

PONTIFICIA UNIVERSIDAD CATÓLICA DEL PERÚ

ESCUELA DE POSGRADO



CENTRUM PUCP
BUSINESS SCHOOL

Consulting Report - Peruvian Traditions SAC

**THESIS FOR THE DEGREE OF MASTER IN
BUSINESS ADMINISTRATION GIVEN BY
PONTIFICIA UNIVERSIDAD CATÓLICA DEL
PERÚ**

PRESENTED BY

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Surco, August 2019

Acknowledgments

I would like to thank my colleagues Rachel Shen, Yan Chen and Thilo Tamme promptly for being part of this consulting group, and for their effort, time and dedication throughout the process. Similarly, to CENTRUM Business School and especially to professor Pablo Arana, for his guidance and constant support. Finally, Peruvian Traditions company that allowed us to make this report a reality.

Dedications

To my parents Nancy Montalván and Juan Díaz for all their effort, guidance and love, without whom it would have been impossible to reach this point and to whom I deeply appreciate their trust. To God who is the owner of all things.

Abstract

Peruvian Traditions is a small family business dedicated to the manufacture and export of alpaca garments. Currently, it has two brands White Label (Peruvian Traditions itself) and Norgäte and is aiming to expand its export process to Europe. Within the process of collecting information and analyzing the company, it was detected that the problem was the lack of differentiation between one brand and another which leads them to be "stuck in the middle". As a result, solutions were proposed for the problem determining that offering new product line called Alpaca Basics based on pre-existing garments within the Norgäte collection and on which it has been detected quite welcome, would be the best. The framework for this product line is the lean start-up methodology that is characterized by the formulation of a hypothesis and a testing process under continuous customer feedback that allows reaching a desired market-fit.

Based on a previous analysis based on the segmentation, targeting and positioning (STP) the Netherlands was identified as target market. For the success of the product line, a 4P marketing campaign is required: product, place, price and promotion, which highlights the use and improvement of the current Peruvian Traditions website and a Google Ads campaign. To measure the results, three indicators will be used: number of visits through the web, conversion ratio and sales ratio. Subsequently, a scenario analysis is carried out taking into account three perspectives: negative, neutral and positive. Taking the neutral perspective as a reference, an increase in the number of visits is identified, from 1,460 to 4,380 visits per year. Which could generate an increase in the number of customers from 13 to 63.

Resumen Ejecutivo

Peruvian Traditions es una pequeña empresa familiar dedicada a la fabricación y exportación de prendas de alpaca. En la actualidad cuenta con dos marcas White Label (Peruvian Traditions) y Norgäte y se encuentra en la mira de expandir su proceso de exportación a Europa. Dentro del proceso de recopilación de información y análisis de la empresa se detectó que el problema era la falta de diferenciación entre una marca y otra lo cual los lleva a estar "stuck in the middle". A raíz de ello, se plantearon soluciones para la problemática, de ahí se determinó que la mejor solución sería lanzar una nueva línea de producto llamada Alpaca Basics basada en prendas preexistentes dentro de la colección de Norgäte. El marco para esta línea de producto es la metodología lean start-up que se caracteriza por la formulación de una hipótesis y un proceso de testeado bajo una continua retroalimentación del cliente que permite llegar a un anhelado market-fit.

En base a un previo análisis, basado en la segmentación, focalización y posicionamiento (STP) se identificó que a Países Bajos como mercado objetivo. Para el éxito de la línea de producto se requiere de una campaña de marketing basada en las 4P: producto, plaza, precio y promoción, en donde destaca el uso y mejora de la actual web de Peruvian Traditions y una campaña de Google Ads que la respalda. Para medir los resultados se utilizaron tres indicadores: número de visitas a través de la web, ratio de conversión y ratio de ventas. Posteriormente se realiza un análisis de escenarios tomando en cuenta tres perspectivas: negativa, neutral y positiva. Tomando como referencia la perspectiva neutral, se identifica un incremento del número de visitas, pasando de 1,460 a 4,380 visitas por año.

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Chapter I: General Situation of the Organization

1.1.Presentation of the Organization

Peruvian Traditions SAC emerges, as a family small and medium sized enterprise (SME), which is dedicated to the manufacture and commercialization of alpaca garments. Peruvian Traditions starts its activities in 2015 in the city of Lima, Peru. Its main products are coats and sweaters, but they also offer accessories such as scarves and gloves. Basically, its products are characterized by following a classic and elegant style. Their clients are middle-aged men and women with a high purchasing power, who value the quality of the product and the productive process.

1.1.1. History and milestones

Claudia and Carlos Cordero Berkovic, who are both specialist in International Business Administration, inspired by the great versatility and finest of alpaca yarn they decided to begin a business in the Peruvian textile industry (Peruvian Traditions, 2019a). They conduct several surveys about the best crafter, raw material and suitable suppliers in order to provide high-quality alpaca clothing to customers. With this information, they intend to find the best manufacturing solution for alpaca fiber that can support their business to open up a unique market and at the same time to introduce the incredible Peruvian alpaca into the world. They investigated quality machinery mainly in Cusco and Arequipa, with this study and more than ten years of experience in product development and logistics, the business began successfully in 2015 through selling one thousand alpaca garments to a Canadian couple for their three stores. The company features as a wholesale business, Peruvian Traditions and introduced its own brand, Norgäte.

Younger brother Carlos is focus on (a) project management, (b) international trade, and (c) relationship management, main job function is to deal with suppliers and create good and long-term relationship. Older sister Claudia works on (a) logistics, (b) negotiation, and

(c) imports and exports issues. Their main sales channel is the website, through which they post the Lookbooks of Norgäte, a great tool that attracts customer attraction. The designs are directly made by both brothers which later on, outsource marketing operations to make the Lookbook and post it. Carol Bedezu Cucho is hired as business assistant to help maintain the website in a good condition, contact customers and be in touch with the new regulations and trends around alpaca manufacturing industry.

The products of Peruvian Traditions and Norgäte have a certification from the Asociación Internacional de la Alpaca (AIA) which indicates the company is one of the members who provide high-quality and 100% of alpaca garments. The firm is also a member of Cámara de Comercio de Lima, which supports the company to develop international businesses. Company's workshops are located in Arequipa, and Cuzco and act specialized roles for the business: felted fabric, royal wash, handmade, manual, machine and industry machines. Customers can also easily access to information about suppliers. This transparency ensures the garments are produced in a safe, clean and beautiful way (Peruvian Traditions, 2019a).

The company's own brand, Norgäte, which is posited as a luxury and well-design clothing brand, creates a 20% income for the company. Peruvian Traditions itself is the business line where the 80% benefits come from, the process to provide alpaca garment and accessory exporting is called Custom Design Service (Appendix A1) for designers, shops and boutiques (C. Cordero, personal communication, June, 2019). The company utilized this eight step procedure to realize the customized service efficiently. Customers will send the desired design idea to Peruvian Traditions which should also ask for a minimum order of fifty unit garments. Then the company estimate the amount of alpaca fiber needed for the design and produce a sample for customers to approve for the design, color, and quality between two to five weeks. After all these steps, the company finally produce customized garments in four to

ten weeks and sell it to the customer as Peruvian White Label. Feedbacks will be collected to optimize the service and satisfy the demands as much as possible (Peruvian Traditions, 2019b).

1.1.2. Vision

The vision of a company usually describes a future image of the company (Papulova, 2014). It points out a clear direction for the company to realize its value creation. The vision of Peruvian Traditions is: “We want to bring alpaca to a new level by catering to the most design and quality demanding customers, thanks to a classical and easy-to-wear collection, highlighted by subtle trendy details suitable for every occasion” (Peruvian Traditions, 2019a). The company intends to use Peruvian Traditions to reach out to more customers and introduce the quality alpaca garments into the fashion world. Norgäte will serve as the central image of the company to influence the trend of clothing industry in the future. The vision positively provides the blueprint of the company to bring Peruvian alpaca onto the stage of fashion and let the alpaca clothing become an essential part of people’s life.

1.1.3. Mission

The mission explains why the company is established and the value-added of its existence (Papulova, 2014). The mission of Peruvian Traditions, as a service providing company, “is bringing closer foreign customers and Peruvian producers, by guaranteeing top-notch product development, speed, efficiency, quality, and by anticipating and understanding its clients’ needs” (Peruvian Traditions, 2019a). The firm wants to connect the Peruvian alpaca manufacturing to the foreign customers and develop an ecosystem to do the business for alpaca garments exporting while marketing its premium brand Norgäte. Suppliers from the highlands such as Cusco and Arequipa lack the channel to sell their alpaca products outside the country. Peruvian Traditions bridge the gap between customers and suppliers by

servicing as an intermediary. The intermediary who guarantees customized-design and high-quality products.

1.1.4. Values

Quality. Peruvian Tradition values the quality of their products that should be 100% baby alpaca and sheep blends. The high-quality standard is the most important part of the business, it also aligns with the brand image the company wants to create “The world’s finest fiber” (Peruvian Traditions, 2019a). The company believes a good quality is an essential factor to maintain its superior brand image and gain customer loyalty. From the selection of raw material and supplier, Peruvian Traditions insists to choose the authoritative ones which have sustain and high-quality standard in Peru alpaca industry.

Customer satisfaction. The Custom Design Service aims to provide personalized alpaca product to the customer. The eight steps design process ensures the design requirement from customers can be perfectly satisfied. The personalization maximum the customer satisfaction through tailoring customers’ needs and demands. The company will produce the sample garments for customers and make improvements in terms of the first feedbacks from customers, which allows customers to decide what they want and do not want (Peruvian Traditions, 2019b).

Respect of people. All the suppliers are paid at a fair price and treat them in an equal way. The selection of customers also depends on if they can give a reasonable price that does not compromise the benefits of workers from highlands for manufacturing. The fair trade not only ensures the equal salaries for the workers but also a safety work environment (Peruvian Traditions, 2019a). Peruvian Traditions believes to be respect to every part of the supply chain is necessary for the company to develop sustainably and stably in a long term. Additionally, the European customers, who are the next strategic expending market for the company, value the human-based management and equality along the operation of the

business. It also a crucial consideration for Peruvian tradition to attract new sales in Europe (C. Cordero, personal communication, June, 2019).

Animal protection. The company indicates that the approach for harvesting alpaca fleece is absolutely safe to the alpacas. They have special care in the supplier selection process, because they want make sure their suppliers take care of alpacas in a gentle and kind way (C. Cordero, personal communication, June, 2019). The healthy ecosystem for the alpaca industry is important for every business that is related to alpaca textile. Peruvian Traditions wants to be one of the members to maintain the ecosystem to develop in a good condition which not only focus on protecting the environment but also concerning about alpacas (Peruvian Traditions, 2019a).

1.1.5. Peruvian Traditions strategic objectives

One of the most important principles for Peruvian Traditions is being environment friendly through all their supply chain. That's why they try to make sure that even their suppliers are certified in the sense that they don't damage alpacas during the *esquila* process. Also in the dyeing process of the yarn or any related operations, the company promises to collaborate with suppliers who value the environment protection. In their manufacturing process they continue following this principles, so they can offer garments of high quality and eco-friendly (Peruvian Traditions, 2019a). The company is part of the Fashion Revolution who believes fashion can be designed in a sustainable approach where creativity, quality, environment, and people are respected equally (Fashion Revolution, 2019). Peruvian Traditions always make sure the principle of Fairtrade is fulfilled. Through the Fairtrade, the farmers and workers from the highland could receive reasonable payment and enjoy community benefits. A good working condition is also a positive consequence of the Fairtrade (C. Cordero, personal communication, June, 2019).

1.2. Industry Analysis (Porter's Five Forces)

The industry analysis of Peruvian Traditions will be done based on Porter's five forces, according to Porter (2008a) any industry has five competitive forces: (a) bargaining power of suppliers, (b) bargaining power of buyers, (c) threat of substitutes, (d) threats of new entrants, and (e) rivalry among existing firms. The strength of these five forces will determine the configuration of the industry.

1.2.1. Bargaining power of suppliers

In Peru, there are approximately 50 firms' which act as intermediaries during the process of the alpaca production, they are responsible to obtain the crude fiber from farmers and then sell it to manufacturers (Textile Exchange, 2018). It should be mention that before the manufacturing process of the clothes, the process of obtaining the alpaca fiber is carried out, named as *esquila*. During the *esquila* the farmers cut of the fiber that covers the alpaca, is important that this process is done with caution, since the quality of the fiber will depend on how the process is carried out and the care that is given after the extraction (Aguirre, 2004). After that, companies as Grupo Inca and Michell Group bought the fiber, just talking about this two companies, it's important to mention that together they dominate the market, with a market share of 90% (Textile Exchange, 2018). This position allows them to have the bargaining power of deciding yarn prices, which threatens the profits of alpaca clothing export companies. In simple terms, this both companies decided whom to sell and at what price, so the manufacturing companies, specifically the small ones, just have to adapt and work under their conditions.

Peruvian Traditions in one of this small manufactures that have to deal with the conditions of Grupo Inca and Michell Group. Besides, part of the reason why this situation emerged is because the alpaca yarns is a specialized and expensive product. The price per 1k is \$20.5 (PQS Perú, 2019) so not everyone has the economic capacity to acquire them, even

more, to have in stock, alpaca yarns. The process of dyeing the alpaca yarn and getting and specific color takes time, because some of them are the result of dyeing formulas, having the right machinery and big plant capacity, helps to develop this process. To add, this companies are certifying by the high quality and conditions of their yarn, so if the buyer wants to have this backrest, he has no choice but to buy them directly. It's important to mention that sustainable and high-quality trend, it's really popular nowadays and having this kind of certification, attract a big number of customers. Furthermore, another implication of this monopoly is the delivery times for orders are handled by suppliers according to the capacity of their plant, which is a disadvantage for smaller manufacturers.

1.2.2. Bargaining power of buyers

The typical customers of Peruvian Traditions are textile distributors with a high bargaining power that can capture value by forcing down prices (Porter, 2008a) each distributor's purchase usually amounts to a large percentage of total sales of Peruvian Traditions, normally when they buy big orders they used to ask for discounts or additionally benefits, to which the organization cannot refuse. The competition between each distributor is intense, the rivalry conducted from clothing retailer's level constantly tries to gain an upper hand by competing on price and quality. This is another reason why the buyers ask for frequent price cuts, a wide variety of products and services, and a product return window. This trend also, put participants of the industry off against one another. To have sufficient bargaining power, manufacturer has to have a diversity of clients. The products that are being exported can typically be substituted by a competitor, especially the standardized items, however, it is a portfolio that define a manufacturer. The perceived level of quality and design, along with material used, finishing, durability, its consumers and their marketing, comes to define manufacturers' bargaining power against customers. If a manufacturer is being perceived as exclusive, sophisticated and come to be appreciated by the consumers,

then the company would have a higher bargaining power (Textile Exchange, 2018). To summarize, bargaining power of customers is quite high because of the intense competition in the supply chain downstream and with other manufacturers, however, the manufacturer with high brand value are less hindered by this reality.

1.2.3. Threats of new entrants

The threats of new entrants are high in the alpaca garment industry. In the Peruvian market, the entry barrier for knitted garments production and export are low due to the availability of raw material and cheap labor (Dunmade, 2013). It attracts lots of investors to participate in the alpaca garments industry. Regarding the motive of the entrants, there are both official and private effort of promoting the alpaca garments both internationally and domestically via competitions such as Young Creators to the World Contest by the platform Peru Moda and Michell Arts Contest. This effort is also being exercised by entrepreneur's associations such as Proyectos de Sierra Exportadora, FONDO Empleo, and Proyecto Desarrollo Competitivo de la Artesanía (Peru Info, 2019). The government, it's also involve in this process and is developing policies that promote alpaca products as part of the Peruvian culture.

The capital requirements for new entrances is high, the price of the raw material is \$20.5 per kilo (PQS Perú, 2019). Fairly high compared to other raw materials that exist in the Peruvian market, this generates an initial barrier to enter the market and even more if the organization wants to keep a stock of garments. The cost of the machinery will depend on how automated it is. The biggest manufactures use industrial machines in order to do mass productions, this increase the efficiency of the process, however its costly. The little organizations use manual machines, and industrial knitting machines which cost less, but reduce the efficiency in the operations. Whatever the choice is they also have to invest in specific personnel, that beyond being linked to the purchasing power, is linked to the power

of negotiation and the facility to establish interpersonal relationships (Textile Exchange, 2018). Alpaca fiber is a millenary product, which requires a specific technique, this knowledge is acquired from generation to generation in the Peruvian Andes. The distribution inside the industry is often made to specialized stores or boutiques and international distributors. In Peru there are not many boutiques that sell alpaca products, and those that are already in the market work with specific suppliers, so it would be difficult for a new organization to enter. In this case it might be easier to look for international clients, however, establishing an initial contact is sometimes not so simple.

1.2.4. Threats of substitutes of products

The threats of substitute are considered to be medium-high. Alpaca fiber is one type of rare animal fiber, inside the clothing industry, the most common type found is wool, other types of animal fiber such as camel hair, rabbit fibers, cashmere and mohair, which constitute only 5% of the global wool production in 2017 (Textile Exchange, 2018). Moreover, the general characteristics are similar to sheep wool except it is warmer, softer and handles better. Thus, alpaca fiber-made clothing is automatically facing pressure from other natural animal fibers, but perhaps to a limited degree as it is suitable as materials for luxury clothing (Dunmade, 2013). Furthermore, global wool production has been in decline continuously from 2 million MT to 1.2 million MT in 2017 (Textile Exchange, 2018). This decline is further contextualized by the fact that natural fiber production has been stagnating since 2008 while man-made fiber production has been increasing dramatically during the same period (Townsend, 2017).

As a down-stream end product, natural fiber clothing market is likely shrinking while facing more competition from manmade fibers (Statista, 2018). In this regard, alpaca clothing is unlikely to face direct competition from the alpaca fiber-made products directly, while pressure in EU clothing market remain stable in the upcoming years, as evidenced by a

clothing industry turnout from 2012 to 2017 (Statista, 2018) This is further supported by the forecast predicted by McKinsey Global Fashion Index which predict a global fashion industry increase of 3.5% to 4.5% growth, but with most gains being captured by top twenty companies, most of which are luxury brands (Balchandani et al., 2018).

1.2.5. Extent of competition

The 80% of the alpaca population is fed in Peru and 80%-85% of workers are employed in alpaca fiber collection (Peru Economy, 2019). The industry is developing year after year and fostered lots of businesses of manufacturing and exporting the alpaca garments, so by 2015, 232 companies exported alpaca sweaters and cardigans worldwide (Corrales Alanya, 2017). Most of the competitors are companies from Italy and China but not Peru. The exporters from these two countries stand at the opposite end of the market positioning. The Italian companies possess better level of designs, models, and fashion ideas. The Italian brand image is also considered as excellent experience in fashionable designs and good qualities. The alpaca products from China compete in the price which is sold lower than the market average. However, Chinese alpaca sweaters are usually not a 100% alpaca but a mixture with acrylic (Ortega & Moreno, 2014). As for the Peruvian competitors on a national level, the important competing point is differentiation and innovation, because Peruvian alpaca brand currently lack reputation on the international market, and technology enables companies to produce at a lower price.

The most well-positioned Peruvian brands of alpaca garments are: KUNA of the Inka Group, SOL Alpaca of Michell, and Anntarah of the Art Atlas company (Peru Info, 2019). Furthermore, there are various smaller brands which are well-established on the international market, such as Peruvian Connection and Samantha Holmes. On a broader sense, there are famous international brands that uses alpaca fiber but are not specialized in camelid clothing's, they are: Max Mara, Loro Piana of LV, Muji, Prada, Uniqlo and Zara. In short,

competition on both cost and differentiation are quite intense both on the international and domestic level, the biggest challenge for Peruvian producers is their lack of national reputation on the international market.

1.3. External Analysis (PESTE) – Opportunities and Threats

An external analysis is made to understand the environment in which Peruvian Traditions is located, for it, the PESTE analysis is going to be applied taking in mind the following factors: (a) political, (b) economical, (c) social, (d) technological, and (e) environmental (Aguilar, 1967; D'Alessio, 2013).

At first, the PESTE analysis it's going to be done in the Peruvian environment, the country in which Peruvian Traditions has been founded and where it handles his operations. Later on, it's going to be focus on the market that Peruvian Traditions wants to achieved in that sense they have paid special attention to the European market. According to Comisión de Promoción del Perú para la Exportación y el Turismo (PROMPERÚ) the European market, is a great destination for exporting alpaca garments, and one with the highest expectations of growth. During 2017, the European Union (EU) concentrate the 49% of the worldwide textile imports of wool and fine hair garments. Specifically, Peruvian exports of alpaca wool were \$57 million for 2017, growing in 5.3% from one year to another. As seen in Figure 1, the top ten of European countries for Peruvian exports are: Italy, Norway, Germany, United Kingdom (UK), Sweden, France, Denmark, Lithuania, Switzerland, and Spain (PROMPERÚ, 2018a). They were in these countries in which we thought to base the analysis of the European market, after a communication with the client, he indicated to us that the countries of his interest within this top were Norway and UK. However, they also mentioned that after a visit to Europe, they detected that the Netherlands is also a potential market for them. Therefore, the analysis of the European market will be based on these three countries (C. Cordero, personal communication, June, 2019).

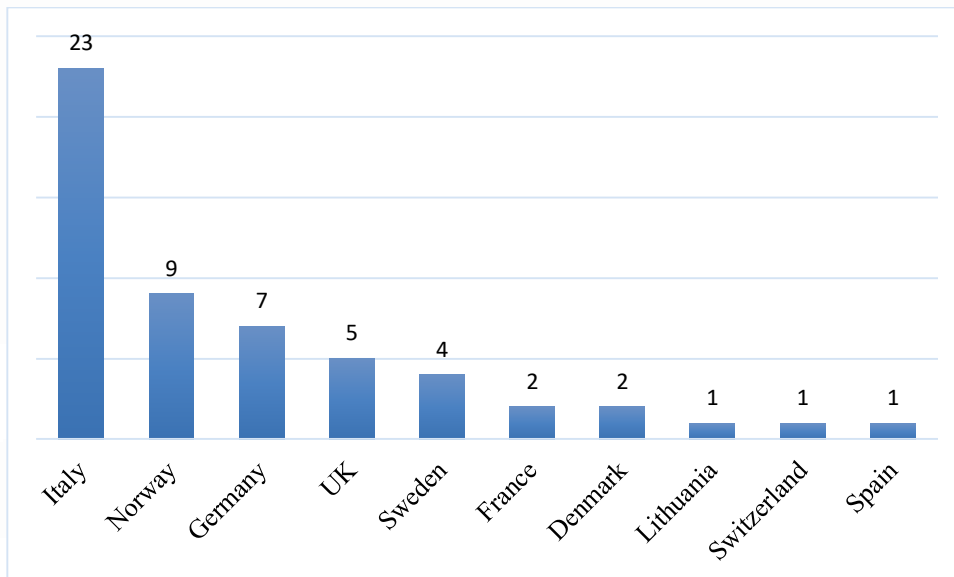


Figure 1. Textile imports from the main European countries. Adapted from *Oportunidades comerciales para prendas de alpaca en Europa* (p. 5), by PROMPERÚ, 2018a, Lima, Peru: Author.

1.3.1. Political factors

In the last couple of years, Peru went through a political destabilization, as a result of corruption scandals that involved former President Pedro Pablo Kuczynski (PPK) and other characters in Peruvian politics. PPK who governed within the period 2016-2018, resigned his position after the corruption scandal with a fairly high percentage of disapproval. In an atmosphere of shock, Vice President Martin Vizcarra took office. During the first months of his mandate, Vizcarra has had to deal with the conflict of interests that exists within the Peruvian political parties, as well as corruption issues that have hampered his management (Fitch Solutions, 2019).

As a result of this Vizcarra has concentrated his efforts developing politic reforms to regulate corruption control and increase accountability within the judiciary. Further, he is planning labor reforms and to revamp Peru's political system to improve the public perception of it. Is important to clarify, that the political corruption conflicts are remoting until two presidential periods, which includes former presidents Alan Garcia and Ollanta Humala. Keiko Fujimori, the leader of the Fuerza Popular one of the most important political

parties, who put the most pressure on the government, was also arrested and accused of money laundering and bribery in her last presidential campaign. This is the reason, why the current President Vizcarra is investing in anti-corruption measures (Fitch Solutions, 2019).

In regard to political factors, the bilateral relations of Peru with other countries and the legislation and standards. In the last couple of years, Peru has signed economic integrations agreements to increase foreign trade and investment, one of them is the Trans-Pacific Partnership (TPP). This agreement includes twelve countries (Table 1), which can be classified in two groups: the one which they already signed an agreement US, Japan, Mexico, Singapore, Canada and Chile, and the second with which they already don't have Australia, Brunei, Malaysia, New Zealand, and Vietnam (Rodríguez & Dávalos, 2017).

In addition, Peru has bilateral relations with the European Union (EU), the treaty allows Peru to introduce products and services in a market with more than 500 million of people. This free trade agreement came in a tariff reduction of almost 100% for the not agricultural products and 75.9% for the agricultural ones. By the other hand, the EU has the opportunity to export manufactured goods, products and make capital investments. In the long term, Peruvian government is working in establishing an alternative system that allows Peruvians to access to credits and financing so they can strengthen their level of competitiveness in the European market (Barrios, 2015).

Talking about the legislation and standards, the Law N° 2804 (2004) it's created in order to support the little farmers in technical assistance, business management, repopulation, and lines of credit for activities related to the breeding and commercialization of the alpaca and its derived products. Moreover, the law includes training programs for the Technological Textile Innovation Centers of Alpaca, in production, transformation, and marketing, so they are going to develop competitive and high-quality products, which will be promoted by the government itself. Specifically, the Consejo Nacional de Camélidos Sudamericanos

(CONACS) is going to be responsible for this activity in conjunction with the Ministerio de Comercio Exterior y Turismo (MINCETUR) through e-commerce, electronic catalogs, fairs, and international festivals.

Table 1

Trans-Pacific Partnership Countries 2015 (in \$ millions)

Country	GDP	Export	Import	Total Trade
US	18'036,648	1'501,846	2'313,425	3'815,270
Japan	4'383,076	624,874	625,568	1'250,442
Canada	1'552,808	408,804	419,963	828,498
Australia	1'345,383	191,193	200,793	391,986
Mexico	1'151,037	380,601	395,232	775,833
Singapore	296,841	346,638	296,745	643,383
Malaysia	296,283	200,211	176,175	376,385
Chile	242,518	63,360	63,038	126,398
Vietnam	193,241	162,017	165,776	327,793
Peru	189,212	33,245	38,105	71,349
New Zealand	175,564	34,357	36,528	70,886
Brunei	12,930	6,353	3,229	9,582
TPP Countries	27'875,542	3'953,498	4'734,306	8'687,804
Worldwide	74'509,719	16'508,464	16'656,048	33'164,512
TPP Importance	37.41%	23.95%	28.42%	26.20%

Note. Retrieved from "The Trans-Pacific Partnership Agreement (TPP) trade potential for Peru," by G., Rodríguez and J. Dávalos, 2017, *Revista Internacional de Gestión del Conocimiento y la Tecnología*, 5, p. 94.

The UK is constitutional monarchy and a parliamentary democracy, it's constitute of four countries: England, Scotland, Wales, and Northern Ireland. The actual prime minister is Theresa May, who follows a minority centre-right government, his principal issue it's to deal with the weather of uncertainty and destabilization that the Brexit creates (IHS Markit, 2019). The Brexit is political phenomenon that occurs after the UK citizens vote for leaving the EU, in 2016. According to Riley and Ghilès (2016), Britain has never been sympathetic with the EU, even more their politicians where for years playing an anti-EU game. However, this hostility increase with the years, the economic crisis of 2008, the Eurozone failed reform, the huge number of people that were moving to the UK endorsed by the free movement of people, and the fiscal contraction policies. Make the UK thought they were assuming problems that weren't directly their responsibility, and leaving the EU was the best option.

Three years have been pass and they are still trying to find an agreement to leave the EU in the best terms.

As a consequence, the legal framework of the UK is behind certain degree of uncertainty and big changes are expected. However, this will not affect taxation, which actually will remain a reduction of 20% for the next year. In terms of corruption, the UK government it's transparent, and has a strong policy against bribery that punish the act through 10 years of prison including the confiscation of property and fines (IHS Markit, 2019). Based on the World Bank, the UK is one of the most effective nations applying law, controlling corruption, government effective and regulatory quality, reaching 93.75 percentile in government effective (Marketline, 2016). Even thought, as other countries they have to deal with lobbyist between politicians and their personal interests in the private sector. A law in which all the consultant lobbyists were listed in an official register was made to fight against it (IHS Markit, 2019).

In 2017 the Netherlands was under a period of political uncertainty because their politics parties were reluctant to form a majority-backed government in parliament, fortunately after seven months the agree in a coalition government. The legal framework of the Netherlands has achieved the fifth position in Rule of Law, characterized by his openness and transparent. The Dutch government, also pay special attention to labor policies, trying to avoid exploitation as well as illegal employment. Talking about relations with other countries, the Netherlands has a strong trade relationship with the US, been one of their most important partners. By the other side, after an incident caused by a Russian plane, relations between these two countries have deteriorated, becoming to some extent hostile. Besides that, they are working to improve international relations with other countries as China and India (Marketline, 2017).

Norway has a strong political framework and a pre-established order for decision making. In general, the laws or decisions implemented require prior approval of the interested parties to be introduced by parliament. Its judiciary works independently so it can even suspend status approved by the government, with the aim of promoting a framework of equity in its citizens. In addition, in search of reducing bureaucracy and increasing efficiency in its administrative operations, it applies economies of scale. However, it is still dealing with tensions between the government and the local government, due to financing and autonomy issues. That's why even the local government are responsible of education and health, but the 40% of their funds depends on the governments. In terms, of international relationships, Norway used to act as a mediator in several conflicts, they also have a great participation of women in the politics (Marketline, 2016b).

1.3.2. Economical factors

The Peruvian economy has been characterized for been one of the most stable in Latin America in the last decades, his economy has been rapidly growing in of 5.1% since 2001. During this period, an internal demand surge in a service job, generating labor mobility from farming to unskilled services job. The geography and the abundance of natural resources make it an interesting country to invest and develop economic activities. The commodity price boom of the 2000's, generate an investment in mining activities with a high-return and capital accumulation, this was spurred to sectors like chemical, metal product, electricity, land transportation, and financial services. As a consequence of this investment, different social, educational and health programs were developing. Also, the connecting infrastructure was improve looking forward to connect rural economies and support urbanization. More measures were implement as an inflation-targeting regime, a reduced of tariffs, removed of trade barriers, promote foreign investments, all of this backed up by a macro-fiscal

framework. Moreover, the high poverty rate that characterized Peruvians has been reducing in more than 50% in the last ten years (World Bank, 2017).

However, as in seen in Figure 2, the global economic slowdown of the last few years, the reduction of commodity prices and global trade tensions has an impact in Peru, reducing the GDP to 4% in the last year, 2018 (Word Bank, 2018). Even though, there is a recovering tendency for the Peruvian economy support by low borrowing cost and stable inflation of 2.4%, one of the lowest of Latin America. Moreover, the actual government will continue to prioritize the investment in infrastructure, increasing the budget for public work projects and encouraging the strengthened of the regulatory framework for the construction industry. We have to remember that just the last year Peru was the focus of a huge corruption scandal that includes political personalities and construction companies, that's why Peruvian government it's also working in building a reliable and transparent economy. Nowadays, the trend is growing in the investment of non-extractive sectors, particularly services. Talking specifically in terms of GDP expenditures is expected that private consumption as a share of GDP increases to 65.2% in 2028 (Fitch Solutions, 2019).

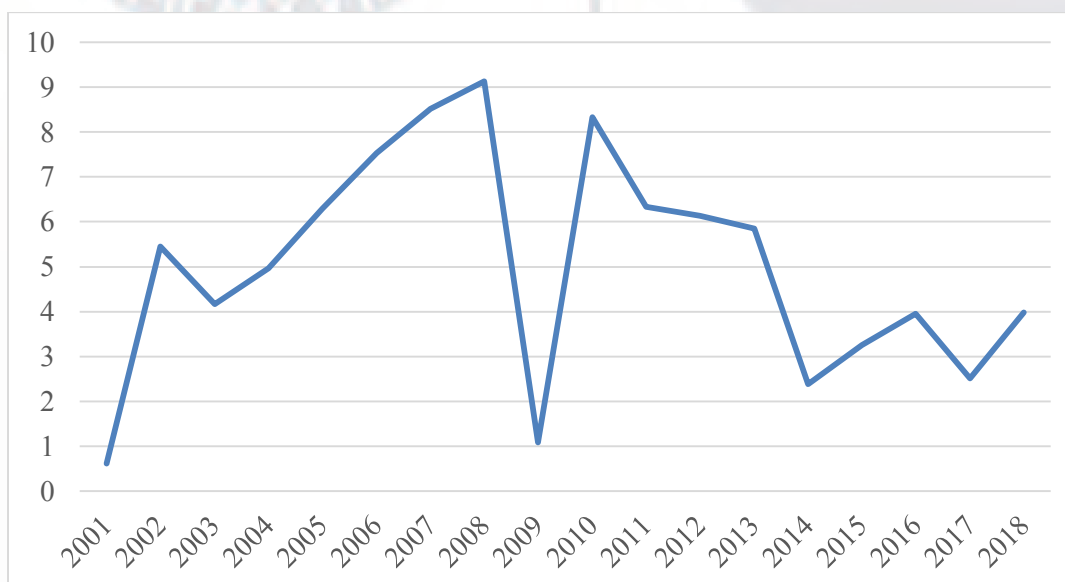


Figure 2. GDP annul growth in Peru.

Retrieved from “World Bank,” by Author, 2018 (<https://data.worldbank.org/>).

Likewise, the exports will support the growth, in the last year exports totaled \$47,709 million which means an increase of 7.5% respect to 2017. Deeply, the textile exports grow by 10%, \$1,400 million for 2018 (PROMPERÚ, 2018b). Within exports, one of the sectors with the highest expectation of growth are alpaca products, in 2017 the alpaca clothing line make \$169 million growing in 6.5% by the last five years. Inside the EU the total exports were \$57 million (Figure 3), growing in 5.3% during the last year and concentrating 34% of our sending's (PROMPERÚ, 2018a).

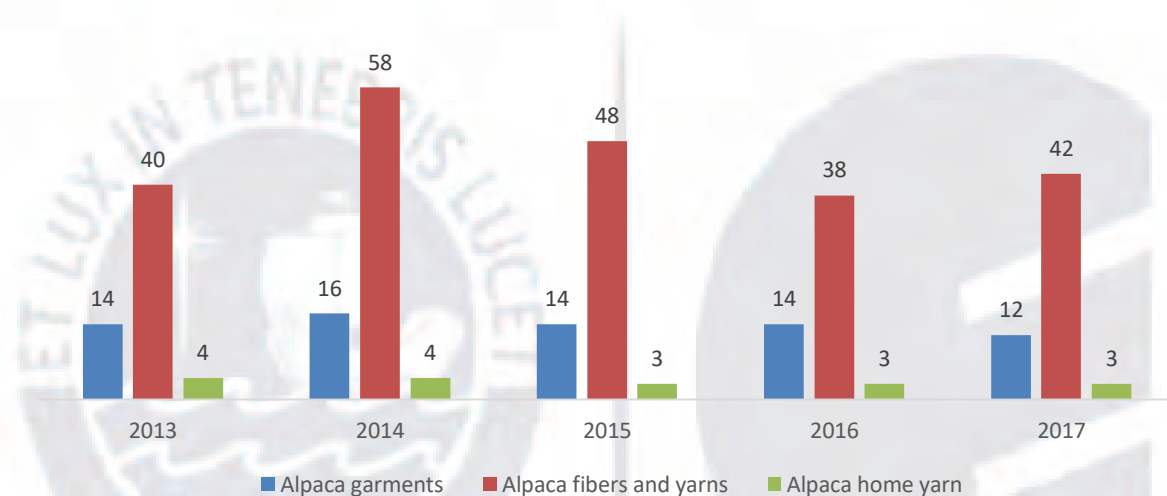


Figure 3. Textile imports from the main European countries.

Retrieved from *Oportunidades comerciales para prendas de alpaca en Europa* (p. 3), by PROMPERÚ, 2018a, Lima, Peru: Author.

The EU is the second largest economy in the world and is considerate as a major world trading power. The EU has an inflation rate of 1.6% which has been stable for two years and before was even lower. Their GDP for 2018 was \$18,748 billion which represent 30.24% of the world economy. Their exports only for the first trimester of the year were \$171 billion, an increase of 10% since 2018. By the other hand, imports are \$169 million the articles of apparel, knit or crocheted composed the 2.3% (Trading Economics, 2019).

The UK has one of the top levels of GDP per capita, according to the World Bank in 2017 it was in the seven position of countries for doing business worldwide. In the eyes of the world, the UK has competitive economy based on high tech manufacturing capabilities in

sectors as automobiles, aerospace, and defense. Other well know sectors are banking, software and pharmaceutical. However, the uncertainty about the Brexit process has impact in their economy, in that terms for 2017 it's expected that GDP will only grow in 0.70%. Also, exports and imports has been affected by 2014 exports were \$843 billion and imports \$826 billion, nowadays there is a trend of diminishing. Firms are more downbeat and confidence in manufactures and service providers it's getting weaker (Marketline, 2016). The consumer inflation will remain above 2% (Table 2), with an expectation of reduction of the energy prices, but with weaker sterling on import price inflation. Even thought, there is still a tendency of productivity growth, supported by framework of financial regulation, daily operations supervision and fiscal consolidation to reduce the deficit (IHS Market, 2019; Marketline 2016a).

Table 2

UK Key Factors

	2014	2015	2016f	2017f	2018f	2019f	2020f
GDP, constant 2010 prices (\$ tn)	2.61	2.67	2.71	2.72	2.78	2.84	2.20
GDP growt rate (%)	2.85	2.40	1.40	0.70	1.91	2.10	2.14
Inflation (%)	1.52	0.00	0.81	2.54	2.33	2.18	2.10
Exports as GDP%	30.04	28.42	28.40	28.24	28.03	27.82	27.51
Imports as GDP%	31.39	31.73	31.36	30.85	30.32	29.80	29.21
Population (millions)	64.60	65.10	65.57	66.03	66.49	66.93	67.36
Unemployment (%)	6.20	5.40	4.90	4.80	4.70	4.88	4.88
Mobile penetration (per 100 people)	130.13	131.25	132.24	133.11	133.87	134.55	135.14

Note. Adapted from *United Kingdom, in-depth pestle insights* (p.6), by Marketline, 2016a, London, UK: Author.

The Dutch economy has been growing in the last years, their GDP growth in 2.2% for 2016, ascending to \$887 billion. Dutch exports in 2016 amounted to \$747 million and were based in machinery and transport equipment's, manufactured goods, chemicals and minerals. Imports, reached \$672 million and were link to machinery and transport equipment's, fuels, clothing and foodstuff. Their inflation rate for 2016 was 0.3%, as seen in Table 3, really low in comparison to other country, however, an increase of it is expected. By the other side, the

unemployment rate which was 6% it's going to decrease in the next years. Probably as consequence of plan that government develop to support entrepreneurs creating programs that facilitate their education and connecting them to universities and corporations creating an environment of collaboration. Also, they establish measures to create smart startup looking for them for sustainability. In general terms, the Netherlands certainly attracted foreign investment, is one of the top European economies with solid external demand and expectations of private consumption growth (Marketline, 2017).

Table 3

Netherlands Key Factors

	2014	2015	2016f	2017f	2018f	2019f	2020f
GDP, constant 2010 prices (\$billion)	851.70	868.30	887.40	905.70	922.00	937.70	953.20
GDP growth rate (%)	1.40	2.00	2.20	2.10	1.80	1.70	1.70
Inflation (%)	1.00	0.60	0.30	1.40	1.50	1.60	1.60
Exports as GDP%	98.60	99.30	96.90	97.20	97.50	97.80	98.10
Imports as GDP%	86.60	90.70	87.20	91.50	93.10	92.30	93.00
Population (millions)	16.80	16.90	17.00	17.10	17.10	17.20	17.30
Unemployment (%)	7.40	6.90	6.00	5.20	5.10	5.00	4.90
Mobile penetration (per 100 people)	116.40	123.50	130.00	131.30	132.40	133.30	134.00

Note. Adapted from *Netherlands, in-depth pestle insights* (p.6), by Marketline, 2017, London, UK: Author.

Norway has a solid economic framework, their GDP per capita was estimated in \$65,803 for 2015, one of the highest in Europe. Between 2010 and 2015 it grew in 12%. In terms of exports, they have suffered a decrease in recent years due to the fall in the price of oil, which is a Truth be told, one of the main sources of Norwegian exports. For the year 2015 exports they reached \$ 185 billion and imports \$ 146 billion. It should be clarifying that Norway is the fourteen largest oil producer, besides that, their main economic sectors beyond were machinery and equipment, metals and chemicals. Its main trading partners are from above the EU, however, China and South Korea, and USA. The inflation in the country is quite controlled, and since 2009 it remains at 2.5% (Table 4). This makes the country a formidable environment to conduct business, it is in the nine position of 189 countries

according to the World Bank. Further, there are enough facilities to start a business and the deadlines are short. The only daunting are the taxes, which range from 25% to 38.7% (Marketline, 2016b).

Table 4

Norway Key Factors

	2014	2015	2016f	2017f	2018f	2019f	2020f
GDP, constant 2005 prices (\$billion)	346.17	352.33	358.78	365.64	372.73	380.19	387.98
GDP growth rate (%)	2.21	1.78	1.83	1.91	1.94	2.00	2.05
Inflation (%)	2.03	2.13	2.26	2.29	2.31	2.33	2.35
Exports as GDP%	38.89	36.52	34.45	32.42	30.39	28.44	26.59
Imports as GDP%	29.25	28.79	28.97	29.04	28.98	28.84	28.65
Population (millions)	5.14	5.17	5.23	5.28	5.34	5.40	5.45
Unemployment (%)	3.52	3.77	3.86	3.65	3.55	3.45	3.36
Mobile penetration (per 100 people)	115.66	116.39	117.01	117.54	117.99	118.38	118.70

Note. Adapted from *Netherlands, in-depth pestle insights* (p.5), by Marketline, 2016b, London, UK: Author.

1.3.3. Social factors

The population in Peru it's around 31 million and it's relatively young, the 65% of his population is in the working age between 15 and 64 years old, 28% it's below the 15 years and 7% above the 65 years. Peru is characterized by a high concentration of the population living in the urban areas, around 80%. Specifically, the population in Lima, the capital of Peru, amounts to one third of the population throughout the country. In the same way, this city generates half of the country's GDP, implying how centralized the country can be and the difference between one city and another. As a result, transport, health, safety and even basic services, often do not reach the most remote cities. In this way, it is determined that poverty in jungle and highland cities can be thirteen times higher than in the urban cities of the coast, where Lima is located. It is obvious that in this context there is great inequality in Peru, reducing the chances of citizens to access better opportunities (World Bank, 2017).

Nevertheless, according to the World Bank (2017) 9 million of Peruvians escaped from poverty between 2004 and 2015, the moderate poverty reduces from 58% to 22% and extreme poverty fell from 16% to 4%. In addition, health, and social programs, were develop,

as a result the enrollment of children in pre-primary education grew from 54% to 83%, in secondary education the percentage grew in 14%, from 69% to 83%. Being conscious of this difference inside the country is making the government invest in social works, to promote equality and generate opportunities for the neediest (World Bank, 2017).

By the other hand, the EU as a community it's consolidated and is seen as a leader in times of confusion. In the social aspect, quality in education and training are critical to develop competitiveness and social cohesion. Worried about the young generation they create Erasmus programs to train and educate youth professional abroad, as well as policies that reduce unemployment rate (European Commission, 2017). The EU also works in gender equality and women's empowerment, in that sense, girl's education has improved in 10% since 2011, to reach 97% of a generation in 2016. They also made large investments to develop access to maternal and child health service. Moreover, they have developed an international cooperation policy to create a budget to support others countries, around 90 countries of the world are benefit from it, as a result of this they were able to reduce extreme poverty by 15% in the last 15 years, while income distribution has improved in favor of the poorest households. Specifically, Peru is one of the seven countries which is support by social protection (European Commission, 2018).

The UK has an extraordinary educational infrastructure their universities and higher education institutes are recognized worldwide. Because of this, it arouses great interest in international students who are looking for a quality education. In that sense, immigration is a controversial topic for the UK, because even they are opened to receive internationals they want to have a high control of their migration status. The same for his healthcare system, the government has been dedicated to making large investments that allow us to offer a quality health service. Thought, as other countries of the EU the UK has an important part of their population over sixty-five years, this seems as an issue in the future because the percentage of

people will look to be part of the pension system, increasing the costs for the government and hauling a deficit. Another concern, is inequality, the difference between social classes in the UK is bigger than in other countries of the EU, the incomes of the richest are 10.5 times more than the poorest. Unfortunately, the measures that government already establish in order to strength public finance will increase the disparity. In terms, of corruption, informality, and crime, since the country has a strong law framework they control really well this issues, having also a big support of the policy. They do not have problems related to mafias or extortion, they only issue related to that have been the cyber-attacks (Marketline, 2016a).

The Netherlands has a strong social sector with high levels of education and healthcare. They also, have good programs that support unemployed and pensioners. Their drawbacks are their ageing population and the low fertility rate. The population up to sixty-five years old is 31% and it will be continue growing. The life expectancy is 81.7 years. Social inequality in the Netherlands is quite small, the government has policies that prohibit gender discrimination, also support equal marriage and seek to foster an environment in which the integrity of its citizens is equally veiled. Nowadays, they are trying to increase the participating of women in the labour market. The indicators of crime and violence are really low in the Netherlands as well as the social conflicts, they have strong law framework that allow them to control it (Marketline, 2017).

Regarding social factors, Norway offers a high quality of life for his citizens, which is based on education and health. Both sector is solid and well organized, for example, Norway has established collaboration with North American countries to reinforce higher education based on exchanges and friendly policies for student and staff mobility. That is why the country is considered to offer a high quality of life. There is also a high labor women participation, and the government really cares about them and given them facilities when they are mothers. The population of Norway has a significant percentage of immigrants, around

13.4%. However, there is a worrying index, and it is the high suicide rate, 10.8 per 100,000. Their average life expectancy is 81.7 years, which is high in average. Even though, Norway is fighting a labour shortage, their population is elderly and the birth rate is low, so the population growth is also slow (Marketline, 2016b).

1.3.4. Technological factors

As we mention, a huge part of the population is concentrated in the capital of Peru, the primary transport networks connect Lima with the principal cities of the coast, however, little cities from the highlands and jungle doesn't have the same opportunity. They have less accessibility, which reduces the export competitiveness of national firms and diminishes incentives for FDI. Even more, it reduces that the accesses of basic services as water, electricity and sanitation. In order to solve it, the government developed programs to invest in rural infrastructure, and basic services. As a consequence, the percentage of rural towns that didn't have access fell in 27%, between the last ten years (World Bank, 2017).

During the last decade one of the biggest expansion was in telecommunications. There was a huge investment from the mobile companies to install communications and fiber optics networks. In the last five years, the market was expanded with the entry of the two new suppliers as Entel and Bitel, breaking the control that characterized Peruvian market between Movistar and Claro. Besides, this has caused the prices to obtain internet and telephone services to be drastically reduced due to competition. Finally, the rural areas were one of the most benefited with this expansion, because it encourages the interconnection with the rest of the country (World Bank, 2017).

In the case of the European Union, the telecommunications sector is clearly more developed and unified. The prices of services are even lower than those in Peru, despite the conversion of the currency. Likewise, networks allow interconnection around the EU countries, without requiring to change operator between countries, based on the free market

of services. For that matter, the efforts of the EU focus on improving the quality of and speed of internet networks and generating greater interconnection around the states (European Commission, 2017).

The UK is a well-connected country it has 498 airports, 23 major ports and harbors, 3,200 km of canals and navigable rivers, 395,737 km in roadways, and 17,186 km of railways. In terms of telecommunication, their broadband connections are excellent as well as their internet penetration rate, around 131.25 per 100 people. It's important to mention that this country was the first one which liberalize its telecoms market (IHS Market, 2019). Related to information technology (IT) and R&D activities there is a high investment between public and private sector. Their only issue they have is about cyber-attacks, because it has been increasing in the last years, the government its taking measures against it investing in cyber-security and in measures to protect intellectual rights (Marketline, 2016a).

The current situation of the Netherlands is quiet similar to the other European countries, their roadways, airports, and ports are good conditions. Even more, their ports infrastructure was ranked in the first place of the whole Europe in 2017. The telecommunications sector, however, is not as good, even in simple terms the whole country is interconnected, their internet speed is kind of slow, and the cost are high. About R&D, the Dutch society has a strong education in science and technology, the government supports innovation programs and expends around \$4.53 billion to continue promoting this kind of activities. IT and nanotechnology are their principal topics, in that sense the achieved annually 1000 patents (Marketline, 2017).

In the technological aspect, the structure of this country is similar to other European ones. So their infrastructure which includes airports, roads, and highways are well planned and develop to facilitate the communication through the whole country. Norway's telecommunications sector is well structured; fiber optic networks ensure digital

transmissions. This means that 97% of the population has access to the internet. Their spending of R&D activities is around 1.71% of its GDP, the rest of the Nordic countries as the small number of patents it has. Even though, Norway is trying to get his population involved in it, creating policies and supporting innovation (Marketline, 2016b).

1.3.5. Environmental factors

During the last year, the level of congestion and air, water and land, pollution in Peru has been as a consequence of urbanization and illegal mining activities. In that sense departments as Madre de Dios, Puno, and La Libertad were the more affected. The environment degradation is costing around 5% of Peru's GDP. To fait against it, environmental regulations support by legal framework were establish. The government it's promoting projects to generate awareness within the population of the importance of the preservation of natural resources, as well as limiting activities that harm the environment. Some example of this are: campaigns of segregation of waste, recycle of waste and materials, promoting of a higher-quality motor vehicle, inspection to automobile, and switch from diesel to natural gas. As consequence, between 2011 and 2014, a reduction of 72.8% of SO₂ and 81.9% of NO₂, has been achieved (World Bank, 2017).

In the EU, the levels of contamination are not as high as in Peru. However, a considerable proportion of the population and industry still use fossil fuels. Nor is an adequate use of the raw material, which increases pollution and costs. Being in touch with the effects that's why they are looking to establish a policy to sustainable climate and energy. Their goal is to reduce in 30% the emission reduction (European Commission, 2017).

The UK has a fairly solid environmental framework, promotes the use of renewable energy, sustainable growth, fights against global warming and prevents environmental pollution. For this, it strictly controls the industrial sector and the emissions that it carries out, especially paying attention to mining companies, electricity companies and producers of

chemical products. With respect to international agreements, the UK has signed the Kyoto protocol, in order to reduce the emission of CO₂. Within the EU it is also part of a program that seeks to reduce the emission of CO₂ and sulfur dioxide (SO₂). As a result, CO₂ emissions have been reduced in 17% in only three years from 2013 to 2016. As mentioned, the UK works in the development and use of renewable energy, as a result the revenues by 2015 were \$17.8 billion (IHS Market, 2019; Marketline, 2016a).

The Netherlands has a strong environmental framework, during the last decades the government has been establishing policies that reduce the emission of pollutants as CO₂ and fossil fuels. As a direct measure, it has increased taxes on gasoline and diesel, seeking to raise awareness in the population. That is why the country has a policy in favor of using alternative means of transport that do not harm the environment, such as bicycles, a measure that has been welcomed by a large part of the population. Their main concern in the environmental framework is the rivers, since most of them are contaminated due to industrial use. Today, they have developed a program called Delta whose purpose is to promote sustainable water consumption. Additionally, they are venturing into the use of renewable energy (Marketline, 2017).

In the environmental aspect, the government is focused on conserving its biodiversity, which is why the ministry Agriculture and the Ministry of Climate and Environment work hand in hand. In Norway there are more than 1000 reservations natural Unfortunately, the air pollution is still a significant problem, between 500 and 2000 individuals die prematurely as a consequence. They have created special procedures for the exploitation of natural resources, and they have developed a sovereign wealth fund in which they include the revenues from the oil and gas sector. They have been using a technique called carbon capture and storage (CCS) to capture CO₂ emissions in a cost-effective way and they are looking for more profitable solutions. Also, they are spending in biotechnology by a national strategy which is focus on

aquaculture, biomass and seafood. All these measures as was said are trying to compensate the damage that the oil and hydroelectric power use before (Marketline, 2016b).

1.3.6. Summary of opportunities and threats

After doing the PESTEL analysis of the four countries: Germany, France, UK, Netherlands and Peru. A group of opportunities, and threats that affect the industry in which Peruvian Traditions is located have been identified. As seen in Table 5, Peruvian traditions has eight opportunities: (a) strong legal and rule of law framework, (b) free trade agreements and treaties, (c) tariff reductions for exports, (d) vast natural resources, (e) government support, (f) GDP growth. By the other hand, it has eight threats: (a) political destabilization, (b) tax evasion and corruption, (c) high unemployment rate, (d) considerable level of poverty, and (e) disparity income in the society.

Table 5

Opportunities and Threats

Opportunities
1. Strong legal and rule of law framework of the countries to which alpaca garments will be exported.
2. Free trade agreements and treaties between the countries.
3. Tariff reductions for Peruvian exports.
4. Vast natural resources, alpaca wool.
5. Support of the Peruvian government for alpaca garments and SME's.
6. GDP growth trend of the five countries.
Threats
1. Political destabilization inside some of the countries.
2. Tax evasion and corruption.
3. Significant unemployment rate in the Peruvian market.
4. Considerable level of poverty in Peru, specifically in the highlands.
5. Disparity income in the Peruvian society.

1.4. Internal Analysis (AMOFHIT) – Strengths and Weaknesses

For a comprehensive overview of the internal strength of Peruvian Traditions SAC, an AMOFHIT analysis (Weihrich, 1982) will be conducted, the following sectors will be concerning: (a) administration and management, (b) marketing and sales, (c) operations and

logistics, (d) finance and accounting, (e) human resources, (f) information systems and communication, and (g) technology.

1.4.1. Administration and management (A)

Peruvian Traditions currently have two co-founders: Carlos Stefano Cordero Berkovic and Claudia Cordero Berkovic. Although two founders seem to have an equal power on deciding companies matters and work closely together, the current assignments of the two managers are different. Claudia Cordero Berkovic have spent close to a one year overseas as the time of writing and focuses most of her efforts on negotiating a long-term partnership as suppliers to large fashion retail chains in Europe, especially luxury brands. Thus, the responsibility of managing daily routines and implementing changes suggested by this report falls mostly on Carlos Stefano Cordero Berkovic, who will be the target of our analysis. His current responsibilities include (a) supplier management, (b) marketing and sales, (c) operations, (d) clothing design, and (e) quality control (C. Cordero, personal communication, June, 2019).

Carlos Stefano Cordero Berkovic have several years of experience in project management, international sales, international project management. His capabilities complements with Claudia Cordero Berkovic who has experience in (a) logistics, (b) negotiation and (c) imports & exports. Under his management, the company maintains a close and personal relationship with a few workshops and suppliers, experimented with new manufacturing techniques and have seen few quality related complaints from clients. Nevertheless, the company has stagnated in making new and consistent sales, and the current marketing channels are rather limited and are in need of an update, which relates to our next point. Below them, is the assistant company Carol Bendezu Cucho, who is changer of contact potential clients by making phone calls and sending emails and to maintain the relationship

with the customers that are already part of the portfolio (C. Cordero, personal communication, June, 2019).

1.4.2. Marketing and sales (M)

For Peruvian Traditions, social and environmental responsibility has been an important part of its value and marketing message. To achieve this, it has been using yarns of well-known origin and that use biodegradable dyes, it has been a part of Fashion Revolution (Fashion Revolution, 2019) which aims to raise transparency on human wellbeing and environmental sustainability within the clothing manufacturing process and are working towards gaining social and sustainability standards labels such as Fair Trade and Global Reporting Initiative (GRI) Standards (Global Reporting Initiative, 2019). In order to distinguish why marketing has been largely inept, we will be exploring product, price, place and promotion dimensions of the company's marketing plan.

Product. Peruvian Traditions' main offerings are winter clothing's, which has two lines of product. 80% of the sales are made as white-label products, where the retailers would contact the company and submit their design ideas, and company go through a process of prototyping and product be relabeled has client's own before it can secure the sale from the client. The products from this service is diverse as it can range from gloves, pants to blankets. The other as its own brand Norgäte, where design specification is determined by the company itself, put in a Lookbook and sold to overseas retailers, the clothing items are sweaters, coats, and a few hats. Aside from an offshoot T-shirt design using local Pima cotton, both product lines are made with alpaca fibers, or a mix of alpaca fiber with wool, the composition of the products are labeled according to AIA, which specifies how much and what quality of alpaca fiber a piece of garment contains

Price. The price of the products varies according to their dimension, design and composition. Dimension of the garment has a great influence on the price, for example, the

sales price of small garment pieces such as scarf and gloves generally is around \$40, a sweater is sell for \$80, and a long coat around \$135 (Peruvian Traditions, 2019d). This happens, because in simple terms, a product of bigger dimensions will require rawer material for its manufacture. At this point, it should be mention that the price of alpaca fiber raw material, which compose 20% to 30% of the manufacturing cost and fluctuated widely in the past few years (Figure 4).

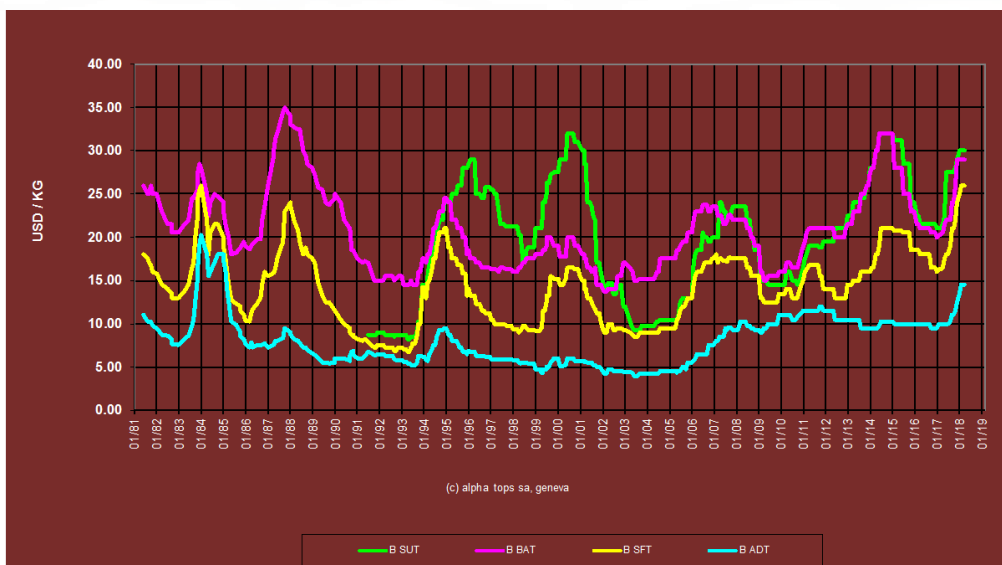


Figure 4. Alpacaca fiber prices on the international market. Retrieved from “Alpha Tops for alpaca, cashmere, mohair - scoured, web, tops and yarns,” by Alphatops, 2019 (<http://www.alphatops.com/market/alpacaca/>).

As alpaca clothing face competition from other specialty animal fiber clothing and company pricing policy, price point of raw alpaca fiber composes an important factor in both competition and customer demands. The wide fluctuation in raw material price also represent as a major risk for the company. Related to yarn composition a, while the composition of the fiber is purer, that is, while the percentage of alpaca it contains is higher, the price of the garment will be, since the cost of the raw material has been higher. In terms of design, a more elaborate or complex design, with different shades of color or different embroideries will require more time and dedication, and therefore the sales price will be higher. Even if the sale price varies widely depending on the product, Peruvian Traditions tries to keep a profit

margin of 35% when considering its pricing (C. Cordero, personal communication, July, 2019).

Place. There are five countries Peruvian Traditions SAC has made sales in, they are: Finland, UK, Germany, US, and Canada. However, only Finland, Canada and the US ever reached a thousand units of sales per year. Sales from these three main markets are directed to limited number of retailers, who demands a large amount of garments, while white-label sales usually amount to only fifty units per order. Although having diverse markets are good for risk avoidance for Peruvian Tradition, the company is still very much reliable on its main buyers, meaning losing any one of them still present a huge loss for the company, which can happen because of competition, change in fashion trend, going concern of the retailers (Peruvian Traditions, 2019d).

Promotion. The firm has a few channels for attracting customers, but mostly with limited results. Recently, the company is trying to build partnerships with large retailer brands in Europe, this is done by Claudia Cordero Berkovic who visit clients directly, contacts embassies and chamber of commerce. This effort has yielded no interest from Berlin and Belgium, so the scope of the search has now expanded to countries such as Italy and Turkey. It is most likely unsuccessful because the high quality and low price level requested, combined with genuine disinterest in alpaca fibers and harsh logistic windows. An alternate channel for marketing is done by the company assistant Carol Bendezu Cucho, who contact potential clients by making phone calls and sending emails (C. Cordero, personal communication, June, 2019).

More importantly, Peruvian Tradition promotes its products most effectively using Google Ads, which costs the company \$40 per month, and the customers are directed to the company website to make enquiries. Investment-wise, the most significant spending is on Lookbooks, which is compiled yearly by a marketing company and cost around \$5000. Last

but not least, the company has attempted with social media marketing with minimal investment on Facebook and Instagram, with around a hundred followers on each platform.

1.4.3. Operations and logistics (O)

The value chain of Peruvian Traditions SAC is compressed in peculiar section of the clothing sector, and it does not fit the definition of manufacturers which are commonly found in the apparel industry value chain. The four main activity of company are: (a) design and prototyping new garment designs, (b) sourcing yarns and tops, (c) arrange domestic shipping between raw material suppliers, workshops and the port for exporting, and (d) production in workshops. Note the company does not own any production facilities, and the completion of a design need to be sent back and forth between workshops in Arequipa and potentially Cuzco as they all have different capabilities (washing, dying, hand knitting or machine knitting, finishing). In addition, the most important value-generating activity is design, especially for the Norgäte brand, and manufacturing, because of the economies of scale.

There are also several activities are not major in terms of attention given: (a) negotiate and coordinate production with workshops, (b) labeling and packaging, (c) marketing and sales, and (d) quality control before shipment to clients. Negotiation and coordination with workshops is listed outside of production because it is mostly needed when Peruvian Traditions SAC submit a new design, it has accumulated over a hundred designs over four years of its operation. As the norm of the clothing industry, marketing could generate value for the apparel company, but it is underutilized currently in the case of Peruvian Traditions.

Peruvian Traditions has developed a few capabilities since its inception, they are: (a) close and dedicated relationship with five workshops and clients, (b) track record of good clothing quality and timely delivery. Still, perhaps what is more notable are its weaknesses: (a) over reliance on monopolistic suppliers of alpaca yarn, (b) lack of experience and inadequate understanding in clothes designing and fashion trends, (c) arduous process of

sending products between different workshops, and (d) rudimentary marketing budget and efforts. As such, the company are in need of developments in multiple front of its capabilities

As for logistics, it is important to note that Peruvian Traditions currently does not and have no intention to own a dedicated warehouse at the moment. This is because the business model is B2B and sales are made entirely by order from retailers and in relatively small quantity of hundreds units' maximum, as such, sales are easy to fulfill, relatively predictable and stable from year to year. In the past, the company has adopted Free on Board (FOB) INCOTerm, which means that the customer assigned in which port and vessel the garments should be delivered (International Chamber of Commerce, 2019). The terms and conditions outlined on the company website for white-label orders have a rather lengthy time window: depending on quantity requested, design complexity and stock level, sourcing can take six to nine weeks, prototype development takes two to five weeks, and actual production can take anywhere between four to sixteen weeks. In short, assuming there is not enough yarn, an order for new design from the ground up can take between twelve to thirty weeks to complete, which is sometimes the case because there is little warehouse space (Peruvian Traditions, 2019c).

1.4.4. Finance and Accounting (F)

The company does not currently have formalized financial statements, and the existing record sometimes does not specify timing of the transactions, as such, the available financial information provides only a general overview of cost structure and cash flows on a per order basis. The sales value of the company has been fluctuating drastically in its three years of operations, it sharply declined from S/491,128 in 2016 to S/99,459 the next year in 2017 due to the loss of a main client, it then recovered to S/154,060 in 2018 without the discovery of new major clients, which caused a large decline in company's net profit. All in all, the gross margin of the company is 37.15% during the three years, and profit margin of

first year of the operation is 19.32%, but as the company has low de-facto fixed cost, the profit margin does not reflex the financial situation of the company meaningfully (Peruvian Traditions, 2019d).

The cost structure is as follows, 66.7% of the variable cost goes to providers and workshops, and 24.6% goes to fabrics and yarns, the rest are fixed costs. Because the company own little assets and does not appear to having ongoing financing arrangements, the fixed cost in 2017 is only \$26,540.66, within this amount, 90.4% of the fixed costs arises from salaries paid to the two founders. In actuality, the company incurs virtually no fixed costs, this is an important consideration, because with fixed cost, the company would be generating a negative profit in the latter two years (Peruvian Traditions, 2019d).

Financial of Peruvian Traditions has a few reasons for concern: (a) the company currently has very limited financings, and because of the lack of assets and stable cash flows as collaterals, getting the credit for expansions could be very difficult; (b) large amount of the revenue flows to providers and workshops, this combined with declining sales depresses the company's profitability; (c) the company does not have a formalized accounting system, which makes capital structure, reliability and accuracy of the financial information dubious.

1.4.5. Human resources (H)

The firm does not have a human resources department, as the company currently does not have the resources necessary warranting a full department. Nevertheless, because of the departure of Claudia Cordero Berkovic who was sent to Europe as an expatriate, the company is starting to feel the strain of personnel shortage, it is expected that the company would need to hire new personnel if the sales would increase by a moderate amount in the future. Even so, there is no need for human resource department in the foreseeable short term, as the company office is only located in Lima and with a few procedures established in the company.

1.4.6. Information systems and communication (I)

The company currently has no information system aside from a few excel sheets organizing sales and financial data. The lack of these setup should not hinder company's communication speed in the short term future, as the company only has limited scale and four years of operations. However, due to the volume of retailers and product designs it has recreated, it should be desirable to establish a few in order to have proper record-tracking's for the future, such as consumer relationship management systems, supply chain management system, and knowledge management systems, in order to facilitate communication with retailers and suppliers, and support internal decision-making processes.

As for communication, aside from regular communication with various levels of suppliers needed for arranging new orders, Cámara de Comercio de Lima (CCL) is an important connection for the company. CCL is a business association that has been established in Lima over a hundred years, a state partner which aims to promote free market policies and free competition, and foster domestic and foreign trade and promoting good commercial practices, it maintains a close relation among many organizations representing business activities and cooperation for development, with over 10,000 member companies, both Peruvian and international. As the company is seeking to expand in the European market, it has used CCL as a platform for contacting with large potential clients in Europe. As the company gain more resources for relationship management, business association such as CCL may become a channel for making business connections and discover new opportunities.

1.4.7. Technology (T)

As a clothing exporting company, there are a few essential technologies that Peruvian Traditions currently access through via its workshop partnerships. They are: (a) manual and industrial knitting and sewing machines, and (b) bleaching and dyeing machines. Although

the machineries the company has access to are somewhat antiquated, purchasing or renting these machineries and corresponding expertise, and property costs would be excessive for the financial capability of the company. As for the future, the company should consider adding other technologies to enhance its business operations. These include integration with e-commerce platforms which allows them to sell to and communicate with end customers, computer-aided design which would allow them to make designs more accurately and efficiently. Nowadays, the most important resource and the only one they have is their website, although the page has a good design, that is, it is friendly in the eyes of the user and provides updated and quality information, this is a purely informative page. However, since it is a company that sells clothing, the page should be more interactive, and should include an online shopping platform.

1.4.8. Summary of strengths and weaknesses

As a result of AMOFHIT analysis, a summary of the main strengths and weaknesses of Peruvian Traditions SAC is summarized below (Table 6).

Table 6

Internal Strengths and Weakness

Strengths
1. Personal expertise in project management, international sales, imports and exports.
2. Close and personal relationship with manufacturing suppliers.
3. Consistent marketing message of environmental and social sustainability.
4. Track record of good clothing quality and timely delivery.
5. Five certifications including International Alpaca Association and Fashion Revolution.
Weaknesses
1. Limited experience in producing clothing using fibers other than alpaca and wool.
2. Over reliance on a small number of clients, low quantity sales per order for white-label products.
3. Over reliance on monopolistic suppliers of alpaca yarn
4. Limited marketing channels, under-utilization of digital marketing.
5. Lengthy production process of sending WIP clothing between multiple workshops.
6. Lack of experience and inadequate understanding in clothes designing and fashion trends.
7. Lack of a warehouse which increases lead time for clients.
8. Lack of information systems and antiquated production machinery.

1.5. SWOT Analysis

Based on the analysis carried out, it was possible to identify the current situation of Peruvian Traditions, thus defining those agents who play for and against its development. Its values are factors that definitely play in its favor quality, long-term relationship with their manufacturing supplier, high quality and time delivery, the certifications issued by AIA and Fashion Revolution, respect for people and animal protection, all under a framework of sustainability makes it an organization with potential for growth. However, there are some barriers that have to be solved in order to succeed in other markets, some of them are reduced client portfolio, reduced experience in the alpaca garment design process as well as trends in the fashionable, limited marketing channels and monopolistic supplier of alpaca yarn.

Even though, the external factors demonstrate the huge potential that they have to succeed. The support of the government free trade agreement and treaties, tariff reductions for exports, vast natural resources and GDP growth of the countries involve, with to encourage support policies for textile SMEs and exclusively the promotion of alpaca products, added to the great interest that this awakens in the international market. Even though, they are also some threats as political destabilization, tax evasion and corruption, significant unemployment rate and considerable level of poverty. The result of both internal and external analysis will be condensed in the SWOT matrix (Table 7) a planning tool that show (a) strengths, (b) weakness, (c) opportunities, and (d) threats that affect Peruvian Traditions (Litterer, 1973).

In conclusion, it can be said that according to economic, political, social indicators, among others, they allow us to determine that Europe is an adequate market for export. In addition, Peru has a large amount of raw material for the manufacturing process of Alpaca garments. In the same way, the sustainability framework and the good relations that Peruvian Traditions has, definitely favor the company. However, according to its weaknesses, the

company has a limited number of customers, as well as a reduced understanding of fashion trends and marketing strategies. Hence, it seems that this last one, would be the company's root problem.

Table 7

SWOT Matrix

Strengths	Weakness
<ol style="list-style-type: none"> 1. Long-term relationship with manufacturing supplier. 2. Environmental friendly and social sustainability. 3. Highly quality and timely delivery. 4. Certify by IAI and Fashion Revolution. 	<ol style="list-style-type: none"> 1. Reduced client portfolio 2. Monopolistic suppliers of alpaca yarn. 3. Limited market channels 4. Unaware of fashion trends
Opportunities	Threats
<ol style="list-style-type: none"> 1. Free trade agreements and treaties. 2. Tariff reduction for exports. 3. Vast natural resources. 4. GDP growth. 	<ol style="list-style-type: none"> 1. Politic destabilization. 2. Tax evasion and corruption. 3. Significant unemployment rate 3. Considerable level of poverty

Chapter II: Key Problem

“The problem is that we need more high quantity customers preferable from the US, the EU or China.”, mentions Carlos, a founding member of Peruvian Tradition, at the beginning of our interview. “I need clients that order large quantity so I can grow.”, he continued (C. Cordero, personal communication, June, 2019). Using different investigation techniques, we tried to identify the underlying root cause of what he recognized to be the problem since not having enough large clients to expand the business is not a problem but rather a symptom. Most company owners desire to grow, and this desire is natural. However, to do so, companies need a dedicated a growth strategy, a clear value proposition, and a clear market strategy (Walters & Lancaster, 1999). Using the information from our client’s interview (Appendix B1), the information we gained from the company visit, as well analyzing their competitor, we could come up with an entirely different problem statement. In essence, the main problem is, Peruvian Traditions do not have an adequate market positioning strategy since they using two tactics, namely, cost leadership in the higher quality segment and differentiation at the same time. Therefore, they face stuck in the middle (Ansoff, 1957).

Problem statement. Peruvian Tradition neither has a strategic growth plan, nor a precise market positioning within the extremely competitive alpaca clothing industry.

2.1. Identified Problems

In the following, we describe how we identified this critical problem of our client. During our analysis, we mainly focused on three aspects, namely (a) product, (b) process, and (c) people (3P). We could either investigate new symptoms at these three levels our client identified sub-problems in these three core areas already by himself. Next, we sum up out the main findings to draw a bigger picture and identify which is the key problem of Peruvian Traditions.

2.1.1. Product

First, Peruvian Traditions product strategy seems unclear. Even though Peruvian Tradition owns a product that is determined by high quality, the company seems to fail to establish a clear product line, which is crucial for small business enterprises (Carlile, 2002). Instead, the company accepts any job that they can make money on and in some cases, they even accept requests where they have no expertise. Considering, that Peruvian Traditions is a small family firm that depends on each job it seems reasonable to take as many opportunities as possible and it is very tempting to accept new offers outside of the core focus since these can result directly in new net income. The company might not even have the chance to be very selective with their customers since the business depends on each of its customers. However, this creates the problem that product line looks somewhat like a random selection of product, then following a bright conceptual scheme. An unclear product line can confuse customers (Leonard-Barton, 1992).

Evenly confusing, the owners manage different brands, namely Norgäte and Peruvian Traditions that stand for different core values. The exact difference remains unclear to potential clients. Peruvian Tradition and Norgäte are neither product lines, nor can these two brandings be described as separate brands. For a potential client, it remains unclear how and if these brands differ, which can be a critical issue (Brown & Eisenhardt, 1995). Currently, about 80% of the product use the branding of Peruvian Traditions and about 20% under the branding of Norgäte. The company started with Peruvian Tradition and then expanded to Norgäte to target higher-end customers, specifically in the premium sector. This seems controversial since price differentiation cannot be effectively handled only by using a different brand name. Customers can not effectively differentiate or identify what the bandings stand for and ultimately, the profit margins for both lines are the same with a

markup of about 35%. It makes the brands insufficiently distinguishable (C. Cordero, personal communication, June, 2019).

Still, the implementation of Norgäte, was from an operational perspective, not a step in the wrong direction. As the owner describes it, “The brand actively promotes also orders for Peruvian Tradition, and I am not sure if we would still exist without the Lookbook for Norgäte,” (C. Cordero, personal communication, June, 2019). This mostly shows that both brands are highly intertwined and cannot be seen as separate entities. In any way, it is not the brand Norgäte but rather the Lookbook that helps Peruvian traditions to sell their products.

A critical problem for Peruvian Tradition is that they incorporate the classical role of a middle man. The company has a hard time to gain quantity orders that they would need to compete with companies that focus entirely on cost. Further with increasing differentiation, they heavily rely on their producers’ capabilities and capacities. It also raises the question of what value Peruvian Tradition create for their customers in terms of product offering. This brings in the concepts of value creation vs. value capturing. In fact, one could argue that Peruvian Traditions is mainly focused on value capturing instead of value creation. Research shows that the middle man, however, will likely become obsolete with further globalization since a continuous integration of the value chain is currently happening (Faltin, 2018).

Therefore, Peruvian Traditions has to find a clear market position with competencies that help the company not only to capture but to create value (Grönroos & Ravald, 2011). Key activities where Peruvian Traditions at the moment creates value in is mainly operating an export business. Other activates are solely marketing and sales related. This further raises the question what the main benefits for customers are to order with Peruvian Traditions, considering the intense competition and diverse opportunities. The owners emphasize that their products are eligible to carry different certificates, for example, the alpaca association certificate. Further, they are currently working on gaining additional certifications such as a

Fair Trade label, and they successfully established a production line “Who made your clothes”, showing the actual person who manufactures their client’s products for a fair wage. Notably, the last line carrying the aspect of sustainability is perceived by customers extremely positive. The other many different certificates do not seem to be uncommon for the industry, but the line “Who made your clothes” seems to be unique. The campaign seems to attract customers that focus on ethical production successfully. Confusingly, the Norgäte clothes also wear the Peruvian tradition label, which makes Peruvian Traditions label almost seem like a certificate that is produced under fair conditions. Many labels seem to stand for one primary aspect, sustainable and equitable paid production (Peruvian Traditions, 2019a).

Regarding the branding, the owners established Norgäte as a new brand to expand more successfully in the European market. The branding was supposed to target the highest end, but it is questionable if the name for either of the brands is choosing with great care. For example, the brand Peruvian Traditions is hard to find because of the genetic of the name. This is concerning since Peruvian Traditions is gaining its primary customer base via Google search (Google Analytics, 2019). Besides, the name Norgäte might not always be perceived as trendy as their clients desired. Two different websites are promoting the brands exist, which could confuse customers. In any way, the client still calls the implementation of Norgäte a success, mainly because of the Lookbook.

The Lookbook, which was created for Norgäte to establish a luxury brand for cosmopolitans, turned out to be a useful tool to sell the traditional line. The customers tempt to use Peruvian Traditions for their orders using the White Label option. This is the case because customers prefer to order under a White Label to promote their domestic retail label. In fact, it seems that at the moment, Norgäte is only a brand, that is set up, to gain more interest in the production of the original brand. Since Peruvian Traditions is so focused on

acquiring new customers, they seem to accept that Norgäte is used to gain customers for Peruvian Traditions.

Every year a new Lookbook is created to promote Norgäte as a brand for cosmopolitans. This Lookbook costs about \$5,000 including everything (C. Cordero, personal communication, June, 2019). Clothes are designed based on the owner's internal knowledge and market trend observations. However, the Lookbook does not seem as unique as the brand Norgäte intends to be. The same models, and most likely the corresponding marketing agency, was used by a competitor that operates in the same niche market. This shows how competitive the market is.

From a marketing perspective, the product portfolio is too diverse to set specific niche. We asked the owner the sort a rack of clothes in respect to the importance of the product. It turns out that many products do not fit into a clear customer position. In an example, the product portfolio includes products with extremely different manufacturing techniques. To be specific, some products use different layers of yarn; others use the fur of the lama; others other are made out of cotton. This outlines that the product strategy is unclear. Considering that the client wants to enter new markets in Europe and China, new symbols and models were developed, making a clear focus even more challenging to identify. Peruvian Traditions portfolio is a mix of different products.

2.1.2. Process

In respect to the product line, as well as the branding strategy, the owners seem too often follow their gut feelings without a transparent process in place to evaluate the feasibility of the choices. In general, basing the decisions on personal market intelligence has many advantages, since it limits the cost and time to market (Morgan et al., 2009). This is beneficial, especially in the early entrepreneurial stage, but it also seems to turn out wrong in several situations where some products were not even sold once (Faltin, 2018).

During our visit, the client showed us his racked with sample products. In total, the client owns a selection of sample product of about \$10,000 which are stored at their house. We asked the client to order the products he presented concerning their item's importance to the company. The client allocated the products with the highest emphasis on the left, and we got the flowing picture (C. Cordero, personal communication, June, 2019).

What immediately caught our attention was that the company heavily relies on two product types. First, clothes that include a fur – giving them a unique touch and supporting the relation to direct alpaca industry and second the products that we would consider too essential bestsellers. These basic best sellers turn out to have very feasible characteristics since they can be recycled if not sold. From a process perspective, this is an extremely valuable characteristic since alpaca yarn is extremely expensive, with about \$20.5 per kilogram (PQS Perú, 2019). Because of the high raw materials expense, the client outlined that he wants to avoid to store finished products any means. He is unwilling to stock any products because what he cannot sell would result in extreme losses that could drive him into bankruptcy. However, this statement does not seem true for the basic products, where the raw material can be easily recovered in a very cost-effective way with only a few PEN per item recovering the cost. Not all clothes offer the opportunity to improve the original material once they are produced.

Consequently, Peruvian Tradition follows the policy that customers first have to pay 50% of the product before they find a subcontractor. Being unable, not able to deliver products instantly is common in the industry but for many potential clients a disadvantage. At the moment it takes Peruvian Tradition about two to three month to deliver the final product for medium and large quantity orders (Peruvian Traditions, 2019b). Not all clients think this is an appropriate delivery time since seasonality exists for many markets. The clients of

Peruvian Tradition face the same problem, like the company. They want to avoid high stocks of the material since alpaca yarn is so capital intense.

Regarding the value creation besides e-distribution (Amit & Zott, 2001), the company is also involved in developing new clothes models. These models are either tailored to the client's needs or for the yearly Lookbook. Creating new models, no consistent process seems to be in place for accomplishing a feasibility test for the products. It is fact naïve to think that one can understand the customer needs just by visiting the business fairs these different countries (Prahalad & Ramaswamy, 2004). Again, the designs depend on the owner's gut feelings. In consequence, it is not surprising that some models cannot be sold in certain markets. For our consulting team, it seems evident that some of the models are very ineffective in their target market in the EU or Asia. As a matter of fact, the needs for these areas are high different, and the perception of alpaca yarn is currently not purely positive. Not only the process of creating the clothes is different, but also the procedure on how to handle clients differs. This is especially the case because the client's needs must fit into the manufacturers' overall production plan. Peruvian Tradition has no or only limited influence on the production plan of their suppliers since these are independent subcontractors. This results in an inconstant production offer, which highly depends on the supplier's capacity.

Because the company is so eager to grow, the owners mostly doing whatever the client demands, and they even try to engage in highly competitive markets like the cotton industry. Once, they were able to secure a contract for a cotton clothing company from New York producing a pink pullover. Apparently, the customer was unsatisfied with the previous supplier and was unable to find an alternative. Even though this was totally out of Peruvian Traditions business, they managed to produce for the New York clothing company. When finalizing the product for shipment, the customer again tried to negotiate a lower price, because he claimed apparent quality issues. The owner of Peruvian Tradition felt intimidated

by this business practice but finally admitted to an additional discount, since the pullover was too unique to sell to other customers. In fact, this practice, even though it is unethical, is not uncommon in the highly competitive cotton market. Especially, new suppliers fail to account for the fact that some products are too unique to sell to other customers and finally admit to an after-production discount. Again, this shows that Peruvian Traditions needs a clear strategy to focus on their key competencies. The cotton industry does not belong to these competencies.

Also, regularly Peruvian Tradition give samples to known brands even though they could never win a large order. It seems that large clothing brands prefer to cooperate with more sophisticated companies that can offer a larger scale for more attractive pricing. In consequence, Peruvian Tradition could not gain any large-scale contracts. Their larger contracts are for about 1000 to 2000 pieces. These cash cows are a substantial source of income for the manufacturer. The owner believes, that if he goes to Europe or North America, he can “for sure” secure similar production contracts of this size. However, at the moment, the company’s survival depends on mainly two customers’ orders (C. Cordero, personal communication, June, 2019).

2.1.3. People

Finally, we reflect on the people side of Peruvian Tradition. The people side is, on the one hand, a primary competitive advantage of Peruvian Tradition; on the other hand, it seems to be a significant problem. The founder continuously mentions that he under extreme time pressure. In fact, the founder also indicates that they have stopped using Google adverts since they are unable to handle all the inquiries. This contradicts his initial problem statement that he needs more customers. Handling the people side is often a critical problem for small business owners (Walker & Brown, 2004) and Peruvian tradition is in that sense no exception.

Having additional customers would, in fact, complicate the situation and would require even more time to manage potential customers. In addition, new customers can be gained with the highest cost-effectiveness via Google adverts instead of travelling to the individual countries and convincing people in person to buy the products. Confronting the client with that contradiction, he admits that staff capacity is indeed a major problem. The two co-founders just recently employed a new secretary. Her responsibility will be to handle the CRM accounts and even start to acquire new customers by cold contact. Cold customer contact is, however, usually not very successful. Still, the secretary needs to be taught about the process to create value for the company. She seems to have minimal English skills, and the owner mentioned that it is an extreme challenge to find staff members that are qualified and payable. Considering the new staff member's qualification, it seems that she cannot secure the desired new customer contacts. It needs someone with fluent English and excellent website skills to contact new customers to obtain new contracts. The new employees' position should be more in labelling or packaging products and supplier's management than in the customer contact since she will have difficulties convincing new clients. She further makes an extremely shy impression, which does not speak for appropriate sales skills.

Opposing a fundamental qualification of the owners is their sales skill in an international context. Both owners of Peruvian traditions have an academic and practical background in international business. They studied international business, and both have exceptional experience in the export industry. However, to fully exploit these skillsets, they should delegate everything they can to their staff members and focus on what they are best in. For example, attaching the labels to the clothes can be done by non-English speaking staff members. At the moment, one of the founders always needs to be in Peru to ensure that the production runs and that samples are delivered in an appropriate time. This has to change in that sense that both founders need to employ the required staff to ensure that the production

can be done without them. Today, they face a bottleneck situation regarding their workload where they cannot accept additional contracts because they have to ensure the daily operations. The owners recognized that they need extra-human power to handle the existing workload. This, however, seems to contradict the perception problem mentioned. In fact, growth can only happen sustainably, if human capacity is stocked up properly (Walker & Brown, 2004).

Similar to the products, there is no clear concept in place to gain new customers, which is again referring to the aspect of people. Customer acquisition is happening either in on alpaca fairs or via the internet using Google analytics. At the moment one Co-founder is travelling in Europe to gain customers from this new market. Orders are supervised and packaged and handled by the other co-founder in Peru. In consequence, customer acquisition is always limited to one region. Again, it clarifies that no strategic plan to promote the growth of the company exists. To solve the problem described a clear strategy for growth must be developed, implemented, and achieved in a step-by-step approach. At the same time, a clear market positioning strategy must be established. This process includes reevaluating the logic of the brands and developing a distinguishable product portfolio with a transparent process in place.

2.2. Key Problem (substance, location, ownership, magnitude, time perspective)

Reflecting the situation described in the chapter above, diverse problems emerge that support a solution for strategic positioning. Currently, two brands are established that pull the company into different directions, which results in a stuck in the middle (Figure 5). The two choose strategies could not be more different. Especially concerning, the problem creates symptoms in all three areas, namely product, process, and people. According to Porter (1985) there are here strategies that a company should achieved in order to be sustainable: cost leadership, differentiation, and focus, when a they are not able to settle in one of them, they

are not creating competitive advantage and in consequence they are “stuck in the middle”. If a company want to manage more than one strategy which is the case of Peruvian Traditions with White Label and Norgäte, they have to be able to create two separate business units, in which each of them will have a different segment. To reinforce, Chrisman and Hoffer (1988) mention that when a company wants to cover different segments they should apply a different competitive weapon to each of them, if not they will see as undifferentiated.

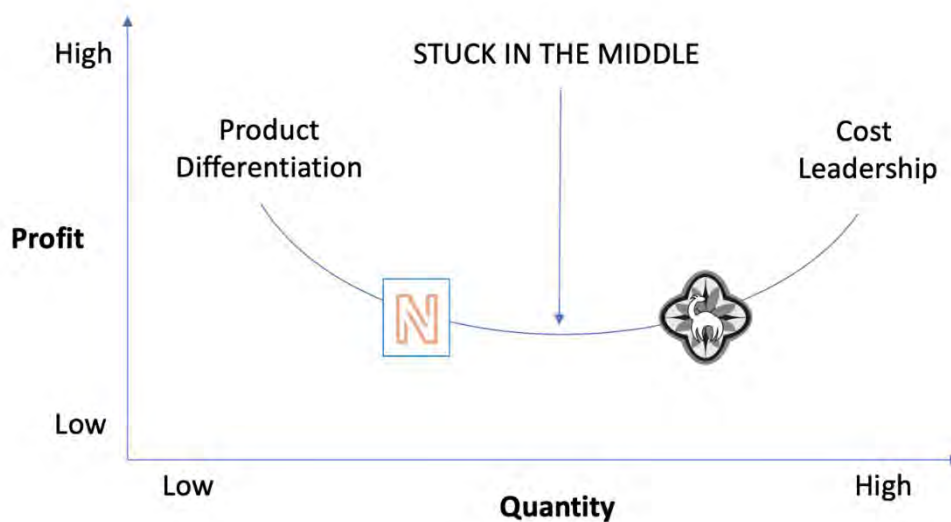


Figure 5. Key problem model.

Adapted from “Strategic issue management,” by H. I. Ansoff, 1980, *Strategic Management Journal*, 1, p. 140.

A study made by Pecotich and Purdie (2002) conclude that when a company don’t choose and implement a clear strategy is not only getting “stuck in the middle”, even more their performance it’s getting affecting, so the solution to improve it is defining the strategy there are going to follow. After this, it can be said that if the company wants to address this problem, the owners must first clarify their customers' segment and then decide on a clear position. This strategic positioning should then be followed by an action plan to establish a long-term beneficial market positioning. To solve the underlying problem, it is also essential to balance the concepts of value creation, in contrast, to value capturing. The client mentioned several times that is hard for him to understand how his clients can charge for his

products \$400 when he sells the products for \$80. However, a markup margin for the reseller of about 70% is very common in the fashion industry. In fact, products below this margin are unlikely to be purchased. The founders of Peruvian Tradition should instead ask themselves how they can increase their value proposition for their client or how that capture part of the value that their customers create. Observing the market, it is easier than ever before for manufacturers to sell directly to the end client, while the classical middle man becomes entirely obsolete. By this, they can get out of the generic strategy in which they are indecisive about how to compete (Harfied, 1998).

Creating a strategic plan with a clear long-term vision can support Peruvian Tradition to overcome this problem. While both owners carry the ownership of this problem, they should look beyond the companies' borders. They can talk to manufacturers to gain long-term strategic positioning and create direct contact to end customers. This potential solution requires an integration of the value chain by collaboration (Hussain et al., 2013). Since the supply chain for the alpaca clothing is rather small, it is even a reasonable suggestion for Peruvian Tradition as a small size company. For their strategic positioning, the owners have to decide to focus their product line on specific locations and only if prosperous continue to expand strategically.

Regarding the timing for the strategic plan, we will help our client to gain a new perspective on their current problem. We will further develop a strategic plan in close collaboration within the client. Also, we will define a specific action that can help out client to gain a sustainable competitive advantage by overcoming the many challenges that the alpaca industry faces. The strategic plan can be developed in four weeks; however, the timing for the implementation phase depends on the strategic goals.

Chapter III: Literature Review

3.1. Literature Mapping

This literature review will be focus on four main topics: (a) value creation, (b), marketing strategy, (c) internal entrepreneurship, (d) competitive advantage. The objective of this section is to define some of the strategies that can be utilized to determine how and what opportunities can be explored further by Peruvian Traditions (Figure 6).

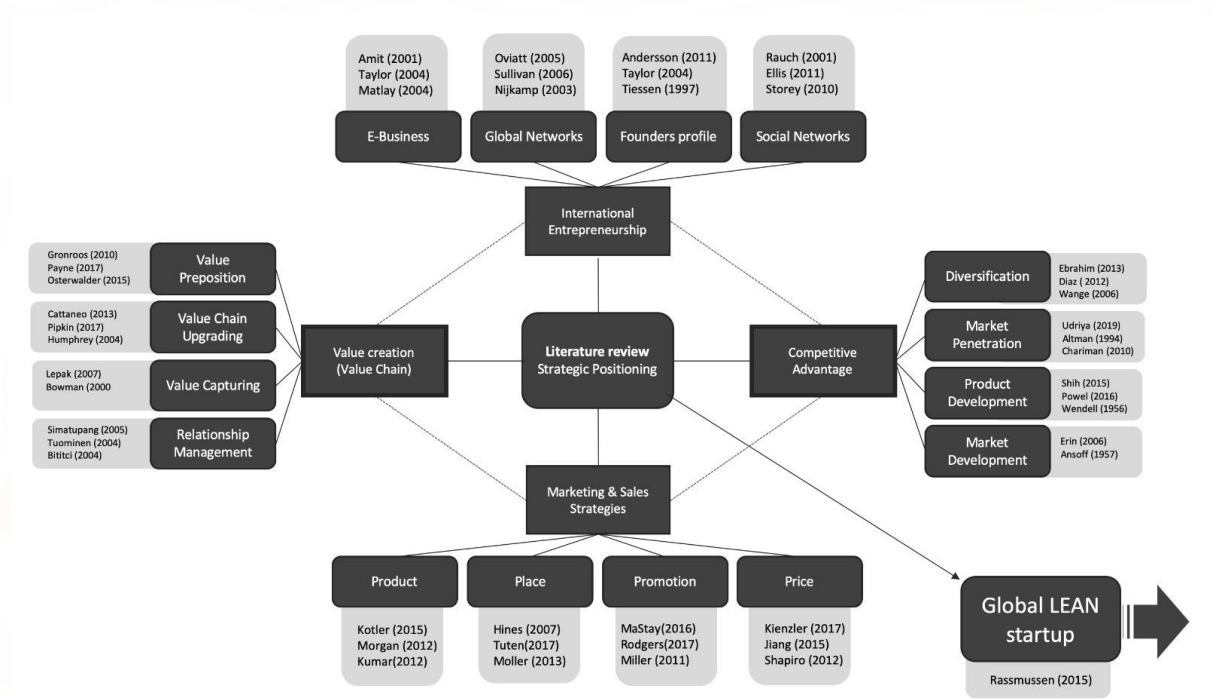


Figure 6. Literature mapping.

3.2. Literature Review

3.2.1. Value creation

Our value creation literature review is segmented into four sections: (a) value proposition, (b) collaboration, (c) value capturing, and (d) value chain.

Value proposition. In simple terms, value proposition tries to explain how the concept of value can be provided to customers. The importance of it is two-fold. Inside, it outlines which value drivers are being offering to customers and which activities can be handle in order to produce value, along with cost drivers. Outside, value proposition ensures

the company can make its value known to the customers (Walters & Lancaster, 1999). A successful value proposition canvas needed to align customer profile with product designs. A value proposition canvas is composed of two sides, a Customer Profile side where customer understanding of their pains, gains, and tasks are clarified, and a Value Map side where how value is intended to be created for that customer is listed. The Value Proposition Canvas is a model which shows the key points of interest to understand customers, that is, those with whom they constantly struggle or in a simple way can disrupt them, and those others who value and seek to obtain the most. This is compared to what the product or services offers, gain creators and pain relievers, in order to determine the value already achieved (Osterwalder et al., 2015).

There are many schools of thought when it comes to structuring a customer value proposition. Some authors argue there are three basic value disciplines on how to structure customer value proposition: product leadership, operational excellence, and customer intimacy. Others focusing on using value map identifying and differentiating from competitors on aspects of price or benefits. These dimensions of value have later been divided into four categories: (a) functional, (b) economic, (c) emotional, and (d) symbolic. When a company wants to communicate its value propositions it can also use different ways, first by letting know the clients all their benefits, second by highlighting those benefits whose put them over the competition, in simple terms, those they have and the competition does not, and third, indicating only those benefits that are key for the sector (Payne et al., 2017).

The concept of Value co-creation is often confusing because it can mean collaboration with customers or suppliers. It has been concluded that creating value to customers is a multilane process consisting of two distinct sub processes conceptually. One is the supplier process of providing resources for customers to use and the customer process of converting resources into value. Five service logics have been identified: customer, outcome, activity,

subject, and provider as seen in Figure 7, this helps us to illustrate, the process of value creation and co-creation, and how do a company can enable the value creation process (Grönroos & Ravald, 2011).

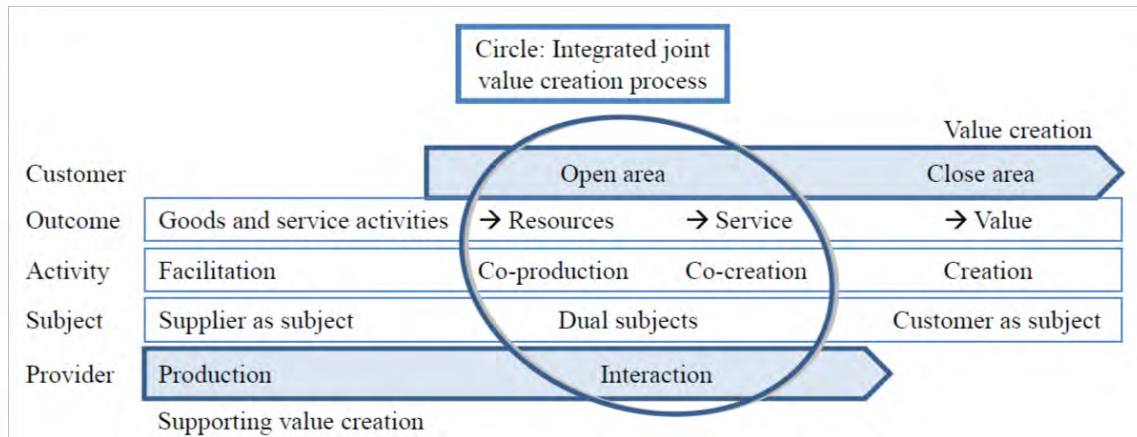


Figure 7. Value creation and co-creation.

Retrieved from “Service as business logic: implications for value creation and marketing,” by C., Grönroos and A., Ravald, 2011, *Journal of Service Management*, 22, p. 5.

Collaboration. There are six generic value propositions introduced in the Value Matrix, they are: innovators, brand managers, price minimisers, simplifier, technology integrator and socialisers. However, through collaboration, companies can combine their value propositions into a new offering. The benefits that collaboration brings are: increase quality product, improve skills and knowledge, share technology, achieve economies of scale in production, expand their accesses into the market, and reduce inventory by a better understanding of the technological complexity and rapid product development and obPENcense rate (Bititci et al., 2004).

The global market is now moving towards competition between entire supply chains instead of individual businesses, so in that sense, all business partners throughout the supply chain are involved in the process. However, it must be taken into account that the degree of interaction will vary according to the industry. For example, in management and product development, continuous customer feedback is necessary, consequently, greater participation is required. In transportation and inventory management processes, the involvement of

suppliers is high, because continuous coordination is required about the status of the merchandise. Different chain links can have different collaboration processes, by the collaborative logistics planning can apply to all links (Sahay, 2003). This brings us to a collaborative supply chain framework (CSCF) with five dimensions: collaborative performance system (CPS), information sharing, decision synchronization, incentive alignment, and integrated supply chain processes (Figure 8). When these five aspects are achieved, an integration of the entire supply chain is accomplished. Thus the collaboration process can be beneficial for all members of the supplier chain and a communication process is needed for them to establish these five features (Simatupang & Sridharan, 2005).

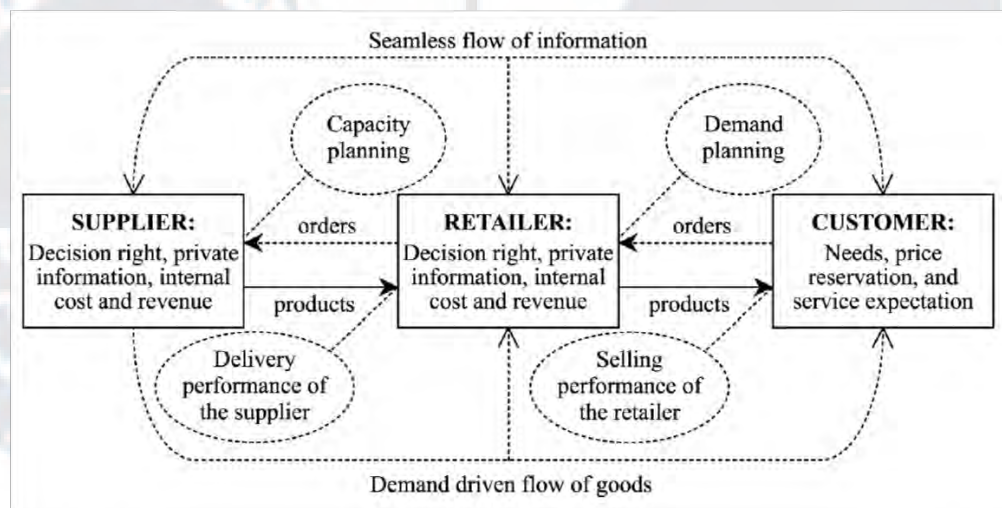


Figure 8. Collaborative supply chain.

Retrieved from "The collaboration index: a measure for supply chain collaboration," by T.M. Simatupang and R., Sridharan, 2005, *The International Journal of Logistics Management*, 2, p. 257.

Value capturing. Conceptually, there are key concepts explaining how new value is captured: competition and isolating mechanisms. Competition creates a market condition where sellers try to outbid each other by asking less and less monetary exchange values in return, which may become lower than the high use value. Isolation mechanism refers to the mechanism which prevents potential competitors from replicating the creator's offering, this includes any knowledge, physical, or legal barrier which enables the creator to have a monopolistic use of it creation and thus enjoy a high bargaining power (Lepak et al., 2007).

Firms cannot solely focus on capturing value from customers or from suppliers, they must be mindful on different channels of where value can be captured, that way, they do not risk capturing the value on one front and losing it on the other. Although sometimes a company may capture resources because of different expectations, the profit of the end product of that resource is only realized during the exchange process, which depends on two factors. First, at the hands of the client, when he compares the product he is receiving from the company, against that of the competition, and within it, how his needs are met. Second, the comparison that exists between the suppliers, where they analyze the agreement they have reached with the company and the royalties or benefits that they are perceiving for it, and those that they could perceive if it were an organization with which they were working. That is to say, a firm's ability to capture value depend on its ability to convince customers and suppliers about their superiority, and the resulting favorable power relationship (Bowman & Ambrosini, 2000).

Value chain. When the value chain moves from one position to another that generates greater benefits, we are talking about value chain upgrading. In this sense, upgrading can occur in four aspects: (a) upgrading within the production process, basically linked to the use of new technologies (b) upgrading in working method, which is linked to the implementation of new techniques that allow increasing workflow efficiency, (c) product upgrading, linked to product development, and (d) sector upgrading, which requires an expansion to other merchants or economic sectors (Cattaneo et al., 2013). Challenges in value chain upgrading particularly affect latecomer firms, which faces the following weaknesses when competing in export markets. First, is lack of technology because the latecomer firm is located outside of the international hubs of technology and R&D. Second, a difficulty to meet the demand of international markets, which is commonly found in the advanced countries. Furthermore, these upgrading strategies require not only the acquisition of capabilities but also changing

relationships with markets and buyers (Humphrey, 2004). In reality, value chain upgrading is often not initiated by advanced-country buyers. If not, most of them are the organizations that are in developing countries who opt for this method in order to maintain their position in the market. Unfortunately, performing an upgrading value chain as a desperate measure, without taking business partners into account, can result in failure (Pipkin & Fuentes, 2017).

3.2.2. Marketing strategy

The marketing mix indicates a set of logical actions or tactics for firms to advertise their products and services into the market (Figure 9). The four factors are investigated by the marketing mix: price, product, promote, and place. The price refers to how much value the product should be assigned, which is decided by the cost of productions, demand and supply within the targeted market, and economic situation that determines the ability of the market to pay (Baker, 2014). Product is related to the characteristics of product or services that the firm want to promote. The level of performance of the product or services should fulfill the minimum demand of target customers. Place decides the point of sale that is related to where is the most cost-efficiency place to market the products and services.

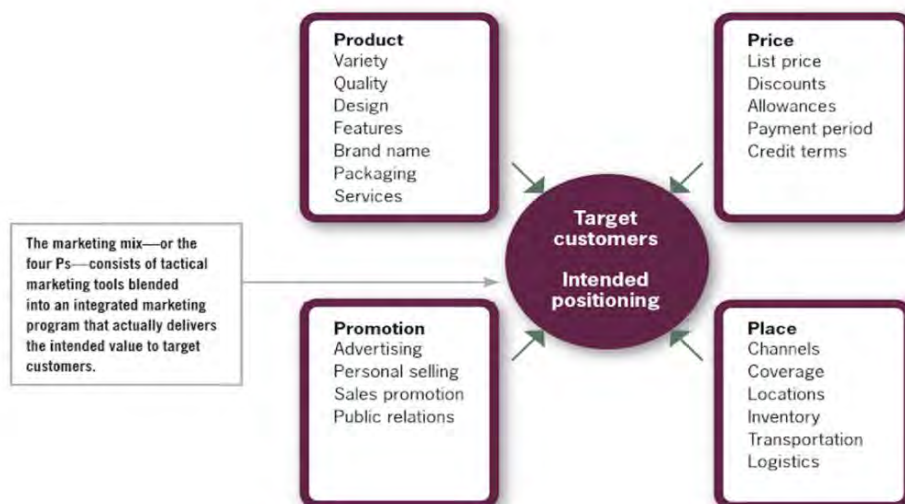


Figure 9. Marketing mix.

Retrieved from *Marketing strategy and management* (p. 125), by M. J., Barker, 2014, London, UK: Palgrave.

The distribution strategy becomes important to locate the products for attracting more customers' attention. The promotion means the firms utilize appealing activities including the advertisement, word of mouth, commission, and incentives to popularize the products. The four factors will be analyzed in terms of academic theory and provide a comprehensive strategy for Peruvian Traditions to advertise their garments and expand their customer base. For the Product part, Kotler et al. (2015) classify the type of consumer into four different categories in terms of customer buying behavior, price, distribution and promotion (Table 8). The garments of Peruvian Traditions fall into the category of specialty which is the product depends on strong brand preference and loyalty, special purchase effort, little comparison of brands, and low-price sensitivity.

Table 8

Type of Consumer Product

Marketing Consideration	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase Little planning Little comparison or shopping effort Low customer involvement	Less frequent purchases, much planning and shopping effort, comparison of brands on price, quality, style	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness, knowledge (or if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution Convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both producer and resellers	More carefully targeted promotion by both producer and resellers	Aggressive advertising and personal selling by producer and resellers
Examples	Toothpaste, magazine, laundry, detergent	Major appliances, televisions, furniture, clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance, red cross blood donations

Note. Retrieved from *Marketing* (p. 237), P. Kotler & S., Burton & K., Deans & L., Brown & G., Armstrong, 2015, Sidney, Australia: Pearson Higher Education AU.

By a better understanding of own products, more oriented product development could be designed to keep the alpaca garments stay in a high quality meanwhile obtain a high

demand from customers. For this, it is also important to take into account the product life-cycle. As seen in Table 9, Peruvian Traditions has to organize their alpaca garments into different life period and help with product upgrading and new product invention. Kumar et al. (2012) introduce the new era of sustainable products due to the evolution of green and environmental issues. In fact, the sustainability of marketing of products includes three aspects: environment, social and economic. The idea of the sustainability marketing mix, as seen in Figure 10, is indicated to show the necessity of sustainable product strategy to create a more influential and positive brand image for the company.

Table 9

Product Life-Cycle

Characteristic	Introduction	Growth	Maturity	Decline
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives	Create product awareness and trial	Maximise market share	Maximise profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or better competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales promotion	Uses heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Note. Retrieved from *Marketing* (p. 235), P. Kotler & S., Burton & K., Deans & L., Brown & G., Armstrong, 2015, Sidney, Australia: Pearson Higher Education AU.



Figure 10. Sustainable marketing mix.

Retrieved from “Evolution of sustainability as marketing strategy: Beginning of new era,” by V., Kumar, Z., Rahman, A. A., Kazmi, and P., Goyal, 2012, *Procedia-Social and Behavioral Sciences*, 37, p. 88.

In addition, Morgan et al. (2011) studied the export marketing strategy implementation which is highly related to the international business Peruvian Traditions focuses on. Export corporates consider more about developing a single product or product line to the targeted foreign market. Therefore, the firm’s marketing capabilities becomes a central concern. The capabilities refer to the processes when firms to produce ideal products for target customers to perfect fulfill their demands with accurate value propositions.

For the part of place, Hines and Bruce (2007) discuss the channel and distribution strategy for fashion marketing by providing an example of Burberry’s strategy. The authors study three distribution for a luxury brand, Burberry, which can be a good experience for the Peruvian Tradition: retail, wholesale, internet, and licensee distribution. Furthermore, Tuten and Solomon (2017) define the features of the social media which concentrate on niche online media, using attraction orientation (pull), participation, sharing and content attracts. They also provide a table to show the potential advertisement allocation for Peruvian Traditions to place their ads via social media to gain exposure by the effect of world-of-mouth (Table 10).

Additionally, Möller (2013) discuss the channel system and channel member relationship during implementing the marketing strategy Channel Relationship Management (CRM). A structured channel relationship system is important to create an efficient condition

for doing business for channel members, manufacturers, channel intermediaries, and business customers. The advertisement could be placed to attract attention based on supplier-customer relationships marketing. For Peruvian Traditions, the allocation of the ads is not only for target customers but also suppliers they collaborate with. Regarding the part of promotion, the concept of digital advertising was introduced, referring to strategies that can be apply to web page, tables, mobiles, or any other feature or equipment that can be use in the customer advertising experience (McStay, 2016).

Table 10

Type of Media

Zone	Paid Media	Earned Media	Owned Media
Social Communities	Adds	Conversations in communities	Brand-owned social networks
	Native ads	Shared content	
	Paid influencers	Influence impressions Likes, followers, fans	
Social Publishing	Endorsements	Embeds	Corporate blogs
	Sponsored content	Comments	Branded content
	Branded channels in media sharing sites	Shares	Brand-controlled media sharing sites
		Links	
		Search rankings	
Social Entertainment	Ads in game or on social entertainment sites	In-game interactions	Advergames
	Sponsored social entertainment experiences	Engagement in social TV	Branded ARGs
		Branded entertainment	
Social Commerce	Sales promotions	Reviews and ratings	Social storefronts
	Retargeted ads on social sites	Recommendations and referrals	
		Group buys	
		Social shopping interactions	

Note. Retrieved from *Social media marketing* (p. 85), by T. L. Tuten and M. R. Solomon, Los Angeles, CA: Sage.

In addition, Rodgers and Thorson (2017) discuss the avoidance behaviors from customers during implementing digital advertising. The behaviors include cognitive by ignoring ads, behavioral by flipping or skipping ads, and mechanical by eliminating or blocking the ad. Study different advertising helps the companies to find the root reason for the unsuccessful promotion of their products and services. Miller and Mills (2012) also did the study for assisting firms to conduct a better branding strategy and realize a high exposure

after strategically promoting. The luxury branding should follow six criteria: individual meaning, social meaning, affordability, prestige, exclusivity, and quality. Brand loyalty largely depends on how the company defines themselves to the public and the value added to individuals and society. The branding strategy is the central factor that decides how efficient the promotion would be. Peruvian Traditions should develop its own branding logic to realize sustainable development.

Kienzler and Kowalkowski (2017) examine pricing strategy based on twenty-two years reviews of marketing researches. They provide an implementable pricing strategy research with both perspectives from theoretical and methodological. Three schools of thought have been developed to generate an effective strategy (Figure 11). First, the modeling school which focuses on B2B and B2C business models. The models are developed by primary, secondary or no data to discuss and solve the topics related to pricing differentiation, product-line pricing, competitive, price promotion and discounts and channel pricing.

Second, the behavioral school which deals with B2C based on numerous experiments. The price strategy becomes more flexible because of the practical experiments, it focuses on developing differential pricing, product-line pricing, price promotion and discounts, and psychological pricing. Third, strategic management school which concentrates on B2B by designing a pricing strategy according to qualitative analysis or survey. Even though, the three of them have in common the design for organizational and market aspects pricing, and international and export pricing. For better completing the strategic positioning, Peruvian Traditions should choose one of the thoughts to design a suitable pricing strategy.

Jiang et al. (2015) indicate a pricing strategy to make products more competitive in the e-commerce area. The online recommendation system (ORS) helps e-retailers to redesign the price in terms of information gathered from content-based filtering (CBF) or collaborative filtering (CF) methods. These methods provide customers' preference and would suggest the

most relevant products for specific customers. By analyzing the information, a customized price discount can be introduced to target customers for attracting a larger volume of sales. The technology of ORS is developed from the idea of machine learning to assist e-retailors to understand customers' consuming behaviors systematically and set the price accordingly. For the Norgäte, Peruvian Traditions should consider this technology to generate more detailed customers' profile and realize a more effective brand exposure to the public.

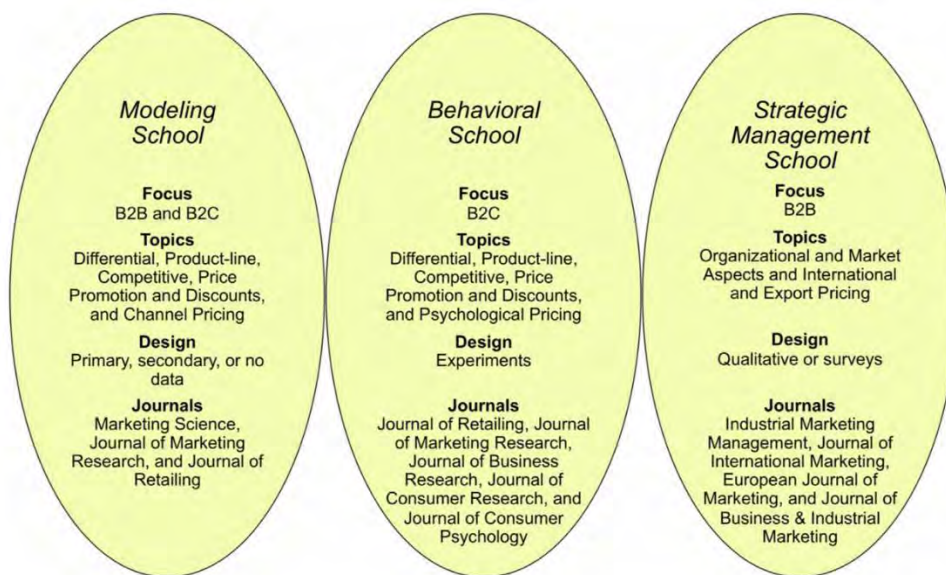


Figure 11. Pricing strategy.

Retrieved from "Pricing strategy: A review of 22 years of marketing research," by M. Kienzler and C. Kowalkowski, 2017, *Journal of Business Research*, 78, p. 125.

In a study of Shapiro and Dryer (2012), they structure the differential pricing strategy which is also called demand-based pricing. To analyze the real demand of customers is Norgäte is designed to be luxury garments, the company still need to generate the demand investigation by discussing price differences based on time, market location, and purchased garments. By creating bar charts and line charts to finalize the demand trend of alpaca garments. Different price could be set to attract various customers who are segmented by different seasons, locations, preferences, and frequencies. The online market gives more flexibilities for Peruvian Traditions to customize the pricing strategy for developing its own brand, Norgäte.

3.2.3. Competitive advantage

Competitive advantage is closely related with value creation, when an organization is able to create value, and the customer is able to capture that value and pay or offer something in return, we can say that the organization creates a competitive advantage for itself (Kalela & Morgan, 2017). Developing a competitive advantage strategy allows the organization not only to capture customers, but also to retain them and establish a long-term relationship that can permit them to be up-to-date in the market. According to Ansoff (1957) there are four strategies to achieve it (a) market penetration, (b) market development, (c) product development, and (d) diversification.

Market penetration. A market penetration strategy is looking forward to increase the market share of the company by a higher volume of sales or by finding new customers (Ansoff, 1957). A way to increase sales in a company is using pricing strategies. A pricing penetration strategy, using low policy prices to capture sales and market, the drawback is that low prices required lower profit margins and in consequence less profitability (Shaw, 2012). Simply, the competitive advantage of the company is based on their capacity to grow inside the market, offering products at lower prices will definitely arouse the interest of at least one consumer public, as this grows and the product becomes more popular, the demand for it will rise, and sales will increase. In that sense, the competitive advantage will turn into cost leadership. According to Porter (1985) a cost leadership strategy may be achieved by privileged access to the raw material, exclusive technology or developing economies of scale. Even the core idea of this strategy is to maximize the use of his resources and reduce expenses as much as possible, in order to offer low prices, the company shouldn't forget to offer at least a standard product. This means that while some additional features or services that may be offered are likely to be sacrificed, the product has to be competitive enough to be

valid in the market. The trick, to be successful, is to persuade the rest of the competitors and be the only one characterized by handling this strategy (Porter, 1985).

Market development. The core idea of a market development strategy is to offer the original line of product without changes or maybe just few details to a new segment of customers (Ansoff, 1957). However, according to Dickson and Ginter (1987) to modify the demand it should be a certain level of product differentiation, so by having more features the product can catch more clients. Even though, both ideas seem kind of contradictory, the sense is that in a market development strategy the company has to identify features in their product that can allow them to generate an interest in a new customer sector. In consequence, the competitive advantage is linked to the capacity that the organization has to present their product in a way in which they can expand their target public, sometimes it's not just about the value of the product, but how it is expressed in the eyes of the customer. To do this, the company should have a strong value proposition.

Product development. The product development strategy is certainly link to innovation, according to Ansoff (1957), in a product development strategy new and different products are developing to improve the present mission of the organization. In simple terms, the aim is to generate products that, through their characteristics, cause an interest in the public in a way that allows them to go out in the market. According to Parrish (2010) this product development can be accomplishing by (a) push marketing, when products are at first develop by the company and then offer to the customer, without doing a previous research; (b) pull marketing, when the company develop a product by understanding their customer needs and with the objective of satisfying it. One way to achieve pull marketing is through niche marketing.

A niche market, is a small market, compound by a group of customers that have interests in common. It is said that the niche marketing strategy, follows a bottom-up

approach because at first the needs of a few customers is identify and them, based on this information a larger customer base is build. Even thought, a niche market should have size, profit and growth potential (Parrish et al., 2006). To identify the niche market, the organization can use customer interviews, brand expansion, interaction with retailers, analysis of the competition and research and development. The idea is to be focus on the right market and truly understand customer's needs. There are five elements that define a niche market: positioning, profitability, distinctive competences, small market segments, and adherence to the market concept. To obtain success, a clear idea of a differentiated product should be built, it means that the product the company is offering should be unique and innovative. Not only that, the company has to develop it in a way, that it will be easy for the consumer to perceived the value. An effective communication will be needed. If the company is able to reach it, a loyal consumer base will be obtaining, so a long-term relationship will be establishing. In consequence, it can be said that a niche marketing strategy is a strategy focus on the customer (Parrish, 2010; Parrish et al., 2006).

However, to succeed more than that is need, according to Muhammad et al. (2019) a way to achieve product development is by providing customize products. Parrish (2010) mentioned the concept of subjective value, attributes that cannot be define, but certainly perceived. By this process, some companies develop a private label branding as a strategy, looking forward to offer exclusiveness. A brand image, could also include quality of service, pricing and credit policy. Specifically, in the fashion industry, some successful private labels are known as lifestyle-orientated or fashion leadership. The sense is to create an emotional connection with the customer, so they will develop loyalty to the brand, and when they to buy the product, they were certainly knowing, that they are obtaining more than that (Parrish, 2010).

Powell & Cassill (2006) mention five steps to develop new products: opportunity identification and selection, concept generation, concept and project evaluation, development and launch. Even, some of steps can be done simultaneously, they highlight the importance of R&D activities in order to study the consumer behavior, market environment, new technologies, and the existing products, based on this the development of the new product can be done. They add the concept of hearing the voice of the consumer (VOC) and collaboration, sticking out that the product development strategy needs to establish a communication flow through the different areas of the company: engineering, operations, marketing, sales, in simple terms a collaboration in the whole supply chain (Powell & Cassill, 2006).

Diversification. The diversification strategy it's in certain way more complex than the other three, according to Ansoff (1957) market penetration, market development, and product development uses the same technical, financial, and merchandising sources, however, diversification requires new skills, techniques, and facilities that evolve physical and organizational changes. When a company choose to diversify normally it's looking to compensate technological obsolescence, distributing risk, using the whole capacity or invest earnings, whatever the reason is, it's important to look into the growth prospects and future trends before in order to establish if this is going to fit with the organization. According to Diaz et al. (2012) before starting a diversification process, companies should have a clear global strategy. To carry on this strategy, companies need a systematic analysis of the organization, it means an external evaluation which takes into account the environment in which its establish and an internal evaluation. Specifically, for textile companies, there are three important factors: (a) technological capabilities, (b) market, related to new entrance, suppliers, and shareholders, and (c) competitors.

Based on Ansoff (1957) when the company has a contraction of the demand, seasonal variations or it's growing below the rate growth of the industry, diversification may be the solution. The diversification opportunities can be divided three types: (a) vertical diversification which it's able to contribute to technological progress by reducing the numbers or suppliers and start branching out into the production of parts, components or materials required for the manufacturing process; (b) horizontal diversification in which the company introduce new products that may not contribute to the present product line, however, they are in touch with the company know-how and the usually helps to improve the coverage of the organization and to increase sales; and (c) lateral diversification, the company moves around all the industry, used to stabilize sales in times of recession or to extend the technology base.

Chirani and Effatdoost (2013) mention that companies use the diversification strategy to meet the multiple needs of their customers, they divided it in (a) related diversity, when a company has different business unit that related to each other, the benefit is that this relationship allows managers to transfer information to each an in certain way to collaborate, and (b) unrelated diversity, when their business units has little similarities to each other, helps when the company wants to reallocated cash flows, and to develop a proper tool to manage risks. By the other hand, according to Porter (1985) competitive advantage can be achieved by lower cost and uniqueness, juxtapose with industry-wide and narrow target segments. The lower cost can be seen by low cost leadership strategy and focused low cost strategy. The low cost leadership strategy turns into an advantage when its lower than the competition, this allow it to differentiate from others (Shaw, 2012). Even there are different strategies to develop competitive advantage, choosing the right one should also take into account product life cycle (PLC). For example, market penetration can be applied during the introduction and

growth phase, market development and differentiation may be applied during the growth and maturity phase (Shaw, 2012).

Strategic positioning. The BCG Matrix should be utilized to clearly show the product potential and help the firm to decide future concentrations (Mohajan, 2017). The BCG (Figure 12) help to classify the products into four categories: (a) stars product, (b) cash cow's product, (c) question marks product, and (d) dog's product. Stars products allow the company to obtain a broad market share, which entails a large amount of cash, and are ideal if you want to achieve rapid growth. However, to achieve it they also require a high economic investment, focused on advertising, R&D and machinery and equipment. The reward is displayed in the ability to generate added value and achieve competitive advantage (Hambrick et al., 1982; Mohajan 2017). Cash cow's product, also has a large market share, but in a slow growing industry and could bring significant cash for firms by very little investment (Hambrick et al., 1982). Cash Cows possess a high profit margin that increases the company's cash flow for other financial activities. They can also be the competitive advantage of the firms that supports the sustainable development (Mohajan, 2017). Question marks product, on the other hand, although they are in a market with high growth potential, they are only able to reach a small share of it, so profits are low. You might well say that it has the potential to grow and become star products, but that requires investment. The problem is that there is no guarantee that this investment will end up being effective (Hambrick et al., 1982; Mohajan 2017). Dogs product, have weak market shares in low growth or even no market growth mature industries. The company should avoid and minimized the dogs as they negatively impact the products' competitive position and have a high cost.

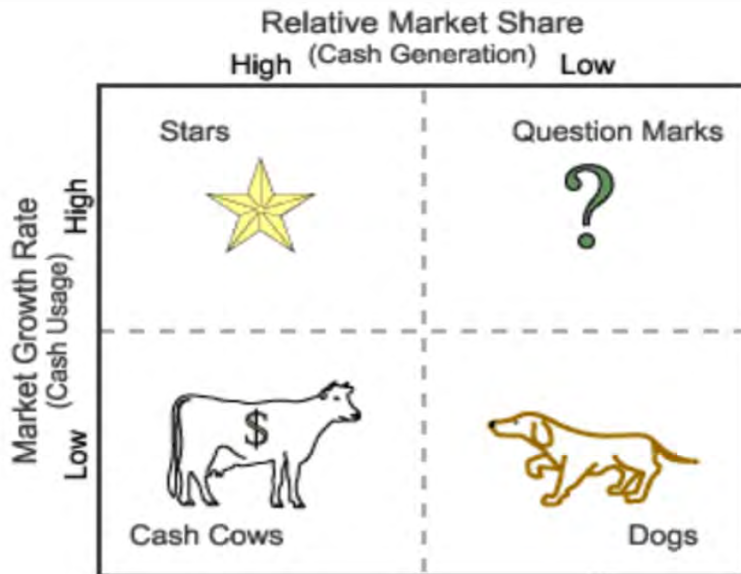


Figure 12. BCG matrix.

Retrieved from "An analysis on BCG Growth sharing matrix," by H. Mohajan, 2017, *Journal of Business and Management Research*, 2, p. 4.

3.2.4. International entrepreneurship

The concept of international entrepreneurship has been gaining popularity in the last decade. Initially, the term was given by an article by Morrow (1998). Later, the global entrepreneurship concept emerged, as a response to the dynamism of the market that came out of conventional patterns (Oviatt & McDougall 1994). However, the concept of international entrepreneurship should not be analyzed in isolation, as it has been shown to represent a direct influence on the sharing of SMEs (Anderson, 2011). That is why a baseline analysis will be carried out three core areas relevant for Peruvian Traditions, namely (a) e-business, (b) founders profile, and (c) global networks or social networks.

E- business. How e-business create, new value was long time controversy discussed. Researchers observed that in e-business, value can be achieved in the number of transactions that are facilitated. Theoretical models suggest that the value creation potential of e-businesses have four interdependent dimensions, namely: efficiency, complementarities, lock-in, and novelty. By the other hand, Amit and Zott (2010) and Taylor and Murphy (2004) that in reality the potential of the electronic business encompasses more than a management

theory, if not, that lies in the integration of various value perspectives. According to Matlay (2004), it must first establish a focus of innovation and this should be fueled by a constant creation of value through all the stakeholders of the company as partners, customers and suppliers.

E-business itself offers an opportunity for value creation since suppliers can overcome the classical middle men by setting up their own online platform. Therewith, new opportunities for entrepreneurial activity emerges. To identify new opportunities, lean methods, such as the lean startup methods from Ries (2011) should be integrated into the entrepreneurial approach. This can help to effectively evaluate new products or ideas. Bootstrapping is another effective method that Peruvian tradition could apply in expanding their markets. Peruvian tradition should focus using their ecommerce platform not only as a tool to be found, but instead as a unique opportunity to offer additional value to the customers by enabling ensured payment. Peruvian traditions have mainly failed to add value to their customers using the online platform. In fact, the manual way via e-mail communication is to time intense to gain additional competitive advantages.

Founders profile. International entrepreneurs must bring besides an excellent network the same skills that regular entrepreneurs have (Andersson, 2011). There is no defined answer what the perfect traits for international entrepreneurs are but standard this observed: (a) forward-looking, able to anticipate emerging trends, opportunities, and coming organizational challenges, which outlines the importance for Peruvian tradition the develop a distinct vision; (b) workaholic, entrepreneurs love to putting in the hours and realizing a sense of satisfaction when achieving their goals; (c) passionate, genuine enthusiasm and driven by the work they do, for Peruvian tradition, it is evident that both founders have a distinct vision about their company, the critical challenge will be to communicate this vision to their employees; (d) opinionated, ready and willing to take a stand for their own beliefs, namely ethical and

sustainable alpaca textile production; (e) confident, confidence and convincing is a crucial challenge, both founders must sell the product and the company to their customers; (f) resourceful when there are so many unknowns, it is crucial to put the resources where they belong, this holds true in the alpaca industry since the material is unusually expensive; and (g) positive minded all the time. These seven characteristics are often observed in successful entrepreneurs. Literature shows, entrepreneurs are not born, but instead, one can learn to be an entrepreneur (Tiessen, 1997).

Global networks and social networks. According to Oviatt and McDougall (2005) entrepreneurs see networks as a resource to receive feedback and get new solution ideas. Inside them, they can discuss techniques for running a business (Sullivan & Weerawardena, 2006). Especially, in more competitive sectors, the importance of the network increases since small companies can collaborate to improve their value creation for their customers. This holds true for the textile industry. Nijkamp (2003) and Ellis (2011) studied the cycle of development of entrepreneurs, mentioning that it is during the planning phase where there is greater interaction between them, perhaps with the desire to acquire ideas that allow them to reach a specific point. In addition, they indicate that they are permanently both in establishing networks and contacts and that this is still maintained among experienced entrepreneurs.

Summing up, the importance of international entrepreneurship is rising, especially when manufacturing the products require limited human capital (George & Bock, 2011). This generates an international market where international entrepreneurship becomes a standard approach. For new, or merging entrepreneurs it becomes therefore more important to develop a unique competitive advantage and a clear value proposition to survive in more and more competitive markets. The adoption of e-business is one solution and an approach how an integration of the supply chain can work. International entrepreneurs can therewith make use of the higher margin at the end of the value chain. For Peruvian tradition that would mean to

integrate vertically in order to get in contact to the end customer. Using new entrepreneurship methods, namely effectuation (Fischer & Comini, 2012), they can evaluate new opportunities quicker than ever before. This method, also known as the lean Startup approach (Ries, 2011), allows Peruvian tradition to make faster and better decisions regarding their product strategy. Using systems, like smoke tests, Peruvian traditions could test new designs before even producing them (Eisermann, Ries & Dillard, 2011). Peruvian tradition must also look for opportunities to further integrate and create value to establish the needed competitive advantage.

3.2.5. Lean start-up

Lean start-up is a methodology based on value creation and customer development which consists on a trial and error method where assumptions are made based on a business model and as a result a final model for its implementation is obtained (York & Danes, 2014). Rasmussen and Tanev (2015) prefer to define it as a step by step process, which provide a guide for entrepreneurs who wants to develop a business model. According to Ries (2011) the lean startup concept begins with the term “lean” that certainly its link to reducing waste and eliminating those activities that doesn’t add value to the process. With this he raises a methodology based on a hypothesis-driven focus in which at the begin efforts are focus on a specific vision, normally related to new product which is going to be launch in a niche market. Later on, this hypothesis is tested using prototypes well known as minimum viable products which are going to be shape according to the customer to at the end offer a solution. That’s why is so important the customer development.

Furr and Ahlstrom (2011) complemented this idea, they said that first customer needs have to be identify, them a prototype should be build and validate with the customer, this process should be repeated until they obtain the approval, after, the product it’s ready to go into the market. This is the point, in which the original idea becomes real and turns into a

scaling business model. Eisenmann et al. (2012) develop a proposed six step methodology (Figure 13). The first step includes the vision that is basically the definition of the problem and a possible idea of solution. The second step is to take this vision to something more concrete, that is, to elaborate the hypothesis, this includes developing the business model, based on a customer value proposition, a market plan, operations and technology and cash flow, that is, all the activities or areas required to make the model fit. The third step, carries out the MVP, the advantage of the same is that it is actually a product that has the strictly necessary characteristics and that saves the entrepreneur an investment of time and money. It also facilitates the interpretation of data and the diagnosis of problems. The fourth step is to test the MVP, for this you must define what tests to apply, and be strictly perceptive with those that will add value to the process. In the fifth step, the feedback received by the client is analyzed as well as the test results. The sixth step is the decisive one, where the entrepreneur must define in which stage he is, persevere, pivot, or perish. That is, the process has been successful and is continuing, the MVP process must be returned to make modifications and tests again, or unfortunately the process was a failure and the idea must be abandoned. Although, the last step is no longer contemplated in the diagram, it basically indicates that the entrepreneur has reached the desired market fit and therefore can fully develop and scale his business idea (Eisenmann et al., 2012).

In this panorama the concept of global lean startup arises in which SME's follow the lean startup methodology to at first develop itself in the national market and then follow an internationalization strategy with led them get into a global market. By this, one of the most important aspects is that the organization has to choose a niche market to develop his product, following the idea of maximizing their resources, activities and capabilities, in other words, the lean strategy. This, should be cover by a framework of collaboration, in which the entrepreneur should look for external resources that complement their business idea, leading

this methodology the model will succeed in an international environment (Rasmuseen & Tanev, 2015).

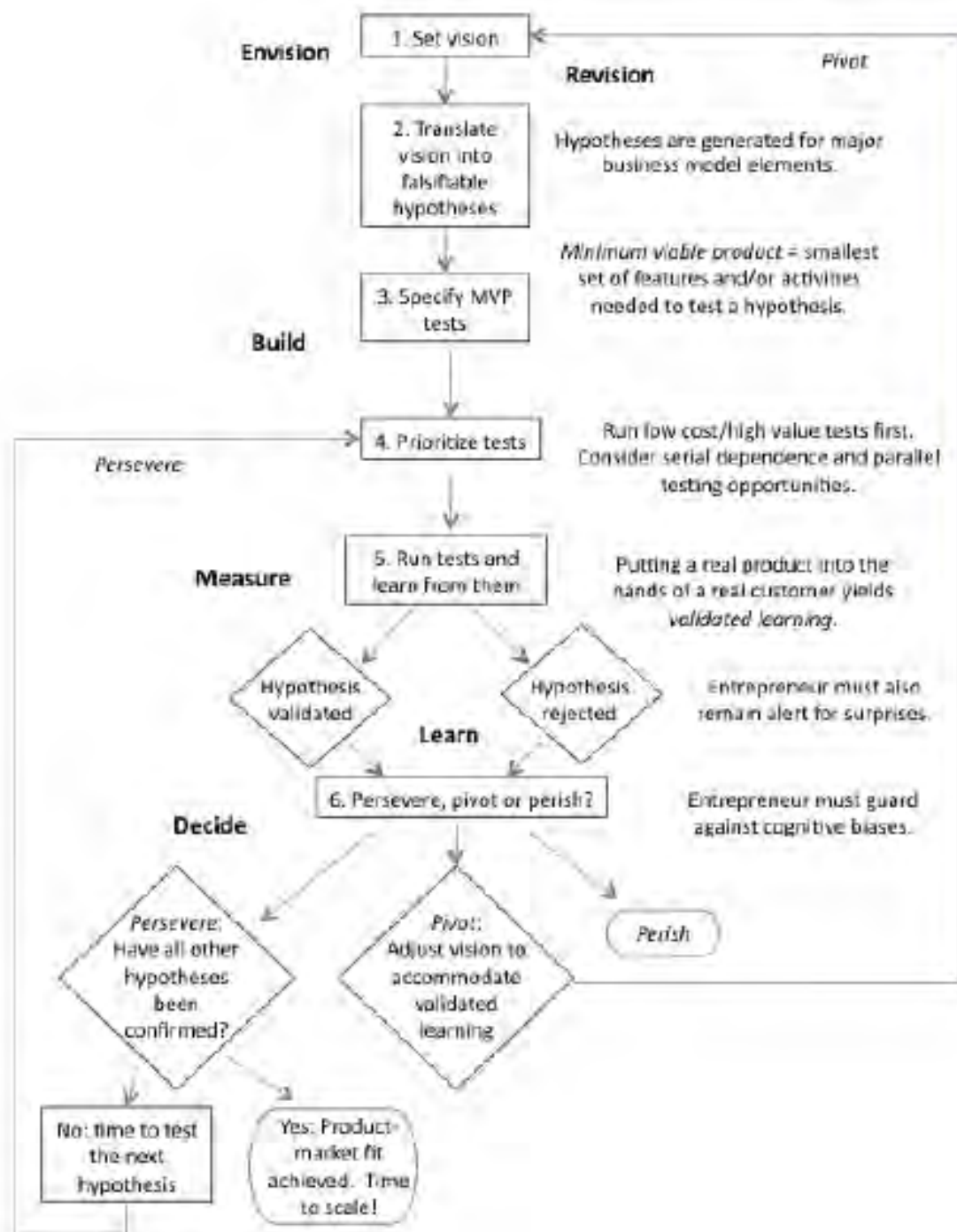


Figure 13. Lean startup process.

From "Hypothesis-driven entrepreneurship: The lean startup," by T. Eisenmann, E. Rides and S. Dillard, 2011, *Harvard Business School Entrepreneurial Management Case*, 812-095, p. 3.

3.2.6. Consulting

The consulting process normally take place when organizations wants to receive an external advice of a problem that they are already detected, to solve it the ask for consultancy (King, 2008). This process is not necessarily due to lack of knowledge, but often due to lack of time. The collaborators are so busy in their daily work, that they do not have the time to analyze the problems that are being raised and give them a solution. However, this does not mean that specialized help is not required, since in many cases the problem seen with the naked eye has a root cause that encompasses a larger picture. It is there where the challenge of the consulting process begins, to detect the main problem and its cause, which may or may not be the one that the client has initially raised. To do this, the consultant has to do everything possible to get to know the company and its operations in the deepest possible way, only then can it really understand the panorama in which it is located and propose a solution.

For this, the consultant is required to be fully committed to the project and seek its excellence, the consultant should always try to obtain the best solution for the company it's working on. In addition, the consultant should always listen their client. Perhaps this point can sometimes be difficult, because the problem found may take a different direction from the one initially thought, and therefore the client can take this information in a good way or with some rejection., because it is getting out of the expected. This does not mean that the consultant will stop paying attention to them. The idea is that, the client understands the situation and why this analysis has been reached and the subsequent benefits that this will bring to the company. But, this point should not be reached only under the instinct of the consultant, if not, under a framework of communication and fluid listening, where the client feels that the desired product has really been obtained, that is, the resolution to his problem. (King, 2008). As consultants, it must be taken into account that a service is being provided

and to whom it is being provided, therefore, to maintain a good relationship with the client and keep it aware of the new, progress, findings and subsequently solutions that are being considered to achieved success.

3.2.7. Conclusions

Throughout these chapter five main concepts have been touched on: (a) value creation, (b) marketing strategy, (c) competitive advantage, (d) international entrepreneurship, and (e) global lean startup, which encompasses all of the above. The creation of value of value is linked to value proposition, which is what the company is able to offer the customer, how it perceives it and how it contrasts with expectations (Walters & Lancaster, 1999). Which is something that Peruvian Traditions has to work on because it does not have a defined value proposition, yes, it has several salvageable propositions, it has already managed to capture a value in its customers and suppliers, however, it has not yet been able to generate a different framework to offer its client.

To achieve this, Peruvian Traditions must upgrade its value chain under a concept of collaboration through its supply chain. This process will require the company to develop a marketing strategy taking into account: price, product, promote, and place (Baker, 2014). In addition, the strategy that Peruvian Traditions manages to achieve must take into account the life cycle of its product and must be able to generate a competitive advantage. Obtaining a competitive advantage is what will eventually allow them to remain in force in the market, as they will be able to differentiate themselves from the competition (Kalela & Morgan, 2017).

To achieve this process in which the company must be guided by the global lean startup methodology that is actually based on the creation of business models for entrepreneurs such as Peruvian Traditions that wants to reach world markets. Whose eagerness based on an initial vision is to determine if what is initially being offered to the client fits their requirements, and to polish the idea until it reaches a market fit, which would

become a successful, differentiated product, which is capable to position itself in the niche market chosen and that above all comply with what the client wants (Eisenmann et al., 2012).



Chapter IV: Qualitative and Quantitative Analysis

In order to identify the opportunity and amend the problems stated before, a thorough examination of both qualitative and quantitative information is required. In the following chapter, we use company reports, company data, and relevant frameworks in order to develop a logical assessment.

4.1. Qualitative analysis

A qualitative research is based on a humanistic foundation which explores the different dimensions of the social world, producing a well-founded cross-contextual generality. A qualitative analysis can be based on social meanings, languages, interpretations, discourses, and any other relevant acts in which human beings get involved and interested, evaluate and experiment. In simple terms, tries to understand and interpret the human and social reality by several methods of analysis, explanation, arguments building which involve understandings of complexity, detail and context. (Manson, 2002; Rodríguez, 2011).

During the process of important to identify the potential data sources which can be: people, organizations, text, setting and environment and event and happenings. Each of them can complement each other and give a different approach, however, it's significant to identify with data can be or not available for the analysis so then the limitations of the analysis can be establish. Evaluating and using data sources is fundamental, this probably can vary on the perspective tried to obtain, so previously a clear goal has to be establish. (Manson, 2002). The techniques for a qualitative analysis are: (a) observation, (b) interview, and (c) non-intrusive research.

Observation. Basically means to look and study something carefully that could be (a) direct observation, in which the research itself collect the information without addressing the subjects involved just by seeing their behavior or the event that is happening in real life; and (b) indirect observation, in which the research its involve in the process of obtaining the

information, normally he acts as a facilitator who ask and guide the subject, which is the producer of the information for this technique questionnaire. In simple terms, the difference between each other is the level of participation of the researcher (Rodríguez, 2011).

By the case, the observation technique was one of the most useful through the process of analysis, our first contact was directly with one of the founders of Peruvian Traditions, Carlos Cordero. During our first meeting he presented itself and talk about the company, at the beginning it was kind of a direct observation, because we were trying to get in touch with the information he was sharing us and truly understand what he was saying. Later on, it switches into an indirect observation, since it was our first meeting, we had only a few questions in mind, because while we knew basic company information, we didn't really know how it operated or the deficiencies it could have. While Carlos was speaking, we were able to detect key points, we start doing some questions to understand the panorama in which the organization was situated, as well as Carlos work, their business idea, and the history of the company. Basically, our goal was actually to acquire as much information as possible from the organization, as well as the point of view of the company's management team in order to establish which were the company's weak points on which we could work. After this first interview, we could detect that although Carlos showed himself with a collaborative ability and had knowledge of the textile industry, he did not have a clear strategy, he had good ideas and partially knew what he wanted to achieve, but he had no idea how to achieve it, he tried to rely on some tools he had at hand, but she was not enough (C. Cordero, personal communication, June, 2019).

Having a face-to-face meeting with one of the owners and having a more consolidated idea of the company, helped us for our future meetings. In general, the observation technique is useful for each meeting that can be had with the client where not only the verbal language counts, but also the non-verbal language the signs or gestures that the client can make in front

of a question or a particular topic, as well as the tone of voice that it can use, can allow us to identify, whether or not we are asking the right question or if in any case we are touching a topic that is weak for the company.

Interview. The interview is an interpersonal communication between the researcher and the study subject with the purpose of obtaining verbal responses to questions raised about the problem proposed, through different kind of information can be collected: opinions, already lived experience, knowledge and future projects. The benefit of this technique is that the researcher can received the information in real time and in certain way can handle the research, the collection of the information can be also deeper. The most important thing is to made the right questions, as the questions are made an interrelation process is established in with the researcher can ask more questions to clarify or expand answers (Rodríguez, 2011).

The technique of the interview was also very useful to establish the ideas obtained after the first meeting. During the second meeting, we had the opportunity to share with the client in his workshop, which did not give the opportunity to place the meeting in a more comfortable environment for him, and also gave us the opportunity to prepare an interview based on our main concerns (Appendix B). The interview was conducted in simple terms and lightly with the desire to be comfortable for the client, for this they asked about thirteen questions which we divided on the product, process and person. The interview was conducted with Carlos Cordero, and it helps us to have a better understand how do Peruvian Traditions follow their operations as well as their daily problems, through this we reinforce the idea that obtained after the first meeting, Peruvian Traditions did not have a clear strategy and was stuck in the middle. It did not have a clear strategy to grow and neither did it have a strategy that could place them in the alpaca garment market (C. Cordero, personal communication, June, 2019). This information was collated with one of our professors who indicated that although the interview was favorable to detect the problem of Peruvian Traditions, we had to

go deeper, to propose a solution to the initial problem (C. Merino, personal communication, August, 2019).

That is why in a second interview, we had the opportunity to ask more precise questions. To do this, we decided to ask them about the differences in their product lines. First we asked to which public each one was oriented, they indicated that in both product lines their customers were boutiques or small shops or clothing chains and therefore they served a B2B channel. That is to say, that in reality the customers were the same, only that with Norgäte they offered the products under their own design and with White Label it was the customer who made their own design. This was not going to be agreed, with the initial strategy they had to position Norgäte as a luxury brand, and differentiate it from White Label, which should offer products by larger orders, if not, they ended confusing their potential customers making them understood, that the products were the same and the difference was only perceived by the design. They also indicated that it was actually through the Norgäte Lookbook who attracted customers and then offered both brands. This again generated confusion in the client, and made Norgäte lose value (C. Cordero & C. Cordero, personal communication, August, 2019).

Second, we asked them about the Lookbook and the design of their products, because it's seems that the Lookbook was really important for them. As it was already mention, it's thanks to this product catalog that they manage to capture the attention of customers. Primarily, they indicated that they were the ones who made the design, however, although the venture is remarkable, none of the owners have expertise or studies in fashion. Therefore, it would not be possible for them to sell a brand classified as luxurious and trendy, when they do not offer a product that really goes according to European fashion. With regard to the design of the Lookbook itself, they indicated that they hired an external staff that was

dedicated to expressing their ideas (C. Cordero & C. Cordero, personal communication, August, 2019).

We also inquired about their marketing strategy, they indicated that they were based on the development of the website, and that each brand has its own page. However, its initial page is Peruvian Traditions and it is the one derived from Norgäte, however, even on its website it is a bit confusing to understand the differences between one and the other, since Peruvian Traditions page promotes Norgäte models. We also consulted on the use of social networks and indicated that they have not dabbled much in it, but that they think it would be useful to invest in them later, but they were not sure if they should have an account for each of their brands or could handle a for both (C. Cordero & C. Cordero, personal communication, August, 2019).

Non-intrusive research. Linked to the analysis of information that can be obtained by the company, basically documents or complementary information (Rodríguez, 2011). For that matter, given that Peruvian Traditions is a microenterprise that few years in the market, they do not have an extensive series of documents. However, following the meetings and communications that have been made throughout the consulting process, information could be obtained. Initially we obtained brochures and catalogs of the company where there was a review and explained the production cycle of the company as well as mission, vision and values. Later we were able to obtain a little more detailed information, we had access to the company's Lookbook and catalog, through which we could see what products were offered and how they were cataloged. Finally, we were also able to obtain confidential information such as your clients and cost structure.

Since we are based on a qualitative one, this information allowed us to identify, in a certain way, the trends that Peruvian Traditions followed, with respect to fashion and its client and to identify if these were really aligned with the vision or what they sought to

achieve. Based on this, we find points in its favor, such as the fact of governing its supply chain under a framework of sustainability and friendly to the environment. Values which today, are quite appreciated by consumers worldwide, and even more so if it is a product that derives from alpaca, a live animal. However, we detected that although the Lookbooks were adequately elaborated, I was probably not alienated with the latest fashion trends, since it was both brothers who were in charge of designing the models, and they had no experience, nor previous studies in the fashion industry, so they were basically guided by their intimacy and what they believed could be correct, however, they did not have a real support that could support them. Also, there was not a correct relationship between the designs and the target audience that the company wanted to target.

4.2. Quantitative analysis

Global fiber market. Because of the difficulty of directly assessing the demand for clothing made of specific fibers, as a piece of clothing is often made of various materials and hard to categorize and compare between clothing brands, the market value of textile will be used as a proxy of the fiber's perceived attractiveness to end consumers. The global fiber market has seen moderate growth in the past (Figure 14), especially in the past few years (Textile Exchange, 2018). However, the growth is mainly concentrated on Polyester, while wool and wool-like materials such as alpaca fiber has stagnated in absolute output value and has been in a trend of decline ever since 1990. Thus, which includes world imports of wool and alpaca garments have been reduced by 2% in the last five years as a result of the high demand for synthetic material. However, despite the fact that the demands for alpaca garments seem not to be the most optimal, during the last year there has been a market recovery. Specifically, in Europe, where imports of alpaca garments have grown by 3%, a scenario that seems to be encouraging (PROMPERÚ, 2018a).

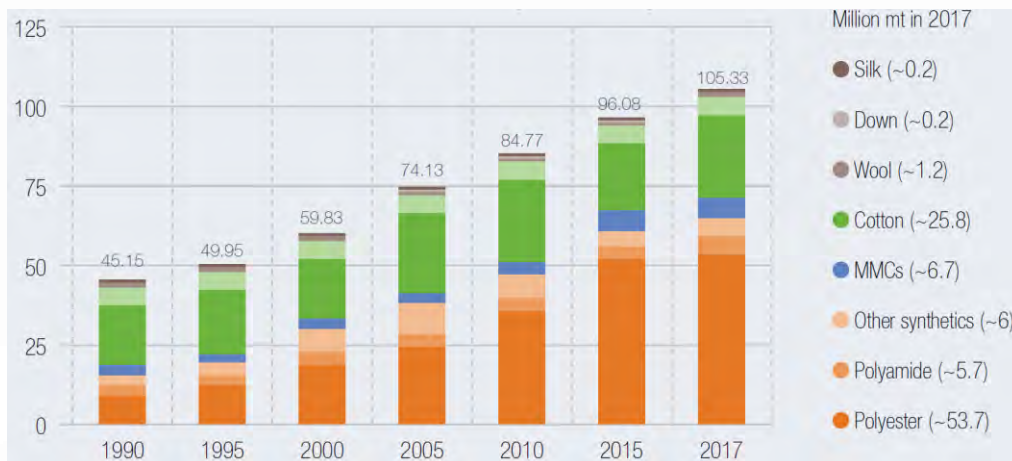


Figure 14. Global fabric production 2017.

Retrieved from *Preferred fiber & Materials market report 2018* (p. 6), by Textile Exchange, 2018, Lamesa, TX: Author

E-commerce fashion marketing. The state of fashion e-commerce has significance for Peruvian Traditions for three reasons: (a) digital marketing was a successful way for the company in attracting new clients, (b) the company does not have enough resources to support a meaningful physical presence in Europe, and (c) e-commerce is gaining prominence in fashion sales, especially for the European market, which the company is aiming to expand in. According to an article by the Boston Consulting Group (Distler et al., 2018), up to 20% of the Western Europe fashion sales in the year 2017 is made through fashion platforms or websites, and this value is expected to become more than 25% by the year 2020. Within the same report, it also revealed that the 90 leading global fashion brands surveyed allocate 57% of the total media marketing budget through online channels, higher than the 43% spent on traditional media. It also indicated that there is significant value to be had in digital marketing and the strategies for reaching each new e-commerce milestones (Figure 15). Thus, digital marketing represents an opportunity for the company to expand its channel and stipulate revenue growth. In consequence, Peruvian Traditions has to take it into account if they wish to establish a sustainable and fast growing.



Figure 15. Digital leadership value and stages.

Retrieved from “Dressed for digital: The next evolution in fashion marketing”, by J. Distler, J. Seara, A. Antrup, F. Krüger, and J. Hohmann-Altmeier, 2018 (<https://www.bcg.com/publications/2018/dressed-for-digital-evolution-in-fashion-marketing.aspx>).

In order to advise properly the company’s decision to expand in the European market, first we need to assess the market conditions of alternative ecommerce markets, which would be Peruvian Traditions primary way of entering and maintaining oversea sales in the medium term due to limited human resources and financial capitals. Within Europe, UK, France and Germany spend the most on apparel per person, with other countries spending not nearly as much. Regarding, e-commerce fashion sales by revenue the top five includes: UK, Germany, France, Italy and Spain, by growth rate, the five biggest markets in Europe follow the exact opposite order (Figure 14). Another fact to take into account is the customer profile, for example, 26.8% of Germans online shoppers are between 45 and 54 years old. Overall, we can divide the potential market into two categories, the more developed and mature market with high revenue and low growth rate such as UK, Germany and France, and fast developing market that is Italy, and Spain. In conclusion, Peruvian Traditions should ponder closely regarding its target market and its customer behaviors.



Figure 16. Five largest European online fashion market 2018.

Retrieved from *eCommerce Report 2019 – Fashion* (p. 6), by K. Striapunina, 2019, Hamburg, Germany: Statista.

Fashion value chain structure. Value chain varies by industries and sectors, in the problem segment, we identified Peruvian Traditions problem partly as a value chain question, that is, what functions the company perform within the value chain, where the value lies and how should the company upgrade. Fashion value chain is an intriguing one, it resembles a reverse iceberg in value. According to the McKinsey Global Fashion Index which include over 500 public and private firms, in 2017, the top 20% of the fashion companies generate 128% of the industry economic profits, the middle 21 to 80% occupy 6%, and the bottom 20% share a shocking -34% of the industry profits (Amed et al., 2018). More visually, top 20 firms enjoy an 88% ten years average of the industry profit, clearly, fashion value chain is a place for winners, and there is significant economies of scale and scope to be had. Moreover, in terms of value segments, there is a relatively even spread between value, mid-market and luxury brands, which means the segmentation itself does not limit a fashion company's profitability (Figure 17). More importantly, there are two major disruptions happening within the clothing industry: younger consumers' preference for novelty and advancements in both digital technology and social media. The most relevant change happening in apparel value chain to Peruvian Traditions is perhaps the emergence of new platforms such Farfetch and Zalando, which offers a platform for consumers and producers to offer and

purchase their clothing items on per-design basis without lengthy and arduous negotiation and contracting process. Because of this industry structure, Peruvian Traditions will have to move in the direction of value chain upgrading, and expand its market positions to avoid being squeezed out of the market in the long-term.



Figure 17. Economic profit distribution.

Retrieved from *The state of fashion 2019: A year of awakening* (p. 8), by I. Amed, A. Balchandani, M. Beltrami, A. Berg S. Hendrick and F. Rölken, 2018, New York, NY: McKinsey & Company.

Product mix analysis. Based on data of the company's own brand Norgäte of the past three years, a product mix analysis can be developed (Table 11). Products has been categorized by clothing types and sales number. There are many notable traits in companies' past sales, first of all, nearly one third of the sales are made for sweaters, other accessories such as scarves and neck warmers plus outerwear compose the other 33%. Secondly, because the company has a moderate excess capacity, the focus should be placed on sales and average profit margin instead of average profit per item, by that logic, outerwear represents a less desirable product lines once the capacity is filled because it demands more time and capacity to complete, and beanie is surprisingly attractive. Last but not least, the company currently has a few underdeveloped product lines which has only sold a few hundred pieces up to date, which should have been eliminated or renovated once the capacity problem is solved. All and

all, the product mix analysis reveals an insight that the company is facing an overcapacity problem instead of a direct product line problem, while cost-cutting might be difficult, its low profitability could be effectively solved by increase its sales in new markets or introducing new products.

Table 11

Product Mix and Profitability of Norgäte Brand

	Sales	Number of Orders	Average Order Value	Average Price	Average Profit Margin	Average Profit per Item
Sweaters	1350	27	\$ 4,488.89	\$ 89.78	0.42	\$ 37.05
Other Accessories	600	12	\$ 2,466.67	\$ 49.33	0.43	\$ 18.64
Outwear	500	10	\$ 6,960.00	\$ 139.20	0.3	\$ 37.92
Mitten	450	6	\$ 1,733.33	\$ 23.33	0.45	\$ 10.37
Other Upper Body Wears	400	8	\$ 4,543.75	\$ 90.88	0.45	\$ 36.23
Beanie	300	6	\$ 2,108.33	\$ 42.17	0.55	\$ 23.05
Other Lower Body Wears	200	4	\$ 4,512.50	\$ 90.25	0.44	\$ 39.12

Note. Retrieved from *Database* (excel internal document), by Peruvian Traditions, 2019d, Lima, Peru: Author.

Google analytics. The company's main page's info on Google Analytics records the current status of the company's current main marketing effort. The top channels are as follows: 46.1% by direct search, 43.3% by organic search, 7.6% by social and the rest is by referral (Support Google, 2019). It is disconcerting because direct company page visits are less likely to be from the new users, thus the potential customers find the company by searching online or through exposure on social media, either of which the company paid a large amount of attention on as mentioned in the internal analysis. What is more worrying is the amount of the visits by country (Table 12), the company's main page has just 681 visits to date, and the top country that has visited is Peru, where the company does not sell to and likely comes from potential suppliers.

Among the seven countries the company sold to, only two (The US and Canada) has visited website, which adds up to 23% of the visits. Furthermore, the company page has no visits from one of its biggest buyers, Finland. What is troublesome is also the stickiness of the visits, 55.21% of the visitors leave after visiting just one page, which is rather high for

fashion-and-style websites, and the average session lasts for just two and a half minutes. In conclusion, the company is in gross need of an overhaul to its promotion strategies and setups to fully utilize its marketing channels.

Table 12

Peruvian Traditions Online Traffic

Country	Acquisition		Behavior		
	Users	New Users	Session	Bounce rate	Session
Peru	261	256	419	48.69%	2.97
United States	138	138	151	74.83%	1.91
United Kingdom	33	32	41	41.46%	3.29
Germany	25	23	28	50.00%	2.79
Canada	20	20	32	59.38%	2.09
Belgium	16	16	20	55.00%	2.9
Netherlands	13	12	25	40.00%	3.76
Croatia	12	11	76	57.89%	2.83
Chile	11	11	14	42.86%	2.14
France	11	10	12	58.33%	4.25

Note. Retrieved from *Peruvian Traditions account* by Google Analytics, 2019, Lima, Peru: Author.

Chapter V: Root-Cause Analysis of the Problem

5.1. Identified causes

To accomplish the root cause analysis, we proceed with three steps. First, we ask the why questions for all problems to identify causes (Reid & Smyth-Renshaw, 2012). Only when one is able to identify the root of the problems, a proper solution can be developed (Langabeer et al., 2009). Second, as seen in Figure 19, we proceed with a strategic comparison to identify the root cause of the problem (Churchill & Lewis, 1983). Therefore, we compare the subjective strategy formulating of the founders. Finally, we apply a quantitative approach to determine how Peruvian Tradition can implement more data-driven decisions. Decisions should be based on data, not on personal beliefs (Bieraugel, 2015). We use the diverse data that is generated on the website.

In chapter two, we identified three main areas of the symptoms within Peruvian traditions, namely people, product, and process (Coletta, 2017). Even though these segments show symptoms, they are not the cause, nor the root cause of the problem. To identify potential root causes, we use the why question approach, to derive at the actual root (Langabeer et al., 2009). One can reasonably argue that the symptoms can have the same root. In fact, asking the why question is essential to identify the root-cause (Murugaiah et al. 2010)

Thought this interview (Appendix B), it seems that Peruvian Tradition does not rely expensively on validation. Both founders have substantial knowledge about alpaca products, and they definitely should make use of their experience. However, based on the findings from the literature review, we suggest a hypothesis-driven approach for product development (Ries, 2012). Using the global lean startup method, is a logical consequence of the literature review. The agility of the company can be used only to fully exploited if the company can move fast, but the decision making still needs validation. In addition, the idea of using overcapacity to save cost seems like a smart and viable approach. However, it was never

validated if and how the willingness of the customers depends on the timing. Again, the decision was based on the founder's perception, indicating that validation could be an issue. Furthermore, time management seems to be an issue. For a hypothesis driven approach human time capacity must be provided. Hence, it is not enough to determine the root cause, but one must acknowledge that capacity must be provided to handle the identified cause. In example, if the decision making should be hypothesis driven, market research is required. (Mirchevska et al., 2017).

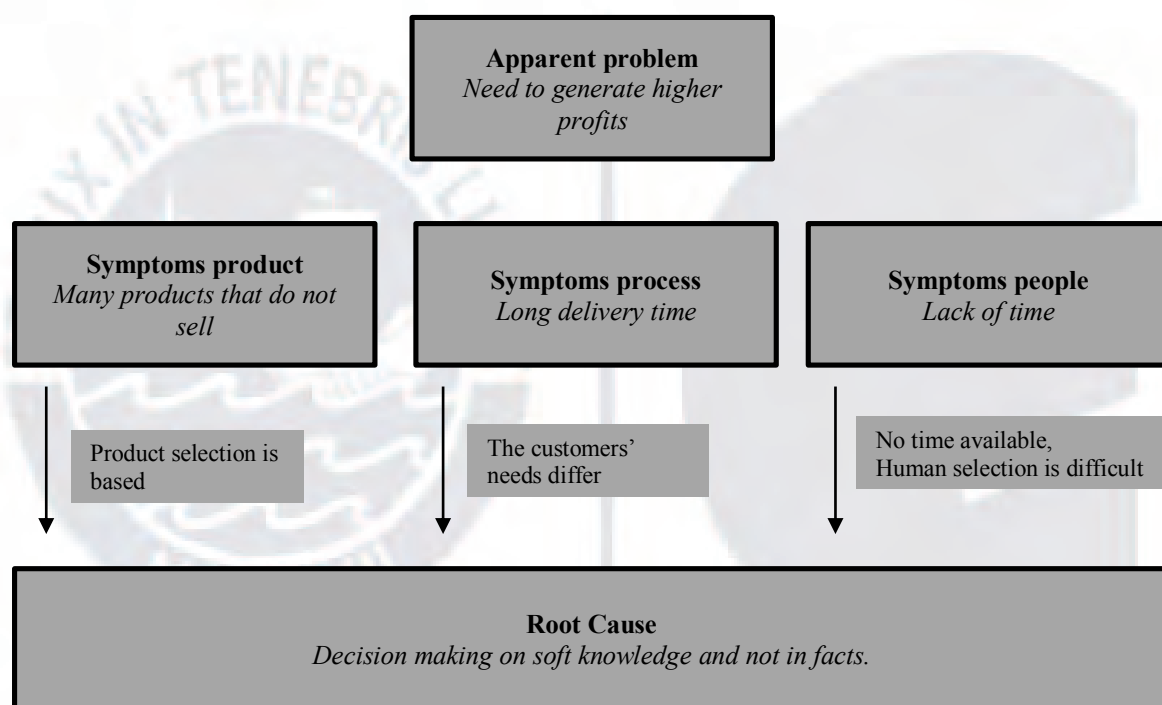


Figure 18. Root cause analysis.

The second step, was based on a strategic comparison, we interviewed both founders regarding the strategy of the company, and then we contrast both perspectives to see if their approach aligns. From what we found, the strategic vision of the founders has a similar opposing pull effect, just like the brands Norgåte and Peruvian Tradition. It will be therefore essential to develop and define a combined strategy to overcome the strategic dilemma that Peruvian Traditions currently faces. However, in a global context, different strategies can be useful. When operating globally, the strategic decisions must be hypothesis-driven

(Rasmussen & Tanev 2015) and should not be based on the founder's individual preferences (Gundry & Welsch, 2001).

In this final step, we analyze the expansion strategy by evaluate if the chosen countries for Peruvian Traditions are the right ones to expand too. Peruvian Traditions has until now, selected countries base on the founder's opportunity estimation. A data-driven approach using data we could collect using Google analytics and Google trends (Figure 13), was mainly ignored. Implementing a data driven approach for the expansion will give an insight into potential customers' segments. Since the identified root cause is the lack of data driven decisions, this procedure can already exemplify a potential solution. We found that Peruvian Tradition is not using the data they generate for their decision making. Further, they currently do collect the data from the website that could empower them to innovate their product line according to the user's base, which relates to the root cause of making decisions based on soft knowledge.

Our recommendation is, therefore, to activate the demographic features that enable them to see the demographics of their website users. Combining the findings from Google analytics with Google trends will be a useful approach in developing a strategic expansions strategy. Because many features were not activated, the company could not make use of data-driven decision making. We further suggest a user-driven approach (Müller & Thoring, 2012). Managing innovation and business development international is a challenge that can be best accomplished with a data-driven approach (Bieraugel, 2015). In example, china was included as a potential region for expansion. However, by looking at the interest in alpaca products using the Google trends tool (Figure 20), one can easily identify that this market does not seem to be of considerable interest.



Figure 19. Trends on Google.

Adapted from *Google analytic data* (Google analytic account), by Peruvian Traditions, Lima, Peru: Author

5.2. Main causes of the problem

Identifying the root cause by asking the why question, using a strategic comparison, and evaluating the current expansion strategy we have identified a main cause of the problem. In general, the main cause is how the strategic decision making is done. One reason that the decision making is often rushed, is because of the lack of time. Peruvian Tradition is still at an early stage of the entrepreneurial journey to become a known brand. As mentioned before, the intense competition, in combination with continuously increasing input prices, is challenging for Peruvian Tradition. Gaining a competitive advantage is even more critical than ever. One main advantage of being small is the company's agility (Arbussa et al., 2017). To exploit the opportunity of being agile, the company founders need a flexible but at the same time, an aligned strategy approach. With a lean approach (Ries, 2012), Peruvian Tradition could change the way they operate and decide (Bank, 2013). Specifically demands for the adoption of the hypothesis-driven approach into the executive strategy (Thompson et al., 2015). One root cause of the strategic dilemma is the inconsistency in decision making, and lean start-ups can be a practical approach to overcome this problem (York & Danes, 2014).

Chapter VI: Assessed Solution Alternatives

As discussed in Chapter II and V, the problem has been well-defined that the Peruvian Tradition should clarify the strategic positioning which points out the direction of the company and its product concentration. From our literature mapping, we suggest solving the problem from four perspectives which are value creation, international entrepreneurship, marketing, and competitive advantage guide by a framework of global lean startup. The solution will be proposed as an upgrading of the company's value chain in terms of the apparel global value chain (Fernandez-Stark et al., 2011) and then combine the marketing frameworks to generate practical alternatives options.

6.1. Alternatives to solve the problem

The common apparel value chain has a buyer-driven focus, in which the value added activities come from activities as: R&D, design, purchasing, production, distribution, marketing and services (Figure 20). The combination of these, is what allows the company to generate profits, that is why it's important for the company to understand in which stage of the apparel value chain they are located. By this, they can reinforce the value added on the more relevant activities. As seen in Figure 21, these activities are developed throughout the five segments of the apparel value chain: raw material networks, component networks, production networks, export networks, and marketing networks (Fernandez-Stark et al., 2011). The difference between each segment is reflect in labor and skills, geographical location, power and distribution of profits, and technology. In addition, each of them will require a different level of investment. However, is technology which nowadays is making the difference between the value chain, acting as the key to achieved quick response and understanding customer's insights. Investing in promotion and ads campaigns is necessary for sustainable global brands to succeed (Gereffi & Memedovic, 2003).

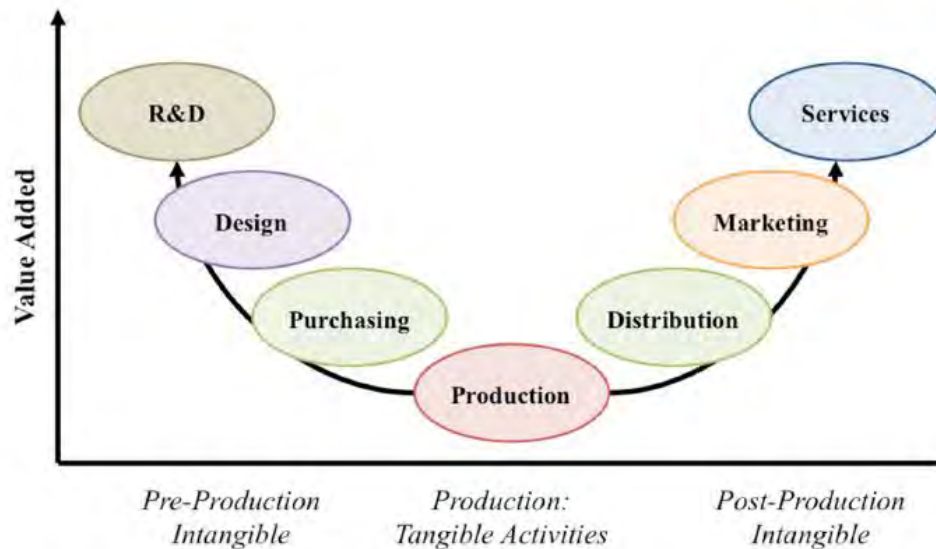


Figure 20. Value added stages in the apparel value chain.

Retrieved from *The Apparel Global Value Chain: Economic Upgrading and Workforce Development* (p. 12) by K. Fernandez-Stark, S. Frederick, and G. Grereffi, 2011, Durham, NC: Duke University Center on Globalization, Governance and Competitiveness.

Talking specifically about Peruvian Traditions it seems located between production and export networks. On the one hand, they are involving in design and purchasing activities, because they do it by themselves, so they contact supplier in order to choose the raw material and buy it. Also, they create their own clothing designs in the case of Norgäte or use the customer's design in the case of White Label, and then they give all this information for they suppliers to do the manufacturing. In simple terms, they subcontracted the manufacturing phase, because the machines and the workforce does not belong to the organization. After that, they are focus on the distribution and partially marketing activities because they sell their products in a B2B channel, which means that they do not reach the end user, if not, they sell it to other boutiques, who finally make the contact. Since they sell their products outside of Peru, they have to carry out the export process, prior coordination with their client, by this they involve trading companies. Marketing activities are important, because they are the source that allows Peruvian Traditions to attract customers, the success of an appropriate marketing campaign is what can make the difference.

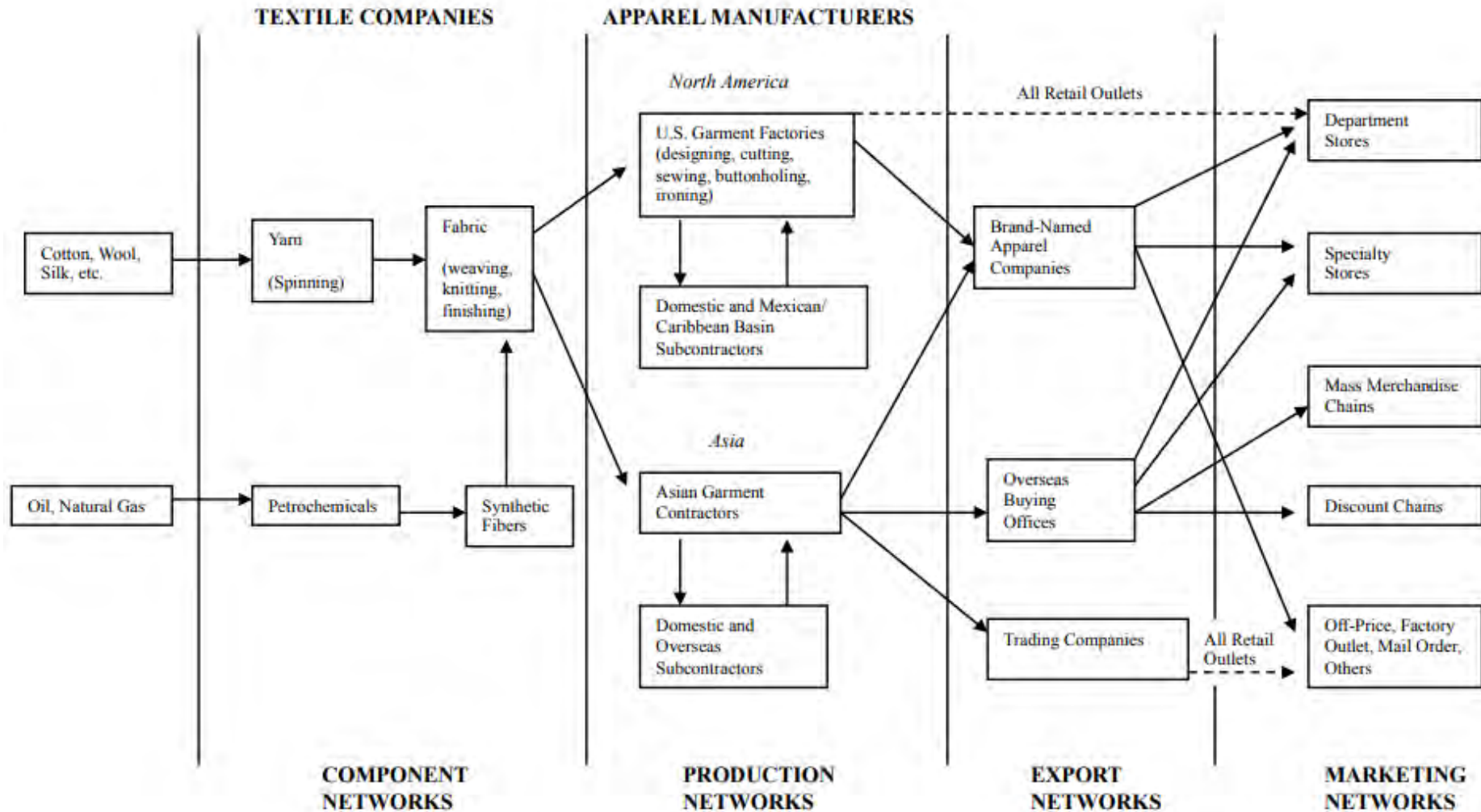


Figure 21. The apparel global value chain.

Retrieved from *The Apparel Global Value Chain: Economic Upgrading and Workforce Development* (p. 11) by K. Fernandez-Stark, S. Frederick, and G. Grereffi, 2011, Durham, NC: Duke University Center on Globalization, Governance and Competitiveness.

In the case of Peruvian Traditions, the marketing campaign is almost entirely focused through the website, and it should be quite based on promotions and ads. Thus, the company basically gather the benefits from the export networks and marketing networks, it means the value-added services and activities still have a lot of space for Peruvian Traditions to improve the complicity of its global value chain. According to Fernandez-Stark et al. (2011) the brand-named apparel companies, which are located in the export networks, are the ones that can have a greater control of the activities since they know where and when the manufacturing is done and the percentage of profit that can be obtained per segment. This seems, a great potential for Peruvian Traditions, because they already have knowledge about this information. Even more, as mentioned before they are enrolling in more than one activity involving themselves in pre-production, production and post-production.

Having a deeper understanding of his value chain will give a clear direction for Peruvian Traditions to follow and standardize its future development plan. If the company achieved to have a completed value chain element including component networks, production networks, and marketing networks, it can increase his profits. Based on this, a value chain is upgrading is proposed, looking to increase the competitiveness and move to higher value activities. According to Frederick and Gereffi (2011) the upgrading in the apparel value chain can be achieved by: (a) functional in value chain, (b) integration in supply chain, (c) channel, (d) product, and (e) process (Table 13).

Functional in value chain. The functional in value chain is apply for production networks companies which are directly in charge of the manufacturing process. By this, they add value by changing their position from manufacturing to a service provider which include activities as purchasing, packing, distribution and marketing. This, is a new trend that in that some Asian, Mexican and Caribbean companies are applying (Fernandez-Stark et al., 2011). Even thought, this can't be applying to Peruvian Traditions unless they restructure the whole

company by building up its own manufactory. This will necessarily require a strong investment, capital with which Peruvian Traditions does not have at the moment.

Table 13

Upgrading in the Apparel Value Chain

Upgrading type	Description
Functional in value chain	Appareal manufactures, acquire responsibility for more value-adding activities; a swuitch from manufacturer to service provider may occur: CMT, OEM, ODM, OBM, Lead firm.
Integration in supply chain	Establish backward manufacturing linkages within the supply chain: apparel, textile, fibres, machinery.
Channel	Market diversification, acquire new skills by serving new buyers or markets often in emerging domestic or regional markets.
Product	Shift to more complex products or expand capabilities (diversify): basic, fashion (design) or basic functional (R&D)
Process	Reduce cost, increase productivity and improve flexibility by investing in new or better machinery or logistics technology.

Note. Retrieved from “Upgrading and restructuring in the global apparel value chain: why China and Asia are outperforming Mexico and Central America,” by S. Frederick, and G. Gereffi, 2011, *International Journal of Technological Learning, Innovation and Development*, 4, p. 73.

Integration in supply chain. Peruvian Traditions also can choose to conduct backward manufacturing linkages within the supply chain. Peruvian Traditions now serve as an intermediary who has no inventory and worked with manufacturers. For the company now the profit is mainly based on customers who contacts the firm and ask for designed garments. The firm have few bargaining powers for making profits which too depends on customers. The backward strategy provides the company more opportunities to make profits by finding business opportunities form upstream such as manufactory, supplier, and logistic (Frederick & Gereffi, 2011). However, to achieved this, the company need to set up its own textiles production factory. Then also to find alpaca fiber suppliers to do the partnership and share the profits and eliminate the risks. The company could also develop to do machinery related business, such as to sell manufacturing machines that are special for producing alpaca garments. However, it requires a high level of marketing research and evaluation that to make sure the new business model is profitable to introduce the new types of products. The

backward method is simplified as: apparel, textiles, fibers, machinery, which allows the firm to open up new revenue stream from upstream (Frederick & Gereffi, 2011).

Channel. Peruvian Traditions could diversify its market by attracting new customers in emerging domestic or regional markets through developing new services or products. As mentioned in Chapter III, the types of media are varied and should be selected based on different profile of targeted customers (Tuten & Solomon, 2017). The current marketing channels of Peruvian Traditions is single and lack of social media exposure for their products. As for the digitalization dominates the nowadays marketing which recognizes as most efficient way to populate products and services and to obtain a large recover of customers (Rodgers & Thorson, 2017). To advertise in the social media can also realize a cost-efficiency that to reach customers via social media platform with a relatively small amount of capital investment. Tuten and Solomon (2017) introduced four types of social media: social communities, social publishing, social entertainment, and social commerce. We suggest developing more advertising on social media after an analysis of the profile of target customers.

Product. According to the figure of upgrading in the apparel value chain, the improvement of products should shift to more complex products or expand capabilities (Frederick & Gereffi, 2011). The product strategy of Peruvian Traditions should first focus on basic product that is alpaca garments they produced. Then the next step is to focus on fashion design Norgäte and basic products. Finally, to conduct the functional development of products which are now similar idea to their new products: the alpaca gloves which enable customers to use touchscreen without taking off the gloves.

Process. The idea of upgrading the process is to rationally reduce unnecessary cost that including logistic, sample garments production, and work with higher efficient manufactures who possess more advanced technology and skilled labors. During the

interview, Peruvian Traditions indicated that they do not want to sell alpaca garments via social media such as Instagram or Facebook, because they think it would negative influence its premium brand image. We consider this single selling process will block lots of opportunities and new consuming. High profit may be gathered if the company could diversify its distribution channels and e-commerce should the first choice for them to place their alpaca garments with a low cost. The process can also be upgraded in the part of they do the customized services. They always need to at least spend extra two weeks to produce a sample of the customers' asked garment and send it back to customers for checking. The process can be simplified if they have the technology to simulate the patterns or styles of garments via technology, which would save a lot of time and reduce the loss if the customers deny the sample garments.

6.2. Assessment of alternatives

Lines above, an upgrade in the value chain of Peruvian Traditions has been proposed, for which five methods have been studied to achieve it. The first two methods, functional in the value chain and integration in supply chain, are out of reach for Peruvian Traditions because of limited financial and human resources, both methods would require it to acquire new capabilities it does not have such as manufacturing plants or design ideas. Furthermore, the company is stuck in the middle in the sense that it does not directly fit into any particular kind of apparel industry service providers.

The remaining options lies in channel, product, and processes. Which the company is lacking in all categories, in this way, the strategy is proposed is based on this three lines and follow with by a framework of an export market diversification strategy. Through this, the company needs to construct effective marketing strategies, improve its product mix, and increase its business process efficiency, to improve on all three categories in a consistent manner. The processes follow three decisions in a logical order: (a) decide the product mix,

as the company's core problem is first and foremost a product positioning problem, (b) improve the business processes for the product mix, and (c) design the marketing campaign for the chosen product after the competences has been developed.

Product mix alternatives. The alternatives are the choice between different product mixes, for the purpose of outlining all position solutions, we consult the generic strategies (Porter, 1980). There are three generic strategies for the company to focus on, differentiation overall cost leadership, and focus, as seen in Figure 23. The two existing brand of the company, Norgäte and Peruvian white-label, correspond to differentiation and cost leadership respectively, but with strategic positioning that is not specialized, which resulted in these two product lines becomes dog product. The reason is that cost leadership strategy requires the company to have a tight control over cost and low-cost distribution system, and differentiation strategy requires the company to have strong marketing capabilities and corporate reputation of quality products.

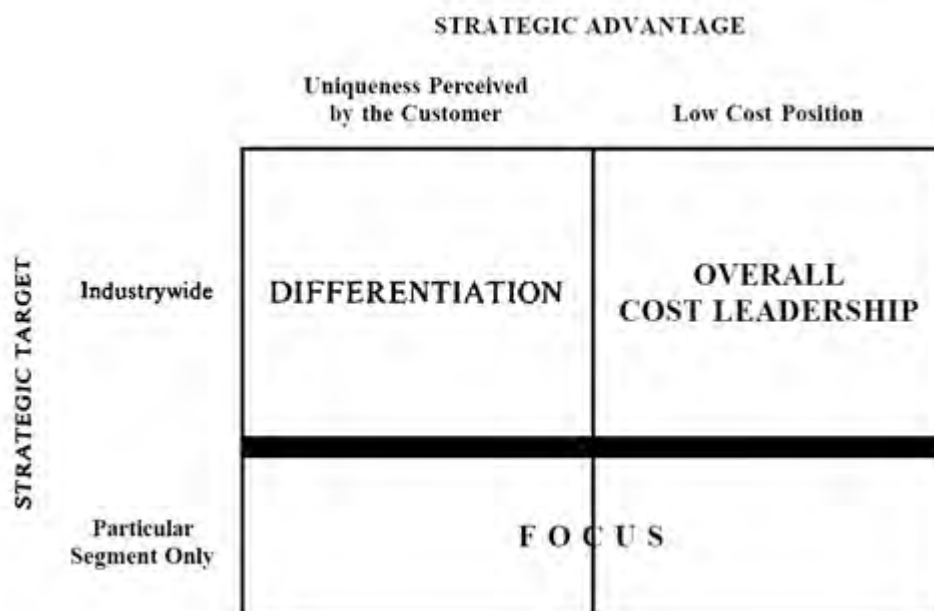


Figure 22. Three generic strategies.

Retrieved from *Competitive strategy: Techniques for analyzing industries and competitors* (p. 39) by M. E. Porter, 2008b, New York, NY: Simon and Schuster.

Still, there is one generic strategy unexplored by Peruvian Traditions, focus strategy which target a specific segment, which will be the basis of proposed new product line. According to the ABC analysis mentioned in the quantitative analysis, the most popular and valuable company products are the ones that are simple in design and manufacturing processes such as sweaters and beanies. As such, there exists an appeal for the company to explore the possibility of targeting a niche market where low cost is appreciated, that is, a cost leadership focus product line. The alternatives proposed are: (a) focusing on improving Norgäte, (b) focusing on improving Peruvian White Label, and (c) focusing on the new mid-market brand Alpaca Basics.

In order those the right product mix alternative the segmentation, targeting and positioning (STP) is going to be use (Iacobucci, 2014). The idea is to find high potential customer segment and position its product and marketing campaign according to give it more focus. In the segmentation step, a market research it's going to be settle down, the idea is to select the most appropriate European apparel market from a candidate pool the client has suggested. In the targeting step, a decision matrix will be used to select the most appropriate brand for the target market. In the positioning step, customer's desirable characteristics will be used to assemble a positioning statement for the initial MVP.

Segmentation. The segmentation method chosen is geographic segmentation. As it was mention before Peruvian Traditions wants to expand itself into the European market. However, this market it's big, so to begin it's better to focus on one country. In chapter I, three countries were analyzed for the PESTE analysis: Netherlands, UK, and Norway. Each of them has differences between clothing expenditure and purchasing behaviors, and there are significant barriers-to-entry inside each national clothing market. To identify the ideal market, an international market selection process will be performed. Root (1998) suggest a model of three steps to achieved international market selection: preliminary screening, in this

one the company tries to reduce the number of markets using a quantitative analysis; market potential and sales potential. By the other hand, Johansson (1997) suggest a fourth step model: country identification, preliminary screening, in depth screening and final selection. Musso and Francioni (2012) analyze both, highlighting the importance of the Johansson model because it allows to take into account specific details of the country. Further, they recommend to have in mind three factors during the analysis: firm specific factors, host country factors and entry barriers. The firm specific factors are composed by: type of product, management characteristics, and firm size. The host country factors by: market attractiveness, country attractiveness, competition, and marketing infrastructures. The entry barriers include: country risk, tariff and non-tariff barriers, psychic distance, and geographic distance (Musso & Francioni, 2012).

Papadopoulos et al. (2002) proposes a model that allows to detect several markets and that in turn establish multiple criteria. It divides them into two groups demand potential and trade barriers. Demand potential include criteria of: apparent consumption, origin advantage, import penetration, and market similarity. Trade barrier include criteria: tariff barrier, non-tariff barrier, geographic distance, and exchange rate. Although it mentions the above variables in order to give a general framework, it emphasizes that these must be adapted to the context of each company, taking into account the sector in which it is located, its size, its own interests and above all its firm strategy. Hence, the number of criteria to be taken into account, as well as the weights assigned to it may vary. According to the previously selected models, it has been identified that the one proposed by Papadopoulos would be more useful to identify the ideal market for Peruvian Traditions (Papadopoulos et al., 2002).

By this, for the first step the following criteria are going to applied: (a) apparent consumption, (b) origin advantage, (c) import penetration, and (d) market similarity. For the second step: (e) tariff barrier, and (f) non-tariff barrier. The geographical distance is not very

relevant since they are countries that are already within the EU, and the export process of alpaca garments will not vary much from one country to another. Likewise, the exchange rate was also not taken into account, since two of the countries handle the euro as currency, in the case of the UK, the pound sterling, however, is not considered to be a great variability (Papadopoulos et al., 2002). Using the data compiled from Observatory of Economic Complexity (OEC), United Nations Conference on Trade and Development (UNCTAD), World Development Indicators (WDI) and electricity production data from World Fact Book, the proxy measurements used and the resulting country selection are listed below (Table 14). By this, the ranking varies between one to three, being three the most favorable, the sum of each criterion will get a general value, the country with the highest one will be chosen.

Table 14

Market Selection Model

Factors	Measure	Netherlands Ranking	United Kingdom Ranking	Norway Ranking
Demand Potential				
a. Apparent consumption	Domestic production plus imports minus exports	2	3	1
b. Origin advantage	Imports as % of apparent consumption	3	2	1
c. Import penetration	Exporting country's share in target's total imports	3	1	2
d. Market similarity	Weighted score of life expectancy (0.77), GNP/capita (0.87), electricity production per capita (0.48), and imports-to-GDP ratio (-0.48).	3.76	4.63	3.45
Sum		11.76	10.63	7.45
Trade Barriers				
e. Tariff barrier	Weighted mean annual tariff rate reported in 2017	3	3	1
f. Non-tariff barriers	Composite quantitative index of 20 barrier items	3	2.5	2.5
Sum		6.00	5.50	3.50
Total Ranking		17.76	15.63	10.95

Note. ranking of 1 are the most favorable for the company, while ranking of 3 is the least favorable for the company.

Adapted from "Toward a tradeoff model for international market selection," by N. Papadopoulos, H. Chen and D. R. Thomas, 2002, *International Business Review*, 11, p. 175.

As the company is pursuing a defensive international expansion strategy (Papadopoulos et al., 2002), meaning it is aiming for market shares but not hoping to aggressively squeeze opponents out of the market, low trade barriers should be emphasized by the company, Netherlands is a more suitable target for the Peruvian textile exporters. To summarize the result, the Netherlands is chosen because it imports a large percentage of textile products over its total imports, and percentage-wise it imports the most from Peru over its total imports, while having the least amount of tariff and non-tariff items.

Targeting. After having the right international market, in this case the Netherlands, a target segment should be choosing. The idea of this is to find the most attractive segment. As mentioned in Chapter IV, the fashion industry can be divided into three main value categories according to the McKinsey Global Fashion Index (MGFI): (a) low-price point segment which includes value and discount players, and (b) medium price point called mid-market; (c) premium price point which includes luxury, affordable, and premium/bridge players (Amed et al., 2018). These three market segments roughly correspond to: White Label, Alpaca Basics, and Norgäte, so in order to identify the target segments these three are going to be analyze. Enz and Thompson (2013) proposed an option matrix tool (OPT) of five steps: identify options, select criteria, assign weights, select minimum acceptable score, and evaluate each option. The first step it's already. For the second step, they suggest a certain set of criteria where they highlighted that the chosen ones should be among two to six criteria's, in this case five criteria were chosen. For the third step, they suggest to allocate the weight in such a way that each of the criteria of a total of 100% (Enz & Thompson, 2013).

The rationale for the weighting are as follows: (a) current positioning with 15% is given a low weight because it is part of our suggestion, and only measures the difficulty for the company to shift its current brand's positioning, (b) competition with 15% have a current intensity of competition affect MVP's initial survival and later developments negatively, (c)

distinctive competences is 25% of the company will need competitive advantages to enter and survive in the market during its iterative MVP improvement process in the short term, (d) niche market segment is 15% this criteria measure likelihood of finding an unexplored niche market inside the segment, which is the central theme of the solution, and (e) niche marketing adherence has 30% of this criteria measures if the company's ability to apply niche marketing to the brand customers. For the forth step, there is not an specific minimum value, because the alternative that will win is the one with the highest value. However, the rating scale is from one to ten. The fifth step, consists of an evaluation of the three alternatives. The result of the assessment is presented above (Table 15).

Table 15

Assessment of Alternative

	Current positioning 15%	Competition 15%	Distinctive competences 25%	Niche market segments 15%	Niche marketing adherence 30%	Total
White Label	6	4	5	4	5	4.85
Alpaca Basics	7	6	8	5	8	7.1
Norgäte	5	8	7	7	4	5.95

Note. Score 10 is considering the best and 1 the worst.

Adapted from "A strategic decision-making tool to evaluate decision alternatives," by C.A. Enz, and G. Thompson, 2013, *Cornell Hospitality Tools*, 4, p. 8.

In this case Alpaca Basics is the most suitable line for Peruvian Traditions to for a niche market strategy in the Netherlands with a score of 7.1. In second place is Norgäte, and in third pace, White Label. Related to current positioning even though all the garments of Peruvian Traditions are characterized by following a trend of sustainability and quality. In the Netherlands, the slow fashion is gaining attraction, this trend takes into account the factors mentioned before and adds an affordable price, so Alpaca Basics would get closer to this trend. In addition, that the company, already had a line of products that fit these characteristics. For competition, even White Label is in the middle because it faces fierce

competition in the value segment where the big players dominate, the barriers to entering this segment are not high and it is not difficult to generate strategies and to deal with the hesitation of customers in online shopping. Distinctive competences as illustrated by competitive advantages, White Label suffers from the company's inability to tightly control its supply chain, and Norgäte suffers from mediocre reputation, while Alpaca Basics benefits from being the company's best-selling products. Niche market segment, specific market demand is more likely to be found in high-end segments than low-end segments, where cost leadership matters more, that's why Alpaca Basics is in the middle again. Niche marketing adherence, feasibility-wise, it will be difficult for the company to understand and follow the fashion trend which often uses high-technology and different mix of materials, White Label, would experience a handicap of low price point limiting the profitability's. Given these effects, the OMT decision matrix indicate clearly that Alpaca Basics is. It benefits from a strong current performance, favorable market trends, and being the most feasible option for Peruvian Traditions to follow. At the moment, the condition of White Label and Norgäte are not nearly as favorable in the Netherlands. Thus, it is the most reasonable for the company to proceed with the intent of launching a new mid-market brand.

Positioning. As stated in the key problem statement section Chapter II, the company is "stuck in the middle" because its existing two brands are positioned too close to each other (Figure 23). As a result, the company did not effectively cover different market segments, and has been troubled by a lack of competitive advantages for both products. Now, the idea is to create a clear positioning for each two brands, by split their products in three product lines: White Label, Norgäte and Alpaca Basics (Figure 24). Each of them should occupy a distinct segment and a clear position in the market. After, segmentation and targeting it was established that Peruvian Traditions should at first, focus their efforts on Alpaca Basics, which seems the most likely to succeed.

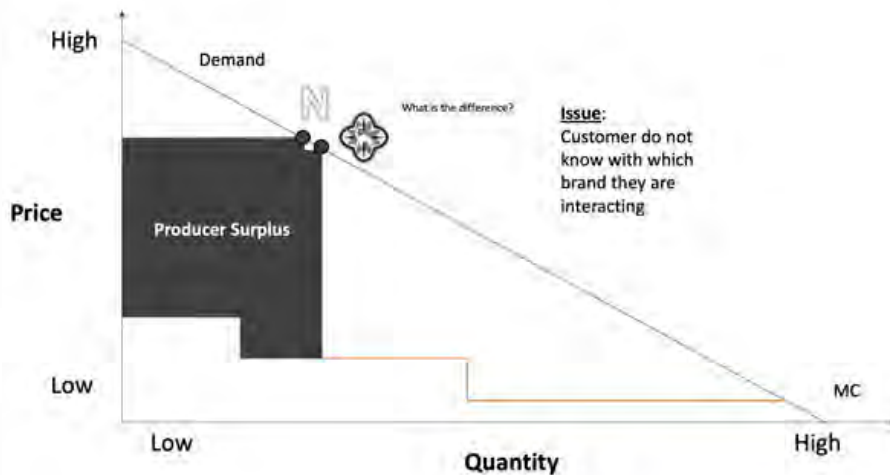


Figure 23. Current positioning of Peruvian Traditions.

Adapted from *Principles of microeconomics* (p. 320) by L. Rittenberg and T. D. Tregarthen, 2009, Boston, MA: Flat World Knowledge.

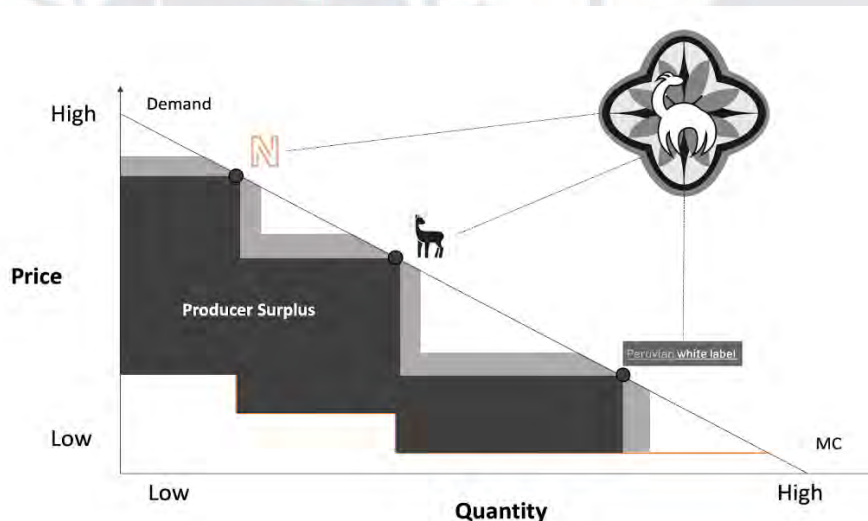


Figure 24. Future positioning of Peruvian Traditions.

Adapted from *Principles of microeconomics* (p. 320) by L. Rittenberg and T. D. Tregarthen, 2009, Boston, MA: Flat World Knowledge.

Clearly, a positioning statement for Alpaca Basics is needed to guide its product, price, promotion and place decisions (Iacobucci, 2014). For this, the global lean start-up framework it's going to be, the idea is that Peruvian Traditions will experiment and push out different new product to distributors and end customers, identify the best selling products, incorporate customer feedback and develop a comprehensive customer profile in the process. With these added information and data, Peruvian Traditions should be able to publish more

effective marketing campaigns, more appealing product mix and build up a loyal following. To achieve it Peruvian Traditions will need to develop a minimum viable products (MVP) a product that only contains critical features for the company to test their hypotheses on (Blank, 2013). That means even though the initial MVP should be a generalized product line, later MVPs should go through an iterative product development process, where it becomes more and more specialized for a niche market through Google Analytics website data, Google ADs campaign data. As the company gathers more and more of an established a consistent source of market intelligence, it should broaden its market appeal.

Considering the rising awareness for climate change and sustainability in the Netherlands, the mid-market segment targeting, and “attractiveness of traditional Andean techniques to the past customers,” the company stated during the interview (C. Cordero, personal communication, July, 2019). Peruvian Traditions should initially position its new mid-market brand Alpaca Basics as follows: “For image and price-conscious Dutch men and women, Alpaca Basics is the fashion brand that delivers quality, aesthetics and sustainability by sourcing and manufacturing through traditional and socially responsible workshops from South America.” (C. Cordero, personal communication, July, 2019).

6.3. Proposed solution

The proposed solution will be developed in the following order: (a) the company will select eligible products from existing brand Norgate which include product with conflicting positioning, these products will form the basis of a new brand Alpaca Basics; (b) the company will price and enter the Netherlands market with the new Alpaca Basics brand; (c) the company will design and launch two Google ads marketing campaigns, a consistent one which always runs for the conglomerate Peruvian Traditions brand, and an experimental one which runs periodically for the Alpaca Basics brand for the purpose of customer information gathering and subsequent product and marketing improvements; and (d) meanwhile, the

company will improve its website which is long due for a renovation. The overall purpose is for the company to find its niche market by continuous testing its product and marketing hypotheses, more details regarding the implementation activities will be entailed in the following chapter.

Alpaca Basics. The core of objective for Peruvian Traditions as of now, is to test the hypothesis that basic, durable, and customer-centric products such as sweaters, coats, beanies which are more desirable and high-potential choices of offering than its current premium brand Norgäte but more profitably than its current white-label brand, minimum ordering quantity and lead time will be both lowered for attracting end-customers. As such, we plan to launch a new brand called Alpaca Basics in Netherlands which has been identified as the most suitable market for Peruvian clothing exporters in Europe, that being said, all the initial offering of the Alpaca Basics will be migrated from Norgäte.

Communication strategy. As Peruvian Traditions is going to undergo changes in products, price, place and promotion in the next eight months and likely much longer, the company should consider what communication strategies it should adapt to effectively implementing changes internally, this is especially relevant because of the company's reliance on its suppliers and workshops. According to a case Klein (1996) a study of an engineering firm the management communication strategy should be divided into three stages: unfreezing, changing and refreezing (Table 16). In short, the company should adapt different communication tactics before, during and after the change.

Currently, the company management itself is not in need of internal communication strategy because the management is on board with the activities proposed for the company's expansion into the mid-market and because of the extreme compactness of the organizational structure. The company suppliers, who is the target of the communicate, is at the stage of Unfreezing since they are not yet been communicated with the proposed solutions. At the

Unfreezing stage, the company should explain and reassure its suppliers about the benefits of the proposed solutions and the resulting changes in ordering patterns and specifications through ensuring senior manager of each suppliers are aware and in support of upcoming changes, and making sure that information is trickled down to lower management level supervisors with a consistent message.

Table 16

Management Communication Strategies

	Unfreezing	Changing	Refreezing
Organizational objectives	<ul style="list-style-type: none"> Readying the organization for change. Challenging the status quo. Provision of rationale. 	<ul style="list-style-type: none"> Beginning the process. Developing momentum. Evaluating pilot efforts. 	<ul style="list-style-type: none"> Reinforcing the change. Shoring up weakness and correcting deficiencies. Marketing the changes demonstrably successful. Institutionalizing demonstrably. Broadening the change to all appropriate areas. Rewarding successes. Solidifying supporting monitoring organization structures.
Organizational activities	<ul style="list-style-type: none"> Planning the organizing for change. Assembling resources. Designing structure. Training personnel. Targeting change areas. Collecting baseline data Soliciting participants' input. 	<ul style="list-style-type: none"> Implementing change in selected areas. Monitoring impact of change. Modifying of fine tuning process as warranted. Extending change as warranted. 	
Communication needs	<ul style="list-style-type: none"> Explaining issues, needs, rationale. Identifying and explaining directives. Identifying and explaining first few steps. Reassuring people. Informing management cadre. 	<ul style="list-style-type: none"> Informing employees of progress. Getting input as to effect of the process. Developing sophisticated knowledge among all supervisory management personnel. Challenging misconceptions. Continual reassurance of employees. Delineating and clarifying role relationships and expectations. 	<ul style="list-style-type: none"> Publicizing the success of the change. Spreading the word to employees.

Note. Retrieved from "A management communication strategy for change," by S. M. Klein, 1996, *Journal of organizational change management*, 9, p. 37.

As Peruvian Traditions start to receive more orders for Alpaca Basics and its manufacturing patterns are in need of a change as production pattern fluctuates, the company

should move into Change stage. At this moment, it should prioritize communicating with suppliers becomes informing progresses, furthering understanding and knowledge of the senior managers and clearing misconceptions among them. The communication strategies then become delivering clear and consistent updated information to previously-informed personnel, and especially for senior managers of each suppliers who will be managing the job and role expectations of their subordinates.

Lastly, as the company establish a foothold in the Dutch market and the production pattern stabilizes, the communication strategy of suppliers enters the Refreezing stage, in which the emphasis is on publicizing and popularizing the success of the change among suppliers. In this stage, the company should rely on the senior managers of their suppliers to convey and reinforce the information to their subordinates. The main task of Peruvian Tradition would be making information more accessible and clear, especially on the impact of each personnel has played.

Chapter VII: Implementation Plan & Key Success Factors

We suggested an alternative focus on marketing, distribution channels and product development. The implementation plan will discuss detailed activities for Peruvian Traditions to follow and conduct the alternatives. The key success factors which are (a) forecasting, (b) buyer-seller relationships, (c) corporate social responsibility, and (d) supply chain, would be indicated to give supports for the company to notice the necessary elements they need to effectively implement the alternative.

7.1. Activities

In principal, we decided to focus on channel upgrading to maximize product exposure and increase its customer base. After the segmentation, targeting, and positioning (STP) process in Chapter VI, the Netherlands has been decided to be the targeted market for the first MVP of Alpaca Basics test location and the detailed customers' profile will be analyzed through the test. Therefore, further activities will be conducted in terms of the marketing mix which concentrating on product, place, price, and promotion. It is a tactical approach for promoting and delivering the best fit products for targeted customers (Baker, 2003).

The MVP test help the company improve the products properly based on feedbacks form the market and customers. The process applies to the new era of sustainable marketing mixing which encourages firms to transfer: (a) the product to customer solution, (b) price to customer price, (c) place to convenience, and (d) promotion to communication (Kumar et al., 2012). In other words, the solutions help Peruvian Traditions to target the customers they want more accurately in terms of the response from the MVP test. We will concentrate on digital marketing to help with the company to place the advertisement and select online distributors. The company should take the advantage of the digitalization to reduce the marketing cost while achieving expected brand awareness expansion. The activities assigned to each time period are listed in detail of the Gantt chart.

7.1.1. Product

In order for Alpaca Basics to be appealing to the end-customers, Peruvian Traditions needs to reduce its lead time by having an inventory, afford lower minimum ordering volume, and arrange logistics services. Specifically, the company need to launch the brand in several steps: (a) design a logo, identity for Alpaca Basics and incorporate the information into the company website; (b) identify the products within the Norgäte portfolio which corresponds to the high-quality, high-value image of Alpaca Basics; (c) produce new labels for relabeling the identified products from Norgäte to Alpaca Basics, which also includes the link to the brand website and social media page; and (d) create/find an inventory space for Alpaca Basics, which has pest control and an appropriate humidity level.

7.1.2. Place

Firstly, Peruvian Traditions should identify and negotiate with postal services to arrange international shipping services for customers worldwide. The locations are essential for the company to effectively launch the advertisement and reach targeted customers. A convenient logistic approach reduces unnecessary shipping cost and improve the customer satisfaction through a quick response (Baker, 2003). Peruvian Traditions has already had some contacts in Europe. The clients indicated in the interview that they have received positive feedback when promoting their White Label product in the Netherlands. The existed relationship could be a good addition for the company to find reliable postal services and serve customers on time (C. Cordero, personal communication, August, 2019). Alpaca Basics needs to reach an order quantity which can be a bargaining chip with logistic firms. The discount can be negotiated rationally. The buyers could also be the one to afford the shipping cost if they foresee a great economic potential of the Alpaca Basics and the idea of lean start-up.

Secondly, the placement of advertisement should be focus on the digital platform. The digitalization extends the ability of the firms to reach their targeted customers via internet and bring a higher profitability with a relatively low risk (Tuten & Solomon, 2017). The Google ads campaign will be conducted through Google search. Customers will be attracted through typing specific key words. Tuten and Solomon (2017) indicates four different zones for the firms to place the ads. The suggested zone for Peruvian Traditions is classified into the zone of social community as the Google provides paid ads service through the search engine. An increase influence impression is expected for Peruvian Traditions if they locate their promotion via the Google Search (Tuten & Solomon, 2017).

7.1.3 Price

The cost components should be rationally re-estimate as the introduction of the Alpaca Basics. The updated cost components should include new inventory, sales and logistics cost, reallocate overhead costs from Norgäte to form primary and secondary cost pools, individualize and update variable cost items such as inventoried yarns and completed products. The reconciliation of financial statements using activity-based accounting is not only necessary because it forms the basis for company to design a price structure, but more importantly, the re-estimated cost structure would give the company a clear overview of the profitability and potential discount that can be offered of the brand, which allow the company to engage in value-based pricing.

Additionally, Peruvian Tradition should use customer value-based pricing which requires to set the price through investigating demands and willingness-to-pay of customers (Hinterhuber & Liozu, 2012). The determining elements of the final price is to ask what is additional value the company can bring to the end-customers. The Google analyst extends the ability of the company to track geographic and demographic information that to assist Peruvian Traditions to know more about their customers and complete the customer buying

behavior profiles. Through examining the behaviors of customers, the company can decide a more target price for the products to fit the affordability of the customers they want. The value based pricing is considered to be a profitable approach for new products to attract potential customers and gain a customer loyalty that allows the products possess a long-term development (2012). The data from the Google Analyst provides the possibility for the company to gather customer preferences, price elasticity, willingness-to-pay, and size of market segments. The analysis should be conducted in terms of the data and develop a reasonable price that add values for both customers and corporates.

7.1.3 Promotion

In respect to the global lean start-up, our study suggests the hypothesis driven evaluation with Google Analytics and Google AdWords to fully exploit the agility of the company (Crutzen et al. 2012). Two campaigns will be run (Ledford et al. 2011). First, a basic campaign will continuously increase the traffic on the website of Peruvian tradition website independent of the sub brands (Hansan et al. 2009). Second, Peruvian tradition should use one campaign in order to experiment with new keywords and countries (Cutroni, 2010). The suggested campaign requires the following ten steps (Clifton, 2012).

Step 1. Connect AdWords and Analytics. To unlock the full potential of the advertisement campaign, Peruvian tradition should connect the Google AdWords campaign with the Google Analytics (Lendford, 2007). Further, the demographics should be unlocked, so that crucial information, such as demographics, about the website users is connected (Clifton, 2012). The demographics can include age, gender, or geographic destination (Hansan et al., 2009).

Step 2. Select a campaign name. To set up the base campaign, Peruvian tradition should select search network only as the campaign type (Ledford et al. 2011). Further, they should assign an appropriate name to their campaign (Clifton,2012). Looking on Google

trends can help to identify new market trends or keywords that can should be included into the experiential campaign (Plaza, 2011).

Step 3. Select a geographic region for the campaign. Since, Google AdWords allows to target specific geographic destinations, also with different with different keywords, this function should be exploited (Lendford, 2007). Doing so will result in more refined and higher quality results when potential users decide to click on an app (Hansan et al., 2009). With the AdWords campaign it is even possible to select whole countries, regions of countries, states or provinces, and even cities are possible. Hence, when going to one specific country or city the awareness can be boosted via this option beforehand (Crutzen, et al., 2012). In fact, it is also possible to set a radius of kilometers around your specific business location (Clifton, 2012). This can be a helpful tool before travelling to a certain region in Europe.

Step 4. Use the bid strategy and daily budget options. To define the strategy, one needs to allocate a desired daily budget. It is possible to set the bid manually, however especially for the base campaign it is useful to set a constant budget (Ledford et al., 2011). Using the manual bids is only an option if the owners of Peruvian tradition intent to gain higher control over the campaign in the long run (Clifton, 2012). The daily budget refers to the maximum amount that Peruvian tradition authorize Google to charge them every day (Plaza, 2011). Hence, this option should be used for the base campaign. One needs to acknowledge that it is very likely that the full budget is used almost every day. Even though, some business can even take advantage of Google's monthly invoicing credit (Clifton, 2012), we do not recommend doing that. When determining the daily budget, Peruvian tradition set a reasonable budget that they can afford for sure for the basic campaign. The experiential campaign should be adapted to the available budget (Hansan et al., 2009).

Step 5. Ad extensions. For the experimental campaign one can include ad extensions. These extensions operate in two ways (Cutroni, 2010). First, they help to provide improved visibility and at the same time it will add value by enhancing Peruvian Traditions click-through rate (CTR). To start such a campaign, we advise Peruvian Tradition to use the free Google AdSense call (Hansan et al., 2009).

Step 6. Create the ad. To create the first ad it is important to note that more people will usually click on adverts if the headline incorporates keywords that they typed into the search engine (Lendford, 2007). Hence, including the keywords into the headline is a key to create an effective advert campaign (Clifton, 2012). The headlines should be optimized with the keywords that are chosen for the campaign (Hansan et al., 2009). For example, Peruvian Tradition could include words such as sustainable or fair produced (Plaza, 2011). Peruvian traditions should check what keywords are searched in the context of Alpaca clothing to optimize the campaign (Figure 25).



Figure 25. Peruvian Traditions on Google.

Retrieved from “Peruvian Traditions” by Google, 2019

(<https://www.google.com/search?q=peruvian+traditions&oq=peruvian+traditions&aqs=chrome..69i57j69i60l3j35i39j0.4518j0j7&sourceid=chrome&ie=UTF-8>).

Step 7. Find and evaluate keywords. Obviously, Peruvian Tradition needs to do the necessary research in order to determine the right keywords for the advertising campaign (Cutroni, 2010). It is not recommendable to start with hundreds of keywords, but instead search terms that are most promising (Plaza, 2011). Instead, it is recommendable to start with several important keywords. If they work well, they should be included into the basic

campaign (Clifton, 2012). Peruvian tradition can use the experimental campaign to identify the right keywords.

Step 8. Finalize. Each keyword can hypothetically address a un unique market, but for starters it is recommendable to use the basic option (Lendford, 2007). If the budget Peruvian tradition wants to start with is low, it recommended to start with cheaper keywords that are narrowed down to specific groups (Plaza, 2011). Otherwise the marketing budget will be exhausted too quickly. Review the ad to check if the campaign results in the keywords you want (Cutroni, 2010). Finally, check if the daily budget is reasonable and set right (Hansan et al., 2009).

7.1.4. Promotion

The current state of the company website, although adequate, left something to be desired, there are handful of areas where the attractiveness can be improved, they are: (a) value proposition current website does not state clearly what is the company's advantage over its competitors, and it does not utilize testimonials or other forms of social proof to add credibility to company's value; (b) website navigation, the Norgäte website doesn't not currently has a link to the main company website, the company need to make the website cross-reference each other, and rearrange the tabs in the order of importance; (c) call to actions, the company website needs a highlighted contact method as its main, call to actions for customers, such as in-website chat function; (d) search engine optimization, the page titles of the company website do not generate satisfactory search report ranking for the company, the expression of the company website titles needs to be more precise and consistent; (e) readability, the company's font size on some of the sentences are too small and needs to be increased for better readability, it should also consider add additional languages in the future; (f) user behavior metrics, company is not currently utilizing its Google Analytics data, and it is not activated for Norgäte website, the utilization of customer behavioral data is critical for

the success of the website and testing out the hypothesized; and (g) reduce loading time, current page size of the company website is too big for a quick loading time, which discourages website traffic and increases bounce rate, image format of the website should be changed from png to jpeg.

7.2. Implementation Gantt Chart

As seen in Figure 26, the main activities discussed in Chapter VII and details the conducting time, responsibilities, and purpose-objectives after realizing the activities. The solution activities are suggested in terms of the marketing mix, which is from the perspective from product, place, price, and promotion. The implementation time may take approximately six months ending in April 2020. The MVP test should last eight months and adjust improvements through feedbacks from customers. The second round of the test should be designed follow the upgrading of the first round.

The highlighted parts are two activities Peruvian Traditions has conducted as suggested during the consulting is going on. The call to actions suggested the company to active online live chat on the website, which helps the company can quickly response with customers and discuss the requirements of customers. After the company began the online chat, they received three addition customers who want to talk about further business collaboration for the alpaca garments. The company also activated the user behavior metrics to gather and track the geographic and demographic information of the customers who click the marketing campaign of Peruvian Traditions.

The data in the future will help the company to know about the customers they should target and create customer profile for realizing more effective STP. The alpaca garments will finally be advertised on right customers and receive more positive responses. The price strategy will be differentiated across different products and sell a right price in terms of the willingness-to-pay of targeted customers if the company rationally utilizes the data and does

analysis accordingly. It's important to mention that we suggest to hire a marketing assistant to lead the marketing campaign and to maintain website.

Solution Activities	Purpose / Objectives	Responsible								
			9	10	11	12	1	2	3	4
Product: Launch plan										
Design a logo										
Identify the products within the Norgate portfolio	(a). Larger customer recovery (b). Increase producer surplus	Carlos President								
Produce new labels for relabeling (Norgate to Alpacabasics)										
Create/find an inventory space for Alpacabasics										
Place: Entry method for Netherlands										
Identify and negotiate with postal services	Reach targeted market	Claudia Import Manager								
Identify advertising channel										
Price: Pricing strategy										
Re-estimate cost components	(a). Accurate cost location (b). Maximum profit	Cesar Accountant								
Adjusting the price using customer behavior data										
Promotion 1: Ad Campaign										
Connect and AdWords and analytics										
Select a campaign name	(a). Increase the traffic on the website (b). Experiment with new keywords and countries	Hire a Marketing Assistant								
Select a geographic region for the campaign										
Use the "Bid Strategy" and "Daily Budget" options										
Ad Extensions										
Create the Ad										
Find and evaluate keywords										
Promotion 2: Website										
Value proposition	(a). Attract more customers (b). Increase brand awareness	Hire a Marketing Assistant								
Website navigation										
Call to actions	(c). Improve advertising efficiency									
Search engine optimization										
Readability										
Activate user behavior metrics										
Reduce loading time										

Figure 26. Gantt diagram for Alpaca Basics.

7.3. Key Success Factors

7.3.1 Enablers

The enablers which are: (a) digital marketing know-how, (b) buyer-seller relationships, (c) forecasting, (d) supply chain, and (e) corporate social responsibility would be indicated to give supports for the company to notice the necessary elements they need to effectively implement the alternative. The enablers are essential for Peruvian Traditions to apply the suggestions mentioned previously. The company will have a sustainable development when considering and implementing positive factors that support the business in a long term.

Digital marketing know-how. The digitalization enables small businesses to promote and sell their all over the world via digital platform. The digital marketing becomes one of the most cost-efficient methods for small companies to attract customers they want and obtain a detailed customer profiles through internet technology (Rodgers & Thorson, 2017). Therefore, Peruvian Traditions should develop their digital marketing know-how to successfully conduct the marketing plan suggested in Chapter VI and VII. Firstly, to get a fully understanding of functions for the Google Analyst, which is a tool helps the company to know basic customer behaviors. The geographic information can be tracked and decides where is the highest click rates for the marketing campaign. Through knowing where the potential customers are from, the company can design a more effective advertising in terms of the customers' preferences. The company should also learn more effective features and operation knowledge for a practical website management. The website should be upgraded as the trends of technology that helps the company to attract more customers.

Buyer-seller relationship. Because of retailer's preference of accurate demand forecast and short lead time, they request shorter supply chains, precise quantity and specifications, relationship management becomes a key success factor in the sector. As the apparel market is a buyer-seller, the demand is filled through information travelling upstream from customers, this information sharing process is the key of buyer-seller relationship, the activities for building such relationship include assortment planning, sourcing, inventory management, packaging and distribution. The end goal is more rapid delivery, mass customization, efficient inventory management, or in summary, optimize resource management (Mashkoor, 2012).

Forecasting. The ability to accurately forecast customer demand is a key success factor in the apparel industry because the profile of the fashion customers is marked by dynamic and modern, it tastes for fashion can easily change as they are exposed to new

psychographic influences, which transfers into overstock or out-of-stock, then a wastage of inventory for the fashion retailers and distributors (Mashkoo, 2012). The forecasting is also important because of the complexity, as forecasters can make errors on a range of the perimeters such as quantity, style or design, color and size. More practically, a successful forecast is also dependent upon an accurate understanding, incentive alignment and availability of the data.

Supply chain management. Supply chain concept is closely related to value chain concept, where value is transmitted through steps in the value chain structure. There are four critical supply chain competencies in the supply chain management (SCM) process, they are: supply, information, demand, and product. Supply concerns the management of supply chain and its ability to react to unanticipated changes. Information concerns sales and operation planning, performance management and subsequent controls. Demand concerns service management, forecasting and answering demands. Product concerns management of the product lifecycle, such as product launch and development (Mashkoo, 2012).

Corporate social responsibility (CSR). Corporate social responsibility has gained prominence as one of the key success factors in clothing industry because the environmental and social awareness of the newer generation has reached a critical mass. Nevertheless, the benefits of CSR go beyond satisfying young customer demands, its benefits also include improving public image, raise employee satisfaction, stay ahead of the legislation (Mashkoo, 2012). Ethical responsibility is especially relevant to the clothing market, as there have been past cases of working condition issues such as child labor, minimum wage labor, unreasonable overtime, and health and safety incidents. These ethical problems arise particularly with the popularity of fast fashion, where customers demand frequent update of clothes in large volumes.

7.3.2 Risks

Five risks will be discussed for Peruvian Traditions to consider and avoid when implement the MVP solution and further activities. The risks are from the process when the company conduct website management and digital marketing as suggested solutions: (a) brand identification, (b) inventory management, (c) delivery of the promotion message, (d) human resource management, and (e) logistic uncertainties. The risks should be carefully analyzed and avoided in the early stage of implementing the solution proposed to reduce the economic loss in the future.

Brand identification. The proposed solution indicates that a new product should be introduced to realize the MVP test. In a result, the company will end with three different products: Norgäte that focus on luxury branding and Alpaca Basics that focus on mid-market with an MVP test methodology, and White Label that focus on wholesales aiming at high volume with a low cost. The brand image will be a mixed apparel business that is doing everything but without a concentration if the company cannot clarify what values they can provide to its customers. The professionalism would be questioned by customers: can the company effectively manage the totally different three products with limited company size and labor? The risk is clear that the company will be difficult to receive trust from customers. The values of doing the three products should be clarified to customers logically to indicate the three products are under Peruvian Traditions. The different products lines do not mean different brandings.

Inventory management. A small inventory location should be established for the new product Alpaca Basics which intends to reach more customers in the mid-market with reasonable volume ensured. The inventory is necessary to guarantee a quick response for the company to deliver the products on time. However, the company mentioned in the interview that they do not want to keep an inventory because the lack of knowledge of inventory

management and capital limitation. The consideration is correct as the inventory management will be a new expense for the company which is now consisted of three people. It means the company should either hire a new employee to in charge with the inventory or add responsibility for existed employees. Every employee now has a relatively heavy workload. It is a risk that they do not have enough resource to operate the storage. If the inventory cannot be sold, the company will afford an economic loss that could be a damage for the small business that at an early developing stage. However, the inventory supports the company possesses a sustainable development from a perspective of a long-term consideration.

Delivery of the promotion message. The ads campaign aims at creating the most influential content key words to find and target customer the company wants. The method requires a high standard of the message delivery that ensures customers can receive and understand the content as the company wants (Baker, 2012). The keyword should not be too general to reduce the possibility of customers to find the information of Peruvian Traditions. The content would be translated into different understanding and decrease the efficiency of the promotion. The risk should always be considered so that the company needs to have a sufficient knowledge of the customer behaviors and know what kinds of words a great attractiveness for the customers should be. The risk would be reduced as the ads campaign goes on. The company should change the key message they want their target customers to know. The content also decides what kinds of customers will be their future partners.

Human resource management. Inefficient human resource management will bring a possibility of failure for a small cooperation like Peruvian Traditions. The proposed solution advises the company to hire a new employee to manage the digital marketing sector. However, the company should make more efforts and invest more capital to find the new addition for the company (Park & Gretzel, 2007). To manage the employee also become a company structure upgrading problems. If the company choose a current employee to deal

with the ads campaign and website management, the training is necessary for them to improve the technology know-how to complete the activities technically. The training brings the risk for unexpected pressure for the employee as the larger workload. The learning ability varies from people to people which means capital allocation is changeableness for the training.

Logistic uncertainties. The uncertainties when the company delivers their products to the end customers cannot be ignored. A reliable and stable logistic system support the company to operate smoothly and sustainably (Park & Gretzel, 2007). Peruvian Traditions currently do not have a dedicated partner logistic company to ensure the safety and quality of their shipping. The alpaca garments have the possibility to be damaged during the shipping which becomes a shared risk both for Peruvian Traditions and end-customers. It will impact the relationships between customers and the company that no one wants to afford the risk without reasonable guarantee. The delivery time could be another uncertainty for delivering alpaca garments. A long-term collaboration with a specific logistic company would reduce the concerns of time delay and alpaca garments damage.

Chapter VIII: Expected Outcomes

8.1. Forecasting

Currently Peruvian Tradition has two different ways to acquire new customers. They either go to fairs and try to convince customers to buy their products, or they contact the potential customers that send them an inquiry. Because the number of cold calls and direct customer contact is limited by the available man-power, we will focus on improving to gain additional customer inquiries via the online channel. According to the founders, the online channel is of the highest importance for them, since it potential clients commit their interest and less persuasion is needed to create an actual sale. About 85% of the sales first contact is initiated via the online channel (C. Cordero, personal communication, August, 2019). In fact, the number of clients of this online channel is easier to influence and depends mainly on three factors: (a) website visits, (b) website conversion rate, and (c) sales conversion rate.

$$\text{Number of online Clients} = (a) \text{ Website Visits} * (b) \text{ Website Conversion Rate} * (c) \text{ Sales Conversion Rate}$$

The website visits, as its name says, include the entry to it, and may come from new users or Peruvian Traditions customers. The website conversion rate, entails a user interaction with the page, for that matter applies a user request to Peruvian Traditions either for a quote or for more detailed information. Finally, the sales conversion rate is given after the quotation, that is, with the generation and purchase of an order. In order to get the number of online clients, each of them must be multiplied. The relationship between each other can be understand by the sales funnel. Basically, the sales funnel explains the process through which a customer passes from the first contact with the company until he decides to make the purchase, emphasizing each of the stages (Järvinen & Taiminen, 2016). In the same way it happens with the three aforementioned indicators, which would come the stages of Peruvian

Traditions online clients. Hence, the best improvement will be achieved by equally improving individual terms because at the end the final result is a consequence of the previous one.

8.2. Improvements

The first and most important step will be to increase website visits. Therefore, Peruvian Tradition must run a Google AdWords campaign. This will result in new traffic on the website since normal search the website is currently hardly visible for potential clients. Using the paid search, we suggest allocating a budget of \$1 to \$5 per day. According to our Google estimation, we will be able to easily quadruple the daily traffic on the website. Currently, the website has about four visits (exactly 3.8) per day based on the average of the last 90 days). Using the paid campaign Peruvian tradition will be able to significantly boost website traffic (Figure 27).

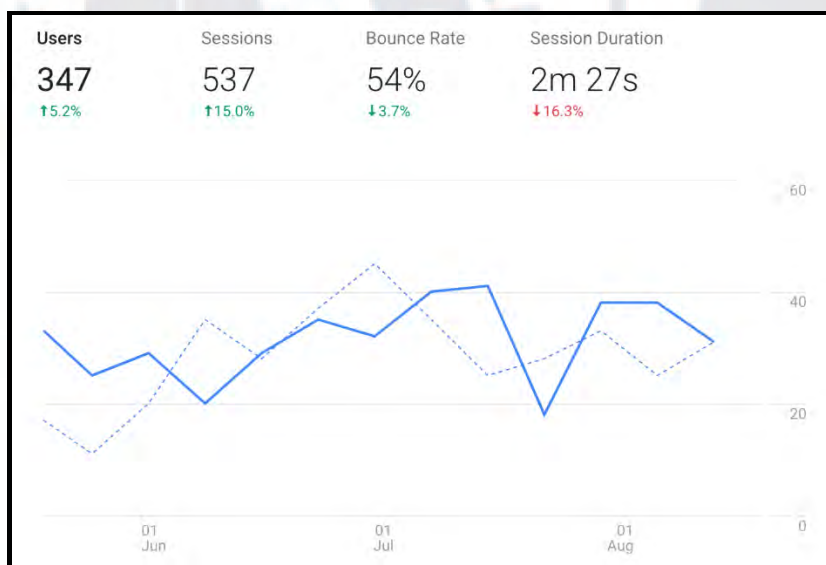


Figure 27. Google Analytics in the past 90 days.

Retrieved from *Peruvian Traditions account* by Google Analytics, 2019, Lima, Peru: Author

Further, in order to improve the number of website visits, we suggest actions to enhance the website itself. Currently, the website loads rather slow and needs technical enhancements to improve the traffic. Therefore, the SEOptimer has been utilized to examine the effectiveness of the two websites of Peruvian Traditions, which investigates the website

from five key elements: (a) SEO score, (b) usability, (c) performance, (d) social, and (e) security. The SEO score will audit the level of website's productiveness in terms of HTML header, body content and links. The usability indicates the level of usability across devices such as cellphones with IOS or Android systems, tablet computers, or desktops. It should be checked through the use of mobile viewpoint that to look if the size of the content of the website is proper and easy to access. The flash used will also be examined to check if the customers need to use it and if it need to be adapted smoothly on mobile devices and search engines (SEOptimer, 2019a).

The website performance is analyzed to guarantee targeted customers will gain a favorable user experience with a low bounce rate. The page speed info is one of the most important components to check if the website can quickly respond to customers though testing the processing time for the server response, all page content loaded, and all page script complete. In fact, we already suggested a reduction in the picture size, which already results in a reduced bounce rate. The page size info will also be tested to show if the website page is under 5MB in total file size in order to provide an excellent user experience. The number of resources is also a necessary part to check if the loading time is efficient by limiting the number of files received from web servers. The social results will indicate the level of social activity of the website to utilize social media to communicate with customers and improve brand awareness. Thus, the SEOptimer will check if the website has a connection with Facebook, Twitter, Instagram, YouTube, LinkedIn and other social shares. The security will be looked into to reveal if the website protects the user data and privacy. Finally, a total score will be given to show to what extent the company needs to optimize the website capability and then increase the conversion rate (SEOptimer, 2019a).

As seen in Figure 28, the general audit report of peruviantraditions.com.pe. The score for this website is C+ which indicates a large space for the company to improve, especially

increase its usability (D), social connections (D), and performance (C). The SEO (B+) and security (A) performs effectively for the website. The same audit process was done for Norgäte (Figure 29). The score for this website is C which means the general performance is below the average, especially the part of its usability (D), social connections (F-), and performance (C). The SEO (B-) and security (A) performs checked to be effective but still needs some improvements. Clearly discuss the improvements for Peruvian Traditions should do in terms of (a) SEO score, (b) usability, (c) performance, (d) social, and (e) security. The reports can help the company know more about the advantages and disadvantages of their websites. They also act as a practical standard for the company to follow and implement specific actions on the website in order to improve its usability. In fact, the report already makes specific suggestions that can be followed in order to achieve the proposed solution.

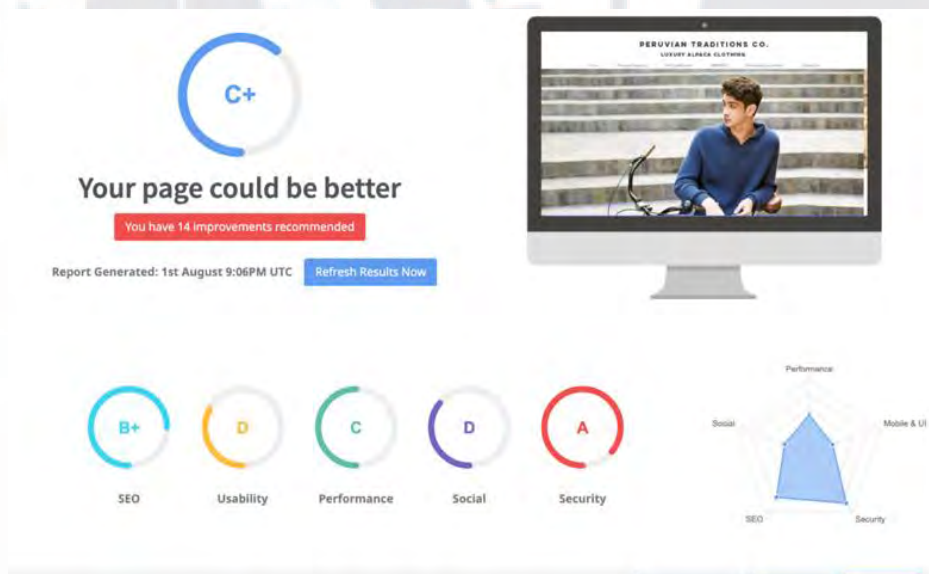


Figure 28. Audit report of Peruvian Traditions. Retrieved from "Audit website Peruvian Traditions," by SEOptimer, 2019b (<https://www.seoptimer.com/www.peruviantraditions.com.pe>).

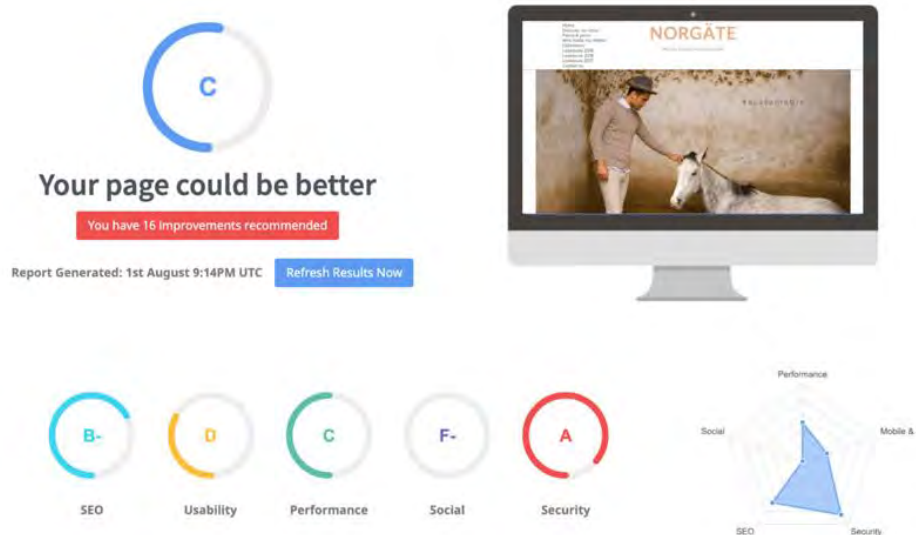


Figure 29. Audit report Norgate.
Retrieved from “Audit website Peruvian Traditions,” by SEOptimer, 2019c
(<https://www.seoptimer.com/www.norgate.com.pe>).

Second, we will improve the website conversion rate. In the case of Peruvian Traditions, a website conversion would be that a potential client fills out an online contact form, sends an e-mail, or makes a call. To improve the conversion, the process of doing so should be as easy as possible. Ways to reduce the barriers would be, for example, to implement an easy contact method. We suggested the implementation of a live chat, applying it Peruvian Tradition already increased the conversion of a week’s traffic, from one contact to three contacts for one week. The conversion rate, therewith, was $(1/28)$ or 3.57%, taking in mind that there are four visits per day, which mean twenty-eight visits per week. Now, with the live chat the increase is $(3/28)$ or 10.71%. Hence, using this simple method we tripled the conversion rate. Using these free plugins helped to decrease the “barrier to contact” significantly (Figure 30). We further suggest to implement new methods such as direct purchases in the form of an online shop with direct payments via PayPal. This will further increase the “ease of doing business” of Peruvian Tradition.

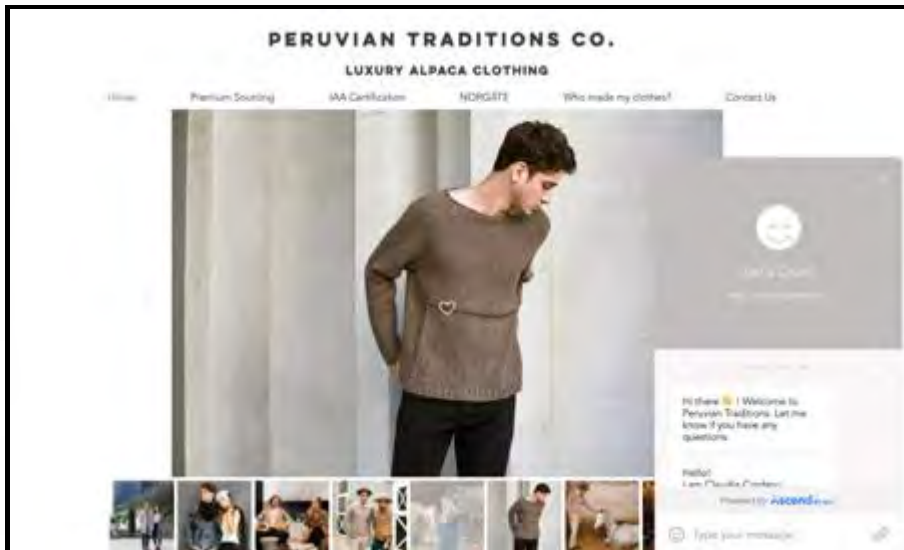


Figure 30. Peruvian Tradition chat field on website.
Retrieved from “Home,” by Peruvian Traditions, 2019
(<https://www.peruviantraditions.com.pe/>).

This brings us to the last step, sales conversion rate. According to Peruvian Tradition, an estimate of 20% - 30% of the converted contacts will lead to a final sale (C. Cordero, personal communication, August, 2019). Reasons, that customers pursue other opportunities can be as various, such as pricing, time to delivery, or simply not perusing the order because of time reasons. Since it takes the customer's time to initiate the production process, we suggest that customers can pursue the actual order including the order of a sample, online via a shop system with automatic payment. This will make it extremely easy for customers to place the first order as well as reordering the products. In addition to this, we highly recommend optimizing the actual product line for different customer needs. Consequently, more customers will be able to find what they were looking for in the first place. With these methods, we are confident to improve to sales conversion rate from 30% to 50%. In fact, an attached feedback form in the automated online shop can improve Peruvian Traditions' understanding of the clients. This will enable them to offer the product the clients want and therefore, it will increase the sales conversion.

Finally, a comparison between the previous and the future status of Peruvian Tradition is done, clarifying that the results are the sum of a year (Table 17). Previously, Peruvian Traditions has an average of 4 visits per day, which means 1,460 per year. An increment of 12 per day is proposed, it means 4,380 per year. The website conversion rate was (1/28) or 3.57%, taking into account that the contact increase from 1 to 3, but the visits also increase the conversion rate will be (3/84) or 3.57%. The sales conversion rate was in average 25%, a conversion rate of 40% can be achieved, following the details mention before. Following the formula of online clients, 63 online clients can be obtain versus the 13 they had. For the online revenues year 2018 is take as reference, Peruvian Tradition had a bad year with only 154,060 PEN in sales, taking into account that 85% comes from the online channel, the online sales were 130,951 PEN. In theory, it makes an average of 10,046 sales per client, using this average as reference the online sales will be 628,565 PEN. The improvement seems significant, however, it's important to mention that this numbers are based on a budget of expending \$5 per day in Ads, so the results obtained will certainly vary according to how much the company is willing to invest in this campaign. To add, it's important to highlight again that each indicator is a consequence of the other, so the increase of each of them will give the final result.

Table 17

Online Sales

Variable	Previous	New
Website Visits	1,460	4,380
Website Conversion	3.57%	3.57%
Sales Conversion	25%	40%
Online clients	13.04	62.57
Online revenue	130,951 PEN	628,565 PEN

8.3. Scenario Analysis

As seen in Table 18, scenario analysis presents a good way for visualizing the result of implementation under different circumstances, the expected solution outcome is divided into Pessimistic, Neutral and Optimistic. The factors that change between the three scenarios are: (a) website visits, (b) website conversion rate, and (c) sales conversion rate. The value of online sales results from a number of online sales generate times the average sales per client in the past. The cost indicated the cost for online sales generated, are divided in fixed and variable. The variable cost includes 70% of the online sales, because the other 30% are part of the profit margin. The fixed cost includes the website improvements, the salary of the marketing assistant and the Google Ads. The return of investment is express in terms of cost and online sales. In figure 31, the website visits and the return on investment can be seen clearly.

What is important to note is that the negative return on investment in the year 2018 resulted from founder's salary of \$ 24,000 (opportunity cost), this fixed cost is included because the company has an incomplete account of overhead cost and for the implementation, it has to hire a marketing coordinator, thus this cost represents the employee salary costs. Nonetheless, the solution presents a significant improvement in return on investment (ROI) and net profits. The number of online sales per year should increase from 13.0 clients to 62.6 clients under the neutral scenario. The biggest uncertainty in this analysis is regarding the sales conversion rate because in the past, most of the clients find rather than being fed information about alpaca clothing, only time will tell if the sales conversion rate follows our estimation due to reduced motivation and hesitation. In the case of the website conversation rate, we are convinced that it can be increased easily, so probably in a medium term it will grow up, however, we don't have a clear growth trend for now.

Table 18

Scenario Analysis

Scenarios	Website visits	Website conversion rate	Sales conversion rate	Online clients	Average sales per client	Online sales	Cost	Return on Investment
Before Implementation	1,460	3.57%	25.0%	13.0	10,046	130,951.0	168,140.7	-22%
Scenario 1 (Pessimistic)	2,920	3.57%	32.5%	33.9	10,046	340,472.6	332,857.6	2%
Scenario 2 (Neutral)	4,380	3.57%	40.0%	62.6	10,046	628,564.8	463,696.8	36%
Scenario 3 (Optimistic)	5,840	3.57%	47.5%	99.1	10,046	995,227.6	696,659.3	43%

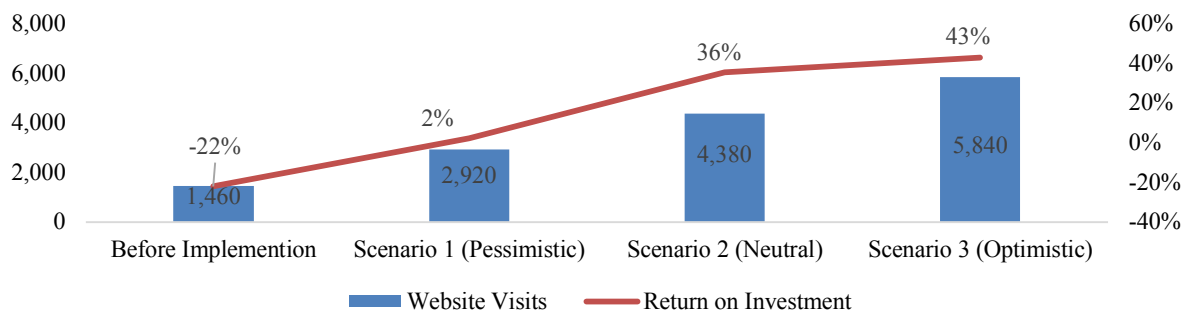


Figure 31. Website visits and return on investment.

Adapted from *Database* (excel internal document), by Peruvian Traditions, 2019d, Lima, Peru: Author

8.4. Expected Outcomes

In the short term, Peruvian Traditions should be able to gain more website visits by creating a more user-friendly and informative website browsing experience, the new call-to-action along with new Google AD campaigns should be able to increase awareness of the brand and attract potential customers who are interested in buying quality alpaca clothing. The combination of these two factors will grant Peruvian Traditions more enquiries from clients and result in more sales, much of the new clients should come from the Netherlands since that is where the experimental Ads are targeting. The sales in the Netherlands mean the company will have a distribution channel in and access to the rest of Europe through the free movement of goods. Peruvian Traditions value chain upgrading effort should be concentrated on improving its products through customer feedback and behavior data.

In the medium term, with customer data and continuously readjusted advertisements, Peruvian Traditions could identify a suitable niche market segment in the Netherlands, which would then become the focus of the Alpaca Basics brand, the brand will be repositioned and product line expanded. At this stage, Peruvian Traditions should enjoy more sales and a stronger presence in physical Dutch stores possibly by entering into online clothing platforms, which allows it to establish contacts and logistics channel in Netherlands, and

selling to end-customers directly from its online website. The value chain upgrading effort should now concentrate on improving the efficiency of the business process to exploit growth and economy of scales.

In the long term, after the company develop a strong presence in the identified Dutch mid-market fashion segment, it can enter other European market and establish a physical presence. The production capacity and human resources at this point will be expanded to accommodate the extra demands, at this stage, Peruvian Traditions can start to identify niche markets and reposition the other two brands using the lean startup method. At this stage, the place Peruvian Traditions occupy within the value chain should be expanded down streams in the value chain. Peruvian Traditions should then upgrade its role in the value chain to an Original brand manufacturing (OBM) in the value chain, where its focus is on creating value through branding and distributions.

Chapter IX: Conclusions and Recommendations

9.1. Conclusions

The consulting project start analyzing the external environment in which Peruvian Traditions is located taking into account Peru and the markets of interest of the company, basically European countries. After that, an internal environment was done to evaluate the competitiveness of the company. The SWOT has been generated for a better understanding of the company's strength, weakness, opportunity, and threats in doing the business related to alpaca garments exporting. The key problem of the company is identified through an examination of three Ps—people, product, and process, which is recognized to be a strategic positioning problem. The company should know more about the market and customers to adjust their products accordingly.

The alternatives for solving the problem has been investigated from the perspectives from marketing strategies, international entrepreneurship, competitive advantages, and value creation, supported by a lean start-up framework. To solve the problem an upgrading of the value chain based on product, channel, and process is proposed. To follow it the company should focus on one of the three strategies to generate competitive advantage: differentiation, cost leadership, and focus. Each of them are linked to the three product lines proposed: Norgäte, White Label and Alpaca Basics. Using, the segmentation, targeting and positioning strategy the right product mix is going to be find. After a geographic segmentation, the Netherlands was chosen as the ideal market of Peruvian Traditions taking into account the following criteria: apparent consumption, origin advantage, import penetration, market similarity, tariff barrier, and non-tariff barrier. In the targeting step, a middle market was found as the most suitable, by this Alpaca Basics was the best option. The positioning step, is based on the lean start-up methodology which is focus on finding the right product based on customer feedback.

A marketing campaign based on the 4P: product, place, price, and promotion should be done for Alpaca Basics. The product phase includes the design of a logo for Alpaca Basics, identifying the products, producing new labels, and finding a space for inventory. Place include negotiation with postal services and identifying and advertising channel. Price will include a re-estimation of the cost components and should be based on customer behavior. Finally, promotion will be done by the website of Peruvian Traditions, however, an upgrading of this one will be needed as well as and, Ad campaign, based on Google Ads.

The expected outcome, comes from the economic benefits of the solution based on extra website visits, website conversion rate and sales conversion rate with the value of online sales and return on investment being the main performance indicator. Moreover, three scenarios have been considered for the purpose of profitability evaluation, the results have shown the attractiveness and ease of the website and the ability to convince interested website viewer can drastically improve the profitability of Peruvian Traditions, the former part depends upon the improved marketing of the company, while the latter depends on the improved product and process aspect of the company. By this, and based on a neutral perspective Peruvian Traditions visits will increase from 1,460 to 4,380. In terms of customers from 13 to 63, and finally a return of invest, based on sales of 36%. Here, is important to highlight that the 85% of the sales of the company come from the website, that's why is so important to promote Alpaca Basics thought this channel.

9.2. Recommendations

Recommendation 1. Social media marketing is closely related to digital marketing, although it is not included in the proposed solution due to limited human resources at the moment, social media marketing method such as influencers, along with mobile marketing is gaining more attention and proving itself to be an effective way of improving customer loyalty, increasing retention, and attracting young generations. The social media accounts of

Peruvian Traditions are currently under-utilized and lacking contents, it is unlikely to introduce many customers to the website. After the company has hired a marketing coordinator and work on website improvement finishes, the work on social media marketing should begin.

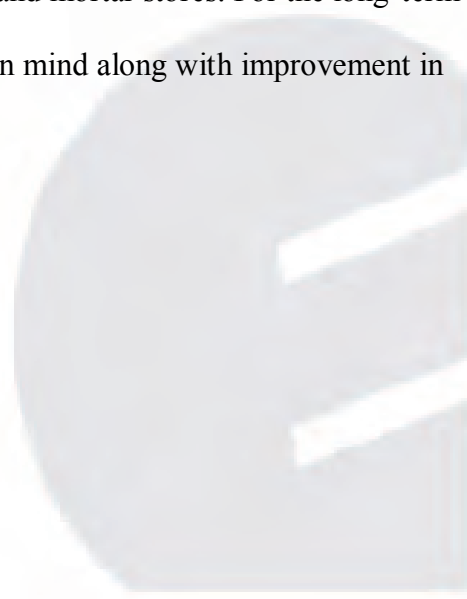
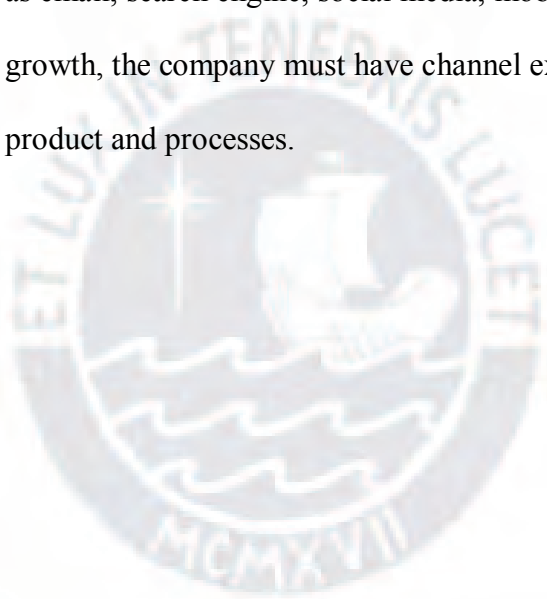
Recommendation 2. B2C. Business-to-Consumer (B2C) is something Peruvian Traditions should consider because the company's reliance on digital marketing and for the purpose of developing a customer profile. By selling to customers directly, Peruvian Traditions can develop a relationship with end-customers, benefiting from word-of-mouth (WOM) marketing more effectively, acquire direct feedback from product users, and lower the barrier to purchase. In addition, B2C model suits niche marketing better, as it is targeting a small segment of customers who should be willing to pay more for items of their specification.

Recommendation 3. Record-keeping and accounting. Peruvian Traditions at present lack precise and complete record of cost and sales. For example, although the company has all the sales recorded, but it is kept in separate tabs for different vendors, and there is no comprehensive overview for sales data and cost structure, or view things by location, price point, or clothing items. In addition, the sales data currently does not have dates recorded, it is thus very difficult to analyse the cost structure and sales. Naturally, it also means the accounting process are more time-consuming and challenging for the external reporting purposes. Thus, detailed and more organized record-keeping is needed, dates, product categories, and basic performance indicators should be included.

Recommendation 4. CRM and ERP. Relating to the last point, when a penetration and stable growth in the Netherlands market has been achieved, and the company has time to implement other changes, it should consider adapting a Customer Relationship Management (CRM) or Enterprise Resource Planning (ERP) software such as Salesforce or Scoro who

offers relatively inexpensive solutions for Small and Medium Enterprises (SMEs). Although the implementation process can be time-consuming, such software provides a comprehensive overview of sales and marketing situation at the company, and it may become necessary after the number of customers increases drastically as anticipated for our solution outcome.

Recommendation 5. Omni-channel. Multi-channel or omni-channel is often cited to be an important success factor for the clothing companies. Although the company can only afford to sell and market through its website digitally, it should expand to other channels such as email, search engine, social media, mobile, brick and mortar stores. For the long-term growth, the company must have channel expansion in mind along with improvement in product and processes.



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Appendices

Appendix A: Custom Design Services



Figure 32. Custom design services.

Retrieved from “Premium sourcing” by Peruvian Traditions, 2019b (<https://www.peruviantraditions.com.pe/premium-sourcing>).

Appendix B: Management Team Interview

Interview to Carlos Cordero

Product

(a) Why do you have so many different products in the portfolio?

"Because we want to expand into new markets without new products. We want to expand to either central Europe and China or both" (C. Cordero, personal communication, June, 2019).

(b) Why do you want to expand Europe or China?

"For Europe, we had some requests, and we believe that the clients there are willing to pay more. Also, we think that Chinese clients are willing to pay for the products. The market in the market in Peru is saturated with alpaca products" (C. Cordero, personal communication, June, 2019). It is not verified if Europe and China are the right markets. This assumption was not validated.

(c) Why are the clients in China and Europe willing to pay more?

"Because they value or sustainable manufacturing. We will also provide them with products that perfectly fit their needs. For example, with the Koi-Fish Pullover for the Chinese customers" (C. Cordero, personal communication, June, 2019). Again, it was not verified if it is the sustainability or just the fact that European clients do not have access to cheaper suppliers is the main reason for their purchase.

(d) Why do you believe that your products fulfill your client's needs?

"We are currently on a business fair in Europe to find new clients. We produce whatever they need" (C. Cordero, personal communication, June, 2019).

Business fairs could be used for validation.

Process

(e) Why does it take three months until the products are delivered?

"It takes quite long to process the invoices. Sometimes we produce a sample. We further also need to find a supplier for the products" (C. Cordero, personal communication, June, 2019).

(f) Why do you have to find a supplier?

"We have several suppliers we work with. These are our trusted suppliers" (C. Cordero, personal communication, June, 2019).

(g) Why do you work with several suppliers?

"Sometimes, they do not have capacity available. The delivery time also depends on the products, demanded, and order size. With more suppliers, we have higher flexibility" (C. Cordero, personal communication, June, 2019).

(h) Why do they not have the capacity available?

"The product availability depends on their production plan. Sometimes they have signed contracts with other customers that they need to supply first. We are essentially buying the overcapacity" (C. Cordero, personal communication, June, 2019).

(i) Why do you buy overcapacity?

"Because it is usually cheaper if you bring more time because the suppliers can keep the machines running" (C. Cordero, personal communication, June, 2019).

People

(j) Why do you not have time?

"There are a lot of things to do. I feel like there are several construction sites at the same time, that requires the human workforce" (C. Cordero, personal communication, June, 2019).

(k) Why are there are there a lot of things to do?

"We want to expand into the European market. My sister and I are the salespersons, and whenever we are abroad, we try to sell as much as we can" (C. Cordero, personal communication, June, 2019).

(l) Why are you and your sister the only salespeople?

"We are the core of the company, and we need to go abroad to keep the company running. However, at the moment always one of us has to stay here to organize the daily business" (C. Cordero, personal communication, June, 2019).

(m) Why does one person always need to stay?

"Because we have no one who could run the entire operation from here alone" (C. Cordero, personal communication, June, 2019).

(n) Why do you not have some who can do that for you?

"Good question. We definitely should have someone. I am currently working in someone who can do part of the operation for us. We just hired someone, but it is challenging to find qualified staff. Me and my sister, we both need to go abroad to close new contracts" (C. Cordero, personal communication, June, 2019).