

AGENCY FOCUS

The House of Arrington

As Michael Arrington brings his agency into its 25th year, Jeremy Wyatt explores the man behind Arrington Travel Center's phenomenal success.

Talk to Michael Arrington for any period of time and you become aware of a seeming dichotomy. On one hand there is the very public driving force, president, founder and sole owner of the nation's fifteenth largest travel agency, with billings of \$135 million and an enviable list of clients. On the other is a much more private side, an entrepreneur with a passion for self-education, a love of the art and culture of the Orient and a man more comfortable praising his staff than discussing his own achievements.

And Michael Arrington's own achievements are impressive by any standard. Fresh from the U.S. Marine Corp., Arrington borrowed \$40,000 in capital to start his business a quarter century ago. "I recognized back then that I wanted to be in business for myself with a product that everyone from 8 to 80 could purchase." His overseas experience in the service had developed a love of travel and, as he adds with a wry smile, "to a twenty-six-year-old there was a certain element of romance to it also."

Arrington is now celebrating 25 years in business and sits atop an industry very different from the heady days of the late 1960s. "I personally think there is going to be a tremendous shake up in the business," he remarks on the evolution of the distribution process.

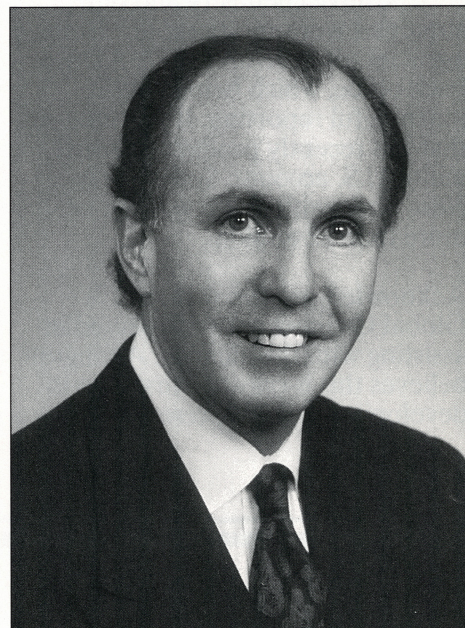
"What we are seeing with Southwest and Shuttle by United will, I'm certain, expand to all carriers and all markets," he adds.

Of prime concern to Arrington, however, is the problem of agency remuneration. "It's a flawed compensation program. My job is to lower the costs wherever possible by leveraging services on behalf of my client. The more successful I am the less I get paid."

Like many agencies, Arrington has sought alternative methods. One he favors is a total partnership with a client. "All revenues are put on the table and shared openly and honestly with the customer," he explains. "It's a direction we're going in because the cost of that ticket is so low, especially if you're doing a good job of travel management."

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"Unlike many industry commentators, however, Arrington sees opportunity in the current climate. "I agree, there is much to be concerned about and I predict that many agencies just won't make it," he says, "however, there's no such thing as security, only opportunity."



Michael Arrington

Part of Arrington's skill at developing opportunities is evident in the agency's use of technology. With 140 U.S. satellite locations, Arrington Travel Center has invested substantially in technology but only after a careful assessment of his clients' needs. "Everyone has had to be on the leading edge of technology," he explains. "Yet rather than being functional, much of it has been marketing hype. Agencies feel required to have the technology that exceeds that offered by the competition, even though your clients may not need it." By sitting down with his clients and discussing their needs, Arrington has developed a family of products such as FAXPACCT, a fax reservation service, and GOAL-PACCT, a state-of-the-art consulting service.

Another initiative has been created from Arrington's need to expand his agency globally. The result is a joint alliance with the London-based Hillgate Travel, creating Arrington Hillgate International. In typical style, Arrington dismisses much of the courtship process that many agencies have found difficult in global partnering. "It simply felt right," he says of the alliance, "there was a very positive chemistry and our strategies were comparable." Both agencies also use SABRE's ADS back office, which helped with meaningful reporting. It's an alliance that has recently produced its first major U.S. account, Sotheby's in New York, with an air volume of more than \$2 million.

Acknowledging the role ABC's Global Connect network played in assisting with the alliance, Arrington believes this is only the first step in developing a global presence with

other "high quality entrepreneurs in various cities."

However successful Michael Arrington has been as an agency chief, sooner or later the conversation reverts back to the team of staffers who have helped him develop his agency into a major force. Total Quality Management, a concept he introduced into the agency, is key to the company's operation. "We don't have a typical pyramidal management structure, rather we try to flatten it out so that people at the point of sale who are talking to the customer are empowered to make decisions without waiting for approval."

Arrington has also put care into creating well-planned offices for his employees where management has interior offices while the majority of the employees benefit from views of the Chicago skyline and Lake

Michigan. That Arrington cares could be the reason why he has a lower turnover of staff than many and wins customer service awards. One of the secrets of his success, Arrington reveals, is that he grew his business slowly, keeping in touch with day-to-day issues. That growth process continues with a burgeoning leisure division rapidly developing from the agency's corporate client base and a similarly successful meetings and conventions operation.

Arrington himself skirts around the issue of how long the industry will continue to fascinate him, but alludes to an agency two or three times its current size, a consortium with global structure. With the benefit of a few minutes in the company of Michael Arrington you get the impression that somehow it's not just a dream.

