

Internationalization of Colombian SMEs in the Cosmetic and Personal Care Industry

Graduation Project

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Rennes, Francia / Bogotá, Colombia

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Declaration of originality and autonomy

I solemnly declare, under the penalty of perjury, that I have authored the document titled 'Internationalization of Colombian SMEs in the Cosmetic and Personal Care Industry' for the Doble Degree option, and therefore, its content is original.

I affirm that I have clearly and precisely indicated all direct and indirect sources of information, and that this work has not been submitted to any other institution for qualification or publication purposes.

Danna Karina Doria Quintero

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Danna Karina Doria Quintero

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Abstract

Small and Medium-sized Enterprises currently serve as the driving force behind the economies of Latin American nations. Colombia, known as the third most biodiverse country globally, is a rich source of raw materials used in cosmetic products across various countries and continents. This positions local companies with clear advantages that could be leveraged to access new markets with strong demand for these products. However, there is a shallow level of internationalization among these companies. Consequently, the following research aims to investigate the primary challenges faced by small and medium-sized companies in Colombia's cosmetic and personal care industry towards internationalization based on the theoretical framework of the Uppsala Internationalization Model proposed by Johanson & Vahlne.

Likewise, SMEs are identified based on their number of employees and total assets; the research investigates the international level, financing level, various forms of governmental support, free trade agreements, macroeconomic data about the cosmetic and personal care industry (such as per capita consumption), and international trade within the industry using updated data from the Chamber of the Cosmetic and Toiletries Industry (ANDI) for the year 2022.

Furthermore, qualitative research is the main element of the methodology in this investigation in which informal interviews and a survey structured by seventeen (17) formal questions were carried out through Google Forms, and whose respondents were only manufacturing companies of cosmetic products in Colombia that were within the category of SMEs.

The obtained results predominantly indicate that, according to participants' perception, access to financing is very difficult to obtain; this was a common perception among those who participate in international markets and those who do not. Another important factor concerns the prevalent lack of information about effective methods for promoting products to gain more recognition and how to manage logistics in terms of distribution and sales. It should be noted that some companies operating in the international market also perceive currency fluctuation as a constant risk due to Colombia's volatile currency.

Finally, there is a comprehension of the risks that Colombian companies face and also illustrates that strategies can be implemented to enhance global competitiveness. It also contributes to the Colombian business environment by showcasing that despite limitations, everyone should be aware that there are numerous opportunities and challenges when it comes to internationalization, thereby inspiring the initiation of venturing into new markets.

Key Words:

“Internationalization”, “Colombia”, “Pymes”, “SMEs”, “Uppsala model”, “Cosmetics and personal care industry”, “Free trade agreement”, “Exportation”, “Psychic Distance”.

Resumen

Las Pequeñas y Medianas Empresas (PYMEs) son actualmente el motor económico de las naciones latinoamericanas. Colombia, conocida como el tercer país más biodiverso del mundo, cuenta con una rica fuente de materias primas utilizadas para la creación de productos cosméticos en diversos países y continentes. Esto coloca a las empresas locales en una posición ventajosa debido a que podrían aprovechar los materiales únicos para acceder a nuevos mercados con una fuerte demanda de cosméticos. Sin embargo, existe un nivel superficial de internacionalización entre estas empresas. En consecuencia, el siguiente trabajo tiene como objetivo investigar los principales desafíos que enfrentan las pequeñas y medianas empresas en la industria cosmética y de cuidado personal de Colombia hacia la internacionalización, basándose en el marco teórico del Modelo de Internacionalización de Uppsala propuesto por Johanson & Vahlne.

Asimismo, las PYMEs se identifican según el número de empleados y activos totales; la investigación analiza el nivel internacional, el nivel de financiamiento, diversas formas de apoyo gubernamental, acuerdos de libre comercio, datos macroeconómicos sobre la industria cosmética y de cuidado personal (como el consumo per cápita) y el comercio internacional dentro de la industria utilizando datos actualizados de la Cámara de la Industria Cosmética y de Tocador (ANDI) para el año 2022.

Además, la investigación se basa principalmente en métodos cualitativos, que incluyen entrevistas informales y una encuesta estructurada con diecisiete (17) preguntas formales

realizadas a través de Google Forms, cuyos respondientes fueron solo empresas fabricantes de productos cosméticos en Colombia que estaban dentro de la categoría de MIPYMEs.

Los resultados obtenidos indican predominantemente que, según la percepción de los participantes, el acceso a financiamiento es muy difícil de obtener; esta fue una percepción común tanto entre aquellos que participan en mercados internacionales como entre aquellos que no lo hacen. Otro factor importante se refiere a la falta prevalente de información sobre métodos efectivos para promocionar productos y obtener más reconocimiento, así como cómo gestionar la logística en términos de distribución y ventas. Cabe destacar que algunas empresas que operan en el mercado internacional también perciben la fluctuación de divisas como un riesgo constante debido a la volatilidad de la moneda colombiana.

Finalmente, se comprenden los riesgos que enfrentan las empresas colombianas y también se ilustra que se pueden implementar estrategias para mejorar la competitividad global. Además, contribuye al entorno empresarial colombiano al mostrar que, a pesar de las limitaciones, todos deben ser conscientes de que existen numerosas oportunidades y desafíos en cuanto a la internacionalización, lo que inspira el inicio de incursiones en nuevos mercados.

Palabras Clave:

"Internacionalización", "Colombia", "Pymes", "SMEs", "Modelo de Uppsala", "industria cosmética y de cuidado personal", "Acuerdo de libre comercio", "Exportación", "Distancia Psíquica".

Glossary

SMEs: This term stands for Small and medium-sized companies, In Colombia, SMEs encompass enterprises that meet specific size criteria in terms of number of employees, and total assets.

Also, they play a significant role in the economy, contributing to job creation, innovation, and economic growth.

FTAs: These are trade agreements between two or more parties that establish rules and conditions that facilitate the exchange of goods and services between the allied countries, with the aim of reducing the barriers that prevent products from being traded between one country and another due to tariffs, regulations or very high taxes. all with the purpose of improving the competitiveness of companies, encouraging foreign investment, and stimulating the economic growth of the interested parties.

Cosmetic and personal care industry: This specific industry includes companies involved in the manufacture, distribution, and sale of products designed for personal beautification, hygiene, and aesthetic improvement, which include a wide range of products such as skin care - hair - nails, fragrances, and makeup, among others.

Uppsala model: This is a theoretical framework in the field of international business developed by Jan Johanson and Jan-Erik Vahlne in the 1970s that explains the gradual process by which companies begin to expand into foreign markets initially with limited participation in neighboring countries generally and then after the acquisition of knowledge, companies begin to increase their commitment by moving to more direct modes of internationalization such as the acquisition of factories or strategic alliances.

Psychic distance: This term is defined as the perceived differences in the linguistic, cultural, political, educational, or industrial development that have a direct impact on the operation of a company in the foreign market; it also can generate uncertainty when it comes to wanting to reach a foreign market.

Internationalization: Process by which companies expand their operations/activities to international markets, which implies different strategies to establish a presence in the foreign market, manage risks, and assume challenges in unknown territories.

Section 1 - Introduction

The first section of this research contains three parts, including the overview which gives the reader a better knowledge of what the research topic is about; the second part is regarding the motivation, and finally the third part contains the problematization and research question.

1.1 Overview

Currently, small and medium-sized enterprises, better known as SMEs, are of great importance and are attracting global interest due to their significant value in society. These companies play a significant role in generating employment and also drive the regional economy as their production is mostly linked to the domestic market, making a significant portion of the population and the region's economy dependent on their activities (Tello, 2014). They are recognized for their ability to foster innovation, creativity, and entrepreneurship while also contributing to tax revenue for governments, thereby helping to finance public services and the development of countries.

In Colombia, the vast majority, or at least 99% of the companies in the region, are SMEs, with almost nine out of ten being classified as micro-enterprises (OECD, 2019). For this reason, these companies are creating economic solvency for Colombia, and that is the reason why foreign trade is the next step that opens to generating growth and international experience for companies that are audacious and take advantage of foreign business possibilities to attract better benefits to the country and its population.

Colombia is a growing country, and therefore, its international trade is of great importance. It has been evident that in recent years, companies have greatly benefited from various free trade agreements that have been established, along with the clear opportunity to export national products from different sectors. This, in turn, boosts the country's economic growth and provides thousands of entrepreneurs with legal access to reach other markets.

Based on the above, there is an opportunity for Colombian SMEs in the cosmetics and personal care industry to access foreign markets. According to Proexport (2014), which is the Commercial Intelligence System for the management and analysis of foreign trade, it is important to recognize the sector's potential, as this country is one of the top five producers in the cosmetics and personal care industry in Latin America. This position consolidates Colombia as a global supplier of quality products.

In this study, the approaches and challenges faced by Colombian SMEs in the cosmetics and personal care industry (enterprises that work with natural ingredients) when attempting to enter foreign markets were investigated and identified, along with strategies to enhance their participation in international trade. For research purposes, the Uppsala theory proposed by Johanson & Vahlne will be evaluated, as well as the concept of psychic distance, which will serve as the theoretical reference.

1.2 Motivation

Colombia is a South American country with great potential in the cosmetics and personal care Industry. This can be demonstrated because this country, according to SIB (2022) (the annual consolidated list of registered species in the country), Colombia ranks third among countries with the highest biodiversity on the planet, after Brazil and Indonesia. The country is home to plants that stand out for their sustainable use, such as *ipecacuanha*, *balsam of Tolu*, *borojo*, *gualanday*, *muña*, *añil*, *achiote*, *arazá*, *jagua*, *asaí*, and *seje*, which have been used as high-demand colorants for cosmetics in many parts of the world, including Europe (Procolombia, 2014).

Moreover, Colombia's value to the world regarding raw materials is highlighted. That's why many cosmetics companies already established in the country have a competitive advantage and offer products with quality standards that might be well-known locally. However, it would significantly benefit the national economy if these companies operated abroad and, at the same time, attracted more investment.

In this research is going to be studied the challenges that Colombian companies in the beauty and personal care industry face when trying to go abroad and also analyze how enterprises can develop and thus survive when entering the international markets.

1.3 Problematization and Research Question

Nowadays it is possible to notice the modern growth strategy that is being persuaded by different businesses around the world, which is participating in foreign trade, However, internationalization processes are quite complex, there are many barriers between companies and markets that make it increasingly difficult for SMEs to interact between different countries, this is also due to the scope they have, it is easier for a multinational or a big company to start operating abroad because they can put a huge investment on it and hire the best crew for helping them, of course, it is totally different for a small to medium enterprise which wants to invest little money to make this decision, they do not want to be exposed with a big risk, so those companies tend to be more reserved.

It is evident that the commercial activities of SMEs (PYMES) in the Latin American territory have been of very little study compared to the Australian and American (Cancino, 2014) ones that have a certain advantage thanks to the fact that some of the governments of these territories have established commercial policies that practically oblige the SMEs to a diversification (López Rizzo & Pinot de Villechenon, 2020).

Also, it is important to highlight that due to misinformation in Colombia, the benefits and general difficulties of operating abroad are not known, nor is the structure that companies must have for internationalization.

Research Question: What are the challenges that Colombian SMEs in the cosmetic and personal care industry are facing for internationalization?

Section 2 - Literature review

This section presents some theoretical aspects of the research, including relevant data found about the Uppsala model, Psychic distance, internationalization, financing, and different factors of the SMEs in the cosmetic and personal care industry in Colombia.

2.1 Uppsala Model

This Swedish model, initially proposed by Jan Johanson & Jan-Erik Vahlne in 1977, has been continually refined over the years by the same authors in the book 'The Uppsala Internationalization Process Model Revisited: From Liability of Foreignness to Liability of Outsidership' (Johanson, J., & Vahlne, 2009), and it has been extensively studied worldwide. The model explains the characteristics of the internationalization process of companies.

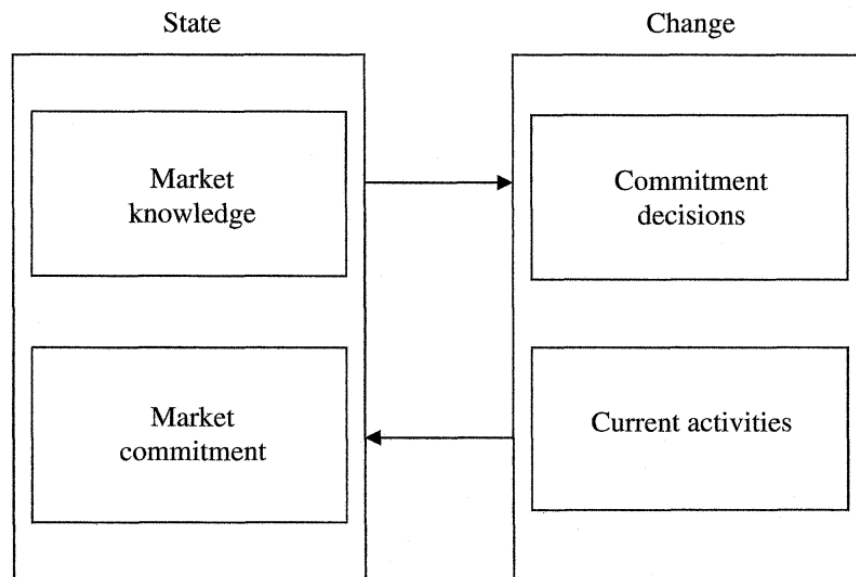
The authors of the model propose that the internationalization process of companies is gradual. This means that after being established in the local or national market, what is called the establishment chain begins, which is based on the following four stages: (1) they start with ad hoc exporting (Johanson, J., & Vahlne, 2009), and then (2) formalize their entry through agreements with agents who will represent the company in the foreign market. (3) Once sales have grown, the agents are replaced with their own sales subsidiary, and (4) Finally, once success is achieved and growth continues, they establish productive subsidiaries or manufactories in this foreign market.

As observed, each stage corresponds to a higher degree of international involvement of the company in that market (Trujillo et al., 2006), which implies a growing commitment.

Consequently, Sigala & Mirabal (2011), citing Johanson and Vahlne (1977), state that the internationalization mechanism comprises state aspects related to market knowledge (associated with the operational aspects of the international market) and market commitments (resources committed in the international market). Likewise, there are dynamic aspects referring to commitment decisions (those that commit resources to operations in the foreign market) and current business activities (Observe figure 1).

Figure 1

The basic mechanism of internationalization



Note: taken from (Johanson, J., & Vahlne, 1977 pg 26).

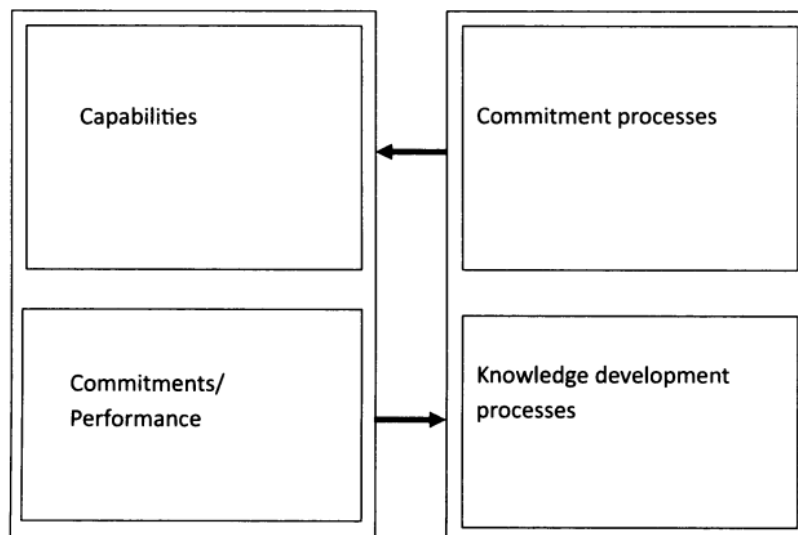
In this sense, companies begin their internationalization through exports when they are already established in the domestic market, when the market is saturated, and they want to expand, or when they have reached the appropriate size to achieve such purposes (Bell et al, 2001; Iborra et al, 1998; López, 2000) as cited in Sigala & Mirabal, (2011).

Over time, the authors of the theory have been able to update it with the same structure and general content but using slightly more modern terms, stating that they continue to follow the two dynamic and changeable factors that are the ones altering the processes of companies, where the changing variables are crucial, as "they are where the action takes place" (Vahlne, J.-E., & Johanson, J., 2017).

The model suggests two starting points for change: The first one is related to the commitment process as a decision, and the second is through the continuous development of knowledge through learning, creating thrust building; these two types of change indirectly affect each other (Vahlne, J.-E., & Johanson, J., 2017).

Figure 2

The Uppsala model 2017



Note: taken from (Vahlne, J.-E., & Johanson, J., 2017 pg 1092)

Colombian SMEs are currently facing a significant challenge in overcoming inefficiencies created by their size. Therefore, the managerial decision-making process will

determine the company's course (Baron & Diaz, n.d), which, for its development, implies an impact on international business. Indeed they would undoubtedly be adopting some of the classical or avant-garde models of internationalization (Botero et al., 2012). Also, the concepts presented below will have to be taken into consideration, which are focused on the Cosmetic and Personal Care industry in the country.

Psychic Distance

This term was another feature to consider, and the authors mention that the process of internationalization frequently started in foreign markets that were close to the domestic market since there are a set of factors that make it difficult to understand the foreign environments (Johanson, J., & Vahlne, 2009).

According to Cardozo et al. (2007), based on Johanson and Wiedersheim-Paul (1975), the factors mentioned above are defined as linguistic, cultural, political, educational, or industrial development differences that have a direct impact on the operation of the company abroad.

Table 1

Forms of distance

National Cultural Distance	Eg. Differences in Hofstede's national cultural dimensions
Language Distance	Eg. differences in language at the national level

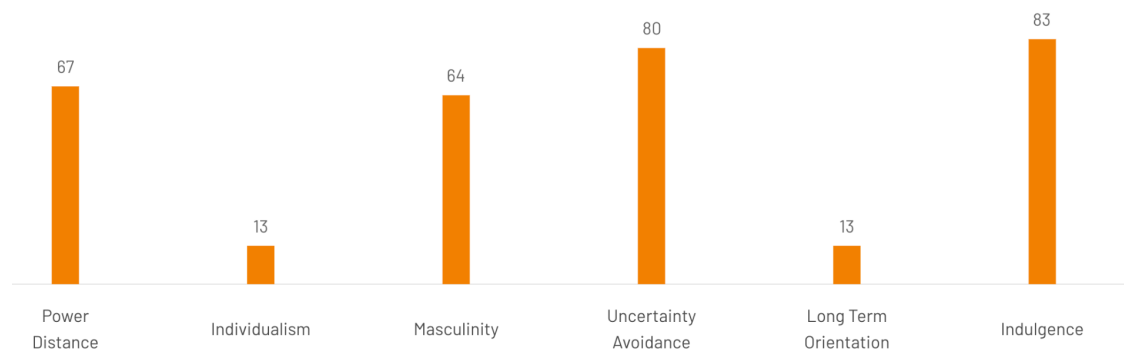
Institutional Distance	Eg. differences in legal, political, educational or religious institutions
Other Forms of Distance	Eg. Exchange rates (Currencies), Consumption patterns, etc...

Note: Own elaboration with data taken from Nizielska (2013)

Hofstede Insights: Colombian cultural dimensions

Figure 3

Colombian dimensions



Note: taken from Hofstede Insights

(<https://www.hofstede-insights.com/country-comparison-tool?countries=colombia>) in the public domain

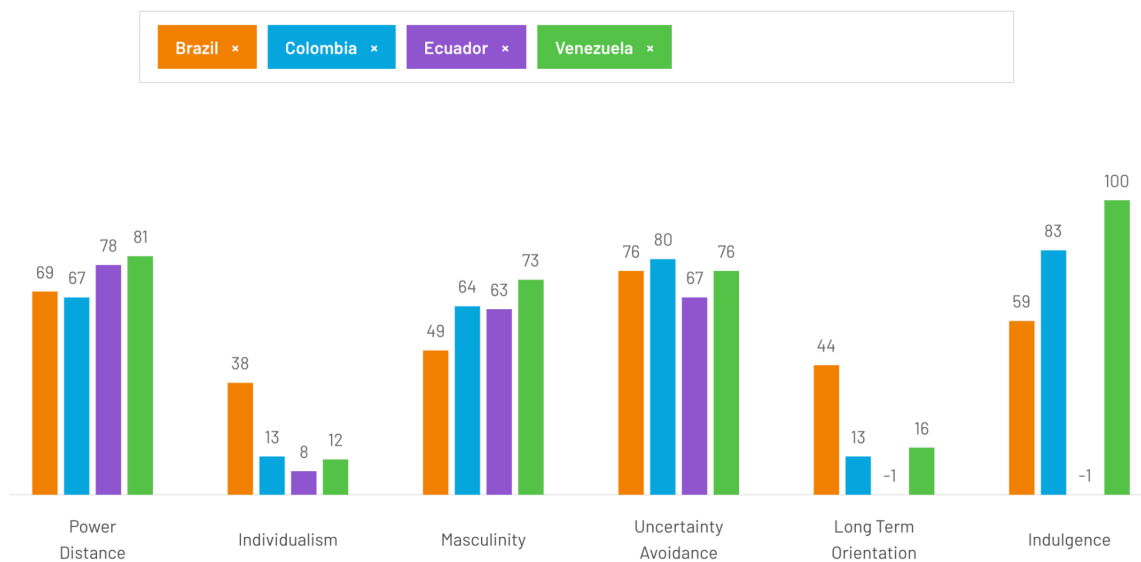
Through the lens of the 6-D Model it is observed that Colombia In terms of power distance has a sixty-three (63) which means that they distribute the power in hierarchical terms, where the society believes that inequalities amongst people are simply a fact of life (Hofstede Insights, n.d); on another hand, the country tends to emphasize the collectivism where they have collective goals, the score of thirteen (13) positions Colombia in the lowest scores for

individualism which means also that this is one of the most collectivistic cultures in the world; Also is a masculine society with a score of sixty four (64) which means that Colombians are very competitive, where work prevails over almost anything, they emphasize the material reward and they are status-oriented; in the uncertainty avoidance this country has a score of eighty (80) which means that they are not open to change, they tend to avoid ambiguity, in the society there are rules for everything, and also this is reflected by the religion which is respected by almost everyone; in addition they are short term orientation with a respect for traditions and focusing on achieving quick results with a score of thirteen (13); and finally, Colombia is an indulgent society where people “generally exhibit a willingness to realise their impulses and desires with regard to enjoying life and having fun” (Hofstede Insights, n.d) with a score of eighty three (83).

The Psychic Distance theory would explain why SMEs (Small and Medium-sized Enterprises) choose to start exporting in markets that are close to their borders; for example, Below is a comparison of the dimensions of Colombia and three neighboring countries, highlighting the similarities within their societies (Observe figure 4).

Figure 4

Comparison of the dimensions of Colombia with three neighboring countries.



Note: taken from Hofstede Insights web

(<https://www.hofstede-insights.com/country-comparison-tool?countries=brazil%2Ccolombia%2Cecuador%2Cvenezuela>) in the public domain

2.2 Definition of Colombian SMEs

In Colombia, Law 520 of 2000, regulated by National Decree 2473 of 2010, "Which establishes provisions to promote the development of micro, small, and medium-sized enterprises," is decreed through Article 2. Modified by Article 2, Law 905 of 2004, Modified by Article 75, Law 1151 of 2007, Modified by Article 43, Law 1450 of 2011. According to this law, a micro, small, and medium-sized enterprise "*MYPYME*" is defined as any economic exploitation unit carried out by a natural or legal person engaged in business, agricultural, industrial, commercial, or service activities, whether rural or urban (Colombian Government Single Portal, 2022), that meets certain parameters (Observe table 2 & 3).

Table 2

Definition of Colombian SMEs

Medium - Size Company	Small - Size Company	Micro - Size Company
Workforce size ranging from fifty-one (51) to two hundred (200) workers	Workforce size between eleven (11) and fifty (50) workers	Workforce size not exceeding ten (10) workers
Total assets valued between five thousand one (5,001) and fifteen thousand (15,000) legal minimum monthly wages* in force.	b) Total assets valued between five hundred one (501) and less than five thousand one (5,001) legal minimum monthly wages in force.	b) Total assets valued below five hundred one (501) Legal minimum monthly wages in force

*Legal minimum monthly wages for 2023 in Colombia: \$1.300.606

Note: taken from the Colombian Government Single Portal (2022)

(<https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=12672>.) in the public domain

Table 3

Paragraph of the Article 2 Law 590 of 2000

<p>Paragraph 1. For the classification of those micro, small, and medium-sized enterprises that present combinations of workforce size and total assets different from those indicated, the determining factor for this purpose shall be the total assets.</p>
<p>Paragraph 2. The incentives, benefits, plans, and programs established in this law shall also apply to Colombian artisans and shall promote the fulfillment of the precepts of the national plan for equal opportunities for women.</p>

Note: taken from Colombian Government Single Portal (2022)

(<https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=12672>.) in the public domain

2.3 Internationalization of Colombian SMEs

Since the implementation of the new political constitution in the year 1991, Colombia has taken giant steps forward, as new paths were opened for the development of international markets. Due to this, according to Robledo (2007), Colombia has a more globally oriented economy and a mindset more inclined to compete in a global environment.

For a long time, many researchers have focused their investigations on the influence of the SMEs worldwide, and there is information available that ensures that a few numbers of Colombian manufacturing small to medium enterprises compete in the international environment. SMEs are a key source for having the best management practices crossing international borders, playing a big role in technological advancement and the transfer of advanced technologies (Zahra, S. A., Neubaum, D. O., & Naldi, L., 2007).

According to the Ministry of Commerce, Industry, and Tourism (Ministerio de Comercio, Industria y Turismo, 2021), between the years 2018 and 2020, micro, small, and medium-sized enterprises (MSMEs) increased their participation in foreign markets, going from representing 16% of them to 18% between one year and the next.

In Colombia, Proexport is an entity responsible for implementing national government policies and contributes to the country's economic growth through the promotion of non-mining and non-energy exports, international tourism, and foreign investment; that is why they have

developed services for business owners for having access to Training and specialized information programs that will allow them to understand foreign markets, which are free and they have the presence of experts that can help different entrepreneurship in every industry (Ministerio de Comercio, Industria y Turismo, n.d).

- Easy export: By offering streamlined export processes using postal services and expedited shipments, this initiative allows Micro, Small, and Medium enterprises to gain access to the global market.
- Programs for adaptation: Through these programs, Proexport supports companies in aligning their offerings with international market trends and requirements.
- Exploratory missions: Proexport accompanies entrepreneurs on these missions to validate the target market's potential and identify possible adjustments that can enhance competitiveness or meet market requirements.
- Promotional activities: These activities aim to assist companies with various promotional activities (e.g. trade fairs, business rounds) organized by the entity to create business opportunities with international buyers.
- Export route: It consists of five steps that help entrepreneurs assess strengths, understand challenges, analyze markets, and make decisions to take advantage of business opportunities abroad. (available on Proexport's website)

2.4 Access to finance

Access to financing is a factor that hinders SMEs in Colombia. This is due to the limitation in accessing suitable credit. For these companies, it is very challenging to navigate through crisis situations or make investments to modernize their operations (Arias & Londoño, 2019).

According to Arias and Londoño (2019), in a report conducted for the government's Banking of Opportunities program, based on Zuleta for CEPAL (2016), credit is a financial tool that enhances business growth. Companies that receive credit experience an increase in sales, while those unable to obtain it are likely to maintain the same sales levels and are forced to seek informal financing, resulting in high interest rates for short terms.

Likewise, according to the report on the results of the second survey of financial inclusion demand in the year 2017, conducted by the Banca de Oportunidades & Superintendencia Financiera de Colombia (2017), which surveyed microenterprises in Colombia, it is observed that the percentage of companies with access to credit is concerning. This is because it indicates that 20.6% of the respondents have access to formal credit, while 6.4% have access to non-formal financial credit, 7.5% have access to informal credit, and the remaining 65.5% have no credit at all (Observe Figure 5).

Figure 5

Percentage of SMEs (in the subdivision of microenterprise) with access to credit.

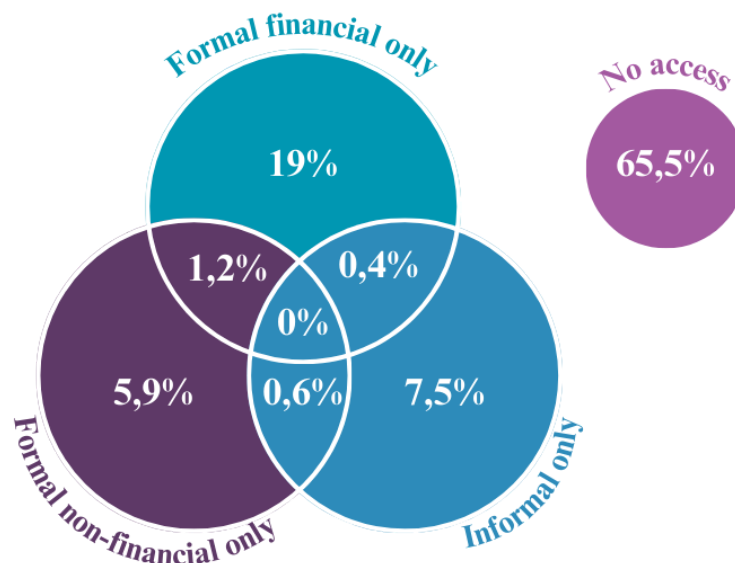


Note: Own elaboration with data from the Banca de Oportunidades & Superintendencia Financiera de Colombia (2017)

Similarly, the study shows how these types of companies mix credit sources, as observed in the following (Observe Figure 6):

Figure 6

Percentage of SMEs (in the subdivision of microenterprise) with access to credit according with the type of credit source.

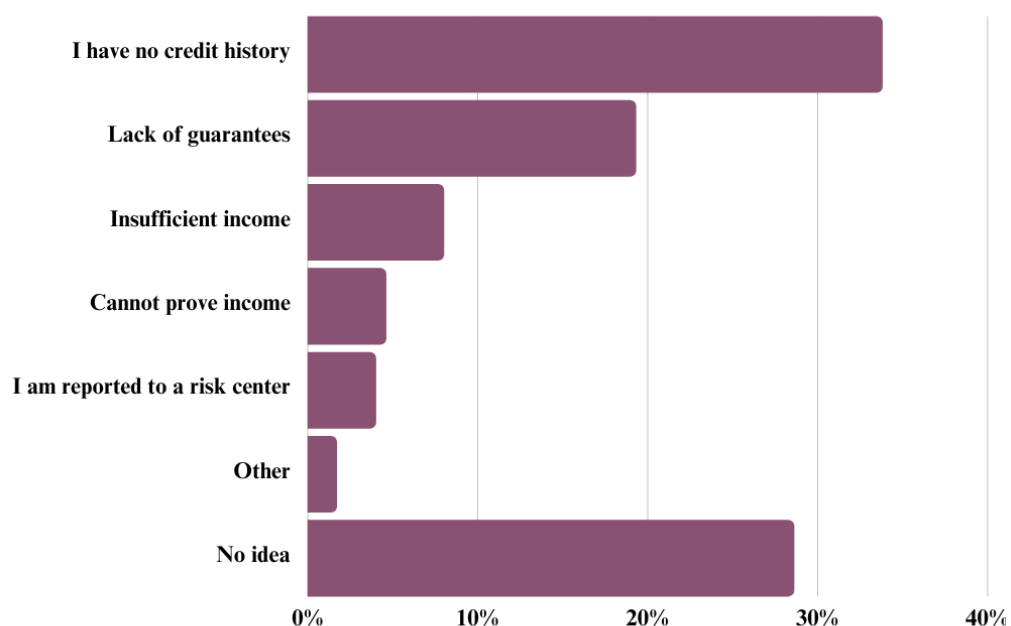


Note: Own elaboration with data from the Banca de Oportunidades & Superintendencia Financiera de Colombia (2017)

The percentage of companies that do not have access to credit is concerning, and the individuals who wanted to obtain a loan but it was denied can be attributed to the following reasons (Observe Figure 7).

Figure 7

Percentage of microenterprises without credit according to reasons for their loan application rejections.



Note: Own elaboration with data from the Banca de Oportunidades & Superintendencia Financiera de Colombia (2017)

SMEs in Colombia usually use the following means to obtain credit (Banca de Oportunidades & Superintendencia Financiera de Colombia, 2017):

Table 4

Main sources of credit for the SMEs in Colombia.

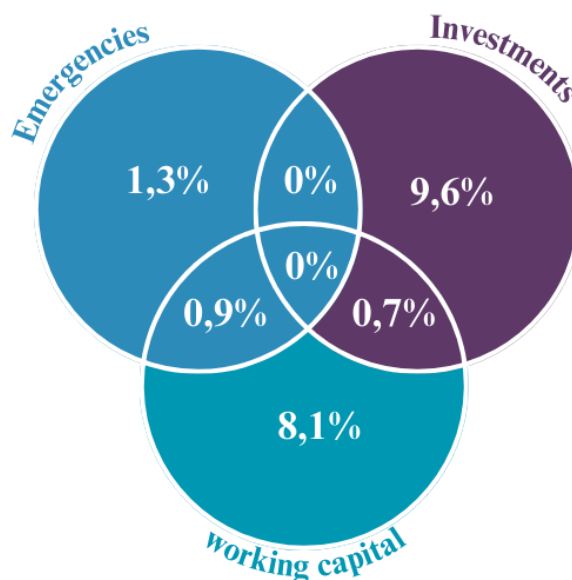
Financial forms	Non-financial formal	Informal
Credit card	NGO	Family, friends and neighbors
Banks	Supplies vendor	Chain of friends
Cooperatives	Warehouse credit	Lenders

Note: Own elaboration with data taken from ONUDI (2015)

On the other hand, the aforementioned study also demonstrates that microenterprises accessing credit benefits intend to use them for working capital, investment, and addressing emergencies or unforeseen circumstances (Observe Figure 8):

Figure 8

Destination of the formal and informal credit



Note : Own elaboration with data from the Banca de Oportunidades & Superintendencia Financiera de Colombia (2017)

2.5 Colombian Free Trade Agreements

A Free Trade Agreement is a regional or bilateral agreement through which a zone of free trade for goods and services is established, eliminating tariffs (Ministerio de Comercio, Industria y Turismo, n.d). These agreements aim to expand the market for goods/services as well as foreign investment among different countries that have a current agreement to aid in the economic and social development of the country.

In addition, these agreements contain norms and procedures intended to ensure that the flows of goods, services, and investments between the countries that sign such treaties are conducted with transparency (Uribe et al, 2004). It is worth noting that not all treaties are the same, but at the very least, they encompass rules regarding trade between the negotiating countries, that is, “the duties universe” (Uribe et al, 2004). Currently, according to the ‘Ministerio de Comercio, Industria y Turismo’, the FTAs by country or union of countries related to Colombia in July 2023 are listed below and the details are provided in the appendices section (Observe Appendix A).

1. Partial Scope Agreement Colombia - Panama
2. Partial Scope Agreement Colombia - Venezuela
3. Pacific Alliance: Colombia - Chile - Mexico - Peru
4. Canada
5. Andean subregional integration agreement (CAN): Colombia - Bolivia - Ecuador - Peru
6. CARICOM

7. Chile
8. Corea
9. Costa Rica
10. Cuba
11. EFTA: Suiza - Liechtenstein- Noruega - Islandia
12. El Salvador - Guatemala - Honduras
13. United States
14. MERCOSUR: Argentina - Brasil - Uruguay - Paraguay
15. United Kingdom
16. FTA Colombia - Mexico
17. European Union
18. Israel

Likewise, it should be noted that the government currently has ongoing negotiations that will be of great value for those entrepreneurs who wish to expand into other horizons. Those are with the following countries:

- United Arab Emirates
- Turkey
- Japan
- Trade in Services Agreement (Tisa)
- Trade Agreement in the Framework of the Pacific Alliance with Candidates for Associated States

As shown, Colombia has attempted to maintain close relationships with its neighboring countries, and this can be beneficial for the cosmetics and personal care sector. It will lead to an increase in the economic growth rate, significant expansion in product exports, enhanced competitiveness of companies, job creation, greater diversification, and leveling of conditions, among many other multiple benefits.

Importance of the FTAs

The FTAs provide multiple benefits for the industry, according to the ANDI (2019), the industry in the subsector of cosmetics has been growing since 2016 and Colombia can be found in fourth place, competing with all countries in Latin America in total sales of products:

1. Brazil: USD \$14.572 M
2. México: USD\$ 10.011 M
3. Argentina: USD 5.712 M
4. Colombia: USD 3.000 M

This demonstrates that the industry is attractive to the economy and due to the innovation of its components, which are increasingly in demand worldwide. As a result, entrepreneurs can take advantage of the elimination of tariff barriers to expand their sales portfolio, thus facilitating an economic exchange that will enhance the quality, efficiency, and sales of companies. This will be achieved through gaining access to better technology, foreign investments, market penetration strategies, marketing, and distribution, among other factors (Paola Gioffre, 2020).

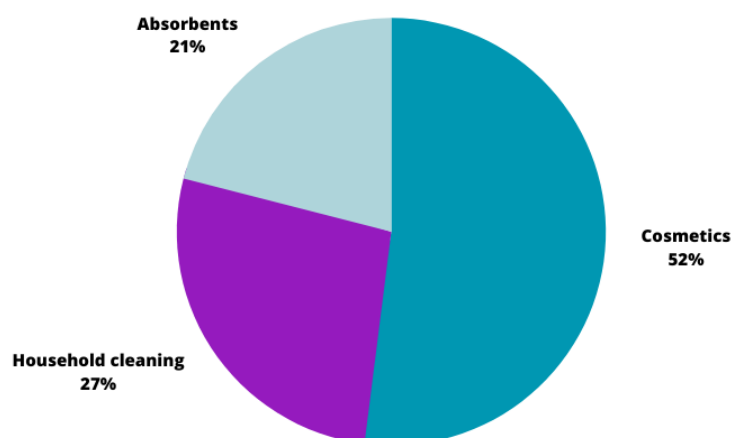
2.6 Cosmetic and Personal Care Industry

According to Quintero & Hernandez (2018), based on the Ministry of Commerce, Industry, and Tourism (2009), the industry in Colombia is classified by CIU 2424 and is composed of 3 subsectors:

1. Cosmetics: (Cosmetics and personal care)
2. Household cleaning: (Cleaning and household products)
3. Absorbents: (Diapers and feminine hygiene)

Likewise, according to a report presented by ONUDI (2015), the most representative sector in terms of production is the cosmetics sector, which accounted for 52% in the year 2012, followed by household cleaning with 27%, and absorbents with 21% (Observe Figure 9).

Figure 9
Distribution of the Cosmetic and personal care industry



Note: Own elaboration with data from ONUDI (2015)

Similarly, the Ministry of Industry and Commerce has developed a strategic plan to promote the productivity of various industries in Colombia. As a result, it is considered that by the year 2032, the country will be recognized as a world leader in the production and exportation of high-quality cosmetics based on natural ingredients (ONUDI, 2015). Also, it should be emphasized that since 2015, Colombia has been working on programs such as Safe + that are in charge of strengthening the cosmetics industry in the country, working with forestry permits, agricultural associations, producers of natural ingredients, ECOCERT certificates, BPM certified auditors in the cosmetics ISO 22716 and ISO 17025 accredited laboratories, all with the aim of "having a more productive and competitive country" as noted by the ONUDI (2018).

It is important to highlight that according to an analysis by ONUDI (2015), the international classification used to identify the sector is the Commercial, Industrial, and Productive field (Observe Figure 10).

Figure 10

International classifications to identify the sector and/or cosmetic products.



Note: Source ONUDI (2015)

With this information, ANDI states that the most important segments of the cosmetics industry for Colombia in both industrial and commercial terms are those that are part of the productive and exportable supply, including makeup, hair care products, skin-care products, personal cleaning products, perfumes, and oral hygiene products (Observe table 5).

Table 5

Cosmetic segments that are more interesting for Colombia.

Makeup	Eg. Eye makeup - lip makeup - compact powder and not compact
Hair care products	Eg. Shampoos - corrugation preparations or permanent straightening - hairspray - Other hair preparations
Skin-care products	Eg. Manicure and pedicure preparations - other preparations for the beauty and care of the skin
Personal cleaning products	Eg. Preparation for shaving (before or after) - body deodorants and antiperspirants - Salts and others preparation for the bath
Perfumes	All fragrances
Oral hygiene products	Eg. Toothpaste - dental floss - oral brushes

Note: Source own elaboration with data from ONUDI (2015)

Cosmetics: (Cosmetics and personal care)

As a matter of fact the per capita consumption for cosmetic and personal care according to the ANDI (2023) is the following:

Table 6

Consumption per capita of the cosmetic and personal care industry.

Currency	Consumption 2021	Consumption 2022	Variation
COP	182.543	204.535	12,05%
USD	49	48	-1,84%

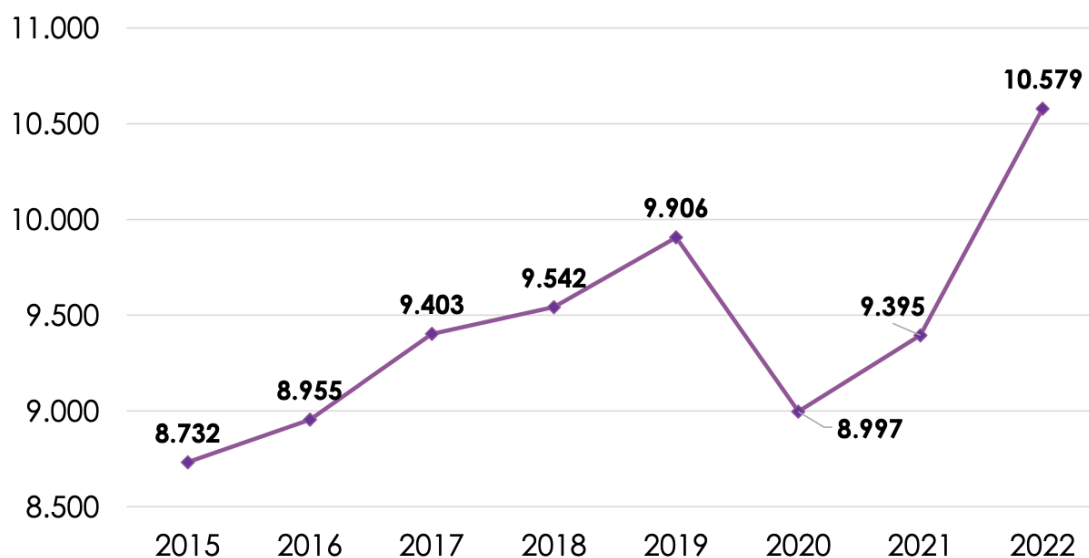
Note: Own elaboration with data from the ANDI based on EUROMONITOR (2023)

According to the Chamber of the Cosmetic and Toiletry Industry (ANDI, 2023) based on EUROMONITOR, the beauty and personal care market size has grown radically in recent years, which is reflected between 2021 and 2022, where there was a year-on-year variation of 12.60% (Observe figure 11).

Figure 11

Size of the cosmetic and personal care in Colombia.

2015	2016	2017	2018	2019	2020	2021	2022
4,95%	2,55%	5,00%	1,48%	3,81%	-9,18%	4,42%	12,60%



*Value: Billions COP

* Interannual Variation (%)

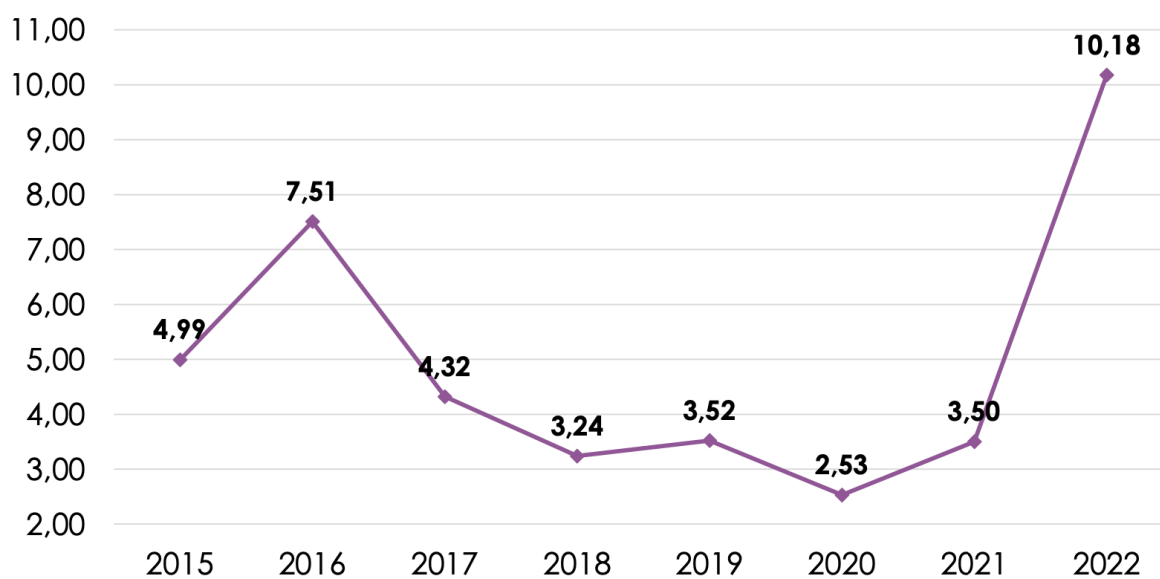
Note: Source ANDI (2023)

Similarly, it is important to highlight that market inflation allows for a better understanding of what happens within the country. Therefore, according to the COMEX report provided by the ANDI (2023), it mentions that the market has experienced positive growth since the year 2020, which demonstrates an increase in market product prices; this could be attributed to various circumstances within the country (Observe Figure 12).

Figure 12

Inflation of the beauty and personal care market in Colombia (%).

2015	2016	2017	2018	2019	2020	2021
2,52	-3,19	-1,08	0,28	-0,99	0,97	6,68



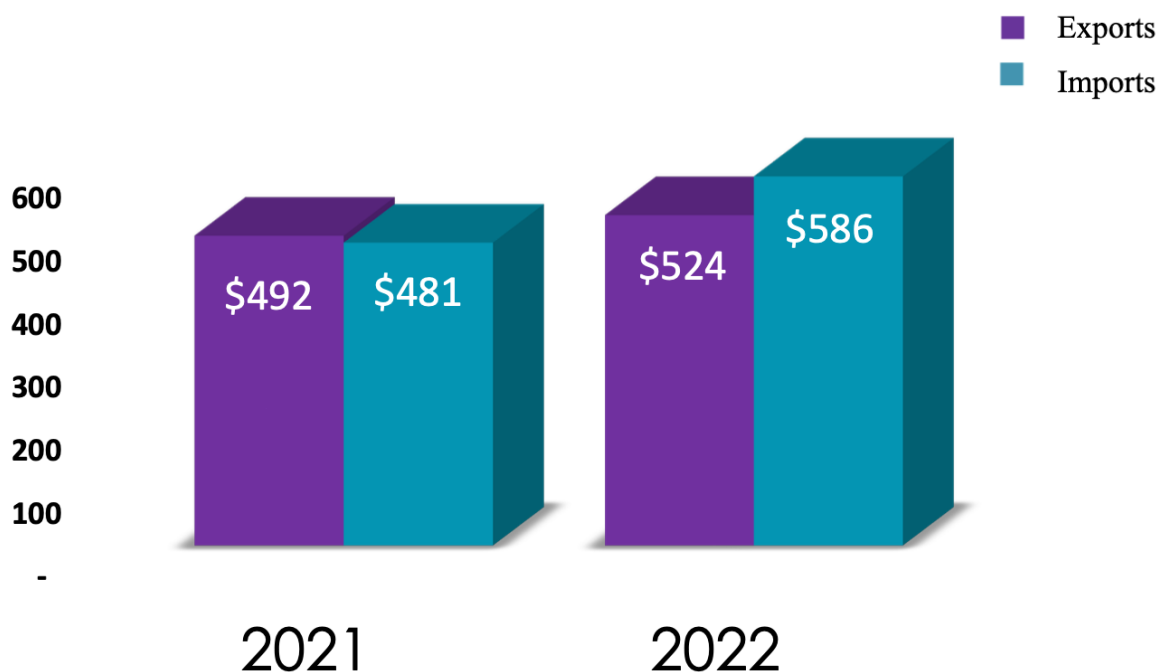
*Value: %

* Interannual Variation (PP)

Note: Source ANDI (2023)

International trade Cosmetics and personal care

Subsequently, it is presented the comparison of exports versus imports for the industry where, according to ANDI (2023) based on CVN (2023), exports show a variation of 6.57% between the years 2021 - 2022, while imports show a variation of 21.77% for the same years in Colombia.

Figure 13*Exports vs Imports in the cosmetic and personal care industry.*

* Millions of USD

Note: Source ANDI (2023) based on (CVN, 2023)

Exports

In Colombia, the main countries to which cosmetic and personal care products were exported for the year 2022, according to ANDI (2023) based on CVN (2023), are (Observe figure 14):

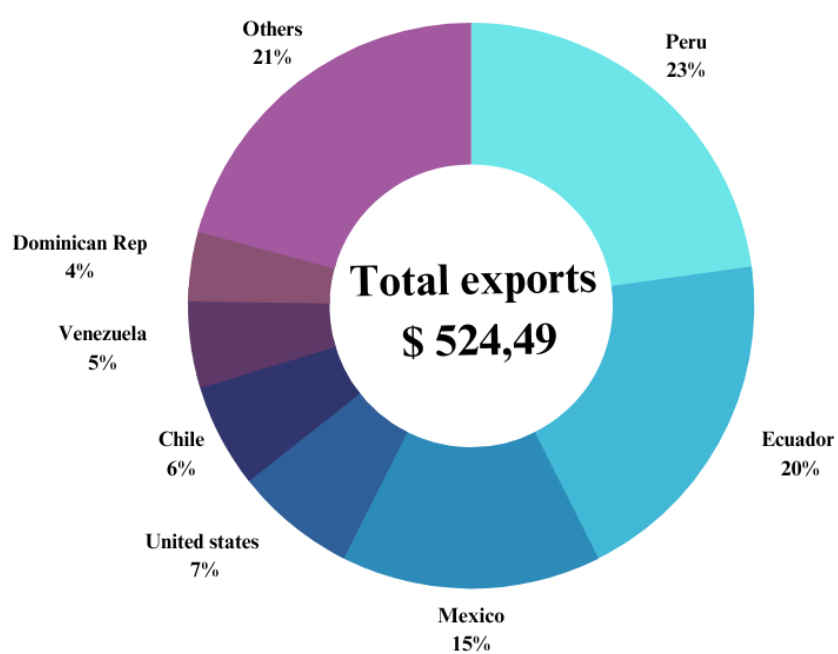
- Peru: \$122,33
- Ecuador: \$103,38
- Mexico: \$78,15
- United States: \$34,29
- Chile: \$33,32
- Venezuela: \$23,86

- Dominican Republic: \$18,53
- Others: \$110,64

* Value: Millions of USD - The order is associated with the FOB (USD)

Figure 14

Exports in the cosmetic and personal care industry for 2022.



* Value millions of USD

Note: Source ANDI (2023) based on (CVN, 2023)

The participation in the exports by-product in this subsegment is the following:

Table 7

Participation by-product in the total exports for the subsector of the cosmetics and personal care Colombia in 2022.

Product	Value FOB (USD)	Participation
Other makeup, protectors, bronzers and manicures	\$ 108,04	21%
Perfumes and toilet waters	\$ 75,13	14%
Other hair preparations	\$ 73,76	14%
Shampoos	\$ 46,33	9%
Soaps	\$ 41,65	8%
Toothpaste	\$ 34,71	7%
Deodorants	\$ 25,78	5%
Eye makeup	\$ 25,72	5%
Lipsticks	\$ 24,24	5%
Other preparations for oral hygiene	\$ 18,99	4%

Note: own elaboration with data from the ANDI (2023) based on CVN (2023)

Imports

On the other hand, the main countries from which Colombia imports are the following, according to the cosmetics chamber of commerce ANDI (2023) (Observe figure 15):

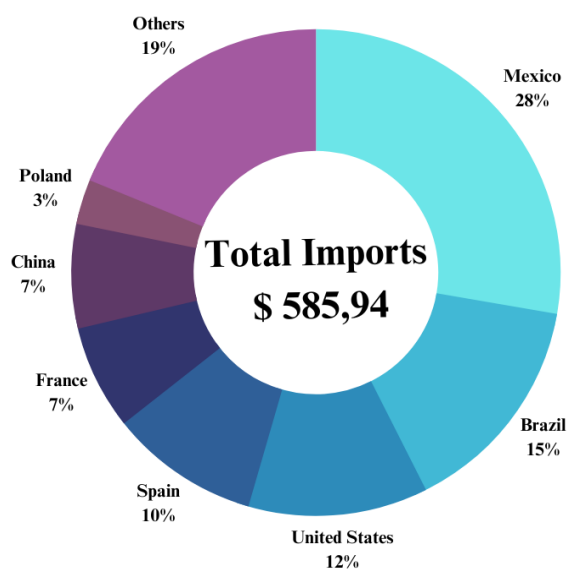
- Mexico: \$161,94

- Brazil: \$89,13
- United States: \$67,96
- Spain: \$56,82
- France: \$42,12
- China: \$39,44
- Poland: \$17,59
- Others: \$110,96

* Value: Millions of USD - The order is associated with the CIF (USD)

Figure 15

Imports in the cosmetic and personal care industry for 2022.



Note: Source ANDI (2023) based on (CVN, 2023)

The participation in the imports by-product in this subsegment is the following:

Table 8

Participation by-product in the total Imports for the subsector of the cosmetics and personal care Colombia in 2022.

Product	Value CIF (USD)	Participation
Other makeup, protectors, bronzers and manicures	\$158.78	27%
Perfumes and toilet waters	\$43.01	7%
Toothpaste	\$74.08	13%
Eyes makeup	\$22.72	4%
Shampoo	\$63.42	11%
Products and preparations for washing the skin	\$21.28	4%
deodorants	\$60.75	10%
Other perfume preparations	\$15.84	3%
Other hair preparations	\$57.48	10%
soaps	\$14.92	3%

Note: Own elaboration with data from the ANDI (2023) based on CVN (2023)

With the information previously presented, it is evident that Colombia has a trade deficit in the industry because its imports are greater than exports; in other words, the country purchases more cosmetic products from abroad than it sells to foreign countries.

2.7 Application of the Uppsala model to explain SMEs Internationalization

The model is applied as small and medium-sized enterprises do not have the capacity to make significant investments. Therefore, most of them decide to start exploring foreign markets through exports. This means that SMEs have limitations, and the most noticeable difference between a small company and a large one or a multinational corporation is the access to resources and the experience in internationalization processes (Botero et al. 2012). This is important when making decisions due to the risks involved in the process. According to Botero et al. (2012), based on Johanson, J., & Vahlne (1977), logic suggests that SMEs go through a gradual expansion process. For example, they might start with controlled exports in a few markets to gain learning and thus attain competitive advantages.

There are numerous barriers for Colombian SMEs that make the internationalization process tedious. For instance, lack of financing, insufficient government support, lack of understanding of the process, inadequate information efficiency from foreign markets, and limited access to distribution channels, among others. These factors prevent these companies from being competitive compared to larger enterprises. Most of them begin with indirect exports through intermediaries, and as they acquire more knowledge and experience, the process evolves.

The evolution corresponds to the phases of the model's "establishment chain", as proposed in the theory, thus demonstrating an existing relationship between the Uppsala Model and the internationalization of Colombian SMEs in the beauty and personal care industry.

Section 3 - Methodology

The purpose of this section is to give an idea of the research design used in the graduating project and to show how qualitative investigation was performed. This section is elaborated on the classic research methodology, which encompasses details of the used sample, the data to be collected, and the analysis to be conducted.

3.1 Research design

In order to pursue the objective of the investigation, The qualitative study will be helpful to answer determined questions while helping the researcher to collect the data needed, at the same time, it seeks to understand the problematization from the perspectives of the focus group (Mack, N., et al., 2005). Theoretical aspects that are not measured by numbers are going to be studied, and a proper organization of the data collected is crucial for the research; this is due to the fact that there are going to be primary sources gathered for having as many data as possible to make the graduating project more reliable.

3.2 Primary Research

According to Khuc, Q. V., & Tran, D. (2021), the primary data is the original and the first-hand data collected by researchers for the purpose of the research; this one is “fresh” and is collected directly. Also, the investigation methods are more flexible in order to suit the question that is presented. This kind of data must be collected with attention and precision because it might present some bias that must be avoided and is a potentially time-consuming method.

For this primary data, three important institutions were relevant, the first one was the Chamber of Commerce of each department in Colombia which gave data about telephone numbers to have contact with different companies in the industry for sending the survey previously made, secondly, with the INVIMA which is the National Institute for Food and Drug Surveillance in Colombia who has a database with information of manufacturing establishments of cosmetic products that have a production capacity that was also important because some of them answered the survey, and last but not least the Expobelleza 2023 Medellin which is a Colombian conference where different companies that operate in the cosmetic and self-care industry can show their brand and be known by the local people, in this conference informal interviews with attendees, managers, and business owners were made, and the contact (Telephone number, e-mail, customer service support) was obtained for a subsequent resolution of formal questions through an online survey that was developed in google forms.

Sample data

An online survey takes advantage of the technology as the objective is to find companies around the Colombian territory. This collection relies on mobile devices, for example, smartphones, tablets, or computers, and it was carried out to finally have results for analysis and thus, having a conclusion for the research.

To make the study more feasible, Colombian companies operating in the cosmetics and personal care industry were taken into account; the survey was conducted targeting high-ranking officials of the companies who possessed precise information to answer the specific questions, as some of them required precise data.

Online survey

The survey was formulated based on key points discussed in informal interviews conducted at the Expobelleza Medellin event. Additionally, a thesis by Guevara & Valencia (2013) was instrumental, as it investigated the internationalization of the footwear industry in a specific sector of Colombia's capital; their survey served as a guide for this graduate project in the cosmetics and personal care industry.

The questionnaire for this project consisted of a total of 17 questions, considering various variables such as company size, international experience, knowledge of free trade agreements, perceptions of internationalization challenges for those not operating in international markets, and the main barriers faced by those currently conducting business abroad.

Finally, a total of 45 companies participated in the survey, but 4 respondents had assets exceeding \$581.000.000 COP (140,000 US), making them legally classified as large companies in Colombia, thus not aligning with the study's focus. Consequently, the analysis considered responses from a total of forty-one (41) micro, small, and medium-sized enterprises.

Analysis of the survey

For results and analysis, the collected data was exported to the IBM - SPSS tool, which was used to process and analyze the data efficiently because this tool enables the creation of tables and graphs quickly and easily. Likewise, descriptive statistics will be employed in this research by using basic descriptive techniques such as the construction of frequency tables and the creation of graphs, which are essential for analyzing the information collected in the survey.

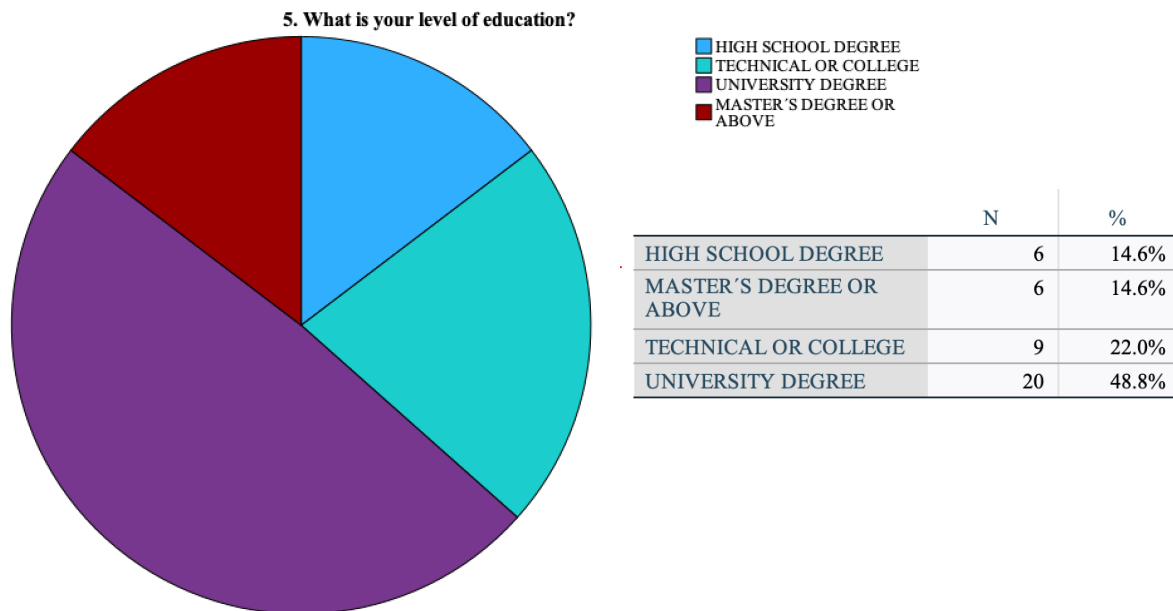
Section 4 - Results and Analysis

This section presents all findings and the information collected by the survey from the participants as well as the analysis conducted based on the answers given.

The following were the data obtained from the survey conducted with 41 companies that answered:

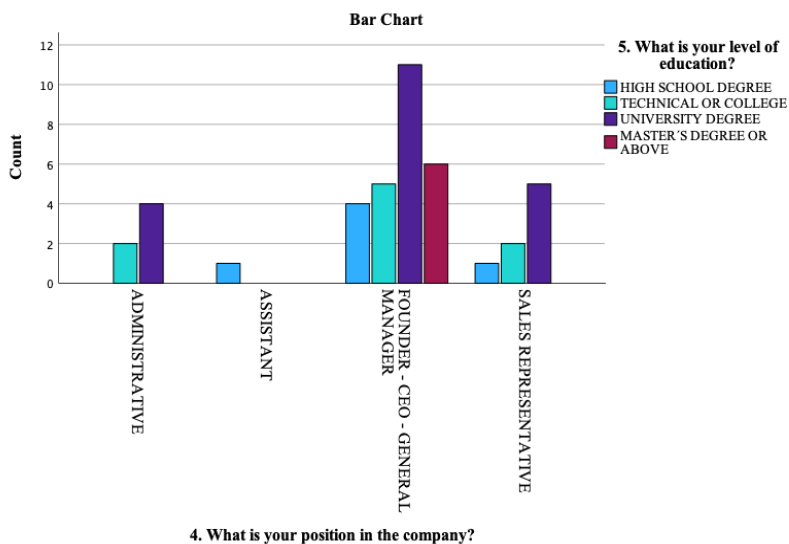
- Most of the respondents were founders, CEOs, or general managers of the companies, and it was observed that 20 individuals, representing 48.8% of the total respondents, have a university degree. 22% obtained a technical degree, 14.6% obtained a high school diploma, and the same percentage are those who obtained a master's or higher degree. Many of the respondents believe that higher education is necessary to have a profitable business, to understand the fundamentals of administration and finance in order to carry out the company's operations, as the cosmetics and personal care industry is a sector where knowledge is required to gain recognition. This helps potential buyers believe in the efficacy of a product and trust that it will not cause harm to their skin or hair (see Figures 16 & 17).

Figure 16
Level of education.



Note: Own elaboration with data taken form the survey

Figure 17
Level of education vs. position in the company.



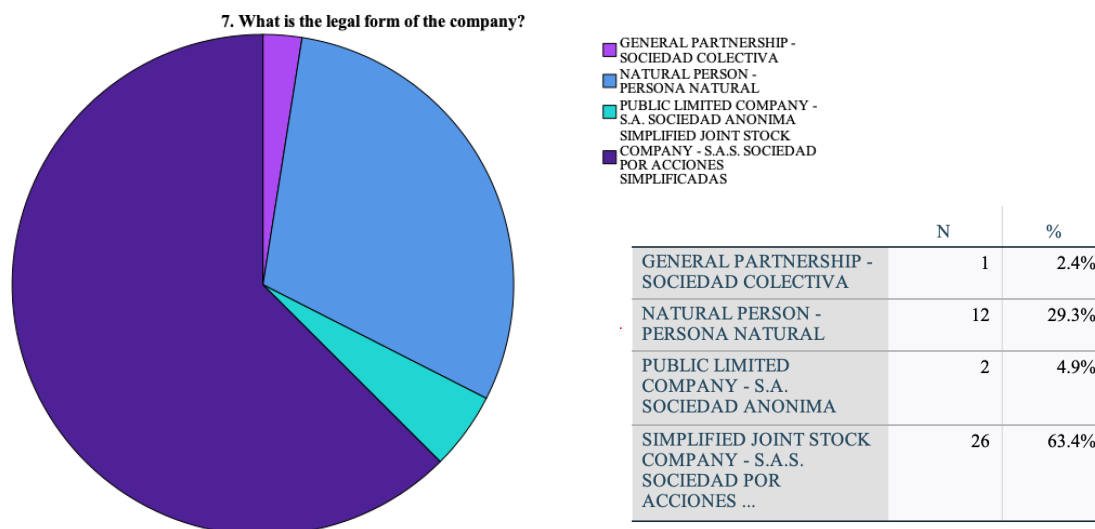
Note: Own elaboration with data taken form the survey

- In terms of the legal structure of companies in Colombia, they can be established in various forms, which not only indicate the level of incorporation of each one but also their responsibilities.

In this case, the most common type of company among Colombian SMEs in the cosmetic and personal care industry is the Simplified Stock Corporation (Sociedad por Acciones Simplificada or SAS), with 63,4% of the respondents. This is the most common type of company in Colombia and is composed of at least one person, there is no maximum limit of shareholders, and its capital is divided into shares. For entrepreneurs, this type of company is easier to establish because it offers flexibility in its structure and provides a certain level of protection for the shareholders (personal assets are protected in case of bankruptcy).

Figure 18

Legal form of the companies

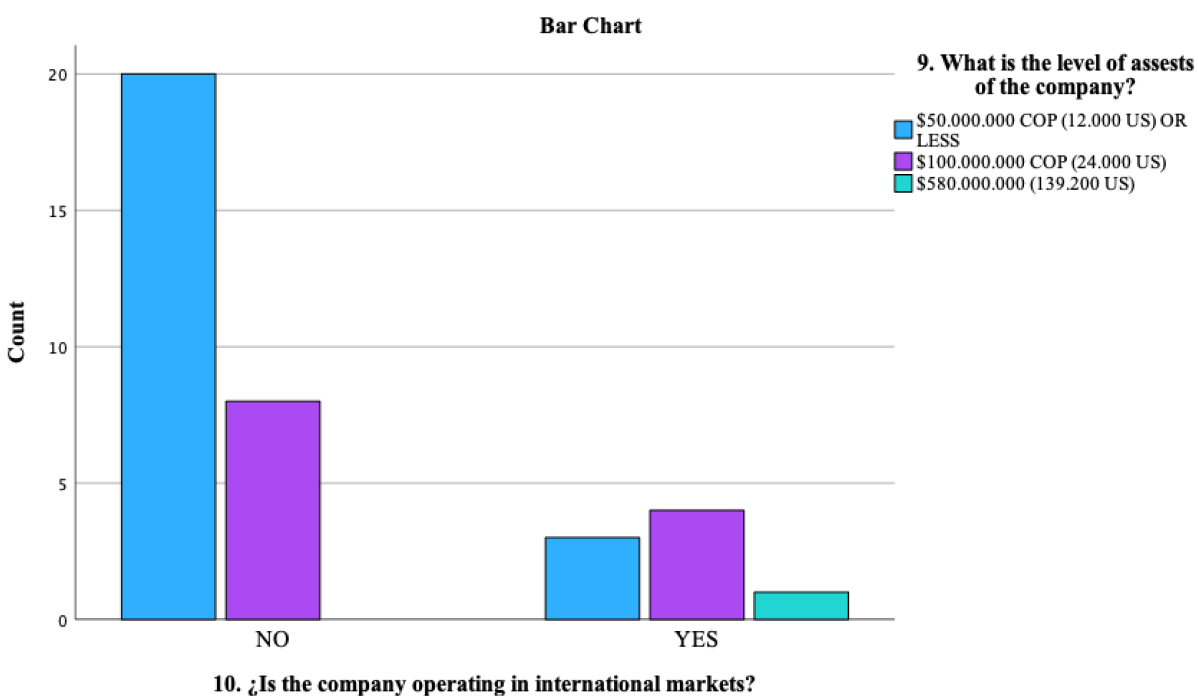


Note: Own elaboration with data taken form the survey

- In the following graph, it can be observed that operating abroad can be a factor in increasing the company's revenue because there is a percentage of companies that have total assets above \$139.200 US that currently export (Observe Figure 19).

Figure 19

International markets vs. sales rage



Note: Own elaboration with data taken from the survey

- In Colombia, a micro, small and medium-sized enterprise (MSME) is distinguished by its number of employees, total assets, and length of operation. In this case, it is observed in Figures 21, 22, and 23 that the majority of respondents, accounting for 56.1%, have assets of no more than \$50,000,000 COP, equivalent to \$12,000 USD at the moment; this categorizes them as microenterprises. The other 29.3% of surveyed companies have assets of no more than \$100,000,000 COP, equivalent to \$24,000 USD, classifying them as small businesses. The 2.4% represent medium-sized enterprises, and the remaining

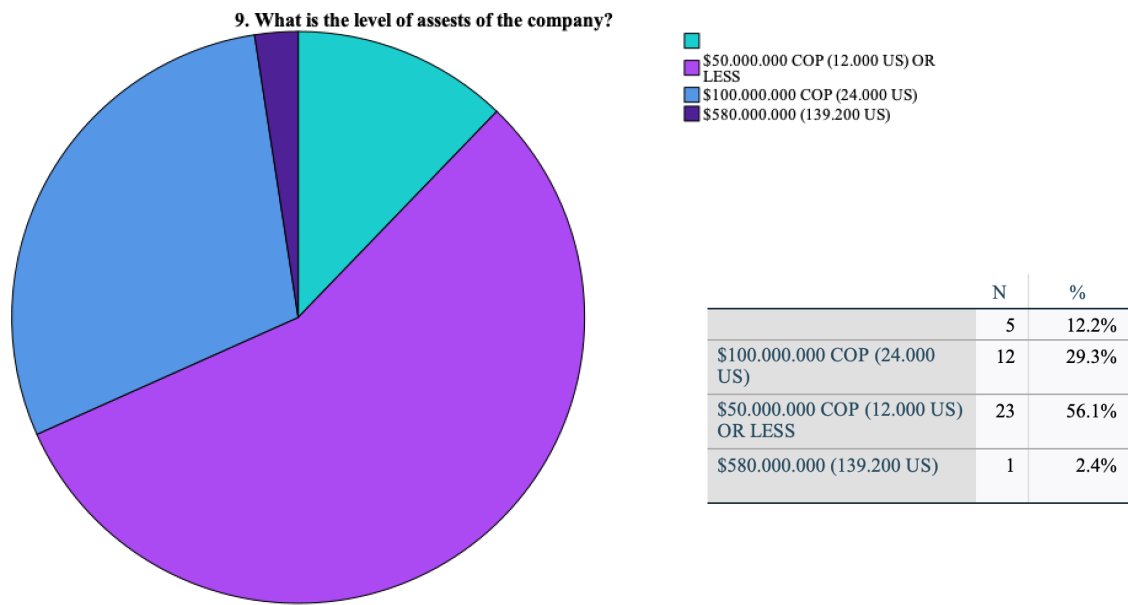
12.2% of companies chose not to respond to this question due to internal policies that prevented sharing this information (See Figure 20).

Likewise, it can be seen that 26.8% of respondents have been operating in the market for three to five years, and the same percentage of respondents (26.8%) have been operating for six to ten years. It's important to note that companies operating for more than ten years (17.1%) were included in the analysis, as even though operating for more than ten years might be considered a large company in Colombia, none of the respondents have total assets exceeding \$139,200 USD, making them still medium-sized enterprises.

Similarly, the majority of respondents (82.9%) have one to ten permanent employees, and only 2.4% of respondents have fifty-one to two hundred permanent employees.

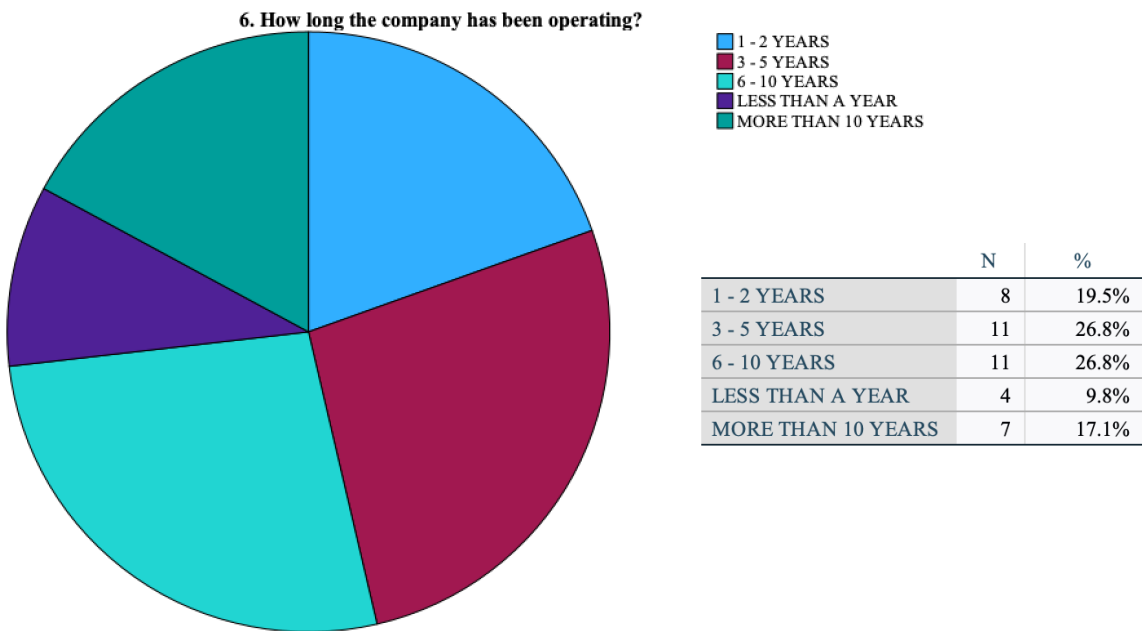
Therefore, this demonstrates that the majority of respondents were micro and small enterprises in the cosmetic and personal care industry.

Figure 20
Level of assets

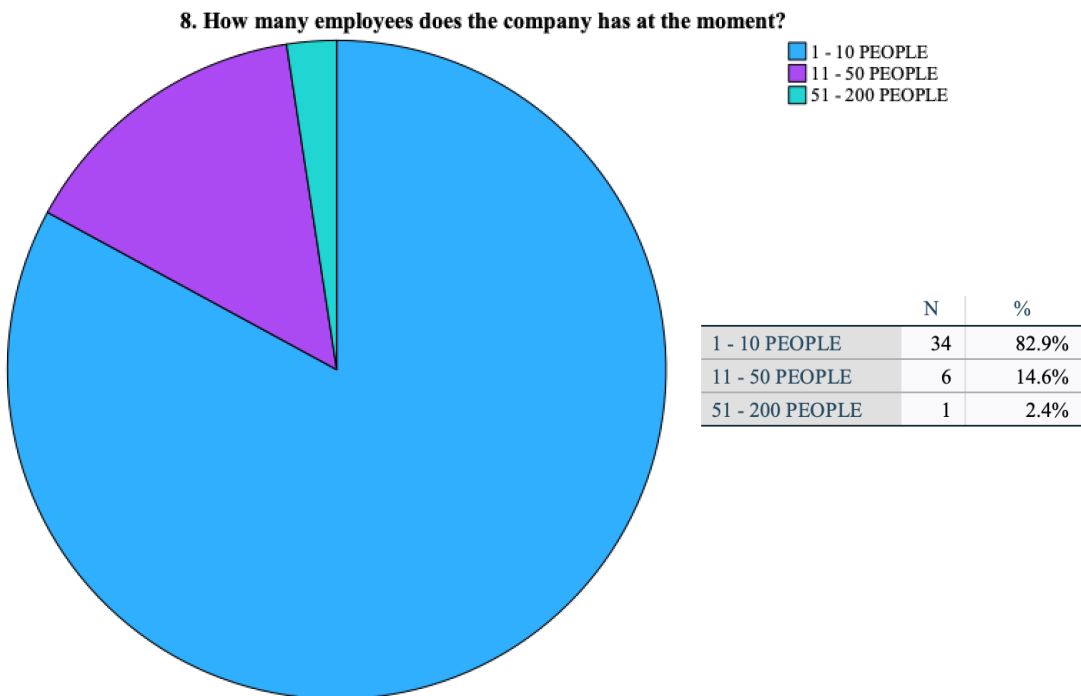


Note: Own elaboration with data taken form the survey

Figure 21
Time of operation



Note: Own elaboration with data taken form the survey

Figure 22*Employees of the company*

Note: Own elaboration with data taken form the survey

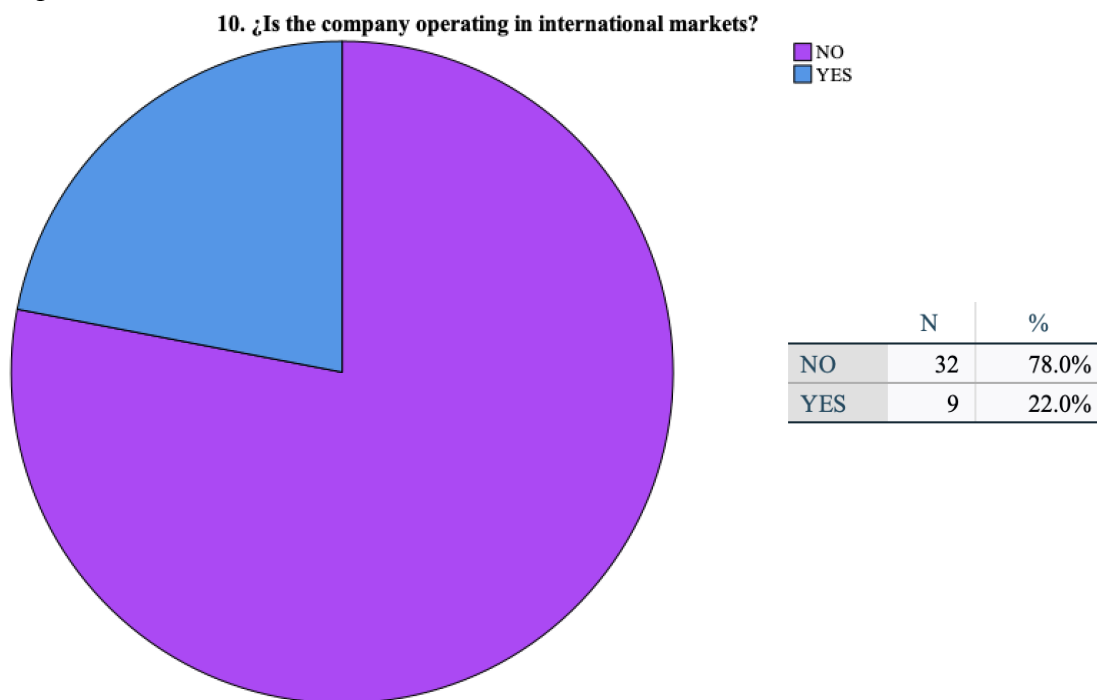
- In the following figure, it can be observed that 78% of respondents from the cosmetic and personal care industry do not operate in foreign markets. According to the respondents (Observe Figure 24), this is primarily because they do not have information on how to do it. Many of them express the desire to enter foreign markets, but they do not have sufficient financial resources; also, they feel that operating abroad is more suitable for big companies with more experience; Additionally, they have logistical challenges where there is a lack of information about product distribution, making it challenging for entrepreneurs to consider international operations.

However, 12.2% of respondents who are not currently operating abroad indicate that they are working on an internationalization plan for the future and are actively seeking information on financing, risks, and other related factors.

Similarly, 4.9% of respondents who do not operate abroad state that they are not interested in internationalizing their products at the moment simply because they have not evaluated the possibility.

Figure 23

Companies in international markets

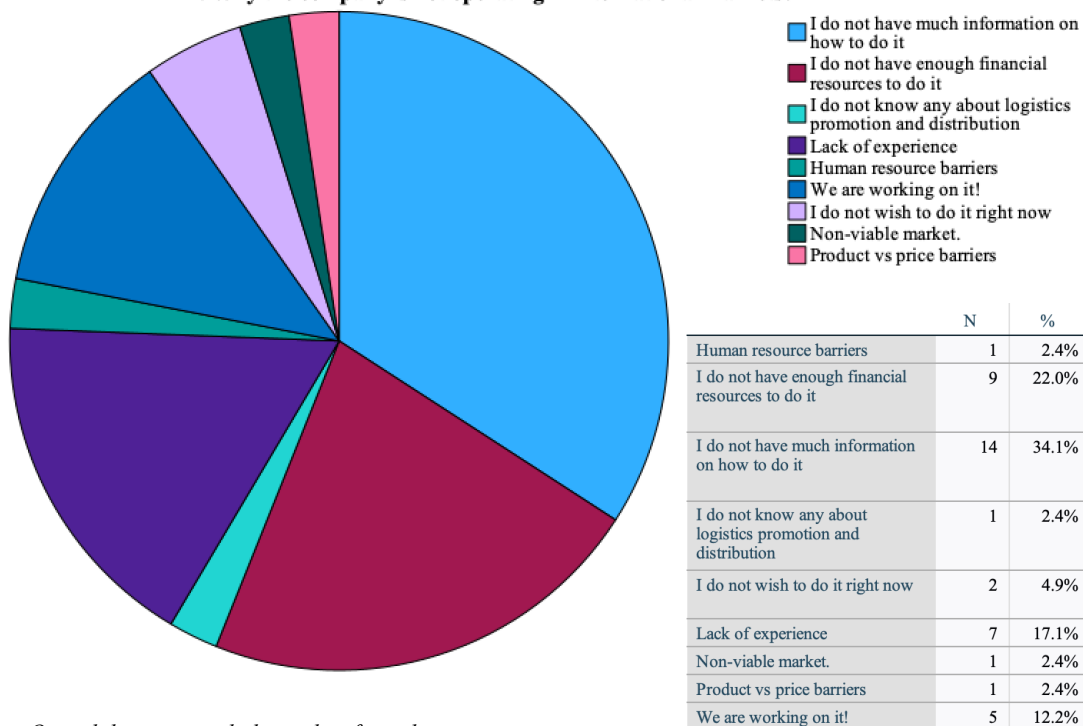


Note: Own elaboration with data taken from the survey

Figure 24

Reasons for not operating in international markets

11. Why the company is not operating in international markets?



Note: Own elaboration with data taken from the survey

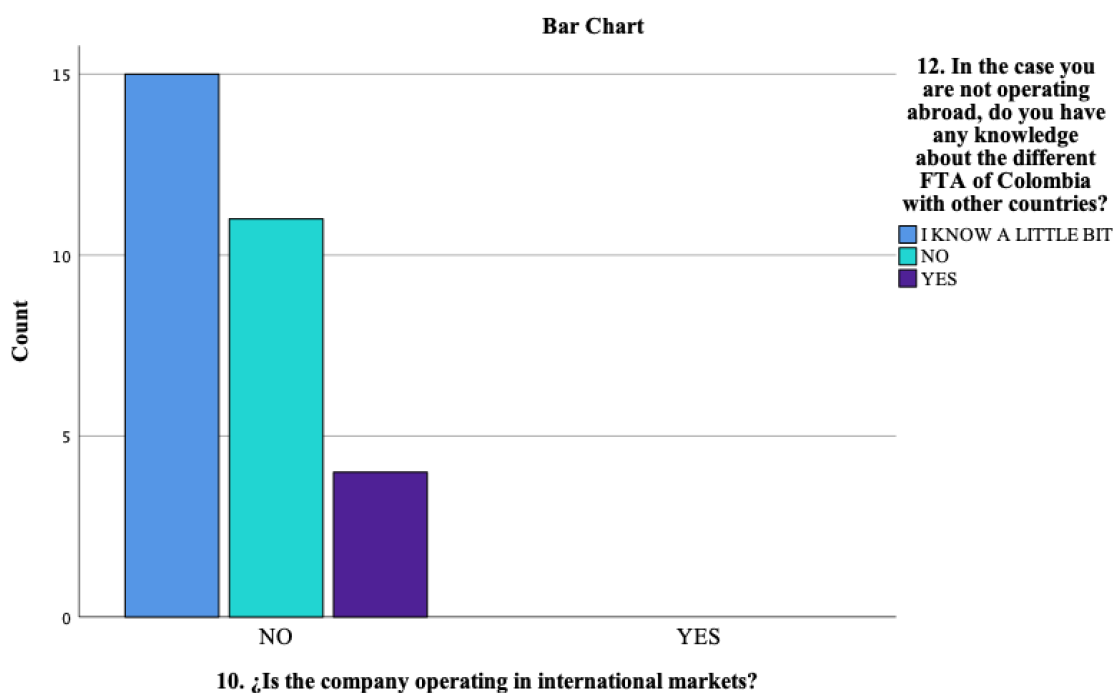
- An important aspect to highlight is that those respondents who do not operate in international markets (30 who answered this question) have some knowledge of Colombia's free trade agreements with other countries (50%), and very few are those who have knowledge and understand how these agreements work (13.3%). On the other hand, 36.6% lack knowledge of how these agreements can benefit their business (Observe Figure 25).

Similarly, respondents who are currently operating abroad (9 respondents who answered this question) surprisingly exhibit the same patterns. The majority of them (44.4%) have some awareness of free trade agreements but do not fully understand how they work, how they are applied, or which countries could provide them benefits, 33.3% have no

knowledge of these agreements, and the remaining 22.2% do know what they are and how they are used (Observe Figure 26).

Figure 25

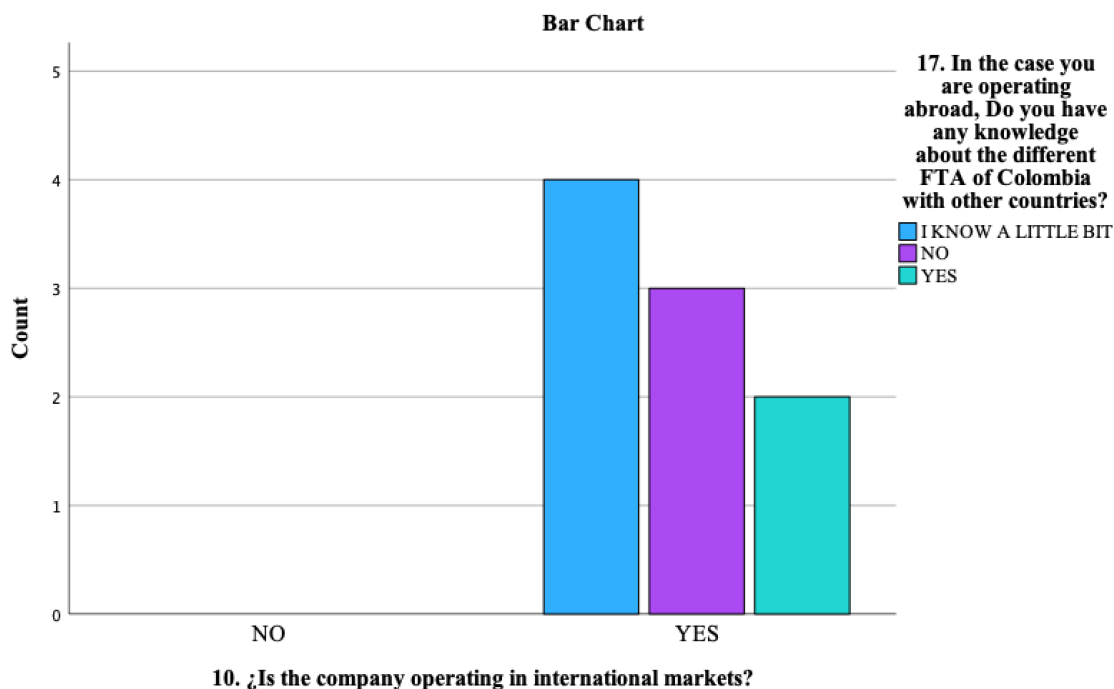
Companies not operating in international markets vs. knowledge of FTAs



Note: Own elaboration with data taken from the survey

Figure 26

Companies operating in international markets vs. knowledge of FTAs



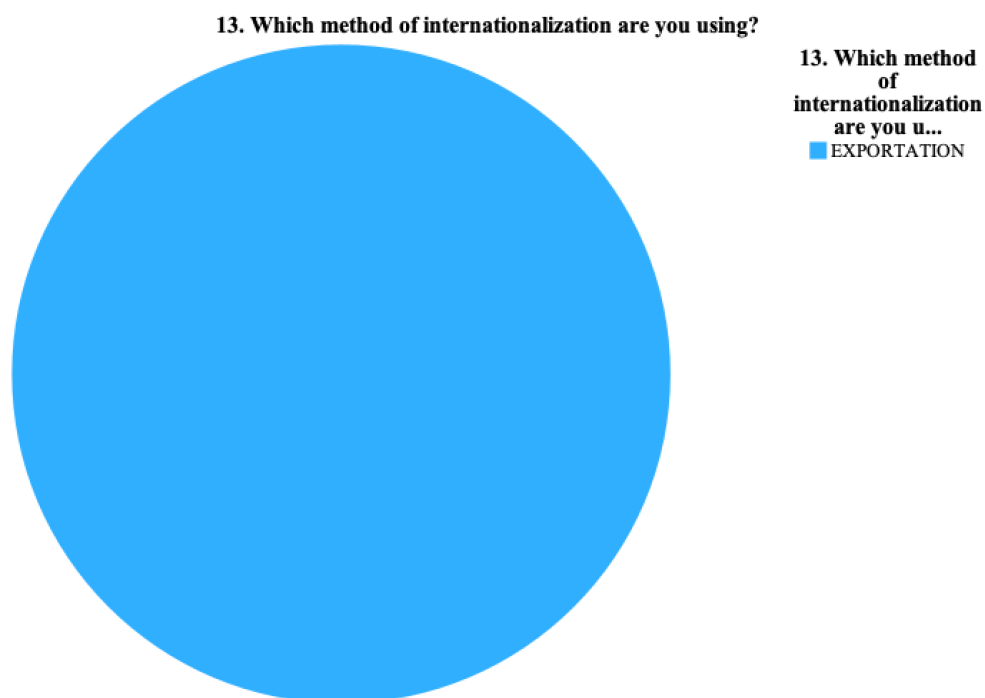
Note: Own elaboration with data taken from the survey

- In the following figure, it can be observed that companies that responded affirmatively to operating abroad, 100% of them use exportation as a method of internationalization (Observe figure 27). Many companies have limited knowledge about other methods used and believe that the easiest way to start selling their products abroad is through exportation. This is because it offers lower risk, meaning there's no need for significant upfront investments, It provides learning opportunities about new markets, flexibility and enables companies to compete on a global level, potentially gaining a competitive advantage by offering unique products to international clients over time.

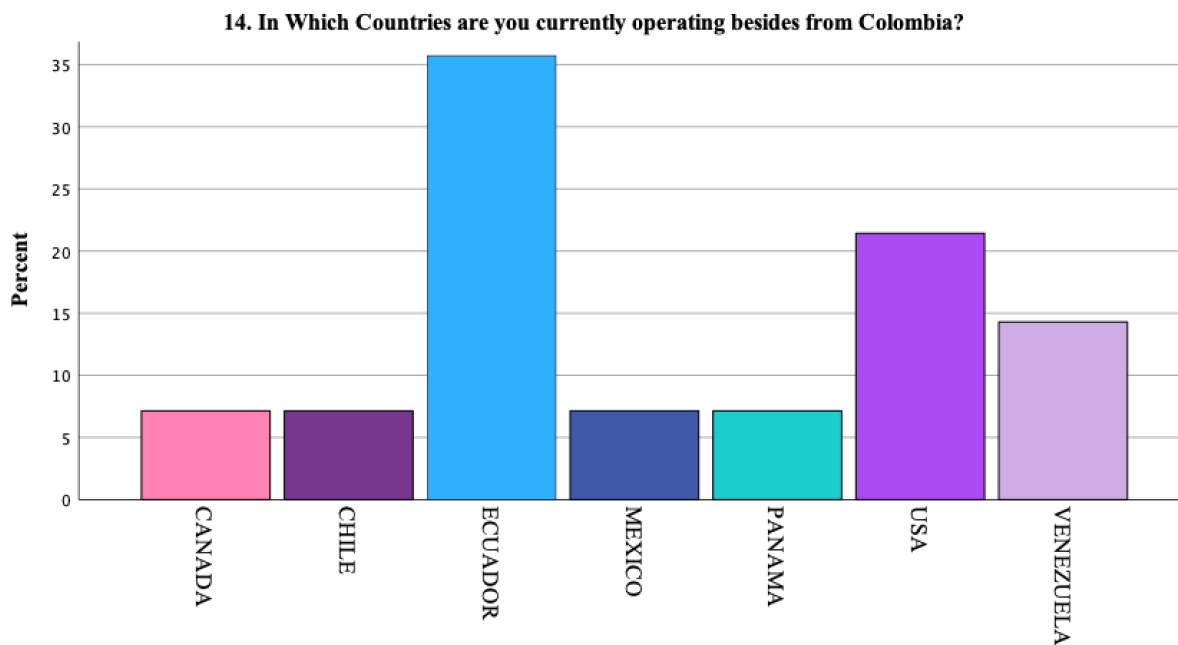
Ecuador is a neighboring country to Colombia, and 35.7% of surveyed companies operating in international markets state that they export to this country due to factors such as language, culture, costs, and transportation times. Another neighboring country is Venezuela, and 14.3% of exporters send their products there for similar reasons of proximity. 7.1% claim to export to countries like Canada, Chile, Mexico, and Panama. An additional 21.4% export to the United States, benefiting from new opportunities arising from free trade agreements and the high demand for natural and organic products in the country (Observe figure 28).

Figure 27

Method of internationalization

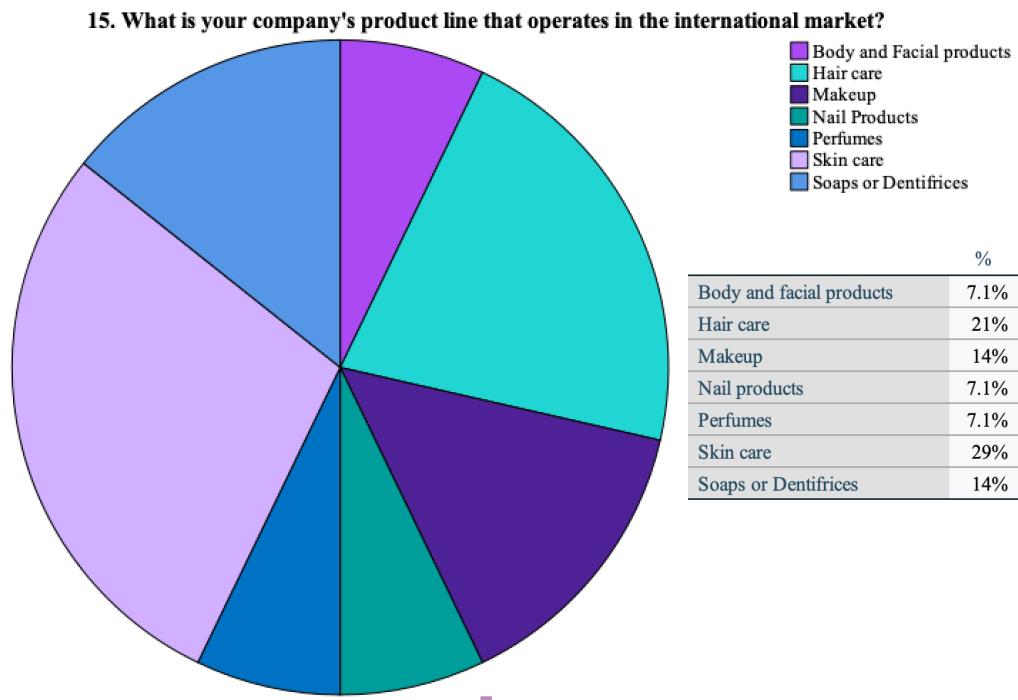


Note: Own elaboration with data taken from the survey

Figure 28*Countries of Exportation*

Note: Own elaboration with data taken from the survey

- The main products being exported in the cosmetics and personal care industry, according to the respondents, are skincare with 29% of the responses, soaps, and dentifrices with 14%, body and facial products, hair care products, perfumes, and nail products, all of the above with 7.1% of responses (Observe Figure 29).

Figure 29*Product line that operates in the international market*

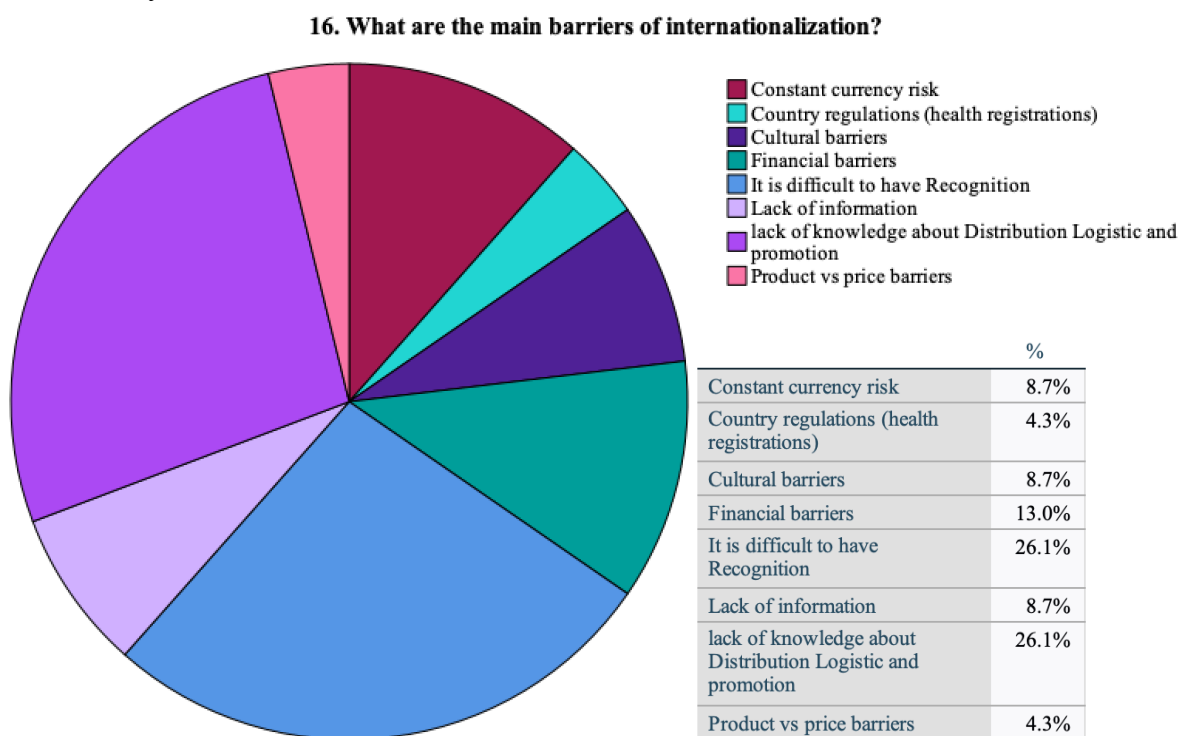
Note: Own elaboration with data taken form the survey

- For the respondents who answered the survey that also are currently operating in foreign markets, there are different barriers to internationalization, but the most significant challenges in their perspective include the difficulty in gaining recognition in the foreign country (26.1%), the lack of information about logistics and distribution channels (26.1%), the financial barriers (13%), the constant risk associated with the currency risk (8.7%), cultural barriers such as language - traditions - norms (8.7%), and lack of information on how to do it (8.7%).

An important fact to highlight is that 4,3% of the respondents agreed that in the cosmetic and personal care industry, a key factor is the “sanitary measures” because every country has a different regulatory system that makes it difficult for a product to be exported as it requires the health authority in the destination country to review whether the product complies with the required sanitary measures, and this can, at times, result in higher costs to meet those requirements.

Figure 30

Main barriers for internationalization



Note: Own elaboration with data taken form the survey

Section 5 - Conclusions and Recommendations

This section presents the conclusion of the investigation and discusses relevant outcomes for the research question proposed, contribution, suggestions of strategies, and reflection.

In conclusion, Based on the information previously shown, The cosmetic and personal care industry in Colombia is experiencing rapid growth, dynamic, and innovation as it is focusing on covering new segments such as ecological, natural, organic, and sustainable ingredients, which means that many national companies can have a competitive advantage and reach different markets with high demand for this type of product thus making sustainable use of the natural resources of the third most biodiverse country on the planet (Colombia).

Additionally, the Uppsala model is crucial for understanding why Colombian SMEs in the industry primarily export to their neighboring countries. Those companies that claim to have limited experience and resources also face obstacles such as the lack of financing, scant government support, and limited access to distribution channels on their way to internationalization, they rather start by targeting near markets through controlled exports. Subsequently, they try to acquire knowledge over time that enables the expansion of operations, leading to the establishment of strategic alliances or factory acquisitions, which facilitate their growth in foreign countries. That is the reason why they differ from big corporations with more experience, resources, and competitive advantages.

Access to financing represents a significant challenge for the SMEs in Colombia due to the fact that there is a massive restriction in obtaining suitable credit that makes it a considerable

barrier to their operations. The limitations in securing credit not only hinder the ability of these companies to navigate through periods of crisis but also impede their capacity to invest in modernization efforts, as highlighted by Arias and Londoño (2019). This also can be demonstrated by the results of the survey carried out because it shows that the majority have the perception that financial barriers are a motive that puts a stop to the growth of a company and its internationalization. That is why strategies that can improve access to credit and reduce dependence on informal financing, such as loans from family and friends, among others... could have a key role in internationalization success since it could be easy to get money for their growth, and better development of operations and even help the country's economy.

Another challenge is the lack of information that they have about the topic (e.g. logistics, promotion, culture, partners, how to mitigate risks), mainly because is difficult to find this information and is not easy to understand if you do not have a basic knowledge of the terms (e.g. incoterms, tariffs, joint venture, entry mode).

Also, it is important to mention that the implementation of the new constitution in 1991 marked a turning point for the economy since it encouraged companies to participate in a more global environment, It can be seen how small and medium-sized companies have evolved and despite the limitations they have begun to be participants in the international market, likewise, Proexport has become a facilitator in the internationalization process since it allows entrepreneurs to be participants in simplified export processes, they offer adaptation programs and different exploratory missions that are vital in the process to succeed in global markets, The combination of the evolution of SMEs in the international market, and strategies created by

entities like Proexport could point to a promising trajectory for the growth and global integration of Colombia in which entrepreneurs in the cosmetics and personal care industry can take advantage of opportunities on the global stage. But, it is also worth highlighting that there is a long road ahead, and efforts need to be focused on assisting these companies to grow and promoting various forms of support. As seen, there is a significant lack of awareness in the country about internationalization, and even if there is government aid available or not, if it remains unknown, it will be very challenging for different companies to benefit from it.

Strategic commitments with different countries through free trade agreements are also advantageous for SMEs because they can lead to an increase in product exports, higher foreign investments, enhanced technology for environmentally friendly product creation, job creation, diversification, and more. Hence, employing diverse communication strategies with the population can prove effective in ensuring everyone becomes aware of the numerous advantages of internationalizing. This, in turn, could help position Colombia with sustained economic progress, greater trade opportunities, and a more interconnected global presence.

Finally, the companies in the industry must do their part if they want to be able to internationalize and look for different ways to expand into new markets; since all the respondents of the survey operate through exports and none have explored other methods, the reflection is on the way to the evaluation of strategies and opportunities that may arise abroad (e.g. focusing on beauty trends, formulation innovation and improvement of marketing strategies to cater to diverse consumer preferences, use of new technology) in order to grow thru the diversification of

sources of income participating in the international markets and thus Colombia can be a reference for the quality of cosmetic products in the world.

Section 6 - Limitations & Future Research Directions

This last section presents the limitations experienced throughout the investigation, as well as some future research directions that may be explored in future studies.

Limitations

The main challenges faced while collecting the data were, for example, the quality of the data: there is a lot of information on the internet, but that is why the investigation was focused on academic journals and other sources (JSTOR, Academic Search Complete EBSCO host, Google Scholar, and the Official web pages of entities in Colombia e.g. Colombian Government Single Portal, Legiscomex, ANDI, Procolombia, between others) to ensure the quality of the research and avoiding poor quality data.

Another limitation is that this study aimed to reach a particular industry in the Colombian market, and a small number of enterprises answered the survey, which means that probably there is a lack of information, and the results were based on the perception of the person who responded. Also, the people who responded were not all found face to face but also in social media, and the survey was made in 'forms' from Google Drive; it was a link that they needed to open, and nowadays, there is a fear of cybercrime, and this means that a lot of this people do not trust in links or messages that other people send, with this mentioned, it was difficult to collect

information and a lot of companies kindly responded that the internal policies won't let them open external files from unknown people.

Also, there is the important factor of time, where people are very busy because most of the small and medium-sized companies have between one to ten employees, which means that there is a lot of work to do and they are in charge of a lot of different projects and activities which means that people do not have the time to respond questions regarding their business.

Future Directions

As the investigation was focused on a small number of companies in the cosmetics and personal care industry, the suggestion would be to expand the study in order to include a larger number of companies to enhance the generability of the findings but focus on those companies that are manufacturers of products in the industry; also, a comparative analysis can be done with the small size and large for validate the conclusions.

Furthermore, in-depth interviews can be done with the key stakeholders to gain richer insights into their perspectives; something interesting also would be analyzing a case study to get a better understanding of the experience.

Moreover, future research is needed to better understand the opportunities and thus encourage more enterprises to grow and expand their business into new markets through the most convenient method of internationalization.

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Appendices

Appendix A

Free trade agreements of Colombia in force in the year 2023

1	<p>Partial Scope Agreement Colombia - Panama</p>	<p>Signed within the framework of ALADI in July 1993, which came into effect with Decree 2781 of 1994.</p> <p>Colombia grants duty preferences to Panama for more than 300 products and, in return, receives duty preferences for the export of more than 80 products. These preferences are reductions ranging from 20% to 100%.</p>
2	<p>Partial Scope Agreement Colombia - Venezuela</p>	<p>It was signed on November 28, 2011, by the Presidents of Colombia and Venezuela. The annexes were signed on April 15, 2012.</p> <p>In the Colombia-Venezuela treaty, they agree to grant tariff preferences. In the case of Colombia's sensitive products, the preference applies to the defined base tariff, and the Parties cannot impose tariff burdens that could affect bilateral trade.</p>
3	<p>Pacific Alliance: Colombia - Chile - Mexico -</p>	<p>Formally and legally constituted on June 6, 2012, with the signing of the Pacific Alliance Framework Agreement.</p> <p>Through the Alliance, Colombia deepens trade relations with the most successful economies in Latin America, to which a significant portion of its</p>

	Peru	value-added exportable supply is directed.
4	Canada	<p>The agreement was approved through Colombian Congress' Law 1363 of December 9, 2009.</p> <p>It comprises three independent agreements that are related to each other.</p> <p>These are:</p> <ol style="list-style-type: none"> 1. The Free Trade Agreement 2. The Labor Cooperation Agreement 3. The Environmental Agreement <p>These three agreements are interconnected and form a comprehensive framework for trade and cooperation between the involved parties.</p>
5	<p>Andean subregional integration agreement (CAN) Colombia - Bolivia -</p>	<p>Since 1993, the Andean Community (CAN) has had a Free Trade Zone for goods between Bolivia, Colombia, and Ecuador. Gradually, Peru joined this zone between 1997 and December 31, 2005.</p> <p>The Agreement contains a Goods Liberation Program aimed at eliminating duties and restrictions of any kind affecting the import of products originating from the territory of any Member Country. As a result, 100% of goods that circulate within the Andean subregion are exempt from tariffs.</p>

	Ecuador - Peru	
6	CARICOM	<p>CARICOM is an organization created on July 4, 1973, with the signing of the Treaty of Chaguaramas by 15 Caribbean countries.</p> <p>Its objectives are to elevate the standard of living and work in the nations of the region, eradicate unemployment, accelerate, coordinate, and sustain economic development. Additionally, within the framework of this Agreement, Colombia receives 100% tariff preferences on 1,074 products from Trinidad and Tobago, Jamaica, Barbados, and Guyana. Meanwhile, Colombia grants 100% tariff preferences to the twelve CARICOM countries on 1,128 products under the nomenclature.</p>
7	Chile	<p>It was approved by the Constitutional Court and entered into force on May 8, 2009.</p> <p>100% of the tariff universe was duty-free, except for products subject to the price band mechanism, on which the variable component tariff continued to apply.</p>
8	Corea	<p>The entry into force of the Agreement with South Korea will allow Colombia to get closer to Asia since, as indicated, it is the first Agreement that Colombia has signed with that region of the planet.</p>

		<p>This Treaty has multiple advantages, both for consumers and producers. On one hand, consumers will have access to a greater number of goods at better prices. On the other hand, producers will have new opportunities to export and grow, which will generate more and better jobs. Overall, companies from all sectors will benefit from the gradual elimination of tariffs for raw materials, inputs, and intermediate goods.</p>
9	Costa Rica	<p>It was implemented through Decree 1231 on July 29, 2016.</p> <p>This agreement provides preferential access, especially for Colombian manufactures that currently compete at a disadvantage against third countries, in one of the most attractive markets in the region.</p>
10	Cuba	<p>It entered into force on July 10, 2001.</p> <p>Colombia can access the Cuban market with 100% tariff preferences. Additionally, Colombia will gain preferences in textiles and clothing, automotive (buses, cars, motorcycles, trucks, auto parts), soaps and cosmetics, and leather, among others.</p>
11	EFTA Suiza -	<p>It was signed on November 25, 2008, and was approved through Law 1372 on January 7, 2010.</p>

	Liechtenstein - Noruega - Islandia	The importance of this Treaty for Colombia can be summarized in the following points: Market expansion, Expansion, and diversification of investments. Strengthening and broadening integration ties with European countries.
12	El Salvador - Guatemala - Honduras	The Agreement was signed on August 9, 2007, in Medellin, Colombia, and was submitted to the Colombian Congress on February 20, 2008. These Agreements cover a small group of products through fixed tariff preferences.
13	United States	Signed in Washington on November 22, 2006. The Agreement represents a great opportunity for those SMEs (Small and Medium-sized Enterprises) that want their products to reach the U.S. market, which is a market with high purchasing power and high prices. By not having to pay entry tariffs to the United States, SMEs become more competitive and can position their products in the world's largest market.
14	MERCOSUR Argentina - Brasil - Uruguay - Paraguay	Its date of subscription was July 21, 2017. Colombian products have preferential access to one of the largest and most protected markets in the continent, with approximately 97% of the tariff-free universe.

15	United Kingdom	The Agreement guarantees that the current tariff preferences for both agricultural and industrial products will continue to apply as agreed under the Multilateral Trade Agreement in force since 2013.
16	FTA Colombia - Mexico	Signed In Law 172 of December 20, 1994, and Decrees 2900 and 2901 of December 31, 1994. The G3 FTA included a significant market opening for goods and services and established clear and transparent rules on trade; they agreed to a reduction of tariffs for most of the tariff universe over a 10-year period, Currently, 97% of the tariff universe is set at 0% tariff.
17	European Union	It was signed in the city of Brussels, Belgium, on June 26, 2012. Colombian SMEs are major winners since, there will be tariff-free access for 99.9% of Colombian exports in the industrial and fishing sectors, as well as a significant portion of our agricultural offerings.
18	Israel	It entered into force on August 11, 2020. It was approved by the Congress of the Republic through Law 1841 of July 12, 2017. In the industrial sector, 99% of Colombia's exports to Israel will be tariff-free with the entry into force of the agreement. The agreed-upon terms will enable Colombian exporters with a presence in the Israeli market to increase

		their sales in petrochemicals, cosmetics, cleaning utensils, textiles, clothing, jewelry, and auto parts.
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Note: Own elaboration with data obtained from the Ministry of Commerce, Industry, and Tourism (Ministerio de Comercio, Industria y Turismo).

Appendix B

List of questions of the survey

Survey		
1.	What is the name of the company? / ¿Cuál es el nombre de tu empresa?	
2.	Is this a 100% Colombian Company? / ¿Es esta una empresa 100% Colombiana?	◦ Yes / Si
		◦ No
3.	What is your name? / ¿Cuál es tu nombre?	-
4.	What is your position in the company? / ¿Cuál es tu cargo en la empresa?	-
5.	What is your level of education? / ¿Cuál es tu nivel de educación?	a High School / Bachiller Academico

		b	College / Tecnico - Tecnologo
		c	University / Profesional Universitario
		d	Master or above / Maestria o superior
6.	How long the company has been operating? / ¿Por cuánto tiempo la empresa a estado operando?	a	Less than a year / Menos de un año
		b	1 - 2 Years / 1 - 2 Años
		c	2 - 5 Years / 2 - 5 Años
		d	5 - 10 Years / 5 - 10 Años
		e	More than 10 years / Mas de 10 años
7.	Which is the legal form of the company in Colombia? / ¿Cuál es la forma juridica de la empresa en Colombia?	a	S.A. Sociedad Anonima
		b	Ltda. Sociedad limitada

		c	S.A.S. Sociedad por acciones simplificadas
		d	Sociedad cooperativa
		e	Sociedad colectiva
8.	How many employees does the company has at the moment? / ¿Cuántos empleados tiene la empresa al momento?	a	1 - 10 People / 1 - 10 Personas
		b	11 - 50 People / 11 - 50 Personas
		c	51 - 200 People / 51 - 200 Personas
		d	More than 200 People / Más de 200 Personas
9.	What is the level of assets of the company? / ¿Cuál es el nivel de activos de la empresa?	a	\$50.000.000 COP (12.000 US) or less / \$50.000.000 COP o menos

		b	\$51.000.000 COP - 100.000.000 COP (24.000 US)
		c	\$101.000.000 - \$580.000.000 (139.200 US)
		d	\$581.000.000 (139.440 US) or more / \$581.000.000 en adelante
10.	Is the company operating in international markets? / ¿La empresa esta operando en mercados internacionales?	a	Yes / Si
		b	No
<p>If your last question was (Yes / Si) please proceed to the question #13 , otherwise keep answering normally thank you!</p>			
11.	Why the company is not operating in international markets? / ¿Por qué la empresa no esta operando en mercados extranjeros?	°	I do not have a lot of information on how to do it / No tengo mucha informacion de como hacerlo

		o	I do not wish to do it right now/ No deseo hacerlo en estos momentos
		o	I do not have sufficient financial resources to do it / No tengo recursos financieros suficientes para hacerlo
		o	Other (Which one) / OTRO ¿Cuál?
12.	In the case you are not operating abroad, do you have any knowledge about the different FTA of Colombia with other countries? / En el caso de que no este operando en el exterior, ¿tiene algún conocimiento de los diferentes TLC que tiene Colombia con otros paises?	a	Yes / Si
		b	A little / Un poco
		c	No
In case you are not currently operating abroad, you just finished this survey, thank you for your participation / En el caso que la empresa no este operando en el exterior, acaba de terminar esta encuesta, muchas gracias por su participación			

13.	<p>Which method of internationalization are you using? (multiple choice available) / ¿Cuál metodo de internacionalizacion esta usando? (respuesta multiple disponible)</p>	◦ Exporting	
		◦ Licencing / Franchising	
		◦ Joint Venture	
		◦ Wholly owned subsidiary	
14.	<p>In Which Countries are you currently operating besides from Colombia? / ¿En cuales paises esta operando actualmente a parte de Colombia?</p>	◦ USA	
		◦ CANADA	
		◦ MEXICO	
		◦ PERU	
		◦ VENEZUELA	
		◦ ECUADOR	

		<input type="radio"/> ARGENTINA
		<input type="radio"/> CHILE
		<input type="radio"/> ESPAÑA
		<input type="radio"/> BRASIL
		<input type="radio"/> OTHER (Which one) / OTRO ¿Cuál?
15.	<p>What is your company's product line that operates in the international market? / ¿Cuál la línea de productos de su empresa que operan en el mercado internacional?</p>	-
16.	<p>What are the main barriers of internationalization? / ¿Cuáles son las principales barreras de internacionalización?</p>	<input type="radio"/> Informational Barriers / Falta de información
		<input type="radio"/> Human Resource Barriers / Barreras de recursos humanos

	<ul style="list-style-type: none"> ◦ Financial Barriers / Barreras financieras
	<ul style="list-style-type: none"> ◦ Product and price barriers / Barreras de producto vs precio
	<ul style="list-style-type: none"> ◦ Distribution, Logistics and Promotion Barriers / Distribución, Logística y promoción
	<ul style="list-style-type: none"> ◦ Social and Cultural Barriers / Barreras culturales y sociales
	<ul style="list-style-type: none"> ◦ Political conditions / Condiciones políticas
	<ul style="list-style-type: none"> ◦ Active management of risk /
	<ul style="list-style-type: none"> ◦ Presence or entry barriers / Presencia o reconocimiento y entrada
	<ul style="list-style-type: none"> ◦ OTHER (Which one) / OTRO ¿Cuál?

17.	In the case you are operating abroad, do you have any knowledge about the different FTA of Colombia with other countries? / En el caso de que este operando en el exterior, ¿tiene algún conocimiento de los diferentes TLC que tiene Colombia con otros países?	a	Yes / Si
		b	A little / Un poco
		c	No

Thank you for your participation!