these to be carried out via Internet so they can be more competitive in the market.

Its founder, Oswaldo Murillo Toral, started his commercial activities in 1993 as the boss of one of the enterprises of his father Lisandro Murillo, which was called ALMACENES LOLITA in Cuenca. The thrust of this kind of companies is to buy great quantities of products in order to sell them to the consumers. This process was carried out for 20 years which has allowed to acquire greater experience in the market. Mister Murillo (Murillo, 2017), indicated in a recent interview that Ecuadorian market suffered many changes so the exploration of new fields was an excellent idea. To import products from cheaper markets was the best choice. MURILCO ECUADOR SDA born as a fledgling company, however, taking the advantage of already knowing the market and having the experience and acceptance from a significant number of customers throughout Ecuador (about 150 micro companies).

The business born in January 2012. China was the selected country to import products since it is a country with a great number of factories that distribute products all over the

world. China is also a place where many trade fairs take place during the year in which enterprises from different countries expose their products or services in order to attract clients. And it was during one of these fairs, the “IMPORT AND EXPORT FAIR OF CANTON CHINA” where an agreement between Mr. Murillo and a local company from the city of Guangzhou was established. This city is the place where the brand ROSWEL HIGH QUALITY was born. The mentioned fair was promoted by the Chinese Minister of Commerce which is dedicated to organizing different exhibitions throughout the country and in different cities such as: Shanghai or Beijing. However, the CANTON FAIR is one of the oldest with more than 60 years of experience operating in the CANTON FAIR COMPLEX (CHINA IMPORTA AND EXPORT FAIR, 2017).

This is how the MURILCO ECUADOR SDA company started its activities relating international sales and subsequent distribution to micro enterprises at a national level. Nowadays, and five years after its foundation, MURILCO has over 300 distributors of its different brands including ROSWEL (audio and amplifying equipment), COCCOLATO BABY LINE (baby products), SONIVOX (audio and video), and BLUE CARBON TECH (solar illumination technology). The head office is based in Cuenca, with a cellar in the same city, ten employees (one general manager, one secretary, warehouse manager, sales manager, accounting chief, national dealer, purchasing and international logistics manager, and three sales agents), and two product distribution vehicles; a small truck and a van. Under this structure, the company has exceeded \$2 million in sales, so currently the idea is to evolve and venturing into new markets, of which one of the alternatives is Electronic Commerce.

SWOT ANALYSIS

It is important to do a structural analysis of both internal and external factors around the enterprise in order to establish a new action plan. The SWOT analysis helps to get a clear idea about what a business is. This practice has been developed since the 1960s, although

it is not a guarantee that the decisions taken from the analysis will be the best, and according to several studies this is due to the fact that companies have sought to analyze the four aspects of SWOT in an equitable manner, however, these aspects not always have the same impact on the company (Phadermrod, Crowder, & Wills, 2016). The SWOT analysis should consider the point of view of consumers. In addition, it must be considered that the strengths and weaknesses will be analyzed from an internal point of view, and the opportunities and threats from an external point of view, in other words, within the market in which it is occurred.

In the case of the SWOT analysis of MURILCO ECUADOR SDA, relevant information from the company's owner has been collected. Also, the author of this research work has been working within the company for approximately five years which has allowed him to acquire important knowledge as well as those who participate in the different commercial activities of import, sales, distribution and accounting management.

Business Strengths

This are attributes that let a company to be superlative over other companies in certain fields, so this is a competitive advantage (Phadermrod et al., 2016). Every company must find new ways in order to increase these advantages. Among the different characteristics that are considered as a business strength are: the resources that are handled, the capacities and abilities that have, different positive activities that are carried out constantly.

Strengths of MURILCO ECUADOR SDA.

- Good working environment: This has been verified by the length of time the different that employees have been in the company, which, even if the business life of the company is taken into account under the name of ALMACENES LOLITA, each employee has an average of 5 years of constant work within the organization, and some even more. Current servers find that

factors such as good treatment, payment of wages on time, and the designation of defined tasks generate a pleasant environment to work.

- Knowledge of the market: The experience is not an accident, and within the Ecuadorian market this is a factor quite considered by the different companies at the national level when making purchases at wholesale, MURILCO ECUADOR SDA has more than 25 years of work by their leaders and founders.
- Financial resources: The credit history of the company is clear, based on the correct history of its owner and manager Mr. Oswaldo Murillo Toral, whose credit is protected in the company's facilities that are owned by the same. Currently, it has an open letter of credit from two banks, BANCO PICHINCHA, and BANCO BOLIVARIANO.
- Good quality of final product: Part of the motto of the company has always been to sell high quality products, so imports have been negotiated based on this principle, and this can be checked at the time of offering the warranty service post sale, in case of any factory damage and even after bad treatment of the final consumer.
- Considerable labor market: Within the last 5 years, around 300 micro and small companies have been contacted throughout Ecuadorian territory, which makes it possible to estimate purchase projections as there are a considerable number of consumers.

Business Weaknesses

These are some issues in which the competence holds an advantage over MURILCO ECUADOR Sda. There are several characteristics than can be stressed: the lack of human

and financial resources, unknown productive and commercial skills, or activities that are not performed due to lack of practice (Phadermrod et al., 2016).

Weaknesses of MURILCO ECUADOR SDA.

- **Low wages:** The current company's personnel, with the exception of management, receives a monthly salary of \$450, an amount that could not be increased due to the lack of constant growth in the market. However, with regard to the selling agents, the profits from commission are not taken into account, which will depend directly on the work these perform and how much they can sell for the company.
- **Failure to identify errors:** The activities have been developed in the same way during the last 5 years of work, i.e. improvements have been minimal, although it is true that the need to improve has not been seen as an obligation since the incomes and revenues have risen despite using the same system of work, however, this reduces the possibility of having a better growth with greater stability.
- **Improperly used working capital:** The lack of control nowadays represents a problem for the company authorities, as administrative costs have been increasing in the last semester and it is desired to identify the reasons and redistribute the values in the different areas of the company in order to seek a better and overall performance within the company and regarding the needs of consumers.

Business Opportunities

Within an enterprise, an opportunity might be defined as an important strength, nevertheless, it might be considered as a weakness by competitors (Phadermrod et al.,

2016). In other words, the competitors are not working on improving certain aspect while MURILCO ECUADOR SDA does it. This is a real competitive advantage that must be increased and applied to the work environment.

Oportunidades de MURILCO ECUADOR SDA.

- Neglected market: Within the segment of interest, nonconformities have been noticed especially regarding the subject of the service of guarantee, which it is an aspect that the company has considered as a priority. In addition, the lack of accessibility to credit by larger companies vis-à-vis micro-enterprises in Ecuador constitutes a factor in which MURILCO ECUADOR SDA has focused on facilitating up to 4 or 5 months term. Another factor has to do with the diversification of products, for although the ROSWEL line has always been the star product, its good reception has allowed the incorporation of other products such as COCCOLATO BABY LINE, which facilitates constant sales in the market, and this is also a part of the innovation of the ROSWEL brand itself since within a 5 years period more than 15 different models of amplified speakers have been incorporated including several options according to the taste of the customers.

Business threats

They are defined as the contrary thing to an opportunity. This is because it is something that competitors can do better than the company. (Phadermrod et al., 2016). In other words, the enterprise is not improving the activities which another companies are exploiting in order to get benefits in the market. So, in the event that the company cannot solve these issues, the corporate continuity might be affected over the long term.

Threats of MURILCO ECUADOR SDA.

- Unfavorable regulation: Unfortunately for the interests of this company, in March 2015 surcharges between 5% and 45% were applied to 2961 items (including amplified speakers and baby line), as detailed in Ecuadorian newspaper “El Comercio” (El Comercio, 2017). However, since January 2016 to June of the present 2017, the mechanism was gradually improving, until reaching zero. The result was a threat as the costs of products grew and sales decreased by 20% in 2015 and 2016 compared to what was achieved during 2014.
- Aggressive competition: As a result of the lifting of safeguards, old competitors who used to import similar products reappeared on the scene. However, the quality of Murilco’s products remained above them. Although, due to the commercial practice of the small Ecuadorian businessmen, the key factor is still the final price of the product instead of its final quality.

ROSWEL HIGH QUALITY

A brand that was born at the same time as MURILCO ECUADOR Sda in 2012. For the founder of the brand, Mister Murillo, the idea arose from the strong need to acquire new competitive tools to navigate a challenging market with many companies dedicated to the commercialization of audio and amplification products. Thus, in October 2011, Mister Murillo, while travelling on business in China, had the opportunity to negotiate with businessmen from different factories and found an interesting supplier with which an agreement was reached. This fact marked the beginning of the production of ROSWEL HIGH QUALITY.



IMAGE 16- OFFICIAL LOGO OF MURILCO ECUADOR SDA (Murillo, 2017)

The brand's commercial development has suffered changes over five years in Ecuadorian market. One of the initial stages was to legalize the brand at the IEPI (Ecuadorian Intellectual Property Institute), process that was already mentioned in chapter1 of this research. In terms of image, the brand has changed some aspects in the last six months in order to make the logo more creative and striking.



IMAGE 17- FIRST LOGO OF ROSWEL HIGH QUALITY (Murillo, 2017)



IMAGE 18- NEW LOGO OF ROSWEL HIGH QUALITY (Murillo, 2017)

When it comes to the brand's development, the most important issue is the economic evolution that ROSWEL has experienced. For that reason, a graphic containing the main changes that the brand has suffered in the last years is presented. The data was taken from an interview with Mister Murillo. According to this the numerical values to be presented do not correspond to the 100% of the real values but they represent an estimate. On the other hand, the rates of change truly resemble the reality of the evolution that ROSWEL have had year on year. This is because no private enterprise at a global level make its finances public for security and commercial issues. Nevertheless, both the rates and the data collected will help to understand the idea about the core of the business and the future projections.

IMPORTS	YEAR	SALES
2	2012	\$200.000
3	2013	\$400.000
4	2014	\$450.000
4	2015	\$500.000
6	2016	\$650.000

IMAGE 19 – SALES BY YEAR OF MURILCO ECUADOR SDA. (Murillo, 2017)

The following graph analyzes the sales performance of the ROSWEL brand in comparison with the additional brands that MURILCO ECUADOR Sda has distributed throughout its commercial life. This data has allowed to determine a superiority of the ROSWEL brand

which allows to support the reason that, according to the company's policy, the application of new business systems has to be carried out on its star product, which has greater strength and presence in the market and in which new experiments can be supported without risking the activities of the entire company.

YEAR	SALES	ROSWEL	OTHER BRANDS
2012	200000	100%	0%
2013	400000	90%	10%
2014	450000	85%	15%
2015	500000	85%	15%
2016	650000	95%	5%

IMAGE 20 – SALES EVOLUTION OF MURILCO ECUADOR SDA. (Murillo, 2017)

B2B Strategy

Much has been learned about commercial structures, business topics, legal structures and other requirements a person needs in order to start a new business in Ecuador. Also, it has been established what type of company is MURILCOE ECUADOR nowadays and how the company's officers have spread their main brand ROSWEL. Now, it is time to propose a new business plan using INTERNET as a principal key in order to develop new strategies. The idea is to use a wholesale business model that has been made in the company, and adapt it to become a B2B model by implementing a strategy composed of different stages that will be explained below. It should be emphasized that the following work plan is and will be seen only as an alternative, but it is not considered as an immediate solution to the probable growth issue that the company under study may present in future. It is not guaranteed commercial success if it is decided to apply the plan, but a viable pioneering alternative in order to be at the forefront in the business world.

Strategic Planning, foundations

This is a process that every enterprise must carry out in order to obtain greater revenues from the different activities within the company. In this case, the aim is to implement a B2B plan. The basic concepts of strategic planning are the following (Unidad Reguladora de Servicios de Comunicaciones, 2015): the purposes or purposes, vision, mission, policies, objectives and goals, strategies, strategic plan, programming, and budgets. The following are stages that are already focused on the purpose of this dissertation for MURILCO ECUADOR SDA:

- Aims and purposes: The Company decides to implement a system of sales and distribution through INTERNET since its main goal is to be at the forefront of new marketing systems, and thus offer a more agile and simple way to do business to its various customers nationwide. This will allow the company to be the pioneers in a relative few explored field by the companies within the Ecuadorian market, in accordance with the statistics presented in previous chapters. Finally, the long-term objective will be to maximize the company's resources obtaining greater benefits.
- Vision: The Company seeks to be one of the pioneers in B2B commerce, offering modern and easy-to-use purchase and sale systems.
- Mission: Within the wholesale market in Ecuador, it seeks to provide MSMEs of Ecuador with a modern distribution system with state-of-the-art products and quality, both in audio line and in baby products.
- Values: Be responsible for fulfilling the services offered regarding a stable electronic commerce, easy to use, and that provides benefits for both consumers and distributors

Objectives and goals:

A) GENERAL OBJECTIVE:

To design an organizational structure for the MSMEs that allows to adapt its business model to a B2B e-commerce, and to strengthening the commercialization of its main brand of products, ROSWEL, through a virtual store.

B) SPECIFIC OBJECTIVES:

- Determining concepts regarding companies, brands, and electronic commerce; with the aim of getting a clear idea about the current business environment.
- Analyzing the current legal context of the country, in terms of international trade processes, and commercialization through e-commerce.
- Determining the current status of the MSMEs. Establish its strengths and weaknesses, its current structure and organization, and the productive and commercial development of the ROSWEL brand
- Proposing the creation of a virtual store focused on B2B commerce through an administrative process (planning, organization, direction, control) directed to this type of electronic commerce.

Strategies to apply a B2B system

These strategies are defined as "A course of action chosen before a proposal for alternative courses of action. As a part of the so-called strategic planning, the strategies should focus on " key strategic issues", where the choice of one over the others courses of action will have a significant impact on the organization's direction" (Unidad Reguladora de Servicios de Comunicaciones, 2015). There are two types of strategies: OUTPUT (choice of markets, customers and products, competitive strategy, pricing policy, development of distribution channels), and IMPUT (regarding the procurement and distribution of resources, whether human, technological or financing).

Negotiations

Then, a list of requirements that every enterprise must complete to implement the B2B system is presented. There are four techniques that every businessman can use to be part of a plan: traditional negotiation, satisfaction, sequential attention, and priority-setting. In this case, the priority-setting is considered as a key method to achieve new objectives, and this technique refers to “an order of preferences among the objectives. Prioritizing one goal does not mean that the rest are ignored, but will receive less emphasis” (Unidad Reguladora de Servicios de Comunicaciones, 2015). The following stages are applied:

- i. Financial strategy
- ii. Schedule of purchases to international suppliers (proposal for a period of 12 months)
- iii. Organization of the CELLAR
- iv. Distribution planning of the product at national level
- v. Sales Strategy and Sales Personnel
- vi. Collection system
- vii. Marketing Strategy through Internet.
- viii. Proposed expected results within 12 months

The following issues must be covered:



IMAGE 21 – RULES STRUCTURE OF A COMPANY (Unidad Reguladora de Servicios de Comunicaciones, 2015).

Logically, within the business policy the most important departments of the operational part of an organization must be attended, the following table explains in detail what it is pretended to transform in order to carry out a B2B plan.

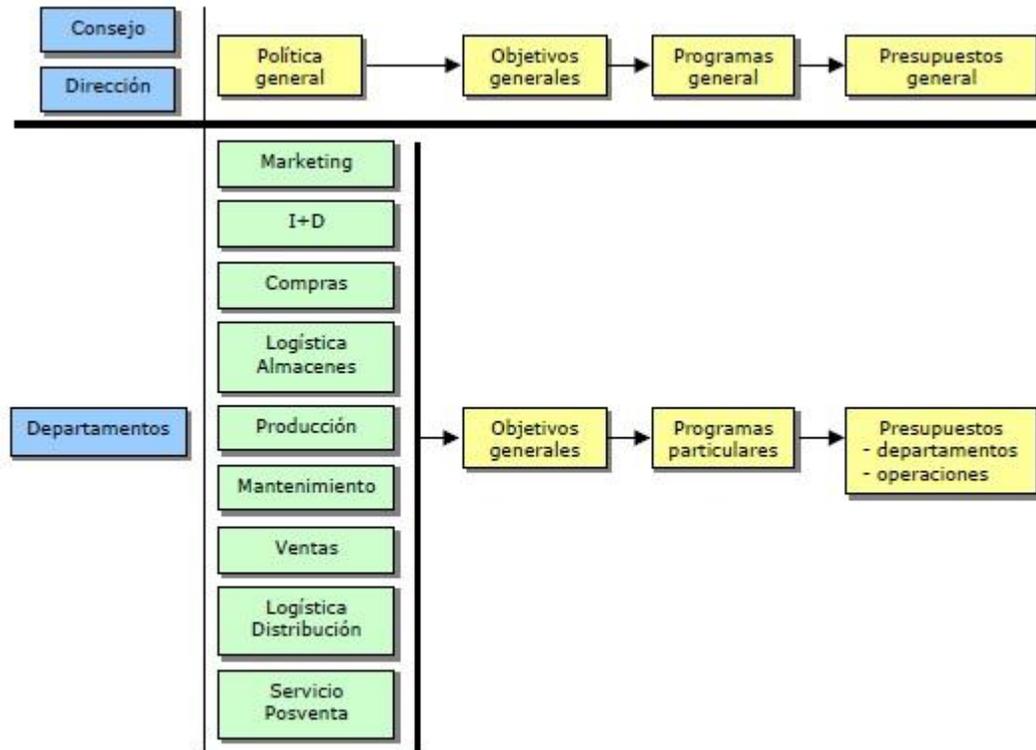


IMAGE 22 – RESOURCES DISTRIBUTION IN A COMPANY (Unidad Reguladora de Servicios de Comunicaciones, 2015).

Subsystem planning

It is always important to consider that to get a better resources distribution it's important to establish the priorities of a company. To reduce the degree of uncertainty in planning, it can act in two directions:

- On the methodology, trying to improve it
- About information, trying to be expanded.

On several occasions, “the cost of increasing information to reduce the level of uncertainty, in terms of time and money, causes decisions to be made quickly for reasons of efficiency and timeliness” (Unidad Reguladora de Servicios de Comunicaciones, 2015).

Sales planning

It is important to conduct studies of the market in which a company is navigating. This will be useful at the time of taking better decisions. “It is important to analyze the consumer’s behavior model through the study of human behavior. It should be borne in mind that human needs or motivations, according to Maslow, will be developed according to an order that goes from the lower to the higher needs. The needs of higher order can only be satisfied when satisfaction of the lower order” (Unidad Reguladora de Servicios de Comunicaciones, 2015). Sales are one of the most important parts of a business. In this respect, it is important to take decisions about the values of the enterprise as well as the objectives and goals

“Sales planning retain an active character. Generally, the manager is not satisfied with the data collected during in the sales forecast, and tries to set higher goals. It is precisely from the will of the manager, when the sales forecasting planning is born and differentiated. In addition, sales planning represents the starting of the rest of the planning stages. The planning of other fundamental activities will depend directly on the sales planning of the company” (Unidad Reguladora de Servicios de Comunicaciones, 2015). The sales plan will be conducted according to the data collected from the sales of 2015 and 2016, this information was provided by MURILCO ECUADOR SDA authorities.

Year 2015:

- Four containers (all of them OF 40 feet HQ), were imported from CHINA, two of which contained exclusively ROSWL products, and the remaining containers with products from the other exclusive distribution brands of MURILCO ECUADO SDA.
- Approximately \$500000 was generated in revenue for sales, of which the last quarter (November-December) generated the highest percentage with 30% of the total sales.
- The investment cost of 2015 was approximately \$190000.

- In order to generate the estimated revenues, the merchandise remaining from the imports in 2014 is taken into account, where sales represented approximately 25% of the total amount in 2015.
- It was necessary to hire two sales agents, the same ones that were assigned two zones of the country. The first covered the route of the provinces of GUAYAS, LOS RÍOS, MANABÍ, SANTA ELENA, and EL ORO. The second seller agent covered the route of the provinces of LOJA, ZAMORA CHINCHIPE, MORONA SANTIAGO, PUYO, CHIMBORAZO, TUNGURAGUA, and CAÑAR. And the owners, including the author of this research dissertation, overcame the province of AZUAY, which includes the city of CUENCA and the cantons near it.
- The number of clients reached during this year exceeded 250 companies, without categorizing them by their size or level of purchases.
- The sales agents made three trips per month to visit frequent customers and looking for new potential distributors.

Year 2016:

- The applied system was very similar to that of the previous year, however, the main differences were in terms of income, approximately \$650000.
- Eight containers were imported, four of which were 40 feet HQ from CHINA, and two from 20 feet from PANAMA.
- The investment amount was around \$230000. And, as happened last year, total sales include imported products in 2014.

Sales plan for 2017 last trimester, and 2018 projections:

- In 2017, it is expected to reach \$ 600,000 of total sales.
- The first steps consist in incorporating two additional selling agents in order to cover two new routes. The first will cover the provinces of ESMERALDAS, PICHINCHA, COTOPAXI, CARCHI, and SANTO DOMINGO DE LOS TSÁCHILAS. The second will cover the provinces of north eastern Ecuador with the provinces of NAPO, PASTAZA, ORELLANA, and SUCUMBIOS.
- The second focus on minimizing trips made per month by each salesperson to the same customers. That is to say, with the implementation of the WEB page, it is expected that each client will order through it, which would make it easier for them to be visited a maximum of two times per month. This, in turn, would lower the cost of sales (including the travel subsistence for each seller), and so the prices of the products would lower in the mid-term as well as an increase of sales.
- It is intended to receive orders through INTERNET. To do this, a wide marketing campaign has to be applied which will be detailed later. In addition, it is necessary to apply additional discounts to those who buy via INTERNET, and carry out draws among respondents

Purchasing planning

As mentioned earlier, in 2015 and 2016 the MURILCO ECUADOR Sda. Company imported ten containers. The investment was approximately \$420000, six containers from China with ROSWEL products. At that time, the enterprise did not have a clear strategy for international purchases. These were carried out based on the experience acquired from the market. Now, it is important to establish a clear budget in order to achieve the

following goals: Have always merchandise for sale and distribution, and also seek to reduce costs (this is due to the fact that the costs of transportation or marine freight, and the costs of insurance and service of customs agents, are all values that vary according to the month of the purchase).

“Budgetary control has, among other main functions, the achievement of a stable level of production so the stocks can reach the optimum level. In this respect, it is understood that there must be a direct relationship between production, sales and stock plans” (Unidad Reguladora de Servicios de Comunicaciones, 2015). The proposed strategy is as follows:

- i. During 2017 six containers of 40 feet HQ are expected to be imported, with an investment of close to \$ 250000, and estimated sales of \$ 600000.
- ii. With the recovery of this year's investment, a stable and fixed purchasing strategy for 12 months is planned for 2018. If the aims are to expand the market towards more provinces, and offering online shopping services, then a considerable and steady supply of the winery is required.
- iii. It is proposed to import a total of eight containers distributed as follows: five exclusive containers for the ROSWEL brand and its line of audio and amplification (all of them size 40 feet HQ, and coming from CHINA), two containers of COCCOLATO BABY LINE (both 40 feet HQ from CHINA), and one 20-foot container from PANAMÁ, for the smaller brands of MURILCO ECUADOR Sda. (consisting of solar radios, fans, blenders, etc.).

The import plan will be divided as follows, the possibility of adding new suppliers will be considered, for which two trips will be planned in the course of 2018, the first in April and the second in October, both destined to the CANTON IMPORT AND EXPORT FAIR.

#	PURCHASE	ORIGIN	TRIMESTER	BRAND	PRICE
1		CHINA	JAN-MAR	ROSWEL	\$40.000
2		CHINA	JAN-MAR	ROSWEL	\$40.000
3		CHINA	APR-JUN	ROSWEL	\$40.000
4		CHINA	APR-JUN	ROSWEL	\$40.000
5		CHINA	JUL-SEP	COCCOLATO	\$40.000
6		PANAMA	OCT-DEC	OTHERS	\$20.000
7		CHINA	OCT-DEC	ROSWEL	\$40.000
8		CHINA	OCT-DEC	ROSWEL	\$40.000

FIGURE 18 – SCHEME OF POLICIES, OBJECTIVES, PROGRAMS AND BUDGETS (Murillo, 2017)

Financial Planning

Each part of a structure within a company has fundamental importance so it is necessary to carry out every work activity at the same way. “The mission of financial planning is to assure the necessary funds to develop activities that will achieve the objectives set, and of course, under the most favorable conditions. For this reason the financial planning is considered as a decisive factor” (Unidad Reguladora de Servicios de Comunicaciones, 2015), since any objective can be proposed, but if there is not enough money to conduct it, this will be hardly achieved. “Financial managers should provide a continuous stream of funds to meet short-term cash or liquidity commitments and, at the same time, to ensure long-term expansionary projects. In addition, the solvency of the company must be guaranteed at all times” (Unidad Reguladora de Servicios de Comunicaciones, 2015). Then, it is important to detail the values that the company needs to finish successfully 2017 and what are those to be used in 2018 to implement the B2B strategy:

YEAR	2015	2016	2017	2018
PURCHASES	190000	230000	250000	300000
OPERATING EXPENSES				
SALARIES	1800	1800	2000	2800
TRANSPORT	300	300	400	600
WARRANTIES	500	500	550	700
FINANCIAL COST				
IMPORTS	66500	80500	87500	120000
FINANCING	9500	11500	12500	15000
UNCOBRABLE ACCOUNTS	10000	10000	15000	20000
TOTAL	278600	334600	367950	459100

IMAGE 23 – MURILCO EUADOR 'S STRUCTURE (Murillo, 2017)

The company has many ways to obtain resources, in this case to get \$460000 the following aspects are considered:

- Currently, the company works in its own premises, a four-story building worth around \$800000, which does not have financial debts such as pending payments, mortgages or loans.
- The credit history of the company's founder is good, and currently has about \$ 250,000 of credit opening at BANCO DEL PICHINCHA, and \$ 200,000 at BANCO BOLIVARIANO (both banking institutions are part of the daily business agenda of MURILCO ECUADOR SDA, in which there are also current accounts and savings accounts.
- The sales are generally carried out through the delivery of credit to different national distributors, these deadlines extend from 30 days to 4 months. It is expected to use a 30% of the outstanding portfolio of 2017 for the necessary investment in 2018, this value could at best, represents \$175,000 liquid, i.e. ready-to-use money.
- An active WEB page of the Company is already available, www.murilco.com, through which a B2B strategy may be implemented. This investment was already made by the company

previously, so now it is important to hire appropriate personnel to handle the strategy and focus on the goal of attracting new distributors; including people who take over management of social networks for MURILCO SOCIAL NETWORKS ECUADOR SDA.

The following image presents the way in which the resources are distributed. Furthermore, the main important fields in terms of finance are also included:

ACTIVO		PASIVO	
	Inmovilizado		Capital + Reservas
ACTIVO CIRCULANTE	Existencias	Fondo de maniobra	Deudas a largo plazo
	Financiero		Exigible a corto plazo

RECURSOS PERMANENTES

IMAGE 24 – GRAPHIC REPRESENTATION OF “FONDO DE MANIOBRA” (Unidad Reguladora de Servicios de Comunicaciones, 2015)

Brief analysis of the economic environment

At this point, any enterprise has to understand the economic environment that affects its activities. In order to define the economic sector, it is said that “This sector refers to the set of companies whose products are highly substitutive with each other” (Unidad Reguladora de Servicios de Comunicaciones, 2015). The company must identify the other enterprises that work in the same field. In the case MURILCO ECUADOR SDA, it is necessary to see some enterprises that import similar products and who have been innovating their lines of products. “The environment of an organization could be defined

as the set of direct and indirect and controllable and uncontrollable forces that exert influence, from a microeconomic to a macroeconomic scene, in every action, decision and result of the company” (Unidad Reguladora de Servicios de Comunicaciones, 2015)

General Analysis (macroeconomic)

An analysis of the external factors allows an enterprise to take better decisions according to the reality of the market. “Once the following factors are studied, the marketing will be able to detect situations of danger to the company, trends and behavior patterns of the society, and also anticipate future directions that might affect the environment” (Unidad Reguladora de Servicios de Comunicaciones, 2015). Among the most important points of the Ecuadorian economy, the following are highlighted:

- a) Economic factors: The unemployment rate in the first quarter of 2017 reached 4.4% (El Telégrafo, 2017) In terms of price variability during August 2017, there was an inflation of 0.01% and an annual accumulation of 0.20% (Instituto Nacional de Estadísticas y Censos, 2017), On the other hand, in terms of the annual interest the rate in September was 4.97%, and for the productive sector of MSMEs the rate was 10.86% (Banco Central del Ecuador, 2017).
- b) Import taxes: It is worth noting that since April 2017, Ecuador started the plan for the elimination of safeguards affecting imports of MURILCO ECUADOR SDA, “after in March 2015 the Government applied the safeguard to 2,961 (in segments ranging from 5% to 45%), the plan is that in June 2017, products will be 0%” (El Universo, 2017). Its products were included in the subheadings that included these values payable, subheading 8518500000 ELECTRICAL EQUIPMENT FOR AMPLIFICATION OF SOUND.
- c) Socio-demographic factors: The Ecuadorian birth rate was 14.32% in 2014 with a tendency to decrease in 2017.

Analysis of sectorial environment (microeconomic)

It is important to study the different strategies that other companies with similar products or services apply. “In order to have a complete a vision of the sector and, according to Michael Porter (1979), there are five basic forces that determine the degree of attractiveness and competence of a sector. Forces that influence directly and immediately in the management of the company. The weaker these forces, the greater the opportunities to perform a superior performance. The key is to place the company in a situation within the market where they can defend themselves from these forces or influence them in their favor” (Unidad Reguladora de Servicios de Comunicaciones, 2015), These forces are:

- i. Threat of entry of new competitors: In fact, as already mentioned, in theory every current importer would be the direct competitor of MURILCO ECUADOR SDA, because not only ROSWEL is imported but other products with different brands; the issue of imports was already mentioned in the first chapter of this research paper.
- ii. Bargaining power of suppliers: As for information on the costs and prices offered by producers to MURILCO ECUADOR SDA, there are no clear data as it is a confidential information of the company (no company in the world delivery).
- iii. Consumer bargaining power: It depends on the preferences of the consumers, in this point the image of the Chinese products might influence, and if even the Ecuadorian consumer prefers brands of greater world-wide reputation, regardless of the differences Price.
- iv. Degree of rivalry in the sector: The threat of other competitors is common, that is why the need of exploring new fields such as e-commerce has arisen in order to have a new alternative to be more competitive. There could be many import products with similar characteristics, but the difference lies in who offers better and more useful services.

Business Logistics (warehousing, storage, and distribution)

Throughout the new processes of globalization, the enterprises have been developing new ways to transport products between nations that is why this is considered as a key factor to be efficient. “Several experts have proposed logistical management models to increase market competitiveness; some of them are ambitious for small and medium-sized enterprises (SMEs) because of the informal structure and lack of technical know-how; others indirectly refer to internal information flows, implying a total disintegration of the system due to the weak interrelation between” (Olivos, Carrasco, Flores, Moreno, & Nava, 2015). Logistics is responsible for managing the flow of materials and information throughout the process of value creation, procurement, production and distribution; and in the case of MURILCO ECUADOR SDA it refers to all the activities of freight transport, organization of the warehouse, and distribution of the products at a national level.

Now, a graphic containing the main fields within a distribution process is presented, with the model presented in MSMEs of MEXICO, this model provides four aspects that the enterprises have to reinforce in order to improve the logistics: inventories, storage, production, and distribution; and this includes the endless tools that will be required to get products to consumers in less time and without difficulties of delivery.

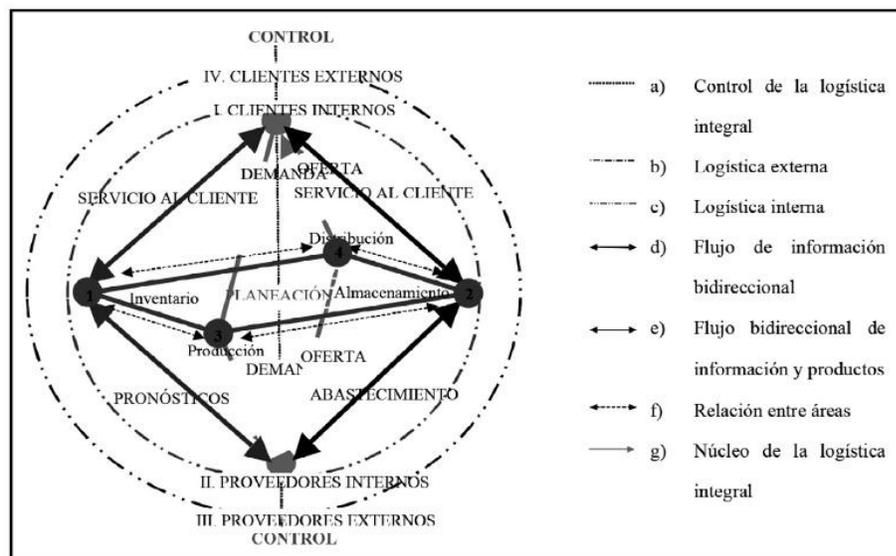


IMAGE 25 – ECONOMIC STRATEGY (Olivos et al., 2015)

- Inventories: The idea is to maintain a steady flow of goods incomes. That is to say there are no shortages in any month of the year. To do this, the winery will be organized into categories: the former separates the products that are ready to be delivered, the latter separate those products that are not completed with all the accessories or were withdrawn from customers for lack of payment and have some defect, and the third those products that have technical faults or are physically altered.
- Storage: Two wineries will be occupied: the first one with ROSWEL exclusive products (and internally classified according to the categories mentioned above), and two, a winery for the other brands of the company.
- Distribution: Within AZUAY province, and for those deliveries of a considerable value (in excess of \$ 7000) a truck owned by the Company will be used for delivery purposes; and for the rest of the country, agreements will be made with local transport companies to send the products (in the case of purchases via INTERNET this service will be free, otherwise the buyer will assume it).

The following graphic “the supply and distribution management factor must integrate the areas and functions, inside and outside the company, by supplying the information of the logistics system; in the same way the supply of the materials and delivery of the orders to the external customer must be efficiently carried out in time, place, quality, quantity, service and at the lowest possible cost. Thus, it is necessary to coordinate the strategic areas through the synchronization of the functions of the three resulting factors to strengthen the hybrid push / pull production system” (Olivos et al., 2015).

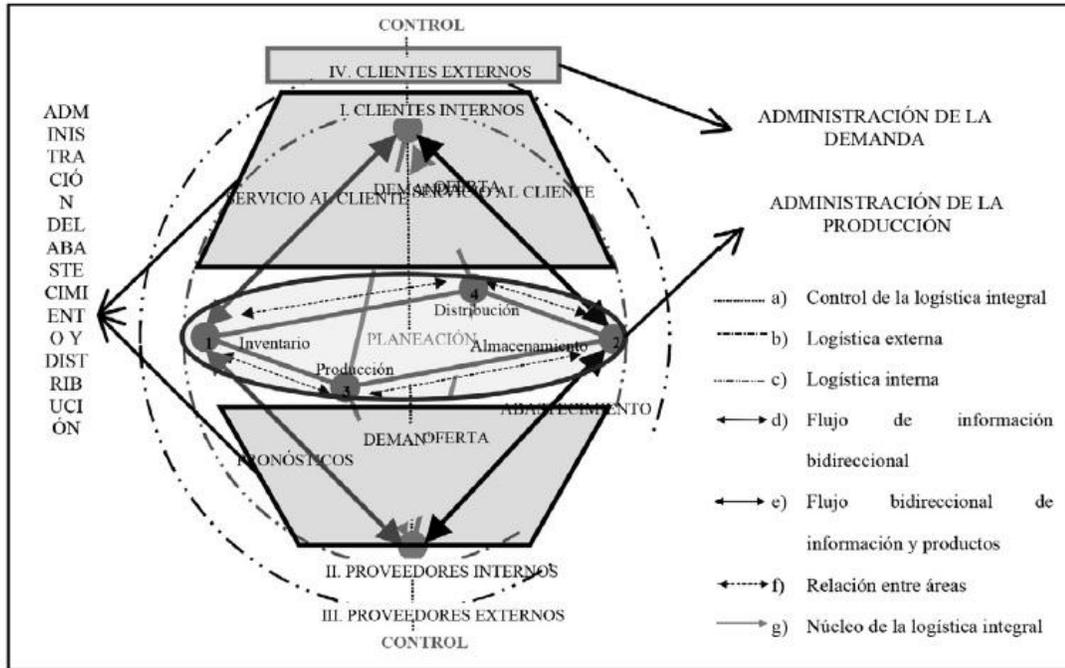


IMAGE 26 – LOGISTIC MODEL STRUCTURE FOR SMEs (Olivos et al., 2015)

PROPOSAL: www.murilco.com, ¡al por mayor por INTERNET es mejor!

Finally, the main idea of this present research work is to present the necessary requirements to establish the B2B model. In order to achieve this goal, it is important to explain what ELECTRONIC COMMERCE is and how MURILCO ECUADOR SDA act as an enterprise. Now, the creation of www.murilco.com is proposed. The objective was to provide the reader the importance of changing the internal systems of the company in order to create new ways of organization. This new organization includes purchases, sales, logistic process, and financial process, all of them to implement a B2B strategy. Once the company is organized, the following strategy is proposed:

- Creation of a virtual platform: According to data from MURILCO ECUADOR SDA, a WEB platform with expansion capacity costs approximately \$1500; to which capital can be inserted depending on the functions that are required.

- In this case, a WEB page with HOSTGATOR.COM hosting is obtained, which costs \$ 90 per year; this represents the lease of a place on the WEB as if leasing an apartment in a housing complex.
- The editing of the same will be done through WORDPRESS, where anyone can add products with images, videos, music, and it is very simple to use.
- A professional photographer must be hired for the realization of the images that will be published on INTERNET.



IMAGE 27 – WEB PAGE OF MURILCO ECUADOR SDA (MURILCO ECUADOR SDA, 2017)

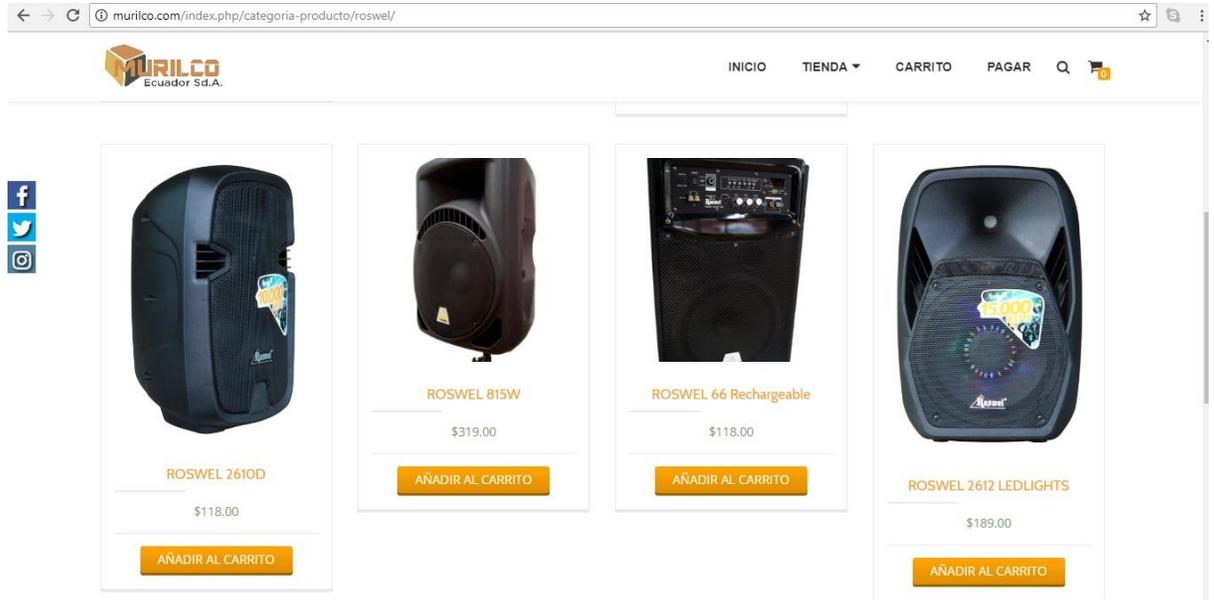


IMAGE 28 – PRODUCTS WITHIN MURILCO ECUADOR SDA WEB PAGE
(MURILCO ECUADOR SDA, 2017)

Digital Marketing Plan

Once the web page is created, it is moment to apply the strategy. “ELECTRONIC COMMERCE optimizes and improves the relationship and communication between the organization, producers, and consumers; however, it should be noted that the success of the same will depend on various factors among which the organization of the internal and external structure of the company will play a crucial role” (Choshin & Ghaffari, 2017) Then the strategies of sales and distribution are presented by using the virtual store as a main tool of commercialization:

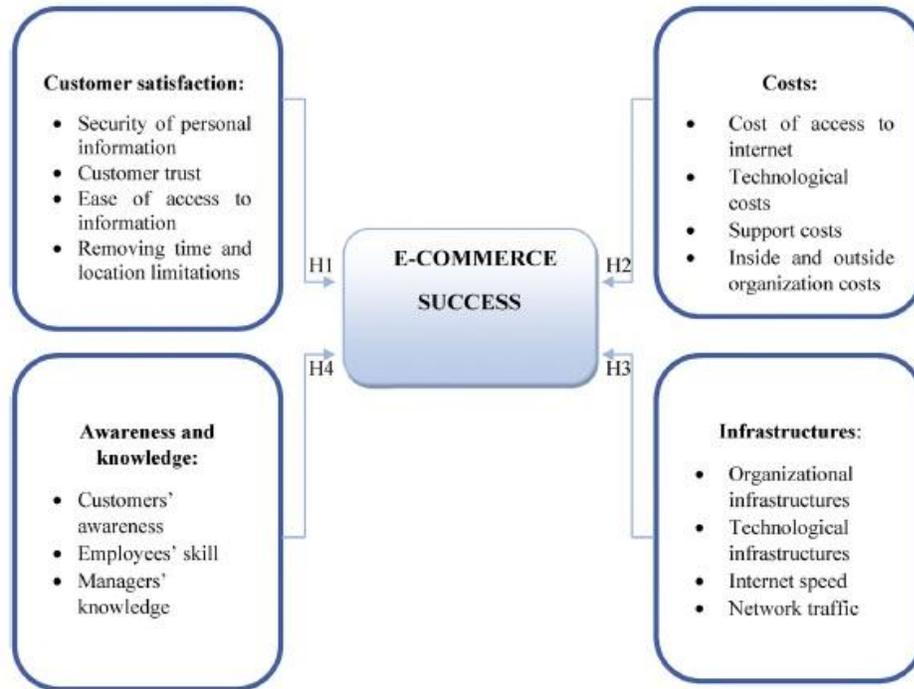


IMAGE 29 – ELECTRONIC COMMERCE CONCEPTUAL MODEL (Choshin & Ghaffari, 2017)

a) “Information and communication technologies create opportunities for organizations in order to increase their business activities as quickly as possible” (Choshin & Ghaffari, 2017), thus using MURILCO ECUADOR SDA's social media accounts (SOCIAL NETWORKS) different messages will be delivered in order to promote the web page daily, creating a group of followers whose purpose will be to attract the link with other companies and the owners of smaller companies; nowadays there are: TWITTER @murilcoecuador, INSTAGRAM as murilco_ecuador, and FACEBOOK MurilscoSda.

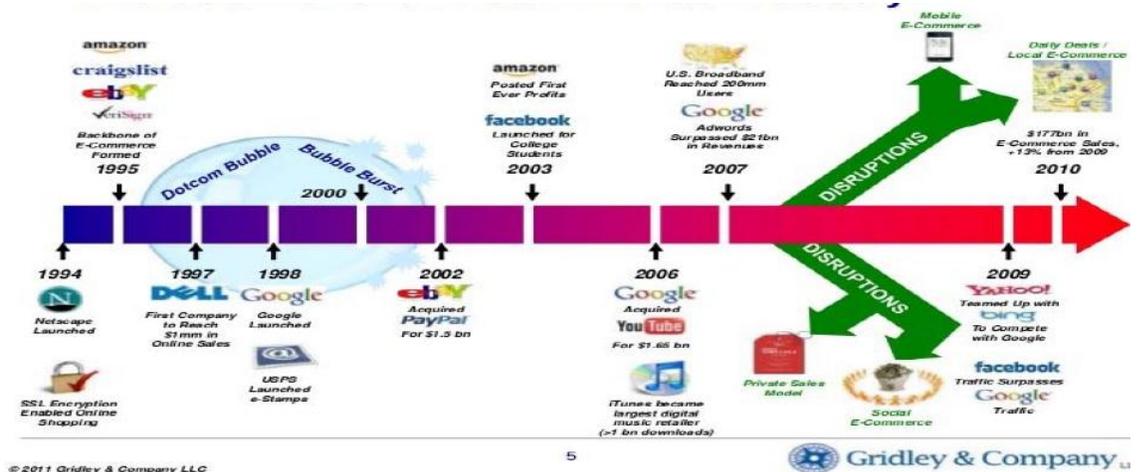


IMAGE 30 – ELECTRONIC COMMERCE SUCCESSFUL ENTERPRISES (Sari & Cassandra, 2017)

- a) The delivery system of several companies that have triumphed on INTERNET is pretended to be emulated. For the customers who buy through murilco.com, the shipment will be immediate, billing will be not needed to get approval as any customer with code that enables it to buy on the website will have open credit with MURILCO ECUADOR SDA 365 days a year; in addition, the shipping costs will be assumed by MURILCO ECUADOR SDA.
- b) The configuration of every WEB component of the company; both the WEB page and the SOCIAL NETWORKS must have a joint planning. This means that every component must be run at the same time regarding the publication of promotions, the delivery of gifts, the holding of competitions; the idea is to generate a business structure in the WEB.

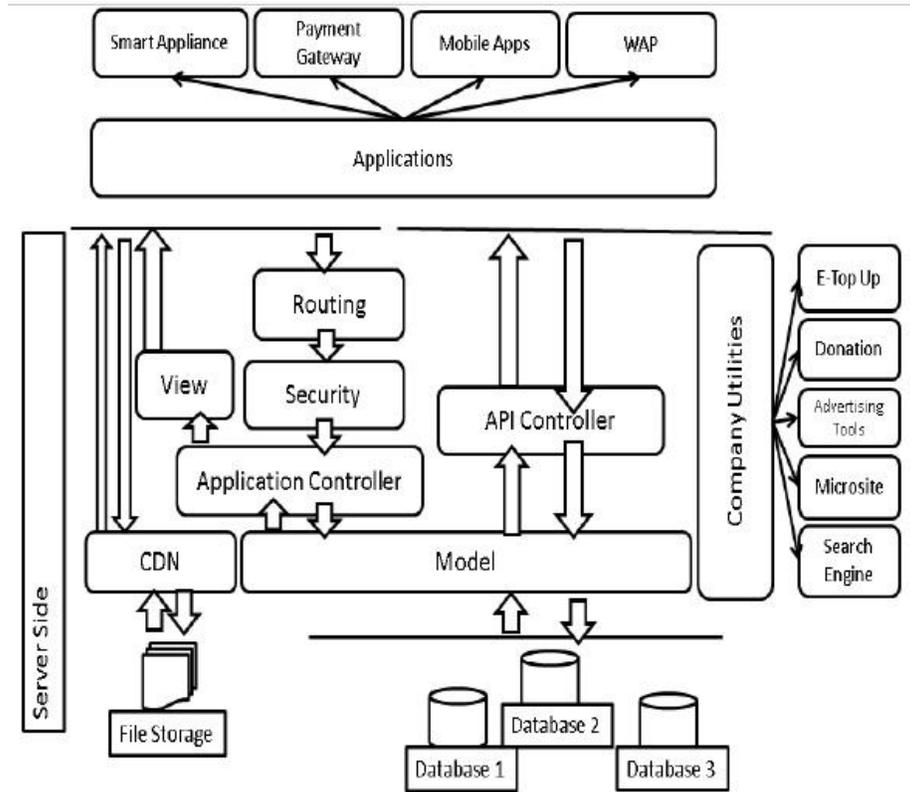


IMAGE 31 – STRUCTURE FOR ELECTRONIC COMMERCE (Sari & Cassandra, 2017)

- b) The sales strategy Will be: any customer that uses the web page gets an additional discount of 5%, and they can get an 2% more if they buy more than once per month. And with special tickets the buyers could get 12% in special promotions.
- c) The company Will do a special study of any new customer to stablish the purchase capacity.

Projections for 2018 for MURILCO ECUADOR SDA

Now, the correct tools to propose a B2B strategy have been presented. In addition, the ROSWEL brand has been considered for the analysis due to it constitutes the core range of products of the company. Now, the numeric goals intended to achieve are presented:

- With an investment of approximately \$ 460000 \$ 800,000 in sales are expected to be generated, of which the 25% is expected to be generated from the WEB platform.
- To increase the list of frequent customers from 300 to 400 MSMEs that commercialize the products of MURILCO ECUADOR SDA and of which the 80% is expected to have access to Internet services, and from that percentage, at least the 40% make the purchases from the online services at the MURILCO's platform.
- Reduce the percentage of uncollectable invoices by applying the qualification and approval system of customers suitable for the use of the online shopping service, thus generating a lower expense on the guarantees and being able to allocate those values to improve the delivery aspects of products at a national level.
- To have a considerable presence within the framework of SOCIAL NETWORKS, the aim is to place MURILCO ECUADOR SDA in the consumer's mind through daily publications and notices for both clients and companies; being Cuenca as the pilot city.
- Generate new workplaces by 2019, which will include two more sales agents, for the largest companies at the national level (i.e. a corporate sales agent for companies with locals at a national level); it will also require the investment in at least one larger delivery truck, and the hiring of an additional professional driver.
- The purchase of a new warehouse would be in a different place than the location of the head offices currently. Furthermore, its financing will depend on the sales targets achieved in 2018.

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Interview with Oswaldo Murillo (Owner of MURILCO ECUADOR Sda)

Purpose: To understand the MURILCO ECUADOR SDA structure, work methods, strengths and weaknesses.

1. History of MURILCO ECUADOR SDA

I started my commercial activities in the early 90s. I had 22 years old. My business was an appliance store called “ALMACENES LOLITA”. I work at that place for 20 years but the Ecuadorian background forced me to change my goals in order to get a new idea to be competitive. I changed the company’s name to MURILCO ECUADOR SDA and established the ROSWEL HIGH QUALITY brand in 2012. I traveled to GUANGZHOU, CHINA to the IMPORT AND EXPORT FAIR. I contacted several factories and started the mass production of my products.

2. Why do you prefer to import audio and baby line products?

My last business consisted in distributing these kinds of products since I already knew about their characteristics and how to make them useful to my clients. About my second most important brand COCCOLATO BABY LINE was an idea when I met new factories in other trips to CHINA and this let me expand my catalog to other segments within Ecuadorian market.

3. Along 5 years, which are your strengths and weaknesses?

My strenghts:

- Good working environment.

- 25 years of experience within Ecuadorian market. The knowledge of what kind of products could be competitive in Ecuador and what characteristics the customer search.
- A good credit history within banks to get resources to invest
- A building owned by the company
- The best quality in mass production a buyer can find in CHINA factories.

Weaknesses:

- Low salaries for most employees
- The operative cost are high so this produce more expensive products. This could have a problem to be competitive against other companies with similar products.