

PONTIFICIA UNIVERSIDAD CATÓLICA DEL PERÚ

ESCUELA DE POSGRADO



Textile Industry Consulting Report

Case of CREDITEX S.A.A.

**TESIS PARA OBTENER EL GRADO DE MAGÍSTER EN ADMINISTRACIÓN DE
NEGOCIOS OTORGADO POR LA PONTIFICIA UNIVERSIDAD CATÓLICA DEL
PERÚ**

PRESENTADO POR

Janine Estela Ramos Alvarado

Sandra Radner

Asesor: Sandro Alberto Sánchez Paredes

Surco, September 2020

Acknowledgments

This thesis would not have been possible without the support and dedication of our colleagues and friends Mitch Thompson and Trista Yang. Also, we would like to recognize the support from our course advisor Sandro Sanchez and our thesis advisor Lisa Bunclark with their guidance and supervision during the whole process of this thesis development. Furthermore, we would also like to express gratitude to the organizers of the Global Business Studies program, who made a unique experience possible for us despite the COVID-19 pandemic. Through the great cooperation of CENTRUM Business School, University of Victoria and Johannes Kepler University we made new international lifetime friends from different countries and continents. Finally, we appreciate the support from Renzo Koch and Luis Negron, representatives from CREDITEX, who provide us with the necessary information for the elaboration of this document.

Dedications

To my parents for educating me as a good person and professional. Many thanks for your unconditional support, trust and for always being there for me. You are my strength and motivation to move forward and achieve each of my goals. Finishing this important stage in my professional career would not have been possible without you.

Janine Ramos

At this point I want to thank my family and friends who believed in me all these years. To study internationally in Peru is a dream that would not have been possible without their great help. I really appreciate this support and I would like to thank my mother, my grandparents and Sophia La Marca in particular for contributing so much to the person I am today.

Sandra Radner

Abstract

CREDITEX S.A.A. is a company dedicated to the manufacture and sale of yarns, fabrics and garments made with Pima and Tangüis cotton, to both national and international markets. The company is characterized by being vertically integrated, managing its operations in seven plants distributed along the Peruvian coast, thus achieving absolute control during the entire manufacturing process. CREDITEX belongs to the economic group Corporación Cervesur S.A.A., and employs around 1500 people, including operators and administrative staff, as well as a board of Executive Directors composed by six people.

In the last five years, the company has shown a decline in sales, which has been notably reflected in the financial statements, for instance, an EBITDA of PEN 12'370 miles was reached in 2018 and PEN 9'171 miles in 2019, indicating a decline of around 25%. This is mainly due to the increase in production costs and it has been possible to demonstrate during the analysis carried out in the present thesis that the costs of materials and labor have had a significant influence on this rise. Hence, the international demand has been reduced as customers have opted for other more economical options.

Under this scenario and the prompt need to solve the reduction in sales, it is proposed the strategy of product development for an existing market, which refers to the United States; with a focus on the category of sportswear targeting the premium segment, in addition to the implementation of the FairTrade or Made in Green seal in order to have an added value on the current products and justify their prices. Finally, it is proposed specific recommendations for CREDITEX to improve its internal processes and, consequently, sales and positioning in the local and international markets.

Resumen Ejecutivo

CREDITEX S.A.A. es una empresa dedicada a la manufactura y venta de hilados, tejidos y prendas de algodón tipo Pima y Tangüis; tanto al mercado nacional como internacional. La compañía se caracteriza por ser verticalmente integrada, maneja sus operaciones en siete plantas distribuidas a lo largo de la costa peruana, logrando así tener absoluto control durante todo el proceso de manufactura. CREDITEX pertenece al grupo económico Corporación Cervesur S.A.A., y emplea alrededor de 1500 personas, entre operarios y administrativos, así mismo cuenta con una junta de Directores Ejecutivos conformada por seis personas.

En los últimos cinco años, la empresa ha evidenciado reducción en las ventas, lo cual se ha reflejado notablemente en los estados financieros, por ejemplo, se reportó un EBITDA de 12'370 miles de soles en 2018 y 9'171 miles de soles en 2019, lo cual indica una caída de alrededor del 25%. Esto se debe principalmente al incremento en los costos de producción y se ha podido demostrar durante el análisis realizado en la presente tesis que los costos de materiales y mano de obra han tenido bastante influencia en este aumento. De modo que la demanda internacional se ha reducido ya que los clientes han optado por otras opciones más económicas.

Bajo este escenario, y la pronta necesidad de resolver la reducción en las ventas, se propone que la empresa opte por la estrategia de desarrollo de producto para un mercado existente, el cual refiere a Estados Unidos; con un enfoque hacia la categoría de ropa deportiva dirigida al segmento premium, además de la implementación del sello FairTrade o Made in Green a fin de tener un valor agregado sobre los productos y sustentar el precio actual. Finalmente, se proponen concretas recomendaciones a fin de que CREDITEX realice mejoras en sus procesos internos y, consecuentemente las ventas y posicionamiento en el mercado local e internacional tengan un mejor comportamiento.

Table of Contents

List of Tables	ix
List of Figures.....	x
Chapter I: General Situation of the Organization.....	11
1.1. Presentation of the Organization	11
1.1.1. History and milestones	11
1.1.2. Vision	12
1.1.3. Mission	12
1.1.4. Organizational philosophy and culture.....	13
1.1.5. Quality policy	13
1.1.6. Sustainability	14
1.2. Industry Analysis (Porter´s Five Forces)	15
1.2.1. Bargaining power of suppliers.....	16
1.2.2. Bargaining power of buyers	16
1.2.3. Threat of substitutes	18
1.2.4. Threat of new entrants	20
1.2.5. Rivalry among existing firms	22
1.3. External Analysis (PESTE) – Opportunities and Threats	25
1.3.1. Political (P).....	25
1.3.2. Economic (E).....	27
1.3.3. Social (S)	31
1.3.4. Technological (T)	33
1.3.5. Environmental (E)	35
1.3.6. Summary of Opportunities and Threats	36
1.4. Internal Analysis (AMOFHIT) – Strengths and Weaknesses	37
1.4.1. Administration and Management (A).....	37
1.4.2. Marketing and Sales (M).....	40
1.4.3. Operations and Logistics (O).....	44
1.4.4. Finance and Accounting (F)	47
1.4.5. Human Resources (H)	50
1.4.6. Information Systems and Communication (I)	51
1.4.7. Technology (T).....	52
1.4.8. Summary of Strengths and Weaknesses.....	53

1.5. Conclusions	54
Chapter II: Key Problem	55
2.1. Identified Problem.....	55
2.2. Substance of the Problem.....	58
2.3. Location of the Problem.....	59
2.4. Ownership of the Problem	60
2.5. Magnitude of the Problem.....	60
2.6. Time of the Problem.....	60
Chapter III: Literature Review	61
3.1. Literature Mapping.....	61
3.2. Literature Review	63
3.2.1. Growth Strategy.....	63
3.2.2. Marketing & Sales Strategy.....	67
3.2.3. Channel Communication Strategies	69
3.2.4. Organizational management	74
3.2.5. Sustainable practices	79
3.3. Conclusions	82
Chapter IV: Qualitative/Quantitative Analysis	83
4.1. Qualitative Analysis	83
4.2. Quantitative Analysis	86
4.3. Conclusions	89
Chapter V: Root-Cause Analysis of the Problem	90
5.1. Identified Causes	90
5.2. Main Causes of the Problem (Internal Causes).....	91
Chapter VI: Assessed Solution Alternatives.....	94
6.1. Alternatives to Solve the Problem.....	94
6.2. Assessment of Alternatives	95
Chapter VII: Proposed Solution.....	99
Chapter VIII: Implementation Plan & Key Success Factors	103
8.1. Activities	103
8.2. Implementation Gantt Chart.....	112
8.3. Key Success Factors.....	120
8.3.1. Enablers	120
8.3.2. Risks	121

Chapter IX: Expected Outcomes	122
9.1. Outcomes for solution one.....	122
9.2. Outcomes for solution two	125
9.3. Investment Plan	127
Chapter X: Conclusions and Recommendations	129
10.1. Conclusions	129
10.2. Recommendations	130
References	132
Appendices	145
Appendix A: Austrian Textile Expert Interview	145

List of Tables

Table 1	<i>National and international customers of CREDITEX per type of product</i>	17
Table 2	<i>Top 10 exporters countries of cotton knit garments</i>	22
Table 3	<i>Number of textile producers by size in the departments of Peru for the year 2014</i> ..	23
Table 4	<i>Market participation of Peruvian exporters of cotton textiles in 2018 - 2019</i>	24
Table 5	<i>Opportunities and threats</i>	36
Table 6	<i>Board of Directors</i>	38
Table 7	<i>Management team</i>	38
Table 8	<i>Main Peruvian exporters of cotton textiles in 2018 – 2019</i>	41
Table 9	<i>Net inventories structure</i>	47
Table 10	<i>Income statements 2015 - 2019</i>	48
Table 11	<i>Cost Structure and Break-even point</i>	49
Table 12	<i>Personnel employed and rotation</i>	51
Table 13	<i>Strengths and weaknesses</i>	53
Table 14	<i>Key indicators of importers countries</i>	85
Table 15	<i>Strategic decision matrix</i>	94
Table 16	<i>Gantt chart for solution one: Fairtrade</i>	113
Table 17	<i>Gantt chart for solution two: sport niche segment</i>	115
Table 18	<i>Gantt chart for the implementation of both solutions</i>	117
Table 19	<i>Demand estimation for sports garments in United States</i>	123
Table 20	<i>Expected revenues</i>	123
Table 21	<i>Cost sheet for sport garments</i>	124
Table 22	<i>Proposed investment plan for implementation of both solutions</i>	128

List of Figures

<i>Figure 1.</i> Sustainability CREDITEX.....	14
<i>Figure 2.</i> Five competitive forces that shape the strategy.....	15
<i>Figure 3.</i> Manufactured and natural textile fibers.....	19
<i>Figure 4.</i> Price fluctuations of cotton worldwide, perspectives for the period 2017 - 2026...20	
<i>Figure 5.</i> Leading cotton exporting countries worldwide.....	25
<i>Figure 6.</i> Peruvian GDP annual growth (%)......	28
<i>Figure 7.</i> Labor costs in the textile industry from 2000-2014.....	29
<i>Figure 8.</i> GDP Comparison.....	31
<i>Figure 9.</i> Peruvian R&D expenditure (% of GDP)......	34
<i>Figure 10.</i> Organizational structure.....	39
<i>Figure 11.</i> Input-Process-Output Diagram for CREDITEX S.A.A.....	46
<i>Figure 12.</i> Profitability ratios 2013 - 2019.....	50
<i>Figure 13.</i> Sales revenue Vs Manufacturing costs from 2014 - 2019.....	56
<i>Figure 14.</i> CREDITEX's export record US\$ FOB per region.....	59
<i>Figure 15.</i> Literature map.....	62
<i>Figure 16.</i> Ansoff matrix.....	63
<i>Figure 17.</i> Phases of a new product development.....	65
<i>Figure 18.</i> Customer expectations concerning fast and easy solution process.....	71
<i>Figure 19.</i> Transparency as key success factor in customer service.....	71
<i>Figure 20.</i> Most common online channels of B2B marketing.....	73
<i>Figure 21.</i> Facts about B2B.....	74
<i>Figure 22.</i> Root cause analysis of CREDITEX's problem.....	93
<i>Figure 23.</i> Results company homepage 1.....	105
<i>Figure 24.</i> Results company homepage 2.....	106
<i>Figure 25.</i> Results company homepage – Server Response.....	107
<i>Figure 26.</i> Requirements “Made in Green”.....	110
<i>Figure 27.</i> Where brands look for information.....	127

Chapter I: General Situation of the Organization

1.1. Presentation of the Organization

1.1.1. History and milestones

CREDITEX S.A.A. (hereafter referred to as CREDITEX) is a large Peruvian textile company with greater vertical integration based in Peru, dedicated to the manufacture and commercialization of fabrics, yarns and garments, using pima cotton as a main material. The company produces fabrics that no one in America can do, so they are called the “Italians of America” (R. Koch & L. Negron, Personal communication, June 25, 2020). Moreover, the products are developed under the "full package" modality (CREDITEX, 2020i), which is an advantage to control the quality in every stage of the production process, the same that goes from the harvest of the cotton, to the manufacturing of a wide variety of premium quality garments, those are commercialized in the international markets by prestigious brands such as: Tommy Bahama, Hanna Andersson, Hickey Freeman, Garnet Hill, Peter Millar, among others (CREDITEX, 2020e).

CREDITEX is the result of the merger by absorption of Textil Trujillo S.A. (Trutex S.A.) by Compañía de Representaciones y Distribuciones S.A. (Credisa) in 1998. The company belongs to the economic group Corporación Cervesur S.A.A. and holds a majority share of 99.99% capital stock of Texgroup S.A., which is mainly dedicated to the manufacture of flat-woven and knitted clothing (CREDITEX, 2020e). The company currently operates in seven industrial plants along Peruvian coast: two ginnings in Piura and Lambayeque, strategically located in the regions that concentrates 100% of the cotton production, two spinning mills in Trujillo and Pisco, one integrated textile plant and one apparel manufacturing plant in Lima (CREDITEX, 2020h).

Finally, the company currently has the following certifications: Quality Management System according to ISO 9001:2015, Business Alliance for Secure Commerce (BASC),

Worldwide Responsible Accredited Production (WRAP) which guarantees the job development in optimal conditions, Global Organic Textile (GOTS) which certifies the production of organic yarns, and the Authorized Economic Operator (OEA) which ensures that the operator complies with safety conditions in foreign trade operations based on the international standards of the World Customs Organization (CREDITEX, 2020c).

1.1.2. Vision

The vision of a company describes a clear picture of what the company aims to be in the future, which is achieved by meeting the long-term objectives (D'Alessio, 2013). Within this process it is important to define focused strategies aligned with a single purpose, so that it can generate value in the organization (Gallagher, 2013). The vision of CREDITEX is “Being the leading textile company in Peru and America recognized for its excellence in customer service, innovation and high quality of its products” (CREDITEX, 2020b). The organization aims to be the leader in the industry by providing innovative and high-quality products locally and internationally such as the offer given to prestigious brands in South and North America. Also, its strategy is focused on research and development as well as taking control of every stage of the manufacturing processes to achieve high quality standards in the production of fabrics, yarns, and garments.

1.1.3. Mission

The mission describes the steps a company will take to move from the actual situation to the desired future, it plays an important role within the organization since it is the main driver to achieve that (D'Alessio, 2013; Gallagher, 2013). The mission of CREDITEX is “Doing the things right from the beginning to the end” (CREDITEX, 2020b). As such, the company is diversified and vertically integrated business lines, and the main job is to focus on business operations and achieve sustainable growth, by satisfying the quality standards of the clients, giving priority to the innovation, flexibility and vocation of service through

differentiated products. Those are important topics within its strategic objectives, as well as focusing on the stakeholders and encouraging the development of the employees, promoting social and environmental responsible actions that contribute to all parties (CREDITEX, 2018).

1.1.4. Organizational philosophy and culture

The company refers to creation, innovation, and technology to satisfy the global demand (CREDITEX, 2020i). As part of the culture and values, the company practices order, discipline, punctuality and cleanliness as main pillars to orient their actions to the needs of the customer, maintaining an agile and flexible organization with permanent technological upgrades to achieve productivity in their business operations. Furthermore, the company considers that the employees are the main resource so there are diverse incentives given to them as well as trainings and learning tools to boost the development of creativity and innovation. Therefore, the personnel might feel identified with the company, which is an important value within the organization and the promotion of ethical and responsible behavior in the performance of the activities (CREDITEX, 2020e).

1.1.5. Quality policy

The quality policies in CREDITEX are based on market analysis, in which getting the insights and requirements of the clients are elemental with the purpose of establishing specific processes that will allow them to manufacture products which meet and even exceed their expectations. As previously mentioned, for the company the main resources are the personnel, based on that statement the company aims to have qualified workforce, and use selected raw materials and accessories for its production as well as the use of state-of-the-art technology, which allows them to quickly adapt to new market requirements and keep updated with trends, while performing practices that contribute to the care of the environment and society (CREDITEX, 2020e).

1.1.6. Sustainability

CREDITEX describes itself as being committed to sustainability. The company believes that being sustainable creates a better future in an environmental, economic and social sense. Both the well-being and quality of life for future generations have the highest priority. The Peruvian textile exporter already includes many factors to emphasize their willingness to act sustainably (CREDITEX, 2020b). In Figure 1 are illustrated some examples:



Figure 1. Sustainability CREDITEX.

Taken from *Committed to Sustainability*, by CREDITEX, 2020b.

In order to follow all those objectives and measures CREDITEX successfully implemented some strategies into their company philosophy. For example, the company has three certifications to prove the sustainability of its products: ISO9001, BASC and WRAP. Furthermore, the company committed itself to their small and medium farmers to give them fair prices, immediate payment and technical support for planting and harvesting. Also recycling and reducing waste of water is a topic which is considered. For instance, CREDITEX recycles around up to 20 percent of cotton fibers in order to use this for other

products and, in comparison to the local regulations, the company is able to reuse 30 percent of water. Last but not least the Peruvian textile manufacturer has zero CO² emission because the company uses natural gas instead of burning fossil fuels.

1.2. Industry Analysis (Porter's Five Forces)

In his article "How Competitive Forces Shape Strategy", Michael Porter published the so-called Five 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 (Porter, 1979), which determine a better knowledge of the industry performance. As illustrated in Figure 2. With the help of Porter's five forces the company should gain a competitive advantage by considering future trends, market positioning and assess industry attractiveness (Porter, 1979). As such, this revolutionary approach shaped doing business and practices today significantly, so this simple but overall powerful tool will provide a better understanding of the competitiveness of CREDITEX's business environment, and help to identify the strategy's potential profitability (Porter, 2008).

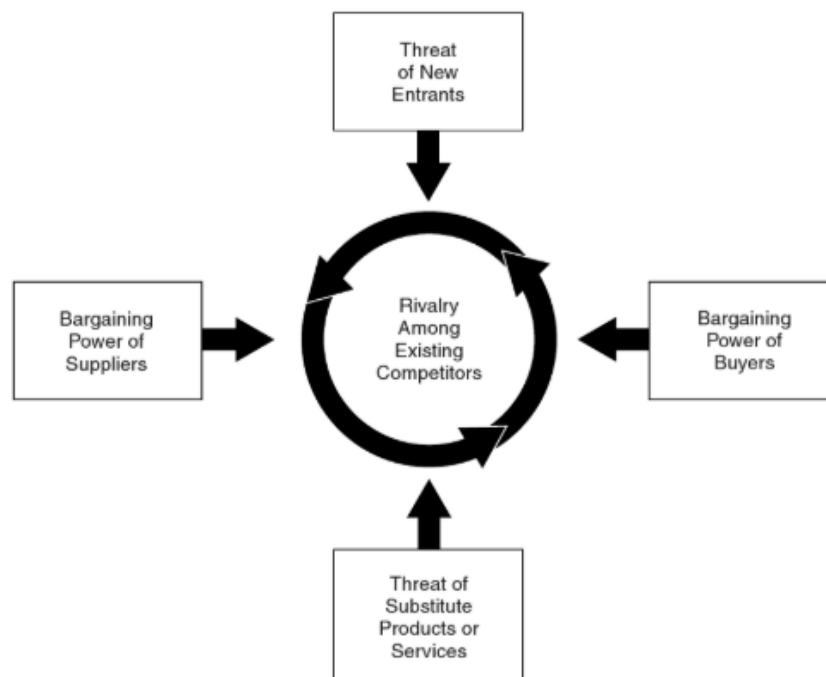


Figure 2. Five competitive forces that shape the strategy.

Taken from *The Five Competitive Forces that Shape Strategy*, by M. Porter, 2008, Harvard Business Review

1.2.1. Bargaining power of suppliers

According to Porter (2008) influential suppliers attain more value for themselves by transferring higher prices, limiting quality or services, and transferring costs to industry players. Also, the most powerful suppliers can obtain high levels of profitability from an industry that is unable to shift costs to its final price, so organizations depend on a large variety of materials from different group of suppliers, taking into consideration that those have a fundamental role on the value chain and the final offering of the product or service to the customers.

In case of CREDITEX, as mentioned in previous point, the company has an incredible vertical integration in Peru, which means that the company grows and harvests the cotton itself, controlling the quality of the manufacturing process and those operations are carried out in the seven distributed plants along the Peruvian coast, so there is no need to outsource any additional service for the manufacture of the products. However, it should be noted that the company needs especially chemical products and made paint as well as machinery for being able to dye the fabrics (CREDITEX, 2020h), becoming dependent on not many different types of supplier. It should be mentioned that for example the painting supplier fulfills the necessary standards that certify that the inputs are not harmful to health, and it has the international certification OEKO-TEX (CREDITEX, 2020h). So, the company has developed strong partnership with the suppliers, for this reason, the bargaining power of the suppliers is relatively low.

1.2.2. Bargaining power of buyers

Unlike the situation with suppliers, customers can get more value by putting pressure to reduce prices, demanding higher quality in products and services, even generating a confrontation between different market participants (Porter, 2008). The main customers of CREDITEX are textile distributors locally and internationally, also some important brands

and retail stores in foreign markets, as shown in Table 1 the company has different customers for each type of product in South America, North America and some in Europe. Therefore, the question within this topic is how powerful is the consumer to put pressure on the company, so CREDITEX need to adapt the product offering and provide a differentiation in order that the customer can engage with the company and there is no need to go to the competitor or request price reductions, on the contrary, to believe that the amount paid justifies the quality of the product and service.

Table 1

National and international customers of CREDITEX per type of product

REGION	COUNTRIES	YARNS	FABRICS	GARMENTS
South America	Colombia	Coast Cadena Crystal SAS		Cuero Velez
	Ecuador			Bassil Uomo Venetto University club Basement Christian Lacroix Pacco Rabanne Etiqueta Negra
	Peru	Devanlay (Lacoste Perú) Textil Camones Industrial Nettelco Textil del Valle		Wrangle-UFO Martino Di Trento Brooksfield Etiqueta Negra
	Chile Argentina	Vesuvio	La Martina	Crawford Malwee Damyleer Baumgarten
	Brazil	Paramount Industrias Cataguages	Nataly group Maccllem	
North America	United States		Braemore Textiles Folia fabrics Swavelle Milk Creek Waverly	Devanlay USA L.L Bean Broder Bross Cutter & Buck Tommy Bahamas
		Mexico		Ferrioni
Europe	Finland		Marimekko	
	Germany	Mey GMBG		
	France		Anne Fontaine	
	Switzerland Italy	INTIFIL IAFIL		

Note. Taken from "Clientes" by CREDITEX, 2020a (<http://www.creditex.com.pe/clientes.html>).

Moreover, based on the information provided by the company itself and the observations of the market, it can be said that the customer's power is considerable since there are many high-quality providers in the markets so it is difficult to stand out from the crowd. Thus, the consumer can choose between large manufacturers, which gives the customer an incredible negotiating position. Above all, competition from abroad should not be neglected since imported clothing and fabrics from the Asian and Central American region can be produced there inexpensively (Bundesministerium für Wirtschaft und Energie, 2018).

Another important point is the development of technology and the resulting behavior of consumers, since according to some researchers, customer groups have become more powerful because they are no longer afraid to raise their voice against big brands and companies and demand better prices and qualities for products and services. Indeed, nowadays people love to share their stories and it does not matter if it was a good or a bad experience (Kotler, Kartajaya & Setiawan, 2017; Hsiao, Lin, Wang, Lu & Yu, 2010). Consequently, those opinions might affect positively or in a negative way to the company and its recognition in the market.

1.2.3. Threat of substitutes

Currently, the company offers a variety of products made of 100% cotton, being the types: Pima or Tangüis (CREDITEX, 2020d). Nevertheless, there are a multitude of other materials worldwide for the textile industry, becoming high the threat of substitutes for cotton garments. A clear representation of that is illustrated in Figure 3, for instance, consumers could switch to linen, wool, new wool, silk or man-made fibers such as elastane, viscose or polyamide; so, the market offers a wide variety of natural and manufactured textile fibers that might have differences in price and performance.

Moreover, Farias (2015) mentioned that the existing variations in the textile industry with respect to the production and commercialization of the cotton fiber have generated that

the demand towards the synthetic fibers increases, such as the nylon, polyester, polypropylene or the acrylic. One of the reasons for this is related to the cost factor, however it is necessary to mention that among other advantages, these fibers are resistant and easy to handle in different applications. Similarly, CREDITEX in its annual report for 2019 indicated that currently customers demand innovative materials, including mixtures of cotton with synthetic fibers (polyester, nylon, acrylic) or with artificial fibers (modal, tencel).

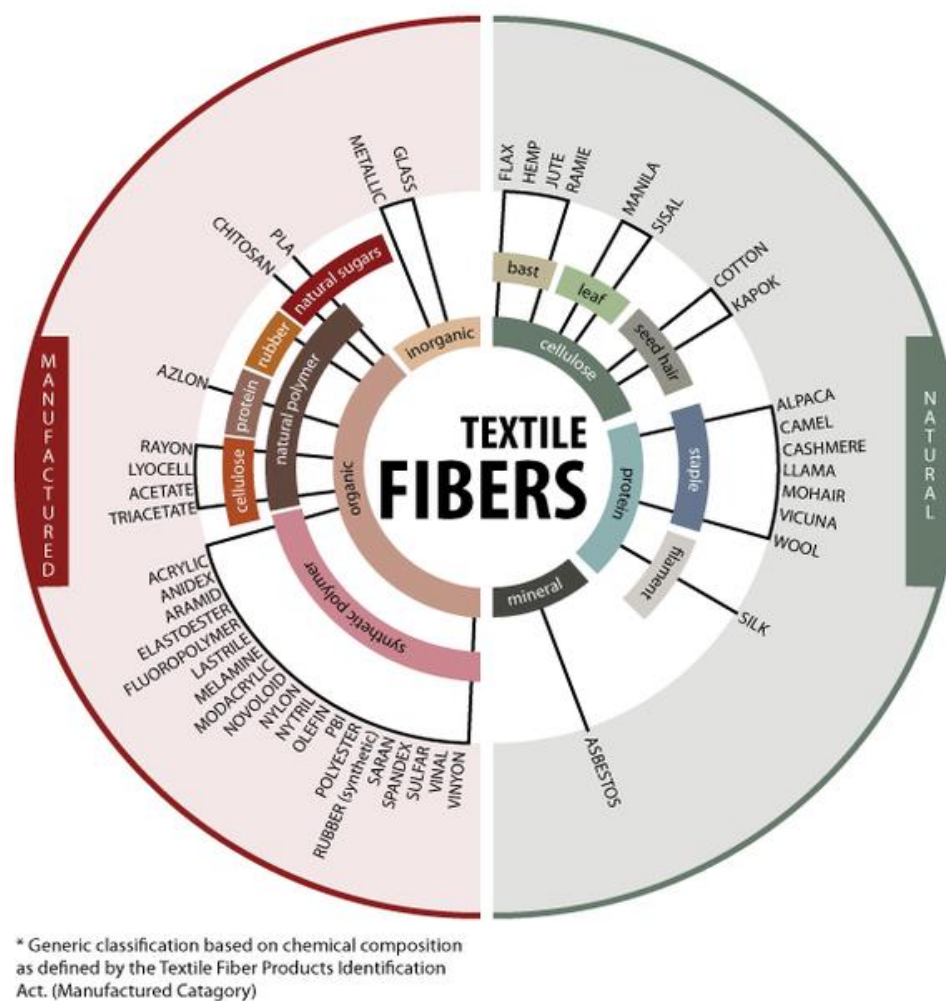


Figure 3. Manufactured and natural textile fibers.
 Taken from “Textile Knowledge”, by Bản quyền, 2020 (<https://vaiviet.vn/textile-fiber/>).

Generally, it can be said that a substitute which is easier and cheaper to produce can weaken one’s market position, depending on what the customer requests, the selection of substitutes is considerably large. In addition, an industry will suffer in terms of growth

potential and profitability (Porter, 2008), especially the year 2020 has a significant impact on the cotton industry due to the COVID-19 pandemic, and the resulting low oil prices have made synthetic fibers more competitive because they can be produced much cheaper (Hansmann, 2020) while the opposite happens with cotton, particularly it has had a wide fluctuation over the years as illustrated on Figure 4.

So, “facing high prices and uncertainty demand, yarn mills are beginning to replace some of their use of high-quality cotton with substitute fibres” (Fernandez-Stark, Bamber & Gereffi, 2016, p. 10). Although it is expected to be stable in the following years since there are support policies in major producing countries, there is still a high risk of substitution, since the current competition, quality and variety of synthetic fibres, as well as government policies are determining factors that could put the cotton market at a disadvantage, followed by the high levels of inventories, which suggests further downward pressure on prices of cotton (OCDE/FAO, 2017).

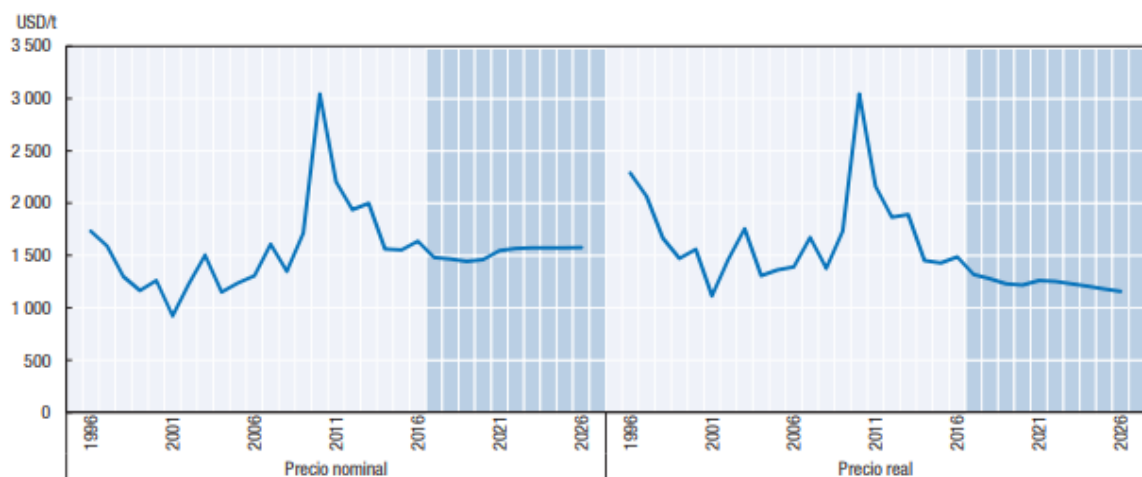


Figure 4. Price fluctuations of cotton worldwide, perspectives for the period 2017 - 2026. Taken from *Perspectivas Agrícolas 2017-2026*, by OCDE/FAO, 2017, Paris, OECD Publishing

1.2.4. Threat of new entrants

When new companies and suppliers enter the competitive market, this can significantly increase the pressure on lower selling prices and lower costs. Of course, new entrants have the goal of gaining market share, which in turn leads to a loss among competing

companies. Hence, how easy it is for a new company to enter the market depends on the entry barriers (Porter, 2008). According to Ministerio de la Producción (2015) the Peruvian textile industry is composed of a large number of micro, small and medium enterprises which represent 95% of the total number of companies in the textile and garments sector, and the vast majority of them are microenterprises characterized by low levels of productivity and limited financing. In that case, a possible threat for CREDITEX is that those companies decide to form clusters to attain greater participation by reducing costs and sharing resources.

In addition to local competition, there has been an increase in the import of textile products from China and other low-labor cost countries, which threatens the industry by generating price competition (Ministerio de la Producción, 2015). Therefore, it is important that CREDITEX do not lose sight of Asian companies, as it is illustrated in Table 2 the main exporters of cotton knit garments, China is the world's largest producer and exporter of textiles and has maintained its leadership in the industry due to its accessible costs, followed by India which has experienced significant growth in exports and also belongs to the vertically integrated production chain in Asia (Laguna, Orozco, Piedra & Olarte, 2020).

However, after thorough research, it was determined that the potential of new entrants is medium. On the one hand, the purchase of new production machines in Peru is not particularly high. On the other hand, there is hardly any support from the state and the level of competition is particularly high in Lima (where the CREDITEX headquarters are also located). But the poor logistical infrastructure also makes it difficult for newcomers to get through the market (Bundesministerium für Wirtschaft und Energie, 2018), considering that the cotton is harvested in different provinces of Peru and new entrants might look for options to bring the material from other cities to the main capital for its manufacture. Also, regarding the competition from imported products there are tariffs applied in order that it cannot damage the local industry and ensure a right competition in the market.

Table 2

Top 10 exporters countries of cotton knit garments

N°	Country	Variation %	Share %	Total Exp.
		2018-2017	2018	2018 (million US\$)
1	China	-10%	18%	185.95
2	India	4%	18%	159.98
3	Egypt	-25%	10%	117.51
4	Peru	36%	5%	34.05
5	Turkey	-28%	5%	61.18
6	France	-40%	5%	69.95
7	Germany	-18%	4%	47.9
8	Netherlands	11%	3%	25.15
9	United States	5%	3%	26.31
10	Singapore	-5%	3%	26.48
1000	Other countries (108)	-71%	27%	872.53

Note. Taken from “Comercio Mundo – Prendas de Vestir de Punto de Algodón,” by Sistema Integrado de Información de Comercio Exterior (SIICEX), 2020
(<http://www.siicex.gob.pe/siicex/porta15ES.page=172.17100&portletid=sfichaproducto=Tank>).

1.2.5. Rivalry among existing firms

This topic deals with the intensity of competition within the cotton textile industry. According to Porter (2008) the rivalry can be evidenced in different ways, either through price discounts, improved services, introduction of new products or advertising campaigns. In the case of Peru, as stated in the previous point, there is a high competence in the textile industry due to the existence of numerous textile companies which produce similar goods, especially in Lima, where CREDITEX is based, there were more than 26 thousand companies dedicated to the manufacture of textiles and garments, of which the vast majority are micro-enterprises, as it is shown in Table 3. Based on that statement, Ministerio de la Producción (2017) mentioned that small and micro enterprises represent 8.8% of participation in textiles and clothing exports and are the main sources of employment in the country. In addition, the high concentration of the textile and clothing sector in Lima has facilitated operations and reduced transaction costs between companies. Within that city, specifically in the district of La Victoria is located almost a quarter of the companies from the textile and clothing sector,

this is due to the main conglomerate of the industry, whose name is Gamarra, is positioned there (Ministerio de la Producción, 2017).

Table 3

Number of textile producers by size in the various departments of Peru for the year 2014

	Large	Medium	Small	Micro	Total
Amazonas				29	29
Ancash				221	221
Apurímac				88	88
Arequipa	6	1	30	1727	1764
Ayacucho			3	168	171
Cajamarca			3	199	202
Callao	3	1	36	839	879
Cusco			6	632	638
Huancavelica				64	64
Huánuco			2	239	241
Ica	2	1	6	330	339
Junín			9	1183	1192
La Libertad	1		9	947	957
Lambayeque			3	941	944
Lima	148	61	1305	24910	26424
Loreto			6	136	142
Madre de Dios				23	23
Moquegua				64	64
Pasco				46	46
Piura	1		3	315	319
Puno	1		8	1569	1578
San Martín			2	231	233
Tacna			3	540	543
Tumbes			1	77	78
Ucayali				95	95
Total General	162	64	1435	35613	37274

Note. Adapted from *Estudio de Investigación del Sector Textil y Confecciones* (pp. 41 - 43), by Ministerio de Producción, 2015, Lima, Perú.

Furthermore, as the strength of rivalry not only reflects the intensity of competition but also the basis of that (Porter, 2008), it is relevant to mention the competence of local companies that also target international markets. According to the Asociación Peruana de Técnicos Textiles (APTT) (2020) there are more than 1000 export companies between new and existing ones that sent from small to high-volume shipments of cotton garments last year. Table 4 shows the participation of Top 20 Textile and Clothing Exporters in 2018-2019, in which CREDITEX ranks the 16th position with a market participation of 1.6% in 2019. Also,

it is relevant to point out that listed companies only represent 59% of the general exported amount of cotton textiles products to the world, so there is no doubt about the high competition in the market and the large number of exporters.

Table 4

Market participation of top 20 Peruvian exporters of cotton textiles in 2018 - 2019

N°	Exporter	Participation	Participation
		US\$ FOB 2018	US\$ FOB 2019
1	DEVANLAY PERU S.A.C.	5.7%	5.8%
2	MICHELL Y CIA S.A.	6.3%	5.3%
3	SOUTHERN TEXTILE NETWORK S.A.C.	3.6%	4.1%
4	TEXTILES CAMONES S.A.	4.1%	4.1%
5	CONFECCIONES TEXTIMAX S A	3.5%	4.0%
6	TEXTILE SOURCING COMPANY S.A.C	3.3%	3.8%
7	INCA TOPS S.A.	3.8%	3.7%
8	INDUSTRIAS NETTALCO S.A.	4.3%	3.7%
9	HILANDERIA DE ALGODON PERUANO S.A.	2.7%	3.1%
10	TOPY TOP S A	3.5%	3.0%
11	GARMENT INDUSTRIES S.A.C.	2.6%	2.9%
12	TEXTIL DEL VALLE S.A.	1.7%	2.7%
13	COTTON KNIT S.A.C.	1.9%	2.2%
14	SUDAMERICANA DE FIBRAS S.A.	2.8%	2.1%
15	PRECOTEX S.A.C.	1.5%	1.9%
16	CREDITEX S.A.A.	1.5%	1.6%
17	FITESA PERU S.A.C.	1.5%	1.6%
18	PERU FASHIONS S.A.C.	1.5%	1.4%
19	INDUSTRIA TEXTIL DEL PACIFICO S.A.	1.9%	1.4%
20	INCALPACA TEXTILES PERUANOS DE EXPORT SA	1.5%	1.2%
21	Others (about 1500 companies)	40.9%	40.4%

Note. Adapted from "Ranking de Exportadores del Sector Textil - Confección," by Asociación Peruana de Técnicos Textiles (APT), 2020 (<http://aptperu.com/cuadros-comparativos-exportacion/>).

In addition to previous points and in times of globalization, not only the national competitors may be considered. Rather, the company must consider as well international providers and competitors. The data presented in Figure 5 shows the leading cotton exporting countries worldwide, whereof, according to the General Manager of CREDITEX, Brazil can be seen as the biggest competitor - to give an example the company Cataguases (R. Koch, Personal communication, June 25, 2020).

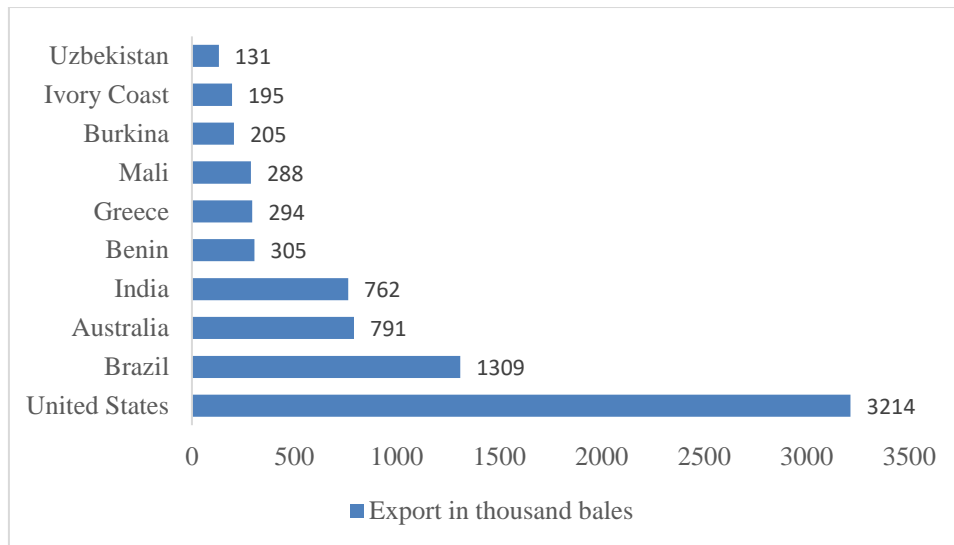


Figure 5. Leading cotton exporting countries worldwide.

Taken from “Leading cotton exporting countries in 2018/2019 (in 1,000 metric tons)”, by Statista, 2019 (<https://www.statista.com/statistics/191895/leading-cotton-exporting-countries/>).

1.3. External Analysis (PESTE) – Opportunities and Threats

The PESTE framework is used to determine and analyze a general overview of the external aspects that are facing the business, which are presented as opportunities or threats and can benefit or affect the organization, so it is important for companies to take advantage of the market opportunities and reduce the impact of threats (D’Alessio, 2013). In that manner, the model suggests focusing on five categories: (a) Political, (b) Economic, (c) Social, (d) Technological and (e) Environmental, which will be described in the following paragraphs to provide a clear understanding of the industry situation. However, the following analysis would provide more information not only about local market but also important facts of United States, Argentina, Brazil and Colombia since those are the main international importers for the company.

1.3.1. Political (P)

The political situation in Peru is very prevalent to how businesses can operate and has a great impact on the textile industry. The Republic of Peru is a democratic republic, with the

President acting both as the head of government and head of state. The government is currently very stable and is progressing tremendously in the right direction since the impeachment of former presidents for bribery crimes. Since then, economic growth has increased and been more stable (Pulgar-Vidal & Davies, 2020). Due to the political stability, businesses can operate with confidence and with reduced amount of uncertainty from government intervention, which make the country attractive for international business relations and attracts foreign investors.

However, Oliva (2018) stated that Peru is one of the countries with high levels of informality and labor instability in Latin America, increasingly becoming part of the popular identity and a lifeline to combat poverty, since during the period between 2006 and 2016 informal employment dropped from 79% to 73%. It should be emphasized that this number is represented mostly by micro enterprises, as 48.4% are not yet enrolled in the Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) (Ministerio de la Producción, 2017). In addition, Bustamante (2016) mentioned that companies in the textile and clothing industry have grown significantly within an informal market, where commercial and manufacturing operations have been evolving under a dynamic and competitive market. So, there are public and private institutions that have been working in advising and encouraging the shift to formality in micro-companies, to obtain better benefits, including productivity and competitiveness (Laguna et al., 2020).

Furthermore, to promote healthy competition in the industry, there are several regulations that penalize disloyal conduct among participants such as the Law of Repression of Unfair Competition (Legislative Decree No. 1044), antidumping measures, among others (Ministerio de la Producción, 2015). In addition, Cámara de Comercio de Lima (CCL) (2017) asserted that the national production of garments and clothing accessories has suffered significant damage due to low prices of imported products, mainly from the Asian continent.

Under this scenario, the dumping commission seeks to protect the national industry through tariff overcharges to balance the imported price with the domestic one.

On the other hand, due to the low competitiveness of the textile sector compared to international markets, there are several mechanisms used as incentives to export, being the case of the drawback. This system has played a fundamental role in the export decision of many companies since the national tax collection entity, that is SUNAT, returns to exporters the taxes paid for imported inputs used in the production of the exportable goods (Laguna et al., 2020). Though this refund is variable in function of the company size, it is an attractive encouragement for the textile industry since many of the materials used in garment production are imported.

1.3.2. Economic (E)

Peru is classified as an upper middle-income class being ranked with the 48th highest Gross Domestic Product (GDP) (World Bank, 2018), also the country has some of the best macroeconomic indicators in Latin America and a GDP growth rate above the regional average, as well as an stable currency exchanges and low inflation rates (InPeru, 2017). According to the Banco Central de Reserva del Perú (BCRP) (2020) the country achieved a growth of 4% in 2018, in addition, Rossini and Santos (2015) stated that the growth of Peruvian economy has been a success story among emerging economies after going through a period of economic slowdown, which is supported by the accumulated annual average growth rate of approximately 5% over the past 15 years (InPeru, 2017). Figure 6 shows the Peruvian GDP performance from 2010 to 2018, in which a slowdown can be evidenced from 2014 onwards, as a result of the variation in the international prices of raw materials such as copper, the main Peruvian exported product (World Bank, 2020).

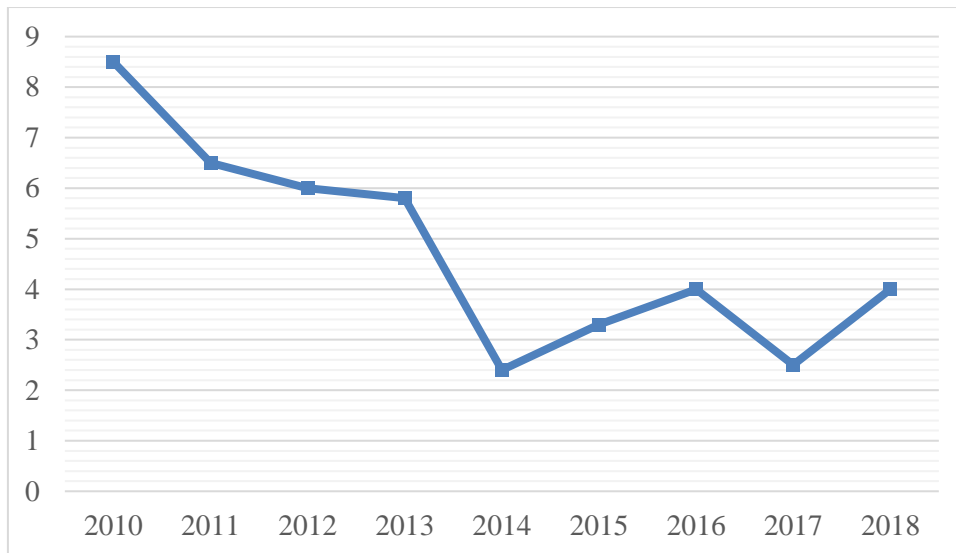


Figure 6. Peruvian GDP annual growth (%).

Taken from “Reporte de Inflación”, by Banco Central de Reserva del Perú [BCRP], 2020 (<https://www.bcrp.gob.pe/publicaciones/reporte-de-inflacion.html>)

Furthermore, the Peruvian situation has not been the exception to the world recession caused by the outbreak of COVID-19, so according to the first quarter results published by the Instituto Nacional de Estadística e Informática (INEI) (2020), a contraction of -3.4% was registered, due to a decrease in internal demand (-1.8%) as well as in exports (-10.1%). However, the government has been taking the measures required for economic stabilization, thus a recovery is expected as of 2021 (World Bank, 2020). Undoubtedly that is an external factor affecting in great magnitude the development of business both nationally and internationally.

According to the statistics report of the manufacturing sector published by the Ministerio de la Producción (2019) the production of garments reported an increase of 3.7% in 2019 with respect to the previous year. Similarly, it indicated that the preparation and spinning of textile fibers had a decline of 5.6% compared to 2018, but it should be noted that this contraction is due to lower production of various yarns, and to a lower extent, by the drop in production of alpaca yarn. Nonetheless, the levels of production in the manufacturing sector this year experienced a decrease because of the confinement measures registered during the previous months, amongst them, the textile and leather industry dropped -22.8%

due to the lower manufacture of fabrics and finishes of textile products (-25.2%) as well as garments (-24.4%) (INEI, 2020).

In addition, it should be noticed that the garments production is a labor-intensity activity and people are hired under formal or informal contracts since it represents an important cost within the manufacturing process (Fernandez-Stark, et al, 2016). Ministerio de la Producción (2015) indicated that labor costs in the textile industry are the most expensive, in case of Peru the cost per hour was US\$ 2.78 in 2014, which raised the final price of the product, therefore losing participation in competitive market, where price is an important factor when making the purchase decision. In view of this, it is shown in Figure 7 the low costs that the leading Asian producers managed, also the data from Peru and Mexico in the period 2000 - 2014.

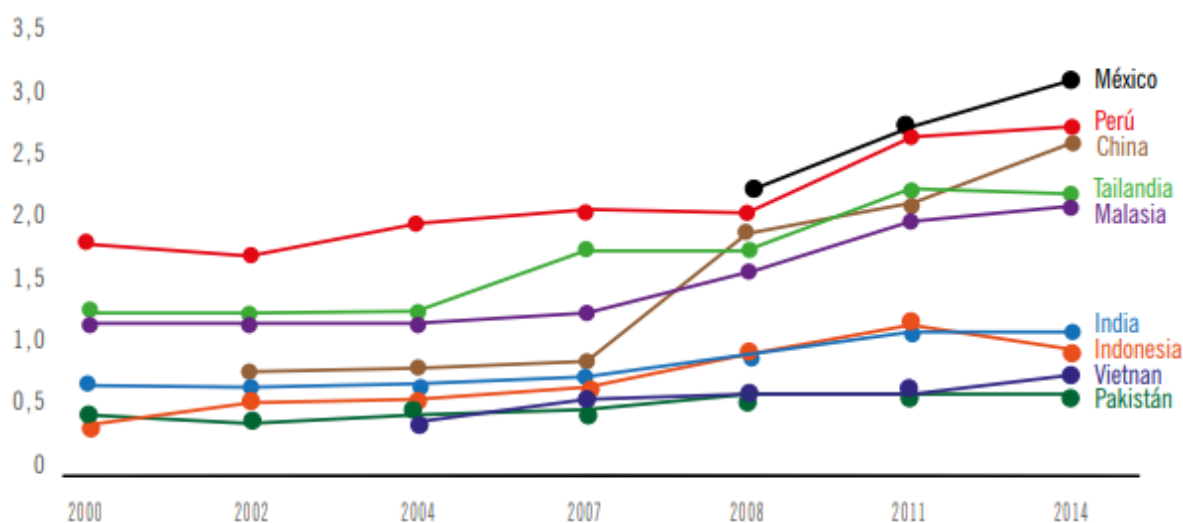


Figure 7. Labor costs in the textile industry from 2000-2014

Taken from Estudio de Investigación del Sector Textil y Confecciones (p. 30), by Ministerio de Producción, 2015, Lima, Perú.

Apart from this, exports are a key driver for the growth of the Peruvian economy (Oliva, 2018). For instance, the total amount of exported goods in 2019 reached US\$ 45,978 million, which includes both traditional and non-traditional products, this last one grew by 9.2% compared to the previous year. Comisión de Promoción del Perú para la Exportación y

el Turismo (PROMPERU) (2019) stated that in the case of textiles there was a variation of -3.4% compared to 2018 and the main export markets were China, the United States, Brazil and Colombia. Besides that, the main reasons for this variation were a reduction in (a) demand from Brazil and China, and (b) purchases of fine carded alpaca hair and knitwear. In international trade it is important to consider that exchange rate since, according to Laguna et al. (2020) this variation directly affects exports due to the different comparative value between countries, which can be identified in the balance of payments.

Moreover, Peru has subscribed trade agreements with different countries and economic blocs in order to promote the permanent entry of its products into international markets with special tariffs, as well as to facilitate the import of raw materials at low costs (Laguna et al., 2020). In that way, the free trade agreements between Peru and other regions provide great advantages for exporting activities. These treaties have largely favored the non-traditional sector, especially the textile industry, for instance, the U.S. and Peru Trade Promotion Agreement (PTPA) “eliminates tariff and non-tariff barriers on goods and services” (Micco, 2014, p. 1) which allows Peruvian companies to export many products to the United State for duty-free. But also, CAN (Comunidad Andina de Naciones) or UNASUR (Union of South American Nations) makes it easier for Peru to negotiate and export with other countries (Flannery, 2012).

Another point that should be explained here is the economic situation of four selected countries, which could be target countries for CREDITEX's cotton exports. Those countries are the United States, Argentina, Brazil and Colombia. First and foremost, an analysis of GDP is a decisive factor in determining whether a target country is suitable for export or not. The United States is by far the leader with \$21,4428 trillion, as shown in Figure 8 below. However, also the GDP trend forecast for the countries mentioned above is also positive for the US (Shahbandeh, 2020; Mendoza, 2019).

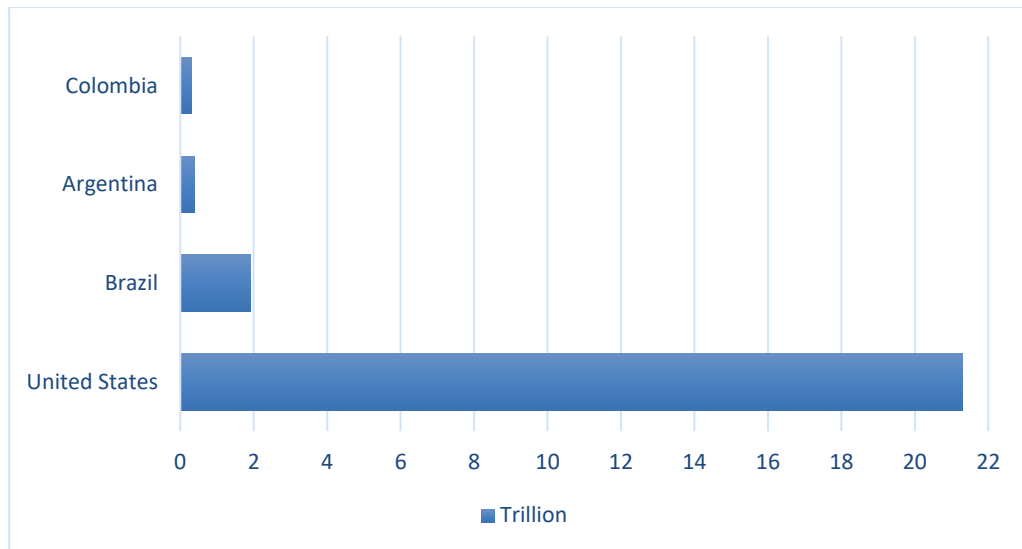


Figure 8. GDP Comparison

Adapted from GDP (current US\$) – United States, Argentina, Brazil, Columbia, by the World Bank, 2020,

(<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2019&locations=US-AR-BR-CO&start=2019&view=bar&year=2019>)

Furthermore, it was found that the income category is good for all four countries. While Argentina, Brazil and Colombia belong to the upper middle-income class, the US belongs to the high-income class. This in turn has an impact on the DB (doing business) ranking. Also, here, the United States is by far the leader. While the USA is ranked 6th, Argentina is on 126th place, Brazil on 124th place and Colombia 67th place (Doing Business, 2020).

1.3.3. Social (S)

The social factors are put together from cultural background, age, consumer preferences, lifestyles, others. The Peruvian culture is formed from a mix of Hispanic and Native traditions, most inherited from the Quechua and the Aymara cultures. The common language spoken in Peru is Spanish, as well as several other native languages that are spoken in certain cities (LePoidevin, 2019). In addition, there are some cultural trends such as how people dress or different habits, which is very tied into their society.

For instance, the country has an aging population, with a continuous increase on the age above 60 years, so these segments also have very different style preferences which

companies must be aware of in order to appeal to this market and offer products that are tailored to their customers, including styles, materials, and colors (Pulgar-Vidal & Davies, 2020). Also, there are some people more price sensitive and resistant to purchasing expensive clothing, they also may be traditional and could not react well to a change in product, so the importance of knowing the cultural and social aspect arises particularly when a company is thinking on expanding its product portfolio.

From an international background, there are some new trends which are being adopted by American consumers. On the one hand, according to Ministerio de Comercio Exterior y Turismo (MINCETUR) (2019) the American customer is demanding and price sensitive, constantly looking for new colors, textures, cuts and finishes for each season. Likewise, there is a high social and ethically responsible awareness so that the demand for organic cotton garments has increased as a sustainable purchasing option (PROMPERU, 2018). On the other hand, the customer is shifting to clothes that are stylish and comfortable, which would be used in any leisure occasion, so the sportswear category is becoming a potential market which might bring a lot of opportunities in the coming years (O'Connell, 2019; Austrian Textile Expert, Personal Communication, July 21, 2020).

Moreover, based on this new mindset, there is a category called athleisure that mixes those casual and sportswear requirements without neglecting vanguard designs (PROMPERU, 2018), which is gaining more popularity in American market and might be a key market segment to focus on, for instance, it is expected to have a Compound Annual Growth Rate (CAGR) of 8.1% from 2019 to 2025 (Grand View Research, 2019). Also, in this new market niche the main drivers are millennials clients which are willing to change of brand and even pay more for a product that aligns more with their active lifestyle, being the case of premium products, which offer a variety of key characteristics highly demanded by

the fashionable activewear consumer (Dinnen, 2016; Grand View Research, 2019). In this way, premium athleisure becomes the largest segment in United States.

Furthermore, in the rapidly changing world, in which millions of Internet users become more informed, they no longer surf the internet for entertainment, but a large percentage of them spend most of their time shopping online. The consumer wants to be able to research for the products they would like to purchase and be able to buy them right away (McKinsey, 2020). In order to do so, companies need to establish an effective online presence so that consumers can find their products, this explains why there has been a shift to businesses digitizing their inventories so that they can be accessed by the online clients. This is a situation that has become relevant in those times of pandemic and “social distancing has highlighted the importance of digital channels more than ever” (McKinsey, 2020, p.10) since most people prefer to buy online, but the difference is that, nowadays, beyond the price, the consumer looks for a company that complies with safety protocols that guarantee their health in the product delivery process (Rojas, 2020).

1.3.4. Technological (T)

In recent years, the development of new technologies and innovation has fostered economic, social, and environmental development in various countries of the world. Almeida (2019) indicated that to achieve sustainable growth, innovate and produce technology, it is essential to invest in research and development (R+D). In the case of Peru, as it is shown in Figure 9, there has been an average investment of 0.11% of the GDP from 2000-2018 (World Bank, 2018), which is limiting the innovation in the diverse sectors of the economy, being the case of agriculture and textile, among others. According to Fernandez-Stark et al. (2016) the country’s reputation for producing high quality Pima and Tangüis cotton has been affected in the past decade due to a decline of cotton national production. The reasons for that have been the limited investment in genetic development, technology, and agricultural modernization.

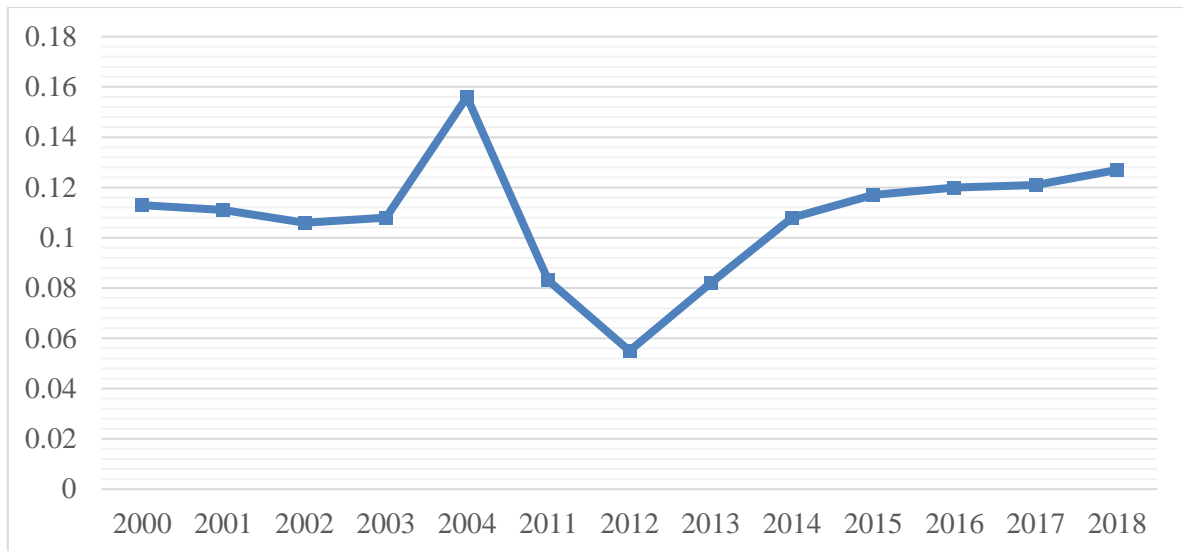


Figure 9. Peruvian R&D expenditure (% of GDP).

Taken from “Research and development expenditure (% of GDP) - Peru”, by The World Bank, 2018 (<https://data.worldbank.org/indicator/>)

Besides that, the industry has become more dynamic and Peruvian cotton has nowadays a great presence internationally, due to national promotion, also the great adoptions in technology by some companies and the changing environment in which textile producers have to compete. Hardy (2016) stated that technology is shaping the textile industry since there are many innovative solutions called “smart-garments” that people are already wearing, like textiles with sensor threads to track sleep habits, dresses with mechanical devices or sports garments with cooling vents. Also, Sistema Integrado de Información de Comercio Exterior (SIICEX) (2018) indicated that there are some other greater advances in the textile industry such as anti-odor garments, innovative coloring techniques and finishing treatments. However, the technology not only allows to create innovative products, but also automatize process, achieve economies of scale and develop new techniques in the manufacturing process (Hardy, 2016)

Furthermore, Larios (2017) indicated that beyond the recognition that Peruvian fibers have worldwide, it is necessary to promote innovation in SMEs in order to develop fibers that allow new blends with synthetic fibers, recycled or natural fibers, using nanotechnology.

Similarly, Fernandez-Stark et al. (2016) indicated that advances in technology allow these mixtures of fibers to have a high performance like cotton. So, in view of the high prices of the latter, companies are increasingly choosing to invest in new technologies.

Therefore, this is an opportunity for the textile industry as it allows them to improve efficiencies and jump into the adoption of digital transformation to achieve competitive advantages. The technological improvements allow the companies to reach beyond the local environment and distribute their products overseas. Also, with the improvements in data and information storage, it allows them to gain knowledge about the industry and how they can make improvements to their production, supply chain, and distribution networks.

1.3.5. Environmental (E)

The environment of Peru is the greatest external opportunity for CREDITEX, since the landscapes and the good weather allow the development of agriculture, such as the growing cotton. The warm climate, as well as seasonal changes promote ecological growth which allows cotton farmers to work two crops per year, increase the production for CREDITEX. The land is relatively inexpensive; however, as previously mentioned labor is becoming more expensive to operate and grow the crop.

Homma (2019) mentioned that consumers in the fashion industry are increasingly aware of the environmental impact of the product they acquire. For instance, after a survey conducted by Euromonitor International, it was found that 60% of consumers are concerned about the implications of climate change, and 64% try to carry out practices that contribute positively to the environment (Homma, 2019). Hence, there are environmental challenges that threaten the textile industry. For example, with global warming there are potentials for droughts and water shortages that will negatively impact their crop. There has also been an increase in natural disasters that will impose on regular business activity.

Furthermore, in the last decade, there has been a shift in efforts to promote sustainable business, however there are many industries such as textiles that have negative impacts on the environment. For example, the spraying of pesticides and artificial ingredients that can be toxic to living organisms. They can deplete the minerals in the soil, as well as runoff into rivers, lakes, and the ocean which can harm marine life. The textile industry must be cautious on their sustainable efforts in working towards the sustainable development goals or they may receive negative attention from the public, as well as government intervention to halt business operations. In that case, it is necessary to mention organic cotton, which is a type of fiber that has not used any type of chemical during its harvesting process. Also, the product has controlled traceability during each of the stages in the supply chain, which is certified to ensure ethical and responsible practices (Farias, 2019)

1.3.6. Summary of Opportunities and Threats

As a result of the PESTE examination of the industry locally and internationally, there is a group of opportunities and threats that might affect the operations of CREDITEX, as illustrated in Table 5.

Table 5

Opportunities and threats

Opportunities
1. Free trade agreement for exports.
2. Sustainable and environmental-friendly products.
3. Social Media advertisement (Cutting-edge Social Media).
4. Trends of sporty and casual clothing.
5. New technologies for the development of fibers and mixtures.
Threats
1. Companies start to integrate vertically.
2. New players have efficient and agile processes and procedures to cope with the digital era.
3. Economic Slowdown due to Covid-19 crisis.
4. Increased competitive pressure.
5. Reduction in pima cotton cultivation and price fluctuations.
6. High labor costs in the industry.
7. Customers are getting more and more price sensitive.

1.4. Internal Analysis (AMOFHIT) – Strengths and Weaknesses

The AMOFHIT framework enhances the understanding of the internal analysis which focuses on the strengths and weaknesses of CREDITEX's current situation (D'Alessio, 2013). The main criteria include: (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)

The board of directors of CREDITEX is composed of six executives: President, Vice-President, and the Directors, who have between 17 to 20 years on their position as it is shown in Table 6. They are elected on an annual basis at the mandatory shareholders' meeting. Planning is an important part of the management process and the major decision must go through the top management, who provide leadership to the company and are accountable for the business's success. For instance, they oversaw hiring external auditors for the examination of the company's financial statements in the previous year (CREDITEX, 2020e).

In addition, they set up and determine the strategic objectives of the company and with the support of the managerial team control the business operations in order to assess and deal with topics in light of emerging risks and opportunities. The management team is composed of experienced professionals with more than 10 years of experience in the textile and fashion industry, as illustrated in Table 7. For the development of that document, the main contact for information will be Mr. Renzo Koch, Commercial Manager of fabrics and garments with the support of Luis Negron, Sub-Manager, who belongs to the Engineering department.

Table 6

Board of Directors

Name	Position	Since
Mr. Andreas von Wedemeyer Knigge	President	March 1995
Dr. Fernando García Calderón y Soto	Vice-President	February 2003
Mr. Jorge von Wedemeyer Knigge	Director	March 1995
Mr. Juan Thiermann Brunst	Director	March 1999
Mr. Alonso Bustamante Letts	Director	March 2001
Mr. Francisco García Calderón Portugal	Director	Julio 2003

Note. Taken from “Memoria CREDITEX S.A.A. EJERCICIO 2019” by CREDITEX, 2020e.

Table 7

Management team

Name	Position	Since
Mr. José Ignacio Eduardo Lloza Benavides	General Manager	February 2009
Mr. Luis Alberto Herrera Paredes	Administrative and Financial Manager	December 1991
Mr. Miguel Ortiz de Zavallos Ferrand	Technical Manager	October 2008
Mr. Ricardo Dancuart Kohler	Commercial Manager (Yarns)	October 2008
Mr. Renzo Koch Mazuré	Commercial Manager (Fabrics and Clothing)	October 2008

Note. Taken from “Memoria CREDITEX S.A.A. EJERCICIO 2019” by CREDITEX, 2020e.

Furthermore, as shown in Figure 10 there is a head leading each of the areas and the roles and well-defined which is important for a clear decision-making process within the organization. However, sometimes the process seems to be ineffective due to all the paths involved in it and also some managers are risk diverse (R. Koch & L. Negron, Personal communication, June 25, 2020). In addition, the communication flow in the company is not that smooth among the different business and operations divisions which can have a negative impact on the organizational culture and environment. It represents a weakness of CREDITEX and needs special attention in order to achieve an effective integration.

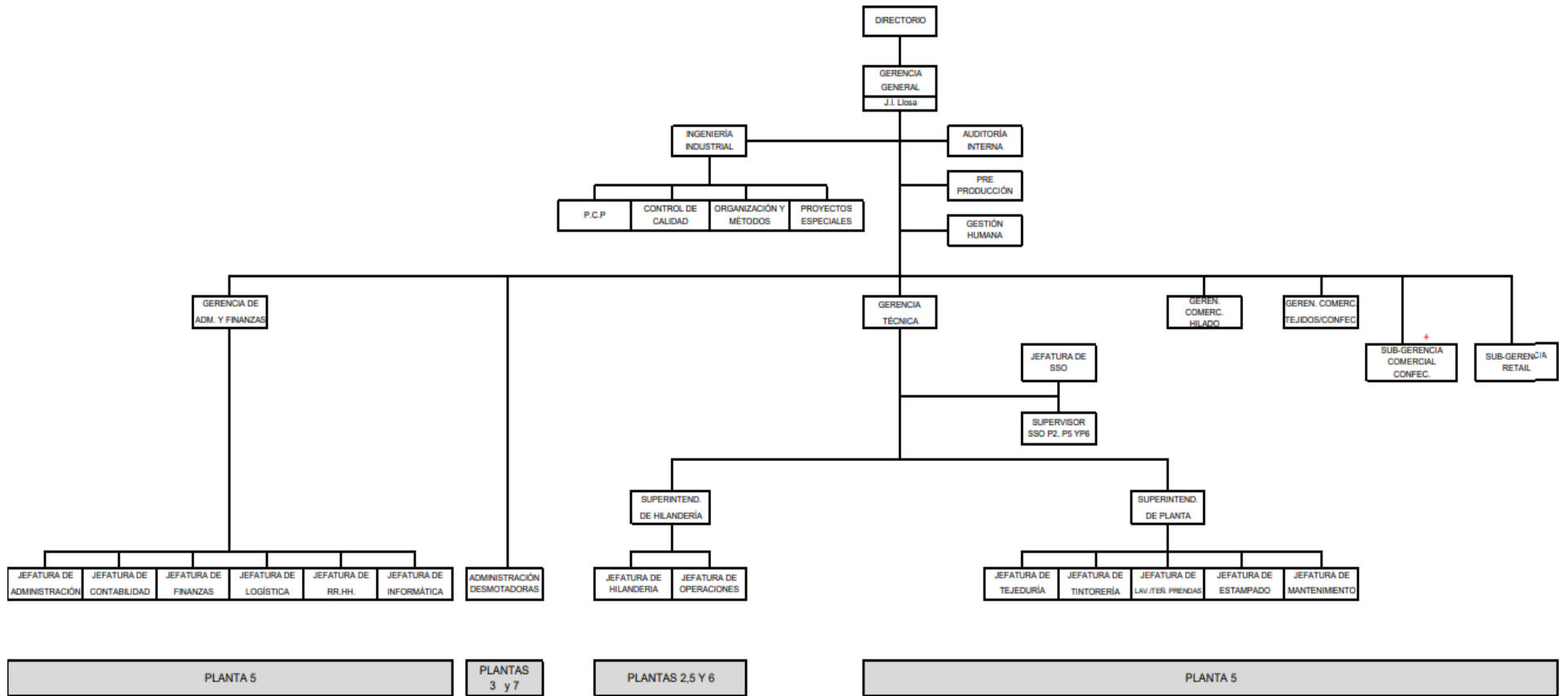


Figure 10. Organizational structure
 Taken from “Organigrama”, by CREDITEX, 2020f.

1.4.2. Marketing and Sales (M)

The company is oriented to satisfy the requirements of the local market as well as the export market, due to the increasing opportunities. On the one hand, exports are made directly with part of the cotton yarn, finished fabrics and cotton garments, on the other hand it is also made in an indirect way through customers that make up their productive chains (CREDITEX, 2020e). It is important to mention that the company is among the main largest cotton garments exporters of the country in 2019 as illustrated in Table 8 with USD 21.9 million in FOB value that in total gives them a market share of 1.6% regarding the total FOB value and a growth of 3.4% compared to the year 2018 (APTT, 2020). In addition, according to the Annual Report of 2019, the yarns represent about 51% of total sales, while fabrics make up around 14% and garments 31%, the remaining 4% of sales come from accessories and other sub-products to the local retail market (CREDITEX, 2020e).

In case of yarns, the company produces different varieties like combed, carded Pima cotton (extra-long staple), Tangüis cotton (long staple) and organic yarns under the global textile standards, primarily for American and European customers, as well as to meet the local demand of knitwear exporters. Regarding fabrics, the offer consists of woven fabrics for apparel and home decoration. The company applies different blends and technologies to provide a wide variety of collections. Also, CREDITEX through the operational capacity of its clothing subsidiary Texgroup manufactures and exports a large range of full package garments with high value, such as shirts, blouses and pants. Last but not least, the company has three differentiated brands in the local retail market: MBO, which stands for “cool, trendy and youthful trends”; Norman & Taylor is “quality, elegance and tailor-made” while Marc Bohler is “quality for formal and casual events” (CREDITEX, 2020b).

Table 8

Main Peruvian exporters of cotton textiles in 2018 – 2019

N°	Exporter	Jan - Dec 2018 FOB US\$	Jan - Dec 2019 FOB US\$	Growth 2019-2018	2018 Average Price US\$/Kg (exported to the world)	2019
1	DEVANLAY PERU S.A.C.	80,745,072	79,702,586	-1.3%	49.98	49.30
2	MICHELL Y CIA S.A.	88,717,033	72,704,085	-18.0%	24.30	25.81
3	SOUTHERN TEXTILE NETWORK S.A.C.	50,512,427	56,172,374	11.2%	43.49	42.84
4	TEXTILES CAMONES S.A.	57,577,058	55,440,094	-3.7%	16.23	14.15
5	CONFECCIONES TEXTIMAX S A	49,784,348	54,934,458	10.3%	40.24	41.82
6	TEXTILE SOURCING COMPANY S.A.C	46,592,909	52,499,247	12.7%	29.69	29.67
7	INCA TOPS S.A.	54,035,267	50,598,263	-6.4%	20.71	24.80
8	INDUSTRIAS NETTALCO S.A.	60,474,825	50,166,350	-17.0%	44.54	42.92
9	HILANDERIA DE ALGODON PERUANO S.A.	38,414,151	42,880,150	11.6%	41.46	47.55
10	TOPY TOP S A	49,796,494	41,573,548	-16.5%	32.24	31.22
11	GARMENT INDUSTRIES S.A.C.	36,152,885	38,999,423	7.9%	90.18	87.84
12	TEXTIL DEL VALLE S.A.	24,217,641	37,142,036	53.4%	82.91	82.19
13	COTTON KNIT S.A.C.	26,315,037	30,365,167	15.4%	39.35	40.77
14	SUDAMERICANA DE FIBRAS S.A.	39,534,971	28,013,580	-29.1%	2.57	2.66
15	PRECOTEX S.A.C.	21,659,698	25,303,727	16.8%	19.83	22.83
16	CREDITEX S.A.A.	21,271,567	21,999,896	3.4%	26.59	32.95
17	FITESA PERU S.A.C.	20,776,089	21,461,629	3.3%	2.88	2.81
18	PERU FASHIONS S.A.C.	21,223,632	19,032,407	-10.3%	51.20	50.46
19	INDUSTRIA TEXTIL DEL PACIFICO S.A.	27,207,371	18,605,388	-31.6%	34.68	36.88
20	INCALPACA TEXTILES PERUANOS DE EXPORT SA	20,993,787	16,259,213	-22.6%	77.88	96.69
21	Others (about 1500 companies)					

Note. Adapted from “Ranking de Exportadores del Sector Textil - Confección,” by Asociación Peruana de Técnicos Textiles (APTT), 2020 (<http://apttperu.com/cuadros-comparativos-exportacion/>).

Moreover, based on the interview with CREDITEX's representatives, it was reported that the company does not apply any additional marketing strategies effectively other than the basic market research and customer analysis (R. Koch & L. Negrón, Personal communication, June 25, 2020). In addition, according to Renzo Koch and Luis Negrón, the market for fabric are brands or distributors of fabrics so there is no need to go directly to the end customer, in that way their commercial process is from Business to Business (B2B), also they stated that CREDITEX does not have an active presence in social networks due to their business model, so customers can find the most information about their services and products through international fairs and website (Personal communication, June 25, 2020).

Meanwhile, Renzo Koch also agrees that the old marketing strategies might not be sufficient for the recent status and the company is willing to change that situation to improve their customer service levels (Personal communication, June 25, 2020), especially after the COVID-19 pandemic, which is keeping the customers indoor, so being highly accessible online becomes a crucial element in the marketing process. To provide a better knowledge of CREDITEX'S marketing situation, the following paragraphs will describe four "P's" of marketing mix: (a) product, (b) price, (c) place and (d) promotion (Cristiana, 2012).

Product. CREDITEX carries a wide range of premium quality garments made of cotton. On one hand, the finished garments can be suitable for various kinds of groups because of their different characteristics. On another hand, the products are also limited to those who are considered as the middle class with higher income, due to its high quality and price. Therefore, the company is facing the dilemma of creating new products that are more cost-efficient and economic. For instance, in the case of sales to the United States, the company focuses on customers who demand premium products. In this respect, they work with the renowned organization Hanna Andersson offering flannel sleepwear for children.

Similarly, CREDITEX has added into its client's portfolio the west coast brand Kennigton, which focuses primarily on fashion with a predominance of prints (Gestion, 2017).

Price. The price of CREDITEX's products are based on the production cost, which have been increasing over the years, for instance the unit manufacturing cost for fabrics are around \$4 while yarn's cost is nearly \$5 (CREDITEX, 2020e). So, the price of the final product remains high. Generally, that is a situation which its competitors are also facing, it can be noticed in Table 8, that CREDITEX had a 24% increase in average price of garments, while other companies' prices raised about 4% to 20% (APTT, 2020). Moreover, according to an interview conducted to Jose Ignacio Llosa, General Manager of CREDITEX, in recent years the company has been closing international contracts with a low operating margin due to price adjustments for the growing supply in the market, also as a strategy they seek to eliminate the inventories of fabrics at a lower price (Gestion, 2017).

Place. As previously mentioned, CREDITEX has seven plants located along the Peruvian coast totally for performing the related productive activities, the ginning plants are distributed in Piura and Lambayeque, so the company can have preferential access to the local farmers for the purpose of obtaining high-quality raw materials (CREDITEX, 2020h). Eventually, the garment manufacturing plant under Texgroup export the products to the three main regions including North America, South America, and Europe at the end of the manufacturing process, which represents 67%, 22% and 10% of its international sales revenue respectively (SUNAT, 2020). Furthermore, due to the high competence in the garments' industry, CREDITEX aims to target new destinations such as China, since they noticed that some brands started to develop and those are being supplied by Italy. In addition, they found a customer in China who is willing to pay for a high-quality product, so the company might start with some sample's shipment in order to see a potential account to build up (Gestion, 2017).

Promotion. Promoting and advertising are not some of the CREDITEX strengths due to its business model. Most of the time, they deal with other businesses directly for bigger orders, which most of the time are obtained by its participation in international fairs (R. Koch & L. Negron, Personal communication, June 25, 2020). So, providing attractive promotions and appealing advertisements to individuals do not seem like necessary. However, since the company has experienced a decline in sales over the last years (CREDITEX, 2020e), Renzo Koch mentioned that in the past, the company lost old clients and gained new customers at the same time, so the sales were stable, but nowadays the company keeps losing old customers without getting new ones in the changing market (Personal communication, June 25, 2020). Therefore, some reasonable promotions or discounts could help the company to engage with existing customers and gain new customers.

1.4.3. Operations and Logistics (O)

As previously stated, the company is vertically integrated so there is a high control in the whole process from manufacturing to the final delivery of the product. The production of CREDITEX takes place on its seven industrial plants along Peruvian coast, as previously mentioned they have two ginnings in Piura and Lambayeque, which have a strategic location since that regions concentrates 100% of the cotton production which is relevant for a better-quality control from the cotton production fields. In general, the company has a production capacity of about 10 thousand tons of cotton yarn per year (CREDITEX, 2020h). Regarding the production amount of last year, the company produced eight tons of yarn, while in fabric, managed to produce more than four million meters that were used both for international sales and for the manufacture of garments, the latter amounted to more than one million units and were produced by manufacturing services of its subsidiary Texgroup. In addition, the ginneries of Piura and Lambayeque have processed more than 75 thousand quintals of cotton fiber (CREDITEX, 2020e).

Moreover, the company's operations are made up of two major processes: pre-production and production. In case of pre-production, it conducts diverse types of research about the material, fabric, and current needs of the most demanding customer requirements. For that purpose, the company has an independent plant for the elaboration of samples in miniature looms, air and rapier looms; also a physical library of more than five thousand fabrics of different qualities and materials (CREDITEX, 2020g), which allows them to quickly develop proposals according to the specifications demanded before moving to the final product development stage, which takes them between 60 - 120 days in average depending on the amount of tests they need to perform (R. Koch & L. Negron, Personal communication, June 25, 2020).

For the production process, it contains different stages. Starting from pre-weaving the raw material to fold and package the finished products. Once the raw material and indirect inputs are received, the production process begins in the plants, whether it is spinning, textile or clothing, together with the qualified labor of the technicians and engineers who will control each part of the process in such a way that it allows them to add value in each of the activities prior to the development of the finished product, as illustrated in Figure 11. In addition, CREDITEX has continued with the process of operational excellence mainly through Six Sigma and Lean tools, with the main goal to eliminate activities that do not generate value, allowing continuous flow and increase of productivity in each of the stages related to the production process (CREDITEX, 2019). It is important to point out that CREDITEX's logistics is also quite effective since most of the products are ready for immediate delivery.

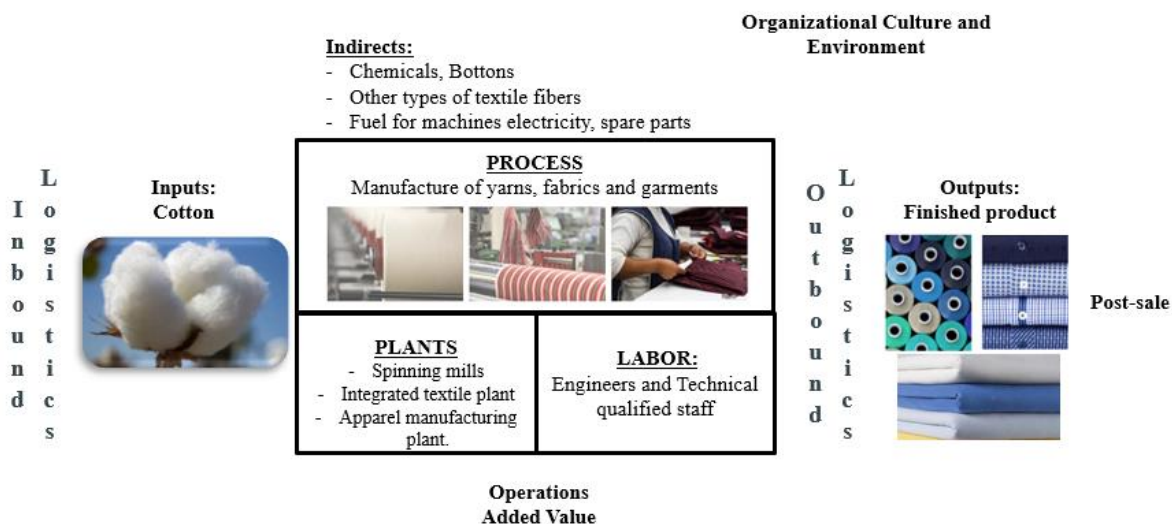


Figure 11. Input-Process-Output Diagram for CREDITEX S.A.A.
Adapted from D'Alessio, F. (2013). El proceso estratégico: un enfoque de gerencia. D.F., México: Pearson.

Moreover, the company maintains strict inventory control for monitoring and controlling the days and costs involved, as shown in Table 9. For example, managers perform a periodic analysis related to the estimate for impairment, which considers obsolete and slow-moving items, and is recorded in the statement of income in the year in which it is determined (CREDITEX, 2020e). In accordance with the policies followed by the company, inventories, including finished products, work in progress and subproducts, are valued at cost or net realizable value. Cost is calculated using the weighted average method, except for inventories receivable, which are stated at acquisition cost. On the other hand, the net value refers to the selling price, after deducting the costs and expenses required for the sale and distribution of the inventories (CREDITEX, 2020e).

In addition, as illustrated in Table 9 there was an increase of 10% on net inventories, which is mainly caused by an increase in the receivable inventories since those dramatically raised from 2'214 in 2018 to 15'889 in 2019. Also, that information is evident when analyzing the operating ratios, in which the average inventory days went from 240.7 in 2018,

to 245.8 in 2019; likewise, the average net trade cycle days rose from 297 in 2018, to 312 in 2019 (EIKON, 2020).

Table 9

Net inventories structure

	2019	2018
	S/. (000)	S/. (000)
Finished goods	62,812	68,130
Products in process and sub products	29,401	31,378
Raw Material	36,457	28,721
Supplies and spare parts	7,120	6,796
Auxiliar material	5,003	4,885
Goods	4,043	3,099
Receivable inventories	15,889	2,214
Packaging	1,413	1,748
	162,138	146,971
Allowance for impairment of inventories	-682	-431
Net Inventories	161,456	146,540

Note. Taken from “Memoria CREDITEX S.A.A. EJERCICIO 2019” by CREDITEX, 2020e.

1.4.4. Finance and Accounting (F)

The company has its own Finance and Accounting department which is responsible for handling all related issues such as taxes, payments, dividends, among others. Also, CREDITEX is listed on the Lima Stock Exchange, so complete information on its financial statements was available. Table 10 illustrates the income statements from the past five years, in which it is evident a decline in the sales revenue in the previous years. For instance, the company reported an EBITDA of PEN 12’370 in 2018 and PEN 9’171 in 2019, which determines a decrease of about 25%. The main reason for that is due to some problems in the importers markets such as South American, the main market for yarns and garments, some countries had to deal with critical situation like political instability, therefore it also generated a hard situation regarding exchange rate volatility (CREDITEX, 2020e).

In addition, the company has made investments for the expansion and modernization of the plants with the purpose of improving the productivity in the processes, for instance in 2018 the investment with own resources was about PEN 10’158,862 and financed with PEN

4'498,098 (CREDITEX, 2019). Similar situation happened in 2019, since the company continued with investments in technology to keep its competitiveness of the products as well as its offering of quality, variety and flexibility. In that case, the company invested one million of Peruvian soles and financed four million. It is important to mention that the investments have been accomplished through leasing contracts with financial institutions in long-term liabilities for the acquisition of machinery and equipment (CREDITEX, 2020e). However, the return on investment capital (ROIC) for 2019 was 1.6% while in 2018 it was 2% (EIKON, 2020) which is in line with the company's profitability.

Table 10

Income statements 2015 - 2019

	2015	2016	2017	2018	2019
Sales Revenue	258,331	244,299	262,266	257,365	267,696
Cost of Sales	- 210,774	- 204,381	- 222,166	- 213,212	- 232,928
Gross Profit	47,557	39,918	40,100	44,153	34,768
Administrative Expenses	- 17,129	- 16,888	- 17,129	- 17,504	- 17,422
Sales and Distribution Expenses	- 19,354	- 19,454	- 18,240	- 19,736	- 20,619
Other Operating Revenues	7,428	6,430	7,237	7,245	16,499
Other Operating Expenses	- 52	- 784	- 159	- 1,788	- 4,055
EBITDA	18,450	9,222	11,809	12,370	9,171
Financial Revenues	2,555	2,422	2,457	2,732	3,118
Financial Expenses	- 1,536	- 1,523	- 1,326	- 2,027	- 3,238
Exchange Rate Difference	- 1,076	- 772	- 774	- 310	68
Other Profit or Loss	599	13	492	347	201
EBIT	18,992	9,362	11,674	13,112	8,918
Income Tax	- 3,961	- 8,087	- 1,866	- 3,151	- 1,530
Net Margin	15,031	1,275	9,808	9,961	7,388

Note. Taken from CREDITEX S.A.A.: Información Financiera. Estados Financieros, by Bolsa de Valores de Lima, 2020 (<https://www.bvl.com.pe/jsp/ShowEEFF>)

Furthermore, companies lose competitiveness in price due to cost starting to rise, so the customer looks for more attractive prices in the market. In that way, it is relevant to see Table 11 in which it is shown the cost structure of the company's three main products as well

as the multi-product break-even point was calculated, which is going to be detailed in the quantitative analysis of Chapter IV. In case of the unit sales income, those were of PEN 19.38 for yarns, PEN 67.02 for garments and PEN 13.09 for fabrics; whereas the sale costs, those are covered with 87% of the sales income according to the vertical analysis of the income statement in above Table 10 (CREDITEX, 2020e). Based on that, the information for the calculation of unit manufacturing costs has been disaggregated as well as the fixed costs as detailed in Table 11, in which were PEN 114'845,808 in 2019, becoming an important reference to support the increase of prices in that year. Moreover, the contribution margin for yarns and garments were 58%, while for fabrics it was 53% in 2019. Additionally, the highest sales commission expenditures were required for garments offering with S/.0.36 per unit and the total sales expenses for the three product lines were more than PEN 18 million (CREDITEX, 2020e).

Table 11

Cost Structure and Break-even point

% of Sales	Products		
	Yarns (Kgs.)	Garments (Uns.)	Fabrics (Mts.)
	51.35%	31.03%	14.22%
Unit income	S/19.38	S/67.02	S/13.09
Variable unit cost	S/7.81	S/27.02	S/5.27
Sales Commission	S/0.10	S/0.36	S/0.07
Unit transportation cost	S/0.16	S/0.57	S/0.11
Fixed costs		S/114'845,808.00	
Administrative expenses		S/16'829,652.00	
Sales expenses		S/18'482,478.00	
Unit contribution margin	S/11.30	S/39.08	S/7.64
UCM + % of sales	S/5.80	S/12.13	S/1.09
Break-even point		7'896,951	
Break-even point (Product)	4'055,084	2'450,424	1'122,946
Break-even point (Sales)	S/78'587,533.68	S/164'227,407.79	S/14'699,368.65

Note. Adapted from "Memoria CREDITEX S.A.A. EJERCICIO 2019" by CREDITEX, 2020e.

However, the company's gross margin increased from 16.99% of revenues in 2017 to 18.80% in 2018, which more than offset the slight decline in sales in these periods

(CREDITEX, 2019). But it decreased to 13.6% in 2019 mainly affected by a contraction in fabrics and garments demands, therefore the production did not reach all its capacity so that it represented higher costs for the company (CREDITEX, 2020e). Figure 12 illustrates some important profitability ratios, based on that it can be identified the decrease in the operating benefits as a result of the decline in the past years and the increase of costs produced due to changes in the market requirements.

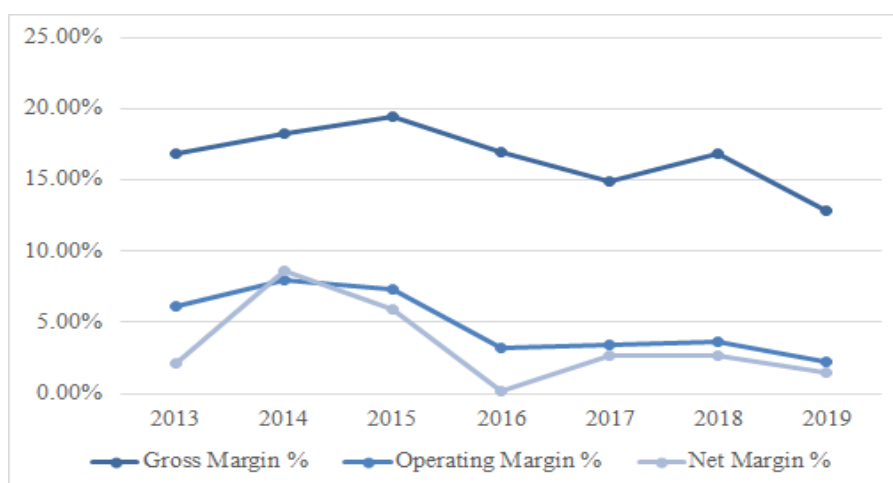


Figure 12. Profitability ratios 2013 - 2019

Taken from CREDITEX S.A.A.: Financials - Refinitiv Co. Fundamentals, by Eikon, 2020 (<https://amers1.apps.cp.thomsonreuters.com/web/filings/filings.viewer>)

1.4.5. Human Resources (H)

Currently, CREDITEX employs 1,499 people of which 0.3% are Executives, 37.8% are Employees and the remaining 61.9% are Operational staff. Most of the workforce have temporary contracts, and only 10% of the company's workers, including executives, some employees and operational staff have a permanent contract (CREDITEX, 2020e). Employees and operational staff are constantly trained and formed to develop high know-how of the manufacturing process and guarantee the presence of qualified personnel in the development of the activities. Also, the company aims to contribute with the country in the generation of skilled jobs (CREDITEX, 2020e).

The company values its people and culture, it can be noticed through the activities that the company uses to carry out such wellness programs for the employee and his/her family,

integration events, health campaigns, holiday celebrations throughout the year, among others. Also, it has developed alliances with other companies in the food, education, and entertainment industries to provide free consumer vouchers to workers and, in some cases, corporate discounts (CREDITEX, 2020e). However, since the labor cost in Peru is becoming more and more expensive when the dropping sales happen at the same time, hiring would be one of the challenges for the future. This is also illustrated in Table 12, in which the personnel rotation between 2019-2018 was 1.83%, and compared to the period 2017-2018, this variation was relatively high because of the changes in technical staff.

Table 12

Personnel employed and rotation

N° Workers	Year 2019			Year 2018			Variation (%)	
	Permanent	Eventual	Total	Permanent	Eventual	Total	2019- 2018	2018- 2017
Executives	5	0	5	5	0	5	0.00%	0.00%
Employees	95	471	566	99	474	573	-1.22%	-0.35%
Operational Staff	60	866	928	71	878	949	-2.21%	-0.32%
	TOTAL 1499			TOTAL 1527			-1.83%	-0.33%

Note. Taken from “Memoria CREDITEX S.A.A. EJERCICIO 2019” by CREDITEX, 2020e.

1.4.6. Information Systems and Communication (I)

Information and communication systems are certainly the key technology that helps CREDITEX to improve the business practice and enhance its competitiveness and efficiency. Currently, the company focuses on applying its information systems on the production and quality control processes. For instance, in the case of pre-production, CREDITEX has a CAD software which allows to quickly obtain designs and colors, as well as to achieve images of garments with the developed fabrics (CREDITEX, 2020g). Moreover, in the production process, its ginning plants are supported by modern systems analysis that helps the company to control the characteristics and qualities of cotton precisely.

Also, the manufacturing system inserts its modules with in-process inventories of less than five hours and information support which can provide real-time monitoring of the evaluation and productivity of the production (CREDITEX, 2020h). In addition, the company has information systems used in the entire company based on the specific requirements, such as for product information, registration, or purchase orders, among others. Similarly, the company shows its fabrics catalogue through its website, so that it is more accessible to customers.

1.4.7. Technology (T)

CREDITEX has a complete research and development department for developing innovative products that meet the market needs and global trends. The team focuses on three main areas: the first one is the blends; the company works with the most select suppliers to offer the best fiber to their customers. Secondly, the finished fabric can have different effects, for instance the protection finishes can block UV rays, retard flame, prevent bacterial and mosquito, while the functional finishes make the garments durable, soft, and comfortable, more importantly, the garments are stain, wrinkles, and fluorochemicals free. The last area is the fabric collections which include seasonal, eterna, and tendency which are constantly changing and following the new trend.

Moreover, CREDITEX also continually invests in machinery, equipment, and technology to create the ideal working conditions at each stage of the process and thus optimize the development of their operations. In case of pre-production, the company employs specialized technology such as WebPDM for Technical Data Sheets, Modaris and Lectra Diamino for pattern making and Optiplan for programming and optimizing weaving. Likewise, they have the necessary technology to carry out high precision cuts as well as to print the garments, thus optimizing time and reducing production losses in the whole manufacturing process (CREDITEX, 2020g).

In addition, it is relevant to point out that the company qualified for the allocation of an innovation fund granted by Innovate Peru. The project was based on Artificial Intelligence that will predict failures, selection of lots of spinning, assignment of machinery as reduction of queues, and the programming of orders for weaving. In addition, the project had an estimated investment of PEN 240,000 of which the fund will cover 40% and the company will take care of the difference with non-monetary resources (CREDITEX, 2020e).

Undoubtedly, the fact of having greater adoption in the digital transformation and automation of processes within the operations, will allow the company to achieve better levels of productivity and efficiency, as well as to continue with the development of quality products, to reach better levels of service and to improve the communication flows in the different areas.

1.4.8. Summary of Strengths and Weaknesses

After the AMOFHIT analysis of CREDITEX some strengths and weaknesses can be identified, those are shown in Table 13.

Table 13

Strengths and weaknesses

Strengths
1. Established and well-known company for its high-quality products.
2. Control over the production processes due to its high level of vertical integration.
3. Highly qualified and trained personnel.
4. Certifications: ISO, BASC, WRAP, GOTS.
5. Improvement in technological solutions for the automation of operations.
6. Well established and secure supplier relationships.
7. Among Top 20 textile exporters.
Weaknesses
1. Inefficient product development
2. Lack of trend adjustment
3. There is not a strategy for B2B customers
4. Low levels of profitability
5. Low culture of change
6. Poor communication throughout the corporation
7. Unstable and inefficient production capacity utilization

1.5. Conclusions

In conclusion, CREDITEX is a well-known company for its quality textile cotton products which is also supported by the international certifications they have. CREDITEX's international reputation of qualified products and high-end technologies ensure its competitive advantage among several textile companies, which are a strength in the midst of such a competitive and large industry. However, as stated in the external and internal analysis above, the high labor cost and the reduction in international demand are one of the external drivers for the sales decline in the past five years, followed by a lack of B2B marketing strategies which have limited the company's growth and development in the local and international market. Therefore, the need to adopt new strategies is high to boost the sales in the short-time and bring value for all stakeholders.

Moreover, the company aims to work with high-qualified personnel from the harvesting to the whole manufacturing processes. In that sense, they are constantly trained in order to keep updated with the market trends and can continue bringing new ideas to the company. Also, CREDITEX's organizational philosophy is characterized by encouraging the culture of innovation and creativity supported which is essential for the development of people's daily activities. Nevertheless, the internal communication process is weak, affecting the daily operation less productive. In addition, the company still presents an inefficient product development due to the large amount of time it demands for finally making the decision, as well as the lack of flexibility to adapt the new changes. Undoubtedly, important points that must be improved in the short term so that the company can benefit from the new opportunities that the textile industry brings.

Chapter II: Key Problem

This chapter discusses the main challenge that CREDITEX is facing, which will be presented in a problem statement to limit the scope of the consultancy and provide the fundamental basis for the development of this document.

2.1. Identified Problem

CREDITEX is a company whose incomes depends on the sales of its main products: yarns, fabrics and garments; directly related to the manufacturing costs (basically raw materials and labor) to provide a competitive price and satisfy the national and international market demand, all of them are external to the company but with direct impact on both revenues and operations. Based on the analysis made in the previous chapter, three points can be identified that are closely affecting to the company: (a) fluctuation in cotton prices, (b) high labor costs, and (c) reduction in demand from the main customers, as a response to the increase in prices, high competition in the market, and innovation of new fibers with cheaper costs. In that way, during the first interview with Renzo Koch and Luis Negrón, representatives of CREDITEX, expressed the main concern of the company about the decline in sales from five years ago after showing a continuous growth in the market (Personal communication, June 16, 2020).

According to Renzo Koch and Luis Negrón the main drivers for that slow down lately is primarily due to labor costs and materials costs started to rise (Personal communication, June 16, 2020), information that is supported after the industry analysis. So, the product became more expensive to the target markets, which are South America and North America, therefore the company start losing competitiveness in the market, a fact that is easily visible in the key financial indicators described in Chapter I. Undoubtedly it is a huge problem that affects the whole performance and profitability and efficiency of the company, since it has not been working its all capacity due to the reduction in demand, and the current production

has assumed the fixed costs, in other words there are less sales but higher costs. It is illustrated in Figure 13 a clear overview of the sales performance and manufacturing cost over the years, being on 2016 the worst with a decline of 5.43% mainly due to increase on the costs and decrease on internal and external demand (CREDITEX, 2017).

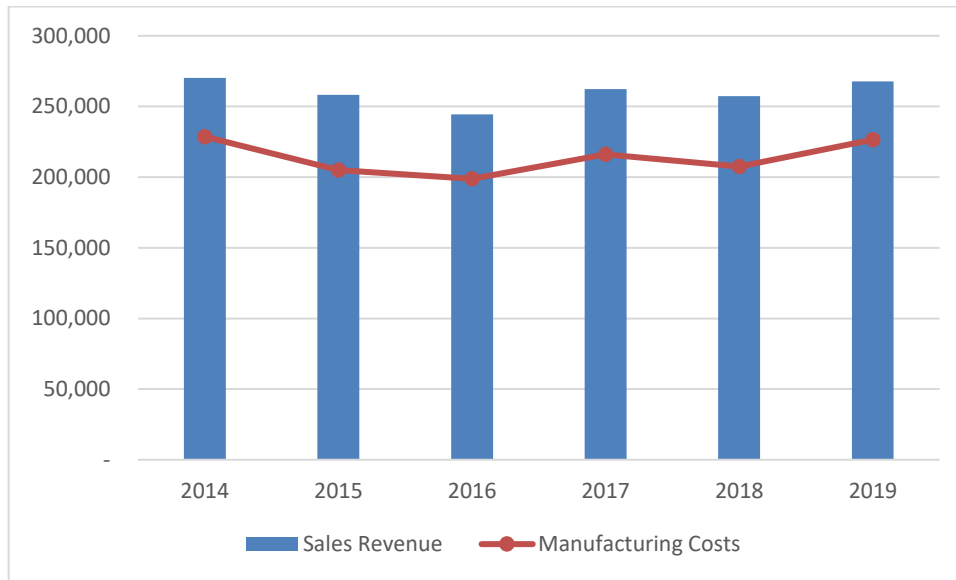


Figure 13. Sales revenue Vs Manufacturing costs from 2014 - 2019.

Taken from CREDITEX S.A.A.: Información Financiera. Estados Financieros, by Bolsa de Valores de Lima, 2020 (<https://www.bvl.com.pe/jsp/ShowEEFF>)

Furthermore, the textile industry is varied, there are many manufacturers which can offer diverse blends in fibers and different prices, giving the customer a high bargaining power since they can choose between large providers local and internationally. For instance, customers are looking for fabrics costing \$3 whereas CREDITEX has a cost of \$4 just to manufacture the fabrics (R. Koch & L. Negron, Personal communication, June 16, 2020). Therefore, due to existence of high competence it is easy to get abroad and find a cheaper option, which is often the approach taken by the customers despite the fact that CREDITEX's products are well recognized in the market. In that scenery, it is not only about positioning and offering a quality product or service, but also an innovative one that fits the current trends and fulfills the requirements of the customers.

Furthermore, it is relevant to point out that a sales decline situation might be preceded by other internal reasons like: (a) product quality, (b) not a proper marketing and sales strategy, (c) poor communication with the customers, (d) internal management, among others. Being the case of CREDITEX, delays on internal processes for the development of new products and a weak flow communication among the different areas. Despite that the products are made with 100% cotton and have a good recognition for its quality, there is a lack of strategy oriented to B2B clients and a focus to the premium segment, which is the main target for the company. Having a strategy might contribute not only to retain customers and build long-term relationships, but also precise information to address the right market which is willing to pay more for a product that have high quality standards.

Given that, the company considers that developing new products might be a good option to boost the sales in the coming years, in that way they are trying to move towards a new niche market while taking advantage of the market's opportunities. As the trend has shifted from dress clothes to more casual sport/comfort clothes, and especially after the spread of COVID-19 there might be a segment demanding medical garments (R. Koch & L. Negron, Personal communication, June 16, 2020). Based on that, they mentioned the case of FIGS, which is an American company that offers comfortable and fashionable medical scrubs, so the importance of research that option arises in order to identify and evaluate the opportunities that this new segment might have in order that CREDITEX can assess the option and consider as an starting point to move toward a new niche.

Nevertheless, as identified in the market analysis there is also a so-called trend that is gaining popularity in North America called *athleisure* which refers to casual and sportswear requirements, then it is a promising niche that have good insights for future development since the consumers are shifting their lifestyle. Thus, in any of both situations it is relevant to point out that those garments are made from synthetic fibers, while CREDITEX currently

offer products based on 100% pima cotton, so it is a key point to identify a possible blend and the costs of manufacturing synthetics since the overhead costs are very high. In summary, the key problem is to assess the main reasons for the decline in sales and look for a saleable product that can fit with price demand and new tendencies in the textile industry for the South and North American market in order to increase the sales and guarantee the survival of the company under a competitive environment.

2.2. Substance of the Problem

Based on the analysis of the current situation and main problem which is the sales decline, it might be addressed on one side by evaluating the main internal and external causes of the problem, then by examining and giving proposals that might be suitable for the purpose in a short period of time. After some unknowns about the root of the situation, followed by the previous analysis and the communication with the company's representatives, it was understood that the demand for pure cotton has declined significantly because the price has become more expensive due to increased labor and material costs. As a result, the demand for derived products has decreased. So, it is essential to approach the problem thinking on getting results as soon as possible, but also those ones need to assure a long-term growth. Also, after further research and while the interview continued, some other questions arisen:

- How long does the decision-making process take?
- Is the company ready for changing into a new product strategy?
- Would it be feasible to develop a new product with different blends or set up a new strategy for the current portfolio?

So, during the consulting project those questions will be answered in order to provide the company with recommendations according to what they can do and get results in a short period of time. Moreover, considering that the lack of a suitable product for the South America and North America market is the cause for the sales decline, it is relevant to analyze

the sales performance on both markets. As shown in Figure 14, the sales in North America have maintained an average increase of 8% over the years; while in South America have dramatically decreased from 13 million USD in 2014 to 4 million USD in 2019, both in FOB value, so a quick action should be taken in order to increase the sales revenue especially in that market as well as improve the culture of innovation and adaptability by creating new blends according to the market requirements.

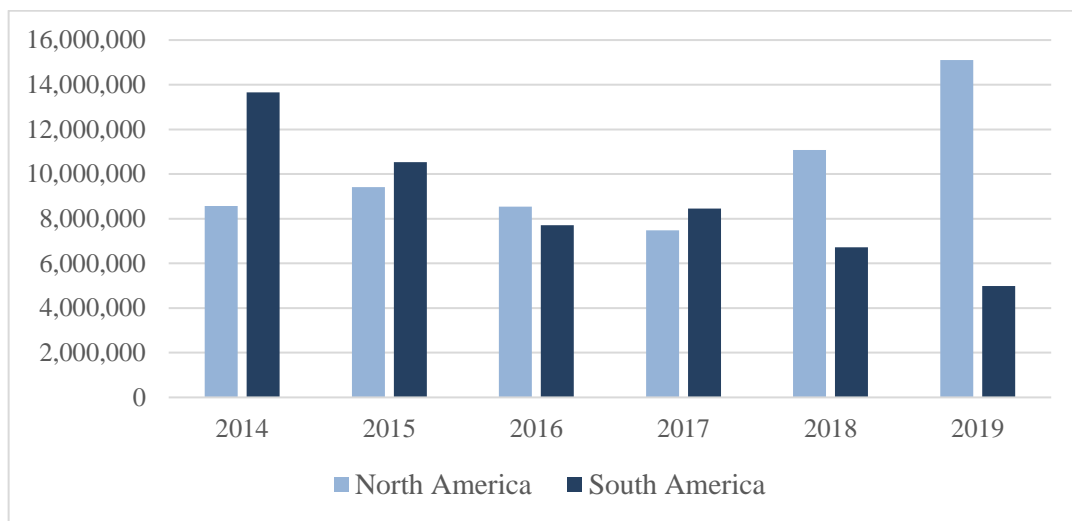


Figure 14. CREDITEX's export record in US\$ FOB per region
Adapted from Consulta por Exportador., by SUNAT, 2020, Lima, Peru.
(<http://www.aduanet.gob.pe/consulta>)

2.3. Location of the Problem

According to the described situation, it is evident that the problem presents consequences in the whole organization, starting from the commercial and marketing area since there is not a saleable product for South America and North America as well as the customer service levels and positioning in the local and international market is affected. Moreover, it influences the entire supply chain from manufacturing to operations area, due to the company is not working on its all capacity and the current production assumes the fixed costs. Finally, a reduction or lack of sales revenue is clearly reflected in the company's financial statements in terms of liquidity and profitability.

2.4. Ownership of the Problem

Based on the organizational structure of CREDITEX illustrated in Figure 10, there are a board of directors and general managers for the decision-making process. Nevertheless, Commercial Managers, Production area and Technical managers are directly related to the new product development procedures to present the proposal for its future implementation in the company.

2.5. Magnitude of the Problem

Without a suitable product for South and North America, sales are reduced and, consequently, the company's income, which is represented by 51% yarns, 14% fabrics, and 31% garments (CREDITEX, 2020e), thus there is no other reason than survival. Furthermore, as previously mentioned the products become expensive due to the increase of production costs, CREDITEX costs are \$4 which is 33% more than the expected price by the customers (R. Koch & L. Negron, Personal communication, June 16, 2020).

2.6. Time of the Problem

As previously illustrated in Figure 13 - Sales revenue Vs Manufacturing costs from 2014 – 2019, in the last five years the company has maintained a slow growth in sales, so the importance of developing a product that fits with the requirements of the market is high, representing a critical point for the development of the organization. As such, it is relevant to take immediate action by taking advantage of market trends and opportunities.

Chapter III: Literature Review

Chapter III presents an overview of the literature and previous research applicable to the problem identified in the last chapter. As mentioned before, the objective of this report is to provide CREDITEX with the necessary information to manage the sales decline inside the organization. This might include different options like the development of a growth strategy, which involves a product development or diversification strategies as the main relevant according to the current situation of the company. In that cases the target markets to focus on can be South America, North America and Europe.

Another point would be moving through a new marketing strategy and becoming more customer oriented in order to increase the company's profitability. As setting up a new strategy is followed by external and internal changes, the following two topics might be related: communication strategies to the market, then the process of change management inside the company. This includes the process of communication, as it was previously identified as a weak point in the exchange of information between departments and in the decision-making process. Finally, the concepts of sustainability and triple bottom line will be described and its impact on the textile industry.

3.1. Literature Mapping

The mapping process will allow to define and delineate the most relevant strategies that can be used by the company to manage the sales decline in a short period of time. Furthermore, it will also identify opportunities for a long-term strategy. In that sense, the theoretical framework for this academic work will consist of: (a) Growth Strategy, (b) Marketing & Sales strategy, (c) Channel Communication Strategies, (d) Organizational Management and (e) Sustainability. Figure 15 illustrates the literature mapping in detail.

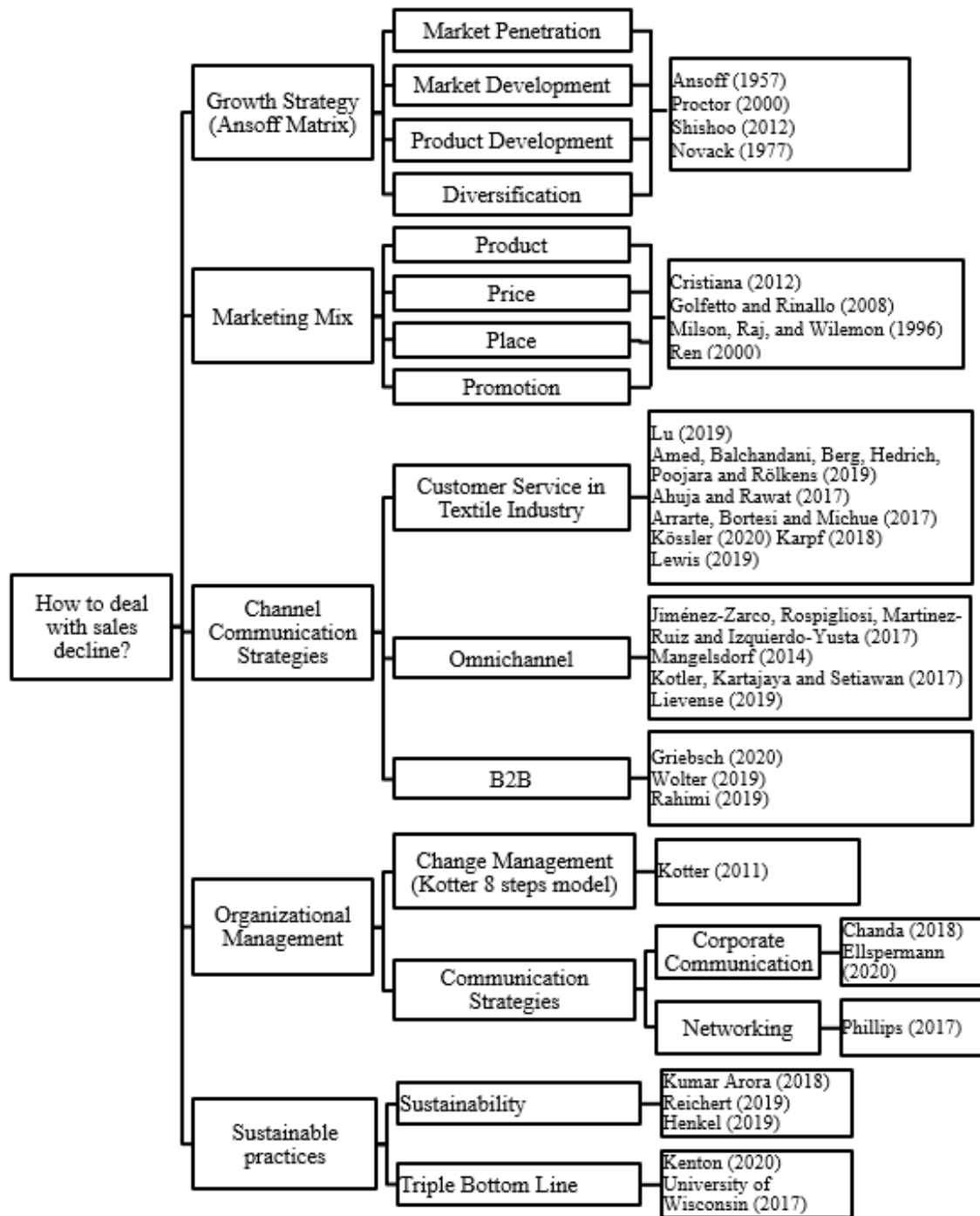


Figure 15. Literature map

3.2. Literature Review

With regards to the problem statement of this academic report, the following literature review aims to provide a better understanding of the topic in order to determine the best solution for CREDITEX to take into consideration.

3.2.1. Growth Strategy

“Just to retain its relative position, a business firm must go through continuous growth and change” (Ansoff, 1957, p.1). Hence, to guarantee sustainable company growth and stop profit declines, the decision makers of a company have to search for new ways to offer innovative products on the competitive market. A suitable framework to develop and measure product-market strategies is the so-called Ansoff Matrix, which consists of four basic growth strategies: Market Penetration, Product Development, Market Development and Diversification; however, its use might be done based on the long-run objectives of the company. Figure 16 illustrates the matrix and the strategies for business growth according to the Ansoff Matrix.

	existing products	new products
existing markets	Market penetration strategy	Product development strategy
new markets	Market development strategy	Diversification strategy

Figure 16. Ansoff matrix.

Taken from “Chapter twelve: Growth Strategies: Product-Market Expansion”, by Proctor, T., 2000, *Strategic Marketing*, p. 239

According to Ansoff (1957), each of the following strategies describes different methods a business can achieve for future growth and development, but it is relevant to point out that in some cases companies would track those methods at the same time. It might also help to create windows of opportunities in order to increase the sales in volume and revenue (Proctor, 2000).

Market Penetration. A market penetration strategy consists in focusing the sales in the existing market, in that way the company might look to boost the business performance and market share by increasing the sales volume or by creating new business relationships for the current products of its portfolio (Ansoff, 1957). In addition to that, Proctor (2000) mentioned that the strategy should also focus on trying to maintain the margins of profitability on sales as well as winning more customers from market competitions. So, the company must develop a series of activities in order to capture the current market demand, which would be related to a different marketing strategy with the aim of gaining more coverage with customers. However, it is appropriate to mention that the strategy of penetration guarantees greater confidence to the company since it is not demanding to expand the portfolio of products or to seek new markets, but rather the strategy of growing in an already-known business context.

Market Development. In that strategy, the main point is to sell the existing product or with some modifications to a new market segment (Ansoff, 1957), which might also include unexplored local markets or international markets. So, the needs of identifying products' main features might be crucial to define a competitive advantage and ease the entrance to a new market where the product offering is valued. This requires the implementation of new strategies like opening new distribution channels, looking for new businesses through participation in international fairs, among others. However, it is important to consider that entering a new market does not guarantee long-term or short-term profitability, in that case economies of scale might play an important role to improve these numbers (Proctor, 2000).

Product Development. The main idea of the product development strategy is to offer a new product that retains the present mission (Ansoff, 1957). In other words, this alternative refers to work on innovation and creativity and creating a new or different product which can get the customer's attention and improve the economic performance of the business and achieve the objectives in the current market. In the textile industry, Shishoo (2012) indicated that innovation has been a driving force for moving to new fibrous materials such as new manufacturing technologies in order to produce new types of fiber, yarns and fabrics; as well as greater advances in polymer and fiber science.

On the other hand, Proctor (2000) suggested a methodical approach to develop a new product, which is illustrated in Figure 17 and consists of six phases to achieve the final production. However, the good proposal of the framework responds to a quick and efficient filtering of new product ideas and only focuses on the ones which will bring better benefits to the company. It is done by reducing the costs that are accumulated when passing from one phase to another, in the same way eliminating ideas that will not contribute to the objectives of the organization.

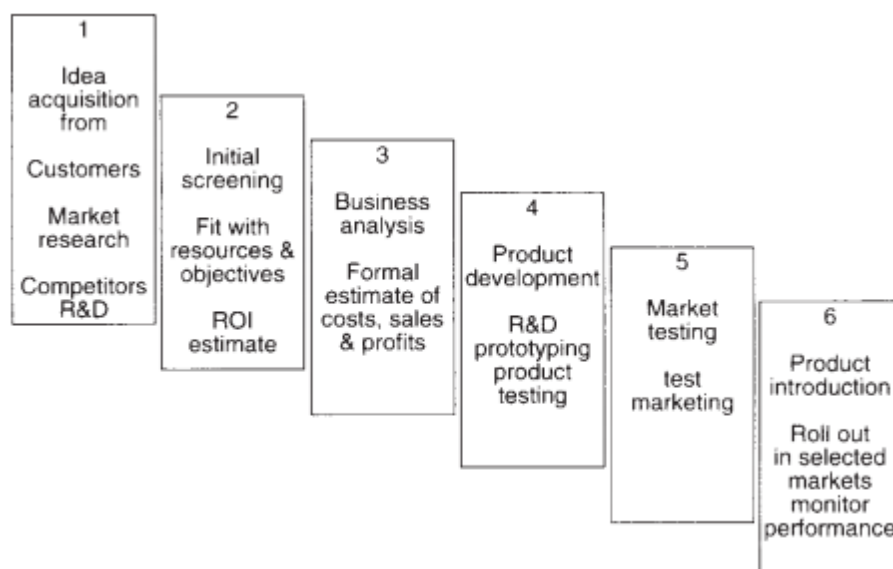


Figure 17. Phases of a new product development.

Taken from “Chapter twelve: Growth Strategies: Product-Market Expansion”, by Proctor, T., 2000, *Strategic Marketing*, p. 244

Diversification. This alternative is the final one and the more complex from the quadrant since it only involves a mixtures of changes in the organization and business structure in order to develop a new product for a new market niche, while a pursuit of market penetration, market development and product development is generally a sign of progressive business in which it might be important to survive in an economic rivalry (Ansoff, 1957). To develop that strategy is important to carry out an analysis of the potential market in order to have the relevant information for the decision-making process and reduce the risk of failure. Besides, this will serve as a basis for developing the product to be introduced so that it fulfills the requirements of the target market. Moreover, diversification of a portfolio internationally might bring substantial benefits for the company, as well as a composed portfolio with securities within an industry but diversified across nations (Novack, 1977).

At this point, CREDITEX has completely relied on the continued demand for the existing products on the market. A market development strategy was therefore used, although it seems that the marketing aspect was not sufficiently considered. In that way, the main focus is on the Diversification and Product Development Strategy as a new approach to take into consideration, which means that a new product should be launched on the existing market (South America and North America) or put more emphasis on a new market (Europe). CREDITEX is considering “fion” which is a fabric made from the latest technology, used by an American company to produce modern, sporty, and stylish medical clothes (R. Koch & L. Negron, Personal communication, June 16, 2020). Thus, the idea of CREDITEX is to develop a product with the same or a similar material to adapt new trends and regain the missing sales of the past years. However, there are other alternatives and opportunities which will be assessed and discussed in the next chapters as well as the possibility of implementing new activities aligned to the company’s strategic objectives.

3.2.2. Marketing & Sales Strategy

This section will focus on the four key elements of the Marketing & Sales Strategy which include the Product, Price, Place, and Promotion. The purpose is to provide an overview of how to plan Marketing and Sales strategically in the textile industry, so CREDITEX can be benefited from the review.

Product. According to Cristiana (2012), a product that satisfies the market demand requires a set of elements, such as the accurate range fits the market size and structure, appealing attributes, communications relating to the product, and representative product image. Although innovation is important to the viability of a company, there are still many companies that pay little attention to new product development (NPD).

Reason number one is that “these firms lack the resources or personnel to carry out NPD activities. Although firms in this situation understand that they have significant NPD deficiencies, they may lack either the knowledge, capabilities, and/or the desire to pursue corrective measures” (Milson, Raj & Wilemon, 1996, p. 41). At present, medical, and sporty garments are the new trends that worthy discover according to CREDITEX management because their competitor FIGS is currently offering comfortable and fashionable medical and casual clothes that are popular (R. Koch & L. Negrón, Personal communication, June 16, 2020).

Furthermore, the environmental performance indicators (EPIs) are now crucial for evaluating the process and product life cycle, because EPIs help the company “in selecting environmentally friendly techniques, benchmarking, environmental reporting and establishing environmental management system (EMS)” (Ren, 2000, p. 473). Since many environmental issues must be addressed during wet processing which includes material/water and energy consumption, chemical use and toxic release, waste generation. For example, a

significant amount of wastewater and pollution is created during the preparation stage cotton through desizing, scouring, bleaching, and mercerizing (Ren, 2000).

Price. “Price is the only marketing mix variable that leads to profit, all others do not generate than spending or investment” (Cristiana, 2012, p. 33). In other words, without a practical pricing strategy, the exceptional financial outcome will be difficult to achieve. Before a reasonable price is suggested, there are several procedures that must be implemented and evaluated. For example, a target market analysis must be conducted, so the company will have a better understanding of what price range fits the potential customers the most.

Promotion. Promotion is made up of a “set of actions to boost the penetration of products (services) and consumer market, to boost sales” (Cristiana, 2012, p. 33). The purpose of investing in advertising, sales promotion, public relations, or exhibition is to allow the potential customers to notice the “existence of a particular textile product market supplied” and stimulate the “interest of Romanian and foreign customers and distributors to ensure its sale” (Cristiana, 2012, p. 37). Furthermore, among all the promoting tools, the trade fair is the only approach that brings people together to a single location. So, the supplier group can set up physical exhibits to present their services and products for building and maintaining relationships with potential customers.

Trade fair also provides the occasion for the professional communities in the same industry to interact and exchange opinions regarding the new trends or common problems. (Golfetto & Rinallo, 2008). Most importantly, establishing the brand image in the textile industry.

Place. It is critical that the customers receive the necessary products after the company invests cash and resources into production and promotion. There are two essential elements that should be considered when a textile company plans the distribution strategy. Firstly, the price must be competitive enough if the products are not differentiated

significantly, so the final price will be controlled within the price range that customers are willing to pay. Secondly, it is better to set the physical distributor textile near the infrastructure, because some customers might locate in the inaccessible area (Cristiana, 2012). For company related examples concerning the 4P's have a look at chapter VIII.

3.2.3. Channel Communication Strategies

The objective of this chapter is to talk about important channel communication strategies like Omni Channel Marketing, B2B Marketing or overall, the customer service in the textile industry to give a necessary overview.

Customer Service in Textile Industry. First of all, some general information about the development of the textile industry: The textile sector has become very important over the years presenting a continuous growth worldwide which positively influences the development of economies, achieving a total amount of US \$505 billion worldwide for the exports of textiles and apparel (Lu, 2019). Moreover, the industry has shown significant changes in the last years like developing countries are achieving more market presence to cover the demand of capacity limits as well as for sourcing diversification strategies of fashion brands and retailers. Also, there are new innovations in the industry related to the blends and the materials used to produce the garments. Nowadays, consumers have a sustainable focus and there is a niche that is able to pay a little bit more for products with less impact on the environment (Amed, Balchandani, Berg, Hedrich, Poojara & Rölkens, 2019), in the same way, product differentiation, the development of new channels including retail and online, followed by low cost products seems to boost the demand and drive the future growth for apparel industry (Ahuja & Rawat, 2017).

In addition to that, it should be mentioned that the textile sector is one of the main sources of employment for many countries, since it includes a set of activities such as the treatment of natural and artificial fibres for the manufacture of yarns, the fabric finishing

process, and ends with the manufacture of garments and other related products (Arrarte, Bortesi & Michue, 2017). In case of Peru, the country has one of the largest more developed textiles in South America, however it has not yet reached its full development even the important role it plays in the national economy, in which textile exports account for 11% of non-traditional exports, being the United States main importer market (Ministerio de Comercio Exterior y Turismo [MINCETUR], 2018).

As in any other industry, customer service is a key success factor. But how can companies increase the quality of their customer service to build relationships? The following part shows a list of important principles (Kössler, 2020; Karpf, 2018):

- Speed or response time - In many cultures like the United states, "time is money" (Lewis, 2019). For this reason, it is important to keep the customer's waiting time as short as possible.
- Employee skills - The knowledge and training of the workforce is an essential key success factor to satisfy customer needs.
- Accuracy - Many customers regard accuracy as a basic requirement for high quality service. This can be achieved with good communication skills of employees and advanced information systems.
- Provide a fast and easy solution for the problem of the customer as illustrated in Figure 18.
- Transparency – Basically, if you can see the amount of work behind the service, customer satisfaction also increases as shown in Figure 19.
- Be friendly, work efficient, be patient and show empathy

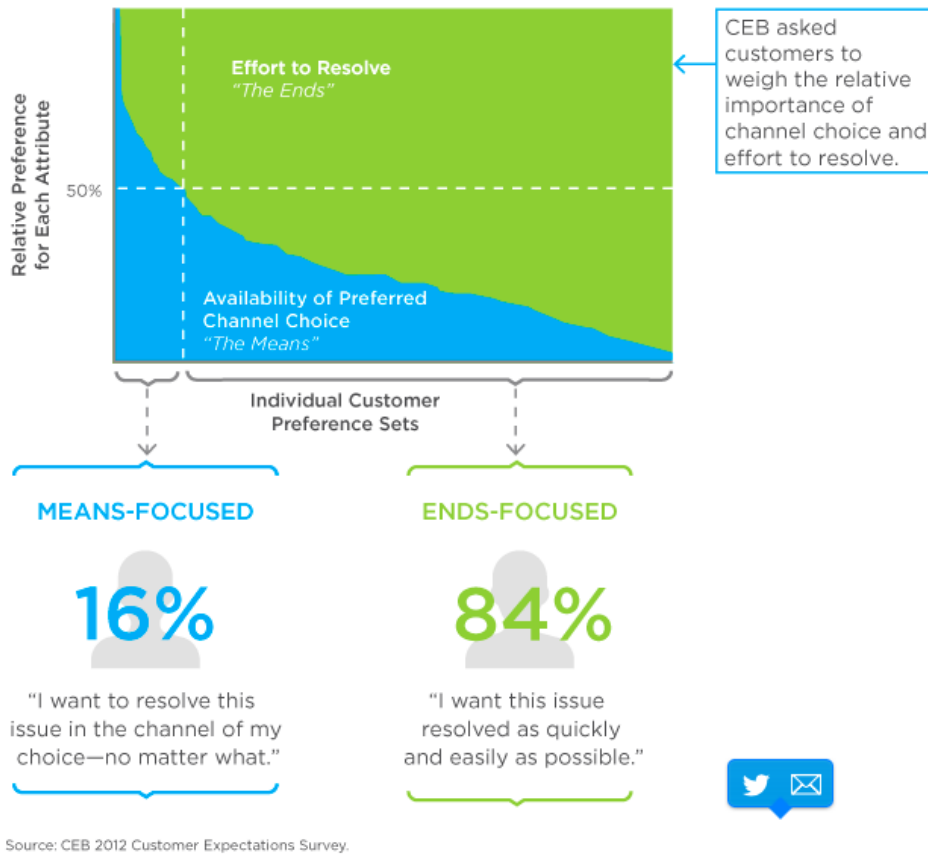


Figure 18. Customer expectations concerning fast and easy solution process. Taken from “Die 8 entscheidenden Grundsätze für guten Kundenservice”, by Pascal, 2018 (<https://www.userlike.com/de/blog/grundsätze-guter-kundenservice>)

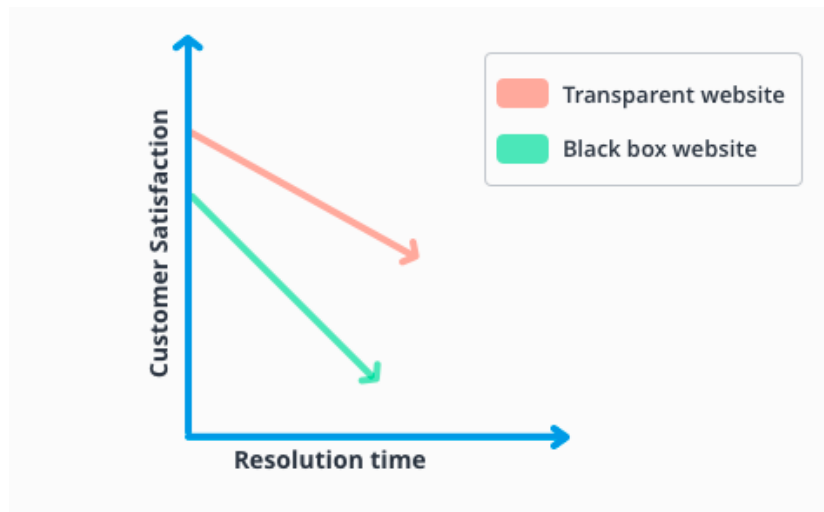


Figure 19. Transparency as key success factor in customer service. Taken from “Die 8 entscheidenden Grundsätze für guten Kundenservice”, by Pascal, 2018 (<https://www.userlike.com/de/blog/grundsätze-guter-kundenservice>)

Omni Channel Marketing. Unexpected turmoil in recent years such as the financial collapse, the shift in economic power and climate change have profoundly affected today's social and economic life. Technological progress changed the way people and companies organize their daily business (Jiménez-Zarco, Rospigliosi, Martínez-Ruiz & Izquierdo-Yusta, 2017, p. 1ff; Mangelsdorf, 2014, p. 19ff). Those developments enable corporations to use a variety of channels to sell their services or products. However, in order to make the shopping experience as unique and convenient as possible, these channels need to be coordinated. Therefore, Omni-Channel Marketing can be defined as “The practice of integrating multiple channels to create a seamless and consistent customer experience” (Kotler, Kartajaya & Setiawan, 2017, p.140). The advantage of a functioning omni-channel strategy is that customers have greater trust in the company and thus become more loyal. This fact can also be highlighted with the following number: Companies with a strong omnichannel approach keep an average of 89% of their customers (Lievens, 2019).

B2B Marketing. B2B Marketing or Business-to-Business Marketing is about strategic communication with the objective to sell products between two organizations (Griebsch, 2020). To be more precise, B2B is aimed at the acquisition of corporate customers (Wolter, 2019). The difference to conventional B2C (Business-to-Customer) Marketing is enormous: if a company is the customer, then the purchase decision is based on rational and price-related criteria rather than emotions and feelings (Griebsch, 2020). However, the question which arises now is how this information are obtained nowadays? Fact number one is that “66% of B2B buyers want a website to respond directly to the needs of their industry” (Rahimi, 2019, para. 4). For this reason, online marketing (in particular a good structured homepage) is a perfect way to provide potential customers with sufficient information. Email marketing and social media marketing are also ways of getting in touch with customers to provide information (Griebsch, 2020). Furthermore, “59% of B2B buyers prefer to research online

rather than speak to a sales representative” (Rahimi, 2019, para. 5). In that way, figure 20 shows the main B2B channels used to distribute content and the importance of being present on several social media platforms, in which communication through E-mail and LinkedIn are the most common online channels of marketers.

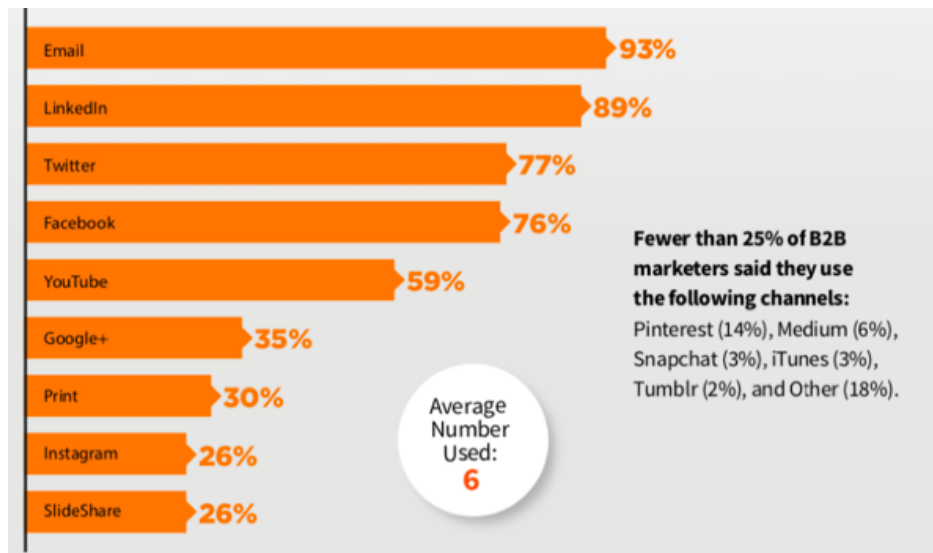


Figure 20. Most common online channels of B2B marketing. Taken from “15 Trends in B2B-Marketing”, by Wolter, 2019. (<https://blog.hubspot.de/marketing/b2b-marketing>)

Furthermore, the following criteria are crucial for a good B2B marketing strategy:

- More personal contacts to customers
- More detailed explanation of the product properties (Griebsch, 2020)
- Exact definition of the target group
- Win the attention of the target group through spontaneity and speed
- Use of artificial intelligence
- Big Data analysis
- Automatization while personalization of customer relationship measures (Wolter, 2019).

Besides all those mentioned criteria there are also several challenges which have to be taken into account of a company nowadays: digitalization, fast pace, difficult to access target groups, complex products, global networking and changed purchase processes. Furthermore, the struggle for customer attention is particularly challenging in a strong competitive market with many competitors. Besides that, B2B Marketing gets more and more expensive which increases the importance of tailored and customer-oriented marketing measures (Griebsch, 2020). Finally, Figure 21 illustrates some facts about B2B buyers:

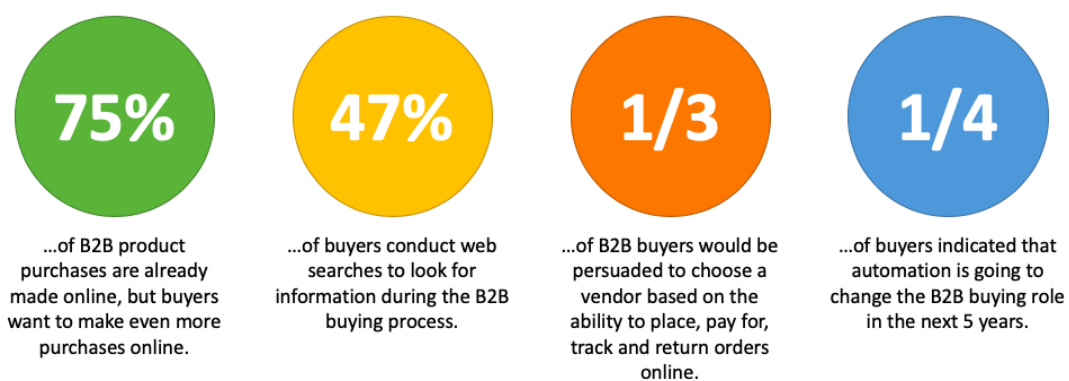


Figure 21. Facts about B2B.

Taken from “The B2B buying process 2019 report”, 2019 (https://www.sana-commerce.com/b2b-buying-process-2019-report-how-to-meet-b2b-buyers-demand/#mktoForm_4169)

3.2.4. Organizational management

The objective of this section is to explain the processes and strategies associated with organizational management. The first model that we will use is for change management, with Kotter’s 8 step model. Following this, we will explain the importance of having established an effective communication strategy for both internal and external communication.

Change Management (Kotter 8 Steps model). The eight-step process was designed by Dr. Kotter which was designed to help leaders execute their strategies throughout their organization. It was developed by analyzing the key success factors of successful leaders when implementing strategic change. By creating this process, it can help spread awareness

of the crucial steps that are needed for leaders to consider when making changes to their internal strategies.

The first step in this model is to create urgency. The only way to create organizational change is for everyone in the company to identify the need for change, and the desire to make the change. Another important part about this step is to vocalize the need for change. This can become very powerful as the urgency will be passed from person to person and can build up over time to emphasize the need for change (Kotter, 2011). The second step is to form a powerful coalition. This is done by convincing people within the organization that you are devoted to change and that it is a team process. If employees see that management is willing to work just as hard in the frontline of change as the employees, there will be trust and commitment formed throughout the entirety of the organization. There needs to be clearly identified change leaders that are working to bring the company together as a unit (Kotter, 2011).

The third step in this model is to create a vision for change. The importance of this step is to create a visualization for the people within the company regarding the purpose and benefits of change. Employees will have a much easier time agreeing to the change when they understand what the company is trying to work towards (Kotter, 2011). The fourth step is to communicate the vision. This must be done on a regular basis so that it can become ingrained into the new company culture and strategies. When the change is apparent and talked about, it will be fresh on people's mind and they will be more conscious about it and work towards the new goals. At the beginning of the implementation process, it is critical that everyone has a clear understanding of the new vision, and to know why it is that the change is occurring (Kotter, 2011).

The fifth step is to remove obstacles. The purpose of this step is to be driven and not let anything get in the way of positive change. For example, means making sure that

everyone within the organization is on board with the change and has the right mindset. If there are employees that are resisting change and are unwilling to adapt, then they must be dealt with, so they don't interrupt the change process. A good way of monitoring this is to identify or hire change leaders that track the progress and emotions of the employees. They will be able to monitor their activities and make sure that the transition is going smoothly and can deal with the obstacles if need be (Kotter, 2011).

The sixth step is to create short term wins. This is an important step as it acts as a motivator for people within the organization. By setting small targets progressively throughout the process, it provides feedback and results to the employees that what they are doing is paying off. This includes short term goals that can be achieved and giving rewards for people that are doing exceptional work. This is done so that the employees will feel more valued and that their actions are impacting the success of the business and that the change is worth this extra effort (Kotter, 2011).

The seventh step is to build on the change. This step is more long term to add additional benefits to the proposed change as it aims and focuses on the big picture. For example, although there is an original change management strategy, it doesn't mean that this strategy can be adapted throughout the process. The strategy needs to be closely monitored to maximize the results. Even once the initial change has been implemented, there needs to be continuous improvements made so that the organization can reach its full potential. Just because the change was successful, doesn't mean that it is completed. There always must be someone looking for the next way to improve the systems (Kotter, 2011).

The eighth and last step is to anchor the changes in the corporate culture. For the changes to stay, it must be ingrained into the culture and everyday life of the business. It will now be the new norm. Once the change has completed, make sure to continuously emphasize the importance and results of this change. This will make everyone much more aware of how

much their efforts paid off, and why they should continue to work towards it. Corporate culture has a tremendous impact on how people get things done at work so it's important that this change is established company wide so that it does not revert to the old ways (Kotter, 2011).

Communication Strategies. Within an organization there are many ways in which information and knowledge is communicated. This often depends on the size of the organization, who the leaders are, as well as what the company culture is. There is no one answer to how information should be communicated, however, there are two methods which we will explore that we deem useful. The first being corporate communication, and the second is through networking.

Corporate communication. Corporate communication is the way that a company portrays itself internally and externally. It is the method of communicating information to all of the company's stakeholders, from employees to the end customers. In organizations that have large teams and many projects on the go, it is becoming more popular to hire a corporate communications manager. Their role is to use their persuasion and speaking skills to “steer development and innovation in the organization” (Chanda, 2018). Corporate communications have many areas of interest within a company. These include media relations, crisis and issue management, internal communications with employees and investor relations. The importance of having someone assigned to managing all these areas is that they are acting as a mediator and leader in taking on the specific issues at hand. It is crucial that information is passed throughout a company in a proper and consistent manner, which is much more impactful with a trained professional who knows how to communicate information effectively.

Beyond hiring a corporate communications manager, there are many other internal methods that managers and people within the organization must practice when implementing

new strategies or changes. Firstly, the change leader must have a sought-out plan with tangible goals and objectives. The reason for this is because they will only be able to share this new vision with the organization if it is deemed to be feasible and realistic. Next, there needs to be the right communication tools in place such as an effective communication system. Some of these systems could include internal company chat software, cloud technology, or even creating a company database where all information can be shared.

The importance of this is because it is much less disruptive to the organization and much less timely when they can access new information remotely. Also, in recent years there has been a drastic change from the traditional top down business practices. Employees within the organization are key contributors to new ideas and opportunities and it is essential that they have a voice and a means of communication to their superiors. Therefore, there needs to be an established bilateral communication network where feedback and ideas can be expressed. This feedback can be regarding new ideas, or even expressing concern about current practices and procedures.

Lastly, it is extremely important to ensure that there is not a communication overload. People get overwhelmed when there is a constant flow of new information regarding the organization. When managers are sending their subordinates information, it needs to have a strong purpose because if there is an overload of info it can lose its meaning and importance. Therefore, managers need to minimize the frequency and quantity of information being communicated and limit it to what is important and necessary rather than to overwhelm them with daily newsletters (Ellspermann, 2020).

Networking. Networking has been highly sawed after topic for many centuries now. It is the process of utilizing people around you to share your resources with one another to hopefully create a mutual benefit. This can be with introducing people, jobs, clients, resources, etc. (Phillips, 2017). Networking can be done in a variety of different ways such as

formal or informal. The benefits of creating a network for yourself or your business are endless. This is a very similar principle to collaboration, as when working in a team with shared knowledge and information, there will almost always be a better result.

Businesses need to create networks to create efficiencies within their supply chain. For example, this is with building supplier or manufacturer relationships. Networking can lead to improvements of talent throughout all aspects of an organization. It can also be very beneficial for companies to network with their competitors as there can be tremendous knowledge sharing potential. At the end of the day, creating a network for yourself can present many opportunities in the future, and it often does not require that much effort. The stronger one's network is, the more resources and assistance they have access to when issues or complications may occur.

There are also tremendous benefits from networking, specifically when working internationally. Business practices and procedures are very different in each country, which can cause some complications. For example, when opening offices in new countries or other locations it is important to have an idea of where to recruit employees, or who to contact for renting office spaces. Creating connections in different countries provides the opportunity to reach customers within that country as well providing the potential for international expansion. Therefore, when doing business overseas it is very important to have relations and a network of people to communicate with to make the transition smoother. Networking may seem tedious and unrewarding at times; however, it can only be beneficial in the long run to have a larger network of connections as it can lead to great opportunities.

3.2.5. Sustainable practices

These days, environmental sustainability is a topic that everyone around the world is or should be concerned about. The steadily growing population in combination with the scarcity of natural resources makes sustainability thinking an extremely important

component. Especially future generations are affected by the fact that humanity is paying more attention to the environment and in a broader sense to the availability of natural resources. For example, industrialization or modern agricultural practices have also contributed to the rapid increase in air and water pollution (Kumar Arora, 2018).

Due to the steadily increasing number of the population, there is also a rising demand for clothing on the market. For example, the amount of demanded clothing has doubled from 2000 to 2015. However, before an item of clothing can be purchased, the product undergoes a variety of steps, often involving toxic chemicals (Reichert, 2019). Apart from the chemicals, probably the biggest problem in cotton cultivation is the enormous water consumption. Cotton is now cultivated in many dry areas. As a result, many cotton plantations have to be irrigated artificially, drying up rivers and lakes worldwide, lowering the water table or salinizing the soil (Henkel, 2019). In addition, pesticides are used, which destroys the fertility of the soil and biodiversity (Kumar Arora, 2018; Henkel, 2019). However, not only the habitat of "unwanted" plants and animals is systematically destroyed, but also the people are affected. Sooner or later the chemicals get into the groundwater, from which mankind quenches its thirst. Also, from an economic perspective, the cultivation and sale of cotton is often very exploitative. For example, in many stores worldwide you can buy cotton T-shirts for less than one Euro. As a result, the farmers hardly earn any money and cannot afford to buy protective suits or breathing masks that are essential for their health (Henkel, 2019; Reichert, 2019).

Moreover, due to the increasing environmental awareness of the population, however, some companies around the world are already responding and working towards more sustainable production in order to make the diversity of nature accessible to future generations. Nevertheless, the question now arises as to which tool a company can use to

adequately keep track of and improve the various aspects of sustainability. At this point the concept "The Triple Bottom Line" will be introduced:

Triple Bottom Line. It is undisputed that a company must earn money in order to operate competitively in the market. However, besides profit, there are two other aspects that contribute to a more sustainable everyday life: people and planet. The aspect "people" includes on the one hand the employees in your own company and on the other hand the rest of the population like customers. A fair wage and humane working conditions are just two of the many important components of this triple bottom line dimension. Planet is all about actively fighting against global warming as a company. The goal is to keep the ecological footprint as small as possible (Kenton, 2020). Of course, it takes a lot of time and money to focus on the people and the planet besides the profit. However, a study has shown that those companies that have successfully integrated the Triple Bottom Line Strategy into their corporate philosophy automatically achieve noticeable success in the company's profit (University of Wisconsin, 2017; Kenton, 2020).

3.3. Conclusions

After the literature review of the business growth strategies based on the Ansoff Matrix, the ones that fits with the situation of CREDITEX are product development and diversification. The first one suggests to launch a new product in order to improve the economic performance of the company in the current market. In that point innovation plays an important role in order to move into new materials and blends with the use of manufacturing technologies. Moreover, the strategy of diversification is more rigorous as it involves several changes in the business structure with the aim of launching a new production to a new market. However, it might bring substantial benefits for the company as well as a composed portfolio with securities within an industry but diversified across nations.

Moreover, the importance of making a marketing mix analysis lies in developing an appropriate strategy that allows the best benefits for both the consumer and the company in economic terms. In that case, price is a variable that demands special attention since without a right pricing strategy the expected outcomes will be difficult to achieve. Likewise, having an adequate communication to the channel is a key success factor which will help the company to provide a quality service and address the target segment through the right channel. For instance, customers are looking for transparency, accuracy, fast communication and easy problem resolution. Also, having an omnichannel strategy and a great coordination among them, guarantees a more trust and loyalty from the customers.

Finally, the company might communicate every internal change starting with general information concerning why the need of a change or what they will get after that implementation in order that all of them are on board and willing to cooperate in the new changes of the company. The way of communication is relevant in that process since its portraits the image of the company with all related internal and external stakeholders.

Chapter IV: Qualitative/Quantitative Analysis

The aim of this chapter is to analyze the internal problem of CREDITEX using qualitative and quantitative methods. For example, concerning qualitative method Luis Negron and Renzo Koch (contact person from CREDITEX) were interviewed several times to gain in-depth insights and to come up with the best possible solution. Furthermore, an Austrian expert in the international textile sector was interviewed about the problem described in Chapter II and asked for his professional expertise. Regarding the quantitative analysis, a more precise analysis of the financial data should be evaluated, as well as a survey that was distributed to CREDITEX employees. Unfortunately, no results were found.

4.1. Qualitative Analysis

Products must have a unique selling proposition. As already mentioned, CREDITEX is struggling with the problem that production costs and labor costs lead to a high sales price, which in turn leads to a decline in sales. According to the Austrian expert, such a high price can only be justified if the product has special properties. These properties are said to be so unique that the CREDITEX product stands out from the competition. For this reason, specialization is necessary because the demand for ordinary cotton will continue to decrease in the future. “Cotton is offered everywhere - the difference lies in the quality and properties” (Austrian Expert, personal communication, July 21, 2020).

Use marketing to make something special out of the cotton product. As has already been explained in more detail in Chapter III, marketing is in many ways a very valuable and effective tool for turning an ordinary seeming product into something special. Both the authors of this consulting project and the Austrian expert find out that all marketing measures of the company CREDITEX are expandable and can be improved. A sensible investment in the marketing area increases the likelihood of new customers and could also partially solve the problem of decline in sales.

The sports industry is booming. According to the Austrian expert, the sports industry is an area in the economy that has been emerging in recent years and has meanwhile developed into a trend. While the high fashion industry is increasingly being replaced by cheap fast fashion or by polyester materials, CREDITEX has to think about the future of its customers. One thing is clear: CREDITEX can no longer sell its own product if the actual customers have no future. For this reason, it is a consideration to focus on an area in the economy that has more potential, such as the sports industry.

A precise definition of the customer group is required. The first step to bring a better or more customer-specific product to the market is the exact definition of the customer group that the company wants to address. Only after this definition can you find out what the customers' wishes are and how these properties can be implemented in a product.

Rising Sustainability trend. Sustainability awareness among people around the world has been increasing for several years. The world we live in is unique and cannot be replaced. For this reason, many people are investing more money in products where it can be shown to be environmentally responsible. Since CREDITEX grows and harvests cotton on its own land, a switch to organic or fair-trade cotton would be a suitable option.

Financial fluctuations must be investigated annually. An annual analysis of financial data is designed to ensure that reasons are found for why a season has gone well or badly. This is to ensure that a decline in sales is recognized at an early stage and possible causes are found so that measures can be initiated in good time.

Market analysis. Table 14 is a summary of the information collected in the analysis of the industry and the progress of this document. All these data are decisive in determining which target market should ultimately be the most attractive for CREDITEX.

Table 14

Key indicators of importers countries

	United States	Argentina	Brazil	Colombia
GDP/USD (2019) ^e	\$21.428 trillion	\$449.663 billion	\$1.84 trillion	\$323.803 billion
GDP trend ^e	Rising	Falling	Falling	Falling
Income category ^a	High income	Upper middle income	Upper middle income	Upper middle income
DB Rank ^a	6	126	124	67
Cotton imports (2018) – in thousand 480 lb. bales ^f	5	15	50	110
Trade with Peru ^g	PTPA (Peru Trade Promotion Agreement)	UNASUR (Union of South American Nations)	UNASUR (Union of South American Nations)	CAN (Comunidad Anadina Naciones) and UNASUR
Sport market value (2018) ^e	\$71.06 billion	\$375 million	\$1.449 million	-
Cotton trend ^{b,c,d}	Decreasing	Decreasing	Decreasing	Decreasing

Note: ^a Doing Business (2020). ^b Mendoza (2019). ^c Mendoza (2020a). ^d Mendoza (2020b). ^e The World Bank (2019). ^f Shahbandeh (2020). ^g Flannery (2012)

Apart from the declining cotton trend, which however is currently taking place worldwide, and the fact that the USA only imports 5 bales (in thousands 480 lb. bales) annually (Shahbandeh, 2020), absolutely no negative conspicuous features can be observed. Not only in the GDP comparison, but also in the general DB Ranking and the sports market value, the United States is far in the lead. However, due to the promising sports market in North America, it might be a starting point that the decision proposed might be addressed to one country to being, so CREDITEX should maintain and tactically improve an export expansion into the target market of the USA.

4.2. Quantitative Analysis

Due to the limited information to come up with a cost analysis we will focus on the main profitabilities ratios described in the financial analysis to have a better understanding on the business performance in the past years. Also, from an external perspective, it will be analyzed the costs related to cotton and labor.

Gross Margin. The percentages of gross margins (related to product performance) from 2013 to 2015 have increased, so the revenues from products sold in the company is interpreted as higher. Although sales have increased in the period mentioned above, from 2015 the gross margin percentage curve is perceived as decreasing, so it can be deduced that sales have been decreasing considerably. Furthermore, as the gross margins are directly related to the company's products, sales of both main and secondary products have decreased considerably, reaching their lowest point in 2019.

Operating Margin. According to the illustration on Figure 12 Profitability ratios 2013 – 2019, the percentages of operating margins (related to company performance) has increased from 2013 to 2014 and remained almost constant until 2015. However, since 2015, these have fallen considerably, showing a lower income or margin obtained by the products and even a greater variation in administrative expenses, sales and distribution, operating income, and operating revenues. From 2015 to 2016, there is a large percentage difference, which we have tried to maintain during 2017, 2018 and 2019 to generate less future impact (CREDITEX, 2020e).

Net Margin. Net margin percentages (related to the business performance) were as unstable as possible. During the years between 2013 and 2014 they increased considerably. Within these margins are considered financial income and expenses, exchange rate differences, taxes and other gains or losses attributed to the business. From 2015 to 2016 there was a sharp drop, because of disadvantages of the textile sector's exports and the fact

that it had to pay a much higher tax than usual. From 2016 to 2017 the aim was to improve the net profit by means of gross and operating margins, and in the following years the percentages have tried to remain constant. Adding that, the company for the year 2019 has managed to obtain its lowest percentage point of net margin since 2013.

Price of cotton. As already shown in Figure 4 from previous chapter, the selling price of cotton has changed significantly in recent years. Since 2010, when the selling price was at its peak, the value has been falling year by year. A forecast into the future shows that the nominal price of the fabric could rise again in 2021. Due to the COVID-19 pandemic, however, it is assumed that this trend will either shift backwards or could stop altogether. Looking at the real price, it can be seen that a small increase in the price in 2021 can be seen here as well. But also, here it must be assumed that COVID-19 has an unexpected influence on this forecasting.

High labor costs. Furthermore, in Figure 7 in the economic part of the PESTE analysis it can be seen that the average cost that the company has to pay for a worker has increased significantly since 2008. Apart from Mexico, Peru is generally the country with the largest increase concerning personnel costs. In Thailand and Indonesia, costs have fallen in comparison. This could also be a reason why cotton production in such countries has become cheaper and Peru can no longer keep up with sales prices on the international market.

Export average price. As it was described in Table 8, CREDITEX is within the top 20 ranking of textile exporters showing a growth of 3,4% from the period 2018-2019. However, it is important to point out that this growth belongs to the final exported amount since the volume of the products has decreased mainly due to costs factor, as mentioned in previous section, together with demand decline in the main international customers, which can be related to the price increase since it went up in 24%, being the highest number in the list

compared to its competitors, in which some of them have experienced rises from 15% to 20%, therefore the products are losing competitiveness in the market.

Cost structure and break-even point. The calculation of the multi-product break-even point of the company was made based on the year 2019 as shown in Table 11. This decision to work with these products and not with the total of products was taken in order to find more information and precision in the calculations. Because the main product is cotton and it is processed and transformed for each different product, the costs of raw materials and other costs and expenses have been associated and based on the participation of each product. In addition, to obtain results based on the products already mentioned, a value equivalent to 3.40% of all costs and expenses that would correspond to the section of other products has been removed.

The unit price of each product was determined, as well as total fixed costs and variable unit costs. Then, the corresponding equation was applied to obtain how many units of products and how many sales in soles should be produced. A total of 7'896,951 coupled units of products were obtained, of which 4'055,084 kilograms of yarns, 2'450,424 units of garments and 1'122,946 meters of fabrics were distributed. It was also concluded that the sale of these products would result in PEN 257'514,310. All the calculations made and mentioned above were necessary to determine the sales in units and necessary incomes to not obtain losses or gains.

Based on that, it can be inferred that: First, the total income from sales of yarns, garments and fabrics obtained in 2019 reaches PEN 258'595,000 which is more than the amount needed to reach the break-even point. Therefore, it follows that there is a profit margin of PEN 1'080,690.00. Second, the quantities sold of yarns were 7'093,456 kilograms, for garments 1'239,282 units and 2'093,327 meters of fabrics. So, it can be seen that the quantities of yarns and fabrics are greater than the minimum quantities to obtain profits;

while, the quantities of garments were less than the minimum, which could be interpreted as a loss. However, the sale of yarns and fabrics covered the amount that should have been obtained for garments. Therefore, it is evident that sales were reduced in the second largest product of the company, but the company's profit was not affected. Third, the sales have decreased in recent years, as profits have fallen, and the main products are being offered in smaller proportions.

4.3. Conclusions

After the qualitative analysis it was found some interesting points to take into account like the importance of a unique value proposition in the product, in order that customer might be able to pay, in that way it is relevant to create the sense that they are buying something else than products made of cotton. Also, according to the information provided by the Austrian textile expert, sports are becoming trendy and might represent an opportunity for CREDITEX as well, it is a topic which open a room for further research in order to come up with more potential solutions to the company. Furthermore, as the consumer is becoming more sustainable awareness, it might be an option for the company moving from organic to fair-trade cotton to add value to the selling proposition.

Regarding the quantitative information, it was analyzed the profitabilities ratios to see the performance of the ratios from the perspective of product, business, and company by itself. In addition, there was an analysis of the information concerning the competitiveness of the products in the market, being the case of the high cost of cotton and labor, which as a result, increased the prices of the textile products. Moreover, after the cost structure analysis it was identified that yarns and fabrics had a good economic performance in 2019 while the number of garments sold was less than the break-even point, a situation that recognizes the reduction of local and international demand.

Chapter V: Root-Cause Analysis of the Problem

This chapter will focus on accessing the root-causes of CREDITEX's main problem. The Ishikawa diagram will be used for analyzing the possible causes and effects of the main issue identified in chapter II.

5.1. Identified Causes

As mentioned in chapter II, the major problem that CREDITEX is facing is a sales decline for the past five years. This reason is not only limited to the growing competition of the textile industry and shifts in market demands, but also because of the increasing cost of labor and materials and production. In specific, many innovative and trendy textile companies raised over the years. For example, the FIGS company as the company's representatives mentioned and considered as a competitive player who is performing outstandingly by promoting comfortable and fashionable medical scrubs and casual clothing which satisfies the current market demands. However, CREDITEX is not responding to the market needs as effectively as FIGS. Consequently, its products become less popular in the market. If the company wants to stay successful with a Market Penetration Strategy (compare chapter 3.2.1. Growth Strategy), the Peruvian textile exporter definitely has to change some fundamental basics like internal and external communication to customers, partners and employees (Cristiana, 2012; Kotler, Kartajaya & Setiawan, 2017; Wolter, 2019). Later there will be detailed information about this.

More importantly, due to the economic growth in Peru, increased labor and production cost raise the selling price of the pure cotton products. As a result, the current clients from South and North America find the price is too expensive to accept. As stated in chapter 3.2.2. Marketing & Sales Strategy the level of the price is a determining factor in many ways (Cristiana, 2012). The fabrics price that makes customers satisfied does not exceed \$3, but CREDITEX's manufacturing cost is already as high as \$4. Therefore, the

company's existing customers also must find a cheaper option. These external changes not only make CREDITEX's current products unaffordable to its existing target market but also limit the company's ability to expand its new customer base, due to a lack of new products that cater to the market demand.

5.2. Main Causes of the Problem (Internal Causes)

Considering the external changes that are affecting CREDITEX's performance. The root-causes can be categorized into five aspects which include poor product development, high pricing, process, equipment, and management (see Figure 22). Firstly, according to CREDITEX, one of the main factors that causes decreased sales is that they currently do not have any saleable products to introduce to the South America and North America markets. Since they are not responding to the changing trend timely or improving the existing products when other companies are developing new products that are more fashionable and innovative (by following a Product Development or Diversification Strategy – compare chapter 3.2.1. Growth Strategy).

Therefore, the top priority is to develop new products or upgrade existing ones. Secondly, the high labor and production cost are the most critical reasons that are making the company's current products no longer dominant, even though the brand is still well-recognized in the textile industry. If they want to maintain the loyal clients who still acquire the old products, the company has to find ways to save on labor and production costs, so the price can be reasonable for those customers who have a certain budget once again.

Thirdly, based on the interview with the company's representatives and the internal analysis, there are some evidences regarding ineffective equipment, which might be the main contributor to the high costs. They mentioned that the machines are not always producing at full capacity which extends working hours (Personal communication, June 16, 2020). Also,

there is not enough automation in the production process. In other words, more human labor is required while producing.

Therefore, more innovative technologies are necessary if CREDITEX wants to make current products more saleable. Furthermore, in the whole process of promoting the products, there are also many shortcomings that lead to the non-ideal sales amount. For example, a lack of marketing strategy and online presence greatly reduces the brand's exposure to its potential target market. Especially, under the COVID-19 pandemic, people can only access information through the internet. Without an accessible platform with the most updated information it is not even in a B2B market possible to create a long-term development of the company (Rahimi, 2019). To underline the importance of B2B Marketing one more time, chapters 3.2.2. Marketing & Sales Strategy and 3.2.3. Channel Communication Strategies should be highlighted here. Regardless of the COVID-19 pandemic, obtaining information for the customer should be as easy and pleasant as possible (Kotler, Kartajaya & Setiawan, 2017).

Finally, we understand that the company is also trying to get out of the current predicament, but without effective management to implement the plan, the goal is difficult to achieve. In this case, the reason that CREDITEX cannot establish an efficient plan is because of the poor internal communication, long decision-making process, and lack of accountability. According to Renzo Koch, Commercial Manager, even though the problem already started five years ago, not everyone is aware of it. It means the flow of information inside the company is inconsistent (Personal communication, June 16, 2020). Also, every decision must go through the top management which slows down the whole process. However, corporate communication can be seen as one of the most important key success factors. The company needs a specialist or at least a trained person to communicate changes and decisions in an appropriate way to stakeholders and employees (Chanda, 2018).

In summary, declining sales for five years continuously is the key dilemma that CREDITEX is facing. The underlying causes are the lack of new saleable products, high cost caused by ineffective equipment and raised labor costs, inefficient management practices, and implementation process without sufficient marketing support and positive customer relationship. The company must understand the root-causes, so they can start taking initiatives to consider implementing our suggested solutions in the next chapters.

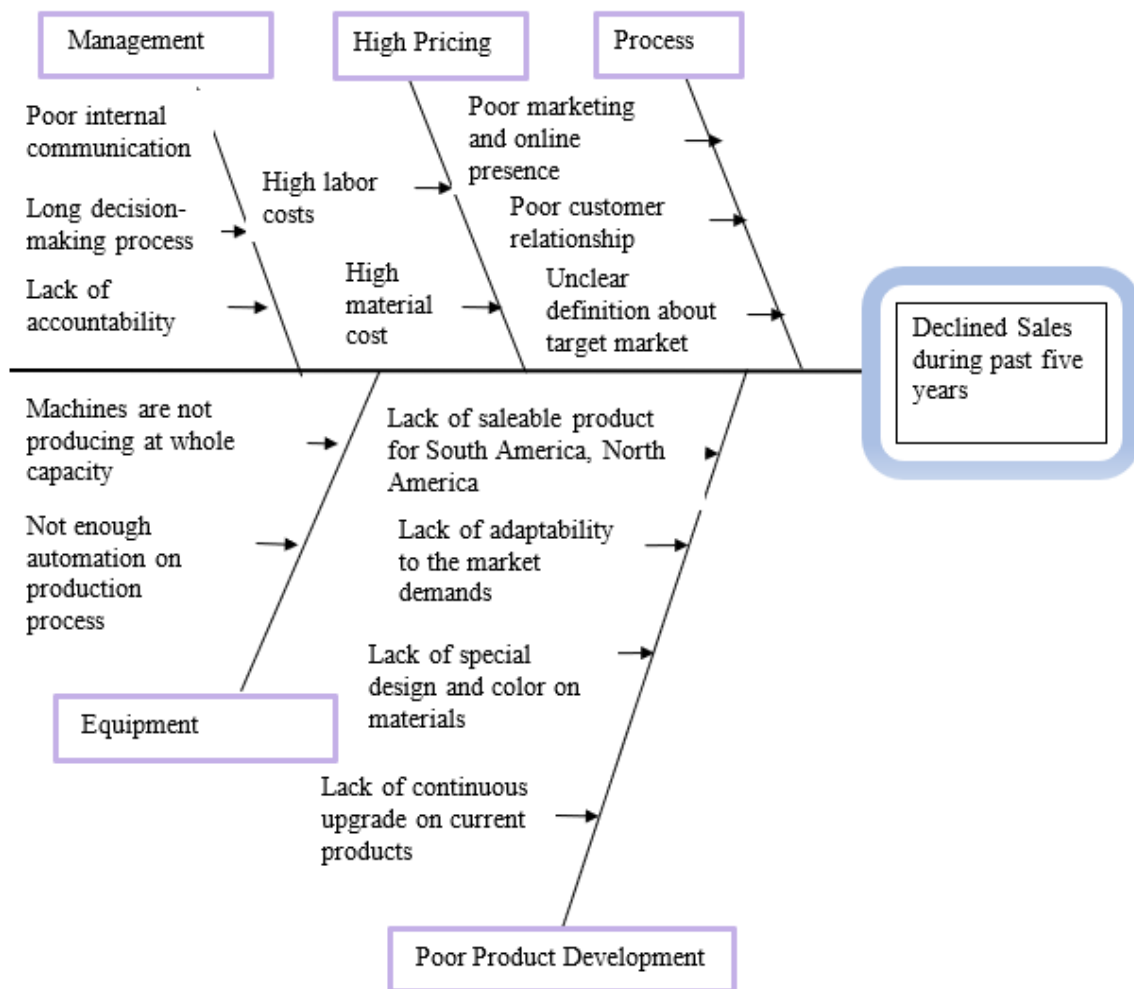


Figure 22. Root cause analysis of CREDITEX's problem.
Adapted from Guide to Quality Control by K. Ishikawa, 1968. Tokyo, Japan: JUSE

Chapter VI: Assessed Solution Alternatives

6.1. Alternatives to Solve the Problem

To best assess CREDITEX alternative solutions, it has been analyzed their values and missions to identify their key decision-making factors. These factors include (a) innovation, (b) quality, (c) profitability and (d) internal/external impact. By using these factors as indicators, they got placed into a decision-making matrix to quantify the importance of each decision-making factor. The scale is ranked from one to five, with the latter being the highest correlation with the key decision-making factor. Therefore, the alternative with the highest ranking aligns the best with the company's values. The only value which is different to interpret is the internal/external impact, as the alternative with the least amount of impact, or least disruptive, will be given the highest number as this is desirable. Based on this matrix, the top three highest ranked alternative solutions will be explored as they are the solutions that are the closest suited to the goals and values of the company.

Table 15

Strategic decision matrix

Strategic Decision Matrix						
N°	Alternative solutions	Innovation	Quality	Profitability	Internal/external impact	Total
1	Change product (medical garments, athleisure)	5	2	4	1	12
2	Use alternative fabrics	3	1	5	2	11
3	Expand to different markets willing to pay for premium product	1	4	2	3	10
4	Acquire synthetic manufacturer	2	3	1	5	11
5	Continue to improve current products and create efficiencies	4	5	3	4	16

Note: Adapted from *Decision and Selection of Strategies*, by D'Alessio, F., 2017, Lima, Peru.

6.2. Assessment of Alternatives

Change Product. The first alternative solution that will be explored is to entirely change their product line and switch to the medical garment production (Diversification Strategy – compare chapter 3.2.1. Growth Strategy). The solution was proposed to by CREDITEX during the first meeting. The reason for this is that they will be targeting a growing niche market instead of a market that is slowly fading out. This is the change from more active and comfort clothing to those of traditional formal dress wear.

They are interested in targeting the medical garment area which is a newly growing market. The company that they identified as the market leader is FIGS which has a strong market presence throughout North America. CREDITEX has the resources and know-how of producing similar products and would be able to become a competitor of FIGS, if they chose to target the same demographic. This solution is very much in line with CREDITEX's values and will not change the company dynamic too much.

Firstly, this product would be very innovative for CREDITEX, as it will put their expertise to the test to determine if they are able to compete with other companies with different product lines. Next, they have always focused on producing very high-quality products, which in return should be targeted towards the medium to high income customers. This is perfect for this niche market as doctors or medical practitioners tend to fall in that income range. However, the switch in the product line will have tremendous internal and external impacts to the company. They will have to completely readjust their production procedures and supply to satisfy this new product. It also will take a lot of time to master this new product, and it may be demotivating to the company employees who have walked endlessly to master their current products, just to be told that it is all in the past now.

Use alternative fabrics. The next alternative solution refers to the process of using alternative fabrics to lower costs, as well as change their product line. This is an extension of

the first recommendation; however, these products will be preliminarily focused on the sports niche market. To do so, the suggestion is that CREDITEX begins to use a mix of fabrics to create active sports clothing. The fabric identified as being the most suitable for CREDITEX is Spandex. Spandex is a synthetic fabric that is most known for its elasticity and comfort. It is most used in a blend of fabrics to add stretch to form fitting clothes. There are several major spandex producers in the world, with Brazil bringing one of the highest. This creates an opportunity for CREDITEX to establish a neighboring relationship with Invista, which is the leading spandex producer in Brazil.

On the contrary, CREDITEX could also invest capital into creating their own spandex manufacturing plant in Lima which would have many long-term benefits. By introducing a new fabric blend into their products, they would now have the potential of reaching an entirely new demographic within the sports niche products. This is a growing industry, and one that has customers that are willing to pay a premium for high quality products. Therefore, CREDITEX will be able to reduce their costs by producing a blend product, while also maintaining a high-quality product within a new product line.

However, this alternative does have some downside which is why it is not ranked the highest on the decision-making matrix. This alternative of switching the product line and using an alternative material such as cotton can be disruptive to current operations and have a high internal and/or external impact. It will result in a much-reduced quantity of production of cotton most likely, as well as the adaptability of learning how to create and use cotton and spandex blends. The positives of this alternative are the profit potential, as well as the degree of innovation that CREDITEX strives for. This adaptation of the product line is a prime example of being able to keep up with market trends and being able to innovate to continue to meet consumer demands. CREDITEX takes great pride in continuous innovation and these alternative fits well with their mission and values.

Continue to improve current products and create efficiencies. This alternative lines up with CREDITEX's values the most and refers to continue to work on their current products but change their strategy. This is a strong solution as they have the knowledge and expertise in this product area to make a successful and saleable product. Some of the efforts that could be used to improve their current products and improve their reach is by investing more into their marketing practices. During the interview with CREDITEX it was made clear that they did not have a proper marketing department and used additional marketing companies to help with their market exposure. If they were to invest more into being in control of their marketing strategies, then they will be able to reach new markets as well as help justify the higher prices.

One strategy is to register their products to receive a Fair-trade cotton seal. This seal is granted to products that follow certain requirements that promote sustainable development. By establishing themselves as a fair-trade certified company, the seal is a great way to create value for the products. People are willing to pay a premium for products that they deem as ethically produced, which is a great way to CREDITEX to justify their higher prices. Not only will the prices be justified, but it will attract a new demographic of customers, those of who are extremely conscious of fair-trade products. This is just one example of how improving their market strategies could assist in expanding their customer base as well as creating value for their product, without having to make drastic changes.

Acquire synthetic manufacturer. In that alternative it is analyzed the potential of acquiring a separate synthetics manufacturer to start producing mix blends of similar products that they are currently producing. The reason for this is to reduce costs by using fabric blends instead of 100% cotton. By doing so, they will be able to reduce their cost per unit and should have more success finding customers at this lower price. There are some advantages and drawbacks of this alternative. The benefits are that it will not be very disruptive to their

current business operations and it will just be the process of learning how to use blends as well as finding the right synthetics manufacturer to acquire. The strategies and process should be relatively undisturbed.

The negatives of this alternative are due to their values and high commitment to quality. When making products for the dress and formal wear area, a 100% cotton product is much higher quality than those of a blend. Therefore, by substituting this to a blend, they are losing quality in return for a lower price to customers. This could result in a backlash from certain stakeholders as this strategy is going against their original beliefs and values of innovation and quality. Therefore, it could result in organizational confusion or disarray and may lead to employees or stakeholders walking away from CREDITEX.

Expand to different markets willing to pay for premium product. The last alternative is the strategy of expanding to new markets that may be more inclined to pay the premium prices that CREDITEX is offering. This alternative requires the least amount of change for CREDITEX, as it relies solely on locating a new market for the products and establishing a distribution network. The market that we identify as an area for potential would be in affluent cities in Europe as well as North America.

The reason for this is because people in these areas would be more willing to buy a premium product. The benefits of this alternative are that CREDITEX will be able to keep their high-quality products, and hopefully sell it at their desired prices. The complications of this alternative are that in these other markets, it may be difficult to persuade customers to buy this product over commonly purchased products in those areas. In order to do so, it is recommended that this alternative is combined with alternative three so that seals of approval and sustainable efforts can be associated with the product which may make customers more inclined to purchase these products over the local ones.

Chapter VII: Proposed Solution

Based on analysis in Chapters I to V in regard to the main problem, it was defined in Chapter VI the alternative strategies to address the topic and achieve the expected results, in that way this chapter aims to explore in greater detail the reasons underlying those proposals. Based on the assessment of alternative solutions, it was identified two solutions for CREDITEX that are both great fits for their organization and are in line with the mission and values. Both solutions can be implemented at the same time if need be, as they are relatively interdependent and would be extremely beneficial to addressing their key problems.

Change Product. The first solution proposed for CREDITEX to take action on is to change their product line and move to the athleisure sports niche market (Diversification Strategy – compare chapter 3.2.1. Growth Strategy). The reason for this preliminary is since there is a growing market for this industry, and it is an innovative change that aligns well with their strategies and values. CREDITEX has discussed with us their ideas of potentially using mix blends with synthetic materials, which we believe would be very beneficial to reducing their costs and increasing profits. Using a blend of cotton and spandex, CREDITEX will be able to create athleisure products that will be extremely saleable. There are several strengths and weaknesses of this solution, however there are many ways to mitigate the risks which will be discussed further in Chapter VIII.

As previously stated, this proposal has the main objective to encourage the creativity and innovation inside the company in order to work with a product development strategy and jump into a new market segment which stands for athleisure. In that case, the company owns the resources to carry out that strategy, however, there are some internal procedures to adjust such as production, channel communication and develop a marketing and sales strategy for the new product. Therefore, have a look at the theoretical part of this consulting report again to remind oneself of topics like 4P's, Omni Channel, B2B Marketing or internal and external

Communication Strategies. However, it might take some time due to the need of the commercial team to be engaged on the new market and define an effective strategy (Cristiana, 2012; Kotler, Kartajaya & Setiawan, 2017; Griebisch, 2020).

In addition to that, the new product might be focused to the retail market, and due to the short percentage it represents on the general sales revenue it should be considered the supply chain process and costs involved in that, especially when it comes to a new product and there are specific investments to do in order to position the product in the retail stores. However, from a long-term perspective, the product might be beneficial for the company since they could target North America where this market is increasingly growing. As of 2020, sport retail including clothing represents 36% of the entire sports industry (United Nations, 2020). With COVID-19 impacting the sports industry tremendously, this number will only increase as people are looking for ways to stay active and need to purchase these types of clothing for exercise.

The difficulties of this solution are the way in which CREDITEX decides to produce these mix blend products. They would either find a supplier of latex and purchase fabrics to create the garments, or to figure out a way to manufacture them entirely on their own. In the short term, it is suggested using a supplier such as Invista, who are the largest spandex production company in Brazil. Once CREDITEX can prove that the new product is successful, then they can move into the next phase of this innovative process and determine if they can start producing spandex as well or other synthetics. The main reason for this would be to reduce cost per unit, as it would be drastically decreased if they do not have to work with outside suppliers.

Improve current products and create efficiencies in their processes. That proposal basically consists of addressing the problem from an internal approach while working with the current product portfolio but making some changes in the internal strategy. Then moving

to the external communication with the channel. In that topic, continuous improvement would play an important role since it will allow each of the employees to take part in the process with the common goal of progressively increasing quality, competitiveness and productivity, thus generating an increase in value for the customer and efficiency in the use of resources. In that way it is important to point out that currently the company has problems of unstable or inefficient production capacity utilization, as well as the machines are often not working on its whole capacity, which is a huge problem to address in order to save time and costs.

Furthermore, the constant improvement of products is the key for those companies that are looking for the maximum quality and success of their products, in that case the acquisition of fair-trade cotton seal will bring a high value on the product and captivate the premium customers which are able to pay more for a product that has been manufactured under sustainable practices, so it also might increase the service quality and levels of attention, which therefore would support to engage with the customer on long-term business relationships.

Therefore, it was recommended that CREDITEX invests into obtaining certain seals of approval to improve their value added to justify high prices. For example, the Fair-trade cotton seal would be a great addition to their products as it shows that we are supporting farmers and employees that help make this product for the consumers. This is a great way to show support for the people at the bottom end of the supply chain. On top of this, there is another seal which we recommend for CREDITEX to apply for their products which is the “Made in Green” by OEKO-TEX. This seal is for products that are traceable and can prove that they are produced without the use of harmful substances, as well as the production process was socially sustainable through processes as well as the working conditions of employees (OEKO-TEX, 2020a).

These seals can be very beneficial to CREDITEX for multiple reasons. Firstly, it makes the products more desirable. In our society, there is a quickly changing mindset towards sustainable products and the effects the productions and the supply chain have on the environment. Therefore, by becoming accredited as a company that has products that are in fact sustainable, customers will be more inclined to buy this product as people are becoming more environmentally conscious. This alone then provides opportunity for further benefits. For example, CREDITEX will now be able to market their products with these seals which could be the differentiator between them and their competitors. They can use this to create marketing campaigns to promote the sustainable future of fair trade and traceable cotton. There are endless possibilities to how they could choose to market this.

Secondly, the seals and accreditations add value to the product which can reflect a higher price. CREDITEX has a high commitment to quality which has been part of the problem as they have struggled to lower their prices while maintaining their high-quality products. These product qualifications provide legitimacy and credibility to products which become apparent to consumers, which could be enough reason for the customer to pay a premium for these products. Lastly, these seals can be very attractive to internal and external stakeholders. For example, people could be inclined to work for companies that hold high values such as sustainable practices. This can lead to increased talent within the organization. On an external standpoint, this could attract more investors or partners that want to be associated with an accredited and sustainable company.

Chapter VIII: Implementation Plan & Key Success Factors

8.1. Activities

Regardless of the chosen strategy, every change in the company should be appropriately communicated to employees and other stakeholders (see Chapter III - Corporate Communication). It is important that all people involved are aware of the changes and can ask questions. CREDITEX can only be successful in the future if the entire team is behind the project. If the employees have the feeling of being involved in the decisions of the managers, the implementation of the strategy will be easier. For this reason, the first step is to hire a new and well-trained Corporate Communication Manager, who will be an intermediary between the top management and the company's employees.

Furthermore, regardless of the changes in the company, the marketing department must be fundamentally established and changed. CREDITEX is not in a monopoly position and has many competitors worldwide who are currently also cheaper. Marketing is an incredibly influential tool that can turn an ordinary product into something very special. So far, according to the company, not much has been invested in marketing (R. Koch & L. Negron, Personal communication, June 25, 2020). For this reason, it is recommended to use the power of marketing and hire a B2B expert and team to improve a few clues. First of all, here is a short 4P Marketing analysis of CREDITEX:

Product. Considering CREDITEX's marketing and sales performance of the current products, the key characteristics which are described in chapter 3.2.2. are not being fulfilled. For example, the level of innovation and diversity of the design, color, and materials still have a lot of room for improvement. Most importantly, as the market demand changes, the development of new products is the top priority for CREDITEX (Cristiana, 2012).

Although the Peruvian textile exporter deeply understands that the company urgently needs new products to respond to the market, they are not confident enough if they have the

knowledge, skills, or technologies to produce such products. Furthermore, CREDITEX intends to make the production process more sustainable, but certain level of environmental impacts cannot be avoided. So, the company should consider how to improve the sustainable practice throughout entire operation (Ren, 2000).

Price. Since CREDITEX currently only offers premium pure cotton garments, the target market is limited to the people who are at a medium to high-income level. Also, the economic factors that impact the price should be accessed. The major economic factor that affects the CREDITEX pricing strategy is the high labor and production cost due to economic growth.

Place. The pricing strategy remains the focus of CREDITEX's adjustments. Also, the physical distributor is under Texgroup which exports the products to North America, South America, and Europe centrally. This set up fits the current B2B business model since the clientele is mainly located abroad.

Promotion. CREDITEX is not applying any additional promotion tools at this moment which is not smart if the company attempts to move forward. We also notice that the information is not up to date on the company's official website. For example, the client list is not completely accurate. Therefore, CREDITEX should stop neglecting the importance of investing in promotion, to create a more persuasive brand image. Especially, the trade fair should be the main technique to apply in the marketing strategy because it allows CREDITEX to be more exposed to the potential customers and understand the strength and development direction of competitors.

From product marketing to the online presence of the company, there is a lot of potential. As already explained in chapter 3.2.3. under B2B, it is important to provide the customer with a lot of information. While the websites of the own brands M.bö, Norman & Taylor and Marc Boehler are very modern and absolutely suitable for B2C sales, the main

homepage of CREDITEX has to be adapted for the B2B market. Therefore, it is necessary to extend and refine many texts and product descriptions on the homepage. But also, the provided translation from Spanish to English is deficient. Although Spanish is already spoken and understood in many countries, it is still necessary that all areas of the homepage are translated into English. Especially as an internationally operating company this should be an absolute must.

As an example, it can be stated that the product descriptions of the fabrics catalogue are not available in English. The problem with a missing translation is that the customer, in a fast-moving time like this, could quickly lose patience and switch to a provider where the procurement of information is easier and quicker. So, it is all about making it as easy as possible for the customer to obtain information and to make a purchase.

In addition, the company's homepage was analysed with the help of an online platform which is called SEOptimer, which showed the following results on Figure 23 and 24:

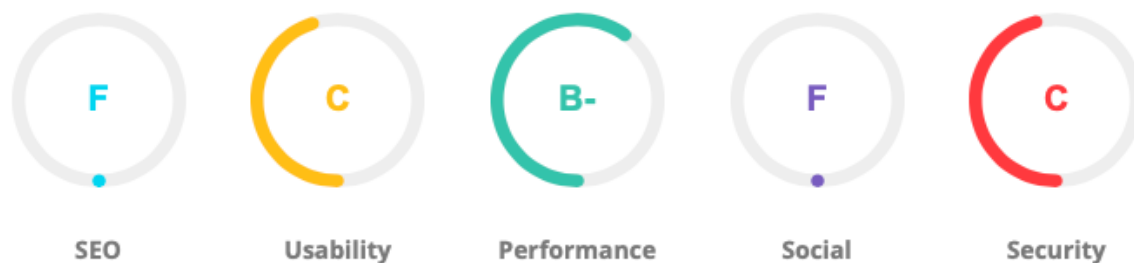


Figure 23. Results company homepage 1.

Taken from “Audit Results for www.creditex.com.pe” by SEOptimer, 2020 (<https://www.seoptimizer.com/www.creditex.com.pe#recommendation>)

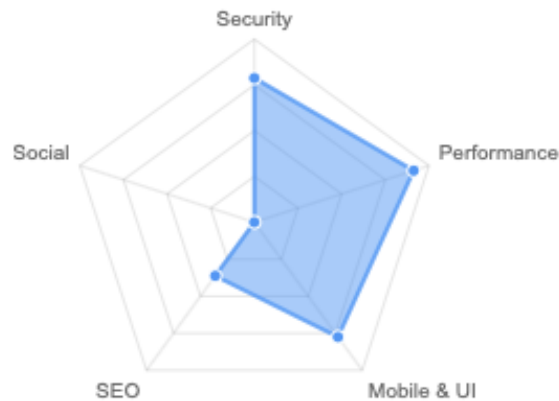


Figure 24. Results company homepage 2

Taken from “Audit Results for www.creditex.com.pe” by SEOptimer, 2020 (<https://www.seoptimizer.com/www.creditex.com.pe#recommendation>)

According to the internet tool for webpages analysis known as SEO (Search Engine Optimization), the homepage is not good enough. This optimization is important to ensure that the ranking potential is maximized to drive search engine traffic to the CREDITEX website. Among other things, the SEOptimer (2020) suggests extending the length of the HTML header. Ideally, a title tag has between 10 and 70 characters, while the company only has eight characters with the name "CREDITEX". Furthermore, there is no meta description, which should tell the readers at first sight what company the search engine is about. This automatically invites people to visit the homepage and makes it easier for customers to get information. As already showed in the analysis above, the CREDITEX homepage offers only a small volume of text content. However, this is not intended for a B2B company (SEOptimer, 2020).

The other area that has been poorly completed is the social media area. No links to the following platforms could be found Facebook, Twitter, Instagram, YouTube or LinkedIn. As already shown in the literature section of this consulting project, a social media presence is becoming increasingly important in the B2B market. Therefore, it is recommended to create links and to be present on the mentioned channels (SEOptimer, 2020). Compared to SEO and Social the CREDITEX website did not do so badly in the other categories. Nevertheless, the

following improvements could be made: The usability of the homepage was evaluated with the grade "C". This means that the website should be made more usable across devices, such as smart phones or tablets. The result of performance was with a "B- "good (SEOptimer, 2020). One thing which can be improved here is the server response to improve the user experience. Therefore, have a look at following Figure 25:

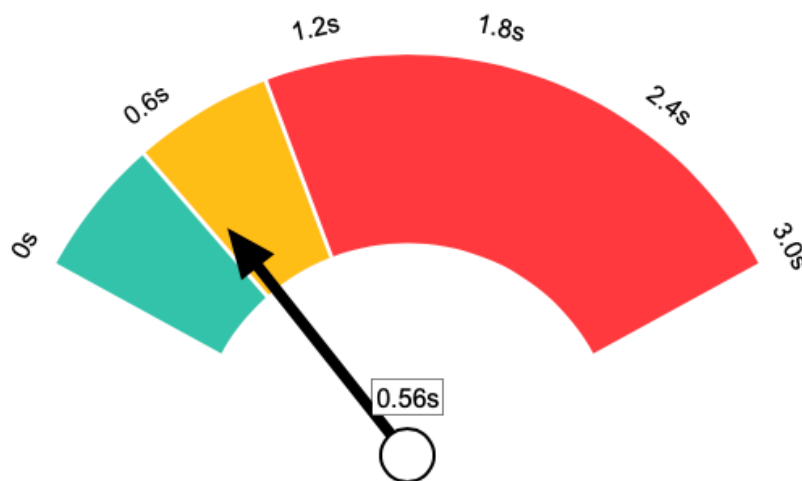


Figure 25. Results company homepage – Server Response.
Taken from “Audit Results for www.creditex.com.pe” by SEOptimer, 2020, (<https://www.seoptimizer.com/www.creditex.com.pe#recommendation>)

Furthermore, within the performance sector the company should consider optimizing the properly formatting of images. In addition, it has been discovered that CREDITEX still uses “Inline Styles” which is basically an older coding practice. This should also be changed in order to improve the page load performance. Finally, about the homepage security. According to the analysis SEOptimer (2020) the page does not able to redirect to an HTTPS (Hypertext Transfer Protocol Secure) version.

Above all it can be concluded that there is a definite need for action in the marketing area of CREDITEX. However, depending on which strategy is chosen by the company to solve the ongoing decline in sales, the following activities should be initiated:

Solution one: Sustainability seals

Sustainability and environmental protection are becoming an increasingly important topic in society and should no longer be ignored by companies. As mentioned earlier, CREDITEX can already display several seals and certifications on their homepage. However, no seal, based on sustainability and employee protection, is of high quality (Wahnbaeck, 2019). For this reason, the "Made in Green" seal of OEKO-TEX or "Fairtrade" is recommended. To introduce such a seal in the company, an implementation plan was drawn up step by step.

First, an employee or manager of CREDITEX should think about the choice of the seal and read up on the subject to find out more relevant information for the company. Unfortunately, the authors of this project did not have enough financial data available to make calculations in advance. For this reason, it is recommended that CREDITEX makes a forecasting calculation based on their internal financial data, in order to have a rough idea of what budget the company has available for the changeover and whether the forecast investments will adhere to this budget.

At the same time, it would be important to talk to existing customers to find out whether they are interested in going in a more sustainable direction. These discussions should be conducted by a trained person who is convinced of the concept and can sell it to customers as well. In addition, new potential clients should be made aware of the company during this step and should also be convinced of a possible future cooperation. Since this is a B2B market, it is important to have a lot of information ready, such as more detailed material about the seal or product calculations as mentioned earlier.

Based on all those actions, the company can now develop a strategy. In a further step it is recommended to inform the employees about the company's plans. This should be done by a Corporate Communication expert. After all these steps, the company's R&D department

comes into action. This is where the employees must find out how the project can be implemented without negatively affecting the quality of the product. If a possibility is discovered, a test production should be started to find out if the planning works as well in practice as in theory. Furthermore, a collaboration with another company who produces clothes is recommended. This should be a kind of test run with some actual end consumers who wear the sustainable bio garment for a couple of weeks to find out if the product is of high quality and practical. In order not to lose any time, it is recommended to apply for the desired seal at the same time, so that the entire process can be completed parallel. This includes for example to fill out the application form and several laboratory test in order to find out if the company follows all the necessary requirements, which will be discussed below.

However, as soon as the company gets the sustainability seal and the pre-tests with the end consumers have been successfully completed, CREDITEX can start to convert the production, which was managed simultaneously so far. This means that new machines may have to be bought and sold and that the staff will need extra training. On top of that the company should also consider the power of Marketing, which has already been explained in detail. Furthermore, the company should never stop in developing new strategies in order to improve the product.

Requirements of “Made in Green”. Of course, it takes a certain amount of time to fulfil the requirements of such a seal, as illustrated in Figure 26. According to the homepage of "Made in Green" the following requirements could be identified:



Figure 26. Requirements “Made in Green”.

Taken from “Made in Green by OEKO-TEX” by OEKO-TEX, 2020a (https://www.oeko-tex.com/importedmedia/downloadfiles/MADE_IN_GREEN_by_OEKO-TEX_R_-_Standard_de.pdf)

STANDARD 100 - Certificate (OEKO-TEX, 2020b)

- Azo colorants, formaldehyde, nickel etc. are prohibited.
- Chemicals that are hazardous to health are tested (even if they are not regulated by law). The complete list of all banned chemicals can be viewed on the OEKO-TEX website.
- Laboratory test, which takes into account the intended use during testing. The more intensively the textile product comes into contact with human skin, the stricter the limit values. Since CREDITEX products are intended for use in adult clothing or fashion, the company would fall under product class 2, which means that the limit values are relatively strict.

STeP by OEKO-TEX - Certificate (OEKO-TEX, 2020a)

- Chemicals management
- Social responsibility
- Quality Management
- Environmental Management
- Environmental performance

- Health and safety at work

Furthermore, components originating from other companies must be OEKO-TEX certified and registered on their platform. After thorough research, it was established that CREDITEX suppliers are already OEKO-TEX 100 certified (CREDITEX, 2020h). The following institute offers to perform and issue all necessary tests and certificates for the "Made in Green" seal. **Hohenstein Institute Peru** (Address: Jr. EI Cascajal 522-C, Las Casuarinas de Monterrico, Surco, Lima, Peru) (OEKO-TEX, 2020a)

Requirements of FairTrade. The so-called "Fairtrade" seal is used to label fair traded goods, especially from developing countries (FairTrade, 2020). The seal has a trustworthy reputation and is a globally known and widespread mark. FairTrade stands for social working conditions and prohibits child labor, bans the use of certain chemicals and supports the sustainability thinking (Winterer, 2016).

The prerequisites for obtaining such a seal are to fulfil exactly three main criteria: Social, environmental, and economic. Under the social aspect the following points are included:

- Promotion of trade union organization on plantations
- Regulated working conditions
- Prohibition of discrimination and exploitative child labor

Concerning the environmental criteria, the company has to pay attention on:

- Greener cultivation
- Protection of natural resources
- Ban on hazardous pesticides
- Ban on genetically modified seed
- Organic farming is promoted and supported

Finally, the most important the economic criteria are that there are guaranteed minimum prices for the products. However, the organization also provides Fair-trade bonuses and the overall aim of the organization is to establish long-term and transparent trade relations (Fairtrade, 2020; Winterer, 2016).

Solution two: Mix of cotton and spandex to enter sport niche industry

Basically, the implementation activities of the sports industry strategy deviate from the seal strategy. The only difference is that the company has to get information of a completely different subject matter at the beginning. The R&D team also has to do research in other areas and may therefore need other equipment for analysis. Other numbers and data could be relevant for the calculations and of course the sport industry strategy is addressing completely different customers. Furthermore, other machines have to be bought for production and the employees need to be trained in a completely different field. However, the great advantage of these two strategies is that they can also be easily combined and linked.

8.2. Implementation Gantt Chart

In that part, it will be used the Gantt chart to show what the individual steps of each strategy are and how much time it could take to restructure the company. If only the Seal Strategy or the Sports Industry Strategy is going to be implemented, it is assumed that a successful change is possible within 47 weeks. Should CREDITEX consider implementing both strategies at the same time, then a time of 63 weeks is expected.

Table 16

Gantt chart for solution one: Fairtrade

Activity	Week 36/37	Week 38/39	Week 40/41	Week 42/43	Week 44/45	Week 46/47	Week 48/49	Week 50/53	Week 1/4	Week 5/9	Week 10/14	Week 15/19	Week 20/24	Week 25/29	Week 30~
Seal selection	█														
Collect more Information		█													
Identification of seal requirements		█													
Own calculations			█	█											
Customer (existing and potential) meetings				█	█										
Develop a strategy					█	█									
Hire corporate communication expert				█	█	█									
Inform employees						█			█			█			█
R&D department								█	█			█			█
Test production										█	█	█	█		
Pre-Test with end consumer												█	█		

Table 17

Gantt chart for solution two: sport niche segment

Activity	Week 36/37	Week 38/39	Week 40/41	Week 42/43	Week 44/45	Week 46/47	Week 48/49	Week 50/53	Week 1/4	Week 5/9	Week 10/14	Week 15/19	Week 20/24	Week 25/29	Week 30~
Collect more Information of sport industry															
Own calculations															
Decide which sport niche															
Customer (existing and potential) meetings															
Develop a strategy															
Hire corporate communication expert															
Inform employees															
R&D department															
Test production															

Table 18

Gantt chart for the implementation of both solutions

Activity	Week 36/37	Week 38/39	Week 40/41	Week 42/43	Week 44/45	Week 46/47	Week 48/49	Week 50/3	Week 4/10	Week 11/17	Week 18/24	Week 25/31	Week 32/38	Week 39/45	Week 46~
Seal selection															
Collect more Information															
Identification of seal requirements															
Own calculations															
Decide which sport niche															
Customer (existing and potential) meetings															
Develop a strategy															
Hire corporate communication expert															
Inform employees R&D department															

Test production											Yellow	Yellow	Yellow			
Pre-Test with end consumer													Yellow	Yellow		
Seal application											Green					
Convert Production														Yellow	Yellow	Yellow
Sell/buy machines and resources														Yellow		Yellow
Train employees													Yellow	Yellow	Yellow	Yellow
Hire Marketing expert and team				Yellow	Yellow	Yellow										
Marketing activities and customer acquisition						Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Further development of substance																Yellow

Legend:

Green – Solution 1 (sustainability seal)

Orange – Solution 2 (enter sport market)

Yellow – implement steps of solution 1&2 simultaneously

8.3. Key Success Factors

It is crucial for organizations to identify what their key success factors (KSF) are since managers can then use these KSF to eliminate or reduce risk within the organization when implementing change. We will identify and explain three enablers as well as risks that are directly related to what CREDITEX managers must consider when implementing the proposed change solutions. Enablers are processes or strategies that promote change and set organization's up to have a successful transition into the new strategies. Risks are the potential outcomes of unsuccessful change management which is important to consider in order to mitigate these poor outcomes. These are influential success factors when implementing the solutions that we recommend providing CREDITEX with the greatest opportunity for successful implementation and change management.

8.3.1. Enablers

There are identified three enablers that we feel are the most influential to creating positive change for CREDITEX for this transition. Firstly, involving and engaging the entire team is an incredible enabler. The reason for this is because it creates a sense of unity and teamwork, so that people within the organization feel that they are a part of the change process, instead of being told that what was happening in the past was not good enough. To ensure this enabler It is crucial that at the early stages there is a strong communication network established so that constructive feedback can be given and received throughout the entirety of the team.

Secondly, managers must monitor the change initiatives so that there are tangible goal objectives. When employees can see physical targets as well as desirable rewards, they will become more motivated to work hard towards the new objectives. Therefore, managers need to set achievable milestones so that employees can witness and experience their progress. Next, in order to develop change that is efficient and focused, it is important to make sure

that the change message is consistent throughout the entire organization. The purpose of this is to make sure that the message is clear and concise, so that everyone is working towards the same objective. To help achieve this enabler it is important to establish either a change leader or a change team and collaborate regularly to make sure that each other's focus and vision are aligned.

8.3.2. Risks

There are also many risks involved when implementing change that managers must be aware of and do what they can to mitigate the risks. The first risk that we identified is that the change does not align with their original strategic objective. For the example of CREDITEX, they strive for producing high quality products, which in return has made it difficult to reduce costs. It is important when making changes to identify the key objectives and values of the company and ensure that they change is in line with these roots.

Next, a major risk is that specific changes may not be agreed with by everyone. This can result in key personnel leaving the organization because they may not wish to be associated with the change. To mitigate this risk, the leaders in charge of the change must be communicating to key personnel before the change is put in place to make sure there is an understanding of what will happen if the change is executed. If there are certain disagreements, it is easier to solve them before the change is initiated, as well as it gives the organization time to find new employees if need be. Lastly, in our current society COVID-19 will continue to be a risk that impacts organizational change for many reasons. Currently, there is a lot of uncertainty in the world which makes people resistant to change because of the unexpected outcome. For example, by changing a product or changing management, the outcome could result in a loss of sales or organizational turmoil which is increasingly difficult during a global pandemic. Many people are experiencing financial hardships which does not put them in positions to take risks of change.

Chapter IX: Expected Outcomes

This chapter will evaluate the potential benefits from implementing the proposed solutions. As the two main solutions listed above, entering sporty market, and improving current products by increasing efficiency of producing process and obtaining fair-trade cotton seal. Specific outcomes of each proposal will be discussed and the estimated investment plan for the implementation for those alternatives.

9.1. Outcomes for solution one

Growth in sales. the undertaking activities for developing new athleisure garments that made by cotton and spandex will certainly lead to an increase in sale for CREDITEX and improve the decline behavior from the past years since the company will be able to gain additional revenues for this new product line. As mentioned in previous chapters, the category of sportswear has maintained a growing trend which is also expected to continue in the same increasing line, so betting directly on this sector would be of great business and economic benefit, which would translate into increased sales for the following years.

In that way, Table 19 illustrates the demand estimation for the sport market in United States in which CREDITEX would have a sales volume of 198,962 garments to consumers who are willing to pay a high price for a premium product. According to online market research, it was possible to verify that the average price in retail channels ranges from USD 30 to more than USD 200. In the case of CREDITEX, the proposed average price is USD 60 per garment, with higher contribution margin which would translate into revenues of USD 11,937,720 for the first year and an expected growth of 1.35% for the next four years as shown in Table 20.

Table 19

Demand estimation for sports garments in United States

Population	331,002,647 ^c
Age 18-34	27.4% ^b
Online purchases	25% ^a
Premium segment	65% ^a
Total Market	14,737,893
Market Share objective	1.35% ^a
Annual demand	198,962

Note: Adapted from ^a Grand View Research (2019). ^b Dinnen (2016). ^c Statista (2020).

Table 20

Expected revenues

	Quantity	US\$	PEN
2021	198,962	11,937,720	41,185,134
2022	201,648	12,098,879	41,741,133
2023	204,370	12,262,214	42,304,639
2024	207,129	12,427,754	42,875,751
2025	209,925	12,595,529	43,454,574
2026	212,759	12,765,568	44,041,211

Note: Peruvian exchange rate of S/. 3.45

Market share. According to the Allied Market Research, the athleisure market will be doubled in 2020, and the global activewear market will reach \$547 billion by 2024 (Clothing shop online, 2020). Therefore, with the growth of market share, CREDITEX will be greeted with greater motivation and richer financial returns. Furthermore, the expected outcomes of new product development are not limited to the monetary return, the company will also “gain experiences across different kinds of development projects” (Olsen, Walker & Ruekert, 1995, p. 52). Consequently, CREDITEX will better recognize and understand the value of innovating products and adopting market trends consistently.

Reduce costs. The optimization of costs and the good use of resources within a company are indispensable to be able to operate efficiently and effectively. We always seek to deliver quality by generating customer satisfaction. However, making a good product is

not synonymous with increasing costs. The alternative of entering sportswear would demand new mixtures such as cotton and spandex (synthetic fiber with great elasticity and resistance) in order to reduce raw material costs, without affecting the quality of the product. As detailed in Table 21 the estimated unit cost for a T-shirt is about USD16.88. This would generate benefits for the company, since it would not be subject only to the price of cotton, which has presented much variation in recent years. In addition, the company might work on its all capacity which will reduce the cost overload on the current production.

Table 21

Cost sheet for sport garments

Cost sheet: sport garments			
Raw Materials	Qty	Price	Total
Cotton 95% - 180gr.	2mtr.	\$3.00	\$4.50
Spandex 5%		\$2.35	\$0.50
Yarn	80mtr.	\$0.02	\$1.60
Package	1	\$0.50	\$0.50
Total raw materials			\$7.10
Labor cost			
Time required	55 min		
Cost minute	0.07		
Efficiency	90%		
Total labor cost			\$4.28
Indirect manufacturing costs			\$5.50
Total manufacturing cost per unit			\$16.88

Note: Adapted from “El escandalo de modelo o el cálculo de sus costes de producción”, by Seampedia, 2018.

Increase product portfolio. The innovation and creation of new products is always a good option to offer new proposals to customers inclined to new trends and their needs. The portfolio presented by the company has a rather reduced variety of products. Therefore, we sought to implement products that have new technologies, innovation, and creativity, as well as following the sustainability practices. The proposal is based on the creation of products with mixtures of new fibers, which could even attract the premium segment, which is the main target who are willing to pay for a product that follows the ethical and responsible

practices among the whole value chain. In that way, it would bring good results when complementing both solutions.

9.2. Outcomes for solution two

As part of this second solution concerning the action taken for upgrading the current products and operating process, CREDITEX will be able to reap a more efficient team, greater exposure to the brand recognition and positive reputation, and access to higher-end clientele. In the following paragraphs it will be detailed explained each of the outcomes for that proposal.

Improve internal efficiencies. The organization within the company depends on the areas that make it up. To do this, it is necessary to correct and seek to analyze and strategically employ the necessary weapons to improve and repair the inefficiencies that arise along the way. In this way we would obtain diverse improvements, from the production processes to the communication flow of all areas. In addition, within the priorities of the company is present the reduction of time in the processes with the purpose of obtaining the products that are required at an optimal time. For instance, as it was described there are some internal communication problems in the company, also the process to develop new products use to take a lot of time, and there is no a culture of change in the company. In the way, the proposal begins with the communication of the change to the company by an advisor in order that all the employees can be engaged, and the process run smoothly. This would be a relevant outcome for the long-term development of the company since culture of change is a key role in any of the stages of an organization.

Brand Image. Nowadays the corporate image is of great importance, and it also adds value to the company's business development. It is true that an image is built over time and with the practices that the company performs. In that sense, implementing a FairTrade or Made in Green certification contributes to continue positioning that image of CREDITEX as

a company that looks for a sustainable development and the well-being of each one of its stakeholders.

Sustainable practices. Moreover, as mentioned in the proposed solution another key component of enhancing the brand image and clientele is to acquire fair-trade cotton seal. The reason is that more and more costumers take what social and environmental impacts will their consumption make into considerations. To be more precise, many customers “have favorable attitudes toward products with ethical certifications, such as ‘Eco-friendly’, ‘Fairtrade’” (Han & Stoel, 2016, p. 90). As a result, CREDITEX will gain a better chance of connecting with the premium customers who have higher purchase intentions and price to offer after gaining fair-trade cotton seal.

Improve customer’s partnership. As described in Chapter III, the homepage of CREDITEX is not providing sufficient information or clear guidance to its potential customers. In fact, homepage is the top-rated channel for the textile company that mainly focuses on B2B business model to promote sales according to research (Kemppainen, 2015) (see Figure 27). In other words, the traditional channels such as mails letters or newspaper are no longer the exclusive marketing tools for B2B company. If the company desires to highlight its contents and intensify its sales process the most significantly, the company must combine the usage of both traditional and digital channels. Particularly, gaining first-hand information online is the most convenient approach for people during the COVID-19 pandemic. Therefore, after CREDITEX finished boosting its online presence through further developing the homepage and other digital channels, CREDITEX can not only start to attract new potential customers effectively, but also survive from the coronavirus crisis.

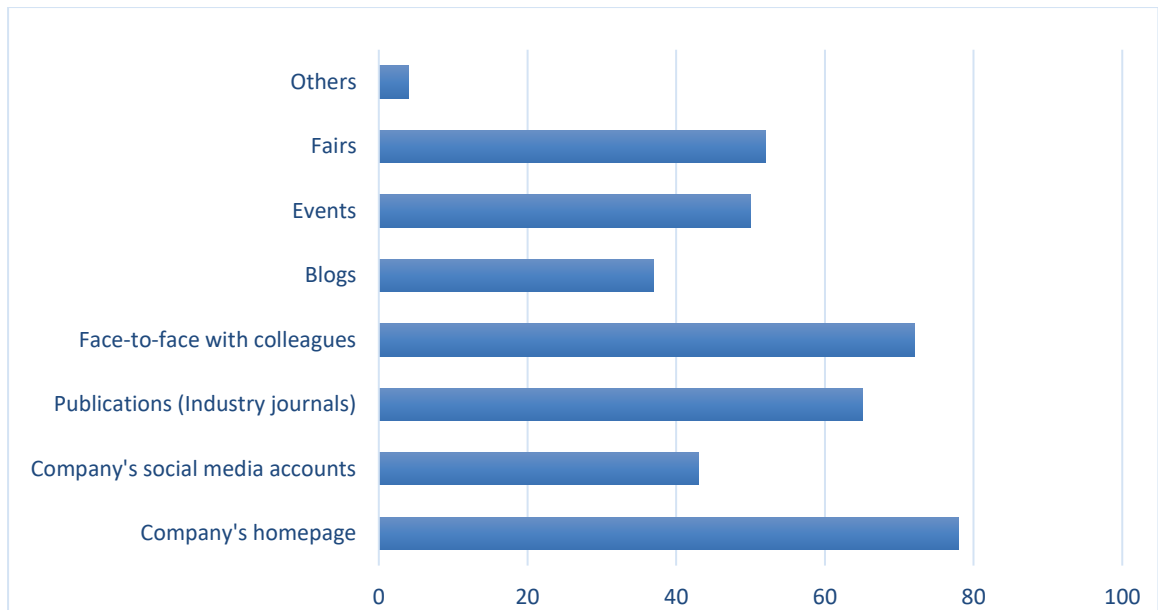


Figure 27. Where brands look for information
Adapted from Digital Marketing: Channel Integration Plan., by KEMPPAINEN, 2015.

9.3. Investment Plan

Regarding the financing of the seal strategy or the sportswear industry strategy, it was not easy to make definite statements because some relevant information from CREDITEX were missing. Nevertheless, the authors of this consulting project tried to assume several numbers in order to have an approximate idea of how much the costs might be when implementing both mentioned strategies. As stated in the literature chapter (III) and in the implementation chapter (VIII), marketing is extremely important also in the B2B area and an integral part of the success of a company. Above all, expenditure on CREDITEX's online presence has to be made, such as a better website, a professional social media channel and generally how the Peruvian textile expert presents himself to the customers. The speculated cost in the first year is about USD 175,000. However, since CREDITEX does not currently have its own marketing experts in the company, it is proposed to set up its own marketing department. To do this, the organization should hire a marketing expert and two assistants. It is also relevant to employ a corporate communication expert for the implementation of the strategies and for the intended change process in the company. This kind of expert should act

as a communication manager between the employees and the top management. Those new employees cost incurred would amount to USD 200,000 in the first year.

Another point that must be invested in the project in order to stop the decline in sales is a possible retraining of employees. It is probable that employees are lacking the necessary expertise to process organic cotton or spandex. Therefore, costs of about USD 50,000 are expected here. Furthermore, a contribution must be paid to receive a FairTrade seal or a Made in Green seal. After thorough research it was found that, for example, FairTrade offsets two percent of the net-trade value (Fairtrade, 2020). After a calculation, an approximate amount of USD 80,000 were estimated.

Last but not least, the research and test production of the new products not only demands time, but also money. It can be assumed that the R&D department needs about USD 250,000. In summary this means that implementing both of these strategies can be expected to cost at least USD 755,000 as shown in Table 22 below.

Table 22

Proposed investment plan for implementation of both solutions

Activity	US\$
Marketing Expenses	175,000
New Staff costs	200,000
Retraining employees	50,000
Seal fees	80,000
Test production and research	250,000
Total	755,000

Note: Estimated information based on market research.

Chapter X: Conclusions and Recommendations

10.1. Conclusions

To conclude, CREDITEX has unfortunately landed in a position in which their sales have continued to decline year after year, and they must take immediate action in order to increase their profits. The main problem is that their products have become too high due to the increase in labor costs, as well as material costs. They have also always been committed to producing extremely high-quality products, which in return makes the production costs even higher. As a result, CREDITEX does not have a saleable product for their customers, as they are all looking towards cheaper alternatives.

To address the main issues that CREDITEX faces, there was a process of research that was conducted. The areas of research included growth strategy, marketing, channel communication strategies, and organizational management. These areas were the most influential into creating a beneficial strategic change to solve the main problems. As a result, there was a better understanding of CREDITEX's internal and external business operations as well as what is required to encourage and implement change.

Furthermore, to best analyze CREDITEX's organization, there were both qualitative and quantitative research conducted. It was determined that in order for CREDITEX to justify their high prices, then there must be a certain level of value added to their product, or a clear difference that sets it above and apart from its competitors. However, this is very difficult when producing formal clothing that is made from 100% cotton, especially since this industry is shrinking as the demand is more towards comfort clothing. As a result, there is reason to believe that CREDITEX should look towards shifting their product line toward a new and growing sector such as the athleisure niche.

Based on the research collected, it was determined that CREDITEX has several alternatives that could result in an increase in sales in the coming years. CREDITEX is an

established and reputable company that is passionate about their beliefs and values.

Therefore, the solution that was recommended was one that fit their company culture. By doing so it would be the least disruptive to their operations, and their new strategy would still be well aligned with their vision and values.

10.2. Recommendations

Finally, this chapter summarizes all recommendations that the authors of this consulting project would implement to counteract the decline in sales problem of CREDITEX. Based on the analyses carried out, two strategies could be developed, which can even be combined according to the needs of the company. The first option is a sustainability focus. Here, the company has to switch to an organic and environmentally friendly production in order to obtain the globally recognized "FairTrade" and "Made in Green" seals. The second option is to enter a different market. As the high fashion industry has suffered an increasing drop within the last years, also due to the COVID-19 pandemic, CREDITEX is gradually losing customers. For this reason, it can be recommended a redirection to the promising sports industry. To make the cotton fabric more practical and suitable for sportswear, the product should be refined for example with spandex.

Apart from these two main strategies, the following actions are also recommended to make the company more profitable. On the one hand, the internal communication of CREDITEX should be improved. This means that the management should let the employees participate or at least inform them about the ongoing problems and the decision-making process. This can be done either by employing a so-called corporate communication manager, who acts as a mediator between management and employees. On the other hand, an existing employee can also be trained as an expert. The second action recommended is a complete overhaul of CREDITEX's marketing. Therefore, an own marketing department including a specialist should be hired to implement all the improvements mentioned in chapter VIII.

Finally, it should be mentioned that the managers of the company should also consider the change management issue. Furthermore, even if the above-mentioned recommendations are implemented successfully and revenue will increase again, CREDITEX should think about a continuous development of the concept and the product. In a fast-moving time like this, a trend product can also be out of fashion very quickly and bring losses to the company again.

References

- Ahuja, K. & Rawat, A. (2017). Blended Fibers Market Size Industry Analysis Report, Regional Outlook, Growth Potential, Price Trends, Competitive Market Share & Forecast, 2017 – 2024. *Global Market Insights*. Delaware, USA.
- Almeida, A. (2019). Investigación y desarrollo (I+D) en el Perú: ¿invertimos lo suficiente? *Research Gate*. Retrieved from https://www.researchgate.net/publication/338412616_Investigacion_y_desarrollo_ID_en_el_Peru_invertimos_lo_suficiente
- Amed, I; Balchandani, A.; Berg, A.; Hedrich, S.; Poojara, S. & Rölkens, F. (2019). The State of Fashion 2020. *McKinsey & Company*. Retrieved from <https://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion-2020-navigating-uncertainty#>
- Ansoff, I. (1957). Strategies for Diversification. *Harvard Business Review*, 35(5), 113–124.
- Arrarte, R., Bortesi, L., y Michue, E. (2017). Competitividad y productividad en la industria textil - confecciones peruana 2012 - 2015. *Quipukamayoc*, 25 (47), 113 - 121. doi: <http://dx.doi.org/10.15381/quipu.v25i47.13809>
- Asociación Peruana de Técnicos Textiles (APTT). (2020). Ranking de Exportadores del Sector Textil – Confección. Retrieved from <http://apttperu.com/cuadros-comparativos-exportacion/>
- Austrian Textile Expert. (2020, July 21). Interview by Sandra Radner. [Recorded Audio]. Gmunden, Austria.
- Bãn, Q. (2020). Textile Knowledge. Retrieved from <https://vaiviet.vn/textile-fiber/>
- Banco Central del Reserva del Perú (BCRP). (2020). Reporte de Inflación. Retrieved from <https://www.bcrp.gob.pe/publicaciones/reporte-de-inflacion.html>

- Bolsa de Valores de Lima (BVL). (2020). CREDITEX S.A.A.: Información Financiera. Estados Financieros. Retrieved from <https://www.bvl.com.pe/jsp/ShowEEFF>
- Bundesministerium für Wirtschaft und Energie. (2018). *Textilindustrie in Peru*. Retrieved from <http://www.machines-for-textiles.com/documents/199718/26794262/Markktstudie+Textilindustrie+Peru.pdf/18885cbd-69d6-07f1-af5e-349f18eabc88>
- Bustamante, R. (2016). La industria textil y confecciones. *Asociación Peruana de Técnicos textiles*. Retrieved from <http://aptp Peru.com/la-industria-textil-y-confecciones/textiles>.
- Cámara de Comercio de Lima (CCL). (2017) Medidas Antidumping a China. *Instituto de Investigación y Desarrollo de Comercio Exterior de la Cámara de Comercio de Lima – IDEXCAM*. Retrieved from <https://www.camaralima.org.pe/wp-content/uploads/2020/06/Medidas-anti-dumping-a-China.pdf>
- Chanda, D. (2018). Corporate Communication: In a State of Metamorphosis. *Global Media Journal: Indian Edition*, 9(1), 1–6.
- Clothing shop online. (2020). Trend alert: 5 top athleisure trends in 2020. Retrieved from <https://www.clothingshoponline.com/blog/trend-alert-5-top-athleisure-trends-in-2020/>
- Comisión de Promoción del Perú para la Exportación y el Turismo (PROMPERU). (2019). NOTA DE PRENSA. Retrieved from http://www.siicex.gob.pe/siicex/portal5ES.asp?_page_=975.42200
- Comisión de Promoción del Perú para la Exportación y el Turismo (PROMPERU). (2018). Guía de mercado multisectorial Estados Unidos 2018. Retrieved from <https://repositorio.promperu.gob.pe/handle/123456789/3681>
- Creditex pone la mira en China y suma más clientes premium (2017, 16 de junio). *Gestion*. Retrieved from <https://gestion.pe/economia/empresas/creditex-pone-mira-china-suma-clientes-premium-137580-noticia/?ref=gesr>

- CREDITEX. (2017). Memoria CREDITEX S.A.A., Ejercicio 2016. Retrieved from <http://www.bvl.com.pe/hhii/B30060/20170224200601/CREDITEX32S.A.A.45MEMORIA322016.PDF>
- CREDITEX. (2018). Memoria CREDITEX S.A.A., Ejercicio 2017. Retrieved from <http://www.smv.gob.pe/ConsultasP8/documento.aspx?vidDoc=%7B409A4062-0000-C033-930E-566205BA449F%7D>
- CREDITEX. (2019). Memoria CREDITEX S.A.A., Ejercicio 2018. Retrieved from <http://www.bvl.com.pe/hhii/B30060/20190301185001/CREDITEX32S.A.A.45MEMORIA322018.PDF>
- CREDITEX. (2020a). Clientes. Retrieved from <http://www.creditex.com.pe/clientes.html>
- CREDITEX. (2020b). CREDITEX S.A.A. [Document in pdf file].
- CREDITEX. (2020c). Excelencia CREDITEX, Certificaciones. Retrieved from <http://www.creditex.com.pe/excelencia-creditex/certificaciones.html>
- CREDITEX. (2020d). Excelencia CREDITEX, Materia Prima. Retrieved from [http://www.creditex.com.pe/excelencia-creditex/materia-prima\(133\).html](http://www.creditex.com.pe/excelencia-creditex/materia-prima(133).html)
- CREDITEX. (2020e). Memoria CREDITEX S.A.A., Ejercicio 2019. Retrieved from <http://www.bvl.com.pe/hhii/B30060/20200228161501/CREDITEX32S32A32A32MEMORIA322019.PDF>
- CREDITEX. (2020f). Organigrama [Document in pdf file].
- CREDITEX. (2020g). Proceso Fabril, Pre- Producción. Retrieved from <http://www.creditex.com.pe/proceso-fabril/pre-produccion.html>
- CREDITEX. (2020h). Proceso Fabril, Producción. Retrieved from <http://www.creditex.com.pe/proceso-fabril/produccion.html>
- CREDITEX. (2020i). Quienes somos. Retrieved from <http://www.creditex.com.pe/creditex/quienes-somos.html>

Cristiana, S. (2012). Marketing Mix Adopted by Companies in Textiles and Leather Industry.

Annals of the University of Oradea. Fascicle of Textiles, Leatherwork, 13(2), 32–38.

D'Alessio, F. (2013). *El proceso estratégico: un enfoque de gerencia*. D. F., México:

Pearson.

D'Alessio, F. (2017). Decision and Selection of Strategies [PowerPoint slides].

Dinnen, J. (2016). Who Is The Athleisure Consumer?. *MacKenzie Corporation*. Retrieved

from <https://www.mackenziecorp.com/who-is-the-athleisure-consumer/>

Doing Business. (2020). Doing Business provides objective measures of business regulations

for local firms in 190 economies. Retrieved from <https://www.doingbusiness.org>

Eikon. (2020). CREDITEX S.A.A.: Financials - Refinitiv Co. Fundamentals. Retrieved from

<https://amers1.apps.cp.thomsonreuters.com/web/filings/filings.viewer>

Ellspermann, J. (2020, June 09). 18 Internal Communication Strategies for 2020. Retrieved

from <https://blog.enplug.com/internal-communications-best-practices>

FairTrade. (2020). FairTrade Standards. Retrieved from <https://www.fairtrade.net/standard>

FairTrade. (2020). Lizenzgebühren. Wie viel kostet eine lizenz? Retrieved from

<https://www.fairtrade-deutschland.de/fuer-unternehmen/partner-werden/erstkontakt/lizenzgebuehren>

Farias, G. (2015, April 26). Algodón Vs. Fibras sintéticas. Retrieved from

<https://gabrielfariasiribarren.com/algodon-vs-fibras-sinteticas/>

Farias, G. (2019). Algodón Orgánico Vs. Algodón Reciclado. *Asociación Peruana de*

Técnicos Textiles. Retrieved from <http://apttperu.com/algodon-organico-vs-algodon-reciclado/>

Fernandez-Stark, K., Bamber, P., & Gereffi, G. (2016). Peru in the High-Quality Cotton

Textile and Apparel Global Value Chain: Opportunities for Upgrading. *Duke CGGC*

(*Duke University, Center on Globalization, Governance & Competitiveness*).

Retrieved from

https://www.researchgate.net/publication/293806953_Peru_in_the_High_Quality_Cotton_Textile_and_Apparel_Global_Value_Chain_Opportunities_for_Upgrading

Flannery, N.P. (2012). Explainer: What is UNASUR? Retrieved from <https://www.as-coa.org/articles/explainer-what-unasur>

Gallagher, B. (2013). It's About Vision, People and Mission. *NonProfit Times*, 27(16), 13.

Golfetto, F., & Rinallo, D. (2008). Reshaping markets through collective marketing strategies: Lessons from the textile industry. *Strategic market creation: A new perspective on marketing and innovation management*, 97-123.

Grand View Research (2019). Athleisure Market Size, Share & Trends Analysis Report by Product (Mass, Premium), By Distribution Channel (Offline, Online), By Region (North America, Europe, APAC, CSA, MEA), And Segment Forecasts, 2019 – 2025. Retrieved from <https://www.grandviewresearch.com/industry-analysis/athleisure-market>

Griebsch, L. (2020). B2B Marketing Strategie 2020 – Ihr Leitfaden mit Tipps, Trends und Ausblicken. Retrieved from <https://b2bmarketing.works/blog/allgemein/b2b-marketing-strategie/>

Han., & Stoel. (2016) The effect of social norms and product knowledge on purchase of organic cotton and fair-trade apparel. *Journal of Global Fashion Marketing*. 7:2, 89-102, DOI: 10.1080/20932685.2015.1131434.

Hansmann, T. (2020). Baumwolle: Vom Elfjahrestief nur wenig erholt. Retrieved from <https://www.godmode-trader.de/artikel/baumwolle-vom-elfjahrestief-nur-wenig-erholt,8244247>

- Hardy, Q. (2016, April 1). Using Tech to Revive the Textile Industry. *The New York Times*. Retrieved from <https://www.nytimes.com/2016/04/02/technology/using-tech-to-revive-the-textile-industry.html>
- Henkel, M. (2019). Baumwolle III – Umweltprobleme und Auswege. Retrieved from <https://www.carlmarie.de/magazin/wissen/baumwolle-teil3-umwelt-und-gesundheit/>
- Homma, A. (2019, September 20). Top Trends Shaping the Apparel and Footwear Industry. *Euromonitor International*. Retrieved from <https://blog.euromonitor.com/top-trends-shaping-the-apparel-and-footwear-industry/>
- Hsiao, K., Lin, J., Wang, W., Lu, H. & Yu, H. (2010). Antecedents and consequences of trust in online product recommendations. An empirical study in social shopping. DOI: 10.1108/1468452101109941
- InPeru. (2017). Business and Investment Guide 2016/2017: Exporting Peru to the world. Ernst & Young Global Limited. Retrieved from <https://inperu.pe/wp-content/uploads/2017/08/InPeru-Business-and-Investment-Guide-2016.pdf>
- Instituto Nacional de Estadística e Informática (INEI). (2020). Boletines, PBI Trimestral. Retrieved from <https://www.inei.gob.pe/biblioteca-virtual/boletines/pbi-trimestral/1/>
- Ishikawa, K. (1968). Guide to Quality Control. Tokyo, Japan: JUSE
- Jiménez-Zarco, A., Rospigliosi, A., Martínez-Ruiz, A. & Izquierdo-Yusta, A. (2017). Marketing 4.0: Enhancing consumer brand engagement through big data analysis. DOI: 10.4018/978-1-5225-2139-6.ch005
- Karpf, A. (2018). Warum sich guter Service für Unternehmen auszahlt. Retrieved from <https://www.netpress.de/de/blog/warum-sich-guter-service-fuer-unternehmen-auszahlt>
- Kemppainen. (2015). Digital marketing: channel integration plan. *Lahti university of applied sciences*. Retrieved from <https://core.ac.uk/download/pdf/38125939.pdf>

- Kenton, W. (2017). Triple Bottom Line. Retrieved from <https://www.investopedia.com/terms/t/triple-bottom-line.asp>
- Kössler, V. (2020). Was macht guten Kundenservice im digitalen Zeitalter aus? Retrieved from <https://onlim.com/kundenservice-im-digitalen-zeitalter/>
- Kotler, P., Kartajaya, H. & Setiawan, I. (2017). Marketing 4.0. Moving from Traditional to Digital. Hoboken, New Jersey: John Wiley & Sons Inc.
- Kotter, J. (2011). HBR'S 10 must reads on Change Management. *Leading Change*. Harvard Business School Publishing Corporation: United States of America.
- Kumar Arora, N. (2018). Environmental Sustainability—necessary for survival. Retrieved from <https://link.springer.com/article/10.1007/s42398-018-0013-3>
- Laguna, R., Orozco, R., Piedra, K. & Olarte, G. (2020, January). Análisis de las exportaciones del sector textil peruano. *Revista de Análisis Económico y Financiero - USMP*, 2(1), 32-49.
- Larios, R. (2017). La innovación como factor determinante de supervivencia del sector textil en el Perú. *Asociación Peruana de Técnicos Textiles*. Retrieved from <http://aptpperu.com/la-innovacion-factor-determinante-supervivencia-del-sector-textil-peru/>
- LePoidevin, S. (2019, May 02). Peru Culture & Traditions: Language, Etiquette & Attire You Need to Know. Retrieved from <https://internationalliving.com/countries/peru/traditions-and-culture-in-peru/>
- Lewis, R. (2019). How Different Cultures Understand Time. Retrieved from <https://www.businessinsider.com/how-different-cultures-understand-time-2014-5?r=DE&IR=T>

- Lievensse, H. (2019). Not sure about omnichannel e-commerce for B2B? 3 compelling arguments. Retrieved from <https://www.sana-commerce.com/blog/not-sure-omnichannel-b2b-3-compelling-arguments/>
- Lu, D. (2019). Latest trends in world textile and apparel trade. Aroq - Just-Style.Com. *Global News*, N.PAG.
- Mangelsdorf, M. (2014). *30 Minuten. Generation Y*. Offenbach: Gabal.
- McKinsey & Company. (2020). The State of Fashion 2020 Coronavirus Update. Retrieved from https://www.mckinsey.com/~/_media/mckinsey/industries/retail/our%20insights/its%20time%20to%20rewire%20the%20fashion%20system%20state%20of%20fashion%20coronavirus%20update/the-state-of-fashion-2020-coronavirus-update-final.pdf
- Mendoza, J. (2019). Argentina: cotton import volume 2010-2019. Retrieved from <https://www.statista.com/statistics/881896/argentina-cotton-import-volume/>
- Mendoza, J. (2020a). Brazil: cotton import volume 2010-2019. Retrieved from <https://www.statista.com/statistics/881900/brazil-cotton-import-volume/>
- Mendoza, J. (2020b). Colombia: cotton import volume 2010-2019. Retrieved from <https://www.statista.com/statistics/881906/colombia-cotton-import-volume/>
- Micco, P.D. (2014). The US and EU free trade agreements with Peru and Colombia: A comparison. European Union. Retrieved from http://www.icdt.co/noticia_al_dia/pruebas/Investigacion%20Catalina/Paul/USA/TLC/us%20an%20eu%20fre%20trade%20agreements%20with%20peru%20an%20colombia.pdf
- Millson, M., Raj, P., & Wilemon, D. (1996). Strategic Partnering for Developing New Products. *Research-Technology Management*, 39(3), 41–49.
doi:10.1080/08956308.1996.11671063

- Ministerio de Comercio Exterior y Turismo (MINCETUR). (2018). Exportaciones Textiles Registraron 11 Meses De Crecimiento Ininterrumpido. Retrieved from <https://www.mincetur.gob.pe/exportaciones-textiles-registraron-11-meses-de-crecimiento-ininterrumpido/>
- Ministerio de Comercio Exterior y Turismo (MINCETUR). (2019). Plan de Desarrollo de Mercado de Estados Unidos. Retrieved from <https://www.gob.pe/institucion/mincetur/informes-publicaciones/285150-plan-de-desarrollo-de-mercado-de-estados-unidos>
- Ministerio de la Producción. (2015). Industria Textil y Confecciones. Estudio de Investigación sectorial. Retrieved from <http://ogeiee.produce.gob.pe/index.php/oeedocumentos-publicaciones/documentos-de-trabajo/item/725-textil-y-confecciones>
- Ministerio de la Producción. (2017). Estadística Micro, Pequeña y Mediana Empresa (MIPYME). Retrieved from <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>
- Ministerio de la Producción. (2019). Reporte de Produccion Manufacturera. Retrieved from <http://ogeiee.produce.gob.pe/index.php/shortcode/oeedocumentos-publicaciones/boletines-industria-manufacturera/item/872-2019-diciembre-reporte-de-produccion-manufacturera>
- Novack, S. (1977). The Benefits of International Portfolio Diversification: Industry and National Diversification. *The American Economist*, 21(1), 21.
- OCDE/FAO. (2017). Resúmenes de los productos básicos, Algodón. *Perspectivas Agrícolas 2017-2026* (pp. 133-137). OECD Publishing, París. DOI: http://dx.doi.org/10.1787/agr_outlook-2017-14-es

- O'Connell, L. (2019, November 29). Total revenue of the global sports apparel market 2012-2025. *Statista*. Retrieved from <https://www.statista.com/statistics/254489/total-revenue-of-the-global-sports-apparel-market/>
- OEKO-TEX. (2020a). MADE IN GREEN by OEKO-TEX. Retrieved from https://www.oeko-tex.com/importedmedia/downloadfiles/MADE_IN_GREEN_by_OEKO-TEX_R__-_Standard_de.pdf
- OEKO-TEX. (2020b). MADE IN GREEN by OEKO-TEX. Retrieved from <https://www.oeko-tex.com/de/hier-beantragen/made-in-green-by-oeko-tex>
- Oliva, N. (2018, 4 de julio). Perú, un enigma en el crecimiento económico latinoamericano. *Centro Estratégico Latinoamericano de Geopolítica - CELAG*. Retrieved from <https://www.celag.org/peru-enigma-crecimiento-economico-latinoamericano/>
- Olsen., walker., & Ruekert. (1995). Organizing for effective new product development: the moderating role of product innovativeness. Retrieved from https://www.researchgate.net/publication/232660290_Organizing_for_Effective_New_Product_Development_The_Moderating_Role_of_Product_Innovativeness
- Pascal. (2018, January 17). Die 8 entscheidenden Grundsätze für guten Kundenservice. Retrieved from <https://www.userlike.com/de/blog/grundsätze-guter-kundenservice>
- Peru. (n.d.). Retrieved from <https://www.adventure-life.com/peru/articles/peru-overview>
- Phillips, D. (2017). The Transformational Power of Networking in Today's Business World. *Journal of Property Management*, 82(2), 20–23.
- Porter, M. (1979). "How Competitive Forces Shape Strategy". *Harvard Business Review*.
- Porter, M. (2008). The Five Competitive Forces that Shape Strategy. *Harvard Business Review*.

- Proctor, T. (2000). Chapter twelve: Growth Strategies: Product-Market Expansion. *Strategic Marketing*, 238–263.
- Pulgar-Vidal, J. & Davies, T. (2020, March 21). Government and society. Retrieved from <https://www.britannica.com/place/Peru/Government-and-society>
- Rahimi, O. (2019). 12 Fakten aus dem B2B Online Marketing, die Du noch nicht kennst. Retrieved from <https://de.ryte.com/magazine/12-fakten-b2b-online-marketing>
- Reichert, I. (2019). So macht unsere Kleidung die Umwelt kaputt. Retrieved from <https://www.quarks.de/umwelt/kleidung-so-macht-sie-unsere-umwelt-kaputt/>
- Ren, X. (2000). Development of environmental performance indicators for textile process and product. *Journal of Cleaner Production*, 8(6), 473–481. doi:10.1016/s0959-6526(00)00017-2
- Rojas, P. (2020, 06 de mayo) ¿Cómo se ha comportado el e-commerce peruano durante el periodo de cuarentena? *Gestion*. Retrieved from <https://gestion.pe/economia/como-se-ha-comportado-el-e-commerce-peruano-durante-el-periodo-de-cuarentena-noticia/?ref=gesr>
- Rossini, R., & Santos, A. (2015). Peru's recent economic history: From stagnation, disarray, and mismanagement to growth, stability and quality policies (pp.9-36). Washington, DC: IMF
- Seampedia. (2018). El escandallo de modelo o el cálculo de sus costes de producción. Retrieved from <https://www.seampedia.com/escandallo-de-modelo-calculo-costes-de-un-modelo/>
- SEOptimizer. (2020). Audit Results for www.creditex.com.pe. Retrieved from <https://www.seoptimizer.com/www.creditex.com.pe#recommendation>
- Shahbandeh, M. (2020). US cotton imports 1990-2018. Retrieved from <https://www.statista.com/statistics/259418/us-cotton-imports-since-1990/>

Shishoo, R. (2012). The importance of innovation-driven textile research and development in the textile industry. *The Global Textile and Clothing Industry*, 55–76.

doi:10.1533/9780857095626.55

Sistema Integrado de Información de Comercio Exterior (SIICEX). (2018). Sostenibilidad, innovación y tendencias en la industria textil/confección. Retrieved from http://www.siicex.gob.pe/siicex/porta15ES.asp?_page_=726.72400&_portletid_=aim_wlistalerta&scriptdo=usp_aim_wlistdalerta&pc_alerta=47779

Sistema Integrado de Información de Comercio Exterior (SIICEX). (2020). Comercio Mundo – Prendas de Vestir de Punto de Algodón. Retrieved from <http://www.siicex.gob.pe/siicex/porta15ES.page=172.17100&portletid=sfichaproducto=Tank>

Statista. (2019). Leading cotton exporting countries in 2018/2019 (in 1,000 metric tons). Retrieved from <https://www.statista.com/statistics/191895/leading-cotton-exporting-countries/>

Statista. (2020). Población de los Estados Unidos desde 2010 hasta 2024. Retrieved from <https://es.statista.com/estadisticas/635251/poblacion-total-de-estados-unidos/>

Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT). (2020). Consulta por Exportador. Retrieved from <http://www.aduanet.gob.pe/consulta>

The B2B buying process 2019 report. (2019). Retrieved from https://www.sana-commerce.com/b2b-buying-process-2019-report-how-to-meet-b2b-buyers-demand/#mktoForm_4169

The World Bank. (2019). GDP (current US\$) – United States, Argentina, Brazil, Columbia. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2019&locations=US-AR-BR-CO&start=2019&view=bar&year=2019>

- United Nations. (2020). The impact of COVID-19 on sport, physical activity and well-being and its effects on social development. *Department of Economic and Social Affairs Economic Analysis*. Retrieved from <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-73-the-impact-of-covid-19-on-sport-physical-activity-and-well-being-and-its-effects-on-social-development/>
- University of Wisconsin. (2017). The Triple Bottom Line. Retrieved from <https://sustain.wisconsin.edu/sustainability/triple-bottom-line/>
- Wahnbaeck, C. (2019). Schadstoffe auf der Haut: Diese Siegel garantieren giftfreie Kleidung. Retrieved from <https://utopia.de/ratgeber/siegel-kleidung-textilien-ohne-gift-textilratgeber-greenpeace/#gots>
- Winterer, A. (2016). Fairtrade-Siegel: das Siegel für fairen Handel. Retrieved from <https://utopia.de/siegel/fairtrade-siegel-bedeutung-kritik/>
- Wolter, D. (2019). 15 Trends im B2B-Marketing. Retrieved from <https://blog.hubspot.de/marketing/b2b-marketing>
- World Bank. (2018). Research and development expenditure (% of GDP) – Peru Retrieved from <https://data.worldbank.org/indicator/>
- World Bank. (2020). Peru, overview. Retrieved from <https://www.bancomundial.org/es/country/peru/overview#1>

Appendices

Appendix A: Austrian Textile Expert Interview

Date: 21.07.2020

Length of Interview: 16:13 min

Place: Gmunden, Austria

Original language: German

Participants

I: Austrian textile expert (Interviewed person)

S: Sandra Radner (Interviewer)

S: Hello Mr. ***! I am really very pleased that you have taken the time to talk to me today. I am currently a student at the CENTRUM University in Lima, and I am working together with my colleagues on a consulting project for a Peruvian company. Is it okay for you if I record the interview?

I: Yes!

S: Okay, thank you! First some basic information. As already mentioned, we are currently working for a Peruvian textile company. This company has experienced an enormous drop in sales, especially in the last five years, because the price has risen due to rising labor costs and manufacturing costs. Many customers are now buying in China for this reason because the same product is offered much cheaper there. We students have now been given the task to help this company and find a solution to this problem.

I: This company is from where?

S: From Lima, Peru.

I: From Lima?

S: Yes.

I: Yes, but it's not possible that they are more expensive than China. How high are the wages down there now?

S: Unfortunately, I don't know. The company told us that the customers would pay three dollars per meter and they are currently producing at five dollars.

I: Yes okay, but they are too expensive. Normal cotton? Normal cotton? With equipment?

S: Yes.

I: There they are with five dollars generally next to the shoes. I'm surprised about that. Do they make special materials? Because five dollars' worth of cotton, that must be able to do a lot.

S: Yes, they call themselves the Italians of South America.

I: Yes, that's obvious, but it doesn't help them if nobody buys it. You know? The subject is: There are two possibilities. Either from marketing to make something special out of this product cotton fabric, which a certain fringe group in the market needs. Yes? But they're not going to be able to sell that kind of classic cotton at that price in the long run. So a specialization on any product range where cotton is usable, where I can achieve a price in the material sector. But there I must equip the material accordingly.

S: That means?

I: That means in plain language, for example when I invent a special cotton linen. For example, cotton linen for the traditional costume industry. And that's also in the basement now. But in the sports sector, I would say: Sailing linen etc. If the company goes in this direction, a lot of money is still being paid on the market. The only question is whether they can do it. For which industry do they now offer fabrics?

S: I think that this is a big problem for them, because they say they offer almost everything.

I: That's not possible. First of all, I have to define who I want to address in a sector-specific way. And of course, I have to look at what is currently available on the market. And vice

versa, what do I have to offer to be able to get involved and do I get away with the price?

That is the first task. Especially in the cotton sector. That really exists everywhere. There is cotton in every village. Only the qualities are extremely different. In the washing properties. In the finishing properties. I must sanforize very highly, so that I can wash the fabric hot. Or I'll make a special finish in another direction. Like I said, sailcloth. But like I said, I don't know if he can make it. Therefore, it would first have to be clarified which cotton fabrics he can sell where. Because to simply say "I can do everything", that doesn't exist anyway.

S: Yes, so the company's main market is North America and South America and they mostly sell to some fashion industries. So, a normal fabric that is processed and that you can wear.

I: Yes, but in fashion at the moment 80% is polyester. The only thing where he might score points in the future is maybe organic cotton. So that he switches to organic cotton and can prove the processes. On this basis he can of course open a certain new market. At a reasonable price. But normally the fashion industry... In the fashion industry, which has been so badly hit by Corona, they are currently selling only rags or something very exclusive. But there the material must be able to do quite a bit.

S: The problem hasn't just been there since COVID-19, but for a few years now they've had that problem, that there's a drop in sales.

I: Yes, that's clear. But what are they really doing? Do they make a colored product, do they make a printed product? Cotton alone is a bit too little. What kind of cotton do you process? What quality grade are they in? At five dollars you would have to process the most expensive cotton normally. She should learn to swim on the organic wave. Organic and Organic Cotton, because this is the direction in which things will certainly be paid in the future, but it must also be demonstrably so. And then of course with cotton a stretch is also part of it. Because classic cotton shirts are no longer sold. That means I need a stretch component everywhere. But first, it must be made clear which ones I want to address. What do I want to do? Well,

cotton fabric I'll tell you honestly: when I think about workwear, they are currently traded between one and a half and two dollars, the highest on the market, and there we are really at a high-quality 60 or 90 degree cotton. So that's a good idea. And if he's going to charge twice as much, he must be good at something. So, the question is what he offers and to whom he sells. Because the fashion industry doesn't pay him five dollars in classic quantities, i.e. in bulk sales, anyway. Because the finished piece costs five dollars to sell. So, the question really is: For high fashion he is certainly too cheap with five dollars. So small quantities and high-quality material. This is a topic where I can score with cotton or organic cotton. But then the cotton probably must cost 50 dollars per meter. But for that I only sell 100 meters or 200 meters. That is also always the question how big the company is. How many meters do they make per day? How much does the company produce per day?

S: Unfortunately, I can't answer this question. Now I have no information about this. Is there still a demand for 100% cotton?

I: Yes, of course. But in different blends. Cotton is always possible, but it must be able to do something. A normal cotton is not possible anymore. But if the cotton can do something, especially in combination with stretch etc. And with different possible processing themes and high quality, then something is possible. But first I must know in which branch I want to sell at all. Because there are not so many industries at all. That's why he really has to find out in which sector he is currently selling and why he is selling less in this sector. Yes? I mean, he's selling less for a reason. Cotton is already being replaced by modern fibers, of course. But replacing the cotton with a certain blend, or even adding exclusive cotton with finishes That always works. But first I have to think about who I want to approach. Am I talking about a shirt fabric? Am I talking about a work trousers fabric? What am I really talking about? You know what I mean? You can really make a beautiful cotton fabric, but on the organic wave. Then he'd have a better chance of selling it. But it's got to work, and the price has got

to be right, but for \$5, he's got to have something special on offer. Otherwise he won't have a chance. How wide is the fabric? Are we talking about a 90 cm ready fabric or 150 cm? What are we talking about? So, there are many basic questions to be answered. You must do an analysis. What is the actual situation? Where does the sales department really sell quantities to? And is this still an industry that is still interesting? If I don't get the money in this industry now, then of course I must consider where there are other industries and what can I offer with the other industries again. What do they need? So, there is always something doing. So, cotton is never something bad. But only if I have good cotton. Of course, if I want to keep up with the cheap sector, then that will not work.

S: You just said that I should find out if the industry is still attractive. What is the best way to find out?

I: Quite normal. What are you buying? You as a student will of course go to H&M and buy something there. Have a look. It's all polyester or very cheap cotton. I do not know. I don't mean to be rude, of course. But you have to think about what industry I really want to address. Well, there are so many subjects. There are really, as I have already said, in the sports sector there are cotton fabrics that are used. So, the most important thing would be, and then we can talk on the phone again, to clarify where exactly what is sold and what kind of cotton fabric is it? Because only cotton fabric is too little. And what equipment does it have? The industry is of course to die for if he sells less and less or he does something wrong. That could be the case. But first you must find out in which industry he is currently selling the most fabrics and why he is selling less? So first solve the problem and on this basis, you can then build possibilities. But now we are already in a business sector, I would have to charge you money if I were to help you further. Okay?

S: Okay. Very good! Then I thank you very much!

I: You are very welcome! And please write to me again if you need anything else.