

Topic | Online Distribution

Tutorial 39

Online Distribution: Advanced

In this advanced tutorial you will learn how to select an online distributor. You will also be provided with information on cost and equipment required.

Reading time: 20 minutes

Prerequisite: Online Distribution 101



1. How do I select an appropriate online distributor?

The selection of appropriate online distributors is fundamentally different for those businesses that have an online booking system and those that don't. If you do not have an online booking system you will have to manually allocate your product between various distribution websites or use a channel manager.

a) Integrating with the TXA (Tourism Exchange Australia)

If you have an online booking system that doesn't integrate with the TXA you are also missing out on being able to utilise a large number of online distributors.

On the other hand if you do have the appropriate online booking system, you are in the position of being able to use all available online distributors.

This section will present the selection process for businesses that have an online booking system which is connected to TXA.

2. Accessing important details?

First of all you need to view your options. All online booking systems connected to the TXA are able to share a list with you which will display:

- The business details of the online distributors who can distribute your product
- The distributor's terms and conditions
- The distributor's commission

Generally speaking, if you have an online booking system that can **present real time inventory**, all online distributors are potential resellers of your product. Provided your online booking system has the capability to present variable prices to different online distributors based on their distribution commission this will ensure your desired yield is maintained.

If your online booking system does not have this capability it is recommended you look at changing it or you will need to ascertain the yield you are seeking and only select those online distributors that charge no more than the level of distribution commission that results in your set yield being achieved.

What to look for in a potential online distribution partner:

a) Business details

The primary features to look for in an online distributor's business details are:

- The number of unique visitors that visit the online distributor's website or shopfront. Generally speaking, the higher the number of unique visitors the better value the distributor will be to your business.
- The geographical spread of the online distributor. If a distributor does not feature the tourism area you are located in or only does so in a superficial way, then this online distributor will be of less value than an online distributor that specialises in your

tourism area.

- Niche market: If your product is suited to particular niche markets e.g. a wilderness lodge that appeals to environmentally conscious travellers, then look at whether the appeal of the online distributor fits with your niche market.

b) Distribution commission

If your online booking system has the capability to present different prices to different online distributors then you can work with any distribution commission, as you simply need to alter your product price to ensure your yield is maintained.

c) Payment method

Whilst both types of payment methods are acceptable (direct payment and on account), they have differing positives and negatives. Depending on the priorities of your business, one form will be more attractive than the other.

Payment Method	Positives	Negatives
Direct Payment	Your business receives the customer's funds directly to your bank account on booking	You are required to deal with the customer's changes, cancellations and refunds
		You will need to manage the payment of the distributor's commission to the distributor
On Account	The online distributor is required to deal with the customer's changes, cancellations and refunds	The online distributor receives the Consumer's money and you must wait for the online distributor to pay you depending on their individual payment terms

d) Online payments security

Most online distributors will detail if their system has an SSL certificate. An SSL certificate is an electronic key that will ensure the online transaction is secure. If you have any doubt as to whether the online distributor has an SSL certificate, then do not use that online distributor. We strongly recommend you discuss SSL and security with your online booking system vendor.

e) What best suits my business?

Whilst the above points will give you a guide to selecting online distributors, you should always undertake the following steps:

- Assess your business needs. Every tourism operator is different and different online distributors offer different options.
- Then talk to your peers, regional tourism organisation, and local visitor information centre. Find out what online distributors they are using and which ones they recommend.

3. What equipment do I need?

To participate in online distribution you should not need to invest in any additional hardware other than the one you use for your online booking system. If you do not have an online booking system you will need to select one. The online distributors should either be manageable from your computer or, better, online directly. Your online booking system should also have an online merchant account which will allow you to transfer the money securely from the online booking into your bank account. Discuss the different types of online merchant accounts with your bank.

4. How much will it cost?

What is important to understand here is that being listed on an online distributor's website is a good thing because it will bring you business that you otherwise wouldn't be able to attract. The people that arrived on the online distributor's website probably didn't know about you and probably hadn't found your website.

The cost of having your inventory available for sale on an online distributor varies according to the online distributor. There are generally three types of potential costs associated with an online distributor:

Listing fee:	Cost to be listed on the online distributor's site. It could either be a fixed monthly or annual listing fee.
Booking commission:	A percentage of the value of the transaction (commission).
Booking fee:	A fixed fee charged by the online distributor for providing the booking or a combination of all three.

It is recommended you take into account all of the different types of costs as outlined in the distributor terms and conditions. Then either adjust in your online booking system the price you set for your products for that online distributor and hence achieve your desired yield.

If you have an online booking system which does not allow you to set different prices for different online distributors you will need to decide to opt in to that online distributor if you are satisfied with the yield or not opt in if the yield is too low.

5. Will it bring me extra business?

Online distributors need to be considered as an essential marketing tool for any tourism business. Online distributors will increase the chances for bookings since you have made it easier for the consumer to find and book you. An online distributor won't bring you bookings all the time. However this does not mean that this particular online distributor is of no value. You should remember that every listing on an online distributor is another advertising medium and often consumers will see your product on an online distributor and then book via another online distributor or even on your own website (provided it has Online Booking capability).

a) How do I get the best value?

To gain maximum benefit out of online distributors it is helpful to have a real time online booking system that has the capability of having a different price for each online distributor. Having this means all online distributors represent a potential additional sale and **no matter what the cost of that online distributor; you can achieve your desired yield.**

6. How do I price my product?

In order to price your product you need to identify your fixed and variable costs and your average commission, you also need to establish your profit margin. Your rate should be a combination of all of the above, it needs to be sustainable and it needs to suit the target market.

If you haven't yet done so refer to the Distribution 101 tutorial and do the exercises at the beginning of the tutorial.

a) What is the difference between a net, gross and rack rates?

Nett rate:	A rate excluding commission (but it usually includes GST).
Gross rate:	The total rate including GST and commission.
Rack rate:	A publicly listed rate and it's usually the highest rate.

7. What online tools should I consider for my business?

To help you with taking steps in the online space and selecting the right options to distribute your inventory online we have set up the below diagram. Historically the bigger your business the more options you had. Technology has advanced and enabled the much wider distribution of product even for the smallest business.

Business Size (number of rooms, tours available for sale)	Direct via manual system. Email request via a website, traditional methods.	Allotment to Wholesaler etc	Channel Manager	Online Booking System – single channel ¹⁾	Online Booking System – Multi channel
1-5	😊	😞	😐	😐	😊
6-10	😊	😐	😊	😐	😊
11-30	😊	😊	😊	😞	😊
30+	😊	😊	😊	😞	😊

¹⁾ Online booking single channel means that you only make your inventory available in one place: either your website, on online distributor A’s website, or your local visitor information centre.

😞 - The “sad” face indicates you should consider this option carefully, for small businesses giving allotments to a wholesaler may limit your ability to receive direct bookings, unless of course the wholesaler gives you significant business. For larger businesses the single-channelled online booking system may be an administrative overhead.

😐 - The “neutral” face indicates that this is a distribution channel worth considering to see if it suits your business. For small businesses ensure that the “duplicate” booking issue is easily resolved by a channel manager, also consider the single channel online booking option only if you receive most of your bookings through one channel.

😊 - The “happy” face means that this method of distribution is worth investigating.

8. Key learning outcomes

- Selecting an online distributor requires careful planning and assessment
- There are 2 main payment methods: direct payment and on account
- There are also different types of costs involved such as listing fee, booking fee and/or booking commission
- All these elements should be taken into consideration to allow you to price your product.

9. Related material

a) *Related tutorials*

- Online distribution 101
- Tourism Exchange Australia
- Online booking systems: 101
- Online booking systems: advanced
- Security and backups
- Online travel agents: 101
- Online travel agents: advanced