Thursday morning, I had the opportunity to address an audience of some 200 travel agents from around the country who were attending a meeting in Waikiki of the Signature Travel Network. I spoke about the changes I have witnessed in the Travel & Tourism industry, many of which have greatly affected travel agents, especially in recent years. And I gave a series of tips on how to succeed in an ever-changing environment. In my column this week, I have adapted my speech, since I believe it holds lessons for those of us in the hospitality industry as well.

It is a pleasure to welcome you. Thank you for coming to see all of the changes that are taking place in Waikiki. And, thank you for the opportunity to share some of my thoughts, ideas, and observations.

You know, my success in the hotel business is critically dependent on your success in helping millions of people enjoy the benefits of travel. And success is a large part of what I will talk about today. I’m going to talk about success in the context of change:

- Planning for change
- Embracing change
- And using change as a competitive strategy for success

And, I will propose some strategies you might want to consider and adopt.

Continuous change is a constant in all our lives – it always has been and always will be. The only thing different today is that the pace of change is faster and the types of change more diverse in our high-speed, computer-linked, global environment.

Naturalist Charles Darwin, who studied the evolution of finches and other species in the Galapagos Islands, was an acute observer of change and its effects over time. He concluded, “It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.”

I think we can all agree that the current travel industry environment is exerting an evolutionary pressure on travel agents. Those agencies that are responsive and able to change will survive.

Looking at my own life, I have personally witnessed change at work in two major industries: health care and travel. I’ve also seen first-hand what happens to those who are intimidated by change and who avoid change. These are the people and businesses that are usually changed the most – and generally it’s for the worse.

I literally grew up in the hotel business. My parents, Roy and Estelle Kelley, moved to Hawaii in 1929 and settled in then-sleepy Waikiki. They witnessed the beginning of commercial air travel to the Islands in 1938 when Pan American first linked Hawaii to the West Coast. It was a grueling 18-hour flight in those days.

Within a few years, my parents determined that their mission and passion would be to provide affordable accommodations in Waikiki for average people like themselves. Their first hotel, The Islander, opened in 1947, just 59 years ago. From that time forward, planes have gotten bigger and faster, and the number of visitors to Hawaii has increased exponentially – going from 22,000 to seven and a half million a year in 2005.

Outrigger Hotels has grown exponentially as well. The company that Roy and Estelle started with just one hotel almost six decades ago is now the largest lodging and hospitality company in Hawaii, and one of the largest privately-held hotel companies in the world. Outrigger currently operates, or has under development, 56 hotels and resort condominium properties in Hawaii, Tahiti, Guam, Fiji, Australia, New Zealand, and Bali.

No, this is not anywhere near the same company that my parents started 59 years ago.

My parents lived through tremendous change in Hawaii, in their industry, and in their own business. Obviously, the biggest and most rapid change occurred on the morning of December 7, 1941, when Oahu was attacked. While most of the damage was done in and around Pearl Harbor, bombs and improperly fused antiaircraft shells fell all over Honolulu and Waikiki. As a 7-year-old kid, I personally witnessed one explosion just about two blocks from where we are gathered this morning.

Pearl Harbor aside, I can honestly say that my parents were always excited and optimistic about the changes that occurred during their lifetimes. They seemed to find opportunity in all of them.

The cornerstone of their business philosophy throughout was to value relationships with customers and business partners, and deliver value to each and every guest. After a lifetime of putting this philosophy into practice, they were inducted into the American Society of Travel Agents (ASTA) Hall of Fame.

However, some changes were harder to accept than others. One of the biggest differences of opinion that I ever had with
my father took place as he approached retirement. I wanted to computerize some hotel operations, and he was dead set against it.

When he ran the company, reservations were recorded on sheets of yellow paper and then spindled. When the stack of reservation slips on the spindle reached his second knuckle, he knew the hotel would be full. He had found his niche, he was comfortable, and he wanted to stay that way. New technology was threatening, and he feared that computers — “those machines,” he called them — would ruin the successful business that he and my mother had built on highly personalized service and relationships.

We did go forward with computers, but we also took my father’s concerns to heart. We worked hard to put service and relationships before technology in our decision-making.

Although my father was slow to accept the change of technology, you should know that later on, he embraced that too, and went so far as to buy a lot of stock in Apple Computer and other high-tech companies.

My parents are both gone now, but all of us at Outrigger Hotels continue to understand the importance and value of our relationships with travel agents. At a time when airlines no longer pay commissions, Outrigger continues to pay them in full. And, we pay them promptly! You are a vital part of our distribution system, and we want to maintain that critical relationship.

My point in sharing some of this background with you is to let you know that I grew up in an industry that has evolved dramatically over the years and that continues to change, with greater speed and more new twists every day.

Outrigger Hotels & Resorts constantly faces change, and change takes many forms. For example:

• Technology that has drastically altered the way we operate and communicate with our customers
• Government regulations and taxation that generally hurt more than help
• Airline problems, with which you are very familiar
• New destination competition
• New hotel competition

Yet we have developed and implemented strategies that have allowed us to thrive. We have thrived, not by resisting change, but rather by accepting it and focusing on strategies that take advantage of change whenever possible.

For example, right now, we are literally changing Waikiki. Just one block from here, our three-quarter-billion-dollar Waikiki Beach Walk™ project will redefine this resort by replacing old, outdated hotels—designed and built by my father, I might add—with exciting shopping and dining experiences, a twin-tower Embassy Suites hotel, and a luxurious Trump condo-hotel development.

Change is not unusual; it is not just happening in the travel industry, and it won’t kill us. In fact, I believe the old adage that says, “What doesn’t kill us makes us stronger.”

I know that new technology and new forms of competition are changing your lives as well. Let’s start with technology. Your industry and your businesses have been irretrievably changed. Technology has altered the way you work. It has put your resources and information tools in the hands of your customers and raised both their expectations and their ability to do their own travel planning.

The use of online travel sites has grown dramatically during the past five years, particularly in the U.S. According to experts, Internet users, especially Americans, just love travel Web sites, which grew in number by 25 percent last year alone. In fact, 60 percent of the world’s travel Web sites are located in the U.S. Germany follows in second place with 13 percent, and Great Britain is third, with only 5 percent of all travel sites hosted there.

You are part of this trend, and I know that many of you operate travel Web sites and take advantage of the excellent content available through Signature Travel Network.

Given our longstanding partnership with travel professionals, most enlightened hotel companies try hard to support travel agents in this environment.

At Outrigger and OHANA hotels, we encourage customers to use the services of a travel professional. Enter the name of a city into our Web site, and we’ll display a list of travel agents in that area who have qualified as Outrigger Specialists.

The rates we quote at our reservation center and over the Internet are all available to travel agents and almost all are fully commissionable. By contrast, the airlines offer customers up to 2,500 frequent flier miles if they will bypass the travel agent and book their flights directly on a carrier’s Web site. No, the “friendly skies” are not so friendly for travel agents any more.

The combination of the loss of airline commissions and the diversion of customers to the Internet has hit travel professionals hard. Statistics from the Airline Reporting Corporation (ARC) show that the number of agencies is dwindling every month.
Eight years ago, the U.S. had approximately 33,000 ARC retail locations. Last month, ARC counted only 19,500 remaining, a 40 percent drop.

The only certainty is that everything is changing, and some are handling the change better than others.

- In the 1950s, travel agencies were located in shops on Main Street.
- In the 1970s, many travel agencies moved to suburban shopping malls.
- Now, in 2006, travel professionals are increasingly leaving storefront offices and operating from home using high-speed Internet connections. According to agent@home magazine, more than 17,000 agents now do their work from home, and the number is growing daily.

And, some of us in this room, including me, have seen it all with our own eyes. I guess that really dates us.

The good news is that despite all this, according to ASTA, travel agents still sell:

- 87 percent of all cruises
- 81 percent of all tours and packages
- 51 percent of all airline tickets
- 47 percent of all hotel rooms
- 45 percent of all car rentals

Every time a customer pays a service fee, or a hotel pays a commission, the real value of travel agents to the travel industry is reaffirmed. Travel agents provide services that are appreciated and that customers are willing to pay for. As travel agents, you have tools and resources that your customers don’t, even with the Internet. You can help them arrange complex itineraries much more easily and quickly than they can do it themselves—if they even have the patience to try. And you are experts in the places they want to go. You can tell them much more about that hotel they’re considering than the pretty pictures on the Internet will ever convey.

Total agency sales are $120 billion a year! That’s a lot of money travel agents manage to fuel the travel industry with. ARC reports that sales by travel agents are up 18 percent per location so far this year. Some agencies are having their best financial year ever.

The irony is that the more successful you have been in the past, the more difficult it is probably going to be to make the changes that are necessary today. The great success that my father had doing business with a manual reservation system made it difficult for him to accept computers. The great success that I had running hotels in Waikiki in the 70s and 80s made it difficult for me to visualize operating hotels elsewhere.

Even today, when companies get into trouble, someone always shouts, “We need to get back to basics, back to the things that made this company great!” I am here to tell you that going backwards is the last thing you need. Yesterday’s basics are gone like the vacuum tube.

Cruising the Internet for information is now a mainstream activity for customers of all ages, from teenagers to grandparents. In the U.S., there are now over 200 million users of the Internet—about equal to the number of cell phone users. The Internet can speak to cell phones and cell phone users can send e-mail and browse the Web.

With the Internet, we are deep into what Bill Gates calls “Frictionfree Capitalism”—an ideal marketplace in which buyers and sellers can easily find each other without taking much time or spending much money.

I do most of my personal shopping online. I buy everything from shoes to salsa over the Internet. However, for the reasons I just explained, I always use the services of a travel agent for both business and leisure travel.

Most of you know everything I’ve just mentioned. But how many of you have analyzed what these changes are doing to your business, if not this year, then next? How many of you have seriously explored some of the online travel sites to check on the competition and the benefits they offer your clients? If you do not understand this technology, it is almost impossible to find opportunities in it. If you ignore these changes, the technology won’t go away, but chances are your business will. That may sound brutal, but that is the way it is, as we approach the end of the first decade of the 21st century.

Now, I promised you ideas for the coming year, so here are my top five recommended strategies for thriving in the current environment of change:

**Strategy #1: Focus On Your Niche**

Each of Darwin’s finches survived a hostile environment by evolving to exploit the specific food source in its own unique microenvironment. Your business is also unique. You cannot be everything to everybody. So …
Identify the customers you want to serve.
Learn everything you can about them.
Find out what makes them tick.
Work that database.

Identify the parts of the world or the type of travel you want to be a specialist in. Learn about them, visit them, and make sure that everyone in your agency does the same.

Identify the wholesalers and suppliers you want to work with, particularly those affiliated with Signature Travel Network. You will get their attention—and their overrides. You can also get promotional support with co-op advertising, special events, and FAM trips.

For tour operators, recommend those with the best products, service, and reputation. In the case of hotels, it should be the best in your customer’s price range, based on location, physical plant, and service. If you recommend on the basis of price or commission only, you will lose your customer to an agent who recommends only the best.

Furthermore, as agencies continue to disappear and consolidate, I predict the travel business will see a strengthening of the power of Signature and those agencies that provide the utmost in quality and personalized service.

It works the other way too. More and more, top vendors are going to narrow the range of the people they do business with. It will be limited to those who are real professionals in their field and those who produce a significant amount of business. You will not be doing yourself or your clients any favors by scattering your business all over the horizon.

Another suggestion: Work every contact you have and get to know the executives of your suppliers. Make things happen, and don’t ever take "No" as an answer from a supplier—even an Outrigger or OHANA hotel.

I know a travel agent who follows that rule with vigor. The other day she was having trouble trying to arrange an amenity for a customer booked into a competitor’s hotel. She called me, and I was happy to assist. I put her in touch with an Outrigger employee who is married to the sales manager of the competitor who, in turn, not only arranged the amenity but offered a room upgrade and VIP treatment as well.

Yes, sometimes you have to travel east if you want to arrive in the west.

However, no matter what route this travel agent took, she served her clients well, and they will book with her again and again.

Strategy #2: Develop and Improve Your Basic Business Skills

Unfortunately, many travel agents neglect this part of their lives. Each of you is handling hundreds of thousands, if not millions of dollars every year, and you have to approach everything in a businesslike fashion.

Whether you work in a big agency or there are just a couple of you sharing an office, even if you are home-based, define and write down a clear mission statement with measurable goals, benchmarks, and timelines. Work hard to find out what the important metrics are for agencies of your size—sales volume, sales per agent, profit margins. In fact, benchmark and measure everything you can. We do that in the hotel business.

If you are going to do a direct mail campaign, for example, do a joint promotion with a vendor, set your goals in advance, and then compare the actual results with your hopes. That will keep you from repeating unproductive activities.

Benchmarking and measuring will also let you know what is happening to your business before it is too late to do something about it.

Along that line, work tirelessly to improve your sales and marketing techniques. You are going to have to work harder and smarter to keep your existing customers. You are going to have to look in new places and develop innovative methods to attract new customers.

Consider customer recognition and employee recognition programs and, if you use them, keep them fresh and active.

Once again, measure everything you can.

Strategy #3: Upgrade Your Skills in the New Technologies

Putting technology to use properly is one of the biggest challenges in Travel & Tourism today. We certainly face that in the hospitality business. At Outrigger and OHANA hotels, we have a fine group of technology professionals with a significant budget who have allowed us to keep pace with the state-of-the-art.

For example, it was not so long ago that we had to update room availability manually for all of the global distribution systems (GDS). When a reservation came through from one of the GDS systems, it had to be manually re-entered into our
computers. Now, our reservations computers are fully and seamlessly connected with the computers of the GDS systems and our major wholesalers. So, when you look up rates and availability at an Outrigger or OHANA hotel, you see the same rates and availability that I might see when I am in our worldwide reservations headquarters in Denver. In addition, we offer live Internet chat, which enables travel professionals to get immediate information from our reservations staff.

Another exciting bit of technology allows our agents to work from home. Calls are routed to them based on their availability and skill set. It has been a wonderful thing for members of our staff with disabilities. No longer do they have to endure a ride on the handivan or bus. Their commute from bedroom to work is less than a minute, depending on whether they grab a cup of coffee as they pass the kitchen.

I hope that each of you here today is engaging technology. I hope that your telephone systems are up to date and your customers do not have to go through Voice Mail Hell when they call, particularly when they are having a problem, which usually occurs after hours and on weekends.

I know you all have your own Web sites. But have you ever checked to see what happens when you enter the words “travel agent” and your city into a search engine? Does your agency come up on the first page? Or is it buried deep or perhaps fails to come up at all?

I hope you have a customer database and that you communicate with your clients frequently by e-mail.

If you don’t have the resources, confidence, or ability to dive headlong into the world of technology, don’t do it. But don’t miss the opportunity completely. You can start modestly by working with the extraordinary resources and content offered by Signature Travel Network. Build your technology skills and offerings gradually.

In addition, invest in training and motivating your employees to take advantage of technology. It can be done and will pay great dividends down the line.

Strategy #4: Continuously Build & Strengthen Your Organization and Your Industry

As you renew your public education efforts and work to convince the traveling world to “See Their Travel Agent” — don’t neglect the impact that an endorsement by Signature Travel Network can give its members’ online presence. Brand identities, known logos, and the endorsement of organizations with strong reputations are major advantages for e-commerce sites. There is strength in numbers and professionalism. Your presence here today tells me you are willing to work hard to make Signature one of the top agency groups in the country.

Nationally, work to bring your competitors together on industry issues. Competition is great, but don’t let it interfere with the ability to wield industry clout when you need it. I believe that building industry political clout through national trade associations is a critically important strategy in today’s rapidly-changing environment.

America’s $1.7 trillion tourism industry is too often a favorite target for legislation and taxation. For example:

• Nations are currently lining up to implement a new tax on airline tickets to fight poverty and disease in developing countries.
• In the U.S., the federal government is attempting to subject travel agents to anti-money-laundering rules similar to those that apply to banks.
• A number of states are trying to reach beyond their boundaries and tack an additional hotel occupancy tax onto packages sold by travel intermediaries.
• States are almost always trying to pass new legislation affecting “sellers of travel,” most of which threaten the growth and prosperity of travel agents.

The list goes on and on. Unfortunately, most businesses in the industry are small businesses and often too easy to divide and conquer. You must have a voice on these issues, and you’ll need a big, unified voice to be heard. Build that unified voice and exercise it before you really need it. Let our industry be an outstanding example of “united we stand” in the face of government regulation and interference—and let’s give up the “divided we fall” position altogether.

Strategy #5: Try to Inspire a Sense of Passion for the Travel Business in Your Co-workers

I know that each of you in this room has a passion for Travel & Tourism. That’s why you are here and why you are a member of the Signature Travel Network. But do your employees and co-workers share that passion? If not, focus on lighting the fires. Let them know that Travel & Tourism is one of the world’s largest industries, employing over 230 million people and accounting for about 10 percent of the world’s gross domestic product.

My good friend, the author, speaker, and columnist Harvey Mackay says, “Sure, talent and skill are important, but if you don’t have a deep down burning desire to be successful [in your field], you’ll never become the best you can be. … A parent,
mentor, [boss], or coach can tell you what to do and even show you how to do it, but ultimately you must have the determination and dedication to do whatever it takes to achieve your goals.”

In today’s world, it is easy to get sidetracked, so you must be relentless in your determination to personally be a passionate top performer and to inspire your co-workers to be the same.

In summary, our travel industry environment continues to evolve and present us with new and exciting challenges. To paraphrase Jack Welch, former CEO of General Electric, anytime there is change, there is an opportunity, so it is critical that your organization get energized, not paralyzed, by change.

Travel agents can continue to thrive in the coming years by drawing energy from change and seizing the opportunities it presents, not by resisting it. Take action today!!

• Find your niche. Like Darwin’s finches, find the specific food source that will support your company.
• Continuously develop and improve your professional and business skills.
• Embrace and utilize the new technologies. You are either riding on the new technology highway, or you are standing in the dust, left behind.
• Continuously build and strengthen your top industry organizations locally and nationally so their brands, endorsement, and influence can work powerfully on your behalf.
• Develop a passion for this business and inspire the same in your employees and co-workers.

As I emphasized in the beginning, my company’s success depends on your success in helping millions of people enjoy the benefits of travel.

So, I wish you all tremendous success in the coming years, and, of course, the passion and energy to grab all of the opportunities that are out there in the Internet World of 2007 and beyond.

Aloha, and thank you.