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Dear Client:

So, how is “the world’s largest start-up” kicking off its bold, new *public* approach for a very *private* company? We’re talking about Round Rock’s Dell that is shifting from a ground-breaking (but, declining) personal computer business model to providing software and services for corporate clients.

The story has been told countless times about how a UT Austin student, **Michael Dell**, founded his technology company in his dorm room (#2713) in 1984. The fact that it went on to become **one of the world’s leading tech manufacturing companies** is the stuff of American ingenuity and legendary corporate success. But that was *then* and this is *now*. The business world has never seen the speed-of-change that has characterized the tech industry since Michael Dell’s vision triggered its own brand of change thirty years ago. As a result, Dell itself is changing. After a bruising battle last year to take itself private, **Dell is off-and-running in a direction unfettered by shareholder and stock market demands.**

Michael Dell calls it “the world’s largest start-up.” And Dell’s most recent business-to-business advertising campaign emphasizes this perspective, by tying its entrepreneurial roots to those of prospective business customers. In one TV spot, the ad copy positions **Dell as a partner with businesses “where those with endless vision and an equal amount of audaciousness believed they had the power to do more. Time and time again.”** Dell’s chief marketing officer, **Karen Quintos**, says the ad campaign “celebrates the dreamer and the visionary, the person who knows that **game-changing innovation begins with an idea coupled with unrelenting passion.**”

The New York Times points out **Dell’s ad messages are aimed at small businesses, which will be “very important to Dell’s future,”** said **David Johnson**, a principal analyst at Forrester Research. “Small businesses do not have the resources to do what large enterprises can do. They need vendors that can help them level the playing field with technology.”

The Times gives one example: Dell’s “online advertising features images of fresh produce, with copy that says ‘Foods that are free of artificial preservatives, colors and flavors. So millions can enjoy what is fresh. Wholesome and safe. The power to do. **Dell helps power Whole Foods Market.**’”

Okay. If you drive Guadalupe or Lavaca Streets downtown, you have until the end of February to screw up by driving in new bus-only lanes without getting a fine – even though elongated buses will start using those restricted lanes 1/26/14.

From Cesar Chavez Street on the south to Martin Luther King Jr Blvd on the north, **one traffic lane on Guadalupe St. and one on Lavaca St. will be set aside for the sole use by Capital Metro's new premium bus service, MetroRapid.** The bus-only lanes are called Transit Priority Lanes. And the buses that will be using these lanes are whoppers. Longer than normal, MetroRapid buses look like two-car trains, with a midsection that bends to allow for sharp turns.

And if you happen to pull into those bus-only lanes, for whatever reason, you are likely to get a ticket. (You can be let off with a “warning” ticket until the end of February as motorists get used to the new rules, but you’re on your own after 3/1/14). The two left lanes on each one-way street are still open for motorists. Oh yeah, most blocks also have a dedicated bike lane.

This downtown segment is part of a larger route for MetroRapid service. The MetroRapid 801 Route runs from Tech Ridge in the north to South Park Meadows in southeast Austin. The articulated buses contain advanced technology that allows them to be generally faster than regular local bus service. For instance, **the vehicles can communicate with traffic signals to hold lights longer, making the ride faster and smoother for passengers.** It also features Wi-Fi and an advance-pay system.

Statistically Austin has one of the fastest-growing “older” populations. Austinites are retiring at a later age and, as a result, many are working later in life. But what is the “official” retirement age? And what about life expectancy?

Let’s get it out of the way, right away. We could find no “official” retirement age. What we *did* find was that it is a moving target at best. **This is not a frivolous topic as many financial decisions are made based upon a person’s age. And it’s not just retirement, it’s also life expectancy.** Many companies have a “mandatory retirement age.” Remember, it used to be you retired when you reached 65 years of age. You can find companies that list mandatory retirement now at 70 or 75 or even 80 years of age.

For what it is worth, in their 2013 report, **Social Security trustees say life expectancy will hit 83.6 years in 2060.** But hold on. The **USCensus Bureau estimated life expectancy at 84.8 years** and the **Congressional Budget Office is pegging it at 84.9 years.**

The impact of aging in Austin and throughout America will continue to be felt.

Travel publicity these days seems to focus mainly on changes in airline routes, fares, fees, laptop/tablet/smartphone-usage, new destinations, mergers, etc. But the savvy Austin traveler may have noticed some really important travel innovations are occurring on the ground – specifically, in lodging.

Functions of hotel lobbies have been changing over time. Oh sure, you occasionally stumble around in cavernous, ostentatious lobbies. But, more and more, **empty grandiose spaces have given way to “transactional” areas** where space is set aside for coffee shops and bars to cozy conversation areas to mini-business centers with computers, Internet access and video screens that monitor weather, flight info and business news.

In fact, many hotel chains are featuring “grab-and-go convenience stores” where you can pick up a sandwich, salad or even full meals that can be heated up using in-room microwave ovens. This type of change allows hotels to convert empty public space into revenue generating retail at the same time it provides guests less expensive 24 hour convenience.

Other pronounced changes are occurring in the guest rooms. Hoteliers welcomed the advent of flat-panel TV screens because designers could eliminate the huge armoires that contained the bulkier TV models, **creating more floor space or giving the illusion of more space when rooms were down-sized.**

Bathrooms have undergone the most drastic makeovers. **In newer hotels, especially those catering to business travelers, it is getting harder to find a bathroom with a tub.** Surveys showed most business travelers preferred showers to tub baths and there were complaints about the cleanliness of a guestroom tub. So, with the purge of most bathtubs except in high-dollar hotels, shower stalls have become more elaborate. (Families who prefer tubs for the kids are learning to make this preference part of their reservations.)

One more change concerns basic, yet controversial, guestroom coffeemakers. Why the controversy? Some guests complain about hotels placing coffeemakers in bathrooms where they take up valuable counter space and are viewed as being slightly less sanitary. And when drip coffeemakers were abused by some to cook meth, small drip-style machines started giving way to single-serve brewers. And road-warriors who carry their own special coffee find the single-serve machines difficult to use. **One hotel exec says he gets more complaints about coffeemakers than beds.**

As the Austin area’s travel business expands exponentially, more and more hotels are in varying stages of construction. These major hoteliers are keeping up with the trends. Not many cities in the US are seeing this surge in hotel construction. So, while it is difficult to verify, **Austin may end up having the largest, most modern and up-to-date collection of hotel rooms in the nation.**

Watch for residential mortgage rates to ratchet upward slowly this year. This is the prediction from our friends at the venerable *Kiplinger Letter* where they've been tracking business trends weekly for ninety years.

“You'll pay a higher rate for a mortgage ... **as much as 5.5% by next December** ... from around 4.5% for a 30-year loan now ... as the Federal Reserve tapers the bond buying binge that has kept rates low,” predict the Kiplinger Washington Editors.

Furthermore, they suggest that “**mortgages will be harder to obtain** because of tighter lending restrictions from the CFPB, the Consumer Financial Protection Bureau.” (You can get greater detail on this last item by clicking on the “archives” button at the top of the page and selecting the January 10th 2014 edition of this newsletter.)

If mortgage rates rise, and at the same time loans become harder to obtain, what is likely to be the outcome for residential housing in the Austin area? Well, most forecasters are still cautiously optimistic.

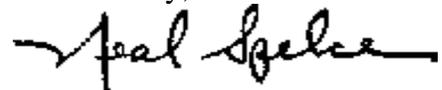
And the reason? The underlying fundamentals of job growth amidst population increases in the Austin area are sound. How does this translate, say, into homebuilding? You can find forecasters who predict **construction will begin on as many as 10,000 new homes in 2014.**

But before you think this is a big leap, **think back to 2007 when Austin area homebuilders started slamming hammers on more than 12,000 new homes.**

The 10,000 2014 starts, admittedly, will be an increase over the total in 2013. **And the 2013 total was up more than 17% over 2012.** Obviously, this bullish outlook will bear watching.

Dr. Louis Overholster, in discussing each family's squabbles over the TV remote control, is convinced men don't care what is on TV. They only care what *else* is on TV!

Sincerely,



Editor/Publisher