



THCG Business Report



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TOURISM

The thaw strongly impacts prices in the Cuban tourism market

HCG Business Intelligence Unit _____ 3

The avalanche of North American tourists boosts the hotel prices more than 95%



REMITTANCES

Remittances to Cuba in 2016 grow by 2.7%

Emilio Morales _____ 8

Remittances have a big impact in the Cuban economy

FINANCES

The difficult challenge of repaying the foreign debt

HCG Business Intelligence Unit _____ 13

The commitments agreed for the repayment of the external debt will be very difficult to fulfill.

INVESTMENT

Nestlé enters new niches and protects itself against the entrance of North American products

HCG Business Intelligence Unit _____ 17

Nestlé benefits from its experience in the Cuban market for over 20 years and challenges large US companies

AIR TRANSPORT

The consequences of not doing a good market study



HCG Business Intelligence Unit _____ 23

... saving tens of thousands of dollars in not doing market research can lead to losses of tens of millions of dollars ...

MARIEL SPECIAL DEVELOPMENT ZONE

Foreign Investment at ZED Mariel: An Update

Jorge Pérez-López _____ 31

...the slow pace of incoming investment is attributed to a number of factors: excessive bureaucratic red tape, a convoluted decision making process and ...

PRIVATE SECTOR

Cuentapropistas revolutionize beauty salons on the island

THCG Business Intelligence Unit _____ 35

...In the case of beauty salons, the creative boom of the Cubans has been truly explosive...



A few opening words



Dear Readers:

The first quarter of 2017 has just ended and uncertainty about what could happen in Cuba-US relations continues, the same misfortune suffered by the reforms undertaken years ago by the Cuban government. Despite the freeze, the clock does not stop and the date of the announced retirement of the Cuban leader Raul Castro is approaching.

The Cuban economy, entering a recessionary period, will experience a very complex year in 2017. The deepening of the Venezuelan crisis is severely affecting the delivery of fuel to the island, to the point that the sale of high octane gasoline has been limited to only tourists. Foreign debt repayment commitments are beginning to weigh on the Cuban economy despite the increase in tourism revenues and remittances. Although the private sector consists of more than 530,000 licenses, the number of occupations allowed remains very limited. The rumored approval of a law to allow the establishment of small and medium-sized businesses is still in limbo, while tourism infrastructure feels the weight of the avalanche of international and national tourists. The approval of foreign investments on the island continues its slow pace and remittances have been hit with a blow of uncertainty with the repeal of the dry foot-wet foot policy. With this scenario on the table, it is difficult for the economy to move forward in the short term. As a positive aspect, there are major investment opportunities in the tourism sector and in the industries that support it.

Meanwhile, Cuban hotel lodging prices have soared to unprecedented levels. In our first article we present a detailed analysis of the behavior of prices of offerings by lodging networks in the island given the large increase of North American tourism and the appearance of new market segments. Which ones are the brands whose prices have increased the most? Is this sudden rise in prices beneficial? Do they correspond to the quality of the tourism product offered? How have customers reacted to the price increases?

In our second article you will learn the amount of remittances in cash, the growth rate in 2016 and market prospects for the period 2017-2020. Will the repeal of the dry-foot, wet-foot policy affect remittances shipments to the island? New payment networks begin to expand in the country, including banks. Are Cuban banks prepared to enter the remittance business? Do these new payment networks open an opportunity to competitors of WU to enter the Cuban market?

In our third article, we do an analysis on the Cuban external debt, the negotiation process carried out and the first payments made in 2016. Also, we assess the prospects of meeting the scheduled payments for the next years, given the adverse situation facing the Cuban economy, in a year in which it has

entered a recession, the Venezuelan crisis has intensified and the international foreign reserves of the island have declined.

In the fourth article we offer a study on the steps taken by Nestlé to invest 60 million USD in a plant producing coffee, biscuits, kitchen products and the expansion of its facilities producing ice cream and mineral water. What were the strategic reasons that led Nestlé to make this decision? What are the perspectives of the development of these new market niches? Is it a strategy to get in ahead of future investments from North America and other countries?

In our fifth article we do a deep dive into the real reasons why two American airlines have announced their withdrawal from the Cuban market and others have readjusted their flight schedules. You will also be able to learn the 7 key aspects that were not sufficiently taken into account by the North American airlines in developing their plans to enter the Cuban market and what have been the consequences, a lesson that should be taken into account by companies that have interest in exploring the Cuban market.

Then, in our sixth article, we provide an update of what has happened in the Mariel Special Development Zone (ZEDM) from its inception to the present, how many companies are already located there, from what countries they are, what type of investments do they have and in which sectors of the economy they operate. It also analyzes some of the factors that have influenced the slow investment process in Mariel.

Finally, the report presents an analysis of the development of beauty salons by Cuban entrepreneurs. The research shows the rise of this type of business in the country and the large number of brands that have been created. In addition, the report analyzes the level of investment required to open a business of this type and a projection of the potential volume of revenue of this market. Finally, there is also an assessment of market prices and the high demand for these services despite the low purchasing power of the population.

Subscribe to the THCG BUSINESS REPORT and be ahead of the competition. Deepen your knowledge about the Cuban market and learn about a market that is becoming fashionable but has been largely unknown for more than 50 years.

We leave you to enjoy our second issue of 2017, with the certainty that the unique information and original analysis about the Cuban market contained in our publication will be helpful to you in making business decisions regarding the Cuban market.

Sincerely,

A handwritten signature in black ink, appearing to read 'Emilio Morales', written over a white background.

Emilio Morales
President and CEO
Havana Consulting Group

ABOUT THCG BUSINESS REPORT

The team of expert consultants who prepare this Business Report is composed of experienced analysts and researchers with vast knowledge of the internal dynamics of the Cuban economy, the social and political situation, and the legal framework as well as the island's international and commercial relations. The team consists of some of the most prolific and cited authors in the academic world, experienced journalists who have taken Cuba's pulse for an extended period of time, executives who are familiar with the world of business in the U.S. as well as in Cuba, and lawyers who are

well as in Cuba, and lawyers who are able to navigate the peculiar Cuban legal environment. It is important to listen to experts particularly at a time when Cuba is attempting to reform its economic system to improve efficiency and create sustainable economic growth that improves the standard of living of the population. Frank, clear, and independent analysis and opinions are needed, based on the most recent information available. The experience and authority that The Havana Consulting Group offers fills this demand.



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