

# SELLING YOUR TOURISM PRODUCT



## AN OVERVIEW OF THE TOURISM DISTRIBUTION SYSTEM

This guide will provide you with practical advice and help you to understand how to sell your tourism product (accommodation, tour, experience, activity, attraction) through the travel distribution system to both domestic and international customers. It covers commission levels and the role of retail travel agents, wholesalers, inbound tour operators and online travel agents (collectively known as travel distributors) who can further promote and sell your business through the travel distribution system.

The main benefit of working with travel distributors is that it allows you to broaden your customer base beyond your reach and access new markets.

Getting to know your distribution partners and developing strong working relationships is crucial as they have a wealth of market intelligence and advice on individual markets, such as:

- Top distribution channels
- Market specific consumer purchasing behaviour (e.g. seasonality; lead times)
- Product and market alignment
- Product and distribution channel alignment to maximise exposure
- Targeted consumer databases

### TRAVEL DISTRIBUTORS INCLUDE:

- Retail Travel Agents
- Wholesalers
- Inbound Tour Operators (ITO)
- Online Travel Agents (OTA)

### THE TRADITIONAL DISTRIBUTION SYSTEM

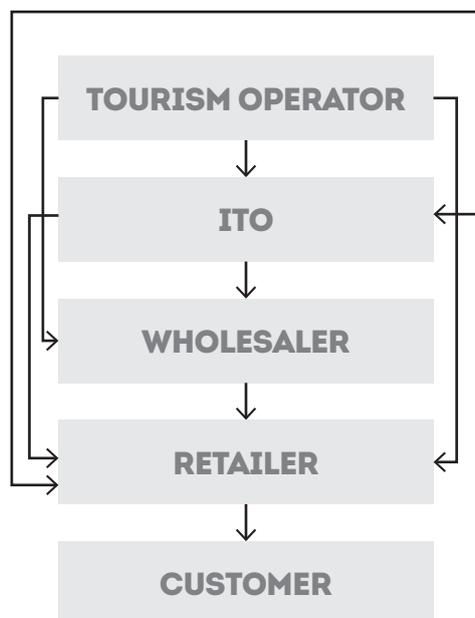
There are two ways a consumer can purchase your tourism product:

**Directly** - through your advertising, brochures, website, publicity, social media, referrals and more...

**Indirectly** - through a third party by using travel distribution channels such as retail agents, wholesalers, inbound tour operators and online travel agents.

Example: A consumer in the United Kingdom has decided they want a holiday in South Australia and decides to find out more. The consumer goes to their local **retail travel agency** to enquire about offers and packages. The retail travel agent plans the itinerary from the brochure of a **wholesaler** and then proceeds to book all tours, transfers, accommodation through the wholesaler. The wholesaler contacts their **inbound tour operator (ITO)** to book each individual element of the itinerary. The ITO contacts the individual tourism operators to make the booking.

### TRADITIONAL DISTRIBUTION CHANNELS



### INSIGHT:

- The distribution system can be for every tourism operator - you just need to find the right channel, whether it be direct, online or via the travel trade network.
- It is important you analyse which channels are right for your business model and your product offering.
- Operators must price their product correctly and understand commissions to sell their product in the traditional and online distribution system.
- **Contact the South Australian Tourism Commission to talk to someone about the best way to sell your tourism product.**

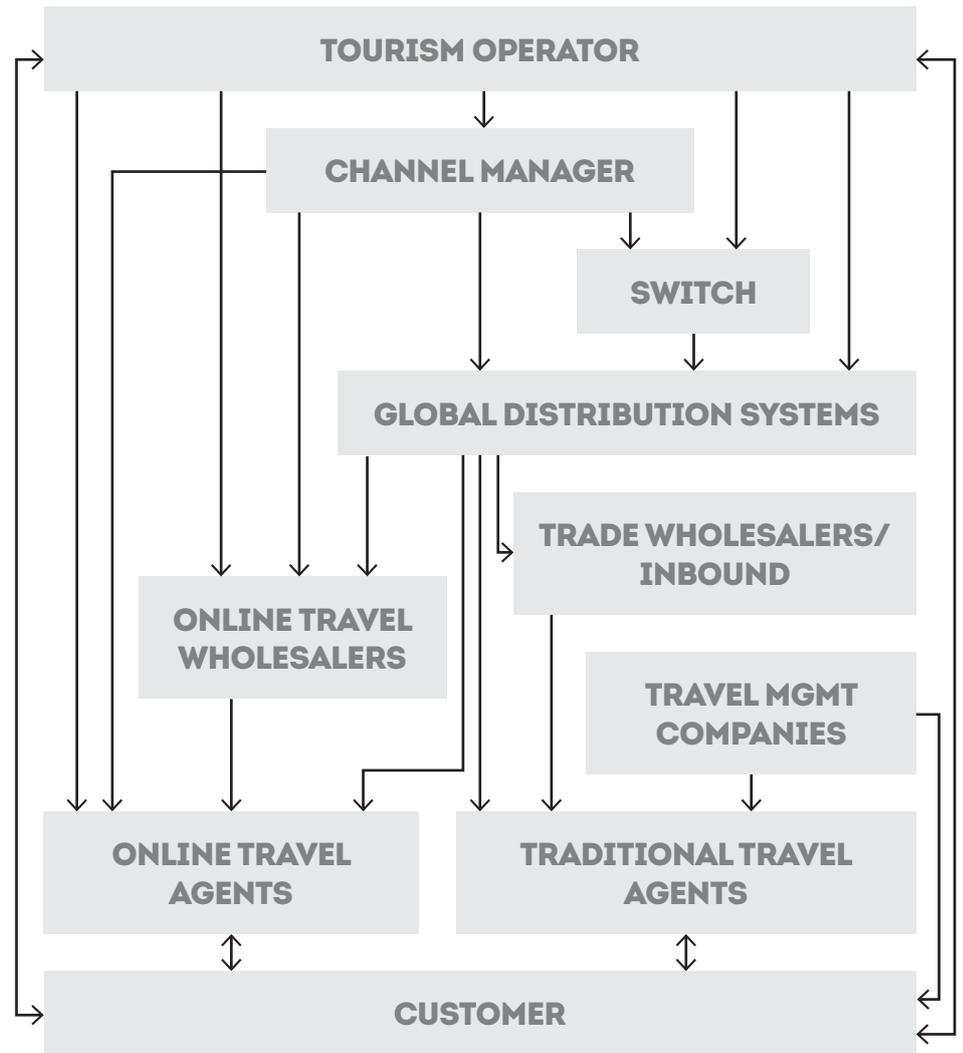
## THE NEW DISTRIBUTION SYSTEM

The distribution system is evolving with rapidly changing online and technology improvements. Consumers can now book their holiday online live in real time 24 hours a day through the use of websites, online booking systems and online travel agents.

Refer to the Distribution System Sales Transaction Flows and Costs diagram on page three of this document to see how commission levels vary between distributors.

## NEW DISTRIBUTION CHANNELS

Source: traveltrends.biz



## WORKING WITH DISTRIBUTORS

Before establishing a distribution deal with any of the distribution partners listed in this section there are a few things which you need to know to ensure the distributor is reaching the right consumers and will deliver sales for your business, such as

- Find out which markets and which market segments the distributor targets and specialises in
- Research individual brands, how they operate and who their partners are
- Find out the type of accommodation, experiences, flights, car hire they sell to ensure they are selling tourism products that are complementary with your offering
- How the distributor will promote your product

## RETAIL TRAVEL AGENTS

- Sell travel to consumers and act on their behalf to book and purchase holiday packages, travel, accommodation, tours etc.
- Some agents service the Australian domestic market, others have global reach.
- Travel agents are an important part of the distribution chain as they gain customers via their shop fronts as well as via their highly visited online websites.

- Retail Travel Agency groups undertake cooperative marketing with wholesalers and airline partners to develop tactical marketing campaigns

## WHOLESALERS

- Are companies that supply retail travel agents with tour packages and accommodation to sell to consumers.
- Create packages with complementary tourism products (flights, accommodation, tours and attractions) to appeal to individual markets and promote accordingly via their website, in their brochure and frequently through their marketing communications channels.
- Internationally based wholesalers use ITO's to handle booking arrangements with tour, activity and accommodation providers.
- Some wholesalers also act as both retail travel agents and wholesalers
- The South Australian Tourism Commission undertakes cooperative campaigns with travel industry partners such as Flight Centre, Virgin Australia and Expedia to leverage its domestic marketing campaigns.

## INBOUND TOUR OPERATORS (ITO)

- Are based in Australia and coordinate all travel reservations and payments on behalf of international wholesalers and retail travel agents.
- Are the link between tourism operators and international wholesalers and travel agents.
- Develop programs and itineraries for wholesalers.
- Provide product advice and planning assistance for international wholesalers and overseas travel distributors.
- ITOs expect you to be flexible with your product offerings, potentially even tailoring to suit what works for them.
- International marketing requires a long term investment as it can take several years of contact with an international wholesaler or ITO before they start to use your product.

## ONLINE TRAVEL AGENTS (OTA)

- Provide a similar service to traditional travel agents, however the customer will use a website to research and book their travel.
- Can deliver both domestic and international business to tourism operators, find out which market segments and international markets the OTA targets.
- OTA sites vary, most are now starting to offer flights, holiday packages, tours, attractions and car hire across their website.
- OTAs traditionally dealt directly with tourism product suppliers and consumers however most OTA systems now have a broader reach through a variety of channels including retail travel agents, media channels and other online advertising channels.
- When reviewing the functionality and terms and conditions of any online travel agent ensure you review how information is loaded and updated.
- Many sites provide you with access to maintain and update your product information, this can be very time consuming especially if you are featured on a number of sites.
- OTAs may also run a number of affiliate sites on-selling packages – just as an inbound tour operator would to a wholesaler. It is important that you are aware of any affiliate sites and where rates may appear.
- An excellent tool to determine the most visited consumer travel websites is Experian Hitwise [www.experian.com.au/hitwise/](http://www.experian.com.au/hitwise/). The SATC can also provide you with 'top line' results from this site.
- Before working with OTA's you must have a channel manager which will link your product inventory instantly to be bookable in 'real time' through an OTA. Examples of Channel Managers are: Siteminder, Res Online, Book Easy.

## FOR FURTHER INFORMATION CONTACT THE PARTNERSHIPS MARKETING AND INTERNATIONAL DISTRIBUTION TEAMS:

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## INSIGHT:

**Channel managers are a back end or "behind the scenes" tool used by tourism operators to manage inventory on third party websites and their own website. Take time to research the right channel management system that connects your booking system with the right distribution partners to reach your target audience.**

## COMMISSIONS

To work in the distribution system you must understand commissions and the importance of average commission and pricing your product correctly to ensure your business remains profitable. Like traditional travel agents, OTA's charge a commission to tourism operators to sell your product on your behalf.

You should consider the benefits of paying commission and view this as a method of payment to capture a customer beyond your reach.

- Commission is the cost of selling your tourism product through the distribution system.
- Paying commission to travel distribution companies increases your sales force/marketing efforts.
- If you do not pay commission, you could be missing out on valuable income.
- It is important that you price your product correctly to incorporate commissions into your retail price, rather than on top of the price. That way you display the same retail price across all platforms, whether it be on your website, in a retail travel agent brochure or on an online travel website.
- You can learn more about this and the concept of 'average commission' from the 'Why Pay Commission' Tool Kit and by using the 'Interactive Pricing Calculator' tool available here: [www.tourism.sa.gov.au/industry/industry-resources-tools.aspx](http://www.tourism.sa.gov.au/industry/industry-resources-tools.aspx)

Below is an example only of the commission structure and commissions change company to company.

## DISTRIBUTION SYSTEM SALES TRANSACTION FLOWS AND COSTS

Sales transactions can occur in each of the following ways:

		<b>Operator Pays</b>
1	Customer → Operator	<b>0%</b>
2	Customer → Retail agent (10%) → Operator	<b>10%</b>
3	Customer → Online Travel agent (10–25%) → Operator	<b>10–25%</b>
4	Customer → Retail agent (10%) → Wholesale agent (10%) → Operator	<b>20%</b>
5	Customer → Retail agent (10%) → Wholesale agent (10%) → ITO (5%–10%) → Operator	<b>25%–30%</b>

Note: As the distribution system is evolving rapidly it is important for tourism operators to know which companies have domestic and global reach and know how the structure of commission levels change.

### CHECKLIST FOR SELLING YOUR TOURISM PRODUCT

#### FIRST STEPS

- Ensure your product is listed on the Australia Tourism Data Warehouse (via SATC) [www.tourism.sa.gov.au/industry/atdw-online.aspx](http://www.tourism.sa.gov.au/industry/atdw-online.aspx)
- Check out the Industry Resources and Tools on the South Australian Tourism Commission's corporate website [www.tourism.sa.gov.au/industry/industry-resources-tools.aspx](http://www.tourism.sa.gov.au/industry/industry-resources-tools.aspx)
- Know your target market and the best way to reach them.
- Ensure your product is delivered to a high standard and as promised in any written material.
- Ensure you can confirm bookings with a maximum of 24 hours turnaround time.
- Keep an up to date website which includes product information and contact details.

#### SECOND STEPS

- Contact the South Australian Tourism Commission to engage with staff who work with travel distributors to learn about the best way to sell your tourism product.
- Ensure you incorporate commission into your pricing, not on top of your retail price.
- Ensure you understand the distribution system and how to work with distributors and various commission levels.

- Ensure your collateral is adaptable for the overseas market and all brochures are presented in line with the tourism calendar (1st April to 31st March).
- Consider the use of an online booking system or channel manager for bookings.
- Offer set departures all year round. If not, then clearly state product availability on your supplier contract and website.
- Before targeting the international distribution system ensure that your product is established with travel distributors in the Australian domestic market and understand the differences between the domestic and international markets.
- Check out the International Market Profiles on the South Australian Tourism Commission's corporate website to find out more about South Australia's priority inbound markets and align your product accordingly [www.tourism.sa.gov.au/research-and-reports/international-market-profiles.aspx](http://www.tourism.sa.gov.au/research-and-reports/international-market-profiles.aspx)

- Download and read ATEC's Tourism Export Toolkit: [http://tourism.sa.com/assets/documents/Tourism\\_Export\\_Toolkit\\_Vol\\_1\\_apr16\\_final.pdf](http://tourism.sa.com/assets/documents/Tourism_Export_Toolkit_Vol_1_apr16_final.pdf)
- Attend the SATC's annual International Marketing Industry Forum.

### THIRD STEPS

- Build relationships with wholesalers and ITO's so they know your product. This can be achieved by conducting sales calls with key decision makers and Product Managers or by participating in trade events.
- Contact your distribution partners to find out about upcoming campaigns and express your interest in being involved. You may be required to negotiate a discounted rate or offer more commission to the distribution partner to increase your chance of being featured in their campaigns.
- After participating in inbound workshops, trade events or new product workshops, consider attendance at the Australian Tourism Exchange (Australian based).