

WORKING WITH DISTRIBUTORS

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What is an Inbound Tour Operator?

An Inbound Tour Operator (ITO), also known as a ground operator or Destination Management Company (DMC), is an Australian-based business that specialises in developing programs and itineraries for distribution through overseas travel distributors, organising land arrangements on behalf of overseas travel companies.

ITOs are a vital 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. ITOs coordinate reservations, confirmations and payments on behalf of their customers for all package components including accommodation, tours, transport and meals.

In some cases, an Australian ITO is a subsidiary of a parent travel company in their home market. This is prevalent in Eastern markets, especially Japan and Korea, but it is not common in Western hemisphere markets.

Dealing with an ITO provides many benefits for overseas travel companies, including:

- Local expertise and knowledge of Australia
- Itinerary consultation and advice on packaging products together
- Instant access to a wide range of products, eliminating the need to contact individual suppliers, reducing paperwork and simplifying payment
- Quality control. Easy access to products means ITOs can provide first hand feedback to overseas operators.
- A local contact point for the clients of overseas agents visiting Australia

ITOs understand the interests, needs and cultures of Australia's overseas markets and are familiar with new developments in Australian tourism products. When your planning and research is complete and you have developed a suitable product, it is a good idea to discuss it with several ITOs to assess its suitability for their overseas markets. Remember to remain flexible and stay open to advice during your discussions.

Dealing with an ITO offers many advantages for product suppliers, including:

- Regular business from a number of markets
- Extensive knowledge of international consumer needs
- ITOs make regular sales visits to their overseas markets and act as an extension to your marketing arm and booking office
- Access to international travel partners, expanding your distribution network
- Easier communication and payment recovery
- Payment in Australian currency

How to Distribute Your Product Through an ITO

Larger ITOs have product development departments that identify and select the products and suppliers they want to sell. These departments can offer advice on suitable markets for your product and suggestions about product development and packaging. ITOs often specialise in particular inbound markets or market segments so it is important to research the ITO and understand their business and how your product fits into their programs.

If you have an existing product, explore the reasons why the ITO is not using your product and discuss your findings with the relevant person. You must allow 18 months for new products to be channelled through to overseas wholesalers. Organise a product presentation or familiarisation for key ITO staff so they are aware of your offerings.

Rate integrity is paramount when dealing with distribution partners so it is vital that your pricing structures and accounting systems comply with ITO requirements. ITOs look for commercial integrity, knowledge of the distribution system, quality and service in travel products. They measure these factors through questionnaires, client feedback and advice from overseas wholesalers.

In turn ITOs should respect a product supplier's marketing mix, strategic direction, distribution methods and the fact that distribution is a partnership. A solid working relationship is built on a joint appreciation of the preferred partnership ITOs and their suppliers enjoy, respecting consumer needs to ensure repeat visits.

Support your relationship with an ITO by:

- Providing updated product information and training for sales staff
- Maintaining regular contact through sales calls, workshops and trade shows
- Supplying promotional material such as brochures, images, tariffs and a shadow website
- Encouraging ITOs and their offshore clients to take familiarisation tours
- Providing quality service to the ITOs offshore clients
- Promptly informing ITOs about potential complaints

The Department of Fair Trading allows ITOs to obtain a license under the Travel Agents Act in every Australian State and Territory (except the Northern Territory). ITOs must be licensed operators if they wish to join the Australian Tourism Export Council (ATEC).

Where do you find ITOs?

The ATEC can provide members with a list of ITOs and the markets in which they operate.

Market Coordinators at your STO or your Tourism Australia Partnership Marketing Consultant can also provide you with contact details for suitable ITOs.

Key Tips for Working with ITOs

- Contact Tourism Australia, your STO Market Coordinator or ATEC for details of ITOs working in your target markets
- Ensure your pricing structure allows for the overseas distribution system's pricing and commission structure and the need to set rates in advance. ITOs provide rate tariffs to international wholesalers and may require product prices up to 18 months in advance. Tourism Australia's 'How Consumers Purchase Travel' fact sheets provide more information on rate setting for international markets
- Participate in ITO networking events, workshops or familiarisations organised by ATEC, your STO or RTO
- Provide ITOs with prompt turnarounds on enquiries or quotations
- Inform ITOs about new product developments or changes to your product
- Check that the ITO is licensed (where required) by contacting ATEC or the Department of Fair Trading. Don't be afraid to speak to other businesses that work with the ITO to confirm that it is a reputable company

What is a Tour Wholesaler?

Tour wholesalers, also known as international travel wholesalers, are located in overseas markets and have traditionally provided a link between travel agents and ITOs or suppliers. Tour wholesalers purchase programs developed by Australian-based ITOs or develop their own packages and itineraries to make travel planning easier for travel agents and consumers.

The role of the tour operator is changing and varies from country to country. In some markets, wholesalers are also 'direct sellers' who bypass travel agents to directly target consumers. In other markets, there are no wholesalers in the traditional sense and travel agents perform the role to a greater or lesser degree.

Traditionally, travel packages are published in brochures and promoted and distributed via retail travel networks. Wholesalers may operate their own retail outlets, a common occurrence in North America, the UK and Germany, or work with an established network of travel agents in their own country.

Wholesalers may also specialise in particular market segments such as adventure, gay and lesbian, or the 50-plus market, and have access to consumer niches that may not be available through mainstream distribution networks. By researching wholesalers and their target markets, you can tailor your distribution methods and reach your chosen segments more effectively.

How to Distribute Your Product Through a Tour Wholesaler

Many wholesalers rely on an ITO to identify and recommend new Australian products to include in their programs. It is essential that you establish good relationships with the inbound tour operators who specialise in your target markets.

An effective way of obtaining a wholesale distribution deal is to meet with and sell the benefits of your product to a Product Manager at a wholesale travel organisation.

Tourism Australia's Trade Events section for opportunities to meet with key wholesale travel decision makers. Don't be surprised if it takes several years of contact before a tour operator begins to use your new product. This is partially due to their loyalty to existing product suppliers and stringent consumer protection laws in some major markets. Tour operators also need assurance that you are an established operator that will remain in business for many years.

Use the following questions to research information on your targeted wholesalers:

- How does your product fit the style of package/s offered by the wholesaler?
- Does the wholesaler sell Australia as part of their package/s and which Australian destinations do they include?
- Does the wholesaler already use any complementary products within your region and are you able to package with those products?
- Does the wholesaler have any ties with retailers and ITOs?
- Does the wholesaler work with any niche segments?
- What volume and percentage of Australian business does the wholesaler generate?

Once you have secured a product distribution deal with a tour wholesaler, you will need to provide the wholesaler and key frontline sales staff with ongoing education and product updates to keep your product front of mind.

Maintain contact with key wholesalers at regional trade events such as Oz Talk and Corroboree, and consider individual sales calls and staff training conducted by you or your General Sales Agent as part of your marketing plan. Planning familiarisations for the sales staff of key wholesaler partners is another effective method of educating your partners.

Key Tips for Working with Wholesalers

- Keep wholesalers up-to-date on any new product developments or changes to your product
- Suggest ideas for packaging your product to make it easier to sell
- Highlight your Unique Selling Proposition (USP) - the benefits of your product and the factors that set you apart from the competition
- Make sure that you understand the overseas distribution system, commission structure and the need to set advance rates when setting your pricing
- Keep in mind any terms and conditions or consumer protection laws that the wholesaler must adhere to. In particular, Europe and Japan have strict consumer laws that require companies to deliver the promised standard of holiday experience

What is a Retail Travel Agent?

Retail Travel Agents (RTAs) are the shop front of the travel industry, dealing directly with consumers. RTAs offer wide distribution in prominent suburban locations and provide a convenient place for potential travellers to make bookings and buy holidays.

Traditionally, retail travel agents have provided a link between the wholesaler and consumers. With the integration of distribution roles, however, the retailer may deal directly with ITOs or Australian-based products, particularly in Asian markets.

Many retail travel agents belong to a larger chain of travel agencies or consortium which uses its combined resources to market the agency brand. In some countries, retail agencies may be operated by travel wholesalers. Independent agencies are increasingly turning to high yield, special interest travel niches to make up for falling airline commissions and increased competition.

Despite the increasing popularity of the Internet, consumers still rely on RTAs to plan and book their travel. For complex, long haul destinations such as Australia, clients value their agent's expertise in developing customised itineraries.

How to Distribute Your Product Through Retail Travel Agents

The vast number of travel agents that exist in major markets presents a number of communication challenges. It is therefore important that you research the distribution system within your chosen markets.

One of the best ways of distributing your product at the retail level in markets where travel agents prefer to work with a wholesaler and/or ITO is to identify established wholesalers with a wide distribution via retail agents.

Training the wholesalers and ITOs about your product and providing them with the tools to effectively train their retail partners may be the most effective way to target these retail agents.

In other markets, you may want to take a more direct approach. Tourism Australia's Aussie Specialist program educates selected retail agents in North America, UK, Europe and Asia on how to sell Australia more effectively. Aussie Specialists generally sell far more Australian holidays than other agents. In the USA, Aussie Specialists make up 1 per cent of the travel agent population but sell more than 7 percent of Australian holidays.

Tourism Australia and the State and Territory Tourist Organisations (STOs) market a range of programs to Aussie Specialists, including newsletters, email blasts and agent family visits that provide a platform for Australian suppliers to educate retail travel agents about their products.

Several STOs have extended the program by developing training modules specific to their State and the experiences available such as islands and golf.

The Aussie Specialist Program is currently available in North America, United Kingdom, Europe and Asia. Local wholesalers also target Aussie Specialists to ensure their packages and brochure materials are available to retail agents' clients.

Key Tips for Working with International Retail Travel Agents

- ❑ Get involved in the Aussie Specialists Program and offer special holiday deals to agents to encourage them to experience your product first-hand. Contact your local STO for details.
- ❑ Meet retail agents and wholesale reservation agents by attending trade shows such as Oztalk and Corroboree.
- ❑ Establish and maintain good relationships with your retail travel agent's preferred wholesalers and ITOs.
- ❑ Provide key agents with regular - but relevant - product updates.

What are Meeting and Incentive Planners?

Meeting and incentive planners organise and manage all aspects of meetings and events, including conventions, conferences, seminars, workshops, symposiums, exhibitions and special events. These events attract delegates and participants from Australia and overseas. Business tourism, incorporating meetings, events and incentives, is one of the highest yielding inbound tourism segments.

Incentive planners manage business from corporate decision makers who organise incentive travel trips. Incentive trips are awarded as a non-cash bonus for good performance and may include a corporate meeting or a corporate team-building activity.

Meeting and incentive planners use a wide variety of services and products, including venues, tours, accommodation and restaurants. They look for unique travel experiences and require different support and facilities to leisure-focused tourism.

Meeting and incentive planners are also known as:

- ❑ Professional Conference Organisers (PCOs)
- ❑ Conference Managers
- ❑ Event Managers
- ❑ Incentive Houses
- ❑ Travel Fulfilment Companies
- ❑ Special Project Managers

Meeting and incentive program requirements vary from market to market. An incentive program out of Asia is substantially different to a program from the USA. It is important to match your product offerings to the needs of the market. Some larger ITOs are beginning to develop specialist divisions to source and handle meeting and incentive programs. You can find more details about the requirements of each market in Tourism Australia's Business Tourism Market Profiles.

Key Tips for Working with Meeting and Incentive Planners

- Offer a variety of itineraries that include unique and diverse experiences
- Ensure the ITOs and DMCs that handle business and incentive travel are familiar with your product
- Suggest interesting ways to package your product together with other experiences
- Participate in cooperative marketing activities organised by Tourism Australia and your local Convention and Visitors Bureau (CVB)

What are General Sales Agents?

A General Sales Agent (GSA) can represent and market your product in key international markets and, more importantly, they can provide a local booking service for retail agents.

It is essential that you consider all channels of distribution and the needs of your business before signing a GSA agreement and committing to a GSA for an extended period of time.

Many businesses choose to appoint an international sales representative or Product Representation Company (PRC) to actively promote their product in their key international markets.

PRCs can assist your business in many ways by:

- Making sales calls to wholesalers and retail agents
- Training wholesale and retail agency staff.
- Providing representation at trade and consumer shows in the market
- Giving feedback and advice on market trends

However, unlike a GSA, a PRC doesn't provide a booking service.

Key Factors to Consider when Appointing Product Representation

- Do they have experience in destination and product-type representation? Do they have other clients with Australian product? Have they represented similar products to yours in the past?
- Do they hold other contracts and are they complementary or competitive?
- Can they provide trade contact records and reports? How will you measure their effectiveness and how will they report on their activities to you?
- Do they have established relationships with the clients that you want to reach?
- What is their reputation in the market? Are they respected by the industry?
- Does the GSA retail products and how will this impact on their ability to sell your product?
- Consider the cost versus the level of business from the market and balance these against the cost and benefit of making calls and attending trade shows yourself.

What is Online Distribution?

With the continual growth of the Internet as a tool for both planning and booking travel, the presence and importance of online distribution will also grow. There are a plethora of websites currently offering a booking mechanism for travel related products. These include 'last minute' or 'distressed inventory' sites, sites operated by established inbound tour operators as an extension of their traditional operations and sites established by dedicated 'e-travel' companies.

Online distribution is less structured than the traditional travel distribution system. Commission levels vary from site to site, depending on how the site is operated. Before establishing a distribution deal with any online partners, it is important to research the site. Find out how it operates and how it will promote your product, as well as how information is loaded and updated. Many sites provide you with access to maintain and update your details on the site. While this does provide you with control over the information on your product it can also be very time consuming, especially if you are featured on a number of sites.

When considering online distribution it is also important to consider possible impacts on your traditional distribution partners. Rate integrity should be maintained across all distribution channels. It is important to remember that once your rates are on a website they can be accessed worldwide.

Operators may also run a number of affiliate sites on-selling packages – just as an ITO would to a wholesaler. It is important that you are aware of any affiliate sites and where rates may appear: a disadvantage of online distribution is the lack of control you have over who is able to access your rates.

When looking at your online distribution options it is important to consider:

- Commission levels required and level of promotion of your product
- Existing relationships with the traditional distribution system and possible impacts on these relationships
- How much new business the site may generate – business generated from distressed inventory sites may have been business that would have already booked with you via other avenues
- Any affiliate sites that may operate in addition to the main site
- How is your information on the site maintained – by you or the site host? Maintaining your details on numerous sites can be time consuming.
- How is the site promoted? Is it targeted at the trade or consumers? Are there any distribution agreements in place?