

Víctor Yanguas

Marimerce Santiago

Venancio Martí

Jorge Toledo

José M. Morell



The Export Generation

A new crop of local businesspeople and entrepreneurs looks to the world to grow

By Alexander López
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Lured by emerging markets

Until now, exports by local companies have been a minor contributor to GDP growth. But encouraged by unprecedented opportunities abroad and a different vision of what it takes to grow, a new generation of exporters is bent on changing that.



BY ALEXANDER LÓPEZ
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Editor's note: This edition of CARIBBEAN BUSINESS brings you a series of stories presenting various aspects of exporting, not from the usual perspective of statistical analysis and job projections, but featuring instead real-life stories of businesspeople who are getting it

done. The stories (pages 25, 28, 32, 37-42, 61 and 64) are identified with "The Export Generation" logo.

As Puerto Rico's economy dove during the past decade into the deepest hole since the Great Depression, almost every significant market in the world grew.

Those, such as the U.S. mainland, that also fell—none as much as we

did—recovered strongly and are now growing.

That fact hasn't been lost on a growing number of entrepreneurs and mature businesses in Puerto Rico, which are busy building a new movement on the island.

Call it the "Export Generation." It is a new wave of local businesspeople who have cast aside, if they ever had it, the insularism that traditionally

has kept the focus of the island's business community squarely on the local marketplace and, instead, are driven to grow their businesses by selling solely, or primarily, to consumers in that monumental marketplace called the world.

"Ex-Gens" are scoping global markets, seeing countless entrepreneurs and companies of all industries and

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sizes penetrating developed and emerging markets alike, and asking THE question: Why not us?

In this special export-focused edition of CARIBBEAN BUSINESS, we feature some of these visionary men and women, to whom selling in Poland is little different from selling in Ponce, particularly given today's digital marketing and e-commerce tools, which have made selling globally far more accessible and cost-effective.

Take intrepid Puerto Rican entrepreneur Tommy Babil, for example. Two years ago, and with a limited marketing budget, Babil introduced Sexlets gum to the local market, relying primarily on press releases and social media such as Facebook and blogs. Today, the natural male-enhancement gum, made in Puerto Rico, is selling roughly \$250,000 a month on the island, he told CARIBBEAN BUSINESS.

Mainstream media picked up on this innovative product and led quickly to stateside reports by NBC, Jimmy Fallon, Howard Stern and other outlets, producing a significant sales increase outside the island, as well as to Babil's recognition by Inc. magazine as an entrepreneur to watch. Sexlets chewing gum was created by highly skilled scientists, with quality and performance in mind. The company uses 100% all-natural, high-quality ingredients in all of its products.

Babil placed the product in major U.S. mainland chains and distributes it in stores worldwide from Russia to Brazil. He is in the process of repackaging it under an alternative brand to appeal to a more mature demographic group.

For Babil, the success thus far is only the beginning of Sexlets' global push. "It is nowhere near where I want it to be."

CREATING JOBS

Thus far, the new-generation export wave hasn't produced a notable increase in the island's job base or gross domestic product (GDP). Government statistics still can't distinguish between exports by locally owned companies and the dominant export activity from Puerto Rico done by U.S. and foreign-owned corporations. Local-

company exports remain tiny by comparison.

The local and federal governments, along with academia and other organizations, are doing their part to change that—*fast!*—with a wide range of services that help local businesses to export.

"This has become a growth segment of the economy," Puerto Rico Economic Development & Commerce Department (DDEC by its Spanish initials) Secretary José R. Pérez-Riera told CARIBBEAN BUSINESS.

"Selling overseas creates jobs here at home, since companies have to hire locally to make products (if they are manufactured here) and to

"Ex-Gens" are scoping global markets, seeing countless entrepreneurs and companies of all industries and sizes penetrating developed and emerging markets alike, and asking THE question: Why not us?

service those customers whether the products are made here or not. The important thing is for the companies to have headquarters in Puerto Rico because, the more they grow, the more they hire," Pérez-Riera said.

The vision is clear: Instead of—or in addition to—having government promoters travel the world to bring large corporations to Puerto Rico, each one creating 500 to 2,000 jobs or so, the idea is for local exporters to grow quickly, each creating hundreds of jobs on the island fed by their sales overseas.

In fact, export-related jobs on the

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Locking in foreign deals

BY ALEXANDER LÓPEZ
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"In five years, I'm certain Toledo & Co.'s export sales will far outweigh domestic sales."

—Jorge Toledo, president of Toledo & Co.

At first, Jorge Toledo meant to sell his line of security products only in Puerto Rico. However, when government officials suggested exporting and showed him the way, he became a believer.

Today, Toledo & Co. is an international company. Founded in 2003, the company now exports 22% of its annual sales to 23 countries throughout the Caribbean and South and Central America, with negotiations under way to start distributing in Mexico and the U.S. mainland. More markets will be next.

"In five years, I'm certain Toledo & Co.'s export sales will far outweigh domestic sales," Toledo said.

With more than 20,000 square feet of warehouse space in Vega Alta, Toledo & Co. makes and distributes the Toledo Fine Locks brand—a line of approximately 500 high-quality locks and related security products made from steel and bronze—and will more than double its current space to service foreign and U.S. mainland markets.

The space also will keep up with demand in Puerto Rico. Toledo recently reached an agreement with Home Depot, and the U.S.-based hardware chain will be doubling its shelf space for Toledo products in its stores across the island.

"In order to obtain the facilities to start the company, the [government] required that we export our products, for which I am thankful, since it opened the doors to the continued growth of the business even as economic conditions have been stagnant on the island," Toledo added.

Additional export assistance was provided by the island's Small Business & Technology Center, Industrial Development Co. and Commerce & Export Co. ■

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U.S. mainland have grown 39% since 1993, while jobs focused on the domestic market have grown only 19%, with the fastest growth serving such expanding emerging markets as China, India and Latin America.

FROM START-UPS TO STARDOM

Ex-Gens begin with a new vision, in which the entire world is their marketplace. While some are mature companies eyeing global expansion, most are recent start-ups.

A case in point is Productos Monte Albo, founded in 2005 by a trio of enthusiastic entrepreneurs in Ocean Park, San Juan. Ivette Vargas refined her mother's special recipe for *chimichurri* sauce and recently launched a spicy sister product called *chimi-pique*.

The products are marketed internationally through the website www.montesalbo.com, with a sales stream created in China, Russia, Europe, South and Central America, as well as the U.S. mainland.

There always have been start-ups but, in recent years, their growth has become the stuff of legend, with companies such as Facebook, Google and Starbucks grabbing headlines, expanding globally and changing industries.

According to the U.S. Census Bureau, nearly all net new-job creation since 1980 was generated by businesses that have been operational for less than five years. Recent research by the Kauffman Foundation, entitled "The Economic Future Just Happened," shows more than half of Fortune 500 companies were launched during a recession.

Anna María Ruiz launched her business during this recession. Upon her return to the island in 2007, she was unable to find a regular job, so she decided to put her experience in the pharmaceutical industry to work and, a year later, developed a line of unique rum-based liquors as an alternative for any social event.

The company, Mia Dolce Passione, now produces three varieties of chocolate liquor: Dark, Pink and White. Her vision is clear: "For Mia Dolce Passione to be distributed from Puerto Rico to the rest of the world," counting on the growth of global markets to catapult her sales.

So is a recent start-up branded

as Tita Homemade and makers of Caribbean Gourmet Vinaigrettes & Baskets, a line of natural and healthy products. Tita González de Fenn already distributes her products in retail outlets in France, the U.S. and British Virgin Islands, and throughout the U.S. mainland.

The vision is clear: Instead of—or in addition to—having government promoters travel the world to bring large corporations to Puerto Rico, each one creating 500 to 2,000 jobs or so, the idea is for local exporters to grow quickly, each creating hundreds of jobs on the island fed by their sales overseas.

THERE IS HELP

Promotion of these small exporters takes place far from the limelight of big projects—new fancy hotels, large shopping malls, retail chains and telecom giants.

It is held monthly at Mercado Urbano in Condado's Ventana del Mar, where companies such as Bello Busutil (beverages) and Quesos Vaca Negra (gourmet cheeses) test their products and launch new lines before going global.

Besides holding the Mercado Urbano and other such fairs islandwide, the government spurs small-business exports through a maze of support activities:

- Promoexport, a unit of the DDEC's Commerce & Export Co. (CCE

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Fruit of the boom

BY JAIME SANTIAGO
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What other nations initially perceived as cumbersome and costly regulatory requirements became Martex's competitive advantage and formula for success, according to Venancio Martí, founder & president of Martex Farms.

Venancio Martí started cultivating and selling exotic fruits in 1989 simply to subsidize his horse-raising hobby.

It didn't take him long, however, to realize he had created something with huge sales potential. After some trial and error, he decided to focus on producing mangoes, plantains and avocados, and Martex Farms was born.

Plantains generated the first big round of sales, as the company launched a line of packaged products in the style of the far-better-known Dole and Chiquita brands.

After establishing a strong presence with local food retailers and the cruiseship industry on the island, Martex turned on its mango business.

Today, Martex produces more than 18 million pounds of fruit annually, with 93% of the production exported to international markets.

The company was able to compete with world-class fruit exporters from Mexico, Peru, Brazil, Ivory Coast and South Africa, with sales initially concentrated in these and other emerging markets.

However, with production costs in these countries substantially lower than Martex's in Puerto Rico, the company shifted gears and began concentrating in such developed markets as Europe and the mainland U.S., where it found high demand for its products and great potential for growth.

These markets also require the strict quality control Martex integrated into its production as a result of local and federal regulations.

By obtaining European food-quality certifications, such as Global Gap (EurepGAP—European Good Agricultural Practices), Nature's Choice and Marks & Spencer Field to Fork, Martex was able to penetrate the European market and have a competitive advantage over other fruit-exporting countries that hadn't complied with the quality requisites for certification.

What other nations initially perceived as cumbersome and costly regulatory requirements became Martex's competitive advantage and formula for success, Martí said. ■

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by its Spanish initials), which “takes businesspeople by the hand, conducts studies of foreign markets, provides export education and ultimately helps companies export,” Pérez-Riera said.

- Free Trade Zones in Mayagüez, Ponce and San Juan, where exporters can store their products while they wait to fulfill orders.
- The local World Trade Center in Hato Rey, part of the global organization that creates company-to-company networking and relationship building.
- Commercial missions held by the DDEC and CCE.
- Liaison with the U.S. Commercial Service, a federal Department of Commerce unit with offices in Puerto Rico and around the world (see story on page 28).
- The Federal Contracting Center, a CCE unit that also helps local companies get into federal-government-agency supply chains, a whopping \$540 billion market of which local companies have a paltry 0.16% share.
- Development for the People, the highly publicized program that provides training, facilitates permits, creates entrepreneurial zones and offers start-up capital for citizens in the 40 municipalities with the highest unemployment.

The U.S. Small Business Administration (SBA) also is helping by expanding its Small Loan Advantage program and streamlining the application process for loans up to \$250,000.

The agency’s Community Advantage program also is accepting applications from community-based, mission-focused lenders, such as certified development companies and microlenders, which are interested in providing SBA-guaranteed loans to local exporters, as well as small businesses in general.

“The Small Loan Advantage and Community Advantage programs are only two of several initiatives the SBA has developed and implemented over the past few months to put more capital and resources into the hands of small-business owners,” said SBA Regional Administrator Jorge Silva-Puras.

“The important thing that people

should understand is that there is help available, and there are people who will help you. But the passion, effort and dedication have to be within you,” Tita González de Fenn stated. “Expecting the government to do everything for you is a mistake.”

Pérez-Riera certainly agrees: “We offer all this help, but it is up to the businessperson to come knock on our door. The higher the demand for our services, the more services we will add.”

“We offer all this help, but it is up to the businessperson to come knock on our door. The higher the demand for our services, the more services we will add.”

—Puerto Rico Economic Development & Commerce Department Secretary José R. Pérez-Riera

‘LEAVE FEAR BEHIND’

One company doing its own promotional activity is softwaremaker Rock Solid Technologies. It recently signed a \$500,000 contract with the government of Panama to implement Respond, a computerized system that automates procedures related to the Panama government’s administration and management of the services it provides to its citizens and communities.

In July, Rock Solid begins work on the project in collaboration with Panama’s Governmental Innovation Authority, and the project should be completed within 60 days. The company wants its Panama project to serve as a bridge to other Central American countries, as well as the U.S. mainland.

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A hot business

BY ALEXANDER LÓPEZ
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Marey distributes its products through traditional channels in such chain stores as Walmart and Sears, and has experienced a huge increase in sales through e-commerce, revealed Víctor Yanguas, Marey Heater Corp. director.

Marey Heater Corp. was founded in 1955 by Mariano Reyes, and is now in its third generation of family ownership, currently managed by the founder’s grandchildren Lourdes and Víctor Yanguas.

The company started its exports department in 2005 due to a great opportunity for sales abroad. Currently, exports account for 12% of sales, but the big export boom likely will be the company’s new line of gas-powered water heaters, whose sales grew 550% last month.

“Marey is a market leader committed to high product quality, superior customer service and affordability,” stated Víctor Yanguas, company director.

The company manufactures three types of water heaters. Its shower water heaters connect directly to the showerhead and provide an inexpensive and simple solution for hot water in the bathroom. Marey’s tankless inline water heaters come in electric and gas versions, and are activated only when water flows through them, providing savings of up to 60% in a household’s electricity costs.

The rising price of electricity and unstable electrical supplies make the gas water heaters attractive to customers in developing nations around the world. Marey distributes its products through traditional channels in such chain stores as Walmart and Sears, and has experienced a huge increase in sales through e-commerce.

Tankless water heaters for camping are yet another hot growth segment. The Power Cube is a portable unit that weighs only 12 pounds and fits virtually anywhere.

“We recognize the importance of achieving optimal savings in energy, not only to support our customers’ budgets, but also for the well-being of the environment in which we all live,” Lourdes Yanguas added.

With market fundamentals such as these, look for Marey to export a whole lot of water heaters the world over. ■

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Yet another technology company, Vernet, has been at it a bit longer and is already well-known in the educational-software community.

Short for Virtual Educational Resources Network, Vernet was founded more than a decade ago by Manuel Figueroa, and has evolved by identifying markets with growth opportunities, such as Central America and the Caribbean, where it has established access to decisionmakers from the respective education ministries.

“We believe the use of technology in the educational system can lead to dramatic increases in academic achievement,” Figueroa stated.

For Vernet, 2011 is a breakthrough year in its plans to expand into other international markets, with overseas sales expected to reach 30% of the company’s total sales.

Surprisingly, according to Figueroa, “Honduras has the most aggressive educational campaign in Latin America. It has three times the student population as Puerto Rico and recently committed to provide more than one million laptops to schools. That represents a solid opportunity for distributing our company’s products.”

There are also opportunities in online instruction for companies and individuals. “We have expanded our services to meet the demands of global corporations,” he added.

While most Ex-Gen exporters are new and independent, some are existing mature companies, such as emerging Puerto Rican conglomerate CC1, better known for its Coca-Cola bottling and distribution business on the island.

One of the company’s subsidiaries, plastics manufacturer BacPlas, has developed such an expertise making the soda and water bottles used by Coca-Cola and Dasani, that it decided to take its business abroad.

“We identified countries that had bottling companies but didn’t have local preformed manufacturing operations and started exporting to these places,” Eduardo Marxuach, BacPlas president, told CARIBBEAN BUSINESS. “We started doing business in Brazil, Argentina, Uruguay and Bolivia, as well as many Caribbean islands.”

The Caribbean, he said, “is often

perceived as a small region, but it is a diverse and sometimes very complicated market. Each island has its own culture, way of doing business and special needs.”

Sixty percent (60%) of the company’s production is exported to Jamaica, Haiti, the Dominican Republic, Guyana, Surinam and Trinidad & Tobago.

“We don’t see ourselves as just a commodity supplier; we also offer

Promotion of these small exporters takes place far from the limelight of big projects—new fancy hotels, large shopping malls, retail chains and telecom giants.

our customers all the technical support they may require. We have a technical support team that is available to them anytime they need it. That sets us apart from our competition. We are suppliers and technical consultants,” Marxuach concluded.

Export opportunities abound. It begins with Ex-Gen vision and passion, which with a bit of help from the government, has the potential to produce big-job results.

“Puerto Rico has to think on a large scale,” Gov. Luis Fortuño told CARIBBEAN BUSINESS. “It is the way to think in today’s globalized world. There is only one speed to advance globally, and that is as fast as those who lead the race: Dubai, Beijing, Singapore, Miami, Panama...and us. Are we advancing? Does Puerto Rico hit the brakes or move forward? We have the capacity to move forward. It is time to leave fear behind.” ■

Reporter Jaime Santiago contributed to this story.

What the world’s famous have in common

BY JAIME SANTIAGO
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“The key is to be focused and make great use of the new tools available today, especially the Internet. It takes less time to make it big today, because of that, than ever before.”

—Marimerce Santiago,
founder & president of Mima

Ricky Martin, Mick Jagger, Jennifer López, Marc Anthony, Rose-lynn Sánchez, Cameron Díaz, Eva Longoria, Johnny Depp, Tommy Lee, Elle McPherson, Gisel Bündchen, Alejandra Guzmán, Amaury Velázquez, Tommy Torres, Adamaris López, Barbara Bermúdez, María Celeste Arrarás and Nellie Furtado...

These are some of the artists who wear jewelry designed and produced by Marimerce Santiago, founder & president of Mima.

A classic kitchen-table start-up, Santiago launched the export-driven Mima as a home-based business in 2006, just as Puerto Rico was diving into the Great Recession, and today distributes to stores and sells the bulk of its production to customers—famous or not—in such major markets as France, England, Switzerland, Greece, Japan, Australia, Brazil, Mexico, Canada and throughout the U.S. mainland.

Her initial focus was to establish key strategic partnerships in the international fashion-jewelry trade, including securing a big presence in the world’s most important trade shows in New York City, Paris, Los Angeles and Chicago.

Santiago also developed a robust presence on the web to attract local, national and international clients for both wholesale and retail sales.

The result was that Mima’s eye-catching designs captured the attention of some of the world’s top buyers, leading to continuous annual sales growth of more than 20%.

Typical of companies increasingly branded by gurus as micromultinationals, Mima not only sells globally, but also is supplied globally, acquiring its raw material from locations around the world.

“The way I began is the way many of today’s best-known brands and companies got started,” Santiago said. “The key is to be focused and make great use of the new tools available today, especially the Internet. It takes less time to make it big today, because of that, than ever before.” ■

Exporting, anyone?

BY JAIME SANTIAGO
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Since no one is born an exporter, there are some tips to help any company become one:

- When deciding to enter the global arena, businesspeople need to identify and understand their target mar-

the exporter to handle all transactions. An alternative is to go through agents, distributors and retailers in the importing country.

- Another way to do business in other countries is through a joint venture with a local corporation.
- Lately, technology has played a big role in helping exporters reach



kets. Companies must determine if the market or country needs their products or services, whether there are any import tariffs or quotas, and the local pricing structures.

- Exporters also need to be aware of possible trade agreements between the U.S. and the countries with which they want to do business.
- Exporters have to understand and manage other countries' cultures and governmental policies, and if they operate in locations where distance must be considered, requiring additional intermediaries and expenses related to the export activity. Products also may need to be modified to meet the specific country's requirements.
- A good sign a product has export potential is if it is, or has been, successful in the local market. This is a good indicator that it can be well-received in other markets, although there are cases where a product hasn't sold well in its home market but is very successful in other countries.
- Exporting can be done directly, where the exporter has more control over the whole process, facilitating better and more direct relationships with customers, and usually resulting in higher profits. On the other hand, this process can be somewhat more difficult because it requires

global markets that were too difficult in the past. If done correctly, products can reach the world through e-commerce and other forms of digital marketing.

- Transportation is a key factor. There are many options, and costs vary accordingly. A product's nature dictates the type of transportation to use. If the product is bulky, heavy and not perishable, a company probably would be looking at maritime transportation as its transport method. On the other hand, if a product is small, lightweight or time-sensitive because of limited shelf life, a company may want to explore air transportation. Freight forwarders and customs brokers can offer assistance during these initial stages. They can guide companies and even negotiate freight tariffs. They also will set up and support the export-documentation process, insurance and product-packing issues.
- Other important issues to consider are patents, registered brands and intellectual property. Companies must ensure these matters are protected and recognized by the importing country. Information on these issues can be obtained from the World Intellectual Property Organization and U.S. embassies and consulates. ■

Lighting a new 'green' planet

BY ALEXANDER LÓPEZ
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The potential for global sales of LED-lighting products is enormous, and José M. Morell, president of Renewable Manufacturing of Puerto Rico, is busy positioning the company as a major brand and supplier in foreign markets and the U.S. mainland.

Renewable Manufacturing of Puerto Rico is riding the "green" wave sweeping the world.

Rising electricity costs prompted José M. Morell, a 25-year manufacturing-industry veteran in Puerto Rico (mainly at Hewlett-Packard), to begin research & development of more efficient and longer-lasting lighting products.

Illumination using incandescent bulbs represents approximately 30%-40% of a household's energy consumption, he told CARIBBEAN BUSINESS. The longer-lasting and, therefore, more energy-efficient fluorescent bulbs, for their part, pose health risks because of the mercury they contain. The amount of mercury in each bulb is minimal, but when multiplied by the millions improperly disposed of every year, lead to higher concentrations of mercury in drinking water and corresponding adverse health effects.

Enter light-emitting diodes (LEDs), or bulbs without a filament and low in power consumption. An incandescent bulb that consumes 60 watts lasts 1,000 hours, while a fluorescent bulb with the same illumination, consumes 14 watts and lasts 10 times as much. An equivalent LED bulb, by contrast, uses only three watts and lasts approximately 50,000 hours.

Although more expensive to manufacture, "it won't be long before LED becomes the bulb of choice for most applications at home and work," Morell stated.

The potential for global sales, therefore, is enormous, and Morell is busy positioning the recent start-up to become a major brand and supplier in foreign markets and the U.S. mainland.

The company began manufacturing its prototypes in a collaborative effort with the University of Puerto Rico Mayagüez campus, and currently outsources its manufacturing to a company in Arroyo.

Renewable can provide complete top-to-bottom consulting on illumination, from the design to the manufacturing and implementation of systems engineered to save energy and money for its clients in the long run. ■