



# THE TRAVEL DISTRIBUTION SYSTEM

Distribution channels and consumer purchasing behaviour varies from market to market so you need to understand the structure of the distribution system specific to your target markets before attending a trade show.

The travel distribution system is a complex, global network of independent businesses. This network includes a series of distributors or intermediaries, who play a specific role in the development, promotion and purchasing process of Australian tourism experiences.

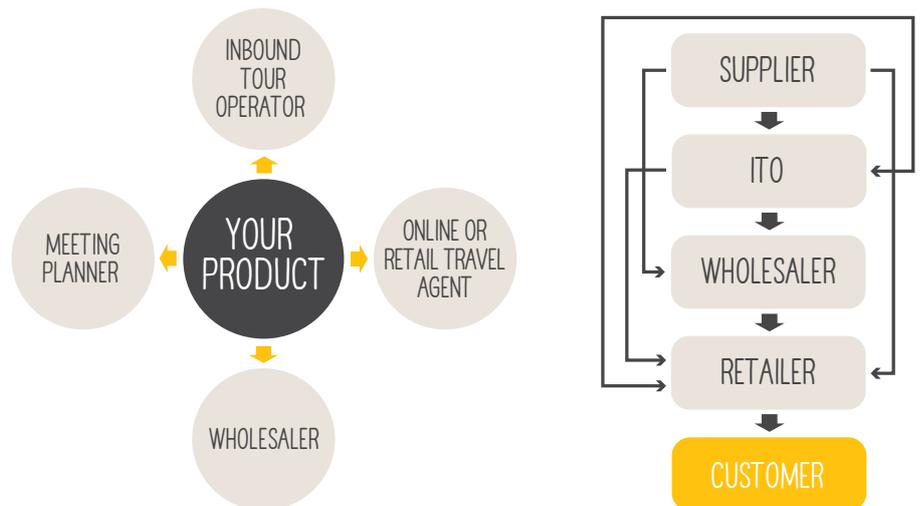
## WHY WORK WITH TRAVEL DISTRIBUTORS?

Travel distributors allow you to broaden your customer base far beyond the reach of your own marketing budget.

They are important to the inbound tourism industry as overseas consumers still heavily rely on the advice of local travel experts when planning and booking their Australian holiday, particularly in long-haul and emerging markets. Travel distributors can also provide market intelligence, insights and advice on a specific market. The travel distribution system covers all the channels through which an international traveller can buy your product.

## HOW DOES THE DISTRIBUTION SYSTEM WORK?

Online technology and company mergers have transformed the tourism industry, with an increasing amount of crossover in the roles and functions of various sectors of the distribution system. Businesses engage a mix of distribution partners to reach their target consumers.



The traditional structure of the distribution system includes Inbound Tour Operators (ITOs) based in Australia; wholesalers based overseas and international retail travel agents. However, this varies considerably from market to market. For example, it is not uncommon for an inbound tour operator to be part of a larger company that may also operate a wholesale arm in an overseas market, or for a wholesaler to also operate the travel agencies that sell its packages.

Many traditional travel distributors such as wholesalers and travel agents take an online approach as well as offering their services from a retail shop front.

Both online and traditional distribution partners have the opportunity to work with each other and directly with products and customers. As the traditional distribution system continues to evolve, it is important to clearly understand the structure of the companies that you work with and their relationships with other organisations.

## INBOUND TOUR OPERATORS

An inbound tour operator (ITO), also known as a ground operator or destination management company (DMC), is an Australian based business that provides itinerary planning and product selection, and coordinates the reservation, confirmation and payment of travel arrangements on behalf of their overseas clients. They bring the components of accommodation, tours, transport and meals together to create a fully inclusive itinerary. 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.

## WHOLESALEERS

Wholesalers are located in overseas markets and have traditionally provided a link between travel agents and ITOs or tourism product. Wholesalers purchase programs developed by ITOs or develop their own packages and itineraries for travel agents and consumers. 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 consumers. In other markets, there are no wholesalers in the traditional sense and travel agents perform both roles. Traditionally, travel packages are published in brochures and promoted and distributed via retail travel networks. Wholesalers may operate their own retail outlets or work with an established network of travel agents in their own country. Many wholesalers specialise in specific market segments such as adventure or the seniors market and many also have an online presence.

## RETAIL TRAVEL AGENTS

Retail travel agents offer wide distribution in prominent shop front locations and a convenient place for 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, 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 consortiums that use their combined resources to market the agency brand. In some countries, retail agencies may be operated by travel wholesalers, or may concentrate on particular market segments such as special interest or family travel. Many retail travel agents also have an online presence.

## ONLINE TRAVEL AGENTS

Online travel agents (OTAs) specialise in online distribution and have no intermediaries – they deal directly with consumers and tourism product. Consumers can purchase a product or an entire holiday package online. Online distribution is less structured than the traditional travel distribution system. Commission levels vary, depending on how the site is operated.

## MEETING & INCENTIVE PLANNERS

The business events sector is one of the highest yielding inbound tourism segments. Meeting and incentive planners organise and manage all aspects of meetings and events including conventions, conferences, incentives, seminars, workshops, symposiums, exhibitions and special events.

Meeting and incentive planners use a wide variety of venues, tour operators, accommodation, team building companies and restaurants. They look for unique travel experiences and require different support and facilities to leisure tourism. Meeting and incentive planners are also known as: Professional Conference Organisers (PCO); Destination Management Companies (DMC); Conference Managers; Event Managers; Incentive Houses; Travel Fulfillment Companies; and Special Project Managers.

## HOW DO I PRICE MY PRODUCTS FOR DISTRIBUTION SYSTEM PARTNERS?

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. You must understand the difference between nett and gross (or retail) rates and protect your rates by providing the correct rates to each level of the distribution system. Rates should be clearly marked as either gross (retail) or nett.  $Gross\ Rate = Nett\ Rate + Agent's\ Commission$ . The gross or retail 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.

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)	10-15%	A nett rate providing a 10-15% 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.*

*For further details on the information you need to include in your rates agreements to distribution partners please refer to the Fact Sheet – "Product & Rate Information".*

*For further details on how to distribute your products via these distribution partners please refer to the [Tourism Export Toolkit](#).*