

SPECIAL REPORT:



Travel Brokers



Editorial Feature

June 2017

Changes In Broker Model Continue

Much has changed in the broker sector since the first *Travel Today* Special Report on Brokers was published almost five years ago.

The biggest single change in this second Special Report is probably the revised TAANZ rules . . . and the fact that many brokers are now operating outside the TAANZ regime. And an issue that will attract atten-

tion is the article on restraints of trade that have been applied to some retail travel consultants.

The ongoing impact of consumers buying travel on-line has obviously had an effect on all traditional sellers of retail travel, but it is probably brokers who are better able to compete directly with most of those OTAs (online travel agencies) and international websites, because they have lower operating overheads than traditional brick-and-mortar travel agencies.

Right across the retail spectrum, consumers are fixated on price, and travel is no different.

To compete, travel retailers are having to add value by providing advice and/or information not available on the internet. But sellers of retail travel need also to pump up the 'perceived' value of their offer. Perceived value is when a client has a perception that the value of the added benefits, is higher than the actual cost . . . and sometimes the added value does not cost the retailer anything at all other than a bit of advice or knowledge . . . but it needs to be given a value. It is the perception that really counts.

. . . So, Why Become A Broker?

Perhaps it's the fear of a shrinking job pool; perhaps it's the desire to be self-employed; perhaps there's a disillusionment about where the travel industry is headed; could be that a consultant has a very loyal band of clients; or maybe there's even the thought of creating a new, revolutionary way of selling travel. Whatever the motivation is for becoming a broker, there are more and more people taking up this option. In this second Special Report on Brokers, *Travel Today* has again looked at what a prospective broker needs to consider when comparing what the various 'brokerages' are offering, and what they need to weigh up before taking the plunge.

And then there are the changes travel agents will be faced with as a result of the pending IATA changes, as reported in the 09 Jun edition of *Travel Today*.

Expedia TAAP Really Fits Broker Model

It's no mistake that TAAP sponsors the 'Best Broker Brand' award at the TAANZ Awards every year, says Expedia.

Expedia TAAP cherishes the great relationships built with the broker brands and look forward to those bonds strengthening into the future. Expedia TAAP is a fantastic tool for brokers and is widely used across the trade.

Brokers often have a very close relationship with their customers so they need tools that won't let them down.

Brokers sell their personal brand with each transaction, so they need

to know what they are offering is reliable and competitive.

With Expedia TAAP, brokers are confident the rates they quote are tested every second and probably the best in the market. TAAP also offers incredible flexibility. You can TAAP in the office, TAAP at the coffee shop, TAAP in a client's home.

You can TAAP on laptop, you can TAAP on tablet, you can TAAP on phone.

Brokers earn top commission on publicly listed rates and even more when they combine package rates with other products.

Many brokers have told us they turn to TAAP first every time when preparing a quote because they know it's most likely to have the product and price needed to close the sale.

Supplied by TAAP Expedia.

What Do New Brokers Need?

There are several aspects that a prospective broker needs to organise for themselves.

While the brokerage may already offer some of the points below in its list of services, as an independent business person new brokers may need to have access to alternative suppliers and business relationships.

That list of DIY, so to speak, can include:

- Setting up e-mail access (either brokerage-branded or personal domain names).
- Rather than using a free, generic e-mail address offered by the telcos, create your own domain name for e-mails . . . the cost really is minimal. You will need one, anyway, if you have a website.
- Internet access.
- Perhaps a website.
- Computer safeguard systems such as spam filters and the new malware programs.
- Some sort of system to store and easily retrieve contact details of all your clients.
- DX or PO Box (if applicable).
- Public liability and professional indemnity insurance cover.
- Bank account/s.
- Tax compliance if an accountant is not being used.
- Professional advisers such as lawyer and/or accountant.

Travel organisations with an interest in brokers were invited to participate in this *Travel Today* Special Report on Brokers.

However, several of the smaller entities declined the offer, as did House of Travel.

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Clarification On Restraints Of Trade

Travel Today has been aware for some time that some employers have threatened departing consultants with a 'restraint of trade' which prevents that consultant from working for another employer—or becoming a broker—for varying periods, sometimes amounting to months.

It seems grossly unjust that an employer can apply a three- or six-month restraint of trade on a departing travel consultant—when that same consultant may very well have dependents or financial commitments and is unable to work at the only vocation they have ever had?

... MBIE Response

It was from this perspective that *Travel Today* sought clarification from the Ministry of Business, Innovation and Employment on the issue of restraints of trade, and the following statement has been provided by Jivan Grewal, manager of Employment Relations Policy:

"For a restraint of trade to be enforceable, it must be in the written employment agreement between the employer and employee. That way, both parties (but especially employees) know during their employment whether there are any restrictions on them if they leave their job.

Issue Not New

The hairdressing industry had exactly the same issue. While a client was often attracted to a hair salon because of an individual hairstylist—and clients followed when that hairstylist changed employers—the original employer often had issues.

"Restraint of trade clauses can do things like restrict a former employee from working with clients for a set period of time, or restricting them from working within an industry for a period of time. A restraint clause will usually be based around a certain factor/aspect of a job and can be unique to someone's position. It is possible for an ex-employee to work for another agency in a different role, but it really depends on what is in the employment agreement (i.e. what the actual restraint is). "However, the conditions of a re-

straint of trade clause must be reasonable. It is possible for an employee to go to the Employment Relations Authority or Employment Court to find a restraint of trade clause unreasonable and therefore not enforceable.

"From both an employer's and employee's point of view, MBIE recommends getting legal advice about whether to enforce a restraint of trade clause or accept one in your employment agreement."

Employment Contract Changes?

It is not inconceivable that this clarification from MBIE could lead to changes in employment contracts so that any 'restraint of trade' conditions are either not entertained at all by prospective employees, or are significantly watered down.

And with the industry being so short of good consultants, employers could be forced into having to accept that.

The Definition Of 'Brokerage'

The definition of the term 'brokerage' used in this second *Travel Today* Special Report on Brokers refers to the company or entity to which a broker is attached, and which complies with the required industry rules and requirements, such as TAAZ and/or IATA bonding, etc. This could be a larger organisation that specialises in servicing many brokers, or it could be an individual travel agency anywhere in New Zealand.

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15 Points To Consider

1 What does a broker contract include . . . and, more importantly, what doesn't it include?

Firstly, a broker contract needs to be in a plain, easy-to-understand presentation. What's not included is often more important than what is included. It's the omissions that usually cause grief when there is an issue.

The following points should be an indication of what new brokers should look for and ask questions about. If in doubt . . . ASK.

2 Is a broker a self-employed, independent business partner, or an employee who works remotely?

A true broker is a self-employed contractor. But another major factor to consider is the tax man. *Travel Today* understands that withholding tax should be deducted from commissions. Many brokers do, as required by law, but some don't, particularly

if they have an IRD exemption certificate. Withholding tax does not usually apply when a broker has set up a company.

A travel consultant employee who works remotely, and is not registered with TAANZ as a registered salesperson, is not generally considered to be a broker.

3 Which is better: A larger brokerage company or an independent travel agency?

The larger brokerage companies that specialise in brokering are likely to have more infrastructure for the likes of support and systems, etc; while an independent travel agency management is likely to offer a more personal relationship, but with limited levels of support.

Either way, an important point will be the commission split.

4 What's the difference between a consultant becoming a broker

and a broker changing brokerage?

The biggest change is the move from being an employee (with the plus points that may come with that) to making the most of being self-employed and what comes with establishing and owning a business and reaping the rewards for the hard work.

Some of the biggest issues in the consultant/broker shift are about outstanding commissions, overrides, or an unreasonable restraint of trade.

It is a lot easier for brokers to shift from one brokerage to another, than it is for a consultant to become a broker.

5 Does the contract contain any restrictions such as preferred suppliers?

Ultimately, the broker should be free to use any supplier they wish.

A broker's relationship and responsibility is with their client . . . not a

third party.

Preferred supplier agreements, from a broker's perspective, generally benefit neither.

Another aspect here is the GDS contract. Is it with the broker direct, or is it through the brokerage?

And who gets the GDS rebates, if there are any?

6 Does your employment contract have a restraint of trade clause?

If it does, this could cause a 'spot of bother' . . . irrespective of whether you are changing employers, or shifting to become a broker.

See the article in this Special Report pertaining to restraints of trade.

7 What safeguards are there in place for brokers should something 'untoward' happen at the brokerage?

Is the contract with a 'head office brokerage' or an individual retail out-

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“The TMG philosophy is around championing brokers, not as an employer but as a support network. They have been 100% behind us in all our decisions and their knowledge and feedback on all aspects of the business has been so valuable.”

VICTORIA KEATING AND NIKI DAVIES, EX WORLD TRAVELLERS

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Get in touch for a confidential discussion

Dave Wallace

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15 Points To Consider

let? Either way, is the broker covered should that brokerage collapse and there be a claim on the TAANZ bond? What provisions are there should a broker make an expensive mistake? It can be the brokerage or the TAANZ full member that a broker is working under who is ultimately responsible for reimbursement should a broker commit fraudulent activity. These, and other potential legal issues, such as potential breaches of consumer legislation need to be discussed.

8 What if the brokerage is not a TAANZ member?

Two main players are Flight Centre and Travel Managers, neither of whom are TAANZ members. However, both are IATA bonded, as required.

9 Definition of commission: Upfront & override remuneration should be a combination of both.

Upfront is usually the commission earned as a direct result of a sale; while the override commission is generally a level of added commission based on overall sales volumes, or other factors, arranged annually between a supplier and the broker or brokerage. Either way, percentages for both forms of commission need to be sorted out and be included in any broker contract.

10 Commission split: Why are there various levels of commission split between brokerage and broker?

Several factors can affect commission splits. A broker's productivity, size of client base, market confidence and experience can all have an impact. A high commission split favouring the broker (say, 90/10) could recognise high productivity and a broker's confidence, while a 70/30 split could apply to a new broker just starting out who needs a little more assistance, hand-holding, and frequent use of the helpdesk, if there is one. However, often the commission split isn't the whole picture when other factors such as overrides and other monthly costs are taken into account.

Any GDS affiliation/s—and whether or not any rebates shared—also needs to be taken into account.

11 Who 'owns' the client . . . The broker or the brokerage?

While no-one really 'owns' a client, it is the broker who should in this context, and the contract should reflect that.

Client mailing and e-mailing lists should not come under the control of the brokerage, other than if the brokerage contracts to do e-mail broadcasts to broker clients. And then the brokerage could be liable should there be any breaches of anti-spam legislation.

Contracts should not generally contain any contractual restrictions for brokers wanting to change brokerages. But if there is such a restriction, it should be brought to the attention of a prospective broker. There should also not be any commission issues when a broker changes brokerages.

12 Who funds any 'branded' advertising campaigns?

No doubt this varies from brokerage to brokerage, and any contract needs to include clarification re level of contribution, etc.

Brokers and brokerages need to be mindful of all the positive changes to the TAANZ rules when it comes to promotions and advertising.

13 What levels of support are there for the likes of marketing, IT, or after-hours/emergency, etc?

The level of support a broker can expect—and from whom—can be a deciding factor.

Important aspects such as 24-hour and emergency support can be critical to a broker's clients, and needs to be covered in any agreement.

Other areas that need to be discussed are advice or contributions relating to marketing, database and website management, and the like.

The above points may come with a cost, or they may be taken into account with the commission split.

Some suppliers have already noted that brokers with special-interest client bases generate more bookings than 'regular' travel agencies.

14 What's free? What do brokers get included in their agreement?

No doubt this varies from company to company, and some brokers have a range of 'pick-and-mix' optional additions to choose from:

- If the brokerage is 'branded' does it promote that brand to consumers?
- Is a broker allowed to trade off their own name/reputation, and are there tools to enable a broker to promote themselves?
- What support does the brokerage offer? Does it offer assistance with brochures, ticketing, product advice?
- Can a broker participate in any branded marketing campaigns if they are linked to a regular branded travel agency?
- What about back-office support?
- To what extent do 'inclusions' affect commission split?
- Is the GDS included, or separate?

15 What 'networking' opportunities are offered?

Even though brokers are business owners/operators in their own right, it can be lonely working without colleagues to talk to or bounce ideas off, especially if there are no other 'family' brokers in the immediate vicinity, and it requires a toll call.

Points to consider are:

- Do brokers have a direct line of communication with decision-makers?
- Are there opportunities to 'chew the fat' with other brokers?
- Is there an internal, on-line forum to discuss broker-specific issues?
- Are brokers invited to group manager conferences and/or any regional meetings?
- Is there a confidante who brokers can talk to when they have 'a bad day'?

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A wise man once said 'you miss 100% of the shots you don't take'.

TAANZ Rules Better Suited For Brokers

It's no secret that brokering is a permanent and welcome addition to the travel agency distribution.

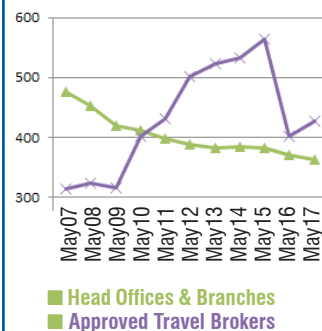
For the last five years or so, TAANZ has been focused on a transformation of its rules on brokering and has, with industry consultation, arrived at a position where the focus is on building the travel agency piece of the pie, not cannibalising itself. Brokers do this by augmenting the reach of the traditional travel agency model.

TAANZ rules do not place any restrictions on how a broker may reach its customer. TAANZ travel brokers are free to advertise that they are a travel agent who sells travel agent services. They can be contacted at home, in the office, the café or wherever they wish to do business.

The change was brought about in 2016, removing unpopular advertising restrictions and barriers between TAANZ members' distribution channels. TAANZ does not require applicants to have experience in travel but it does require the full member to meet its travel qualification accreditation which includes its brokers.

This calibration ensures standards and professionalism are maintained.

TAANZ Members & Brokers



Note: The dip in TAANZ broker numbers is likely due to Travel Managers' departure from the trade association in Dec 15.

Including Travel Manager brokers would give a better indication of overall broker numbers. Graph supplied by TAANZ.

TAANZ brokers represent about 20% of the total selling consultants of TAANZ total members. The number of brokers operating in the New Zealand distribution has continued to grow and TAANZ broker numbers have upturned again in the last 12 months.

Supplied by TAANZ.

What About Those Baby Boomers?

"Let's face it, many of us came into the travel industry when things were a lot different than they are today," says Dave Wallace, from Travel Managers.

"Paper tickets, much higher commissions, lavish airline famils and other perks made it a much-sought after career.

"The cost of the required IATA licence for any new agency owner 25-30 years ago was \$60,000-\$100,000, and those who did have the financial resources required usually had a very lucrative and valuable investment. So, when it came time to sell or retire, there was something to sell. That is not the case today.

"Travel agency owners wanting to sell or retire today quickly come to realise that there are no eager purchasers out there any more, and there is not much of a sale price for the business they likely nurtured over many years, so what are the options open to these boomers?" adds Wallace.

"A couple of very real exit strategy options for a boomer agency owner is to either retain the store and shift to our Travelsmart model, branded or unbranded; or look to closing down the brick-and-mortar store and retaining his/her own clients, continuing to operate as a broker. This latter option then gives boomers the opportunity to continue earning, at their chosen pace, without the hassle of running an agency, says Wallace.

"Then there is the option of handing over other clients to current employees to look after . . . either as consultants with another agency or as a broker. Could be a win/win solution to a potentially troublesome dilemma," concludes Wallace.

Protect Yourself

Probably the most important piece of advice for any new broker (or one who is shifting brokerages) is to seek counsel or confirmation from their legal and/or financial advisers before any contracts are signed.

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It's All In 150 Words

Travel Today invited all the players in the broker fraternity to submit a statement of up to 150 words which best described their individual broker model. Below are the submissions received:

Travel Managers

"Travel Managers Group continues to be a leader and innovator in the travel brokering business with increasing numbers joining our group," says Dave Wallace, managing director of TMG.

"We left TAANZ (but retain IATA bonding) to ensure our brokers had more flexibility with no advertising restrictions, no annual fees, but still be under a bonded company with the protection that provides.

"TMG offers the best unlimited earning potential with successful brokers able to keep up to 100% of the commissions earned, along with segment rebate rewards, and wholesale overrides. The top 20 brokers are rewarded with hosted overseas trips for reaching the top 20 ranked positions amongst all brokers.

"TMG provides significant head office support in administration, finance, marketing, social media and PR, all the way through to business development and mentoring," adds Wallace.

"TMG has both Amadeus and Sabre as GDS options and we have our own in-house ticketing and fares unit with direct contracts with all airlines, including NZ," concludes Wallace.

The Travel Brokers

"When flexibility is important, look no further than The Travel Brokers," says Jackie Bell, general manager, The Travel Brokers.

"You can work from anywhere, at any time, and your earning capability is limited only by your own drive to sell. We provide everything you need to run a successful broker business including technology, business and administration support, training, marketing and more.

"We realise you have a choice, so we've made sure to include some fantastic unique extras that we know are important to our brokers, including choice of GDS; no fees; attractive commission splits; overrides and incentives; inhouse wholesaler and consolidator; and a full suite of marketing tools.

"As well as the above, there's plenty more to discuss, including our dedicated broker support team and greater helloworld network services support, access to amazing famils and broker-only events both onshore and offshore,

regular networking and supplier liaison . . . and last but not least, the support of the helloworld global brand," says Bell.

Air New Zealand

"Air New Zealand Holidays' travel brokers formed in 2010 to offer customers more choice when making bookings, supported by the strength of the Air New Zealand brand," says Thomas Gentz, market development, Air New Zealand. "Our travel brokers have access to all of the products that a travel agency can offer with the backing and support of Air New Zealand.

"While we certainly don't have the largest broker model in the industry, we do strive to be one of the best, providing our brokers and their customers with products and services that are second to none.

"Our brokers have a history of being top industry performers and enjoy providing their customers with the premium service that they have come to expect from Air New Zealand," says Gentz.

NZ Travel Brokers

"We firmly believe there's never been a better time to become a travel broker," says NZ Travel Broker director Guy Flynn.

"With the technology, resources and support available, there's never been a more economical or effective way to start a broker business — and the growth in travel numbers in New Zealand back this up."

Over the years, Flynn has spoken with hundreds of travel agents who are thinking about going brokering. According to him, they all have the following in common:

"They love travel; they're good at their jobs, and they don't want to leave the industry behind . . . but their work/life situation isn't working for them anymore, and they need to make a change."

How does this compare to those who have made the transition to brokering? "Brokering can be tough," says Flynn, "and like anything else, it has its challenging moments. But I often hear from our brokers that they wish they had taken the plunge sooner."

World Travellers Fuzion

In 2013, two 'good-looking young travel guns' sought a new life of freedom, fams and financial happiness, as they put it. Stu McKay and Andrew Parke teamed up, starting Fuzion Travel, with a concept that 'fuzed' together broker and bricks-and-mortar models . . . and created a boutique agency.

"We now have brokers, or 'affiliates' as we call them, located throughout the country, and we have an office in Auckland where local affiliates come and go as they please," says McKay.

"This gives our Auckland affiliates the opportunity to work in an office, but to operate completely as a broker," he adds. McKay also says that serious consideration is being given to the establishment of offices in other locations throughout New Zealand, to build on the hybrid broker model.

"Commissions can be up to 100%, and we are available to our affiliates 24/7. We remove the hassles associated with them running their own business by looking after the day to day administration and simple back-office stuff such as reconciling bank accounts and payments to suppliers," McKay concludes.

Flight Centre

"At Flight Centre, we believe the travel broker model is a very important part of our customer choice model and how our customers book with us," says Sue Matson, Flight Centre New Zealand's general manager retail.

"In the last two years we have expanded our number of brokers by 40%, and we have plans for similar growth over the next 12 months.

"All Flight Centre travel brokers have the full support and backing of Flight Centre Travel Group," Matson adds, "so this means they're able to offer their clients some of the country's best airfare and products deals. They also use Flight Centre systems which are constantly being updated meaning their service is streamlined and efficient," she says.

"Flight Centre New Zealand hosts a travel brokers' conference annually, and this year it's in Samoa. Brokers also attend the Flight Centre national awards night, one of the biggest black-tie events in New Zealand. In addition, they can also qualify for Global Gathering, and we already have seven brokers who have qualified to attend in Hawaii this Jul," says Matson.

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