

Giving the agents a stake

By Nadine Godwin

Bill O'Connor, who has spent 14 years running a host travel agency, last year set out to create an improved version, based on the needs of today's independent contractors.

He gathered information from agents in the field, drew a conclusion about what would make a successful agency (selling high-end leisure), then partnered with Paula Wagner to create a new business.

The only hitch: It is not a host agency. Essentially, it is a home for independent contractors and other productive travel sellers who aren't really looking for hosting services as they are generally understood.

O'Connor said he learned that a portion of successful travel sellers wanted three other things: equity in the business that collects supplier commissions, some influence in how that business is managed and, in some cases, health and other benefits.

The result is Travel Square One in Denver, an employee-owned agency, and those employees include former independent contractors who bought into the business, have standard employee benefits, have a say in business decisions and stand to share in any profits beyond earnings on sales. They share the risks, too.

To realize their new vision, O'Connor and Wagner restructured the agency as a limited liability corporation with 25 shares, initially priced at \$5,000 each. No owner can hold more or less than one full share, a plan that caps the number of possible owners at 25. There are five salaried staff members among the owners, including O'Connor, who is the managing member, and Wagner, whose chief responsibility is training. The other 20 ownership slots will be filled by agents; so far Travel Square One has three owning agents.

In addition, Travel Square One is a host agency in the traditional sense for nine independent contractors.

The new Travel Square One was born in late 2006 but did not open its doors until

April 1 and brought on its first shareholding travel seller on May 1. Sales volume in the first six months reached \$3.8 million. Existing customers accounted for about

5% of sales, the independent contractors about 15%. The bulk of sales, 80%, came from the three shareholding travel sellers.

[PROFILE]

O'Connor said the business is 95% to 98% leisure, and a lot of that is on the high end, in keeping with his original conclusion that upscale leisure was the way to go. The three owner-agents specialize by destination and product type, and Travel Square One will look for more shareholders with strong leisure specialties as well as high sales totals and high-yield bookings.

O'Connor estimated that shareholders will each produce \$1.5 million to \$2 million in sales annually. Obviously, Travel Square One is a place for vigorous sellers, not "dabblers," O'Connor said.

Owner-agents collect all commissions and fees associated with their sales and pay a \$2,000 monthly fee to the business if they work in the home office. Off-site shareholders pay \$1,200 a month.

Currently, two selling shareholders work in the office. There is enough space for a few more, but O'Connor expects most new shareholders to be home-based.

To date, \$5,000 has been the price of entry; after the new year, that figure goes to \$10,000. The difference is a recognition that founding partners took the greater risks, O'Connor said.

Buyers make a minimum two-year commitment before they can sell out, O'Connor said. If someone decides to move on, the company will buy the share based on a value set by an outside appraiser.

Ironically, the business plan, which was created with experienced, high-producing independent contractors in mind, is stimulating more interest from experienced sellers with salaried positions at other travel agencies.

As for Travel Square One's nonowning independent contractors, O'Connor said the agency has no target number for them because "they are not our core focus. We also believe there is a limited number of them who work in high-end leisure."

Travel Square One's internal system is set up to treat each seller as a branch "so we can produce full financial reports for each seller," O'Connor said. Agents can see their productivity by supplier and other criteria.

Travel Square One is also creating individual Web pages for each seller, to be opened to the public soon. Each agent's page will be accessible from the agency's home page and will be used to build a community of agents and their clients. The sites won't be used to pitch products or handle bookings. "We don't believe our sales will consummate here," O'Connor said. "But we expect clients will be able to exchange information."

At some point, the number of Travel Square One shareholders could rise above 25, but O'Connor said he and Wagner planned for 25 as a number small enough to allow all shareholders to keep a close watch on the quality of investors and services. Travel Square One's first three agent-owners have given the relaunched company a good start: The new company is in the black already, said O'Connor.

"I love it," he said. "I don't have to manage these people."



PHOTO BY ERIC BANKE/BLACK STAR

Travel Square One's shareholders are, from left to right, Tammy Hardin, Margaret Beardall, Jeremiah Donahue, Bill O'Connor, Andrew Beardall, Anita Barnes and David Glanz.