Market analysis to establish retail textile companies in Colombia

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This thesis comprises 15 ECTS credits and is a compulsory part in the Bachelor of Science with a Major in Industrial Engineering – International Business Engineering
180 ECTS credits Nr 1/2013
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Bachelor Thesis

Subject Category: Technology

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Keywords: Market analysis, Colombia, Marketing, establishing a product, Sweden and Colombia relation.
Summary

The economic crisis in the last few years has made that companies begin to seek for new market opportunities where they can establish their businesses. Due to the lack of information and data, Colombia is not well known for Swedish textile companies. For this reason, in this market analysis, it is intended to give a clear understanding of the current situation in the Colombian market. Colombia is an emerging country with many opportunities within the textile sector and some new approaches in the last few years have facilitated companies to establish in Colombia. The initiatives from different state and private organizations, has done it easier for doing business.

Based on the data that have been collected from different international organization sources, has showed that some factors are important to be considered by the Swedish textile companies when launching in a new market. One of the positive factors in the Colombian market is the increase in the demand for the retail textile sector. Increase in the income level is also attractive for companies because people will be more able to spend in textile products, and the stability that the country is facing are some positive factors; people will be able to spend money in other expenses.

The new free trade agreement is an advantage for Swedish companies if they decide to expand to the Colombian market. Since they don’t have barriers for trade, it will make it easier for trading between Colombia and Sweden. But because this new agreement has been signed last year, the results will be visible after some years of relationship.

The textile sector in Colombia has had an increase in the sales and the consumption of textile; many international retail companies has established their business in the Colombian market since this market is becoming even more attractive in Latin America. However, it is important to determine which target group is going to be focused on, because there are different social classes in Colombia, and depending of the target group the demand could be different.

All the mentioned above and more important factors are covered in this thesis work. There is not a direct answer for our thesis work, however we believe that the information provided here, will be truly helpful to get a general idea of the current situation in the retail textile sector in the Colombian market.
Abstract

The aim with this thesis work is to make a market analyze for Swedish textile companies that are planning to expand their businesses to Colombia. There are some factors and barriers that need to be considered when expanding to new markets, for this reason, in this thesis particular factors are analyzed. The new free trade agreement between Colombia and EU will make it easier for Swedish textile companies to establish in Colombia and import or export from both countries. Since one of us is from Colombia we know that there are absence of Swedish textile companies in Colombia, and there is a need for variation in the textile sector. This new free trade agreement will make this possible.

Sources of information that have been used are based principally from literature and Internet. To be able to make the market analyze, there are factors that were considered for example Gross Domestic Product (GDP) and statistics on unemployment rate. In order to access the different statistics needed, it has been used different sources and International organizations web pages such as EU and OECD, which have been helpful to write this thesis and make it faster to find the information required.

The analyzes has been made by comparing different statistics from Colombia with Sweden, to see if there is opportunities for Swedish companies to establish themselves in this new market. Our conclusion is that there are good opportunities for Swedish textile companies to establish their business in Colombia because of the increasing demand in the textile sector in the country and the increased income level amongst the population.
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1. Introduction

This paper aims to introduce to the Swedish textile companies the Colombian textile market that could be of interest for different industries in the textile sector. This is a market analysis that will show the current situation of Colombia for doing business and the information provided could be of interest for Swedish companies that are interested in investing on this market. The possibilities and opportunities in this country is the focus of this paper. Here it is giving a background of the analysis, the purpose of our study and the limitations that were faced.

1.1 Background

During the last years the world economy has been drastically affected by the finance crisis in 2008 and many strong markets has also been affected, this has been a great problem for many industries since the target markets are not competitive any longer. People always focus on the problem that the crisis has created in Europe instead of focusing in the solution that are the new rapidly growing emerging markets. The economic crisis has raised the need for new competitive markets that are able to be stable in turbulent environments. This emerging markets has not yet been explored because the lack of knowledge or the lack of information about these. Latin America is an example of progress but in which many companies are still skeptical to enter or invest in.

Latin America is a rapidly growing region that offers several advantages and many interesting business opportunities for all the different industries. One of the rapidly growing countries is Colombia, with an attractive progress during the last few years. Colombia is one of the largest economies in Latin America and one of the most attractive in the last decade. Policies reforms since 1990, has made Colombias economy more stable for doing business. Structural reforms such as in labor, pensions and the health care have facilitated a good performance in the financial crisis (OECD, 2013). Some key drivers for growth in Colombia is the larger and more well educated middle class and the increased foreign investment and good relations between the different countries in the region.

For this reason, Colombian government has taken the decision to integrate Colombia with the world, through a new free trade agreement with preferential markets such as the European Union. The free trade agreement between Colombia and the European Union which has been signed in June 2012, seek to create stability in the trade relations between the two markets, seek to provide greater benefits to the industry and generate jobs (European Union, 2013). This new trade agreement will be beneficial for both markets and will generate many opportunities for industries to establish themselves in Colombia. However, there are still many questions in the implementation of this free trade agreement that are not going to be covered but need to be analyzed when the agreement comes into force. One more significantly effort that the Colombian government has done during the last few years, is that they had made it easier for
foreign companies to invest operate and start their businesses. This is due to companies are being more fortified in their ownership rights and they have improved the bankruptcy processes (The World Bank, 2010).

The textile sector in Colombia represents more than 12% of the industrial GDP and more than 5% the total of national exportations. In 2011 the textile industry grew with about 6.4%, in the same year there were also an increase of 75% in the importations of the textile sector, which especially comes from countries such as China and India. The production in this sector has increased due to an increase in the demand and the consumption; the total sales in the textile sector have increased an 8% every year since 2000 (Proexport Colombia, 2012). This fact makes the textile sector in Colombia interesting to invest in but even so, this sector is not well known among others, thus there are great possibilities and business opportunities for Swedish textile companies for establishing their textile firms in Colombia. There is also great availability of skilled labor, the government has invested in this sector in training for workers and regulations, and many public and private entities support the sector. The increase in textile imports especially in textiles and high quality synthetic products, is an increase of 30% to 75% in 2011, which is a significantly rise for one year. The major countries that export to Colombia are China with 44%, India 7% and USA 6%, resulting in more than 56%; there is not a large involvement from Europe in the import of textile goods to Colombia. The reason for companies to establish business in Colombia is the good business environment for doing business and also the large population. The demand has increased because an increase in the household consumption but also people has incentive to buy because of the price stability in the textile goods (Proexport Colombia, 2012).

However, the lack of information and knowledge about the Colombian market is still a barrier for many Swedish textile companies to establish their business in this market. There is still apathy in the Colombian market, because the experiences of the political past in Colombia and the lack of information in the textile sector. Colombia is in a stage of transition, for this reason the business environment has changed and the opportunities are very different from previous years. By providing the right information, doing a market analysis and giving a general view of the actual situation in the Colombian market will provide a clearly understanding for the Swedish textile companies to know the Colombian market.

1.2 Purpose

This study is based in a theoretical study of the Colombian market. The focus is to make a market analysis that shows the current situation and possibilities in the Colombian market for doing business.

This study purpose is to analyze all the factors that a company should contemplate when considering to establish their companies in Colombia. The main focus in the study is the retail textile sector, which will help all the industries that are related with the textile sector to have a better understanding of the current business situation. It is also considered the trade and rules restrictions in the textile sector in Colombia, and the
analysis will be focused on the import side of the Colombian market.

There is not a direct answer that if Colombia is a suitable country to invest in or not. Nevertheless in this thesis report, it is showed the possibilities and opportunities that Swedish textile business could have if they decide to invest in Colombia. We cannot make specific recommendation for businesses, however this factors considered here, give a big picture of the current situation in the Colombian market for future or current market analysis.

The relationship between Sweden and Colombia will be considered and some important statistics that reflects the real situation of the Colombian market.

1.3 Limitations

Nevertheless, there are some limitations that need to be considered. Since this is a literary study, the information collected can be subjective and not objective which can create a contrast of opinions. For this reason, in this study, the market analyze is based on the literature that was considered adequate.

Another limitation was the lack of contact with direct companies that could provide us with the right information. Nevertheless we manage to find the information required to provide the right information to the reader of this thesis.

One more limitation was the lack of interest from companies that were contacted. This made that we had limited information and the resources of this thesis became more limited because of this lack of contact with the right persons. It was contacted some key person, but the lack of time was a limitation for doing interview with them. They were also unavailable.

1.4 Organization of thesis

This thesis has been divided in different parts and each one of them has important information for the development of this paper. The first part of this study is the background. The second part is methods used, where we explained how we have collected our data and why this data is relevant for our project. The third part is the theoretical framework, where we explain the relevant terms and concepts needed for the development of this thesis. Here the Colombian market is analyzed from a theoretical point of view and it was given a general explanation of the specific statistics analyzed for the market. Then an analysis of the relationship between Colombia and Sweden is done and the information given in this section is relevant for our discussion and analysis. Then all this information is analyzed and the reason why Colombia is a market to invest in is also given in the analyses section. To conclude this thesis, a conclusion and discussion is done where the most important points are considered and the point of view of the writers of this thesis is given.

1.5 Problem description

The reason why the writers have chosen this subject for our thesis work is because one
of us is from Colombia and have knowledge about the absence of Swedish textile companies in Colombia.

The interesting part with this work is that there is lots of information available about trade within EU, but there is almost no information about trade between Sweden and Colombia. One of the reasons could be that there are not so many activities in trade between the Swedish government and the Colombian government.

The new trade agreement between Colombia and EU, will make it easier for Swedish textile companies to expand into the new market. With the increased demand in textile sector and increasing of people income level will create a good opportunities for textile companies to win new market share.

In order to succeed in the establishing of textile companies in Colombia it is important to make analysis of the new market. When expanding to new market, the location of the businesses and the demographic situation is also important. Which kind of consumer behavior should companies decide to target and some more. Companies should also consider if the target consumers is satisfied with the offers that already exist in the market or if consumers are looking for another variety of offers. Since one of us is from Colombia we know that there is a need for variety in the textile sector. Therefore we have chosen to do a market analysis to establish textile companies in Colombia.
2. Method

This section describes how we have collected information for our thesis work. The data that has been collected is based on different literature review and different sources from Internet. The information that has been collected is secondary data.

2.1 Secondary data

Secondary data is data that has already been collected for statistics and other cases studies (Lager & Ludin, 2012). It’s hard to know which secondary data is available for the research problem. To be able to find the correct information it’s good to keep focus on the problem. The first recommendation is to look at literature that is available for the subject. The library has access to most of secondary data (Christensen, Andersson, Carlsson & Haglund 2001, pp. 96). Based on the limitations that we have for our thesis work, we need to rely on that the secondary data collected is reliable.

2.2 Literatures review

Literatures study that has been selected for this work is towards the area of market analysis. By focusing in the area of market analysis helps us to understand the variety of challenges that companies are facing when they want to establish in a new market. The barriers that companies are facing when establishing in the new market are mentioned in section with Theoretical Framework 3.3 page 9. We rely on that the information that has been collected via literatures is correct because publishers are professionals in this area.

2.3 Internet

Internet has access to lots of databases worldwide. Information that is available on Internet is easily accessible and the amount increases continuously. There are free databases to access for information or commercial database that require subscribing to allow access for information (Christensen, Andersson, Carlsson & Haglund 2001, pp. 97).

Since there is lots of information on the Internet, we need to be careful when sorting out information that is considered as important and we also need to take into consideration, which sources that are reliable. Sources of information that has been collected and we consider as reliable are for example.

- **International organizations**, such as EU, SIDA and EFTA have information and statistics for different countries and trade areas. They also have politics and economics information (Christensen, Andersson, Carlsson & Haglund 2001, pp. 91-94).

- **Export council and the Chambers Of Commerce** have information for import and
export, trade and business (Christensen, Andersson, Carlsson & Haglund 2001, pp. 91-94).

2.4 Other sources

Beside information that has been collected via literature and the Internet we have also take an advantage from our own experience. Since one of us is from Colombia (see Appendix) it has given us useful information for this subject. Without this advantage it would be hard to find information about the current situation in the Colombian market. With our advantage we have knowledge about the current market situation, and knowledge about the need of competition in textile sector for the Colombian market. Because of the lack of contact with the companies we considered it important to add the information collected from our own experiences.

2.5 The use of collected data

We have considered the collected data as reliable because most of the collected data are from international organizations such as The World Bank, OECD and EU. In order to be able to make our analysis, the data that has been collected will help us to compare different data between Sweden and Colombia. The result from the comparison will be showed in the analysis chapter. The organizations mentioned below are some of the most important sources.

The World Bank: this source has provided us with most of the statistics showed in this paper. Due to the validity of the information given by this page, we referred and used this page as a base for our collected data. The World Bank Group consists of five organizations, which helps to make the right collection of data for every country. Many organizations refers to this site because of the validity data (The World Bank, 2013).

OECD: This source is focused on given an objective, open, bold, pioneering and ethical data. As it is stated by OECD:

- **Objective:** Our analyses and recommendations are independent and evidence-based.
- **Open:** We encourage debate and a shared understanding of critical global issues.
- **Bold:** We dare to challenge conventional wisdom starting with our own.
- **Pioneering:** We identify and address emerging and long term challenges.
- **Ethical:** Our credibility is built on trust, integrity and transparency.”.

For this reason we believe that the data collected from this site is reliable.

EU: The EU webpage has helped us to find the information required to analyze the Colombian market from the EU point of view. EU is one of the largest publishers of online information. The data is updated regular because of the large amount of information such as statistics, politics reports, legislation etc. (Europiska Unionen).
3. Theoretical Framework

3.1 Segmentation

To find the best way to view the market structure a marketer has to try different segmentation variables because there is no single way to segment a market (Kotler, Wong, Saunders & Armstrong 2005, pp. 398).

3.1.1 Geographic segmentation
To divide the market into different geographic units by nations, states, countries or cities are called for geographic segmentation.

Companies can make decisions if they want to operate in one geographic area or a few geographical areas. They can also choose to operate in all areas but have more focus on geographical differences in needs and wishes.

Many companies today are localizing their products, advertising, promotion and sales efforts to fit the needs of individual regions by working within national boundaries (Kotler, Wong, Saunders & Armstrong 2005, pp. 398).

If we are taking the magazine “cosmopolitan” as example: there is several version of it, one in US, one in UK, one in Sweden and one in Germany. The languages and contents are adjusted to readers demand in the country (Lager & Lundin 2012, pp. 15).

3.1.2 Demographic segmentation
The most popular bases for segmenting customers group are demographic factors (Kotler, Wong, Saunders & Armstrong 2005, pp. 400).

The demographic environment in a country is of great importance when analyzing a market, because this includes people (age, gender, density and more) and people determines the demand and make up the market. It is important to know the influences that this aspects have on the market, because changes could have major consequences in the business. For example, a growing in population means that there will be more human needs to satisfy, which will give a guideline of the goods and services that could be required from the population. If a market has a good economy then a growth in the population will mean a great growing market opportunity. Shifts in the population could also be of interesting, because people in different regions of the country tends to buy differently (Kotler, Armstrong, & Parment, 2011)

3.1.3 Psychographic segmentation
With psychographic segmentation buyers can be divided into different groups based on social class, lifestyle or personality characteristics (Kotler, Wong, Saunders & Armstrong 2005, pp. 403).

3.1.4 Behavioral segmentation
Many marketers believe that the best starting point for building market segments is the behavior variables. Because behavior segmentation divided buyers based in their knowledge, attitudes, uses or responses to a product (Kotler, Wong, Saunders & Armstrong 2005, pp. 405).
3.2 Targeting

3.2.1 Marketing
The concept of marketing for business is to put the customer and their satisfaction in the center of everything, and to understand customer needs better than competition (Jobber & Fahy 2009, pp.3-4).

To analyze the environment and the organization is a process of marketing planning. With this process companies can decide where to expand and how to get there (Jobber & Fahy 2009, pp.17).

The marketing environment can affect the company's ability to provide products and services to customer in an effective way. It is good to divide these conditions into the microenvironment and the macroenvironment. The microenvironment consists of suppliers, distributors, customer and competitors, who consider as actors in the firm’s direct environment or business system that can affect the capabilities to work effective in the chosen markets. The macroenvironment consists of wider conditions that not only affect the company, it also affect actors in the microenvironment (Jobber & Fahy 2009, pp.29).

3.2.2 Market segmentation
Market consists of buyers and different buyers differ in different ways such as their wishes, resources, location and buying attitudes. With market segmentation companies can be divided into smaller segments that can reach out to customers more efficiently with products or service that match the customers needs. Since buyers have unique needs and wishes they can be divided into separate market. Market segmentation can be performed at different levels such as mass marketing, micro marketing, segment marketing and niche marketing (Kotler, Wong, Saunders & Armstrong 2005, pp.391-392).

3.2.3 Mass marketing
Mass marketing is using mass-producing, mass distribution and mass promoting for the same product for all consumers. It’s difficult to make mass marketing in todays market because “one-size” do not fit all (Kotler, Wong, Saunders & Armstrong 2005, pp.392).

3.2.3 Segmenting markets
Segment marketing can identify buyer’s different needs and buying behavior. Companies can adapt their offer to match the needs of one or more segments even closer. With segmenting marketing there is several benefits over mass marketing, companies can have market more efficiently or targeting its product or service. If competitors are focusing on this market segment, companies may have fewer competitors (Kotler, Wong, Saunders & Armstrong 2005, pp.393).

3.2.4 Niche marketing
Niche marketing offer smaller companies an opportunity to compete on the market by focusing on theirs limited recourses. We can take Ferrari as an example, they have high
prices on cars but since they have gain loyalty from the customer, the customers feel that no other cars can offer the same products or service as Ferrari (Kotler, Wong, Saunders & Armstrong 2005, pp.393).

3.2.5 Micromarketing
Micromarketing can be seen as tailoring products to fits the taste of specific individuals and locations. Local marketing tailoring brands and promoted needs and wishes of local customer groups it could be a neighborhood or a specific store. The drawbacks with local marketing can drive up manufacturing and marketing cost by reducing economies of scale. The advantages of local marketing usually weigh out the drawbacks (Kotler, Wong, Saunders & Armstrong 2005, pp.394).

When micromarketing becomes extreme, it is called individual marketing which mean that companies tailoring products to the needs and preference of individual customers (Kotler, Wong, Saunders & Armstrong 2005, pp. 395)

3.3 Establishment barriers

To enter new market for companies is to bring new capacity and want to win new market share. With another actor in the market the competition increase and the price are reduced which lead to a reduction of profitability for companies. There are some barriers companies need to face before entry to the new market. Which are economies of scale, product differentiation, capital requirements, switching costs, access to distribution channel, cost disadvantages independent of scale and government policy (Porter 1998, pp.7).

3.3.1 Economies of Scale
Economies of scale refer to reducing of unit cost for a product. This has frightened new entries because the economies of scale force new companies to enter with large scale and risk strong reaction from other firms that already have been establish in the market or to start with small scale and accept the cost disadvantage (Porter 1998, pp.7).

3.3.2 Product Differentiation
Product differentiation means that existing firm already have made advertising for their brand and gained customer loyalties. In order to entry to the new market companies have been forced to spend a lot of capital to overcome loyalties from existing customer that already are loyal to established companies. If companies fail to build a brand name it would be a waste in the investment because they have no salvage value (Porter 1998, pp.9).

3.3.3 Capital Requirements
Another barrier to entry the new market is the need for large investment from financial resources in order to compete against existing firm (Porter 1998, pp.9). Capital might not be necessary only for production facilities; it could also be for customer credit, inventories or the start-up losses that need to be covered up (Porter 1998, pp.10).

3.3.4 Switching costs
Switching costs is a one-time cost that supplier can face when switching from one
supplier’s product for another suppliers. Switching costs include also employee retraining costs, cost and time for testing or qualifying a new source and product redesign (Porter 1998, pp.10).

3.3.5 Access to Distribution Channels
Companies that want to expand to the new market need to have secure distribution for its products. The new firm must have to persuade on the distribution channel to accept its product through price break or cooperative advertising allowances, because of the logical distribution channel have already been served by other existing firms (Porter 1998, pp.10).

3.3.6 Cost Disadvantages Independent of Scale
Even if the new companies manage to achieve economies of scale, already established firms will still have cost advantages (Porter 1998, pp.11).

3.3.7 Government Policy
Government Policy is the last entry barriers companies need to face. Because the government has power to limit or even exclude the entry to the market (Porter 1998, pp.13).

3.4 Strategies
To succeed with establishing companies into new market it’s not enough with a perfect attractive marketplace in a country. There are some competitions dimension in the markets such as price, service, offers and experience. One of the most important factors with trade is to be able to offer competitive price (Bergström 2003, pp.56). There are three generic strategies that can be used to outperforms competition in an industry, which are overall cost leadership, differentiation and focus (Porter 1998, pp.35).

3.4.1 Overall cost leadership
Cost leadership strategies want to have low-cost comparative to other firms but at the same time there are factors that can’t be ignored such as quality, service and other areas. This strategy requires construction of efficient-scale facilities, striving towards cost reductions from experience and cost minimization in service, advertising etc. In order to achieve a low cost position it’s often requires a high market share or other advantages for example access to raw material. Implementing low-cost strategy can requires a high capital investment for equipment and it will be a start-up loss to build a market share. If the strategy has been succeeded the position of low-cost can provide high marginal and lead to reinvest in new equipment in order to maintain cost leadership (Porter 1998, pp.35-36).

3.4.2 Differentiation
Differentiation of product or service is the second generic strategy. By having differentiation a firm can offer customer a new product that is unique that no other firm has. Differentiating can occur in many forms such as design or brand image, technology, customer service or other dimensions.
By achieving differentiation it may exclude from gaining a high market share, it requires a view of exclusivity that is incompatible with high market share. It will also indicate to trade-off with cost position if the activities are costly such as product design, high quality material or intensive customer support.

Not all customers can afford to pay for the product or are willing to pay the required price (Porter 1998, pp.37-38).

3.4.3 Focus

Focusing on a particular buyer group, segment of the product line or geographic market is the third and last generic strategy. Like differentiation generic strategy the focus strategy can occur in many forms.

The target of focusing strategy is to serve a specific area very well; a firm needs to be able to serve the target more effectively or efficiently than competitors.

With the focusing strategy a firm can either achieve differentiation for meeting the needs of the target, or to serve the target at the low-cost, or both of differentiation and low-cost. Focusing strategy may also be used in order to know where competitors are as weakest (Porter 1998, pp.38-39).
3.5 Analysis of the Colombian market

**What are the opportunities for establishing a textile company in Colombia?**

3.5.1 *National economy*

The commercial sector is of great importance in the evolution of the national economy, this is because the big influence in the GDP of the country, employment generated and the big amount of goods moving in this sector. One of the most significant is the textile retail trade, which is also influenced by the national economy. By analyzing the behavior of the sales, employment, salaries and wages, the textile-retailing sector can be affected and influenced on buying behaviors. This means that if employment increases then consumption increases and the same with salaries, if people earn more money then they are able to consume more (DANE, 2009). Furthermore, a growing in the national economy will provide higher incomes and that will create a flow in the consumption of goods (HUI Research, 2011).

Gross Domestic Product (GDP) is the total market value for every final goods and services that has been produced in each country for a specific year. This includes “the total consumer, investment, government spending, plus the value of exports and minus the value of imports” (WebFinance, 2013). GDP is not a perfect measurement but it still gives a clear picture for how rich a country is. The most common measurement to describe the economic growth for a country is GDP; economic growth means the growth of GDP over time (Ekonomifakta, 2013).

In Colombia during the third quarter of 2012, GDP grew by 2.1%, against 7.5% in the same period in 2011, this GDP shows the variation in the value of the goods and services produced by Colombia national economy during the different periods (DANE, 2012). This growth is showed in the following graph.

![GDP for Colombia](image)

Figure 1. GDP for Colombia. Source: DANE, PIB 2005/I – 2012/III

The country’s main economic indicators showed that in the labor market the unemployment declined, this means that the employment rate and the percentage of the working age, increased. The unemployment rate in the third quarter of 2012 was 10.2%,
against 10.4% in the same quarter in 2011, which is a decrease of 0.2% from year to year (DANE, 2012). The decrease in the unemployment rate affects the consumption in a good way.

The retail sector in Colombia has evolved significantly during the past five years. Confidence in the Colombia market, growth in the economy and increase belief of Colombians is some of the reason of this grown. Significant development in the retail stores or malls has made it more attractive for customers to consume. One more important factor is the entry of major international players that has made that the retail sector is significantly growing (Brigard & Urrutia). Preliminary studies show that the retail sector sales in 2011 amounted $ 207.8 billion Colombian pesos of this $80.4 billion Colombian pesos were related with the retail, equivalent to 38.7% of sales in the commercial sector. The textile retail sector has a contribution of 41.2% in the whole retail sector (DANE, 2012). In December 2012 the real sales in the retail sector recorded 3.3%, against 7.4% in the same period last year 2011. The employment in the sector was 5.7% in 2012 (Ministerio de Comercio, Industria y Turismo, 2012). During the first half of 2011 domestic buyers spent on clothing the amount of $6.9 billion, which makes a significantly grow of 8% every year since 2000. The table displays the growth in the textile retail sector since 2000, it is presented in million US$ (Proexport Colombia, 2012).

![Figure 2. Growth in the textile retail sector. Source: DANE, Banco de la Republica.](image)

3.5.2 Demographic
The Colombian population has grown in the last few years, from 30,794,425 millions in 1985 to 42,888,592 millions in 2005, and there is an estimation that Colombia’s population will grow to 50,912,429 millions in 2020. The highest growth rates happened in areas with low or moderate urban development, such as the south part of the country. However it is estimated that Colombia population will grow in other regions than the south part of Colombia. Some of the factors that influence the retail of textile products is the age and the gender of the population. Colombia population characterize because the majority of them are female. There is also a growth between the ages of 4-29 years, which is of importance when analyzing the group target where companies want to focus (Observatorio del Mercado de Trabajo de Cundinamarca, 2010).
One more factor to be studied is the diversity of Colombian population. There is not too much immigration in Colombia, but there are a wide variety of races, from Afro-Colombian to natives and mestizo. Depending of their races, people tend to be in the same places as their descendants, so there is a great variation from region to region. In some regions the population is mainly Afro-Colombian and in some others there are just natives, this depends of the region. It is important to know the increasing diversity in the different regions of Colombia, because companies can be benefit to identify regional, national and local differences, to be able to develop suitable marketing strategies that could satisfy all the needs from the different population (Kotler, Armstrong, & Parment, 2011).

3.5.3 Economic
The economic environment involves economic factors that affect consumer purchasing power and how they spend their money. Companies need analyze the consumer spending patterns and the trends that are most important in the country. Economic factors are important for a nation, because this could affect consumer spending and consumer buying behavior (Kotler, Armstrong, & Parment 2011, pp.101).

Colombia is one of the largest economies in Latin America. Policies reforms since 1990, has made Colombia’s economy more stable. Structural reforms such as labor, pensions and the health care have facilitated to have a good performing in the financial crisis. Colombia is an upper middle class country (OECD, 2013). Per capita National Income demonstrates that the middle class in Colombia has grown since 2005, this growth is because of job creation, employment and economic expansion. Colombia has expanded its middle class by almost 50%, this is due to that more people gets an education (The World Bank, 2010).

One more factor that is important to consider, is the income distribution and how the income levels are in the country. Consumers that have a greater income, will spend in expensive goods, this group is not affected by changes in the economic. The other group that characterized is the middle income class, which cannot always afford expensive goods, they think of how they spend the money, but sometimes can afford some high prices in some goods. Lower class is characterized because they have little purchase power and they afford just to buy the basic needs, such as food, clothing and housing. In the market it is needed to analyze the different social classes and how they behave in the country. Consumer at the different income levels has different spending behaviors (Kotler, Armstrong, & Parment 2011, pp.102).

The economy growth in Colombia has helped to reduce the poverty, but comparing to other countries in the world, this is an unequal country, which has led to that poverty remains high in comparison to with other neighbor countries. Income inequality is still a problem in the economy and this due to informal employment. Demand in the private consumption and investment has grown in the past three years, this is mainly because the reduction in unemployment and real interest, has motivated people to consume more and to invest in the goods of interest. By creating jobs and the low interest rate that the state is offering, consumer is more motivated to spend money. However the unemployment rate in Colombia is still relatively high in compare with other countries.
and the minimum wage is high in compare with other low wage countries, nevertheless there has been also an increase in the minimum wage (OECD, 2013). There has been also a growth in the consumer expenditure during the last 5 years and it is also expected a growth of the middle class in Colombia for the next five years (Proexport Colombia, 2012).

A solid economic growth has helped the employment increase by a 15% in three years, there has been a growth in the creation of job and one of the sector where there are more employees, is the retail sector. Imports in different sectors have boomed and more foreign companies have invested in Colombia (OECD, 2013). During the last few years the government of Colombia has made it easier for foreign companies to invest, operate and start their businesses. This is due to companies are being more fortified in their ownership rights and they have improved the bankruptcy processes (The World Bank, 2010). According to the date provided by doing business, Colombia is ranked in the first Latin American country where doing business is more easy, and in the world this is located in the place 37th of 183 economies, which shows that Colombia economy is more and more reachable for doing business. Many legal changes has done that companies are being even more interested in establishing in Colombia, because they have more benefits and policies that help them with their business. Economies factors has been improved, such as access to credit, social security and the systems to pay taxes are one of them, then it is even easier for companies to do their business in the different regions of Colombia (The World Bank, 2010).

Shift in income, interest rates, cost of living, savings and borrowing patterns, the most important in economic factors, could lead to great changes in the market (Kotler, Armstrong & Parment 2011, pp.102).

3.6 Textile sector in Colombia market

There are many good possibilities for the textile retail market in Colombia. There is a great availability of skilled labor and in the last years government has invested in this sector in many different ways, such as training for workers and regulations. The government has stimulated this sector even more than before and many new textile companies have benefitted of this. One more factor that has encouraged many companies to invest in the retail sector is new tariff preferences for the textile and clothing industry. Many public and private entities support the sector. One more factor to notice is the increase in textile imports specially in textiles and high quality synthetic products, there has been an increase of 30% to 75% in 2011, which is a significantly increase for one year. The textile sector has the support of many regional agencies that help with the different issues that could emerge in the way to establish either a store, a logistics center or a production plant, many and different alternatives could be considered (Proexport Colombia, 2012).

The textile sector in Colombia represents more than 12% of the industrial GDP and more than 5% total of national exportations. In the year 2011 the textile industry grew for about 6,4%. There is also an increase in the importations in the textile sector especially coming from countries such as China and India; these are the principles ones. One of
the most significant regions for the textile production in Colombia is Cundinamarca and Antioquia, which mainly have 90% of the production in the country. The production in this sector has increased due to an increase in the sales and the consumption, and the total sales in the textile sector have increased an 8% every year since 2000 (Proexport Colombia, 2012).

The demand in the textile sector has had an increase of 8.8% in 2011 and there is an estimation that this will increase even more in the years to come. The demand has increased due to there is a growth in the household consumption. People is also incentive to buy because price stability in the textile goods. There is also a growth of the import of the textile sector; this is due to growth in the intern consumption of the sector. The major countries that imported to Colombia are China with 44%, India 7% and US 6%, resulting in more than 56%; there is not greater involvement of Europe in the import of textile goods to Colombia (Proexport Colombia, 2012).

The government in Colombia is fully involved in the development of the textile sector. They help by being involved in different events that are remarkable for this sector in Colombia. The principle events of the textile sector are for example; Colombiatex is the second biggest textile fair in the whole Latin America and has had the participation of more than 40 countries; Colombiamoda and SPFW (Brazil) are the most important fairs of clothing and fashion in Latin America with the involvement of more than 51 countries; Cali Exposhow where you can find fashion, health and beauty; and International Footwear and Leather Show (IFLS) which is mainly focus on shoe manufactures, leather goods and leather garments exhibitors (Proexport Colombia, 2012). These fairs are of great importance in the textile sector in Latin America, for this reason they have to be analyzed when doing business in the textile sector, the participation in this fairs in Colombia is something that could lead to better awareness of the new brand to be established.

3.7 Political and social environment

The political environment is important because shifts in this could affect the market in many ways. If there are well-conceived regulations in a country and there are good legislations then companies will feel more confident to invest in the country. Business legislations are created to protect companies from problems in the market but also for protection between them. These laws are also created to avoid unfair competition and to protect the local market (Kotler, Armstrong & Parment 2011, pp.102).

The judicial, the legislative and the executive branch mainly shape the political system in Colombia. There are some entities that highlight such as Colombia’s central park, the National Planning Council, the National Electoral Council, the National Television Commission and the National Civil Commission. Those entities are responsible for the national administrative issues in the country (Brigard & Urrutia).

Colombia has a democratic government, where the president of Colombia has the most important role in the country; the president of Colombia is followed by the Vice President and the Council of Ministers (Presidencia de la Republica, 2013).
The internal conflict has made it more difficult for Colombia to emerge. This conflict has its roots in socio-economics and ideological differences, which mainly emerged in the age of the narcotics industry. This conflict has delayed Colombia’s effort to move into the developed world. As a democratic country, the government is constantly in peace dialogues. In comparison to many Latin American countries Colombia, characterized for their democratic election every four years, the Colombia military does not intervene in the political realm, which in some Latin American countries this does not happen (J. Randall, 2006).

Right now the political situation in Colombia is in a stage of transition. This is due to the efforts of the government of Alvaro Uribe Velez to fight the revolutionary groups in Colombia. For this reason there have been many improvements in Colombia in the last few years and political stability has been an important issue for the government (J. Randall, 2006).

There are many other efforts that the government of Colombia has performed during the last years to incentive national and international investment. One is the political stability and the other is the investment incentive. The government of Colombia incentive investment by having a free trade zone regime, which includes many benefits when selling within and outside Colombia (Proexport Colombia, 2012).

### 3.8 Tariff preferences in the clothing industry.

The government of Colombia has supported many initiatives to promote the commerce in and outside Colombia. For this reason Colombia has an economy opened to the world with 11 Free Trade Agreements (FTA) with tariff preferences for textile and clothing and other industries. This 11 tariff preferences applies for different countries and depending of the agreement with the specific country, the tariff preferences could be equal or in accordance with the agreed (Ministry of commerce, Industry and Tourism, 2012).

Some countries has free trade agreements that are already in force and that has been signed out in the last few years, such as the with United States of America, Canada, Switzerland, NAFTA, Chile, Mexico Brazil and more. Others free trade agreements have been signed but are not yet in force, such as with Iceland, Norway, European Union and South Korea (Ministry of commerce, Industry and Tourism, 2012).

The new free trade agreement between Colombia and the European Union aim to focus on achieve higher growth in the national economy through preferential and permanent relationship with a key player in the global economy, this is done in order to generate new employment opportunities, improve the quality of life, increased welfare and contribute to the development of the nation (Ministry of commerce, Industry and Tourism, 2012).

There are many aspects that are of importance in the new free trade agreement, some are, the elimination of barriers that do not allow Colombia and the European Union to have a greater participation in the markets; the reduction and elimination of tariffs and non-tariff barriers to Colombian exports and imports to make Colombian products in Europe and European products in Colombia more competitive and the European
products will enter the Colombian market with advantages that other countries do not have; there is also an improved access to suppliers of service in both markets, there is a more predictable environment for productive investment; lower prices and better choices in both markets (Ministry of commerce, Industry and Tourism, 2012).

With this new agreement, trade relations between the European Union and Colombia are not based on unilateral preferential access but stability, predictability and juridical security (European Union, 2013).

3.9 The marketing mix

Marketing mix is one of the major concepts for marketing. The aim of this tool is to analyze the market by the study of some fundamental factors. The mix of these different factors will help companies to produce the response the company wants in the specific market. When the companies analyze them, the company could use different ways and strategies to influence the demand of specific products. The fundamental factors are divided in four Ps; those are product, price, place and promotion (Kotler, Armstrong & Parment 2011, pp.75)

- Product: as the name clearly defines it, this is the products or goods that the company offers to the market. There are different types of products levels and in every level; the customer should be in focus (Kotler, Armstrong & Parment, 2011, pp.75).
- Price: is that total of money customers are required to pay for the specific product. The amount that the customer is willing to pay for being part of a service or the good that the customer wants to buy (Kotler, Armstrong & Parment 2011, pp.76).
- Place: the activities that the company performs to make it possible to have the product available on the market (Kotler, Armstrong & Parment 2011, pp.76).
- Promotion: the activities that are performed to communicate and promote the products to influence the customers to buy their products instead of others (Kotler, Armstrong & Parment 2011, pp.76).

By developing a good marketing mix will integrate a marketing program that will help the company to achieve the marketing objectives determined by every company and by doing so this will deliver value to customers. For this reason it is important for a company to define the market segments on which to focus in the specific market (Kotler, Armstrong & Parment 2011, pp.76).

3.10 Porter’s diamond

Porter, M.E. (1990) explains that a nation’s competitiveness depends on the capacity of the national companies to innovate in a global context, every nation need to specialize in a specific industry, because no nation can be competitive in all industries. The success of a nation depends on all the efforts that are made to help implement the right strategies to the right industry, but also by stimulating companies to invest in new strategies to compete. To be able to compete in today’s world it is necessary to innovate
by for example, making new ways of doing things, advanced technology, innovative ways of creating things and more. After the company has achieved competitive advantages through innovation, it is important to have improvements in the new innovative processes and later on, create more advanced processes (Porter, 1990).

The porter’s diamond explains that national competitive advantages in a country are created through processes that are related or connected to achieve a common goal in the national economy. These sets of processes are called ‘diamond’, by connecting all four major components make the whole system work in a better way (Dicken, 2011). Porter, M.E. (1990) has developed those factors that are the ‘diamond’ for the success or failure of the companies, the result of the interaction between them could lead to a success or a failure. The ‘diamond’ determinants are: factor condition, demand condition, related and supporting industries that are internationally competitive and firm strategy, structure and rivalry (Porter, 1990).

Factors conditions: ‘The nation’s position in factors of production, such as skilled labor or infrastructure, necessary to compete in a given industry’ (Porter, 1990). In this category there are many different aspects that need to be covered. One important is the factor of production, but the most important factors are those that are highly specialized. Highly specialized factors are those factors in the production in a specific industry that makes the nation unique, such as researchers specialized in the industry, sophisticated infrastructure, highly skilled workers, transport and more.

In Colombia the factors conditions are different depending of the city and the region where the industry is placed. But in general Colombia has a good infrastructure. The government has invested in road and port infrastructure in the last few years, which has helped to cut delays for import and export of goods. There are four major ports in Colombia. On the Atlantic coast, the port of Barranquilla is a center for the export of manufactured goods. The port of Cartagena, has a modern infrastructure however is far away from Bogota. The port of Santa Marta is a small but really potential port. Colombia’s largest port is Buenaventura that gives access to markets such as China, East Asia and United States. One major problem in the infrastructure is the inland transportation of the goods when those arrive in the port; the roads are not adequate to high movements of goods within the cities. The government has invested in improvements for the roads; however, many more investments are required for being able to compete in the world market (The World Bank, 2010).

There is one factor that makes Colombia unique and it is the fact that Colombia is close to many countries and is strategically located. The access to two oceans the Pacific Ocean and North Atlantic Ocean makes easier the shipping from all countries. Colombia is also closed to the Panama Canal. There are a 75% of total worldwide shipping services that dock in for importation or exportation in Colombia, more than 3700 maritime frequencies. Bogota airport is the first in Latin America in cargo moving. Approximately 1000 frequencies for the air cargo transport and there are 18 cargo airlines and 13 passengers airlines (Proexport Colombia, 2012).

Demand conditions: ‘The nature of home- market demand for the industry’s product or
service’ (Porter, 1990). Home demand is a competitive advantage in industries, because they can give to the nations a general view of the emerging buyer requirements, this could also lead companies to analyze more advanced ways to reach this requirements. Domestic buyers could also have competitive advantages because they can provide a big picture into sophisticated customer needs, demanding buyers could also pressure companies to meet high standards, to be more sophisticated in their ways of working but also to innovate in their processes. Domestic buyers can also help the nation by giving a general view of global markets trends and their local demand (Porter, 1990).

Demand conditions in Colombia textile sector has significantly increase during the last years. In 2011 the demand in the textile sector increased in comparison with previous years. There is also an increase in the consumption of the Colombians, in 2011 an amount of 6.5% people consume more than in previous years. The local demand was also benefited by stability in the prices (Proexport Colombia, 2012).

Related and supporting industries: ‘The presence or absence in the nation of suppliers industries and other related industries that are internationally competitive’ (Porter, 1990). The relationship between these industries is a key issue, communication between them and collaboration could help to an ongoing exchange of ideas and the flow of information for creating new trends and innovation. Home-based suppliers benefit the local companies more when they are global competitors.

Although Colombia is not well known globally in the textile sector, there are many firms that have established their production in Colombia or have chosen Colombian sourcing companies, because of the good work and quality of the textile industry in Colombia. This has made that Colombia begin to have a good reputation internationally within the industry. Some companies that have chosen Colombia to produced garments are: Levi’s, Victoria’s Secret, Nautica, Inditex, Adidas, Polo Ralph Lauren and more (Proexport Colombia, 2012).

Firm strategy, structure and rivalry: ‘The conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry’ (Porter, 1990). National circumstances is of great importance when companies are going to establish themselves in a market, this also determines what kind of domestic rivalry the company will face. Different countries manage differently how the companies are created, for this reason, they work differently and are specialized in industries where they can develop better, depending on how they manage, work and organize. Company’s goals reflect national goals in every industry. Some more competitive advantage that are in this category is the motivation people have to work; the types of education people choose, their effort, commitment, and the type of work people would like to do. Porter, M.E. (1990) also mentions the importance of domestic rivalry between the companies of the same industry, this will make that companies create more innovative processes and techniques that helps them to compete in the world and become more effective.

Domestic rivalry of the textile industry in Colombia is quite big. The local retail sector is really competitive since there are many small ‘family’ businesses that have created a
significant recognition within the local consumers. There are also many influential retail companies that have established their businesses in Colombia and have had a huge impact in the society and the consumers. One of them is Carrefour, which change the way of working for many Colombian firms and also influenced the way of buying for many consumers. In the retail textile sector, the well-known textile retailers Inditex, has established their business in Colombia. Zara that is one of the most popular fashion retailers in Colombia right now is well established in the textile sector and the demand is remarkable. Their success could help many other companies to see the increase in local demand for the textile industry (Silva Guerra, 2011)

Porter, M.E. (1990) also listed two other components that are an addition to the ‘diamond’ components, those are:

- **The role of change:** The innovation and entrepreneurship that could emerge in a nation for the specific industry.
- **The role of government:** Is a role where government is a supporter and challenger that motivates companies to have competitive performance in their activities. Government plays an indirect rather than direct role in the processes of the companies. Porter, M.E. (1990) mentions that there are some principles for governments when they want to support national companies, those are: ‘encourage change, promote domestic rivalry, stimulate innovation’ (Porter, 1990).

### 3.11 The relationship between Sweden and Colombia

The relationship between Sweden and Colombia has been in operation since 1972. The objective of this is to have collaboration where the principles are based in the Swedish mentality. The principal is to guarantee the basic security of the citizens by providing free access to education, health for children and the equality in the social classes. The concept of equality is something important in the Swedish society (Sweden embassy, 2010).

One of the cooperation between Sweden with Colombia is to contribute as a peaceful organization which aim to contribute to the solution of the conflict, to address the situation of victims and promote respect for human right which is something that Colombia has problem with because of the internal conflict that it faced in the previous years (Sweden embassy, 2010). Even if the current situation is in a stage of transition, there are still many damages from the previous years.

The principal objective of Sweden in Colombia right now is to be a member for peace. The internal conflict in Colombia has been a serious impediment to the development of Colombia as a country and also in their economy growth, employment and more. But even so Colombia has a large economy capacity and human resources, which allows them to have their own development. Sweden government has adopted a new strategy of cooperation with Colombia; the principal objective is to help the poor to improve their lives and to achieve sustainable peace in the country (Sweden embassy, 2010).
Regarding peace and security, Sweden seeks to prevent the involvement of children in the Colombian conflict, to promote dialogue and to verify the peace agreements and peace processes that are in dialogue. In the human rights and democratic governance, Sweden’s objective is to have cooperation between the public institutions to protect and promote respect for human rights, to promote equal opportunities and to have a better distribution of resources (Sweden embassy, 2010).

Sweden’s participation in Colombia is mainly monetary. This monetary help is intended to humanitarian aid. To be able to have this humanitarian aid, there are many different organizations that are present in Colombia and they work and have employees that are established in Colombia to have a better contact with the population affected by this internal conflict (Sweden embassy, 2010).

The trade between Sweden and Colombia is really limited. But the trade has recently increased in compare with other periods. Trade from Sweden to South America increased a 27% in year 2011; this is due to an increase in the trade between Colombia, Brazil, Panama and Peru. The export from Sweden to Colombia has a changing percentage of 111%. The main goods exported are raw material and fuels (Kommerskollegium, 2013).
4. Analysis

In this chapter it is aimed to compare and analyze the opportunities and advantages of the Colombian market in comparison with the Swedish market. The aim is to analyze why companies could be interested in investing in the Colombian market. The purpose is to compare Sweden and Colombia market to see if there are good opportunities for Swedish companies to establish their products in Colombia. As mentioned earlier there are some limitations, which will set the boundaries of the analysis of some theoretical framework. Therefore in this section it is considered the most important data that is reliable to the analysis of establishing in Colombia.

4.1 Comparison

4.1.1 Comparison of Sweden and Colombia GDP.

On pages 12 we have mentioned about Colombia GDP and the figure below show the comparison between Colombia and Sweden GDP. This will help us to have a deeper understanding of the situation for both countries.

Figure 3. GDP for Sweden and Colombia (The World Bank, 2013).

There is a growth in Colombias GDP, which is remarkable for the growth of the economy in this country. The growth shown in this graph demonstrates that the economy in this country is growing and for this reason opportunity for establishing there, is also growing. If we compare with Sweden, we can analyze that there is a big difference in year 2011. There is also a remarkable decrease in Swedish economy; this is due to the world crisis that Sweden faced in that year. In the other way, Colombia was not that much affected because the country is more influenced by the US economy than the EU.

4.1.2 Unemployment comparison

 Colombian unemployment has been mentioned on pages 12-13. The figure below will show the comparison for Colombia and Sweden unemployment. The reason for this
comparison is to give a better view to Swedish companies about the unemployment situation, if they have in mind to establish in the Colombian market.

Figure 4. Unemployment rate for Sweden and Colombia (The World bank, 2013).

Unemployment is a factor that affects the economy in the country in a great scale, if people are working, there will be better income level and people will have more opportunities to spend. As it is shown in the figure 4, the unemployment in Colombia has decrease in the past years, this is due to there are more job opportunities. Due to the solution in conflicts in Colombia, the unemployment rate has decreased and people that was affected by the conflict, now is able to have a job and to be active in the economy. The decrease in the unemployment rate is a positive factor for both economies, which lead to have better opportunities for doing business, since people is more able to consume.

4.1.3 Import to Colombia

On pages 16 we have discussed about the import in the textile sector. The figure below shows the growth of import to Colombia during the last few years. The reason behind the growth is the good business environment for doing business and also the large population.
Due to changes in law and regulations from the Colombian government, there have been many initiatives to incentive national and international investment. Many factors have been improved to make it easier for companies to import to Colombia, such as political stability and incentives from the government. As the figure shows it, imports in Colombia have a tendency to increase rapidly. One of the greatest importers to Colombia is US and import from Sweden is low. Since 2012 new trade agreement has been signed between Colombia and the EU. This new free trade agreement will allow having a better relation with both countries and the imports from Sweden could increase. But due to limitations of the data selected, there is not a concrete picture of how the imports side from Sweden to Colombia will look like in the future. Meanwhile the free trade agreement between EU and Colombia has been signed recently, the results have not been proved.

4.1.4 Textile sector

As Sweden is a well-known textile country, there are many textile companies that are looking for places to expand their businesses and to see opportunities in other markets. The textile sector is Sweden is quite big and has a big influence in the world. One worldwide well-known company is H&M, which is a competitive company for markets like Colombia. Besides, there are also smaller textile businesses that are looking for new markets to expand.

As mentioned earlier in the theoretical framework, page 15, the textile sector in Colombia has increased in the last years; the reason for this is the increase in the intern demand due to growth in the household consumption in Colombia. The government is involved in different activities to incentive this sector and to increase awareness for people consumer behavior. Different exhibitions that are performed during the year will help the textile companies to see if the local people are interested in the new brand. One more important factor why companies are interesting in invest in the textile sector in Colombia is that there are skilled people that is specialized in this specific sector.
In the recent years, the government of Colombia has done a great effort to implement some free trade agreements with tariff preferences for the textile sector. One more important factor is the strategic geographic location, as mentioned in the page 13; Colombia is close to many countries, to the Panama Canal and to neighbor countries such as Brazil, and South America. The textile sector in Colombia is a growth industry, with a great local demand and with many opportunities to expand in this sector.

4.3 Segmentation

Referring to page 14, it is showed that the income level in Colombia has been improved in the last few years and now the middle class level is dominating. Then it is important to take into consideration the demographic segmentation (page 7) to analyze the different target groups that a company needs to target. Depending of the social class, people in Colombia have different styles to express their class level, but also because people are more interested of the fashion and how they dress. One more important factor is that depending of the geographic sector, people are more or less concern about how they dress. For example in the pacific area, their dress is totally different than from the central area. For this reason, it is important to analyze the region where the company is planning to establish the business. As it is mentioned in the page 13, the geographical differences will drive to have different needs and wishes.

4.2 Competitive strategies

Referring to page 10, in order to be able to be competitive in a new market, one of the most important factor is to have competitive price. Since Colombia is a market with a variety of offers in the textile sector, it is important to analyze which kind of consumer behavior the target group has. Depending on the social status and the lifestyle the need is different. Therefore the price should be competitive in accordance to the target group. Differentiation of product and service from the local market is good to have to be able to have a competitive entry in the market. To stand out from the local market, the company needs to have unique products that are attractive for local consumers and be more effectively and efficiently than local competitors.

4.4 Establishment barriers

To enter a new market, companies need to analyze competitors in the market (page 9). One of the major competitors in the retail textile sector is the American companies that are well established in the market. One of this is Carrefour, which has a remarkable trajectory in the market. One other retail textile company is Zara, which is a really prestige brand within the society. These companies are in the same grade as the Swedish companies could be when they enter the Colombian market. Companies need to face government policy when they want to expand to the new market. One of the government policies that the Colombian market has with Sweden is the new free trade agreement between the EU and Colombia. This new free trade agreement consists in the elimination of barriers, the reduction and elimination of tariffs
in import and exports and improved access to suppliers of services in both countries. This new trade agreement is based on stability, predictability and juridical security.

4.5 Opportunities in Colombia

- Colombia population places it is the second largest Spanish speaking country in the world followed by Peru and Chile (invest in Colombia). Figure 6 shows the differences of the population in the world compare with Colombia. The following statistics clearly demonstrates that Colombia is the second Spanish speaking population and the 23rd country most populated in the whole world. The information given is from year 2013.
- According to the mentioned earlier, page 14-15 Colombia is the 28th largest economy in the world, with many opportunities to growth and one of the Latin America economies that is growing fastest in the last few years.

Figure 6. Population 2013. (EIU – Economist Intelligence Unit ,2013).

- The growth in the upper middle income since the year 2005, demonstrates that there is a change in the economy of this country but also that the income class are changing.
- Colombia is also an attractive consumer market, because this has one of the largest populations in Latin America (Proexport Colombia, 2012)
- It is stated that Colombia is one of the most business friendly country in Latin America; it is located in the 45th place in the whole world.
- The free trade agreement between the EU and Colombia is a great opportunity for both markets for doing business.
- There is also a great competitive workforce and people are educated in many different sector. Higher education and training is of great importance in the Colombian society.
- There are many public and private institutions that are committed to innovation and to help in the textile sector.
4.6 Retail trade sector in Colombia

The retail sector in Colombia has evolved during the past few years, the entry of major international players has made it more attractive for other companies to invest and do business in the retail sector in Colombia. The sales in this sector are also growing because the demand is also growing, this is due to that the economy has also evolved and income in the Colombian households are increasing page 16. This sector has also helped to create new jobs and the possibility for people to have better economy. The creation of job is something really good for the economy since the consumer expenditure is greater. There are also many actors in the retail sector that has recently established their business in Colombian market. Many of them have been very successful and the entry of those has opened the doors for many other businesses. The retail sector in Colombia is quite competitive since there are many small ‘family’ businesses that are sometimes recognized more than foreign brands. Anyway this is not a limit for Swedish companies because foreign brands are always well received in the Colombian market. As it was mentioned above (page 16) there is not major involved of the Swedish textile companies in the Colombian market and this makes it attractive for the Colombian market. The major involve in the retail textile sector is from North America.
5. Discussion and Conclusions

5.1 Discussion – porters diamond

In this thesis it is intended to make a market analyzes that demonstrates the advantages and possibilities for establishing a Swedish textile company in Colombia. For this reason many factors should be considered and analyzed when companies are planning to establish themselves in other markets. In this thesis, it is not intended to give a yes or no answer but to mention how the current situation in Colombia is. Since one of the writers of this thesis is from Colombia, some points of view are taken from the literature and some others are from experiences in the Colombian market, there are subjective and objective points of view. To be able to analyze the market, the discussion is going to be based on the porter’s diamond model, and the different factors that are given will be mainly taken from this model.

Porter’s diamond.

Factors conditions: The factors of production in a nation are important to analyze because this will show if a nation is capable to afford investment from other nations. Production will help to see if the country has the capacity needed for establishing a business.
The production factors in Colombia has changed in the last few years, this is because Colombia is in a stage of transition. From being an undeveloped country to being one of the most attractive countries in Latin America to invest in, has done that the Colombian government develop new strategies to incentive the investment and production in Colombia. However, there is many more investment that is required to be a competitive market.
One of the aspects that are a barrier for doing business is the infrastructure in Colombia. Even if it has been developed, there are still many transport problems between the different cities. The roads are not adequate for the movement of goods within the cities, and it could take some days from one port to another. For example, the movement of goods from the major port in Colombia, Barranquilla, could take a few days to inland in Bogota the capital city, which could lead to delays.
Nevertheless, the factors that make Colombia unique, is the strategic location. Colombia is close to South America and North America, but also to both the Pacific Ocean and North Atlantic Ocean, which makes it even closer to more continents, such as Asia. The important ports that receive goods from Asia or India are constantly growing, and due to the increase in the demand, the infrastructure in the ports is being developed.
In Colombia there are many high level universities and education is an important factor in society. However not all the population is well educated; a portion of the Colombian society has no access to education. This problem lies in the conflict of the previous years, many people have been forced to leave their lands and therefore they do not have easily access to education. In spite of all this conflict, many people in Colombia is well educated and the people i even more concern of the importance of education. For this reason, there are a lot of people who have university degree and are specialized in different areas according to the need, which is not a limitation to find skilled labor.
One more problem that well educated people is facing, is that there is not many employers and many seek for better opportunities in other countries. We consider that these factors are relevant when establishing a business in Colombia. For this reason, the above mentioned is a brief description of what we think are the current situation in Colombia, and how it is considered from the point of view of the literature but also from the point of view of the Colombian writer of this thesis.

**Demand conditions:** The demand conditions in the retail textile sector in Colombia are currently increasing. Since there has been an increase in the income level, people are more able to spend in other commodities. Consumer confidence in the market and purchasing power are some factors that make the demand conditions in Colombia an interesting market. However the situation in the demand is confronted with a high rivalry. Many foreign retailers are becoming more interested in investing in Colombia. Local people are even more interested in more foreign companies and the demand for this is increasing. People in Colombia like the quality and design of the European clothing and they are also influenced by the style of the European countries.

One more important factor to consider is that the demand is not the same in all the regions of Colombia. There are some parts of Colombia where the income level is really low and for this reason people has not purchasing power. Major cities such as Bogota, Cali, Medellin, Barranquilla and more has more purchasing power than other small cities and the demand in major in this region. Depending also of the textile that is intended to import, the demand could differ from region to region. Depending also of the social status people tend to have different ways to dress. Then once more we consider it important to have a target group and based on this, then make the analyzes for each one of the interested groups. If we for example take a European retail store such as Zara, that is located more or less in the same level as Swedish retail textile companies, we can analyzed that the group targeted is the high middle social class. The prices are targeted for this group of people. But still people in Colombia really like Zara and the demand is greater than other stores.

**Related and supporting industries:** The textile sector in Colombia is more influenced by American actors than European. But there are many international companies that produce their garments in Colombia, such as Levi’s and Inditex. Those international well-known brands are established in Colombia and have a great influence in the buyers’ behavior and also in the market. There are also many organizations that help the textile sector; there are also many events that help to promote this sector. Some of these organizations are international and help the companies in Colombia. The events are also internationally known and many companies participate in it, which is a good opportunity to make the products known. Due to the lack of contact with organization in Colombia, we could not provide further information of the supporting industries in the textile sector in Colombia.

**Firm strategy, structure and rivalry:** As mentioned earlier, the textile sector in Colombia is quite big since there are many small ‘family’ businesses that make the industry really competitive. Over the last years, many well-known companies have established their businesses in Colombia and have had a great impact in the Colombian market. Many of
those companies have seen the increase in the demand of their products and they expanded to many of the principle cities where is the greater demand.

Nevertheless, Swedish companies are well accepted in the Colombia market, and many of the European companies already established there, are popular within the consumers and many people prefer to buy garments produced abroad than the ones produced locally. There is a culture where the produced abroad is better received by the consumers.

The management in the Colombian companies is completely different from the Swedish companies. The status in the company is really important and thus the threat is different. Companies work differently depending of many factors. Service is a really important factor, people in Colombia like to have a good service and that the employees treat them well. A proper welcome at the entrance of a store, could make a great difference and people will feel gladder to come next time. For this reason, we consider that it is important that companies take this into account. One more essential factor that people in Colombia consider important is the price. The level price in the retail sector in Colombia is sometimes an essential factor when it comes to consumer choose. This is another necessary factor to take into account.

However, there are many organizations that help with these factors, they give training for services, but also collaborate to analyze the sector in which the company is going to be specialized, this means the target group. Depending of the target group, the companies are going to face different factors, which affect consumer behavior.

All the above-mentioned factors can be influenced by two external elements; those are the role of change and the role of government in the textile industry. The role of government in the textile industry in Colombia is significant for companies that are planning to have business there. As mentioned earlier, there are some organizations that are fully involved in the development of the textile sector; several of these organizations are financed by the state. There are many incentives that have helped the textile sector to emerge in the last years, and some of these are explained before. The government helps also the sector by providing training programs for the people involved and the free trade agreements recently signed, is evidence that the government of Colombia is concern about the need of new international companies in the market. However, there are still some political factors that need to be improved in the society of Colombia. The corruption is a huge problem in some local companies and the difference in salary is very large in the textile sector; this is why there is a huge gap between all the different social classes, because the richer became richer and the poor become poorest.

Even if the mentality in the Colombian society is changing, there is still much to be done by the government.

According to Ministerio de Comercio, Industria y Turismo (2012) there are ten key reasons why to invest in Colombia:

- Guaranteed, safe and profitable investment.
- Strong public commitments in offering investment incentives and stability.
- Excellent and sustainable financial performance.
- Exports platform with preferential access to 1.5 billion consumers.
- Strategic business location.
• Necessary human resources for optimal business performance.
• Infrastructure and connectivity to suit world-class operations.
• Multiple pillars for development with differential investment opportunities.
• Great biological diversity and variety of thermal floors.
• Good quality of life and open and flexible culture.
5.2 Conclusion

Our analysis has shown that there is good opportunities for Swedish textile companies to expand to Colombia because of the increasing in the demand in the textile sector and the increased of imports to Colombia. The new free agreement will make it easier for Swedish textile companies to establish in Colombia if they considered all the barriers that companies will face. The relation between Sweden and Colombia is not well known on the imports and exports side, which limit the influence of the Swedish textile companies in the market.

The retail sector is a competitive market in Colombia, and if Swedish textile companies are targeting the correct group of consumers it will be a good chances to succeed with establishing of their businesses. As mentioned earlier the most important textile actors in the Colombian market is US, it would be a good chance for Swedish companies to interfere in the market.
Appendix

Writer’s background

Alexandra Esguerra
I was born and grew up in Colombia and since I was a child, I have always been involved in the textile sector as my grandmother is a dressmaker. I went to high school and have experienced working in the retail sector in Colombia, in store and more. Before coming to Sweden, I had the opportunity to work with different companies as a sales person and promoter, which gave me a greater view into the different branches in Colombia. I moved to Sweden year 2007 and here I have also experienced working in the retail sector and in different branches. Besides all this, I still have contact with the Colombian market since all my family and friends live there and even many of them are involved in the textile sector.

Fang Karlsson
I was born in Thailand and moved to Sweden when I was 10 years old. My job experiences are from different summer jobs because I have studied all the time, went directly from high school to university. One of the summer jobs I worked in is a big company called Borealis AB and I handled the raw material that lead to for example plastic and insulation cables.
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