

DISTRIBUTION FACT SHEET

SOUTHERN FORESTS, NEAR PEMBERTON

In tourism, distribution refers to how you reach your customers and how they can find you.

Having a distribution strategy for your product is important for any tourism business as it helps you to reach and broaden your customer base. Understanding the distribution system, commission rates and roles of booking agents, is vital in order to run a successful business.

You can target potential customers directly or indirectly:

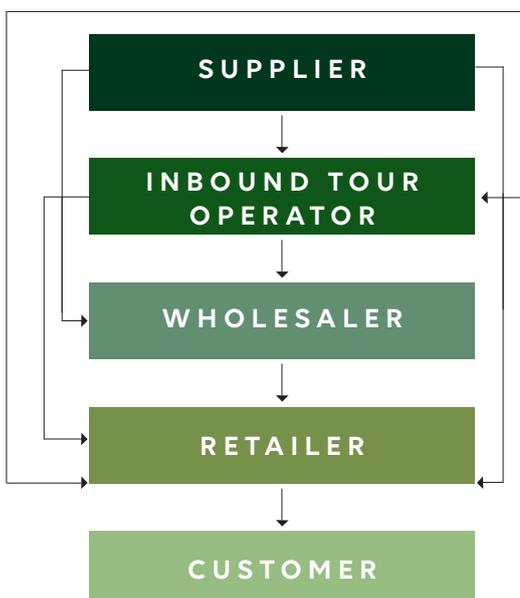
Directly – reaching potential customers without any third parties, through advertising, brochures, website, social media and client referrals.

Indirectly – reaching potential customers using third parties through distribution channels such as retail travel agents, online travel agents, wholesalers, inbound tour operators and visitor centres.

How products are sold through the trade distribution system

The tourism distribution system has traditionally been very structured with clearly defined functions for each role in the chain. However, this has rapidly evolved over the past few years with the introduction of online travel agents, and will continue to change.

TRADITIONAL DISTRIBUTION CHANNELS



NEW DISTRIBUTION CHANNELS





KALBARRI SKYWALK, KALBARRI NATIONAL PARK

Working with trade distribution partners

As part of your sales and marketing strategy, you can choose the types of distribution partners to work with, based on the needs of your business.

Retail travel agents

Retail travel agents sell travel products directly to customers and are located in the customer's country of origin. Agents can book and purchase holiday packages, travel, accommodation and tours on behalf of customers.

Online travel agents

Online travel agents (OTAs) specialise in online distribution and mainly deal directly with customers and tourism product. Customers can purchase a product or an entire holiday package online.

Inbound tour operators

Inbound tour operators (ITOs), also referred to as a ground operator or destination management company, are businesses located in Australia that create fully inclusive itineraries featuring accommodation, tours, transport and meals on behalf of their overseas clients. This includes reservation, confirmation and payment of travel. 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.

Wholesalers

Wholesalers are located overseas and usually provide a link between travel agents and ITOs or tourism product. They purchase programs developed by ITOs located in Australia or develop their own packages and itineraries for travel agents and customers. These packages usually feature transport, accommodation, tours and attractions, which are usually published in brochures and promoted/distributed via retail travel networks.

Meeting and incentive planners

The business events sector is one of the highest yielding inbound tourism segments. Meeting and incentive planners (sometimes known as Destination Marketing Organisations or Destination Marketing Company) organise and manage all aspects of meetings and events including conventions, conferences, incentives, seminars, workshops, symposiums, exhibitions and special events. Tourism WA works closely with Business Events Perth and Business Events Australia to target and attract the Meeting, Incentives, Conventions and Exhibitions (MICE) sector to WA. Visit businesseventspertth.com for more information.

Distribution partners

To distribute your product, contact the product manager of the relevant distribution partner. For a list of key distribution partners for each market visit our website tourism.wa.gov.au.



TWILIGHT COVE, ESPERANCE

Why pay commission

A commission is the fee paid to the ITO, wholesaler, retailer or OTA to sell and distribute your product to their clients. Commission is usually between 10 and 30 per cent, depending on who you work with in the distribution channel. Commissions are an advertising cost that you only pay when you receive a booking and should be incorporated into your marketing plan.

In return for a commission, your trade partners provide:

- Increased exposure of your product through their distribution network (e.g. in travel agent brochures, websites, global networks)

- An offshore sales team and platform to promote and sell your product
- The opportunity to sell to a significantly larger section of the market than is generally possible to reach directly
- Language and cultural assistance, especially in non-English speaking markets, to help bridge the language and cultural gaps and effectively promote your product in-market.

Recommended commission rates

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% commissions 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.