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Product Development Methodology

THE GEORGE
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WASHINGTON DC

Toolkit for Developing Sustainable
Tourism Products in Puerto Plata

2009 Tourism Consulting Practicum

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CLÚSTER

TURÍSTICO CULTURAL
DE PUERTO PLATA





Preface

Project Context

Consultants from The George Washington University, Pontificia Universidad Católica Madre y Maestra, Universidad Dominicana O & M , Universidad Autónoma de Santo Domingo and Universidad Tecnológica de Santiago worked together in May - June 2009 to achieve the following objectives:

- Develop a preliminary business plan for a Puerto Plata Visitor and Interpretation Center that identifies strategies to guide the Cluster through the development process;
- Develop a framework for a self-sustaining official Puerto Plata branded visitor website
- Develop a product development toolkit and a development plan for a nature-based community tourism project for the Los Dominguez community.

During the field investigation phase of the project, consultants met with Cluster members, government officials and other industry stakeholders. The individual needs of these parties were taken into consideration in the formation of this plan. More importantly, the *mutual* interests of industry stakeholders are addressed.

The results of the consulting project were presented to stakeholders in Puerto Plata on 25 June, 2009. The presentation was also delivered on 26 June, 2009 in Santo Domingo to an audience that included government officials at the national level. Feedback from these audiences has been incorporated into the final version of this plan.

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Executive Summary

Purpose

The purpose of this document is to serve as a toolkit for product development endeavors in Puerto Plata. This document contains information and tools to help guide the Cluster toward one of its sustainable tourism objectives: creating new products through the promotion of investment in the tourism industry. The recommendations contained herein adhere to the Investment Promotion and Geotourism and Environmental Management work units of the proposed Centro de Gestion Conjunta (CGC) and aim to add to product diversity in Puerto Plata as well as create products that are linked to geotourism principles and take environmental management of the destination as a priority. While only a starting point, this report will hopefully provide useful information to help facilitate and guide product development in Puerto Plata.

Results

The following document provides an overview of the procedures and steps that should occur as part of the product development process. Key findings and recommendations include:

- A demand analysis should be one of the first steps in product development. It should include a review of destination level statistics broken down by market segments, a review of secondary documents and benchmarking as well as surveys and/or focus groups to gauge interest.
- A resource inventory can be conducted through observation techniques and facilitated community meetings.
- An environmental impact assessment will help insure that product development does not adversely affect natural resources. The Conservation Area Planning (CAP) methodology can be used to set priorities, develop strategies, and measure the success of conservation projects in protected areas.
- Resident attitude surveys, community meetings, and other participatory methods should be used to foster community engagement and solicit feedback in all stages of product development including planning, implementation, and operation.
- An effective community management model should include a channel for directing funding from donors to the project, a mechanism for spreading benefits throughout the community, and a forum for coordination among community enterprises while providing leadership, training, and strategic direction for the project as a whole.
- A competition analysis can be conducted through interviews, networking and casual conversations with a range of stakeholders including local excursion owners, tour operators, agents and hotel owners as well as tourists. It is important to note that tourism destinations rely on overall competitiveness which means that there is a need for product diversity and that collaboration among competitors may be required.



- The marketing strategy for newly developed tourism products should be based on a situational analysis, specifically the demand and competition analyses. Furthermore, marketing tactics and positioning should communicate the core principles of the product.
- Financial analyses are a vital component of product development as they are used to determine if the business will be financially viable. Total start-up costs, ongoing operating expenses, and a break even analysis can be used to gauge financial viability.
- A number of possible funding sources for small to medium community based enterprise development in Puerto Plata have been identified. These sources include:
 - Instituto Dominicano de Desarrollo Integral (IDDI)
 - Banco ADEMI
 - Fondos Destinos grants
 - Inter-American Development Bank's Multilateral Investment Fund (MIF)



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Introduction

Product development and diversification is an important part of maintaining and developing both competitiveness and sustainability in a destination. Puerto Plata was at the forefront of product development in the early 1980s when it was one of the pioneers of the all-inclusive resort business model. This trend brought important investment and infrastructure development to the country at a crucial time. However, as noted in the Introduction Booklet, global trends in the travel and tourism industry have shifted and tourists are seeking more authentic and integrated experiences from their vacations, driving a need for product development in Puerto Plata. The POP Cluster has noted the need for further investment in product development in the Puerto Plata area by creating a specific priority area to foster investment promotion through the CGC.

The following section sets forth a methodology for product development in Puerto Plata, covering important steps that must be taken when pursuing the development of a new tourism business.

Background

The Role of Product Development

As discussed in greater detail in the Introduction Booklet, Puerto Plata has experienced a decline in tourism arrivals in recent years. One of the factors contributing to this decline is the image of Puerto Plata as simply a sun and sand destination. This image implies that there is little else to do in Puerto Plata other than enjoy the pleasant climate. Based on this image, there is little to distinguish Puerto Plata from its competitors both domestically (Punta Cana) and internationally (other Caribbean and beach destinations).

Puerto Plata, however, has a great deal to offer beyond beaches and resorts. It is a vibrant and historic city with beautiful Victorian architecture, authentic Dominican culture and a variety of attractive natural resources. Furthermore, the close proximity of the large all-inclusive resort market at Playa Dorada to the city center, gives Puerto Plata a competitive advantage over similar destinations such as Punta Cana. A key step in revitalizing Puerto Plata as a destination will be to capitalize on this competitive advantage by improving and diversifying tourism product offerings to entice visitors to leave the resort and familiarize themselves with Puerto Plata. By offering a variety of high quality tourism products, Puerto Plata can redefine itself as a destination thereby increasing visitor arrivals and stimulating the economy through job creation and tourist expenditures.



In light of this situation, the Cluster has prioritized product development as a goal for Puerto Plata. They engaged the consulting team to help develop the “Otra Mirada Desde La Loma” project as a specific case with the goal of creating a replicable product development model for Puerto Plata. A detailed case study of the “Otra Mirada Desde la Loma” project is included in this series in the report entitled “Los Dominguez Nature and Trails: A Product Development Case Study.”

Demand Analysis

When developing a new business in any industry, it is recommend that a demand analysis be undertaken to ensure that there is sufficient demand for the business to be profitable. In the tourism industry, demand is intimately connected to overall destination competitiveness and relies on annual tourist arrivals to the destination. Thus, any demand analysis in the tourism industry should begin with a review of destination level statistics to evaluate the actual number of tourists visiting the destination each year. Usually, the national tourism organization, tourism board or destination management organization will be able to provide information about arrivals. If possible, information on market segments such as nationalities, age, gender, travel party composition and niche interests should be gathered and analyzed to further understand the market characteristics.

It may also be useful to review secondary sources to develop a clear picture of the demand for current tourism products at the destination. More information on how to complete this type of analysis is included in the Competitive Landscape section below. Reviewing research conducted in other similar destinations may provide valuable information and insights as well. Although this information may not completely apply to Puerto Plata, it can be used to help construct potential future demand and provide a general framework for demand.

This review of secondary data may also provide the foundation of information of a demand analysis, it is not sufficient without some primary research. This is especially true in a destination like Puerto Plata that has a high number of arrivals but currently has a limited market for niches such as ecotourism, cultural and heritage tourism and adventure tourism. When product development aims to bolster a niche market, it is important to conduct primary research through a survey. There are a number of published sources that explain in full detail the elements of constructing a valid and reliable survey in the tourism industry. One good source for this information is A.J. Veal’s *Research Methods for Leisure and Tourism*.¹

¹ A. J. Veal (2006). *Research Methods for Leisure and Tourism*, 3rd edition. Harlow, United Kingdom: Pearson Education Ltd. ISBN 978-0-273-68200-4 Education Ltd. ISBN 978-0-273-68200-4



Although this source will provide details on creating a survey for any element of the tourism industry, a demand analysis survey for tourism product development will have other specific considerations. These include:

- Being flexible with methodology;
- Choosing a location that correlations with the potential product;
- Taking seasonality into account;
- Weighting data to correlate with destination level statistics;
- Creating questionnaires that are short, easy to understand and in multiple languages;
- Training interviewers to answer potential questions and follow sampling methodology.

Resource Inventory

In order to create new, high quality, unique and sustainable products for a destination, an inventory of current and potential resources should be conducted in addition to the demand analysis. This includes an inventory of natural, cultural and historical resources as well as workforce capacity and infrastructure.

A resource inventory can be conducted through observation techniques as well as facilitated community meetings. Methods will vary and should be adapted to the specific needs of the area. The [Attractions Inventory](#) as outlined in the Rapid Assessment Tool, developed by Conservation International and The George Washington University,² is a useful model that is strongly recommend.

An assessment of the current status of natural resources in the area as well as the potential environmental impacts of developing an eco-tourism trail should be included as part of the resource inventory. This can be done through physical observations and interviews. The recommended [Attractions Inventory](#) model addresses these assessment methods. Additionally, a comprehensive environmental impact assessment is recommended. This will require collaboration with experts from the field of environmental conservation. Forming partnerships with conservation and other appropriate organizations is often required to acquire crucial scientific information and expertise.

² Conservation International and The George Washington University. "Linking Communities, Tourism & Conservation. A Tourism Assesment Process." 2005.
http://www.conservation.org/Documents/CI_ecotourism_tourism_assessment_process_manual.pdf



Environmental Threat Analysis

In order to assess the environmental threats caused by any potential product development, an environmental impact assessment needs to be conducted. Without the help of an environmental NGO, an assessment can be expensive. One way to informally assess potential threats caused by a project is through a methodology created by The Nature Conservancy (TNC) called Conservation Area Planning (CAP).

This methodology assists in setting priorities, developing strategies, and measuring success of conservation projects such as parks, reserves and other conservation areas. The CAP Analysis can be adapted to meet the needs of local planning teams while building conservation strategies. The initial phase in the CAP Analysis is a Preliminary Site Evaluation. This evaluation is a list of 8 questions (found in **Appendix A**), which appraises the current situation of a given protected area and assesses the proposed development to see if it meets the criteria for development.

The second phase is a five step scoping and planning exercise first developed by Parks in Peril in the late 1990s. The five steps include:

- **Systems:** Identifying the species, native communities and ecosystems that will be the focus of observation in an area;
- **Stresses:** Determining how identified conservation targets are threatened, such as by habitat reduction or fragmentation, changes in natural flow patterns of waterways or changes in the number of species in a forest, grassland or coral reef;
- **Sources:** Identifying and ranking the causes of the stresses;
- **Strategies:** Finding practical ways to reduce or eliminate threats through acquisition of interests in land and water, adaptive management or restoration of lands and waters, public policies based upon sound science and promotion of compatible human uses;
- **Success:** Assessing progress in reducing threats and improving the biodiversity and ecological health of a conservation area.³

In addition, understanding the cultural, political and economic situation behind the threats is essential for developing workable strategies and should be addressed as an additional step. Conservation managers and stakeholders have used this methodology to come to a consensus on priority conservation strategies for particular areas.⁴ Although a team of experts should be used to conduct a thorough CAP Analysis, the consulting team organized its observations in this format in the case study for the Los Dominguez Nature Center and Trails, so that additional work could easily be added to the team's findings.

³ Nature Conservancy, The. "Dominican Republic Partners." 2008.<http://www.parksinperil.org/howwework/partnership/dominicanrep.html> (accessed June 9, 2009).

⁴ Ibid.



Without expertise from an environmental consultant, it would be too difficult to conduct an effective, thorough environmental impact assessment. Assessments are frequently challenging because they often make projections with incomplete information, and it is difficult to assess impacts based on solely objective information. Oftentimes the assessments are quite complex and regarded as controversial. It is up to the government and local stakeholders to determine how such an assessment may affect implementation or development. On the other hand, if one can be conducted, it will provide a wealth of information to make a more informed decision on product development.⁵

Community Engagement

In developing new tourism products, it is absolutely vital that the local community is involved in the process in a significant and meaningful way. One of the first steps in developing a new tourism product, especially a community-based or -led product, should be to determine if community interest exists. There is a tendency to assume that since tourism has income generating potential, everyone in the community will be eager to welcome and participate in tourism development; however, this is not always the case. Tourism can be very beneficial to communities. It can create new jobs and business opportunities, diversify the local economy, encourage investment in infrastructure and contribute to the tax base, all while fostering cultural revitalization and environmental conservation. However, tourism may also lead to overcrowding, traffic and increased crime as well as create land and resource use conflicts, force lifestyle changes and create unreliable seasonal jobs. Community members will be the ones who have to live with the consequences, both positive and negative, of tourism development and should have the right to determine the future of their community.

The impetus for a community tourism development project often comes from an individual or small group of leaders but may also come from a business, non-profit organization or even the government. Regardless of the original source of the idea it is essential from the beginning planning stages of product development, to share the idea with the wider community and begin to solicit input. It is important to determine what the community expects to receive from tourism, what it is willing to contribute and what it is not willing to give up. The community should be encouraged to help guide product development.

Community engagement at this stage in planning can be achieved through a variety of methods including resident attitude surveys and/or town hall meetings. Resident attitude surveys can be used to determine the community's level of interest, values and needs. Questions should be included to gauge community members' expectations for tourism development and general attitudes towards tourism as well as gather useful demographic

⁵ Anderson, Dawn. "Environmental Impact Analysis." March 30, 2008. <http://www.enviroliteracy.org/article.php/1286.html> (accessed June 10, 2009).



information which can be used to determine what resources are available in the community. A sample resident attitude survey developed for the Los Dominguez community can be found in **Appendix B** and can be used as a guide for future resident attitude surveys. Community meetings can be held in addition to or instead of conducting a resident attitude survey. Community meetings should provide an open forum in which everyone is welcome to share their opinions about tourism development in their community.

Once broad-based interest in tourism development has been established a community visioning exercise should take place to set boundaries and guidelines for acceptable tourism development in the community. It is important to determine the boundaries and vision for tourism before development begins so that tourism can be molded to conform to the community's desires. With that said however, it is very important to manage expectations. Communities must have a clear understanding of the limitations of tourism development and understand that tourism is not a panacea.

Along the same lines, expectations about the product development must be managed as well. Project organizers and community leaders must carefully explain the purpose of the meeting. Some community members may have a tendency to interpret any discussion of possible projects and funding as 'promises' and feel betrayed if the project is not implemented. Therefore, organizers must repeatedly stress the exploratory nature of the meeting. With careful management, community engagement is possible from the very beginning planning stages of product development through implementation and ultimately community ownership and management of the project.

Management Model Creation

In order for the community tourism development project to be planned, implemented and successfully sustained in a manner that involves and benefits the whole community, a well-developed management structure will need to be in place. The management structure will fulfill a variety of needs. Specifically in the context of a community product the management structure must:

- Provide a channel for legally funneling funding from a donor to the project in the case of initiatives with donor support. In many cases, this will require the management organization to be a registered non-profit organization;
- Provide leadership, training and strategic direction;
- Provide an organizational structure to broadly spread benefits from the enterprise throughout the community. This function maybe achieved through the creation of a community fund administered by the management organization;
- Provide support and a channel for coordination among community enterprises.



The specific management structure should depend upon the project needs and goals. The proposed management model for the Los Dominguez Nature Center will be discussed in greater detail in the case study booklet. The Los Dominguez model could easily be replicated for other community tourism products. **Appendix C** provides a number of other community management models from similar tourism projects that have proven to be successful in the past.

Competition Analysis

As a part of the overall situational analysis, it is important to conduct a competition analysis. Although competition is typically considered a negative business factor, tourism destinations rely on overall competitiveness which means there is a need for product diversity and multiple product offerings. A competition analysis can be conducted primarily through interviews, networking and casual conversations with a range of stakeholders including local excursion owners, tour operators, agents and hotel owners as well as international tour operators and tourists. Although it is crucial to speak with excursion owners that have products that fall into the same niche as the potential product, it is also important to seek out information on products in other market niches as it will provide a deeper understanding of the overall destination. This is particularly essential in Puerto Plata as the competition for all inclusive resort tourists is high as these tourists often only take 1-2 excursions per week.

Potential interviewees can be found through preliminary research including internet research, consulting travel guides, networking, speaking with tour guides and other locals and contacting the Ministry of Tourism. It is imperative to connect with a wide range of stakeholders in order to obtain a full perspective of the destination's potential, resources and threats.

The purpose of these conversations is primarily to gain information about possible competition for the potential product. This includes gathering information about the demand for tourism products including the number of tourists per week in both the low and high seasons and the market characteristics of these tourists (e.g. nationality, gender, age, etc). It is essential to ask a variety of questions and allow the interviewee to fully explain his/her situation. Conversations with other business owners can often reveal interesting perspectives about tourism in the destination. A set of questions developed during the 2009 George Washington University Consulting Practicum is included below in **Appendix D** and can be modified for use in future competition analyses. Using a standard set of questions as a guideline is important in order to be able to capture similar information across business. Lastly, and most importantly, before conducting a competition analysis, it is crucial to know the business that will be interviewed. Internet research, networking and consulting travel guides will assist in this process.



Although the 2009 George Washington University Consulting Practicum conducted a thorough competition analysis of excursions which can be used for future product development in the destination (details included in the Los Dominguez Nature Center and Trails Product Development case study), it is important to note that competition analyses can help foster partnerships, networking and overall learning. As demonstrated during the Consulting Practicum, most excursion and tour operators were open and willing to share information as they understood the need for collaboration in order to enhance the overall competitiveness of the destination. This unguarded information sharing helped to form ideas about potential partnerships for marketing and resource sharing. The interviews and conversations also helped the consulting team to fully realize marketing limitations and potential and learn from other's experiences in trying to circumvent international tour operators to access the all inclusive resort markets.

Tourism Business Development

As a crucial element of product development, identifying and selecting potential tourism business ideas can be completed in a systematic manner. There are multiple toolkits that have been developed in the past, and the following section outlines two of these.

The George Washington University has created a toolkit to facilitate the identification of competitive sustainable tourism products. The exercises and checklists in this comprehensive toolkit are designed to facilitate rapid identification and assessment of potential tourism products. One of the key points emphasized is that a tourism product is multidimensional. A product's value is facilitated, supported and augmented by various goods and services such as hotels, infrastructure and customer service among others.⁶ English and Spanish versions of this toolkit are available through the School of Business, Department of Tourism from George Washington University. **Figure I** below illustrates the stages of product development as depicted in the toolkit.⁷

⁶ Hawkins, Donald E., and Kristin Lamoreux. (2006) *Development of Competitive Sustainable Tourism Products For Destination Durmitor: A Manual for, Small Businesses, Cooperatives, NGOs and Tourism Organizations*, School of Business, The George Washington University, Washington, D.C, 34 pp.

⁷ Hawkins, Donald E., and Kristin Lamoreux. (2006) *Development of Competitive Sustainable Tourism Products For Destination Durmitor: A Manual for, Small Businesses, Cooperatives, NGOs and Tourism Organizations*, School of Business, The George Washington University, Washington, D.C, 34 pp.

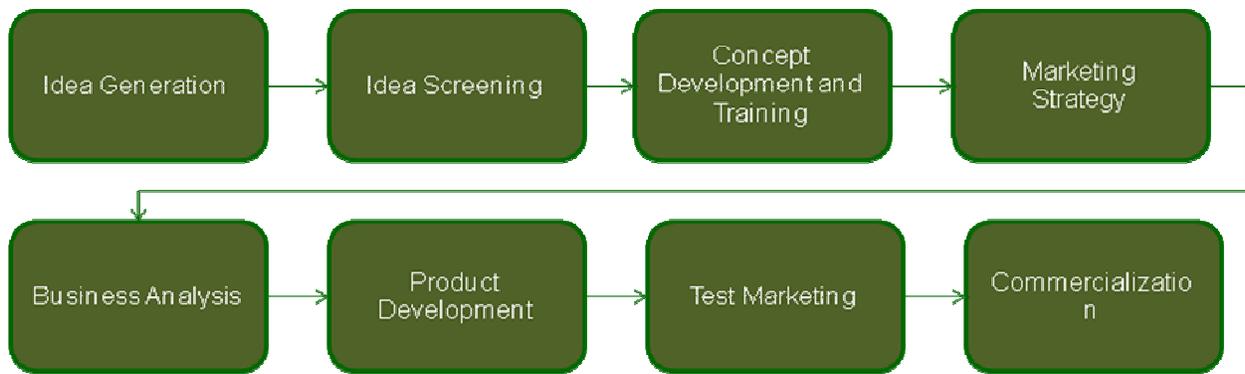


Figure 1: Stages of Product Development

Additionally, Solimar International, a sustainable tourism development consulting firm, developed a 12-18 month product development process that seeks to identify tourism products based on the analysis and overlap of four critical components:

1. **Supply Side:** Identifying existing products and capacity to support additional products;
2. **Demand Side:** Identifying products that tourists are seeking;
3. **Conservation Threats:** Identifying critical ecosystem features that need protection;
4. **Community Participation:** Identifying assets that the communities value.

Once these four components have been analyzed, a clear overlap from all four reveals the ideal product mix with a clear market that has clear conservation benefits and community support. **Figure 2** below depicts the relationship and overlap of these four components.

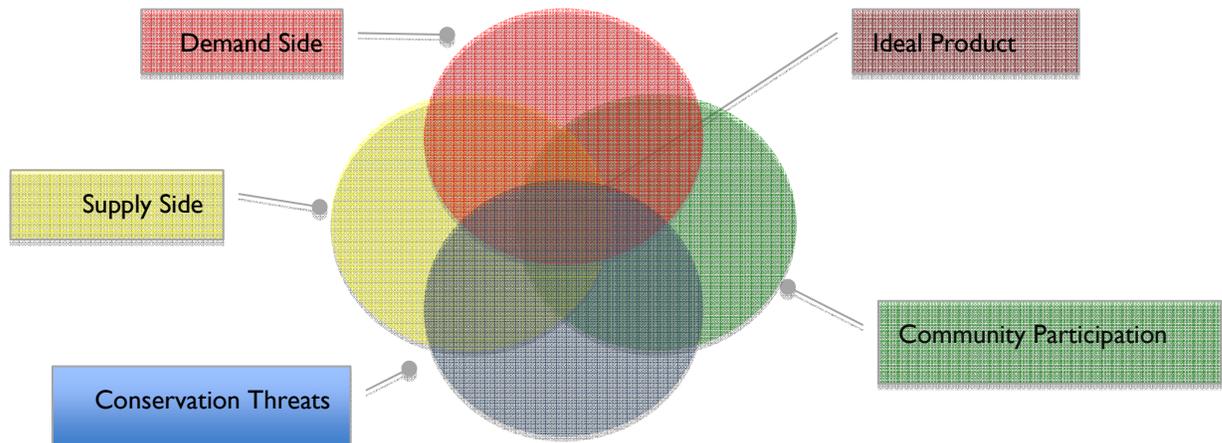


Figure 2: Supply, Demand, Conservation and Community Overlap

Marketing Strategy

After the business model, management model and product content has been developed, it is important to determine the marketing strategy which will connect the product with the tourists. The marketing strategy should be based on a situational analysis including specifically the demand and competition analyses. The demand analysis will provide information on potential market segments and characteristics which can be further analyzed in order to learn more about them. For example, the demand analysis conducted for the Los Dominguez Nature Center and Trails highlighted the high percentage of Americans that were interested in a hiking tourism product. Thus marketing recommendations for this product includes accessing the American market by targeting hotels that Americans prefer. The competition analysis on the other hand will highlight the marketing strategies that other tourism businesses are implementing. Through conversations with competitors, one can learn about what marketing strategies have failed in the past and which ones have succeeded.

Market Positioning

Market positioning will help to focus potential customers' attention on product strengths and will create an image of the product that meets potential customers' expectations. The positioning should be based on factors that motivate tourists to experience the product and reflect the values of the product itself such as community development, poverty alleviation, environmental conservation, etc. Marketing tactics and positioning should communicate the core principles of the product. The market position should cover how the product benefits the customer; distinguish the specific usage occasion; identify the specific customer category and identify competition.

Based on the market positioning, the marketing strategy can focus a marketing mix that will best connect the product with the target market. Aspects of the marketing mix include:



- Price: The product can be marketed as a low cost and accessible product or a high cost/high value product;
- Place (distribution): Distribution channels in Puerto Plata are complex and often restricting. The channel chosen for the potential product must take demand, competition and the target market into account and will seriously impact the pricing strategy for the product;
- Promotion: Promotion includes advertizing, sales promotions, publicity, branding and personal selling. Most products will need to include some amount of promotion in the marketing mix in order to spread knowledge of the product;
- Product: The product aspect of the marketing mix specifically connects the actual experience of the product with the tourists' needs and wants. A unique product with low competition can rely on the product aspect of the marketing mix.

Market Distribution Channels

After fully gathering information about target market segments through the demand analysis and marketing distribution options through the competition analysis, the product developer needs to identify a marketing distribution channel for the potential product. There are a number of channels that can be pursued in Puerto Plata. These include:

- Contracting with international tour operators to access the all inclusive resort market;
- Working with international tour operators without a contract;
- Targeting the Free Independent Travelers (FIT) markets;
- Mixed approach.

The majority of local excursions in Puerto Plata have established contracts with international tour operators who in turn have access to the all inclusive resort markets through marketing representatives that are located in the resorts. However, these representatives often take a 40-50% mark up and limit the businesses opportunities to market to other markets such as FIT and the domestic markets. Working with international tour operators often means higher prices and a lack of control over advertizing. This can result in less access to the domestic market as a higher price point is prohibitive and the product may not have the ability to advertize widely.

Although the all inclusive resort market may offer volume, there have been some local excursions and tour operators that have been successful without signing exclusive contracts with international tour operators. The local tour operators that target FIT markets without contracts with international tour operators are typically located in Caberete or Sosoua where there is a much larger FIT market and hotels and resorts are located within walking distance of streets where these tour operators have store fronts. Their main marketing channels include the internet, store front sales and word of mouth marketing.



There are also a few local excursions that work with international tour operators in non-exclusive relationships while allowing independent tourists to visit. The foremost among these products is the Damajagua 27 Waterfalls, a series of waterfalls that visitors jump, slide and canyon through. The waterfalls are located in a national park which requires an entrance fee. The fee includes entrance to the park, a local guide and safety equipment. Although the guide association that manages the park does not have contracts with international tour operators, they allow these operators to bring tourists to the park and experience the falls. The association only gains the admission fees to the park but is not limited in its price or marketing options by contracts with international tour operators. Although this model has been successful for Damajagua, it should be noted that it relies on the uniqueness of the product and that the business has little control over the prices that international tour operators set and the marketing that they engage in.

Potential Partnerships

As noted in the competition analysis section, partnerships with other excursions and local tour operators hold potential for marketing. These horizontal linkages offer an opportunity for smaller businesses with few resources to join together to leverage resources to reach larger markets. This model was also highlighted in the benchmarking section of the introductory booklet as a successful marketing method that other similar destinations are implementing. Potential partners can be identified through the competition analysis and networking.

Financial Analysis

When starting a new business, a rigorous financial analysis needs to be performed to determine if the business will be financially viable. In order to ascertain this viability, thought must be given to the total costs needed to start the business, the ongoing operating costs and a break even analysis to determine the level of sales needed to cover all of the costs.

Start-up Costs

Start-up costs are literally any cost that needs to be incurred to start a new business. These include everything from deposits on rent or utilities to fees and taxes, insurance costs and office supplies. Payroll expenses for the period of time before the business opens its doors, any promotion or advertising expenses and starting inventory also need to be considered. Lastly any capital expenditures, like computers, equipment/machinery, furniture and fixtures and leasehold improvements or other building costs need to be determined.



Operating Costs

Operating costs are the costs of doing business. They can be broken down into two main categories, variable costs and fixed costs. Fixed costs are items such as rent, mortgages, salaries or bank loans are constant amounts regardless of how much business a venture has.

Variable costs, on the other hand, are costs directly associated with selling a product or service. An example would be the raw materials that go into making furniture. The more furniture a business sells, the more raw materials needed to produce the furniture in the first place. Variable costs can be broken down into a per-unit cost amount by dividing the total amount of variable costs by the total number of units produced.

Breakeven Analysis

Breakeven analysis is a tool that is used to determine at what point will a business cover all of its fixed and variable costs and become profitable. Performing a breakeven analysis is very important in determining the viability of a new business venture. Based on the forecasts of operating costs and sales projections, basic profitability can be determined.

To perform a basic breakeven analysis the total fixed costs for the business need to be determined along with the per unit variable costs and sales price. The breakeven point is equal to $FC / (SP - VC)$ where FC is the fixed costs, SP is the sales price and VC is the variable cost per unit.

The breakeven point is the number of units a business must sell to cover all of its costs. If a business forecasts being able to sell more units than the breakeven point, it will be profitable. If not, it should investigate further before starting operations as it may have trouble obtaining profitability.

Financing Mechanisms for Product Development

Development of new products requires adequate financial backing and support. Several organizations operating in Puerto Plata can provide financing for small to medium scale community based enterprise development either through loans, grants or other financing mechanisms.

Instituto Dominicano de Desarrollo Integral (IDDI)

IDDI concentrates its activities on supporting the low income population that live in both rural and urban areas of the Dominican Republic. Micro-credit is one of five departments. IDDI has supported the strengthening and/or creation of over 680 grassroots organizations.⁸

⁸ IDDI (Instituto Dominicano de Desarrollo Integral), <http://www.iddi.org/IDDI08/content-us/es-logros.htm>, last accessed 6/13/2009.



Banco ADEMI

Banco ADEMI is a banking institution that offers services to micro-, small- and medium-sized businesses.⁹

Fondos Destinos Grant

The objective of this USAID-funded program is to diversify the supply of innovative tourism products, increase visitor satisfaction and promote a good image of the Dominican Republic at international level.¹⁰

Inter-American Development Bank's Multilateral Investment Fund (MIF)

This \$1.8 million project supports initiatives for tourism management based on cultural resources. Funding is available through October 2011.¹¹

⁹ Accion, Banco Ademi, <http://www.accion.org/Page.aspx?pid=689>, 2007, last accessed 6/13/2009

¹⁰ Perdomo, Aridio, La USAID Dispone Fondos Para Desarrollo Turismo Sostenible, <http://www.puertoplatadigital.com/noticias/nacionales/febrero2009/lausaiddisponefondosparadesarrollo.htm>, 2009, last accessed 6/13/2009.

¹¹ IDB, Dominican Republic: Tourism Management Based On Cultural Resources — Puerto Plata, Donors Memorandum, 2008.



Implementation

As a guide, the following implementation plan can be used for developing new tourism products in Puerto Plata. The time frame may vary on a case by case basis but the implementation plan helps illustrate a desirable sequence of events.

Table 1: Sample Product Development Timeline

Month	Activity
1-5	Community Engagement
1	Competition Analysis
2-3	Resource Identification
2-3	Threat Identification
1-5	Partner Identification
2-3	Demand Analysis
3	Management Model Creation
3	Tourism Business Development
4	Marketing Strategy including market positioning and market mix
5	Financial Analysis including start-up costs, operating costs and breakeven analysis
5	Identify Investment Source

Measuring Success

Identifying an appropriate set of indicators can help monitor and manage both the positive and negative impacts of tourism products. In order to track whether progress is being made, it is recommended that success indicators be adopted before implementation begins. For each area (economy, environment and society) there are different types of impacts that may occur with tourism development. The consultants have created a list of possible indicators that can be used to measure the impacts of tourism development in each of these categories. An analysis of sustainability indicators is included in **Appendix E**.

Conclusion

This toolkit offers the necessary knowledge and resources to be able to develop new tourism products in Puerto Plata. It is meant as a flexible guide that provides comprehensive information and steps to launching a new tourism business which engages the community, increases sustainable income generating opportunities, enhances the economy and improves the overall competitiveness of the destination.



Appendices

Appendix A – Preliminary Site Evaluation for a CAP Analysis

Appendix B – Sample Resident Attitude Survey

Appendix C – Community Tourism Management Models

Appendix D – Interview Guide for Competition Analysis

Appendix E – Analysis of Sustainability Indicators



Appendix A –Preliminary Site Evaluation for a CAP Analysis

The first stage of a Conservation Area Planning analysis is a Preliminary Site Evaluation. This evaluation addresses the following questions:¹²

1. Are there significant potential natural or cultural attractions in the area?
2. Can visitor access to the attractions be easily established?
3. Can the attractions be protected at an acceptable level from the impacts of visitation?
4. Is the area free of security problems that cannot be effectively controlled by the management of the area or local authorities?
5. Does the protected area have sufficient management and administrative authority to effectively manage implementation and monitoring of an ecotourism program at site level?
6. Is there a reasonable expectation that initial funding needed to develop ecotourism will be available?
7. Are the protected area managers, tour operators and communities willing to conform to ecotourism guidelines, i.e., low impact, small groups, impact monitoring, working with and actively involving communities?
8. Will visitation improve biodiversity health or reduce threats to conservation targets?

¹² Nature Conservancy, The. "Dominican Republic Partners." 2008
<http://www.parksinperil.org/howwework/partnership/dominicanrep.html> (accessed June 9, 2009).



Appendix B - Sample Resident Attitude Survey

Resident Survey Questions Database

This question database can be drawn from in order to create a resident survey for the Los Dominguez community. It is important to determine the community perspectives and attitudes to developing tourism before product development begins. The survey should be implemented by a third party to assist with honesty in residents' responses. The survey respondents should be assured that their answers will be anonymous and that they should respond honestly.

Socio and Economic Profile

1. Marital Status
2. Gender
3. Number of members of your household currently living with you?
4. Years of formal education received
5. What is your main occupation: Farmer, Business, civil servant, fisher, logger, artisan, forest product gatherer, tourism, other (specify)
6. What is your main source of income for your household? Fishing, agriculture, business, civil service, self-employment, sale of timber, other (specify)
7. Where does your main occupation activity primarily take place?
8. Please indicate the number of your family members employed in the following activities: hunting (male/female), forestry (male/female), fisheries (male/female), agriculture (male/female), tourism (male/female), other
9. In your opinion, which of the following provide the best opportunities for future economic activities in the area? Restaurants, artisan shops, farming/agriculture, fishing, hunting, logging, other
10. How long has your family lived in this area?
11. Overall, how would you rate this community as a place to live? Very good, good, okay, not good, too bad
12. Generally, how would you rate the safety of your community?
13. What caused your family to live in this community? Born here, marriage, economic reasons, natural disaster, political reasons, other

Youth

1. What do you think about the future of the youth in your community?
2. What do you think are the most pressing concerns facing the youth of your community?
3. Lack of employment
4. Lack of education
5. Lack of infrastructure to support growth and development for youth



6. Other (specify)
7. Do you see ways in which the youth in your community could be involved in tourism?
8. If so, how?

Natural Resource Use Issues

1. Does wildlife presently benefit you personally in any way?
2. If yes, what % of your income did you get from wildlife in the past year?
3. If not beneficial, why not?
4. Have you suffered financial losses due to wildlife during the last year?
5. If so, how much?

Tourism

1. Do you work in tourism?
2. If yes, what % of your income came from tourism last year?
3. If yes, do you work in tourism all year round?
4. During the past year, how often did you interact with tourists? Daily, weekly, monthly, quarterly, never
5. If you had the opportunity to manage tourism in this area, which of the following would you do? (Please rank)
 - Leave matters as they are
 - Discontinue tourism altogether
 - Increase the number of tourists currently visiting
 - Increase the number of tourism businesses in the area
 - Shut down all tourism businesses in the area
 - Other (specify)
6. How would you use revenues collected from tourism? (please rank)
7. Support local business
8. Provide school scholarships
9. Infrastructure development
10. Promote HIV/AIDS awareness campaigns
11. Improve health services
12. Encourage new farming methods
13. Provide cleaner water
14. Provide waste facilities
15. Other (specify)
16. Are there ways in which tourism development in this area can be changed to provide more benefits to your household or to your community?
17. If yes, specify how:

Resident Attitudes Toward Tourism

1. Do you like having tourists visit your community?



2. Would you say that tourists are friendly or unfriendly towards the local people? (Likert scale response: Very friendly, friendly, indifferent, unfriendly, very unfriendly)
3. Are there places in this community which should be off limits to tourists?
4. If yes, please mention here:
5. Have you notice any changes in your community as a result of tourists' visits here?
6. If so, how would you regard those changes? Positive or negative?
7. What is the general reaction of this community towards tourists visiting this area?
8. What are you thoughts and feelings about tourism in Puerto Plata? (open ended question)



Appendix C – Community Tourism Management Models

DSTA Model

The following diagram outlines the components of a DSTA Model that has been proposed for the Los Dominguez Nature Trail and Center Project.



Figure 3: DSTA Management Model

As evident from the diagram, this model has at its foundation a non-profit management organization. This organization is composed of representatives from the communities and important stakeholders. The management organization will have expertise in tourism development, community engagement and environmental conservation in the case of a community ecotourism project such as the Los Dominguez Nature Center and Trails project. The composition of the organization can vary to meet the needs of the specific project. The



management organization in this model will be a non-profit organization through with international donor funding can be received and managed.

The Management Organization will receive funding on an ongoing basis from the participating community businesses. Participating community micro-enterprises will flow an established percentage of their revenue to the management organization, which will then provide two sets of services including: 1) overall trail promotion and maintenance as well as security for the park and 2) administration of a community fund that will be used for social and environmental programs in the community. This fund will be administered by the management organization through a competitive process in which community members submit proposals which are judge by members of the organization in order to select projects that will provide the greatest overall community and/or environmental benefits.

Through this management model, everyone benefits either directly from employment with the project or indirectly through the community fund. Micro enterprises benefit from technical assistance and training as well as the ability to leverage joint marketing efforts. The environment will benefit from funding for conservation efforts as well as the link between local livelihoods and the environment, which creates a greater incentive for the community to play an active role in protecting natural resources.



La Ruta Moskitia Model

La Ruta Moskitia Ecotourism Alliance is a community-based ecotourism project that took place in the Rio Plátano Biosphere Reserve, Honduras, from 2002 to 2007. The project and model were developed by RARE Conservation, which is now part of Solimar International. More information about La Ruta Moskitia can be found at www.larutamoskitia.com. The project utilizes the following community management model which is taken from La Ruta Moskitia Case Study:¹³



Figure 4: La Ruta Moskitia Management Model

La Ruta Moskitia became a legally recognized conservation organization in 2007. This designation as an NGO allows the organization to support both the growth of the enterprise, as well the increasing involvement of La Ruta Moskitia in conservation initiatives in the Reserve. The NGO is governed by a Board of Directors made up of one indigenous member from each of the La Ruta Moskitia destinations, as well as the Executive Director of the enterprise. The mission of the conservation NGO is to “expand the economic opportunities of community-based ecotourism to additional communities, create local conservation strategies that can be supported from tourism revenues, build a productive partnership between indigenous communities and the Reserve’s managers, and revitalize the indigenous values and knowledge that help local populations to use Reserve land in a sustainable way.”¹⁴

The conservation organization is supported by dedicated funding (10 percent of gross tour sales) collected from the revenue-generating Ecotourism Enterprise component of the alliance as well as donations from the clientele of La Ruta Moskitia. Due to its status as an

¹³ Humke, Matt (2008). *The La Ruta Moskitia Ecotourism Alliance: A Case Study*. Version II, August 2008. Rare Conservation: Washington DC

¹⁴ Ibid.



NGO, the conservation organization is also eligible to receive funding from national and international donors who support environmental conservation and international development.

In return for contributing to the conservation fund, community enterprises are able to share certain resources with the NGO. The NGO supports businesses in providing a higher quality product by providing access to funding, training, and marketing opportunities as well as shared office space and equipment.

The Chachahuat Model

The Chachahuat Model refers to a management model used to operate a community-owned restaurant in the Garifuna community of Chachahuat which is on the island of Cayos Cochinos in Honduras. Chachahuat is a small community of around 25 families including about 85 adults and 40 children. Community members have established a restaurant that has community-wide benefits in the form of both direct income generation and a scholarship program for local school children. The restaurant is directly owned and operated by the 25 families. Families work in the restaurant on a rotating basis in which each family serves 25 guests at the restaurant and then rotates. Five percent of the profits from the restaurant are used to fund scholarships for school children to attend schools on the mainland. Ten percent of revenue are reinvested in business to cover maintenance costs. The remaining profits are divided up among the families themselves providing an important source of income for the families.

This management model has been very successful of the Chachahuat community. They have applied it not only to the restaurant, but to a hotel owned by the local fishermen as well. This model maybe very effective in certain communities particularly those that are small, well-organized, and have a strong sense of community.

The Damajagua Model

The Damajagua 27 Waterfalls are located about 30 minutes outside of Puerto Plata. Guided tours in which visitors jump, climb and slide through the falls are popular with both locals and international visitors alike. Foreign tourists most often visit the falls as part of an organized package tour arranged through a tour operator. Damajagua saw 40,000 visitors in 2008, which is the highest number of visitor arrivals in the destination's history.

Damajagua has a unique management structure that has been able to develop the area as a competitive destination, protect the environment, and provide substantial benefits for the local community. The area in which the waterfalls are located was declared a protected area "monumento natural" in 2004. In 2005, SEMARENA and the Asociacion de Guias Salvavidas del Rio Damajagua (AGRD) signed a co-managment agreement, in which the guides were given the exclusive right to provide tours inside the protected area.



SEMARENA and AGRD have established a “Consejo de Cogestion” which functions as a board of directors for the protected area. Members of this board include:

- SEMARENA
- The Administrator of the protected area
- A representative from the tour guides’ association
- A representative from the property owners (some of the land within the protected area is privately owned)
- A representative from the Hotel Association of Playa
- A representative from the Secretaría de Turismo
- A representative from the government of Puerto Plata
- A representative from the Ayuntamiento de Imbert where Damajagua is located

There is an entrance fee charged for entrance into the protected area. The fee varies depending on whether the guest is Dominican or foreign and how many waterfalls the guest intends to visit. The entrance fee to visit all 27 falls is currently 290 pesos for Dominicans and 460 pesos for international visitors. The Consejo de Cogestion receives 130 pesos for every ticket sold and the guide association receives the rest which is used to cover salaries, maintenance, and operating expenses. The 130 pesos received by the Consejo de Cogestion is used to cover 1) administrative expenses such as park guards, security, infrastructure, trail maintenance, office expenses, etc. 2) royalties for the landowners, and 3) the community fund.

30 pesos of every ticket purchased is deposited into a community fund which is managed by a community council composed of one elected representative from each of the communities adjacent to Damajagua. The community council receives and reviews proposals for projects submitted by the individual communities. They decide which projects to fund and then submit their recommendations to the Consejo de Cogestion for final approval and funding. The project is then managed by the park administrator together with the community members.

A sampling of projects completed to date includes: a new school bus so local children do not have to walk for hours to attend school each day, a community bakery, and community infrastructure and safety projects. Work is currently underway to establish a scholarship program for local students to attend universities and a micro-credit program. Overall, the Damajagua management model has been very successful. It benefits the environment, the community and the destination. The success of Damajagua is very encouraging for product development in Puerto Plata. Damajagua proves that while there are many challenges in creating successful community-based products in Puerto Plata, it is possible.





Appendix D – Interview Guide for Competition Analysis

Table 2: Competition Analysis Guide

Business Information	
Company Name	
Interviewee Name	
Location of Business	
Distance from Playa Dorada	
Number of Employees	
Number of years open	
Management Structure	
Product Information	
Product Description	
Cost of Product	
What the cost includes (transportation, lunch, beverages, etc)	
International tour operator mark up	
Markets	
Main Market Segments	
Number of Tourist per week in the high season	
Number of Tourist per week in the low season	
Number of tourists per year	
Marketing Strategy (contracts with international tour operators, non-exclusive agreements, FIT markets, etc.)	
Qualitative Ratings	
Quality of the nature based experience	<p>The quality of nature based experience criteria refers to the characteristics of the natural environment within the tourism experience occurs. It takes into account the amount of development, the level of purity of the environment and trash, litter and sanitation issues. These criteria assume that tourists would prefer pristine natural environments when experiencing a tourism product.</p> <ul style="list-style-type: none"> ○ 1 = Highly urban with litter, trash or sanitation issues ○ 2 = Urban experience with no trash, litter or sanitation issues ○ 3 = Rural experiences with some trash, litter or sanitation issues ○ 4 = Pristine experiences some development (e.g. houses) ○ 5 = Pristine with little development



Level of community involvement	<p>The level of community involvement criteria specifically rates businesses on the degree to which the community is involvement in the management and ownership of the business or the amount of support to community that the businesses provide. Based on global tourism trends, these criteria assume that tourists prefer tourism products that support communities growth and improvement through empowerment and development programs.</p> <ul style="list-style-type: none"> ○ 1 = No community involvement ○ 2 = Informal support for communities through donation and investment ○ 3 = Formal support for communities through donations but no community ownership of business ○ 4 = Formal support for communities and some community involvement in managing the business ○ 5 = Business owned and managed by community
Level of Risk	<p>The level of risk criteria rates products on the amount of perceived risk involved in the activity. Risk is judged on the level of control the guide of tourist has over their experience. Water based activities are seen to have a higher level of risk since there is little control over the flow of the water and little predictability in its course. Since Puerto Plata is not seen as an adventure destination, it is assumed that tourists prefer products with lower levels of risk.</p> <ul style="list-style-type: none"> ○ 1 = Excessive risk ○ 2 = High risk ○ 3 = Medium risk ○ 4 = No low risk ○ 5 = No risk (walking on a flat, paved trail)
Safety measures	<p>Although tourism businesses often take other safety measures, the level of insurance is used to more quantitative gauge the amount of effort and resources that are allocated to safety. It is assumed that tourists prefer businesses that have more insurance and are accredited by a foreign auditor.</p> <ul style="list-style-type: none"> ○ 1 = No insurance ○ 2 = Minimum required insurance by Dominican Republic government ○ 3 = More than the minimum required insurance ○ 4 = Accredited by UK tour operators ○ 5 = More than required
Additional Comments	

Appendix E – Analysis of Sustainability Indicators



In the context of sustainable tourism development, indicators are information sets which are formally selected for a regular use to measure changes in assets and issues that are key for the tourism development and management of a given destination¹⁵. Indicators can be classified into different categories according to the area to be measured (economic, environmental, social, etc.), as well as how they measure the changes (numerical vs. non-numerical). Numerical indicators are also known as “quantitative” indicators and non-numerical indicators are called “qualitative” indicators. The first usually refer to discrete aspects of tourism, such as number of arrivals, occupancy rates, local to tourist ratios, and others. The latter typically inform about feelings, attitudes and behavior of all stakeholders and are more difficult to measure due to their human component. Therefore, it can be more convenient to use numerical indicators for managing purposes, because they are more reliable and easier to track. However, it is very important to include qualitative indicators in every destination analysis as well, in order to learn the degree of involvement of all stakeholders. In general, indicators are signals of current issues, emerging situations or problems, which need to be addressed.

Eugenio Yunis, Head of the Sustainable Development of Tourism Department at the World Tourism Organization, has been working on the WTO indicators study.¹⁶ He explains that as a result of the rapid expansion of the tourism sector, traditional and emerging tourism destinations are facing increasing pressure on their natural, cultural and socio-economic environments. Establishing tourism indicators can help to manage the impact that such a rapid expansion can provoke in a destination. In addition, tourists are now becoming more demanding about the quality of natural resources of an area. Indicators are tools that can be used to guarantee that those visitors’ expectations will be met.

According to Yunis’ research, the number of indicators will depend on the size of the destination, the number of critical issues, the interests of the user group, the information and the resources available to track and reporting the indicators.¹⁷ He explained that most practitioners agree 12-24 indicators are optimal, and a central challenge in the indicators development process is to end up with consensus on a short list without important gaps.

The Los Dominguez Nature Trail for example is a new type of product in the Puerto Plata region. Existing information and secondary data can be used as an excellent baseline for future analysis. The most commonly used and better-understood indicators are economic data.

The indicators chosen will always vary depending on the degree of development and the level of planning that already exists. It is important to identify the differences between destinations and individual issues or a region regarding its planning and regulation processes. Yunis suggests that in destinations where a formal planning process has not yet been started,

¹⁵ Yunis, E. (2004). *Indicators to Measure Sustainability in Tourism*. Stocholm, Sweden.

¹⁶ Ibid.

¹⁷ Ibid.



the indicators development procedure can be a catalyst.¹⁸ The Los Dominguez Nature Trail should consider beginning with an appropriate approach towards sustainable development of tourism. Some indicators that will support this development follow:

Table 3: Examples of Indicators According to Function

INDICATOR	EXAMPLE
1. Early warning indicators	Decline in numbers of tourists who intend to return
2. Indicators of stresses on the System	Water shortages or crime indices
3. Measures of the current state of the Industry	Occupancy rate, level of tourists' Satisfaction
4. Measures of the impact of tourism	Indices in the level of deforestation, changes of consumption patterns and income levels in local communities
5. Measures of management efforts	Cleanup cost of water-bodies Contamination
6. Measures of management effectiveness or performance	Changed pollution levels, greater number of returning tourists

Source: Yunis, 2004

It is also very important to consider the main criteria proposed by the WTO for selecting sustainability indicators in tourism. It includes:

- **Relevance of the indicator to the selected issue**
- **Feasibility of obtaining and analyzing the needed information**
- **Credibility of the information and reliability for users of the data**
- **Clarity and understandability to users**
- **Comparability over time and across jurisdictions or regions**

¹⁸ Yunis, E. (2004). Indicators to Measure Sustainability in Tourism. Stocholm, Sweden.