

International Retailing 3300

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Team Proposal for the Dominican Republic #2

Figure 1

La Zona Colonial

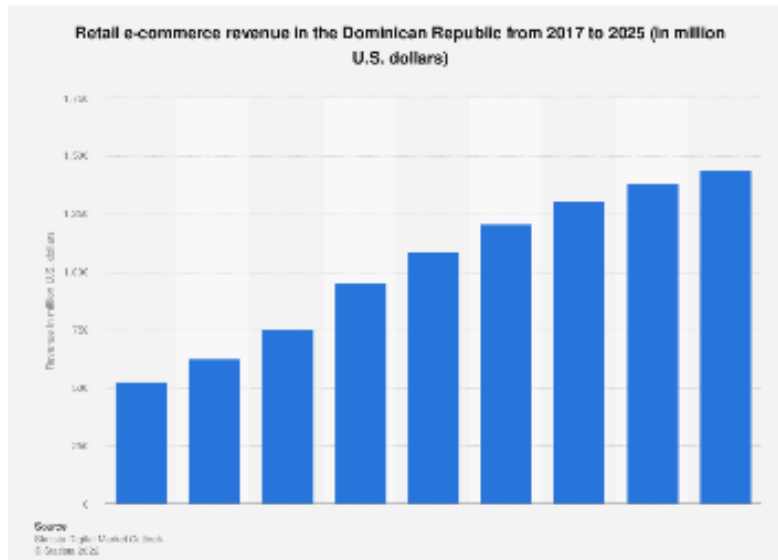


Xi, S.C. (2020) Photo of La Zona Colonial in Santo Domingo

Group Members: *Carlton Georges, Kelley Martinez, Lisette Mercedes, Zahira Santana, Camila Vizcaino*

Technology

Figure 2



Chevalier, Stephanie (2022, September 1) *Photo of The Dominican Republic Total retail e-commerce revenue 2017-2025.*

Technology in the Dominican Republic has advanced **tremendously**. Through the years “Historically, the country's economy has been based on its strengths as an agricultural exporter. In the last decade, the Dominican Republic has capitalized on its geographic location as a manufacturing hub and distributor ” (TBY, 2017). Being that the country is rich in natural resources such as “gold, ferronickel, coal, salt, gypsum, and stone” (Embassy of the Dominican Republic, 2022). These **resources** are important for the country and other countries that are benefiting from them. Technology is a huge advance for the world but especially for a country like the Dominican Republic who is considered a third world country. According to the International Trade Administration, “a law was enacted in 2002 to regulate electronic retailing,

digital documents and electronic signatures” (ITA, 2021). This law brought in a whole new world to the Dominican Republic as it opened up the gates of **e-commerce** and **e-retailing**. With years of technological advances on the rise, it took many years to come up with terms to control e-commerce in and out of the country. Mobile devices becoming the main source of many has made it extremely easy for e-retailing to take place. According to the International Trade Administration “ The Dominican Republic, with an approximately 11 million population by the end of 2020, has mobile connections of 8.64 million (79% of the population) and 8.16 million internet users (74.8% of the population)” (ITA, 2021). These **quantifiable** numbers show how active users are and how much they partake in e-commerce. The COVID-19 pandemic brought a huge amount of consumers to e-commerce and e-retailing as it was their only source to get their food, clothing, and things necessary for their home. As many people had to stay home, digital marketing became a huge market for the Dominican Republic causing lots of traction in the market for other countries.

Culture

Figure 3



Genao, Greisy (2021, September 5) *Photo of Dominican men playing instruments*

The Dominican Republic is more than just tourist attractions and resorts, the Dominican Republic is *Culture*. *Culture is defined as “primary socialization”*. *Culture classifies the world around us, which has symbols and meanings in society* (Sternquist, 2007). What makes the Dominican Republic’s culture unique is that its customs and beliefs are heavily influenced by the European, African, and Taíno traditions and values (Cabral, 2017). The culture promotes joy, ease of life, and family and they are very passionate about their history of music and dance (Guzman, 2022). When it comes to *meeting etiquette*, Dominicans have various ways to present themselves. A handshake is expected, along with direct eye contact and a friendly grin using the appropriate greeting for the time of day. Another way is greeting an individual with a kiss on both cheeks, which is extremely common (Commisceo Global Consulting Ltd.). In terms of

space, or the distance between two people in conversation, Dominicans tend to stand very close to each other when it comes to one-on-one conversations, also with a lot of hand movements (Sternquist, 2007). But when it comes to group conversations, you will find them standing far from each other in their own spot, and probably speaking very loud. Now this in no way is meant to stereotype *all* Dominican people.

When it comes to promoting the *ease of life*, Dominicans work very hard to support themselves and their families, but they also get the freedom to have more time with them from jobs. Family loyalty is big within the culture. Dominicans do their best to keep their loyalty with one another and they put that priority first before anything. With this loyalty, it is also very common for people to have a specific nickname for each other, other than their legal name, without it having a negative connotation to it (Commisceo Global Consulting Ltd.). *La Siesta* and *Business hours* are taken very seriously. As the clock strikes twelve o'clock, people can be seen rushing home from work or running errands to lunch with their loved ones. Small businesses tend to close their doors from 12:00pm to 2:00pm to eat and nap (Guzman, 2022). The main meal that is served midday is known as "La Bandera" which consists of red beans, white rice, and stewed meat. Usually this is served, and can not be forgotten, with fried plantains, salad, and avocado (Every Culture, 2006). The majority of Dominicans are impoverished and live paycheck to paycheck. This does not prevent them from having fun and going out. When it comes to nightlife and music, Dominicans love to partake in dancing and singing. The nightlife in the Dominican Republic is their part of promoting joy and ease of life. The people of the Dominican Republic go out to dance to music like *bachata, merengue, salsa, and dembow* which is what represents the culture. Without the music, the culture would be nothing.

Labor & Employment Practices

Figure 4



Johnson, Will (2015, October 23) *To the cane fields of Dominican Republic.*

Barriers of Trade

CAFTA-DR On September 6, 2005, the Dominican Congress ratified the United States-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Entry into force occurred on March 1, 2007. More information on CAFTA-DR is found in earlier chapters of this document.(Trade, 2021)

Land refers to the “natural resources used to produce things”. (Sternquist, 2007). Some of the Dominican Republic's most important natural resources include arable land, minerals, fish, and beautiful scenery among others. In 2015, forests covered roughly 41% of the Dominican Republic's territory which was a significant increase from the size of land covered in 2004. The increase in forest cover within the Dominican Republic is primarily because the government and

environmentalists encouraged the Dominican people to plant more trees and conserve the existing forests (Benjamin Sawe, 2019). *Labor* refers to “**unskilled and semi- skilled workers**”, rather than the skilled labor force (Sternquist, 2007). Countries can attract some retailers such as large department stores by offering low-cost *labor* (Sternquist, 2007). The Dominican Republic has long been viewed primarily as an exporter of sugar, coffee, and tobacco, but in recent years the service sector has overtaken agriculture as the economy’s largest employer, due to growth in telecommunications, tourism, and free trade zones. *Labor* force by occupation Agriculture 14.4%, Industry 20.8% and Services 64.7% (CIA The World Factbook,2022).*Capital* refers to “**money, machinery, and infrastructure**”.(Sternquist, 2007). The Dominican Republic has experienced a remarkable period of economic growth throughout the past 25 years; it expanded by an average of 5.3% in 2000-2019 and this was mainly driven by capital accumulation and total factor productivity growth (De La Paz, 2022). “As the pandemic recedes, investment in human capital will be vital to the DR’s continued growth and development” (De La Paz, 2022). *Entrepreneurship* refers to “**creative management and ideas ; or how people how problems and look for opportunities**”.(Sternquist, 2007). A study showed that more than 80% of the adult population in the Dominican Republic believes that they have the skills and intentions to start a business, and only 38% of these said they were afraid of failure (Dominican Today, 2022).

In the Dominican Republic, there are certain requirements that have to be met in order for foreigner employees to work. It is law that a company’s workforce must consist of at least 80% of Dominicans, this is what allows foreigners to find employment due to the high demand for them (Sánchez & Salegna, 202, p.6). It is also vital that all employers have legal documentation to verify their identity because if not, the employers who hired them will be penalized; the

requirements to request a temporary residence permit solely for employment are as follows: undergo a medical examination authorized by the General Directorate of Migration, have two copies of the passport photo, and two copies of Residence or Work Visa granted by the Ministry of Foreign Affairs through the Dominican Consulate in the country of origin (Sanchez & Salegna 2021, p.6). The minimum working conditions in the Dominican Republic are straightforward and aren't too complicated for those who can't really understand. All employees are entitled to a minimum wage that is regularly adjusted; the amount may vary based on the sector and size of the company, and it is mainly managed by the National Salary Committee (Tossi, 2021). Employees have the right to compulsory health insurance and health insurance which is funded by both the employers and employees through mandatory social security contributions. All salary must be paid by cash, check, or direct deposit to the employee's bank account and their regular work period cannot exceed eight hours per day and 44 hours per week (Tossi 2021). The employer is also supposed to provide their employees with compulsory paid vacations and a Christmas salary every December, which consists of one twelfth of the original salary earned by the employee throughout the calendar year (Diaz & Median, 2022). Due to COVID-19, there are protocols that have to be followed now in workplaces in order to maintain a safe and healthy environment for all workers. These protocols include conducting daily health checks, frequent cleaning & disinfecting, social distancing, encouraging employees to wear face masks, and improving the building's ventilation system and having a specific procedure to follow in case of any COVID-19 cases (Tossi, 2021).

Economy

According to the World Bank in the Dominican Republic “Over the past decade, economic growth in the DR has substantially reduced poverty rates and supported the expansion of the middle class. However, disparities in access to economic opportunities and public services remain deep.” The Dominican Republic, like other countries, has suffered from the pandemic. Today, the Dominican Republic is slowly recovering and is having a positive rebound. The poverty level dropped by 21 percent. But with the pandemic impact more people are unemployed. Like other countries, the Dominican Republic has restricted rules of social distance, wearing masks and people need to get the vaccine, and cleaning rules. However, the Dominican Republic has found ways to get back to normal because covid 19 has a negative impact on the economy and the government decided to remove the restriction of covid 19 to help the economic growth, making tourism and other sources of work back to normal (OCHA,2022). Moreover, **the Ukraine and Russia** conflict is affecting the Dominican Republic economy because oil and wheat prices have risen like never before. Gas prices are over ten dollars in the Dominican Republic, and this has affected other areas as well.

Retailing

The Dominican Republic is one of the most dynamic economies in the Caribbean region. The Dominican Republic is an upper middle-income country with low and stable inflation. Is the second largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba, and Haiti). (Autry, 2020). In 2019, Dominican Republic GDP will end up with \$89 billion with a 5.1 percent increase from 2018. The Dominican Republic majors export growth has moved away from its traditional products (raw sugar, green coffee, and

cacao) to gold, ferro nickel, sugar, derivatives, free-trade zone products, vegetables, and other agricultural products. The top then growth products in the Dominican Republic are cheese, wine, beer, pork, chicken parts, meat (beef, seafood, snack foods, frozen potatoes, vegetables and fresh fruits and the top of DR retailers are La Sirena, Polo Supermarkets, Jumbo, Nacional Supermarkets and Bravo. Additionally, The Dominican Republic (DR) is one of the largest and most stable economies in Central America and the Caribbean. With the U.S. consumer -oriented product exports reaching \$600 million in 2019, the country represents the fifth-largest market for such products in the Western Hemisphere. (Autry ,2020) In addition, the main export partners of the Dominican Republic are the United States, Haiti, Switzerland, India and Canada. (Wikipedia, 2022)

Business side of fashion

In addition, the textile sector is becoming very important in the Dominican Republic, because 70% of the Dominican free zone companies are textiles companies and “being one of the milestones of the country in respect to levels of export and employment.” (Now, the Dominican Republic has better benefits because the United States is getting out of china. (2017) Also, Dominican Republic is one of the Central America regions where the textile sector is very important for the government, and the textiles sector brings many benefits to the economy and became the top 5 industries that contribute most of the economics of the region. (Litman, 2015) According to “Dominican Republic Free Zone” the textiles and apparel industry in the Dominican Republic has been progressing through the years, moving from light manufacturing and intensive hand labor, to now being capable of offering vertical integration with design and full package options. The Dominican Republic has 229 textiles and apparel manufacturers

making around 50,000 direct jobs and exports make it to the amount of \$1.1 billion USD, being 13% of the country's total exports. "Today, 41% of the exports in textiles are condensed in textiles input such as fabrics and yarns, exported mainly to Haiti and Central America."

Factors of production

The Dominican Republic has a mixed economy based largely on services (including tourism and finance), trade, manufacturing, telecommunications, and construction; agriculture and remittances from the many Dominicans living abroad are also important. (Goldberg, 2022) One of the most important sources of foreign exchange of the Dominican Republic is tourism, becoming the Caribbean's most popular tourist destination. People like to go to the Dominican Republic because they enjoy the beautiful beaches, climate, restored Spanish colonial architecture and the low prices in the country. The popular tourist is from the United States, Canada, Italy and other European nations. The most important tourist sites are La Romana, Samana, Puerto Plata, and Santo Domingo.

Trading Partners

The Dominican Republic has a good relationship with the United States, China, Mexico, Spain, and Brazil. The Dominican Republic's most important trading partner is the United States with more than 40% of total commercial exchange, resulting in \$ 12 billion in trade. The second main trade partner is China with over \$3 billion in trade. Mexico, Haiti and Spain have over \$700 million in trade. Last, Brazil has the lowest amount that is \$500 million. The free trade zone manufacturers products are medical devices, electrical equipment, (pharmaceutical and chemicals), gold, nickel, agricultural products, liquor, cocoa bean, silver, sauces and seasoning.

The direct investment flows in the Dominican Republic were strong in 2020 during COVID19 pandemic with 2.5 billion added to the stock in that year. Also, having grown to an estimated \$44.5 billion and growing more from than before since 2006 when the liberation efforts began.

The Dominican Republic is the Fifth Largest-Hispanic population in the United States where the culture has emerged in the United States in every state with arts, music, sports, and politics. The Dominican Republic and the United States do not share only the trade; they share a long history spanning governance, and familiar post-colonial roots. Also, the Dominican Republic became the United States four largest trading partners in Latin American and the Caribbean and DR is the sixth- most popular destination in the world for U.S tourists. In the last three years the Dominican Republic has a strong relationship with Taiwan and signed dozens of new economic and cultural agreements with Beijing. (Runde 2021)

In 2020, Dominican Republic will export various main products to China resulting in \$298 million which are ferroalloys, medical instruments, and special pharmaceuticals. During the last 25 years the exportation to China from the Dominican Republic has risen with a rate of 47.3% from \$18.5k in 1995 to 298m in 2020. (Runde, 2021) Moreover, the Dominican Republic has a good relationship with the United States. The Dominican Republic wants to cut the relationship with China, because his main trading partner is the United States.

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