

## Pricing for Travel Trade Distribution Channels

The tourism industry distribution system is often referred to as the *travel trade* and consists of, travel agents who are based in markets and buy retail or commissionable products and packages. Outbound tour operators, also referred to as tour wholesalers, are based in markets and purchase wholesale-priced (or net priced) packages that they mark up and sell retail to travel agents or consumers. Receptive or Inbound tour operators, are based in Canada and may sell wholesale or retail priced packages and products.

As in other industries, wholesalers and retailers are used as intermediaries between the supplier (you) and the travelling consumer. The travelling consumer is a client of all businesses involved in the sale of the package; however their primary contact is with the travel agent or tour operator whom they paid for the products. Commissions or net rates are shared amongst the distribution channels.

This example shows how the distribution channel might flow when two channels are used:

- Consumer buys from travel agent ( TA buys at net rate or retail paid commission)
- Travel agent buys from Outbound Tour Operator (OTO sells retail and pays commission or sells at net rate)
- Outbound Tour Operator – Supplier ( OTO buys at net price from supplier)
- Supplier owns and operates product or service ( sells at a net price)

### Accounting for Commissions

If you deal with the travel trade, you will need to do some special price calculations to ensure that your business and your travel trade partners still get the *profit margins* they need.

#### Example:

Net/net cost of tourism product for supplier.....	\$100.00
Supplier net profit markup 15% ( $0.85$ divided into $100$ ).....	\$117.65
Net amount supplier must receive on each sale.....	\$117.65
<b>Retail or gross selling price mark up 20% (divide by <math>.80</math> + net amount).....</b>	<b>\$147.06</b>
Travel agent price less 10% of retail ( $\$14.70$ ) = $\$132.35$ .....	\$132.35
Wholesale price less 20% of retail ( $\$29.41$ ) = $\$117.65$ .....	\$117.65
<b>Net amount paid to your business when two distribution channels are involved.....</b>	<b>\$117.65</b>

*\*commission percentages are estimates. These can usually be negotiated. The retail price allows you and the tour operator to pay a travel agent a minimum of 10% commission regardless of whom they purchase with. The retail price a consumer pays for their travel package should be similar no matter where in the world they purchase from.*