

THE INBOUND TOURISM INDUSTRY



INDUSTRY SNAPSHOT

YEAR ENDING MARCH 2018

VISITORS

▲8%

8.3 MILLION

NIGHTS

▲3%

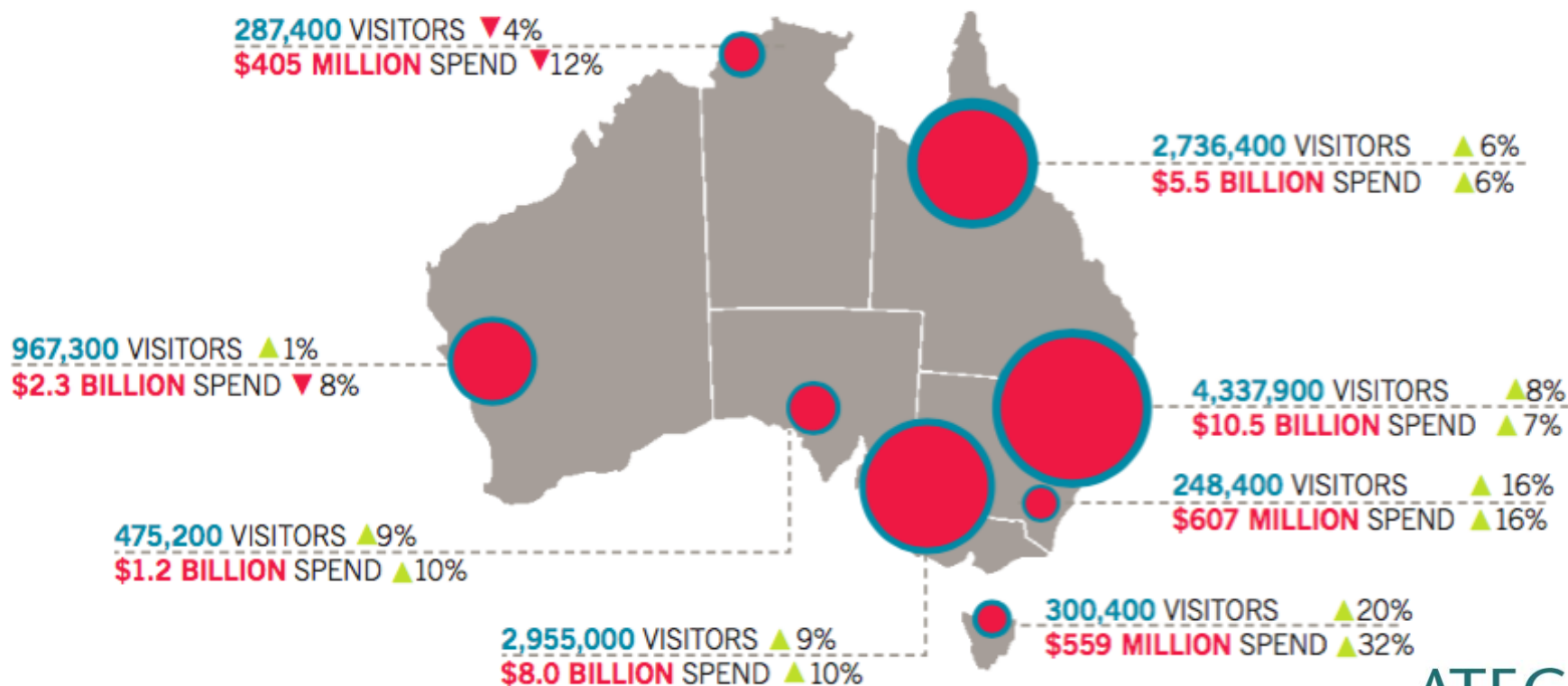
269 MILLION

SPEND

▲6%

\$42.3 BILLION

FIGURE 5*: INTERNATIONAL VISITORS AND SPEND BY STATE – YE MARCH 2018



WHAT ARE “TOURISM EXPORTS”?

- **Inbound tourism** = foreign exchange earnings for AU
- Every international visitor spends **foreign currency** here
- We are effectively “**exporting**” destination Australia and our experiences

TYPES OF TRAVELLERS

Group Inclusive Tour or Travellers (GIT)

- Pre-purchase the bulk of their holiday before leaving home via distributors
- Prefer structured itineraries
- Have highly organised and pre booked tour arrangements
- Use distributor's preferred products
- Common in less mature markets and with certain segments such as educational groups

Partially Packaged Travellers

- Pre-book 'skeleton package' of airfares, transfers and accommodation prior to arrival
- Search for competitive rates
- Optional themed extras such as car hire and tours are offered at the point of sale to appeal to different segments

Fully Independent Travellers (FIT)

- Like the freedom of planning their own arrangements
- Arrange some core holiday components prior to arrival
- Organise the bulk of their itinerary independently often after their arrival
- Rely heavily on word of mouth, the internet and social media when planning their trip

Visiting Friends and Relatives (VFR)

- Cite friends and relatives as the primary reason for travel
- Often travel beyond the family base to other destinations
- Rely on the recommendations and advice of their Australian-based friends and relatives when planning their trip

Backpackers

- Spend at least one night in a backpacker hotel or youth hostel during their stay
- Traditionally 18 to 25 year olds, but often also 30+
- Prefer a highly independent and unstructured approach towards travel
- Rely heavily on the internet and social media for information
- Often include volun-tourism: in their travels
 - volunteering for a charitable cause

Business Travellers

- Large conference delegates or individual business trip Include delegates of a large conference or an individual on a business trip
- Leisure travel component: pre and post conference touring
- Includes delegates of Incentive tours- a specialised business segment rewarding performance with travel experiences
- High yield = per head spend often very high

Education Travellers

- Includes short course participants, long term university students, school excursions and exchanges
- Cite study as the main visit purpose; but may be a tourism component to the trip
- May attract VFR. Have families who may visit and travel throughout the course of study
- Often require specialised arrangements depending on the age of students

Special Interest Travellers (SIT)

- Travel for reasons associated with personal interests such as agri-tourism, health and wellness or bird watching
- Book through agents or operators who possess a high level of expertise and can access specialised tours, guides, expert lectures and location visits that are not part of the traditional tourism infrastructure
- Have customised itineraries
- Often high yield but low volume

WHAT IS DISTRIBUTION?

The travel distribution system is a complex, global network of independent businesses. This network includes a series of distributors or intermediaries, who play a specific role in the development, promotion and purchasing process of Australian tourism experiences.

WHAT IS A TRAVEL DISTRIBUTOR?

- Travel distributors allow you to broaden your customer base far beyond the reach of your own limited marketing budget.
- The travel distribution system covers all the channels through which an international traveller can buy your product.

WHAT IS A TRAVEL DISTRIBUTOR?

Types of distributors (or “buyers”) include:

- Inbound Tour Operators
- Wholesalers
- Retail Travel Agents
- Online Travel Agents
- Meeting & Incentive Planners

TRAVEL DISTRIBUTION – WHY ENGAGE?

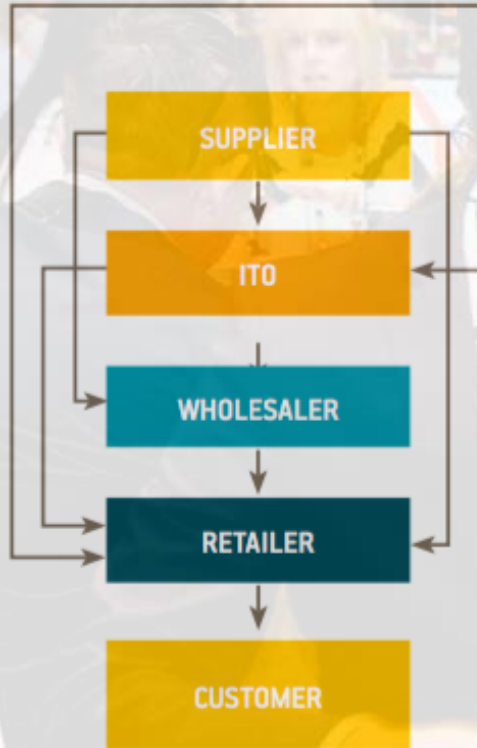
- Grow business across different markets
- Extend their global footprint
- Connect with market experts
- Culture + language assistance
- Payments and legality can remain on home soil

TRAVEL DISTRIBUTION

- Used to be simple
- Today's technology/digitisation = more complex
- Consumers - using a multi channel approach
- Distributors - using a multi channel approach
- Products - must distribute via multi-channels

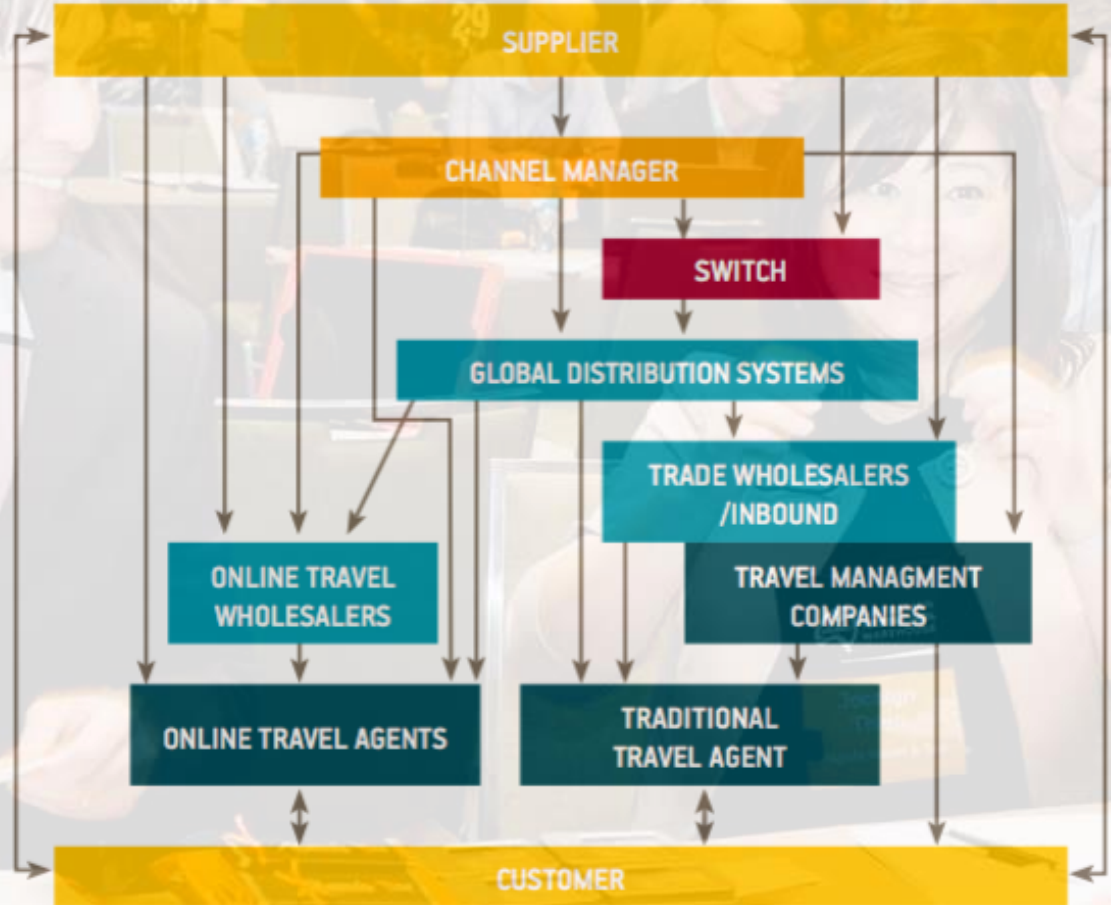
THE DISTRIBUTION SYSTEM

Traditional Distribution Channels



source: traveltrends.biz

New Distribution Channels



WHAT DO TRAVEL DISTRIBUTORS WANT?

- Quality products and experiences
- Reliability and efficiency (consistent operating hours and regular schedules)
- High levels of customer service and helpful reservations staff
- Understanding of the cultural needs of different markets
- Consistent pricing policies that consider all levels of distribution
- Easy communication
- Fast and efficient turnaround and response times
- And a payment for their service - commissions

WHAT'S THE ROI FOR WORKING WITH A DISTRIBUTOR?

- Increased sales in line with your identified reason for entering inbound
- Commercial returns in line with pricing and volume agreements
- Broader industry partnerships
- Broader marketing reach
- A preferential relationship

UNDERSTANDING RATES & PRICE

- What is the cost of distribution?
- Why should I factor in the cost of distribution?
- How do I price to incorporate distribution costs?

But I can't afford to pay commission I hear you say!

But can you afford to turn sales away? Do you have the budget and time to be able to market your product across the globe without being part of the distribution network?

PRICING

Simplistically this is what you sell your product for at different points in the distribution system. There are different costs of doing business for inbound.

When a business is part of a multi-channel distribution network, you need to consider:

- your costs
- distributors costs
- the value of your product
- your competitors' prices

PRICING ESSENTIALS INTERNATIONALLY

Products must be priced:

- consistently
- accurately
- competitively

UNDERSTANDING COMMISSION

- The fee paid to a distributor to market, distribute, and sell products/experiences.
- Varies according to each level of the distribution system.
- This is their income for the service(s) they provide on an Australian business' behalf.
- Distributors provide promotion and visibility at their risk.
- Only paid once a sale has been completed.
- Should be viewed as a sales / marketing cost.

ATEC FOOTPRINT

ATEC –developing a more profitable tourism export sector

- **45 years of national representation**
- **10 regional branches – 1000+ stakeholders**
- **Buyers & sellers: commercially focused**

ABOUT ATEC

Our core functions are to...

- Facilitate business-to-business opportunities
- Provide business development advice, opportunity and support
- Foster and promote excellence in service delivery and business best practice management
- Represent the collective views of our membership to governments and other external stakeholders
- Liaise with industry and government to facilitate cohesion between commercial imperatives and policy development
- Raise the profile of the tourism export sector to the broader community.

To succeed in tourism, the most important thing is to have rate integrity and parity across all distribution partners and platforms you work with. The tourism industry operates in a very transparent and seamless environment. Proactively manage and maintain your yield and distribution practices and your distributors/partners will reward you with revenue generation and strong business relationships.