

# Agencies Court Midmarket With New Services, Lower Fees

By Jennifer Merritt

**M**ost industry experts agree that small and midmarket companies constitute a significant portion of the business travel landscape, yet many travel managers in those tiers view themselves as overlooked.

“A lot of agencies looked at the small and midmarket for a long time, but they’ve discovered that while in aggregate it’s a gigantic market, companies of that size generally deal with small amounts of spend, and are not as aggressively managing it,” said Tom Wilkinson, president of TRW Travel Consulting in Pennington, N.J. “Even though in theory there’s a huge opportunity, in prac-

tice it’s awfully hard to get ahold of them.” However, that soon may change as travel management companies of all sizes and designations plan moves to tap into that part of the market.

Others see the megas’ commitment to the midmarket and smaller companies through recent acquisitions. “You’re starting to see more acceptance of small and midsize operations,” said Kevin Maguire, director of global travel services at Austin, Texas-based Applied Materials. “The Carlson acquisitions of Navigant and Maritz say they decided that the midmarket needs more attention.”

Yet, in a market tier that for years has been touted as overlooked, why would mega travel management companies suddenly start paying attention? “It’s a business concept,” said Maguire. “If you

	<b>More Receptive</b>	<b>As Receptive</b>	<b>Less Receptive</b>
Airline	12%	44%	42%
Hotel	21%	24%	52%
Car rental	29%	38%	26%
Car service	27%	29%	10%
Agency	36%	43%	5%
Card	29%	45%	7%

have 10 midmarket accounts that are happy, they're equal to one large account that's happy. If you lose one midmarket account, you're still fine. If you lose one major account, you're in trouble."

Another reason for the shift in focus is that, increasingly, the lines between large and midmarket companies have become less easy to define.

"It's more of a blending, not a blurring. The basic principles are exactly the same, but in a large account you just have more players to deal with," said Maguire, who in March moved from midmarket company Tokyo Electron America, with a U.S. booked air volume of \$6.5 million to Applied Materials, with an air volume of \$20 million. "The importance factor isn't any different: If you have \$5 million in air or you have \$60 million in air, you're important. That should not affect the way you negotiate, nor should it affect the way you're treated as a client."

Independent regional and super regional travel management companies claim realignments among the megas and dissatisfaction with online-originating options have generated short-term competitive benefits.

"It seems to me there are fewer and fewer significant players because of all the consolidation and that there aren't many large independents that have the capability of competing with the megas," according to Paul Metselaar, chairman and CEO of New York-based Ovation Corporate Travel, which handles roughly 150 small and midmarket clients.

Yet, Expedia Corporate Travel, Orbitz for Business and Travelocity Business have heated up small and midmarket competition. Mark Walton, principal of Consulting Strategies in Deerfield Park, Ill., said midmarket companies especially are vulnerable to Internet travel management companies because they have fewer needs.

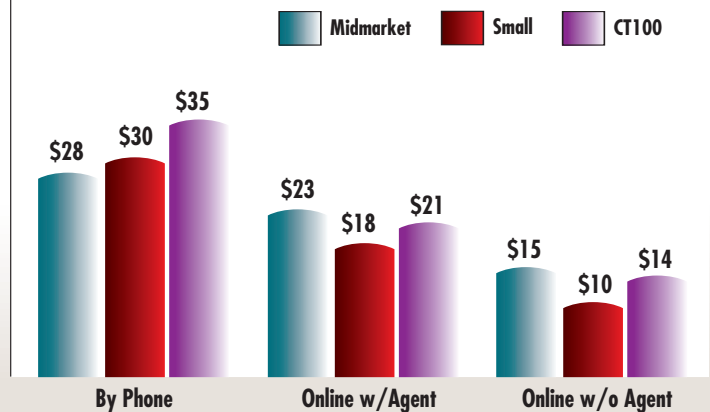
"They don't have the same requirements as a large company does, for example, in supplier negotiations," Walton said. "A midmarket company today probably has less of a need for a structured supplier relationship and the same

level of account management support. Not that Internet travel management companies can't support clients from an account management perspective or a supplier perspective, it just isn't their public forte. Their public forte is technology offerings."

On the other hand, Walton said traditional travel management companies have figured out how to compete against the online travel management companies, now that pricing has been realigned and they are competitive in terms of both technology and service.

"That whole market model has been defined now," according to Walton. "They're competing today on a more equal level than they were three years

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ago, when Internet travel management companies were just beginning."

John Smith, president and CEO of Tower Travel Management in Oakbrook Terrace, Ill., which handles about 15 small to midmarket clients, acknowledged that Internet travel management companies provide some strong competition, primarily because they deliver good technology at very low cost, but also agreed with Walton's sentiment that traditional travel management companies have learned how to compete.

"We have competed against the online players for the last five years," he said. "All three of the online players have been heavily in the Chicago market, so we had to get good in competing with them a long time ago." ■