

**“How much should we be paying our consultants?”**

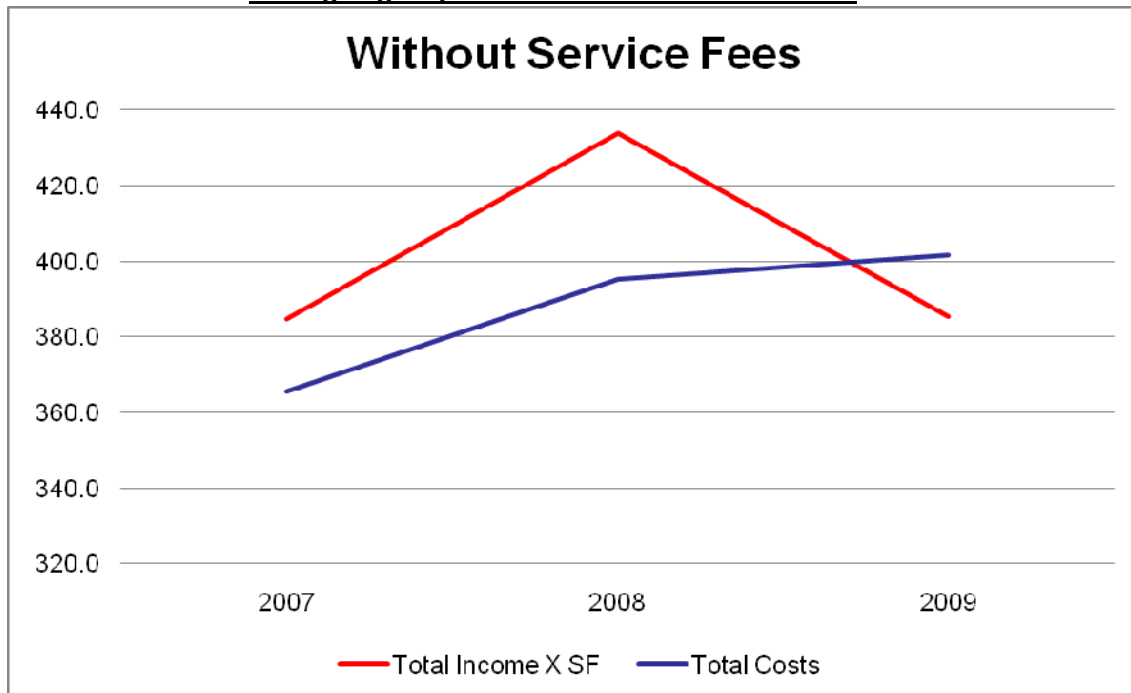
The number one question that we are being asked at the moment by agency managers and owners is “How much should we be paying our consultants?”

This appears to be as a result of a combination of a general upturn in trade and the apparent shortage of “good quality” consultants. As such there is a classical supply and demand situation occurring in the industry at the moment, low availability of good consultants so the enticement to move agencies is financially orientated – more money. The real question here is how much is a consultant worth and it is a question that needs to be answered by consultants and managers alike and one that needs to be rationalised as the fundamentals of the industry are changing.

The key industry change that we have seen through our agency benchmark studies is simply that standard industry income (commissions, overrides etc) are continually declining. This comes as no surprise to most people in the industry with any sense of awareness. The other noticeable impact on agency performance is that operating costs are increasing, primarily driven by; you guessed it, increasing wage and salary costs. 2010 Anecdotal evidence suggests that these trends will continue (insurance is a good example) and it will be interesting to see if the 2010 study will confirm this.

In 2009 for the first time in our benchmarking history of the industry the survey shows the gap between average agency standard income and costs has now closed which means that agencies cannot survive without diligent management of service or management fees. This gap represents profit (or loss) , the fundamental reason for agency existence. Historically agencies could theoretically survive without service fee revenue, on commissions and overrides alone – now it would be improbable and if the trend continues, impossible.

**Average Agency Costs and Revenues 2007 - 2009**



(2009 Resurg Benchmarking Survey – Australian Travel Industry, Retail Sector)

Therefore it is imperative that consultants have an awareness of their value and importantly their ability to, from a leisure perspective, “sell” their value to clients in the form of service fees. It is a necessary contributing factor to agency profitability and if you have a consultant that is very experienced and as such demands a high salary but cannot sell themselves to the general public then are they going to be able to recover sufficient income to contribute to profit? A similar view can be taken on corporate consultants only instead of an ability to sell themselves there is a need to evidence efficiency, that is, the capability to effectively transact high volumes of traffic.

If a consultant cannot generate sufficient income to cover their personal costs, an apportionment of operational costs and an apportionment of a profit requirement, then what is their real value to the business – not a great deal really.

I am not one usually to quote Americans as I believe that we have sufficient talent in this country to draw from, however in this instance there is one quote from JFK that is very apt – “ask not what your country can do for you; ask what you can do for your country.”

The statement was basically challenging Americans to contribute to the greater good, to be a part of development and growth.

The same can be said for those of you seeking greener pastures or those of you seeking staff to sustain or expand your business.

If there is a clear ability for a consultant to demonstrate a value to an agency then there will also be clear rationale behind an appropriate salary. Agency owners and managers should no longer be searching for staff on a reputation only basis, but on a basis that opens the gap between costs and income and generates profit.

In our last article we discussed the need for agencies to review their value proposition and in essence it is important for any consultant to have their own value proposition whereby they can clearly articulate the value that they bring, not only to customers but to the business as a whole.

One other interesting factor that needs to be considered in relation to one of the larger challenges of bricks and mortar agencies – combating the internet.

I made reference earlier to the broad based difference between leisure and corporate consultants, however there is a strong argument now that for certain product lines and certain customers that the real focus for leisure consultants in these instances needs to be on efficiency rather than selling skills. That is simply the ability to recognise the lack of on-sell opportunity quickly and deliver simple solutions quickly – point to point VFR's are a very good example and some agencies specialise in this field whilst others, strangely enough, will not even try to compete. Despite the general requirement of a service culture there is nothing wrong with turning over quick transactions efficiently with only a minimal fee.

So back to the original question - "How much should we be paying our consultants?"

Answer - how much are they worth?