



GET BREXIT READY

ROUTES TO MARKET – AN INTRODUCTION



Fáilte Ireland
National Tourism Development Authority

SECTION 1: DIRECT CHANNELS – B2C (BUSINESS TO CONSUMER)

A direct channel of distribution describes a situation in which the supplier/provider sells a product directly to a consumer without the help of paid intermediaries.

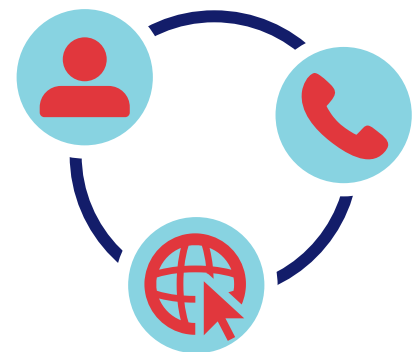
There are a number of direct channels related to your business that can assist you to reach and sell directly to customers. These include; your front line staff who service walk-in and telephone enquiries as well as capturing information on customers who arrive; your own website (ideally where customers can book directly online) and of course your social media channels – blogs, vlogs, podcasts, Facebook, Instagram, Snapchat and Twitter. Each channel can facilitate you to market and promote offers to customers who can then contact you to buy or link to your website to purchase.

There are also personal referrals, which can take many forms, but a common method of referral in the tourism industry is through other tourism businesses cross-promoting or recommending you or through past customer testimonials which you can (with customer permission agreed) detail on your website or link to customer and peer reviews on Twitter or platforms such as TripAdvisor.

The key to success in delivering sales and more importantly repeat business through direct channels is to invest time and resources to ensure regular and relevant content (useful information) with your past, current and prospective customers. Apart from that, direct channels are probably the lowest investment cost to drive bookings to your business. Although it is important to remember, even direct bookings do have a cost associated with them, whether it's time/people resources, software investment, or the cost per booking administration to your booking service provider.

The importance, value and sales potential in managing customer data

While other industries work very hard and invest sensibly in their CRM (Customer Relationship Management) systems to ensure they gather and hold in-depth data and profiles about their customers, traditionally the tourism industry has been poor at investing in this and the value and potential of repeat customers is not always appreciated. As the old saying goes and still stands, the cost of investing in customer retention is far lower than the cost of winning a new customer. We need to ensure the customer relationship is developed so regardless of the channel they initially booked through, they have a confidence and can see the added value in placing repeat business directly with you.



A key factor in doing this is to build accurate and detailed customer profiles. This will identify how to best engage past customers in future activities or events which may interest them such as Irish music, food festival or a new attraction. Think also of the types of activities they may enjoy; genealogy, walking, sailing, spa weekends diaspora or family connections news.

The type of details recorded should include;

- ➔ how to contact them (email, postal address, tel. no)
- ➔ any social media channels they engage with
- ➔ where they are from (country and state/city)
- ➔ how they booked with you (channel)
- ➔ experiences they like or engaged with during their stay
- ➔ purpose of past visit (visiting family and friends , family event/celebration etc.)

Everyone in your organisation is an important part of this data research and capture. This valuable customer database will allow you to go back to re-connect with past customers, give them up-to-date information and new reasons to revisit or to mark an anniversary or special family celebration that happened while they were with you.

The most critical step in this process is to ensure those involved at the front desk and check-in, capture clients' address and contact information and ensure it is entered into your CRM/PMS system. Note the channel that the booking came from, so you have a means to reach back out to them directly to ask for their feedback on their visit and what they most liked etc. It will also enable you to invite them back or give them reasons to encourage their friends to book with you (such as a small voucher / discount to book direct or a guarantee of a free room upgrade or a welcome drink/fruit basket or similar).

This 'big data' is very valuable and can allow you develop low cost, very targeted and effective marketing campaigns directly with these past customers to drive future business. For example, past customers from Germany, living within a commuter range of a certain airport in Germany, could be targeted to advise them of a new direct route to Ireland, perhaps to one of our regional airports. Another example would be to target those with an interest in food, music or history to invite them to come for a relevant festival of interest, and perhaps offering them an incentive to book with you directly or inviting them to share the incentive with a friend who is planning to travel, if they cannot come themselves. Such initiatives also need to be conscious of typical planning and booking patterns of consumer types from these markets, so be sure to link to Consumer Market Nuances information when considering developing offers and packages to appeal to specific markets.

It is important to remember that in many international markets, up to 55% of customers who visit say they are 'likely to return' to Ireland, so repeat customer business has good potential. For those who don't return, it's worth remembering every customer tells between 4-5 friends about their trip, so their value as a direct referral source too must not be underestimated.



SECTION 2: Indirect Sales Channels - Traditional or Offline

Indirect Sales Channels are those that involve an intermediary company/business or online channel to sell the product to the consumer. One of the benefits of selling through intermediary channels is that it often secures a percentage of customers without you having to carry the overheads of additional sales staff, associated sales and promotional costs to deliver these customers to your business.

This process involves selling your product or service B2B (business to business) and it is important to understand the needs of the buyer. This Indirect Sales Channel is founded on and totally reliant on investing in developing a strong and trusting relationship with the buyer. Travel used to be sold through an orderly series of middle men. Travel suppliers usually sold to wholesalers and tour operators, who in turn sold to travel agents, who in turn sold to travellers. Now with the growth of the internet, the former marketplace is no longer as straightforward, as the internet allows for disintermediation (removal of the middle man).



The role of the Tour Operator or Travel Agent

With the explosion of the internet and the ability to research, plan and book directly, you might assume the need for intermediaries would be redundant. However intermediaries survive by including and adding value. The internet has created information overload for customers in researching and planning travel and because of this, the USP (unique selling point) of the tour operator and the travel agent is now being redefined as someone who can not only provide detailed insight and knowledge of a destination, but they can also cut through the clutter to save the customer time and match them to the experiences that will best satisfy their holiday motivations and preferences. Due to information overload and the often complex trip logistics where air travel may involve more than a single end to end flight, travel agents are not necessarily the middle man – they are the main man! In fact, you may be surprised to note that many tour operators rely on travel agents to sell up to 80% of their tour packages and FIT itineraries to customers. Travel agents have years of experience in their field so they know how to get the customer what they want, and while individual elements of the trip may not be offered at the 'best available or lowest price', consumers value their time (not only planning time, but quality of holiday time) to invest more in having the trip designed to meet their individual needs.

The buyer in the case of traditional channels may be a DMC, Tour Operator (Wholesale or Retail), Travel Agent (or marketing consortia of travel agents) or Travel & Lifestyle Concierge (see definitions of each within the sales channel landscape resource). The term 'traditional' channel stems from a reference to the fact that these businesses were the original tour/travel planners (long before the internet existed) whose USP was that they provided one on one face-to-face engagement with consumers to really understand what they were seeking in a trip and how best to match that with an itinerary, whether as part of a group tour or independently organised – be it guided, partially guided or self-directed.



While we refer to these groups as traditional channels some of these businesses will actually have an online presence and sell some of their tours and trips online. However, they all have the option of having face time (some using chat functions on website, some with toll-free call centre staff/or frontline agents operating from remote or homebased locations so they often have 24 hour cover to assist customers with planning their trip at whatever time of day or evening, in whatever global time zone). Facetime with these customers is an important feature of these businesses success as it allows for upselling add-on elements such as services and experiences to the trip.

Taking a fresh look at the potential of Tour Operator/Travel Agent business

Many in the Irish tourism industry tend to think of Tour Operator business as being made up purely of groups and coach tours. They may be anxious not to grow more group travel business so as to keep the balance of availability for domestic business such as family market, weddings and events or even FIT business from International Markets. However, it is important to note that most Tour Operators (including Irish DMCs) also sell FIT trips (Fully Independent Travellers). In fact, the average Irish based Tour Operator would sell a minimum of 20% FIT (many selling much more than this to individuals), and it has been noted by many Irish based Tour Operators and DMCs as well as in-market operators, that this is the fastest growing segment of their business, not only in terms of volume but also in terms of average spend per customer.

Equally worth noting is a trend for smaller specialist or themed group travel trips for individuals who share like interests. In this case, group travel can average 12-16 pax, requiring about 10-12 rooms per group. Therefore it is important in planning your business mix, to carefully consider what operator business type and volume will work for you and who are the Tour Operators that best fit your group, FIT and B2B business portfolio mix requirements.

Negotiating optimal revenues from Tour Operator / Travel Agent business

Equally, it is worth exploring in Tour Operator and DMC conversations, the expected volume and scheduling of the business they currently deliver to Ireland. The geography and nature of these itineraries should also be explored, so you can gauge a realistic estimate as to the optimal volume and spread of business they could contract with you. In this way, it will inform you as to who ideally is a best fit for you to work with, as while some may demand group bookings or FIT allocations at peak season and peak optimal weekend dates (popular for your other customer segments), they may also be guaranteeing you business volumes and revenues earlier and later into the year than some other operators.

Also worth considering if you are an accommodation provider is whether you can negotiate a Dinner Bed and Breakfast Rate (DBB) agreement with them, rather than a B&B only contract rate. If you are an experience provider or attraction can you package other elements e.g. possibly a packed lunch or serviced refreshments or an additional experience where you can earn some additional profit margin. This could make a group booking more viable for you at peak season times in the event that such bookings may potentially displace other possible business. Alternatively can you offer a special rate if they were to come to you at less busy times of the day (for example earlier in the morning or later in the evening – depending on your peak visitor flow) so you would not have to displace other business to service the tour operator group business.

The Average Irish-based
Tour Operator sells
a minimum of

20%
FIT TRIPS



So in summary, it is important to weigh up the total revenue potential that an operator can offer when you are in conversation with them. Ensure that time is afforded to exploring their business model and business projections as part of your work in getting to know them and developing an honest and trusting relationship. Engagement with Tour Operators – be it wholesale (such as Service Reisen in Germany) or retail (some do both wholesale and retail such as Dertour in Germany and Albatross in UK) can also assist you grow your International FIT business considerably. Equally, we know from Path to Purchase research that consumers who research and book directly and not through intermediaries, rely on tour operator and travel agent website itineraries and sample tours to provide stimulus, ideas and suggestions for their own trip planning.

Therefore, any operator site that provides visibility and references to your accommodation, service, and attraction or experience because you are contracting with them for groups and/ or FIT business, may also serve as a shop window to guide some direct consumer business to you too. When consumers' research and see your offering on a tour operator site it means they are more pre-disposed to consider adding it to their itinerary and it can lead them to contact you directly either before travel or in destination. Ideally, if you have a real-time booking facility on your site or sell through an OTA, this can incentivise a commitment to buy, particularly if you have price incentives for early/advance purchase. Such strategies to support advance purchase can drive business, helping your cash flow and your staff resource scheduling to match advance booking volumes.

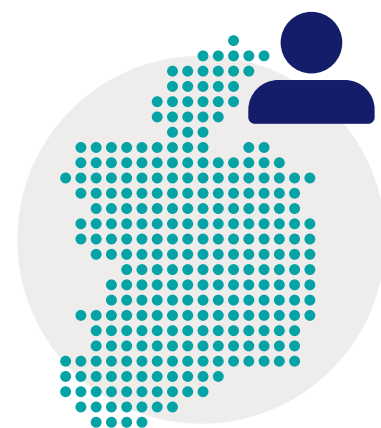


Handling Tour Operators and Travel Agents communications when you cannot service the business

In cases where you have sales meetings / networking opportunities with traditional channel intermediaries – DMCs, Tour Operators or Travel Agents at Sales Events In-Ireland or In-Market, they will seek to agree room allocations, group booking rates and block group allocations. If you know you cannot service these requests, it is critical that you do communicate this to all buyer requests received for rates, allocations and/or bookings. Failure to engage with a courteous response sends a negative message to buyers that Ireland is not interested or does not value their business. This can have a negative long term impact on their perception of doing business with Ireland and we have seen in the past where this damages our reputation as a destination and in some cases results in business being pulled from Ireland completely and relocated to competitor destinations.

If you find you are not in a position to service the business enquiry, we recommend you state clearly to the buyer why you are unable to service the request (is it the price point, lack of availability due to other business prospects in development). But equally importantly, we would propose that you also attempt to offer recommendations to an alternative provider whom you know (from experience and conversation) is happy to be recommended and in a position to consider the business.

If you do not have suggestions or alternatives to recommend to the buyer, we would suggest you refer the enquiry to the Business development team in Fáilte Ireland who may be able to offer alternative recommendations. This also demonstrates a social community approach to protecting the business for Ireland and the desire to be as helpful as you can may help protect the relationship for prospective future business.



SECTION 3: Indirect Online Sales Channels – B2B and B2C

Indirect B2C - What's an OTA and who are the main players?

OTAs (Online Travel Agencies) are a key part of the channel mix for all Irish suppliers targeting overseas business. They facilitate the booking of hotel rooms, flight tickets, holiday packages, ferries and trains. OTA revenues come from the commissions which suppliers (hotels etc.) charge for the bookings. Commission rates have increased over the last ten years from 10% to now, more generally, 15-30 % of the cost of the stay.

OTA sales in Europe grew by 16% in 2016 and continue to be strong generating over €50 billion in gross bookings per annum.

Priceline and Expedia are currently the global leaders in OTA (online travel agency) hotel business. They individually sell more than 22 million and 12 million hotel room nights respectively per month. Priceline's main brand in Europe is Booking.com but they also own Agoda, Ctrip and metasearch engine, Kayak to name a few.

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The Expedia brand family also has a large portfolio of brand assets including Hotels.com, Travelocity, eBookers and metasearch engine, Trivago. Over the past few years, both have been busy acquiring their smaller competitors. This has not diminished the number of online intermediaries entering the market as mobile apps have paved the way for a multitude of travel planning companies and product or market specific OTAs. Some of the larger Pan European OTAs include lastminute.com and eDreams Odigeo. Both these operate a number of sub brands across various European markets and while they pull bed stock from the main bed banks (Priceline and Expedia), they also contract direct with suppliers. Other market specific OTAs offer more targeted access to markets and segments. Voyages Privé for example in France offers curated deals to their large membership and they have seen significant growth in their Irish

sales over the past year. Mrandmrsmith.com in Great Britain offer a more bespoke boutique and luxury hotel offering to their membership. More recently they have started offering family hotels but keep their boutique and unique sensibility.

The biggest travel site in the world (if you exclude Google) is TripAdvisor. It started as a review site but has evolved its model to become a metasearch site for hotels comparing prices for all the main OTAs. They also offer a book direct option for hotels to drive business to their own site. In fact, all other main hotel comparator sites such as Trivago and Kayak, can provide a book direct option and bespoke listings but it's a function that is often under-utilised by Irish suppliers. Metasearch engines are price comparator sites that display the current rates of many different hotels in a given destination. While metasearch engines display this information, they don't sell inventory. This is the key difference between metasearch engines and OTAs. Google also falls into the metasearch area, as it offers price comparison but also allows you book to a business website. The commission for these direct booking via metasearch channels is significantly lower than that of an OTA despite being equally popular.

Of course TripAdvisor is also active in the 'things to do' space and their recent acquisition of activity OTA 'Viator' means attractions and activities can also use TripAdvisor to drive bookings. While real-time booking software is a big advantage for attractions and activities in working with TripAdvisor it's not a necessity as they can also work with them through a booking request system.

Indirect B2B online channels



The GDS (Global Distribution System) is a large scale network and reservation system that allows travel agents across the world to book flights, hotels and other services. Hotels and suppliers that use GDS load their product onto the system through a GDS provider which connects them to hundreds of travel agents networks and OTAs. Using the GDS has many benefits including massive exposure to travel agents through the world to book your products. The main GDS systems are Amadeus, Galileo / Apollo (owned by Travelport), Sabre, and Worldspan (also owned by Travelport).

There are other wholesale operators offering massive global distribution for your product albeit at higher commission rate than you would pay to OTAs (often up to 40% below your retail rate). However these bulk buy product and offer many other benefits. For example, GTA and Hotel Beds Group, supply retail travel agents, wholesalers, tour operators and online travel agents throughout the world. Another advantage is wholesaler contracts let you forecast occupancy patterns and help predict demand for your business better and, in some cases, may offer a revenue stream in the shoulder and off-season to support you to extend your season and contribute towards your fixed overheads.

The growth in mobile

The growth of mobile has transformed the path to purchase, when and where people are researching, comparing prices, booking & shopping online as well as influencing lead times to booking. Development of mobile enabled sites is currently shaping the online travel market. The annual growth in mobile bookings is between 7%-10% per annum, generating bookings of over €100 billion in the US and Europe in 2016.

While OTAs were slow moving into the mobile space, due to the size/complexity of their online platforms, they have now caught up and are powering ahead. For example, one-third of all Booking.com's sales come from mobile now and that jumps to 50% for bookings within a 48 hour window.

A sensible approach to working with indirect online B2B and B2C channels

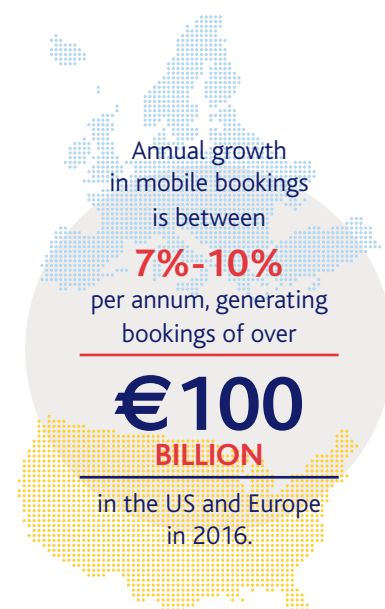
For the Irish tourism industry, OTAs are a necessary part of the channel mix to reach international markets. Their combined advertising spend is in excess of €5 billion annually - as a result, their reach into mass market international travel is huge.

However, beyond the main players there are still many small OTAs and online channels that offer targeted sales, such as Secret Escapes in Great Britain and Voyages Privé, in France. Both are membership based OTAs selling to a signed-up membership base that is already warm to travelling, so in many cases, if your product offer matches their customer base needs well, conversion rates can be stronger from these specialist channels. These can often deliver stronger sales at times you need to sell excess product when your other online and offline channel sales may be underperforming.

New online sales channels are emerging in the social media world also. Operators such as Holiday Pirates are now offering a broader range of products sold as deals on Facebook as well as on their website.

The sensible approach to working with OTAs and B2B online operators is to have a healthy channel mix and not be overly reliant on a small number of channels, yet not to feel you need to be active in all channels. Bear in mind the big bed banks of Expedia and Priceline/Booking.com family of brands are distributing stock through an extensive range of other online brand platforms anyway.

It is important to build a strong relationship with your OTA account manager, so you are comfortable and confident in negotiating commissions and discussing opportunities. You will also need to manage the OTA platform back end system support and identify training needed to optimise the channel for your business. Ensure you are familiar with distributing opaque sale stock possibly to a certain target market – if the platform offers can be market specific; limiting or increasing stock allocations in line with business demand; yield forecasting and adding additional imagery, content, uploading flash sale offers etc.



OTAs and B2B online channels, are here to stay and can often provide your business with visibility in the international marketplace that your own direct channels could never expect to reach (even with paid SEO spend). Even if your channel was to reach these prospective buyer and customer audiences, in truth many international travellers have become so familiar, comfortable and trusting of these online booking channels and their flexible booking and cancellation models that they prefer, or will choose only to book and buy through these channels rather than with you directly. Consider too that for buyers, it limits the amount of suppliers they have to contract and administer payments with.

While it is still important to note that driving direct business should always be at the forefront of sale planning, it is also critical to realise the role of OTAs and B2B online channels in gaining visibility to valuable international visitors. They are very effective as a channel for quick sales of products to ensure cash flow during any low period or for reaching customer audiences that your business could never hope to reach.

Disruption in online channel sales and implications for business

We have seen how AirBnB has disrupted the accommodation sector and other changes are afoot as non-traditional tourism companies start to realise the potential of the industry. Facebook is opening up to chatbots (a computer program designed to simulate conversation with human users, especially over the Internet), and now we are starting to see other companies use it as a sales platform too. Likewise Google is developing a suite of travel products and integrating them with Android. Apple, Amazon and Google see opportunities with their voice-activated systems to grow online sales.

While it may not be clear as yet the impact these will have on the sales performance and mix across online channel sales, the only certainty is that disruption in online sales channel technology and new platforms will most likely continue at a rapid pace. Therefore, it is important for businesses to regularly review their channel mix and sales performance (not only in terms of volume of bookings and commissions), but factors like average spend, length of booking lead time, mix of sales (peak vs off-peak time), cancellation levels etc.

This is a rapidly changing environment and businesses must continue to investigate new channels and technologies, understanding the business models of each, in order to assess if they are a correct fit for your channel strategy. This will depend on their customer profiles, markets penetration, customer spend and preferences, booking lead times, etc. Bear in mind, this too may change as new platforms evolve and gain traction with consumers. Some of these channels you may find provide a steady flow of high spend international visitors with longer booking times, to support your occupancy and yield management while others might provide a perfect solution at various times of the year or off peak, for flash sales to offload excess product / stock or perhaps re-sell a late block or group booking, that may have cancelled from a traditional channel. Some also offer the option of opaque discount sales too, for businesses who may need to hide the fact you need to offload stock at below average seasonal rate. By doing it this way you do not upset other customers or B2B channels you have, who may well have paid above these rates.



How do online channels impact attractions and activity providers?

There are also big changes happening in activity planning. The movement of activities and attractions into real-time online booking is only beginning and will take time, but its potential has not gone unnoticed by the big players.

Both Expedia and Booking.com have been adding destination purchases at booking time to their platforms, as they continue to evolve into a more holistic travel booking experience. Other providers such as the Icelandic company Bokun offer attractions and activities opportunities through accommodation providers to re-sell activities through the innovative marketplace.

What's transforming this part of the industry is also technology. Real time reservation or experience booking software is vital for attractions and activities as they provide businesses with a platform to link into OTAs, online wholesalers and the GDS (Global Distribution System). The latter gives access to millions of agents and operators worldwide to sell your product / experience at wholesale rates to guarantee you advance sales that you may otherwise never see delivered to your business. Without real-time booking and in the absence of B2B traditional group bookings, your business is likely to remain very reliant on in-destination purchases. This can lead to challenges in forecasting business volumes, revenues and people resources needed to service this business) or, in the case of bedstock, an over-reliance on OTA sales, which can limit your opportunity for direct advance sales to support cash flow and reduce online 3rd party commission payments.

