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Answering the Call

*St. Petersburg's Visitors Services, Inc.
is creating a niche of its own in
destination marketing*

A woman from Akron, Ohio is planning to visit the Rock 'n' Roll Hall of Fame in Cleveland. She calls the Cleveland convention and visitor bureau's 800 number for information. An operator tells her the Hall of Fame's hours of operation, about the restaurant, ticket prices, and even gives her a number to call for tickets. The operator asks if the woman needs accommodations. The woman from Akron declines, but she does ask for a packet of information on Cleveland, which the operator says will go out immediately.

The caller probably assumed she was talking to someone in Cleveland. She wasn't. The operator is on the 12th floor of the City Center building in downtown St. Petersburg.

This is the office of Visitors Services, Inc., (VSI) a four-year-old company launched initially to field calls and arrange accommodations for tourists contacting the St. Petersburg/Clearwater Area Convention and Visitor Bureau.

Some 63 operators now work the phones at VSI, fielding calls for convention and visitor bureaus in Houston, Milwaukee and New England, in addition to St.Pete/Clearwater and Cleveland. In February, VSI starts answering calls for Los Angeles.

Every time the phone rings, VSI collects a fee from the respective tourist bureau. It also gets a commission on every hotel room it books, car it rents or ticket it purchases for a tourist.

VSI President Mike Harley won't say how much revenue all this adds up to for the privately held company. But the financial incentive is strong enough that VSI recently signed a lease to occupy the entire 16,000-square-foot, 12th floor of the City Center and is planning to grow to 200 employees by the end of the year.

VSI is in a foot race on a course of its own design. It is creating a new niche in the tourism industry and moving at top speed in an attempt to lap the field before any potential competitors even realize they've been left behind.

No one else in the country does quite what VSI does — providing one-stop information and booking service for visitor and convention bureaus and their callers. And very few competitors ever will, if Harley can move the company far enough ahead before others even get to the starting line.

"We're three years ahead of anybody right now," Harley says, brimming with confidence.

From the embers

VSI is a spark out of publicly-traded Phoenix Information Systems, a firm that has spent the past decade working on an airline and hotel reservation system for China. Phoenix has invested millions of dollars into research and development. So far, all it has netted is a license to set up the system and some agreements with Chinese airlines. The system has yet to be activated in China.



Robert Gordon (left) and Mike Harley want to build the world's only global destination marketing company.

By Sean Wood



Steven Witteff photograph

Phoenix Chairman Robert Gordon saw a chance to test Phoenix's system, however, when the St. Petersburg/Clearwater Area Convention and Visitor Bureau four years ago sought proposals from companies to handle its toll-free number calls from tourists. The bureau wanted whichever firm landed the contract to do more than send out literature to callers; it wanted the service company to offer reservations and tickets for accommodations and attractions.

Gordon wanted Phoenix to make a run at the St. Pete/Clearwater contract. But his board of directors was reluctant to have the company stray from its Chinese project. At the time, Phoenix had no cash flow, was negotiating with a major investor to beef up its capitalization, and was facing numerous skeptics on Wall Street.

"I offered up a corporate opportunity to Phoenix and the board

passed it up," Gordon says. "It would be a diversion off of our main business and it would look like management wasn't focused on Phoenix."

Undeterred, Gordon decided to pursue the convention and visitor bureau contract independently, and he formed VSI. The new company has a licensing agreement with Phoenix and pays for the right to use the software Phoenix has developed. (Gordon remains chairman of both companies.)

The St. Pete/Clearwater CVB interviewed several companies that offer reservation services. It decided on VSI because of the company's location and the strength of the software, says Executive Director Carole Ketterhagen.

VSI turned out to be a good testing ground for the Phoenix reservation software. The original Phoenix system was designed

only for airline and hotel reservations. VSI suggested modifications. Phoenix ended up expanding the software to handle car rental reservations and to sell tickets for events and attractions. The software now also enables VSI to build demographic profiles of callers so the company can provide market research reports for its clients.

All of these activities are profit centers for VSI.

Every time a VSI operator answers a call to a convention and visitor bureau's 800 number the bureau pays VSI. Last year, VSI fielded about 500,000 calls.

Beyond this, the company charges load and annual maintenance fees to hotels listed on its reservations system. It gets a 10 percent commission on each visitor it books.

In its computer system for Los Angeles, VSI will have restaurant listings and the capability to make reservations at posh Rodeo Drive eateries. This will net more commissions and a service fee. The company also contracts with conventions to arrange housing and flights for conventioners. More commissions. And the company compiles information on every call that comes in. It is building a database of leisure travel habits that it can sell to any interested party in the travel industry.

National Ambitions

After landing the St. Pete/Clearwater contract, Gordon decided to pursue contracts with other convention and visitor bureaus across the country. In 1993, to help him build up the company, he hired Harley, who was senior vice president of sales for American Express. Harley came on board as director of sales; 45 days later he was president.

With Harley aboard, VSI landed Bradenton, Brevard County and Cleveland. It recently added Milwaukee and six New England States. In February, Los Angeles was due to come on line. At the same time, VSI has a verbal commitment from Charlotte and an inquiry from Philadelphia.

The competition that VSI faces comes from firms that provide housing services for convention and visitor bureaus (CVBs). About the most they can do is make reservations.

"If you look around the country at some CVBs, they have housing services," says Al

Rickard, vice president of communications, government relations and education for the International Association Convention and Visitor Bureaus (IACVB) in Washington, D.C. "I'm not sure if there are any that do what VSI does. Not to the level that they do it. They've been real successful."

VSI simply overwhelmed the competition and the convention and visitor bureaus with its full-service capabilities.

"We are not a reservationist. We are not a TicketMaster. We are not an information company," Harley says. "We are a total destination marketing company."

That almost sounds like a fancy name for a travel agency. But Harley is quick to refute that comparison. If there is one thing he wants to do, it is avoid the appearance of taking business away from travel agents. He sees them as a large and vocal group that could make things difficult for the young company.

Even though the VSI system has the capability to do hotel, car and flight reservations, the company steers clear of booking vacation flights. Flights are the bread and butter of travel agents. The only time VSI makes flight arrangements is when it contracts with conventions or events to make travel arrangements for conventioners. It makes those flight arrangements only because that is required under the contract.

"We do not want to compete at this point — I say 'this point' — with the travel industry," Harley comments.

He has gone so far as to arrange meetings with high-ranking officials of travel agency trade associations in an effort to make sure they're not stepping on anyone's toes. "So far they don't have a problem with us. And I don't want them to have a problem with us."

A problem with the travel agents could hinder Harley's ambition to provide travel and tourism information for the entire country — not one CVB at a time, all in one shot.

The U.S. Department of Travel and Tourism plans to have an 800 number for answering inquiries about traveling the United States. Harley wants that number to ring on the 12th floor of the City Center. To help him land the job, he wants to create a market presence that will be impossible to ignore. That means securing as many contracts as possible with state and local tourist agencies.

Even as he voices staggering ambitions

for the company, Harley worries that VSI could grow out of control. His race plan calls for VSI to concentrate first on the U.S. market. As word of the company spreads through the CVB industry, however, international members of the IACVB are calling to explore a relationship with VSI.

Recently, for instance, tourism officials from the Bahamas toured VSI's new call center. The company also received inquiries about doing a deal in Mexico City.

Harley appreciates the attention, but he wants to stay focused on building a base of domestic clients. He says it's less time-consuming to work a deal in the states. "Mexico would take a year to bring onboard."

Eventually, says Harley, the company will pursue those overseas possibilities. But not until he's attained his domestic objectives. Once he takes over the country, then he'll focus on taking over the world.

Part of the domestic plan includes establishing a presence on the Internet by summer. After that the company plans to put together a public offering to purchase equipment.

In the Right Place

"This is going to be the overflow," Harley says, leading a visitor to a large room at the southwest corner of the floor where VSI is quartered.

This used to be the kitchen of the former President's Club. Now a couple dozen paint cans clutter the center of the sparsely lit room. There are doors stacked against the wall to the right. A couple of cabinets are shoved in an alcove. The deficiency of ceiling tiles reveal the guts of the room's ventilation system. The space looks like a handyman's nightmare.

But Harley has it all planned out. "We can fit 200 people in here to handle calls," he says. "So we'll have all this space when we need it."

Before the end of this year, the old kitchen will look like the room down the hall — the nice one with the floor to ceiling windows and wall-to-wall carpet, the one where 60-plus operators are fielding calls and making hotel reservations for convention and visitor bureaus from New England to Los Angeles.

"We will be the only global destination marketing company in the world," Harley says. "That's a market people are going to be looking for."

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