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Investing in
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Psychographics: The Road Much Less Traveled

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When the influential travel guide Lonely Planet praises Los Santos province, it mentions cowboys, cattle, folkloric festivals, colorful costumes, friendly people, beaches, and turtles. About development the guide is essentially silent, because beyond a few quaint hotels and restaurants, there's almost nothing to write about.

Add that to the Azuero Peninsula's ecological state—some 97 percent deforested—and one could ask: is this the place for an eco-luxury community?

Conventional wisdom might say no, but internationally-known designer-builder Gilles Saint-Gilles is hardly a conventional man. And with his investors (who include my company, Grupo Archipelago), he has bet over \$14 million (and counting), not to mention five years of sweat equity, that the conventional wisdom would be wrong.

For those who monitor Panama's residential tourism progress, our project, "Azueros," might be of interest. Among questions Azueros will attempt to answer when it opens in December is: can a path seldom traveled such as Los Santos sustain a high-end residential development, or must the area first establish a "brand name" like Bocas del Toro or Boquete? And, if high-end and off-the-beaten-path are compatible, what is the best way to go about mating the two: mega-project with all of the amenities needed to appeal to a mass market, or boutique project that targets a niche clientele.

In his own mind, Saint-Gilles answered those questions the first time he saw the site. He was his own first customer, so to speak, originally purchasing the site as a family retreat. Only later did it occur to him that this quiet stretch of Pacific coast might appeal to a wider audience.

From the property's crest, looking out over land that years of cattle grazing left with only clumps of trees, the land's potential is clear: 1000 acres of green potrero rolling down to sandy beaches and the vast blue Pacific. But the project's approach to realizing the site's potential involves an unconventional master plan that was not always as apparent.

"A great site is something like a canvas" says the French-born Saint-Gilles, who, in addition to being the project's designer, is also an accomplished painter. "Azueros is a fantastic place. We could do many, many different things with this property." To be sure, early plans for the project included two golf courses, a small marina, two hotels, a large spa and the several hundred housing units necessary to support that infrastructure. The current master plan, however, dictates large lots of up to twenty acres, set amid replanted native trees, each with an ocean view. Emphasizing space in a way only possible in the remote interior, the master plan's ecological aim is to restore the cattle-ravaged potrero to something approaching its original state—eschewing the conventional eco-development formula of taking a "pristine" site and then trying to mitigate the damage with low environmental impact structures.

In its early stages, however, Saint-Gilles primary concern wasn't what to build, it was what could be built. For a designer-builder who has built palaces for Saudi royals, re-constructed historic chateaux in France and quite a few projects in between, the true challenge was to see if he could produce homes of the quality to which he was accustomed in an area without a deep pool of building talent.

To address that problem he invoked a solution harking back to the construction of the Panama Canal itself: he imported craftsmen and machinery, erected work shops, and set about imparting Old World skills to local apprentices, an approach that serendipitously has potential to create a cadre of local craftsmen as the core of a luxury home construction industry in Los Santos.

The result of that tutelage was Azueros' center piece: Villa Camilla, named for Gilles' wife, originally a family retreat is now open as a petit-hotel with seven elegant suites. There may be nothing so luxurious anywhere in Panama.

Though not billed as an eco-lodge, Villa Camilla illustrates Azueros' sustainable luxury philosophy. Its construction emphasizes local low-impact materials such as plantation teak from Chiriqui, terra cotta from Ocu and stone from Los Santos. Hand rubbed plaster walls eliminate the need re-apply toxic paint every few years. Perhaps most importantly, Gilles' team prefers to hand-craft elements in the project's workshops rather than import ready made products. Whether the element is a hand-carved wash basin, pebble stone pathway or four poster bed, the result is the same: higher quality, better training for the craftsmen, more money retained in the community and a distinctive aesthetic.



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The Psychographics Of Sustainable Luxury

With his construction questions answered, the biggest remaining challenge facing Saint-Gilles' team was similar to that faced by Panama as a whole: convincing customers to try a new product. It is no coincidence that Azueros' basic response to this challenge—targeting customers who prefer to take the road less traveled—followed Panama's own approach. Understanding the business rationale for building a new product by targeting the adventurous few requires a look at an area called psychographics.

In Panama there is much discussion of the "gray wave" and other demographic statistics that portended well for our residential tourism industry. But demographics are limiting because they only give a factual outline of potential customers: age, income, race, etc. The next step, psychographics, studies those consumers' attitudes and beliefs, telling marketers what they value and desire.

The classic article, "Why Destination Areas Rise and Fall in Popularity" by Stanley Plog, explains the basics of psychographics as applied to the travel industry. The article explains that there are relatively few very adventurous people ("venturers"), somewhat fewer very timid people ("dependables") and the great majority somewhere in between.

The venturers tend to be intellectually curious; like to try new products rather than popular brands; find thrill in discovery; have confidence in their own judgment; and seek new and authentic experiences. The dependables are more or less mirror opposites, generally preferring to take few risks.

The central dynamic of psychographics—represented by the arrow at the bottom of the chart—is an iron-clad rule: influence always runs from venturers to dependables. The adventurous set the pace. At the outset it's their opinion that counts, be it written or word of mouth. The dependables (again, perhaps by definition) won't seek out a destination until it has been well-tested, and the most timid won't go until the place has become a cliché—e.g., the Niagara Falls crowd.

Marketers of emerging destinations often strive to reach and satisfy a critical mass of adventurous people on the theory that their less adventurous friends will follow. This process, whether intentionally induced or naturally occurring, explains the emergence of Costa Rica, Bali, South Beach, Mexico and countless other destinations. In fact, without a massive advertising budget, this organic approach is really an unknown destination's only option for becoming popular.

It takes more time to build critical mass in this way, but there is a strong argument that destinations that start by targeting the adventurous are more sustainable because their rising popularity is based on marketing the destination's fundamental appeal—the only way to attract the authenticity-seeking venturers. Building organically also requires less initial financial risk because the authentic and natural elements craved by the venturers by definition already exist.

One interesting quality of venturers—particularly relevant to Azueros—is that they tend to have higher incomes, spend money more freely and support, in the words of one study, "the ideals of ecological sustainability and globalism." It is therefore no accident that brands such as Amanresorts have defined a niche for ultra-high end, environmentally and socially sensitive resorts. One look at the hotel flags flying in Costa Rica tells us that some sophisticated, upscale players are taking the eco-resort niche seriously.

This is in line with findings by the Travel Industry Association of America that more than three-quarters of US travelers feel it is important that their visits not damage the

environment, over half of whom say they would pay more to use a travel company that strives to protect and preserve the environment.

After about a year of test marketing Azuceros, we have found that the product we are selling seems to resonate well with the kind of people who are visiting Panama right now.

Many of these people are looking for property here specifically because they are tired of pollution, congestion and noise in their own countries. Often their big question is "how do I make sure that Panama doesn't get destroyed like my home did?"

To Saint-Gilles and his team, supplying this demand with a product that has environmental assurances is just good business.



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En días pasados se llevó a cabo el Acuerdo de financiamiento entre la Compañía Financiera Holandesa de Desarrollo y la German Development Organization con el Grupo Financiero Uno.

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