



DISTRIBUTION CHANNELS FOR TOUR OPERATORS

*What Tour Operators Need To Know About
Distributing Their Products*



a publication of

rezdy

CONTENTS

WHY YOU SHOULD READ THIS BOOK

Read this eBook to learn

The Distribution Ecosystem

Chapter 1 - The basics

Chapter 2 - Distribution channels that you shouldn't ignore

Chapter 3 - Visitor Information Centres

Chapter 4 - Online Travel Agents

Chapter 5 - Inbound Tour Operators

Preparing for Distribution

Chapter 6 - Packaging your product

Chapter 7 - Becoming export-ready

Chapter 8 - Giving your agents what they need

Working With Your Distribution Agents

Chapter 9 - Networking through tradeshows

Chapter 10 - What to look for in your international agents

Chapter 11 - Setting commission with agents





DISTRIBUTION CHANNELS FOR TOUR OPERATORS

Edited by Simon Lenoir

FOLLOW ME ON TWITTER
@SIMONLENOIR

Simon has over 15 years' experience as an IT professional. He also has extensive experience in the travel industry from being an around-the-world traveller and managing a dive centre in Southeast Asia for over 3 years. He was frustrated from spending too much time on paperwork and admin, and less time out diving, so he created Rezdy.

Now, Simon is fully dedicated to providing the best online booking solution for tours and activities operators; he is the brains behind Rezdy's online booking system.

Outside office hours Simon is a true activity addict - mountain biking, sailing, swimming, beach volleyball - just to name a few. But most of all he loves diving in Australia's waters.

ONLINE BOOKING SOFTWARE FOR TOURS & ACTIVITIES OPERATORS

Rezdy's reservation software gives you all the tools to accept online and offline bookings, manage your customers and connect to your agents.

[TRY REZDY FOR FREE](#)

[SEE ALL FEATURES](#)



CHAPTER 1 - THE DISTRIBUTION ECOSYSTEM

THE BASICS

*Here's what all tour operators need to know
about the distribution ecosystem before you jump into it.*

Your market presence depends entirely on how well you distribute your tourism products to your customers. Here's what you need to know to do it well.

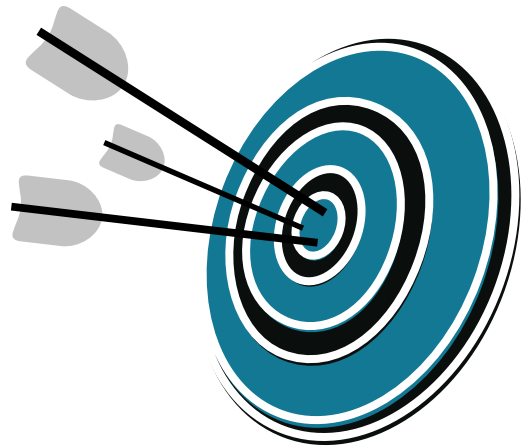
What is my target market?

You need a clear idea of who you're marketing to so that you can make sure that your selected agents have access to them. If you've been around for a while, take a look at your existing customers.

Otherwise, you need to describe who you hope they will be.

Describe your typical customer's

- **Demographics** (gender, age, and salary)
- **Geographics** (location)
- **Psychographics** (type of lifestyle, motivations)
- **Behaviours** (frequency of purchase, loyalty to your business)



You will probably end up with more than one type of customer. For example, if you're a walking tour, you probably have tourists and locals of all ages who come to your tour.

This is OK. You just need to figure out whether you want to increase your market share with them or not, and structure your distribution strategy accordingly.

What costs are involved with distribution?

The commission you pay your agents per booking depends on what kind of agent they are:

- Retail travel agents expect 10-20% of retail price
- Tour wholesalers expect 25-30% of retail price
- Inbound tour operators expect 25-30% of retail price

You can also offer 2-3% commission on top of the existing commission rate to encourage the sale of your product (when they also resell your competitors, for example).

What distribution channels can I use?

Selling direct to your customers isn't enough to maximise your profits. You need to increase your profits by choosing the right distribution channels:

- Online travel agencies
- Government websites
- Visitor information centres
- Daily deal websites
- Concierge services

It takes a bit of trial and error to figure out which one works best for you. However, there's one channel that you can't ignore: direct online sales.

It's no longer news that travelers are planning and booking tourism products online. In fact, your website is a major indicator of professionalism.

To pass the legitimacy test, think about

- How your audience will find you - are you linked to sites like TripAdvisor?
- Updating site information - is it a quick and simple process?
- Maintaining your site to keep moving with modern technology - is it easy for you to do?
- Online travel agents - which ones can you partner with to direct more traffic to your website?
- An online booking system - do you have a real-time booking form that includes availability?

The internet is being used as a purchasing tool by your customers.

If you fail to adapt, then you will inevitably miss out. Travelers will go for convenience every time.



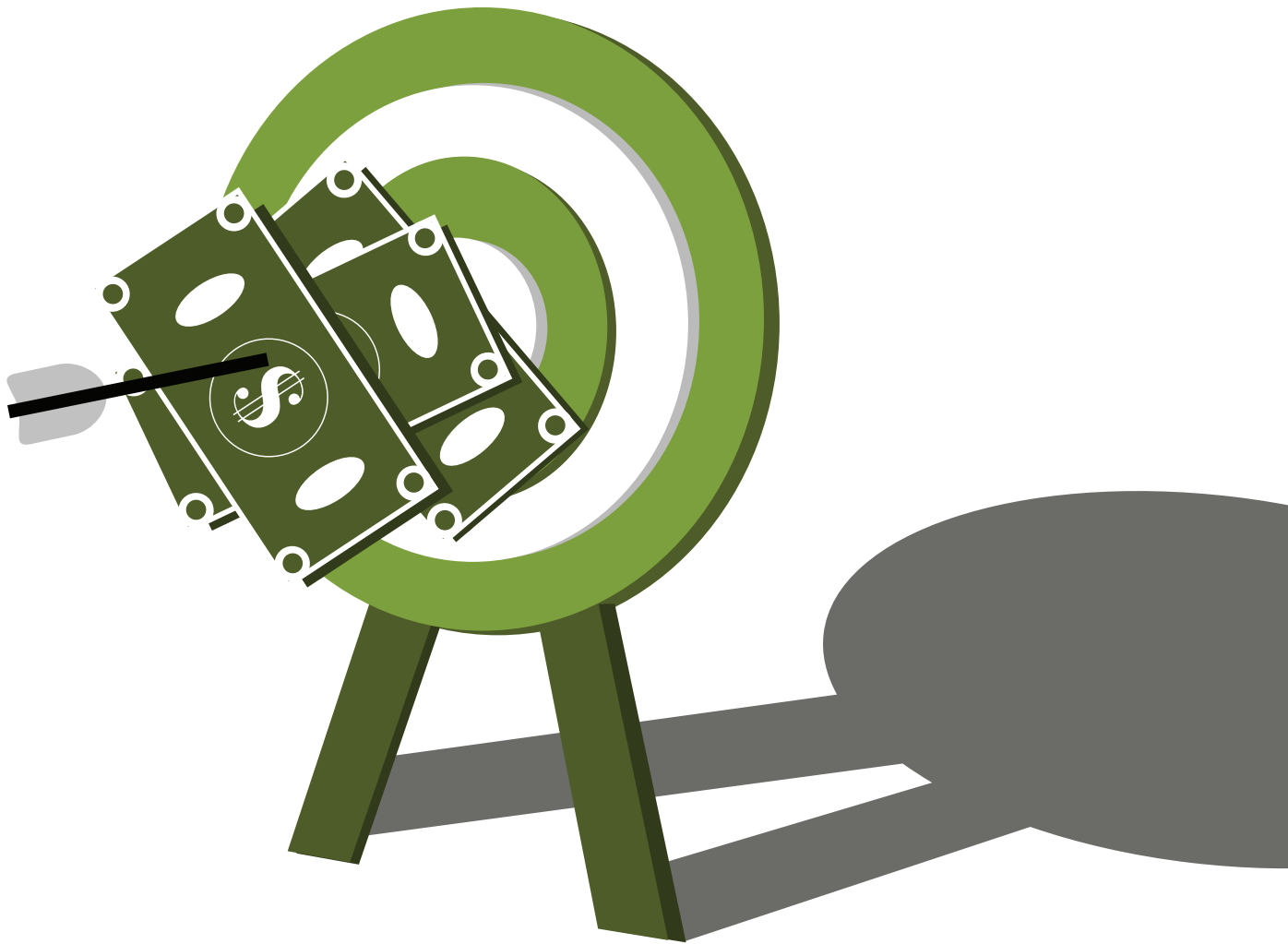
Which channels should you invest in most?

You should figure out which channel works best for your business by...

- Dipping your feet in each channel
- Calculating the percentage of bookings it generates you (every quarter)

After a year, you should have a good idea of what is and isn't working.

A recent survey we performed found that the best ways for Australian tour operators to generate awareness about their businesses is through their own websites, social media and review sites.



CHAPTER 2 - THE DISTRIBUTION ECOSYSTEM

DISTRIBUTION CHANNELS THAT YOU SHOULDN'T IGNORE

*At the very least, you should be using
the following distribution channels*

A distribution channel is the way that your services get to your customer, and how they pay for it. It can either be a direct transaction (for example, through your website), or involve third party resellers.

The key to success in the tourism industry is generating awareness about your product and your brand. While you can purchase ads and start a social media marketing campaign, this is an industry that still heavily relies on word of mouth. The more awareness you raise about your company and the tours and activities you offer, the more bookings you will receive.

The following channels are the 6 most popular ways to market your company and get the word out there about everything you have to offer:

1. Websites and social media

Your own website provides you an avenue to showcase photographs, videos, tour descriptions and prices to your clients. At the same time, you can provide an online booking system so that your future customers can quickly and easily book a tour with you.

In addition to a website, you can add social media profiles to your online presence. These profiles allow you to provide daily reminders to your customers who follow you about specials and new activities. You also can add photographs and videos on your social media sites.

Keep in mind that it can be difficult to launch a social media campaign if you are a relatively new business. As your business grows, you will find your customers will want to connect with you via Facebook, Twitter and other social media sites, allowing your social media presence to grow simultaneously.



2. OTAs (Online Travel Agencies)

Online travel agencies will list your tour or activity on their site and allow their users to search for and click through to book with you. Usually this is through a pay-per-click format. Make sure that they have what they need to promote your business in a good light.

3. VICs (Visitor Information Centres)

Most tourist cities will have visitor information centres scattered throughout the town. A large town will have visitor information centres on nearly every corner, where as smaller communities might have one information centre.

VICs will organise accommodation, tour, and transport bookings for visitors. Because travelers often go to these centres to seek information on what to do at a particular destination, it would be wise to contact your local VIC and see how you can partner with them.



You can drop off flyers and brochures to these centres, and provide your phone number with information centre workers so that interested people who stop by can set up a reservation with your company.

Some VICs don't ask for commission for bookings that they send to you, while others have a pricing structure to list on their site. It really depends on the VIC.

4. Government Tourism Sites

Local governments and tourism organisations often operate their own websites, where they promote local tourism agencies in the area. You can often obtain a listing on websites such as these, and in addition you can buy ad space to promote your company and the services you offer.

For tours and activities, you will usually be required to meet certain criteria. For example, [Destination NSW](#) requires that you offer regular organised excursions with scheduled departures, a personal guide or host and commentary.

5. Review Sites

Popular review sites, such as [TripAdvisor](#), allow you to put a bit of information about your tours and activities on their site. You can describe your services, prices and add your own photographs.

However, the site is geared more toward the user, as users can add reviews, their own photographs and provide referrals for your business. By providing good customer service, you will see that customers will provide positive reviews and your site will quickly grow in the rankings on the review site.

The advent of social media and consumer promotion on the Internet has allowed people to provide the same referral they would give to a friend to a much larger audience. Travelers have come to trust sites such as [TripAdvisor](#) because they can get honest reviews from people who have utilised these same companies on their own previous vacations.



6. Voucher Sites

Some travelers will have received gift vouchers for tours and activities, or have bought a coupon from a daily deal site. They will redeem their vouchers and coupons when they arrive at their destination. You can always partner with these sites so that your tour is listed.

7. Concierge Services

Most local hotels, bed and breakfasts, inns and motels will provide concierge services for their guests. Concierges at hotels assist their guests with tasks that will help them get the most out of the destination. This means they make reservations for restaurants, spas, transport, events, tours and activities.

Make sure that local concierge desks have your brochures and flyers available for people who might be interested in the tours and activities that you offer. Drop off your brochures at nearby hotels and convince your concierge that it's a good idea to resell you. You may even want to provide the concierge desk workers with a tour experience with your company so they can provide a first-hand recommendation for your guests.

CHAPTER 3 - THE DISTRIBUTION ECOSYSTEM

VISITOR INFORMATION CENTRES

Tap into destinations through visitor information centres

As the first point of contact a visitor has with your area of operation, your local Visitor Information Centre (VIC) is one vital piece of the puzzle to getting more bookings for your tour or activity business. If you're just starting out, this is what you need to know.

What are Visitor Information Centres?

According to Wikipedia, a Visitor Information Centre is a physical location that provides tourist information to the visitors of the place or area.

Their purpose is to increase awareness of the area by helping visitors have a positive experience. They will provide tourists with free information and brochures on an area's attractions, lodgings, and any other relevant information they need.

They also provide services such as

- Accommodation bookings
- Tour bookings
- Transport options

In Australia, VICs are run by local or state governments, or sometimes an association of tourism operators on behalf of government, usually managed by a board or executive. You can tell they're nationally accredited because they use the italic 'i' pictured on page 10.



How can Tour Operators work with VICs?

Visitor Information Centres provide tour booking and transport referral services, so your tour/activity/shuttle business needs to get on their list!

Contact your local VIC and give them all of the information they need about your business. They will send you bookings when a visitor shows interest.

One thing to be aware of is booking management. Managing their commission on each booking can be a bit of hassle, so make sure your online booking system can support this.

For example, Rezdy allows VICs to send bookings to you directly. You set the commission, and Rezdy makes sure the VIC is paid the right amount. Rezdy also creates a report so it's all there in black and white and there's no room for disputes.



CHAPTER 4 - THE DISTRIBUTION ECOSYSTEM

ONLINE TRAVEL AGENTS

Distribute your products far and wide through OTAs

Distribution channels are important for tour operators. Working with OTAs to increase your bookings and your revenue is integral to the success of your business.

While you should definitely be checking out what's popular locally, here are the top 3 global OTAs that you should be working with:

1. Expedia



About the company:

Expedia is the largest travel company in the world. In fact, it was named Top Travel Company on Travel Weekly's 2013 Power List.

With a global presence in over 70 countries, Expedia receives over 50 million unique visitors each month, and its mobile apps are downloaded nearly 80 million times at a rate of over 200 downloads per minute.

How it works:

Site visitors start off by selecting a destination. Then Expedia will offer a selection of tours and activities - whether it's transportation that's required to get around town, a tour to see sights, or something more interactive like taking a cooking class.

To apply, [click here](#).

2. Viator



About the company:

Unlike Expedia, Viator is wholly focused on tours and activities. It sells its products to a global consumer base at Viator.com, 60 additional consumer-facing websites, mobile websites and apps, and through its global network of affiliates.

Viator's listings are supported by more than 500,000 reviews, photos, and videos posted by travelers. It boasts 9 million visitors per month.



How it works:

Viator will need to approve you first! They will check with the local visitor's bureau and relevant associations to see that you're a legitimate business. Then they'll make sure that your customer service is on par, usually by sending a destination expert to test the products themselves.

To apply as a supplier, [click here](#).

Another cool thing that Viator does is create a site specifically for tour guides. Here, guides can list tours, license, photos, availability and payment details. The site will allow real customer reviews, SMS booking notification, and an online booking function.

To register as a tour guide, [click here](#).

3. AdventureFinder

**About the company:**

Like Viator, AdventureFinder is specifically focused on a niche - adventure travel. It's owned by Orbitz, one of the big players when it comes to travel companies. Travelers can choose from nearly 2,500 trips and tours around the world from top tour operators.

How it works:

Consumers can organise custom trips, browse vacations tailored for groups, singles, couples and families; and search/sort by price, trip duration, and preferred destination with more than 30 interests and activities.

Tour operator listings have descriptions, logos, photos, departure months, prices, accommodations, group size, age requirements and demographic information. Payment is through a pay-per-click format, as users will click to your website to learn more and check availability.

To register, [click here](#).

Booking system integration with OTAs

A good booking system will simplify the booking management process between you and your resellers.

That way, incoming bookings are seamlessly integrated, while your system manages your Agent's commission.

For example, Rezdy integrates with Viator, the largest travel agency for tours and activities worldwide.

This is a complete 2 way solution for tour operators

- Viator's customers can access tour operator availability in real times.
- Tour operators receive a stream of new booking directly into their own Rezdy inventory management software, removing the need for double data entry. This means that tour operators avoid overbooking and manual error.
- Tour operators will gain access to Viator's massive distribution network.



CHAPTER 5 - THE DISTRIBUTION ECOSYSTEM

INBOUND TOUR OPERATORS

Work with destination specialists to be included in a tour package

Inbound Tour Operators (ITOs) are one of the most important distribution channels available to small tour or activity businesses.

Here's what you need to know about how you can work with them.

What is the role of an ITO?

Before we get too carried away, let's recap who these guys are and how they work.

ITOs - also known as 'ground operators' or 'destination management companies' - are the local experts in a certain destination's tourism products. They pick out 'export-ready' products that they promote overseas through other distributors.

Anyone from a travel agent to a meeting planner will come to an ITO with certain specifications. The ITO then plans the itinerary, selects the tourism products to include, and coordinates all reservations for accommodation, tours, transport and meals.



How can I get an ITO to consider my tours?

Because they have access to overseas markets, ITOs can be an extremely reliable source of bookings for niche tour operators. The hard part is making the cut so you get listed as an export-ready tourism product.

Ask yourself:

- Do you have an established product ie. one that has been operating successfully for at least 1 year?
- Is your product in demand in the market that the ITO targets?
- Are you offering good value for money?
- Is your product consistently delivered with a high level of quality and customer service?
- Does your product provide a unique experience?
- Do you have regular availability (daily tours or on at least 3 days per week, departing with a minimum of 2 people)

If you can answer 'yes' to the above questions, then you're in good shape to present your business to an ITO for consideration.



What do ITOs expect from you?

Be prepared with the following:

- An inbound commission rate sheet with concise terms and conditions. Know how the tourism distribution system works, especially when it comes to the commissions ITOs require.
- A plan for how you will respond to bookings, including when and how they will get paid (they expect a response to a booking enquiry within 24 hours - but this should not be a problem if your booking system allows them to log in and make a real-time booking).
- Marketing collateral such as brochures and images. If they operate in a non-English market, then it would be smart to provide collateral in that language.

You should also detail how you will handle complaints. Even though it's not something that comes up often, it will show you have thought everything through and are well-prepared.

How can you form relationships with ITOs?

If you don't know where to find them, then start going to networking events. They can be industry events or trade workshops.

Once you have their details, then give them a sales call every few months. Keep them clued in on any changes you've made to your products. You may want to offer a 'famil' or 'familiarisation visit', where they can test out the product for themselves.

Keeping the relationship strong is another task to factor in. You must be professional and reliable. Always respond quickly when they request information from you and keep true to the deadlines that you promise - especially when it comes to paying them!

CHAPTER 6 - PREPARING FOR DISTRIBUTION

PACKAGING YOUR PRODUCT

*The way you package your product will have
a direct impact on revenue*

Because they're so convenient, packages are a great way to get more bookings. A packaged tour combines elements that would be a hassle to coordinate separately, such as transport, accommodations, meals, attractions, and entertainment, can be bought as one easy package.

Here are some great tips from Destination NSW on the essentials for packaging your tourism product.

1. Pricing

The price of your products should be set 12 months in advance, and it should include all your costs - product development, entry and guide fees, meals, maintenance, and marketing.

If you want to partner with other tour operators (which you totally should), make sure that

- Everyone has a good profit margin.
- You have allowed for unexpected costs.
- You have determined product break-even points.

It would also be smart to ask everyone involved to promote and sell the package.

If you want to reduce your package price, remember not to compromise quality. It should be your last option. Consider other strategies that will make your tours more competitive.



2. Commission

Depending on the market you're targeting, you will need to consider the commission you pay your agents. It differs from 10-30% depending on the type of agent involved.

If your market is overseas, you'll likely be dealing with an inbound tour operator, and they will expect a commission of 25-30%.

3. Legal Implications

Be aware that wholesalers and retail travel agents must

- Provide explicit conditions of sale.
- Be selective with product endorsements.

You don't want to be involved in a customer complaint for your failure to deliver or misleading advertising.

4. Package Promotion

How you distribute your package will determine your success. You should conduct product and package familiarisations for retail agents, wholesalers, and sample target markets.

Packaging for overseas:

Contact distributors who understand international packages and markets. You may not even need to create a package, because the ITO may bundle a range of products, including yours, for a wholesaler. Remember to screen your overseas resellers, too.

Packaging for domestic markets:

It's recommended to start domestic before going international, because it's less expensive and complicated. Target the following groups:

- Clubs and associations members (particularly those that cater to retirees)
- Schools and educational institutions (if your product has educational content, create an excursion package)
- Families (they will want the value for money)

Testing the waters locally will also generally produce faster results.

Remember to include special interest groups and individuals in your marketing - for example, sports, festivals, arts, and 4-wheel drive enthusiasts.



5. Complementary Product Packaging

Partnering with other tour operators who offer complementary products is a smart way to reduce your promotion costs while making your package more appealing.

For example, you can offer

- A range of products from an area to specific niches with related interests.
- A selection of products in a destination where a customer can create a personalised itinerary.

6. Timing

Last, but certainly not least, is timing. When you set your availability, remember to consider your high season and the popular time of year that your target markets come by.

The return on your investment will be gradual, so don't expect an immediate return. Profits can take up to 2-3 years but can be achieved earlier if you get your distribution strategy right.

You can do things to speed up the process, like choose online booking software that allows agents to check your availability and book immediately. Make sure it isn't commission-based so it doesn't eat into your profits.



CHAPTER 7 - PREPARING FOR DISTRIBUTION

BECOMING EXPORT- READY

Your products must be export-ready before
you can start partnering with distributions

Without an “export-ready” product, there’s no way international distributors will even consider reselling your tour or activity.

So how can tour operators export-readify their businesses? Destination NSW provides some excellent information on what’s involved.

1. Identify the gaps

First you have to assess where you are in relation to being export-ready. Are you:

- Established in the domestic market?
- Executing a successful domestic marketing strategy?
- Offering instant online booking confirmation (or at least a 24-hour turnaround time via email)?
- Aware of how your tour product fits into international markets?
- Well-versed on the needs of international markets compared with domestic markets?
- Familiar with the concept of commissions and nett rates?
- Offering commissionable rates to your trade partners (ITOs, OTAs, wholesalers, retail travel agents)?
- Using a quality assurance program to make sure that your tours are consistently delivered at a high standard?

If so, then you’re already there! If not, then keep reading.

2. Plan your approach

It all boils down to your approach when it comes to the following:

Product development

Do your research! Think about where most of your customers are from, look at local market updates for information on emerging inbound markets, and extensively research your potential distributors.

If your product does not satisfy the needs of the international market (pricing or product itself), then you will have to make necessary adjustments to make it more appealing.

Administration

Decide what booking system you'll use, how you'll train your staff to use it, and how you will pay your trade partners.

Booking management with your trade partners can turn into a disorganized nightmare if you don't put in the right systems from the outset.

Marketing plan

Budget for new efforts - like sales calls, trade events & famils, staff training, conferences, and industry association memberships. Decide how international promotions will contribute to your mix of marketing channels.

3. Create collateral

To be export-ready, you need to have 3 pieces of collateral to hand over to trade partners:

Sales kit

How else do you expect your partners to sell for you? This will be used to train their staff, so make sure it looks professional and is very informative.

Include:

- Fact sheets (per product)
- Fact sheets (per type of customer - group travel, conference products, and leisure free independent travel should be separated)
- Brochure
- Map
- Photographs
- Videos

You will want to provide these as hard copies for the meeting and soft copies after the meeting.



Rate sheet

They'll definitely want to see this, because it tells them how much you're willing to pay them for their services.

Remember to

- Offer industry-standard commission (up to 30%).
- Include age groups for child and concession rates.
- Include minimum and maximum numbers for group rates.
- Include seasonal rates at different times of the year.

You'll need separate rate sheets for each type of agent, with nett rates.

Terms of trade

Put a lot of thought into this one, because it tells your distributor how you are prepared to work with them. You need to clearly define both of your roles - who's responsible for what, and when.

Include your:

- Cancellation policy
- Blackout dates
- Payment terms
- Booking deadlines
- Payment details

We strongly recommend that you seek legal counsel before this is finalised.



CHAPTER 8 - PREPARING FOR DISTRIBUTION

GIVING YOUR PARTNERS WHAT THEY NEED

Provide distributors with the resources they need to resell your tours

Besides the obvious goal of making commission when they recommend your business, your Resellers are motivated to run their business efficiently and serve their customers well.

Since they can send a lot of business your way, it's important that Tour Operators help them achieve those goals. Here's what they want and how you can help:

1. To inspire customers

Resellers like Travel Agents and Concierges want to be able to inspire their customers to do something fun with their day by showing them engaging content. This means that based on who their customers are, they'll give them a couple choices that suit their needs. For example, a zoo for a family, or skydiving for young adventurers.

Give it to them:

Tell your Agents who your tour is for, and give them multimedia (photos and/or videos) of that target audience enjoying your tour, so that they can show it to their customers.



2. For customers to have a good time

Since they're recommending your tour or activity, they want to make sure that their customer has nothing short of an amazing time. If they get feedback that the experience was bad, they will probably not recommend you in the future, because it makes them look bad.

Give it to them:

Show your Resellers reviews made by your past customers to back up your claims. Encourage them to share these with their customers. This shows the family or adventurous couple that other people like them enjoyed your tour or activity. Also, if your Reseller receives negative feedback, they will at least see that most of your customers have only good things to say.

3. The ability to book any time

Travel Agents and Concierges want the ease of booking at any time, even if you aren't available. It can be hard trying to get through to you over the phone just to check whether something is available, especially if you're busy and they have a customer waiting on your answer.

Give it to them:

Give your Resellers an easy way to book with you through an automated online booking software. That way you don't even have to take their call - they can easily log in to check availability and lock in a booking.

4. Good commission tracking

Travel Agents and Concierges want to know that they're getting paid the correct amount for the job they're doing. After all, they're sending bookings straight to your door.

Give it to them:

You should have a Reseller reporting capability as part of your booking management process. It should be available with your online booking software so that everything is noted in black and white. That way there's no room for human error, and you avoid disputes over commission.



CHAPTER 9 - WORKING WITH YOUR DISTRIBUTION PARTNERS

NETWORKING THROUGH TRADE SHOWS

Going to industry trade shows is a great way to find distribution partners

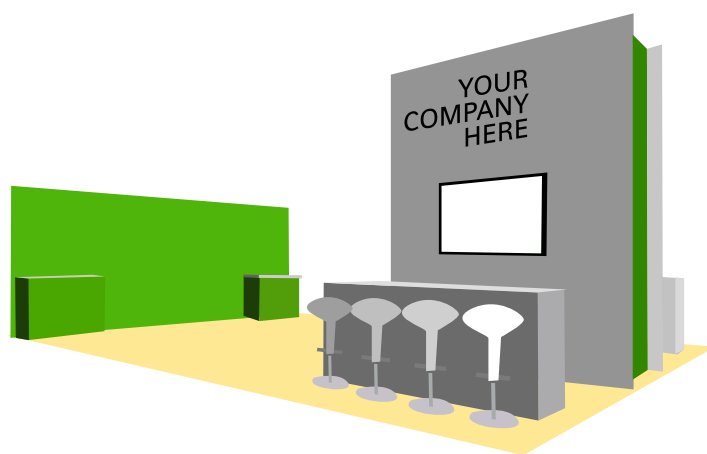
There are heaps of them in the travel and tourism sector, but is it worth your time and money?

The answer is yes - if you know how to get the most out of the experience. Read this quick guide before you attend your next trade show.

1. Decide to attend the trade show

To determine what benefits this trade show will bring your business, ask yourself if there is a networking opportunity. What kind of people do you want to meet? What kind of products and services are interesting to you?

Your goal should be to form relationships that result in new prospects and revenue sources, and also see what your competition is doing. Ask the event organisers who will be in attendance. They should have a brochure available that lists the benefits for you.



Take Australian Tourism Exchange (ATE) as an example. ATE is a business-to-business event which brings together approximately 1700 delegates from 600 tourism businesses with close to 700 wholesalers and retailers from around the world. Australian tourism businesses get to showcase their products and establish business links with organisations that take Australian tourism to the international marketplace.

In their brochure, they explain the benefits for:

- **Tourism Operators:** It's a unique and cost-effective opportunity to present your products and negotiate deals with the most influential and international tourism buyers.
- **International Buyers:** Meet and do business with hundreds of tour operators from around Australia, all in one location.

If you're not sure what events to attend, contact trade associations or your local chamber of commerce. Setting up a stand at one of these events might be too pricey, but it would still be worth coming as a visitor to check out the new developments in your industry.

2. Prepare for the trade show

So you've checked it out and decided to go. Now it's time to get organised. Figure out:

Where you will stay

Sometimes, organisers arrange hotel rooms at a discounted rate. Check whether this is the case. Make reservations early and make sure you're not too far from the trade show.

What you will bring

Obviously, you need to bring a bunch of business cards and even brochures to hand out. Don't be afraid to introduce yourself. You may also want to bring along employees that would benefit from the event.

Who you will meet

Prior to the event, contact prospects and potential partners and set up an appointment.

What you will attend

There are usually multiple things going on at once, so have a look at the event guide and decide what panels and seminars will be the best use of your time.

How you will measure success

An important element that is often overlooked is the criteria to measure trade show success. Create a list of **SMART** goals that you want to achieve through your attendance:

- **Specific.** Target a specific area for improvement.
Example: Generate sales from contacts made at the trade show. The event is B2B so it is unlikely that we will meet consumers. We expect sales to come from being listed on a new partner's website (travel agencies, tour or activity resellers).
- **Measurable.** Quantify or at least suggest an indicator of progress.
Example: X number of listings gained as a result of networking.
- **Assignable.** Specify who will do it.
Example: People from our company attending the trade show.

- **Realistic.** State what results can realistically be achieved, given available resources.

Example: X sales per month per partner listing.

- **Time-related.** Specify when the result(s) can be achieved.

Example: X partner listings within 3 months, generating X amount of sales.

It's also useful to ask yourself what it would have cost you to achieve the same results without attending the trade show.

3. Follow-up with your contacts

If you have a lot of leads, you should sort them into a list based on urgency (cold, warm, hot) so you know who to chase up first.

Send them a personalised email, thanking them for connecting with you, and keep in touch with them to achieve your goal. If someone else is following up on your behalf, let them know the name of the person.

Remember to list the benefits for working with your business (you're fully insured, you have great testimonials to share, you have online booking software that automates the commission process, etc). Then be patient, because these things take time.

CHAPTER 10 - WORKING WITH YOUR DISTRIBUTION PARTNERS

WHAT TO LOOK FOR IN YOUR INTERNATIONAL PARTNERS

Don't just partner with anyone - look into who you are working with

Partnering with agents overseas is one of the best distribution strategies you can deploy for your tour or activity business.

After all, they can put you in touch with travelers that you wouldn't be able to reach otherwise.

In the agent-supplier relationship, the agent represents you in their destination and market.

Refer to the table below to see the types of agents you can work with for international distribution:

	Domestic Distribution	International Distribution
Retail travel agents	✓	✓
Domestic wholesalers	✓	
Overseas wholesalers		✓
Online travel sites	✓	✓
Inbound Tour Operators		✓

You will generally pay them based on the commission of sales they can make for you. The agent will send you bookings made by their customers, and you're responsible for delivery.

You have total control over pricing, however the agent may give some advice on how to price it for their local market. You may give an agent the exclusive right to represent you in a destination or market. Otherwise, they can be one of many doing so.

Here are the key qualities that tour operators should look for when selecting overseas agents to work with.

1. Financial stability

In an overseas market, you want to tread carefully. It would be a good idea to fly over and meet your potential partner where they are to get to know them and assess how reputable their business is.



Screening questions:

- What is your history working with tour operators like me?
- What are your financial resources and credit rating?

Do your homework. Look at more than 1 agent (perhaps even 5), and be sure to ask for references. You may even want to use a professional credit-checking agency to check that they are financially stable.

2. Relevant experience

Another factor to consider is what experience they have in your sector.

Screening questions:

- What experience do you have selling similar tours and activities?
- What are your marketing and service strengths?

It wouldn't make sense to partner with an agent who has never sold your type of tour or activity because there is no demand from their customer base. For example, if their customer base are senior citizens, don't partner with them to sell your skydiving trips.

3. Management skills

How well your agent is able to manage their business is a good indicator of professionalism.

Screening questions:

- How long have you been an agent?
- What achievements have you had with other partners?

Steer clear of disorganised agents with nothing to show for in terms of their successes. Reviews from reputable sources should be enough.

4. Adequate resources

Your agent has to be able to service you as well as their customers - and do it well.

Screening questions:

- What is the size of your business?
- What systems do you use?

You need to think about whether they have the resources they need to make this a successful business relationship.

If your business is using online booking software, will your agent be able to refer bookings through it? Or are they stuck using another system - or worse, still doing everything manually? You don't want to be stuck doing more work by manually processing their bookings. Your agent should be able to log in for free and send you bookings without any manual intervention.

5. Product mix

Tour operators should also consider how their business fits into the agent's overall product/service mix.

Screening questions:

- What do you like about my tour or activity?
- Do you represent any of my competitors?
- What are your sales projections for my products and why?

How well they are able to answer these questions will show you how interested they are in your business. It will prove they have put some genuine thought into it.



6. Sales capability

Determine whether the policies they have in place will make their sales staff motivated to sell your tour or activity.

Screening questions:

- What incentives do you have for your staff?
- How do you train your staff on the products they sell?

Their sales team is the key to getting more online bookings, so find out whether they are ready to sell for you.

7. Promotional expertise

How they market to their customers will also impact their ability to send bookings your way.

Screening questions:

- How do you split up your marketing budget?
- Who are your network contacts?

Your agent should be able to describe what return they have received from each of their marketing investments.

What to include in your agent-supplier agreement:

So if you know who you want to go with, here is what you need to include in your contract...

- Product range they are selling for you (eg. day tours only)
- What you will provide them to help
(ie. price list, printed brochures, anything else)
- What market they are selling your products to (ie. what locale)
- How you will deliver your tour or activity (eg. is hotel pickup included?)
- How online bookings will be managed
(eg. through your online booking system)
- How reporting will be managed (ie. monthly reports, quarterly reports,
and what content will be in each)
- How you will work together to deal with major issues (eg. customer issues)

Once you have picked your agent, congrats! Be sure to give them what they need to be successful.

CHAPTER 11 - WORKING WITH YOUR DISTRIBUTION PARTNERS

SETTING COMMISSION WITH PARTNERS

Pay your distributors according to the industry standard

While you've set your prices and your tours have been running great, once in a while it's good to take a step back and reassess your commission rates for your partners.

Getting your rates right

Are your rates set in a way that maintains the best yield and maximises profit? There are two rates in question:

Retail rate

This is what customers pay, and it should be consistent across your distribution network. But as a small business - especially if you're a new one - it's easy to undercharge for your tours.

This might be because you're not sure what customers are willing to pay for your tour, or they won't value it, and so you won't be able to attract enough new ones to cover your costs.

It's tricky to figure out, especially because you're essentially selling an experience. Make sure you've considered your operating costs, profit margin, and distribution network costs.

Nett rate

This is what your distributors will see to add their commission. It's the minimum amount you can sell your tour for while still making a profit.

No matter how important your distributor is, don't sacrifice your profit for their commission. For the right nett rate, add your operation costs to the profit margin you want to make per sale.

Quoting your rates

While customers will always get quoted the retail rate for your tours, distributors get a different rate depending on who they are. But setting commission rates can be tricky. How can you set it in such a way that they are motivated to sell your tours, but it doesn't leave you at a loss?

What's the industry standard for tourism products?



1. Retail travel agents

Visitor information centres and traditional travel agents fall into this category. They will sell travel services directly to customers and book and purchase all elements of the holiday on their behalf. You probably won't deal with them directly, but will deal with a tour wholesaler or inbound tour operator.

Standard commission rate: 10%-20% of retail price.

2. Tour wholesalers

Tour wholesalers never sell directly to consumers. Instead, they link individual tourism operators with retailers, supplying touring options that include travel, accommodation, and tours.

They promote tour programs that they think will appeal to certain markets, targeting both consumers and retail travel agents in their advertising campaigns. Every wholesaler has a different price for operators to participate in their programs.

Standard commission rate: 25%-30% of retail price.

3. Inbound tour operators (ITOs)

Inbound tour operators are based in your country, and they develop programs for distribution through overseas travel distributors. They link local tourism products with the overseas travel distributors that buy them (which can be travel wholesalers, direct sellers, travel agents, meeting planners and event planners).

ITOs typically have packages tailored to the individual's interest. For example, volunteering could be one such tailored tourism package. They create an itinerary that includes accommodation, tours, transport, and meals - coordinating the booking confirmation and payment of travel arrangements on behalf of their clients.

Standard commission rate: 25%-30% of retail price.

NOTE: You don't need to pay commission to each of these distributors separately - if you use an ITO and the commission is 30%, they will then pass 10% on to the wholesaler and 10% on to the retail agent.

Is there a formula tour operators can use to calculate commission rates?

Yes! SmallBusiness WA have provided a great formula that you can use.

Commission level	Net rate of product	To calculate gross rate divide the net rate by...	Gross rate third parties will sell tour for
10%	Example: \$180	0.90	\$200
15%	Example: \$180	0.85	\$212
20%	Example: \$180	0.80	\$225
25%	Example: \$180	0.75	\$240
30%	Example: \$180	0.70	\$257

You may also want to offer additional "over-ride" commission to encourage sales, which is generally 2-3% on top of existing commission rates.

Each rate is for the tourism year (1 April to 31 March), but it's wise to plan rates 18 months in advance so that your distributors can sell way ahead of time.

Avoiding rookie mistakes

There are a few commission rate mistakes that you should avoid:

- Giving the same commission rate to different types of agents
- Giving only a 5% difference of commission between different types of agents
- Giving last minute bookings from online travel sites better rates than agents
- Having different domestic and international distribution rates

Distributors expect you to understand the industry standards for agent commission.

Paying your distributors

A big part of having a successful relationship with your distributors is how you will manage bookings on an ongoing basis.

Without an automated booking system, you're going to be stuck with more administrative work that could easily be avoided.

What can tour operators do to simplify agent booking management?

Once you have your rates sorted, you need a good way of accepting these bookings that are being sent to you through your agents.

You don't want to be creating more work for yourself. If you already use an automated tour booking system, it should allow agents to log in for free and send you bookings - all while calculating the appropriate commission that they will be paid.

Not only is it easier for you, but your agents will love it too.

If you don't yet have this capability and are interested in learning more about how it works, take an obligation-free trial of Rezdy. You can set it up see it in action on the same day.

DOES YOUR ONLINE BOOKING SYSTEM SUPPORT CHANNEL MANAGEMENT?

Make sure that your booking system allows you to manage your distribution channels efficiently, so that you and your agents don't waste time on making bookings and paying commissions. Invite your agents on your Rezdy free trial to see how well it works for your business. Rezdy is always free for your agents.



GROW YOUR BUSINESS WITH REZDY TODAY

[SIGN UP](#)