

TOURISM READY CHECKLIST



Pacific Islands
Trade & Invest

TOURISM READY CHECKLIST

1. DO YOU UNDERSTAND THE IMPORTANCE OF CONDUCTING MARKET RESEARCH?

Acknowledging the fact that market research is important is a good starting point as it is critical in gaining insight into the current trends of the market and most importantly your customers

Remember to regularly review your research as key information about the market and your customers may change. Keeping up to date with your customer's needs and wants will give you the competitive advantage.

Without conducting market research and thus not fully understanding your customers, you won't have the knowledge to successfully tailor your products and market them appropriately.

The mass tourism market comprises people from diverse backgrounds with varied interests, tastes and priorities. This larger market must be reduced into smaller, more specific target markets to identify customers who are likely to be interested in particular products. Segmentation of customer characteristics allows suppliers to effectively tailor their products, their marketing and their promotions to attract new and repeat business.

GENERALLY, TARGET MARKETING INVOLVES:

- analysing your business by the types of visitors who are most likely to enjoy your product
- identifying existing and potential markets within the larger mass market
- evaluating existing and potential markets in terms of size, disposable income, potential growth, wants and needs
- customising products and/or services to suit the interests and needs of the identified market segments
- selecting methods of promotion that reach and appeal to target markets
- ensuring there is an effective method of promotion distribution

If you are embarking on a new business venture, your product must meet the needs and expectations of potential customers. It is important to thoroughly research the leisure interests, spending habits and travel patterns of your potential customers. Without an existing customer base this can be difficult. However, useful information can be obtained by investigating the operations and the clientele of similar businesses in your area.

TRY TO FIND OUT:

THE MARKETS MOST SUITED TO YOUR PRODUCT

Try to include customer characteristics, such as age, socioeconomic background, lifestyle choices and personal values.

THE ORIGIN OF THESE MARKETS

Find out a customer's place of origin (country, state or town) so you can target your promotions. These details can easily be recorded by noting postcodes or country of origin within the survey or at the time of sale.

CUSTOMER TRAVEL STYLE

The way you tailor, package and promote your product is influenced by whether your market travels independently, with friends or family members, or in a tour group. All these forms of travel have different product preferences, time and cost limitations.

CUSTOMER BUDGETS

A customer's travel expenditure priorities, disposable income and perceptions on value for money are important considerations when pricing your product or package.

CUSTOMER TRANSPORT CHOICES

If you are thinking about packaging your product, consider working with a transport operator. Knowing the popular transport modes used by your customers can indicate which operator will be your most profitable package partner.

HOW BEST TO WORK COOPERATIVELY

Many visitors will not travel to a particular location simply to visit one attraction, but can be lured to the area if there is a collection of activities available. Working in cooperation with other local operators to create a package for your region can make your product more enticing.

CUSTOMER SATISFACTION

Surveying customer perceptions of your product provides information that can be used to improve product quality and/or eliminate unpopular or unprofitable products. Provide an opportunity on your website for customer feedback and regularly check travel review sites, such as www.tripadvisor.com, to ensure your product is represented in the best way possible.

YOUR UNIQUE SELLING POINTS (USP)

The most appealing aspect/s of your product, as indicated by your customers, can influence the focus of your promotional material.

EFFECTIVE PROMOTIONAL TOOLS

Carefully appraise content regularly read by your target market. Test the effectiveness of your current distribution methods by asking customers where they heard about your product.

EXTENT OF REPEAT VISITATION

Knowing what proportion of customers currently return, or intend to return, can influence product development decisions and promotions strategy.

Spending habits and priorities for customers change regularly. Stay in touch. Consider how these changes can affect your business and adapt to meet the current trends.

Repeat business is an important source of income. To ensure satisfactory levels of return business, operators must ensure customers are happy with product quality and that their business profile and reputation does not diminish.

DIRECT MARKETING

- to existing customers is a cost effective means of achieving repeat business
- to potential customers can expand your customer base

DIRECT OR ELECTRONIC MAIL

- can increase sales through special offers or discounts
- can remind former customers of your operation.
- can generate goodwill and customer loyalty
- can improve product awareness

SOME DIRECT MAIL SUGGESTIONS INCLUDE:

- sending a birthday/anniversary/Christmas card to previous customers, enclosing a special offer, discount or giveaway to celebrate the event
- sending regular newsletters to customers highlighting your latest products or any special offers available

To compile a direct mailing list, use customer information (addresses, personal details, last date of purchase and frequency of purchase) derived from survey results, competitions, product enquiries and trade shows.

Make sure all the customers on your list have agreed to receive information from you. Alternatively, access the databases of organisations with members identified as your target markets (making sure you strictly adhere to the Privacy laws of those countries).

Accurately defining your target markets, and tightly relating your product to these markets, can simplify product development choices, ensure promotion campaigns are accurately targeted and ultimately generate new and repeat business.

2. What distribution channels have you selected for your products?

You might want to consider using distributors such as wholesalers, ITOs and retail agents. By limiting the distribution channels of your products, you won't be able to reach a large number of customers which essentially means lower sales.

While using distributors can greatly advantage your business, it is recommended that spend time to do some research and find which method is most appropriate and cost-effective for your business.

Remember to regularly review the effectiveness of your selected channels and determine which method is working the best.

Distribution is the variety of channels used to extend the promotion and sales of your product. Distribution channels are the means by which you reach your customers.

Efficient product distribution will facilitate product sales in advance of their actual use. This is particularly valuable if your target markets include international visitors, travelling on a structured prepaid itinerary, or domestic travellers who prefer to confirm their itineraries prior to travelling. Advance sales give you the advantage of being able to plan ahead. Smaller operators usually sell directly to customers, and do not necessarily use distributors to sell their product. If this applies to you, consider that by expanding the number of distribution channels selling your product, you can improve sales and profitability.

The establishment of a business link with distributors does involve some costs. These are usually not upfront costs, instead they are incurred after a sale is made. This is commonly known as a commission and is classified as a distribution cost. The use of a combination of distribution channels to sell your product can contribute to improved bookings and ultimately increased profits.

Distribution channels are dependent on target markets. Your options for distribution include working with distributors, such as wholesalers, or using promotional material and/or a website to spread the word about your product and generate sales.

Analysing which distribution channels will be the most profitable to your business is crucial. Ask yourself:

- How do your target markets currently purchase your type of product and how do you go about establishing a relationship with these distributors?
- What sort of costs will be incurred by using these particular distributors?
- Are these proposed distributors familiar with your product? If not, what are the costs involved in developing product familiarity?
- Are these proposed distributors enthusiastic about your product? Are they potentially good sales ambassadors?
- Do they handle products provided by your direct competitors?
- What sort of incentive can you offer a distributor to encourage sales of your product, for example, a sales incentive scheme or "over-ride" commission.

As your business grows, the use of distributors, as opposed to direct sales between you and your customers, is often the most cost-effective means of increasing sales. It is also a better option for filling large numbers of beds or seats, or bringing in better patronage during low season periods.

There are three types of traditional distributors that play an important part in servicing customers. These are retail travel agents, wholesalers and ITOs. To work with these partners, your product must be established, well regarded and commissionable.

RETAIL TRAVEL AGENTS (RETAILERS)

Retailers are either based in Australia or overseas and provide customers with an accessible place to book or enquire about travel products. These agents usually provide a shopfront office for customers in shopping centres and local town centres.

WHOLESALEERS

Wholesalers provide retailers with travel packages comprising two or more products supplied by different operators. These packages are put together in brochures, which are then distributed to networks of retail agents for display in their travel agencies. Wholesalers can also sell directly to customers. Wholesalers that provide packages for the inbound market are generally based overseas. There are a few Australian-based wholesalers, however, such as Qantas Holidays, who sell to retail travel agents within Australia.

INBOUND TOUR OPERATORS (ITOS)

ITOs, sometimes referred to as ground operators or destination management companies (DMCs), are Australia-based businesses that negotiate contracts directly with tourism operators on behalf of overseas wholesalers. They are responsible for developing itineraries specifically for international travellers.

ITOs provide a complete, costed travel schedule tour program that is marketed to customers through international wholesalers and travel agents. They usually coordinate itineraries about 12 months in advance, so if this applies to you, you will need to plan ahead. The tourism calendar year is from 1 April-31 March and is linked to the wholesaler's brochure production.

The internet presents some great opportunities for tourism operators to promote their product, but before developing an online presence, consider the following:

- how will your target audience find you?
- who will provide design advice and programming skills to develop and maintain a website?
- how will you manage the ongoing accuracy and relevancy of your website?
- how will you enhance your presence, including third party online travel providers?

There are three key potential uses for the internet. Each presents significant opportunities; each presents challenges that will need to be addressed.

1. The internet as a marketing tool The internet offers the travel industry opportunities to market destinations, products and services.
2. The internet as an information tool The internet is an excellent tool for travel research, planning and decision-making. If you create a website, it is vital to maintain compelling, up-to-date, accurate and relevant content on it and any other sites that include your business information.
3. The internet as a purchasing tool If you make transaction facilities available on your site, you gain an advantage by providing an additional distribution channel for customers to book or purchase travel product. You must also develop competitive product, pricing, promotional and distribution strategies to meet market needs, and you need to service customers in a timely and professional way.

DIRECT SALES ON THE INTERNET CAN TAKE TWO FORMS:

- transactions on your own website via an online booking system
- allocations to other online sellers such as www.expedia.com, www.wotif.com and www.lastminute.com

Online distribution is less structured than the traditional travel distribution system. Commission levels vary from site to site, depending on how the site is operated. Before establishing a distribution deal with any online partners, research the site, how it operates and how it will promote your product. Also check how information is loaded and updated. Many sites provide you with access to maintain and update your details on the site. While this does provide you with control over information on your product, it can also be very time consuming, especially if you are featured on a number of sites.

To reach your target market and maximise your exposure, consider as part of your marketing plan to link with the websites of major tourism authorities, such as those managed by your local visitor information centre, regional tourism organisation

3. DO YOU UNDERSTAND THE ADVANTAGES OF HAVING A STRONG WEB PRESENCE?

No matter what type of business or products you are offering, a website can only have a positive effect. It is a great way to promote yourself and let a wider range of customers find your business. Also, a website with e-commerce functionality will allow you to sell your products online.

Acknowledging that you need a website is the right attitude. There are a couple of options when it comes to building a website. You can use the services of a web developer, build it yourself from scratch or download free templates that you can then customise to your needs.

Developing a website doesn't have to cost a great deal. If you can't afford to use a professional web developer, you can always learn how to build a basic site yourself. Alternatively there are many free templates you can purchase which you can then customise to suit your needs.

Remember to regularly review and update your site to ensure the content and product information is accurate. You may also want to consider adding e-commerce functionality on your site which will allow you to sell products online.

4. WILL YOU BE DEVELOPING BROCHURES FOR YOUR PRODUCTS?

Brochures are a great way to promote and advertise your business products. For example, if you can work out a deal with information centres, accommodation centres and hotels etc to display your brochures, you are effectively reaching a wider range of customers. This potentially means increased sales.

Before you begin the process of developing your brochure, you may want to do some research and have a look at what your competitors are doing with their brochures. This will give you some ideas to create your own brochure.

Remember to regularly review your brochures to ensure they are up-to-date. Also, keep an eye out on what your competitors are doing in terms of brochures so that you are up to date with current trends.

Before you begin putting your brochure together, you should ask yourself the following:

- What are you trying to sell?
- Will a brochure achieve your desired outcomes?
- Who are your potential customers and what are their expectations?
- What is your competitive edge?
- What is your budget limit?
- How will you distribute your brochure?

Following these twelve simple steps will help you to create a great brochure for your business.

4. Determine the purpose of your brochure.
5. Research your competitors' material.
6. Work to your budget.
7. Seek professional help, if your budget allows.
8. Keep your design simple, but ensure it is attractive and user-friendly
9. Ensure all essential details, from a first-time reader's perspective, are included and conveyed concisely and accurately.
10. Proofread carefully to avoid mistakes and omissions.
11. Create a map that can be understood.
12. Decide how long the brochure will be valid.
13. Utilise special inserts to indicate prices, operating hours or special offers.
14. Use cost-effective methods of distribution that provide maximum exposure.
15. Remember your brochures should attract attention immediately.

DO YOUR RESEARCH

Make informed decisions and you will improve the quality of your brochure. Research will help you decide on the best layout, the most relevant information and the right feel to entice customers.

To begin:

- Objectively review the good and bad features of other brochures, both those of your competitors and other related brochures
- Define your target markets and choose a brochure style that will appeal
- Decide on your distribution methods and costs
- Determine the most user-friendly and economical brochure size
- Seek advice from those who have done it before

WORK TO A BUDGET

Your budget will influence design choices, so when planning your brochure, consider the purpose, life expectancy and required durability, as well as the final appearance. Bear in mind that the more involved the brochure, the more expensive production becomes. Realistically assess your needs. A glossy full colour design may be the most attractive style, but it is more costly and may not be necessary for your purposes.

Be practical, and remember that good design principles are essential in even the most simple brochure. Decide on which aspects of production you can do yourself and which would be better handled by a professional. Consider sensible cost-saving measures, for example, a larger print-run initially is often cheaper than re-ordering soon after the first printing.

A WELL-SPACED LAYOUT

For maximum clarity, readability and appeal, use succinct headings and subheadings. Maintain a consistent font type and size for headings and text. Position the title so it remains visible when the brochure is in a brochure rack.

CLEAR AND CONCISE COPY

Copy should be easy to read. It should emphasise the benefits of your product or service and display your contact details. Present key information clearly, for example, in bullet or point form.

PHOTOS OR ILLUSTRATIONS

Use colourful photos to stimulate interest and highlight the unique selling points of your product. Make sure photos are large enough to attract attention and choose images that reflect your product and the known interests of your target market. Excellent photos speak for themselves and reflect product quality. If using digital images, ensure they are a minimum of 300dpi (dots per inch) at 80mm x 60mm. Clear line drawings or cartoons can also be used effectively; logos will strengthen your business identity.

SEPARATE INSERT

For information that is subject to change, for example, prices or operating hours, a separate insert works best. This extends brochure life and is cheaper to replace.

USER-FRIENDLY SIZE

Select the size of your brochure according to distribution costs (stationery, postage, distribution fees) and suitability to display stand dimensions. Does it fit in a standard envelope and/or a tourism brochure rack? A DL flyer is going to be much cheaper to rack in a brochure stand than an A4 flyer, but can you effectively demonstrate your product offer within this space?

EASY-TO-READ MAPS

If you choose to use a map in your brochure, be clear about its purpose and make sure it is presented in a way that a non-local can quickly comprehend. Show your location in relation to capital cities, gateways or large regional centres. Distances and travel times must be clear, so the reader can orientate the location and distance of the attraction from/to key entry/exit gateways, highways, railway stations, airports, coach stops, other tourist highlights, large cities and states. List travelling times in kilometres (or miles for some markets, such as USA) and/or hours or minutes.

MOTIVATE SALES

Generally brochures serve to inform, promote and, ultimately, sell a product, attraction or business. To convert a customers' motivation to buy into an actual sale, contact methods should be easy and preferably cheap. Consider including a toll-free booking or enquiries phone number and/or a website address, so customers can make direct bookings or purchases prior to travel. For international markets, phone numbers should include the international country and state codes (for example, 61 2) and should operate 24 hours a day.

As an added incentive, consider offering special discounts to customers making advance purchases.

Your hard work is wasted if the final product has spelling errors, poor reproductions, design mistakes and/or incorrect information.

BEFORE YOU PRINT YOUR BROCHURES:

- Check the brochure for errors. In addition to your own proofreading, ask an independent person, preferably a professional or someone in your target market, to scan the brochure for any spelling or grammatical errors and/or design flaws.
- Obtain honest feedback on whether the images and text really stimulate interest.
- Check all the facts are correct. Information must be honest and accurate. Avoid legal problems arising from misrepresentation, false claims and copyright infringements. Seek professional advice if you have any doubts.

How and where your brochure is delivered and displayed will influence its success. Be sure to confirm your methods from the outset as some outlets may charge a fee to promote your business or you may require special approval to display. Think in advance about how you can cost effectively reach your target audience. Such factors will influence the number of brochures you need to print.

COMMON METHODS OF DISTRIBUTION INCLUDE:

- personal delivery to other attractions and facilities
- display at your own facility, information centres and accommodation facilities
- availability at transport terminals, including airport, rail and coach operations
- inclusion in local/regional information kits
- direct mail to former and potential customers, related government departments and travel media
- handouts at seminars, conferences and official functions, appropriate travel shows, caravan and camping shows or specialist markets, such as farmers markets

Restock outlets during busy holiday periods and always have copies on-hand to fulfil information requests promptly.

Today's technology offers great scope for distribution. You can now promote your business on the Internet, or on touch-screen visual information units located in major public venues.

5. DO YOU UNDERSTAND WHAT IS INVOLVED IN USING DISTRIBUTORS SUCH AS ITOS, RETAIL AGENTS AND WHOLESALERS?

As your business grows, the use of distributors is often the most cost-effective mean of increasing sales. Basically, they sell your product on your behalf and you pay them a commission which varies depending on what type of distributor they are. ITOs, sometimes referred to as ground operators or destination management companies (DMCs), are locally based businesses that negotiate contracts directly with tourism operators on behalf of overseas wholesalers. Retail agents are either based locally or overseas and provide customers with an accessible place to book or enquire about travel products. Wholesalers provide retailers with travel packages comprising two or more products supplied by different operators.

It is recommended that you consider using distributors as they can be the most cost-effective method of increasing sales. There are only so many sales you can make on your own but if you have a number of distributors working for you, your sales may potentially increase quite significantly.

Commissions paid to tourism distributors are paid only when a product is sold. Commission rates vary depending on the channel of distribution. For traditional distribution channels, industry standards for commissions paid from the regular retail rate are:

- 10% of the retail price for retail agents
- 20% of the retail price for wholesalers
- 30% of the retail price for ITOs

(These rates are a guide. Rates may vary depending on individual contract details.)

To encourage sales of your product, some operators may wish to consider offering an additional commission, called an over-ride commission. This generally pays an additional 2-3% on top of existing commission rates.

6. WILL YOU PACKAGE YOUR PRODUCT FOR VISITORS?

A tourist package basically combines two or more products so the customer and market segment being target gain an advantage compared with buying the items separately. Core holiday components, such as transport, accommodation, meals, attractions and entertainment, can be carefully combined into a complete packaged experience.

Packages are a good way to provide your customers with either greater convenience or a more competitive price. Just remember to regularly review your packages to see what is working best for you and your customers. Try to identify the elements within the more popular packages to give you an idea of how you can improve the other packages.

There are numerous ways you can create packages. It basically involves combining core holiday components such as transport, accommodation, meals, attractions and entertainment into a complete packaged experience.

A package combines two or more products so the customer and market segment being targeted gain an advantage compared with buying the items separately. Core holiday components, such as transport, accommodation, meals, attractions and entertainment, can be carefully combined into a complete packaged experience. Packages provide the customer with either greater convenience or a more competitive price.

Traditional objections to packaging, such as it is downmarket or only useful to inexperienced travellers, large groups or older holidaymakers, are changing. With the introduction of more flexible packaging methods that represent good value for money, packages can be attractive to other markets, such as the growing free and independent traveller (known as FITs) market. Flexible packages can be tailored to meet the needs of FITs, for example, by presenting components that appeal to their travel values.

PACKAGE BENEFITS

CUSTOMER CONVENIENCE

Packages reduce the time and money spent looking for key product and booking information on a destination.

SAVINGS

Packages reduce the cost of products and services and provide greater discounts and better value for money.

EASE OF PAYMENT AND PLANNING

Travel arrangements are generally pre-paid and confirmed prior to travel or handled by tour staff or guides.

LOW STRESS

Packages relieve travel anxiety for new and older travellers, satisfying their need for security, reliability and companionship.

COOPERATIVE PACKAGING

Your product's appeal may be enhanced, and promotional costs reduced, by working with other operators to create an attractive package.

EXAMPLES OF COOPERATIVE PACKAGING INCLUDE:

Presenting a range of products from your area to markets with related interests and sharing associated promotion costs with other tourism operators.

Offering a selection of components within your locality or region that provide customers with the flexibility to create a personalised itinerary, with the price advantages of a package.

THE ROLE OF WHOLESALERS

Wholesalers are an important channel in the travel distribution system. An affiliation with a wholesaler provides smaller businesses with a range of benefits, including exposure to larger market segments and assistance with product marketing. Your promotional costs can be reduced by focusing marketing efforts on wholesalers, airlines and retail travel agents rather than on the individual traveller.

7. DO YOU UNDERSTAND THE PROCESS OF PRICING YOUR PRODUCTS?

Pricing your products isn't really that complicated once you know what you have to do. Some of the key factors you have to consider include the operating costs, your profit margin, distribution network costs, competition, demand, target markets and seasonality. There are also formulas you can use to calculate your net and retail rate.

The aim is to make a profit from your products; otherwise your business won't be sustainable. Also, if you price your products too high, you could lose that competitive edge over your competitors.

In determining the rate for your product, you need to consider your operating costs, profit margin and distribution network costs (often referred to as commissions).

OPERATING COSTS

Operating costs include both fixed and variable costs.

FIXED COSTS

These are costs that are independent of output. They remain the same regardless of level of sales. Fixed costs include:

- rent
- buildings
- machinery
- insurances

VARIABLE COSTS

These are costs that vary with output. Generally variable costs increase at a constant rate relative to labour and capital. Variable costs include:

- wages
- gas
- electricity
- cleaning, maintenance, repairs
- materials used in production, etc.
- stock, including stationery, linen, food, petrol, machinery and uniforms
- bank fees
- marketing, including research, advertisements, promotions, brochures, consumer or trade events, familiarisations for industry or media and travel costs

PROFIT MARGIN

Be realistic when calculating your costs to ensure you obtain a profit while retaining a competitive edge. It is important to check what your competitors are offering and determine which of your products can sustain a higher profit margin.

DISTRIBUTION NETWORK COSTS

The distribution network consists of retail travel agents, domestic and overseas wholesalers and inbound tourism operators (ITOs). Your distribution network assists in distributing your product and raising your profile to consumers.

Some operators may choose to sell their product directly to consumers, however, using a distribution network to sell a product can improve sales and profitability. Working with distribution partners will incur costs, known as commissions. Commissions are the fees paid to your partners to distribute and sell your product. This is their income, which pays for the services they provide. These are not upfront costs, but costs incurred after a sale is made.

To include your product in their brochure, some distributors charge a fee or ask for a marketing contribution towards the brochure production costs. Be sure to find out if this is a requirement before agreeing to any brochure inclusion, and ensure that it will be an effective return on investment for your company.

Distribution network costs will vary depending on whether you are selling your product to the domestic and/or international market. If you are selling your product to the domestic market with distribution partners, you would generally choose to distribute via retail travel agents, domestic wholesalers and online travel sites. If you are selling your product to the international market with distribution partners, you would generally choose to distribute via a combination of ITOs, overseas wholesalers, retail travel agents and online travel sites.

Each level of the distribution network receives a different rate of commission, so it is important to research your distribution partners and understand where they fit in the distribution network.

Other factors to consider when pricing your product are:

COMPETITION

Find out what your competitors are charging. Competitors' pricing strategies influence the maximum rate at which your product can be sold.

DEMAND

Demand for your product is generated by both existing and potential customers. Make sure you understand market demands and their impact on rate. Consider what can be added to your product to improve sales without sacrificing profit.

TARGET MARKETS

Determine which markets you intend to target - domestic (intrastate or interstate), international (western/eastern or both). Research your target market in relation to product needs, price sensitivity, length of stay and disposable income.

SEASONALITY

Determine the fluctuations in business between high and low seasons.

In the tourism industry, you will hear of two different rates, the nett rate and the retail rate. The latter is also referred to as the gross, sell, rack or door rate.

When issuing your rates to distribution partners, clearly mark them as gross or nett with applicable validity dates.

YOUR NETT RATE

Nett Rate = operating costs your profit margin

The nett rate is calculated by adding together all the fixed and variable costs of operating your business and the profit margin that you wish to make per sale. The nett rate is the absolute minimum you could sell your product for and still make a profit. If you are using distributors (retailers, wholesalers and ITOs), the nett rate is what you as the operator receives from the sale of your product. Distributors will require your nett rate to add their mark up or commission.

YOUR RETAIL RATE

Retail rate = nett rate distribution (commission) costs

Once you have established the costs of operating your product (nett rate), you can then factor in the costs for using distributors to sell your product. This will give you a retail rate. You provide your retail rate when dealing directly with customers (that is, the general public). This includes featuring it on your webpage and on any promotional material that is targeting the customer directly. The retail rate is the amount the customer pays and should be consistent across the entire distribution network.

Distribution costs are the commissions that you pay a third party to sell your product on your behalf. Commissions should not be considered a discount because they are a cost of doing business. You should treat the commission as your cost for employing a sales team to help you reach your target markets.

Industry standards for commissions paid from the retail rate for traditional distributors are:

- 10% of the retail rate for retail agents who sell directly to customers
- 20% of the retail rate for wholesalers who sell to retailers or directly to customers
- 30% of the retail rate for ITOs who sell to wholesalers, who then on sell to retailers or customers

(The commission rates listed above are a guide only and rates may vary depending on individual contract details.)

Note: You do not 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.

Commission levels for online travel sites vary, depending on how the site is operated, so make sure you do your research, before establishing a distribution deal with online partners.

BAD BUSINESS

If you do not follow the industry standards for commission, the distributors will not sell your product to their partners and you will miss out on valuable sales and promotional opportunities.

It is important to maintain a good relationship with your distribution partners as they will be able to offer you marketing opportunities at a fraction of the cost of doing it yourself.

EXAMPLES OF INCORRECT BUSINESS DECISIONS ARE:

- giving the ITO and wholesaler the same commission
- providing only a 5% difference between commissions to an ITO, wholesaler and retail agent
- giving better rates to online travel sites for last minute bookings than the rates given to distributors

When handling booking enquiries, it is important to confirm who you are dealing with so that you quote the correct price. It is also imperative that you show both your nett and retail rates to all distributors. This will prevent any incorrect product pricing.

WHICH RATE?

- customers booking directly with you should be quoted the retail rate
- retail agents should be quoted the retail rate and they will then deduct their 10% commission
- wholesalers should be quoted 20% less than the retail rate
- ITOs should be quoted 30% less than the retail rate

RATE GUARANTEE

Distributors follow a tourism calendar year, that is, from 1 April to 31 March. This is linked to their brochure production cycle. It is important to guarantee your rates for the tourism year in order to make your product compatible with distributor schedules. You should also have rates in place for up to 18 months in advance because distributors are quoting and selling this far ahead.

DOMESTIC VS INTERNATIONAL

You should not have different rates for local and overseas visitors unless there is a variation in the product being offered. Customers should be paying the same rate whether they book directly with you, with an international travel wholesaler or via the internet. You do not want to run the risk of customers comparing rates and discovering that one customer has paid much more than the other for the same service or experience. Nor do you want to disadvantage your distribution partners.

It may seem that distributors receive a large portion of your takings, so it is important to understand the volume of business coming from each distributor as a percentage of your total business.

Below is an example of a possible business mix for an operator working in both the domestic and international market:

SALES	AMOUNT	NET REVENUE	COMMISSION PAID
Direct to consumer	40 rooms @ \$100	\$4000	Nil
Retail agent	30 rooms @ \$90	\$2700	\$300 (10%)
Wholesaler	20 rooms @ \$80	\$1600	\$400 (20%)
ITO	10 rooms at \$70	\$700	\$300 (30%)
TOTAL		\$9000	\$1000

Total rooms sold:

100 rooms @ \$100 = \$10,000

Commission paid = \$1000

Average commission paid = 10%

If a product has a retail rate of \$100 and 40% of business is booked directly by the customer, then no commission is paid. If 30% of business comes from retail agents then commission is paid at 10%. A further 20% of business comes through wholesalers with a commission of 20% and the remaining 10% of sales are made through ITOs with a commission of 30%.

If you make 100 sales, the total nett revenue is \$9000 and commission paid would be \$1000. While you may be paying up to 30% commission on individual bookings, overall, the average commission on each booking is just 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 make up only 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.

DISCOUNTED PRICES

Discounts are often applied in the off season or to assist with yield management and can also be useful in gaining immediate business on websites such as www.wotif.com or www.lastminute.com.

Usually, discounted pricing does not differentiate a product from the competition - as it can be quickly matched by competitors. Be cautious not to devalue your business by regularly discounting. This is also called dynamic pricing.

VALUE-ADDING

Value-adding is adding features to your product that enhance the perceived value. In comparison to discounting, value-adding can create a competitive edge and attract a greater market share. It can also help to prevent business fluctuations for products subject to regular peaks and troughs.

Examples of product value-adding are:

- a purchase incentive, such as champagne on arrival or complimentary parking
- a package, such as three nights' accommodation including tickets to a particular attraction
- bundling your products with others in the region to offer an experience

The following pricing methods are applied to packages and the most appropriate method depends on the type of product being sold.

DISGUISED PRICING

Generally, discounted package components, such as accommodation, meals, entry fees, transport, are presented as one upfront cost. This method disguises the exact cost of individual components and also the extent of discount provided by individual operators. In general, a minimum of three elements should be included to disguise pricing.

By offering a range of activities, attractions and options with each component costed at its full price, the final package cost may be too expensive to be appealing. This can be overcome by offering a flexible package with each component priced separately and available for purchase individually. The customer is then able to select their preferred package components according to their travel preferences and budget.

The following is a list of tips to help you price your tourism products and services.

- Have a totally consistent rate schedule.
- Ensure you show any seasonal variations in product and clearly identify the rates and dates for each season.
- Don't have too many rate periods as it is confusing and makes your product more difficult to sell for distributors.
- Keep a record of who you have distributed rates to, so you can update them.
- Make sure validity dates and booking conditions are stated on rate schedules. Conditions might include child rates and ages, cancellation charges, amendment charges, free of charge (FOC) policy, minimum night stays, days of operation etc.
- Guarantee your rates for the period 1 April to 31 March and have rates available up to 18 months in advance.
- Ensure commissions for all distributors are factored into the retail rate.
- Be sure of different pricing levels for different distributors and quote accordingly.

8. WILL YOU OFFER YOUR PRODUCTS ON THE INTERNATIONAL MARKET?

If you haven't already got a website, it is recommended you create one. Most international travellers use the internet to research and gather information before their arrival. Another thing to keep in mind is to keep your prices the same for domestic and international customers.

While competing on the international scene may seem daunting, the benefits it provides to you and your business may very well be worth it in the long term. For example, your products will be exposed to a wider range of audience and thus possibly increase your sales.

International markets are very competitive and are not necessarily suitable for every product. To succeed, you require an "export ready" product, suitable cashflow, and the ability to forge positive relationships with distributors specialising in international markets. You must also be patient because financial returns can be slow. As a rule of thumb, it takes two to four years to become established in the international market.

IF YOU THINK YOU ARE EXPORT READY, ANSWER THE FOLLOWING QUESTIONS:

- Is your business established in the domestic market? Do you have a good level of domestic distribution and do you have a successful domestic marketing strategy?
- Do you offer same day booking confirmation via email or internet?
- Have you thoroughly researched the international markets to establish where your product fits?
- Do you clearly understand the differing needs of international markets compared with domestic markets?
- Do you understand the concept of commissions and net rates? Are you prepared to pay 30% commission for bookings from ITOs and 20% commission for bookings from wholesalers?
- Do you have an active quality assurance program to ensure your product maintains a high standard?
- Can you guarantee your rates for 12-18 months in advance?

It is important to understand that overseas markets are very competitive. Not only are you competing against companies that provide similar products, you are also competing against other international destinations. Selling your region and educating travellers about your destination and its attributes is often the first step in selling your product. Research international markets and segments to determine which ones match your product! Don't try to appeal to all markets and all people as you end up satisfying no one!

Work cooperatively with complimenting partners to promote your destination or region as a total package or experiences are increasingly important to international travellers, and what compels and motivates people to travel varies from market to market. When planning a trip, travellers will generally select a destination that can provide the experiences that they are looking for. These experiences are underpinned by specific tourism products. While the product itself is an important part of the overall tourism experience, it is generally not the primary reason for visiting a destination.

- Make your product about the experience you offer. Ensure it stands out in terms of quality, value and uniqueness;
- Ensure customers can find you on the internet. Use Search Engine
- Optimisation (SEO) and key words that highlight your experience;
- Make it easy for customers to contact you and make bookings;
- Where possible personalise your customer service;
- Provide a place where customers can write reviews or leave photos on your website;
- See what customer information already exists about you by searching online; and
- If a complaint is received or things go wrong, ensure you handle the situation professionally

9. WILL ADVERTISING BE A FOCUS AREA FOR YOUR BUSINESS?

It is a bit risky only relying on word of mouth. While it is good to encourage your customers to spread the word to everyone they know, you should also have other advertising strategies in place. Think about creating brochures, taking out magazine ads and creating a website.

Remember to monitor review your advertising campaign regularly. You may find that some forms of advertising may not be working for you as well as others so it is best to adjust them accordingly.

If your customers don't know about your products then it is very hard to sell them. Advertising does not have to be very expensive so it is best to do your research and come up with a cost-effective form of advertising that will work for your business.

Before making a decision to advertise, consider your promotions budget to confirm what level of advertising you can realistically afford. The costs of advertising can be shared by working in partnership with other operators or with your local destination or region who may offer cooperative marketing opportunities.

Before proceeding with any advertising it is a good idea to clearly define measurable objectives for each advertising campaign. This will assist you in determining how successful the advertising has been.

If you are considering a print advertisement, request a sample copy of the publication to ensure its image fits your product.

Ensure the advertisement is well produced, reflects what you want to convey about the product and contains relevant information with essential contact details. It is imperative that all information is completely correct so consider asking an independent person to proofread the advertisement for errors.

Research the most effective advertising method for your product or service. Request print, radio or TV circulation/ listener/viewer figures in order to determine which medium is appropriate to your market and the popularity of each medium with your target markets. Consider not only how many people you will reach but how many times they are likely to be exposed to your advertisement.

Request information relating to response rates and improved business noted by other advertisers in a similar business to your own.

Contact a selection of operators who are existing advertisers to gain an opinion of what is effective for them.

Never agree to an advertising offer over the phone. Request the offer in writing.

Remember the best advertisements will develop your business and generate sales only if your product or service matches customers' expectations.

Before spending any money on advertising, conduct research to ensure your advertising campaign will be effective and create a competitive edge. You will need to consider the following:

OBJECTIVES

What do you want to achieve through advertising - sales, awareness for your product or service, requests for information?

TARGET MARKETS

- Who are the people that will find your product the most appealing?
- Consider demographic information, such as age, income and geographic location.
- Identify the target market's attitudes, and how they think and behave towards the product or service.
- What are the best ways to contact your target market. Are they heavy users of the internet, do they use social networking sites or read local papers?

CUSTOMER CHARACTERISTICS

What are the customer's desired experiences? This relates to how, when and where people make their travel choices.

TIMING

When is the best time to speak to these customers? This is affected by seasonality and identified through previous sales patterns.

COMPETITION

What is the extent of product competition in the marketplace?

VALUE-ADDING

- What, if any, additional services can be offered to enhance the appeal of a product.
- What are your competitors doing in this area?

PRICE

What are people prepared to pay for similar products?

POSITIONING

How will your product be perceived in the marketplace by customers and by your competitors.

UNIQUE SELLING POINTS

Understand how your product is unique and what it offers that is different from others in the market.

ADVERTISING

Understand the different methods and mediums available.

BUDGET

- How much money can you afford to spend on advertising?
- What is the most cost effective method of advertising for your product?

PREVIOUS ADVERTISING EXPERIENCES

Have previous advertisements been successful? Did you achieve your objectives and reach your target markets?

ADVERTISING DECISIONS WILL BE INFLUENCED BY:

- overall business objectives, for example, aiming to boost sales in slow periods or to clear old stock
- advertising production and placement costs
- the extent of exposure an advertisement will receive
- expected response rates from particular advertisement methods
- target market characteristics
- how a product is positioned in the marketplace
- product development decisions, for example, whether a product is new, recently changed or under new management

10. WILL YOU BE WORKING WITH THE MEDIA AS PART OF YOUR PROMOTIONAL STRATEGY?

Public relations activity is a powerful and cost effective way to promote your business to targeted worldwide audiences. Public relations can result in editorial exposure in targeted, credible third-party outlets, which offers legitimacy and considered comment by a reputable source. You may want to consider using the media to your advantage as it will allow you to reach a wider range of audience.

Remember to have your media kit ready as it assists a journalist in producing an article about your product.

Editorial coverage generated by public relations activity is a valuable mechanism. It can position your product, destination and business as a desirable, not-to-be missed experience

New media is a term that refers to digital, computerised or networked information and communication technologies. Web 2.0 and 3.0 reflect the emergence of community-driven

websites that emphasise sharing content, rather than owning it. Termed user-generated content (UGC), it can be presented in the form of either a blog (weblog) or vlog (video log). Well known sites include Facebook, Twitter and MySpace, but a vast range of other blogs can be found, housed within a site or authored independently.

Most traditional media, including metropolitan news press, magazines and television programs have online versions of their content with many now incorporating Web 2.0 applications into

their content. Unlike the static online version of newspapers and TV programming, these outlets invite interaction with the reader. Bloggers write online journals, usually with a specific area of interest. Their primary motivation is to share experiences rather than expertise. Unlike traditional journalists, they are not held to an enforceable ethical standard and often write opinion-based rather than factual copy.

The nature of digital media means an emphasis on immediacy. Media materials must be relevant and timely, as readers seek information from not just their PCs but also from portable devices such as laptops and PDAs, regularly checking for updates. News angles for digital media need to be breaking - not three weeks old - because there is no production delay with these outlets. Digital media outlets have to work hard to keep their readers coming back for "new" news.

Whereas traditional media reach large audiences, digital and social media can deliver your message to a more targeted audience, possibly offering a greater chance of conversion.

IDENTIFYING STORY ANGLES

- Identify your unique selling point or media angle. It could be your location, a specific environmental element, the history, a personality/chef or a specific experience.
- Investigate unusual and quirky angles and ideas, for example, a New York hotel received worldwide media coverage when they offered "blackberry thumb" massages to all their guests upon check-in.
- Different types of media have different needs. For example, a print journalist will be looking for different angles to a TV journalist, who has a strong need for visual content.
- Deliver new and credible elements about your product. Don't try to invent ideas that can't be delivered.

MEDIA RELEASES

Media releases are the most common form of communication with media and they are often your introduction to the media.

Tips for producing effective media releases:

- Identify key messages and ensure you deliver them early in the release.
- Keep your media release to one page and make it easy to read.
- Use your lead paragraph to sell your idea. Include "who, what, where, why and how" in the lead paragraph, and contain the word count to 25 words or less.
- Use clear and concise language and don't overuse adjectives.
- Present the release on letterhead, identify it as a release, date it and provide a contact for follow-up.
- Ensure your sentence structure is clear and simple. Provide one idea to a sentence. Avoid technical terms, jargon and acronyms.
- Provide quotes from a credible spokesperson who can be contacted at any time.
- Use spell check! Ensure you proofread the release and have at least one other person read it before distributing.
- Make sure you have included the correct contact details - name, email and/or postal address.
- If sending the release as an attachment, ensure it is a 'Word' document that can be edited.
- Copy the lead paragraph of the release into your approach email, so the journalist can make a decision on the relevance of the attached media release.
- Provide quality images at a minimum of 300dpi, or provide a contact for images.

MEDIA KITS

A media kit should contain a range of tools to assist a journalist to produce an article about your product. It doesn't need to be expensive, but should look professional and provide easy to navigate inclusions. Consider delivering your media kit in an online format as well as hard copy.

A GOOD MEDIA KIT MIGHT INCLUDE:

- a news release highlighting your unique selling point
- background or profile on your product or experience
- image CD
- maps, for example, for trails or walks
- fast facts, outlining key angles (no more than one page long)
- contacts and links to websites for additional information
- a gift or gimmick that represents your product and experience,

which will grab the attention of the receiver

IMAGES

- Provide high resolution images at a minimum of 300 dpi (standard reproduction quality).
- Consider engaging the services of a professional photographer to create images of your product that will enhance it and show it in a contemporary light.
- Reserve some of your best images for editorial use.
- Ensure images are copyright free. Be sure you have a signed talent release form from all talent appearing in the images and that publishing credits are clearly stated.

TIPS FOR MEDIA TARGETING:

- Consider all media when looking at who might be interested in your story - suburban, regional, local radio - not just the major metropolitan and interstate newspapers, national magazines or top-rating television programs.
- Are the travel pages the most relevant pages to target for your product, or would your story/angle fit in another targeted section, such as in lifestyle, food and wine or a personal profile section?
- There are a vast range of targeted sections in newspapers and websites, all with editors looking for relevant stories.
- Research niche publications, especially industry-specific publications, such as caravan guides, motoring, or backpacker publications.

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