Chapter 70

Engineering Paradise: Marketing the Dominican Republic's Last Frontier

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Mass tourism development projects transform rural landscapes in profound ways. They alter how local populations historically use the land and sea, typically by shifting them away from subsistence agriculture and fishing, to low-end wages in tourist resorts and ancillary services. Development promises claim that new jobs will provide unskilled employment opportunities for local residents. However, residents often wind up living in un-serviced shantytowns. Even though some high-paying jobs become available, they are usually assigned to well-educated nationals from provincial or capital cities or even to foreigners. For low-skilled tourist workers, it is debatable whether or not living conditions and quality of life are actually improved by this form of economic development. A series of social problems appear, leaving governments to address how they will handle an inequitable distribution of wealth.

This paper analyzes the most ambitious mass tourism complex undertaken in the Caribbean in the new millennium. Cap Cana, a joint venture between Dominican and international backers including the Wall Street tycoon Donald Trump, represents a new blend of hybrid branding and life-style representation in its promotion of second-home and vacation destinations. We begin by framing mass tourism issues in the tropics and subtropics and then turn to a history of the eastern portion of the Dominican Republic. The case study of Cap Cana reveals a unique blend of branding of recreational spaces that promotes a life-style approach to high-end tourism that resonates with the kind of place-promotion found in gated communities in the developed North Atlantic countries.

70.1 The Context of Exclusive Tourism in the Tropics

Coastal zones are sensitive transition areas where land meets sea, and can be considered among the most productive habitats with coastal wetlands, reefs, and tidal flats, and use of the land in and along the coastal zone can affect this dynamic

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ecosystem (Clark, 1996). A major impact of coastal tourism is related to water quality as and beaches have been found to have elevated levels of coliform in some areas. Infrastructure construction, including building hotels and shopping centers, and dredging marinas specifically, disrupts the important coastal transition zone along a beach, and may have a greater impact than non-tourism related land uses. For example, Clark (1996: 16) reports, "in some countries, harbors and marinas built primarily for recreational use by small boats may disturb more of the coastal zone than commercial and industrial uses." Concern has been raised that Cap Cana's large marina will affect groundwater quality over a large area of the eastern end of the island, and may result in saltwater intrusion into the aquifer. A seemingly less noxious practice than marina dredging, the removal of sea grass by resorts, has led to environmental repercussions in Mauritius (Daby, 2003). It is believed that tourists may find the grasses unsightly or that they may harbor disease-causing organisms, but their removal can have far reaching impacts on water turbidity and marine fauna. Without planning regulations in place, such as requiring an environmental impact assessment, such practices can, in the long run, upset delicate ecosystems and damage beaches – a main attraction for tourists. Not only has mass tourism development in the Caribbean had a direct and immediate impact on the local environment, but uncontrolled coastal development without coordinated planning efforts or enforcement of existing regulations has made coastal areas in the region more vulnerable to the impacts of climate variability and change, such as hurricanes and sea level rise (Lewsey, Cid, & Kruse, 2004).

One alternative to mass tourism that appears to be gaining momentum involves ratcheting tourist developments down to the local scale. As with development in the Caribbean, mass tourism developments in Brazil have not, in many cases, achieved the expected benefits to local populations. Negative social and environmental impacts (Brennan 2004) have been felt in communities, so that a move toward more local scale community-based tourist development is advocated in spite of the dominance of mass tourism in government policies (Bartholo, Delamaro, & Bursztyn, 2008).

Mass tourism in the Caribbean region usually entails the formation of enclaves. Cancun, on Mexico's Caribbean coast, provides an excellent example of the way that tourist facilities can be truly separate, culturally, socially, and economically, from local communities. After its initial development in the 1970s as an exclusive resort for the wealthy, Cancun, referred to by locals as "Gringolandia," has transformed into an "overbuilt mass tourism destination" (Torres & Momsen, 2005: 315) with far reaching social and environmental impacts. The resort was intentionally planned to separate tourist space from the areas resided in by locals, leading to obvious inequities as upscale hotels are visible from the poorly constructed shantytowns that house the resort workers. Those workers are rarely, if ever, able to use the beach along a developed coastline (Torres & Momsen, 2005).

Coastal development in the Dominican Republic has followed a similar trend as local residents have been removed from their traditional fishing communities (Juanillo) to make way for mass tourism developments such as Cap Cana. Workers residing in shantytowns, typically with little to no government services,

cross the divide into the resort to provide unskilled labor to resorts in the areas of housekeeping, landscaping, and construction. As with Cancún, visitors to the eastern Dominican Republic rarely venture off resort property and have little idea of the shantytowns bordering their resort. Unlike resort development in the Dominican Republic, Cancún has a natural barrier to separate local populations from resorts given that tourist development has taken place on an island. For a megaresort such as Cap Cana that does not have a natural barrier, high walls and security guards are used to separate local and tourist spaces, and “protect” tourists from local populations and the visual blight of shantytowns, which exist only because of the presence of the resorts. While the focus here is on mass tourism in the developing world, particularly the Caribbean, mass tourism projects in developed countries are also more frequently viewed as unsustainable. For example, Spain's Balearic Islands entered a period of stagnation in the early 1990s as beaches and natural resources deteriorated and local investment was non-existent, among other problems (Aguilo, Alegre, & Sard, 2005).

70.2 The Pioneers of Eastern Dominican Republic Tourism

In 1969, Theodore W. Kheel, a New York attorney who had been appointed by Presidents Kennedy and Johnson as a mediator to resolve labor and civil rights conflicts, along with a group of other American investors, purchased approximately 15,000 acres (6,070 ha) of land on the east coast of the Dominican Republic. The property was mostly undeveloped jungle and contained approximately 10 km (6.2 mi) of oceanfront with numerous white sand beaches. Joining the American investors was a group of local businessmen led by entrepreneur and hotelier Frank R. Raineiri. There was no road access to the area, and the local economy was primarily based on agriculture and fishing. At the time the area was called “Cap en Guano” (literally “covered in bird droppings”), and marine charts identified the place as “Punta Borrachón” (literally “drunk's point”). Shortly after the property was purchased, the name was changed to “Punta Cana,” after a local species of palm tree.

Managed by Raineiri and Kheel, the *Compañía de Desarrollo Turístico Residencial e Industrial S.A.* (today known as *Grupo Puntacana*) began development of the property with the opening of the Punta Cana Club in 1971. This small resort had 10 two-room villas, a clubhouse, housing for employees, a small generator plant, and a basic aircraft landing strip. At full capacity the Punta Cana Club could accommodate only 40 guests, but it demonstrated that the area had potential as a tourist destination. Grupo Puntacana sought an internationally-known hotel chain to locate a resort in Punta Cana, and, in 1979, Club Med (Club Méditerranée of Paris, France) opened the first large hotel in the area with 350 guest rooms on a portion of Grupo Puntacana's land near the site of the Punta Cana Club (Leavenworth 2002).

Even after the Dominican government constructed the first access road to connect Punta Cana with the country's highway network, tourists had to travel at least four hours to and from the nearest airport located in Santo Domingo. Principally for this

reason, Grupo Puntacana began the development of the Punta Cana International Airport. After a lengthy governmental approval process, construction was started in 1982 and the first international flight landed on the new 5,000-ft (1,524 m) runway in 1984. Approximately 3,000 passengers arrived in Punta Cana via the new airport during that first year of operation. The runway was later lengthened to allow non-stop flights from Europe and the U.S. During peak season, the Punta Cana International Airport, which currently accommodates 250 flights per week (mostly from Europe and North America), serves over three million passengers annually.

Punta Cana has become the most highly visited and fastest growing Caribbean tourist destination, and the Punta Cana International Airport has been a significant factor in the explosive growth of the region's tourist industry. Although "Punta Cana" technically refers only to Grupo Puntacana's original 15,000 acre (6,070 ha) land tract, the entire coastal resort area of La Altagracia Province in the eastern Dominican Republic is served by the airport. This runs along the coastline; it is approximately 60 km (37.2 mi) from Juanillo, the site of the new Cap Cana development south of the original Punta Cana resort, and north and west to Bávaro and then west to Macao and Uvero Alto); this area now goes by the name "Punta Cana." In 1995, there were only 3,000 hotel rooms in the Punta Cana area and Grupo Puntacana's Puntacana Resort and Club was the largest. By October 2002, there were 18,300 hotel rooms in the Punta Cana area (Leavenworth 2002); many of the newly built resorts had far surpassed the Puntacana Resort and Club in size. According to the Punta Cana/Bávaro Hotel Association (Asociación de Hoteles y Proyectos Turísticos de la Zona Este), the area currently has approximately 25,000 hotel rooms in 50 resorts.

By comparison, the development of the Cancún resort area on Mexico's Yucatan peninsula, with its 131 km (81.3 mi) of coastline, also began in the early 1970s. However, unlike Punta Cana, which has been developed almost entirely by private investors, the Cancún resort was initiated by significant government investment. As a result, Cancún's tourist zone was initially planned in a more comprehensive way. Its most significant period of growth occurred about a decade-and-a-half earlier than in Punta Cana. Cancún's international airport was opened in 1974, and its 8,500-ft (2,591 m) runway was able to accommodate wide-cabin aircraft. By 1976, Cancún had 1,500 hotel rooms. According to the Cancún Hotel Association (Asociación de Hoteles de Cancún), the Cancún tourist zone currently has about 25,000 hotel rooms in 100 hotels.

The growth of tourism in the Punta Cana area brought a flood of migrants from other parts of the Dominican Republic seeking employment in the booming construction industry or in service positions in the expanding resorts. Many of these migrants settled on undeveloped land owned by the resorts. While only 3–4 families of farmers and fishermen lived on the property when Kheel and Raineiri purchased the land in 1969, by 1993 a squatter settlement west of the airport, named "Verón," had grown to about 80 houses. Prior to the 2000 presidential election, many additional squatters came to Punta Cana. Some of the families living closest to the extended airport runway had to be relocated, and Grupo Puntacana decided to resettle the squatters on a portion of the original land tract, pledging to give the residents who resettled there full title to the land. They also built a small

community of new houses with electricity and indoor plumbing to compensate the relocated residents. Although some squatters resisted Grupo Puntacana's offer, all of the residents eventually agreed to the resettlement (Leavenworth 2002). Immigration to the area continued, and, by 2005 the growing population of Verón was estimated at between 6,000 and 8,000. Other squatter settlements have appeared in the region. Because of inadequate infrastructure in these communities, especially the lack of routine garbage collection and the absence of any sewage treatment system, negative environmental impacts, including contamination of well fields, from which the resorts obtain potable water, and damage to sensitive coastal marine ecosystems, are feared. The local association of hoteliers has pledged to invest in a new potable water distribution system, bringing fresh water from many miles inland via a system of aqueducts. But the realization of such a large project will require many years. Verón and surrounding communities have been the beneficiaries of a number of smaller community improvement projects initiated by Grupo Puntacana, including the construction of a new high school, the Ann and Ted Kheel Polytechnic School.

Grupo Puntacana, headed by Kheel and Raineiri, along with investors Julio Iglesias and Oscar de la Renta, owns and operates the Punta Cana International Airport, the busiest airport in the Dominican Republic and said to be the world's first privately owned international airport. The airport terminal, designed by Oscar Imbert, a Dominican architect who focuses on the design of sustainable buildings for tropical climates, does not employ air-conditioning in most of its public spaces, instead taking advantage of natural ventilation strategies based on preindustrial historical precedents, including native Arawak/Taino Indian models. The design of the airport terminal supports Kheel and Raineiri's vision for the area, viz., to create a resort community that respects the natural environment of Punta Cana while offering visitors a world class vacation experience. In addition to the airport, Grupo Puntacana operates the low-density, 432-room Puntacana Resort and Club, with a marina and an 18-hole golf course designed by P. B. Dye, the luxury residential real estate development of Corrales, and a shopping center and a residential community for Puntacana workers, with schools for their children.

The firm's corporate literature promotes environmental stewardship. Grupo Puntacana's electrical power generating plant serves the local area, and the resort employs state-of-the-art sewage treatment systems. To avoid depleting fresh groundwater, the wastewater treatment facility provides reclaimed water for irrigation of the golf course and landscaping around the resort. Grupo Puntacana's approach to managing a resort is consistent with Ted Kheel's longstanding commitment to sustainable growth, as evinced in the efforts of organizations such as Earthpledge (earthpledge.org), which he founded and the Puntacana Ecological Foundation (puntacana.org). Ironically, despite its commitment to ecologically responsible development, Grupo Puntacana's success in establishing the Punta Cana International Airport has enabled the rapid and uncontrolled expansion of tourism in the region. It is unfortunate that only a few of the other resorts in the area share Grupo Puntacana's vision of sustainable tourism development.

It is fair to say that, prior to the construction of Cap Cana, shantytown development, inadequate water supplies, groundwater contamination, and coral reef

destruction were already evident. Cap Cana's growth, to which we turn, has emerged in the midst of these many environmentally and socially unsustainable loose ends.

70.3 Cap Cana History

South of the Punta Cana-Bávaro strip of hotels and resorts remained the large strip of white sandy beaches whose development was impeded only by the fishing village of Juanillo (Fig. 70.1). Over a period of decades, small, often anonymous buyers were purchasing segments of what was to become Cap Cana until a significant amount of beachfront, inland, and cliff property was held. After years of courting the fishing village comprised of several dozen families, the residents of this community, Juanillo, accepted a buy-out for the property and agreed to be relocated (at no charge to them) to a new community (Nuevo Juanillo) about 1.6 mi (2.57 km) inland. Although the exact figure of the relocation project was not disclosed, this final obstacle in Cap Cana's development plans was overcome.

Cap Cana represents a US\$1.5 billion investment, apart from the US\$2 billion contribution by Donald Trump at Cap Cana. It entails the development 120,000 km² (46,332 mi²), an area that is 30% larger than the four theme parks that comprise Disney World outside Orlando, Florida; it is twice the size of the island of Manhattan. The principal financier and development in Cap Cana was the Dominican construction magnate Ricardo Hazoury. Most of his assets were in residential and commercial real estate and, like Mexico's Carlos Slim and the D.R.'s own Frank Raineiri, was a second generation immigrant to Latin America. Hazoury and Donald Trump forged a US \$15 billion investment over 12–15 years to develop 35 million m² (376 million ft²) of built structures in an area of 135 million m²

Fig. 70.1 Location map of Cap Cana

(1.452 million ft²). The key feature of this joint venture was the Trump Farallón Estates at Cap Cana (*Solares del Farallón Trump en Cap Cana*), consisting of 68 lots, 6,000 m² (64.56 ft²) each. In just four hours in a single day in May 2007, Trump sold 95% of the lots in his sector of Cap Cana, called Trump Farallón (Trump Bluffs). Sales generated more than US\$300 million U.S.D (Listín Diario, 2007) within a few days of opening.

One point of controversy is how the much touted marina and vaporetto service received such quick approval from environmental authorities. Approximately 1,000 boat slips resulted from carving out the limestone bedrock. To what extent the salt water might intrude into the low lying fresh water table was a commonly heard question back in 2004. However, as of late 2008, there appeared to be no major incidence of well contamination; or at least nothing that can be attributed to Cap Cana's marina.

Like other new complexes, the ability to attract a well recognized brand in the leisure, hospitality, and travel industry would likely enhance Cap Cana's efforts to tap into the lucrative Caribbean market. Physician-turned entrepreneur, Dr. Ricardo Hazoury, CEO, noted, "We are very satisfied by the extraordinary results obtained at this sales launch, it has been spectacular. This reflects, without a doubt, the trust buyers have in Cap Cana" (Associate Content, 2008). Hazoury told *Golf News* magazine that he was proud of the Dominican Republic and its position as a major destination for luxury real estate tourism development that could bring together well-known brands and foreign investment. "This is the future of our country," boasted the CEO (*Golf World.com*, 2008, March 27, 2008). In a promotional spot he explains the logic behind Cap Cana's massive engineering project:

Today, real-estate is the safest [of all] investments. . . There is a fixed amount of money in the world seeking to get good results in real estate. If you compare [beach-front developments] with other investments, you'll find that it assumes greater value daily because these settings are becoming increasingly scarce in the world. . . So the real-estate investor feels safe in this type of investment; investments in second homes, in places to relax, because historically, these have always increased in value. . . In Cap Cana, we have a marketing team and [coupled with] the natural beauty of the Dominican Republic, that also helps [generate investment]. Cap Cana's relationship with Trump is symbiotic; we spent several years looking for the best developer and, definitely, Trump Group was at the top of the list. Unlike what a lot of people think, the Trump Group is easy to get along with. They are very accessible. Everyone thinks they are very close minded, very conservative. But they are all—the entire family—are very open and very generous. They are open to sit down and talk with you. They had no intention of investing in the Caribbean. . . They were familiar with the region. . . And in a matter of three or four months, we were able to do business with them. It was a setting in which we were able to negotiate. It was very transparent. . . They realized that the growth trends in the United States were based on the eastern part of the country. . . and that we would be good partners. There was good chemistry. (SkyscraperCity, 2008, our translation of video interview, <http://www.skyscrapercity.com/showthread.php?t=519078>, Accessed October 25, 2008)

Anticipating future trends in Caribbean tourism, Hazoury explains that the future of yachting is on the uprise and Cap Cana will be poised to address that demand. He also speculated on the opening up of Cuba to the North American traveler:

The North American tourist that is now coming to Cancún or the Dominican Republic might be interested in Cuba. . . But in Cuba, there are only 30,000 rooms. So there will be a relocation [of those tourists wanting to go to Cuba]. It is not that tourism [in the Dominican Republic] will end [when the trade embargo and travel restrictions on Cuba are lifted by the United States]. I think the opening up of Cuba, in two or three years, will be good for the entire Caribbean. (SkyscraperCity, 2008, our translation of video interview, <http://www.skyscrapercity.com/showthread.php?t=519078>, Accessed October 25, 2008).

Journalist Edwin Guerra, who conducted the interview, notes that the entrepreneur reflects the vision of Walt Disney, but also the pioneering talents of Ricardo Hazoury’s father, Dr. Jorge A. Hazoury, who founded the National Diabetes Institute and the Iberoamerican University, decades earlier.

According to Ricardo Hazoury, he and his family were initially interested in developing land along Samaná Bay because of its natural beauty and its proximity to the capital of Santo Domingo. However, local politicians objected to the project and eventually allowed a Spanish development group to take over a broad-scale master plan for tourism development along Samaná Bay, renown for whale watching and birthing along the north shore. Hazoury came to the eastern end of the island in early 2001, not as a tourist, but as an investor. He claims that residents of Juanillo, then a sleepy fishing village of a few dozen families, approached his company. They had the option of accepting a price for their properties or else being relocated into a new community – built from scratch – called Nuevo (New) Juanillo, 2.6 km (1.6 mi) inland. Regardless of the social and environmental impacts of the project, the planned growth of Cap Cana remains ambitious (Table 70.1).

Table 70.1 Investment types and spatial impact of Cap Cana

Investment type	Size
Infrastructure	
Paved roads	44 km
Aqueduct	1.5 million gallon daily capacity
Electrical Utility plant	5 Mega-Watts with its own grid
Recreation	
Marina	Up to 1,000 slips with about 100 in first phase
Golf course	Jack Nicklaus-designed 18-hole Punta Espada Golf Course
Beach Club	
Cap Cana Sanctuary and Spa	Including 176 luxury suites
Alta Bella Fishing Lodge	Including 290 apartments
Restaurants	9 “world-class” restaurants such as David Crockett
Residential Communities	
Villas Caletón	16 units
Golden Bear Lodge	98 condominiums
Trump Farrallón	65 homes
Aguamarina Condominiums	125 units
Punta Palmera	185 units
Ribera Town Homes	At least nine homes in early 2008

70.4 Trumping Nature: Cap Cana Farallón, Dominican Republic

The announcement of Donald Trump's partnership with the Hazoury family came at the finale of his first year syndicated television show, *The Apprentice*, with a viewership of 20 million households. Mr. Trump said:

Before I make any decision, I want to show the jobs, the two jobs, that each, by the way, comes with a salary of \$250,000. The first is overseeing the construction of a luxury resort complex in the Caribbean. Check this out. It is really beautiful. [cut away to video; enter camera following two bikini-clad women walking along a beach. Voice over as Donald Trump continues:] "Located in the Dominican Republic, Cap Cana is the Caribbean's largest residential development project [scenes of construction, beach and aerial views of the complex]. At 47 square miles, Cap Cana is twice the size of Manhattan, and will soon boast the largest inland marina anywhere in the world. [shot of Trump Cap Cana sign]. And now I'm bringing the Trump brand to Cap Cana [more sunbathers on undisclosed beach, with woman rubbing suntan oil on a man], creating the ultimate luxury experience. It's going to be amazing! [shot of motor boats racing offshore] Trump at Cap Cana will include a beach club [construction shot], a condominium hotel [completed hotel], private villas [thatch-roofed luxury houses], a world-class golf course [pans across Jack Nicklaus-designed golf course], and 68 private estates [flyover Trump's 68 lots] with breath-taking views of the entire development as well as the Caribbean Sea [views of Mona Passage from the cliffs]. Although it is set against the backdrop of an ocean paradise, this project is a huge responsibility." (The Apprentice, Final Episode, 2004; Data source for transcription: YouTube (<http://www.youtube.com/watch?v=OTEo2QyNvU8>) Accessed June 1, 2008 and October 1, 2008)

The local media in the D.R. reported "The signing of this agreement with Donald J. Trump's corporation signifies the ability [to make Cap Cana] 'the Great Destiny of the World' " (El Diario). Readers contributing to a popular online discussion board frequently praised the idea that the great "Real estate magnate" (El magnate de real estate) had placed his mark of approval on the Cap Cana project. (Diario Digital 2008) (Fig. 70.2).

Not all the news surrounding Cap Cana is positive even if resistance seems to be minimal. In February 2006, reporters who were covering the forced eviction of dozens of residents who had been living in Juanillo for decades were harassed by soldiers (COHRE, 2006; Reports covering. . ., 2006). Yolanda De León, a biologist who examines animal habitats in the Caribbean, also researched local residents in water-front communities. She reports:

When we visited the housing project, known as Nuevo Juanillo, or 'New Juanillo', many residents expressed their unhappiness with their new situation. Fishers were kept from working because the community was placed about 2.6 km inland, and also custodians restricted their access to the shore. Transportation to and from the project was also a problem. The colmado [small grocer] owners had lost business from the beach tourists, especially locals that came on the weekends. Many homes were already vacated or had been rented to the new project's staff, as there were few livelihood options there. Further, many residents were angry because their local cemetery had been bulldozed over and allegedly, only a handful of human remains were returned to their respective families

(de León, 2007, 356).

Fig. 70.2 Portion of Trump-Cap Cana billboard located along road that climbs up to resort

Elsewhere in the Caribbean, it appears that efforts against megaengineering projects receive more media attention. Mining efforts in western Jamaica have been challenged by the Environmental Law Alliance Worldwide because of threats to the region's groundwater (ELAW, 2007). In 2006 reef defenders (Guana Cay Reef Association) sued a San Francisco development company that wanted to build a gated golf and yachting mega resort on land that Prime Minister Perry Christie had leased without the approval of local government (Castle, 2006). Comparable to Cap Cana's limestone geology, one point of concern is that "[b]ecause of the island's [porous limestone soil]...40 to 60 percent of the fertilizer spread on the golf course will drain right through it, feeding algae that can smother coral" (Castle, 2006). In Puerto Rico, the local chapter of the Sierra Club also filed suit in 2006 to stop the development of a 14,000 housing unit and 27-hole golf course proposed by the Four Seasons Resort, stating that the project would "destroy the pristine area by filling wetlands, channelizing rivers, and clearing coastal vegetation" (Sierra Club, 2006). While opposition to Cap Cana could hardly be called passive, with the Dominican Republic's highly consumer-oriented society, and its approach to "free-market" development strategies, we believe the power of branding contributes to this process.

We turn to the power of branding in the section that follows.

70.5 Branding Synergism: Marriott Hotels and Resorts, Jack Nicklaus, the Ritz Carlton, and the Trump Brand

Tourism and hotel sectors have come under increased competition and pressures in the new millennium. The Y2K scare was followed by the 9/11 attacks and the tourism industry was subsequently rocked by a series of oil price hikes that

dampened international travel. In response to the vicissitudes of the market, branding synergism is one way to energize the attraction of second home or travel destinations. As Starkov and Price (2007) note, “[p]roviding unique value proposition to the potential customer and differentiating your hotel product from what the competition is offering are much easier initiatives to implement.”

The value proposition of the Trump, Nicklaus, and Ritz brands enhances each investor's recognition. That appears to have increased revenue growth and shareholder value and had created considerable buzz in the up-scale second homes market. Cap Cana appears to offer a distinct value proposition combined with its product offering, service value, and price (Fig. 70.3). Moreover, Cap Cana appears to have placed itself outside of the common fracas that competes “on price and price alone, particularly in the service industry [which] is a last ditch effort. Nowhere is this more important than in the hospitality industry where pricing has become so competitive” (Starkov & Price, 2007). Cap Cana has carved out unique aspects and a value proposition that have mitigated the social and environmental implications of an astounding megaengineering endeavor. It signals that the most successful capitalist in the Dominican Republic (Hazoury) has been approved by one of the most famous business celebrities in the US (Trump). Such affirmation means that the new venture is both national in scope and international in approval. Moreover, the Jack Nicklaus designed course indicates that land barely suited for goat grazing, certainly not suited for small agricultural plots (*conucos*), now has a new value-added function.

70.6 The Marketing Mix of Engineering Paradise

The Caribbean tourism industry felt the impact of the financial meltdown of late 2008 in ways marketers at Cap Cana could not have anticipated. One hotelier described the situation like this: “I’ve been in the business 38 years. I have seen the impact of the Gulf War. I have seen the recession of 80s. Certainly September 11. . . But nothing has been of a global nature, which makes the current financial situation we are in much more worrisome” (Coto, 2008).

Ricardo Hazoury, Cap Cana CEO, used an oceanographic metaphor in his assessment of the global crisis. “Our project has been affected by the economic tsunami that has paralyzed the global financial markets.” The financial storm led to Cap Cana’s firing of 500 workers in October 2008 after Lehman Brothers collapsed and a US\$250 million loan was canceled for Hazoury’s megaproject. Then, on November 25, 2008, a \$100 million bridge loan that was set to mature on December 29, 2008, and a default by the private Cap Cana project to a previous bridge loan by Deutsche Bank and Morgan Stanley in mid-November, was waived (Cap Cana gets extension. . . 2008; Cap Cana fights the clock). In early November 2008, Cap Cana dipped into their reserve fund to pay the monthly quota on the US\$250 million bond issue that will be due in 2013. The ratings of Cap Cana were downgraded by both Fitch and Moody’s, from a CCC (substantial risk) to a Ca (highly speculative), and the company is being closely monitored for even more downgrades, which could be

Fig. 70.3 Photographic collage of Cap Cana and Trump Farallón. Upper left, clockwise: The allure to the Dominican Republic, but especially Cap Cana, is the powdery beaches; earth-moving equipment has created, allegedly, the largest inland marina in the world, as well as a reconfigured shoreline and lagoons to accommodate the new golf courses; prospective buyers climb elevated decks on each lot to get a sense of the view and surrounding areas; access to the Trump bluffs was made possible (besides the helipad) by a four-lane highway with a manicured median strip. Road construction also exposed the cavernous bedrock, ideal for promoting a wine cellar that can be part of each of the 65 Trump Farallón sites

lowered to a D (default) rating. It is noteworthy that The Cap Cana bonds “are sold with a note of high risk of default, selling at high discount rates” (Cap Cana fights the clock). Consequently, the firm is negotiating with its creditors, which include a mutual fund as well as a group of five separate funds (Cap Cana fights the clock).

Sources inside the company anticipated laying off a thousand or so more workers in late December 2008 and early 2009 unless such loans were ensured. By late 2008 hundreds of luxury villas such as the Punta Palmera Condominium in Cap Cana had no guests. Little sign of work was evident beyond Punta Palmera: the Caletón Club and Villas, The Golden Bear Lodge and Spa, Aquamarina Luxury Residences, and The Founders Condominiums were all idle. As one nervous investor reported on a financial blog within dr1.com – the largest English-language news source on the island:

So, if you are living in a house that you own inside of CapCana [sic] and the place goes bankrupt, what does that mean? Could you be kicked out of your home? If you stayed would the rest of the place be left to fall apart?

(dr1.com)

Fig. 70.4 Marketing mix of Cap Cana, Punta Cana Hotel & Resorts, and all-inclusive resorts

It is doubtful that the image of a semi-constructed sprawling work site, twice the size of Manhattan, idle and rusting in the Caribbean, is what the promoters had in mind. Elsewhere in the Caribbean, the Ritz-Carlton Molasses in the Caicos dismissed 60 Chinese workers while 800 workers in the extensive Atlantis resort in the Bahamas were laid off because of low occupancy rates (Coto, 2008).

Despite these regional woes, Cap Cana has situated itself in a distinct market segment among its eastern Dominican Republic competitors. A marketing-mix analysis conceptualizes Cap Cana's position among the four P's (price, product, promotion, and placement) in the following ways. The mostly all-inclusive resorts at Bávaro are rather low on price, but promote a widely available sun-and-surf setting. Its product is simply not that unique (Fig. 70.4). Its neighbor and principal rival, Punta Cana, is not an all-inclusive resort, and promotes itself as an environmental steward in the region. Its construction footprint is smaller than the Bávaro resorts, and its product is more unique than theirs. Not surprisingly, it is pricier as well.

Cap Cana, on the other hand, segments itself from its neighbors by price and a unique setting that promotes a much larger area, smaller construction footprint, and unique branding synergism that its competitors cannot match (see Fig. 70.4). Seen comparatively, therefore, their engineering of paradise has been more expansive in geographic scope, but more select in carving out a unique product mix.

70.7 Conclusions

By early 2009 it was apparent that CEO Hazoury was planning to outsource a number of functions to weather this financial setback. The few tenants on the various projects throughout Cap Cana can stay and enjoy basic services because "Cap Cana runs more like a city than a private development. It generates its own power and water" (Coto, 2008). Workers, however, who have migrated to the eastern end of the island, will not be able to weather the storm. Hopes of securing a bridge loan scheduled for late 2008 by the now defunct Lehman Brothers vanished when the once solid investor filed for bankruptcy. Buyers not seeking due diligence on the financial health of the project may be seduced by the tropical setting (Fig. 70.5).

Fig. 70.5 Welcome center atop Trump Farallón, with view of Cap Cana and ocean

It is probably too early to determine if the powerful branding synergism proposed by Cap Cana will unfold as planned. Cap Cana's engineering of paradise, fraught with the usual problems of promoting a unique lifestyle for the elite, once again exposed the vulnerability of tourism in island economies. Expected media attention on whether it can survive the global financial downfall will no doubt overshadow the social and environmental results that the project portends. For now, Cap Cana's dream of an engineered paradise will have to wait in purgatory.

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