Appendix 1:

Offline Travel Sales

Introduction

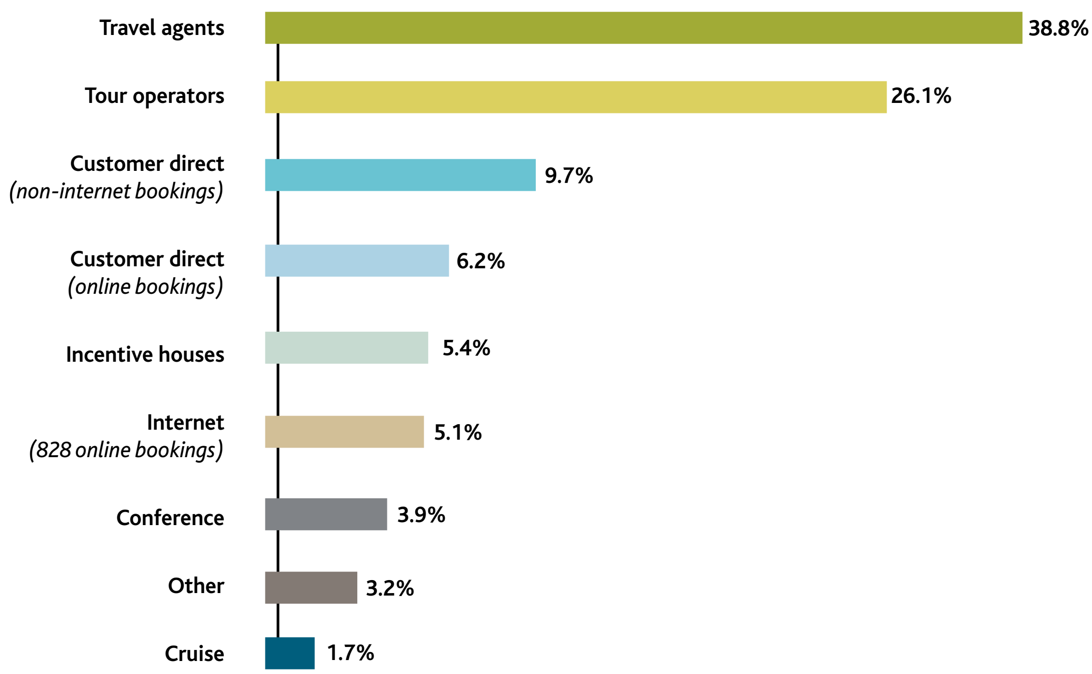
The global travel trade sector plays a significant role in distributing the Ireland tourism product to overseas consumers. It gives the Irish accommodation sector and other core tourism businesses a cost-effective route to multiple markets and consumer segments. It secures advance bookings with longer lead times, often over an extended period.

This channel is seen as the most traditional and is perceived to deliver busloads of tourists, but engages in little innovation. This perception is far from the truth, however, as this sector has seen significant innovation and delivers a broad range of business from large groups to small high-value groups and free independent traveller (FIT) business.

There is no current research detailing the overall size of the tour operator and travel agent business for Ireland, but the Irish Tour Operator Association Business Survey 2013 gives some indication and shows the ITOA delivers sales through a broad range of channels. Figure 8 below shows the percentage distribution of turnover of their members by channel.

Figure 7

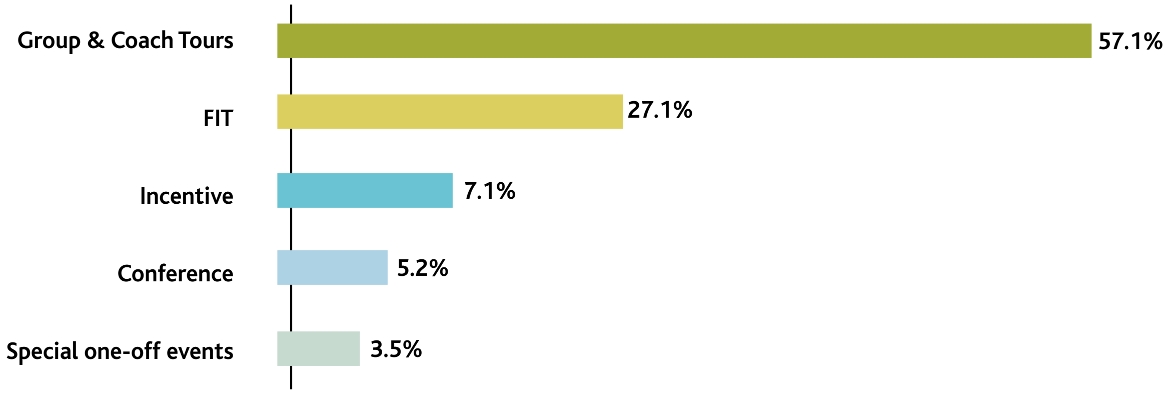
Percentage of ITOA member turnover by channel



Furthermore, this business delivers a range of business types, with more than 27 per cent of visitors coming through it falling into the FIT category.

Figure 8

Percentage of ITOA member business by type



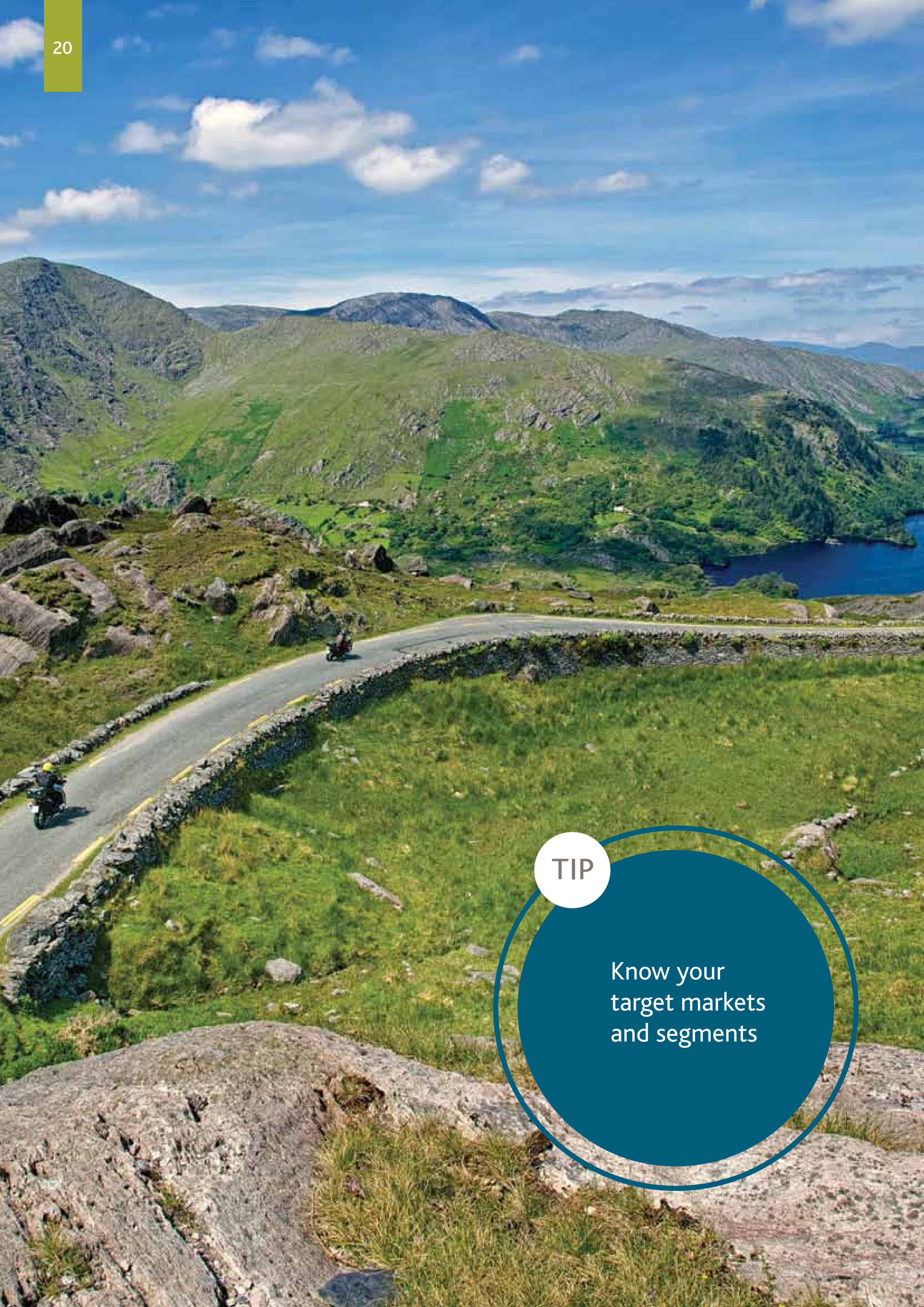
The business model of the tour operator has changed significantly over the past five to 10 years with many tours now offering interactive experiences and activities such as cookery lessons and guided walks in national parks. Many enable customers to join the tour for specific elements only and to do independent activity at other times. Tour Operators who offer Independent Holiday packages (FIT) report strong year on year growth. They are continuing to develop new programmes to compete for this lucrative market and are embracing new product developments such as the Wild Atlantic Way.

While this channel is seen as an offline channel, it is important to note that all significant leisure operators also have an online presence. This is essentially an extension of their shop window where they display their tourism product. As the chart above shows, ITOA members work with tour operators and agents to distribute their product and some of these are online tour operators.

Irish tourism businesses that partner with Irish and international tour operators benefit from developing relationships with well-established travel industry professionals and organisations, which deliver a mix of business and visitors from different consumer segments. Many tour operators, particularly incoming tour operators [usually members of the Incoming Tour Operators Association (ITOA)], also enable sales to multiple markets.

As the Path to Purchase[3] research shows, the travel trade plays a key role in the inspiration and research phase of consumers' holiday purchases. In the US and Germany, consumers are still highly likely to use tour operators and travel agents. This channel, therefore, should be a key consideration for any businesses overseas sales strategy.

3 Arkenford, Fáilte Ireland Path to Purchase Review of Global Segments, 2014



TIP

Know your target markets and segments

Channel overview

Tour operators typically combine at least two or more travel components, often from different suppliers, to create a tour or holiday package. This can include the flight or ferry journey, but that's not necessarily the primary component of a package any more, as consumers choose to buy flights directly through carrier websites.

A group tour package typically includes:

- Airport meet and transfers
- Accommodation
- Coach hire
- Meals and entertainment venues
- Visitor attractions
- Access to specific events and festivals
- The services of a guide for the duration of the holiday.

An FIT (individual travel package) can include:

- Pre-booked accommodation
- Car hire
- Chauffeur drive
- Activities
- A sample day touring itinerary matching the customer's preferences, interests and budget.

As the Path to Purchase research shows, this channel is still very relevant to our target consumers and can deliver significant business to an extensive variety of tourism product providers. While other distribution channels primarily sell only accommodation and transport, the travel trade channel packages many other products. It delivers prebooked business to a more extensive range of tourism businesses and often for a longer length of stay.

Tour operators, their product suppliers (handling agents or inbound tour operators) and distributors (travel agents and wholesalers) have adapted to the current travel environment and still appeal to consumers who value personal relationships and expertise from a travel specialist.

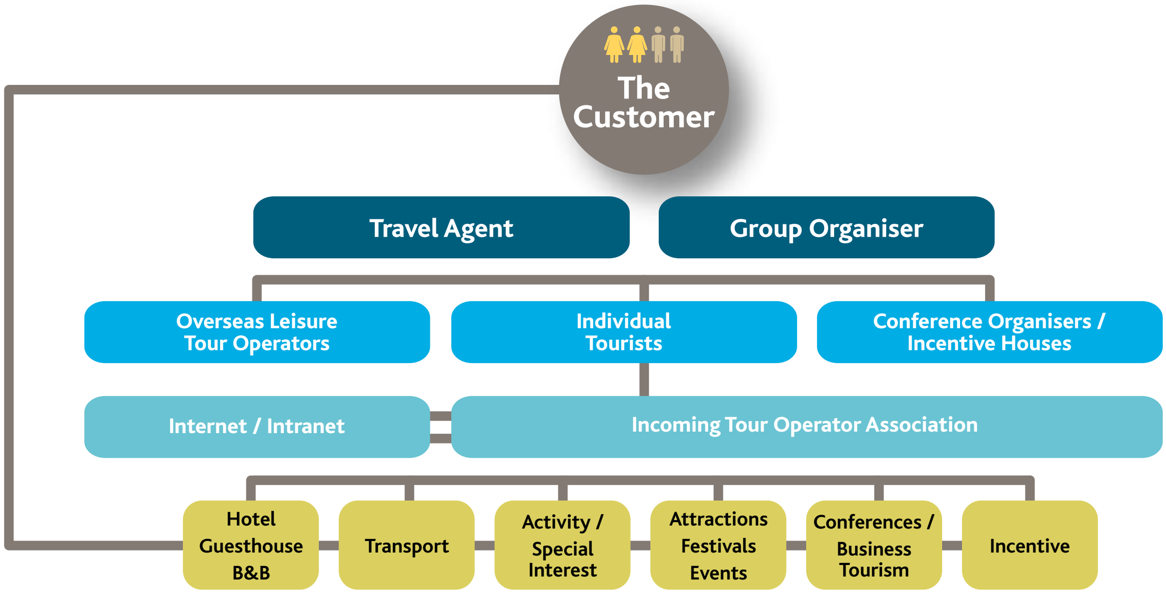
To stay competitive, tour operators have moved[4] to supplement offline content using online booking as a distribution tool and social media as a platform for user-generated feedback. This helps to strengthen their product offering, encourage existing customers to make a repeat purchase and capture new customers.

4 PhocusWright, Identity Crisis or Innovation: Update on Europe's Tour Operators and the Battle for Travel Market Dominance, July 2014

Distribution pipeline

Figure 9

Trade distribution channels



Irish-based tour operators

These are usually independent companies, the larger and most established being members of the ITOA in Ireland. They include:

- Tour operators
- Handling agents
- Specialist tour operators, such as adventure and sports holiday handling companies
- Full-service online tour operators
- Destination management companies (DMCs)
- Professional conference organisers (PCOs)

Larger tour operators and handling agents can deliver a mix of leisure business from multiple markets. Being included in their portfolio of products is a great route to gaining international business and gives a tourism supplier the option of multiple markets and channels.

The ITOA is based in Ireland and its members sell Ireland in multiple overseas markets. The cost of doing business with ITOA members is based on suppliers providing commission or nett discounted rates reflecting the volume of business provided, the benefit is a multimarket presence and selling expertise, as well as 'shoe leather' in the market.

Medium and smaller operators often target specific niche segments within one or multiple markets, such as adventure holidays, heritage and culture, or sports and other events. Others specialise in business tourism, also known as the MICE (meetings, incentive, conference and events) market.

Business tourism can generate leisure business as extended holiday stays are offered before and after conference and incentive programmes. Incentive business also uses many products incorporated into general leisure touring programmes, although this is usually in an exclusive or bespoke context.

Overseas tour operators and travel trade

These buy directly or through the Irish-based intermediaries. They include:

- General and specialist tour operators
- Wholesalers
- Group organisers
- Travel agents
- OTAs

An overseas or 'market-based' tour operator can use the services of other intermediaries to contract, package and deliver the destination experiences, and to sell and promote their packages. As the distribution pipeline chart shows, there are a number of ways to do this. The route to market can be a two or three way journey to reach the consumer. This often depends on the market where the operator is based and the relevance of the destination in the tour operator's portfolio.

Product

Tour operators distribute a wide variety of packaged products, which include:

- Tour series (touring programmes that depart weekly)
- Escorted ad-hoc group tours
- Free independent traveller (FIT) (independent travel packages)
- Adventure and activity-themed packages
- Tailored self-drive products
- Chauffeur-driven programmes
- Events, sport and festival packages
- City stay and short-break programmes
- Special interest and learn to holidays

TIP

Utilise information on www.failteireland.ie/channelresearch

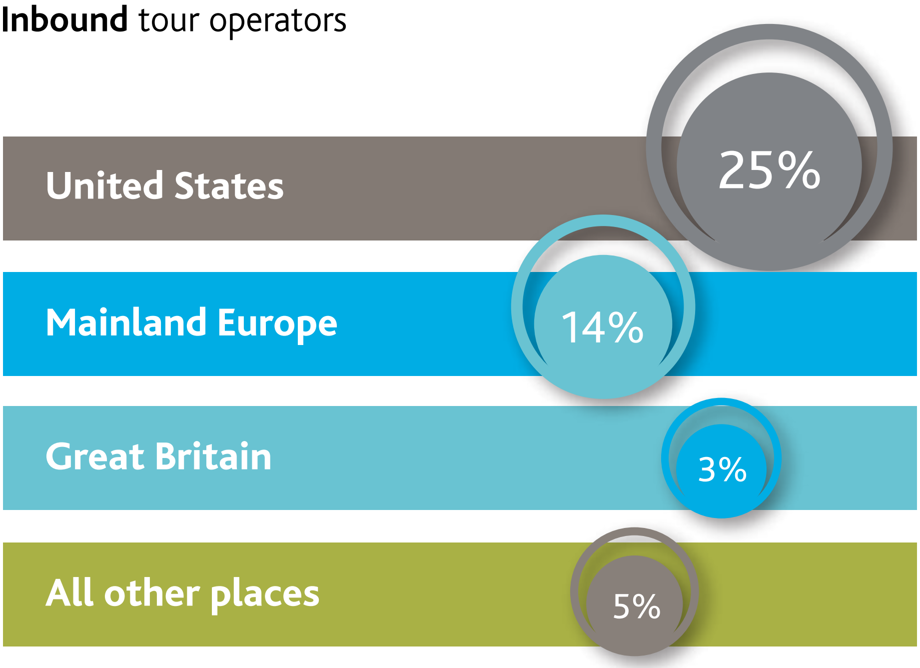
Travel trade channel – market size and performance

Inbound tour operators

According to Tourism Ireland's Tourism Facts Report 2013[5] (compiled from the Central Statistics Office/ Fáilte Ireland's tourism statistics 2013[6]), 3,828,000 promotable visitors[7] came to Ireland in 2013. The ITOA Business Report 2013, compiled by CHL Consultants[8], says the number of promotable visitors handled by its members in 2013 was 467,000. This represents 12 per cent of the total number of promotable visitors to Ireland. By market, the proportion of promotable visitors handled by inbound tour operators is:

Figure 10

Inbound tour operators



Tourists handled by ITOA members spent just over €392 million in 2013 and accounted for 2.2 million bed nights, with an average length of stay of 9 nights. (CHL - ITOA 2013 Business Performance Survey Report). These figures are representative. ITOA members are the largest and longest-established companies in Ireland, but some inbound tour businesses are not ITOA members.

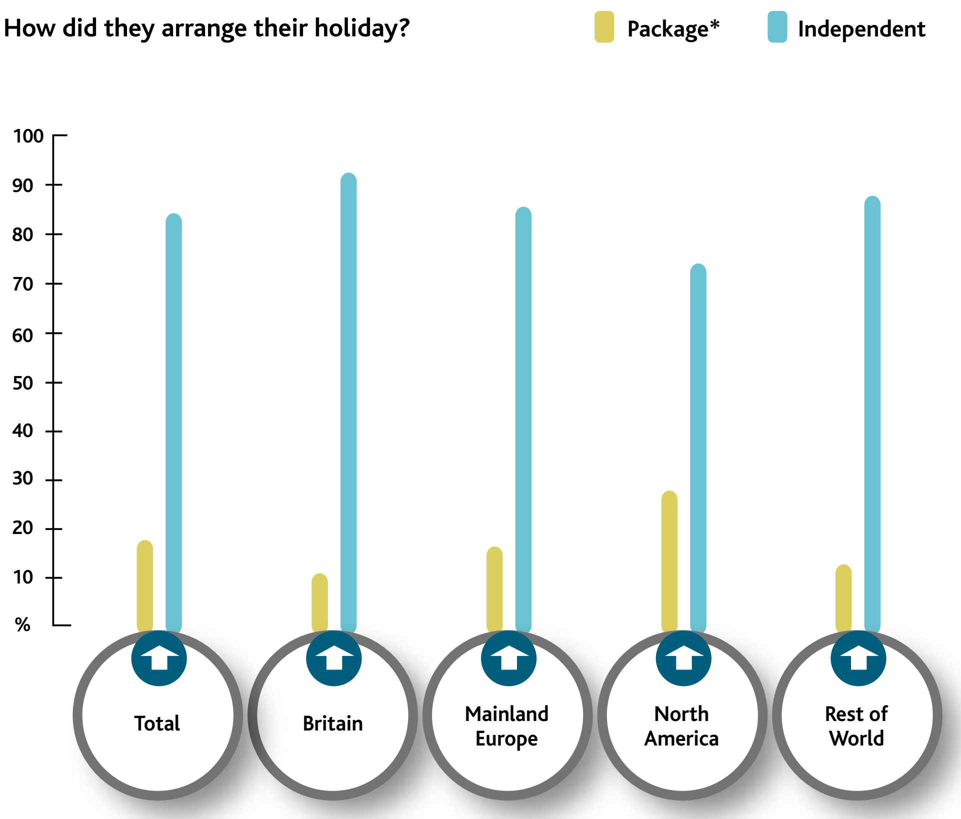
5 Tourism Ireland – All-Island Tourism Stats 2013
6 Survey of Travels 2013 and Tourism Ireland All-Island Facts & Figures Report 2013
7 Promotable visitors comprise holidaymakers, conference/exhibition attendees and English-language training (ELT) visitors
8 CHL-ITOA Members Business 2013 Survey

Overseas tour operators

While there is no specific data on the size or market share of overseas tour operators and travel agent business contracted directly, the Fáilte Ireland Survey of Overseas Travellers gives some indication of the size of this market based on visitors who said they arranged a 'package' holiday, as Figure 11 shows. Of all international visitors, 17 per cent came in on a package holiday, with that percentage being much lower for GB visitors and higher for US visitors.

Figure 11

Package holiday visitors



***Prepaid an inclusive price for fares to/from Ireland and at least one other element of the holiday.**
Source: Fáilte Ireland's Survey of Overseas Travellers

The global travel trade channel delivers packaged holiday business that incorporates group travel, business or MICE tourism and packaged independent holiday visitors. The packaged business is particularly important in terms of the revenue it generates for the tourism industry in Ireland. These visitors:

- Stay longer (on average 9 nights, compared with 6.7 nights for other holiday visitors)
- Are distributed throughout the regions
- Use or buy more tourism products
- Spend more (on average €616, compared with €550 for other holiday visitors)[9]

Driving travel trade business

From the interviews we conducted with tour operators, we learned hotels and accommodation providers must consider a number of points when they are developing a travel trade sales plan as part of their overall sales and marketing strategy. These include:

- Identifying the type of business they want to secure (for example, group, individual, special interest and so on)
- Deciding which markets offer the greatest opportunity
- Assessing if the property facilities meet the buyers' requirements (both of the tour operators and their customers)
- Identifying any market, business segment or category differences that make their product more saleable
- Understanding the contractual timelines for each market and the booking lead times for the various business categories
- Assessing the value of this business and how it fits into their revenue strategy
- Working out the sales activity required for customer acquisition, retention and growth

If accommodation providers spend time analysing these points, researching the target markets and buyers, and benchmarking by industry averages supplied in this report and available from tourism agency data and industry reports, they will have a strong base on which to grow new and incremental overseas visitors through the travel trade channel.

Benefits of tour operator business

These include:

- Access to international visitors that Irish travel businesses could not acquire directly
- The potential to expand the business gained from the tour operator, for example, by becoming a preferred supplier for other categories of business they sell or by getting business with market-based distributors they use or other businesses they may own
- The certainty of business secured well ahead of the season, complementing business from channels with shorter lead times
- The potential to build repeat business
- A base of business outside the peak tourism season, the value of which is even greater when it contributes to filling otherwise distressed inventory

[9] Excluding air and sea carrier receipts

One of the key findings of our research is that the best way to realise the benefit of the travel trade channel is to incorporate it into a medium to longer-term sales strategy. Sales activity should be phased over three years, showing potential tour operator customers that the Irish business is committed to this channel and will honour pricing and allocation agreements. Tour operators consistently mentioned being particularly loyal to suppliers with whom they had worked and built long-standing relationships.

At the most basic level, tourism businesses can provide tour operators with an allocation and a rate. By going beyond price and seeing the relationship more as a partnership, however, a hotel or activity provider can get more business from a tour operator. By offering added value such as bespoke activities, a drink on arrival for guests or increased commission, the tourism business can build loyalty and ultimately have a much more valuable relationship with the tour operator, with much more revenue brought in over the long-term.

Cost of sale

The tour operators to whom we spoke all said they need net bed and breakfast (B&B) or dinner, bed and breakfast (D/B&B) prices for group business and net B&B prices for FIT business.

The level of discount expected, while negotiable and based on volume, is a minimum of 40 percent off average retail prices for Irish-based operators and 30 per cent off for market-based operators. Some operators said their rate expectation was driven by existing Irish hotel supplier pricing and influenced by comparison with competing northern European destinations.

The net rates negotiated by tour operators include the cost of sales to the consumer, and other expenses, including:

- The tour operator’s margin
- The production of brochures, promotional activity, and online and offline marketing activity
- Commission paid to retail sales agents
- The cost of in-market sales representatives and associated activities

Contributions to supporting educational and familiarisation visits by tour operator reservations and sales staff, and market-based distributors may also be considered a cost of sale. This should be considered in the context of the cost of a visit to market to meet a buyer and in terms of the benefit of them experiencing the product first hand, which enables them to sell more effectively.

Given the nature of this distribution channel, hotels should consider the cost of sale in terms of developing relationships over time. The closer they work with intermediary partners and the more flexible they are, the greater the potential for sales through this channel.

The lead time from contracting to the delivery of business is six to 12 months on average depending on the overseas market. The cost of sale relative to the volume of business, the mix of business type, delivery of visitors across mid and off-peak periods and the long lead times are all key factors to be considered when targeting this channel.

Key learnings

Our interviews with tour operators showed that the Irish accommodation and tourism suppliers with whom they have established relationships value the business the operators deliver. This was particularly true during the recession when business from other channels and the domestic market collapsed.

Need to improve sales skills

We also found, however, that tour operators can be frustrated by a frequent lack of sales professionalism in the industry, poor understanding of this distribution channel and low appreciation of the business they consistently deliver. The tour operators specifically highlighted a lack of selling skills within the Irish tourism industry particularly in sales presentation, negotiating skills, contracting, and lead development.

When tourism business managers have mistaken perceptions of the travel trade channel and a poor understanding of the variety of business tour operators deliver, it can be detrimental to their sales efforts and hurt relationship building with sales personnel.

Taking a partnership approach

As with other channels, the Irish tourism industry needs to take a strategic approach to building business from this sector. It needs a longer-term view in the planning, management and delivery process. As mentioned earlier, providers need at least a three-year strategy to develop and build business from this channel.

This channel, like most others, is continually adapting and evolving. Established market and global tour operators remain strong and trusted by consumers. They are diversifying their portfolios by acquiring and developing brands in the tour, accommodation, OTA and wholesale businesses.

The web, ubiquitous mobile connectivity and social media are redefining the foundations of the travel distribution landscape and the way consumers plan, shop and purchase travel. Tour operators are using technology and investing in integrated systems to stay competitive, build product and offer greater choice and flexibility to their suppliers and customers. As consumers are increasingly booking online, tour operators are increasing their visibility on the internet as part of an integrated marketing and sales strategies.

Next steps for Irish industry

Any Irish accommodation provider keen to develop business from the international markets should see the travel trade channel as a key component of its sales and marketing strategy. Businesses that want to work successfully with this channel must:

- Research the markets and business categories best suited to them, using the information available on the tourism agency websites
- Research the key intermediaries within this channel, in Ireland and overseas to assess the possibility of doing business with them and the rates they would be expected to provide if they wanted to feature in group or independent touring programmes
- Analyse their existing trade business and contact database
- Develop a three-year sales and marketing strategy with a supporting annual operations plan, including key activities and timelines to meet the needs of the channel
- Devise a customer relationship management strategy as a core part of the overall strategy, and engage key operations and revenue personnel in this process.

Figure 12

Indicative 3 year cost of sale plan for off line channel

YEAR 1

Activity	Cost
Attend ITOA workshop	€210
Sales calls to Irish-based tour operators *(travel expenses based on property location)*	€300 to €600
Attend trade networking events *(local and national)*	€150
Quarterly trade-relevant communication *(set up and design template)*	€100

YEAR 2

Activity	Cost
Attend ITOA workshop	€210
Attend Meitheal	€700
Sales calls to Irish-based tour operators *(travel expenses based on property location)*	300 to €600
Attend trade networking events *(local and national)*	€150

YEAR 3

Activity	Cost
Attend ITOA workshop	€210
Sales calls to Irish-based tour operators (travel expenses based on property location)	€300 to €600
In-market sales calls and trade promotion (local and national)	USA €2,500 Europe €1,250
Attend trade networking events (local and national)	€150

For further detailed information on offline travel sales please visit www.failteireland.ie/channelresearch