

# CHAPTER 15

# Distribution

## Aims

The aims of this chapter are to enhance understanding of:

- tourism distribution
- travel trade events



**Perspective**

For marketers in general, distribution refers to the physical supply of goods from the place of manufacture through various channels to the point of sale. This is usually a complex process involving the logistics of supply chain management as well as demand management. In service marketing however, distribution does not involve the physical transportation of a tangible product. The concepts of immovability and inseparability generally mean the destination product is consumed at the place of production and the tourism provider and the consumer must be present for the service to be delivered. The closest function to physical distribution is the means by which a DMO delivers destination tourism information to consumers. A destination visitor guide for example, which is ultimately a form of marcom, must somehow be distributed to the trade and consumers. Also, in terms of the traditional 4 Ps, distribution can be viewed as the place of tourism consumption, which includes the destination itself. Key issues are location, accessibility and perceived distance.

**Tourism distribution**

In terms of delivering a product to the point of sale, distribution refers to the tourism reservation mechanism. Distribution channel intermediaries for tourism services include tour wholesalers, travel agencies, and airlines. Intermediaries often represent the most effective means of reaching travellers, but at the same time can be one of the highest operating costs. Commission to intermediaries represents the distribution cost.

Apart from operating local VICs, most DMOs leave reservation systems to the private sector. DMOs have moved away from operating a wholesale business, to focus efforts on marketing. One exception to this is Tourism Northern Territory in Australia (see [www.holidaysnt.com/specials](http://www.holidaysnt.com/specials)). Operating a wholesale business has political implications relating to the selection of businesses included in the packages.

**In practice**

The Australian Tourism Data warehouse ([www.atdw.com.au](http://www.atdw.com.au)) is a trade site designed to provide intermediaries with access to product and destination information from a single source in a common format. On the supply side, database provides all tourism businesses with cost-effective online distribution.

Increasingly, DMOs are providing links to special offers from constituent tour operators, as in the case of:

- Tourism Ireland's new web site launched in 2006 (see [www.discoverireland.com](http://www.discoverireland.com))
- Tourism New Zealand (see [www.newzealand.com](http://www.newzealand.com))
- Northern Tasmania Development (see [www.northerntasmania.info](http://www.northerntasmania.info)).

### **In practice**

In Scotland the NTO licensed a private operator to use the name VisitScotland.com for a travel booking site. The company posted a loss of over £2 million in 2004, when bed and breakfast operators boycotted the site. The operators refused to pay a 10% commission, as they were under the impression that the site was owned by the NTO, to which they already paid memberships levies (see [www.travelmole.com](http://www.travelmole.com), 23/9/04).

## Joint ventures

Few people are better qualified to discuss the tangled web of DMO/intermediary relationships than Owen Eagles, Managing Director of ANZCRO ([www.anzcro.com.au](http://www.anzcro.com.au)), a travel wholesaler with offices in Australia, New Zealand, England, and the USA. With 28 years DMO experience working for New Zealand's NTO in Australia, New Zealand, and the USA, and 12 years at ANZCRO, Eagles understands only too well the dynamics of the relationship between DMOs and those within the tourism distribution system:

*It's a real mess, and not well understood by all the players themselves who end up protecting their jobs with populist decisions promoting apparent success through a scenario of smoke and mirrors.*

As will be discussed in Chapter 19, it is very difficult to quantify the return on investment for DMO initiatives. Eagles argues that one way to do so is through joint venture (JV) projects between DMOs and intermediaries; a scenario where investment return can ultimately be measured by bookings. Such a JV between ANZCRO and NTO, three RTOs, and four travel agency chains is an example of effectively steering through the politics to achieve a vertically integrated joint venture (JV). The JV is summarised in Case Study 15.1, while Eagles' views on the positives and negatives of such JV projects is shown in Table 15.1.

**Table 15.1** Positives and negatives of DMO/intermediary JVs

Positives	Negatives
<ul style="list-style-type: none"> <li>• Ability to measure results – through the origin and timing of sales</li> <li>• Ability to budget for and control costs</li> <li>• Ability to choose appropriate supplier constituents who contribute towards the marketing programme with special product offers (very measurable by their unique and coded nature) and cash</li> <li>• Choice of a wholesaler whose distribution system is clear and concise – e.g. one that may have preferred relationships with 2500 retail travel agents in Australia</li> <li>• Ability to leverage the campaign by increasing resources with contributions from suppliers, and airline, wholesaler, and travel agent chain</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiating the clutter available to the consumer at travel agent outlet (often overcome with educational incentives and productivity rewards).</li> <li>• Choosing the right wholesaler and suppliers – both should have a working relationship in place</li> <li>• Managing the compromises necessary with a number of project partners, particularly in the production of visual material</li> <li>• Maintaining the destination product offer over a substantial period of time, say three years, so that it has time to become established</li> <li>• The accusation, by suppliers not selected, that the DMO is biased and unfairly leaning towards those suppliers chosen for the product offer</li> </ul>

### Case study 15.1 ‘Autumn Escape’. A JV campaign between an NTO, three RTOs, a travel wholesaler, and four retail travel agency chains

**Chris Gowing, Team Leader Marketing, ANZCRO, and Owen Eagles, Managing Director, ANZCRO**

ANZCRO is a leading wholesaler of New Zealand self-drive products in the Australian market. The company recognises the importance of creating JVs with New Zealand regions as a way of increasing market exposure for products. Similarly, the RTOs recognise that promotion in another country is expensive, and unless it is tied to a saleable package, advertising would be limited to awareness building. Australians have a high awareness of New Zealand, which is their most popular international destination. Australia is the largest source of visitors for New Zealand. However, the average Australian’s knowledge about what New Zealand offers travellers is limited. New Zealand is predominantly a self-drive touring destination, and itinerary planning can be one of the most complex for travel agents, in comparison to selling a stay-put resort-style holiday in Bali or Fiji. Unfortunately, in many travel agencies the New Zealand sales role is often seen as being similar to domestic travel and so responsibility is in the hands of junior staff who lack in-depth product knowledge. ANZCRO recognises the importance and influence of the retail travel agent in selling self-drive, and so places emphasis on supporting agents, and not selling direct to the public.

This case outlines one of a series of seasonal JVs undertaken with New Zealand RTOs during the past three years. In this case, the partners included the NTO Tourism New Zealand and three RTOs in New Zealand’s South Island: Queenstown, Dunedin, and

Christchurch/Canterbury. The impetus for linking with the NTO in the 2007 JVs was that the major RTOs committed all the JV funding in Australia to Tourism New Zealand's high-profile 'What's on in New Zealand' television and newspaper campaign promoting travel in the autumn season. The NTO JV campaign left wholesalers like ANZCRO bereft of opportunities to work with cash-strapped RTOs. Previously, in conjunction with the RTOs, ANZCRO distributed the RTO JV packages to Australian travel agents in over 200,000 brochures. ANZCRO believes strongly that the hard copy collateral is important, given the hands-on nature of planning self-drive itineraries in New Zealand. Many RTOs would naturally like to participate in JVs with ANZCRO but simply don't have the money. Politically this can be difficult, since ANZCRO sells New Zealand-wide products.

TV advertising on the Australian networks referred viewers to a Tourism New Zealand website promoting, in this case, ANZCRO's autumn travel packages to Queenstown, Dunedin, and Christchurch/Canterbury with four Australian retail travel agent chains. To support the retail agents, ANZCRO, for example, sponsored a page in the travel catalogue of Flight Centres. Flight Centres is one of Australia's largest travel agency chains, and distributes over 300,000 copies of the travel catalogue each month. ANZCRO's month-long participation in the campaign's performance was monitored through the company's reservation call centre. Web traffic data was also provided by Tourism New Zealand.

### Discussion questions

- A significant issue raised in the case is that of RTO politics concerning which local operators are included in the packages promoted. Since the majority of businesses can't be included in these packages, and therefore not attract sales, the potential for criticism is strong. How could the RTO be absolved from this responsibility and therefore not be seen to favour some local businesses over others?
- Why does ANZCRO believe so strongly in the use of traditional travel brochures to support new media campaigns?

## Travel trade events

Arguably the most effective means of stimulating meaningful dialogue with customers is personal selling. Trade shows provide an opportunity to use personal selling to launch new products, services, brands, and facilities. DMOs with small budgets tend to favour such push strategies as they cost less than consumer advertising (Pearce et al., 1998). Opportunities include trade exhibitions such as ITB in Berlin ([www.itb-berlin.com](http://www.itb-berlin.com)), and special interest travel trade exhibitions such as International Travel Expo Hong Kong.

### In practice

ITB Berlin the world's largest travel and tourism exhibition started in 1966. With an overall display area of 150,000 square metres, the 2006 event attracted 10,856 exhibitors ([www.travelwirenews.com](http://www.travelwirenews.com), 10/3/06). Even at this size, space is so tight that an increasing number of displays feature two storeys.

The WTO maintains a calendar of major travel trade events (see [www.unwto.org/calendar/index.php?t=99&](http://www.unwto.org/calendar/index.php?t=99&)), which is ever expanding. For example, China, the emerging powerhouse of world tourism, opened its first World Travel Fair (WTF) in February 2004 (News@PATA, 25/2/04). Likewise, the first Turkish inbound travel exhibition took place in 2004 ([www.travelmole.com](http://www.travelmole.com), 25/3/04). The first travel exhibition in Eastern Africa took place in Arusha, Tanzania, in 2006 ([www.travelwirenews.com](http://www.travelwirenews.com), 22/3/06).

Since the 1990s, DMO participation at travel trade events has shifted from awareness building towards cooperative promotions with stakeholder tourism businesses. In this role the DMO underwrites the often substantial cost of the display space and onells participation space to constituent tourism businesses. The cooperative funding approach enables the DMO to stretch resources further, while controlling message synergy. The tourism businesses would otherwise find the participation cost prohibitive. Often, at the larger international events, the NTO will be supported by STOs and RTOs rather than individual businesses.

## Tourism exchanges

Tourism exchanges are similar in concept to speed dating, as depicted in Figure 15.1. The local product supplier hires booth space to gain access to international travel intermediaries in the form of short meetings of around 15 minutes. Logistically, it is possible for the supplier to schedule appointments with only a small number of buyers during a two-day event. Suppliers must therefore be targeted in their appointment preferences, and take advantage of social networking opportunities to meet other contacts they were unable to schedule appointments with. Commonly, the NTO



**Figure 15.1**  
A booth at a travel exchange. Photo courtesy of Trish May, May Communications.

invites key international buyers to the destination for a 2–3 day meeting, and offers pre- and post-familiarisation tours. Considerable organisation is required, along with sponsorship by airlines and other tourism businesses.

Tourism exchange meetings are increasingly seen as an effective means of reaching key travel decisions by providing tourism suppliers with individual meetings with a limited number of retailers and wholesalers selected by the NTO and major airlines. The trade representatives are generally flown to the destination for the meetings with suppliers and then offered familiarisation tours. Examples include:

- Arab World Travel & Tourism Exchange (see [www.awtte.com](http://www.awtte.com))
- Australian Tourism Exchange (see [www.tradeevents.australia.com](http://www.tradeevents.australia.com))
- The British Travel Trade Fair ([www.britishtraveltradefair.com](http://www.britishtraveltradefair.com)), which attracts 300 exhibitors and 3000 domestic and international buyers.
- International Pow Wow, USA (see [www.powwowonline.com](http://www.powwowonline.com)), for which the 2005 event was expected to generate over \$3 billion in travel bookings in the following three years ([www.travelwirenews.com](http://www.travelwirenews.com), 17/5/05).
- South Pacific Tourism Exchange (see [www.tcps.com](http://www.tcps.com))
- Tourism Rendevouz New Zealand (TRENZ) (see [www.nztia.co.nz/Tianz-Events/TRENZ.asp](http://www.nztia.co.nz/Tianz-Events/TRENZ.asp))
- PATA Travel Mart (see [www.PATA.org](http://www.PATA.org))
- China Outbound Travel & Tourism Market (see [www.cottm.com](http://www.cottm.com)), which is the only dedicated outbound travel exchange in China

### **In practice**

When the 2002 Australian Tourism Exchange was held in Brisbane over 2500 hotel rooms were used by 2000 tourism suppliers, 80 international and domestic media, and 670 travel buyers from 50 countries (Cameron, 2002). According to the ATC managing director, it was estimated that the A\$8 million cost of the event would generate up to A\$2 billion in trade for Australia: 'This event delivers more export earnings and business than any other in Australia.' The importance of the event led to the development of industry briefing seminars by Tourism Queensland and the ATC. The 2007 Australian Tourism Exchange was expected to generate more than \$10 million in spend by delegates for the host state Queensland, as well as the ongoing business development value. The Queensland state government committed \$1.5 million to the event. (Wade, 2006). Operators were also able to access information from the seminars online in the form of PowerPoint slides with voice reproduction (<http://www.tq.com.au/ate>., 20/4/03).

The increasing numbers of international tourism exchanges is forcing competition for the limited numbers of key travel decision-makers. Unfortunately, in 2004 this competition led to the cancellation of the South Pacific Tourism Exchange, as shown in Figure 15.2.

**Figure 15.2**

South Pacific Tourism Exchange cancellation.  
*Source:* <http://www.tcsp.com/public/spte2004.shtml>, 25/03/04.



### **South Pacific Tourism Exchange 2004 – CANCELLED**

The SPTO regrets to advise all interested Buyers and Sellers that due to a shortfall in the number of targeted Buyers and Sellers, we have now decided to cancel the event. The cancellation is largely attributable to its similarity and closeness to other tradeshows and tourism exchanges being held in the region at the same time (including ATE, TRENZ, and BFTE, where similar Buyers and Sellers are attending. We particularly wish to thank all who expressed their interest and support for SPTE. We apologise for any inconvenience caused to you.

If you have any questions or require further information, please feel free to contact us using our Contact Form.

### **In practice**

Tourism Australia coordinates participation of local tourism suppliers at 30 global trade events annually (see [www.tradeevents.australia.com](http://www.tradeevents.australia.com)).

## Trade education

In an effort to improve distribution effectiveness, many NTOs have established formal training programmes for selected travel agents in key markets. The most common initiative involves the accreditation of specialist agents. In the USA, for example, where there are over 30,000 travel agents, the NTO can direct consumer advertising responses to the specialist agent nearest the enquirers' post-code area. The NTO has the benefit of knowing that the specialist agent has the resources to service the enquiry, the agent benefits from the lead generation, and the risk of uncertainty is alleviated for the consumer. At the 2007 Tourism Australia Market Briefings, it was suggested there had been a 40% conversion rate from enquiry to booking at USA Aussie Specialists. In New Zealand, 1700 out of 3000 agents were members of the programme. Examples of specialist destination agent programmes include:

- Tourism Ireland's Shamrock Club ([www.shamrockclub.net](http://www.shamrockclub.net))
- Tourism Australia's Aussie Specialists ([www.tourism.australia.com](http://www.tourism.australia.com)).
- Tourism New Zealand's KEA (Kiwi expert agents) club.

Other methods of training include familiarisation (also referred to as famils and educational) tours to the destination and educational roadshow seminars. However, the latter is losing favour with time-poor agents. For example, the chair of the Association of National Tourism Office Representatives (ANTOR) in the UK observed that there is very little interest from agents in destination roadshows (www.travelmole, 8/6/05):

*ANTOR members accept that the day of the travel agent roadshow is probably dying on its feet. Agents have made it pretty clear they are not interested.*

## Key points

### 1. Tourism distribution

The distribution (place) element of the marketing mix is vastly different for marketers of tourism services than for consumer goods. Tourism distribution traditionally concerns the development and communication of package offerings through travel trade intermediaries such as tour wholesalers, airlines, and travel agents. Key approaches used by DMOs to educate intermediaries about package opportunities include travel exchanges, travel expos, and training programmes.

### 2. Travel trade events

Arguably the most effective means of stimulating meaningful dialogue with customers is personal selling. Trade shows provide an opportunity to use personal selling to launch new products, services, brands, and facilities. DMOs with small budgets tend to favour such push strategies as they cost less than consumer advertising. Opportunities include trade exhibitions, special interest travel trade exhibitions, tourism exchanges, and trade education seminars.

## Review questions

- Why have DMOs generally moved away from operating wholesale and/or retail travel services?
- Design a two-day familiarisation visit to your destination for travel trade intermediaries. What are your objectives? What product trade-offs have you made that may upset those businesses not involved?