

INTERVIEW: TMC Exec David LeCompte

The Beat ~ a travel business newsletter
New York City
11/27/06 2:39 PM

Short's Travel Management president David LeCompte last month spoke with The Beat founder Jay Campbell about the challenges of running the Kansas travel management company. An excerpt of their discussion follows.

Campbell: What was the impact of this year's changes to the global distribution system pricing and content structure?

LeCompte: We have an idea of the impact and unfortunately have had to pass the increase on to the majority of our customers. We kind of went along with the \$2 [per ticket]. We had been preparing ourselves, and a few years ago realized that if we're dependent on third-party suppliers to make a profit, that's not a very good model. Unfortunately, there's still revenue out there that we're dependent upon and really don't have any control over. When agencies are making a 5 to 20 percent net profit return on revenue, and GDS [income] is 5 or 6 percentage points, it's a pretty big hit to net profitability. Overrides, same thing. We try to manage the override game as best we can and are trying to get to a point where maybe that money is gravy and we could operate without it. I don't think we'll get there in the next 12 to 18 months, but we want to get moving in that direction. I think it's one of the biggest challenges agencies have--being a reseller, we're a middleman and in a lot of instances, in distributing a ticket, we don't add value. There was a time when fees were being driven down into the \$20 range for complex reservations. I realize people are looking at online booking, but if you're taking the same transaction that was \$35 a year ago down to \$25, that's a huge percentage drop. I guarantee no one has increased their efficiencies that much, so it hits the bottom line. It kind of did that bottoming out and I see it now kind of creeping back up.

Campbell: What are some of your other big challenges?

LeCompte: I don't have any particular heartache at this point. We have tried to diversify. About 65 percent of our business is corporate, our sports is up to 20 or 25 percent and seems to be growing, as does our incentive/meetings. You don't want all your eggs in one basket, but the challenge is overseeing three very different businesses. But it's good if you get the right people in the right places. Our company has grown, on average, 21 percent per year over the last 10 years, mostly through organic growth. We have about 143 people now, and it fluctuates.

Campbell: It seems like there is a lot of change going on right now in terms of who fills what roles in travel management--whether it's outsourced or insourced, etc. What do you think?

LeCompte: It's an open question. Wal-Mart chose to bring all that in-house. They have the skill sets and the people, and they are benchmarking and doing new things and pushing boundaries. But a lot of other travel managers will try to run and tackle stuff without really looking at all that's out there. As a TMC, we can say, "We handle your business and also have 1,000 other customers, and if you try that, here's what we know." If they do have that travel manager on staff, letting us help them with the whole process is great. And there is a point in time where they hand it all over to us and we manage it. They don't necessarily need two or three managers. It's whatever fits the corporation.

Campbell: What's your niche?

LeCompte: If I knew what that magic bullet was, I would sell it to everyone. We're all essentially selling the same service. You're on a sales call, and you want to know what the other guys are selling, but I think it boils down to what we call the purple carrot. Clients like all those carrots out there, but you need unique purple ones. You never know which one will pique their interest, but sometimes we'll even develop something on the back end just for them. Our niche is getting into the customer and going up the value stream and making it simpler. It's somewhat hard to sell until you get in there and can show them what you have done for other clients.

Campbell: You made an acquisition back in July of Executive Travel, a 20-person corporate agency in your region. Is that your preferred method of growth at this point?

LeCompte: We continue to look at acquisitions as they pop up. It's not necessarily my preferred mode of growth, but if the opportunity and price are right, we'll definitely move forward on them. There are three that we're actively looking at now, which are within one of our core businesses, and those are fairly well along the way. But it seems like opportunities present themselves more to us than the other way around.

Campbell: So the preferred mode of growth would be organic?

LeCompte: Yes, and real honestly, we have been kind of stagnant there the last couple years. We've got a great sales team on board and have learned a few things. But we're prepped for aggressive growth this year and have been bringing on some accounts recently, and finally have the right process down for the sales staff. It's a tough market out there in the corporate side of things. We participate in a lot of requests for proposals, and a lot of times, there are not a lot of things wrong--they just tend to stay with the incumbents.

Campbell: Do you generally outsource technology or develop it in-house?

LeCompte: We look at the situation to determine what's best. We probably tend to develop more things. After 2001, our IT department was the only one we didn't cut and we have been growing it ever since. Nine people of our 140 are IT. In internal meetings, we use big post-it pads to display all projects each of our programmers is working on. I told them I wanted to visually see what they were working on, including the purple post-its that represent those [projects] that are client facing. We created a meeting management product that works well, and we sold it to other incentive companies and TMCs. We learned three or four years ago that when we program something, to make sure it's open enough to sell it. It's not really a revenue stream, but we have traded technology with other travel companies.

Campbell: Do you feel your company is where it should be in terms of supporting online traveler self-booking?

LeCompte: Our online adoption rate is less than 5 percent of all air transactions. Part of that is that in the sports business, [where] you can't really go online. But another part is that our corporations haven't chosen to go online. We introduced it; they know it's there. They know we have three different products we sell. We have never shied away from it, and have been aggressive. It's odd. Some clients have tried it, but none are mandated. Maybe it's because we're kind of trying to go after the more complex travel.

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