

# TOURISM The Business of Travel

The Distribution Process:  
Bringing Travelers and  
Tourism Service  
Providers Together



## *Introduction*

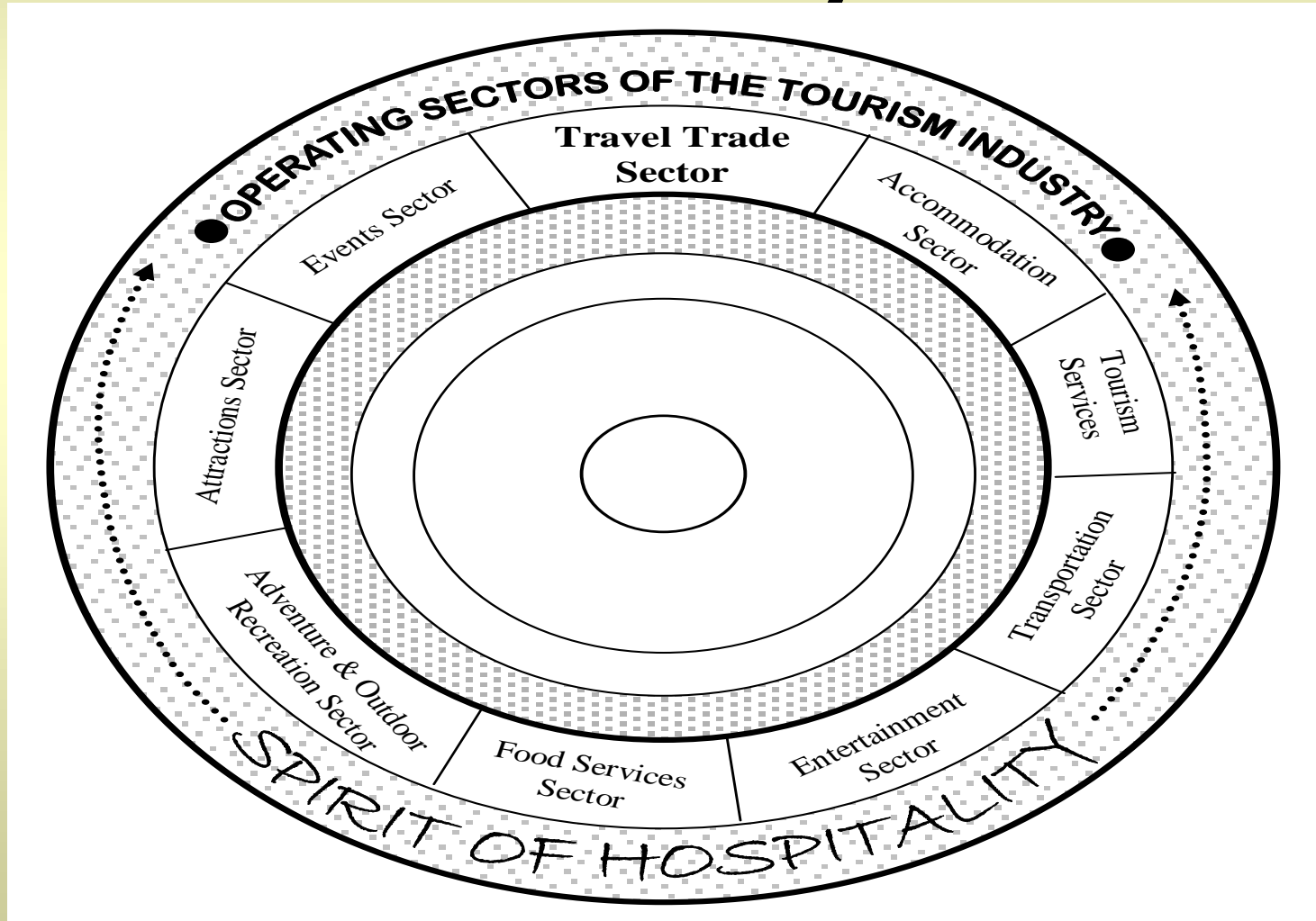
- Travel necessitates a variety of services.

Goal of service suppliers is reaching, serving, and satisfying travelers.

Serving Traveler Needs



# Operating Sectors of the Tourism Industry





## *Distribution Channel*

- ❖ An operating structure, system, or linkage of various combinations of organisations through which a producer of travel products describes, sells, or confirms travel arrangements to the buyer
- ❖ Products get to consumer through a distribution channel: Belikin Beer?



## *Tourism Services*

- ⊕ Services are actions; goods are material objects
- ⊕ Services are often accompanied by facilitating goods which support the service
- ⊕ In tourism there is no physical good that can be held in inventory and can be transferred from one middleman to the next



## *Serving Traveler's Needs*

- ❖ Thomas Cook is credited with being the first tourism intermediary, packaging tourism services and then selling the packages to tourists
- ❖ To attract business, tourism suppliers must provide prospective customers with information on which they will base tourism choice decisions
- ❖ There are many alternative ways to provide information and services to prospective guests
- ❖ Three types of distribution channels can be used



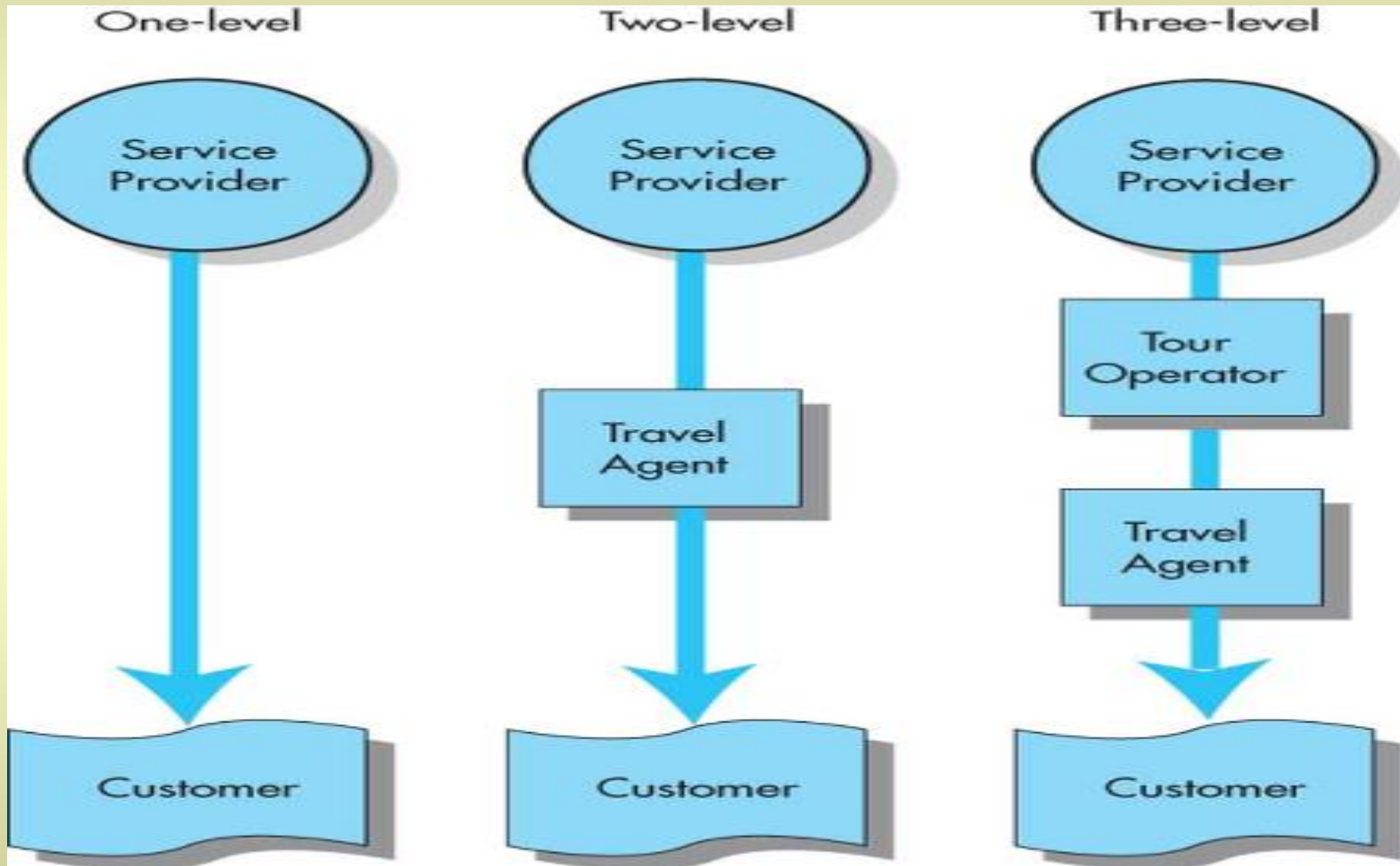
## *Why Use Intermediaries?*

- ⊕ Intermediaries make information and services widely available cost-effectively
- ⊕ They perform a variety of value-added functions
  - ⊞ e.g, types of services, potential customers, packages
- ⊕ Intermediaries are frequently paid on commission
- ⊕ May also charge the customer a modest fee
- ⊕ Exist where they perform a necessary role more cost-effectively than the supplier could perform the same role



# *Distribution Channels*

TOURISM  
THE BUSINESS OF TRAVEL







# *One-Level (Direct) Distribution Channels*

- ⊕ Simplest form of distribution, no intermediary between supplier and customer
- ⊕ Most tourism suppliers utilize one-level distribution channels
- ⊕ Purchase directly from the supplier
- ⊕ World Wide Web is increasing the direct availability of information and purchase
- ⊕ Airlines encouraging the use of the Web and ticketless travel



# *Advantages*

- ⊕ Simplicity
- ⊕ Additional Sales Opportunity
- ⊕ Flexibility
- ⊕ Greater Profitability to Suppliers
- ⊕ Personal Control over the Sale



## *Two-Level Distribution Channels*

- ⊕ Intermediary between tourism supplier and tourist
- ⊕ Most common form of tourism supplier
- ⊕ Travel agencies are the department stores of the travel industry
- ⊕ Improving service delivery through cooperative systems
  - ⊞ Global distribution system (GDS)
  - ⊞ Computer reservation system (CRS)



## Improving service delivery through cooperative systems

- ✦ Agencies big and small use global distribution systems (GDSs)
- ✦ Via GDSs agents have on-line information about schedules, availability, and fares, and allow booking of some reservations and printing tickets
- ✦ Two airline GDSs; Sabre and TravelPort
- ✦ These GDSs are also used as databases/reservation systems for many other tourism services such as hotels and rental cars

## Two important cooperative systems for airline ticketing

- ✦ Airlines Reporting Corporation (ARC)
- ✦ International Airline Travel Agency Network (IATAN)



# *Advantages*

- ⊕ Professional Assistance
- ⊕ Multiple Options
- ⊕ Free or Low-Cost Assistance
- ⊕ Cumulative Group Power
- ⊕ Single-Charge Billing
- ⊕ Cost Less???



# *Three-Level Distribution Channels*

- ✿ Add another level of intermediary such as tour operators to low-level channel
- ✿ Some travel agencies have entered tour packaging business
- ✿ Tours
  - A package of two or more tourism services priced together
  - Four primary forms of tours
    - Independent
    - Foreign/domestic independent
    - Hosted
    - Escorted



# *Three-Level Distribution Channels, continued*

## ✿ Tour Operators

- ✘ Purchase tourism services in bulk and then mark up the price and resell in packaged form
- ✘ Plan, prepare, market and often operate vacation tours
- ✘ Also termed tour packager or tour wholesaler
- ✘ Many financial risks in the tour packaging business
- ✘ Receptive service operator is local company that handles group's needs while in its location



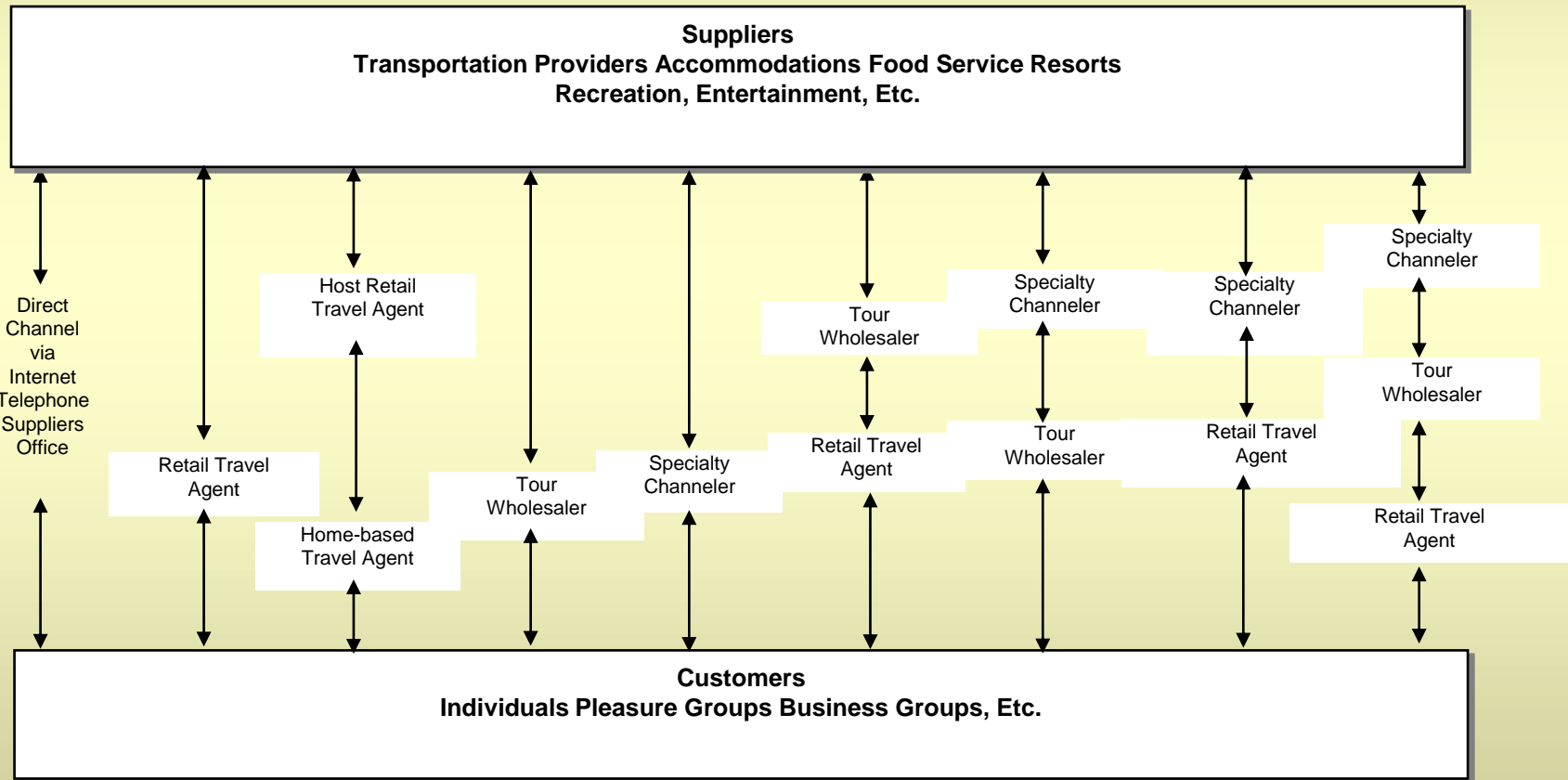
# *Three-Level Distribution Channels, continued*

- ❁ Consolidators and Travel Clubs
  - ❑ Consolidators buy excess airline capacity and resell at discounted prices
  - ❑ Travel clubs perform similar function for their members plus offer discounts on other tourism services
- ❁ Meeting Planners
  - ❑ Professionals employed by corporations, associations, etc. to organize all the details entailed in meetings
  - ❑ Meeting planner must balance meeting costs with meeting attendee desires



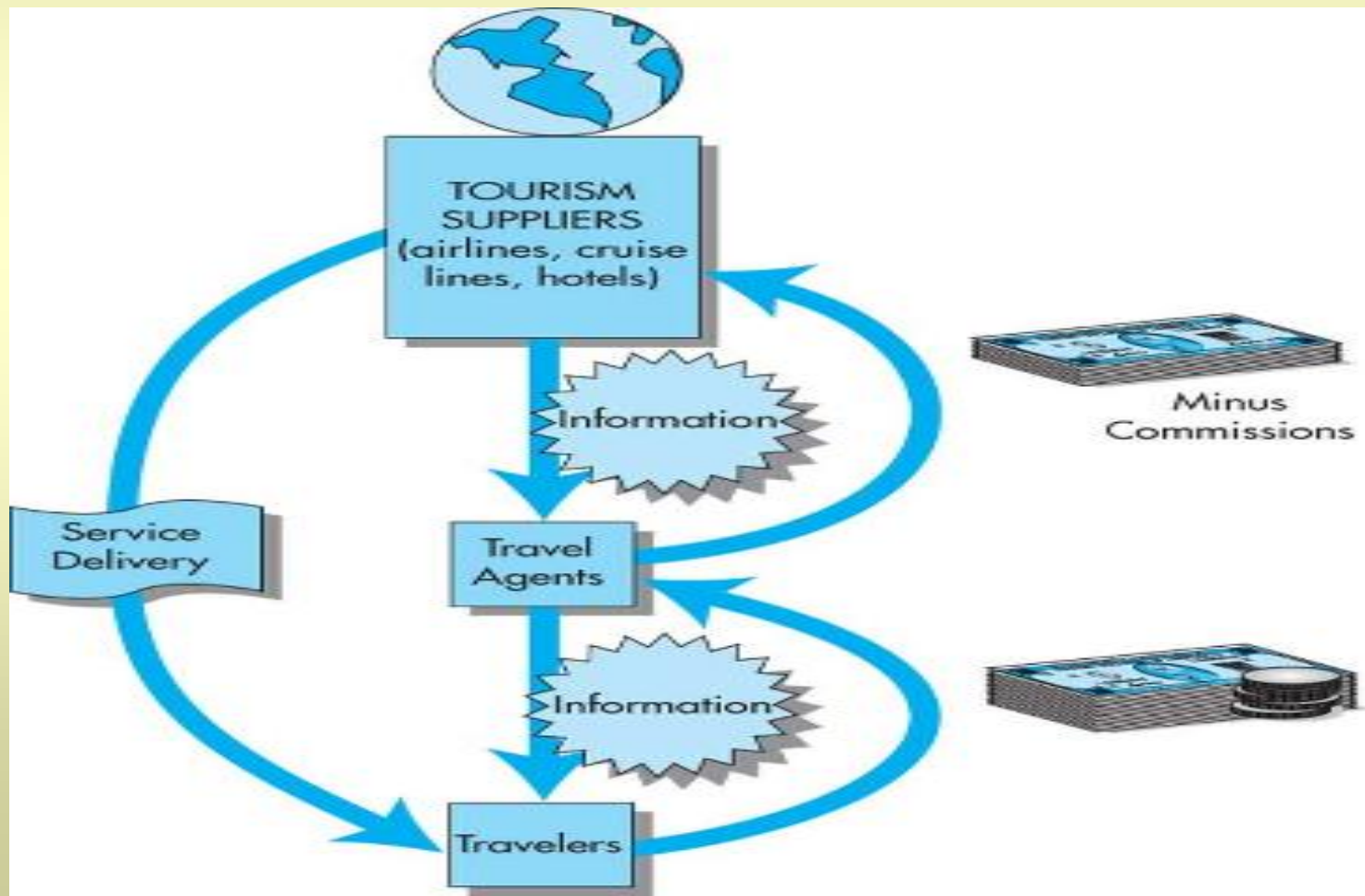


# Tourism Distribution Channels





## *Flow of Payments, Information, and Service Delivery*





# *Tapping the Power of Dual Distribution*

- ⊕ Internet increasing the use of the direct channel
- ⊕ Direct channel using mall locations
- ⊕ Indirect channel using traditional travel agents
- ⊕ Indirect channel using Internet-based cruise-only agents
- ⊕ Indirect channel using last-minute fire sale agencies to fill cabins close to sailing dates



# *Tourism Information Sources and Services*

- ❖ Tourism offices provide general information
- ❖ Often operate tourist information centers
- ❖ Large cities have conventions and visitors bureaus; small cities use chamber of commerce- both funded by local tourism service suppliers



## *Selling Adds a Personal Touch*

- ❖ Most tourism suppliers have their own sales force
- ❖ Often conduct missionary sales activities to supply information and brochures to aid in sales efforts



# *Seven Steps to “Making the Sale” at BETEX*

- ✦ Acquiring product knowledge
- ✦ Approach
- ✦ Qualifying the customer
- ✦ Making sales presentation
- ✦ Closing the sale
- ✦ Follow-up
- ✦ Build relationships