

What's CWT's secret?

Value, service and 'trying to do retail travel properly!'

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2009 is over and surprise, surprise, the proverbial end of the world is nowhere in sight. In fact, Michael Thompson, VP, leisure travel, North America for Carlson Wagonlit Travel, reports that, "We've had a great couple of years. We've been on a kind of a roll where we've seen 20% growth in 2007, over 20% growth in 2008 and, while we anticipated a really tough year in 2009, we actually came in about flat to 2008, which was a record year for us. So from a sales perspective or a traffic perspective as we measure it, things were good."

Admittedly, CWT's yields were down, "hampering the financials," but overall Thompson was "very happy with how 2009 ended."

And so far, 2010 has been a pleasant surprise. CWT came into the new year being "fairly conservative as far as budgeting goes," but January was a strong month and as a result, Thompson is "cautiously optimistic" about what the rest of the year holds.

"Now does that mean the rest of the year is going to be as strong? Well, I hope so, but I don't like to make those kinds of predictions. We went into 2010 fairly conservative and so far so good," he said.

So what's CWT's secret. Thompson says that as a full-service, leisure operation, CWT adopted strategies that aren't "focused on the mass market." It has protected its loyal customer base – which Thompson says is in the 75% to 80% range – and then the "way that we've been growing over that base has been really focusing on key client segments and key market segments."

CWT has a strong relationship with the Royal Bank doing fulfilment for its points programs and cross-functional banking programs; it has worked hard to generate leisure business from employees of its national corporate accounts; it has a year-old relationship with the Canadian Association of Retired People (CARP); and it has been doing some prospecting in the luxury market space.

"Those programs lent themselves to being kind of recession proof. When cash is tight with consumers, they turn to their points programs and given that we're a points redeeming partner for Royal Bank and their rewards programs, well, you saw a huge spike in that business last year which I think when the softness of the regular mass market kicked in, that really helped compensate and bring us back," he told CTP.

Praising CWT counsellors for their work looking after the company's repeat clients, Thompson said, "I think we've been very focused on where we're trying to grow – not trying to be all things to all people – definitely not focused on price, we're really focused on a value proposition that's based on service and value add and trying to do retail travel properly."

Asked what he means by "trying to do retail travel properly," Thompson explained, "When I say do it right – that doesn't mean that our competition in the full-service space isn't doing it right – it's about bringing back the integrity of the retail shop. There's a segment of customers – not every customer – that appreciate good service,

they appreciate good travel counselling, they appreciate the service we bring, and they're willing to pay for that service. At the end of the day, we had to make the decision a few years ago that not every customer is going to be a perfect fit for our organization."

CWT also applies that strategy to the ITC market, with Thompson saying, "If I was to look at how we're positioned in the market, I think that we're probably known for a little bit more advanced purchase. Our average ticket price is higher, so even within the Air Canada Vacations, the Transats etc., [we sell] more of a premium product within that kind of offering and that's really where you see our sales going is to more of that 4.5- to five-star property in the ITC world."

That's probably a good thing when you consider the price wars that have come to characterize the Canadian retail travel scene. Thompson says that CWT tries to avoid them, but in Canada that's not easy to do.

"I'll tell you one thing we don't do, is we don't start them, and I think that is important. Overcapacity is a real concern. I think what overcapacity breeds is the commoditization of the business. And I think the commoditization of the business is bad for the industry. When you take somebody's dream of going on holiday and reduce that to a transaction, I think we've lost why we started in the business, to be perfectly honest."

Right now, CWT has 150 to 160 stores in its agency network – with locations that are 100% owned, part of a joint venture with Harvey's Travel in Atlantic Canada, or independently owned Associate partners. Recently, CWT's Associate program has seen some growth that

in many ways is the result of the strategy the company has adopted.

Today, Thompson says, associates are being brought on board to "help us provide customer fulfilment," for programs that CWT has with RBC.

"We push those [RBC] customers out to the local offices, so our Associates are actually delivering on that same value proposition that we do at our own company offices."

In this respect, he points out that those Associate shops are starting to say, "Wow, it's not just about better commissions or better marketing – you actually get some new customers by belonging to CWT."

Not only does it work for CWT and its agencies, it also works for its supplier partners.

"When we talk to our supplier partners, what they're looking for is control of distribution – how can you [the retailer] help me [the supplier] to incrementally grow my business. I think that's where our value proposition is really starting to prove itself. As we grow and we work strategically with our partners, our partners grow," Thompson says.

And he continues, "The agency channel, whether you're owned or affiliated, is really there to service the customer. The most important thing is that when one of our corporate accounts walks into your store and we've promised them a value proposition, you really need to deliver on it, it's critical."



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