

OWNERS WITH EQUITY

Travel Square One has restructured into a cooperative host agency

BY KATE RICE

Denver-based Travel Square One is a 13-year-old agency that's experimenting with a new business model: cooperative host agency. The company is run by two partners: Bill O'Connor, founder of the Travel Society—one of the first major agencies to devote itself to independent contractors when it went into business in 1986—and Paula Wagner, founder of the Colorado School of Travel.

Wagner says many of her peers and former students felt the only way to guarantee a future in the industry was the costly and time-consuming step of buying or starting their own agency. Beyond the initial challenges of agency ownership, Wagner says, even experienced agents find it daunting to make business decisions on their own.

O'Connor adds that agents want to partake in the decision-making, but they don't always want the managerial responsibility of owning and operating an agency.

PROBLEM AND SOLUTION

At the same time, O'Connor says independent contractors—both agents at home and in brick-and-mortar agencies—agree there is a tendency among some host agencies to make decisions based on the interests of the shareholders and not the independent contractors. A classic example of that, he says, is an agency switching GDS systems.

Another issue is equity. Agents understand that the equity value of a host agency appreciates over time, and that appreciation is a function of the independent contractors and their clientele. "They don't share in [those profits] and didn't consider that equitable," O'Connor says, adding that there was no exit strategy that allowed independent agents to sell the equity they'd

helped build. There were other concerns as well, including access to health care and retirement funds.

Travel Square One's solution was to create a company in which everyone involved can own a share. "That addresses the issues of voice and equity," says



Partners Paula Wagner and Bill O'Connor close the sale on Denver-based Travel Square One.

O'Connor. "They can be an employee or a contractor, whichever they prefer."

O'Connor and Wagner transformed Travel Square One into a cooperative host agency in May. Now all shareholder-agents have their say in the organization's business decisions. Each shareholder benefits from the communal knowledge of the group yet maintains an equal voice in decision-making. (Previously, Wagner, the original owner, ran the company as a stand-alone and then as an at-home agency.)

Better yet, agents can choose between five health care plans and enroll in a 401(k).

HOW IT WORKS

Travel Square One offers two options. Agents who want to be shareholder-owners retain 100 percent of their income and share operating costs. The company's business plan ultimately calls for 25

partners; it presently has eight.

The alternative is to opt for the traditional independent contractor/host agency relationship. Those agents retain 75 percent of their commissions but don't share expenses. They are either rookies starting to build their business or experienced agents cutting back on their workload. For these retailers, being a shareholder doesn't make economic sense.

However, both types of agents are valuable to Travel Square One. The newcomers can help regenerate the client base. O'Connor describes Travel Square One as "a sort of incubator for new entrants," adding that some are on track to becoming shareholder-owners.

On the other hand, the experienced agents have wisdom and connections. "We have three agents who are quite senior and semi-retired," says O'Connor. "They've still got clientele: Africa or high-end Europe. Plus we know them well, and they don't want to be out of the business, but they do want to limit their time and effort."

IMPORTANCE OF TECHNOLOGY

Travel Square One runs on Sabre and is what O'Connor describes as a "hard-core" ClientBase advocate. "We probably have only one inviolable rule: if you can't work in ClientBase, you can't work here," says O'Connor. "We believe that over time that's going to be the kind of environment we will see."

Travel Square One has invested heavily in its technology platform. Its system could support 100 to 125 people without making any changes. If an agent has a problem, a support person can "see" that agent's screen remotely and help resolve any issues. In addition, agents can receive industry briefings and their home page,

giving them a way to network and stay informed online.

It's a platform designed to make sure that everyone is working off a common system no matter what kind of computer they're using. "All they need is a high-speed Internet link, mouse, keyboard and screen," says O'Connor.

The agent website contains vendor and training information, Sabre formatting, ClientBase reference materials, travel industry contacts, a help desk, a discussion area so agents can tap into each other's expertise, and weather and currency information. It also houses incoming faxes.

Travel Square One offers its agents a voice-over-Internet-protocol system that costs about \$40 per month. This allows agents to be part of the company's phone structure. They can dial nationally and internationally, and transfer calls seamlessly to one another.

Another benefit at Travel Square One is having access to a knowledgeable support staff. Wagner's 30-year career as a travel educator enables her to offer a wealth of information.

MARKETING THE AGENT, NOT THE AGENCY

Travel Square One works closely with its agents on their marketing programs. Shareholder-owner Margaret Beardall has been an agent or manager since 1979 and just went into business for herself this year. She distributes an electronic newsletter once a month, along with emails and snail-mail blasts out of ClientBase. The idea is that the agent is the brand, not Travel Square One.

For example, her newsletter might feature a photo of clients who just came back from a trip to Italy's Cinque Terre or a bush camp in Africa with an image of an elephant in a hotel lobby. "The focus is on the experience, not calling within 24 hours to get a cheap price," says Beardall.

Adds O'Connor, "When you send that to clients, they're going to look at it. It's content, not price. She's trying to shift her business up, and that is how we would work with her on that. We have another person who is very skilled at do-

ing air very quickly and she's got a good fee structure. So marketing is individually tailored to the shareholder partner."

Travel Square One is currently a member of eTavco/5 Star. "We believe it's important to the economics of our shareholder-owners that we be part of a leisure consortia," says O'Connor. "What's been very interesting to us, and a little surprising and flattering, is that we've had a number of suppliers that are very active in all the consortia come to us directly and establish bilateral agreements because they recognize the people whom we are attracting."



Travel Square One is wholly owned by stakeholder employees and contractors. Pictured are Margaret Beardall and David Glanz.

Some of Travel Square One's agents are on such lists as *Condé Nast Traveler's* top travel agents, and that gets the suppliers' attention, says O'Connor.

A SUPPORT SYSTEM

The cooperative host agency also focuses heavily on yield. "We're trying every month to increase the amount of money [agents] retain for the work that they do," says O'Connor, adding that they focus on the most profitable clientele and segments, as well as on fees.

Agents can track their bookings by invoice, client, transaction, vendor or prod-

uct type. This gives them an accurate view of what's happening with their business. "We treat them in our account system as if we were a stand-alone, so you get the full economic and business analysis that any reasonably sized agency would have on their business," says O'Connor.

Beardall says Travel Square One has been an excellent resource and support system. Her main concern when she struck out on her own was one she believes is universal for agents leaving their agency to become entrepreneurs: Will your customers follow you?

"That question was answered within a couple of weeks after sending out announcements, and I was amazed," she says. "It's the one thing you worry about most, and you don't need to worry about it. The structure Travel Square One provides is incredible as far as tailoring it to what you and your clients need or technology or instruction."

ONSITE TRAINING

Travel Square One's affiliated agents are within driving distance of its Colorado location. They can use the office as workspace, a client meeting place or a training location. The training could

be in Sabre if they're new to the GDS, or in ClientBase.

Beardall says mastering all Clientbase has to offer took her to new levels of effectiveness. "[O'Connor] will also give little talks on what's new in the travel business, trends, breaking news of what we need to be aware of and a lot of training," she says. "It makes me feel like I'm keeping in touch with things, that I'm not isolated in my home office, I know what's going on and I'm as skilled as possible." @

For more information, visit www.travelsquareone.com.

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