

YOUR JOURNEY TO TRADE READINESS

LUNCH 'N LEARN SESSIONS

Understand the Travellers and the Trade distribution channels Part 1

Tuesday 5 November, 12.30pm

The Travellers:

Domestic vs Internationals
NZ Mains Markets
Market characteristics

Types of travellers (overviews, coach travel, Cultural differences)

Travel Trade:

Benefits
Travel distributions channels
How does it work?
Pros & Cons of each channel

**TUESDAY
5 NOVEMBER,
12.30PM**

VIA ZOOM

Welcome

- Collaboration between RTOs
- Short lunchtime sessions to build industry knowledge & capability
- Topics of interest from operators – help us to shape the programme
- Time for Q&A at end of each session (inc anonymous functionality)
- Sessions recorded & hosted on RTO website
- Pause for peak season, resume next year



Tourism Waitaki



Mackenzie
Region



TIMARU
we^{love}timaru.nz

Your Journey to Trade Readiness

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Pricing & Commissions Part 2

Tuesday 12 November, 12.30pm

Establishing your retail rate
Operating cost
Commission
Margin

Why do we give commissions?
Rate Parity
Establishing a contract

Showcasing your product Part 3

Tuesday 19 November, 12.30pm

Trade marketing collateral
(presentations, rates, fact sheets, image library etc.)
Watch your tone!
Considering the memberships

Showcasing your product:

Your own website
Direct connectivity
Talk to your RTO
Tourism New Zealand: New Zealand.com
I site & visitor centres network
Trade events, Trade shows & Sales calls + Famils



Your Journey to Trade Readiness



Geraldine Morisse

- Extensive trade background including over 9 years as NZ based inbound operator, and engaging with trade as operator
- Over 4 years with RTOs helping industry with trade
- Now supports industry to get 'trade ready' with own consultancy 'Trade Ready with G'



Your journey to
TRADE READINESS

MODULE 1:

UNDERSTAND THE TRAVELLERS

&

THE TRADE DISTRIBUTION

CHANNELS

INTRODUCTION

Developing your product to an international standard requires an acute understanding of international consumer needs, motivations and different travel styles.

The travellers' choices in style of accommodation, activities, transportation... are influenced by:

- Age
- Budget
- Cultural background
- Reasons for travel (leisure, business, Special interest or family...)
- Previous travel experience
- Language
- Culinary requirements
- The maturity of the market from the visitors' home country

Understanding these will enable you to see where your product fits internationally and select the right markets for your product.



Travel styles are constantly evolving and definitions vary from market to market.

THE DIFFERENT MARKETS



DOMESTIC vs INTERNATIONAL

Domestic Market	International Market
Familiar with New Zealand	Limited knowledge of New Zealand
Lower marketing costs.	Higher marketing costs.
Travellers' needs are consistent across segments.	Distribution systems vary in each market.
Simpler, short break style itineraries	Complex itineraries
No language or cultural barriers	Language and cultural differences
Easy market to enter and return on investment established more quickly.	Long term investment to recoup costs.
New Zealanders will have higher proportion of travel by own vehicle instead of public transport or air travel.	International travellers are reliant on commercial transport (rental cars, campervans, airline, coach services...).

NZ MAIN MARKETS

New Zealand Top 5 markets:



Australia



China



USA



UK



Germany



Top markets for NZ can be different for your RTO and for each operator

INTERNATIONAL MARKETS (snapshot)



Australia



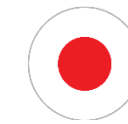
USA



Europe



China



Japan



India

Visitors	Return to NZ 3-4 times in their lifetime		Once in a lifetime trip High expectations		43% from the UK (50% have been to NZ before) 18.2% from Germany					80% of visitors are from Delhi and Mumbai			
	VFR	40%		19%		49% UK / 15% Germany		17%		14%	48%		
Seasonality		30 %		44 %		50 %		39 %	Chinese NY, Spring is increasingly popular.	36 %	23 %		
		22 %	Balanced throughout the year	20 %	Mainly in summer but also potential as 56% is off peak	18 %	Mainly in summer but potential in Spring especially with the German market	13 %	Golden week (early Oct)	19 %	64% of arrivals are off-peak	29 %	77% of arrivals are off-peak
		22 %		17 %		9 %		20 %		25 %		22 %	
		25 %		19 %		23 %		27 %		20 %		26 %	
Av. holiday spend	NZ\$ 3,790		NZ\$ 5,181		\$ 7,018 (UK) / \$ 9,061 (GER)		NZ\$ 6,729		NZ\$ 4,009		NZ\$ 6,031		
Length of stay	35% stay 4-7 days 38% stay 8-14 days		15 days average but we see some 21/30 days.		UK: ave. 25 days Germany: ave. 44 days		52% stay 1-7 days 35% stay 8-14 days		66% spend 7 days or less in NZ.		24% stay 4-7 days 56% stay 8-14 days		
Self drive/coaches	60% self-drive They like a good roady		56% self drive		55% choose to self-drive		Travelling in coaches. FIT & self drive increasing		Travelling in coaches (group or local bus)		Like being driven (taxi shuttles, coach tours)		
Book via Trade	40%		68%		78%		Book through an ADS accredited agent.		Travel agents remain the main booking channel.		OTAs and aggregator websites are popular.		
Additional info	Food & Drinks can make or break the trip!		Tend to visit another country during their trip Want to connect with Nature from the comfort of a tour operator		Germans tend to visit the greatest number of regions		Chinese travellers use of mobile payment has overtaken cash for the first time.		90% visit 3 regions or less per visit: 1/ AKL, 2/ ZQN, 3/CHC, 4/Mackenzie Love Walking in Nat.Parks		83% visit 3 regions or less per visit: 1/ AKL, 2/ ROT 3/ ZQN, 4/ CHC. Love Walking in Nat.Parks		

THE TYPES OF TRAVELLERS



TYPES OF TRAVELLERS

FITs

Backpackers

VFR

Education

Special interests

Groups

Cruise ships

MICE
(Meetings, incentive,
conferences, Exhibitions)

Business Travellers / Corporate

Special events

TYPES OF TRAVELLERS

Fully or Free Independent Tours (FIT)

Don't mind planning their own arrangements (before or during their trip)

Arrange some core holiday components or 'skeleton package' of airfares, accommodations, and transfers prior to arrival.

Rely heavily on word of mouth, the internet and social media when planning their trip

Backpackers

Spend at least one night in a backpacker or youth hostel during their stay

Traditionally 18-25 year olds but people aged 30 and beyond also travel this way

Independent & unstructured approach towards travel

Rely heavily on internet and social for info

Often include voluntourism

Visiting Friends & Relatives (VFR)

Cite friends and relatives as the primary reason for travel

Often visit other regions

Rely on the advice and recommendations of their New Zealand based friends and relatives when planning their trip

Corporate / Business / MICE

Include delegates of a large conference or an individual on a business trip

Often include a component of leisure travel during their visit such as pre and post conference touring

Incentive tour - a specialised business segment which rewards performance with travel experiences

High per head spend

TYPES OF TRAVELLERS

Coach / Group Travel

Better
profitability

Safety &
Pastoral
care

Highly
organised
and
prebooked

Social
benefits
(spend more time with
people, less driving)

Cost
effective

Green
travel

(5 time better than a
car)

**Safest most environmentally
friendly, affordable, user friendly
and efficient way to move people
from here to there.**

TYPES OF TRAVELLERS

Education

Short course, school excursions & exchanges, long term university students

Cite study as the main purpose of their visit but there may be a tourism component to the trip

Have families who may visit and travel throughout the course of study

Often require specialised arrangements depending on the age of students

Cruise ship

Cruise season is from October – April

Sightseeing activities at different destinations is prepaid via onboard purchases

Most cruise lines use a NZ 'ground operator'.

Although they generally only have a 4-5 hour excursion at each port, a good experience encourages passengers to return within 2-3 years.

Special Interest Travellers

Travel for reasons associated with personal interests (agritourism, wellness, bird watching)

Book through agents who possess a high level of expertise and can access specialised tours, and experiences that are not part of the traditional tourism infrastructure

Customised itineraries

High yield but low volume

Special Events

Major and minor events eg. Rugby World Cup, America's Cup, WOW

Travellers: players, media, management, medical support etc or fans

Book through agents with high level of expertise

Often bring partners / family

Custom-built itineraries around the event

Short term high yield / high volume

CULTURAL DIFFERENCES

CONSIDER	IMPACT	EXAMPLE
Religion	Can affect food, dress and activities.	Appropriate dress (e.g. beach photos with a woman in bikinis would not be appropriate in a brochure targeting certain markets).
Politics	Can impact what and how you promote.	Some governments ban the open promotion of gambling or casinos.
Food & Dining	What you need to provide.	Different cultures have varying dietary and dining preferences. Vegetarian, Jain, Halal, Kosher and the list goes on. In Chinese culture, dining is a shared, loud and convivial experience.
Pace	For some cultures, the experience needs to be faster.	Eastern cultures traditionally enjoy a faster pace of travel than Western Hemisphere markets.
Punctuality	Needs to be reinforced for some markets.	Different cultures place varying levels of importance on punctuality.
Timing	Need to consider if your target market traditionally starts early or late in the day, or likes to stay out late.	Mediterranean countries tend to eat late and take their time.
Language	Can impact many areas but tourism businesses should be especially conscious that safety messages are understood.	Consider translation of all safety advice such as the use of life jackets, swimming, fire regulations, etc...
Sensitivities	Be aware of cultural sensitivities such as nudity and alcohol.	Mormons, Muslims and Jain generally don't drink alcohol
Superstition	Be aware of any superstitions that impact the traveller.	Some travellers from China and South East Asia place significance on certain colours and numbers.



WHAT IS TRAVEL TRADE?



INTRODUCTION

Unless you have a presence in every country you want to target, you will struggle to maximise sales.

Fortunately, there is an international network known as the 'travel trade' that can help take your tourism business to the world.

It's worth spending time understanding how Trade works.

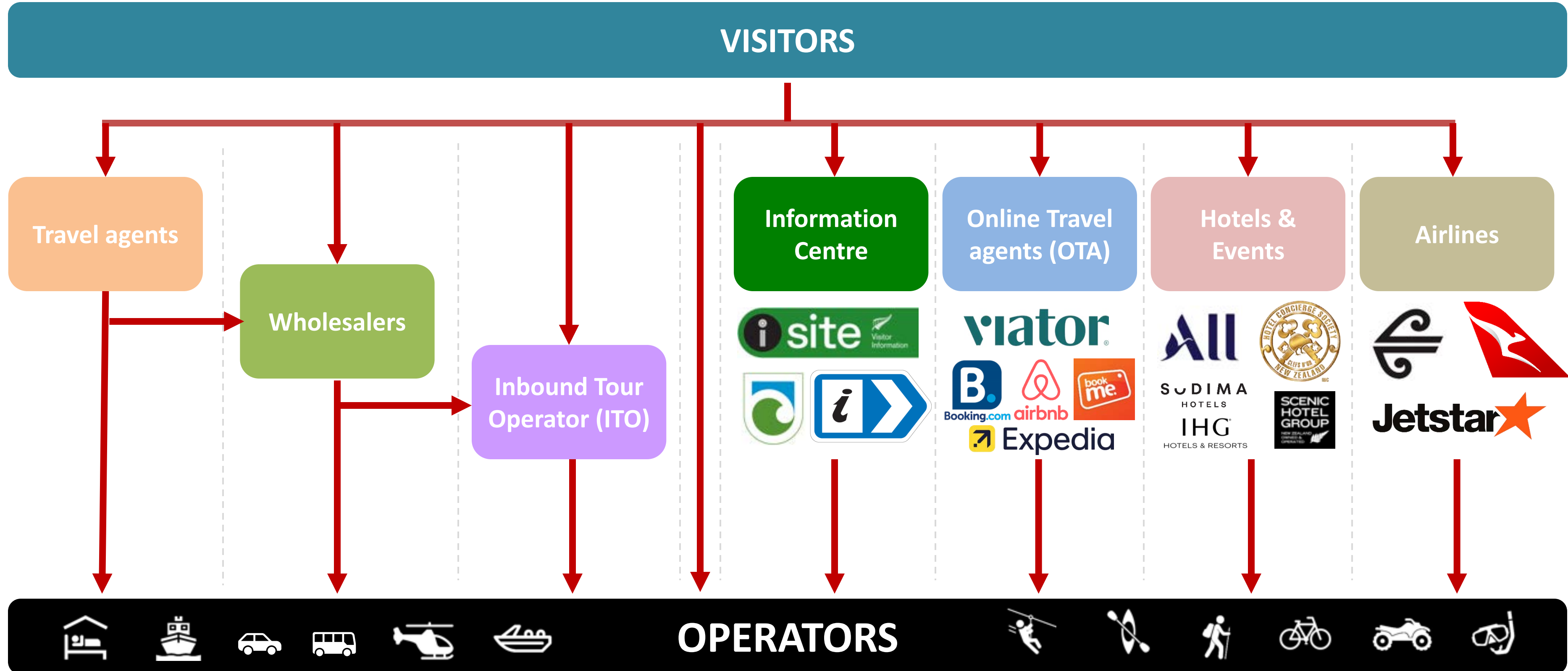
BENEFITS OF TRADE

Benefits of working with Travel Trade are:

- International tourism is not focused around weekends and school holidays.
- Spreading risk across a range of international markets.
- Distribute your travel experiences to millions of potential travellers from around the world.
- International travellers provide a higher yield (av. 3 x more than domestic).
- Lead times are generally longer.

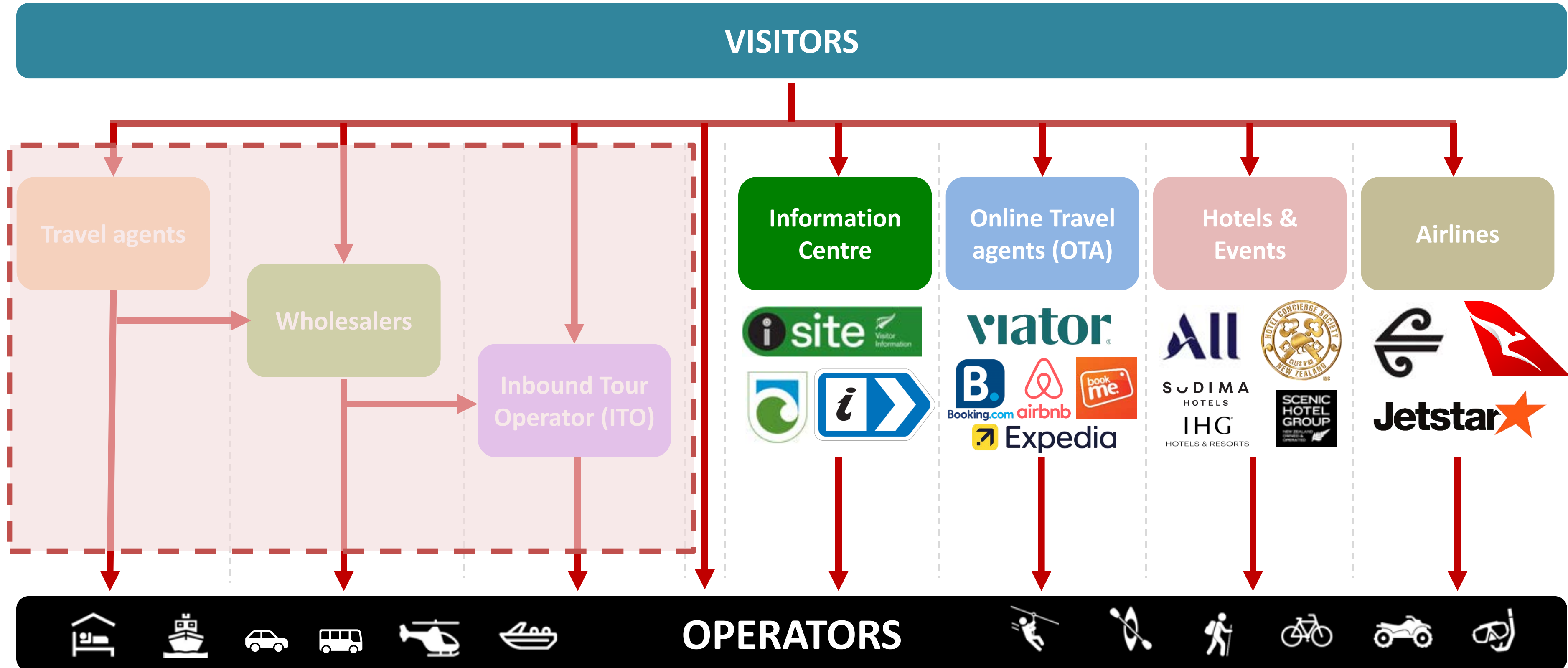
TRAVEL DISTRIBUTORS

Members of the travel trade are known as travel distributors.



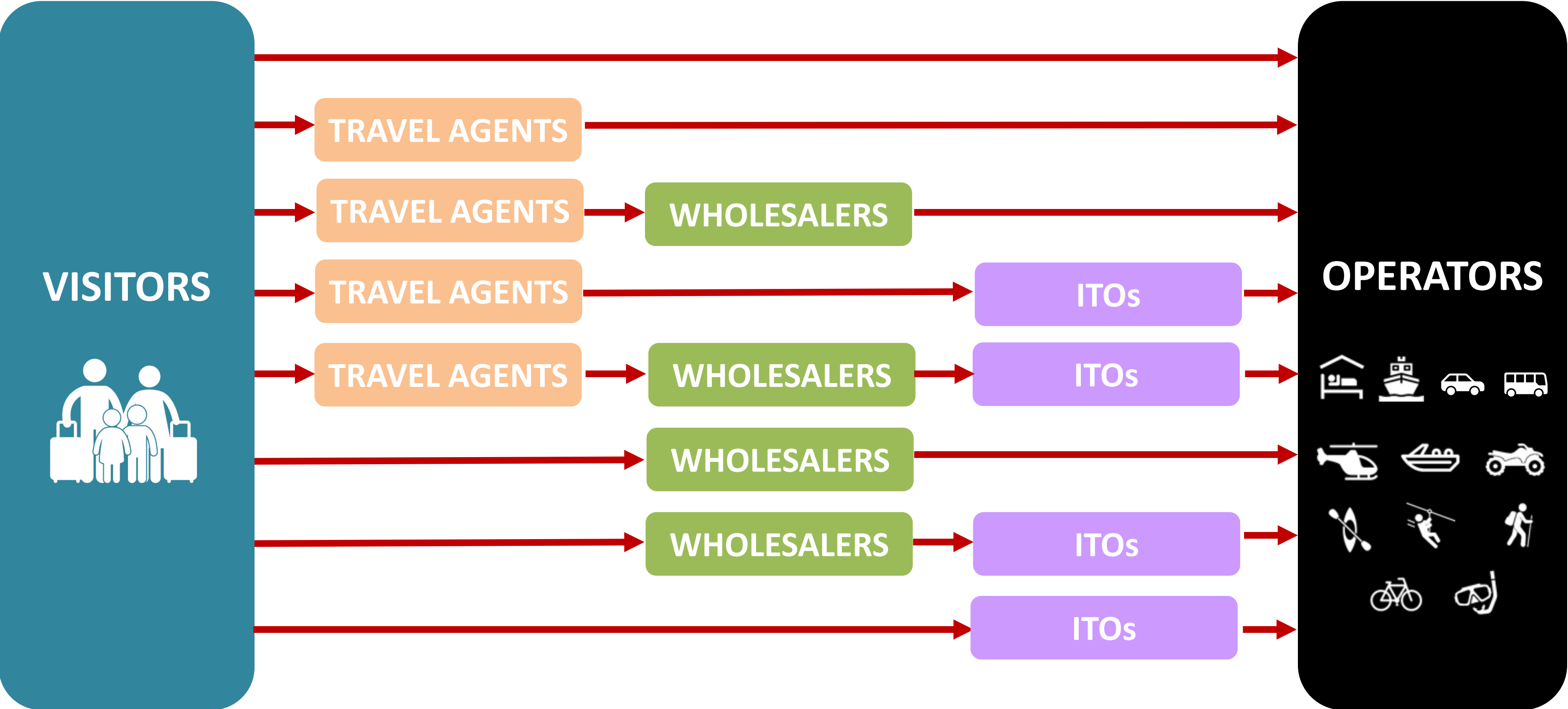
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HOW DOES IT WORK?

They typically work on a commission basis, taking a percentage of every booking they make for your product / experience.



HOW DOES IT WORK?

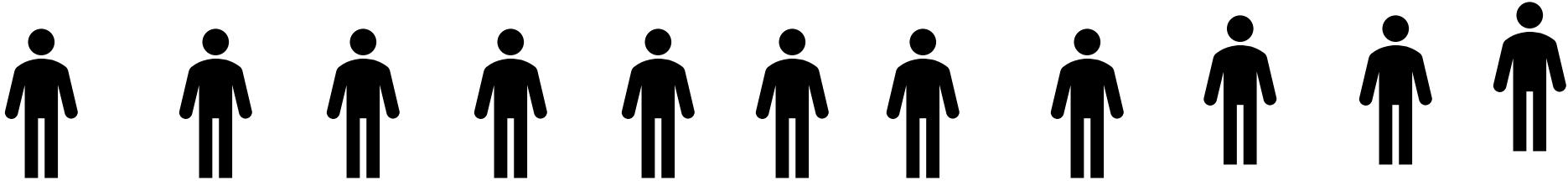
The Reach:



ITOs



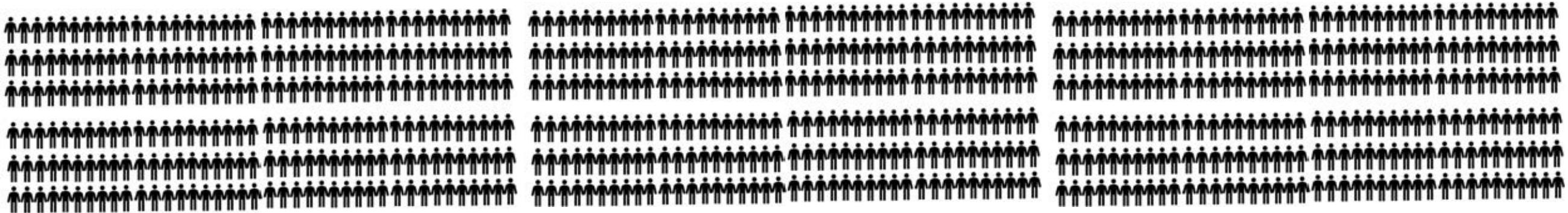
WHOLESALE



TRAVEL AGENTS



VISITORS



DEEP DIVE INTO THE CHANNELS

DIRECT TO CONSUMERS

PROS

- You have control.
- You know your business inside/out (easy to sell).
- Sales from your website and word of mouth.
- Pay 0% commission
- Personalisation of the experience (correspondence prior & after stay).
- build rapport with the client before they arrive
- clients details are known. Easy to add to database.

CONS

- Bookings are often short lead (within 24 hours).
- Harder to forecast.
- Lots of marketing effort (time & money) to get direct clients.
- Sales through your own channel is small. Not always sustainable, especially during shoulder and low season.

LOCAL DISTRIBUTION

PROS

- I-Site staff are amongst the most knowledgeable of the region
- They can showcase your product
- They manage the client (frees up your time).

CONS

- Bookings generally within 24-48 hours of travel.
- Nurturing relationships is key (training, famils)
- Competition with a lot of other products, your collateral need to look professional to get picked out.
- Consistency is key otherwise it's hard to sell.

DEEP DIVE INTO THE CHANNELS

TRAVEL AGENTS

HOW TO RECOGNIZE THEM?

- Based overseas in the consumer country of origin.
- Engage with consumers directly.
- Book the airfares.
- Sell the world so rely on wholesalers to offer “ready to sell packages” (rentals, accommodation, activities).



PROS

- The agent does all the work:
 - information
 - Documentation
 - Bookings
- Long lead time
- Agents get the clients' money before the trip.

CONS

- Ensure the agent has all information:
 - Trade manuals
 - Contracted rates (at the correct commission level)
 - Terms & conditions
- Offer famils, site visits.
- No ownership of the client (you get their details on check in).
- Invoicing / prepayment to be received prior to stay.

DEEP DIVE INTO THE CHANNELS

ONLINE TRAVEL AGENTS (OTAs)

HOW TO RECOGNIZE THEM?

- Based online
- Engage with consumers directly.



PROS

- Global platform
- They invest heavily in online advertising to encourage people to book through them
- Your system must be connected (API) to get instant confirmation
- Minimal admin (save time/money)
- Your product info is easily changeable online.

CONS

- Shorter lead time than a wholesaler or ITO.
- Bookings are made under 30 days – we see this lead time extending with some platforms.
- Hard to bid against them with your own online advertising.
- If you do not have a reservation system that can be connected to the OTA you may not be able to work with them.
- Depending on the platform, their cancellation & T&Cs can take over yours.

DEEP DIVE INTO THE CHANNELS

WHOLESALERS

HOW TO RECOGNIZE THEM?

- Located overseas
- Buy packages from ITOS (or create their own) based on their values / point of difference which are published in brochures and promoted / distributed via retail travel networks.
- In some markets, they bypass travel agents to directly target consumers.



PROS

- Greater reach (multitude of agents / countries).
- Specialists in a destination
- They provide retail agents with knowledge of a destination.
- Great product knowledge (famils are encouraged)
- Longer lead time
- They do their own marketing of your product (brochure, website...)

CONS

- Higher level of commission than travel agents
- Payment terms: 20th of the following month after invoicing.
- Brochure contribution can be asked (less and less).
- Communication must be flawless.
- Bookings can be high / cancellations also.
- Targeting wholesalers directly comes at a cost (travel to market / tradeshows)

DEEP DIVE INTO THE CHANNELS

ITOs

HOW TO RECOGNIZE THEM?

- Based in New Zealand
- Known as ITO, DMC (Destination Management Company) or ground operator.
- Helps travel agents, wholesalers to develop itineraries and make reservations in NZ.
- ITOs provide local expertise and know-how for offshore wholesalers and travel agents.



PROS

- Biggest travel trade network reach than any other channel
- Long lead times (dependent on market though).
- They invest in knowledge and encourage:
 - Training sessions via sales calls,
 - Famils
 - Internal staff training.
- Static rates (Not many have direct connectivity yet).
- Tight knit relationships with operators.
- Support visitors while in NZ.

CONS

- Highest Commission level (they will always ask for more)
- They always pay post travel (20th of following month is standard)
- If a problem arises, you need to help them and offer solutions.
- Organising training sessions or trying to see a Product Manager can be difficult, they deal with a lot of products (A group approach to show value can be the way to go).

CONCLUSION FOR TODAY'S SESSION



Travel styles are constantly evolving and definitions vary from market to market. Make sure you keep yourself updated on the evolution of these markets.

You can't be everything to everyone. Select the markets(s) and travelers that work for your business / product.

Make data driven decisions, not anecdotal ones.

Working with Trade is a slow burn. There is a lot of work involved and nothing is going to happen overnight but the reward is worth it!

Q&A

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