

Distribution fact sheet

What is Distribution?

Put simply, distribution is how you reach your customers or how they can find you.

Understanding the distribution system, recommended rates of commission and the roles of various booking agents is essential for a successful tourism business.

There are two ways of reaching potential customers:

- 1. Directly** – targeting customers directly (without any intermediaries), through advertising, brochure distribution, your company’s own website, social media and client referral.
- 2. Indirectly** – targeting your customers through third parties by using tourism distribution channels such as retail travel agents, online travel agents, wholesalers, inbound tour operators and visitor information centres.

Marketing Direct vs Distribution

You may have a marketing strategy to increase your direct bookings. Generally marketing activities have an upfront cost ie brochure production or advertising costs, with an unknown return on investment.

Distribution allows you to connect with agents and take advantage of their marketing efforts to reach customers you wouldn’t otherwise have access to.

You’ll more than likely pay between 10%-30% commission. However you only pay commission once someone has used your product or service. Effectively, an advertising cost which you only pay when you receive a result.

Commission is the cost of doing business. Intermediaries have to promote your product and pay their costs in selling and packaging your product, don’t think of it as a ‘discount’.

Who’s who?

Retail Travel Agents

Retail travel agents deal directly with customers based in the customer’s country of origin. They are generally located in prominent shop front locations and are a convenient place for travellers to make bookings and buy holidays in a face to face environment.

Traditionally, retail travel agents have provided a link between wholesaler and the customer, however the retailer may deal directly with inbound tour operators (ITOs) or Australian-based products, particularly in the Asian markets.

Online Travel Agents

Online travel agents (OTAs) are like retail travel agents however only operate online. They mainly deal directly with customer and tourism product. Customers can purchase a product or an entire holiday package online.

Inbound Tour Operators (ITO)

An ITO is also known as a ground operator or destination management company. They are businesses based in Australia that create itineraries and coordinate the reservation, confirmation and payment of travel arrangements on behalf of their overseas clients.

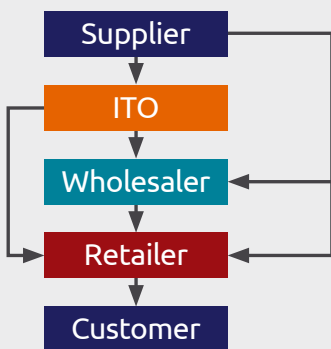
ITOs are the link between Australian tourism products and the overseas travel distributors that buy them, including travel wholesalers, direct sellers, travel agents, meeting planners and event planners.

Wholesalers

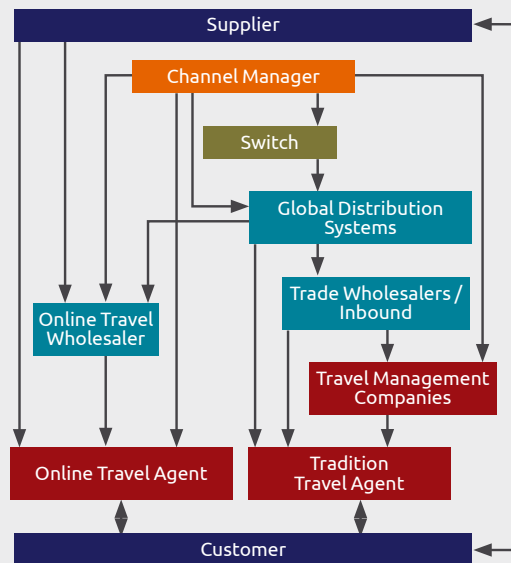
Wholesalers have traditionally provided a link between retail travel agents and ITOs or tourism product. Wholesalers purchase programs developed by Australian based ITOs or develop their own packages and itineraries for travel agents and customers. These packages will usually offer transport, accommodation, tours and attractions. In some markets, wholesalers are also ‘direct sellers’ who bypass travel agents to directly target customers.

In other markets, there are no wholesalers, and travel agents perform both roles. Traditionally, travel packages are published in brochures and promoted and distributed via retail travel networks. There are wholesalers who specialise in specific market segments such as adventure or the cruise market and many also have an online presence.

Traditional Distribution Channels



New Distribution Channels



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Top tips for distribution

Direct Marketing

If you mostly sell directly to customers, review and improve your direct marketing. Ensure your website is up to date, optimised for search engines and connects to your online booking system. Be consistent with your social media to drive customers to your website. Ensure your brochures and signage stand out from the crowd.

Strategy

By diversifying your distribution channels, your business has the potential to grow and increase bookings. If you are currently selling direct to customers, consider expanding your distribution channels to include third parties. Think about who your customers are and where they come from. Are they domestic, international, FITs or groups? Is your product priced correctly to allow for commissions?

Working within Distribution

It is important to form and nurture relationships with your distribution partners. Throughout the year there are opportunities to present your product and service to retail travel agents, online travel agents, wholesalers and inbound tour operators at various trade events in Australia and key overseas markets.

Tourism NT can assist with navigating the distribution channels and provide introductions where appropriate to key partners.

It is however important to

- Be consistent with your presence in market and at trade events.
- Provide a fast response time for bookings, enquiries and complaints.
- Produce a PDF fact sheet with your unique selling points and contact details. Translated PDF if wanting to engage with overseas markets where English is not commonly spoken.
- Provide an engaging visual presentation, including video footage highlighting your unique selling points.
- Guarantee your rates from 1 April to 31 March and be prepared to provide your rates up to 18 months in advance.
- Ensure your rates allow for up to 30% commission. It is important

to incorporate this within pricing structure, not add to your selling price.

- Understand that prepayments and/or deposits are not provided.
- Keep everyone up to date on new developments and product changes.
- After meeting with trade, ensure you follow up with everyone you've met.
- Embrace familiarisation opportunities. Engaging in trade famils allows you to showcase your product so they can experience your product first-hand and sell/promote with confidence.

Be a member

Join your regional tourism office or visitor information centre (VIC) to collaborate and stay up to date with local industry activities, trade shows and events. If you have a compatible online booking system, VICs can easily book and sell your product. This is especially good for your last-minute availability because many travellers stop in at a VIC when they arrive at a destination to find out what to see and do.

Get local

Partner with other local businesses, including restaurants and retailers, to

create packages to grow your business and promote the destination as a whole. Build relationships with hotel staff. If they know about your offering, they can recommend it to their guests.

Reviews

- Encourage your customers who are happy with your product or service to write a review.
- As the online world operates 24/7, be prompt with your response and acknowledge both negative and positive reviews remembering to add a personal touch.
- After acknowledging a negative review, suggest to handle the matter via email or phone 'off-line' away from the public forum. Remember don't take bad reviews personally.
- Respond professionally and politely and refrain from making excuses.
- Take suggestions into consideration. Reviews are a great benchmark particularly when it comes to the service and/or cleanliness of your product.

