



DISTRIBUTION

Find out what online distributions are and the many channels that are available to you

INTRODUCTION

The Tourism e-kit is an initiative of the National Online Strategy Committee and is funded by the Australian State & Territory Tourism Offices. This tutorial has been produced by the Australian Tourism Data Warehouse as part of the complete online education program – Tourism e-kit.

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ONLINE DISTRIBUTION 101

Reading Time: 40 Minutes

Prerequisite: N/A

Getting a handle on tourism distribution, commissions and channel managers can be a bit daunting, but once you read this tutorial it will become easier.

1) GETTING STARTED: WORKING OUT MY CURRENT BOOKINGS

To work out which distribution options make sense for your business, you will need to understand where your current bookings come from and how much they are costing you. When you have finished this exercise you will have a clear idea about how much revenue each distribution channel is generating. You can then use this information to focus your efforts and evaluate new distribution channels.

A) STEP 1: ORIGIN OF THE BOOKING

Over a typical medium to high sales month, record the details of each booking you take in a notebook or spreadsheet. You will need to calculate how much each type of distribution channel is costing you and ask your customers how they reached you. For each booking over your chosen month, record:

- Where your guest physically made the booking

For instance: on the phone with you, phone call to a travel agent, or online booking through a distributor such as Roamfree or Wotif.

- The postcode (or country) of the your guest
- The dollar value of the booking
- Any commission you had to pay for this booking.

B) STEP 2: DISTRIBUTION CHANNELS

Make a list of all the distribution channels your business is currently using and write down what commission or fee you are paying for the service.

For example:

- Online distributor A: x% commission
- My own online booking system: x%
- Local visitor information centre x%
- X & Y travel agent x%

C) STEP 3: MAKING SENSE OF THE NUMBERS

At the end of your chosen month, you can now combine the two lists you made above.

Create a new document, using one line per every distribution channel you listed in Step 2 (see next page for example). On each line include the following:

- Name of the distribution channel (e.g. Total Travel, Wotif, Visitor information centre)
- Total number of bookings during that month from that channel
- Net value of the bookings that are directly attributable to that channel; that is total sales revenues minus any commissions payable. We have called this "Income" in the example below
- Total fixed costs (FC) for each distribution channel, such as set up fee, participation fees, and membership fees that you averaged per month
- Total variable costs (VC) which are the total of the commissions paid for the month on the bookings made using this distribution channel
- Calculate the total cost of selling your product ("total cost to market") by adding your fixed costs for the month (FC) and your variable costs for the month (VC)
- Finally, divide the total cost to market by the number of bookings to work out the cost to market for each booking from that distribution channel
- Repeat this exercise for every single one of your distributors to identify which of these gives you the most business and what their fees and charges are.

Example

The table below shows an example motel's bookings from two distribution channels:

- 3 bookings with online distributor A at \$200 each including 10% commission
- 10 bookings at your local VIC at \$300 each including 3.5% commission

Distribution channel	Number of bookings	Income for the month (less	Fixed costs (averaged per month) (FC)	Variable costs (VC)	Total cost to market (FC + VC)	Cost to market per booking (Cost to market / Number of bookings)
Online distributor A	3	\$540	\$40 ¹⁾	\$60 (10%)	\$100	\$33.30
Local Visitor Information Centre	10	\$2,895	\$50 ²⁾	\$105 (3.5%)	\$155	\$15.50

1) Membership fee is \$480 per year

2) Membership fee is \$600 per year

D) ANALYSING THE RESULTS

In the example above, although the online distributor's commission is 10%, the cost of a \$200 booking is slightly higher (\$33.30 instead of \$20 for VC) when other fixed costs are considered. On the other hand, while the local visitor information centre has higher fixed costs, it generates far more bookings at a lower commission, giving it a much lower total cost per booking (\$15.50)

Looking at your own sales and cost figures in this way, you can work out the value of each distributor by understanding:

- how much business each distributor generates for you per month
- what the average cost to market per booking is for each distributor

IT IS WORTH REMEMBERING THAT THE COST TO MARKET OF EACH DISTRIBUTOR SHOULD NOT BE THE ONLY CRITERIA BY WHICH YOU JUDGE DISTRIBUTORS.

In the example above, for instance, the online distributor and the local visitor information centre have very different target markets. The increased exposure to new demographics through the online distributor may provide the motel owner with long-term business opportunities that are worth the comparatively higher short term cost.

2) TRADITIONAL VS. ONLINE DISTRIBUTION

Distribution means making sure that your product or service information reaches consumers. It is not a tourism-specific concept; all goods regardless of their origin require distribution to their target market.

In recent years, the Internet has further redefined the distribution of travel products. The industry now talks about online distribution (which requires the use of the Internet) and **traditional distribution** (which doesn't require the use of the Internet).

A) NOT ALL DISTRIBUTORS ARE EQUAL

Consumers generally expect to pay less if they buy products directly from the producer rather than through a retailer. For instance, most consumers expect apples will be cheapest at the farm gate, a little dearer at a supermarket chain that buys in bulk and a little dearer again at a local shop.

And while consumers' expectations of tourism product shouldn't be any different, travellers can become upset if they pay more for a room buying it at place A instead of place B.

B) WHAT ARE DISTRIBUTION CHANNELS?

You may have heard the term distribution channel. A channel is simply a mechanism by which your product reaches the consumer.



There are many different types of distribution channels available; you can use as few or as many as you like. To make an informed decision however it is important that you understand what distribution channels your target markets are using.

There are several different types of distribution channels; these include:

- Cooperative marketing initiatives
- Regional tourism brochures or travel planners
- Visitor Information Centres
- Online via regional, state or commercial websites
- Direct to you either via a website, email, phone or walk-ins.
- Retailers, travel agents or booking agents
- Wholesalers
- Inbound tour operators

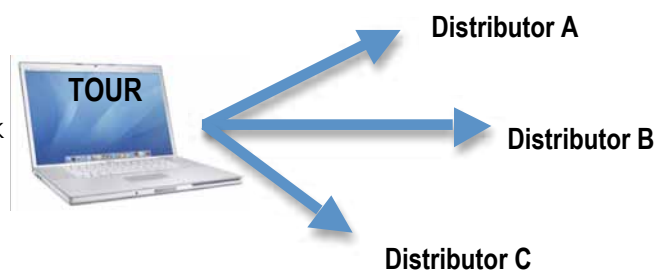
You may now want to return to your list that you compiled above and add a few distribution channels that you may have forgotten.

3) SO WHAT IS ONLINE DISTRIBUTION?

Traditional and online distribution channels are converging. Consumers are using the Internet more and more to access information and book tourism products. They may research online and book offline, or vice versa. Either way, **the use of the Internet to research and book holidays is growing every day**. Therefore your online presence needs to be broad, professional and engaging.

There are several options available to distribute your products online.

First of all, we should point out that this tutorial will not talk about your own website as an online distribution channel but will focus on using third-party online distributors to distribute your “live” inventory.



ONLINE DISTRIBUTORS ARE TOURISM ENTITIES OR BUSINESSES WHOSE OBJECTIVE IS TO REPRESENT MANY INDIVIDUAL TOURISM BUSINESSES ON THEIR WEBSITE, SHOP FRONTS, AND/OR DATABASE.

They will present them to the travel consumer who will be able to:

- see the real-time availability of each tourism product
- book online directly on the distributor website.

There are many online distributors available to Australian tourism operators, and the Tourism Exchange Australia allows you to easily distribute your product through them provided you have a compatible online booking system.

Because in most cases online distributors have a broader online presence than your own website, they often list higher than you on search engine rankings for the main “blockbuster” keywords such as “accommodation Gold Coast” for instance. It is therefore important to ensure that your product is available to be booked via the key online distributors for your target market.

A) WEBSITE DISTRIBUTORS

These are the online distributors you are generally most familiar with. They have a website and present tourism product in a variety of consumer experience pathways that ultimately result in the consumer being able to buy your tourism product online.

E.g. Lastminute.com, Neditnow.com, Totaltravel.com, and About-Australia.com

B) SHOP FRONT DISTRIBUTORS

These are perhaps not as well known as online distributors but are extremely valuable in the selling of your tourism products on the global market. They are every bit as sophisticated as the website distributors in collecting your inventory availability and selling it in real time, but the technology facilitates the screen of a consultant who then uses this information to assist a consumer who is in their shop.

E.g. Kangaroo Island visitor information.

C) WHOLESAL AND INBOUND DISTRIBUTORS

These distributors have been an important part of the tourism industry for a long time and in the age of digital marketing they still play an important part in potentially delivering customers to your business. Many wholesalers now have the technology to receive your inventory, availability and booking capability in real time and can then pass this onto other retail travel agents, website distributors and in some cases even other wholesalers or inbound tour operators.

E.g. DiscoverWest Holidays.

4) KEY TERMS AND CONCEPTS IN ONLINE DISTRIBUTION

Below is a list of key terms you will need to understand before selecting one or more online distributors.

A) ALLOCATION (ALLOTMENTS) VERSUS REAL TIME INVENTORY

Understanding this difference is vital to selecting the right online distributors for your products and to getting the maximum return for your business.

- Allocation is where you give or allocate a distributor or wholesaler a **limited number of your inventory at set time intervals**.

For example you may have 10 rooms and allocate 2 rooms to a distributor and then update this once every day. In doing this you hand over the ability to sell that stock to the wholesaler or distributor. They can sell it at a particular price and agreed commission.

- Real time inventory is where you give a distributor access to all of your 10 rooms all of the time, and availability is updated automatically.

If you sell 1 room on your own website via your own online booking system, the distributors will be automatically notified that there are now only 9 rooms left for sale.

Generally speaking allocating inventory results in you only being able to use a small number of distributors and a large amount of manual work for you. This traditionally has worked well for large hotels and tour companies who could allot 20 rooms here and 20 rooms there. The issue for them has become the time required to manage these allotments, taking back stock in busy periods and moving it around. For the small operators with small businesses this is particularly difficult.

REAL TIME INVENTORY MEANS YOU CAN USE AS MANY DISTRIBUTORS AS YOU LIKE AND MOST OF THE WORK IS AUTOMATED.

For those of you who wish to expose your business online, allotting room stock to a large distributor may still prove to be beneficial. For others, real time inventory is a better solution as it involves less manual work and minimises the risk of overbooking.

B) PAYMENT METHODS

Most online distributors fall into two payment types:

Direct payment:	This is where the consumer pays you (as the business supplying the product) the cost of the product and you in turn then pay the online distributor their distribution commission.
On-Account:	This is where the consumer pays the online distributor who then in turn pays you the funds less their distribution commission, which they retain.

C) DISTRIBUTION COMMISSION

This is the fee a third party charges for bringing the consumer to your product. This third party may be a travel agent, wholesaler or inbound tour operator.

This is generally a percentage of the booking value but may also be a flat fee.

YOU WILL ONLY PAY COMMISSION WHEN A SALE IS MADE.

It is equally important to note that you will not pay commission on all of your bookings, those consumers that come direct to you will not incur any commission. Therefore you need to understand where your business is coming from to accurately price your product.

How much commission will I be paying?

That depends on the source of the booking. As a guide you can expect to pay anything between 10 and 30; 10% for retail agents; 20% for wholesalers; and 30% for inbound tour operator working on behalf of the international travel trade.

When pricing your tourism product, make sure to include your commission in your retail rate and not to add it on.

What do I get for my commission?

Third parties who will distribute your product will promote and sell it using different channels. They are your link to the consumer who hasn't reached you directly.

For example a wholesaler will normally provide the following services:

- Product development
- Brochure production and distribution of brochure to consumers through travel agents
- Advertising to visitors and travel agents
- Travel agents training
- A point of sale (e.g. travel agency), in-store merchandising, and window displays
- Invoicing and collection of participation fees.

D) DISTRIBUTOR'S TERMS AND CONDITIONS

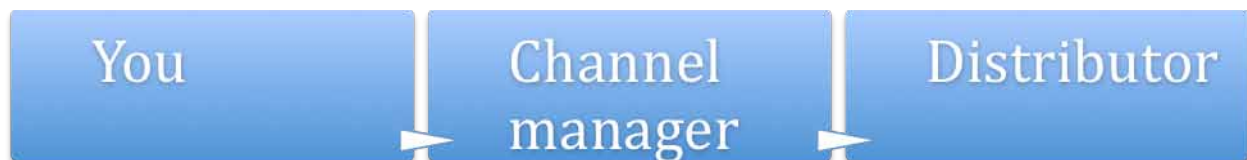
These are the contractual terms between the distributor and your business under which that online distributor will sell your product.

E) MERCHANT

This is the party that takes the consumer's money.

F) YIELD

This is the amount of money after distribution commissions are paid that you want to receive for a given product you have for sale.



G) CHANNEL MANAGERS

Channel managers act as a go-between for you and the distributor and manage your inventory via multiple distributors for a relatively low fee. They are a "behind the scenes" tool used by the tourism business to manage inventory on the third party websites and/or their own website.

A CUSTOMER CANNOT BOOK ON A CHANNEL MANAGER BUT BOOKINGS TAKE PLACE ON THE DISTRIBUTOR'S WEBSITE.

Advantages of using channel managers

Using channel managers can expose your business to many distributors at the same time, even if you have a small number of rooms or tours available.

An effective channel manager will save you time and hassles by decreasing labour costs and increasing productivity and profits. It will also allow you to increase your online exposure by being listed with more online websites.

Choosing a channel manager

There is a vast range of prices which generally depend on the number of rooms a property has. Each channel manager charges differently with or without a lock-in contract. You should look for a channel manager that is cost effective and should question lock-in contracts.

Be cautious of channel managers that charge commissions based on “per booking made” as these can add up very quickly and you may think it is cheaper but in long run they can be more costly depending on the number of bookings that go through the channel manager.

Apart from assessing costs and target market, you should also look at the number of channels that the company can offer you both domestically and internationally.

Examples of channel managers that you may want to utilise are:

- SiteMinder (www.siteminder.com.au)
- Levar (www.levardistributionsystems.com.au)
- RoamFree Advanced (www.roamfreeadvanced.com.au)
- Ezyield (www.ezyield.com)
- ChannelDirect (www.travelclick.net/reservation-solutions/channel-direct/index.cfm)
- Allotz (www.allotz.com)
- Ezyrates (www.ezyrates.com)

5) RELATED MATERIAL

A) RELATED TUTORIALS

- Online distribution advanced
- Tourism Exchange Australia
- Online booking systems: 101
- Online booking systems: advanced

B) RELATED WEBSITES

www.atdw.com.au/tourism_exchange

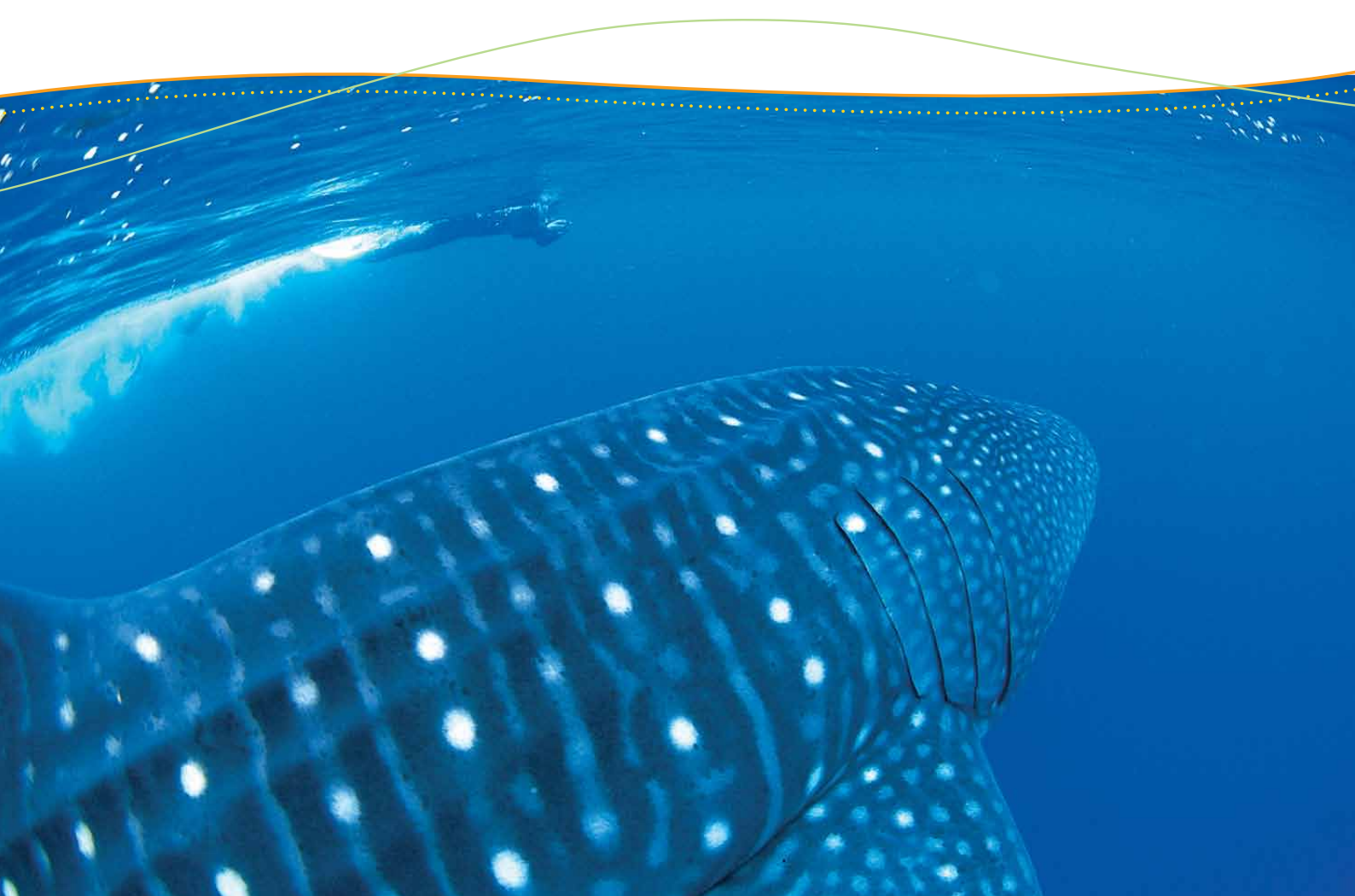


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ONLINE DISTRIBUTION ADVANCED

Reading Time: 20 Minutes

Prerequisite: Online distribution 101

In this advanced tutorial you will learn how to select an online distributor. You will also be provided with information on cost and equipment required.

1) HOW DO I SELECT AN APPROPRIATE ONLINE DISTRIBUTOR?

The selection of appropriate online distributors is fundamentally different for those businesses that have an online booking system and those that don't. If you do not have an online booking system you will have to manually allocate your product between various distribution websites or use a channel manager.

A) INTEGRATING WITH THE TXA (TOURISM EXCHANGE AUSTRALIA)

If you have an online booking system that doesn't integrate with the TXA you are also missing out on being able to utilise a large number of online distributors.

On the other hand if you do have the appropriate online booking system, you are in the position of being able to use all available online distributors.

This section will present the selection process for businesses that have an online booking system which is connected to TXA.

2) ACCESSING IMPORTANT DETAILS

First of all you need to view your options. All online booking systems connected to the TXA are able to share a list with you which will display:

- The business details of the online distributors who can distribute your product
- The distributor's terms and conditions
- The distributor's commission

Generally speaking, if you have an online booking system that can present real time inventory, all online distributors are potential resellers of your product. Provided your online booking system has the capability to present variable prices to different online distributors based on their distribution commission this will ensure your desired yield is maintained.

If your online booking system does not have this capability it is recommended you look at changing it or you will need to ascertain the yield you are seeking and only select those online distributors that charge no more than the level of distribution commission that results in your set yield being achieved.

What to look for in a potential online distribution partner:

A) BUSINESS DETAILS

The primary features to look for in an online distributor's business details are:

- The number of unique visitors that visit the online distributor's website or shopfront. Generally speaking, the higher the number of unique visitors the better value the distributor will be to your business.
- The geographical spread of the online distributor. If a distributor does not feature the tourism area you are located in or only does so in a superficial way, then this online distributor will be of less value than an online distributor that specialises in your tourism area.
- Niche market: If your product is suited to particular niche markets e.g. a wilderness lodge that appeals to environmentally conscious travellers, then look at whether the appeal of the online distributor fits with your niche market.

B) DISTRIBUTION COMMISSION

If your online booking system has the capability to present different prices to different online distributors then you can work with any distribution commission, as you simply need to alter your product price to ensure your yield is maintained.

C) PAYMENT METHOD

Whilst both types of payment methods are acceptable (direct payment and on account), they have differing positives and negatives. Depending on the priorities of your business, one form will be more attractive than the other.

Payment Method	Positives	Negatives
Direct Payment	Your business receives the customer's funds directly to your bank account on booking	You are required to deal with the customer's changes, cancellations and refunds You will need to manage the payment of the distributor's commission to the distributor
On Account	The online distributor is required to deal with the customer's changes, cancellations and refunds	The online distributor receives the Consumer's money and you must wait for the online distributor to pay you depending on their individual payment terms

D) ONLINE PAYMENTS SECURITY

Most online distributors will detail if their system has an SSL certificate. An SSL certificate is an electronic key that will ensure the online transaction is secure. If you have any doubt as to whether the online distributor has an SSL certificate, then do not use that online distributor. We strongly recommend you discuss SSL and security with your online booking system vendor.

E) WHAT BEST SUITS MY BUSINESS?

Whilst the above points will give you a guide to selecting online distributors, you should always undertake the following steps:

- Assess your business needs. Every tourism operator is different and different online distributors offer different options.
- Then talk to your peers, regional tourism organisation, and local visitor information centre. Find out what online distributors they are using and which ones they recommend.

3) WHAT EQUIPMENT SUPPORT DO I NEED?

To participate in online distribution you should not need to invest in any additional hardware other than the one you use for your online booking system. If you do not have an online booking system you will need to select one. The online distributors should either be manageable from your computer or, better, online directly. Your online booking system should also have an online merchant account which will allow you to transfer the money securely from the online booking into your bank account. Discuss the different types of online merchant accounts with your bank.

4) HOW MUCH WILL IT COST

What is important to understand here is that being listed on an online distributor's website is a good thing because it will bring you business that you otherwise wouldn't be able to attract. The people that arrived on the online distributor's website probably didn't know about you and probably hadn't found your website.

The cost of having your inventory available for sale on an online distributor varies according to the online distributor. There are generally three types of potential costs associated with an online distributor:

Listing fee:	Cost to be listed on the online distributor's site. It could either be a fixed monthly or annual listing fee.
Booking commission:	A percentage of the value of the transaction (commission).
Booking fee:	A fixed fee charged by the online distributor for providing the booking or a combination of all three.

It is recommended you take into account all of the different types of costs as outlined in the distributor terms and conditions. Then either adjust in your online booking system the price you set for your products for that online distributor and hence achieve your desired yield.

If you have an online booking system which does not allow you to set different prices for different online distributors you will need to decide to opt in to that online distributor if you are satisfied with the yield or not opt in if the yield is too low.

5) WILL IT BRING ME EXTRA BUSINESS?

Online distributors need to be considered as an essential marketing tool for any tourism business. Online distributors will increase the chances for bookings since you have made it easier for the consumer to find and book you. An online distributor won't bring you bookings all the time. However this does not mean that this particular online distributor is of no value. You should remember that every listing on an online distributor is another advertising medium and often consumers will see your product on an online distributor and then book via another online distributor or even on your own website (provided it has Online Booking capability).

A) HOW DO I GET THE BEST VALUE?

To gain maximum benefit out of online distributors it is helpful to have a real time online booking system that has the capability of having a different price for each online distributor. Having this means all online distributors represent a potential additional sale and no matter what the cost of that online distributor; you can achieve your desired yield.

6) HOW DO I PRICE MY PRODUCT?

In order to price your product you need to identify your fixed and variable costs and your average commission, you also need to establish your profit margin. Your rate should be a combination of all of the above, it needs to be sustainable and it needs to suit the target market.

If you haven't yet done so refer to the Distribution 101 tutorial and do the exercises at the beginning of the tutorial.





















A) WHAT IS THE DIFFERENCE BETWEEN A NET, GROSS AND RACK RATES?

Nett rate:	A rate excluding commission (but it usually includes GST).
Gross rate:	The total rate including GST and commission.
Rack rate:	A publicly listed rate and it's usually the highest rate.






7) WHAT ONLINE TOOLS SHOULD I CONSIDER FOR MY BUSINESS?

To help you with taking steps in the online space and selecting the right options to distribute your inventory online we have set up the below diagram. Historically the bigger your business the more options you had. Technology has advanced and enabled the much wider distribution of product even for the smallest business.

Business Size (number of rooms, tours available for sale)	Direct via manual system. Email request via a website, traditional methods.	Allotment to Wholesaler etc	Channel Manager	Online Booking System – single channel ¹⁾	Online Booking System – Multi channel
1-5					
6-10					
11-30					
30+					

1) Online booking single channel means that you only make your inventory available in one place: either your website, on online distributor A's website, or your local visitor information centre.

-  The “sad” face indicates you should consider this option carefully, for small businesses giving allotments to a wholesaler may limit your ability to receive direct bookings, unless of course the wholesaler gives you significant business. For larger businesses the single-channelled online booking system may be an administrative overhead.
-  The “neutral” face indicates that this is a distribution channel worth considering to see if it suits your business. For small businesses ensure that the “duplicate” booking issue is easily resolved by a channel manager, also consider the single channel online booking option only if you receive most of your bookings through one channel.
-  The “happy” face means that this method of distribution is worth investigating.

8) RELATED MATERIAL

A) RELATED TUTORIALS

- Online distribution 101
- Tourism Exchange Australia
- Online booking systems: 101
- Online booking systems: advanced
- Security and backups