

Competitiveness strategies applied by Ecuadorian SMEs exporting non-traditional products during the COVID-19 pandemic



Estrategias de competitividad aplicada por las Pymes ecuatorianas exportadoras de productos no tradicionales durante la pandemia del COVID-19

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Abstract: In Ecuador and the world in general, the Covid-19 pandemic forced companies to reduce their economic-productive activity considerably, whether they were large, medium or small, generating millions of dollars in losses and economic, financial, social and family imbalance. This effect led businessmen, entrepreneurs and micro-entrepreneurs to venture into new markets and competitiveness strategies. The objective of this work is to identify differentiation strategies that favor Ecuadorian SMEs in terms of their participation in developed and emerging countries, leading them to assume a leading role with their non-traditional products due to their quality, experience and professionalism.

Keywords: differentiation strategies, SMEs, operability, quality, adaptation.

Resumen: Al Ecuador y al mundo en general la pandemia del Covid-19 obligó a las empresas a reducir su actividad económica –productiva considerablemente, sean éstas grandes medianas o pequeñas; generando millonarias pérdidas y el desequilibrio económico, financiero, social y familiar. Este efecto direccionó a los empresarios, emprendedores y micro empresarios a incursionar en nuevos mercados y estrategias de competitividad, plasmando como objetivo en este trabajo identificar estrategias de diferenciación que favorezcan a las pymes ecuatorianas en cuanto a su participación en países desarrollados y emergentes que conduzcan a asumir un rol protagónico con sus productos no tradicionales por la calidad de los mismos, la experiencia y la profesionalidad.

Palabras clave: estrategias de diferenciación, pymes, operatividad, calidad, adaptación.

Introduction

We are facing a change of era and the option of continuing with the same patterns is no longer viable, which leads us to transform the current development paradigm into one that takes us along the path of sustainable development, including a long-term vision. The gaps faced are structural: on the one hand, low

productivity and poor infrastructure put new organizations at a disadvantage vis-à-vis their potential competitors.(Aranda & Combariza, 2007).

Authors such as Andrews (1985), Ansoff (1976) and Steiner (1979) ratified that under the pressure of the open system approach and the dynamics of the environment, in the sixties of the last century strategic planning appears, which is polarized against the traditional operational planning by that time, where studying the environment and examining the internal is its objective to finally propose managerial strategies; retaken these orientations with what was raised by Kaplan and Norton (2000), who were the creators of the balanced scorecard and strategic maps (2004). Currently, Calderón (2017) considers this field as a mature area.(María Mendoza, 2018).

From the requirement of entrepreneurs, priority was given to implement competitive strategies that help them to maintain that advantage in their business. Ohmae (1983) stated that the key actors of competitiveness were: the company, the customer and the competitors (three C's model: company, competitor and consumer).(Procel-Quíñonez, 2022)Porter (1980) launched his competitive forces model of industry in which he added new competitive actors including rivals and consumers, including a classification of competitive strategies and established three categories: differentiation (a strategy to create value); cost leadership (aimed at reducing cost rather than adding value); and focus (whereby companies concentrate on specific market niches).(Méndez Naya, 2017).

Porter's work on competitiveness moves to the nation level and develops his diamond model (1990), concluding that the classification of competitive strategies is incomplete as it relates to market coverage, as it only includes the niche strategy(María Mendoza, 2018). In general, they tend to apply different strategies and in recent years those small and medium-sized companies offer their products in the market knowing that they have superior rivals competing in the sector; however, they are able to stand out significantly, thanks to qualities, characteristics, technologies and other factors that make them positively different from other brands offering similar products or services.

With the COVID-19 pandemic, the market of large organizations was considerably affected, including exporting organizations that reported economic losses due to several factors such as: the termination of contracts with customers, difficulties in internal transportation causing delays in shipments and that the product does not reach customers in optimal conditions; and, an increase in operating costs due to the acquisition of biosecurity equipment to counteract the pandemic.

Statistics show that 99% of Latin American companies are MSMEs, and contribute between 48% and 94% to the generation of employment in these economies. For this reason, governments have directed some efforts to strengthen this sector: a) creation of laws, b) rules and regulations for guidance and protection, c) policies to promote development, d) creation of networks and institutions for integration and dissemination, e) creation of programs and funds for financing, and f) assistance and training programs. (Villavicencio, 2013).

This gave way to small, medium-sized businessmen and entrepreneurs who took advantage of the gap that large companies could not meet the needs of the international market; and, it is when this sector implements a series of effective

differentiation strategies, providing added value to their products, which is perceived and valued by potential international customers; demonstrating that these businesses are able to provide different solutions (quality, service and customer service, brand experience, immediate deliveries, and other solutions) that are implemented to encourage buyer loyalty in a normal situation. (Hu Chan et al., 2021).

However, the SME sector faces doubly significant problems due to the fact that these organizations find it difficult to generate economies of scale, have little bargaining power, usually do not attract personnel with the best qualifications due to salaries and job security, are very vulnerable to changes in macroeconomic variables such as interest rates, the administrative, financial and productive responsibility of the company is centered on a single individual and may have crises in the supply of their inputs... (Aranda & Combariza, 2007). (Aranda & Combariza, 2007).

From the point of view of (Alvarado Diana, Baquero Roxana, 2021) the entrepreneur innovates through the introduction of ideas or the improvement of products and services, through the incorporation of new technologies, optimal production processes, work practices or ways of doing business; allowing the small and medium entrepreneur to innovate with the implementation of new and useful ideas, understood as the effective realization that achieves a change in the system, in order to improve and perfect some aspect of its structure, content or operation.

From Ecuador, exports of non-oil products between January-August 2020 amounted to USD 9,664 million, an increase of 8.00% compared to the same period of 2019 (Plaza, 2022). (Negocios, 2021) 9,664 million, an increase of 8.00% compared to the same period in 2019. Likewise, there was an increase in volume (+5.00%), broken down in bananas (+19.00% compared to 2019), shrimp (-3.00%), canned fish (-4.00%) and natural flowers (-6.00%); and as for the main export destinations, three markets account for 64.00% of total Ecuadorian non-oil exports: United States (+22.00%), the European Union trade bloc (+10.00%) and China (+14.00%). (Oyarvide-Ramírez et al., 2021) (Plaza, 2022).

However, despite these significant figures, the main impact during the first semester of 2020 was the decrease in income (effect of the pandemic), considering that the organizations were unable to send their production to the client due to lack of transportation for collection or export and the cancellation of contracts with their clients, being the floriculture sector the one who declared losses of almost the totality of the production. (Plaza, 2022).

The exporters that make up the associations of the Popular and Solidarity Economy -EPS from now on- recognized different impacts, including economic losses due to COVID-19 (Useche Aguirre et al., 2021) These include economic losses due to COVID-19, the increase in production costs, breach of contracts with customers, the difficulty of product mobility and therefore product quality, non-compliance with supplier partners, which represents problems with financing; and finally, Ecuadorian exporters recognize that when placing their products in international markets, the climate plays an important role. (AEI, 2014).

With the associations, the entrepreneurs were strengthened, which in the critical moments faced by humanity due to COVID 19, awakens a wide interest. At present there are some critical points to solve to achieve the expected effect, among these issues is the marked inequality and inequity of the vast majority of countries, especially sharpened in Latin America, as stated by (Quincaña 2020), that their condition and daily needs, forces them to generate a positive impact on the creation of enterprises, of course, but could also be considered as an economic and social phenomenon that helps to solve difficulties such as unemployment, low efficiency in productivity, technological lags, modernization of the business fabric, among many others. (Ulloa-Barre et al., 2021).

According to Hevia and Neumeyer (2020), the Covid-19 had an impact on the economies and occurs mainly by three ways: the first appears as will have effect economic activity because of: a) the limitation in the production of economic sectors, such as tourism that most countries depend on or entertainment; b) and social distancing causes some people to work from home or simply to stop working, which causes a drop in production.(Heredia & Dini, 2021). The second way will have an effect on trade; in which countries that export raw materials are experiencing a fall in the prices of the products they export, and in turn affect a percentage of the Gross Domestic Product (GDP) and public revenues in governments. And the last path will have a global financial crisis, which is produced by a worldwide liquidity disruption, with massive movements in portfolios in search of liquidity and abandoning riskier assets.(Hu Chan et al., 2021).

These actions induce the generation or stimulus for the creation of new entrepreneurial initiatives, with a support for entrepreneurs who have their projects in operation and have a good business plan, allowing them to empower and strengthen this group as a relevant tool for change, as well as for overcoming the economic, social and health crisis, particularly in terms of job creation, of course, when the situation so determines (Nicolás and Rubio, 2020).

Ecuadorian entrepreneurs have demonstrated through competitive strategies the opportunity to place the best vegetables, fruits and products in the most demanding markets of the first world, sustaining their brand and fair trade, proposing as an objective in this research to identify differentiation strategies that favor Ecuadorian SMEs in terms of their participation in developed and emerging countries that lead to assume a leading role with their non-traditional products due to their quality, experience and professionalism.

Materials and Methods

The methodology used in this research work refers to the bibliographic and documentary review that allowed the analysis, interpretation and information related to the object of study, which is focused on small and medium-sized businessmen, including entrepreneurs whose economic activity is to produce and market non-traditional products in international markets.

This research resorted to thematic pages and web sites located in the academic google search engine, articles of quartile two, three and four; and information from exporting magazines of non-traditional products that make an exhaustive follow-up of the contribution of Ecuadorian products in the world; and in this

context, the economic and social repercussions that the COVID-19 pandemic has considerably affected SMEs and entrepreneurs were studied; in addition to the approach to the reality faced by Latin American countries and Ecuador is no exception; for the interpretation of the information, an exploratory and descriptive qualitative content analysis was carried out. (Negocios, 2021).

In recent years, Ecuador has excelled in exporting products to the American, European and Asian markets, prioritizing flowers, tropical fruits, canned fish, wood, among others. As of November 2020, the total trade balance recorded a surplus of USD 3,125 million. The non-oil balance showed a surplus of USD 833 million. (Ministerio de Producción, Comercio Exterior, 2021).

In the economic dynamics of recent years, it can be observed how non-traditional products have gained space and recognition in the international market; therefore, Ecuador has a unique opportunity to diversify its exportable supply, which is declared in governmental and public sources of national interest. (León, 2013). The exploratory analysis of statistical data aims to organize, synthesize, describe and visualize the information, fulfilling the purpose of conducting a thorough review of secondary data prior to the application of any statistical technique with the objective of an optimal interpretation of the information collected.

The exploratory-descriptive analysis procedure consisted of a consecutive review of the information obtained in the bibliographic sources, as well as a series of investigations that the University of Guayaquil is carrying out, framed in entrepreneurs, exports and the scope that entrepreneurs have had in the international market; which allows describing from an analytical perspective, the economic and social impact that the pandemic has had on this group of entrepreneurs who place their non-traditional products in international markets.

An analysis of the data collected on exports from Ecuador to the European and American markets allows the establishment of differentiation strategies based on an analysis of internal and external factors, highlighting the objectives of sustainable development.

Results

According to bibliographic information, Ecuador presents a heterogeneous behavior in its non-traditional exports; and as of June 2020 the growth figures are significant, since a growth rate of 4.92% was recognized with respect to 2019, this considering the difficult time of pandemic, as shown by the Central Bank of Ecuador.

Figure 1. Heterogeneous behavior of Ecuador's non-traditional exports

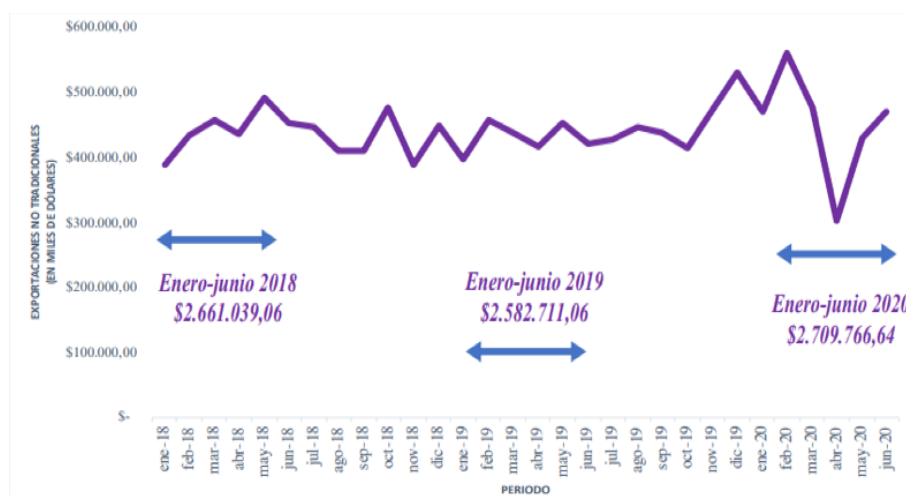


Figure 1

Heterogeneous behavior of Ecuador's nontraditional exports

Source: Central Bank of Ecuador. Customs declaration.

Analyzing the figures presented by the Central Bank of Ecuador, between 2019 (a normal and potentially productive and exportable year) vs. 2020 (a year with declared pandemic), it is explained that exports of non-traditional products increased to 5,581 million USD FOB, which represents a 17% increase. These encouraging figures led this research to present through a matrix of external factors MEFE, developed behind a simple SWOT matrix (weaknesses, threats, strengths and opportunities), which will expose the opportunities and threats for SMEs to export their non-traditional products to Latin American, American, European and Asian markets.

Table 1. SWOT MATRIX

Table 1
SWOT MATRIX

WEAKNESSES	THREATS
<ul style="list-style-type: none"> · Difficulties in internal transportation · Increase in operating costs. · Scarce financing options. · Payments to members for products delivered, due to noncompliance with contracts and delays in collections. · Problems with customs procedures and unloading of containers at destination ports. 	<ul style="list-style-type: none"> · Variation in climate and proliferation of pests. · Barriers to entry by competitors. · Reduction in demand for luxury products (toquilla straw hats). · Limited accessibility to international markets.
STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> · Resilience of organizations · Diversification of non-traditional products. · Organic consumption and fair trade. · Respect for the environment. 	<ul style="list-style-type: none"> · Development of new agricultural products · Insertion of SMEs in the Popular and Solidarity Economy (EPS) · Insertion of SMEs to certify Fair Trade (FT) products. · Change in market dynamics

From the matrix, the Critical Success Factor matrix is determined with a rating and its rating respectively.

Table 2. *Critical success factor matrix with a rating*

Table 2
Critical success factor matrix with a rating

Critical success factor	Value	Rating	Weighted rating
OPPORTUNITIES			
Development of new agricultural products	0,20		0,60
Insertion of SMEs in the Popular and Solidarity Economy (EPS)	0,15		0,45
Insertion of SMEs to certify Fair Trade (FT) products.	0,15		0,45
Change in market dynamics	0,20		0,80
THREATS			
Variation in climate and proliferation of pests.	0,10		0,30
Barriers to entry by competitors	0,10		0,20
Reduction in demand for luxury products (toquilla straw hats).	0,05		0,10
Limited accessibility to international markets.	0,05		0,10

Source: Own elaboration

According to this analysis, the opportunities are evaluated at a value of 2.30 and the value of the threats is 0.70. This represents a favorable external environment for small and medium-sized entrepreneurs who must periodically reinforce their weaknesses and strengthen their strengths to create a shield against the external environment.

Finally, according to the data presented by the Ecuadorian control agencies, it is necessary to make a comparative analysis of the entrepreneurship between Ecuador and neighboring countries that export similar products in free competition.

Figure 2. Comparison of entrepreneurship between Ecuador, Chile and Colombia.

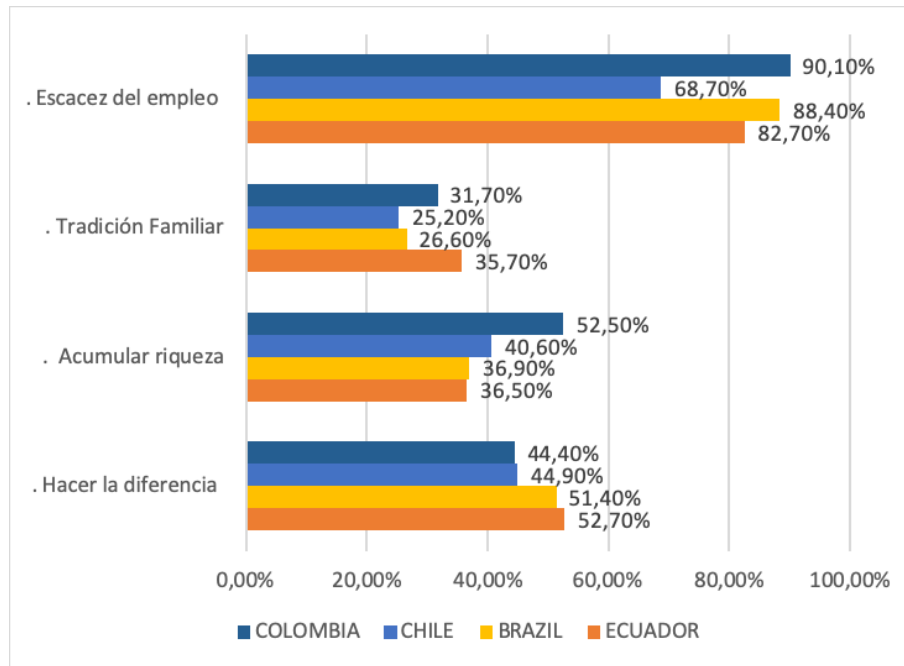


Figure 2
Comparison of entrepreneurship between Ecuador Chile and Colombia

Source: own elaboration.

Conclusions

The growth figures for exports of non-traditional products can be considerably improved by changing the support strategies of governmental entities. Ecuador cannot devalue since it does not have its own currency, several foreign countries that do have the capacity to do so, cheapen a large amount of their products, which negatively affects the non-traditional exports of our country. This opportunity, which is based on the EPS, is based on taking advantage of the dynamics of the markets, emphasizing the prioritization of sustainable development objectives and greater consumer awareness of organic consumption, fair trade and respect for the environment.

It is demonstrated that small and medium Ecuadorian entrepreneurs can compete with a variety of non-traditional and primary products in foreign markets; this is due to the quality and variety of these products; the treatment of planting and harvesting of their products and respect for human resources involved in this economic activity; giving way to scientific and bibliographic updates.

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