# DIRECT & INDIRECT SALES CHANNELS

Knowing where your potential customers search for information and being visible in those places/channels is key to driving sales.

**2 main channels:**

1. **Direct** - both online and offline: primarily your website, but also phone and walk-in business
2. **Indirect** - both online and offline: online tour operators (OTAs including comparator sites), tour operators, travel agents, group organisers and other travel websites.

### Worth thinking about...

- 60% of all hotels bookings are now done digitally.
- Across all segments, the majority of travel purchases are influenced by digital channels (websites, social media, peer reviews, smartphone or tablet apps) even if the final purchase isn't made online.
- Tour operators and OTAs are often consulted during research and the booking made through them or directly with the tourism business - these intermediaries can be a shop window that influences direct sales.
- An average holidaymaker will visit up to 38 sites before making a purchase.
- The segment research shows that Culturally Curious and Great Escapers tend to avoid all-inclusive packages while Social Energisers like them - especially using OTAs and dynamic packaging websites where they build and purchase their own package combination of flight, accommodation, car hire, activities etc. on a single website.
- OTAs are an important source of information both for inspiration and planning.
- The percentage of holidaymakers who watch online travel videos is increasing year on year. Videos (from hotels, experts, 'people like me', friends and family) are effective.
- Holidaymakers not only watch online travel videos, they create and share them too - this can drive referral sales.
- More and more people are using smartphones or tablets for travel related information while on a trip so there are opportunities for location-specific advertising to peoples' smartphones/tablets when they're in your area.
- Holidaymakers are wary of the roaming charges that apply while in another country so consider the use of apps which avoid this issue.

**Those seeking to book hotels are twice as likely to search for travel images**

**Internet is becoming local and personal**

| Requirements |
| --- |
| What's the current mix of direct vs indirect sales in my business? |
| Is this mix appropriate? If not, what measures must I initiate to redress the balance? |
| Does my website reflect all that a holidaymaker can see and do? |

## Online travel agents (OTAs)

Online Travel Agents (OTAs) are basically online versions of the traditional travel agent or tour operator. They sell travel products to customers online and act as a bridge between suppliers (hotels, airlines, car hire companies, visitor attractions etc.) and consumers.

Hotel rooms are the main focus of the majority of most OTA websites, while some also offer dynamic packaging that allows the consumer to purchase their hotel, flight and car hire in one transaction. OTAs are now selling 60% of all rooms in Ireland.

Well known OTAs include Expedia, Booking.com, HostelWorld, Orbitz, Travelocity, Priceline and LastMinute.com. Expedia owns TripAdvisor, hotels.com, venere.com and Hotwire. Some OTAs such as GoIreland and Irelandhotels.com only sell Irish accommodation.

OTAs are the fastest growing distribution channel for travel products and can be very effective for independent hotels, B&Bs and guesthouses who will not typically be known internationally and who might not have the expertise or marketing budgets to directly target international travellers. A study by Fáilte Ireland showed that 82% of Irish hotels say that OTAs give them access to international markets.

Working with OTAs can be a relatively low maintenance way of reaching new and international customers. Fáilte Ireland research indicates that 86% of Irish hotels spend less than 5 hours per week updating their OTA rates. Many of these updates are done manually, while some use a Channel Manager such as Rate Tiger or Easy Yield.

**Reaching visitors with timely and personalised offers**

### The OTA billboard effect

One of the most powerful benefits of working with an OTA is the 'billboard effect'. This is where a hotel benefits from the branding and visibility of being on an OTA's website, but the customer books directly with the hotel, saving the hotel the commission they would pay the OTA if the booking came from them. This was proved in a 2011 Cornell University study which showed that of the 1,726 people who made reservations on the Intercontinental Hotels website, 75% had visited an OTA before booking, 83% had used a search engine and 66% had done both.

This proves the importance of your own website, a direct channel which should generate higher yields than any other distribution channel. Make sure you maximise all opportunities to convert a 'looker' into a 'booker', i.e. someone who might find out about your property on a 3rd party website, but check you out on your own site before making a decision and booking.

Commissions are often the bone of contention between hotels and OTAs and rates typically range between 10% and 30%. These commissions come off the hotel's 'best available rate', and many OTAs insist on rate parity with the hotel's own website. On the majority of OTA websites, hotels can only sell room only and B&B rates. Before doing business with OTAS be very clear about contractual arrangements and review the business small print in detail.

## Opaque deals on OTAs

A recent trend has developed whereby some OTAs offer an opaque or 'top secret' booking. This is where the name of the property is not revealed to the customer until they have made the booking. OTAs who offer this include PriceLine, Lastminute.com and Hotwire and it is of more relevance to city centre hotels than others.

## Dynamic packaging

Dynamic packaging is a package holiday that enables consumers to build and purchase their own package of flights, accommodation, car rental, activities etc on a single website.

## Other channels and GDS

In recent years, in addition to buying a holiday from a tour operator or travel agent, the tourist has an increasing choice - tourism distribution channels have expanded to include supermarkets, reader offers, special interest groups etc.

## Site comparators (sometimes called metasearch)

These are sites which potential visitors use as part of their research, and include Trivago, TripAdvisor, Hipmunk and Kayak. Price comparison is not the only function of these sites, they provide everything in one place, search, maps, photos, ratings, availability and prices. They provide peace of mind for users and accurate tailored information for the visitor. In 2013 60% of holidaymakers compared prices before buying, and comparator sites drive up to 13% increase in traffic (Source: tnooz 2013). In Europe percentage costs of generated direct bookings from comparator sites are 15-20% cheaper than OTAs (Source: Mirai 2013). Trivago was the number 1 trending business for international hotel groups on Google in Ireland in 2013 (Source: Irish Times Dec. 2013).

**OTAs are not just for hotels**

Expedia and Lastminute.com don't just work with accommodation providers; they also feature attractions and transport providers.

## Tour Operators

The role of tour operators has changed dramatically in recent years. Now just 20% of international holidaymakers come to Ireland on a package (flight + one other ground element). Despite the relatively low percentages, tour operators are still a key part of the mix for most Irish tourism businesses.

All inclusive packages to Ireland:
- 29% of US holidaymakers
- 24% of German holidaymakers
- 21% of French holidaymakers
- 6% of GB holidaymakers

| Top tour operators | | | |
|---|---|---|---|
| **GB** | **USA** | **Germany** | **France** |
| Imagine Ireland | CIE Tours | DERTour | Vacance Transat |
| Hogan Cottages | Brendan Tours | CTS Gruppen | Brittany Ferries |
| Superbreaks | Sceptre Tours | Highlander Reisen | Gaeland Ashling |
| Action Tours | | Troll Tours | Celtic Tours |
| National Holidays | | Wholesalers: Service Reisen, Behringer Touristik and Frumm Touristik | |
| Albatross | | | |

Please see www.tourismireland.com for full list of overseas operators programming Ireland.

### The ITOA

The Incoming Tour Operators Association (ITOA) is the representative association of Ireland's inbound tour operators. Members design programmes and itineraries for escorted tour groups, individual holidaymakers and business tourists including incentive, corporate meetings and conferences. The ITOA operates two workshops in Ireland each March - one east coast, one west coast. These are a valuable opportunity for tourism businesses to sell to incoming tour operators. See www.itoa-ireland.com

### Rate parity and price transparency

All product providers should aim to maintain rate parity across all channels so as to build trust from online customers. Customers are internet savvy - they can easily see what prices you charge in different distribution channels and your reputation will be damaged if they pay a higher price depending on where they buy your product. Customers like to feel that the price they booked is the best available price, particularly if they book from you directly.

When working with tour operators you should have a recommended retail price so that there is pricing transparency across all your distribution channels.

Winning on the internet is a science not an art!

## Developing a Channel Strategy - things to consider

Some points to bear in mind when setting a distribution strategy for your business.

| | YES | NO |
|---|---|---|
| **1.** Do I have a multichannel strategy so as not to be over-reliant on any one channel? | ☐ | ☐ |
| **2.** Am I managing and marketing my own website to maximise yield but not to the exclusion of other distribution channels? | ☐ | ☐ |
| **3.** Have I considered the important role that tour operators, DMCs, travel agents etc can play in my business? | ☐ | ☐ |
| **4.** Do I have a pricing strategy in place for all revenue channels? | ☐ | ☐ |
| **5.** Is my channel strategy market specific and a good fit for my product and target segments? | ☐ | ☐ |
| **6.** Have I set targets for all my revenue channels? | ☐ | ☐ |
| **7.** Have I maximised my business relationship with those OTAs who fit best with my business? | ☐ | ☐ |
| **8.** How easy is it for customers to buy from my own website? | ☐ | ☐ |
| **9.** Have I considered the cost of sales when creating my channel strategy? (OTA commissions, etc)? | ☐ | ☐ |
| **10.** Who in my business will manage my sales and revenue strategy on a day to day basis? | ☐ | ☐ |
| **11.** Am I reviewing and managing my review rating, conversion rate, availability, number of photos and quality of descriptions on OTA sites, and my business ranking? | ☐ | ☐ |
| **12.** Should I consider a channel manager such as Rate Tiger or Easy Yield? | ☐ | ☐ |
| **13.** Have I considered rate parity across all my revenue distribution channels so that my pricing structure is transparent to consumers? | ☐ | ☐ |

Content and advertising strategies need to span all devices or risk missing out on ¼ of prospective customers