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The State of the Home Market

A look at the past, present and future for agents at home

Travel is an intangible. You can't put a rafting trip down the Colorado or a biking tour through Burgundy on a shelf. So once technology freed agents from the green screens and cryptic codes of the old GDS, storefront walls began to dissolve. Travel agents could suddenly sell from wherever they wanted to be—in their office, on a cruise ship or sitting on a Hawaiian lanai. They effectively became geographically neutral.

Home-based agents led the way in this migration and they just might represent the future for retail travel. This does not mean all travel agents will migrate home. To the contrary, many will remain in storefronts and offices. In fact, a few home-based agents are moving from their homes back into an office. Ultimately, the distinction between home-based, storefront and even call center agents will fade, according to many industry observers. That's because a call center agent can work from home, a storefront employee can be blogging from a cruise ship and a so-called home-based agent might actually be working while attending a conference in Las Vegas.

A hybrid model is emerging. Lawton Roberts, owner of Country Place Travel in Lawrenceville, Ga., moved his storefront home, with his five agents working virtually. He says Expedia, Travelocity, Priceline and other online giants showed him that you don't need a store to have customers—and now he doesn't either.

HOME EVOLUTION

None of this happened overnight. And home-based agents often still have to struggle for respect in some quarters. But a lot has changed over the last decade. Scott Koepf, president of the National Association of Career Travel Agents (NACTA), says the use of the term "home-based agent" was evolutionary. "It was about 10 years ago when it started to become bandied about fairly often," he says. "But the fact is home-based agents have been around



for roughly 50 years."

Koepf says the original way to describe such an agent was "outside salesperson" or "commissioned travel agent." "In those days that's how you differentiated someone who was out of the office versus someone who was in the office and paid a salary," he says. "Then you kind of moved to independent contractors, some of whom didn't necessarily work out of their homes. Eventually 'home-based' became the rallying cry for independent entrepreneurial agents. The good news today is that there's pretty much universal acceptance that the home-based market is here to stay—and it's growing. But now it's time for us to look at the name again."

Joanie Ogg, CTC, MCC, former president of NACTA, who now runs her own consulting company, Joanie Ogg Marketing Group, remembers when home-based agents would keep mum about the fact that their office was in their home, whether they were talking to a supplier at a tradeshow or to a customer. She recalls that such derogatory nicknames as "kitchen-table Mabel" abounded.

NACTA's Koepf adds that home-based agents were put in the same category as cruise-only agents, who were not considered to be "real" agents either because most didn't have ARC or IATA numbers and didn't write airline tickets. For their part, however, suppliers began to understand that home-based agents represented a huge piece of the market.

FORCES OF CHANGE

But times and business models changed. Ironically, one of the driving forces in the growth and legitimization of home-based agents was the airline commission cuts in the late 1990s. Once the airlines saw the Internet as a way to cut their distribution costs, the economic model for retail underwent a dramatic and sometimes painful transformation. Already-thin margins tightened, and experienced agents realized that they could cut their overheads and move home.

"I think the shift really began to take place during that transitional period when the airlines were cutting commissions and starting to charge higher fees for GDS," says Gary Fee, president

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and founder, of OSSN. "Traditional agents began heading home. They didn't have an ARC or IATA number anymore, but they still wanted to continue their trade.

Andi McClure-Mysza, president of the MTravel.com, the home-based agent division of Montrose Travel, says another major event that caused experienced agents to head home was 9/11. "Round one, the airline commission cuts, I think got rid of a third of all agencies," she says. "Then when 9/11 hit, it was round two. All that financial doom and gloom hit many of the remaining smaller agencies so they couldn't afford the overhead." McClure-Mysza argues that the industry is currently in round three, with the economic downturn causing another wave of experienced agents to head home, either because they're closing their brick-and-mortar shops or their jobs in such agencies have been eliminated.

In addition, the recession has led people from other service industries to consider moving to the travel business as a source of opportunity. "We're hearing from a lot of people in the real estate industry," says

McClure-Mysza. "They come up with travel because a lot of people have positive feelings about our industry."

GROUP SUPPORT

A major factor in the growth of the home-based channel has been the development of groups such as the Outside Sales Support Network (OSSN) and NACTA. For much of the last 20 years—and OSSN is celebrating its 20th anniversary this year—these organizations have helped suppliers to recognize the importance of the home-based channel. They also helped them to find this new breed of entrepreneurial travel agent through their membership base—and that was one of the main challenges suppliers had at the beginning of this century and still do even in the present day.

"I think we were a major catalyst," says OSSN's Fee. "We could see the handwriting on the wall that there were going to be changes in the different models of travel sellers. And obviously our role has been to assist them from an educational and professional standpoint and help them develop relationships with suppliers."

CHANGING REPUTATION

Of course, what also changed was the stigma of being home-based. "For the longest time, a home worker, pretty much for any profession, tried to hide the fact that he or she was at home," says Van Anderson, co-president of host agency America's Vacation Center. "I think there was a huge reputational issue not just among your peers, but certainly among consumers, for someone who worked from home. That began to change when we created the technology that allowed these agents to earn as much money and be as effective from home."

As technology proved to be the equalizer for home-based agents, suppliers began to take notice. "When they started looking at the source and realized that some of their producers were doing it from home and producing as much as from an office, that's when they were recognized," says Anderson. "It all started to happen when technology leveled the playing field."

ROLE OF THE HOST

Indeed, a major factor in the growth of home-based agents has been the evolution of the host

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agency, which provides such technology. While travel agencies have "hosted" outside, independent or referral agents for decades, only in the last 10 to 15 years have dedicated companies been created that serve strictly as hosts.

Some of the first "hosts" were cruise-only franchise groups, but the evolution of the host has now gone a lot further than that. The new breed of host agency sells no or very little travel itself but provides its home-based agent affiliates with technology, marketing, sales, accounting and business management tools to help them succeed. It also helps attract new entrepreneurs to an agency business that has seen its number dwindle. "These hosts are bringing new blood into the industry, and I think we need that," OSSN's Fee says. "The true hosts—the ones not doing any bookings but just using a sales force to reach their sales objectives—they're really the most sophisticated agencies out there today."

The most successful hosts today also are not focused on being commission clubs for their members. "Our focus has remained on shared success rather than fee-based," says Anderson. "We never saw a successful end for the supplier, the host agency or the agent who signed up for a program that was merely a commission club."

Indeed, the industry may end up with only a limited number of hosts according to McClure-Mysza, who also serves as president of the Professional Association of Travel Hosts (PATH). "Ultimately you'll see some consolidation in the host market," she says. "Right now there are probably fewer than 50 hosts in the market today that would even qualify to join PATH. That's a pretty small number when you think about it."

HIGH-YIELD PRODUCERS

What these hosts have allowed agents to do is control their own destinies. Home-based agents can now see their sales numbers the second they open their homepage using online tools that allow them to communicate and manage their businesses. That kind of inescapable accountability has brought new energy to the retail channel.

Home-based agents are now considered to be producers of high-yield travel business.

"Some of the most driven agents are the home-based," says Kathleen Kavanaugh, manager of the home-based channel for the Globus Family of Brands, which was one of the first suppliers to create a position dedicated to home-based agents. "They really are



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entrepreneurs," she says.

Cruise lines saw the potential for home-based agents early on. Such companies as Royal Caribbean International, Celebrity Cruise Lines, Holland America Line and Norwegian Cruise Line created home-based agent programs and online portals. Travel Impressions was another company that early on recognized the value that

home-based agents delivered.

Tom Ogg, editor and publisher of HomeBasedTravelAgent.com, says the desirability of the home-based channel is due to its yield performance rather than its overall volume. "That attracts suppliers to home-based agencies," he says. "They want the yield."

Home-based agents have turned into retail powerhouses. Terri Burke, MCC, CTC, senior vice president of relationship marketing for Cruise Planners, says her agents keep growing their sales. A recent one-week mega-sale resulted in a 766 percent year-over-year increase. The group was up 56 percent year over year in bookings for one supplier, although revenues were flat. Burke says these numbers are not unique to Cruise Planners, but can be seen across the home-based agent community.

Not only are home-based agents producing numbers, they are delivering quality bookings. They also bring customers in earlier rather than later, which means suppliers don't have to turn to last-minute discounts to move inventory, says Burke.

CHANGING MODELS

As the retail channel continues to evolve, divisions between agent, host agency and consortium are dissolving. Host agencies, franchise groups and consortia all furnish similar services to home-based agents. One-time brick-and-mortar agencies are going virtual, while some home-based agents are now renting office space. Two of the biggest online travel agencies, Travelocity and Expedia, have sister companies that are host agencies or franchisors: Sabre's Nexion and Expedia's CruiseShipCenters.

Over the past 15 years the agency distribution channel has undergone changes that many considered catastrophic, according to Scott Ahlsmith, CTC, chairman of The Travel Institute. But he says these changes were "transformational." They also have created a new workspace for all travel agents—an office without walls.

NACTA's Koepf says the business is moving from an agency-centric to an agent-centric distribution model. According to Koepf, power has shifted to

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the very large agencies and to individual agents, as the “middle” ground of small and mid-sized agents shrinks, though he says there will continue to be some retail storefront agency locations.

“The really big boys have gotten bigger and will continue to get bigger,” he says. “On the other side of the spectrum, it’s the independent entrepreneur who is nimble who has huge influence in group business. That’s where independents will have a bigger and bigger influence over next three to five years—and that’s a huge piece of our business.”

TECHNOLOGY SHIFT

New technology also has dramatically changed the way home-based agents operate. “It’s interesting that the same kind of morph that created this whole home-based market is occurring again with technology and global communications,” says Tom Ogg. “It’s moving our industry into an entirely new era.” He cites one home-based group seller who has employees and support staff on the other side of the world. Another home-based agent successfully uses social media to generate large group cruises.

Ogg adds that the new social media networks are dramatically changing the way people research information—and that in turn could mean more changes ahead for the way travel is sold. He points out that Google is about to announce a new digital community called Google Wave. “The Wave, combined with social networks, is a next-generation vehicle that’s going to change the travel distribution channel. It’s going to threaten the existing model for home-based agents, but it’s also going to enable new models for home-based agents.”

RENAMING HOME-BASED?

The future for home-based agents also may involve a change in the term used to describe them. “I had a conversation with an agent the other day who wanted to call himself a virtual travel agent or a mobile travel agent,” Koepf says. “I do think eventually it’s going to lean more toward the term ‘independent’ travel agent. Saying they are independent to me kind of summarizes what their real strength is, which is that each agent is his or her own decision-maker.”

Whatever they’re called, however, the future looks bright for home-based agents, according to Fee. “This type of model is very desirable for people, and it’s profitable,” he says. “As long as suppliers continue to support them, home-based agents will continue to thrive.” @