

# **SMALL BUSINESS, BIG IMPACT: A FEMALE-LED MICROBUSINESS IN ECUADOR**

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# **Creating Economic Autonomy through Microbusiness Development in Cuenca Ecuador**

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## **ABSTRACT**

This project aided the Hearts of Gold Foundation in laying the groundwork for the establishment of a female led business in Cuenca, Ecuador. Our team held focus groups, conducted interviews, and administered surveys with many business owners in Cuenca as well as additional stakeholders in this project. All interviewees played a vital role in the creation of this business. Based on our interviews and external research we created an asset map of the business stakeholders' skills and resources. From this asset map we identified product options, marketing materials, a funding plan, and the legalization processes necessary for the creation of a business.

## **ACKNOWLEDGEMENTS**

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Lastly, we would like to thank our on-site coordinator, Gary Pollice, and extend our gratitude to our project advisors, Professor Laureen Elgert and Professor David DiBiasio. They provided guidance and suggestions throughout the entire process of this project.

# EXECUTIVE SUMMARY

## **Introduction**

Due to the economic instability and political upheaval of the last four decades, there are nearly 4 million Ecuadorians living in poverty as of 2014. Of those trapped in the iron grip of poverty, women are especially marginalized and face a gender wage gap of 11.2%. To combat this issue, government and non-profit organizations are utilizing a three-pronged approach which includes: providing health and nutrition programs, increasing access to assets such as education and land, and stimulating demand for labor through business development. It is this last objective that the sponsor of this project, the Hearts of Gold Foundation, would like to tackle. Due to this need, Hearts of Gold tasked the WPI team to develop the groundwork for a female led business. In the creation of this new business, third party salesmen will be eliminated ensuring that artisanal products are sold straight to the consumer. This in turn will provide female employees with a fair return for their work. The main goal of this project was to create a business plan that is based on market research about potential participants, customers, and products to develop high-end couture using local resources and skills that women in the Azuay province have. In executing this goal, we divided the project into 4 major objectives which are as follows:

1. *Determine potential business partners and assess their skills and resources.*
2. *Investigate potential high-end product ideas. Specify associated materials, production time, processes, and cost.*
3. *Research grants and methods of funding the startup costs of the business.*
4. *Develop a business structure based off other successful companies in the region with similar objectives and markets.*

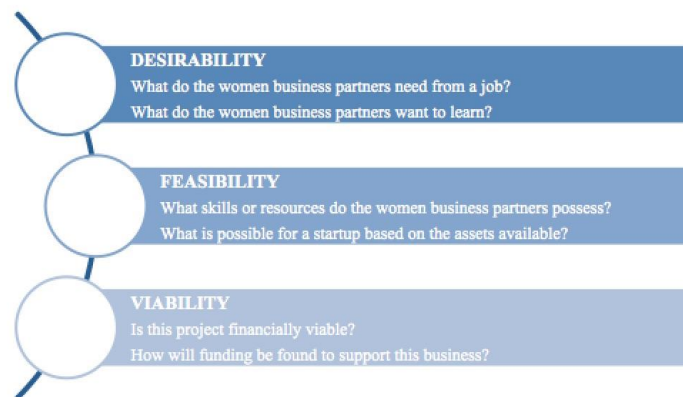
## **Background**

In the past four decades, Ecuador has experienced a number of major economic events that have had a direct impact on employment in the country. Modern economic woes trace back to 1982, when demand for Ecuador's top export, crude oil, fell globally and left the country in a state of emergency. Following this crisis in 1995, war broke out between Peru and Ecuador further destabilizing the region. In more recent times, financial troubles added to the region's insecurity in 2000 when the banking system collapsed. Interlaced with political upheaval, these events have severely limited job opportunities and income generation. Worsening the situation for women is the inherent machismo culture in which the man is the breadwinner of the family while women are left in more traditional household roles. This cultural limitation, in addition to the aforementioned economic issues, leaves women with few opportunities for jobs that provide economic security.

To better understand how to provide economic opportunities to the women of Ecuador, we looked into similar businesses that had experienced success in the region. One such company, Atelier Avanzar, provided an excellent template to study and learn from. Most importantly, it provided a structure from which to base the new Hearts of Gold business off of. Through the creation of high end purses sold abroad, Atelier Avanzar is able to provide economic opportunities to impoverished women. In addition, they have developed valuable connections with local universities to collaborate on developing training courses for women who wish to start their own business. Taking this business model into account, we looked into related marketing strategies and discovered that now, more than ever, people are buying items based on their social message. By using the personal backstory of the women and the business, funding can then be secured with a crowdfunding campaign or by pitching the business venture to an angel investor.

## **Methodology**

Throughout all of the research and planning, we took a human centered design approach based on the desirability, feasibility, and viability of the business. As shown in figure 1, this approach takes into account both the needs and skills of the women when building the business. To accomplish this project's four objectives, we used various methods that included surveys, semi-structured interviews, and external research. To develop an asset map of the women's skills and resources as shown in Figure 2, we presented the business concept to local partner organizations of Hearts of Gold and then asked questions about the resources and skills of the group. To gain a deeper understanding of the women's lives, we also interviewed some individuals one on one. Looking to assess the feasibility of the business, we also interviewed a Design School student and took steps to form a relationship with the University of Azuay Design School. Complementing these project components of desirability and feasibility is the financial viability. To address this, local business owners were interviewed and an understanding of the business legalization process, funding options, and local management strategies was developed. Taking the insights gained from these interviews, we then delved deeper for answers and conducted ancillary research to support our findings.



**Figure 1:** Visual representation of the HCD process (adapted from *Design Kit: The Human-Centered Design Toolkit*, 2009)

## **Results**

Based on the research conducted, we developed a comprehensive framework for the business to grow into. The preference of the women interviewed and the results of a potential consumer survey indicated that the best product to produce would be jewelry. After performing additional product research in artisan villages, it was further determined that jewelry could be marked up substantially in price, sometimes nearing the 800% range. With a potential product established, we moved on to evaluating the viability of the business and estimated the startup cost to be approximately \$144,400 based on rough calculations for similar companies. This cost would be all inclusive with training, equipment, raw materials, designs, marketing, and starting salary expenses. Additionally, after speaking with local business owners, the optimal legal entity for the business was determined to be a *compañía limitada* (limited liability company) which would take about 2 months and cost between \$700-\$1,400 to establish. Management of the new business venture was also discussed and a structure including one chief manager and one to two supervisors, depending on company size, was deemed appropriate. To provide useful insights for management, the Ecuadorian employment code was explored and key statutes highlighted. Marketing materials were also developed including a concept video and website which will be left for the Hearts of Gold foundation. Utilizing these marketing materials, a crowdfunding campaign was found to be the easiest way to raise capital at the onset of the business creation process. Once sufficient funds have been raised, funding from an angel investor will be sought out to provide additional funding and support.

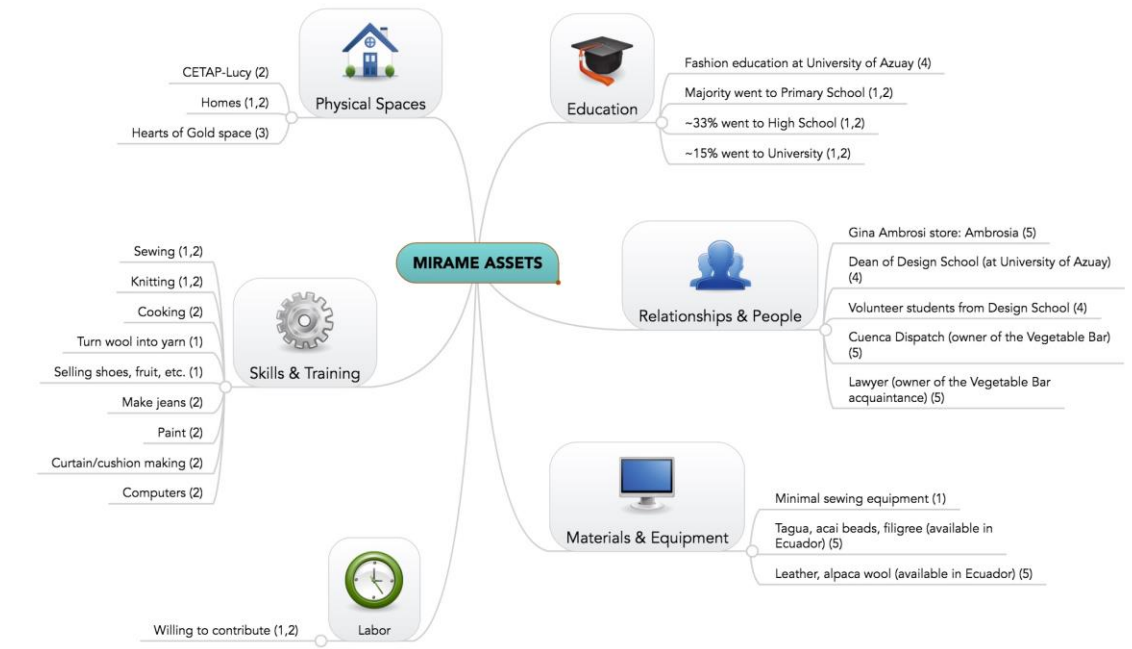


Figure 2: Asset map of business partners and skills

## **Deliverables**

Listed below are deliverables that will be provided to Hearts of Gold for further development of the business.

- Website
- Marketing video
- Legalization how-to guide
- Jewelry quality assurance procedure guide
- Funding plan
- Crowdfunding campaign
- Presentation pitches for investors
- Business plan

## **Conclusions/Recommendations**

Our major conclusions from these results span all aspects of the new business. We determined that jewelry is the optimal choice for a product and that social enterprise marketing, including a video and website, would be the best way to market the jewelry to the U.S. and Canada. Additionally, the new business should be established as a *compañía limitada* (limited liability company) with a partnered export company to provide limited legal responsibility and increase efficiency respectively. Lastly, the startup cost for the new business would be around \$144,400 and the best way to source initial capital would be to start a crowdfunding campaign and then find an angel investor. Our team's recommendations encompass a variety of steps that lead to the official establishment of the business.

- Cultivate a working relationship with the University of Azuay Design School to set up a class that provides designs for the jewelry business and training for Mírame employees
- Establish a relationship with a local lawyer who has experience establishing new businesses and employment law

- Locate and negotiate with suppliers to procure raw materials for Mírame employees to use
- Make contact with local logistics companies to see if large scale shipping is a cost effective method to use and when it would be optimal to engage them in this business opportunity
- Hire 2-3 women to begin training and production to test market viability
- Begin the crowdfund with a goal of \$15,600
- Investigate the expansion recommendations of the website to include an online store



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## INTRODUCTION

There are over four million Ecuadorians living in poverty which represents nearly 35% of the country's total population. With an additional 17% of the population teetering on the edge of the poverty line, this issue is a major crisis facing the country's progress and development (Kliesner, 2014). Especially hard hit by the economic struggles of Ecuador are those living in the rural areas of the Highlands and Amazon region who often lack basic education, sustenance, land access, employment opportunities, and market integration. Additionally, those living in the cities also suffer from the same detriments, in addition to a dearth of functional water sources and sufficient sewage disposal.

In many impoverished areas, women and children compose a large portion of the population who remain vulnerable due to their economic situation. While looking for work opportunities, women are often marginalized or even excluded from consideration for certain jobs due to many potential causes such as a male dominated economy or traditional social roles. According to The World Bank (2007), the gender wage gap was 11.2% and in 2014, 61.3% of males had jobs as salaried workers while only 49.7% of women held these jobs ("Gender data portal: Ecuador," 2014). Additionally, there are 300,000 children in Ecuador working as child laborers to contribute income to their families ("Gender data portal: Ecuador," 2014).

Both non-profit and government organizations are taking a three-pronged approach to break the poverty cycle. As described in the World Bank Poverty report (1995), the first method involves providing health and nutrition programs, especially for vulnerable populations, such as children and pregnant mothers who cannot afford these resources. The second method seeks to expand the assets the poor have access to, including rights to arable land, housing programs, and job opportunities, to provide a foundation for those seeking a stable economic footing. The last and perhaps most important approach to breaking the cycle of poverty is increasing the demand for labor through business development ("Gender data portal: Ecuador," 2014). This last objective is the primary mission for this project and our sponsor, the Hearts of Gold Foundation.

The Hearts of Gold Foundation is on a mission to provide support to marginalized and underprivileged populations in Cuenca. This includes children, families and elders (Inside Hearts of Gold, 2015). Many other organizations in the world have a parallel mission, so what makes the Hearts of Gold Foundation stand out from all the other organizations aspiring to do the same thing in Ecuador? The Foundation aims to address the main issue of poverty by supporting local partner organizations that work directly with Ecuadorians (Inside Hearts of Gold, 2015). Essentially the Foundation "helps others help themselves." Hearts of Gold does this through their Community Assistance Program (CAP). The Foundation implements CAP within its non-profit partner organizations to provide support, and ultimately, growth. There are two main approaches within the CAP program. The first approach provides organizational services to the non-profit such as fundraising, marketing, donor management program evaluation, and collaboration. The second approach aims to empower partners to continue being successful after Hearts of Gold leaves. This is accomplished by facilitating intensive skills-building training that can be passed down as institutional knowledge as the partner organization grows (Inside Hearts of Gold, 2015).

Hearts of Gold works with two organizations through the CAP program, including CETAP-Lucy and La Fundación El Arenal. The focus for CETAP-Lucy is to provide pre-school programs, after-school programs, multiple disability and trauma therapy programs, sexual education classes, and family counseling to roughly 35 children in the rural community of Chilcapamba. The assistance for La Fundación El Arenal includes providing counseling, after-school programs, and healthy lunch programs to some of the poorest children in Cuenca. These programs and partner organizations that Hearts of Gold works with address many of the areas that the entire country of Ecuador is trying to improve (according to

the Poverty Analysis from the World Bank). However, the area that Hearts of Gold has not yet specifically addressed to date is a method in which to provide employment or increase demand for labor. This unexplored area has become an interest of theirs (Inside Hearts of Gold, 2015).

When we first talked to our sponsor, Hearts of Gold, they provided us with an example of exactly how poverty is affecting the women in the Azuay province of Ecuador. The example begins with a single mother with five children, living on the outskirts of Azuay province. To provide for her family she spends her days weaving Panama hats. It takes her two days to weave one hat which she then sells to a manufacturer for seven dollars. The manufacturer then sells it for a significantly higher price, leaving the single mother underpaid for her work. At the end of the month she makes around sixty dollars to provide for herself and her five children.

Our sponsor's solution to this problem is to create a high-end product with a larger profit margin that women in similar situations can learn to produce through training. Overall, this will increase women's income by eliminating the middleman that is undercutting the value of their labor. The goal of this project is to create a business plan that is based on market research about potential participants, customers, and products to develop high-end couture using local resources and skills that women in the Azuay province have. To execute this goal, our objectives are as follows:

1. ***Determine potential business partners/employees and assess their skills and resources.*** This is focused on finding women who could be potential employees and finding additional business partners in Cuenca who could assist in the startup and operation of the business. Assessing the skills and resources of these potential employees and partners is an imperative step in determining a business model that leverages all assets but also factors in what the female employees need and want out of their employment.
2. ***Investigate potential high-end product ideas.*** This can happen by specifying associated materials, production time, processes, and cost.
3. ***Research grants and methods of funding the startup costs of the business.*** This lays the foundation for our sponsor to implement a successful business plan and puts into perspective the amount of money that will be needed to get the business off the ground.
4. ***Develop a business structure based off other successful companies in the region with similar objectives and markets.*** Research in this area is imperative to establishing a successful business specific to the region of Cuenca.

An investigation into these objectives will give Hearts of Gold a platform on which to build this business so that they can help to alleviate poverty through an increased income for women and their children.

## **BACKGROUND**

In this section, we begin with a brief overview of the political economy of Ecuador, focusing on how poverty can be described as a combination of the history, economics, politics, laws and culture of Ecuador. Next is a discussion of a case study which outlines an approach to increasing income by starting a social enterprise. Additionally, it allows us to examine the structure of a microbusiness, including a broad range of products, funding opportunities, distribution and logistics options, as well as organizational structure. From there, current global market trends along with globally desired Ecuadorian materials are discussed. This information will give a brief background on the trends and resources our product will be derived from. Next, we show how to create value in a product through the Porter Value Chain. Lastly, we look at the different potential sources of funding for the product and business.

## History of Ecuador's Political Economy

The political economy has played a major role in shaping women's current situation in Ecuador, especially those living in poverty. The relationships between economic events and simultaneous political events, legal events, and culture are important to consider when delving into the issue of why poverty exists in Ecuador because they can directly and indirectly affect job opportunities.

Ecuador has experienced major economic events that have significantly influenced the country's overall successes and failures. These events are important to note because general economic stability is imperative in attempting to help those living in poverty. One of these first destabilizing events was the drop in the oil economy in 1982 (Ecuador: Historical Timeline, 2016). Additionally, more recently in the early 2000s, the banking system collapsed, causing poverty to increase significantly (International Living). For a full history of Ecuador's economy and updates about the current state of the economy can be found in Appendix A1.1.

The economic climate today has improved due to Ecuador's export economy and the adoption of the US dollar (Heritage). However, while the recent upward trend in the economy is a positive indicator for the entire country, it does not necessarily benefit women or those living in poverty. This is due to the fact that economic expansion hasn't occurred in areas in which women are likely to get jobs. Without these job opportunities, there is little room to increase income generation which is needed to create economic independence.

Clearly, the economy can have a major effect on the job opportunities and income generation. Ecuador has had a rocky period in its economy and political upheaval has not helped to stabilize the country. The constant change in presidents in the early 2000s with no president serving a full term of four years has created turmoil within the government and among Ecuadorians (Kirk & Starn, 2009). To learn more about politics in Ecuador, see Appendix A1.2. Politics are an important part of addressing poverty because involvement in policy creation impacts the entire population. However, many progressive changes in politics have helped the upper class instead of the entire female population of Ecuador. The lack of representation of women in government reflects the lower female representation in the economy, which this project aims to address.

It is evident that the economic, political and legal events since the early 1900s have affected the jobs available to women, which also influences the number of women who live in poverty. Additionally, culture and tradition play a large role in determining the opportunities open to women. Traditional cultural practice in Ecuador can be described as "man is the breadwinner and the wife looks after the home" (Ecuador Guide). The cultural practice of machismo is further described in Appendix A1.1. Women often maintain a traditional household role or are involved in pastoral work (Ecuador: Women in Business, 2016). For many, this is not a form of income generation, but rather a traditional role of subsistence, which can restrict financial stability and independence. Women have expanded into other areas of work, as described in Appendix A1.3. However, a gender pay gap and unequal employment still exists. Today, employment statistics for women show an inequity between men and women. The percentage of employed females is 49.7% as compared to the percentage of employed males at 61.35% (Gender Data Portal). These numbers, in combination with the difference in unemployment rates (6.2% for females and 3.5% for males), demonstrate that the political economy has affected employment opportunities (Gender Data Portal). For further information about new measures to reduce Ecuador's gender gap in the workplace, see Appendix A1.3. This is a major issue when looking at the problem of poverty as related to income generation. If women are not earning as much money as men, starting their own business and being in charge of their own pay could be a valid solution to the problem.

## **Micro Business Case Study and History**

Instead of developing a business plan from scratch, we looked for similar organizations that incorporated 3 main goals into their vision statement: having low income women as their primary beneficiary, initiating the creation and development of small businesses, and providing programs to continually educate and advance employees' skill sets. Matching all of these criteria is an organization by the name of Fundacion Avanzar. Fundacion Avanzar is a non-government organization (NGO) much like Hearts of Gold whose vision statement is "to strengthen, promote, and encourage the development and well-being of at-risk or abandoned women and children (Atelier Avanzar, 2016). This is achieved by taking actions to promote self-determination and economic autonomy through business creation and educational workshops. Like Hearts of Gold, Fundacion Avanzar has partnered with many organizations to broaden its impact. However, unlike our sponsor, Avanzar simply collaborates with these institutions instead of providing support and logistics. Through relationships with established pillars of Cuencano society like the University of Azuay, the University of Cuenca, and the Vicente Corral Moscoso hospital, Avanzar is able to provide extensive programming and offer courses to train women in business ownership.

As a part of their commitment to developing women's opportunities, Avanzar has created multiple courses to improve the skill sets of economically vulnerable women. These courses are supplemented in turn by 6-module business courses from the University of Azuay and computer courses from the University of Cuenca (Atelier Avanzar, 2016). Through completion of these modules, women gain a rudimentary understanding of business topics such as financial literacy, marketing, and entrepreneurial ventures. Using this knowledge, they can then increase their own marketability or go out on their own to seek new economic opportunities. To help achieve this end, Fundacion Avanzar established its own microbusiness known as Atelier Avanzar. Founded in 2009, this business was created to provide women with a way to exchange entrepreneurial ideas, teach themselves new skills, and work to make and sell unique, high end products. Instead of making many cheaper products, Atelier focuses on making quality handbags that can be sold for a high amount yielding a decent return. In the creation of these bags, the organization is dedicated to sustainable and ethical production which is an important consideration for both the local community and future sales pitches. Additionally, Atelier emphasizes the significance of maintaining cultural traditions and combines them with modern business practices (Atelier Avanzar, 2016).

This idea of alleviating poverty through small business creation is not a novel concept and has been implemented successfully over the past few decades. It is unknown when and where the first microbusiness was established but the idea was popularized by Nobel Peace Prize winner Muhammed Yunus in 1976. Beginning his work in Bangladesh, Professor Yunus began an "action-research" project based on the idea of lending small amounts of money or "microcredits" to the poor allowing them to fund their own businesses and create self-sufficiency. This project eventually became a micro-lending institution known as the Grameen Bank that now has a client base of 7.5 million of which 97% are impoverished women (Muhammad Yunus, 2016). For additional information on Microbusinesses in Ecuador see Appendix A2.

## **Market Trends and Resources**

Despite the issue of poverty in Ecuador, the country is still able to produce a variety of necessary exports that are distributed all over the world. The current market trends are favoring products advertised using social enterprise marketing methods. Furthermore, Cuenca's location in the Andes supplies a multitude of high end materials. What if these marketing strategies combined with local materials and skills were used to create a business that could provide a greater income for women?



According to a marketing professional for a global company the current trends are more focused on style and desirability (anonymous, 2016). Now more than ever consumers are purchasing products based off their brand, advertising, and celebrity association. This is most likely due to the exponential growth in social media usage in the past ten years. With this being said, it is also known that 56% of U.S. consumers have stopped buying from companies they believe are unethical (Trahant, 2015). If this is the case, how are these companies so successful in the global market today? Most companies have started applying social enterprise marketing methods to their products combined with the modern marketing trends previously stated. Products are being advertised by celebrities in ways they have never been before. Advertisements are touching less on the celebrities “cool factor” and more on how relatable a celebrity can be. Advertising that a percentage of proceeds upon purchase of a product go towards a foundation or cause creates a perfect storm in the global market. However, sometimes having a brand name associated with a product can be detrimental. 49% of consumers trust smaller companies to do the right thing (Trahant, 2015). This is comparable with the 36% who trust larger companies to do the right thing (Trahant, 2015). Lastly, it can also be noted that the most commonly considered factor when determining a company’s ethics is the treatment of employees. By summarizing these statistics, one could say the most desired product is one created for a cause by employees who are treated in an ethical manner. Thus, a product that will be created by poverty struck woman in Ecuador, where the proceeds will go directly to them, will give the product a very good chance of success in the current global market. For a successful example of this concept see Appendix A3.1.

The Andes are particularly known for their rare types of wool. Vicuna wool and alpaca wool are both sold in the U.S for outrageously large amounts of money. To find out more about Vicuna wool see Appendix A3.2. Alpaca wool is not as expensive as vicuna, but is still considered a luxury material. In fact, the fine wool has begun to make an appearance on the runway, with brands like Louis Vuitton and Versace showcasing alpaca wool over classic cashmere pieces (Avins, 2014). The cause of this trend? Cashmere has gone from being a luxury item to mainstream fashion, causing products to be produced with less quality (Avins, 2014). The fashion industry has filled this void by utilizing alpaca wool. Similar to cashmere, alpaca is a luxurious feeling natural fiber. It is just as durable, if not more, compared to the cashmere goat’s coat. Although the material is cheaper than cashmere to create, the Incans believed its worth surpasses even that of gold and silver (Avins, 2014). To view the ethics behind alpaca wool is considered to have a lighter environmental footprint compared to the cashmere goat. High in the Andes, the alpaca has a lighter balanced touch that does not kill or disturb plants, and the alpaca’s quality of life see Appendix A3.3. Lastly, a sweater created from alpaca wool can cost anywhere from \$150-\$200, making it a little more affordable compared to vicuna wool, but just expensive enough to be considered a high-quality product (Avins, 2014).

## **Value Chain**

Manufacturers create value by acquiring raw materials and using them for products. This is a component in the goal of our product. Michael Porter's value chain model, which can be found in Appendix A4 (Figure 8), helps to analyze activities through which companies can create value. The primary activities of the value chain are inbound logistics, operations, outbound logistics, marketing and sales, and firm infrastructure ("Porter Value Chain," 2010). All of these primary steps are extremely important to the value chain and need to be taken into consideration during every step of this project.

The chain starts off with inbound logistics. Inbound logistics are the transport, storage and delivery of goods that are coming into a business. This can have a great impact on the bottom line so it is important to keep in mind the cost that is associated with transportation and warehousing when developing the product. The next step in the chain is operations which includes packaging, assembly, testing, and all other value creating activities that transform the materials into the final product. This is

where the women who Hearts of Gold hopes to help come into the picture because they will be assembling the product. The next step is outbound logistics. This is where the finished product gets sent to the customer, which includes warehousing, order fulfillment, transportation and distribution management. In this stage, it is important to decide if the product is something that should be marketed locally or internationally. After this is marketing and sales, which involves activities associated with getting buyers to purchase the product through advertising, selling, pricing, and retail management. The last step in the value chain is customer service. This activity maintains and enhances the product's value through customer support.

The supporting activities of procurement, technological development, firm infrastructure also play a big role in the success of a product ("Porter Value Chain," 2010). These support activities are important to keep in mind when developing the product and are key to creating value in it. Procurement is gathering the raw materials needed for production. Technology development supports the value chain through research and development and redesign of products. Human resource development is associated with recruiting, training and retention. The training of the selected women from the Azuay province will fall into this category. Lastly, firm infrastructure includes the structure of management, quality management, legal, finance, and accounting.

## **Funding**

To make the product ideas a reality, sources of funding to initiate the start of the business must be found. There are many different sources of funding which include grants from American non-profit organizations, microlending, investors and crowdfunding. American non-profits are allowed to make donations and grants to foreign NGOs that have the same missions and vision, like Hearts of Gold. An American non-profit that could be a potential donor for Hearts of Gold is the Global Fund for Women. This organization funds women's initiatives around the world, specifically providing startup money in return for a share in the company (see Appendix A5.1 for more information).

Another source of funding is microlending. Microloan are loans of up to \$50,000 and tend to work well for small women owned businesses (Microloan Program, 2016). There are many microfinance institutions that focus on women entrepreneurs around the world. To obtain a microloan, the credit history of Hearts of Gold would need to be analyzed. The amount needed to sustain the business would determine whether or not a microloan could be taken out. To execute this the startup costs and number of employees will need to be defined to meet the requirements for a microloan as well as interest rates and terms to determine whether it is feasible. A microloan would be a last resort for this project, however, they are currently impacting small businesses in a positive way and should be taken into consideration when deciding on a form funding. See Appendix A5.2 for more information on microlending.

There are many different types of potential investors, venture capitalists, LGTVP (Liechtenstein Global Trust Venture Philanthropy), and angel investors. Venture capitalists provide a form of financing through investment firms that help fund small emerging companies deemed to have high growth potential, or have already demonstrated growth. These firms invest in exchange for equity (an ownership stake) in the emerging company, then they later take an active role in the company (Understanding Venture Capital, 2016). These venture capitalists take on the risk of the company in the hopes that their investment will be successful providing them with a profit. LGT venture philanthropy focuses on improving the quality of life for less fortunate people in the developing world. They strive to solve the world's social problems through their investments (LGT Capital Partners, 2016). Lastly, angel investors invest in small startups or entrepreneurs, typically done with their personal funds. They provide more favorable terms than venture capitalists and are more focused on helping businesses take their first steps versus making a

fast profit (Understanding Angel Investing, 2016). These types of funding would be the best options for Hearts of Gold since the investor would take a personal interest in helping the business succeed.

Crowdfunding is the practice of funding a project or venture by receiving many small donations from a large number of people. This is typically done on a web based platform. Crowdfunding is ideal for Hearts of Gold since their mission is very relatable across the globe. There are three main reasons why people support a crowdfunding campaign: they connect to the greater purpose of the campaign, they connect to a physical aspect of the campaign like rewards, or they connect to the creative display of the campaign's presentation (What Is Crowdfunding And How Does It Benefit The Economy, 2012). These points are all very important when trying to create a successful campaign.

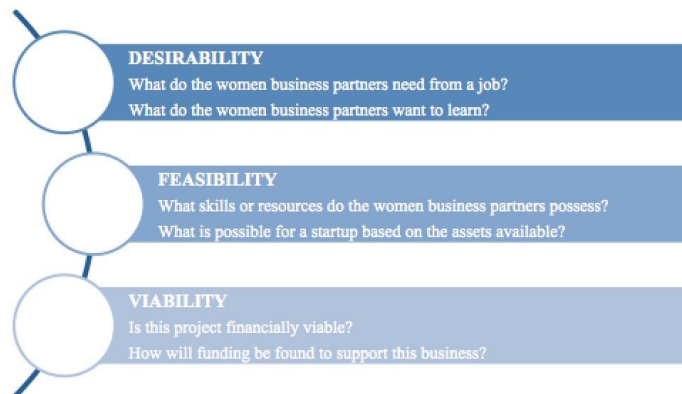
## METHODOLOGY

The main goal of this project was to create a business plan that is based on market research about potential participants, customers, and products to develop high-end couture using local resources and skills that women in the Azuay province have. This project encompassed four main objectives, which are stated below.

### Objectives:

1. *Determine potential business partners and assess their skills and resources.*
2. *Investigate potential high-end product ideas. Specify associated materials, production time, processes, and cost.*
3. *Research grants and methods of funding the startup costs of the business.*
4. *Develop a business structure based off other successful companies in the region with similar objectives and markets.*

This project was based on a human centered design (HCD) approach. This involved assessing a project through the three lenses of desirability, feasibility and viability (Design Kit: The Human-Centered Design Toolkit, 2009). Below is a diagram of each step of the human design process with relevant questions to the goal of this project.



**Figure 1:** Visual representation of the HCD process (adapted from Design Kit: The Human-Centered Design Toolkit, 2009)

The first step of this process was to assess desirability based on the perspective of the people that the business affects the most, namely the women who will become the business partners ("Design Kit: The Human-Centered Design Toolkit", 2009). The next step was to determine what the organization can feasibly accomplish and the final step was setting financially viable limits ("Design Kit: The Human-Centered Design Toolkit," 2009). This process laid the groundwork for what types of product ideas would

be achievable and what type of business structure would be most suitable. This human centered methodology focused on the women, as shown in the first objective, and then built upon that information in the following objectives. The timeline for the methodology is outlined in a Gantt chart, which can be found in Appendix B1. Within this human-centered design approach it was important to consider the methodology from an ethical perspective. To maintain an ethical process throughout the project, it was imperative to establish that all project participants were comfortable with their role and consented to their participation. Additionally, an ethical methodology also considered the information that was published and linked to certain people. This could potentially have negative effects and mitigating this was an important ethical consideration.

### **Determine potential business partners and assess their resources and skills.**

The first objective of this project focused on determining who will be involved in the startup and continuation of this business. This required finding the major participants and then assessing their skills and resources to design a business model which best suited their interests and expertise. In the interest of a human-centered design process, there was a focus on what type of business and product development would be most desirable for this group of women. From there, the most feasible type will be determined (Design Kit: The Human-Centered Design Toolkit, 2009). Additionally, a similar approach in assessing skills and resources was taken with the other partners involved in the startup of this business, namely the sponsor, Hearts of Gold, and the Design School at the University of Azuay. Each of these actors are important in the success of the business.

The overarching methodology for this objective was a strategy called asset mapping. This attempted to "document the tangible and intangible resources of a community" (Kerka, 2003, p. 1). This was the most useful method because it allowed an individual's situation to be incorporated to create a realistic picture of the entire community. The assets within an asset map can be "persons, physical structures, natural resources, institutions, businesses, or informal organizations", which have been reorganized to be more relevant to the business partners for this project (Kerka, 2003, p. 1). The categories used for this project include physical spaces, education, labor, materials and equipment, skills and training, relationships and people.

Asset mapping created a comprehensive overview of the individual resources and skills within the community of women, Hearts of Gold, and the University of Azuay Design School. The first assets evaluated were those of the women business partners, including job history, current employment, education/job training, and resources or skills. The second group of assets focused on the sponsor, Hearts of Gold. The last part of this objective evaluated the assets of another potential business partner, the Design School at the University of Azuay. Each asset category was also assessed using formal research of Cuenca's available resources.

To collect this data to create the asset map a group of women was identified by Hearts of Gold. These women, along with Hearts of Gold employees and students or professors from the University of Azuay Design School were asked to participate in the interview process. We conducted purposive sampling to find a population of women who would be interviewed (Mack, Woodsong, MacQueen, Guest, & Namey, 2005). Once a group of women agreed to participate in the interviews, the data collection process began. Data collection occurred using two main methods: semi-structured group interviews and individual interviews with the women. Semi-structured interviews were the best method for collecting this data because they considered each individual's perspective, but allowed for diverse responses from the entire group (Mack, Woodsong, MacQueen, Guest, & Namey, 2005). Free response was key in assessing resources and skills because outside researchers could not possibly come up with all possible responses to questions. Due to the variety of answers a semi-structured interview allows the

interviewee to discuss whichever topic at whatever length to gain an accurate picture of all resources. The categories of the asset map informed what types of questions were asked in interviews. The full set of interview questions is outlined in Appendix B6. Interviews with the community of women and Hearts of Gold were recorded for use in a marketing video. Recordings were only taken after written or verbal consent was obtained from each individual.

For the Design School interviews, a similar approach to the interviews with the women was used except that it focused more on specific design resources, such as machines, training, and product design ideas (Appendix B7). The last set of interviews also followed the same approach, but focused on Hearts of Gold's mission, physical spaces, business knowledge, ideas about the business startup and any future additional support (Appendix B5).

In addition to the interviews, the second method of conducting formal research of each asset category was imperative in providing a more comprehensive asset map. This involved observing and assessing resources that Cuenca and surrounding areas have to offer (Appendix B2).

Once interviews and formal research were conducted, all responses were recorded in a table categorized by type of asset described above. While this approach was a comprehensive overview of the resources and skills that business partners will bring to the project, it was also seeking to address the assets which are undiscovered but could ultimately support a female led business. However, one limitation of this research was that it heavily relied on the group of women willing to be interviewed. This may have skewed some of the results in a certain direction which may not necessarily be indicative of a whole group of women who would be involved in starting this business. Additionally, the research about resources in Cuenca was dependent on the number of connections, retailers, and people that we were able to find and assess.

### **Investigate potential high-end product ideas.**

To determine trending high-end products and the process time and cost associated with manufacturing, interviews, and external research were conducted. Specific methods include interviews of Ecuadorian and American high-end retailers, netnography as a form of market research, research and observations on local materials and products, and interviews with design students from the University of Azuay (Appendix B6) (Rocca, Mandelli, & Snehota, 2014).

The first portion of this objective aimed to acquire a retailer's perspective on the types of products that are trending and on the rise. These interviews took place at high-end boutiques in both the United States and Ecuador. The first step for this method was to formulate a list of interview questions, which can be viewed in Appendix B9. After question formulation, the retailers were chosen through online research and recommendation of popular boutiques in Portsmouth, New Hampshire and Cuenca, Ecuador. Once a list of retailers was defined, they were contacted, and interview times were arranged. With the information received in the interview, data was compiled to determine a high-end foreign product. This interview process not only provided insightful information, but also created a network of contacts who could potentially sell the product in the future.

The second method to retrieving data that aided in the determination of a product is a form of study known as netnography (Appendix B4.1). This type of research helped to determine what types of products are most desired on a global scale. What is selling out the fastest on high-end retailer websites? What products have the best reviews? What products have produced negative feedback? Netnography answers these questions through the observation and participation of high-end fashion blogs, forums, and product reviews.

Additional research and observation of local products while in Ecuador was also conducted to provide perspective from an Ecuadorian standpoint. This included investigating local markets for ideas that could become a high-end product. Furthermore, local high-end businesses were explored, including Ambrosia, Atelier Avanzar, and Manos Del Mundo.

The last portion of this objective involved analyzing each high-end product idea based on production time, production cost and materials necessary for development. A spreadsheet for each idea was created. Within this there were specifications about raw materials needed, equipment needed, and the total time it takes to produce one of these products. All of these details were compiled through the interviews with the Design School, as well as observation of costs of raw materials in Cuenca. The total production cost and selling prices were also compiled to compare each product idea.

### **Research grants and methods of funding the startup costs of the business.**

For the third objective we explored funding options for the project. Funding is a key factor in making this business idea a reality. The options for funding included receiving a grant from a non-profit organization, setting up a crowdfund, locating investors, and taking out a microloan. For a non-profit willing to grant money to Hearts of Gold to be found, there needs to be a common mission or link between them. For a connection to be found, research was conducted about organizations similar to the Hearts of Gold, located in the United States, Canada and Europe. These organizations were found through grant websites like grantspace.org and grantwatch.com. In the future, connections can be made to these non-profits by reaching out and explaining the project Hearts of Gold is initiating and what funds are necessary for creation.

Crowdfunding takes place online through different social media platforms. To grow a successful crowdfund, a realistic funding goal was determined. To execute this, a plan was created to ready the crowdfunding campaign for launching. To attract potential donors, campaign tools such as videos and films were developed to help potential donors understand the cause and relate to it. The crowdfund was created through Kickstarter© since it is one of the largest platforms in this area. Once launched, the campaign process will require constant online and over the phone promotion to look for supporters and answer questions. Similarly to a Kickstarter crowdfund, an additional source of funding, Heifer International, could be a good source of funding, depending on the product (Appendix B5.1).

Another source of funding could potentially come from locating an investor. In order to locate an investor, research was done to find someone who is passionate or interested in the company's mission and goal. Whether this investor is a venture capitalist, LGT venture philanthropist or an angel investor, the most important factor is that the investor is invested in the cause. To determine what a potential investor is looking for we reached out to a former venture capitalist whose contact information is accessible. Once that information was obtained the materials of the potential business were packaged to appeal to the different types of investors.

### **Develop a business structure based off other successful companies in the region with similar objectives and markets.**

With objectives 1-4 complete, Hearts of Gold will have an accurate picture of their business partners, potential products, and sources of funding, but will need a business plan to encapsulate all of this information. This last objective serves as a "How To" guide on how to establish, supervise, and grow the fledgling business. It takes into account the appropriate procedures for filing this new business with the government, identifying successful qualities of similar businesses, organizational structure, and logistics.

The first step in carrying out this objective examined the legal process of establishing a new business in Ecuador. To accomplish this, preliminary data about this process was retrieved online from reputable organizations. According to the World Bank, small businesses of 10 to 50 employees must comply with a comprehensive list of 11 procedures requiring interaction with multiple agencies and lawyers ("Starting a Business in Ecuador," 2016). The business plan takes this into account and includes a timeline for the establishment of the business. To fully grasp the finer details of this process and identify any loopholes that can be taken advantage of, contact was made with local businesses that have already gone through the process. By interviewing a wide variety of enterprises including Ambrosia, Tagua by Treats, and The Vegetable Bar, information was collected detailing the nuances of the legalization and start-up process. These interviews utilized a semi-structured format where questions guided the conversation but representatives were free to elaborate and tell the story of how they established their business. Full meeting agendas and interview questions can be viewed in Appendix B6.

The second method, crucial to formulating a business structure for Hearts of Gold, was to determine the best organizational structure for the business. Having a role for every individual to play in the business is imperative for success, as each part of the operation (procurement, product assembly, marketing, distribution) must have clear responsibilities and objectives. Additionally, there must be some semblance of a hierarchy (ie: supervisors/managers) to maintain order and efficiency. Along with a general organizational chart, individual/departamental responsibilities were established and recorded to improve accountability and ensure that all tasks are covered. To obtain this information, online resources were utilized to develop a rough outline of how other similar business initiatives have operated their enterprises. Additionally, specific operational questions were asked during interviews with the above mentioned businesses to determine the best method of maintaining and growing a business.

For the third and final method, daily operations, logistics, and distribution channels were sought out and developed. The operational/distributional logistics of this enterprise is a key aspect of the business plan as the production methods, shipping, third party distributors, and transit time will all have a significant effect on profitability and the bottom line. To ensure that the company adopts successful business practices in this respect, we sought out advice from operational management pundits and local businesses. To begin acquiring this knowledge, the group began in the U.S. by interviewing the head of the Industrial Engineering Department, Amy Zeng, with questions shown in Appendix B6. This interview was once again semi-structured to allow professor Zeng to share her experiences with us and guide us in the right direction. In addition, the e-commerce business Tagua by Treats was interviewed to see how they manage inventory and distribution from online sales since the Hearts of Gold business will most likely be conducting business through the website we created. By combining the academic knowledge of professor Zeng and the real world experiences of Tagua by Treats, we devised a distribution and logistics strategy to aid in value delivery for the Hearts of Gold business.

## **RESULTS**

Our results are organized into categories that are as follows: choosing a product, determining an appropriate business structure, marketing the business and funding the business. First, a company is based on the products that it sells, thus, an investigation of product desirability from the perspective of the potential female business partners is the first point of analysis. Next, the target audience, and potential products are discussed including startup costs and projections to reach the break-even point (BEP). Following this is an overview of the company's legal structure, establishment, management, and logistics, which all determine what would be necessary to legally start a business. The last sections relate to marketing and funding to make this business a reality. Following a human-centered design process, involving each step of desirability, feasibility, and viability, throughout the methodology was an integral aspect of the project, which is also reflected in the results. These results ultimately support the creation of

a business which will potentially provide economic independence for marginalized women and their families.

## **Target Audience, Business Partners & Product Assessment**

### ***Target Audience***

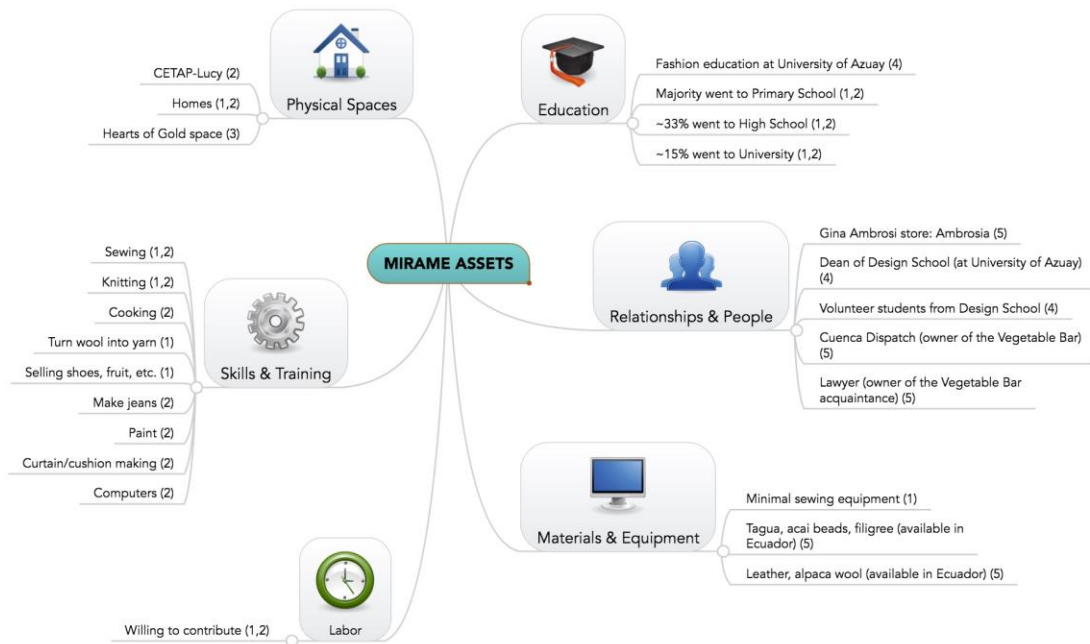
The ideal target audience for this business is comprised of consumers in North America, Canada, and Europe. This was influenced by the wishes of Hearts of Gold and their experience with local artisan crafts which do not provide a significant profit. Additionally, this target audience was determined based on the proven success of similar business models of selling abroad that are currently successful. For more detail on current businesses that sell to this target audience, see Appendix C1.1.

### ***Determining a Product***

After specifying the target audience, the product idea was the next essential step to break into a high-end market. Product ideas were brainstormed and then narrowed down based on information from multiple interviews, asset mapping, price analysis, and startup cost analysis of each product. Originally, three main products stood out as viable options: shoes, scarves and jewelry. However, after complete product analysis, the team chose jewelry as the final product contender.

The first part of the product and market research began with brainstorming all possible product ideas, including shoes, bags, accessories, scarves and jewelry (from interviews found in Appendix D2 and D4). After all product possibilities were compiled, the next step was to choose one product idea. One of the most important aspects about choosing a product was determined by the skills and resources that the women already had access to or were interested in developing. The skills that the women want to learn relates to the desirability portion of designing this business so that it remains focused on the female business partners. Additionally, this evaluation of the current resources relates to the feasibility of the project, which encompasses what product is technically and organizationally possible to produce. These skills and resources were compiled into an asset map from interviews and formal research, as shown in Figure 3 below. The final table of asset research was analyzed for frequency and usability in product creation (the full table of asset research can be found in Figure 10, Appendix C1.2). This asset analysis indicated common theme among the group of women and Cuenca, supporting the desirability and feasibility focus while also aiding the process of choosing a practical product for this business.





**Figure 2:** Asset Map of business partner's resources and skills

There was an emphasis on the resources or skills that showed up most frequently because it indicated a common theme among the group of women and Cuenca, which could be leveraged to find the product that fits best. Additionally, assets that are highly usable in terms of developing a high-end product were also highlighted because they could be the most useful in actual production, therefore supporting the feasibility of the business. This analysis indicated which products are most practical for this business based on available assets.

Based on the interviews with the women and the asset map, there are a limited number of resources available amongst them (Appendix C1.2). The most frequent equipment was a minimal amount of sewing equipment and some access to computers (Appendix C1.2). However, in terms of skills, there were many overlaps in training and what the women hoped to learn from this business. The most common skill was sewing/knitting, which lends itself to the product idea of a scarf. Additionally, many at both El Arenal and CETAP-Lucy were interested in jewelry making as well (Appendix D6 and D7). The women's interests and current skills suggest that both scarves and jewelry could be effective product ideas.

Each product would also require a certain amount of training to use the manufacturing equipment. In this area it is again important to consider the asset map and the feasibility of a product which may require extensive training or expensive equipment. Since some women may already have access to sewing equipment, startup costs could be minimized for scarves or other clothing. This would reduce initial costs, but equipment could be much bulkier and harder to transport, based on observation of the equipment when scarves are made in artisan shops in Cuenca. Jewelry, on the other hand, would have a small amount of equipment, which was indicated during the interview with the business owner of Tagua by Treats (see Appendix D4). This is extremely important because one of the main points of the asset map was that there are very few physical spaces readily available for manufacturing. This suggests that it would be easier for products to be made at home, which means that equipment would need to be portable and not as expensive if every woman needs one to participate in the business. Therefore, both scarves and jewelry have benefits in terms of training and equipment accessibility and costs.

After conducting the desirability and feasibility product analysis using the asset map, the products (including scarves, jewelry and shoes) were further analyzed based on a price assessment. This relates to the financial viability of the project because in that a product must make enough profit for the business to be sustainable. The average prices of the three main products being analyzed being analyzed found from fair trade stores online were found from fair trade stores online and then compared to the average prices found in Cuenca. The prices from fair trade stores online were used as best estimates for what products could be sold for, as shown in Table 1 below. Prices would be similar because fair trade stores are a potential method for selling future products. The full fair trade store averages can be found in Figure 11, Appendix C1.3.

Product	Price (Fair Trade Stores)	Price (in Cuenca)
Shoes	\$48 (Juntos)	\$40
Scarves	\$60	\$8
Necklaces	\$81	\$10
Bracelets	\$45	\$1
Earrings	\$56	\$5

**Table 1:** Table of price point comparisons between fair trade stores and stores in Cuenca

Based on this price point analysis, shoes are not the best product for this business to sell because of the low difference in cost. Generally, products in Cuenca cost much less than what they would be sold for abroad. If there is a small price difference, there may not be a large enough profit abroad for a business to succeed. The cost of shoes from Gualaceo, a town near Cuenca, is comparable to what they might sell for in a company abroad, such as Juntos. Therefore, it would be harder to make a large profit margin with this product even if selling abroad. Additionally, shoes are harder products to make unique while still appealing to a variety of consumers. This lack of variety in combination with increasing startup costs due to more equipment and training makes shoes an unappealing product option. Furthermore, in the interviews with the women there was no mention of a desire to learn how to make shoes. If the women aren't invested or motivated to create products then the business will not be successful. In our survey of the business's target audience, shoes were the second highest most popular product when asked what product they would be most likely to purchase (Appendix D8). However, the above factors of lack of profit, lack of distinctive features, high startup costs, and low desire from the women to produce shoes outweigh those survey results, making this product impractical.

After eliminating shoes as a product option, the next products to analyze were jewelry and scarves. First, the analysis of the target audience survey results were again considered to focus on the desirability of products from a consumer perspective. This allowed us to investigate which product would be more popular or more likely to be purchased. Jewelry was the most popular product, garnering 44% of votes for which product they would be most likely to purchase (Appendix D8). This demonstrates that there is a market abroad to sell these products successfully. In comparison, scarves were the third most popular product at 21% (Appendix D8). This lower popularity could be the result of the idea that most consumers do not think of scarves as a high end product. However, with a novel product and successful marketing, this has the ability to change with additional advertisement and branding effort.

Both products have the potential to sell in the target audience market based on the survey results. Both have a significant difference in prices between fair trade stores and the artisans in Cuenca. However, there are different raw material costs and, therefore, different business startup costs for each product. This is important to consider in choosing a product because it can indicate profit margin and the future financial stability and success of the business.

The startup costs for this business were compiled using many different resources. These include Gina Ambrosi, the owner of Ambrosia, a small store in the old city district of Cuenca that sells high end products all produced in Ecuador. She based her predictions by the experiences she had opening her own small business. Another resource was Shela Cooper, a fashion student at the University of Azuay who has started her own brand (Appendix D2). She designs and produces everything that she sells. Additionally, Ande Axelrod is a women from Canada who started her own tagua company, Tagua by Treats, and comes to Ecuador to find raw materials for her jewelry business. The third resource was an owner of an alpaca farm who sells alpaca wool at wholesale prices. Lastly, web based research was conducted to fill in the gaps from the information that was received through interviews. Below, in Table 2, is the estimate of how much it would cost to run this business for a year, depending on the product and providing low and high estimates.

	Jewelry Low	Jewelry High	Scarves Low	Scarves High
<b>Legal Process</b>	\$700	\$1,400	\$700	\$1,400
<b>Education</b>	\$15,000	\$15,000	\$15,000	\$15,000
<b>Warehousing</b>	\$6,000	\$12,000	\$6,000	\$12,000
<b>Raw Materials</b>	\$2,000	\$5,000	\$2,000	\$6,000
<b>Machinery</b>	\$10,000	\$20,000	\$10,000	\$20,000
<b>Designs</b>	\$0	\$10,000	\$0	\$10,000
<b>Marketing</b>	\$15,000	\$25,000	\$15,000	\$25,000
<b>Salary</b>	\$56,000	\$56,000	\$56,000	\$56,000
<b>Cost Estimate</b>	<b>\$104,700</b>	<b>\$144,400</b>	<b>\$106,700</b>	<b>\$145,400</b>

*Table 2: Table of estimated low and high startup costs for both jewelry and scarves*

All calculations are based on a business with ten female employees, which is factored into the education, machinery and salary estimates.

**Legal Process:** According to Doingbusiness.org the cost of the total legalization process is approximately \$1,400 with legal fees included. However, Mr. Soares estimated a slightly lower amount of \$700 to \$1000 in registration and legal fees depending on the lawyer you use based on his experience going through the process.

**Education:** According to the Association for Talent Development’s 2014 State of the Industry Report, organizations spend an average of \$1,208 per employee on training and development. For companies with fewer than 500 workers, that number is even higher, coming in at \$1,888 per employee (The True Cost of Employee Training, 2015). Also when talking to Mrs. Ambrosi she estimated that educating the 10 Ecuadorian women in a trade they are unfamiliar with will cost roughly \$15,000 which is about 1,500 per employee.

**Warehousing:** Warehousing on the outskirts of Cuenca can be found for about \$6,000 to \$12,000 per year, which are the high and low estimates in Table 2 (Warehousing in Cuenca, 2016). Warehousing would be used for equipment, material and product storage.

**Raw Materials:** The raw materials can cost between \$2,000 and \$6,000 per year depending on the product and materials needed to make it. Mrs. Axelrod stated that it costs her about \$2,000 in raw materials per year for her tagua jewelry business, which is the number used in the jewelry estimate in Table 2 (Appendix D4). However if the material being used are silver the cost will increase significantly because it costs \$18.92 per ounce or \$0.59 per gram (Silver Prices Today, 2016). The owner of an alpaca farm in Cuenca told us that they sell 800 grams of alpaca wool for roughly \$20.00, but the price per gram decreases if more wool is bought. However if cotton is used that can decrease the price per gram

significantly. According to world cotton price 2016, 800 grams of cotton sells for \$1.20 (World cotton price 2016 | Statistic, 2016). The price raw materials is slightly overestimated to account for potential shipping costs.

**Design:** Designing products can cost up to \$10,000. When talking to Ms. Cooper, she stated that the typical salary of a designer in Ecuador is around \$10,000 per year (Appendix D2). However, if this business is able to establish a partnership with the University of Azuay, the designing could cost \$0. This would be achieved through the creation of a class where students could design for Mírame and staff could decide which designs to proceed with. Alternatively, students who are interested from the University of Azuay could volunteer their time as designers in exchange for their designs being sold internationally.

**Machinery:** Machinery can cost roughly \$1,000 to \$2,000 per employee, depending on what portion of the manufacturing they are working on, according to Ms. Cooper (Appendix D2). She said that most machinery gets imported, which makes the tax high and, therefore, the overall cost increases.

**Marketing:** Marketing, which includes merchandising and branding, can cost anywhere from \$15,000 to \$25,000 according to Mrs. Ambrosi (Appendix D3). Again, this cost has the potential to be decreased if students from the University of Azuay participate in the graphic design and branding of Mírame.

**Salary:** The average salary \$350 and up a month for an 8 hour work day, is sufficient to cover the basic costs of living in Ecuador (Working in Ecuador, 2016). Because the women that Hearts of Gold is trying to employ are single mothers we increased the pay to \$400 per month which equals \$5,600 per year. Businesses in Ecuador must give their employees a thirteenth annual salary known as the Christmas bonus and a fourteenth annual salary to help them pay tuition for their children's school. (Labor and Employment Desktop Book, 2010). Overall, Ecuadorian employees receive 14 months' worth of pay per a one year period so this was taken into account with the calculations.

In comparing these two products, the difference in the high estimate of startup costs is only a \$4,000 difference. This is not incredibly significant in terms of the amount of money needed to fund a business even if built around different products. Below is an estimated projection of how many products would need to be produced to offset any startup costs. This essentially gives an idea of how much would be needed for the business to break even, which is necessary for the business to survive.

#### **Jewelry Projection**

Selling Price	Raw Material Cost	Profit Per Necklace	Total Startup Cost	Total Necklaces
\$100.00	\$2.00	\$98.00	\$144,400	1,473

**Table 3:** Table of projected number of necklaces to be sold to reach break even point

According to the product price point analysis (Table 1), the average price for a necklace was about \$81.00. However, taking into account that Hearts of Gold would like to create high end couture for this project, each necklace should be sold for more at about \$100.00. Subtracting the raw material cost from the selling price, the total profit per scarf would be \$98.00. Using the high estimate for a jewelry business startup cost of \$144,400, it can be extrapolated that 1,473 necklaces would need to be sold in the year to break even.

#### **Scarf Projection**

Selling Price	Raw Material Cost	Profit Per Scarf	Total Startup Cost	Total Scarves
\$85.00	\$3.00	\$82.00	\$145,400	1,773

**Table 4:** Table of projected number of scarves to be sold to reach break even point

According to the product price point analysis (Table 1), the average price for a scarf was about \$60.00. However, taking into account that Hearts of Gold would like to create high end couture for this

project, each scarf should be sold for \$85.00. If the raw materials cost \$6,000 for 300,000 grams of wool then the cost to make each scarf would be \$3.00 (based on the fact that there would be about 150 grams in each scarf) (Alpaca Things Store). The profit per scarf would be \$82.00 and based on the startup cost of \$145,400, the business would have to sell 1,773 scarves. Using a different projection method, if all 300,000 grams of wool were used it would make 2,000 scarves. The profit from this would be \$164,000 creating a net profit of \$18,585 (after subtracting the startup cost of \$145,400).

One of the main differences between these projections is the number of products that would need to be sold. There would need to be 300 more scarves sold than necklaces in order to offset startup costs and that doesn't include making any further profit to support operational costs and expansion of the business. This is a fairly significant difference in number of products that need to be sold. These projections indicate that jewelry may be the better product to sell because of the lower startup costs and fewer that need to be sold to break even.

From the break-even projection, the business must sell 1,473 necklaces within one year. One of the factors is an evaluation of the growth of the industry to ensure that the business will be sustainable long-term. The jewelry industry is expected to grow "5% to 6% per year... according to a 2014 report from consulting firm McKinsey & Co" (Jewelry Stores Industry Profile). Another source, IBISWorld, estimates that the industry GDP (gross domestic product) is expected to increase 2.2% annually from 2011 until 2021 (Jewelry Stores in the US: Market Research Report). Both of these projected statistics, both in industry growth and in the financial growth within the industry, suggest that there is room for a new jewelry business to succeed.

### **Designing the Product**

Based on the above discussion, jewelry was the more popular product in the survey, has the ability for unique designs, has lower startup costs, and is more accessible for the women (in terms of manufacturing from home) as compared to scarves. Due to these factors, this is the product that the business will begin to develop and sell in the future. With the product category narrowed down, the next focus was on designing what potential products would look like. To represent the business's heritage in Ecuador it was important to design a modern high fashion product that was also culturally characteristic. Inspired by all cultures of Ecuador, one of the product ideas was to create four different types of jewelry. More specifically, there would be four jewelry lines, each representing one of the four main regions of Ecuador: the Amazon, the Andes, the coast, and the Galapagos. Below are product ideas for each of the regions, based on available materials and popular designs. In Table 5 below, raw materials are listed for each region. Additionally, in Figure 4 below, there are examples of what necklace designs from each region could be.

<b>Amazon</b>	<b>Andes</b>	<b>Coast</b>	<b>Galapagos</b>
Tagua (a nut found in the Amazon)	Beaded necklace	Spondylus (a shell found in the ocean that used to be used for money)	Crystal

**Table 5:** Potential raw materials for each of the four regions



Figure 3: Necklace designs based on region

## **Company Legal Structure and Establishment**

### ***Optimal Legal Structure***

Due to the legal protection and export flexibility it provides, the new legal entity of the business should be a *compañía limitada* (limited liability company). Choosing the best legal structure was an imperative step in determining the organizational feasibility of the business, which was the second step in the human-centered design process. To hear first-hand what it takes to start a business and how the process works, the group set up an interview with Michael Soares, a local ex-patriot business owner, who owns the Vegetable Bar (a restaurant) and the Cuenca Dispatch (a newspaper). During the interview with Mr. Soares, the group discussed the economic and legal climate of Ecuador. He explained that most small businesses in Ecuador fall under the category of a *rise* (sole proprietorship), a *compañía de hecho* (limited partnership), or a limited liability company. The first type of business is a sole proprietorship in which a single person owns and usually runs the store. Sole proprietorships are very easy to set up, but offer little to no protection for the owner during bankruptcy. If this occurs, the bank can seize personal assets leaving the owner with no assets. The next type of business entity is a limited partnership in which two or more partners create an agreement or deed which acts as the constitution for the business when approved by a civil provincial judge. The advantages of this form include a relatively quick set up process and limited liability protection for lesser partners while the main partners should unlimited liability. Lastly, new businesses may take on the form of a limited liability company, which provides robust legal protection for its individual members. In addition, this legal entity also provides for product exportation to foreign countries allowing for greater market distribution (Doing Business and Investing in Ecuador, 2006).

Since it would be undesirable to expose the women to legal risk during this new business venture, a limited liability company would be the best fit to protect the women and partners from any negative repercussions. Additionally, since the business will be distributing the majority of its products to the U.S., Canada and Europe, it is crucial that the legal entity provide for export capabilities. A different way around Ecuador's strict export laws would be to set up a partnership with a third party distribution company. HOG could then simply establish a limited partnership where the women manufacture the goods then the distribution company manages the exportation. However, this eliminates the complete protection from legal ramifications which would leave the already marginalized women even more exposed to financial troubles. Thus, while the partnership with a 3<sup>rd</sup> party distribution company will still be explored, the limited liability company is the best possible option.

## ***Legalization Process***

To establish the new business as a limited liability company, a series of 11 steps must be completed according to Doingbusiness.org, a subsidiary of the World Bank Organization. This process involves reserving the name of the company at the superintendence of companies, hiring a lawyer to prepare the minutes of incorporation, and visiting a variety of other government agencies including the mercantile registry office, national tax office, and the ministry of labor. For a full description of this process and the steps involved, please refer to Appendix C2. This legalization process typically takes up to 48 days (Doingbusiness.org). An additional week should be expected for slow processes or hurdles due to multiple agencies with varying process times that need to approve the new company (Appendix D5.1). Additionally, Doingbusiness.org estimates a total legalization cost of approximately \$1,400 with legal fees included. Mr. Soares estimated a slightly lower amount of \$700 to \$1000 in registration and legal fees depending on the lawyer you use. This estimate hinges on the amount of starting capital because a percentage of capital must be paid if the total capital is above \$25,000 (Doingbusiness.org). To further guide and educate Hearts of Gold in the business creation phase, the contact information for Mr. Soares' accountant was given to the Foundation with the approval of Mr. Soares who can provide insight and contact information for reputable lawyers (refer to Appendix D5 for full interview with Mr. Soares).

## **Management**

### ***Management Structure and Responsibilities***

To ensure that all procedures are being complied with and production is on track, a management plan has been created that takes into account necessary operations and overall feasibility. Since this business will have many moving parts, there will need to be a manager hired by Hearts of Gold to oversee the entire enterprise and logistics. After discussion with Kelly Mitchell, the Hearts of Gold program coordinator, it was also clear that it would be advantageous to have one or two women aid the manager and take on supervisory roles. Responsibilities for the manager will include all major aspects of business coordination, financial reporting, supply chain and logistics, product decision making, employee payment and employee recruiting. They will be responsible for maintaining contact with the Design School at the University of Azuay and coordinating training and design procurement. Additionally, they will need to make executive decisions on sourcing and buying of raw materials. They will also be in charge of ensuring sales are on target and long term sustainability goals are being met. Lastly, they will have to report to Hearts of Gold on a regular basis as the Foundation will be supporting the business with logistics and funding in the first few years until the business can function on its own. In addition to this, one or two women from the business should be promoted to supervisor so they can aid the manager in day to day tasks. These may include quality inspections, supervision of work, ordering of materials, supply chain coordination, marketing, and basic accounting. With the manager working in close contact with the supervisors, production and distribution will flow together smoothly, efficiency will be improved, and costs reduced.

Apart from business operations, the manager and supervisor will need to have a good grasp of local culture and common work practices in Ecuador. They will need to know about cultural work ethics and how to encourage trust and rapport. According to Mr. Soares, this is a crucial part of managing employees. The manager will have to take special care in reinforcing particular policies and practices to ensure that all employees are truly learning what they need to know to accomplish their jobs. Additionally, quality assurance must be watched carefully. For the full response from Mr. Soares please see Appendix D5.8. Lastly, there are many customs and employment laws that managers must be aware of to reduce costs to the business. One such law mandates a bonus spread out over the year to help pay for Christmas presents and school uniforms (until recently, this bonus had to be paid out in two lump sums in

August and December). Another example is the obligation to pay a severance payment if an employee quits after 90 days of work. The importance of understanding these statutes is stressed in an interview with Cuenca attorney Andrea Jaramillo. In the interview cited on Cuencahighlife.com, Ms. Jaramillo explains the cost of disregarding the labor code and the value in consulting a lawyer or accountant before hiring employees (Cuencahighlife.com).

### **Daily Operations - Standard Production Quality Procedure**

For a business to be successful, there needs to be standard procedures in place, including quality control, product assembly, personnel management, and training. To ensure that the women are kept safe during production and the company maintains its promise to deliver high quality goods a quality control procedure was developed based off of findings from multiple online sources. These processes factor into what is technically feasible for the business in terms of manufacturing and production.

Before any jewelry manufacturing can take place, a pre-production inspection must take place to survey the condition of all equipment and tools. If a piece of equipment is damaged or malfunctioning, it must be reported immediately and taken out of service for repair. This is to ensure that the women are kept safe while using the equipment and that faulty tools do not deface or mar the quality of product. After the pre-production survey, a raw material inspection must take place to ensure that the gems, metal, etc are free of defects and flaws that may compromise their strength or aesthetic appeal. Following this, a craft and assembly inspection is performed to ensure that all materials and tools needed for the master design are accounted for and have met all previous inspection standards. This process speeds up production time as it mandates all needed materials be ready and at hand. Additionally, it further mitigates the risk of spending valuable time and energy refining materials that may be flawed and lead to a low quality product (Women's Jewelry Inspection Process, 2017).

With pre-production inspections complete, the women may enter into the manufacturing phase of jewelry production. Throughout this process, quality inspection is more geared towards the actual techniques used to craft the jewelry rather than the materials themselves. The first step in this design and construction phase is the gem cutting and matching inspection. This includes measuring the various stones and matching them to corresponding designs to make sure that they have the correct specifications. Gems that fail this process are recycled and used for other designs. After this, wax molds are created based on the design and the metal is cast. Once the molds are removed, the metal must undergo pre-finish inspection for any cracks or fractures that would compromise the finished product. Following this step, the jewelry must be polished and plated in alignment with the master design. To finish off the manufacturing process, the jewelry is subjected to a pre-coating inspection for any defects that may have slipped through before it is finally coated and sealed (Women's Jewelry Inspection Process, 2017).

After the coating has been applied, the jewelry must be left to set overnight so further inspection does not cause discoloring or blemishing on the seal. Once the coating has hardened, the finished piece is given a visual inspection for any flaws, defects, bubbles, or blemishes and its strength is tested. Strength testing is especially important with soldered pieces to verify that they will not break during usage. Finally, the product is subjected to one final test to ensure that it has been through all previous inspections and is ready for sale or distribution. This final step will use a yes or no checklist to assess both the quality of the finished product and whether it has gone through all necessary processes and procedures (Women's Jewelry Inspection Process, 2017).



## **Marketing & Advertisement**

The name chosen to represent the business is *Mírame*, which in Spanish translates to “watch me”. This embodies how women in Ecuador can succeed economically despite the cultural oppression of women’s rights. The significance of the name of the business also expands to the company's slogan: “Watch me live. Watch me strive. Watch me succeed”. In addition to the name and slogan, part of marketing the business will be centered on the logo and design that will represent *Mírame*. A picture of the company’s potential logo is displayed to the right in Figure 4. It represents high-end quality in the sleek lines and black-and-white color scheme.



Figure 4: *Business logo*

The best form of marketing for this company is through a story displayed on web based social media platforms. This conclusion was derived from an online survey distributed to WPI students, working adults, and Ecuadorians. When asked “Which method of advertisement do you most often come in contact with?” 83.4% of people responded with social media (Appendix D8). From this information, two deliverables were derived. The first is the marketing video, which will be used as advertisement on many social media platforms to not only advertise the business, but also attract potential investors. The second deliverable is a website. Although, only 2.8% of responses stated that a website is the most ideal form of advertisement, it is important to have a home page where social media platforms can be derived from. The website will also show proof of a legitimate business for investors. Lastly, the website could be used

as an online distributor in the future. A picture of the website’s homepage can be viewed in Figure 5. Since 40.0% of individuals said they would be moderately more likely to purchase a product if it is associated with a background story, both of these deliverables will include a heartfelt mission and detailed description of the story behind the company. Additionally, a guide about how to maintain the website, in terms of resources and future expansion (see Appendix E).

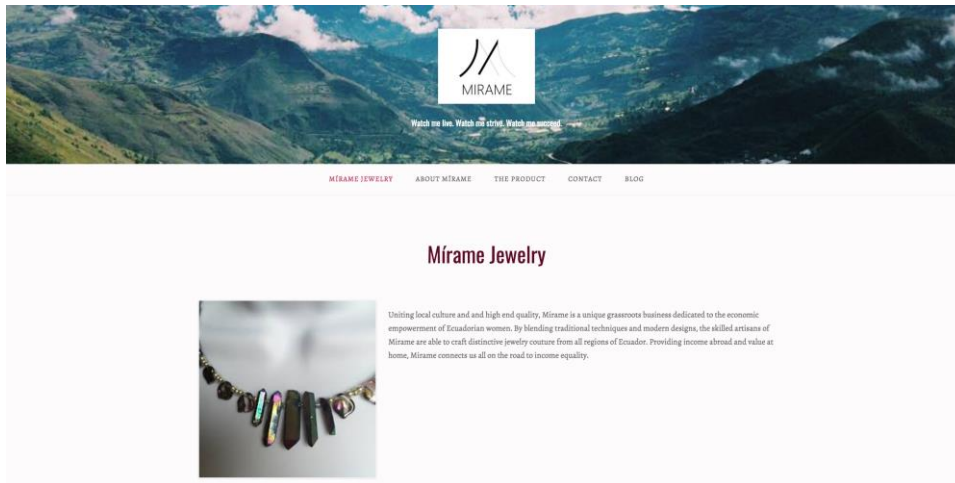


Figure 5: *Website homepage for marketing*  
Available at: <https://miramecuenca.wordpress.com>

## **Logistics**

To help in planning the business and optimizing company efficiency, the complete supply chain has been laid out and includes details on each step. This process was guided largely by information provided by WPI Industrial Engineering Department Head Amy Zeng in Appendix D1 and by the asset map. Overall, the logistics must be outlined to determine the feasibility of designing, creating and shipping products.

### **1.) Original design process**

Either through a partnership with the University of Azuay Design School or private designers, original designs for the jewelry will be produced. These designs will be reflective of the four regions of Ecuador and show the culture of the people who live there. Once complete, the designs will be delivered to the village that the business will be located in. Additionally, the designers will aid in teaching the women the skills they need to bring the designs to fruition.

### **2.) Procurement of raw materials**

Next, wholesale vendors of raw materials including gems, stones, and metals must be found and a fair price negotiated. This process could be formal and include a bid and counteroffer as described by Professor Zeng, or it could be informal and a simple agreement negotiated on in person. Based on information gathered from store owners in Chordeleg, a artisanal jewelry town, the majority of their gold and silver comes from mines deep in the mountains located near Sevilla and San Mora.

### **3.) Delivery or pick up of raw materials to business**

To gain access to the metals, the artisans of Chordeleg uses a middleman who delivers the gold and silver to the town. By using the same company, the women of this business can have the raw materials delivered to a central location in their village.

### **4.) Manufacturing of product at business**

Once the raw materials have been delivered, the women can craft the jewelry based off of the specifications laid out by the designers. During this process, they must adhere to the quality management procedure expressed in the management section above.

### **5.) Warehousing/inventory**

With the final product complete, the items may be wrapped and put away for storage until they are sold. When this business is starting out, inventory will be low so finished jewelry may be stored on site at the business. However, with increasing inventory, a warehouse will need to be rented out. According to Mr. Soares, decent warehouse space on the outskirts of Cuenca can be purchased for a very low amount on a per month basis.

### **6.) Online sale of goods**

The goods will then be advertised online through the company website and purchased by customers from the US. The transfer of funds after purchase will be enabled by the shopify plug in which will be added to the website.

### **7.) Distribution of finished product to customer**

Once the goods are sold, they will need to be properly wrapped and shipped. In the first few months or even year of business, the women may be able to fulfill the orders on their own depending on shipping regulations. However, once orders start picking up, it will be in the best interest of the business to find a 3rd party distributor with established distribution channels to increase shipping speed and reduce cost depending on the size of the shipment. Additionally, this will allow the women to focus all of their time and energy on manufacturing. To aid Hearts of Gold in reaching out to distributors, several companies have been researched with the most promising being Trans Bolivariana C.A.

## **Funding**

The best methods of funding for Mírame are investments from an LGT philanthropist or an Angel Investor. This financial research determined whether or not this business would be a financially viable entity. Initially, research was done on multiple types of funding like grants and loans. However, when interviewing Natasha, the Executive Director of Hearts of Gold, she made it clear that she did not want to rely on loans, but would rather have a third party investor. Her hope is that this project will be something that Hearts of Gold starts and supports for about 3-5 years. After that time period it will be a sustainable business without additional support. Finding an investor would provide the third-party involvement and resources needed to take the business further.

The three investment options that were researched included venture capitalists, LGT venture philanthropists, and angel investors. The route of pitching Mírame to venture capitalists was eliminated after talking to Michael Soares. His experience as an advisor of Hearts of Gold, a previous LGT venture philanthropist and a small business owner in Cuenca provided a unique perspective. His advice was that venture capitalists are not likely invest in Mírame because it is not an established business. Some venture capitalists may invest in charity but are less likely to provide full support if the business cannot prove that they have capital and data to support the growth potential of the business (see Appendix D5.9 for the full interview).

An LGT venture philanthropist or angel investor would be a better option in this instance. This is due to the fact that they invest their personal money in exchange for equity into their ventures rather than using a corporation's money. The purpose is often to invest more in the people that the venture is helping, creating a personal connection to the company. They are likely to be persuaded by an entrepreneur's drive to succeed, persistence and mental discipline. When pitching to these types of investors they want to hear the story behind the business in addition to the data and business plan to prove that the business will gain traction.

Since the source of funding has been narrowed down, obtaining it is the next step. A way to attract an investor is to gain initial capital by starting a crowdfund campaign or taking out a loan. We discerned through our interviews and research that a crowdfund is the more attractive option because provides capital, serves as a marketing tool, provides a proof of concept, and is a free platform to fundraise on without any debt acquisition. Additionally, the marketing materials we are providing Hearts of Gold with can be applied to a crowdfund campaign to help get the purpose of starting the business and the larger message across. The second way to attract an investor is by presenting at a TEDx talk. This idea originated from Mr. Soares who said that a TED talk allows the business to "reach those people and... there is huge potential for funding" (Appendix D5.9). This method of publicity and indirect funding has been shown in previous TED talks. For example, Asher Hasan presented about the social enterprise, Naya Jeevan, which helps low-income families receive health care (Hasan). In a similar way, a representative from Hearts of Gold could speak about Mírame, specifically focusing on the social entrepreneurship aspect of the business or how high fashion can be developed in a country that you wouldn't expect it from. Initially, it would be more feasible to present at a TEDx talk, which is a TED-style event but at a more local or regional level. First, one must find a TEDx talk with a relevant theme, submit a proposal, and prepare to present on one of the given days of the conference (Clark, 2015). This would be a huge funding opportunity to create a network for Mírame and locate potential investors.

## **CONCLUSIONS AND RECOMMENDATIONS**

In this section, we summarize major findings and recommendations about how to move forward with Mírame. Throughout the entirety of this project, the main goal was to compile research and components of a business plan so that Mírame can become an established entity. Our major conclusions

from these results are that jewelry is the optimal choice for a product, a crowdfund is the best way to source initial capital and the type of legal entity to establish is a *compañía limitada* (limited liability company) with a partnered export company. Our recommendations encompass a variety of steps that lead to the official establishment of the business.

Our results from product analysis, including the asset map, price point analysis and startup cost analysis, show that Mírame should begin developing jewelry as its first product. Different designs will be based on the four main regions of Ecuador: the Amazon, the Andes, the coast, and the Galapagos. This will involve a variety of raw materials, such as tagua, filigree, silver, spondylus and crystal. From this regional inspiration and potential materials, Mírame needs full product designs to become a successful business. Ideally, volunteer students from the University of Azuay will be able to create different necklace designs based on the four regions of Ecuador. This will begin the process of product development while the relationship with the University is built. Additionally, allowing a couple students to collaborate provides them with the opportunity for their designs to be sold abroad while also helping Mírame.

With an estimated startup cost of \$144,400, Mírame would have to sell 1,473 necklaces within one year in order to break even. We believe that this is a feasible amount of products to sell in the first year of business, based on projections of growth in the jewelry industry and the expected 2.2% GDP increase annually until 2021 (Jewelry Stores in the US: Market Research Report).

Based on interviews with local business owners and supplemental material from the World Bank Organization, we determined that the best legal structure for the new business is a *compañía limitada*. By using this legal entity, the company will have the ability to function in a wide range of business endeavors and the female business partners will be shielded from liability associated with the business. To establish this form of business, Hearts of Gold must register the new business with six different government agencies. In addition, the company must hire a lawyer to draft the articles of incorporation and have them signed by a notary public. This process will take an estimated 1.5 to 2 months and cost between \$700 and \$1,400 depending on legal fees. To aid Hearts of Gold in this process, the team researched and provided contact information for lawyers and accountants who could provide insight and useful information.

After consultation with Hearts of Gold, we devised a management structure based upon the needs and size of the new business. To oversee the entire enterprise, a representative hired by Hearts of Gold should preside as manager until the women of the business feel ready to take over. In addition, once the business becomes large enough, a few women who have shown exceptional initiative will be invited to become supervisors and aid in the operation of the business along with the manager. To help the management make informed decisions in their roles, research was performed on the employment code of Ecuador. Once established, Mírame must hire two women to become the first artisans to make the products. These initial employees will be provided income through the recommended funding options below, in addition to being supplied with training, equipment, and raw materials.

To provide an overview of all aspects and operations of the new business, we developed a value and supply chain based off of the asset map, information from Professor Zeng's interview, and input from Mr. Soares. The supply chain will begin with product designs and training provided by the University of Azuay design students or private designers. Raw materials will then be procured and brought to a central location near the women's homes where they can craft the jewelry. Lastly, the finished product will be sold online through the Mírame website and shipped to the U.S. or Canada by a third party distribution company. By utilizing this supply chain concept, the Hearts of Gold team can better evaluate the human resources, funds, and processes that will be needed to achieve a reliable and efficient operation. Additionally, it will allow them to begin reaching out to potential partners in shipping and warehousing depending on the business's needs.

For funding, we recommend starting the crowdfund that we have prepared for Mírame. This will utilize the video and website, which also serve as marketing material for Mírame. It is set up with a goal to raise \$15,600 to get the business off the ground. Tips for a successful crowdfund campaign can be found in Appendix C3. With the \$15,600 the company will have funds to hire two employees, purchase machinery, purchase raw materials and pay for shipping for 6 months. The breakdown of these numbers can be found in the financial plan in Appendix E4. In that time, we recommend finding another form of funding to grow the business such as a venture philanthropist or angel investor. One benefit of starting a crowdfund first is that the business can be established, which provides proof of concept for investors, thereby making investment in the business more attractive. Another benefit is that the crowdfund itself will provide international advertisement to increase the visibility with potential investors and customers.

After funding is procured and the business is legally established, the next most important part will be continuation of marketing strategies to ensure enough profit is made to keep Mírame running. This will be accomplished through the Mírame website. For the future, a full guide on maintenance and expansion of the website can be found in Appendix E.

## **Recommendations**

Based on our findings and the potential growth of Mírame in the future, we recommend the following:

- Cultivate a working relationship with the University of Azuay Design School to set up a class that provides designs for the jewelry business and training for Mírame employees
- Establish a relationship with a local lawyer who has experience establishing new businesses and employment law
- Locate and negotiate with suppliers to procure raw materials for Mírame employees to use
- Make contact with local logistics companies to see if large scale shipping is a cost effective method to use and when it would be optimal to engage them in this business opportunity
- Hire 2-3 women to begin training and production to test market viability
- Begin the crowdfund with a goal of \$15,600
- Investigate the expansion recommendations of the website to include an online store

# APPENDIX A: Additional Background

## A1. History of Ecuador's Political Economy

### 1.1 History and Current State of Ecuador's Economy

In 1972, Ecuador's economy began to flourish with the production of oil (Ecuador: Historical Timeline, 2016). However, 10 years later in 1982, there was a drop in the oil economy, which caused a state of emergency for the entire country (Ecuador: Historical Timeline, 2016). This rapid economic fluctuation did not create a stable fiscal foundation. Additionally, the war that began in 1995 between Ecuador and Peru did not aid in stabilizing the region (Ecuador: Historical Timeline, 2016).

In more recent years, in the early 2000s, the banking system collapsed, causing poverty to increase significantly (International Living). In response to this, in March of 2000, Ecuador's Congress approved structural reforms that included the adoption of the US dollar as their new currency. This helped stabilize the economy and brought some positive growth in the years following with the economy growing 5.5% from 2002 to 2006. In 2008 it reached a growth of 7.2% (International Living).

Examining Ecuador's economy today, it is clear that Ecuador is a large exporting country. It is the 69<sup>th</sup> largest export economy and the top three exports are crude petroleum (50%), bananas (12%), and crustaceans (9.3%) (Heritage). In addition to being a World Trade Organization, Ecuador is also part of the Bolivarian Alliance for the Peoples of Our America. This Alliance is led by Venezuela and it has strengthened Ecuador's relations with Iran, Russia, and China and they are the largest buyers of their oil export (Heritage). This background suggests that Ecuador still relies heavily on its oil economy and other exports, which are not major job outlets or income generators for women.

In general, Ecuador's economy can be characterized by its gross domestic product (GDP) and top trade partners. The GDP measures national income and output for a given country's economy. The GDP is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time, as shown in Figure 6 below (Ecuador GDP, 2016). Figure 7 shows the top trade partners of Ecuador in 2015, which is indicative of the focus of the economy as well as the potential opportunities for an international business (European Commission, 2016).



Figure 6: GDP from 2006 to 2016 (Ecuador GDP, 2016)

**Total Goods: Top trading partners 2015**

Source: IMF

Imports			Exports			Total trade		
Partner	Value Mio €	% World	Partner	Value Mio €	% World	Partner	Value Mio €	% World
World	19,265	100.0	World	16,553	100.0	World	35,818	100.0
1 USA	5,214	27.1	1 USA	6,541	39.5	1 USA	11,754	32.8
2 China	2,943	15.3	2 EU 28	2,502	15.1	2 EU 28	4,739	13.2
3 EU 28	2,236	11.6	3 Chile	1,026	6.2	3 China	3,594	10.0
4 Colombia	1,590	8.3	4 Peru	842	5.1	4 Colombia	2,295	6.4
5 Panama	943	4.9	5 Vietnam	707	4.3	5 Peru	1,554	4.3
6 South Korea	713	3.7	6 Colombia	704	4.3	6 Chile	1,522	4.3
7 Peru	712	3.7	7 China	652	3.9	7 Panama	1,347	3.8
8 Brazil	643	3.3	8 Russia	645	3.9	8 South Korea	869	2.4
9 Mexico	591	3.1	9 Panama	404	2.4	9 Russia	794	2.2
10 Chile	497	2.6	10 Japan	298	1.8	10 Vietnam	752	2.1
3 EU 28	2,236	11.6	2 EU 28	2,502	15.1	2 EU 28	4,739	13.2

World trade: excluding intra-region trade  
 Top partners: excluding region member states  
 % Growth: relative variation between current and previous period

**Figure 7: Graph of the top trading partners of Ecuador in 2015 (Ecuador Trade Partners, 2015)**

**1.2 Politics in Ecuador**

The first president to serve a full term was Rafael Correa whose presidency began in 2006 (Kirk & Starn, 2009). For women specifically, politics are actually an area in which they have legal rights to participate in (Ecuador: Women in Business, 2016). This is an important part of addressing poverty because involvement in policy creation impacts the entire population. Recent progressive changes involved 40 women being elected to Congress in 2009 and women being able to own property and file for divorce (Ecuador: Women in Culture, 2016). However, many of these progressive moves have applied more to the upper class instead of the entire female population of Ecuador. The difference in representation of women in government is indicative of a lack of female involvement and also a reflection of lower female representation in the economy. It is this lack of representation that this project aims to address.

**1.3 Machismo and Gender Gap**

"Afro-Ecuadorian, indigenous, and poor women in rural and urban areas remained seriously marginalized from decision-making arenas and development benefits" (Kirk & Starn, 2009). In addition to this cultural and traditional practice, many of the beliefs in Ecuador today, such as machismo, hinder women's ability to maintain a source of income to be financially stable and independent. The concept of machismo is still in effect, though it varies widely depending on class, ethnicity, and gender. Therefore, typically, women maintain a traditional household role or are involved in pastoral work (Ecuador: Women in Business, 2016). Other areas in which women currently have a larger presence in the workforce, such as "banking and finance, university teaching and research, and NGOs" (Ecuador). However, this is characterized by a gender pay gap, as seen in the statistic from 1997 when women's pay was 65 cents to a man's dollar (Ecuador: Women in Business, 2016). Today, employment statistics for women shows an inequity between men and women. The percentage of employed females is 49.7% and the percentage of employed makes is 61.35% and the unemployment rate for females is 6.2% and for men it is 3.5% (Gender Data Portal). Ecuador and the United Nations signed an agreement vowing to take new measures to reduce the country's gender gap in the workplace. Ecuadorian Labor Minister, Carlos Marx Carrasco, and U.N. Women representative, Moni Pizani, agreed on a draft action plan that will promote public policies that focus on gender equality in the workplace (Telesur, 2015).

## **A2. Micro Business Case Study and History**

Ecuadorians in this economy typically hold lower quality jobs such as street vendors and cheap garment makers. It also takes into account marginal economic enterprises composed of workers who are simply trying to subsist on what they have rather than advance in society. In 2003, this informal economy comprised 46.7% of the total urban economy with 39.7% of the employment arising from microbusinesses. Breaking down the gender distribution in the economy, the informal sector accounted for 43.3% of male employment while it only made up 34.6% of female employment (Valenzuela, M. E., 2005). In addition to this, the few women who are involved in this sector work for themselves producing low quality goods to sell while men hold higher quality jobs managing the micro businesses. To decrease the decrease the amount of women in poverty, this statistic must be balanced out. It is also important to note that while many micro-enterprises exist unnoticed in the informal economy, there is also a large proportion that pay taxes and belong to the formal economy.

In Latin America, micro businesses are on the rise as factors like labor force growth, rising unemployment, and social security cuts have hurt the working class significantly (Valenzuela, M. E., 2005). In countries like Ecuador, economic cycles have greatly magnified this impact and maneuvered job seekers into relying heavily on informal entrepreneurial enterprises. To make ends meet, workers have been driven to self-employment and working in what is called the informal sector. This informal sector consists of self-employed workers and businesses that do not pay taxes and are not monitored by the government (Valenzuela, M. E., 2005). For more information on the informal sector please see Appendix A2. While this may provide short term income, it is not always sustainable and would not provide much room for growth since the government would step in if it became too large. To avoid this and leave room for growth, government recognition, and widespread marketing, a formal micro business could be established that would follow all requirements for legalization and registration. Since the business would be legally established, Hearts of Gold could have an active hand in developing it and participate in marketing. When presenting options to the Hearts of Gold directors, both models will be examined. It will be up to the directors whether they want to pursue a funding and training approach that teaches women to start their own informal businesses or to legally establish a Hearts of Gold micro business for the women to work in.

Today, the term microenterprise and microbusiness are used interchangeably to describe a small business that employs 9 people or less and maintains a relatively small balance sheet. For most points of comparison, these two types of business are the same including their basic goal to produce economic autonomy however, technical differences do exist between the two. A microenterprise is a business that relies on micro-credits while a micro business does not ("Micro Enterprise," 2016). After speaking with our sponsor, the business plan will be going the route of the microbusiness as they do not wish to rely on loans. As this is a new venture that could introduce risk, Hearts of Gold wants to limit exposure and limit start-up funding to external charitable contributions and investments. Thus, we will first look into grants, crowdfunding, and venture capital but since we cannot exclude any sources of funding this early in the business creation process, microloans will also be explored.

## **A3. Market Trends and Resources**

### ***3.1 Successful Example of Social Enterprise Marketing Methods***

A successful example of social enterprise marketing methods is Lokai bracelets. These bracelets are composed of simple plastic beads. One bead is advertised as being filled with mud from the lowest point in the Dead Sea. Its intention is to act as a reminder to stay hopeful. On the opposing side of the bracelet there is a bead filled with water from Mount Everest. This beads intention is to act as a reminder to stay humble (Lokai, 2016). Lastly, upon purchasing the product, a percent of the profits goes toward



multiple different charities ranging from the Make a Wish Foundation to Pencils of Promise (Lokai, 2016). The product not only gives the consumer a personal reason to buy, but also provides an additional incentive by involving charities. Success from this accessory came from connecting people, doing "good", and being "authentic". Not to mention the bracelet is gender neutral. Without the mud and water beads, Lokai bracelets would have significantly less desirability. This suggests that similar products produced in Cuenca should be utilizing natural resources found around the area to create a similar form of desirability for the consumer.

### 3.2 About Vicuna Wool

Vicuna wool is created from the coat of the rare animal, vicuna, that resides only in the Andes. The hair itself is an extremely soft, and incredibly light, wool-like material (Banks, 2013). This animal refuses to be farmed commercially in large man-controlled herds. In fact, the fibers are still collected using the Incan method of chacu. This method involves the community circling around the animals, further advancing in on the pack to shear them (Banks, 2013). An adult vicuna produces approximately a pound of fiber a year (Banks, 2013). This rarity causes the material to be extremely valued. High end Italian vicuna wool sports coats can cost up to \$21,000, while a basic vicuna wool scarf has a starting price of \$4,000. This trend is on the rise, particularly, in the Italian fashion industry (Banks, 2013).

### 3.3 Ethics behind Alpaca Wool

As far as ethics is concerned, alpaca wool is considered to have a lighter environmental footprint compared to the cashmere goat. High in the Andes, the alpaca has a lighter balanced touch that does not kill or disturb plants and smaller wildlife. Even with the increasing demand, the alpaca population in the Andes has managed to not be affected (Avins, 2014). Furthermore, the living conditions of the alpaca are significantly better compared to the overcrowded cashmere farms in Mongolia (Avins, 2014).

## A4. Value Chain

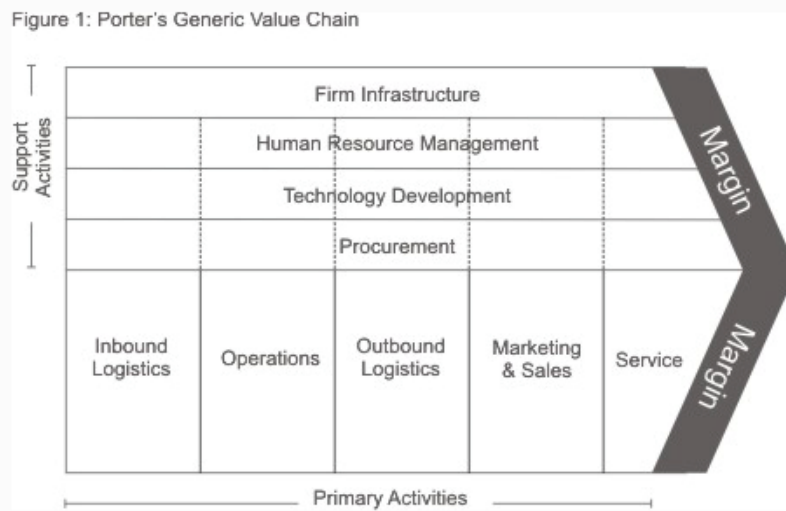


Figure 8: Porter Generic Value Chain ("Porter Value Chain," 2010)

## **A5. Funding**

### ***5.1 About Grants from NGOs***

To obtain get a grant, the business must meet either expenditure responsibility or equivalency responsibility. Expenditure responsibility entails 5 steps that include contract signing, accurate reporting, maintenance of a separate account, and IRS notification. On the other hand, demonstration responsibility is proving that the foreign foundation meets the requirements of a US 501(c) (3) public charity ("Public Charity or Private Foundation Status," 2013).

### ***5.2 About Microlending***

The idea behind micro loans is that small companies often struggle to take out large business loans that they would need to expand their business ("Where to Find the Best Small Business Loans for Women," 2016). So microlending gives the opportunity to grow and close the gap of businesses who are too small for a traditional bank loan. In Latin America the loans offered vary according to the type of institution. In fact, the average loan from a non-regulated institution is approximately US\$700, while regulated institutions provide loans that average around US\$2,500. The average size of all loans is US\$2,000, and they reach just under one quarter of all micro entrepreneurs in Latin America ("Financial Inclusion in Latin America and the Caribbean," 2014).

# APPENDIX B: Additional Methodology

## B1. Gantt Chart

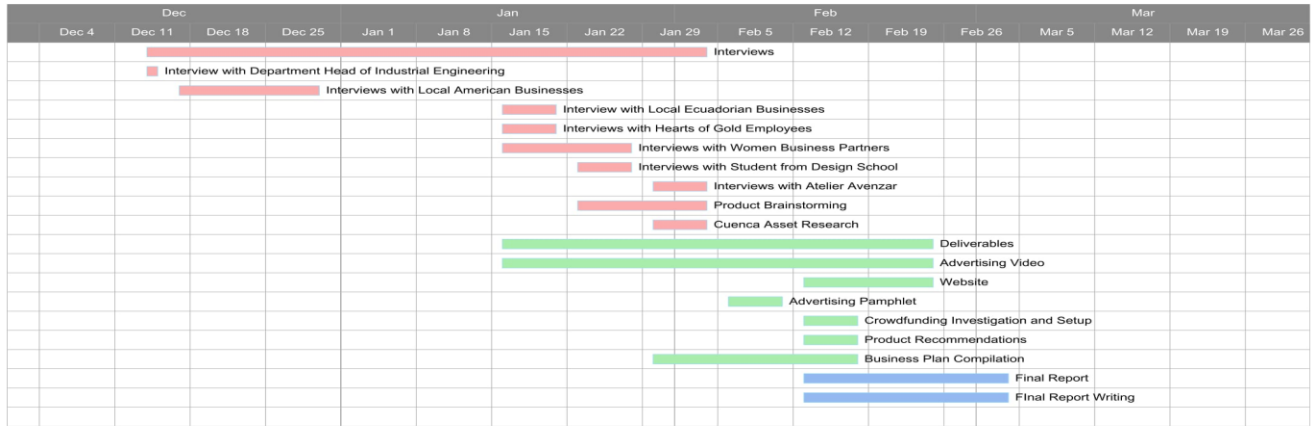


Figure 9: Gantt Chart

## B2. Determine potential business partners and assess their resources and skills.

### 2.1 Formal Cuenca Research

The second method of conducting formal research of each asset category provided an additional perspective of available and affordable resources within Cuenca. This was completed largely through market research and contacts through Hearts of Gold. By investigating what materials, equipment, physical spaces or people that would be able to contribute to this business, the asset map provided a more accurate depiction of the resources available. This was one of the most important steps in creating an accurate asset map because there may be raw materials in Cuenca that are affordable and accessible that could be used to create a high-end product, but the women and Hearts of Gold are just not in contact with yet. This ultimately provided a more comprehensive asset map.

## B3. Investigating potential high-end products

### 3.1 About Netnography

Netnography is derived from the word ethnography, which is defined to be: the observation and description of behaviors and languages, thus interpreting these patterns and codes of conduct to derive a form of cultural meaning (Rocca, Mandelli, & Snehota, 2014). Netnography is the online application of ethnography. This form of market research has been effective since the 1990s (Rocca, Mandelli, & Snehota, 2014). Essentially this method utilizes blogs and online forums to research the market. The

online market becomes the ‘culture’ (Rocca, Mandelli, & Snehota, 2014). This utilizes the concept of conversational marketing. Netnography is not just the observation of blogs, but is also the active participation in them as well (Rocca, Mandelli, & Snehota, 2014). This is so the researcher can gain trust from the consumers to acquire more meaningful data. Netnography is ideal since it can be accomplished anywhere. Any foreign market can be observed from anywhere in the world for minimal cost.

A successful execution of netnography was performed by a company called The Dash-P&G located in Italy. They design and distribute products and services that relate to parenthood (Rocca, Mandelli, & Snehota, 2014). Their goal was to examine what type of mother was present in the market today. Since a clear majority of modern mothers are online shopping, due to its convenience, the company determined netnography would be the best approach to complete their investigation. The company researched and participated actively on popular motherhood blogs (Rocca, Mandelli, & Snehota, 2014). The outcomes were extremely successful and the company was better able to evolve and market their products and services to what the mothers needed. This is the type of application used to determine what type of high-end consumer and what types of products and services are desired by the global market. Not only high-end fashion and retailer blogs are utilized, but product reviews and customer satisfaction forums are also an excellent source of insight.

## **B4. Research grants and methods of funding the startup costs of the business.**

### ***4.1 About Heifer International***

Heifer International's approach is to work with communities to strengthen local economies. It has worked by Heifer International promoting business that are trying to grow in developing countries through the Heifer website. When a donation is made to the supplies needed for the business, over time they are paid back by that business. Heifer currently has five projects going on in Ecuador. A large topic for them is women's empowerment so they are currently looking for projects that seek to increase women's participation in decision-making at the household and community levels, as well as their access to income and assets and leadership roles.

## **B5. Interview with Natasha (Hearts of Gold)**

### **Topic 1: About Hearts of Gold**

- What's the history behind Hearts of Gold?
  - How did your parents decide to start an NGO?
  - How was it grown as an organization?
- What inspired you to continue this work?
- What do you see as the most important work that Hearts of Gold does?

### **Topic 2: The Idea**

- What sparked the idea?
- How do you want to improve on past models?
- What type of support would Hearts of Gold be providing to the business (where does HOG fit into the picture)?
- How big is the group of women you would like to be included in the business?
- Timeline for the business

### Topic 3:

- Talk about the difference between venture capitalists (LGT) and angel investors and ask for thoughts.

## **B6. Interview of Potential Women Business Partners**

### Introduction

- We are a group of college students from the United States. We are doing a project with Hearts of Gold that helps CETAP-Lucy/El Arenal.  
*Somos un equipo de estudiantes de una Universidad en los Estados Unidos. Estamos haciendo un proyecto con la Fundación Corazones de Oro, que apoya a CETAP-Lucy/El Arenal*
- The ultimate goal of the project is to start a business where you and other women associated with this community could make products to be sold internationally. We are here to talk with you because we believe that, in the future, you could work for this business and earn money for you and your families. We want to get to know you and learn more about your skills and interest in a project like this.  
*El objetivo final de este proyecto es empezar una empresa donde usted y otras mujeres (que forman parte de esta comunidad) puedan realizar productos que se venderán internacionalmente).*  
*Estamos aquí para hablar con ustedes porque creemos que en el futuro ustedes pueden trabajar en esa empresa y ganar dinero para ustedes y sus familias. Queremos conocerles y saber más de sus habilidades e intereses para un proyecto así.*
- First, we would like you to understand that this interview is not mandatory and if you don't want to answer any of the questions, you don't have to.  
*Primero, nos gustaría decir que esta entrevista no es obligatoria y si no quiere responder a estas preguntas, no tiene que hacerlo.*
- We would like to record this interview in case we want to use it to market this business idea. Is that ok with you?  
*Nos gustaría grabar la entrevista para usar para comercializar la idea de la empresa. Está bien para usted? O no?*
- If so, please sign this consent form as a way to acknowledge that you agree to this.  
*Si está bien, por favor ponga su firma de esta forma para formalizar el acuerdo.*

### Topic 1: Daily Life (Getting to Know You)

- Introduction of topic
  - The first part of our conversation is about your lifestyle (or daily tasks). We want to know more about your life and what you do. Is that ok?  
*La primera parte de nuestra conversación es sobre su estilo de vida. Queremos saber más de su vida, que hace, y en que trabaja. Está bien?*
- Daily tasks or lifestyle (*Estilo de vida*)
  - What do you do on a daily basis? What is a normal day like for you?  
*Qué hace cada día? Qué es un día normal para usted?*
  - What are routine tasks that you do almost every day?  
*Cuáles son las actividades que hace casi cada día?*
  - Do you go to work or study?

### ***Usted trabaja o estudia?***

- Lifestyle (***Estilo de vida pasado***)
  - How has your life changed from when you were younger to now with your family?  
***Cómo ha cambiado su vida desde la juventud hasta ahora con su familia y hijos?***
  - What jobs have you held in the past?  
***En que trabajaste en el pasado?***
  - What other jobs do women you know have?  
***Que otros trabajos tienen las mujeres que usted conoce?***
  - Did you go to primary school, high school or college?  
***Fuiste a la escuela, colegio o la universidad?***

### Topic 2: Skills

- Job training (***Capacitación para el trabajo***)
  - Have you been trained or taught to do a certain task? Who taught you?  
***Tiene una capacitación específica para hacer un trabajo técnico, por ejemplo tejer? En donde aprendió?***
  - Have you ever taken a class for a job? What did you learn?  
***Ha tomado una clase para aprender sobre un trabajo o habilidad? Qué aprendió?***
- Other skills (***Otros habilidades***)
  - What is something that you know how to do well?  
***Mencione una actividad que usted sabe hacer muy bien?***
  - Cooking, knitting, sewing/weaving, business, math, making something, etc.?  
***Por ejemplo: cocinar, tejer, coser, hacer un producto de arte, la empresa, matemáticas?***
  - What do you like doing?  
***Hay algo que le gusta hacer que puede contribuir en un trabajo en el futuro, si había el chance?***

### Topic 3: Resources

- Valued materials (***Materiales/recursos***)
  - If you like to make a product, for example clothing, jewelry or decorations, are there materials or possessions that you value the most?  
***Tiene algún artículo que disfrute haciendo? Por ejemplo, Joyas, decoraciones, ropa. Tiene algún material o posesión que usted valore mucho?***
  - Maybe there are resources or materials that you already buy to make products, or are there resources that you would like to buy?  
***Tiene recursos o materiales que ya utiliza usted para realizar productos? Qué tipo de materiales le gustaría comprar?***
  - Do you own or have access to equipment to make something?  
***Tiene acceso a equipo o usted es dueño de equipo de trabajo?***
  - Maybe for agriculture, a loom, technology?  
***Quizás algo para agricultura, para tejer, otra tecnología?***
- Participation (***Participación***)
  - Would you be willing to contribute any labor to produce products (like a job)?  
***Estaría dispuesto contribuir con mano de obra para producir los productos como un trabajo?***

- Would you be interested in working in a small factory or in your home making artisan products?  
*Tendría interés en trabajar en una fábrica pequeña o en su casa preparando un producto artesanal?*
- Would you be open to receiving training? Would you be interested in learning new skills?  
*Estaría dispuesto aprender una habilidad nueva?*
- Relationships (**Relaciones**)
  - Do you know people who would help in the startup of a business?  
*Conoce a personas que podría ayudar con la empresa?*
  - Are there people you know who sell artisan or high quality products?  
*Conoce personas que venden productos artesanales o productos de alta calidad?*
  - Are there people you know that would be willing to contribute resources (money, labor, etc.)?  
*Conoce personas que podrían contribuir con recursos (como dinero, mano de obra, etc.)?*
  - Do you know other women who might want to be interviewed or interested in a startup business?  
*Conoce otras mujeres que podrían estar interesadas en una entrevista (como esta) o en la idea de una empresa?*

## **B7. Interview of University of Azuay Design School**

### Topic 1: Resources

- *What types of education or training occurs to learn about design?*
- *What connections with companies do you have who design products?*
- *What are some of the most important aspects in design?*
- *What products do you have experience designing in?*
- *What physical space do you have access to?*
- *What design equipment would be useful in choosing product design?*

### Topic 2: Material and Design Trends

- *What are some of your most awarded designs?*
- *What is trending in the world of fashion?*
- *What are trending materials?*
  - *How do you use these materials in your designs?*
- *Are your designs often hard to produce?*
- *Would marginalized woman be able to produce your designs with skills training?*
  - *If yes, what kind of training is necessary?*

## **B8. Market Research Interviews on Local and Ecuadorian Business**

### Topic 1: Identifying a Target Audience

- *How do you determine who to aim your products towards?*

- *What type of consumer enters your store?*
  - *Age range?*
  - *Personality?*
- *What type of consumer purchases your products?*

#### Topic 2: Product Trends

- *What products are currently popular in your store?*
  - *What makes these products so desirable?*
- *Who are some of your suppliers*
- *Are your products from foreign companies?*
  - *Are these company's microbusinesses/ social enterprises?*
- *Do you know what types of high-end foreign products are trending?*
  - *Handbags?*
  - *Jewelry?*
  - *Wool products?*

#### Topic 3: Marketing Strategies & Conclusion

- *What would you say is your most effective marketing strategy?*
- *How did you initially get your company established?*
  - *Get products recognized?*
- *Do you have a website?*
  - *How did you establish your website?*
- *Do you have any tips on developing a business?*
- *Would you be interested in distributing our product?*

### **B9. Interview of Local Businesses**

#### Topic 1: Establishing the Business

- *How did you initially set up your business?*
- *Did you have to hire any lawyers or file any paperwork?*
- *Were there any fees involved?*
- *Are you tax exempt?*
- *How many employees do you employ at once?*
- *Would you be required to file with the government if you expanded above 10 employees?*

#### Topic 2: Organizational Structure and Departmental Responsibilities

- *Do you have any set organizational structure?*
- *Does each women in the business have a specific role or responsibility or do they all just make the product?*
- *Does Atelier Avanzar have its own supervisory board or does this responsibility fall on the parent company?*
- *What type of qualities have made your business such a success?*
  - *Culture, leadership, financial knowledge, etc*



### Topic 3: Operations and Logistics

- *What type of support and logistics does fundacion avanzar provide to Atelier Avanzar?*
- *What operational costs are incurred on a day to day basis?*
- *How much time does it take to produce most of your items?*
- *What types of retailers do you sell to?*
  - *Are they domestic or international?*
- *What type of shipping company do you use to transport products?*
- *How varied is your distribution network.*

## **B10. Interview of WPI Professors**

### Topic 1: Product sourcing and procurement

- *How do you best go about sourcing and finding suppliers?*
- *What procurement strategies should we look into?*
- *Are there any common sourcing pitfalls we should look out for?*

### Topics 2: Management Structure/Mechanisms/Operations

- *What would be an effective management structure for our business?*
- *What specific roles/responsibilities must be carried out?*
- *Is there an optimal number of employees to start out with?*
- *Are there any quality assurance mechanisms you would recommend?*

### Topic 3: Distribution

- *How should we begin designing our overall supply chain?*
- *What method of cost analysis is best given our application?*
- *How should we monitor risks in the different phases of the supply chain?*
- *What is the best method to ship goods from Latin America to North America?*
- *How many middle men are there in the distribution process?*
- *What is the best way to approach retailers?*

# APPENDIX C: Additional Results

## C1. Product and Target Audience Assessment

### 1.1 Target Audience Success Examples

The target audience for this business has proven successful for at least two other businesses. For example, the local Cuenca store Ambrosia, owned by Gina Ambrosi, sells mainly to tourists who are visiting Cuenca (see Appendix D 1.2). Additionally, the market for the business, Tagua by Treats, sells entirely in Canada and the United States but raw materials are sourced in Ecuador (see Appendix D 1.3). Based on these two examples of a target audience abroad, it is evident that this would allow for a larger profit because many stores and fairs in the United States require a higher price point (interview with Tagua by Treats, see Appendix D 1.3).

### 1.2 Full Asset Map

ASSETS	Education/Training	Materials	Equipment	Physical spaces	Labor	Relationships/people
<b>El Arenal Women</b>	<ul style="list-style-type: none"> <li>Primary school (majority)</li> <li>Very few high school (~3 people)</li> <li>No college/university</li> <li>Job: turn wool into yarn</li> <li>Job: sell shoes</li> <li>Job: sell fruit</li> <li>Ceramics (want to learn)</li> <li>Sewing (want to learn)</li> <li>Crochet (want to learn)</li> <li>Jewelry making (want to learn)</li> </ul>	None	Minimal sewing equipment	Homes	<ul style="list-style-type: none"> <li>Want to find better jobs</li> <li>Willing to contribute labor</li> </ul>	<ul style="list-style-type: none"> <li>Know a shoe maker</li> <li>Know a jacket maker</li> <li>Know a hat maker</li> </ul>
<b>CETAP-Lucy Women</b>	<ul style="list-style-type: none"> <li>11 women work (out of about 20)</li> <li>10 went to high school</li> <li>6 went to University</li> <li>Skill: cooking</li> <li>Skill: curtain/cushion making</li> <li>Skill: crochet/knit/sew</li> <li>Skill: make jeans</li> <li>Skill: paint</li> <li>Skill: informatica (internet, web, CS)</li> <li>Jewelry making (want to learn)</li> <li>Poncho making (want to learn)</li> <li>Bordados (want to learn)</li> </ul>	<ul style="list-style-type: none"> <li>Want textiles/fabric</li> <li>Could use wool as a material</li> </ul>	<ul style="list-style-type: none"> <li>Want sewing machines to use</li> <li>Use animals as labor for agric?</li> </ul>	<ul style="list-style-type: none"> <li>CETAP-Lucy building</li> <li>Community churches?</li> </ul>	<ul style="list-style-type: none"> <li>Want to learn new skills</li> <li>Willing to contribute labor</li> </ul>	<ul style="list-style-type: none"> <li>Know people who use tagua beads</li> </ul>
<b>Hearts of Gold</b>	<ul style="list-style-type: none"> <li>Employees educated who can assist</li> </ul>		<ul style="list-style-type: none"> <li>Computer</li> <li>Camera</li> </ul>	<ul style="list-style-type: none"> <li>Office</li> <li>Potential collaborative spaces</li> </ul>	<ul style="list-style-type: none"> <li>Organizational skills</li> <li>Marketing</li> <li>Fundraising</li> </ul>	<ul style="list-style-type: none"> <li>Gringos who donate</li> </ul>
<b>Design School</b>	<ul style="list-style-type: none"> <li>Graphic design</li> <li>Fashion design</li> <li>Object design</li> <li>Textile creation</li> <li>Pattern design</li> <li>International studies department</li> <li>Instagram/Pinterest</li> </ul>	<ul style="list-style-type: none"> <li>Blankets (bought on their own)</li> <li>Leather (bought on their own)</li> </ul>	<ul style="list-style-type: none"> <li>Only personal equipment?</li> </ul>	<ul style="list-style-type: none"> <li>Classrooms</li> <li>Campus space</li> </ul>	<ul style="list-style-type: none"> <li>Class/academic credit</li> </ul>	<ul style="list-style-type: none"> <li>Dean of Design School</li> <li>Volunteer students</li> </ul>
<b>Cuenca Research</b>		<ul style="list-style-type: none"> <li>Tagua</li> <li>Acai beads</li> <li>Filigree</li> <li>Alpaca wool</li> <li>Leather</li> <li>Coffee, tea</li> <li>Chocolate</li> <li>Honey</li> <li>Coconut oil</li> </ul>	<ul style="list-style-type: none"> <li>Most people have cell phones</li> </ul>	<ul style="list-style-type: none"> <li>Ambrosia (store to sell product)</li> </ul>		<ul style="list-style-type: none"> <li>Gina Ambrosi</li> <li>Lawyer (from Michael interview)</li> <li>Cuenca Dispatch</li> <li>Correo Ecuador</li> <li>TED Talk</li> <li>All Alpaca Things</li> </ul>

Figure 10: Asset Table

### 1.3 Full Price Point Analysis

	A	B	C	D	E	F	G	H	I	J	K	L
1	Product	Site Found	Low Price	High Price	Average Price		KEY					
2	Necklaces	Threads Worldwide	\$ 36.00	\$ 126.00	\$ 81.00		Jewelry		Product category	Low avg	High avg	Total avg
3	Earrings	Threads Worldwide	\$ 18.00	\$ 72.00	\$ 45.00		Accessories		Necklaces	\$ 42.67	\$ 120.33	\$ 81.50
4	Bracelets	Threads Worldwide	\$ 18.00	\$ 54.00	\$ 36.00		Clothing		Earrings	\$ 31.33	\$ 81.33	\$ 56.33
5	Wallets	Threads Worldwide	\$ 28.00	\$ 64.00	\$ 46.00		Home		Bracelets	\$ 23.75	\$ 66.50	\$ 45.13
6	Bags	Threads Worldwide	\$ 32.00	\$ 74.00	\$ 53.00				Rings	\$ 46.00	\$ 94.00	\$ 70.00
7	Scarves	Threads Worldwide	\$ 48.00	\$ 58.00	\$ 53.00				Wallets	\$ 54.00	\$ 81.00	\$ 67.50
8	Baskets	The Little Market	\$ 18.00	\$ 218.00	\$ 118.00				Bags	\$ 20.20	\$ 128.75	\$ 74.47
9	Candles	The Little Market	\$ 26.00	\$ 26.00	\$ 26.00				Scarves	\$ 35.04	\$ 83.93	\$ 59.48
10	Bracelets	The Little Market	\$ 8.00	\$ 54.00	\$ 31.00				Wraps/shawls	\$ 92.98	\$ 548.90	\$ 320.94
11	Wallets	The Little Market	\$ 80.00	\$ 98.00	\$ 89.00				Candles	\$ 16.50	\$ 24.00	\$ 20.25
12	Bags	The Little Market	\$ 26.00	\$ 320.00	\$ 173.00				Baskets	\$ 14.67	\$ 148.67	\$ 81.67
13	Scarves	The Little Market	\$ 60.00	\$ 100.00	\$ 80.00				Blankets	\$ 55.00	\$ 250.00	\$ 152.50
14	Blankets	The Little Market	\$ 50.00	\$ 280.00	\$ 165.00							
15	Necklaces	Global Girlfriend	\$ 10.00	\$ 60.00	\$ 35.00							
16	Earrings	Global Girlfriend	\$ 4.00	\$ 32.00	\$ 18.00							
17	Bracelets	Global Girlfriend	\$ 5.00	\$ 28.00	\$ 16.50							
18	Rings	Global Girlfriend	\$ 16.00	\$ 18.00	\$ 17.00							
19	Bags	Global Girlfriend	\$ 4.80	\$ 80.00	\$ 42.40							
20	Scarves	Global Girlfriend	\$ 15.00	\$ 88.00	\$ 51.50							
21	Baskets	Global Girlfriend	\$ 8.00	\$ 28.00	\$ 18.00							
22	Candles	Global Girlfriend	\$ 7.00	\$ 22.00	\$ 14.50							
23	Baskets	Connected Goods	\$ 18.00	\$ 200.00	\$ 109.00							
24	Quilts	Connected Goods	\$ 60.00	\$ 220.00	\$ 140.00							
25	Necklaces	Connected Goods	\$ 82.00	\$ 175.00	\$ 128.50							
26	Earrings	Connected Goods	\$ 72.00	\$ 140.00	\$ 106.00							
27	Bracelets	Connected Goods	\$ 64.00	\$ 130.00	\$ 97.00							
28	Rings	Connected Goods	\$ 76.00	\$ 170.00	\$ 123.00							
29	Shawl/cape/wrap	Alpaca Mall	\$ 92.98	\$ 548.90	\$ 320.94							
30	Scarves	Alpaca Mall	\$ 17.16	\$ 89.70	\$ 53.43							
31	Bags	Alpaca Mall	\$ 17.99	\$ 41.00	\$ 29.50							

Figure 11: Product price point analysis

## C2. Company Legal Structure and Establishment

### 2.1 Full Legalization Process for a Compañía Limitada

To establish this new business as a *compañía limitada* (limited liability company), a series of 11 steps must be followed to register with the national and municipal government. This information was gathered from data collected in June 2016 from Doingbusiness.org which is run by the World Bank organization.

1. The first step is to reserve the company name with the superintendence of companies which can be done online free of charge in a single day.
2. The second step is to hire a lawyer to prepare the articles of incorporation which according to this site will cost between \$800-\$1000. However, Michael Soares of the Vegetable bar stated that this could be done much cheaper and the whole process would cost \$700-\$1400.
3. The third step involves the notarization of the charter of incorporation and bylaws by a local notary public. This involves a fee of \$245 for the first \$25,000 of startup capital then an additional 0.2% for further capital. This step can usually be completed in 2 days.
4. For the fourth step, the business must register with the superintendence of companies to obtain its registration number and pay a registration fee equivalent to 1% of company assets. This process is estimated to take a day.
5. The fifth step requires the company to inscribe its charter and resolutions in the mercantile registry office. The estimated cost for this is \$80 and estimated time is 5 days
6. For the sixth step, the business must visit the *Servicio de Rentas Internas* (SRI) which is the national office of tax. There the *Registro Unico de Contribuyentes* (RUC) must be obtained. This can be done at no charge and copies of the RUC will be received by mail 3-4 days later.

7. The seventh step requires the company to buy invoices from an authorized print shop to state monthly VAT (*impuesto al valor agregado*) declarations. The cost for a 100 page invoice book is \$40.
8. For the eighth step, the company must sign up for social security at no cost from the *Instituto Ecuatoriano de Seguridad Social* (IESS).
9. Next for the ninth step, all employee contracts must be inscribed with the *Inspectoria de Trabajo* (Ministry of Labor).
10. Penultimately, the company must receive an inspection and operations permit from the municipality of Cuenca.
11. Lastly, the company must obtain another type of operating license called the "*tasa de habilitación*" and pay the commercial patent to the municipality of Cuenca.

### **C3. Funding Conclusion**

#### **3.1 Tips for a successful Crowdfund Campaign**

1. When before publicly launching a campaign, it is smart to have a soft launch. A soft launch occurs over a one to two day period before the public launch and is reserved only for early supports to help reach 30% of the goal. Having a strong start before the public sees your campaign will create a sense of ease and comfort when they are considering contributing (Expert Tips for Running a Successful Crowdfunding Campaign, 2015).
2. Once 30% of the goal is reached, it is time to release the campaign to the public. During your public launch, plan to send out an email blast to the group you've identified as the people on your entire contact list who are most likely to contribute to your campaign. Create social media posts that are exciting and encourage people to donate. You might consider posting countdown social posts to rally your community (Expert Tips for Running a Successful Crowdfunding Campaign, 2015).
3. 42% of funds are raised in the first and last 3 days of a campaign, demonstrating the importance of having a strong launch and strong finish as well as a mid-campaign strategy to maintain momentum. Oftentimes, contributors will leave comments on the campaign page to provide feedback – sometimes positive and sometimes negative. Regardless of the sentiment in these comments, it's your responsibility as the campaign owner to respond to these comments in a timely fashion. Checking your campaign page and responding to comments daily to show your backers that they can trust you to be honest and forthcoming throughout the entire lifecycle of your campaign. If someone is taking the time to leave a comment, they have invested time in your campaign and are often the folks that can be most easily converted into evangelists (Expert Tips for Running a Successful Crowdfunding Campaign, 2015).

## **APPENDIX D: Survey and Interview Results**

### **D1. Amy Zeng (WPI Industrial Engineering Department Head)**

#### ***(1.1) Q: How do you best go about sourcing and finding suppliers?***

It is best to look in the country itself for supply sources and materials. Importing raw materials from other countries will increase production costs greatly. There are many E-commerce websites you can look into where you can find suppliers and buy/sell materials. If possible, you want sourcing and manufacturing to take place in the same area as there is more negotiation power and delivery costs are lower. It would be advisable to look into how feasible this is. The two largest factors in locating sourcing are cost and time (delivery to retailer). Look into Pratt and Whitney aircraft engines and see how they minimize costs. All raw materials must be certified by the FAA making the process very costly. The best place to start for sourcing is to begin with the product then decompose it into different part and materials.

#### ***(1.2) Q: What procurement strategies should we look into?***

Procurement typically starts by the buyer identifying a buyer they want materials from then submitting a call for a quote. This can be completed online and you will have to be familiar with the product to know if the prices and charges are competitive for that particular market. You will also want to establish a network of suppliers. Target multiple potential suppliers and negotiate. These negotiations can take place online or in person. By establishing multiple suppliers for the same product you can create leverage and reduce cost. After you select a supplier, buyer and supplier enter into a contract or an agreement that specifies specific terms such as time, quantity, and price.

#### ***(1.3) Q: Are there any common sourcing pitfalls we should look out for?***

If you are concerned about time and your supplier is far away, then distance itself poses a huge challenge. It will affect production planning and procurement planning especially if there are delays in the arrival of supplies at the manufacturing plant. Additionally, you have to look out for demand influx throughout the year such as during Christmas time. During these seasonal market changes, will you need to find additional suppliers? You will have to come up with a risk management and contingency plan for this.

#### ***(1.4) Q: How should we begin designing our overall supply chain?***

I would recommend focusing on one family of products and creating a strong supply chain at first before looking into multiple product lines. Also, once the supply chain is created make sure the women know how to manage it.

#### ***(1.5) Q: What would be an effective management structure for this business?***

It is hard to apply an established structure to this business without knowing more about it. Most companies use different departments or divide owners into different multifunctional teams in charge of certain things. You also have to determine the manufacturing capabilities, low tech, small volume, high value products, of the company to determine the management structure.

#### ***(1.6) Q: What specific roles/responsibilities must be carried out?***

The most important roles will be coordinating manufacturing, talking to suppliers, and managing distribution. Key people need to be managing all of this.

**(1.7) Q: *Is there an optimal number of employees to start out with?***

You should determine the volume of goods that one person can produce then match the number of people to the projected starting volume. Production volume will ultimately be limited by the number of people manufacturing.

**(1.8) Q: *Are there any quality mechanisms you would recommend?***

This will all depend on the final product. Because the product is not sophisticated, a simple looking over, such as eye checking, should be sufficient. There really are no standard quality standards for this type of product unlike for technology. You should develop a custom protocol and make sure it is adhered to. This shouldn't be too difficult as it is not a large production environment that is made by machines. Each product should be checked over individually as it is low volume production.

**(1.9) Q: *How should we begin designing our overall distribution channel?***

You will need to find retailers and determine which products are easy to sell. Volume, demand, and distribution time will all factor into this process. You can also consider online processing of orders but will still need to deliver goods to the buyer. The current trend is omnichannel which means both in store and online methods of purchasing and processing sales. This expands access to potential buyers.

**(1.10) Q: *What method of cost analysis is best given our application?***

The best method of cost analysis would be a cost/benefit analysis. Total cost ownership (TCO) is cost-based and includes all costs incurred from beginning of supply chain to the end (gives clear picture about how much each product costs) and provides framework about which costs should be included. You will need to consider all cost for example raw materials cost, manufacturing cost, distribution cost and administrative cost. In order to understand how much volume the business will be able to handle you will need to collaborate with a logistics partner. Constant frequent orders are better because they are predicable but you will need to scale manufacturing to suit it. You will also need to figure the pros and cons of working with potential retailers.

**(1.11) Q: *What is the best method to ship goods from Latin America to North America?***

Water transportation is the cheapest however it takes the longest time of all types of transportation. If the product is bulky and heavy, then logistics cost/transportation cost is much higher. Jewelry is lighter and could use air transportation however that is the most expensive. A huge cost on shipping on small products might inhibit the profit made.

**(1.12) Q: *How many middle men are there in the distribution process?***

Large companies have warehouses at the receiving and delivery areas. Working with a logistics company can provide warehousing. If you do it on your own you will need to find somebody who can cover or provide physical spaces. There are some third party logistic suppliers such as Maersk and Global 3PL however that one is based in Europe and the US.

## **D2. Shela Cooper (Design School Student)**

**(2.1) Q: *What types of education or training occurs to learn about design?***

A Fashion Design major at the University of Azuay must go through 8 cycles of schooling to graduate with a fashion degree (each cycle is one semester). In the first year you don't do much designing, but instead learn about functionality and aesthetics. In the second year we learn theories of how to mix figures, and basic principles of design. The third year is where they start teaching us about clothes. In this year we typically take a pattern class where we learn to measure, contour, make cuts, and create clothes. By the end of the third year you are expected to make one piece, inspired by a theme. My final piece was a duffle bag for guys that sold for \$300. In class, often teachers make students use the culture of Ecuador as an inspiration such as classic eyecat techniques, alpaca tribal prints, and other traditional Ecuadorian styles. Overall, our curriculum doesn't have us start designing right away, half of our subjects are based around functionality and aesthetics. Next year will be my fourth year at the Design School. It's in this year where I have to complete my thesis.

**(2.2) Q: *What careers do fashion majors typically enter into after graduating?***

Popular trends right now are seen in brands like Forever 21 and other United States brands. Therefore, it's hard to compete when the most popular fashion trends are imported from America. Many designers work for themselves, this typically entails making your own brand before you graduate and potentially getting a store. Other students become a teacher at the University, where others go on to get their masters in Europe or New York.

**(2.3) Q: *What connections with designing companies do you have?***

Not with companies, however, if you could talk with the Dean, you could make an arrangement to create a class where the students design the products for the company. The students would have to pay to take the class in order to get credits, but whoever produces the best designs could potentially be hired by the company you are creating. This idea doesn't have to involve just fashion designers, the University also has graphic designing (packaging, help with product presentation, tags, marketing, social communication, building, publicity). There are also interior design, architecture, and object design programs who could potentially get involved by designing buttons and other smaller accessories. The international studies may also be a good connection if you are exporting the products to America.

**(2.4) Q: *What products do you have experience designing?***

I was mainly taught the basics such as dresses, jackets, pants, lingerie, but if you want to learn how to make a wedding dress for example, you have to go outside the college and be an apprentice of a wedding dress designer. I have had some experience with embroidery through my classes where I learned to create my own textiles. I also started my own brand that's based around buffs (like scarves that go farther up). I design the patterns on the computer, then I print them onto the product. However, at the University the teachers will help you and give you advice on anything you want to learn that is not taught in class.

**(2.5) Q: *Are there design or fashion resources that you would recommend? Such as websites, books, professors, businesses, etc.?***

I mainly use Pinterest and make changes to the products that inspire me on there. I also use Instagram and Seventeen Magazine, however Seventeen Magazine is different in Ecuador.

**(2.6) Q: *What are some of the most important aspects in design?***

Skills that need to be taught to the women will be the most important aspect of design. Having teachers who can help each woman individually will not limit the designer in what products

he/she can create. An idea could be to divide the women up based on skills in order to find their strengths and then have production be based on that.

**(2.7) Q: *What is trending in the world of fashion?***

Anything that will sell, here it's bags, shoes, and accessories. Since the earthquake, design students have been going to the effected area and teaching unemployed people how to do textiles. These people can then create products to sell. Since the product is made by a survivor of the earthquake people have a reason to purchase it.

**(2.8) Q: *What are trending materials/ what local materials are high end products typically made from?***

Knitting panama hats and the panama hat material are definitely most common overall in Ecuador. As far as the different regions of Ecuador, the coast is represented by the panama hat material. You could potentially make a product out of coconut peel if you are trying to embody Ecuador's coast into a design. The Andes region is represented by alpaca wool while the Amazonian region can be represented with feathers.

**(2.9) Q: *What are cheap materials found in and around Ecuador?***

Alpaca is relatively cheap and very customizable. You can also create a product out of different products. For example, I bought a blanket and leather to create a bag. To get raw material, however, you will most likely have to go directly to a factory. In fact, I recommend that you go to a factory and not start from scratch. If you predesign from the factory it's cheaper than purchasing them from a store where the price can be tripled.

**(2.10) Q: *Would marginalized women be able to produce your designs with skills training? If yes, what kind of training is necessary?***

Yes they would be able to. If the product is made from home it would be easy to have a product that could be knit. Most indigenous people make a living out of textiles, where they have a machine to do their knitting. Space could be an issue since the machines are so big and expensive. Industrial machines come built into a table, where the biggest industrial machinery are embroidery machines. These machines are roughly two meters long. Since most machines are imported they are more expensive to purchase in Ecuador than they would be in America. Because of such high import taxes all imported machinery and products cost 50% more. I purchased three machines for \$3,000. This is the same price I would have bought them in the U.S for, but that is only because the seller was having a promotion. When you buy in bulk you often get a discount. You may even get more of a discount if you say you are working for a foundation.

**(2.11) Q: *How much do design/fashion products cost to produce?***

The basic wage for a designer is \$6 per hour. A designer typically will make a list of all of the stuff he/she is doing along with materials and divide it by the time it takes to draw and design. Every single second is documented, even the time it takes to purchase paper.

**(2.12) *Additional Comments:***

There is a town called Gualaceo right out side of Cuenca. The people there make the eyecat designs with a thread painted with natural colors of smashed bugs, lime, and salt. Gualaceo is also known for their shoes. Chordeleg, a town also outside of Cuenca, is known for their jewelry.

Mainly, what people don't appreciate here is the culture in textiles. When in the States, if it's handmade or made by a native it gives the product more meaning. For example, Toms shoes has



that personal story that many American's like, giving the shoe more value. Designers from Ecuador often don't appreciate the textiles. Even the people who design and create it don't appreciate their own work and end up selling it for nothing when it is worth so much more. Here, people often follow mainstream media trends such as the Kardashians.

### **D3. Gina Ambrosi (Ambrosia)**

#### ***(3.1) Q: How did you initially set up your business?***

I got the idea when I sold Ecuadorian products in Florida where I went to school. I wanted to set up a place where they can find neat Ecuadorian things and that is how Ambrosia started. I opened in April of last year. Most of my clients are tourists so they normally like things that are smaller and can be used as gifts (like coffee, tea, chocolate, and fun things to take back with them). Most Ecuadorians think things that come from the US and are imported are much better even though they may not be.

When I want a new product, I go out and look for it. There is no catalog usually but people have access to cellphone but no Internet. I go out to where the products are to discover them and talk to the people. I invest more in the person than the product, learning about their family and their background.

Packaging is imported for most products. Items are usually shipped to me.

To set up a business here there are a few options. You can do it as an individual, which is what I do, or as an SRI or a corporation. You need a tax ID number (RUC) and you need a permit in the municipality and you have to pay them. If you have employees you need a social security code. I don't need a lawyer or an accountant because opening a business as an individual is easier. You can get a bookkeeper if you want and an accountant for a corporation or foundation. With those you get legal issue invoices. There is a way you don't have to declare it monthly but it depends on the income you have. With the Ministry of Labor you will need to open an account number. You can only register as an individual if you bill less than \$60,000 per year.

#### ***(3.2) Q: What is the typical time frame for establishing/legalizing a business in Ecuador?***

It doesn't take long if you have the paperwork needed. It took me a month to set up. The rest is financial because you don't get credit from the providers initially. But you can do payment plans.

#### ***(3.3) Q: What do you think would be the best way to gather capital for our business startup (give her options we have looked into)?***

You can do a payment plan once you have an established relationship with producers. This means that you pay them once you sell their product.

#### ***(3.4) Q: How do you determine who to aim your products towards?***

Mainly tourists and people who want traditional Ecuadorean products. I have a lot more organic and natural items now.

#### ***(3.5) Q: What products are currently popular in your store? What makes these products so desirable?***

I sell a lot of coffee, chocolate, honey, coconut oil, soaps. Mostly people buy them as gifts.

#### ***(3.6) Q: Are your products from foreign companies?***

No, they are all locally sourced in Ecuador.

**(3.7) Q: Do you know what types of high-end foreign products are trending?**

A lot of tagua (from the northern coast and it's actually a seed), Otavalo scarves. Many products here are imitation alpaca, but they still sell pretty well.

**D4. Ande Axelrod (Tagua by Treats)**

**(4.1) Q: How did you initially set up your business?**

I first wanted to go to the Galapagos, but also wanted to spend time in Ecuador. I met Zule Saragino from Otavalo, who is an indigenous craft maker. I fell in love with tagua and wanted to get back into a job where I could work with my hands. Tagua is made in the rain forest, so I brought some beads home and started playing around with it. I then came down to South America again and started researching where to find beads. I wanted to do something that was geared towards North American sensibility. Recently I tried to do a show in Victoria, but was told that my price point was too low. However, people thought the story was cool and were interested in that aspect. Now I do craft fairs in art markets in Washington and Canada.

**(4.2) Q: What was the procedure that you followed (business plan, formation of capital, legal stuff)?**

I originally had a partner. However, now I do not and the legal business term I have is a sole proprietorship and also created an LLC with my husband. All you have to do is file for taxes now. Other procedures I followed were trying to get more suppliers. I have met women who knew how to make jewelry but just didn't sell it. I also visited Chordeleg, which is the jewelry making town. I asked a woman there to make some of the designs that I had and set up a partnership that way, so now I can mix materials (both filigree and tagua).

**(4.3) Q: What do you think would be the best way to gather capital for our business start-up?**

Well, for my business it was totally self-funded. Any expenses accrued were then reimbursed from the business (after using a personal credit card). It originally started out as "paying for my hobbies" and then I created a business out of it. I didn't start with a business plan.

**(4.4) Q: How did you make initial contact with the Sosote village?**

I did online research and found Sosote and went there for one month. There are different styles and designs that are more "North American". I found a vendor online (Nayon Nayon), which is a wholesale retail online and began buying from them. Before that I also found a blog, which was a US expat website, based out of San Clemente and found an article talking about Sosote. I found a contact for an Ecuadorian woman who could speak English and she helped translate and make contact to get my first order in. Language was tricky at first because you don't know if your translations mean what you think they do. As a side note, I actually found a woman in Paris who uses tagua in her designs, but the jewelry is made in Colombia.

**(4.5) Q: How do you ship the tagua nuts back to Canada?**

I usually ship it through something like FedEx. It's about \$800 for shipping and that's with ordering beads in build in January and July. There also may be other easier ways of shipping that I just don't know about.

**(4.6) Q: How do you process sales through your website and what does the distribution process look like?**

One of my goals is to expand website sales and expand sales to fair trade stores. For example, 10,000 Villages already has tagua but it's a very typical design. I do have some products in local Vancouver stores. Though they aren't fair trade they love local artists. One of them is called the "End of the Line Gift Shop" and my products have sold really well there since many of the customers are people interested in hiking, nature, and so on.

**(4.7) Q: What does your distribution/supply chain look like?**

As I mentioned before, I usually ship tagua beads to Vancouver. There's also an Ecuadorian shipping company called Correo Ecuador to get beads to Vancouver. They won't ship filigree. I have to find someone to take it with them when they travel. Other materials, such as sterling silver and rubber wire comes from New Mexico and Minnesota. There are a lot of jewelry wholesale suppliers from the United States and Canada. The other end of distribution is selling things online. I use Shopify to get products to customers and fulfill all the orders myself. At art shows, I use Square.

**(4.8) Q: Do you hire employees for your business or is it all self-run?**

Up to two weeks ago, I did have a business partner. However, I decided to split ties since she wasn't contributing as much and wasn't as passionate about the tagua idea. She wanted to work more with glass beads.

**(4.9) Q: What types of managerial responsibilities need to be performed on a day to day basis (accounting, maintenance, inventory)?**

I had to register for all the taxes and legal stuff once I was making enough income to warrant that. I have now set up a corporation (through my design work and my husband's consulting). I'm dual citizens in the United States and Canada so that I can do summer shows in the US. I also pay Washington state taxes and an informal Illinois state tax.

**(4.10) Q: How do you go about training new employees?**

I don't have employees because I make all of the jewelry myself.

**(4.11) Q: What types of marketing strategies to you employ?**

Most of my business is from craft fairs, but I am trying to move more towards online business. One of my main issues is that my products are often viewed as "imported materials" even though the vast majority of other jewels and materials are also imported. Part of my marketing is that I am known as an artist. I sell artwork and not imported jewelry that's made in a sweat shop. I have to apply to shows in February in order to participate in Christmas shows. This is one of the reasons why I want more items to be sold on the website. The story is really important (an example is how my booth setup with the banner and that tells my story.) Every customer that comes to my booth gets their product and a little insert that says "Your new treat is made of a sustainable product. Beads made by fair trade Ecuador, created/finished in Canada". There are also certain times of the year products sell. Somebody came up with the idea of "Blue Monday" where you've given up on your new year's resolution and spent money from Christmas. This way more people will go to buy things on Blue Monday.

**(4.12) Q: How has graphic design helped your business?**

Graphic design has been a huge aid in the business. That's where a lot of my creativity comes from to create the jewelry and I've gotten compliments on both the jewelry and the logo.

**(4.13) Q: *How do you test new products and gauge customer interest?***

Some new products that I've tried are acai fruit beads. I've also seen orange peel jewelry. These new kinds of materials fascinate customers and demonstrate how you can work with so many different materials.

**(4.14) Q: *How did you establish your price points?***

That's a hard thing to determine. The price point was too low for the show in Victoria, DC. My earrings are generally priced between \$20 and \$30. One of my necklaces sells for \$49 and it costs about \$2.00 total to make it (that includes materials, the cost to make it, ship it and pay for duties). Usually I take the cost of goods and double it, which covers materials plus any exchange rates. Not all go to the people in Ecuador who supply the materials, but any product bought supports both Ecuadorian artisans and a Vancouver artisan.

**(4.15) Q: *Are there any places you can suggest where we can conduct extra product research?***

Look on Etsy. It all looks the same and you need to come up with a unique design but it can be helpful. Also, look at other similar artists. For example, there's one other artist in Canada that sells tagua. There's a business called Lotusland Imports that has a similar supply chain and a collection of different products. But they are trying to do the same thing as you are but with materials from Africa.

## **D5. Michael Soares (The Vegetable Bar)**

**(5.1) Q: *How did you initially set up your business?***

Well there are three different levels of businesses, Rise, Company de Hechos, and company Limitada. An rise is similar to a sole proprietorship; they self declare taxes and income. A lot of them do not make enough income and are like little tiendas. The drawback is that the government can seize personal assets and business, it provides no layer of protection. Company de Hechos is a structure for a partnership and it limits each partner to only \$1000 in liability. This can be established in a few days and there are no fees associated with it. However you cannot export with this type of business. A Company Limitada is a mixture of what we know in the states as a Limited Liability Company and a Corporation. It offers total protection and costs roughly \$700-\$1000 to start through the government. It takes about a total of two months for the government to approve the Company Limitada. However the government has an archaic mindset about company names they often change the name or suggest different ones because they do not understand trademarks. There is one appeal process for this and if they reject it and change your name there is not much that can be done about it. They do often accept logos as trademarks but often companies names are legally registered under something else. This is the type of business you will need to start because this is the only one with the ability to export goods.

The government here is very strict with exporting goods so I recommend that you just make a manufacturing company and have a partnership with an already established export company so that you don't have to jump through all the hoops. They will take a cut out of the profit but it might be a waste of times for you to try to set it up yourselves. This is also true for the US side with importing goods because they already have clearance to import.

All of these types of businesses need a RUC which is the tax number for that business. Some businesses have a FEIN (federal employer identification number) however you can have this separately for your business structure. This is mainly for a company that sells services as opposed to products.

**(5.2) Q: What was the procedure that you followed (business plan, formation of capital, legal stuff)?**

I have a Company Limitada.

**(5.3) Q: Did you have to hire a lawyer to write the minutes of incorporation (Constituting contract, articles of incorporation, company by-laws, formation of capital)?**

I did need a lawyer for the complex paperwork and Spanish when going through the legal process. I would be happy to ask my accountant for their information so that Hearts of Gold can use them.

**(5.4) Q: How many registration fees are involved?**

\$700-\$1000 to register with the government.

**(5.5) Q: What is the typical time frame for establishing/legalizing a business in Ecuador?**

The timeline was about two months because I pushed back about the name but with a good lawyer you could do it in one month. The SRI (Superintendence of Companies) is on Remigio Crespo, near Loja and Solano, left side of the street and they can help with determining what legal actions to take when starting a business. They will ask for electric bill, copy of someone's passport and the actual passport. Tell them Company de Hecho (don't say Company Limitada because they will bounce you around to different people). Then they give you a number and wait in line. When you are up say what you want to do and then ask for what resources you can get. Veg Bar initially rejected because we marked down export – in the old days you put in as many descriptions as possible (put in everything), NOW you have to limit it to your primary effort.

**(5.6) Q: What types of qualities do you think makes a company successful (leadership, culture, strategy)?**

Other restaurant owners in Ecuador treat business as a way to feed their families, not as a way to make a profit and expand. Sustainable income for Ecuadorians is about \$400/month. You can survive on this but you really need two incomes to be happy. I have 10 employees at Vegetable Bar and usually pay 20% more than the basic (some almost twice as much).

**(5.7) Q: What types of managerial responsibilities need to be performed on a day to day basis (accounting, maintenance, inventory)?**

When you hire someone, you have 90 days to fire without strict penalty or else you have to pay them a *financiera* which is severance pay similar to how much they were making when they worked for you. However this still has to be paid if they quit so often you find many people will quit on their 91<sup>st</sup> day of work. Now this gets reported to SRI so before hiring someone you can check if they have been quitting their jobs every 3 months.

**(5.8) Q: How do you go about training new employees?**

In Ecuador every kid has to go to Catholic school so every kid needs uniforms. So in August we would have to give all of our employees an extra paycheck to pay for uniforms. Also in December we have to give them an extra paycheck so they have money to buy their children gifts, these are called *Desayus*. Thankfully, the government changed the law and they now sent out

throughout the year in 12 increments which is a lot easier on the business. Now it is on the families to save their money because people here typically live paycheck to paycheck.

Here we have a strict processes for employees and they have to go if they don't follow it. We do less training than your business will have to do. They will be able to follow the processes but you will have to check up on their work. You will need to break each process down to the smallest divisions of training and leave nothing to be assumed. It could take weeks to train them because culturally it's been built in that "they're getting screwed by jefe" (jefe is the boss) so they try to stretch the process as much as possible and go out of their way to change things even though it might be more difficult. Another tradition Cultural tradition that they will say yes and yes and yes, but not really understand what they should do or how to do it so don't trust that they understand what you're saying to them, have to have them say it back to you. Also if they do not look you in the eye it is because they think you are jefe. You need them to have the confidence to look you in the eye. Also if they know any English at all... hire them. That tells you they put the effort into learning something with will transfer over into your role for them.

**(5.9) Q: *The biggest thing with starting this business is finding funding. Kelly told us you had experience in Venture Philanthropy can you tell me about how organizations in their beginning stages go about finding a venture philanthropist?***

The first thing to get into is a TED talk. Reach those people and do a ted talk at a regional talk there is huge potential for funding. You are not going to get any venture capitalists in Ecuador. They are vicious. Some will invest to make themselves look good like for charity but you wont get much help from them and they will set you up to fail. I would look into Massachusetts Social Venture Partners and see if they are considering overseas funding because it is something that is starting to spread through the US and Europe.

**(5.10) Q: *Do you know anyone we could reach out to who would be interested in this cause? Angel investors? How much proof of concept?***

It is all going to depend on the group you find. You are going to need a business plan (5 year projection) and make the goals as attainable as possible (underestimate to the max). Focus on what to do (year one is going to do one collection with seven articles because these are the consumers that will buy and this I the target audience) it has to be crisp and concise to get money from angel investors. Your startup costs will probably be less than \$150,000. Costs are nothing for setting up a partnership with an export company. Retail space outside the city is dirt cheap. Build up cost for the vegie bar was 10l and startup was 18k. Obviously this depends on equipment and training costs. You will need operating capital while the business starts up. Do a "just in time" model which is keeps inventory and production costs low and it is pretty reasonable to get stuff delivered here. Note that wool has to be bought way in advance so it depends on the materials that need to be bought. Go after things that are really cheap and easy to produce here. In the first three years you have to get as much done as you can. Create products based on the least expensive things you can get. You will need a really good plan and a really good presentation to get money from Ecuador you just need to find the right people. You could probably raise at least \$10,000 here. I think that crowdfunding is also a great idea.

## **D6. El Arenal**

*\*Note: This was a group interview and answers have been synthesized in third person for ease of reading and to reduce repetition.*

**(6.1) Q: Do you go to work or study?**

Yes, all go to work. Many are independent business owners. Those who sell products don't have a permanent location in the marketplace (since they cost about \$10,000 per year to rent) so they walk around and try to sell things on the street. Most of the women only make about \$7 per day in order to support their entire family.

**(6.2) Q: What jobs do you currently hold or have you held in the past?**

- 1) Cleaning 3 houses each day until 7pm.
- 2) Selling fruit in markets.
- 3) Plucking feathers out of chickens (work hours from midnight to 8am).
- 4) Turning wool into yarn.
- 5) Man who sells shoes.

**(6.3) Q: Did you go to primary school, high school or college?**

Most have been to primary school (about 70%), some went to "colegio" (i.e. high school) (about 3 people), no university schooling

**(6.4) Q: What do know how to do and like doing?**

Sewing

**(6.5) Q: Would you be open to receiving training? Would you be interested in learning new skills?**

Yes. Skills such as ceramics, crocheting, sewing, jewelry making (maybe with beads), any type of production of artisanal crafts

**(6.6) Q: Would you be interested in working in a small factory or in your home making artisan products?**

Yes

**(6.7) Q: Do you know people who would help in the startup of a business?**

Everybody said that they would know other people who would be interested in this type of business.

**(6.8) Q: Are there people you know who sell artisan or high quality products?**

One woman has a son who makes shoes, another has a neighbor who makes hats, and another mentioned a friend who makes jackets.

## **D7. CETAP-Lucy**

*\*Note: This was a group interview and answers have been synthesized in third person for ease of reading and to reduce repetition.*

**(6.1) Q: Do you go to work or study?**

Yes, all eleven women go to work.

**(6.2) Q: What jobs do you currently hold or have you held in the past?**

- 1) Cooking
- 2) Cushion making
- 3) Curtain making

**(6.3) Q: Did you go to primary school, high school or college?**

Ten went to “colegio” (i.e. high school), and six attended university

**(6.4) Q: Have you been trained or taught to do a certain task? Or what is something you know how to do well?**

- 1) Crochet
- 2) Knit
- 3) Sew
- 4) Make jeans
- 5) Paint
- 6) Computers

**(6.5) Q: Are there resources that you would like to buy or want better access to?**

Yes. Fabric, textiles, wool, machines to sew.

**(6.6) Q: Would you be open to receiving training? Would you be interested in learning new skills?**

Yes. Skills such as jewelry making (such as colorful necklaces, bracelets, or earrings), belt making, poncho making, creating table cloths or table runners.

**(6.6) Q: Would you be interested in working in a small factory or in your home making artisan products?**

Yes.

**(6.7) Q: Do you know people who would help in the startup of a business?**

There were some relationships with people who use tagua and beads (perhaps in the city of Chordeleg).



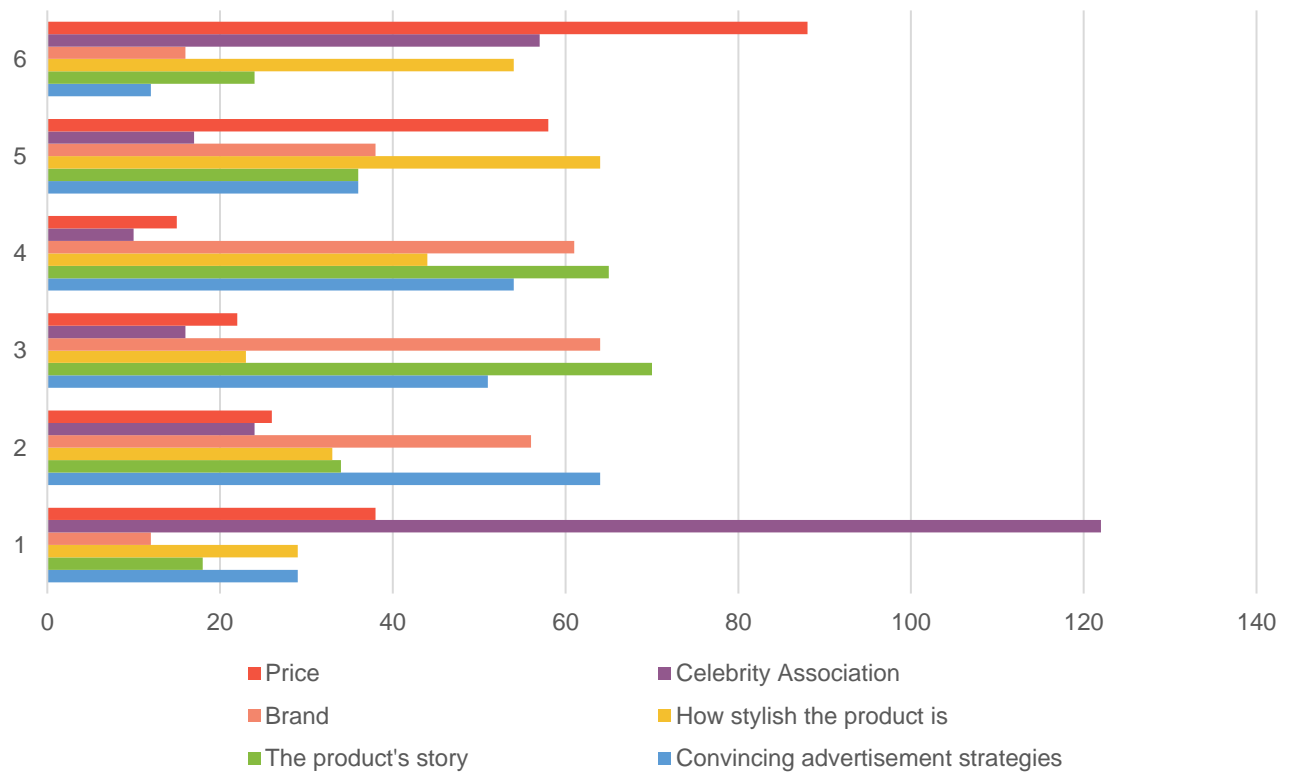
## **D8. Survey Results**

*This survey was completed by 247 individuals ranging from high school to middle aged adults, all from the regions of both the United States and Ecuador.*

**Question 1:** *When on the fence about buying a certain product, how much influence would a social story behind the product have on you? Ex: The product was made by a struggling woman with 3 kids who would receive a fair return from the sale of the product.*

<b>Answer</b>	<b>%</b>	<b>Count</b>
<b>Negatively Influenced (0% chance of purchase)</b>	<b>0.00%</b>	<b>0</b>
<b>2</b>	<b>0.00%</b>	<b>0</b>
<b>3</b>	<b>0.81%</b>	<b>2</b>
<b>4</b>	<b>0.00%</b>	<b>0</b>
<b>Not Influenced</b>	<b>8.5%</b>	<b>21</b>
<b>6</b>	<b>19.84%</b>	<b>49</b>
<b>7</b>	<b>40.08%</b>	<b>99</b>
<b>8</b>	<b>19.43%</b>	<b>48</b>
<b>Positively Influenced (100% chance of purchase)</b>	<b>11.34%</b>	<b>28</b>

**Question 2:** Rank the factors that influence you the most when purchasing a high-fashion product. (1 being least influential, 6 being most influential)



**Question 3:** Which method of advertisement do you most often come in contact with?

Method	%	Count
Television	8.10%	20
Magazine	0.40%	1
Social Media (Instagram, Facebook, etc.)	83.40%	206
Entertainment Media (Spotify, Pandora, Youtube, etc.)	5.26%	13
Website	2.83%	7

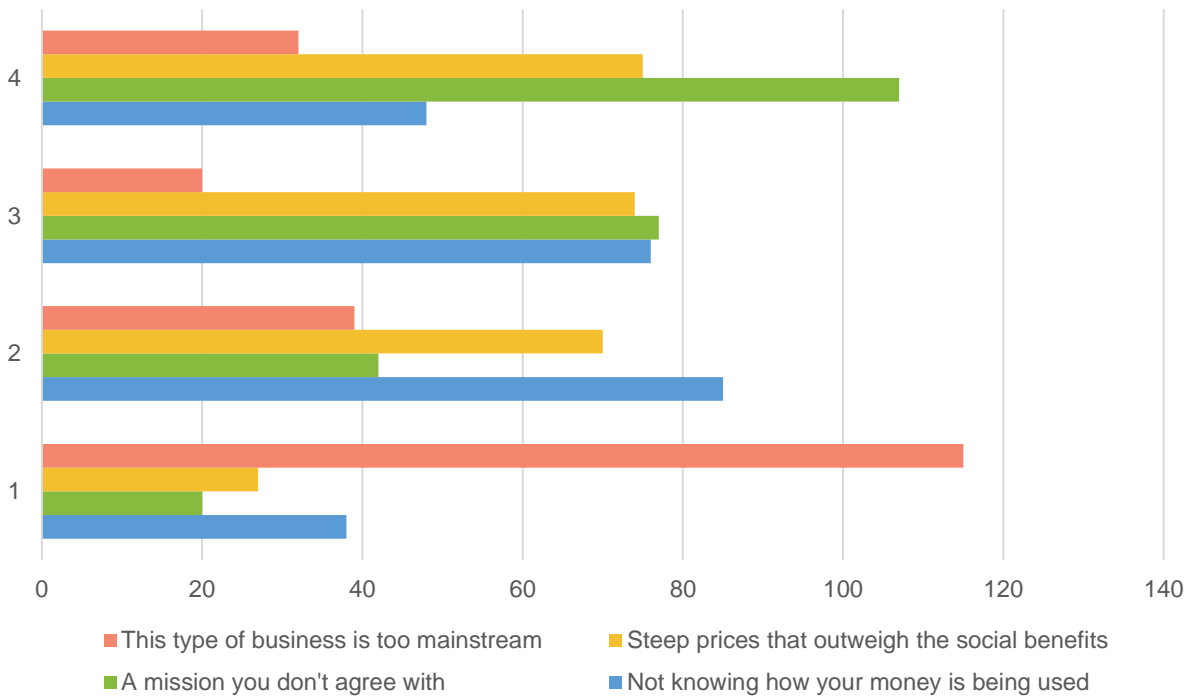
**Question 4:** What high-end product are you most likely to purchase if it associated with a backstory?

Product	%	Count
Shoes	27.53%	68
Purse	6.48%	16
Scarf	21.86%	54
Jewelry	44.13%	109

**Question 5:** If you encountered a crowdfunding campaign for a female led business like ours, how much would you be willing to donate to help start the business?

Amount	%	Count
Less than \$5	21.05%	52
\$5 - \$10	45.34%	112
\$10 - \$25	29.96%	74
More than \$25	3.64	9

**Question 6:** Rank the factors that would discourage you from buying products from/investing in a social enterprise business? (1 being least discouraging, 4 being most discouraging)



## **APPENDIX E: Conclusions and Recommendations**

Appendix E is a continuation of the Conclusions and Recommendations section of this report. It consists of deliverables being left with Hearts of Gold that will aid them in the startup and continued success of the business proposed.

# E1. WEBSITE MAINTENANCE & EXPANSION GUIDE

## Setup

*The website for Mírame was created through a free website host called WordPress*

- WordPress provides many features which are useful to Mírame, including theme customization, easy and fast creation and updating of the website, as well as the ability to start a blog using the same platform
- The information for how to access and edit the website was provided to Hearts of Gold for further maintenance and expansion
- No training was necessary at this point because Hearts of Gold also uses WordPress for their Foundation's website

## Site Map

*The main pages of the website include the Home/Mírame Jewelry page, the About Mírame page, the Products page, the Contacts page, and the Blog*

- Home/Mírame Jewelry – Logo, mission, spotlight product photos
- About Mírame – Idea behind the business, background/history, info on Hearts of Gold
- Products – 4 regions of Ecuador inspiration, potential products
- Contact – future contact information for Mírame manager
- Blog – Posts about history, women's backstories, and company updates
- Additional pages can be added as necessary, such as a Buy Jewelry page for when the website can sell products online

## Blog

*One aspect of WordPress that is useful to this project is the ability to create a blog*

- The Blog added to the website documents the steps of the process to start Mírame
- Three blog posts have already been written and posted
- The first post was about the history of the project, recounting who is on our team and what an IQP project involves
- The second post was about Cuenca, which is the historical and cultural center origin of Mírame, which is where the business will be based
- The third and final post was about the women who could potentially work at Mírame in the future
- Future blog posts will include any progress Mírame makes, such as finalizing product designs, creating new partnerships, hiring women as employees, selling the first product, launching the crowdfund, etc

## Online Sales

*Online sales can be set up through WordPress and the Shopify plugin*

- The future of Mírame will depend on the online sales of jewelry products

- Due to this need, it was imperative to research possible ways to set up an online store
- One method that was suggested to the team in the interview with the business owner of Tagua by Treats was Shopify
- Shopify supplies a plugin called Shopify Ecommerce Plugin – Shopping Cart. This plugin can be added to any WordPress website and provides functionality to add products, set prices, have a shopping cart, pay securely, view product sales trends and additional organizational capabilities (Shopify eCommerce Plugin - Shopping Cart)
- Shopify provides 24/7 support so in the setup phase of the online store this additional help will be extremely useful. Therefore, this plugin is the solution we recommend for Hearts of Gold

## Setup and Maintenance of Shopify

### *How to set up and use the Shopify plugin*

- To use the Shopify plugin, the website manager must register for Shopify Lite, which allows access to capabilities for selling products online
- After this, the plugin can be installed through WordPress. One of the first steps will be connecting payment accounts to the Shopify plugin so that Mirame receives the profits
- Additionally, maintenance will involve adding all new products to the website if they are to be sold online, along with the product photo and cost associated with it. This maintenance will be accomplished by using the "Add Product" button
- Any page has access to this feature and it allows the website manager to upload a photo of the product, the cost, and a "Buy Now" button
- Lastly, the Shopify ecommerce plugin comes with a completely built shopping cart functionality so users can save their product preferences and purchase them securely

## Financial and Human Resources

### *Resources needed to sustain the website*

- The cost for Shopify Lite is \$9/month, which is a total annual cost of \$108 (Shopify's Lite plan)
- WordPress is free thus, the only financial cost for setting up this online store would be the \$108. It is important to note that when using the online Shopify Payment (for customers to pay), a portion of the profits go to Shopify. Specific details as per Shopify Lite's plan are outlined here:
  - Use Shopify Payments to accept credit cards online and pay 2.9% + 30¢ for Canadian cards, and 3.5% + 30¢ for international cards
  - Accept payments in person and pay 2.7% + 0¢
  - Accept credit card payments using an external payment gateway and pay 2.0% on all transactions
- The main resources needed to set this online store up and maintain it are the human resources. One person must maintain the WordPress website and do one blog post per week to keep interested customers up to date

- This is a minimal amount of time, but will significantly increase once products are sold. Most likely, one person will need to spend about 20 hours learning how to use Shopify and setting up the entire Products page
- Additionally, this website manager will need to check every couple of days which products were ordered and begin the process to ship the merchandise to the customer
- Other maintenance would include adding new products promptly to the Products page, checking product sales trends, and replying to customer questions and concerns

# E2. BUSINESS STARTUP GUIDE

## Legalization process

### OVERVIEW

Based on the necessary requirements of establishing a *compania limitada*, this guide provides an overview of the legalization process. Under each step, there is a description of the government agency granting the needed registration and a process outline complete with estimated time and cost. Data for this guide has been collected from both local business owners and the World Bank organization (current as of June 2016). However, as the law changes quickly in Ecuador, it is

#### 1.) Reservation of Company Name

**i** Agency: *Superintendencia de Empresas (Superintendence of Companies)*

Must reserve "Mirame" with Superintendence office

Can be done online at <http://www.supercias.gob.ed/portalConstitucionElectronica/>

Reservation certificate is valid for 30 days

Estimated time: 1-2 hours

Estimated cost: \$0.00

#### 2.) Minutes of Incorporation

**i** Agency: *Law Office*

Hired law firm must prepare and sign the minutes of incorporation

This includes constituting contract, articles of incorporation, company bylaws, and formation of capital

Estimated time: 1 day

Estimated Cost: \$700-\$1000

#### 3.) Notarization of Minutes

**i** Agency: *Notary Public*

Minutes of incorporation must be notarized by a notary public

Payment for this is based on paid-in minimum start-up capital

Estimated time: 2 days

Estimated cost: \$245 fee for the first \$25,000 of start-up capital and 0.2% of additional capital



## 4.) Registration at Superintendence of Companies

**i** Agency: *Superintendencia de Empresas (Superintendence of Companies)*

Must procure registration number and pay annual registration fee amounting to 1% of assets

In order to register, the following documents must be shown:

- Form with address of new company
- Name and identification of legal representative
- Name and identification of founding partner(s)
- Certified copy of public deed of company constitution

Within 24, company registration will be complete and information will be uploaded to the superintendence agency website with registration number

Estimated time: 1 day

Estimated cost: \$0.00

## 5.) Inscription of Company Charter and Resolutions

**i** Agency: *Registro Mercantil (Mercantile Registry Office)*

Company charter, resolution, and name of legal representatives must be inscribed with Mercantile Registry

Once complete, a registration number will be provided with the official date of the company's legalization

Estimated time: 5 days

Estimated cost: \$80.00

## 6.) Application for Registro Unico de Contribuyentes (RUC)

**i** Agency: *Servicio de Rentas Internas – SRI (National Tax Office)*

Once registration is complete with the Superintendence of Companies and the Mercantile Registry, the RUC can be obtained from the SRI

Required documents for the RUC registration are:

- Registered deed
- Registered appointments from other agencies

48 hours should be allowed for processing

RUC can be obtained after registration is approved and a copy of RUC is sent by mail 3 days later

Estimated time: 3-4 days

Estimated cost: \$0.00

## 7.) Printing of Invoices and VAT forms

**i** Agency: *Authorized Print Shop*

Invoices must be bought from SRI authorized print shops to state monthly Impuesto al Valor Agregado (VAT) declarations

The RUC is needed for this process as it has the same registration number as the VAT forms

The cost associated with this step is for a 100 page book of invoices. Typically, there are 2 copies made for every original invoice.

Estimated time: 1 day

Estimated cost: \$40.00

## 8.) Social Security Registration

**i** Agency: *Instituto Ecuatoriano de Seguridad Social – IESS (Ecuadorian Institute of Social Security)*

Company must petition the IESS for a cedula patronal (employer identification number)

This registration can be done online through the IESS webpage

Once online registration is complete, the company must present the registration information to the IESS office and obtain the social security password for the online system

With the online system, employee registration and termination can be maintained

Estimated time: 2 days

Estimated cost: \$0.00

## 9.) Inscription of Employee Contracts

**i** Agency: *Inspectoría de Trabajo (Ministry of Labor)*

All employee contracts must be inscribed with the Ministry of Labor

The office that handles these inscriptions is the *Secretaría Nacional Técnica de Desarrollo de Recursos Humanos y de Remuneraciones del sector Público – SENRES* (National Technical Secretariat of Human Resources Development and Public Sector Remuneration)

Estimated time: 2 days

Estimated cost: \$0.00

## 10.) Inspection and Operations Permit

**i** Agency: *Municipality of Cuenca*

Company must submit application for inspection from municipality

After 15 days, premise will be inspected by the Fire Department and Secretary of the Environment

These 2 departments will submit their findings reports to the municipality within 5 days

If both reports find that the premise passes all requirements, the operations permit will be issued within the next 10 days

Estimated time: 30 days

Estimated cost: \$0.00

## 11.) Obtainment of “Tasa de Habilitacion” and Commercial Patent

### **i** Agency: *Municipality of Cuenca*

In some cities, the municipality reserves the right to collect a fee or “tasa” in the form of a tax for public services offered by the municipality

- More specifically the tasa is paid for the “approval of the ability to operate and control commercial and industrial establishments”

The size of the tasa depends on the type of company, size of the facilities, and the company’s location within Ecuador

As part of the tasa, the municipality must perform another inspection of company premises to deem it fit for business. Once the business passes, the municipality grants its approval in the form of a permit known as the “tasa de habilitacion”

Once the tasa de habilitacion is obtained, the company must pay another tax called the commercial patent. This tax is paid by all companies engaging in commercial or industrial activities.

The commercial patent must be paid once a year and the first payment should be made within 30 days of the last day of the month in which the company started operating

Estimated time: 30 days

Estimated cost: \$50.00

## 12. Summary

Total number of government agencies: 6

- Superintendence of Companies, Mercantile Registry Office, National Tax Office (SRI), Ecuadorian Institute of Social Securities (IESS), Ministry of Labor, and Municipality of Cuenca

Total number of private agencies: 3

- Private law office, notary public, and authorized print shop

Total time: 45-60 days

Total cost: \$1,115 - \$1,415 (contingent on legal fees and start-up capital)

# E3. BUSINESS MANAGEMENT

## Jewelry Inspection Process

### OVERVIEW

As the new business will specialize in high end jewelry, it will be essential to maintain the utmost levels of quality during production. Outlined below is a general procedure to ensure that the jewelry is carefully inspected at each stage of the manufacturing process. While this procedure will most likely change depending on the needs of the business and method of production, the general guidelines should still be adhered to. Adherence to strict quality control will yield lower amounts of defects, increase efficiency, and produce value for the customer. Ultimately, these short term effects will grow to build the Mirame brand, boost the bottom line, and forge trust between the business and its customers.

### Pre-Production Inspections

**i** *Before production begins, inspections must be performed to survey the condition of the equipment and any raw materials being used for the jewelry. This process increases safety for the women and reduces defects in the final product.*

#### Equipment Inspection

- All equipment must be visually inspected then test operated to ensure that everything is in good working order
- This prevents mishaps stemming from faulty equipment endangering the women while working
- Additionally, it prevents malfunctioning tools from marring or damaging the jewelry which would result in poor quality and damage customer trust

#### Raw Material Inspection

- All raw materials including metal, gems, tagua etc. must be inspected for any flaws or cracks that could impact the quality of the product
- Additionally, adhering to this inspection increases efficiency as the women will not have to worry about throwing away work later in the production process if one of the materials they used is flawed

#### Craft and Assembly Inspection

- This procedure mandates that all tools and materials needed for the master design be ready and on hand to increase efficiency during production

### Manufacturing Inspections

**i** *With pre-production inspections complete, manufacturing of the jewelry may commence. In this stage of production, quality inspections are more focused on the techniques used to craft the jewelry rather than on the materials themselves.*

#### Gem Cutting and Matching Inspection

- This includes measuring the various stones and matching them to corresponding designs to make sure that they have the correct specifications
- Gems that fail this process are recycled and used for other designs

- After this, wax molds are created based on the design and the metal is cast.

#### Pre-Finish Inspection

- Before any finishing touches are put into the design of the jewelry, a pre-finish inspection must be performed to seek out and cracks or fractures
- Following this, the jewelry must be polished and plated in accordance with the master design

#### Pre-Coating Inspection

- Finally before the finished product is coated and sealed, one last inspection must take place for any final deficiencies that may have been overlooked
- After the coating has been applied, the jewelry must be left to set overnight so further inspection does not cause discoloring or blemishing on the seal

## Post-Production Inspections

**i** *Once the finished product has been coated, it is given two final tests looking for material durability and aesthetic quality. Lastly, a check list can be used to ensure that the product has gone through all necessary inspections and is ready for sale.*

#### Visual Inspection and Strength Testing

- Once the coating has hardened, the finished piece must be given a visual inspection for any flaws, defects, bubbles, or blemishes and its strength is tested
- Strength testing is especially important with soldered pieces to verify that they will not break during usage

#### Final Product Inspection

- Finally, the product is subjected to one final test to ensure that it has been through all previous inspections and is ready for sale or distribution
- This final step will use a yes or no checklist to assess both the quality of the finished product and whether it has gone through all necessary processes and procedures

# E4. BUSINESS START UP GUIDE:

## Funding

### OVERVIEW

This is a financial plan for Mirame. It covers the initial cost through crowdfunding and the steps needed to secure funding afterwards if need be.

### Crowdfunding

**i** This section is the first step in the financial start to this business. It provides initial capital to purchase the necessary materials and hire the women that will make this a success.

#### Platform

- Kickstarter
  - There is a 3%-5% fee if the goal is met that goes to Kickstarter.
  - If the goal is not met there is no fee from Kickstarter but you do get to keep the money that is raised.
  - The email the Kickstarter is made with is [heartsofgold2017@gmail.com](mailto:heartsofgold2017@gmail.com) and the password to the email and Kickstarter is heartsofgold

#### Length of Campaign

- The length of the Crowdfunding Campaign can be between 30 and 60 days.
  - Some of the most successful crowdfunds take place over a shorter period of time like a 30 day period.

#### Soft Launch

- When before publicly launching a campaign, it is smart to have a soft launch. A soft launch occurs over a one to two day period before the public launch and is reserved only for early supports to help reach 30% of the goal. Having a strong start before the public sees your campaign will create a sense of ease and comfort when they are considering contributing.
- Create an event from Hearts of Gold for a soft launch
  - Invite top donors in Hearts of Gold and provide food, drinks, and activities to encourage participants to donate in the Crowdfund.

#### Public Launch

- Once 30% of the goal is reached, it is time to release the campaign to the public.
- During your public launch:
  - Send out an email blast to the group you've identified as the people on your entire contact list who are most likely to contribute to your campaign.
  - Create social media posts that are exciting and encourage people to donate. Also you might consider posting countdown social posts to rally your community.
  - 42% of funds are raised in the first and last 3 days of a campaign, demonstrating the importance of having a strong launch and strong finish as well as a mid-campaign strategy to maintain momentum.

- Oftentimes, contributors will leave comments on the campaign page to provide feedback – sometimes positive and sometimes negative. Regardless of the sentiment in these comments, it's your responsibility as the campaign owner to respond to these comments in a timely fashion.
- Checking your campaign page and responding to comments daily to show your backers that they can trust you to be honest and forthcoming throughout the entire lifecycle of your campaign. If someone is taking the time to leave a comment, they have invested time in your campaign and are often the folks that can be most easily converted into evangelists

### ***Pre order/ Shadow Testing***

- A pre order or shadow testing can be done during the Crowdfunding Campaign
  - The necklaces can be sold at a discounted price during the Campaign and the orders filled when the Campaign is over and if the goal is met
  - If the necklaces are going to sell for \$100 the people who donate that much can potentially get a "free" Necklace.

### ***Marketing Materials***

- Website
- Video
- Social media platforms to promote the crowdfund
  - Facebook, Twitter, Hearts of Gold Website

### ***Someone to manage the Crowdfund***

- The Crowdfund should be checked and monitored every day to see its progress. From here the person responsible for it will know if it needs more promotion on social media and can take steps to make donating more attractive to potential donors.

## **The Goal**

**i** *The Goal of the Crowdfunding is to raise \$15,600 to sustain the business for a 6 month period.*

The goal is to raise \$15,600 to be able to pay for these costs in a 6 month period:

- Hire 2 Women
  - \$5,600 for the 6 month salary of 2 women
- Educating the Women
  - \$2,500 set aside for the training of 2 women
- Machinery
  - \$3,000 set aside for the machinery needed to create the jewelry
- Workspace/Warehousing
  - \$2,500 to rent a workspace or warehousing for 6 months
- Materials
  - \$1,000 for the cost of materials for the first 6 months
- Shipping
  - \$500 for the costs of shipping the raw materials for the first 6 months
  - \$500 for the costs of shipping the product to buyers

## After Crowdfunding

**i** *The financing for the business will not end at Crowdfunding. Any income the business makes will need to go towards sustaining the business for the following 6 months.*

Once the crowdfunding ends the resources necessary to start the business will be bought and the business can start in that first 6 months. In the 6 months following Mírame will need to pay for:

- 2 Women Salary
  - \$5,600 for the 6 month salary of 2 women
- Hire a Manager
  - \$3,000 for 6 month manager salary
- Workspace/Warehousing
  - \$2,500 to rent a workspace or warehousing for 6 months
- Shipping
  - \$500 for the costs of shipping the raw materials for the first 6 months
  - \$500 for the costs of shipping the product to buyers

\$12,100 is the amount Mírame will need to make to break even for the first year of business. If necklaces are sold for roughly \$100 and it costs \$7 to make and ship, then the profit per product is \$93. To make \$12,100, 130 necklaces will need to be sold in the first year. If more than this is sold, depending on the amount more women will be able to be brought into the project to help fill the orders. However if that number is not yet the company will need to seek additional funding.

## Additional Funding

**i** *If the business only generates enough income to break even, additional funding will be needed to grow the business. At the point where the business is off the ground and products have been sold, it is time to look into finding a potential investor to take the business to the next level.*

### Finding a potential Investor

- A potential investor may be attracted to Mírame after the Crowdfunding campaign
- To an investor a successful Crowdfunding shows:
  - Proof of Concept
  - Potential for success

### TEDx Talk

- This idea originated from Mr. Soares who said that a TED talk allows the business to "reach those people and... there is huge potential for funding."
- This method of publicity and indirect funding has been shown in previous TED talks.
  - Asher Hasan presented about the social enterprise, Naya Jeevan, which helps low-income families receive health care (Hasan).
  - In a similar way, a representative from Hearts of Gold could speak about Mírame, specifically focusing on the social entrepreneurship aspect of the business or how high fashion can be developed in a country that you wouldn't expect it from. Initially, it would be more feasible to present at a TEDx talk, which is a TED-style event but more local or regional.
- First, one must find a TEDx talk with a relevant theme, submit a proposal, and prepare to present on one of the given days of the conference. This would be a huge funding opportunity to create a network for Mírame and locate potential investors.



## Pitch to Potential Investor

**i** This is a pitch that can be given to an Angel Investor or an LGT Venture Philanthropist.

An Angel Investor is someone who invests their own money in the early stages of a startup in exchange for equity. Angels are more likely than venture capitalists to be persuaded by an entrepreneur's drive to succeed, persistence and mental discipline.

### **What angels particularly care about:**

- The quality, passion, commitment, and integrity of the founders.
- The market opportunity being addressed and the potential for the company to become very big.
- A clearly thought out business plan, and any early evidence of obtaining traction toward the plan.
- Interesting technology or intellectual property.
- An appropriate valuation with reasonable terms.
- The viability of raising additional rounds of financing if progress is made.

### **What angles look for in a pitch:**

- To pitch your idea successfully, you must reach their minds *and* their hearts—inspire and engage.
- Tell a story
  - The most memorable presentations don't start with data, according to one investor. "They start with a compelling personal story. It's not about data; it's about engagement."
  - Introduce a villain and a hero to story
- Use Pictures
  - Pictures are far more memorable than words. Studies have shown that people will remember 10 percent of information when the content is delivered verbally. Add a photograph and retention soars to 65 percent.
- Express your passion
- Angels invest in relationships and they want to build those relationships with entrepreneurs who have a fire in the belly, a consuming passion to move the world forward.
  - Show your team
  - Investors want to see a team. They want to see who has a stake in the project and who they could potentially be working with.

### **Story:**

- There is an Ecuadorian mother of five children who generates an income for her family by weaving Panama hats. Her husband left and went to the United States for financial opportunity however does not make enough to send money back to his family. It typically takes her two days to weave one hat. She gets paid \$6 per hat she makes roughly \$90 each month to support herself and her 5 children. This only one Women's situation, there are hundreds of women in Ecuador in a similar financial situation struggling to support a family.

### **Big Issue:**

- The big issue we are addressing is here is poverty.

- For Women, this stems from income inequality.
- There are over four million Ecuadorians living in poverty which represents nearly 35% of the country's total population. With an additional 17% of the population teetering on the edge of the poverty line, this issue is a major crisis facing the country's progress and development (Kliesner, 2014). Especially hard hit by the economic struggles of Ecuador are those living in the rural areas of the Highlands and Amazon region who often lack basic education, sustenance, land access, employment opportunities, and market integration.
- In many impoverished areas, women and children compose a large portion of the population who remains vulnerable due to their economic situation. While looking for work opportunities, women are often marginalized or even excluded from consideration for certain jobs due to many potential causes such as a male dominated economy or traditional social roles. According to The World Bank (2007), the gender wage gap was 11.2% and in 2014, 61.3% of males had jobs as salaried workers while only 49.7% of women held these jobs ("Gender data portal: Ecuador," 2014). Additionally, there are 300,000 children in Ecuador working as child laborers to contribute income to their families ("Gender data portal: Ecuador," 2014).

### ***Who We Are:***

- Hearts of Gold Foundation, is on a mission to provide support to marginalized and underprivileged populations in Cuenca. This includes children, families and elders (Inside Hearts of Gold, 2015). Many other organizations in the world have a parallel mission, so what makes the Hearts of Gold Foundation stand out from all the other organizations aspiring to do the same thing in Latin America? The Foundation aims to address the issue of poverty by supporting local partner organizations that work directly with Ecuadorians (Inside Hearts of Gold, 2015). Essentially the Foundation "helps others help themselves." Hearts of Gold does this through their Community Assistance Program (CAP). The Foundation implements CAP within its non-profit partner organizations to provide support, and ultimately, growth.

### ***Personal Mission:***

- The Hearts of Gold Foundation sponsors many local groups two being Cetap Lucy and L arenal. They are both after school programs for low income families. We fundraise for these organizations so that the participating families do not have to pay. However these organizations have been experiencing a halt in their other sponsors funding. So by starting this business we would give the mothers of these families an opportunity to have a steady income stream and make enough money where they could pay for their kids to go to these after school programs and complete the circle.
- We got the idea to start this business because a lot of the organizations that Hearts of Gold supports have other funders who are pulling out due to lack of resources. We currently fundraise to pay for single mothers to send their children to the different organizations we support. However if the mothers can make sufficient income then they themselves can pay for their children to go to these programs and we can support in a different way like teaching the organizations to fundraise for themselves. Starting this business will provide these mothers with jobs therefore providing economic stability.
- So Hearts of Golf can support Mirame, which will support the mothers, who can support the organizations they are sending their children to.

## **E5. MÍRAME JEWELRY**

### **|| Business Plan**



**February 27, 2017**

**Cuenca, Ecuador**

**heartsofgold@wpi.edu**

**<https://www.miramecuenca.wordpress.com>**

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Organization & Management

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# EXECUTIVE SUMMARY

## Introduction

Mírame is an Ecuadorian based jewelry business, founded in Cuenca to provide economic stability to vulnerable women. By providing unique, high end jewelry to markets in North America and Europe, Mírame seeks to provide a fair return for the female artisans' work.

## Sales and Profitability Projection

### **i** *How Mírame is financially stable*

Projected sales and profits

Unit sales

Profitability

Keys to success

- Setting a good price point
- Advertising to the right target market
- Providing good online sales experience

## Future Investment

### **i** *How investing in Mírame will support its mission and goals*

Amount required for investment: \$130,000

- Total startup: \$144,415
- Crowdfunding goal: \$15,000
- The rest of the money will come from profit made in the business

Percent of equity ownership offered in return for investment

## BUSINESS DESCRIPTION & VISION

**i** *How Mírame is creating economic stability for Cuenca women through high fashion jewelry products*

### Mission Statement

Uniting local culture and high-end quality, Mírame is a unique grass roots business dedicated to the economic empowerment of Ecuadorian women. By blending traditional techniques and modern designs, the skilled artisans of Mírame are able to craft distinctive couture from all regions of Ecuador. Providing income abroad and value at home, Mírame connects us all on the road to income equality.

### Company Vision

Mírame is a young business that will expand exponentially in the next three years. At this point, the company will begin with only two employees and one supervisor/manager. After a substantial profit is made, expansion will occur through hiring up to ten employees initially. The goal is to make this an impactful business with a widespread economic effect in the lives of women in Cuenca.

### Business Goals

The business goals of Mírame encompass a variety of economic and social issues.

- Provide a steady and sustainable income for marginalized women in Cuenca

- Build a sustainable couture business that produces a high-quality and high-fashion product in a country that is not typically associated with this industry

- Improve the ability of Cuenca women to give back to organizations that they are part of with a new source of income (CETAP-Lucy, El Arenal)

- Combat the stereotype preventing women from holding a job

### Business History

Mírame developed from an undergraduate student project at Worcester Polytechnic Institute. Each undergraduate student must complete an Interactive Qualifying Project (IQP) in order to graduate. One such IQP partnered with the Hearts of Gold Foundation to establish Mírame as a business. The idea of a female-led business selling high-fashion projects originated with the Executive Director of the Hearts of Gold Foundation, Natasha Verkely. Hearts of Gold works with local partner organizations, which have many women who would like to find a job that provides economic stability. Verkely's idea was to help the women by creating a business to provide work and a fair wage for these women. This in turn would help the partner organizations succeed as the women would be able to afford the dues necessary to support operation.

### Key Company Principals

Hearts of Gold Foundation, manager/supervisor of Mírame

# DEFINITION OF THE MARKET

## **i** How *Mírame* fits into the jewelry industry

### Demographics & Segmentation

Market value

Segmentation: High-fashion necklace segment of the jewelry industry

### Target Market

Location: Selling in international markets, focusing in the United States initially

Gender: Products will be directed towards women (though men may want to buy gifts from *Mírame*)

Income: Will include the demographic whose income can support buying products valued at \$100 or more

Size of target market: MASSIVE

### Market Need

While there is a developed high-fashion jewelry market, there is still a significant lack of couture jewelry which is produced and marketed as coming directly from a developing country.

Evaluation of the market and the industry:

- One of the factors is an evaluation of the growth of the industry to ensure that the business will be sustainable in the long-term
- The jewelry industry is expected to grow "5% to 6% per year according to a 2014 report from consulting firm McKinsey & Co" (Jewelry Stores Industry Profile)
- Another source, IBISWorld, estimates that the industry GDP (gross domestic product) is expected to increase 2.2% annually from 2011 until 2021 (Jewelry Stores in the US: Market Research Report)
- Both of these projected statistics suggest that there is steady growth in the industry which would allow a novel jewelry business to succeed.

### Competition

Information about other jewelry companies, specifically fair trade

### Barriers to Entry

- Investment (project that require a substantial investment) - not having enough funding to start the business
- Technology (creating an easy to use website which sells products to customers abroad)
- Brand (the huge marketing costs required to advertise the product in order to make a profit)
- Regulation (exporting laws in Ecuador, employment laws)
- Access to resources (lack of suppliers, no inexpensive equipment)
- Access to distribution channels (products must be shipped abroad and distribution could be a huge cost)

## DESCRIPTION OF PRODUCTS

### **i** *How the jewelry products Mírame are designed*

The principal product of Mírame is jewelry, specifically necklaces. Each product is based on the culture and raw materials of one of the four major regions in Ecuador: the Amazon, the Andes, the Coast, and the Galapagos.

Materials: tagua, silver, beads, spondylus, crystal

Cost: \$100 necklaces

This cost was determined by analyzing prices from fair trade stores online and observing local prices in Cuenca. The fair trade stores online sell high-quality products, which Mírame will also do. Due to this similarity, Mírame used these prices as a starting point to determine the cost of necklaces. From this analysis the necklaces will cost \$100.

In the future, once Mírame expands, other product options will be explored to make a larger profit. Options for expansion include other jewelry products, or scarves, shoes, bags, or additional accessories.



## ORGANIZATION & MANAGEMENT

### **i** *How Mírame is structured as a business*

To ensure that all procedures are being complied with and production is on track, a management structure has been created that takes into account necessary operations and overall feasibility. Since this business will have many moving parts, there will need to be a manager hired by Hearts of Gold to oversee the entire enterprise and logistics. After a brief discussion with Kelly Mitchell, the Hearts of Gold program coordinator, it was also clear that it would be advantageous to have one or two women aid the manager and take on supervisory roles. Responsibilities for the manager will include all major aspects of business coordination, financial reporting, supply chain and logistics, product decision making, employee payment and employee recruiting. They will be responsible for maintaining contact with the Design School at the University of Azuay and coordinating training and design procurement. Additionally, they will need to make executive decisions on sourcing and buying of raw materials. They will also be in charge of ensuring sales are on target and long term sustainability goals are being met. Lastly, they will have to report to Hearts of Gold on a regular basis as the Foundation will be supporting the business with logistics and funding in the first few years until the business can function on its own. In addition to this, one or two women from the business should be promoted to supervisor so they can aid the manager in day to day tasks. These may include quality inspections, supervision of work, ordering of materials, supply chain coordination, marketing, and basic accounting. With the manager working in close contact with the supervisors, production and distribution will flow together smoothly, efficiency will be improved, and costs reduced.

Apart from business operations, the manager and supervisor will need to have a good grasp of local culture and common work practices in Ecuador. The manager will have to take special care in reinforcing particular policies and practices to ensure that all employees are truly learning what they need to know to accomplish their jobs. Additionally, quality assurance must be watched carefully. There are many customs and employment laws that managers must be aware of to reduce costs to the business. One such law mandates a bonus spread out over the year to help pay for Christmas presents and school uniforms (until recently, this bonus had to be paid out in two lump sums in August and December). Another example is the obligation to pay a severance payment if an employee quits after 90 days of work. The importance of understanding these statutes is stressed in an interview with Cuenca attorney Andrea Jaramillo. In the interview cited on [Cuencahighlife.com](http://Cuencahighlife.com), Ms. Jaramillo explains the cost of disregarding the labor code and the value in consulting a lawyer or accountant before hiring employees ([Cuencahighlife.com](http://Cuencahighlife.com)).

# MARKETING & SALES STRATEGY

## **i** How *Mírame* will get its name and products into the market

The business name *Mírame* translates to “watch me” in Spanish. This embodies how the female employees of *Mírame* can succeed economically in Ecuador despite the cultural oppression of women’s rights. The significance of the name of the business also expands to the company’s slogan: “Watch me live. Watch me strive. Watch me succeed”. In addition to the name and slogan, part of marketing the business will be centered on the logo and design that will represent *Mírame*. A picture of the company’s potential logo is displayed on the title page of this report. It represents high-end quality in the sleek lines and black-and-white color scheme.

The best form of marketing for this company is through a story displayed on web based social media platforms. This conclusion was derived from an online survey distributed to WPI students, working adults, and Ecuadorians. When asked “Which method of advertisement do you most often come in contact with?” 83.4% of people responded with social media (Appendix). From this information, multiple marketing materials were developed. The first is a marketing video, which will be used as advertisement on many social media platforms to advertise the products and also attract potential investors. The second marketing tool is a website. Although only 2.8% of responses stated that a website is the most ideal form of advertisement, it is important to have a home page where social media platforms can be linked. The website will also show proof of a legitimate business for investors. Lastly, the website will be used as an online sales platform distributor in the future. A picture of the website’s homepage can be viewed below. Since 40.0% of individuals said they would be moderately more likely to purchase a product if it is associated with a background story, both of these deliverables will include a heartfelt mission and detailed description of the story behind the company. To view *Mírame*’s website live, go to <https://miramecuenca.wordpress.com>



## Mirame Jewelry



Uniting local culture and and high end quality, Mirame is a unique grassroots business dedicated to the economic empowerment of Ecuadorian women. By blending traditional techniques and modern designs, the skilled artisans of Mirame are able to craft distinctive jewelry couture from all regions of Ecuador. Providing income abroad and value at home, Mirame connects us all on the road to income equality.

# FINANCIAL MANAGEMENT

## **i** How *Mírame* will be financially sustainable and responsible

### Best Method of Funding

- The best methods of funding for *Mírame* are investments from an LGT philanthropist or an Angel Investor. This financial research determined whether or not this business would be a financially viable entity.
  - Initially, research was done on multiple types of funding like grants and loans.
  - When interviewing Natasha she made it clear that she did not want to rely on loans, but would rather have a third party investor.
  - The hope is that this project will be something that Hearts of Gold starts and supports for about 3-5 years. After that time period it will be a sustainable business without additional support.
- Finding an investor would provide the third-party involvement and resources needed to take the business further.
- An LGT venture philanthropist or angel investor would be the best option in this instance.
  - This is due to the fact that they invest their personal money in exchange for equity into their ventures rather than using a corporation's money.
  - The purpose is often to invest more in the people that the venture is helping, creating a personal connection to the company.
  - They are likely to be persuaded by an entrepreneur's drive to succeed, persistence and mental discipline.
- When pitching to these types of investors they want to hear the story behind the business in addition to the data and business plan to prove that the business will gain traction.

### Obtaining Funding

- A way to attract an investor is to gain initial capital by starting a crowdfund campaign or taking out a loan.
  - We discerned through our interviews and research that a crowdfund is the more attractive option because provides capital, serves as a marketing tool, provides a proof of concept, and is a free platform to fundraise on without any debt acquisition.
  - Additionally, the marketing materials we are providing Hearts of Gold with can be applied to a crowdfund campaign to help get the purpose of starting the business and the larger message across.
- The second way to tract an investor is by presenting at a TEDx talk.
  - This idea originated from Mr. Soares who said that a TED talk allows the business to "reach those people and... there is huge potential for funding" (Appendix D5.9). This method of publicity and indirect funding has been shown in previous TED talks.
  - Asher Hasan presented about the social enterprise, Naya Jeevan, which helps low-income families receive health care (Hasan). In a similar way, a representative from Hearts of Gold could speak about *Mírame*, specifically focusing on the social entrepreneurship aspect of the business or how high fashion can be developed in a country that you wouldn't expect it from.
  - It would be more feasible to present at a TEDx talk, which is a TED-style event but more local or regional.
    - First, one must find a TEDx talk with a relevant theme, submit a proposal, and prepare to present on one of the given days of the conference (Clark, 2015).
    - This would be a huge funding opportunity to create a network for *Mírame* and locate potential investors.

<b>Startup Costs</b>	<b>Price</b>
Legal Process	\$1,415
Education	\$15,000
Warehousing	\$12,000
Raw Materials	\$6,000
Machinery	\$20,000
Designs	\$10,000
Marketing	\$25,000
Salary	\$56,000
<b>TOTAL COST</b>	<b>\$144,415</b>
<b>Funding Sources</b>	
Crowdfunding	\$15,000
Investment	\$100,000
<b>TOTAL FUNDING</b>	<b>\$115,000</b>
<b>Business Profit</b>	
Profit Needed to Break Even	\$29,415
Amount of Necklace to Sell	295 necklaces
<b>Total</b>	

## APPENDIX

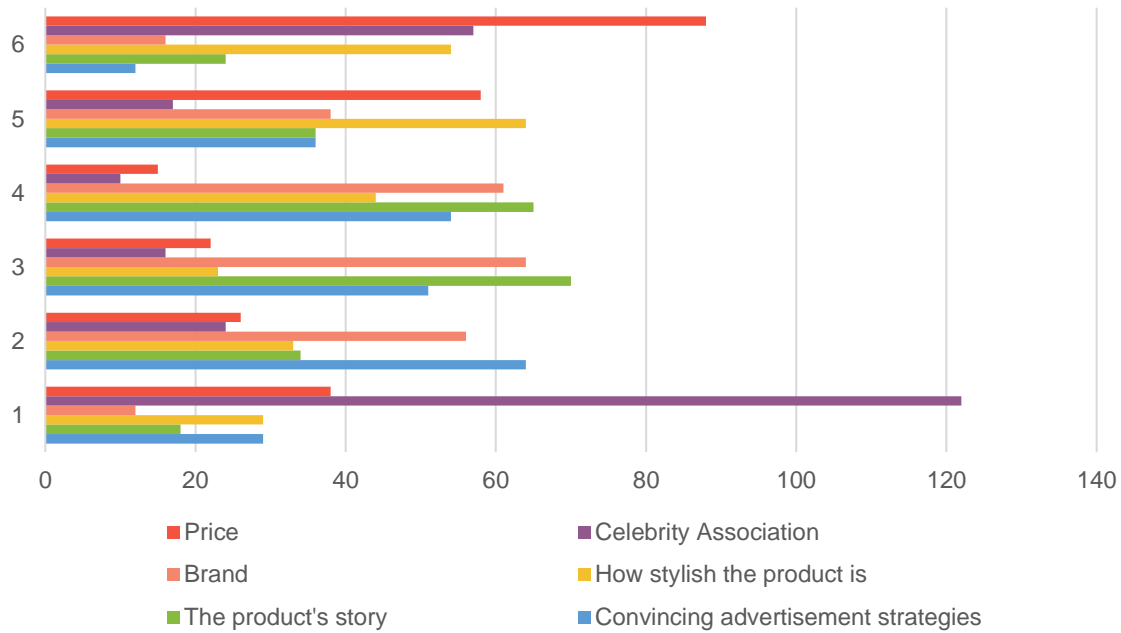
### 1.0 Survey Results

*This survey was completed by 247 individuals ranging from high school to middle aged adults, all from the regions of both the United States and Ecuador.*

**Question 1:** *When on the fence about buying a certain product, how much influence would a social story behind the product have on you? Ex: The product was made by a struggling woman with 3 kids who would receive a fair return from the sale of the product.*

Answer	%	Count
Negatively Influenced (0% chance of purchase)	0.00%	0
2	0.00%	0
3	0.81%	2
4	0.00%	0
Not Influenced	8.5%	21
6	19.84%	49
7	40.08%	99
8	19.43%	48
Positively Influenced (100% chance of purchase)	11.34%	28

**Question 2:** Rank the factors that influence you the most when purchasing a high-fashion product. (1 being least influential, 6 being most influential)



**Question 3:** Which method of advertisement do you most often come in contact with?

Method	%	Count
Television	8.10%	20
Magazine	0.40%	1
Social Media (Instagram, Facebook, etc.)	83.40%	206
Entertainment Media (Spotify, Pandora, Youtube, etc.)	5.26%	13
Website	2.83%	7

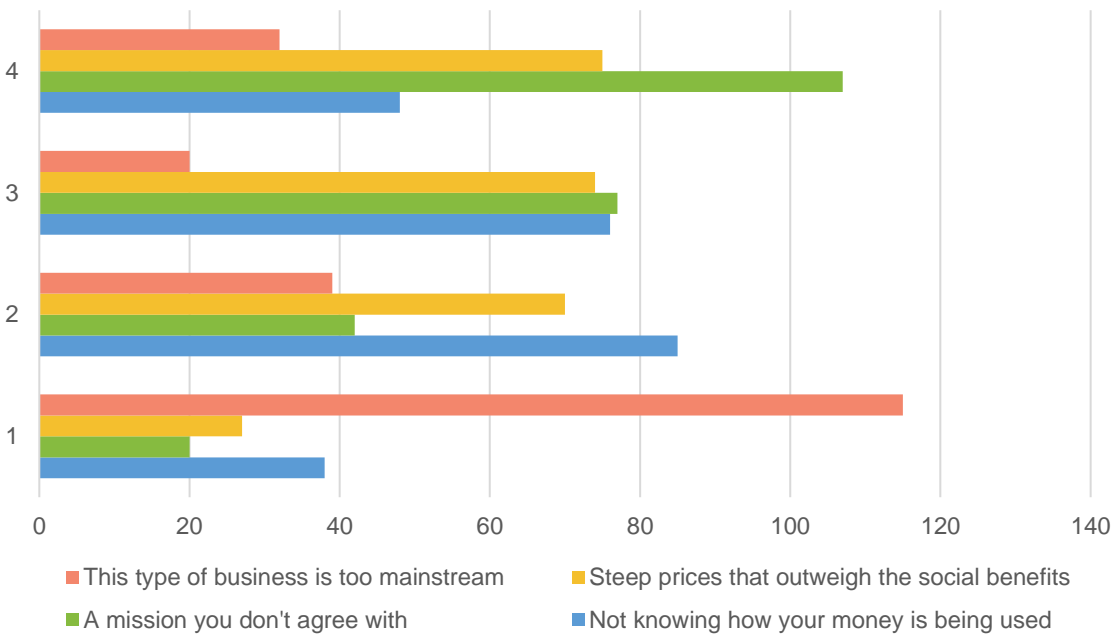
**Question 4:** What high-end product are you most likely to purchase if it associated with a backstory?

Product	%	Count
Shoes	27.53%	68
Purse	6.48%	16
Scarf	21.86%	54
Jewelry	44.13%	109

**Question 5:** If you encountered a crowdfunding campaign for a female led business like ours, how much would you be willing to donate to help start the business?

Amount	%	Count
Less than \$5	21.05%	52
\$5 - \$10	45.34%	112
\$10 - \$25	29.96%	74
More than \$25	3.64	9

**Question 6:** Rank the factors that would discourage you from buying products from/investing in a social enterprise business? (1 being least discouraging, 4 being most discouraging)



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