

Flying High at Montrose Travel

Travel Agencies Are Closing Their Doors All Over the Country, Burned by the Internet and Decreased Commissions From Airlines ... So How Come This Valley Agency Is Booming?

By PAT KRAMER
Contributing Reporter

LAST year was a great time for travel in the United States, but it was the worst year ever for travel agencies. Reduction of commissions paid by airlines and increased competition from Internet sites has had a devastating effect on the business.

"In the next six to 12 months, I would say that 10,000 of the nation's 37,000 travel agencies will go bankrupt, merge or be acquired," said Montrose Travel Co-President Joe McClure. "Margins are so razor-thin that unless they sell higher-yield, more-profitable product at higher volumes, most travel agencies will go bankrupt."

Montrose Travel, however, most likely will not be one of them. Rated No. 2 on the Business Journal's List of the 20 fastest-growing private companies in the San Fernando Valley (and No. 27 of L.A. County's 100 fastest-growing companies), Montrose Travel is on a roll.

The company pulled down revenues of \$51.9 million in 1996, and 1997 revenues are expected to come in at \$65 million.

The 33-year-old McClure, who previously worked as a product manager for **Dole Packaged Foods Co.**, bought the business in 1990 with his sister Andi from their parents, Joe and Leora McClure. At the time, Montrose Travel was a leisure travel-oriented business with sales of \$7 million.

But Joe and Andi, MBA graduates from the University of Southern California, decided to put their own personal twist on the company.

One of the first things they did in 1990 was to analyze the marketplace and determine that they needed a commercial division to serve business travelers. Over the course of the first year, they aggressively marketed their leisure-travel and commercial-travel agency.

And despite the drop in travel that year because of the Gulf War, Montrose Travel was able to increase its revenues by nearly 35 percent.

Over the next few years, the co-presidents added a group/incentive travel division (for booking large groups of travelers and for companies using expenses-paid vacations as employee incentives), and continued to capture new shares of the market.

By 1994, the company was reporting revenues of \$25.3 million. And then came Febru-



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Siblings: Co-presidents Joe and Andi McClure bought company from their parents.

ary 1995, when the major airlines capped the 10 percent commission paid to travel agents at a maximum of \$50 – a move that heralded the beginning of tough times for most travel agencies.

A second blow fell in September 1997 when the 10 percent commission was lowered to 8 percent, with the same \$50 cap remaining.

The loss of commissions meant the business had to find other ways to generate profits. While other agencies began imposing \$10 service fees on orders, the McClures decided to invest in a new business: a discount airline ticket company, Air 4 Less.

"With Air 4 Less, we immediately had a gigantic advantage," says Joe McClure. "When other travel agencies were introducing \$10 service fees because they could no longer live on the commission alone, we found a way to save our corporate clients about \$500 a ticket and create the profitability and margins we needed to remain in business without service fees."

Buying tickets from consolidators (companies that buy and resell unsold tickets from airlines at a discount), Air 4 Less was able to open up its market to those travelers who were shopping for price rather than full service.

This year, about 40 million members of

Sam's Club membership department store will be eligible to use Air 4 Less discount services following an exclusive deal finalized in early December. As a result, McClure expects to double his business in '98, with the Sam's Club deal driving about 2,000 calls per day.

In 1996, Air 4 Less' first year in business, sales topped \$4 million; in 1997, sales quadrupled to \$16 million.

That helped the company hold onto its full-service agency – even though it has become less profitable as a result of the commission caps.

"They seem to always be at our disposal," said Christine Korner, office manager for **Belkin Components**, which has been using Montrose Travel for several years. "They're easy to reach and really try to accommodate our needs whenever we have special requests. They're really good with follow-up, sending us the special reports we need showing the difference in money we spent or could have saved if we had booked ahead earlier."

Adds Jim Brown, executive vice president of L.A.'s Western Association of Food Chains: "They are very professional, knowledgeable, committed and responsible in getting the job done, whether you're going to China or San Francisco."

Brown's trade association annually spends over \$1 million in travel and is one of Mon-

trose Travel's top clients.

In October 1996, the McClures further diversified their business by acquiring the adventure travel company Sportours from **Sport Chalet**, which specializes in ski, dive and golf travel packages.

This year, Montrose Travel will open its newest business, a "Honeymoon Travel" division.

"Now, with people getting married two, three, four times, it's a very lucrative business," said Joe McClure.

By reinvesting the profits from their different travel divisions, the McClures have been able to purchase all three office buildings housing their expanded businesses in Montrose, a small community just north of Glendale.

"Either you're an entrepreneur or you're not," McClure said. "It doesn't matter what you sell, market or produce – the concepts of success in business are exactly the same across the board: You have to have a quality product at a quality price and you have to give value-added service."

"You have to be aggressive to grow and you can never accept the status quo. Once you become comfortable with where you are, you're going to go down. Complacency kills."

SNAPSHOT

Montrose Travel

Year Founded: 1956

Headquarters: Montrose

Core Business: Full-service travel agency

Employees in 1990: 14

Employees in 1997: 110

Revenues in 1990: \$7 million

Revenues in 1997: \$65 million

Top Executives: Co-Presidents Joe and Andi McClure

Goal: To continue to be the travel agency of choice for consumers

Driving Force: Continued diversification to adapt to a rapidly changing industry