

5 STOCKS FOR GOOD TIMES AND BAD p. 58

SPECIAL REPORT:
GET BETTER
HEALTH CARE

JUNE 2007 | WWW.SMARTMONEY.COM

SmartMoney

THE WALL STREET JOURNAL MAGAZINE

**NEW WAYS TO
JOIN AMERICA'S
WEALTHIEST 1%**

p. 47



**REAP
PROFITS
AND SAVE THE
PLANET, TOO**

p. 15

**FORGET ONLINE!
TRAVEL AGENTS
GET BETTER
DEALS**

p. 90

HOW TO MAKE \$5 MILLION



U.S. \$3.50 | Canada & Foreign \$4.50



0 74851 08719 0

They're Back!

Travel agents suffered a swift decline when consumers flocked to the Web. Now they're staging a comeback—armed with new services and old tricks.



When she was planning her birthday trip to New York City, Caroline Koons Forrest started where most of us do: online. She checked everything from Hotels.com to the Four Seasons' site. No luck. Everything was booked solid, outrageously priced or completely unfamiliar to her (the Days Hotel, anyone?). So the West Palm Beach architectural designer did something she hadn't done in ages: switched off her computer and called a local travel agent. Minutes later Stacy Small of Elite Travel International phoned back with a room at her first-choice hotel, the Four Seasons, at half the \$1,600 price tag for a suite Forrest had spotted on the Web. The icing on the cake? An actual birthday cake, which awaited Forrest and her husband when they entered their room.

After more than a decade of decline, the humble travel agent is staging a comeback. Frustrated with the recent rash of sold-out hotels and airline seats, travelers are discovering that for all the hype, Web sites like Hotels.com, Orbitz and Travelocity are losing some of their edge, especially when it comes to high-end locations. And customer displeasure is starting to show; growth in the once red-hot online travel business is cooling, up 20 percent last year after a 28 percent increase in 2004. Enter the travel agent, the most savvy of whom can use longtime connections to secure that "sold out" room or coveted aisle seat. Written off as dinosaurs not so long ago, agents are seeing a welcome bump in business, with the 2006 average weekly sales per agent location up 15 percent over the year before. High-end travel is turning up as well, with members of



ON THE BEACH IN RIO: Time-starved vacationers are paying extra to travel agents to book the perfect vacation.

Virtuoso, a consortium of more than 300 luxury agencies, racking up \$4.2 billion in sales last year, an 11 percent jump over 2005.

Many agents have become a specialized bunch, some offering adrenaline-fueled adventure trips, others pricey safaris. Travelers come to Stacy Small for high-end requests like a line on a Tuscan villa or a lesson with the best ski instructor in St. Moritz. Other agents go after even thinner slices of the travel pie, with specialties ranging from twins-only cruises to kosher dude ranches. Linda Androlia of Sunstone Tours in Malibu, Calif., books nothing but small cruises to wildlife-rich spots like Alaska or the Galapagos. But fair warning: Such expertise comes at a price. Some agents charge anywhere from \$150 to redeem a frequent-flier award to a \$500 consulting fee for arranging customized trips.

For an industry that was all but left for dead, any recovery is quite a shift. In the 1980s, agents were the gatekeepers of travel, booking nearly 80 percent of all airline tickets. That changed in the mid-1990s, when airlines began hacking away at the commission rate until it finally disappeared after 9/11. At the same time, the first online travel agencies started to gain traction,

and consumers began to discover that they could book their own tickets just as easily—and often for less. Sales plummeted, and the number of agency locations dropped by nearly 50 percent between 1996 and 2006.

Setting the stage for the agency renaissance is a booming travel market that has vacationers scrambling to find room at the inn. Airports are mobbed, with the major U.S. carriers filling 79 percent of seats last year, the highest rate since World War II. At the same time, hotel occupancy rates hit their loftiest mark in nearly a decade last year, according to Smith Travel Research. It doesn't hurt that agent-friendly businesses such as cruise lines are also growing,

with a record 12.6 million people expected to take a cruise this year.

And while travel Web sites point to their service alerts and 24-hour hotlines, traditional agents often have the upper hand when it comes to dealing with the mounting travel hassles. Ellison Poe, president of Poe Travel in Little Rock, Ark., recently fielded a desperate call from client Terry Harris, a marketing vice president who was en route to a meeting in Cuba when a hurricane stranded him in Miami. With all the nonstop flights out of commission, Poe had to get creative, ultimately managing to get Harris to Cuba by way of Mexico City. "I can't imagine booking a trip without her," says Harris.

CRUISING IN ALASKA or floating on the Nile (below): High-end agents claim they can find the best trips—if not the best prices.



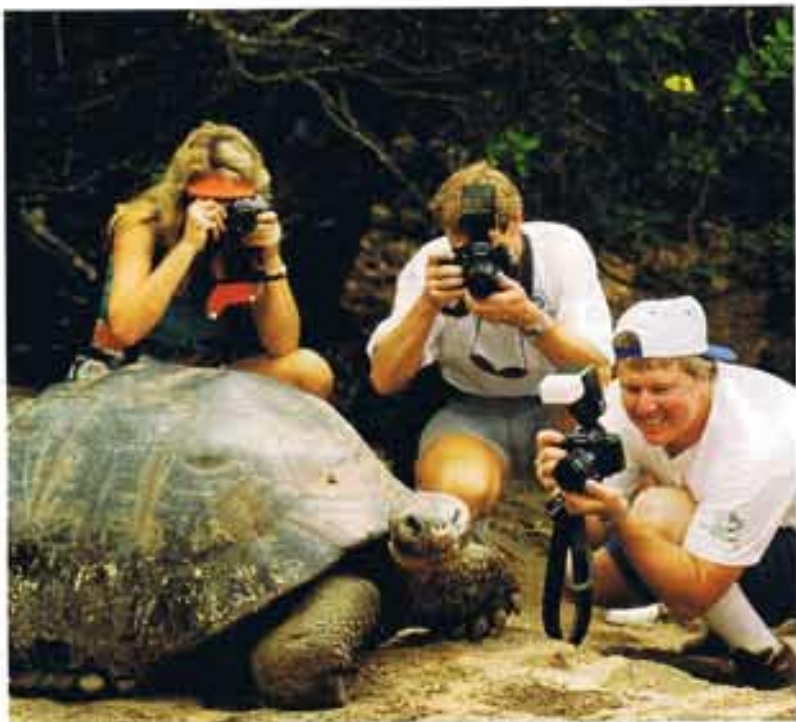
Richard Turen of Churchill and Turen—who prefers the term "vacation consultant"—says it's the white-glove extras that matter at his Naperville, Ill., agency. Not only does he claim to have the pull to get clients space in sold-out properties, but he also promises VIP treatment when they arrive. Turen says he won't use computerized reservation systems, insisting on contacting a hotel manager personally. He sends clients binders detailing each step of the trip, down to diagrams of every airport. At places where the walk between terminals is "interminable"—such as Hong Kong International—he'll even arrange for a golf cart to greet guests at the gate so they won't have to hoof it. Malaka Hilton, an Egypt specialist and president of Admiral Travel in Sarasota, Fla., visits the country at least once a year, often leading her own tours. Over the years Hilton has added more and more well-known Egyptians to her Rolodex; her clients can expect anything from a reception at the home of former First Lady Jehan Sadat to a day in the field with famed Egyptologist Zahi Hawass.

But for all the perks and special treatment offered by this new breed of agent, there's some old baggage for travelers to contend with. Agents still earn commissions, including

so-called overrides, the extra-large fees awarded to those who bring the most customers to a specific supplier. Overrides are a red flag to many critics, who wonder what's to stop agents from pushing all of their customers toward whatever earns the biggest bonus. And when not offering actual payouts, suppliers still woo agents with discounted or free trips and incentive specials, like the recent \$60,000 sweepstakes offered by Trafalgar Tours, where agents earned chances to win with each Trafalgar booking they brought in.


What's more, all the pampering comes at a price. Where most agents used to be paid strictly by commission, they now charge \$25 to \$45 for a basic airline ticket. Some have imposed other, steeper fees, like Michelle Voon at GoCarefree Travel, who charges \$50 to \$75 an hour, or Strong Travel Services in Dallas, where the flat fee for a customized trip starts at \$250 per client. Meanwhile, high-end travel-guide provider Nota Bene is launching an invitation-only agency with what founder Anthony Lassman describes as "significant" joining and annual membership fees. And it's not just the higher charges that bother critics. Fees imply that it's only the customer who's compensating the agent, says Christopher Elliott, host of *What You Get for the Money: Vacations on the Fine Living* network, when the reality is that the agent is also getting commissions from hotels, cruise lines and others. "They're basically serving two masters," he says.

Agents say that with airline commissions disappearing,



NATURAL SELECTION: Photographing tortoises on the Galapagos Islands has become a hot trip.

they had no choice but to start charging. Travelers could always book themselves, but for many, a couple hundred dollars is a small price to pay. "How much is your time worth?" asks Tony Poe of Poe Travel. When it comes to the influence of override commissions and other perks, agents point out that they rely on referrals and repeat

business, so sending clients on a subpar trip is not in their best interest. Besides, the wealth of information online allows customers to double-check prices and agents' recommendations. Joe Brancatelli, publisher of travel Web site JoeSentMe.com, puts it this way: "Now you can tell in a second if they're in somebody's back pocket." 

Paris Deluxe Do travel agents really earn their keep? We put three to the test, asking them to arrange a midsummer trip to Paris, including a deluxe hotel and an inexpensive round-trip fare from New York. Then we went online to see what kind of bargains we could find on our own.



TRAVEL AGENT	NONSTOP FLIGHT	HOTEL PER NIGHT	COMMENT
ASAP Travel Jacksonville, Fla.	Air India, \$793	Radisson SAS Hotel Champs Elysees, \$389	By far the cheapest flight. ASAP usually charges \$30 per plane ticket but waives the fee if you also book a hotel.
Family-Friendly Vacations Mesa, Ariz.	Continental, \$1,098	Starhotels Castille, \$336	We thought we might get a good deal at a family-friendly hotel (this one lets one child under 11 stay free), and indeed, it's our most affordable option.
Elite Travel International West Palm Beach, Fla.	Continental, \$895	Four Seasons Hotel George V, \$871	Best Expedia's rates, but the savings were more than canceled out by fees: \$150-per-person consulting charge, plus \$60 per plane ticket.
Travelocity	Continental, \$1,108	InterContinental Paris Le Grand, \$347	Travelocity appeared to offer the Air India flight for \$840, but when we tried to book, the price jumped to \$1,782 (Travelocity says airline fares can change at a moment's notice). The site also gave us only one luxury-hotel option.
Expedia.com	Continental, \$1,103	Four Seasons Hotel George V, \$917	We had the same problem with the Air India flight, but we found Expedia's hotel selection far larger than Travelocity's.