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February 16, 2011

To Representative Gilbert S.C. Keith-Agaran, Chair of  
Committee on Judiciary, Representative Karl Rhoads, Vice  
Chair of Committee on Judiciary, and to All Members of the  
Committee

**SMS**

1042 Fort Street Mall  
Suite 200  
Honolulu, HI 96813  
Ph: (808) 537-3356  
Toll Free (877) 535-5767  
Fax: (808) 537-2686  
E-mail: info@smshawaii.com  
Website: www.smshawaii.com

**TESTIMONY IN SUPPORT OF BILL HB.781**

**Presented on behalf of  
SMS Research by Mr. Hersh Singer, Chairman**

This testimony provides visitor data in **support** of granting a 10-  
year license for 1 stand-alone casino in Waikīkī.

In the first quarter of 2010, Waikīkī Improvement Association  
retained SMS Research to evaluate where future Waikīkī  
resource allocation should be directed to maximize emerging  
markets visitors' arrival and satisfaction, with specific emphasis  
on the Chinese and South Korean markets.

Chinese and Korean visitors are attracted to Waikīkī to enjoy the  
beach, the sun and the unique Hawaiian cultural experiences.  
Visitors from these important emerging markets will continue to  
visit and return to Waikīkī to enjoy these unique benefits.  
However, return visits may be reduced due to the lack of evening  
entertainment or things to do in the evenings. They have  
experienced the beauty and what is available on O'ahu during  
their first visit. They stated that there is not enough to do in the  
evenings and to ensure their future return visit, they will need  
more to do in the evenings.

**SMS Affiliations and Associations:**

Experian  
International Survey Research  
Interviewing Service of America  
PCR Environmental, Inc. - Guam  
Solutions Pacific, LLC  
Ka'ala Souza Training  
3i Marketing & Communications

When asked to better define the desired evening entertainment or activity, there is little consensus on what that entertainment should be—with one exception—gambling. When the option of gambling was mentioned, there was enthusiastic agreement from both visitor markets. The respondents were adamant that Hawai'i cannot and should *not* be marketed as a gambling destination, but should continue to market its beauty and Hawaiian culture. Gambling would provide an added evening entertainment for visitors from these important emerging markets.

The emerging visitor markets of China and Korea may provide significant opportunities for the Hawai'i visitor industry. The total Chinese travel market is large, estimated to be more than 50 million residents traveling overseas in 2009 [Note: Estimates vary from 23 million to 62 million.]. This is equivalent to less than three percent of their population. Of these travelers, an estimated 11.5 million travel on longer trips.

Estimates of overseas travelers from South Korea are between 12 and 13 million; that represents 28 percent of their population. Only about five million South Koreans are estimated to travel outside of Asia. This compares with approximately 15.45 million Japanese traveling overseas, approximately 13 percent of their population.

Presently Hawai'i enjoys only a minor share of the overseas travelers from these emerging markets. Current estimates are that Hawai'i's share of long haul visitors from these markets is small, with China at 0.5 percent and Korea at 0.78 percent - significantly lower than our current share of the Japanese overseas traveler market at 7.6 percent. The lower share of Chinese and Korean travelers reflects an opportunity, especially in light of the strong long haul travel market in China (12 million) and Korea (12 million). Plus, Chinese overseas travel is in its infancy with less than 3 percent of the population traveling.

SMS reached the stated conclusions based on direct personal interviews with visitors and tourism leaders within the two emerging markets. SMS approached the project on a dual basis. To achieve the stated objective in an economic and timely manner, SMS management conducted in-depth personal interviews with the following groups:

- Sixty-one Chinese visitors to Waikīkī
- Fourteen Korean visitors to Waikīkī
- Seven Chinese Travel agents and wholesalers in Hawai'i and six Hawai'i market experts in China.
- Nine South Korean travel agents/tour operators and three Hawai'i market experts in South Korea
- Thirteen local Waikīkī tourism and hotel business leaders

Chinese and Korean visitors were interviewed primarily during their last breakfast in Waikiki, prior to their departure to the airport. Additional interviews were conducted with a random selection of visitors in Waikīkī.

An SMS executive conducted all interviews of travel agency, wholesalers and local tourism executives in person. SMS executives undertook interviews of the experts in China and South Korea by phone. All respondents were guaranteed confidentiality.

SMS also undertook a secondary literature review of available public research. SMS refers to such studies in the report when appropriate.

Chinese and Korean visitors find Waikīkī clean, tropical, and beautiful. They love the beach and enjoy Polynesian activities. The Chinese also take pride in their historical relationship with O'ahu through Sun Yat-sen, who they hold in high regard, and they visit Chinatown. The South Koreans and Chinese enjoy the shopping experiences in Waikīkī, and first-time visitors also enjoy Dinner Cruises and the Magic Show. However, the major gaps in Waikīkī include too few daytime activities, and of greater concern is insufficient evening entertainment or activities.

Repeat and younger visitors voice this concern even more strongly. One of the options investigated in the survey was gambling, and there was consensus among the respondents that gambling would greatly enhance the evening activity options in Waikīkī. There was some consensus that Hawai'i cannot and should not be the next Las Vegas or Macau. Hawai'i must first ensure the continued maintenance of its clean environment and welcoming spirit. If gambling is introduced, it should be limited and marketed primarily after arrival.

The Chinese and Korean visitors were also disappointed with their airport arrival experience. There was consensus among the majority of both Chinese and Korean visitors that the entry process simply takes too long. There are other opportunities for improving the Waikīkī experience – more international signage, more Chinese and Korean speaking personnel and better quality of their national cuisines.

# LATE TESTIMONY

February 16, 2011

To Rep. Gilbert S.C. Keith-Agaran, Chair  
Rep. Karl Rhoads, Vice Chair  
COMMITTEE ON JUDICIARY ;

It has been requested that I share the results of a research paper that I completed titled A re-examination of the legalization of casino gambling from the Japanese tourist perspective: A 10 year review, for the *Asia Pacific Journal of Tourism Research*. Vol. 13, No. 2. pp 129-144 in 2008. The purpose of this study was to re-examine the legalization of casino gambling in Hawaii from Japanese-speaking tourists' perspectives and compare these results to a previous study completed a decade ago. According to the results of this research, there were dramatic differences in the perceptions of having legalized casinos in Hawaii between the 1996 and the 2006 groups. The majority of responses from the 1996 study were not in favor of legalized casino gambling, while respondents from the 2006 study would favor legalized casino gaming in Hawaii, with those from the second study voting more than 3 to 1 in favor of the legalization of casino gaming. These results are consistent with other articles reporting that over the past few years there are record numbers of Japanese tourists being drawn to Las Vegas (Biers, 2001; Choo, 2000; Las Vegas Sun, 2005). Also, the 2006 research group indicated that gaming would have a positive impact and lower the cost of running the city and the state. In addition, more than 84% of the 2006 respondents felt that casinos would help with job availability. If this research is any preliminary indication, present-day Japanese tourists to Hawaii have

significantly changed their opinion, and now appear to approve the legalization of gaming in Hawaii.

\*\*This research article is available on the internet as well as a number of other research articles that I have written over the years on "Gambling in Hawaii".

I hope that this can be of some assistance to the committee.

Sincerely,

Professor Jerry Agrusa, Ph.D.