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REVIEW ARTICLE

Reflection on education and laboratory

COMPETITIVE FACTORS IN THE LEATHER BUSINESS ENVIRONMENT. CASE: PYMES LEATHER GOODS DEPARTMENT OF NARIÑO

FACTORES COMPETITIVOS EN EL SECTOREMPRESARIAL MARROQUINERO. CASO: PYMES MARROQUINERAS DEPARTAMENTODE NARIÑO

FATORES COMPETITIVOS NO AMBIENTE DE NEGÓCIOS DE MARROCH. CASO: DEPARTAMENTODE PYMESDE COURO DE NARIÑO

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Abstract

The leather sector in Colombia is substantially represented by micro and small companies. If it is observed from the productive part, this industry is a generator of employment, intermediate goods and industrial growth; it is volatile, because it is highly dependent on the behavior of the demand for the products it offers, it increases or decreases over time in accordance with fashion trends. This research focuses on characterizing the Leather Goods sector in the Department of Nariño, based on a market analysis of the industry, using the tool of Porter's competitive forces. It is carried out under an interpretive paradigm and qualitative approach, the type of research is descriptive and the technique used is the interview and survey; concluding that it is an unattractive sector. The sector is perceived as having a level of rivalry in balance between competitors, as well as with suppliers; it is at a medium-low level to negotiate with its buyers, but it is substantially threatened by substitute products; Their entry barriers are low and their exit barriers are high. In general, despite the threats encountered, it still has potential for growth and development for those who know it and are capable of being innovative.

Keywords: competence; textile industry; market; productivity; industrial sector

JEL: D41; L1; L16; L67; O14

Resumen

El sector marroquino en Colombia está representado substancialmente por micro y pequeñas empresas. Si se observa desde la parte productiva, esta industria es generadora de empleo, bienes intermedios y crecimiento industrial; es volátil, porque es altamente dependiente del comportamiento de la demanda por los productos que ofrece, se incrementa o disminuye por temporalidades de acuerdo con las tendencias de la moda. Esta investigación se centra en caracterizar el sector Marroquino en el Departamento de Nariño, partiendo de un análisis de mercado de la industria, mediante la herramienta de las fuerzas competitivas de Porter. Se realiza bajo un paradigma interpretativo y enfoque cualitativo, el tipo de investigación es descriptivo y la técnica utilizada es la entrevista y encuesta; concluyendo que es un sector poco atractivo. El sector se percibe con un nivel de rivalidad en equilibrio entre competidores, al igual que con proveedores;

se encuentra en un nivel medio bajo para negociar con sus compradores, pero se ve amenazado sustancialmente por productos sustitutos; sus barreras de entrada son bajas y de salida son altas. En general, pese a las amenazas encontradas, aún tiene potencial de crecimiento y desarrollo para quienes lo conocen y sean capaces de ser innovadores.

Palabras clave: competencia; industria textil; mercado; productividad; sector industrial

JEL: D41; L1; L16; L67; O14

Resumo

O setor de couro na Colômbia é substancialmente representado por micro e pequenas empresas. Se observada desde a parte produtiva, esta indústria é geradora de empregos, bens intermediários e crescimento industrial; é volátil, pois é altamente dependente do comportamento da demanda dos produtos que oferece, aumenta ou diminui ao longo do tempo de acordo com as tendências da moda. Esta pesquisa se concentra em caracterizar o setor de Artigos de Couro no Departamento de Nariño, com base em uma análise de mercado da indústria, usando a ferramenta de forças competitivas de Porter. É realizada sob um paradigma interpretativo e abordagem qualitativa, o tipo de pesquisa é descritiva e a técnica utilizada é a entrevista e levantamento; concluindo que é um setor pouco atrativo. O setor é percebido como tendo um nível de rivalidade em equilíbrio entre concorrentes, bem como com fornecedores; está em um nível médio-baixo para negociar com seus compradores, mas está substancialmente ameaçado por produtos substitutos; Suas barreiras de entrada são baixas e suas barreiras de saída são altas. Em geral, apesar das ameaças encontradas, ainda tem potencial de crescimento e desenvolvimento para quem o conhece e tem capacidade de inovar.

Palavras-chave: competência; indústria têxtil; mercado; produtividade; setor industrial

JEL: D41; L1; L16; L67; O14

Introduction

Manufacturing refers to a sector of the economy responsible for transforming raw materials into final products (De La Hoz, 2021). In Colombia, according to the National Administrative Statistics Department (DANE), during 2019 the leather industry shows an increase in production and sales; this growth is reflected by the requirements in the commercial sector, the launch of new brands of products, scholar season and the growth of the exports; such exports of leather products increase much more in 2019 compared to 2018, mainly as a result of the sales to United States, Peru and Chile (DANE, 2021).

In contrast, since the first quarter of 2021 leather exports have declined compared the same period of 2020; this decrease is attributed to the collapse of sales in EE. UU, Italy, and United Kingdom (Pérez, 2021). By the end of 2022, the manufacturers faced several issues such as the lack of inputs and raw materials. Additionally, with the increase in the export of raw leather to China and Italy markets, the available supply in Colombia has diminished, leading to higher prices (Camara de Comercio de Bogotá, 2022).

On the other hand, the Departments that export the most leather products in Colombia are Bogotá and Cundinamarca (76%), Valle del Cauca (15%) and Antioquia (8%). The Department that imports the greatest number of leather items is Bogotá and Cundinamarca, followed by Antioquia and Valle del Cauca (Asociación Colombiana de Industriales del calzado, el cuero y sus manufacturas [ACICAM], 2019).

The leather sector has forward and backward links, the last ones are constituted by the demand for intermediate goods and keeping interrelationships with the other sectors, so that its growth drags down the entire economic system, which, at the same time boosts it causes a vicious circle in the economy (Palomino, 2017). Although this sector is important for its economy, there are weaknesses such as instability in production, employment, and sales. It is necessary to support small and medium companies to export, build and adapt access roads; credit facilities, and greater technology (Páez et al., 2021).

Therefore, it is important for a region as well as for a country to search for competitiveness in the different economic sectors, especially for the analyzed sector, as it is stated by Niño et al., (2018) it is essential to foster attractive public politics for the leather sector, mainly for exports. In this

way it is argued that manufacturing industries are the engine of economic growth, but particularly those incorporating greater technology, scientific and innovative progress (De Jesús et al., 2021).

Regarding this issue, the Nariño Department, according to the report of the Private Competitiveness Council (2020), is located in position 19 among 33 Departments, where the efficiency, sophistication, and innovation factors are not favorable, affecting micro and small companies, being necessary to look for mechanisms to improve these indicators. It is important to mention the existence of the Private Competitiveness Council in Colombia, which has intended to integrate the industrial and academic sectors as well as the workers associations to contribute with strategies that allow to improve competitiveness (Parra et al., 2019).

Despite the above, the leather sector is important for the economy of the Department, due to the number of employments that produce and the potential which may be developed in a globalized economy. In the Department, the municipalities of Pasto and Belén are the ones with greater leather and leather goods production; still, because of their structural characteristics, they are usually at disadvantage in resources as well as in capacities, in comparison with the big companies (Ministerio de Educación Nacional, 2020) Taking into account the importance of the leather sector and its development in Nariño as the epicenter of the economic growth, the characterization of the sector is made, based on an analysis of the sector through Porter's five forces and raising the research question if it is an attractive sector for an investor and how competitive forces influence on this industry?

Methodology

This research study was carried out through an interpretative paradigm, with a qualitative focus. The type of study in function of its objectives, the study is classified as descriptive-exploratory research. The Competitiveness factors of the leather sector in the Department of Nariño were analyzed, appealing to primary data, on the one hand, using an interview guide, applying triangulation, and reaching inductive variables, on the other hand, a questionnaire in which the information was tabulated and analyzed using the SPSS

The method used is inductive, so Hernandez and Mendoza (2018) argue that "The inductive method goes from the particular to the general, on the way it moves from cases and data to results" (p. 13).

That is why this research establishes judgments based on the analysis of the leather industry, according to competitive market factors.

The information recollection techniques were an interview and a survey, and the instruments, the structured interview guide, and the questionnaire which were applied to the same population. In this sense, the population object of study corresponds to the main actors of the leather sector in Nariño, composed of seven people: representatives of the business sector (the executive president of the Chamber of Commerce of Pasto and three business people of the sector), representatives of the educative sector (an expert professor of the sector and a professional Economics professor with postgraduate studies in competitiveness), and an expert from Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, (ACICAM).

Therefore, the information recollected after applying the instrument (structured interview guide) was emptied into a categorization matrix, organized according to each question, followed by the analysis and interpretation of the information. In this sense, propositions and inductive categories were created in order to understand the information obtained and identify the competitive factor of the leather sector in Nariño.

In addition, a questionnaire was applied (including 56 variables), which consists of the analysis of Porter's five forces: new entrants, suppliers, competitors, substitutes, and buyers. Such a questionnaire was developed by the research group in perdurability of the Administration Faculty of Universidad del Rosario, which seeks to carry out an analysis of the situation of a strategic sector to which the companies belong. (Annex 1). A software that allows to assess the market forces through a qualification code was used: I = Inexistente; B= Bajo; MB=Medio Bajo; E= En equilibrio; Ma = Medio Alto; A= Alto; thus through an analysis it assigns its rating to each one of the variables that conform the strengths of their qualification.

As stated by Rivera et al. (2010)

This methodology of sectoral analysis known as market forces has been used by a large number of business people to diagnose what occurs inside the companies and through them may be possible to define strategies that will be creators of competitive advantages. (p. 6)

Results

Globalization has achieved that competitiveness takes more importance in the different spheres of the economy of a country, so companies must be alert to changes and trends in the market. In this regard, Porter (1980) points out that a company must offer to the market products and services apparently necessary and innovative for the customer, it means, something that catches its attention and fosters the competitiveness of the company.

Likewise, Porter (2005) argues that economic development starts with the sophistication and innovation of working practices, different strategies of the companies, and the quality of the business environment in which the companies of a country compete. Today there are relevant methods and aspects to determine the competitiveness of a nation, so it is possible to assess the capacity that the countries have at a macro level, according to the indicators that place them in a global position. However, at a micro level, several factors are discussed to define the competitiveness of a company, based on relevant aspects which come from different theories.

In this sense, Sánchez et al. (2019) state that competitiveness originates in three levels, a country level, a sector level, and a company level; that is why it is a relative concept since all countries, sectors or companies have the same competency levels in the markets. Within the competitiveness measurements, Saavedra (2012) proposes for the competitiveness measurement of Latin American SMEs, to understand internal aspects as well as external aspects; among the internal variables are the functional areas of a company (human talent, finances, production and marketing) and others are related to technological, environmental, quality and innovation variables. In regards to external variables are the measurement of the macro, meso, and meta levels.

Consequently, the competitiveness of the companies is not only linked to the internal variables of each one of their functional area but also to the macroeconomic and sector variables. As stated by Buitrago et al. (2019):

Competitiveness is an internal characteristic of the company system, whose value is constituted by several factors and it is in the function of the capacity of the business people and the organization to manage, it means, getting involved in all the aspects of the company: strategic, financial, commercial, productive, technological and environmental, required by the business (p.6)

Estrada et al. (2009) conclude that the analysis of the competitiveness is influenced by the effect of internal and external factors and place their study model into an internal perspective focusing on the following variables: human resources, strategic planning, innovation, technology, and quality certification. In the same way, there is a competitiveness model raised by Jimenez (2006), which defines six factors determining the competitiveness of companies, they are: commercial management, financial management, production management, science and technology, internationalization, and managerial management.

Finally, focusing on the customer in the organizations may result in a fundamental aspect of competitiveness analysis, to the extent that, creating added value to the customers, allows to build loyalty and to reach new customers. As argued by Martinez et al. (2019) who point out that companies have the challenge of facing the market, focusing on the customer. Moreover, Metzger and Donaire (cited by Cantillo, 2013) describe the importance of competitiveness in theories about marketing strategy management, because this management searches that companies will be competitive based on the customer.

Environment analysis

It is expected that the environmental factors of the companies foster suitable business conditions to make decisions, seeking to generate greater competitiveness (Medeiros et al., 2019). Therefore, it is necessary to know that the impact of the ecosystem surrounding the companies is determined by the fact that a company is not an isolated entity, but is a part of a similar universe, that is why, all organizations operate in a changing world, and they are subject to powerful forces which are beyond their control (Cardona, 2021).

In this sense, the environment of an economic sector searches to know and assess the impact that the changes occurring in it generate on companies, to find strategies, opportunities and face the threats derived from these changes (Betancourt, 2011); as stated by Porter (1982) “the essence of formulating a competitive strategy consists of relating a company with its environment” (p.23).

In the same way, the analysis of the environment of a company sector may be done by identifying the competitive forces derived from the type of activity of an industrial sector (Betancourt, 2014). The forces are elements that influence positively or negatively on the sector which must be analyzed; such competitive forces establish how attractive and profitable the sector is. Besides, a

good analysis of a specific sector pays attention to the structural foundations of profitability, understanding an appropriate time horizon, and being important to distinguish temporal changes from structural changes.

Porter's Forces

According to Porter (1991) “The five forces establish the utility of the industrial sector because they influence on the prices, costs, and the investment requires of the companies of a sector” (p.22). These forces are determined by the power of negotiation of buyers and suppliers, the threat of new competitors and substitutive products, and finally the rivalry among competitors. Consequently, the important competitive forces to competitive business development will be defined.

The threat of new competitors in a sector introduces new capacities and a desire to acquire participation in the market, putting pressure on prices, costs, and the required investment rate to compete, and the power of powerful suppliers, capturing a greater part of the value for themselves, by charging higher prices, restricting quality services or shifting costs to the sector participants (Porter, 2008).

The power of powerful buyers can capture a greater value if they force prices to drop, demanding better quality or better services (which increase the costs) and generally, causing sector participants to confront each other, all of this to the detriment of the sector's profitability, and when the threat of substitutes (a product or a service which solves the same needs) is high, the profitability of the sector decreases.(Porter, 2008).

The high rivalry among existing competitors of a determinant sector decreases its profitability and depends on how competitive the companies are, it may be applying aggressive strategies. So, for instance, rivalry among competitors is a determinant element to take action, strengthening its positioning in the market, and protecting its competitive position (Porter, 2009). Therefore, the strategies of a company may only be successful to the extent that they provide a competitive advantage over the strategies of the rival companies (Donawa et al., 2018).

Leather sector analysis

The sector analysis starts by identifying the input and output barriers, where the leather companies compete in the Nariño department, and determining if the competitive forces (suppliers, customers, competitors, substitutes) become a threat or an opportunity for the sector.

Level of rivalry among existing competitors

This force was developed taking into account variables such as the level of market concentration, fixed costs level, sector growth, switching costs, degree of overcrowding, capacity, and output barriers, which were analyzed by the experts involved.

Regarding the concentration level variable, the information obtained concludes that there is not a high rivalry, but there is enough similarity in the offer of products, which may result in a price competence. Considering the fixed costs level, it was found that the costs structure is low as is the sector growth, observing a customer decrease, but despite of this fact, the companies have tried to stay in the market.

In relation to the switching costs, they are considered moderately high, that is why, it is not possible to change of activity easily, emphasizing also on the idea that experience and knowledge ensure that the business is not changed or ended. Regarding the degree of overcrowding, the analyzed existing companies show certain similarities when some parameters such as prices, promotions, technology, services, and infrastructure are compared.

Analyzing the variable corresponding to the output barriers, it is considered moderately high, the experts think that retiring from this activity has implications due to the difficulty of selling its machinery and equipment; so, the most important factors restricting the output are the existence of fixed assets (machinery and equipment), which implies high conversion costs if it is necessary to change of activity and the resistance to sell or get rid of the company, generated by emotional responsibilities of the owners.

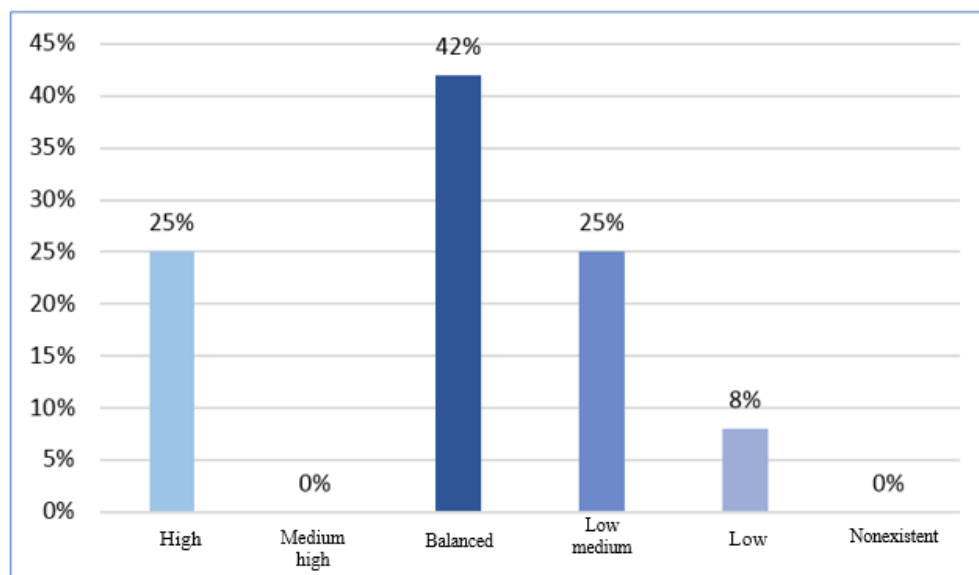
Finally, the increase in capacity is influenced by the installed capacity of the companies; it means, not all of them present the same technology and infrastructure to compete; however, the companies that have enough technology and infrastructure decrease their capacity due to the introduction of synthetic materials, especially Asian and Chinese imported products.

According to the results obtained, 42% of the interviewed consider there is a balance in the rivalry among competitors, 25% that the rivalry is high and the other 25% that it is moderately low and only the remaining 8% think that the rivalry is low. This result is due to the fact that there are few leather companies in the Nariño department which dominate the sector and where there is no price war.

Besides, the situation generated by the pandemic has made the sector not have any growth in the last two years, even a lot of companies were closed, that is why the rivalry is in balance, with a tendency to go down. Next, in Figure 1 is possible to observe the rivalry level that the competitors of the sector have.

Figure 1

Rivalry among existent competitors



Source: own elaboration.

Buyers' bargaining power

The following variables were taken into account in the analysis of this force: degree of concentration and overcrowding, backward integration, buyer information on the supplier, importance of the supplier to the buyer and degree of importance of the input.

Regarding the degree of concentration and overcrowding, the experts consider that the leather goods industry in Nariño has local, national and, although few foreign clients, this is thanks to the symbolic identity acquired; however, and despite the importance of the companies for the clients, they do not become essential, since the costs of change imply that the buyers find other purchasing options.

Buyers do not exert pressure on prices, because it is not easy to integrate backwards, due to the restrictions to become involved in the activity, which requires knowledge and experience, as well as investment capital. On the other hand, it is not easy for the buyer to obtain information from the supplier; this may be because there are no available databases of product information, much less of the financial situation.

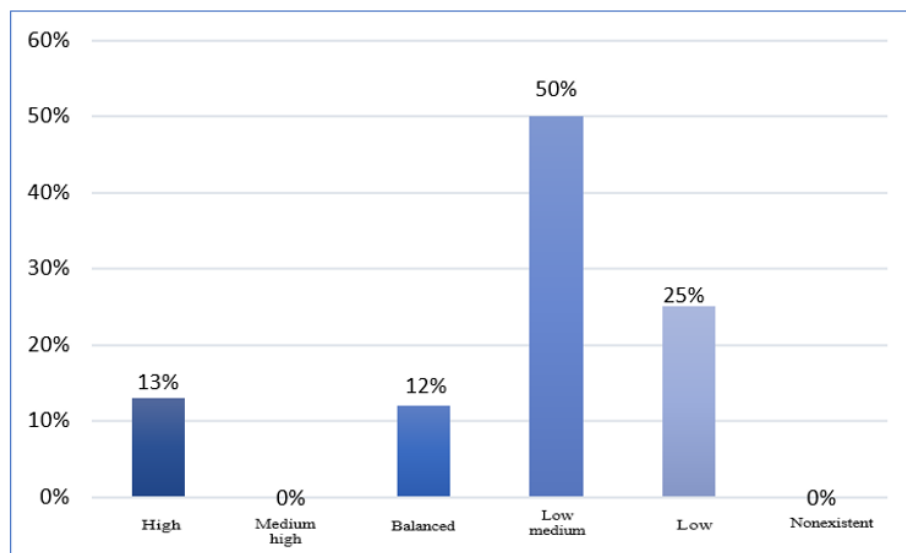
Regarding the importance of the products offered, these are significantly useful and because of their texture they are generally very desirable, but some are easy to replace, therefore, the differentiation that companies can offer is in the levels of innovation, excellent quality and service.

The leather goods sector is a sector that meets the customers' expectations in terms of leather products, the results indicate that customers can have high expectations when it comes to influencing product quality and prices. Therefore, bargaining power is at a medium-low level and a minimal part has high bargaining power.

The graph shows that buyers' bargaining power for the leather goods sector is 50% medium-low, 25% low, for 12% the bargaining power is balanced and for the remaining 13% it is high (Figure 2).

Figure 2

Bargaining power of buyers



Source: Own elaboration.

Income risk

To identify the degree of difficulty that companies have in entering the sector, emphasis was placed on the opinion of entry barriers, taking into account variables such as: economies of scale, shared operations, raw materials, learning curve and experience, shared costs, switching costs, technology, response times, brand position, design and service, and levels of investment and patents.

The analysis of the variables identified that the sector has weaknesses in economies of scale, although investment in machinery and equipment represents a barrier to entry for new companies, due to the complexity of the production chain and the shared operations that can be found in the sector, which means that there are diversified companies that have developed products through empirical knowledge and the application of technology to differentiate themselves in the market.

When it comes to obtaining raw materials, it does not become a high barrier, as it is easily accessible, both regionally and nationally level, but what represents a high barrier to entry is the learning curve and the experience curve, variables that are crucial for the negotiation with suppliers, negotiation of raw materials, product development and the ease of problem-solving

ability that may arise in the environment; likewise, shared costs, exchange costs and technology are barriers to entry, since the company has a diversified portfolio and differentiation, particularly in soft technology, which is a key characteristic of the sector, play a significant role in overcoming these barriers.

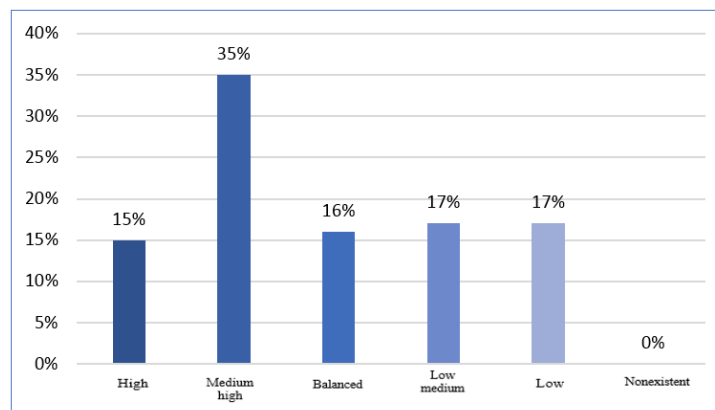
Short response times make entry barriers high, although the sector has disadvantages in terms of brand positioning, design and service. Most of the companies in the department of Nariño do not have a recognized brand, such as Vélez, Bossi, Limón Piel, or the service offered by the Totto brand; not only design but also commercial positioning is important.

Similarly, there are difficulties in investing in fixed assets (machinery, equipment and technology), and in none of the cases analyzed is there any patent creation in the sector; investment in research and development is minimal and none in microenterprises, and access to distribution channels is not very efficient; thus, it is very rare to find leather goods in franchises and department stores. In terms of price wars, the companies do not harm each other, and for the moment they offer competitive prices.

In Figure 3, it can be seen that the results show that the entry of new companies to the sector is in a medium-high risk rating of 35% and high in 15%, therefore, the market share of these companies has been maintained, largely due to entry barriers such as knowledge, experience, investment, positioning, among other barriers that make access to the sector difficult, although there are some barriers that are easy to comply with, such as access to raw materials and shared operations.

Figure 3

Income risk



Source: Own elaboration.

The suppliers' bargaining power

The analysis of this factor was carried out by reviewing variables such as degree of concentration, costs, advantages and substitutes, which are analyzed below, taking into account the opinion of the experts interviewed.

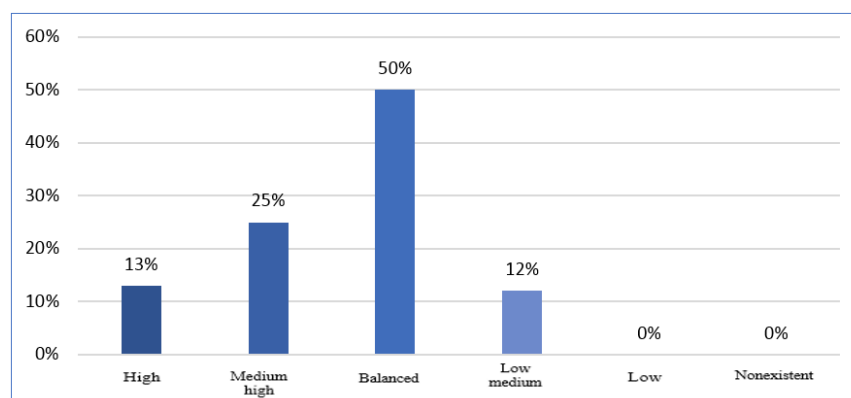
With respect to the degree of concentration variable, it was found that there are local, national and international suppliers. The leather industry has been affected by foreign demand, as the best quality hides are sent to Europe, to countries such as Italy, where they are highly sought after, and therefore the raw material is expensive (raw material costs) and of lower quality, giving power to the supplier, who ultimately ends up with a certain level of advantage, as the inputs are essential.

Another important variable is the pressure of substitute products and synthetic materials in the market, which has contributed to reducing the problem of finding suppliers, although in the end it is not considered an advantage in terms of bargaining power. The sector's leather manufacturers can seek out and negotiate with new suppliers, but the cost of initiating new negotiations is high; therefore, they tend to negotiate and maintain balanced relationships that allow them to win.

In Figure 4, it can be seen that there is a certain advantage for suppliers when negotiating, largely because they have a large part of the market assured, however, the production of raw materials is good and 50% of those interviewed think that the power is in balance, while 25% think it is medium high, 13% high and only 12% qualify it as medium low. The analysis of this strength also found that there are many foreign suppliers, which makes it possible to a large extent to regulate prices locally, and the presence of some substitutes puts pressure on suppliers.

Figure 4

Bargaining power of suppliers



Source: Own elaboration.

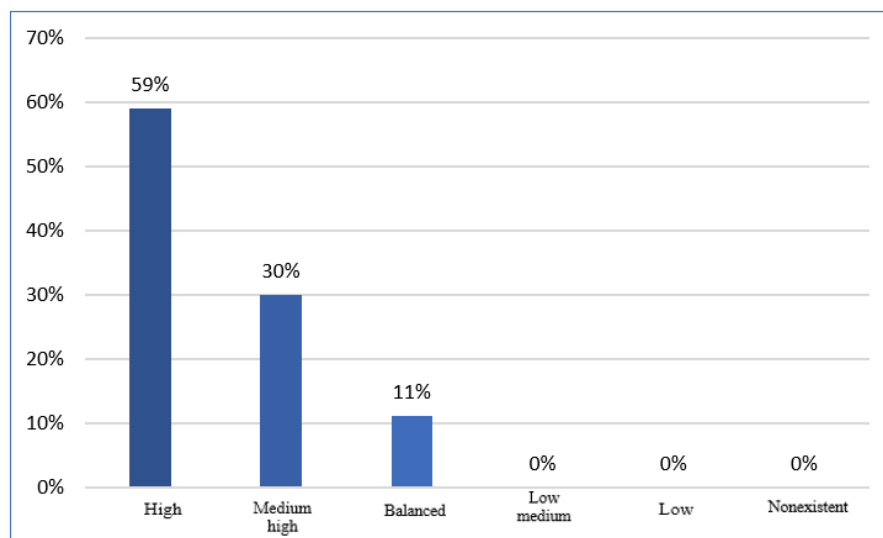
Substitute products

In order to determine the level of threat of displacement of substitute products for the leather goods sector, variables analyzed by the experts were taken into account, such as: costs, prices, performance and yield. As for the trend to improve costs and prices, the sector is threatened, since the supply of substitute products, especially those made of synthetic material, are available at low prices and perform the same function. On the other hand, leather goods have an advantage in terms of performance improvement, since leather products are of better quality and are more efficient.

However, the objective of achieving higher financial returns for the company presents difficulties when it comes to finding many substitutes and satisfying a need on the part of those who purchase the products, also in the acquisition of substitutes. In Figure 5, it can be seen that the threat is high in 59%, medium high in 30% and in equilibrium in 11%.

Figura 5

Bienes sustitutos



Source: Own elaboration.

According to the results obtained from the application of this methodology (competitive variables), it was determined that the leather goods sector in the Department of Nariño is not attractive, since it has weaknesses in terms of entry and exit barriers, as well as many substitute products, which makes entering this sector risky for an investor.

Evaluating the sector by means of these forces allowed identifying some advantages and disadvantages when analyzing and determining the attractiveness of entering the sector (Table 1).

Table 1

Advantages and disadvantages of the leather industry

Advantages	Disadvantages
<ul style="list-style-type: none"> • Little Rivalry among competitors. • Being products of good quality material and exclusive designs, they can have power over buyers. • Ease of access to raw materials. 	<ul style="list-style-type: none"> • Slow growth of the sector. • Difficult to enter the sector, since knowledge and experience are required, the learning curve is high and the costs of changing activity or sector are high.

- It is a sector that is characterized by the quality of the materials used and that can improve the performance and useful life of its products.
- Limitations in obtaining information on the leather sector.
- Suppliers may at some point control the market, which would lead to increased costs.
- Threat of substitutes that could displace the industry.

Source: Own elaboration.

Some alternatives are proposed for the competitive improvement of the leather goods industry in the Department of Nariño (Table 2).

Table 2

Competitive improvement alternatives for companies in the leather industry

Objective	Strategy	Activities
Strengthening management, administration and marketing management	Develop management, leadership and customer service skills.	Link universities and support institutions to promote and provide technical courses on administration and marketing. Link interns from SENA and educational institutions.
Consolidating the sector's association	To create an association of leather workers, taking into account the knowledge, experience and technology acquired.	Creation and development of an association to strengthen the guild, join efforts and market its products in national and international markets through events, fairs, specialized and industrial pages.
Strengthen innovation and the use of ICTs	Improve productivity and differentiation through the use of ICT and innovation.	Sensitization and training for entrepreneurs on the use of technology. In addition to training in product, service, process and marketing innovation.
Protect the environment	Design processes that do not affect the environment in the leather production	Research by universities on clean processes for the production of leather.

chain.

Reinventing work methodologies at the process and product levels	Develop innovative processes in the generation of new production methods to reduce costs, increase productivity in the face of a threat to installed capacity and the presence of substitutes..	Search for alternatives for the development of these processes. Consolidate alliances with governmental entities and educational institutions that seek continuous improvement processes in the sector.
Consolidation of products in the national and international market	Training and consultancy on fashion trends	Creation of fashion associations, allowing them to attend social, cultural, sporting and other events involving the sector, in order to achieve technology and knowledge transfer.
Consolidate brands	Develop brands and position them, which will allow the sector to have more control over the market where the big brands dominate.	Creation of creation spaces (leather goods makers), which allow the customer to know and show the product, at the same time the companies will be able to generate importance in their products and provide a service more associated to the development of new products.

Source: Own elaboration.

Conclusions

According to the analysis of the sector and the opinions found in the experts knowledgeable about the current situation of the leather goods industry, it can be interpreted that the sector has more threats than opportunities and that, analyzed according to Porter's five Competitive Forces matrix, it was found a sector with a level of rivalry in equilibrium among competitors, The most critical factor is to be threatened by substitute products, especially imported textiles, making it an unattractive and slow-growing sector.

The Pymes in the leather sector have the possibility of focusing and specializing in a market niche (exclusive market), taking into account a specific line of products to offer, promotions, advertising, and distribution channels, in accordance with the aforementioned segment. It is necessary to find new customers, suppliers and learn about the latest developments in the sector; likewise, analyze the competition, observe their products, designs and sales strategies, identify the strengths of the business and seek alternatives to address weaknesses and threats.

The leather goods sector in the Department of Nariño must invest in research and development (R&D) and generate strategic alliances with government entities to strengthen the sector. In this sense, for research on the design of environmentally friendly processes in the leather production chain, research funding is needed, as well as support from universities in the transformation of hides, so that important innovations that benefit the community can be patented. In addition, it is important to consolidate leather goods guilds in order to achieve competitive advantages; creating and strengthening an association would be an opportunity to join efforts and seek the competitiveness of the sector.

Ethical considerations

The present study did not require the endorsement of an Ethics or Bioethics Committee since it did not use any living resource, agent, biological sample or personal data that represent any risk to life, the environment or human rights.

Conflict of Interest

All authors made significant contributions to the paper and declare that there is no conflict of interest related to the article.

Authors' contribution statement

Andrea Lorena Arteaga Flórez: conceptualization, methodology, software, validation, formal analysis, visualization, supervision, project management, fund acquisition and research. Diego Marcel De la Rosa Salazar: research, resources, data curation, writing - original draft, writing: review and editing, and formal analysis.

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Annexes

Annexe 1

Competitive strengths of the leather sector

LEVEL OF RIVALRY BETWEEN COMPETITORS	High	Medium High	Equilibrium	Medium Low	Low	Nonexistent
1. Level of concentration						
2. Level of fixed costs						
3. Sector growth rate						
4. Switching Costs						
5. Degree of crowding						
6. Capacity increases						
7. Foreign Presence						
LEVEL OF EXIT BARRIERS						
8. Specialized Assets						
9. Fixed Exit Costs						
10. Strategic Interrelationships						
11. Emotional Barriers						
12. Social - Governmental Restrictions						

BARGAINING

POWER OF BUYERS

13. Degree of concentration
14. Importance of the supplier to the buyer
15. Degree of crowding
16. Switching costs
17. Ease of Backward Integration
18. Buyer's information about the supplier
19. Buyers earn low margins
20. Degree of Importance of the Input

RISK OF ENTRY

Entry Barriers

21. Levels of economies of scale
 22. Shared Operations
 23. Privileged access to raw materials
 24. Special productive processes
 25. Learning curve
 26. Experience curve
 27. Shared Costs
 28. Technology
 29. Switching Costs
 30. Response Times
 31. Brand Position
 32. Design Position
 33. Service Position
 34. Price Position
 35. Patents
 36. Investment Levels
 37. Access to Channels
- ##### Government Policies
38. Tariff Levels
 39. Subsidy Levels
-

-
40. Regulations and legal framework
 41. Tax Rates
 42. Response from Rivals
 43. Liquidity level
 44. Debt capacity
 - BARGAINING POWER OF SUPPLIERS
 45. Degree of concentration
 46. Pressure from substitutes
 47. Level of advantage
 48. Level of importance of the input in processes
 49. Switching costs
 50. Threat of forward integration
 51. Supplier's information about the buyer
 52. Degree of crowding
 - SUBSTITUTE GOODS
 53. Trends to improve costs
 54. Trends to improve prices
 55. Trends towards performance improvements
 56. Trends to high yields
-

Source: Rivera et al. 2010.