

TALKING THE TALK

GEARING UP FOR
2010



ELNA FLIERL

email your questions to
info@elfasco.co.za, or
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AFTER EXHIBITING AT THE RECENT TOURISM Indaba, I realised that the industry jargon these days can be daunting for newcomers. What do all these strange terms mean, and are they important to your business?

Yes they are. With 2010 looming it's important to know the answers if you want to use this event to fill your beds. For a start, it's vital that you understand the term 'Tourism Channel'.

The tourism channel refers to the various organisations with whom you'll have to work to get a 2010 booking. For example, you'll need to register with Match, the company appointed by FIFA to ensure the provision of accommodation for 2010. In effect, they supply marketing services to the accommodation owner.

Essentially, within the tourism industry the owners of products and services do not sell their offerings direct to the consumer. It's all handled by middlemen. These would be either a Tour Operator (TO) or a Travel Agent (TA). TOs get specific discounted rates for bookings (commonly referred to as STO rates), and TAs earn commission. So when one of them makes a booking with you, they'll qualify either

- Inbound tour operators serve mainly foreigners visiting South Africa.
- Outbound tour operators serve travellers wishing to visit places outside the country.
- Local tour operators serve tourists travelling within the country.

Travel Agents

The main function of travel agents is to sell the temporary use of means of transport (planes, trains, boats, coaches, cars), places of accommodation (hotels, motels, lodges), activities (tour packages) and associated services (insurance, foreign exchange). They attend to all the planning, booking, organising and documentation required by their clients' itineraries.

Your relationships with these two groups will be different.

A wholesale tour operator will negotiate a specific rate with you which he will then sell to 'retail' tour operators who will in turn sell it to the tourist. This is the STO rate, and it's the rate you will charge a tour operator when he makes a booking. For example, if your rack rate is R300 and you agreed to an STO of R250, then R250 is what you'll charge him.

Similarly, if a travel agent makes a booking with you he'll charge his customer your R300 rack rate, but only pay you R270, keeping 10% commission (R30) for himself.

The tourism channel is a complex and involved set-up where, essentially, you sell your product to operators and agents at either a reduced rate or your rack rate less commission. But it has the advantage of extending your exposure to markets which you wouldn't otherwise reach.

My recommendation is not to restrict yourself when it comes to market segments but to maintain a healthy mix of local consumers and 'FITs' (Foreign Individual Travellers). Working with TOs and TAs will ensure you are not dependent on just one avenue of business and that you include the tourism channel.

It is also important that you set your rates and prices strategically for the different segments and sales channels so as to optimise your receipts. □

To get the most out of 2010 you need to understand the jargon in the tourism industry

for the STO rate or a percentage off your 'rack rate' (advertised or 'shelf' rate).

Let's look at each of these groups so you have a clear understanding of what they do.

Tour Operators

A tour operator is any person who owns a business that arranges accommodation, transportation and excursions for paying tourists. They often own the vehicles they use to transport their clients and accompany the groups of visitors they take around.

INSURANCE ESSENTIALS

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HAVING SPENT TIME, EFFORT AND MONEY ON establishing your hospitality business it would be tragic if you ended up losing it because of an accident, theft, fire, public liability claim or similar occurrence.

So take some time to investigate insuring against them. I've found that you can get useful information from people who've already gone through the process, but don't just depend on them. Make sure the facts are correct.

Insurances you should be looking into include: **Public liability** This protects a business from financial loss as a result of a client being injured, killed or suffering loss because of your business operations, employees or products. It's particularly important if you operate a vehicle in case of accidents.

Vehicle and passenger liability Not only must you insure your vehicles themselves but, if you intend transporting customers around, also yourself and your business against claims as a result of accidents resulting in injury or death.

Building and property Covers against loss or damage, whether by fire, vandalism or other cause.

Contents and assets Covers the contents of your premises against loss or damage from fire, vandalism or other cause.

Having the right cover could save you from losing your business, but there's much to consider

Burglary or theft Not only is it wise to protect your own assets against theft, but those of your customers as well.

Cash If you handle cash, it should certainly be protected.

Debtors If a lot of people owe you money, it pays to cover yourself against loss due to non-payment.

Embezzlement or unlawful appropriation of goods Covers you against loss as a result of unlawful actions by your employees.

Fire Accommodation establishments and restaurants

are at high risk of fire and should therefore be covered against this.

Goods in transit If you need to transport products and goods you should cover yourself against loss of these as a result of theft or accident.

Business disruption or loss of income If you aren't able to run your business for a while, such as after a fire, then you should consider this protection.

Personal accident and life Covers your business against death or injury of key personnel and customers. You should consider protecting your family and business partners at the same time.

When approaching an insurance company for quotes, make sure they fully understand the nature of your business so that you get the correct cover.

Once you have the cover, make sure you use disclaimer notices. These limit the type of claims a guest can make against you. They also limit your insurer's exposure to such claims and thus help keep your premiums low.

A typical disclaimer would read: 'Guests and their visitors enter and use these premises at their own risk. Neither the owners nor their representatives or agents are liable for loss or damage to guests' or visitors' property, nor for the injury or death of any guests or visitors, whether or not such loss, damage, injury or death is as a result of the negligence of the owners and/or their representatives.'

Make sure you discuss such notices with your insurer so that you fully understand their implications.

There are many insurers in South Africa who will be glad to assist you with advice. One that focuses on the tourism industry is BnBSure (www.bnbsure.co.za). Whatever you do, don't underestimate the need for insurance. □

Take note: Elfasco HMS have teamed up with www.sacountryroutes.co.za, Go Stay SA and Innkeeper to bring you an affordable professional management marketing and reservations solution for your business. Contact Elfasco for more details.