

# WORKING WITH THE TRAVEL TRADE

5TH UNWTO SILK ROAD TOUR OPERATORS' FORUM

Roger Grant

# Distribution Channels

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## **Direct**

You can target visitors directly through:

- Advertising
- Brochure distribution
- Website
- Social media
- Client referrals
- Past clients

## Indirect

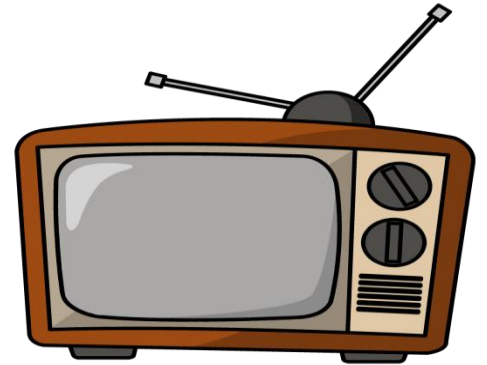
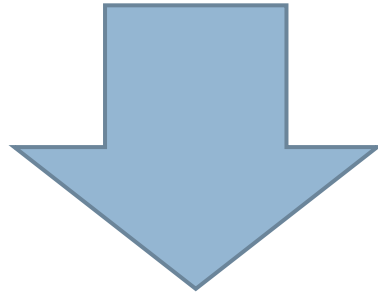
- Another way to promote your business and generate bookings is through a third party (indirect) by using tourism distribution channels such as retail travel agents, wholesalers and inbound tour operators.



A typical tourism distribution channel

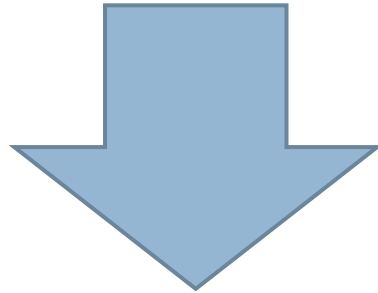
# A typical tourism distribution channel

- A couple has seen footage on television of the Silk Road and heard about it through their friends. They decide to find out more.



# A typical tourism distribution channel

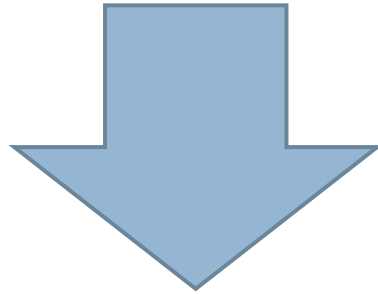
- They visit their Retail Travel Agent to enquire about the Silk Road and end up booking a four week adventure including accommodation, tours and activities.



# A typical tourism distribution channel

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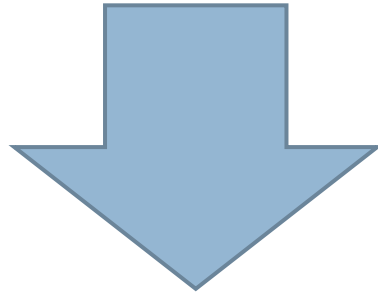
- The travel agent plans a comprehensive itinerary through the brochure of a tour wholesaler and then proceeds to book all tour elements through them.



# A typical tourism distribution channel

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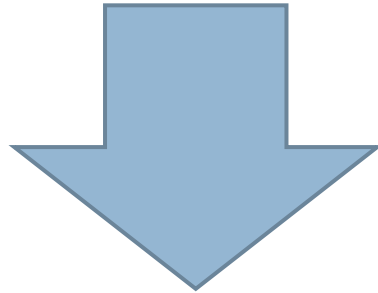
- The tour wholesaler contacts an Inbound Tour Operator to book each individual element of the tour itinerary (accommodation, tours and activities).





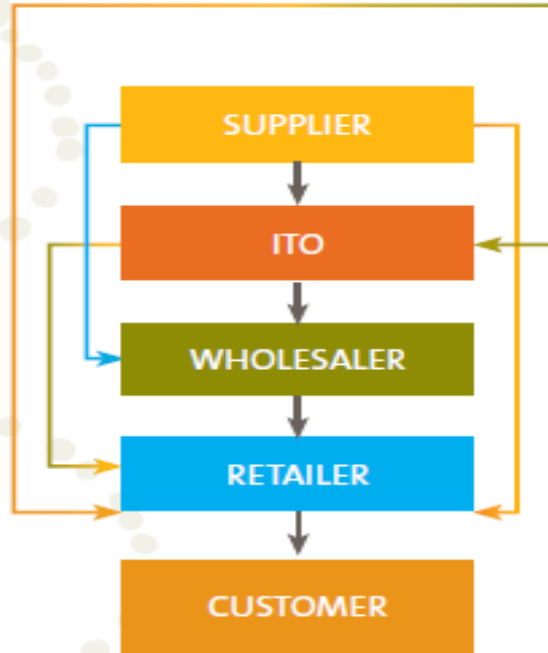
# A typical tourism distribution channel

- The Inbound Tour Operator contacts individual Local Tour Operators to book accommodation and tours directly.



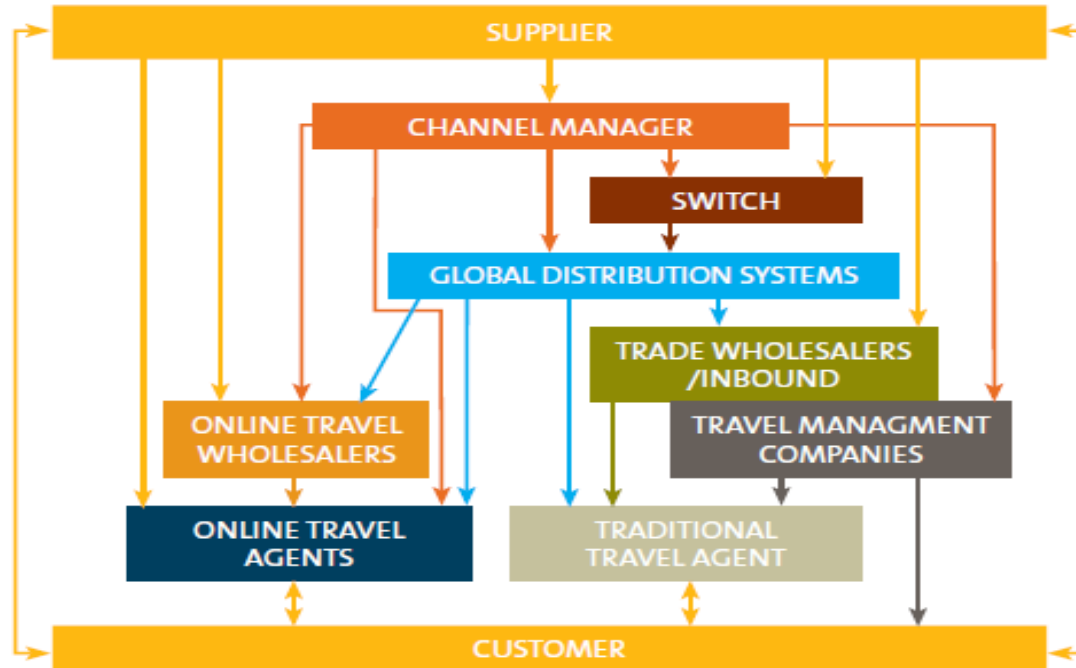
# Traditional Distribution Channels

Traditional Distribution Channels



# New Distribution Channels

New Distribution Channels



# A typical tourism distribution channel

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- We will examine each link in this distribution chain...

Starting with YOU!

# Your Elevator Pitch



# Your Customers

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- You need a clear idea of who you are marketing to so that you can select agents that have access to them.

# Describe Your Typical Customer

- Demographic (gender, age, salary)
- Geographic (location)
- Psychographic (type of lifestyle, motivation)
- Behaviour (frequency of purchase, loyalty)



# The Experience Seeker

Research has shown that the Experience Seeker has a number of key 'wants' to satisfy their travel experience:

- ❑ Authentic personal experiences;
- ❑ Social interactions;
- ❑ Meeting and interacting with the locals;
- ❑ Experiencing something different from their normal day-to-day life;
- ❑ Understanding and learning about different lifestyles and cultures;
- ❑ Participating in the lifestyle and experiencing it, rather than observing it;
- ❑ Challenging themselves – physically, emotionally and/or mentally;
- ❑ Visiting authentic destinations that are not necessarily part of the tourist



# Understanding Your Customer

- Different styles of travel



# Understanding Your Customer

- Visitors can choose from a range of different travel styles based on whether their trip is for leisure, business, a special interest or family reasons.



# Understanding Your Customer

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- Travel style will influence their choice of tours, activities, style of accommodation and transport.

# Understanding Your Customer

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- Both retail and wholesale travel agents tend to focus/specialise on different styles of travel.

# Understanding Your Customer

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- Travel styles are constantly evolving.
- The following styles relate to the Silk Road:

# Understanding Your Customer

## Group Inclusive Tour or Travellers (GIT)

- Pre-purchase the bulk of their holiday before leaving home via distributors
- Prefer structured itineraries
- Have highly organised and pre booked tour arrangements
- Use distributor's preferred products
- Common in less mature markets and with certain segments such as educational groups



# Understanding Your Customer

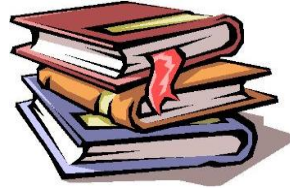
## **Special Interest Travellers (SIT)**

- Travel for reasons associated with personal interests such as agritourism, health and wellness or bird watching
- Book through agents or operators who possess a high level of expertise and can access specialised tours, guides, expert lectures and location visits that are not part of the traditional tourism infrastructure
- Have customised itineraries
- Offer high yield but often low volume

# Understanding Your Customer

## Education Travellers

- Include short course participants, long term university students, school excursions and exchanges
- Cite Study as the main purpose of their visit but there may be a tourism component to the trip
- Have families who may visit and travel throughout the course of study
- Often require specialised arrangements depending on the age of students





# Understanding Your Customer

## **Fully Independent Travellers (FIT)**

- Like the freedom of planning their own arrangements
- Arrange some core holiday components prior to arrival
- Organise the bulk of their itinerary independently often after their arrival
- Rely heavily on word of mouth, the internet and social media when planning their trip

# Understanding Your Customer

## Backpackers

- ❑ Spend at least one night in a backpacker hotel or youth hostel during their stay
- ❑ Traditionally 18 to 25 year olds but often people aged 30 and beyond travel this way
- ❑ Prefer a highly independent and unstructured approach towards travel
- ❑ Rely heavily on the internet and social media for information
- ❑ Often include voluntourism in their travels – volunteering for a charitable cause



# Understanding Your Customer

## Visiting Friends and Relatives (VFR)

- Cite friends and relatives as the primary reason for travel
- Often travel beyond the family base to other destinations
- Rely on the recommendations and advice of their friends and relatives when planning their trip



# Understanding Your Customer

## Partially Packaged Travellers

- Pre book 'skeleton package' of airfares, transfers and accommodation prior to arrival
- Search for competitive rates
- Optional themed extras such as car hire and tours are offered at the point of sale to appeal to different segments

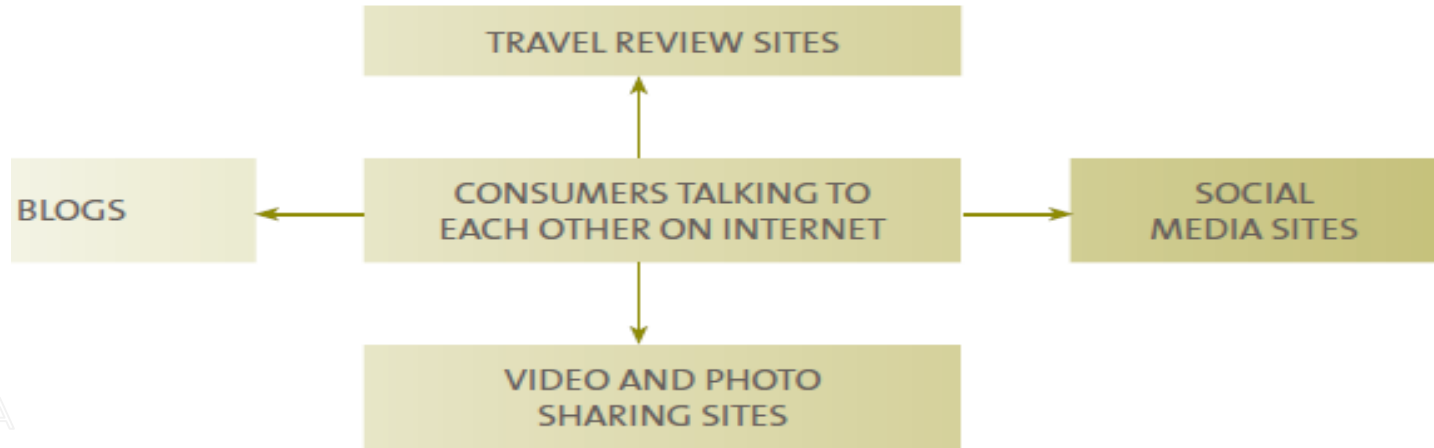


# Understanding Your Customer

## **Business Travellers**

- Include delegates of a large conference or an individual on a business trip
- Often include a component of leisure travel during their visit such as pre and post conference touring
- Include delegates participating in an incentive tour – a specialised business segment which rewards performance with travel experiences
- Offer high yield as the per head spend is often very high

# Trends to Note



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# Trends to Note

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## **Consumer Trends**

- Inbound tourism is consumer driven due to consumer's increased access to travel information and their customised travel requirements. Increasingly, consumers do not wish to be packaged.

# Trends to Note

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## **Consumer Trends**

- Consumers are researching, planning and booking their travel online and booking lead times are becoming shorter. Consumers are searching for last minute deals, usually the airfare.



# Trends to Note

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## **Consumer Trends**

- Consumers are booking components of their itinerary online, however the travel agent or wholesaler is seen as a risk mitigator, particularly in long haul markets.

# Trends to Note

## **Consumer Trends**

With the convergence of technology into one device such as the iPhone or iPad, consumers have instant access to information including:

- ❑ Flight schedules;
- ❑ Check-in applications;
- ❑ Geo location based travel information and map updates;
- ❑ Virtual reality views of hotel rooms and locations;
- ❑ User profile preferences that can alert you to restaurants, shops or galleries as you travel; and
- ❑ Social media sites.

# Trends to Note

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## **Consumer Trends**

- The internet has increased the reach of word of mouth by giving every consumer the power to publish their thoughts, feelings and experiences.

# Trends to Note

## **How this impacts your business**

- Make your product about the experience you offer. Ensure it stands out in terms of quality, value and uniqueness;
- Ensure customers can find you on the internet. Use Search Engine Optimisation (SEO) and key words that highlight your experience;
- Make it easy for customers to contact you and make bookings;
- Where possible personalise your customer service;

# Trends to Note

## **How this impacts your business**

- ❑ Encourage customers to share photos of their experience with your tourism product on your Facebook Page wall or leave a review on your TripAdvisor page;
- ❑ See what customer information already exists about you by searching online; and
- ❑ If a complain is received or thights go wrong, ensure you handle the situation professionally.

# Pricing

Your price is the cost to consumers.

This includes:

- Price when consumers buy direct from you
- The commission and net rates offered to intermediaries



# Pricing

- If you plan to sell your product through the travel distribution system, you will need to factor commissions into your price structure. Commissions are the fee paid to the inbound tour operator, wholesaler, online and retail agent to market, distribute and sell your product. This is their income, paying for their operation and the services they provide.

# Pricing

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- Each level of the distribution system receives a different rate of commission. If the price of your product does not allow for these levels of payment, you will find it very difficult to market your product through an inbound tour operator, wholesaler, online or retail agent.



# Pricing

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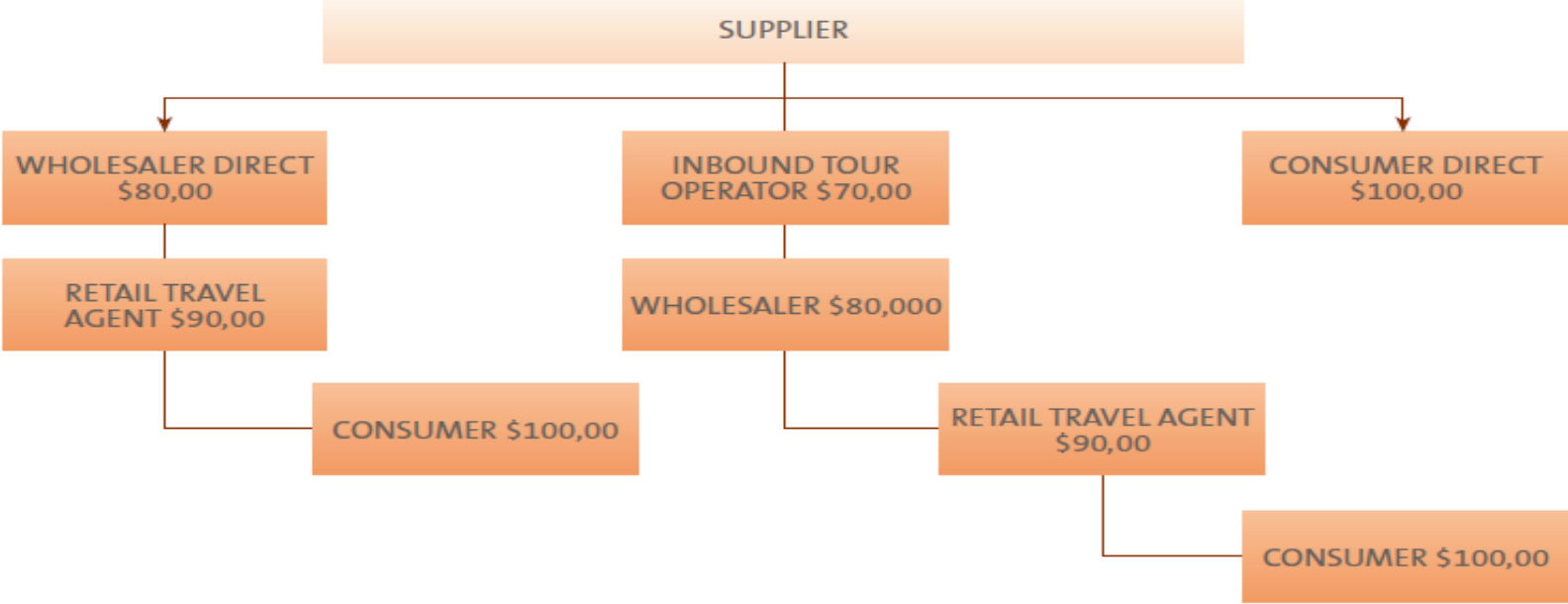
- Travel agents, wholesalers and ITOs provide valuable distribution that you may never be able to secure on your own
- Commission is only paid once a sale has been made

# Pricing

Sales Method	Commission Level	Explanation
Inbound tour operator (ITO)	30%	A nett rate providing a 30% margin is agreed with the ITO and paid to you once a sale is made.
Online travel agent (OTA)	20 - 30%	A nett rate providing a 20-30% margin is agreed with the OTA and paid to you once a sale is made.
Wholesaler	20%	A nett rate providing a 20% margin is agreed with the wholesaler and paid to you once a sale is made.
Retail travel agent	10%	A travel agent retains 10% commission once the booking is confirmed and pays you the balance.
Direct to consumer	Nil	The consumer pays your retail rate – however the retail or gross rate should be the same as that provided to your distribution partners.

*Please note: Information on commission levels is intended as a guide only.*

# Pricing



Rate integrity is vital in maintaining good business partnership.

# Do's & Don'ts of Pricing

## Do

1. Get the price right for the market and compare it with prices offered by your competitors;
2. Build a totally consistent rate schedule;
3. Guarantee your rates for 1 April to 31 March. Price guarantees may need to be valid for up to 18 months;
4. Ensure that your price will generate sufficient profitability and turnover;
5. Ensure that the validity date and all booking terms and conditions are clearly stated on all correspondence related to pricing;
6. Ensure that you identify any seasonality in your product (i.e.. high season, low season, and days of operation) and clearly identify the corresponding rate alterations; and
7. Ensure you know who you have distributed rates to so you can update them.



# Do's & Don'ts of Pricing

## Don't

1. Distribute rates intended for wholesalers and inbound operators to retail agents. This will either increase your commission payment or dispense with one level of the distribution system for your product;
2. Consider commissions as a 'discount' as they are part of the cost of doing business. 'Intermediaries' have to promote your product and pay their costs in selling and packaging your product; and
3. Try to set different rates for local and overseas visitors unless there is a variation in the product offering.



# Pricing

- Always be clear - are your rates per person, per room, per vehicle, etc.



# Trade Shows

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- Be prepared to commit to participate in the same event for a minimum of 3 years.

# Trade Shows

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- The golden rule is do your homework. The more preparation you do, the greater the return on your investment.



# Trade Shows

- Develop a sales kit for sales calls, sales missions and staff training to include: brochures, product fact sheets, your sales presentation, a collection of images on DVD/USB, online tools such as podcasts and vidcasts, display banners and posters.
- When developing your sales kit, keep the look and feel consistent and ensure information is accurate and up to date.

# Should I Attend?



# Develop a Strategy for the Event



# Target and Meet Your Clients

- Contact key clients before they arrive
- Obtain an attendee list and schedule appointments
- Attend all key social and networking events
- Secure a booth in a prominent location or develop a catchy promotion

TARGET AND  
MEET YOUR  
CLIENTS

# Get Your Message Across

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- Consistent branding
- Keep your message short, sharp and memorable
- Listen for 80 per cent and sell for 20 per cent
- Tailor your sales messages to the buyer's needs
- Sales collateral should highlight your USPs

GET YOUR  
MESSAGE  
ACROSS

# Follow Up

- Design a template to capture key contacts and information
- Personalise your follow up correspondence
- Thank everyone you met
- Send all information and material you promised as soon as possible



# Evaluate

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- Review next steps in your business relationships
- Compare the returns and potential business against your costs
- It may take several years to build your product's profile at events, so consider your strategy for next time

EVALUATE

# Conclusion

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- Successful inbound marketing requires a large investment of time and money and is based on establishing and maintaining good business relationships.
- You may have to wait several years before you earn a return on your investment.



# Checklist

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- Ask yourself the following questions, if you can answer yes to these questions then you are well on your way to becoming a Silk Road product that is export ready:

# Checklist

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**Q: Is your business established in the domestic market?**

- Very few businesses enter the inbound market without first establishing themselves in the domestic market.

# Checklist

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**Q: Do you have mechanisms in place for international markets?**

- You should offer some day booking confirmation via email or the internet within 3 to 4 hours.

# Checklist

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**Q: Do you understand the international distribution system?**

- Be familiar with the role of an Inbound Tour Operator, Wholesaler, Online and Retail Travel Agent.

# Checklist

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## **Q: Are you familiar with commission levels?**

- You should allow up to 30% commission for distribution through Inbound Tour Operators and 20% for wholesalers.

# Checklist

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## **Q: Do you understand online distribution channels?**

- Understand how to distribute your product online and how this impacts on other distribution partners.

# Checklist

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**Q: Do you understand the concept of pricing?**

- Set and guarantee rates up to 18 months ahead to coincide with the travel industry calendar from 1 April – 31 March.

# Checklist

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**Q: Do you understand where consumers can source information about your product?**

- Be aware of User Generated Content travel websites and how these influence consumer's product choice.



# Checklist

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**Q: Have you researched international markets to establish where your product fits?**

- Use industry resources to understand key source markets.

# Checklist

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**Q: Do you understand the needs of international markets?**

- Consider the travel styles, motivations, expectations, language and cultural differences of international travellers.

# Checklist

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**Q: Have you researched international markets to establish where your product fits?**

- Use industry resources to understand key source markets.

# Checklist

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**Q: Do you have an active quality assurance program?**

- Provide consistent levels of service, quality products and reliable operating schedules to adhere to consumer protection laws.

# Checklist

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**Q: Are you prepared to work cooperatively with your National Tourism Body and other Silk Road partners?**

- These organisations can offer a range of cooperative advertising and promotional opportunities.

# Checklist

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**Good luck... You are here for  
the long haul!**

# Hints

- ❑ International travel patterns are not focused around weekends and may level out seasonality problems;
- ❑ Spreading risk across a range of international markets can minimise the impact of any changes in the domestic or a single international travel market;
- ❑ Tapping into inbound distribution networks opens up new forms of distribution and gives millions of potential travellers around the world easy access to your product;
- ❑ International travellers provide a higher yield and spend, on average, three times more than domestic travellers on each trip;
- ❑ Booking lead times are usually longer, allowing better business planning; and
- ❑ The opportunity to meet people from a range of cultures and backgrounds can be extremely rewarding.



Thank you for  
listening!