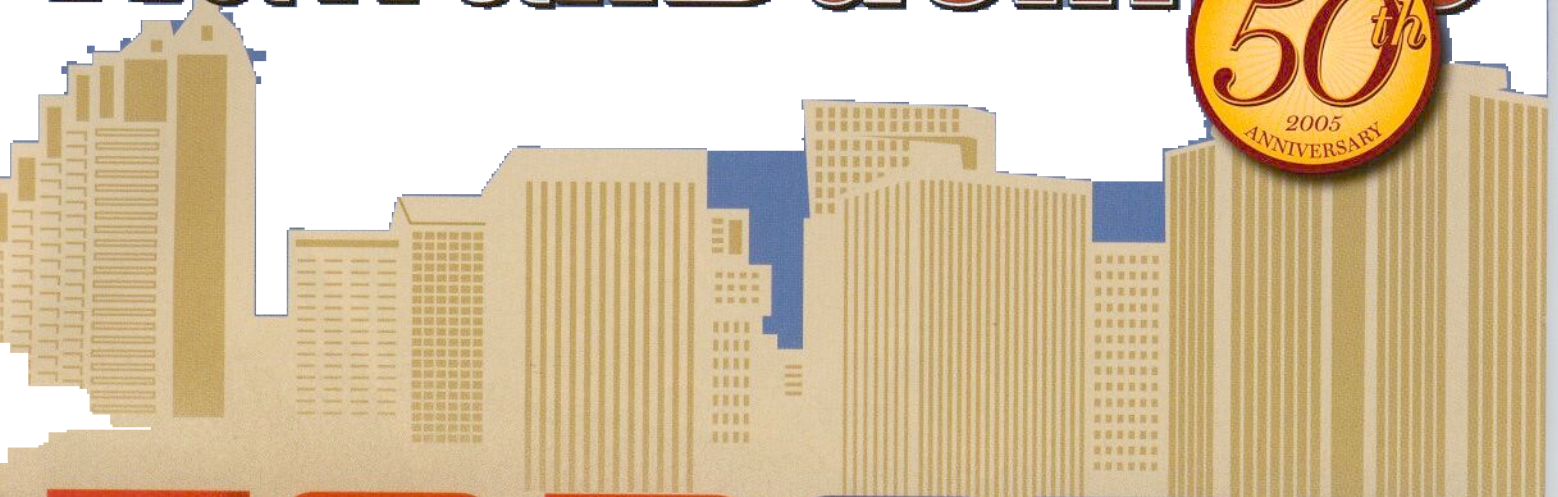


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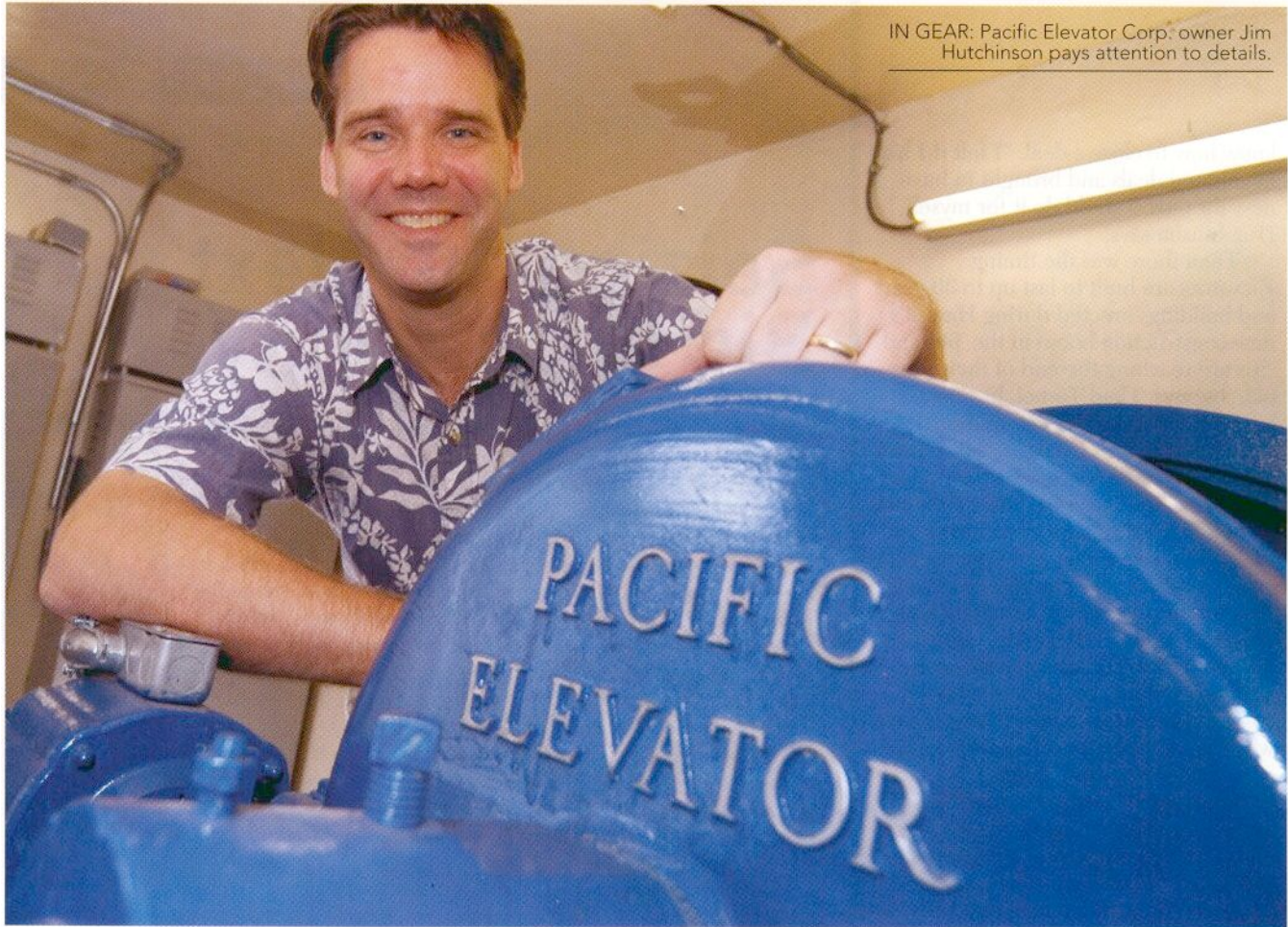
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IN GEAR: Pacific Elevator Corp. owner Jim Hutchinson pays attention to details.



Going Up

Pacific Elevator Corporation finds its niche

By Scott Radway

Jim Hutchinson's startup, Pacific Elevator Corp. has just generated \$1 million in sales, but Hutchinson, with a smile, leans back in his one-room office in Hawaii Kai and starts talking about his company's 24-hour phone service.

Hutchinson wants to make a point: Landing a big deal is what you break out the fireworks for, but the mundane details also go a long way to making or breaking a small business.

"I did so much research before opening my doors," Hutchinson says. At times during that six-month research period, he felt he was floundering, because his research was producing no revenue. However, he says resolving issues, such as choosing a marketing firm and a 24-hour answering service, saved him time, money and frustration later on. He was able to act fast and make sound decisions in the frenetic atmosphere he found himself in when, in January 2004, he opened Pacific Elevator.

"When it was time to set up an answering service: Boom, I already had a file on it and the cost built into my business

plan," Hutchinson says. "Once you open your doors, you won't have the time for a lot of little decisions. You want those decisions made already."

Hutchinson, 41, says any success today also rests on a foundation laid over years gaining experience in the work force. Hutchinson first worked as a mechanical designer on the East Coast, then, from 1992 to 2003, in elevator maintenance and sales in Hawaii. The last few years were spent solely on elevator modernization sales for industry giant Otis Elevator Co. Elevator modernization can cover a wide range of services, from aesthetic renovations to major overhauls of elevator mechanisms, including installing the latest technologies such as programmable microprocessors.

When Hutchinson left Otis in 2003, he was a leading modernization expert in Hawaii and had connections throughout the business community. He says he was emboldened by raising Otis' modernization sales from \$1 million a year to nearly \$4 million. More importantly, he

SCOTT BUTERA

knew how to close a deal. "I felt if I had negotiated deals and brought in business for Otis, I could do it for myself," Hutchinson says.

Then there was the timing. Elevators are built to last up to 30 years and buildings erected during Hawaii's new construction boom in the '60s and '70s are reaching the end of their lifespan, he says. Thad Tomei, business representative for the International Union of Elevator Constructors Hawaii Local 126, confirms that both elevator modernization business, along with elevator construction, are good in Hawaii now. Tomei adds that maintenance costs rise as an elevator gets older.

Hutchinson, whose company also made the unprecedented move in Hawaii to decertify the elevator constructors union, says those maintenance costs can be cut by modernizing. That's why Pacific Elevator offers free cost analysis, to show the savings from modernization, the company's specialty. "In an industry dominated by big players, an insurgent company survives by specialization," Hutchinson says.

But even with the research and background, Hutchinson says any small-business owner needs pure determination to survive. Hutchinson tells a story about a quarter-of-a-million dollar deal he worked on in May. A client wanted a performance bond, something his small company was not in a position to offer. Hutchinson's advisor told him the deal was dead, to walk away. "I didn't hear a word he was saying," Hutchinson says, with a smile. "There was no way I was going to let that deal go."

A week later, he made his pitch as to why Pacific Elevator was the right company for the job and he closed the deal. It pushed Pacific Elevator over the \$1 million sales mark for its first year and half. The company's portfolio now includes the 17-floor Heritage House and 17-floor H&M Apartment, among others. Hutchinson says, after a slow start, sales have taken off this year and he expects to pull in \$3 million in 2005.

"If you don't go into it full speed with a positive attitude, as soon as you run into obstacles you will lose your momentum," he says. Little obstacles, too, can suddenly build up to show-stopping ones, he adds. That's why preparation and quick decisions are also keys to Pacific Elevator's momentum. ■

Seizing the Next Big Opportunity

It's been almost a decade since the chairman of the Federal Reserve Board, Alan Greenspan, uttered the words "irrational exuberance" in December 1996. And while this articulate pair of words was spoken within a rhetorical question at the end of a speech on public policy, it still has meaning for us today.

The first lesson this phrase can teach us is that it is not unique to the stock market, to which Greenspan was referring at the time. The phrase applies to all markets – stock, bond, real estate, art, gold, commodities, anything – and quite possibly, is the very definition of a market. Markets are comprised of buyers and sellers, demand and supply, between which there is frequent imbalance (i.e., exuberance or despondence) until a market "equilibrium" results.

The second notable point is that, while this phrase is timeless in principle, it takes time to come to fruition. While Greenspan spoke these words in reference to what he then thought were highly inflated stock prices, most major indices did not actually peak until March 2000, more than three years later. Further, they did not bottom until March 2003, another three years after that.

Finally, the inverse can be said to be as true as the stated. That is, if "irrational exuberance" depicts market prices that are potentially excessive, then the opposite or "rational indifference" would seem to imply equally potential good value. Indifference or disinterest is often used by appraisers to describe the "fair" price at which items would be exchanged between disinterested third parties, with neither under any compulsion (i.e., exuberance) to act.

Therefore, be exuberant and optimistic about your life, but reasonable in your expectations of what your assets will return. At the same time, diversify across all asset classes, stocks, bonds, cash, real estate, etc., for no one class will dominate continually over time, and each will have its period of exuberance and of disinterest.

Greenspan's comment caused the commotion it did at the time, because it was the exact opposite of most people's tendency or what they wanted to hear, that of setting reasonable expectations. It was a call for a little bit of "healthy skepticism" not about the future or the economy, but about the prices people were paying for stocks at that time. This is true in the market for any good at any point in time.

So, which asset or commodity is the most highly treasured and disproportionately valued today? Answer this question and, in three to six years, you may be the one who is feeling most "rationally" exuberant for having come to this conclusion. ■

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