

Luxury checks in

The Royal Hawaiian's re-branded Mailani Tower offers travelers a new option with exclusive services

By Allison Schaefer

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An artist's rendering shows the decor planned for the Royal Hawaiian hotel's new Mailani wing.

In its heyday, Waikiki's iconic Royal Hawaiian hotel was exclusive enough for influential families like the Rockefellers, Fords and DuPonts.

President Franklin Delano Roosevelt, the shah of Iran, Amelia Earhart and movie stars like Clark Gable, Bing Crosby and Shirley Temple were guests when it was one of only two major hotels in Waikiki. But times are changing along with the mix of travelers who are coming to Hawaii. New destinations, luxury properties and business-class or higher amenities have expanded the options for wealthy travelers, who have higher expectations than ever before.

That's why "The Pink Palace of the Pacific" is re-branding its Royal Beach Tower, built in 1968 on the Diamond Head side of the original hotel. On Wednesday the tower will have a new name: the Mailani Tower. Mailani means to pamper, indulge or treat like royalty.

The Mailani will feature golden gates and even more exclusivity than what was already available at one of Waikiki's highest-priced and most luxurious properties.

Mailani guests will still have access to the iconic Royal Hawaiian, which was built in 1927 by the Matson Navigation Line to welcome cruise liner guests. However, only Mailani guests will be allowed to partake of the amenities in the stand-alone tower. They will have their own check-in, concierge service and 3,000-square-foot poolside lounge with complimentary breakfast offerings, beer, wine, beverage and pupu service.

Following the upgrades, the hotel will push the rate structure higher for Mailani's 179 rooms, including nine suites. Rates at the Royal Hawaiian start at \$325; however, rooms in Mailani will start at \$585 because most come with better views and exclusive service. In January the average daily rate paid for a luxury hotel room in Hawaii was \$510.

This latest multimillion-dollar investment by hotel owner Kyo-ya comes just five years after a \$75 million total property renovation that closed the Royal Hawaiian for a year and is just the latest example of the luxury upgrades that are expected to fuel the upper end of Waikiki's hotel market even when the lower end is softening.

"Our occupancy is strong, but our average daily room rates haven't gotten very far from our peak, which was in 2007," said Cheryl Williams, Royal Hawaiian general manager. "We understand that the guests expect more. They are paying more so we need to deliver more. That concept ties into everything that we do."

Her words echo the stern warning that David Uchiyama, Hawaii Tourism Authority vice president of brand management, issued earlier this month to Hawaii's visitor industry. He said consumers are growing increasingly price-sensitive to this destination, which vies with New York and Miami for the title of most expensive hotel market in the U.S.

A few years ago demand for Hawaii hotels drove room rate increases, especially in the less expensive categories where there are fewer rooms, said Joseph Toy, president and chief executive officer of hotel consultancy Hospitality Advisors LLC.

"There are still affordable rooms in Waikiki, but there are a lot less of them than before," Toy said.

Increased demand narrowed the gap between the least expensive and most expensive properties, ensuring that every class of property now has to up its game or risk losing customers.

"As the market softens this year, I think we'll see hotel rates in the bottom categories pulling back. Customers will pay more, but not if they aren't getting more for their money," Toy said. "In the economy sector, we are losing some guests to Mexico and the Caribbean."

However, luxury hotels should fare better, if they can deliver on expectations. According to data from Toy and STR, luxury hotels were the only category in January that managed to increase both occupancy and prices.

Keith Vieira, principal of hotel consultancy KV & Associates, said that's partly because the luxury sector has been continually investing in service and facility upgrades going back to the opening of the Hilton Hawaiian Village's Ali'i Tower; the Sheraton Waikiki's conversion of the Hano Hano room into the exclusive Leahi Club; the Westin Moana Surfrider's penthouse offerings; and the creation of the Regency Club Lounge at the Hyatt Regency Waikiki Beach.

But as of late, Uchiyama said that there's been a sharp drop in satisfaction levels by customers, especially from Hawaii's largest international market, Japan, who tend to stay in hotels more often and book more oceanfront rooms than visitors from other markets. And, it's no surprise that their perception of the destination has lowered at a time when their currency has weakened against the U.S. dollar and their consumer tax rates at home have risen.

"It costs more to come here for visitors from Japan and other international markets like Oceania and Canada. We need to revisit our service delivery and look at the value perception we are providing," Uchiyama said.

When talking about the luxury market, Toy said it's important to remember that value doesn't mean price.

"It's really more about the experience," he said. "We've seen in past market expansions that higher-end visitors are willing to pay higher prices as long as they were receiving more amenities and services and could see the product differentiation."

Vieira said limited land and onerous building requirements in Waikiki have forced luxury hoteliers to figure out ways to make their existing product higher-performing.

"They have to get creative because their customers are typically looking at luxury properties throughout the Pacific Rim," Vieira said. "Repositionings like the Mailani Tower come with risk because you have to renovate and add staff, but generally they are very successful."

For example, Vieira said guests at the Sheraton Waikiki are paying a \$100-per-night premium to access the Leahi Club.

"It allows the hotel to get its rate up and pay more taxes and create more jobs. It's a situation where everybody wins," he said.

Williams said Mailani, which started booking in October, will open with a strong showing.

"Our advance booking pace from the tower has produced good results," she said. "It's only going to get better as word continues to get out."

Williams said satisfaction levels at the Royal Hawaiian are high, and there is a strong component of repeat guests.

"The Royal Hawaiian attracts VIPs and dignitaries already, but we envision that the Mailani will allow us to attract a different guest, who is seeking a more modern, contemporary experience," she said.

Despite market softening, Vieira anticipates that Mailani will hit its higher price point and more.

"Mailani will be very appealing to a younger, very brand-conscious demographic who are looking for niche experiences," he said. "They'll pay more if it gives them what they want."



After a renovation, the newest wing of the Royal Hawaiian is going even more upscale than the rest of the luxury hotel, transforming into the Mailani Tower. General Manager Cheryl Williams stands with the modern tower in the background and the historic Royal Hawaiian hotel on the left.

MAKING GAINS AT THE TOP

Hawaii hotel January 2015 occupancy and price by hotel category. The percentage change is from January 2014. The luxury hotel category was the only category in January that managed to increase both occupancy and prices — partly because the sector has been investing in service and facility upgrades.

Category	Occupancy	Point change	Average Daily Rate	PCT. change
Luxury	73.5%	0.2 percentage points	\$510.02	2.5%
Upper/upscale	81.7%	-1.5 percentage points	\$258.48	-.97%
Upscale	74.3%	-3.9 percentage points	\$198.89	3.2%
Upper midscale	77.4%	-1.3 percentage points	\$150.20	3.14%
Midscale	77.4%	-.3 percentage points	\$146.24	4.9%
Economy	76%	-4.8 percentage points	\$131.40	10.8%