



# FISH WHERE THE FISH ARE

A simple guide to Tourism  
Distribution Systems in 2006

## DISCLAIMER

Although the consultant involved used his own research and his own examples and suggestions from real businesses for this guide, Reed McKibben & Associates (RMA) take no responsibility for any decisions that may be taken by a business after reading this material.

There are a multitude of decisions and options presented throughout the guide, and every business, when not confident of making their own yield and marketing decisions, would be well served to seek professional advice from their accountant or other professional business analyst/advisor.

Although innumerable trade and other proprietary names are used throughout the guide, RMA take no responsibility for any trading activities, and make no special or specific recommendations to use or not use any particular company or agent within their business – it is purely a matter for the individual business to do their own research prior to committing to any business decision.

## INTRODUCTION

This guide is designed to assist tourism and hospitality operators understand better the operating environment that consumers are shaping in the early part of the 21<sup>st</sup> Century.

It is specifically targeted to Tasmanian small to medium sized businesses.

The desired outcome is that after gaining a better understanding of consumer behaviour, the tourism industry segments and visitor patterns – business decisions can be tailored better to suit market conditions and ultimately make for more successful businesses.

The materials have been developed to underpin workshop facilitated presentations, and as a stand alone “self help” guide.

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## GLOSSARY

Every industry has its own jargon and tourism is no different. The following may help establish some key words and phrases used throughout the guide.

ATDW	Australian Tourism Data Warehouse. A national database that holds tourism product and destination information for all Australia in a common format. This information feeds into many websites including Tourism Australia's <a href="http://www.australia.com">www.australia.com</a> .
Carriers	Airlines, TT Line.
Clients	People who have stayed with you, or experienced your tour or attraction.
Commission	Fees charged by other parties to assist you transact a booking with a customer, most notably travel agents and wholesalers.
CRM	Customer Relationship Management. A system of collecting and then using data from clients, to enable further contact with them to seek repeat, referral or other business.
Demographics	Details about a person's age, their income, where they live.
Distressed Inventory	A description of rooms or seats to sell with a very short lead time – likened to a “stocktake sale” in retail terms – used to describe last minute opportunities for vacant rooms or tour seats.
Distribution Channels	Methods through which bookings are made – through the net, through travel agents, through wholesalers etc.
Educationals/ Familiarisations	A visit to tourism businesses by travel agents, wholesalers or travel writers to give them first hand experience of the business and destination to assist them with future sales. The visit is assisted by the industry through the provision of complimentary services or reduced rates.
Freesale	The description given to offering your seats or rooms to suppliers to sell without them having to call you for availability. Also known as inventory or allotment.
IMS	The Inventory Management System – see Chapter 2.1.
Inbound	Travellers from overseas to Australia for holidays.
Market Segmentation	The division of the total market for a product or service into groups of customers with common characteristics (segments). Segmentation is based on the idea that by dividing the overall market into specific groups you can target the groups more precisely and cost effectively.

Prospects	Anyone in any population that has the capacity to holiday and use your product.
SME	Small to Medium Size Enterprise.
Travel Agents	Retailers of travel products around Australia – some big chains like Harvey World Travel, Flight Centre and the RAC network, as well as individuals.
TVIN	Tasmanian Visitor Information Network (Travel Centres around Tasmania) – see Chapter 3.
Wholesalers	Example: Tasmania's Temptations Holidays, organizations that bundle product together and aggregate prices for packaged trips that are then sold through the retail network of Travel Agents.
Yield Management	The ability to manage and sell your stock of rooms, seats or tickets to maximise your returns, providing the best market opportunity. For more information on yield management visit <a href="http://www.tourismtasmania.com.au/tasind/htmm/yield_management.html">www.tourismtasmania.com.au/tasind/htmm/yield_management.html</a> .

## FISH WHERE THE FISH ARE

Consumer trends for Australian (and international) holiday makers are changing at an ever increasing rate. The very nature, purpose and dynamic of the holiday is changing – as well as the way they make their decisions, their booking methods and their research tools.

To try and assist Tasmanian tourism and hospitality operators realise their maximum business opportunities in this ever changing world, this project has been commissioned by Tourism Tasmania and is available either through the web, or by CD when contacting their offices.

To use a fishing analogy, usually fishermen are pretty canny about what they do – they usually know exactly what fish they are trying to catch, what effects the season has on the fish (spawning, migration etc) what the fish will be doing (early morning or evening) whether a fly, deep line, spinner, live bait, wobbler is the way to give them the best opportunity of landing one – and all different sorts of equipment come into the equation – and this is all before anyone actually sets out to go fishing!

In other words they know what fish they are after, where they might be to give them the best chance of a good catch and they know what the fish are likely to be up to.

Many tourism and hospitality businesses don't know their customers particularly well or their target market's demographics, their best potential segments and sometimes how they prefer to book. A lot of money is wasted on advertising in various places that produces little or no results, or worse still, no results are collected so no one knows whether the advertising works or not.

It is hoped that by understanding the market a lot better, then tourism and hospitality operators can become canny fishermen and “fish where the fish are”.

## DISTRIBUTION FUNDAMENTALS

It is reasonable to assume that travel decisions are really made at only two times:

- 1) before departure; and
- 2) during a trip.

To put it another way – some tickets, seats, accommodation and tours may be arranged and paid for (pre-booked) before departure, and some other decisions about the trip are decided as the travel progresses on more of an “ad hoc” basis.

Given these two simple suggestions, this guide is focused on ensuring every operator knows what is the best marketing opportunity/distribution channel for them to maximize their business performance.

## SEQUENCE OF EVENTS

The theory is that to make good decisions on what sort of clients you want to attract to your business, and to get the best targeted advertising opportunities in front of them you need to know a lot about them.

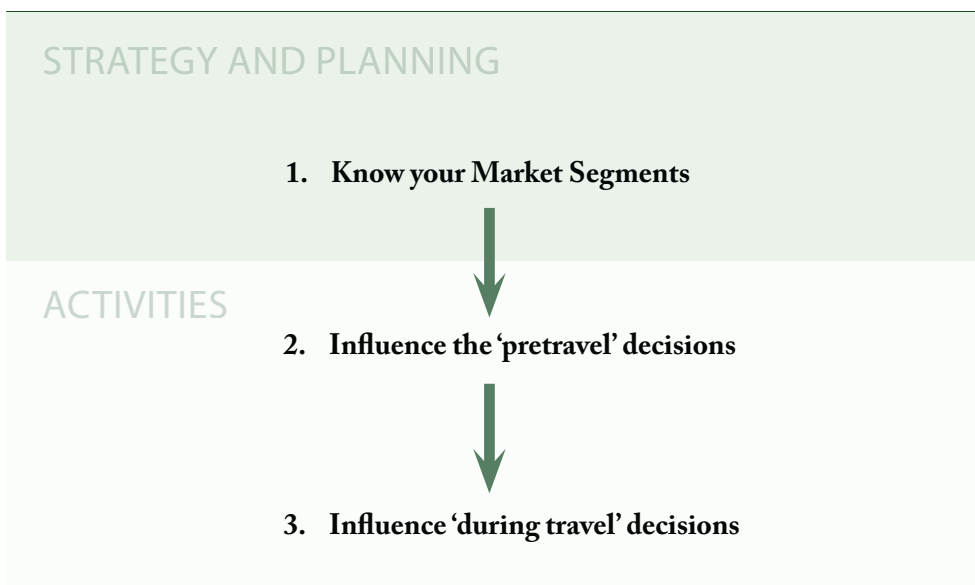
It is suggested that there are three basic tasks to undertake:

- 1) get to know about your market segments (your potential clients) – absolutely essential for your Yield Management and to provide an easy opportunity to book at an appropriate time and place;
- 2) decide on what tactics you can use to influence their “Pre Travel Decisions”; and
- 3) decide on how to influence their “During Travel Decisions”.

The following chart outlines the basic tasks to do into 2 types of activities:

- Task 1. Strategy and Planning (researching and understanding your clients)
- Task 2. Activities (the tactics you have decided on)

## THE THREE TASKS



# TASK 1

## 1. Know your Market Segments

### Identify your Market Segments

Conferences, Holidays and types (short breaks etc), Groups, Sporting and Events, VFR, Commercial, Govt, Inbound, Interstate

### Tailor your product

Pricing, packaging, inclusions, joint ticketing, branding

### Better Yield Management

How many sales, to which segment at what price in which season?

What is the best market opportunity?

How do we reach them?



## 2. Influence the 'pretravel' decisions



## 3. Influence 'during travel' decisions

## TASK 1.1

### GET TO KNOW YOUR MARKET SEGMENTS

There are three areas of understanding that is invaluable, prior to any marketing or distribution decisions for any business:

- 1) know your potential market segments;
- 2) yield Management (which market segments have you chosen); and
- 3) tailoring your product to best suit your chosen market segments.

#### What is Market Segmentation?

Market Segmentation is the division of the total market for a product or service into groups of customers with common characteristics (segments). Segmentation is based on the idea that by dividing the overall market into specific groups you can target the groups more precisely and cost effectively.

Take Australia and then it will become obvious that there are all sorts that call Australia home – they are all different segments – city dwellers, farmers, miners, schoolchildren, retirees, immigrants from the UK, surfers, teachers, Western Australians, beer drinkers, footy fans, chemists, bikies just to name a few.

These different examples show that a market can be segmented in many ways by such variables as:

- demographics (where people live – Western Australia, cities, Where do they come from – immigrants, Their ages – retirees and schoolchildren etc;
- psychographics (what they do – riding bikes, surfing, watching sport); and
- professions (chemists, farmers, miners).

There are innumerable ways in which the Australian population can be divided (segmented), these are just a few.

#### Segmenting the Tasmanian Visitor Market

- there are about 800,000 visitors coming to Tasmania – how many of them are likely, or have the potential, to visit you?; and
- there are 450,000 Tasmanians, how many are likely to visit you? And why?

By understanding the market segments, their holiday habits, their preferred booking methods and their travel patterns we can tailor our efforts to win them over.

There are a number of ways to segment the market, for example:

- by the reason people travel (business, holiday, sport etc);
- by the type of holiday they have (touring, short stay);
- by the activities they undertake (fishing, bushwalking, heritage);
- by where they come from (Sydney, USA etc);
- whether they have come before (repeat visitors);
- whether they are visiting friends and relatives here; and
- by the way they travelled here (air or sea)?

Plus many more ways to segment the market.

## How do you start to segment the Tasmanian Visitor Market?

This is relatively easy as Tasmania has one of the very best research tools in Australia. As we are an island it's very easy to capture information from visitors as they leave the state, and that is what has been done for at least 20 years through the *Tasmanian Visitor Survey* (TVS) administered by Tourism Tasmania.

Surveys are only as good as the sample sizes, which then determine the confidence ratings they enjoy, but the TVS is particularly robust and now has some excellent historical data. It not only collects the details of where the visitors have come from, their ages and other demographic information, it also has some psychographic elements to it as well (what income brackets, their habits etc).

It's easy to go to the Tourism Tasmania website and seek the answers you are looking for through the "on line web reporter". Please visit <http://webreporter.asteroid.com.au/webreporter/ttreports/> or visit Tourism Tasmania corporate website for more information on current research.

Some Examples of data collected by TVS April 05 to March 06

Visitors to Tasmania		4/05 — 3/06	Origin of Visitors		4/05 - 3/06
		%			%
VFR	217024	27	VIC	341896	43
Holiday	387129	48	NSW	164646	21
Conference	19386	2	QLD	96296	13
Business	136982	17	SA	24744	13
Events	17006	2	WA	32426	5
AFL	3100	0	ACT	22466	3
Other sport	8197	1	NT	3967	0
Other	9586	1	Unknown	7720	0
Education	6682	1	UK	32536	5
<b>Total</b>	<b>805092</b>		Europe	23247	3
			Japan	2962	0
			Asia	9341	1
			NZ	24933	3
			Other OS	5516	0

How did they book their travel to Tasmania?			
	Last Year	This Year	% Difference
Travel Agents	228258	204408	-10
Airline	204680	152771	-25
Tour Operator	16591	12917	-22
Travel Centres	15372	16900	10
Motoring Clubs	12794	9254	-28
Shipping Line	71081	76561	7
Free Call No	19974	14845	-25
Internet Travel Provider	186867	325266	74
Other/did not book	97900	99124	2

Repeat Visitors			How did they get here?			Transport here	
		%			%		
Yes	528352	65	Air	661984	82	Rented vehicles	333089
No	265222	35	Sea	143351	18	Own or coach	132007
						Public transport	36910

All these figures are just snapshots of the data that provide an indication of what can be gleaned and in what detail. Of course, figures by themselves don't mean much there needs to be some trend analysis undertaken and other supportive work done, prior to making substantial decisions.

The "How did they book their travel" chart is probably the most telling – the question that was used for the TVS was "did you use the internet to book your travel to Tasmania?". This could have meant just doing some basic research on the climate through the net through to making the actual reservations, or even a mixture of getting information downloaded and then going to a travel agent to make the bookings.

### Innumerable other segments

- Intrastate visitors
- Commercial and Government
- Meetings and conferences
- Sporting events & Festivals
- Groups
- Families, romantic retreats, educational weekends

### Which ones are right for you?

It is possible to divide a market up into hosts of segments. You will need to be able to evaluate the relevance and then your ability to successfully market to each selected segment.

To give an example of how different market segments are suited/matched against different products, the following exercise demonstrates the market segments that are potential B&B clients in Burnie, against the segments that hold potential clients for an attraction on the Tamar River.

When assessing various segments relevance to a particular product you need to ask the following questions:

- who are the visitors coming to the town/area?; and
- which of these visitor segments have a desire/need that my business can satisfy?

Visitor Segment	Relevance for a B&B in Burnie	How would you find out more about the segment?
Groups	No	
Conferences/Meetings	Yes?	Contact Burnie Civic Centre
Sporting and Events	Yes	Seek advice from local/govt organisations, the Events Calendar and Targa
Intrastate	Yes	Tourism Tasmania has some stats on their website
Government	Yes	Own research on Courts, Health, DPIW and Forestry
Commercial	Yes	Chamber of Commerce members list
VFR	Yes	TVS
International	Yes	TVS
Holiday	Yes	TVS

Visitor Segment	Relevance for a Tamar River Attraction	How would you find out more about the segment?
Groups	Yes	Seek a list of coach companies
Conferences/Meetings	Yes	Seek help from Convention Bureau
Sporting and Events	?	Doubtful
Intrastate	Yes	Tourism Tasmania Statistics website
Government	No	
Commercial	No	
VFR	Yes	TVS
In Bound	Yes	TVS
Holiday	Yes	TVS

## SUMMARY TASK 1.1

### MARKET SEGMENTATION – KEY POINTERS

- Understanding your market segments will allow you to tailor your product and target your marketing.
- There are innumerable ways to segment markets, use the ones most relevant for your business.
- There is a plethora of information about visitors to Tasmania through the TVS, supplemented by any local information, other operators and your own business statistics.

## TASK 1.2 YIELD MANAGEMENT

A good description for yield management is “The ability to manage your stock of rooms, seats or tickets to maximise your returns, providing the best market opportunity”.

Remembering that there is only one opportunity of selling your room/ticket/tour in the tourism/hospitality business, is it better to get \$80 for a \$120 room than nothing? Or \$30 for the last seat for a \$60 tour? You can only answer that by knowing two things:

- 1) great detail of your costs (cleaning, energy use, consumables in accommodation = your variable costs. For tours, guide wages, lunch, fuel etc are all variable costs; and
- 2) your average revenues per sale over a year, to balance all the different prices, costs and commissions across all your sales.

Yield management is about balancing your sales between all the market segments to get the best average price across the board over a year.

### Example

Take an airline, the leaders in yield management, remembering that every seat gets to the destination at the same time.

Firstly there are often different seat types in the aircraft, providing alternative purchase options for customers including food and beverages, larger seats, entertainment etc. This provides different price points for the same flight – can you apply the same practices in designing your product?

1. Some people choose to book through a travel agent – that process involves a commission structure that will be built into the price.
2. Some people choose to book through the internet – directly with the airline and usually those are the cheapest seats.
3. Some people choose to buy a package with a sporting or entertainment event ticket and accommodation.
4. If the airline has not sold all the seats close to departure time they will put specials on their web page.
5. Business clients will want guaranteed times and seats and will call the airline direct.

Described above are five different ways people decided to buy tickets, and they used different **channels** to get them; through the net, on the phone and through travel agents.

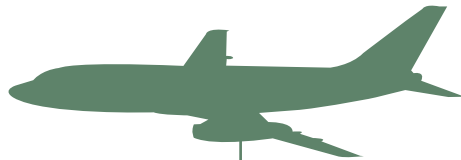
Taking this example and suggesting the Published Scheduled Economy Fare from Sydney to Brisbane on the hypothetical airline is \$200 and there are 150 seats on the aircraft.

Channel	No of Seats	Net price to airline	Total Revenue
1. Travel Agents	30	160	4800
2. Internet Sales	60	110	6600
3. AFL Package ticket	10	180	1800

4. Internet Last Minute Sale	30	75	2250
5. Business Class Phone sales	20	450	9000
Totals	150		\$24450

Average seat revenue \$163

## Yield Management



Business Class	AFL Package	Travel Agents	Direct Internet	Discount Sale
20 Seats	10 Seats	30 Seats	60 Seats	30 Seats
\$450 each	\$180 each	\$160 each	\$110 each	\$75 each

**Total seats** 150 **Revenue** \$24,450 **Average yield** \$163 per seat

As can be seen in this simplistic example, yield management concerns achieving satisfactory overall results to the bottom line, within a range of product offerings, basically for the same experience.

One lesson from this example **is that the aircraft was full** – there were last minute deals at \$75 for a \$200 seat price but that was all part of the yield management plan – overall their result was quite satisfactory at \$163. In other words you can't yield manage empty seats, rooms or tours!

To make the most of your ability to manage yield, it is so important to keep records of where your bookings come from (which distribution channel) and the volume and revenues from those channels.

By the time a year goes by, you should be able to easily quote what was your average room rate or tour seat price or admission was, and the smart operator will be comparing it with last year, and deciding what segments gave the best results, and how to chase more business through the successful channels.

For more information on yield management visit [www.tourismtasmania.com/tasind/htmm/yield\\_management.html](http://www.tourismtasmania.com/tasind/htmm/yield_management.html)

## What are your different offers?

Given that an airline has many different pricing options for what is basically a ride from point A to point B, what different offers can you dream up to put into the market place for different segments to make your business more attractive? (Or do you just have one price and that's it?). Here are just a few concepts:

- Behind the scenes winery tour?
- Stand By Rates?

- 3<sup>rd</sup> Person discount on tour? Family Rates?
- Filler tour price?
- Hotel Pick Up?
- Winter specials?
- 2 night stays cheaper than 1 night?
- Breakfast/lunch options?
- Local tour included?

Offering value – added experiences helps to set your business apart from others when your visitors are planning their holiday and also makes direct price comparisons more difficult.

## DISTRIBUTION CHANNELS

As mentioned in the airline example above, the clients are making choices about how they buy their tickets and through whom. It is these decisions that are known as the Distribution Channels – how clients buy your product.

### 3 Basic Ways people can buy your product

- 1 clients buy direct with you either by phone, internet or fax, or just walk in;
- 2 clients go to a travel agent (you will have to pay commissions and you will need a wholesaler); and
- 3 clients can go to web sites that you subscribe to (quickbeds, wotif, discovertasmania etc) or to other websites that carry your product for you.

### Clients buying direct

This obviously has the highest appeal of all distribution channels as there are no commissions. However it takes a lot of energy and resources to get your individual number, web page or brochure in front of the right people, at their time of decision making to get the desired result that they will choose you.

To enable visitors to buy directly with your business, what do you need to do?

The questions that need to be answered are:

- How do they hear about you?
- What advertising, word of mouth, sign or brochure did they find?
- Do you have a web page that they browsed?
- Have they brought your product before?
- What are the triggers that made them buy?
- Were they referred to you by someone else?

### Clients buying through a travel agent

As travel agents incur a significant cost in employing their staff, operating their premises and promoting your products, they will need commissions/fees from you to handle your products. Mainland Travel Agents will rarely deal direct with individual tourism operators – so you will need someone to represent you. The travel agents are called “retailers” as they deal directly with the public, and wholesalers are organizations that package product together, price it and brochure it, and present it to retailers for them to sell.

Put simply, Travel Agents would not handle 350 individual brochures about Tasmanian accommodation when a Tasmania's Temptations, RACT book, or an Innkeepers program will do the job for them

So to gain access to the retail network of travel agents around Australia remember that:

- you would need to be in a wholesale program (for example RACT, Tasmania's Temptations Holidays);
- you would need to pay the wholesaler (who pays the travel agent) for their time and effort – through commissions. Total between 25 and 30%;
- you will receive brochuring, distribution around Australia to a network of travel agencies, access to a dedicated sales force, reservations made on your behalf, and of course profile; and
- you could also join a group like Innkeepers or Budget Motels, but they also need paying for their efforts on top of the wholesaler.

### **Clients buy through websites other than yours**

The worldwide trend is for clients to connect through to your business on the web, or go through high profile sites for bookings. This is best suited only for accommodation suppliers at this stage, and it is covered in more detail in a later part of this publication 'Net bookings'.

However, basically there are a couple of pointers:

- you will need a web site and good connectivity like broadband;
- you will need to place your rooms with the internet supplier (like wotif) and then manage them, a daily routine of updating the rooms sold so you don't overbook, and changing the price if you want to. Some internet suppliers will only deal with businesses offering more than 5 rooms – check first; and
- for example; Wotif, quickbeds, tastravel take commissions, but transact bookings and electronically send you the money; and
- discovertasmania is just a referral to your own website, where clients can either email a request for your accommodation, or book your product if you have the facilities on the web to do so.

## Where is my business coming from?

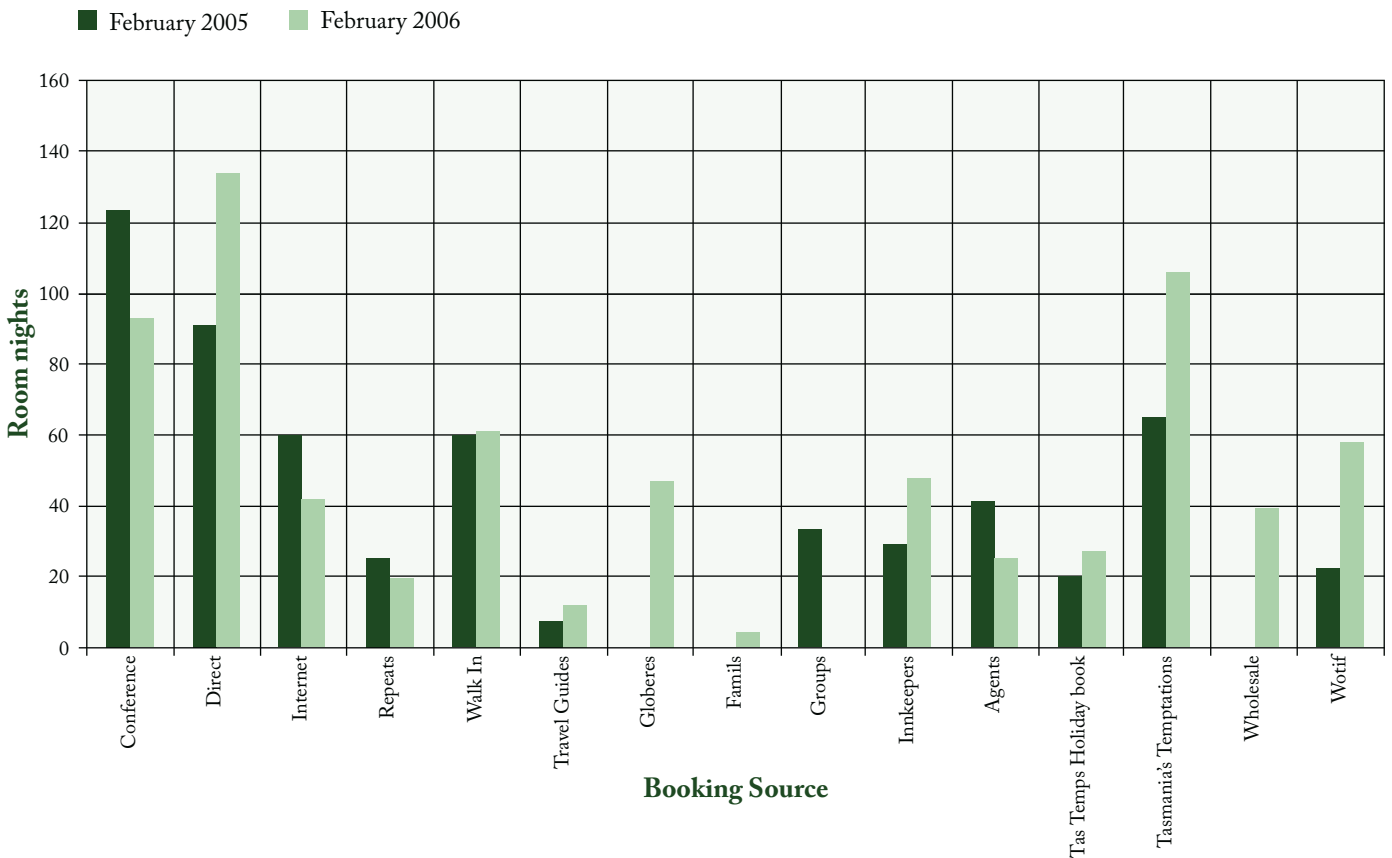
### Typical breakdown of bookings

The chart below is an actual chart from a business on the East Coast of Tasmania that checks from their bookings each month to see how they were made, analyzing their different channels. The comparison is made between February 2005 and February 2006.

In this way the performance of Innkeepers, Tasmania's Temptations, Wotif, their own internet site and walk up are all compared regularly, which provides pretty useful information as to the best sources of business for their business, and what segments need chasing and advertising.

It is the best but quite basic yield management tool for that particular operator.

### Booking Source Month Comparison



## How do you develop one of these tools?

The first and absolute priority to get the best yield for your business, is to know how the bookings come to you, and collect as much information about your customers as possible without being over zealous.

It is essential to know some basic things about every customer.

- 1) their postcode;
- 2) their postal/email contact details so you can mail/email them offers, seeking repeat business (make sure you comply with privacy regulations and provide an opt out option on email offers); and
- 3) how they made their booking (travel agent, direct phone, freecall number, email etc).

There are other bits of useful information that businesses collect, such as:

- 1) which way did you travel here? (where will I get the most benefit from signposts);
- 2) how did you find out about us? (which piece of advertising works);
- 3) were you referred to us? (is the TVIN, or a sister business relationship worthwhile); and
- 4) other information about their holiday/travel/business pattern.

All these pieces go to make up the picture of the best yield possible for your business and is all part of your **Customer Relationship Management**.

## SUMMARY TASK 1.2.

The principles of Yield Management surround the ability to know your business in great detail, capturing your cost structures, and then understanding what it costs to sell a room, tour or ticket. Yield Management is also about knowing as much as you can about the way people book your product, and what commissions apply, so that you can choose which are the best channels to use, where best to advertise and with whom to build business relationships.

## TASK 1.3

### TAILORING: SHAPING THE BUSINESS

The best way to tailor your product is by knowing the segments' characteristics. Some key pointers that successful businesses get to know are:

- buying habits (in advance? through travel agents? direct to you?);
- travel patterns (hire car? regional visits? Experiences? short stays? Touring?);
- commercial and Government (regular trips? sales or management? meals – packed lunches? early starts?);
- payment preferences (credit cards? Invoices?); and
- numbers in the travel party (families? Couples?).

This sort of information can actually shape the business – to ensure the car parks are big enough for buses, that EFTPOS takes Amex and Diners for corporate clients, that the turnaround time for faxes are four hours for Travel Agents, that there are pull-out beds and additional pillows in each room for additional people, or that there are interconnecting doors between certain room types for extended families/friends on holidays.

Some hotels offer packed lunches for workmen to travel to remote sites, which has won them significant off peak business. Some B&B's make sure there are phone connections in each room nowadays that are barred from STD calls, but allow business clients to dial up their email accounts and access the net.

#### Pricing Strategies

Some businesses are very successful in managing various pricing options, and very rarely get price driven refusals, and they are flexible and negotiate rates. For example, if it is 8.00 pm and someone comes to the door wanting a room, and there are three left surely its better to get one of them at a rate that is acceptable rather than have no revenue for those rooms?

Similarly, it must be better when the tour is about to leave to fill up the last couple of seats at a discounted price – the tour was about to depart anyway, but with empty seats?

Or for an attraction at 4.30 pm when it closes at 5.00 pm, is it better to have a family pay 50% for a ½ hour experience than get turned away as the experience takes an hour to get the value?

Some hints on various pricing strategies that have been valuable in the past:

- how many nights? Discount the second?;
- numbers in the group – attract a group rate?;
- is there food included or not?;
- do you bundle local 'must see' tour with accommodation?;
- specials in the off season?;
- competitors positioning – keep watching;
- travel agents and wholesalers required? Build in commissions;
- corporate rates?;
- repeat guests acknowledgement rate?; and

- club memberships?

Instead of always being hounded on price why not also try to add value to the offer so the price becomes a secondary consideration.

### Adding Value to Accommodation

Here are some thoughts that may stimulate some ideas for you:

- romantic Couples need champagne;
- pets need a place to go too;
- continental breakfast included in the tariff;
- is the internet on for corporate clients?;
- is there a benchtop for them to work from?;
- is there simple dial out for guests;
- good TV reception – maybe Austar?;
- membership to the local golf club?;
- table Tennis;
- local gym, special membership affiliation;
- walks and places of interest – your own guide to the area;
- tickets for local attractions included in a package; and
- dinner packages – in your restaurant or someone else's.

### Adding Value to Tours and Attractions

- equipment Hire/backpacks;
- wet Weather giveaways;
- pick up from Hotels;
- multi lingual interpretation;
- food, lunch packs;
- upgrades;
- options for children (winery tours); and
- joint ticketing/packaging.

## SUMMARY TASK 1.3 Tailoring

### **Basically, its simple**

- work out the segments that are the most beneficial for you;
- identify their needs and likes/characteristics, get to know them intimately;
- ensure no conflicting segments (such as a wedding and businessmen in the same areas);
- tailor your product and price to suit the season, the time and the place; and
- join with others whenever possible to joint ticket or to offer package options.

It is also true that by adding value, and tailoring your product the customer will enjoy the experience better, your word of mouth will rise significantly and the business will boom. Everyone who travelled has great tales about the local hotelier or tour operator who added value to their experience, by recommending an attraction, making a recommendation for the local tour, adding an additional night – enhancing both the business and the guest experience concurrently.

## TASK 2 INFLUENCING THE PRE TRAVEL DECISIONS

### 1. Know your Market Segments



### 2. Influence the 'pre travel' decisions

#### **Capturing the Intrastate Market**

Local TV, regional newspapers, direct mail

#### **How to use Inbound Operators**

#### **Influence Direct**

Magazine - electronic and print, VJP

#### **Selecting Travel Agents, Wholesalers and Carriers**

Qantas, Innkeepers, Harvey World, Tas Temps, Tas Vacations

#### **Using the Internet**

Wotif, Next Night, Discover Tasmania, Quickbeds, websites, hyperlinks, paid ads, IMS



### 3. Influence 'during travel' decisions

### Task 2.1 Using The Internet

The opportunities are endless but not straightforward. There are some key indicators that may help to comprehend this change in our industry at this stage.

*"1.2 million Australians purchased travel online in 12 months to March 2006"* IVS 2006

*"26% of international visitors who used the internet to gather information before coming to Australia also made an internet booking. 8% of all visitors made an internet booking"* IVS 2006

*"Between March 2005 and March 2006, visitors to Tasmania using the internet to research their holiday increased from just under 200,000 to just over 300,000, an increase of 51.7%"* TVS March 2006

Amadeus (a global distribution system) saw sales rise by almost 23% to more than 1.3 billion euros in the first half of last year (from their web site).

*"In the United States current online sales contribute 22%-28% of all travel bookings and by 2008 it is predicted that online channels will generate 60% of all travel bookings"* (Rob McGann, Jupiter Research US)

So, whether it be 26%, 50%, 60% of your bookings are internet, or whether the research was undertaken on the net and booked through another channel, there is no doubt the distribution system is changed forever and to be contemporary and successful, this business link has to be embraced.

## Websites

- Direct sales to your website create one of the best yield opportunities – in other words there are no commissions – people find your website, like what they find and buy it!
- Websites are easy – positioning is not! How they find your website in the plethora that are in existence is not so easy.
- URL maximisation is expensive! Wotif spend \$500,000 per month to list in the top 3 in a Google search.

In fact, it is a simple exercise to search for accommodation in your area. Get online and go to Google and enter Accommodation for your destination, as you would if you were thinking of visiting there.

An example for Launceston is listed below, as at October 2006.

The 8 sponsored links that come up on the first page are:

1. [blueholidays.com.au](http://blueholidays.com.au)
2. [octopustravel.com.au](http://octopustravel.com.au)
3. [hotels.com](http://hotels.com)
4. [stayz.com.au](http://stayz.com.au)
5. [racv.com.au](http://racv.com.au)
6. [escapetravel.com.au](http://escapetravel.com.au)
7. [vacancy.com.au](http://vacancy.com.au)
8. [needitnow.com.au](http://needitnow.com.au)

All these businesses are vying for attention and pay Google to be on the front page when accommodation is searched for Launceston.

The main page details (not the sponsored links) top 10 are:

1. [needitnow](http://needitnow)
2. [totaltravel](http://totaltravel)
3. [australianexplorer](http://australianexplorer)
4. [ozhotels](http://ozhotels)
5. [discovertasmania](http://discovertasmania)
6. [yorkmansions](http://yorkmansions)
7. [takeabreak](http://takeabreak)
8. [bcl](http://bcl)
9. [hotel](http://hotel)
10. [utas.edu](http://utas.edu) (student accommodation)

The only Launceston accommodation operator that appears in the first page of the search is York Mansions – and they have been studious in getting their words and hyperlinks right so they get up on the first page of Google.

If you wish to be sold on line, then you should consider some of these business opportunities, like needitnow. But definitely get listed with discovertasmania.com as that will link any searcher to your website, and it came up at number five in this example!

To get mentioned on discovertasmania, the database that is used for all that information is called Tigertour and to get listed on Tigertour – call Paul Leitch on 62308169. If you are an accredited member of the Tourism Industry Council Tasmania (TICT), your product will also be forwarded from Tigertour to the Australian Tourism Data Warehouse (ATDW), recognised as the national distributor for tourism product.

If you Google “tours Launceston” the top 10 results are surprising:

1. australianexplorer
2. totaltravel
3. totaltravel (2)
4. bcl
5. traveldirectory
6. discovertasmania
7. backpackertours
8. paranormalaustralia
9. nomadsworld
10. turistaaustralia

Again, it is important, vital even, that your company is listed with discovertasmania to just be there at number six.

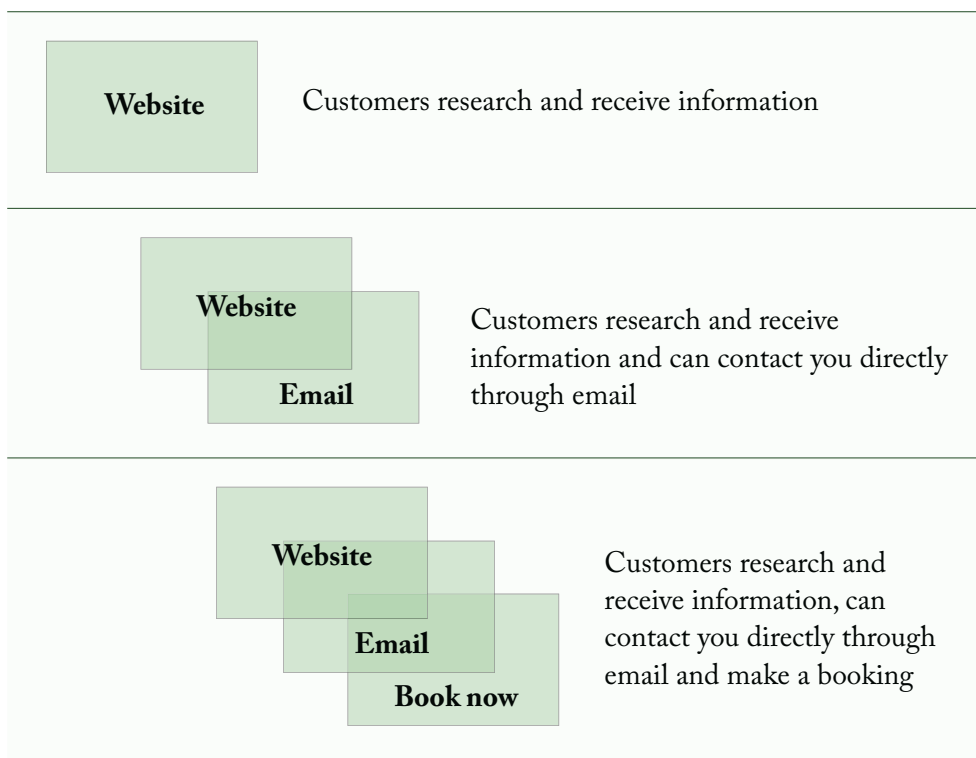
## Levels of use on your website

Your website can be as sophisticated as you want it to be, but as with everything in life, it all costs.

### There are 3 levels of use for your website:

- 1) your website can be purely an electronic brochure. It presents information, pictures, details and prices and lists your contacts so customers can fax/call you;
- 2) your website does all of the above, but has an email capability so that the customer can contact you through email directly from your website; and
- 3) your website presents all the details, has email capabilities, but can also transact a booking, or will link with one click to a site that can make the booking (it has the capacity to “book now”).

### The 3 levels of your website



Each business will need to make their own decisions about what investment is required, depending on what they expect the website to do for them.

Websites are easy to make and launch, ask anybody between the ages of 8 and 18.

As with brochures in the past, if you use a creative agency and invest significantly, your brochures will appear professional and present well and develop confidence in the consumer – exactly the same applies with your website.

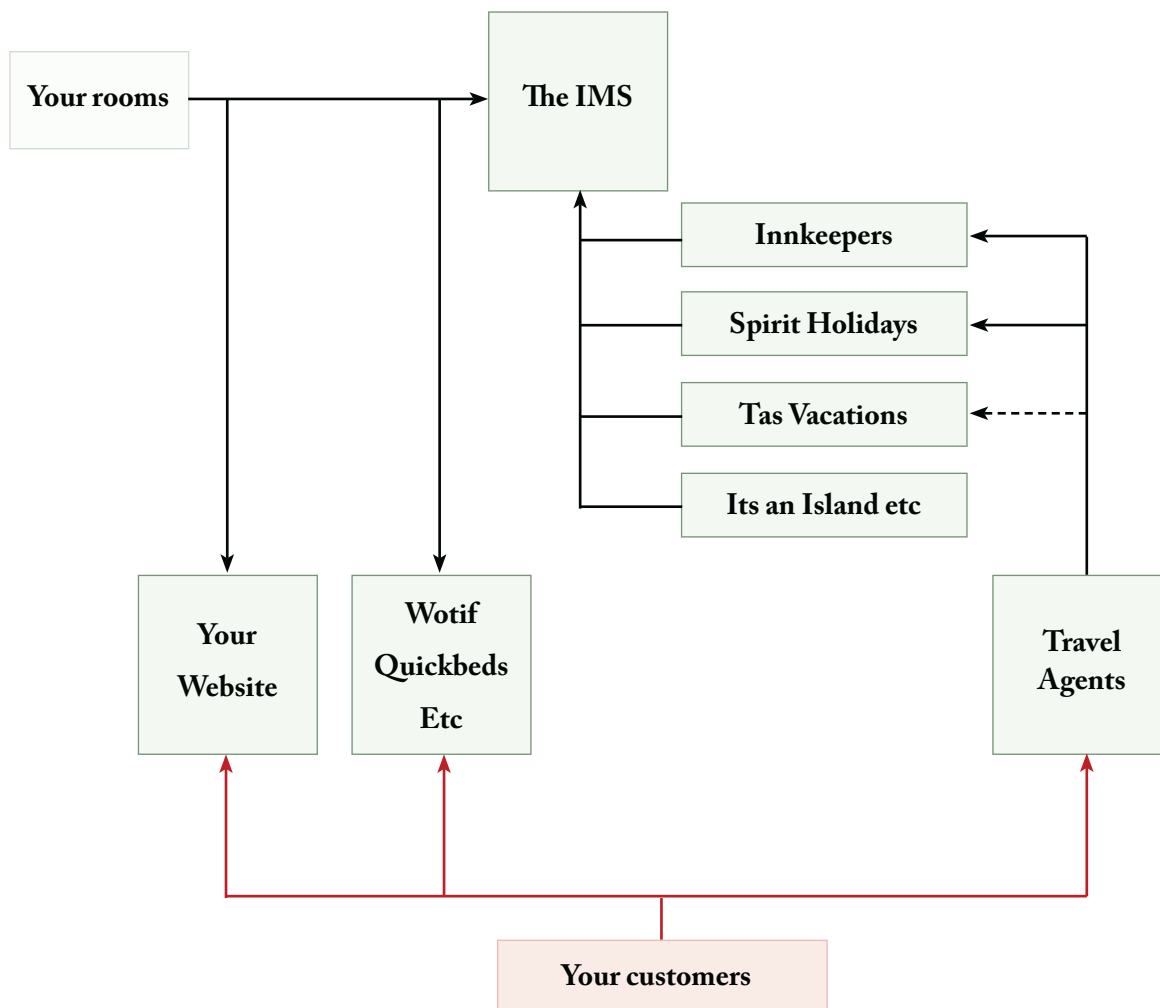
## The Inventory Management System

Inventory Management is the description given to the process of looking after your stock of either rooms of accommodation or seats on a tour, or attraction ticketing. It is not a reservation system per se, it is the process of making allotments inventory (rooms, seats etc) available to various channels for them to sell on your behalf.

The Inventory Management System (IMS) is a very clever system that only Tasmanian operators have access to, and its free. It is potentially a database of every saleable Tasmanian tourism product in Tasmania stored in one system that is updateable and accessible by all suppliers, wholesalers and distribution partners in real-time, electronically via the Internet.

It is owned by Tourism Tasmania.

## Accommodation structures on the Internet



For an individual operator this would be a very expensive arrangement to set up. The IMS gives operators and suppliers access to the Calypso booking system used by Tasmania's Temptations Holidays and other large wholesalers like Qantas Holidays.

Tourism Tasmania has taken some of the functions of Calypso and made them into an Inventory Management System on the Internet. Put simply, suppliers have access to the system via the Internet where their inventory (rooms, seats etc) is made available for freesale. Travel agents anywhere in the world can access this inventory via approved wholesalers' websites.

You decide who you would like to access your product, you list it with the IMS and they store it for you, giving the approved wholesalers/distributors the authority to buy it anytime, 24 hours a day through the internet. The following partners are able to access stock through the IMS at the moment. Please be aware that this list will change over time.

- Bed and Breakfast and Boutique Accommodation Website (BBBAT)
- Gullivers New Zealand
- It's an Island
- Saunders Travel (based in Adelaide)
- Spirit Holidays
- Tas Vacations
- Tasmania's Temptations Holidays
- The Tasmanian Travel Company (based in Hobart)
- Tigerline Tours and Travel
- Travel Centres in Hobart, Launceston, Devonport and Burnie
- Travelpoint
- Due South Central Booking Office
- Innkeepers Central Booking Office
- Tasvillas Central Booking Office

In other words if you want these people to deal with your business electronically then contact the IMS to see if that suits your business needs at [ims@tourism.tas.gov.au](mailto:ims@tourism.tas.gov.au)

The three most asked questions about the IMS are:

**Q: How do I access the IMS?**

A: You will need:

- Internet Explorer version 6 or above, or Netscape Navigator version 7 or above.

**Q: I run a small B&B and I don't have my Internet connection open all day. How will I know if there is a booking?**

A: If a booking is made in the IMS you will be notified by either email or fax.

**Q: Is there any cost involved in accessing the IMS?**

A: No, access to the IMS is free for all operators.

## Distributors on the net – the big ones

As was mentioned earlier in the example of Googling Launceston Accommodation and Tours, there are some huge businesses that have sprung up over the last three to four years that are now transacting a considerable percentage of travel bookings for accommodation and fares throughout the world.

This means that the web has broken down the tyranny of distance completely, so the person in Stockholm can get onto wotif, and search for a nights accommodation in Launceston, reviewing the property's own website in the process, just the same as a person in Devonport.

Prior to the web, the Stockholm person would have gone to their local travel agent, who may or may not have heard of Tasmania, let alone Launceston, and almost certainly would not have had any brochures or information on hand to look through.

**wotif, quickbeds, lastminute, expedia, needitnow, takeabreak, tasrates** and many, many more all present opportunities for putting the client and you into contact through the internet. However, you will have to manage the inventory that you give them on a daily basis, just as you do with your own bookings now.

And when they transact a deal they will take a fee, usually about 10%.

These very large distributors usually only feature product for the following four weeks, they do not usually carry inventory for months ahead, they are very much targeted towards the trend of shorter lead time and short breaks around the world.

They spend a huge amount of money to ensure they stay at the forefront of search engines such as ninemsn, Google, yahoo etc. They are really big players, but the internet is a great leveler – your product on wotif has exactly the same profile as does the Paris Hilton! You are listed by region, and then by style of accommodation.

If you wish to contact them, just get onto their websites and there are keys there to register as suppliers, and you can access their terms and conditions from there.

## Booking Lead Times

The method of bookings is changing, from fax to telephone freecall numbers and now to the net. At the same time, the style of holiday is also changing, from one long break a year of three to four weeks to a number of short break holidays.

These short breaks are often booked with a very short lead time, and the catch phrase “time poor” now rings true for so many of the visitors to Tasmania. The net result is that the average length of stay has dropped from 11 nights some five years ago to 8.5 in 2005 and the trend is for it to shorten up even more.

There is a trend for visitors to search the web for deals by themselves, to see what airfares/ship deals there may be and to seek out some accommodation at the same time. It is also quite usual for visitors to arrange their first night, and just take the plunge for the remainder of their trip, enjoying the meandering and last minute decisions as to where and what they may do.

This is a significant issue for tour and accommodation operators as the booking lead time has come down to only a few days in many cases and a significant amount of impromptu, walk up business.

To take full advantage of these changing market conditions, a presence within one or more of these bigger distribution operations can be a great investment. It provides you an opportunity of looking at what bookings are in your operation for the ensuing week, and nominating a special price if you have many vacancies to fill – or even putting the price up to a premium for especially busy periods such as Easter, or asking for a minimum two night stay. The visitor who is travelling to your region in two days time is eager to do business, whilst always looking for value.

## People who do it for you

There are a couple of other opportunities that should also be investigated and that is to use someone else to do the business transactions and manage your inventory for you. It is difficult not to be commercially biased in these cases, so two are mentioned below and as always go to their individual websites and call them *to do your own research*. There is a Tasmanian company called Book Tasmania, and a West Australian company called Book Easy.

### Book Easy (From their webpage)

BookEasy Lite is a web based reservation system developed hand in hand with tourism operators for accommodation/tour operators which delivers operators online bookings direct from their website.

The system is fully integrated with BookEasy Agents and Visitor Centres which means your availability is updated automatically anytime a booking is made for your property/tour.

You don't need to install any software on your computer as the system is web based and you can access your information from any computer connected to the internet. So you will be able to update your details anywhere, anytime.

The system includes a contact database that you can organize into your own customized categories; for example regular clients or online bookings. You can also create branded e-newsletters and customized letter templates which you can send to specified contacts in your database.

You can reconcile your daily payments and access your payment records plus a whole range of marketing and housekeeping reports.

BookEasy Lite will help you manage your business operations more effectively and will save you time and money.

<http://www.bookeasy.com.au>

### Book Tasmania (from their webpage)

Book Tasmania will provide your business with the ability to receive online bookings from consumers and trade.

An Intuit Technologies initiative, it has been introduced to provide the industry with a competitive edge in the online booking environment. The software and training are given to eligible operators free of charge and there's ongoing support with updates and help desk.

Book Tasmania is available to all tourism operators that sell Tasmanian tourism product for and including accommodation, tours and transport and houseboats.

It's an especially effective tool for small-to-medium tourism businesses. Book Tasmania will integrate with your existing website or provide you with your own simple website from which consumers can make online bookings. You can also sell your products live and online via a wide range of tourism websites and booking centres, providing more opportunities for exposure and sales.

The program gives you:

- the ability to receive online bookings from consumers including multiple websites and visitor information centres;
- a reservation system that manages guest arrivals and departures, customer information and processes payments;
- the ability to control your inventory and rates on any website that is linked to Book Tasmania;
- email notification of a new online booking; and
- Book Tasmania also includes a personalised booking website, that allows your guests to securely book and pay online. All bookings taken online are automatically downloaded to Book Tasmania, allowing you to maintain a single view of your inventory in one location.

<http://booktasmania.com.au>

## SUMMARY TASK 2.1

- You really should have an up-to-date web page by now!
- Investigate and use online distribution opportunities such as Wotif, Quickbeds, Lastminute, Expedia etc.
- Investigate your opportunities on the IMS.
- Investigate opportunities with online platforms such as Book Tasmania and Book Easy – they also offer rooms management systems as well – almost a front office system.
- Ensure that your product is listed in Tigertour, that way your product will appear on [discovertasmania.com](http://discovertasmania.com) – contact Paul Leitch on 6230 8169.

## TASK 2.2

### SELECTING TRAVEL AGENTS, CARRIERS AND WHOLESALERS

This is the traditional supply chain model, that has been around for decades, but is changing rapidly with the internet capabilities and trends in consumer choices of travel and length of trips.

Basically the product supplier (you with either a room or a seat to sell) allocates that inventory (your stock) to a wholesaler and/or consolidator. (A “consolidator” (also known as central booking office or chain) may be Budget Hotels, BBBAT, Best Western, Innkeepers etc.)

The Wholesaler or consolidator markets product to the retail network (travel agents), by producing collateral materials about the products (expensive brochures usually) and then distributes them around the country.

A wholesaler such as Tasmania’s Temptations Holidays:

- produce 300,000 high quality brochures of 156 pages about Tasmania, for delivery to travel agents around Australia and New Zealand;
- produce a number of seasonal and other hard copy and electronic brochures (ie, Great Temptations, Flinders and King Island brochures);
- employ sales staff interstate to service the travel agency network;
- manage a 24 hour reservation and help desk for their agency calls;
- make reservations on your behalf, pay the agencies, arrange itineraries, and reconcile payments to suppliers;
- promote Tasmania and organize various opportunities for you to participate in activities to meet selected travel agents around Australia (roadshows for example); and
- arrange and pay to host travel agents around Tasmania to familiarise themselves with the products to boost their knowledge and selling confidence.

To be part of such a program needs commitment – as with any relationship – it only works if both parties work hard at it together and you will be asked to provide some accommodation, or some dinner, or a tour to show some selected travel agents your products if you are part of a wholesaler’s program. Wholesalers will also expect that you don’t undercut the price you have negotiated with them.

Retail networks market products to consumers (such as Harvey World Travel), through travel agencies in prime retail locations (shopping malls etc).

Some airlines such as Qantas, act as a wholesaler and a retailer, as do other wholesalers; eg TasVacations.

This supply chain model generally attracts a 25%-30% commission from the product supplier. Usually that is divided into 12/15% for the retailer and the rest to the wholesaler.

## Key advantages of this supply chain model

Product suppliers especially some smaller ones are exposed to a huge network that would be impossible to achieve individually. Many agents do not stock individual product brochures and will not take promotional calls from individual businesses.

It facilitates product to be “packaged” with other suitable product.

The reputation of the wholesaler/retailer can increase consumer confidence in your product – clients may buy you through a Qantas program which is “guaranteed”, but not see you individually as having such a reputation.

Some customers prefer the “one stop shop”; ie purchasing a package rather than building their own holiday.

Product supplier (you) can place their product with a number of wholesalers.

## Disadvantages of this supply chain model

Retail travel agent sales are in decline, being replaced by savvy consumers using the internet where many more options for sourcing information and booking travel are available.

“Package” sales to consumers are in decline, in 1997 63.3% of total visitors to Tasmania purchased a package, in 2004 less than 24% purchased a package.

For a small business inventory allocation can be very difficult if you only have 6 rooms, how do you allocate those across a number of different wholesalers/retailers/other channels?

Because of the number of “clips” in the commission, the final cost to the supplier is in the order of 25%-30%.

Commission is a fact of life and is a valid business expense not a liability. Reflect on the Yield Management section, determine your yield requirements and set your prices accordingly; ie what return will you need to maintain a viable business after commissions have been paid.

## SUMMARY TASK 2.2

To be packaged and sold through travel agencies around Australia, you will need a wholesaler, contact Tasmania's Temptations in Launceston. Contact the Product Executive Team on (03) 6336 3233.

This distribution chain incurs significant costs to operate and therefore a commission structure is in place – up to 30%.

Although travel agent sales are in decline throughout the world, there are some market segments that will continue to use them, and therefore this supply chain should not be ignored within the choices of distribution for your product.

## TASK 2.3 USING INBOUND OPERATORS

There are travel agents around the world whose clients would like to visit Australia, but the agent knows little about the destination, and it's so far away to have experienced it for themselves.

Another tier in the distribution chain – the Inbound Operator – specialises in marketing Australian product to wholesalers and retailers in overseas destinations that do not have easy access to product inventory, or have the product or destination expertise to sell Australian holiday packages.

This adds another link to the supply chain, and therefore an additional cost, usually a further 5%, however if you wish to sell your product internationally this is an option.

If you want to get to know the international market's potential, and its operations you would be well advised to call Tourism Tasmania and seek guidance from their International Team.

## TASK 2.4 CAPTURING THE INTRASTATE MARKET

**Fact** *There are more Tasmanians than there are visitors on holiday to Tasmania. (450,000 Tasmanians and 387,000 holiday visitors)*

Surely, therefore, this market is not to be ignored – it has short travel times, the state enjoys significant regional and climate differences, there are three regional papers and only 3 commercial TV channels so to reach the Tasmanian population is relatively easy and inexpensive in comparison to achieving the same results on the mainland.

The intrastate market is not measured by the TVS, so developing a method to measure your success in this market is important. TV, newspaper advertising and direct mail are costly, you need to be assured that you are getting an appropriate return if you use these options.

Developing a Customer Relationship Management system for this market sector may be very important – they are just around the corner. In earlier chapters the capture of information from guests is critical for this segment to be able to direct mail, and email prior guests is a very cost effective communication method.

As far as distribution systems go for this guide the intrastate market is basically direct\*, involves no commissions, and has a number of opportunities in sub-segments:

- Corporate travel
- Small-medium sized meetings
- Couples on short breaks
- Family style holidays.

More importantly, Tasmanians influence the growth segment of Visiting Friends and Relatives (VFR) a further 217,000 visitors.

The biggest single influence on the Tasmanian population is PR – an opening, a press release etc. Some major attractions have enjoyed huge numbers (well over expectations) from Tasmanians in their first couple of years of operation.

**The internet/email/webpage is as important to this market segment, as any other medium for research and bookings.**

\* the RACT does manage some intrastate travel as a travel agency for their membership.

## TASK 2.5

### GENERATING DIRECT SALES

(from Interstate and International markets)

This is a difficult issue to manage for the small to medium sized operators, as creating an image and presenting an offer to large and unstructured markets is a highly expensive business. For a small attraction to advertise in any of Melbourne mainstream media of the Age, or commercial television is just out of the question on any investment/return basis.

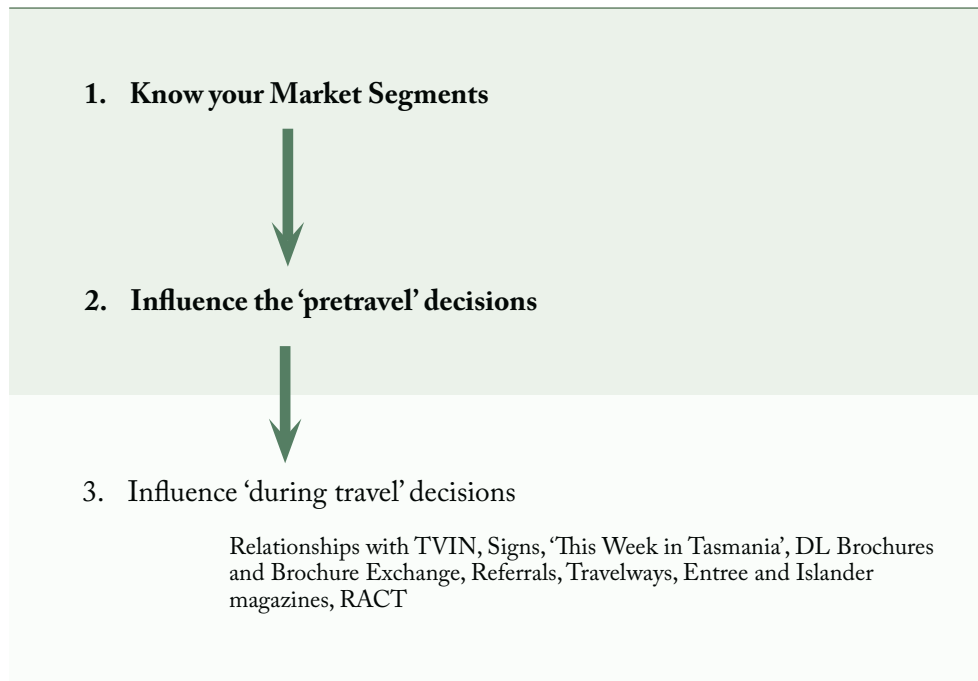
There are, therefore, a couple of avenues for an SME to follow:

- 1) your own website will do a lot for the creation of demand from potential customers who are doing their own research on the internet;
- 2) you can join together, and get involved in co-operative marketing, where a region/group may take a full page ad in a metropolitan travel lift out, – together it can be affordable. This is often the case when a paper is doing a feature on Tasmania, however, always ask yourself the question – if I make this investment (which it is) then how can I make sure I measure its return? – in other words what mechanisms in the ads or copy that will enable you to measure the response; and
- 3) by far the best opportunity for a small operator is to work on the Visiting Journalists Program – managed through Tourism Tasmania who host selected journalists throughout the State for targeted magazine/and editorial coverage. The column inches that are developed through this program cannot ever be paid for – international recognition from regarded journalists that you would never be able to generate alone.

The “Customer Relationship Management” system referred to in a previous chapter is also a very pertinent tool to use in developing Direct Channel business.

## TASK 3

### INFLUENCING “DURING TRAVEL DECISIONS”



#### The TVIN Chain

Many travellers rely on the TVIN to provide them with information not just about the region they are in but regions they will be travelling to.

For example, in 2005 the Burnie Visitor Centre had 58,829 people through its doors, Devonport had 74,443 and Hobart had 237,652.

It is *essential* that the local Centre has knowledge of your product. It is also very important that other centres are aware of your product.

If you are getting bookings through Travel Centres, then decide which centres in the TVIN are strategically most important to you, and personally deliver the brochures. There is a cost in having your brochures displayed in the major TVIN's, but it is worth it if you follow up and build a relationship with the staff there.

Make sure the TVIN staff are familiar with your product. Be active in offering educationals so they can actually experience what you are offering – human nature would suggest that business is successfully transacted when the person doing the selling knows the people behind the business are confident in their recommendations and can speak authoritatively about it.

#### Signage

All accredited (TICT) product is eligible to erect yellow on blue tourism signage, and there are quite a few regulations about where they can be placed on the roads, under which other signs, and how yours might be co-located with others.

Just make sure that signage is placed strategically, and that yours is not in amongst so many others it gets lost.

If you don't have signage contact Vin Gerasimenok at DIER 6233 8539, [Vincent.Gerasimenok@dier.tas.gov.au](mailto:Vincent.Gerasimenok@dier.tas.gov.au).

## Brochures

Invest in a DL size brochure, but make sure it is produced professionally – ideally your web pages, your brochures, your internal signage, your letterhead, business cards and stationery are all part of a family, adding to the look of professionalism and adding value to your brand.

If your market segmentation analysis shows that the travel patterns for your visitors are based on impulsive decisions, weather and referrals from front office desk staff, then it would be wise to join the *Tourism Brochure Exchange* and have your DL brochure placed in numerous hotel foyers and other strategic areas including the *Spirit of Tasmania I* and *Spirit of Tasmania II*.

## Referrals

Create relationships with like product in other areas, many travellers only book their first night and rely on that product provider to recommend not just accommodation but experiences as well that will enhance their trip.

There are numerous groups and associations such as Bed and Breakfast, Boutique Accommodation for Tasmania (BBBAT) that recommend their members first, and there are informal arrangements that operators get involved with. It is often a good idea to travel around the State on a trip for yourself, delivering your brochures around as you go and meeting other operators – you will learn a lot and get referrals quite soon afterwards.

## Other publications

As with the interstate and international direct markets there are a host of publications that offer advice and itinerary planning to the traveller to Tasmania.

Some of the major ones are *Travelways*, *Treasure Islander* and *This Week in Tasmania*.

These publications are all regarded as “bibles” for the traveller – but *Travelways* is also recognized as a very efficient aide to the travel agency network around Australia as it lists accommodation, tours and attractions by each region whilst incorporating amenities, facilities and prices.

*Travelways* and *This Week in Tasmania* also have an online presence.

Like any advertising make sure that it works! Track where your guests are coming from and what influenced them to buy your product.

Joint/collaborative advertising in these publications has had some exceedingly successful examples – where a region will take out a full page, five or six operators from that region will contribute so they all get significant exposure for the region/ experience.