

## TOURISM MARKETING PRINCIPLES

### Setting Your Marketing Budgets

There is no rule that specifies how much of your turnover you should allocate to your marketing budget. This is always a difficult decision for enterprises. As a very rough guide, however, most small businesses allocate between three and 10 per cent of their budgets to both domestic and international marketing. If possible it is useful to make comparisons to other similar sized businesses.

As domestic tourism is the 'bread and butter' of most tourism operations, most marketing budgets are spent on domestic marketing activities. Therefore it is important to thoroughly research and plan your targeted international marketing activities to maximise the small portion of your budget allocated to this area.

### Identifying Your Target Markets

Identifying and understanding your target markets should be the foundation of your marketing plan.

In order to succeed in the competitive international market, it is important to tailor your business and product offerings to your customer's requirements. By understanding how your region and product might appeal to the international market, you can tailor your product, marketing and promotional activities to attract new business. Consult with your regional tourism organisation to learn which countries and market segments they are targeting and, where appropriate, incorporate these into your plan.

Understanding your consumer target markets will guide the development of your product, how you price your product in the marketplace, where you offer your product for sale and how you promote your product to consumers.

Customer characteristics such as age, socio economic background, lifestyle choices and personal values, as well as identification of their key needs, will further define those customers who may be interested in your product.

Targeting particular countries or market segments enables you to more effectively tailor your product and your marketing and promotional activities.

Many travel and tourism products make the mistake of trying to appeal to all markets and all people. When dealing in the international markets, it is impossible to be all things to all people. Don't try to enter every market at once, select your markets carefully and take the time to plan your approach. Plan your strategy carefully, allocating your resources to the most appropriate markets which will generate the greatest return.

#### Consider the following points when selecting a target market and consumer segment:

- What does the customer (or market) want?
- What can I provide to meet the customers' needs?
- What is the size of the market?
- Is the market large enough to support the marketing costs required? Will I receive a return on my investment?
- How long do these consumers stay in Australia? Do they make repeat visits?
- How much do these consumers spend, what do they eat, and what do they buy?
- What type and standard of food, transport, accommodation, touring, activities and attractions do these consumers prefer?
- What parts of Australia do these consumers visit? Do they visit your local area?
- Do these consumers prefer FIT, group, backpacking or another style of travel?
- Do their interests suit my product and why?
- How will my product fit into a wider itinerary? Can I work with any complementary products in my area?
- How do they travel to my area? How will they access my product?
- How do they book their holidays?

Tourism Australia's Market Fact Sheets summarise the key consumer markets and trade structures in Australia's major inbound markets. There are also a range of other information sources to get you started.

## The Four P's of Marketing

### Product

Your product is the combination of 'goods and services' that make up the visitor experience, including the standard of your facilities and equipment, the level of service you provide and the quality of your interpretation.

An individual product will make up only part of the total travel or tourism product for a consumer. The complete travel experience includes all the elements that a tourist consumes from the time they leave home until they return. These individual elements include transport, accommodation, attractions and activities. These may be purchased independently by the traveller or bundled into a package for sale by an ITO or wholesalers.

The development of your product should be guided by the type of experience or holiday needs your target market seeks. A backpacker may be happy to share a room with other travellers and place more value on the quality of their experience. A honeymoon couple may look for five star indulgence in secluded, romantic surroundings. An Asian traveller may seek soft adventure experiences but want to return to a city hotel each day.

When developing your product you should:

- Always consider the product from the consumers view and focus on the benefits for them, otherwise you might have a product that nobody wants
- Think about the characteristics that make your product stand out and define your Unique Selling Proposition (USP) – your point of difference from the competition
- Remember that the characteristics of your product or service that directly meet your customers' needs may differ according to the market and the customer you are targeting

Not all products are suitable to be marketed overseas on an individual basis, particularly smaller products located outside of major gateway cities. It is essential that these products demonstrate an appeal that is not available in more accessible destinations.

It is often difficult to attract international visitors to an area outside established destinations as they may have limited time and knowledge of the areas. However, by working cooperatively with your region to promote the destination as a whole, therefore increasing awareness, there is a better chance that visitors will take the time to visit. Work in cooperation with local operators and create a package that will make your product more enticing.

When planning your product for inbound travellers consider:

- Location – Are there attractions and facilities nearby which enhance the appeal of your product?
- Price – Is the product competitively priced and does it allow for all levels of commission?
- Accessibility – How do visitors get to your product? Is transport available?
- Seasonality – Are you open to coincide with peak arrivals from your target market?
- Hours of Operation – Are they regular and compatible with transport times?
- Time – How do you fit into an international itinerary? Do visitors need to stay overnight? Will they miss out on other attractions if they visit you?
- Information Availability – For both tourists and your distribution partners
- Reservations – How easy is it for your customers to book your product?

As tourism is essentially a service industry it is essential that quality standards permeate every aspect of your operations. The foundations for quality are comprehensive training, evaluation and accreditation programs for both management and staff. Organisations such as Service Skills Australia and the National Tourism Accreditation System can assist you in developing quality service standards.

In addition to the national program, there are several accreditation schemes that evaluate your product on certain operational and quality standards. These include ATEC's Tourism Export Code of Conduct and AAA Tourism's Accommodation Rating Scheme, a system that targets different segments in the accommodation industry.

Operators that successfully meet certain standards can use their accreditation certification in their marketing programs. Consumers and the travel trade are increasingly choosing product suppliers based on their accreditation, as this provides an assurance that suppliers are committed to professionalism both operationally and in the delivery of service.

## Price

Your price is the cost to customers at various points in the distribution chain. It includes the price that consumers pay when they buy direct from you, the commission and nett rate structures offered for intermediaries and the rates for children or seniors. It also includes booking conditions and refund and cancellation policies.

A product must be priced consistently, accurately and competitively to be successful in the market place. This requires a clear understanding of each individual cost component, including commissions and their impact on the total price of the product.

Getting your pricing right is a key requirement for success. The price should be set according to:

- ❑ Your competitors' pricing
- ❑ The level that your target market is prepared to pay
- ❑ The cost of distribution (i.e. commissions) built into the overall price
- ❑ Any fixed costs and overheads
- ❑ Seasonality

### What are the different types of rates?

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 and retail agent to market, distribute and sell your product. This is their income, paying for their operation and the services they provide.

Each level of the distribution chain 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 or retail agent. It is important to remember that 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.

When dealing with the travel distribution system, you must understand the difference between nett and gross rates and 'protect your rates' by providing the correct rates to each level of the distribution chain. Rates should be clearly marked as either gross or nett.

$$\text{Gross Rate} = \text{Nett Rate} + \text{Agents Commission}$$

The gross or sell rate of a product is the amount that the consumer pays and should be consistent across all distribution channels. For example, a customer should pay the same price if they book direct, via an international travel agent or via the Internet. Consumers will not purchase the product from a travel agent in advance if they know they can purchase it directly from you at a reduced price. Agents will not promote and market your product if they know the consumer is not going to buy from them.

$$\text{Nett Rate} = \text{Gross Rate} - \text{Agents Commission}$$

A nett rate is the gross, sell, rack or door rate of your product less the commission paid to the booking agent. It is the amount that you will receive from the agent and should be kept confidential. Nett rates are supplied to ITOs and wholesalers and are marked up by an appropriate amount to cover the agent's costs and commissions, before the product is sold to the consumer. The end cost should never exceed your usual rack rates but if you provide a nett rate to a partner, you cannot dictate the rate at which your product is sold.

Your trade distribution strategy should allow for the sales mix you want to establish to meet your volume and profit targets.

Sales method	Level of Commission	Explanation
Inbound operator	25-30%	A nett price providing a 25-30% margin is agreed with the inbound tour operator on behalf of the overseas client, wholesaler or travel agent.
Tour wholesaler	20-25%	A wholesaler will receive 20-25% commission to cover the costs involved in selling your product.
Retail travel agent	10%	Travel agent retains a standard 10% commission once the booking is confirmed.
Direct with consumer	Nil	If the client buys the product directly from you, it is relatively easy to set the price. However, the gross rate should be the same as that provided to ITOs, wholesalers and retail agents.

### Managing the Business Mix

When each commission level is considered, it may seem that agents receive a large proportion of your takings, eroding your profits. It is important to consider the volume of international business coming from each channel as a percentage of your total business, as well as the benefits of working with the international travel distribution system. Your trade distribution strategy should allow for a business mix which will meet your volume and profit targets.

The table below illustrates one example of a possible business mix:

Booking Channel	Commission Rate	Percentage of Business	Gross Rate	Nett Rate	Nett Revenue	Commission Paid
Direct	-	40	\$100	\$100	\$4,000	Nil
Retail	10%	30	\$100	\$90	\$2,700	\$300
Wholesale	20%	20	\$100	\$80	\$1,600	\$400
Inbound	30%	10	\$100	\$70	\$700	\$300
<b>Total</b>					<b>\$9,000</b>	<b>\$1,000</b>

If a product has a retail price of \$100, ten per cent of sales are made through inbound tour operators with a commission of 30%, 20% of business comes through wholesalers with a commission of 20%, and a further 30% of business comes directly from retail agents with a commission of 10%. The remaining 40 %of business is booked directly by the consumer and no commission is paid.

If you make one hundred sales, the total nett revenue would be \$9,000 and commission paid \$1,000. While you may be paying up to 30% commission on individual bookings, overall the average commission on each booking is actually 10%.

Maintaining the best yield is an important part of maximising your profit but you can make a significant impact on your profits by influencing your mix of distribution sources. Generally, international business received via the distribution system will only make up a small percentage of your total business mix and the cost of each sale as a percentage of your total income will be relatively small.

### Rate Validity, Terms and Conditions

In order to make your product easy to sell for your distribution partners, when setting your rates keep it as simple as possible.

If your product is seasonal or if you have chosen to use mid week and weekend rates, keep the number of seasons or price categories to a minimum. A maximum of two rate categories is ideal. Having too many rate periods is confusing for agents, makes your product more difficult to sell and may mean that your product is less likely to be featured in brochures.

This doesn't mean that 'specials' can't be offered throughout the year. When offering special rates or packages ensure that they are structured to include all levels of distribution and that the validity and terms and conditions are clearly stated.

To protect your business it is important to clearly state all the booking terms and conditions with your rates. This should include your cancellation policy, minimum night stays, payment policies and any other special conditions. All tourism industry partners have different methods of payment. It is the responsibility of the individual operator to negotiate an agreed payment method direct with the booking agent.

The trick is to keep it as simple as possible for trade partners to sell your product.

**Do:**

- Get the price right for the market and compare it with your competitors' prices.
- Build a totally consistent rate schedule
- Guarantee your rates for at least the period 1 April to 31 March. Price guarantees may need to be valid for 18 months
- Ensure that your price will generate sufficient profitability and turnover
- Ensure that the validity date and all booking conditions, including your cancellation policy, are clearly stated on all correspondence related to pricing
- Ensure that you identify any seasonality in your product (i.e. high season, low season, days of operation) and clearly identify the corresponding rate alterations

**Don't:**

- Distribute rates intended for wholesalers and inbound operators to retail agents. This will either increase your commission payments or dispense with one level of the distribution chain for your product.
- 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.
- Try to set different rates for locals and overseas visitors unless there is a variation in the product offering

Loyalty and ethics are an integral part of the inbound travel industry, particularly for new products and services in the international market. To maintain rate integrity and avoid indiscriminate distribution of rates, it is important that suppliers of new products and services understand commissions and distribution channels. You must factor all commission levels into your pricing. The 'golden rule' for commissions is to protect your commission levels at all levels of the distribution chain.

## Place

Distribution is the vital information link between your product and the consumer. It is not enough to have a perfectly tailored product and expect visitors to beat a path to your door. While word of mouth and direction signs to your product may be an essential part of your marketing mix, you will need to use other media and engage other organisations to assist you in getting the message across. A distribution strategy considers the 'place' your product is sold and the range of different pathways a consumer may use to make a purchase decision.

As many travellers arrive in Australia with limited travel arrangements already planned, don't overlook local distribution through visitor information centres, hotel concierges and local travel agents.

Tourism Australia's 'How Consumers Purchase Travel' Fact Sheets summarise the key consumer trends and trade distribution structures in each market. Once you have identified the key purchase points for the markets you are targeting, you need to establish a pricing and marketing strategy based on how and where those consumers purchase travel products.

Consumer behaviour and travel distribution patterns are greatly influenced by the profile of the markets and countries you are targeting. International consumers may buy a wholesale package from a local travel agent before they leave home, or book at their hotel's tour desk following their arrival. The booking may be channelled through an inbound tour operator or conference organiser. Consumers may have found your product on the Internet, in a guide book or received a recommendation from a friend.

Less independent travellers are far more likely to go through traditional travel distribution pathways. More experienced travellers might organise the bulk of their arrangements once they have arrived in Australia. Therefore, don't overlook distribution points that your target consumers may approach and factor these into your business and marketing planning.

Your trade marketing strategy should address the following points:

- How does your target market purchase this type of product?
- How does your target market research their visit? How will they find out about your product?
- How do you distribute your product through those outlets?
- What are the costs involved?

- Have you set goals for your distributors?
- Are they trained in selling your product?
- What feedback do you expect? How frequently?
- Do they handle direct competitors?

Once you have established distribution channels, it is important to set up a system to track your bookings, recording where they come from. It is essential to monitor how each of your distribution channels are performing as knowing where your bookings are coming from and which partners are generating business for you will help to maximise your marketing expenditure. It will also allow you to strengthen your relationships with agents and partners who are performing well.

Tourism Australia, the State Tourism Organisations and your Regional Tourism Organisations organise a range of activities to assist you to target key travel trade contacts including trade shows, sales missions, product manuals and familiarisations.

## Promotion

Promoting your product to consumers and the travel trade requires an understanding of your target market and the most cost effective way to reach them.

The promotional mix usually comprises a combination of the following:

- Advertising – print, broadcast, direct mail and the Internet
- Public Relations - media release, media kits, press conferences, media familiarisations, interviews and speeches
- Personal Selling - trade and consumer events, sales calls, sales missions and staff training
- Sales Promotions - competitions and sales incentives

Each option has its strengths and weaknesses. A good promotional strategy should include a mixture of promotional activities that you can refine as your business experience grows. Don't be afraid to experiment with new strategies but make sure you can measure their effectiveness.

Rather than go direct, many operators choose to promote their product cooperatively through marketing opportunities offered by Tourism Australia, STOs and RTOs. Many of these opportunities are cost-effective and offer greater exposure and impact than activities undertaken by individual businesses, especially in the international market place.

Regardless of which promotion activities you choose, tracking the impact of your advertising spend is paramount. It will help you decide which campaigns to continue and which ones need refinement.

- Are you able to set up a unique phone number or website address which allows you to track the response to your advertising?
- Can you set up a special tour code or package deal which is only promoted through your advertising?
- Or simply ask customers how they found out about your product when they contact you to make an enquiry or a booking.

## Advertising

Advertising can be an expensive option, especially when marketing internationally, therefore advertise only in those publications that will reach your target market. While advertising is likely to play an important role in your domestic marketing strategy, it is unlikely to be as important to your international marketing activities.

This is mainly due to:

- Your dependence on travel trade distribution partners for promotion
- The comparatively small number of wholesalers packaging Australian product
- The high cost of advertising in international markets

Understanding how your target markets make travel decisions will enable you to pinpoint the best media and the best audiences to target to get your message across.

If your target markets rely heavily on travel agents for booking advice, it might be more effective to advertise in a product manual or trade publication. If your target audience plans the majority of their trip on the Internet, then consider advertising on a high profile travel website or in a travel brochure. If you want to target consumers following their arrival, advertising in a tourist guide distributed in city hotels might produce results.

Cooperative advertising with partners is another great way to share the costs and package with other travel products. Tourism Australia, STOs, RTOs and LTAs offer a range of cooperative online and print advertising opportunities. They are targeted specifically at consumers who are interested in coming to Australia, and the travel trade who sell them their holidays.

## Public Relations

When executed well, public relations can be the most cost-effective segment in your promotional strategy. Media coverage can reach far more people than your limited advertising budgets can afford. A media story may also be far more persuasive and in-depth than a small size advertisement. Consumers are more likely to be engaged by, and indeed trust, a first-hand account of a destination than they are by paid advertising.

Publicity from media campaigns and media familiarisation tours is commonly described as 'free' because there is little cost involved compared to advertising. Unlike advertising, however, there is no guarantee of placement or your message being conveyed effectively and you still incur the cost of providing the service.

You can generate public relations by sending product information to media contacts at a targeted publication or by inviting a journalist from that publication to experience your product first-hand.

When planning your public relations strategy, research the different media and publications available:

- What type of information do they present?
- How is the information presented?
- Who are the target audiences, readers or listeners?
- Be realistic and target publications that will reach your intended audience

The key to success is developing 'media ready' materials that will encourage a journalist or an editor to write a feature on your product. The media looks for newsworthy stories that are new, different or unique, have a 'human interest' element or provide eye catching and emotive visuals.

Develop a media kit for your product that includes key information such as the types of tours offered, pricing, operating hours and contact information. You may want to engage a PR specialist to help you write professional press releases. Releases that are well written, interesting and require little editing will have the greatest chance of success.

Never expect publicity to generate business on its own. Remember that publicity is one element of an overall marketing plan and it should complement your total marketing mix and business strategies.

For further information refer to Tourism Australia's media site.

## Personal Selling

There is nothing like personal contact to build rapport with your business partners. There are a range of opportunities to meet face to face with both trade and consumers.

Tourism Australia and STOs regularly conduct international sales missions to key markets. These trade missions are useful for both first time entrants into the market as well as operators already established in the market looking to further develop their business through the wholesale and retail programs in those countries. Visiting the market allows you to present your product to the travel trade.

Regular sales calls to key ITOs, wholesalers and retail agents should also be conducted. These may be done independently or together with other complementary products. Staff training to educate frontline staff on your product and how to sell it should also be included in your call schedule.

Trade shows are another excellent opportunity to meet with a large number of targeted clients in the one place at the one time. They offer a good chance to meet new potential partners. Consumer shows are open for attendance by the general public, a good opportunity to talk directly to the consumer, especially in the markets where there is good awareness of Australia. For details on Tourism Australia's calendar of trade and consumer events visit [www.tradeevents.australia.com](http://www.tradeevents.australia.com).

## **Sales Promotions**

You may choose to run sales promotions to support other promotional activities. These may be targeted directly at the consumer in the form of a competition or at distribution partners through a sales incentive program.

Consumer competitions may take a variety of forms. You may find them difficult to run independently and may need to partner with a retail chain or travel wholesaler. Promotions for international travellers also need to take into account the total travel experience when offering a prize package. It is no good to offer an accommodation prize to a consumer in the UK if they have no way of getting to Australia. Tourism Australia and STOs often run promotions as part of their campaigns, contact their PR departments if you are interested in getting involved.

Agents' incentives can be run with ITOs, wholesalers and retail travel agents. They provide a reward for meeting sales targets for your product. It may be vouchers for your product, vouchers at a retail store or increased commission if sales exceed set targets. Agents' incentives can be a good way to improve agents' knowledge of your product and increase sales. As with any promotional activity, they should form only part of any integrated campaign.