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While the emergence of no-frills airlines, as well as websites like Lastminute.com and Expedia, have had a notable effect on the workings of the travel industry, the business is still thriving - even the economic downturn has failed to make a notable dent. In fact, for the discerning travel agent who can quickly adapt to changing trends in the industry, things are definitely on the up and the service that an independent agency can offer can be very appealing to the public.

You won't be able to compete with the big brands on price so it is all about what you can offer over and above that. This is where customer service is so important, what differentiates your business from others. Overall quality of service is a key aspect.

The current market

Setting up as a travel agent shouldn't be confused with being a tour operator. The difference is that the former sells the holidays while the latter organises them. It's possible to set up as an independent tour operator but there is a lot of competition for big firms that have the buying power to keep prices lower.

Who is it suited to?

By choosing a competitive industry you are inevitably resigning yourself to a high degree of hard graft. And you may not have the time to take advantage of the attraction of free or discount holidays at the start - in fact, there are few, if any, small businesses which afford you much respite in the first couple of years. So your motivation needs to be linked with the work and the service you are providing.

You will be actively dealing with people all day either on the phone or in person - which is demanding even if you are naturally interested in people. But if you don't have the stamina or the inclination for this kind of work, owning a travel agency may not be for you.

Travel agencies are more about selling advice to your clients than holidays. Your customers want to be reassured they will be able to hire a car, go walking or get vegetarian food, so being able to provide this personal touch will be essential.

You don't necessarily need to have experience of the industry. As with most things it may help, but the most important thing is to be prepared for a steep learning curve.

Rules and regulations

You don't need any qualifications to set up as a travel agent, so in effect anyone could do it - although it will greatly increase your chances of success if you join a trade association. That is, customers and industry are unlikely to take you seriously without.

The most widely recognised trade association is the Association of British Travel Agents (ABTA) although this is also the most expensive and therefore aimed less at start-ups than the Travel Trust Association (TTA) or the Global Travel Group.

"I joined ABTA from the beginning," says Martin Jones of Freedom Direct, a call centre based travel agency. "It has a regularly updated code of conduct and keeps me up to date with changing regulations and generally gives both my customers and me protection [[insurance cover](#) if the holiday falls through]."

You are required by law to provide a bond to reimburse clients if your company should fail financially, this is arranged with a bank or [insurance company](#). Also, you have to have Air Travel Organisers Licensing (ATOL) which allows you to sell airline tickets. Without it you would be confined to providing accommodation and ground transport only.

Global Travel Group is a franchised operation so it holds bonds and ATOL centrally, whereas ABTA requires that you have a certain amount of capital to hold them yourself. The latter is more expensive, although it allows you to be more independent.

Membership of a trade association tells suppliers that you have a strong and supported business and customers will be reassured knowing their money is protected.

Trade associations

Trade associations are clearly important to the success of a travel business - if you want customer and industry confidence it seems you can't really start up without one. But what is actually involved where it counts - in your wallet? To give you an idea:

Global Travel Group

Specifically aimed at start up businesses, this association runs as a franchise to provide licensing and bonding to independent travel agencies. It provides support, IT booking system and national tour operator deals while allowing agencies to run as independent businesses under their own names.

- Lifetime membership costs £20-30,000 plus VAT, with lease option available
- The agency owner is free to sell after three years with the membership passed on as an asset to the new owner
- Also Global Travel Group will provide booking system technology as a part of the fee
- for further information on membership call 0870 429 8100 or visit their website on www.franchisedirect.co.uk

ABTA

This is the best known of the associations with the largest membership of over 7,400 agencies and tour operators. It will ensure you are taken very seriously from day one but as such its membership is exacting in its rules and not cheap. Start up companies may wish to progress to ABTA when they are more established.

- Business must demonstrate a minimum paid-up share capital or proprietor's/partners capital of around £30,000, but this is flexible
- All members are required to provide a bond to reimburse clients in the event of the member's financial failure
- Registration fee of £330 plus VAT to be submitted with application form
- And once offer of membership made, one off entrance of £1,200 plus VAT
- Plus additional annual subscription fee, from £750 per year, depending on the size of the business
- for further information visit their website on www.abta.com

How to start

It's quite possible to start out as a travel agent from home with a desk, a PC and a telephone line. You can start to build up a client base from among friends and family so it isn't technically difficult to get started.

But you do need to think bigger than this if you want the business to survive. Competing on a local level or around the high street are both non-starters to a successful business. ▲ truly local business won't survive in such a changing market and the high street will bring you up against the big names. You need to open up to a national audience.

Look into an area that isn't well served already by travel agents. If you can find no obvious reason for this and there is apparently a need for your business, set up there. ▲Alternatively, start a business that isn't office based and that provides something of a niche service.

Martin Jones started Freedom Direct on the back of Teletext rather than on the high street. Never intending to be a walk-in business, his main research was establishing links with the banks because he needed an £80,000 bond to start off. Links with a trade association will again help with things like this.

How much does it cost?

Premises: If you're starting from a secondary location rather than prime retail site, rent will obviously be reduced. ▲as above, specialised travel services are more likely to work with you remotely so it matters less where you're based

Staff: However, a remote - if cheaper - location may be a turn off when it comes to recruiting staff. This is not generally an industry where staff is highly paid but there is competition to recruit good people in the first place so additional perks may work well.

Look for people who've worked in the industry before who'll be attracted to the discounted holidays and offer them good working conditions. Roughly speaking, salaries are on a par with office work but as with all jobs you should expect to pay more for extra talents (such as languages) or experience.

How much does it cost? (cont)

Advertising:

Getting your name known is as important as in any new business. Local newspapers, yellow pages and Teletext are all good ways - although decent regular adverts aren't cheap.

Word of mouth is effective but be aware this isn't an industry where repeat business necessarily follows. ▲An established client base will pass on word of your excellent service to its friends but intense competition for price means people will always shop around - even if they end up coming back to you.

You will have to constantly address and re-address service, quality and value for money and let people know about it.

Internet:

The buying public has grown used to shopping around online even though it doesn't always want to buy online. Use the internet as an additional advertising or information tool to bring people in and answer basic questions. Then offer personal service and advice for their queries. That way both you and your potential clients save time and effort by having all information to hand when sorting out the details of the holiday.

How much can you earn?

The travel industry is commission-based so every time you sell a holiday for a tour operator they give you a percentage of the fee. This is where getting your name known will be important, though, as international tour operators aren't going to offer an unknown business favourable rates. Commission varies a lot.

Striking an agreeable commission agreement will become easier once you are a member of a trade association - in fact they're unlikely to look at you without. Travel agents don't give out individual commission rates for obvious reasons but there is a general idea within the industry. Minimum commissions start at around 10% but the high street names will be getting around 18%. So you'll find it very difficult to compete if you are at the lower end of the scale.

Cash management is another issue of which you need to be aware. The customer will pay you a deposit on the holiday when they book it but the remaining amount won't be paid until about eight weeks before date of departure. Only then will you receive your commission from the tour operator. However good cash management in the booking season of January and February will see you better off in the summer months.

Overall you need to be aware that being independent will not yield big money initially unless you can find a niche market that pays well. If you can find a consistent market for specialist holidays to far-flung destinations this may happen sooner.

The amount you earn really does depend on a simultaneous ability to sell to customers and to strike deals with the suppliers. So at the forefront is the need for excellent service to both of your customers: the holidaymakers and the tour operators.

Get the balance right and you might just have the ticket for success.

Tips for success

Look after your staff:

Reduced rate holidays will prove a powerful incentive to lots of people wanting to work in the travel industry. But you need to attract and retain good people who are interested in the work and who can communicate with customers and represent you business well. Offer training and incentives and if you can, pay above average salaries. You'll be rewarded with loyalty in a competitive industry

Have a national focus:

Although you may be a local independent travel agent it doesn't mean you should have a narrow local focus. You need to appeal to a national audience to ensure success because the market changes so fast. A national focus will mean tour operators will be keener to deal with you and therefore your holiday selection will be more extensive

When to go for profit:

Don't look for profit in the first couple of years but go all out to make your name known and get as much business as possible. Once this is achieved you'll have increased bargaining power for your commission rate and access to a greater number of holidays - and hopefully will be able to start looking at profit and budgeting

Contacts
Association of British Travel Agents (ABTA) www.abta.com
Air Travel Organiser's Licensing (ATOL) www.atol.org.uk
Global Travel Group www.globaltravelgroup.com
Travel Trust Association (TTA) www.traveltrust.co.uk