

## SELLING YOUR TOURISM PRODUCT

In the wine industry it is expected that if you sell your wine through a wholesaler you'll do so at a price that allows them to make a profit; and if you sell direct to a distributor who then sells to the wholesaler, you'll need to offer it at a price where both the wholesaler and distributor can make money. However, the end price to the consumer will remain the same, so effectively your prices will be adjusted down to cater for these margins within the distribution channel.

The same methodology applies to operators within the tourism distribution channel – only the margins are referred to as commissions. The term “commissionable product” therefore means that allowance has been made in the price for a margin to on-sellers of your product or service.

### Methods of Distribution

Tourism product can be sold directly to the customer (direct selling) or through agents. Most tourism operators use a combination of methods to ensure they attract enough business to remain viable. The advantage of direct selling is that you retain the full fee for the product or service provided. The amount of business you can generate this way will be limited by your size and scope to effectively reach the end consumer.

Increasingly, tourism operators in specific sectors are finding it beneficial to package their individual products together and market together as one main entity. The Tamar Wine Route in Tasmania, incorporating “Valley of the Senses”, is an example of wineries, restaurants and accommodation providers collaborating to form an alliance that benefits all of the operators directly involved, as well as service providers along the route.

#### Tourism distribution methods include:

- ❑ Travel Agents – Front line people who sell packages from brochures to customers, out of shops or other retail outlets (i.e. Harvey World Travel)
- ❑ Overseas Wholesalers – Located within the international market with product packages supplied to them by the inbound operators; they prepare the brochures that are distributed to consumers either through advertising or travel agents (i.e. Qantas Holidays)
- ❑ Inbound Tour Operators (ITO's) – Coordinate travel arrangements in Australia on behalf of overseas wholesalers and retail travel agents. Usually involves planning the Australian itinerary, costing the various components, negotiating prices and arranging payment for the product (i.e. Encounter Australia)

### Pricing and Commissions

Pricing is one of the most important elements in the travel and tourism marketing mix because travellers often rate a product by price alone. Costing a product must be done in accordance with general business planning with the fixed and variable costs involved in operating and marketing the business taken into consideration. Once this is done, and a viable rate is arrived at, it is important to consider the cost of distribution through the various channels.

The following rates apply to the various agents:

- (Domestic) Sales through Retail Travel Agent – 10%
- (Domestic/Some International) Sales through a Wholesaler – 20%
- (International) Sales through an Inbound Tour Operator – 25-30%

## TOURISM PRODUCT PRICING

To have access to the distribution channels of travel agents, wholesalers and inbound tour operators, you will need to pay commission to the travel sector. The commission levels range from 10-30%. The following flow charts show the level of commissions payable through each of the channels when the selling price of the product or service is \$120. This information is based on data sourced from the SATC.

