

Focused foursome tackle travel

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A new company says it has a state-of-the-art system that can counter shrinking margins and new customer demands.

Companies in the travel industry should be watching their backs. A new competitor has plans to grab market share from the established players. For two reasons the industry should take it seriously. The newcomer owns software it says will help it enter new markets. It may also have the answer to one cause of large companies losing market share: how to gain scale but maintain the personalised customer focus of a smaller company. Internet Travel Group is the result of the merger of four fast-growing companies, three in corporate travel, the other in events and conferences.

A key figure in the merger is flamboyant entrepreneur Phillip Weinman, who came to Australia from Canada in 1967 for a wedding and stayed. In 1980, he and two partners, David Payes and Alan Kras, started the computer company HiSoft to enter the then emerging PC market. Five years later, the company was turning over \$200 million a year. The three owners sold HiSoft for a big profit and went on to establish Intrac Properties, which bought farms in Melbourne's south-eastern corridor and subdivided them into housing blocks.

In 1993, all three were feeling frustrated by what they saw as a poor standard of corporate travel services, so they decided to establish CTS Travel in Melbourne. Weinman says he built the company on the principles he always uses: choosing good staff (mostly women) and developing a philosophy totally focused on customer service. He also developed a flat management structure for CTS, appointed a consultant to each corporate client and gave the consultants total autonomy and a laptop, and put them on call 24 hours a day to look after clients.

CTS grew rapidly, turning over \$31 million in 1997-98 and \$50 million in 1998-99, but its efforts to break into the New South Wales corporate travel market failed.

Early this year, Weinman searched the world for software to improve automation and back-office systems. "We couldn't find any until we approached Sabre Pacific, which was operating a central reservation system and distributing some software. We know back-office systems from our days running HiSoft, so we knew what we were looking for. We loved what [Sabre] showed us, so much so that we decided we had to get financially involved with the company that created the software."

The software creator was Sydney's Internet Travel Group, which had been a large thorn in Weinman's side when he was trying to break into the market there. He called Leslie Lofthouse, founder and chief executive. Lofthouse, in travel for more than two decades and winner of a major travel award 10 years in a row, created Internet Travel Group from the merger of International Network Travel and Uniglobe Key Travel.

Lofthouse says she was looking for travel software two years before Weinman and, when she did not find what she wanted, ended up writing her own. It took two years and \$2 million to develop. The result was the Lumina and Eclipse software systems that have been in use for four months. They allow authorised corporate clients to book and pay for travel online as well as view their booking history. The systems include a quality-control check of such things as whether arrival and departure times match hotel bookings. If someone makes a booking that does not conform with company policy, the authorising person is notified.

In January, Lofthouse sat down with her staff to create a three-year plan. The company had been growing very rapidly, turning over \$170 million in 1998-99, up from \$120 million the previous year. But she and her employees knew that serious threats were ahead for medium-size companies.

The business environment has been changing - partly because customers are more informed and demanding, often as a result of the Internet - and customer service has to improve. At the same time, travel companies' commissions are shrinking.

Use of the Internet to book travel will continue to increase, forcing suppliers to operate 24 hours a day, seven days a week. Customers will not tolerate mistakes. Lofthouse says the future "looks frightening, but we have to make sure we are prepared and have the strategy to be in a good position when all this happens".

One suggestion from Lofthouse's staff was a public listing so they could buy into the company. It was not followed up at the time because when Weinman and Lofthouse met for the first time, the benefits of a merger were immediately obvious. A merged company had the opportunity to dominate corporate travel services in Melbourne and Sydney, and produce economies of scale in financial and administration systems. Weinman and Lofthouse were determined that a merger should not erode the level of customer service offered by both companies.

Weinman says: "It is not like a manufacturing company that has stock and warehouses that would have to be merged. Basically, the structures will stay in place but our clients will see benefits without major policy or personnel changes." Lofthouse says the new company will continue her practice of breaking down large areas into small teams. An accounts manager will be appointed to each team.

Last month, heads of agreement were signed to enable a merger of the Weinman and Lofthouse companies to go ahead. By then, New Zealand's Internet Travel Group, which was formed by merging five agencies and has 20% of the corporate travel market in New Zealand, had agreed to join the merger. A small Melbourne firm, The Event Centre, with annual turnover of \$10 million, is also joining. The Internet Travel Group is expected to have combined annual sales of \$335 million.

Like CTS and Internet Travel Group, The Event Centre has a technological edge. Founder Ray Ellis spent two years developing software that tracks the performance of companies through their sales and marketing departments. Ellis says: "Using information and data, we can report on whether an incentive scheme is working. We then tell the customer how to improve their sales and marketing."

The Event Centre will add a one-stop shop of conferencing and events to the group. CTS plans to use this to capitalise on the growth in product launches and events. Weinman says: "By bringing this in-house there will be considerable savings. There will be just one account manager running the whole performance."

The new company sees its range of services growing to include in-bound international travel. Weinman says: "We now have the technology and the size, as well as the conference and events arm, to sell Australia to overseas corporates as well as travellers."

Internet Travel Group will also push hard into the leisure market. Lofthouse says: "We have a significant corporate base. Electronically, we can access five million people overnight." That customer base gives the company the opportunity to sell discounted products such as rooms on a cruise ship after a late and large cancellation.

Lofthouse says: "We can go immediately to market at no cost and offer these products at a very good rate. This will improve relationships with clients as we can add these leisure products with significant savings, as well as grow our existing share of the leisure market." (Leisure accounts for 5% of Internet Travel Group's turnover.)


To Weinman and Lofthouse's relief, the appointment of a chief executive was easy. Weinman says: "Leslie has known the travel industry for 20 years. I am new to travel. I am also not a good line manager. With her as chief executive, we will end up with a professional running the company, while my two partners and I look at strategic direction and new opportunities."

Weinman is relieved that he will not be running a large company. He prides himself on being an entrepreneur who knows when to walk away from day-to-day operations. He says: "We do expansion well, not line management. And we don't want to repeat what happened at HiSoft. That company was acquired by a multinational [HBA, which was then taken over by National Mutual] that lost the vision, focus and closeness to the customer."

From Lofthouse's point of view, she is weak on sales and marketing, and has never spent a cent on advertising or public relations. Her business has grown on the back of referrals. "I want [Weinman's] passion for sales and marketing," she says.

A proposed public listing will take the new company another step forward late this year. Money from the float will be used to expand in the Asia-Pacific region and to market Internet Travel Group's technology worldwide. How much will be floated has not been decided, although Weinman and Lofthouse will retain majority control.

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