January 5, 2013

A MESSAGE FROM RICHARD R. KELLEY TO OUR OUTRIGGER 'OHANA

Resolving to Succeed in the New Year
By Dr. Chuck Kelley

The New Year is here! New Year's resolutions are a tradition, and a great chance to make improvements in our lives. Many of us are already living our 2013 resolutions as we endeavor to …

• Exercise five days a week
• Eat less and lose five pounds
• Save more for retirement
• Spend more quality time with the family

One nice thing about New Year’s resolutions is that we have an opportunity to choose the changes we make. However, most of life’s changes are not of our own choosing. More often, things just change, and we must quickly adapt or be left behind like the dinosaurs. This raises the question, how will the hospitality business change in 2013?

While there is a seemingly never-ending list of things that could affect the way we do business here at Outrigger, let’s look for a minute at a few trends and external forces and consider whether or not they will take hold and require our attention.

• Waikiki Hotel Inventory
In recent years, Outrigger and some of the other major hotel operators in Waikiki have made significant renovations and kept our properties in top shape. There are, however, several major Waikiki projects that have been waiting for a start date. Now that the economy has improved, we can expect these redevelopments to get under way, and this will impact us all. Waikiki hotel inventory will almost certainly shrink this year and construction zones will alter traffic patterns in some key areas.

• Hotel Design
Trends that are “hot” in hotel design change quickly. We constantly renovate to keep our properties fresh and in demand. Remember the green shag carpets and small hotel bathrooms of the 1970s? Thankfully the shag carpet is long gone, and today large bathrooms with huge counters that allow guests to lay out all their toiletries are the rule. Looking forward, we can only guess what trends will emerge this year … Smaller lobbies? Economy hotels with micro-size rooms? More mixed-use hotels – with hotel rooms, timeshare and condominium rooms in the same building? Assisted-living hotels? Stay tuned on this topic.

• Hotel amenities and services
Hotel amenities and services make travel comfortable and the travel experience novel. In recent years we have seen the level of amenities increase significantly, from high-quality equipment in the fitness centers, to luxury bedding and designer brand shampoos and lotions. Where might we be heading next? Even more upscale with in-room iPads, free e-readers or butlers in every suite? Or are we following a “green” trend with multi-serve size soaps and shampoos, and the elimination of bottled water? We shall see!

• Fees
I don’t know who started the trend of adding on fees for services that many customers might consider basic. Was it the hotels with “resort fees” or the airlines with “baggage fees”? No matter. The point is that it has gotten out of control and really irritates people. No one likes being “nickeled and dimed” to death. This year we could see some rationality return, with basic prices including all the services customers expect. Or, it could get worse with safe fees, room service fees, in-room coffee fees, housekeeping fees and fitness center fees. For all our sakes, let’s hope the industry trends towards one-price inclusiveness.

• Internet connectivity and digital media
Remember when we thought the Internet would make life easier? Well that didn’t happen! Life is more complicated than ever and just about every facet of the digital world affects our business, from online

Continued on page 2
connectivity in hotel rooms to the latest mobile booking applications. Maybe in 2013 we will see resolution of some of the more basic questions: How much free Internet service is a hotel expected to provide? And, what is the best way for a customer to book a hotel room?

- **International political and financial events**
  World events are beyond our control and yet they can have a huge impact on our industry. Hawai‘i has been extremely fortunate in recent years to escape relatively unharmed from the violence, natural disasters and financial turmoil that have harmed many other leisure destinations. Last year we even saw Taiwan accepted into the United States Visa Waiver Program – a nice boost for our visitor industry. We have been lucky, but our good luck will not go on forever. So we must be constantly vigilant and ready to respond when things change.

  As we start the New Year, I encourage you to stick to your resolutions. And keep in mind that things are going to keep on changing. How we respond to those changes will determine our future success. I have no doubt that we are up to the task.