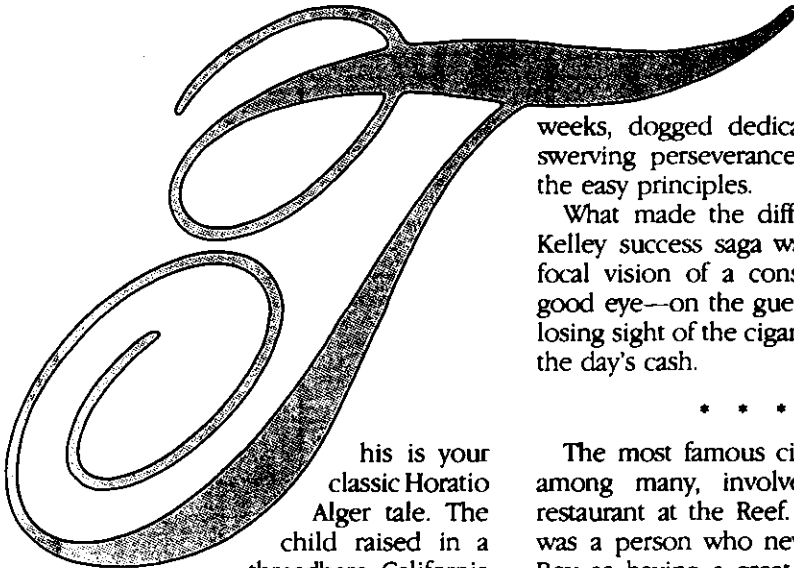


state based on number of holdings and number of rooms (more than 8,000). The role played by Roy and Estelle Kelley in making the islands an affordable reality for millions of travelers was recognized in October 1989, when they were inducted into the American Society of Travel Agents' prestigious Hall of Fame.

In commemoration of that award, an authorized biography of the Kelleys was commissioned by the local public relations firm of Hill & Knowlton/Communications-Pacific late last year. Written by local author John McDermott of ORAFA Publishing Co., Kelleys of the Outrigger is based on nine months of interviews with Roy and Estelle, their children, friends, employees and business associates. Other sources of information included family scrapbooks, photo albums, and newspaper and magazine clippings. McDermott is the author of 10 travel-experience books, and is the former president and CEO of Fawcett McDermott and Associates, once the state's largest advertising agency.

McDermott's first (and not last, he says) crack at a biography was printed this summer in Michigan, and will be available in local book stores later this month. In this Hawaii Business exclusive, we present selected excerpts from Kelleys of the Outrigger.



This is your classic Horatio Alger tale. The child raised in a threadbare California family environment works his way through school, suffers a family divorce, supports his mother, becomes an architect, lands in Honolulu with just a few dollars in his pocket the day the stock market crashed in 1929, crafts a successful professional career while operating a profitable sideline of building and renting apartments, goes blind at the beginning of World War II, has his eyesight partially restored, returns to work, survives a crushing auto accident, but, in spite of all adversities, becomes Waikiki's largest landlord—21 hotels with 7,500 rooms—and builds a billion dollar empire.

Roy Cecil Kelley became a visitor industry leader through the Horatio Alger principles of seven-day work

weeks, dogged dedication and unswerving perseverance. Those were the easy principles.

What made the difference in the Kelley success saga was diligent bifocal vision of a constant eye—his good eye—on the guest while never losing sight of the cigar box that held the day's cash.

* * *

The most famous cigar box story, among many, involved the main restaurant at the Reef. The manager was a person who never impressed Roy as having a great deal of intelligence.

Before going on a long vacation, Roy sat down the manager.

Roy: "Here is a cigar box. It has \$2,000 in cash in it. You pay for all of your supplies and your help out of this box. You put all of your receipts back into the box.

"If the box becomes empty, what do you do?"

"I don't know, Mr. Kelley."

"YOU CLOSE THE RESTAURANT, YOU DUMMY!"

When the family returned from vacation, there was only \$200 in the cigar box. The manager was assigned the sole job of polishing a delicate part of a statue in the restaurant.

He was not so dumb that he didn't understand that it was time for him to

seek employment elsewhere.

He did.

* * *

"Luck!" repeats Roy Kelley, slapping the table for emphasis.

"Luck," he insists, was the biggest factor in his success.

"Opportunities just kept being pushed in front of me and I snatched them up," he says again.

A reviewer of the Kelley chronicle from the first 38-room Islander Hotel in 1947 to the 3,000-room inventory in ten hotels in 1962 could discern quite easily a successful format combining several essential factors. Luck would not, necessarily, be among them.

The first factor was that Roy Kelley, being a brilliant architect, could build a hotel room at half the price of his competition. He saved on architects' fees. He saved on contractors' fees and profits. He bought directly from suppliers. He hired and supervised his own labor and tradesmen.

As Estelle points out, "When we were constructing a building, we knew that there were two costs we'd have to deal with, the cost of materials and the cost of labor—and nothing more."

If another hotel company built a room for \$20,000 and therefore had to charge \$20 a night, which was the rule of thumb, Kelley could build the same room for \$10,000 and charge \$10 a night. There wasn't any competition in the modest room rate market that the Kelleys carved out for themselves.

Secondly, there was no fat, operationally, in the Kelley hotels. There were no vice presidents. There was no marketing department. No advertising department. No public relations department. The only advertising placed in the early days was a single full page advertisement in the Hotel & Travel Index. (The 1990 Outrigger Hotels Hawaii advertising budget was \$2 million.)

The hotels offered no room service, no service directory, no guest amenities.

Thirdly, and perhaps most importantly, the hotels were run on the principle of front desk management. Roy Kelley operated from one front desk and visited every one of his hotels' front desks seven days a week, in addition to supervising the purchasing department, the personnel department, and the financial planning department. Each hotel "manag-