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**MBA (Tourism) – IV Semester****Paper Code: MBTM 4002****Paper - XVII**

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**Travel Agency and Tour Operations Management**

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**Objectives**

*Students will be able to:*

- understand the significance of travel agency and tour operation business;
- know the current trends and practices in the tourism and travel trade sector; and
- develop adequate knowledge and skills applicable to travel industry.

**Unit - I**

Travel Trade - Historical Perspectives - Emergence of Thomas Cook and American Express Company - Types of Tour Operators - Wholesale and Retail Travel Agency business - Linkages and Integration with the Principal Service Providers - the Changing Scenario of Travel Trade.

**Unit - II**

Travel Agency and Tour Operation Business - Functions of Travel Agency - Setting up a full-fledged Travel Agency - Sources of Income of a travel agency - Diversification of Business - Travel Insurance, Forex, Cargo & MICE – Documentation - IATA Accreditation - Recognition from Government.

**Unit - III**

Itinerary Planning & Development - Meaning, Importance and Types of Itinerary - Resources and Steps for Itinerary Planning - Do's and Don'ts of Itinerary Preparation - Tour Formulation and Designing Process - FITs & Group Tour Planning and Components - Special Interest Tours (SITs).

#### **Unit - IV**

Tour Packaging & Costing - Importance of Tour Packaging – Classifications of Tour Packages - Components of Package Tours - Concept of costing - Types of costs - Components of tour cost - Preparation of cost sheet - Tour pricing - Calculation of tour price - Pricing strategies - Tour packages of Thomas Cook, SOTC, Cox & Kings and TCI.

#### **Unit - V**

Role and Responsibility of Travel Trade Associations: Objectives - Roles and functions of UFTAA, PATA, ASTA, TAAI, IATO, ATAIOI, ADTOI, IAAI, FIYTO, TAFI.

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## UNIT - I

### Unit Structure

- Lesson 1.1 - Travel Trade - Historical Perspectives
- Lesson 1.2 - American Express Company and History of India's Travel Trade
- Lesson 1.3 - Wholesale and Retail Travel Agency Business
- Lesson 1.4 - Linkages and Integration in Travel Trade
- Lesson 1.5 - Changing Scenario of Travel Trade

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### Lesson 1.1 - Travel Trade - Historical Perspectives

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### Learning Objectives

*After reading this lesson, you should be able to understand*

- The evolution of travel agency business in the world;
- Various innovations introduced by Thomas Cook; and
- Different milestones in the history of global travel agency business

### Introduction

The business of travel agency has undergone significant changes in the last two decades. Gone are the days when there were no formal travel intermediaries to help travelers visit places of interest. Several travel obstacles discouraged people to travel distance places. Only a selected few managed to travel due to their own curiosity, motivation and spending ability. Many could not make it due to the lack of communication network along with facilities and amenities. Leaving behind the job of a travel agent, a destination did not even have minimum facilities to hold the visitors for an hour long. So many changes have taken place over the centuries. Tourism destinations are connected by modes of transport and visitors find a place of stay at the destinations.

When modern communication system came into existence in 18<sup>th</sup> and 19<sup>th</sup> centuries, the world could witness mass travel leading to the demand of luxury transport and advance arrangement of stay and sightseeing. Those advance bookings of train, ferry, bus, airlines, theater hall, entry fees, etc were organized by a person with sound experience and information. In the beginning of travel agency business, travel agents could help their own community members or fellow members travel safely. Later, it became a formal business with all professional practices. Gradually, the business has grown in such a scale that competitive multinational travel companies have entered into this travel business. This lesson will explain the origin of travel agency business in the world with reference to the contribution of Richard Cox and Thomas Cook for having set up professional travel agency in the 18<sup>th</sup> and 19<sup>th</sup> centuries respectively.

### **Origin of Travel Agency Business**

The nature of travel agency business is to provide holiday-related services such as ticket booking, transfer arrangement, hotel room booking and arrangement of ground transportation, venue selection and booking for MICE activities. The scope of business of travel agents was narrow and confined to selected services. Moreover, the business was managed with small investment. It was risky business as it was depending upon the natural and socio-political along with cultural factors.

The amount of profit was too little to attract new entrants to do this business. A number of restrictions were imposed by the government on travel agents and tour operators for entry into tour operation business. Tour operators had no choice, but to deal with other problems like confirmation of hotel rooms, safety in travel, quality of foods, travel documents, volatile political system, language differences, cultural differences, cumbersome and tedious travelling, long journey, etc. However, invention of railways and steamship as a common mode of transport changed the perceptions of people on travelling distance places.

Thus, Thomas Cook could emerge as the first professional Travel Agent in the wake of introduction of affordable railway services in the United Kingdom. However, prior to Thomas Cook, Cox & Kings introduced travel business in UK. You will read about the contributions of these two big travel agents along with a couple of other travel agents in Europe, USA and India in this lesson

### **Cox & Kings**

Cox & Kings in the second half of eighteenth century became pioneer in providing travel logistics to British Army stationed at various locations in the world. It claims to be

the oldest travel agency in the world. The origin started from the appointment for making arrangements of auxiliary services to the First Foot Guards as Regimental Agent. Richard Cox worked under the mentor of Colonel Lord Ligonier for providing necessary services to the Army Officers in the overseas. The Company became the most reliable military agents for British Government. In the subsequent period, business got expanded to banking, shipping and tour operation business.

Being a 250-year old company serving leisure and business travelers, it maintains business and operational networks across the world. Over the years, the company has created a huge brand and credibility in the outbound travel market. Its international offices and representatives are located in UK, USA, Japan, Germany, Spain, South Africa, Russia, Italy, Sweden and Australia.

Cox & Kings was renamed as the Eastern Carrying Company Limited as per the Indian Companies Act, VII of 1913. Fortunately, the company got back its generic name as Cox & Kings in 1950. It was registered as Private Limited Company in 2001 and an enlisted company of National Stock Exchange of India. It is a premium brand in offering all travel related services in the Indian subcontinent. About 5000 trained staff members are working at 14 offices, 25 associated offices and 44 associate offices in India. In addition to its headquarters in Mumbai, 12 branch offices are located in New Delhi, Chennai, Bangalore, Kolkata, Ahmadabad, Kochi, Hyderabad, Pune, Goa, Nagpur and Jaipur.

The company offers competitive tour packages to suit all segments of Indian customers. Its areas of operation include leisure and corporate holidays, insurance and frontier formalities. Its outbound package tours are promoted in the brand name of **Duniya Dekho**. This particular package has become so attractive due to packaging, pricing and marketing strategies. It is a group tour comprising destinations in Australia, New Zealand, Europe, US, Canada, Far-East, Middle East, South Africa and Mauritius.

Cox & Kings is a professionally managed Public Limited Company working for FIT and GIT travel as one-stop travel solutions point. Other services include charter flights, cruises, foreign exchange and MICE. The **Flexihols** is an outbound holiday for FIT customized for independent travelers wishing to travel to Europe, Far East, America, Australia, New Zealand, and Africa. At the same time, many trade fare packages are also promoted for traders, exporters, importers and manufacturers to organize technical visits, factory visits, and buyer-seller meets. For example, Cox & Kings organized package tours for 75 corporate houses in 2006.

It is a recognized active member of TAAI, IATA, PATA, ASTA, IATO, ICCA and ICPB Charter. The Government of India, Ministry of Tourism conferred on Cox & Kings as the Best Conference Agent for consecutive seven years. Radius is a business associate to maintain its operations across 4,640 branches around the world. The company acquired Holiday Break PLC for GBP 323.43 million in 2011 and the CVC private equity investment has been made in Cox & Kings Ltd's UK Subsidiary 2012. Reserve Bank of India (RBI) has granted the Company as Category II Foreign Exchange License. It works with authorized dealer's foreign exchange nominated banks.

### **Thomas Cook and Its Origin**

Thomas Cook is known to have aroused interests to help people in England undertake travel within the country or neighbouring country. The 9<sup>th</sup> June, 1841 is a red letter day in the history of travel trade in the world. On this day, Thomas Cook walked from Harborough to Leicester to attend a temperance meeting and he stumbled upon with an idea of arranging train tickets for the members of Temperance Society where he was serving as an evangelist and Baptist book seller. He started his carrier as a Cabinet Maker. A 32-year old cabinet-maker could become world's founder professional travel agent. He achieved many milestones during his lifetime and many were achieved by his son John Mason Cook.

Thomas Cook was much worried about the Victorian social problems due to the consumption of heavy alcohol. He thought of bringing some changes with the travel that could be possible due to invention of railway system. Thomas Cook was the first travel agent who introduced hotel coupons, circular notes, credit cards and advance reservation as part of its travel innovations. Thomas Cook showed the path of travel business to other contemporary travel agents with his organized package tour for leisure tourists. His pleasure and continental travel are now being studied by many new-age entrepreneurs in travel trade.

### **First Excursion**

The history of professional travel agency business started with a day-long excursion tour for his 570 friends in the Temperance Society from Leicester to Loughborough in 1841. He took the services of the British Railway. All his friends were charged one shilling for this excursion. That excursion tour was accompanied with a band to play typical hams and a picnic lunch of hams along with the afternoon tea for refreshment.

Thus, the successful conduct of the first excursion tour by Thomas Cook led to introducing all-inclusive package tour. Subsequently, a series of trips were conducted between Leicester, Nottingham, Derby and Birmingham on behalf of Local Temperance



Societies and Sunday Schools to provide experience of train travel. Thomas Cook described the first excursion as Enthusiastic Philanthropy as he did not have any intention of making money. He was printing posters and hand bills to facilitate people to travel comfortably.

### **Establishment of Modern Travel Agency**

The beginning of the establishment of modern travel agency in the world started with the railway journey from Leicester, Nottingham and Derby to Liverpool. He made some profits from this trip. The first mass tour across England with entertainment activities began in 1845 to provide value-for-money package.

Sir Joseph Paxton, architect of the Crystal Palace, persuaded Thomas Cook to devote himself to bringing workers from Yorkshire and the Midlands to London for the Great Exhibition of 1851. The untapped opportunity was grabbed by Thomas Cook with a lot of determination and enthusiasm.

Thomas Cook conducted tours for 150,000 people to visit the Great Exhibition in Hyde Park from Yorkshire and the Midlands in 1851 followed by the first continental tour in 1855. He accompanied two landmark tours to the International Exhibition from Harwich to Antwerp, Brussels, Cologne, Frankfurt, Heidelberg, Strasbourg and to Paris.

### **Travel Innovations**

Thomas Cook introduced Hotel Coupons in 1868 to help customers check in hotels without any hassle. Hotels also honoured the hotel coupons issued by Thomas Cook. It reduced the cumbersome procedures of payments through cash. Hotels accepted the coupons for providing rooms and other allied services such as food, entertainment, transport etc. Hotels were benefited from the coupons as bulk numbers of rooms were booked in advance and it was only transaction. Thomas Cook in turn received commission from hotels as both maintained the accounts of their periodic transactions.

Thomas Cook introduced Circular Note in 1874 to help customers travel safely. Circular Notes were accepted across the hotels, restaurants and transport operators at several tourism destinations and cities in the Europe and the USA. The Cook's Circular Note got circulated in New York and it was treated as an early invention of traveler's cheque in the world. More particularly, the circular notes were easily exchanged against the local currency that provided much relief to the travelers in meeting the contingency expenditures like shopping, tips, transfer, extra services, etc.



### **Package Tour for Middle Class**

The massive industrialization in the mid 19<sup>th</sup> century made massive impact on the increase in income and consumption. It created sizable middle-class people with much disposable income. Taking the advantage of the trends, Thomas Cook took the benefits of rising middle-class customers when customized package tours were designed to suit their travel needs. Those middle-class customers demanded for visiting destinations in Switzerland and Italy. He negotiated with innkeepers and hoteliers to provide rooms and meals at good prices.

### **Tour Across Intra-Continental**

Thomas Cook continued to expand his business in Europe too. He conducted Grand Circular Tours to Brussels, Cologne, the Rhine, Heidelberg, Baden-Baden, Strasbourg and Paris, with return trip to London via Le Havre or Dieppe. He undertook the familiarization tours to Switzerland in June 1863 to visit the places of interest, contact hotels and innkeepers. He accompanied sixty affluent class clients and conducted the tour to Geneva. Thomas Cook organized trips in the Northern and Western Europe in 1863.

With the co-operation of the Paris, Lyons and Mediterranean Railways, Thomas Cook began to issue Circular Train Tickets (in both English and French) between Paris and the Alps. He then conducted the first circular tours to Switzerland, after having made an immediate success. He also arranged the package tour across the Alps. The first Italian tours organized in the summer of 1864 during which Thomas Cook escorted two large groups. One group was taken to Florence and parts of central Italy and the other one was accompanied to Rome and Naples.

### **Intercontinental Tour**

Thomas Cook conducted the tour to the USA in the North American continent. He introduced the ready-made package tour to London, Paris, Rome and Geneva. In the subsequent time, the Atlantic Ocean was crossed for conducting outbound tours to North America. It was Mr. John Mason Cook (son of Thomas Cook) who conceived the operation and management of the first-ever American tour.

Thomas Cook undertook an exploratory trip to the North America in 1865 for the sake of gathering information about the transport, accommodation, food, sightseeing, safety and security, etc. The Company extended its operation to Egypt and Palestine in the year 1869 in order to cater the demand for visiting Pyramids in Egypt and religious

visit to Jerusalem. He managed to develop a system of tours that covered 4,000 miles of railways journey. The objective of aligning with the AMTRK helped in conducting safe and affordable package tour in the USA.

### **Great Journey**

That trip was practically possible to travel to Egypt via China in 1869 following the opening of the Suez Canal and the completion of a rail network linking the East and West coasts of America. Finally, Thomas Cook and his small party managed to travel across the Atlantic Ocean by steamship to discover a new route of world. In 1869, he conducted his first party up the river Nile with the help of two steamers. He set out for the Round-the-World-Tour from Leicester in 1872 when he reached at the age of 63.

They travelled from New York to San Francisco by rail. They cruised to Japan followed by to China across the Inland Sea. He visited Singapore, Ceylon and India. While leaving Mumbai (then Bombay), they crossed the Indian Ocean and the Red Sea to Cairo. He travelled back to London from Cairo, Egypt.

Thomas Cook alone set off on an extended tour of Egypt and Palestine. Finally, he reached back home after traveling through Turkey, Greece, Italy and France. It was a 222 - day World Tour. He was speechless after seeing the Great Wall of China, the Taj Mahal and the Pyramid. The world tour was a great achievement for expansion of business to different parts of the world. He gathered information about the people, culture, political systems, economic systems, facilities, amenities, transport connectivity, etc.

Free Independent Travelers (FIT) started buying packages from Thomas Cook. There were more demands of FITs to buy the Round-the-World Package Tour. Independent travelers visited those places explored by Thomas Cook and his party. Some of them traveled to Asia via Australia and New Zealand rather than China and Japan.

### **Second Generation Thomas Cook Business**

Thomas Cook was very fortunate to have his son John Mason Cook as an able successor to manage promotion, marketing and administration of company affairs. Mr. Cook could manage the Thomas Cook's business empire during the World Tour. His son took the control of Thomas Cook business after the head office got shifted to Ludgate Circus.

Mr. Cook went for expansion of business to different countries and he took the decisions at a time when telegraphy was in the beginning and telephone was not invented.

Mr. Cook set up overseas editions of “The Excursionist”. It was the newspaper launched by Thomas Cook in 1851 to educate customers about the places interest in France, Germany, India, Australasia, America and the Far East in the package tour. The newspaper was renamed as “The Traveller’s Gazette” in May 1902. It continued to be published until 1939.

### **John Mason Cook’s Remarkable Contribution**

The British Government appointed John Mason Cook in 1884 to organize a relief expedition up the Nile to rescue General Gordon from Khartoum. Arrangements were made for the movement of 18,000 troops, nearly 40,000 tons of supplies, 40,000 tons of coal and 800 whale boats. Mr. Cook undertook The Gordon Relief Expedition for the British Government as a part of social service to the nation. Mr. Cook and his Egyptian managers supervised the entire operation. Despite all the efforts, Khartoum fell in January 1885 and Gordon was killed.

### **Merger and Acquisition**

Thomas Cook and John Mason Cook died successively during the 1890s when the company got consolidated its operations worldwide. Mr. Cook’s three sons Frank Henry, Ernest Edward and Thomas Albert could manage the operation.

They introduced winter sports holidays, tours by motor car and commercial air travel. The company was registered as Thomas Cook & Son Ltd in 1924. The office headquarters was shifted from Ludgate Circus to the aristocratic residential area at Berkeley Street in Mayfair in 1926. Later, the headquarters of Thomas Cook and Son Ltd was used as the Centre of London Society.

Thomas Cook & Son Ltd was sold to the Belgian Compagnie Internationale edes Wagons-Lits et des Grands Express Européens in 1928. The Wagons Lits was a leading operator of most of Europe’s luxury sleeping cars, including the Orient Express.

The Wagons-Lits headquarters in Paris was seized by British forces and Mr. Cook’s British assets were requisitioned by the British Government immediately after the outbreak of World War II. A deal was struck to sell the company to Britain’s Four Mainline Railway Companies.

Thomas Cook & Son Ltd struck a deal with Wagons-Lits to hold 25% stake in overseas business. The Nationalized British Railways has taken over the company in 1948. In 1972, Thomas Cook & Son Ltd was taken over by a consortium of Midland Bank, Trust House

Forte and the Automobile Association. A new standardized corporate logo was conceived and introduced. Fortunately, Thomas Cook managed to overcome that period and survived the recession in 1970. As a result of which, Thomas Cook enhanced its reputation for providing excellent service by launching a Money Back Guarantee scheme in 1974.

Thomas Cook began to concentrate on its long-haul tours program by acquiring Rankin Kuhn Travel in 1982. It closed the operation of short-haul travel market in 1988. The company made a comeback to the core short hauls package tour market in 1996 after it acquired Sun world.

Thomas Cook family members celebrated 150 years of its long journey in 1991. The company was acquired by Westdeutsche Landes bank (West LB). It is the Germany's third largest bank and the LTU Group became the Germany's leading charter airline in 1992. Thomas Cook Ltd. became a wholly-owned subsidiary of West LB in 1995.

Thomas Cook & Son Ltd. got benefited from the Post-World War holiday boom, which witnessed one million British nationals travelling abroad by 1950. The Company set up a Business Travel Service (BTA) and renovated the holiday camp at Prestatyn (which had opened shortly before the outbreak of war). Although Cook's remained the largest and most successful company in the industry, but its dominance in the travel market was subsequently being contested by the emergence of new travel firms.

### **The First German Travel Agencies**

The first German Travel agencies in the line of modern travel agencies were known as Immigration Agencies. These agencies were engaged in booking ship's passages and sometimes group journeys from a collection point to the point of embarkation. The oldest of such agencies was Reisebüro Rominger in Stuttgart in 1842. This agency subsequently extended its activities to the whole range of travel services in Europe. To make traveling simple for the individual, the concept of tickets for means of transport were introduced and issued by these larger agencies in Europe.

### **The First Indian Owned Travel Company**

Pallonji Katgara & Jamshedji Dastoor created the Jeena and Company (a shipping and export company) with a seed capital of US\$ 75 in 1900. The Jeena Tours and Travels was established in 1920 with the privilege of being the first Indian - owned travel company. In 1961 the Company was merged into Travel Corporation (India) Pvt Ltd to become India's largest travel company under the leadership of the Katgaras.

Later in 1951 Travel Agents Association of India (TAAI) was established to represent the issues of travel agency business to the government and protect the interest of its members. Prior to TAAI, travel business in India was in the hands of Jeena & Company, Lee and Muirhead India Pvt. Ltd. and N. Jamnadas and Co. Ltd. The Jeena and Company had entered into outbound tours as well. Along with the Indian travel companies, Thomas Cook and Sons and Cox & Kings and American Express came to India for inbound and outbound tour operation.

### **Summary**

In this lesson, the evolution of travel agency in various stages in the world was presented. Thomas Cook Travel Company and other its contemporary travel companies were successful in designing and operating package tours in the Europe during the formative years of their establishments. Innovative measures were undertaken to improve the service efficiency and safety of travel to distance places in the organized tours. The growth of travel agency and tour operation business of Thomas Cook was presented with the examples of various breakthrough in different periods.

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## Lesson 1.2 - American Express Company and History of India's Travel Trade

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### Learning Objectives

*After reading this lesson, you should be able to understand*

- The origin of establishment of Cox & Kings and American Express company
- Several innovative practices to run travel agency business
- The area of operation of travel business initiated by these two companies
- Different business concepts introduced during the early stage

### Introduction

People were not aware of services of travel agency and they used to face several types of difficulties to arrange tour on their own. Travel agents were appointed for the purpose of arranging logistics for the army personnel or reliefs for war victims. They used to work for providing postal and courier services to the government. In the due course of time, some of the travel agents provided travel information like the time table of arrival and departure of trains and buses to the local people and visitors. As such, there were not organized contacts of travel agents with the accommodation service providers and transport operators prior to the establishment of the first professional travel agency by Thomas Cook in 1841. Even though, Cox and Kings became the first travel agent established way back in 1757 in UK to work as agent for British Army stationed at various colonies of British Government, Thomas Cook revolutionized the business of travel agency for their innovative travel solutions like Hotel Coupons, Circular Notes, Guide Books, the travel magazine, etc. On the other hand, the American Express Company also introduced the Travelers' Cheque and Credit Cards to the travelers. The contribution of these three travel agencies is remembered for several business experimentations and innovations. This lesson has highlighted the achievements of American Express Company along with the history of travel trade in India.

The American Express Company celebrated its 150<sup>th</sup> anniversary in 2000 as a branded Credit Card and Traveler's Cheque Company. It has created its own niche in the credit card segment. Today, the company is the world's largest wholesale travel agents and consolidators with provisions of travel solutions for flights, hotels, car rentals, holiday packages, cruises and money exchanges to individuals, groups and corporate travelers.

## **Beginning of Traveller's Cheque**

American Express is a global company serving public as well as government agencies with its unique supply chain management system to deliver travel products flawlessly at distance places for the last one and a half decade. Travelers are familiar and comfortable with traveler's cheque issued by American Express from several locations around the world. It was a travel solution for long-haul travelers carrying money for spending on transport, accommodation, food, tips and shopping. Traveling to distance places was not safe and travelers were attacked on the way to snatch valuables including money. People found travelling far-off places risky and unsafe. Cox & Kings and Thomas Cook in UK and American Express in USA started travel business for helping general public travel and sojourn safely.

Among them, American Express has become popular worldwide for its Money Order Business. It is a generic name when someone thinks of sending money to distance places. Being an oldest and largest travel company in introducing innovative travel solutions, it had a humble beginning with freight business in 1850 in USA. The Company was an authorized freight agency of banks in USA to transport small parcels containing currency notes, bills, certificates and other negotiable instruments.

American Express started the Money Order business in 1882 as an agent to deliver money to the receivers at several locations. It collected some charge from the senders. This was the history of success of American Express Company. In the subsequent time, it introduced the world's first Traveller's Cheque in 1891. Travelers deposited money at American Express counter and they were issued cheque in different denominations. Those cheques were surrendered for exchange of money at American Express branches/franchises or any authorized commercial banks across the USA.

There were two benefits for American Express Company.

- It collected service charge for issuing cheques
- Money, which was deposited for issue of cheque, was invested for earning interest.

Traveler's cheque business became very lucrative for the company and it expanded its network across the USA and other European countries including UK. American Express Company became a popular and reliable agency for the general public and government for its Money Order as well as Traveler's Cheque.



## **Philanthropic Work**

The historic assistance of the American Express Company with its cheque earned names and fames for the company to receive wider acceptability. The stranded passengers in European cities during the First World War were given cash against its traveller's cheques and money orders instantly. It was a timely help for passengers that helped passengers spend for routine things. Thus, it is a notable contribution of American Express during World War I. That needed service enhanced the brand loyalty and attachment of people for American Express services. The general public or travelers in USA and Europe trusted the service. The Commercial Banks highly recognized the credibility of American Express Company. In the due course time, the British government engaged the Company to take the responsibility of supplying relief materials to the British prisoners of war in the countries like Germany, Bulgaria, Holland, Norway, Switzerland and Turkey. The company slowly expanded its business to commercial banking services in Europe.

## **Diversification of Business**

Cargo and baggage handling and money exchange were the core business until 1915. A 30,000-mile world cruise tour connecting and stopping at different countries such as Cuba, Panama, Japan, China, Singapore, India and Egypt along with the Mediterranean countries was conducted for passengers in 1922. The duration of the cruise tour was four-month long. The company also entered into the direct sale of bus, train and cruise tickets.

The diversification of business did not bring about visible changes in the business due to the political turmoil followed by two World Wars in a gap of two decades. After the end of World War II, there were political unions across the world and many countries deeply realized the impact of wars on the trade and commerce. Neighbouring countries were engaged in dialogue for promoting trade and commerce. That resulted in the movement of people from one country to another.

American Express took the advantage of the mass movement of people in early 1950s and the business got revived. The first Credit Card was introduced in 1958. As a result, credit cards were issued with easy formalities for the general public in America to use it extensively. People took it a status symbol and hassle-free way of purchasing and paying.

## **Acquisitions for Expansions**

The American Express went on acquiring companies which were directly and indirectly associated with the travel business. The names of the companies include Shearson

Loeb Rhodes, First Data Resources, Trade Development Bank, Lehman Brothers, Kuhn Loeb and Investors Diversified Services. All the diversifications and acquisitions took place between the 1970s and 1980s. This had a significant impact on the revenue generation. The profit reached to the tune of \$1 billion in 1986.

There was a setback to the company's turnover when restaurant operators did not use the cards due to high rates for accepting the payments through the Amex cards. The Company maintained strategic links with airlines, banks, retailers, and other tourism business establishments to increase the circulation of Amex Card.

### **History of Travel Agency Business in India**

Travel agents were not merely meant for selling travel-related services, but also used to take part individually or with group for promotion of tourism destinations. The international travel organizations like Thomas Cook, American Express and Cox and King have made remarkable contributions to the growth of travel agency and tour operation business.

Those travel agencies brought several new ideas to the limelight. Similarly, travel agencies in various countries followed and practiced the innovative business strategies. Travel trade in India was not considered as a business to grow given the scanty demand of people for traveling in domestic and foreign countries during the pre-independence period. Apart from Thomas Cook's organized package tour, there was hardly any entrepreneur from India who ventured into the business. The Government of India took a slew of measures during the post independence period to increase tourist traffic to India. It increased the inbound tourist traffic to India after 1950.

The growth of travel agency business was not so significant in the first phase of the Post-Independence Period. Nevertheless, several initiatives were taken to increase the share of India's in international tourist arrivals and revenue receipts. The evolution of travel agency business in India is presented below.

### **Pre-Independence Period**

The evolution of modern travel agency and tour operation business in India does not have a long history unlike the history of travel agency business in Western Europe and North America. The overseas travel agents like Cox & Kings and Thomas Cook used to operate the inbound tour in India. There was no formal and organized travel agency in small cities to handle the foreign visitors. Thomas Cook & Cox and Kings used to conduct

the world tour and special interest tours for royal family members. Package tours were regularly conducted to India for British officials and their family members and relatives. They used to visit Kashmir and Agra.

The royal visit of Queen Victoria to Kolkata after the Sepoy Mutiny in 1858 was organized by Thomas Cook. Queen Victoria's visit to India removed the threat of safety and security from the minds of British nationals. The connectivity through sea route between India and the countries in Europe made travel easy, safe, comfortable and affordable.

Peninsular and Oriental Steamship Company in 1878 was used to bring a group of British tourists to India. The group landed in Mumbai followed by a visit to Agra by train to see the Taj Mahal. The group finally visited the Kashmir valley. When Thomas Cook conducted this particular tour in India, he established the Thomas Cook and Sons International (Ltd.) at Mumbai and Kolkata for the inbound operation in 1880. The Eastern Princess Department was also established in 1887 to cater the travel needs of Indian royal family members. As reported, the British, the French and other nations in Europe visited Taj Mahal, Jammu & Kashmir, Shimla, Goa, Ajanta & Ellora, other hill stations and beach resorts.

A sizable number of young Indians travelled to England for higher study and preparation for civil service examinations. At the same time, Indian political leaders traveled to England to participate several round-table discussions. Thomas cook started booking train tickets, reservation of guest houses and arrangement of small car, mini coach, horse carts and animal-driven carts to transfer tourists from the railway stations to guest house followed by conducting sightseeing tour.

Being a pioneer in operating tours in India, Thomas cook confronted many hindrances while conducting the tours.

- Lack of proper road, bridges, railway stations, accommodation, money exchanger and public toilets
- Lack of trained tour conductors, guides, escorts and interpreters
- Untrained staff in the guest houses and other eating places
- Cab drivers without having basic etiquette

Unlike in the Europe, the Indian railways system was much underdeveloped in the context of integration with the travel agents and tour operators in the promotion of inbound and domestic package tour. The issue has not been addressed fully as yet. In the similar

instance, the airlines had limited role to work with travel agents and at the same time, there were not much airlines connectivity with India. Because airlines were generally operated within the domestic sky and countries did not venture for linking airline services beyond the boundary of country for two important reasons like political turmoil and low-engine capacity for long-haul journey.

These are the following observations of Thomas Cook while conducting tours in India

- Travel agents did not have qualified and trained staff to manage
- Travel agents did not have access to technology
- Travel agents were not given credit facility for the reservation of hotel rooms and airlines tickets.
- Travel Agents had limited scope for diversification of business.
- Travel agents did not consider advertisement or sales promotion or publicity as the ways of increasing volume of business.

### **The First Indian Travel Agents**

Jeena & Co., Lee & Muirhead India Pvt. Ltd and Jamnadas & Co. Ltd were the first travel agents and they were doing inbound and outbound tour business in Mumbai. Thomas Cook and American Express used to operate the inbound tour with the help of Jeena and Co. Thus, Mr. J. N Katgara became the pioneer travel agent in India with the establishment of Jeena & Company in 1920 to cater the domestic travel needs.

Mr. Katgara took the advantage of business of Mumbai city and ventured into cargo and courier business. He subsequently concentrated on ticket booking, hotel reservation, package tour, transport arrangements, etc. There were many developments in the travel trade in the Post- Independence period.

### **Post Independence Period**

Some of the events during Post Independence Period opened windows of opportunities for the travel agents to expand more functions. One such event is the reported prepared by Sir John Sargent in 1945 about the development of means of travel from nearest railway station, residential accommodation, travel brochures and guide books, provision of authorized guides, etc. The formation of Tourist Traffic Branch coordinated with the travel agencies and tour operators in India and overseas to promote domestic and inbound tourism in 1949. The branch also established coordination for conduct of conferences on

tourism and coordination with railways. Establishment of Tourist Bureau in States and development of tourist centers and the training of guides were some of the initiatives of the Central Government for promotion of tourism.

### **Overseas and Regional Tourism Offices**

Two overseas tourism offices were opened at London and New York and Regional Tourism Offices were also opened in Delhi, Mumbai, Kolkata and Chennai. These offices coordinated and controlled various segments of travel trade. In the later period, 18 overseas tourism promotion offices were aggressive in exhibiting tourism attractions of India. Foreign tour operators also included India's selected tourism places like Agra, Kashmir, Ajanta and Ellora, Varanasi, etc in the promotional brochures. At the same time, India's overseas tourism promotional offices maintained continuous dialogue with the foreign tour operators to participate in the familiarization tour program in India. Air India hosted the familiarization tour to several places of tourism interests. It was major step of the Union Ministry of Tourism to print brochures with colourful photographs to create better image in order to remove perceptions of foreign visitors about India.

### **Creation of TAAI In 1951**

A group of twelve leading Travel agents formed the Travel Agents Association of India (TAAI) in 1951. The primary purpose was

- To protect the interests of those engaged in the industry;
- To promote its orderly growth and development; and
- To safeguard the rights of the travelling public.

TAAI is the largest Travel Association of India and it is recognized as the voice of the Travel and Tourism industry in India. There are over 1800 Active; Allied and Associate members. These members are IATA accredited Travel Agencies, tour operators, transports, Airlines & General Sales Agencies, Hotels and Tour operators and educational and training institutions.

### **Merger in Indian Travel Agency Business**

The Jeena and Company organized group tours in overseas and in India for Indian travelers. It handled the first group of foreign tourists in 1950. However, the Company and other two Indian Travel Agencies were merged with the name they have been recognized as Travel Corporation of India Ltd. (TCI) since it was formed in 1961.

At the same period, the bulk of International tourists were handled by the Thomas Cook and Sons and The American Express Company. At the same time, Student International Travel Agents (SITA), Thomas Cook India Ltd. American Express, Cox and King, Ind Travel, Travel House and Stic Travels entered into the travel agency and tour operation business in India. With the change of foreign exchange rules, Thomas Cook India (Ltd.) was set up under the Companies Act 1956 in 1978 as per the Foreign Exchange Regulation Act (FERA) 1973.

The Asian Games were hosted in 1952 in India and it attracted a good number of inbound traffic to India. Majority of travel agencies dealt with airlines tickets and inbound operations between 1951 and 1961. Some travel agents opened branch offices and headquarter at Delhi, Agra and Jaipur as these are the iconic places and named as the Golden Triangle of India. More particularly, travel agencies were resorting to the ticketing business and inbound tours in the circuit.

Travel Agencies used to face the shortage of vehicles to conduct sightseeing tours. Travel agents had no choice, but to take longer time to confirm the booking of hotels, transports, train tickets, guide services and other ground arrangements. Today, there are more than thousand travel agencies and tour operation companies in India.

The report of Ad-hoc Committee on Tourism submitted by the Jha Committee in 1963, recommended the role of public sector in the promotion tourism. India Tourism Transport Undertaking was set up in 1965.

It later merged with other two tourism public sector undertaking subsidiaries of Government and gave birth to India Tourism Development Corporation (ITDC) in 1966. ITDC took several steps to provide luxury transport facilities at the key destinations. The ITDC hotel properties came up and met the demand of foreign tourists in the creation of international standard rooms, facilities and amenities at par with the international star hotels.

Moreover, the Overseas Tourist Promotion Offices showcased India to the tour operators and travel agents in Europe in 1968 and in the USA in 1971 in a massive scale. However, the overseas tourism promotion was jointly sponsored and organized by the Department of Tourism with Air India's active participation and support. The tourist arrivals registered a growth from 17, 000 in 1950 to 188,820 in 1968. From the year 1965, there has been a constant increase in the number of tourists visiting India and International tourists arrivals also increased to 13.29,950 in 1990.



## **Post Liberalized Period**

The strategy of the Ministry of Tourism was to position tourism as a national priority and enhances India's competitiveness as a tourism destination. It also took steps for improving and expanding product development, creating world-class infrastructure and drawing up effective marketing plans and programmes. Thus, all those developments directly contributed to the growth of travel agents and tour operators.

## **Changing Roles of Travel Agency Business**

Traditionally, travel agents were the travel intermediaries to make arrangements of travel, stay and movement for which they used to get base and override commission. Pay-for-performance and override commissions are widely prevalent method of making the profit that is sustainable for large travel agents. Apart from ticketing, travel agents have focused on travel insurance, hotel bookings and foreign exchange. Package tours have remained to be the core source of business and tour operators concentrate more on selling holiday packages. The travel business in India is largely divided into leisure and business for inbound and domestic and employment/migrant travel. For example, Thomas Cook India and KUONI as an outfit of SOTC outfit in India focus on adventure tourism, incentive tourism and convention tourism.

## **India's Outbound and Inbound Growth**

The outbound market is surging due to the competitive international airfares, increasing disposable incomes of consumers and aspiration to travel abroad increasing. The GIT and incentive travel market is growing in India. India expects about 10 million overseas visitors and as outsourcing cities like Bangalore and Hyderabad draw more business travelers. The busiest airports in New Delhi and Mumbai have been modernized to accommodate more flights and passengers.

**These are the issues that travel agents should be ready to face.**

- Shrinking revenues from ticket sales
- Harder to maintain profitability
- Bargaining power of middle and upper-class customers

The Ministry of Tourism, Government of India gives away the National Tourism Awards to inbound operators, adventure tour operators, domestic tour operators, MICE operators, Most Innovative Tour Operator and Tourist Transport Operators on the basis



of their foreign exchange earnings and innovation in promoting. Travel agents and tour operators can take the advantage of the emerging tourism areas like Medical Tourism, Rural Tourism, Cruise Tourism and Convention Tourism. These key areas of tourism can be tapped in the future course by the travel agents and tour operators.

### **Role of TAAI AND IATO**

TAAI brings in changes in the travel trade sector in the country. TAAI has been working on delivery of highest service, build trust and credibility in the marketplace and apply technical skills. Indian Association of Tour Operators (IATO) was established in 1982 in New Delhi. It has more than 4000 members comprising active, allied and associate. It maintains connections and constant interaction with other Tourism Associations in US, Nepal and Indonesia. Indian travel agents and tour operators regularly present the issues like clogged and creaking airports, ageing air traffic control systems and a chronic hotel shortage, combined with slow and cumbersome bureaucracy.

### **Summary**

Modern Travel agency business has witnessed ups and downs in pre and post-independence period. The size of the travel market was small and travel agencies were also limited. It was American Express Company that introduced Traveler's cheque and credit cards along with tour operations. In this lesson, the history of travel agency business was presented with the legendary travel trade founder Mr. J. Katgara. The TAAI was founded in 1951 and IATO was established in 1982 to give impetus in promoting travel agency and tour operation business. This lesson also highlighted on issues and challenges that travel agents faced during the pre-independence and post independence period. The business of travel agency got a new avenue to grow in India after the liberalization of trade and commerce in India in 1991. Today, travel agents have more responsible roles to promote destinations.

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## Lesson 1.3 - Wholesale and Retail Travel Agency Business

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### Learning Objectives

*After reading this lesson, you should be able to understand*

- The meaning and difference between tour operator and travel agents
- The difference between wholesaling and retailing in travel business
- Different types of travel agents and tour operators
- The roles and characteristics of travel agents and tour operators

### Introduction

Unlike any other business, travel business is operated through wholesalers and retailers. It would be strange to hear the concept of wholesaling and retailing the travel products for the benefits of customers and producers in the tourism business. The primary service providers like hotels, resorts, ferry, cruise line train, airlines, coach, car rental, even companies, etc rely largely on the wholesalers and retailers to sell the products. It would be unviable on the part of cruise line operators to reach out the customers at all the localities. For instance, an airline cannot sell the products directly to all customers and it has to sell tickets through Passenger Sales Agent (PSA) or retail travel agents.

The need for a wholesaler is essentially important in increasing the sale of tickets of airlines and hotel rooms. Hotel appoints a wholesaler to sell the rooms directly or through the retail travel agents. Here tour operators are largely called as wholesalers and travel agents are basically called as retailers. Apart from this, airlines and cruise lines appoint the General Sales Agents (GSA) to achieve the bumper sale in a particular season. The wholesaler is one which sells tour packages or hotel rooms to the retailers directly. It fixes standard and special commission for retailers for the sale of these services. For example, British Airways has appointed the GSA at different regions in India to monitor the sale of air tickets. The business of travel agency is no way different from any other conventional business as far as the sale of travel products is concerned. This lesson will explain the meaning, characteristics and activities of retail and wholesale travel agents.

## **Travel Agency- A Retailing Point of Tourism Services**

Travel agency is a firm qualified to sell services pertaining to tours, cruises, transportation, hotel accommodation, meals, transfer, sightseeing and other elements to the general public. This business firm is set up for providing services and earning profits. The business of travel agency uses some of the important management practices like division of labour, hierarchical authority and responsibility. Travel agency plans, organizes, directs, controls, coordinates and sets all resources together in such a manner that it can achieve objectives. When the functional areas of management are linked with organizational objectives, travel agency makes profits after satisfying customers. For example, Thomas Cook or Cox and Kings have become leaders in travel agency business worldwide for their continuous efforts in ensuring quality for customer satisfaction and delight.

A travel agency is a business entity or firm that retails package tours or any other individual travel solutions to customers as a representative of airlines, hotels, tour companies, and cruise lines. In these days, travel agents have created separate department to meet the travel needs of leisure and business tourists. Generally, a travel agent gives advice to tourists about the climate, distance, culture and do's and do not's to follow at the destinations or cities. Presently, most package holidays are sold through travel agents. The modern travel agents always remember the contribution of the legendary Thomas Cook for many innovative practices and Sir Henry Lunn (Lunn Poly) for inventing skiing as a leisure activity.

Travel agencies should have dynamic and structured organization with operational experience to manage business efficiently. It is essentially important to examine the fixed and variable investment to run the business. Apart from being severally affected by the seasonal nature of business, other external factors like natural calamities, outbreak of diseases, ethnic wars, etc do affect the prospect of business negatively.

Travel agents make the booking tickets for air, rail, sea or road travel and arrange hotel reservations or guest houses, hire taxis etc. Besides domestic air ticketing, travel agents make international flight bookings and other bookings for special business tours or conferences.

On the contrary, tour operators deal with the bulk travel arrangements and management of FIT and GIT travel. It is recognized as principal agent or wholesaler. It offloads the responsibility to the ground handling agents to take care of receiving and dropping the guests at the airports/railway stations along with sightseeing arrangements. Importantly, tour packages are mostly promoted by tour operators through travel agents.

Tour operators also offer special packages like deep-sea diving, snorkeling, Himalayan trekking and camel safaris.

### **Types of Travel Agencies**

Travel agencies are broadly divided into wholesale and retail travel agency for the distribution of sale of tourism services. In addition to this classification, travel agency can also be classified as implant agency, conference organizer, meeting planners, trade fair organizer, etc.

#### **Wholesale Travel Agency**

The business of wholesaling in tourism industry is no way different from the wholesaling in the commodity market. A wholesale travel agency assembles different components of services to design tour packages for catering FIT and GIT customers. A wholesaler is one who initiates the process of forming organized tours or sells the individual components directly or indirectly through franchise or retail agents. For example, a wholesaler of Singapore airline or Taj Hotel or Sterling Time Share Group is authorized to sell the airline tickets or hotel rooms on behalf of the principal service providers. A wholesaler may be a consolidator or a manufacturer of tours or General Sales Agent (GSA). It buys service components in bulk from different suppliers and it designs package and sells or resells these components together.

If it is tour wholesaler, the process starts from the research development followed by itinerary preparation. The most critical role of a tour wholesaler is the pricing of package that positions the product in the market. Thus, tour wholesaler buys the service in bulk from the primary or direct service providers. It means that bulk of hotel rooms and airline seats is sold in a target time period for which wholesalers receive special commission. The GSA of British Airways also appoints the retail travel agents to sell the tickets.

On the other hand, a wholesale travel agent is appointed to promote the sales of outbound package tour in a particular region. Many retail travel agents are also authorized to retail the outbound package tour in smaller cities and towns. The commission is paid to retail agents periodically.

It however depends on retailer agencies to promote the products. Wholesaler travel agents may also directly sell to the customers through their own retail divisions. For example, Thomas Cook has its own network of branch offices in big cities to directly sell tour packages to customers. In many cases, Thomas Cook appoints retail travel agents. It

generates revenues through volume discounts from principal services providers such as hotels, airlines, railways, car rentals, coach operators, ground handlers etc.

A wholesaler doesn't earn on commissions directly and it earns revenue through discounts on bulk reservations from principal suppliers. There is always an element of market risk for tour operators to block airline seats or hotel rooms in bulk. It takes the risk of selling them in advance for which advance payments are made to the primary service providers. Apart from the usual services, it also renders services like consultancy, travel counseling, travel document processing, currency exchanges, insurance, shipping items etc. The wholesale travel agencies in India are Raj Tours and Travels and Mercury Travels which are also the full-service travel agents.

### **Retail Travel Agency**

According to Airlines Reporting Corporation (ARC), a retail travel agency is defined as "a business that performs the following functions: quotes fares, rates, makes reservations, arranges travel tickets and accommodation, arranges travel insurance, foreign currency, documents and accepts payments".

A retail travel agency is one that sells directly to customers at several small locations in cities or towns. Retailer gets commission from the gross sale of hotel rooms, airline, train, bus and cruise tickets, insurance, foreign exchange, etc. Commission is the primary source of its revenues. A two-way selling method, that a large travel agent practices, includes commission and mark-up price. A marked-up price refers to mark up of cost of tour. It is sold on a higher price. Further, market-up price is obtained from the difference between retail price and the wholesale cost. The role of retail travel agencies is crucial when majority of principal service providers have no choice to increase the sale without the help of retail travel agents. Thus, there is a mushrooming growth of retail travel agents dealing with the booking of hotel rooms, airlines seats, cruise line seats, etc. They consider in reaching the customers through retail agents or getting the hotel or airline promoted through retailers easy, reasonable and sustainable.

### **Full Service Agency**

It is a type of travel agent that deals with all kinds of services. It may be called as complete travel agents. Apart from being an accredited agent of IATA or any other principal service providers, this full-service travel agent owns the transport fleets and charter flights and cruises.

### **Commercial Agency**

It is a category of unconventional travel agency that deals with business travel. It books convention centers and stalls in exhibition center. It also arranges venue for conducting small and large meetings.

### **Implant Agency**

It is a type of travel agent that is located in the premises of corporate offices to make travel arrangements of employees. It is a registered travel agent appointed as per the agreements.

### **Group / Incentive agency**

It is an emerging form of travel agency business that a specialized category of agent acts as intermediary to deal with bulk bookings for employees and clients of corporate houses.

### **Online Travel Agency**

It resembles an offline travel agency in all its services. It operates on the internet through a website connected to a global distribution system. The OTAs apply the operational mechanisms of e-commerce and transact online with their customers. The OTAs offer information, bookings of hotels, cars, reservation of seats in airlines, railways, ships and buses. They sell package tours; customize tours and take enquiries. Transaction of payment is also done online using online payment modes such as credit/debit cards, internet banking, pay-pal etc. Some of the major OTAs in India are cleartrip, goibibo, travelocity, traelguru, yatra.com. makemytrip.com etc.

### **Roles and Services of Travel Agency**

The volume of business has increased so much and the areas of business operation have also been expanded in the post globalization period. With the operation of more scheduled airlines in domestic and international sector, the scope of business of travel agency is more in terms of receiving benefits and returns. Customer satisfaction and delight is given top priority. A high degree of professional accuracy is needed to survive in the business. It is otherwise difficult to stay in the business. Most of the essential services are primarily provided by travel agents include transport (road, rail, air and water), accommodation, passport, and visa procuring facilities, foreign exchange and also guidance and information

about the places of travel. Many travel agents sell packages on commission basis offered by inbound operators.

**These are the following important roles and responsibilities of a large travel agent**

- It works as a retailer and sells package tours on behalf of wholesaler. The sale of package tours involves the rate of commission fixed on the agreement.
- It ensures horizontal integration for the purpose of achieving bumper sale.
- It is an intermediary between tour operators and tourists in terms of selling package tours in case of outbound tours and conducting sightseeing tours in case of inbound tours.
- It follows tour itinerary and it does not have anything to do with itinerary.
- Travel agents also provide destinations transfer services to the clients as per the tour itinerary.
- It acts as a local agent to confirm and reconfirm the services reserved by the tour wholesalers.
- It sorts out problems as per the directions of tour wholesalers.
- It prefers to become the member of national bodies like TAAI and IATO.
- It negotiates the terms and conditions for commission with principal suppliers.
- It recruits trained manpower from time to time.
- It procures advanced technology for operation of business.
- It subscribes publications like TIM for travel documentations.
- It distributes the work in the office for optimization.
- It arranges the vehicle in a systematic manner.
- It collects feedback from suppliers and consumers
- It shares information and knowledge

**Tour Operator**

Tour operator links between customers (tourists) and primary service providers. This acts as a major destination promoter and this is also called as wholesaler. It is a professional agent with the capacity of buying services in bulk and distributing through the channel in methodical and organized manner.

It is essential to understand the meaning of tour operator. It is an organization and firm or company with the experience and capacity to buy individual travel components



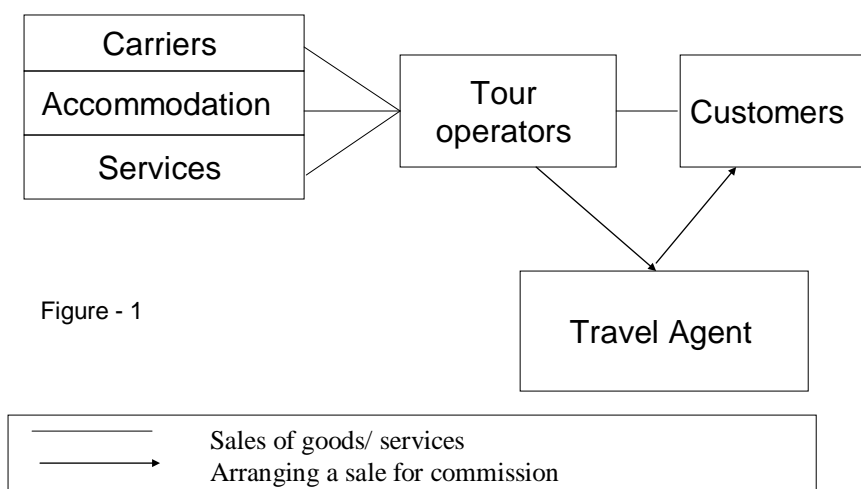
separately from different suppliers and assembles them into attractive packages by adding mark-up. It is sold in different price tag to customers directly or through the middlemen (Travel Agent).

Tour operator is largely responsible for delivery of services as per the contract in tour itinerary. Tour operator is a professionally managed company with expertise and experience in planning and operation of pre-paid and pre-planned packages for vacationers or business travelers.

Tour operators sign long-term contracts with air carriers, hotels, cruise liners and other suppliers for provision of bulk travel services. Individual travel services are assembled into different tour package highlighting round-trip transportation, accommodations, ground transportation and sightseeing. Tour operators are accountable to consumers for the provision of travel services of each tour package. Tour operators are the organizers of package holidays and they make annual contracts with hoteliers, airlines and ground transport companies. They print brochures displaying each component of services.

Tour operators generally provide the services independently and tours are conducted at the cities where the offices are located. However, these services can be arranged through the other suppliers at various places. Package tours are retailed through travel agencies or directly to customers. However, a tour operator may have readymade or tailor-made packages as per the trends of market. The distribution of package tour business passes through various stages.

#### DOMINANT ROLES OF TOUR OPERATORS



A tour operator buys (or owns in some cases) a high volume of travel services like carriers, accommodation and services. These services are then assembled into packages for purchase by consumers. Packages are sold via travel agents (independent or owned) or through the phone and internet. Figure presents dominant roles of tour operators.

### **Nature of Primary Activities of Different Tour Operators**

- Inbound – Describing places of important of the country
- Outbound – Highlighting holidays about other countries
- Domestic – Specializing on domestic holidays within country
- Specialist – Special interest travel to destinations
- Independent- Specialized in specific holiday
- Integrated – Business Conglomerate
- Mass-market- Targeting more sale

### **The following services are provided by the tour operates in the package tours**

- Airport and hotel transfer
- Arrangements for traditional reception at the arrival points
- Arrangements of luggage transfer in the airport and railway stations
- Arrangements of guided sightseeing tours
- Options and selection for worldwide destination
- Comprehensive itinerary planning
- Appropriate hotel selection & reservation
- Meeting, conference and meeting arrangements
- Exhibition and factory visits
- Theme parties, events & sightseeing
- Air tickets & travel documents like passport, VISA, health certificate and currency, insurance and permits for entry into the restricted areas
- Foreign Exchange & Travel Insurance
- Experienced and professional tour guides, escorts, interpreter and tour managers
- Personalized services at destination
- Coordination with local tourist organizations at destination
- Domestic and international air travel
- Rail bookings in India, Europe, America & Japan

- Hotel reservation
- Car rental
- Travel documentation
- Airport facilitation
- Foreign exchange
- Overseas travel insurance
- Conference and seminar management
- Trade Fair/Exhibition visits
- Implant Operations- in-house travel consultant equipped with CRS system and satellite ticket printer
- Business/trade delegations
- Incentive travel in India and Worldwide

### Types of Tour Operator

Tour operators are classified as they do tour business and area of operation of package tours. Each category of tour operator is unique in their own ways of providing services. This classification is suggested to distinguish difference of meanings and functions. They are called as inbound tour operators, outbound tour operators, domestic tour operators, specialist tour operators and ground tour operators. Figure presents travel trade intermediaries that include types of travel agency and tour operators.

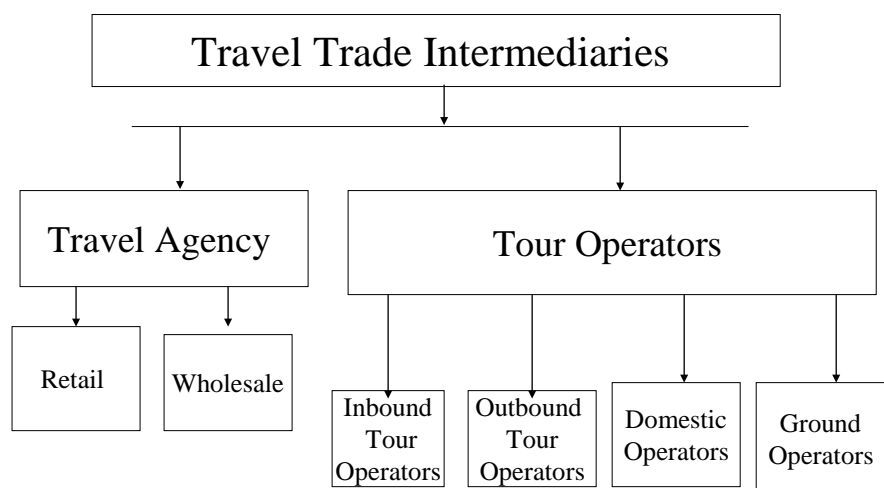


Figure-2 Types organization in Modern Travel Trade business

## **Inbound Tour Operator**

They handle inbound foreign tourists in the host country. They provide them various services on their arrival and departure such as transfer, accommodation, transportation, sightseeing, entertainment, currency, insurance services etc. They are known as inbound tour operators or incoming tour operators as they specifically operate for handling incoming foreign tourists or guests. Inbound tour operators make tour packages individually or in collaboration with foreign tour operators.

Packages are promoted and sold directly or through intermediaries. In fact, inbound tour operators attach much added appeal into tourism products. They earn foreign exchange that increases foreign exchange reserve ratio of the host countries. Some of the major inbound tour operators in India are TCI, Indo-Asia Tours and Travels and STIC Travels.

An inbound tour operator prepares package tours on their own and conducts tours through ground operators at host destinations. Reception upon arrivals and departures of guests and arrangements of stay and sightseeing are some of the functions of inbound tour operators.

They get ground arrangements managed inside a country for inbound tourists. For example, a group of 16 Germany nationals including group leader purchased package tour from travel agent at Berlin and arrived at IGI airport, New Delhi. It is the representative of STIC travel to receive the guests upon arrival and handles tour in Delhi. Ground operators are appointed at other places to provide services as per vouchers. Thus, STIC is called as inbound tour operator as it sold and conducted package tours.

STIC did not take the services of handling agents and tour conducted in Delhi and STIC has establishments to handle the group. For example, a tour operator needs to adopt innovative marketing strategies to promote the package holidays and work continuously to offer special interests tours to cater the special needs of foreign tourists visiting to India.

## **Outbound Tour Operators**

They sell package tours highlighting the destinations in foreign countries. These operators are specialized in designing and promoting multi-national tours. Like inbound tour operator, outbound tour operator sells a package tour to an individual or a group of people of a country to another country or a number of countries for a temporary period. They arrange travel documents, transportation and hotels and sightseeing, inbound tour operators/ground operators provide accommodation, transportation, local sightseeing

and other services. For example, a group of Indian visitors have bought packages to visit Singapore, Thailand and Bangkok from Cox and Kings Office in Chennai. The Cox and Kings Chennai office takes care of the ground arrangements at these countries through an inbound tour operator.

Generally, outbound tour operators appoint inbound tour operators/ground operators to make arrangement of services. They receive the guests at airport, transfer group from airport to hotel and arrange local sightseeing for business or leisure oriented customers.

### **Domestic Tour Operator**

Domestic tour operator is one which conducts tour within the country. Domestic tour operators operate within the boundary of home country and cater the diverse needs of individuals and group travelers like inbound and outbound operators. They promote tour packages both through their own outlets and other retail travel agents. For example, a group of pilgrimage from Odisha visited Allahabad as part of religious tour. They bought package tour from the IRCTC and it is the IRCTC to conduct tours for the group at Allahabad. The IRCTC is a domestic tour operator that operates within the boundaries of the country for nationals of the same country.

### **Ground Handlers/Operators**

Ground operator is otherwise known as reception operator or destination management operator or handling agencies. These operators are generally expected to provide arrangements and ground logistics at a particular destination. Thus, a ground operator provides the services required by large tour companies and they do not have a local branch/office. They do not deal with the principal suppliers such as hoteliers, transport operators, car rentals, entertainment organizations and so forth.

The operator coordinates, supervises and handles accounts/payments of all services related to tour. For example, Swosti is a ground operator for tribal tour in Odisha. Thus, inbound as well as outbound operators must look into the following aspects before the selection of a ground handling operators.

- Convenient of Location
- Size of business
- Professional staff

- Length of business
- Reputation and membership with International and national travel and tourism associations
- Credit facilities

The wholesale tour operators primarily depend on ground operators for the following reasons.

- Introduction of new product or plan to promote these exotic destinations.
- Lack of control over the government regulations
- Lack of personal contract
- Language of barrier
- Unfeasible to maintain own branches at each destination

### **Special Interest Tour Operator**

This type of tour operator offers and promotes the special interest package tours. They mostly do direct marketing for the packages or through the retail agents. For example, Shikhar Tours and Travels, New Delhi is organizing adventure tours in the Himalayas in India and Nepal. These are the wildlife and ecotourism tour operators and they design wildlife and ecotourism packages for group in the niche market. This type of tour operator does not plan for mass market as buyers are limited in number. When the company plans for dealing with specialized areas, there must be potential buyers for the package tours as the nature and cost component is relatively higher unlike the conventional package tours. The specialist tour operators only organize tours in the pleasant climate and the business is mostly seasonal in nature.

In the recent years, many specialist tour operators are moving towards corporate travel, incentive travel, MICE travel, ecotourism, rural tourism and cultural tourism. They are also called as personalized or customized tour operators as package tours are made on the choice and suggestions of tourists. These are the following areas that specialized tour operators do promote package tours.

- Ayurveda and Health
- Archaeology and historical sites
- Adventure and ecotourism sites
- Buddhism and Jainism ancient religious sites.

- Special cuisines at each place.
- Desert and jungle safari tour

These are the following activities that specialized tour operators carry out during the tour.

- Arrangement of visit of fairs and festivals venues
- Arrangement for shopping and exhibitions grounds.
- Provision of hiring equipments for sports and games (Golf, winter sports and water sports.)
- Provision for scholarly interpretation of objects with the help of experts at the museums
- Arrangements for host community interaction
- Organizing special cultural programmes in the palaces
- Special amenities for the tourists in the train or bus journey

### **Roles and Characteristics Tour Operator**

In this package tour market, tour operators showcase destinations through their unique package tours. Thomas Cook, American Express and Cox and Kings follow the customer-driven approach for designing package tours to cater the demands of customers. Roles of tour operators are given below.

- It is a wholesaler as it assembles packages as per the trend of market and capacity of distribution channel.
- It deals with customers directly as a principal agent or foreign travel agent without off-loading tours to ground handling agents.
- Tour operator has liberty to amend the tour itinerary and program if it warrants.
- It invests much of time and resources to chart out delightful and value added tour itinerary for meeting the demand and expectation of tourists.
- It gives much stress on selling the tour than the conducting the tour.
- Tour operators are mostly located in the mega cities or in the cities with the international airlines services for the strategic advantage of controlling the package tours.
- It mostly provides international transfer from hotel to airport and vice-versa, if offices of tour operators are located.



- It deals with both the tourists and primary service providers as direct intermediary.
- Tour operators design the tours in such a way that handling agents may not get extra excursion tours directly from tourists.
- It accepts foreign currency for the tour package and gets accreditation from the Reserve Bank of India money exchange dealer.
- It gives ample importance to become the professional member of national and international tourism, travel, and hospitality and aviation associations.
- It is committed to work as a responsible partner in the tourism industry to popularize destinations and explore new potential destinations through their package tours.

## Summary

TCI, Thomas Cook, SOTC, Cox & Kings, Jet tours, etc are specialists in ground operations for large movements of tourists and make all arrangements to handle the tour with much care and attention. TCI conducts several and regular familiarization trips for cruise companies and leisure trips for tourists on air charters and cruise liners. It is difficult to identify an individual operator with a single category of operations. They act as retail agents, wholesalers, tour operators, specialty channels and also as the GSA. Thus the scope of modern travel agency activities is difficult to limit and confine to one unit of classification.

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## Lesson 1.4 - Linkages and Integration in Travel Trade

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the dynamic roles of travel agents and tour operators;
- Know the business connections with the primary tourism service providers;
- Explain the need for establishing forward and backward linkages; and
- Know the continuous horizontal and vertical integration

### Introduction

A Travel agent or tour operator is an intermediary in the travel trade. Linking customers with service providers is the primary job of a professional travel agent or tour operator. Unlike the travel agents, the relationship of tour operators with principal service providers is linked in the form of selling the primary services to customers. Tour operator or travel agent is a linking point or connecting place that provides travel information and confirms hotel rooms, airlines, train, ferry and bus tickets and other ground services. Tour operator designs itinerary for organized package tours for which it requires travel information from hotels, airlines, bus and car rental companies, cruise companies, tourism office, etc. It establishes forward and backward linkages with the service providers to design the packages. These linkages can be horizontal and vertical to seek the ways of keeping competitors behind. Linkages can be direct or indirect between travel intermediaries and principal service providers depending on the nature of business. Integration between tour operators and principal service providers is essential for mutual benefits. This lesson will present you linkages and integration in tour operation and travel agency business.

### Meaning of Linkages and Integration

Integration is an approach of doing things together. Business integration is a means of combining generic talents and resources to produce best products or delivery quality services. It is very common in manufacturing sector and it has become usual business strategy to prefer integration for marketing and sales of products or producing products in

minimum costs. The primary objective of integration is to maximize output with least costs. Cost cutting measure is one of the ways of reducing production cost. This leads to lower the final price of products. Lowering the price can increase the market share.

Business integration is essentially important in travel and tour operation business as each provider of service cannot provide complete services on its own. Thus, linkages and integrations are common business practices in tourism business. A tour operator maintains integration with another tour operator in another city for use of common resources.

A tour operator wishes to establish business link with hotels, airlines, railways, transport operators, etc for optimizing resources. Integration enables a travel agent or tour operator to increase its market share. It simultaneously reduces the risk of loss and fear of competitive forces. There are horizontal and vertical integration in travel trade. The former is meant for business linkage between airlines or among airlines and the later is known for linkage between airline and hotel or between tour operators between cruise lines. There are benefits of integration as well as risks of doing integration. These are the following benefits.

### **Economics of Scales**

This concept is very common in business and it would be more appropriate in tour operation and travel agency business. The volume of productions and sales would be more that leads to providing more profits. The cost of production can be drastically minimized with the help of integration. For example, a tour operator can take care of marketing, sales and customer care of an airline or hotel operator or they can jointly do the marketing.

### **Avoidance of Middlemen**

Integration can link the tour operator with primary service provider directly.

### **Consolidation of Market**

Integration can increase the market share and it simultaneously helps in dominating the market.

### **Control over Supply for More Bargaining Power**

Merger and acquisitions can help travel agency and tour operator to have more control over supply of package tours in market. The acquisition of SITA World Travel India Ltd by Kuoni has increased the market share of outbound business of Kuoni. At the same

time, tour operator can secure some bargaining power for booking hotel rooms and airline seats.

### **Horizontal Integration**

It involves two tour operators or two travel agencies or two hotels and two airlines for amalgamation of competitive product through merger or acquisitions. This integration helps the players offer complementary products and minimize unfair competition. For example, Thomas Cook has taken over TCI for inbound tours in India and LKP for foreign exchange. Horizontal integration is established between producers of services offering complementary rather than competitive products.

### **Vertical Integration**

It is a type of integration that links between airline and hotel or tour operator and airline or hotel for mutual benefits. For example, an airline gets integrated with tour operator for sale of tickets and tour operator gets integrated with airline for more sales of tickets leading to more commission. Big corporate airlines and hotel companies have owned travel agencies at key destinations for increasing the volume of business and gaining competitive edge over other competitors.

Needless to say, travel agency and tour operation business is facing cut-throat competition due to the rising number of small players entering into the package tour market. In the last two decades, many multinational travel companies have forayed into the Indian market and posed serious challenge to the Indian traditional companies. This has become possible due to change in government policies like deregulation of domestic and international airlines under the Open Sky Policy, liberalization of guidelines for transport operators, hotel and restaurant companies, theme parks, etc. Thus, integration is the need of the hour due to the economic volatility and socio-political risk factors. It is however important to note here that multinational travel companies like Cox and Kings and Kuoni have thrown open challenges to India travel companies to seek their ways to become more aggressive in selling package tours..

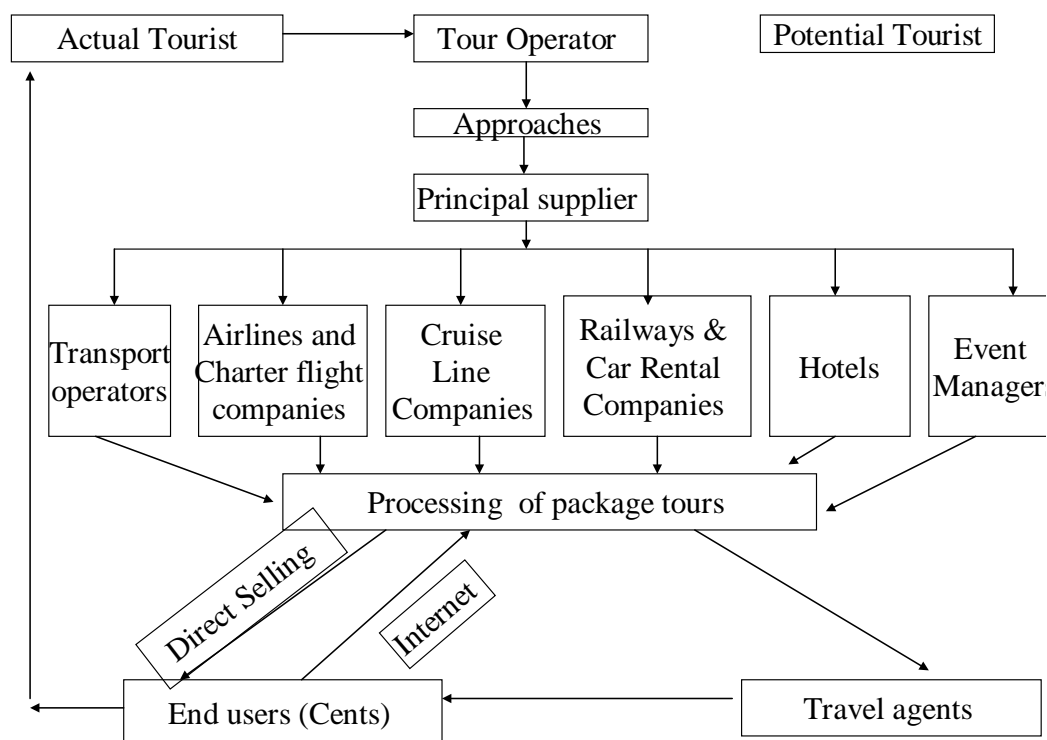
### **Linkages for Effective Distribution of Services**

Tour operator is a partner of a dynamic travel distribution channel through which buying and selling of package tours is possible in a long-term basis. The vertical integration establishes continuous relationship with many direct and indirect providers of services to tourists. Tour operators bring the principal suppliers to a common network. These principal

suppliers are transport operators, airlines and charter flights, cruise line companies, railways and car rental companies, hotels and event managers. They are selected on the basis of location, existence, service quality, physical facility, credit facility, etc. Tour operators make the final contacts with these service providers on the conditions that tourists are served at the destinations. It is essential to have up-linking networks for arranging services and get the services delivered directly through the primary service providers.

When tour operators are ready with package tour to be promoted in market, they prefer to promote it through organized channels and in certain cases clients buy directly from them. Figure highlights the selling of package tours to the end users (Tourists) through online marketing or directing marketing or retail travel agents. What tour operators plan for the sale of package tours is that they open new branches in big cities and appoint several retail travel agents in the smaller cities. Tour operators also accredit retail agents by giving franchises. They work together on the condition of 10 to 20 per cent commission and performance based rewards. The detail distribution network is given in Figure.

#### Distribution Networks of Tour Operation Business



In the manufacturing sector, supply chain management is a significant area in the distribution of finished products in the market. Tour operators are the travel intermediaries who negotiate and sell the services of primary producers to tourists. It is almost difficult

both in case of tourists and principal service providers to contact separately on selling the products. This is a dynamic mechanism to make the products reachable at the consumer doors from the place of production. Neither the producers nor the consumers confront in the final stage of sales because there is a very active linkage system to deliver the product in the market area. Both the producers and consumers are controlled by the distributing agencies. In similar case, you may compare the relationship of tour operators with the producers of tourism products and services like transport companies, accommodation providers and destinations agencies. These are the following services that tour operators seek to strike integration with the principal service providers for designing the conventional package tours.

### **Airlines**

Airline is a major segment in the tour operation business network. Tour operators maintain alliance with domestic and internal airlines for the bulk reservation of seats for a particular season. The role of airlines in the channel of distribution in tour operation business is significant. Air travel is an important component and airlines prefer the sale of air tickets in bulk through tour operators. The sale of air tickets is done as per the conditions. Airline companies offer special commissions to tour operators for sale of tickets. It is a distribution network connecting airlines and tour operators for the sales promotion of airline tickets. Tour operators work on a standard commission that is common for all tour operators.

### **Car Rental Companies**

Tour operators procure ground transportation for the purpose of airport transfer and drop from recognized car rental companies. Car rental companies provide luxury car services on the terms and conditions with tour operators. They sometime work on the annual contract and fixed rate or sometime work on the fixed commission.

### **Railways**

Tour operators take the help of railway companies for booking seats and other amenities at the railway stations. Journey in train gives different pleasure and experience than other modes of communication. Thus, tour operators sign contract with railways companies for the reservation of special coach or issue of special tourist pass. For example, Indrail, Eurail and Brital Pass are issued by respective railway operators for tourists. Railway companies give discount to tour operators for booking these passes in advance. In the travel trade distribution network, railway companies contribute much for the growth of tour operation business. Many tourist destinations not connected by air are highly preferred

for train travel. For example, palace-on-wheels and Royal Orient are uniquely designed trains for high-end tourists wishing to enjoy the holiday in train. Tour operators promote the palace-on-wheels for which commission is obtained from Rajasthan Tourism.

### **Cruise Companies**

The size of market of cruise travel is growing due to the preference of new-age tourists for experience. Cruise package is now very affordable. Cruise companies have designed packages suiting the needs of lower, middle and upper segment of customers. For example, India is a target market for cruise travel. Leading Cruise Company like Star Cruise has authorized tour operators to sell cruise packages. Tour operators block and book the seats in large numbers. They work on the commission and sometime special discount also along with complementary cruise travel. In the travel trade distribution network, cruise operators take direct help of tour operators and travel agents for bulk sales of cruise packages. Cruise companies appoint tour wholesalers for the sale of cruise packages and provide commissions and other incentives. The General Sales Agent (GSA) appoints retail travel agents to sell cruise packages in small cities.

### **Car Rental Companies**

Car rental operator is a primary service provider. Car rental service is an important part of travel trade linkages. It is a type of ground operator that provides light transport service to tour operator for airport or railway station transfer, sightseeing and excursion. Car rental companies own different luxury cars which are customized for sightseeing and excursion tours. Maintenance and safety measures along with trained driver can become a good car rental company.

Car rental companies provide luxury car services as per the terms and conditions with tour operators. Conventionally, annual contract is signed with tour operator on the basis of fixed rate and commission too. However, method of paying principal and commission differ from one operator to another. For example, Easy cab is a reputed Car Rental operator with having more than 1000 different luxury cars and it provides car rental services at various localities in big cities in India.

### **Luxury Coach Operators**

A coach operator is a primary service provider in tour operation business distribution network. Tour wholesalers appoint coach operators on the basis of competitive rates and quality of transport and services. Coach operators send quotations for transfer, sightseeing,



and excursion trips to tour operators or wholesalers during May and June every year. The luxury coaches are customized for sightseeing and excursion tour for GIT. Each coach is equipped with gadgets for comfort and safety of visitors. Each tourist coach must have elevated bucket seats, white window glass, micro phone, air condition system and refrigerator. The service quality is measured in terms of punctuality, safety, flexibility, and adaptability. For example, KPN coach service owns luxury coaches for foreign as well as domestic tourists plying across southern states of India. In this context, coach is an important alliance of the distribution network of tour operation business.

### **Accommodation Operators**

Accommodation operators maintain conventional and non-conventional type of accommodation. Tourists may have choices of selecting accommodation depending on budget, facilities, locations and comfort. It adds value in package tour. Room, restaurant and cocktail services along with duty-free shopping, doctors on call, beauty parlor, fitness center, etc make a guest feel at home. Cultural events in some occasions give opportunity to guests to participate in the premises of hotel.

Christmas and New Years are two mega events that hotels organize a number of cultural activities. Expenditure on hotel rooms and food & beverage services of a guest is estimated to one-third of total budget of package tour. Hotels provide different types of rooms and provide complementary rooms for group leaders and company executives during the tour. Tour operators align with hotels for the sale of rooms and other services for which hotels remit the commission as per the contracts. Tour wholesalers work with accommodation operators for the bulk sale of rooms. For example, the cost of hotel rooms and food services is usually included in package costs.

### **Event Management Companies**

Tour operator may be an event management company to deal with MICE activities. There are specialized event management operators like Creative Tours and Travel in New Delhi. Booking venues, food, conference kits and post & pre-conference sightseeing programmes are the functions of Event Management Company. Tour operators negotiate with the event management companies on the flat rate basis. Event management companies maintain the inventory of essential items for conduct of mega events for which tour operators establish integration with them. In most of cases, event management companies send the quotations and tour operator assign the contract to the lowest bidder. In this context, Event Management Company is integrated in the dynamic process of travel trade distribution network.

### **Authorized Foreign Exchange Dealer**

Tour operators also deal with foreign currencies as they receive for the sale of inbound package tours. Payment is also made through foreign currency for booking of hotel rooms, transports, guide services and other services in case of outbound package tour.

Authorized foreign exchange agents or authorized money exchangers deal with foreign currency is an important part of travel trade linkage and integration. Endorsement of foreign currency, more importantly Dollar or Euro or Great Britain Pound in passport of clients is mandatory in foreign travel.

For example, any Indian traveling overseas on leisure purpose is eligible to transact \$10,000 or its equivalent under the basic travel quota scheme. Moreover, as much as \$2000 or its equivalent can be exchanged in the form of currency notes and \$8000 may be carried in the form of traveller's cheques or foreign currency pre-paid cards.

At the same time, outbound tour operators prefer to maintain good stock of foreign currencies for booking and payment of hotel rooms, transportation, guide services and other services at the overseas destinations. Foreign currency dealers in India are authorized by RBI for buying and selling foreign currency.

### **Insurance Company**

Travel insurance is an important area of business for tour operators. Most of the package tours are insured and insurance companies working with tour operator. Tour packages are insured for compensation to the tour operators or guests in the event of cancellation.

Customers also prefer for insuring health and luggage insurance. Tour operators get commission from the insurance companies. For example, TATA AIG, Bajaj Allianz, and Reliance have customized travel insurance for customers traveling abroad on an organized tour.

### **Destination Management Operators or Ground Handling Operators**

Ground handling operators work for tour operators to provide ground logistics services. It includes the luxury car or bus services, guide and language interpreter services, entrance fees, reception upon arrivals, etc. Ground operators are located at the major tourist destinations and they work as per the directions of tour wholesalers or tour

vouchers. However, adventure tour operators or special interest tour operators arrange most of the ground services. Tour operators collect transport tariff and information about the destinations from the ground operators during the off season.

### **Government Agencies**

Tour operators arrange the valid travel documents for clients/customers for outbound or inbound travel. Thus, tour operators take the help of Regional Passport Offices for issuance of passport, Foreign Consulate Offices for Visa and the Ministry of Home Affairs for permission to conduct tours in the North-Eastern region and the Andaman and Nicobar Islands. Tour operators participate in familiarization tours with the State Tourism Board or corporation for road shows, press conferences and exchange activities. Thus, these departments are integrated directly with the travel trade network system.

The specialized tour operators seek permission from Forest Department for conducting ecotourism or wildlife tourism in the national parks and wildlife sanctuaries. Tour operators get permission to operate tours with the vehicles and eco-guides for safari tours. The Archaeological Survey of India (ASI) is also aligned with tour operation business when tour operators conduct special visit or documentary of any national protected monuments or heritage sites.

### **National and International Travel Organizations**

Tour operators are the members of national and international professional associations like PATA, Travel Agent Association of India (TAAI), and IATO. It helps them gain visibility and acceptability in the market.

### **Local Representative Bodies**

Community-based tourism or community-driven tourism is gaining more acceptability and tour operator ropes in with local bodies for their support and cooperation in conducting tours in their localities. For example, tour operators take the help of local community members during the tour to villages for witnessing fairs and festivals or any special religious or community events.

### **Strategic Alliances**

Tour operators maintain regular contacts with the principal suppliers for procuring various services through its strategic alliances. Alliance is struck between the companies

producing homogenous products. For example, domestic airlines are making all possible efforts to increase the sale of tickets by offering attractive incentives with additional discounts. Tour operators negotiate with the airlines to get cheapest fare for their customers. They collect information about promotional fares and schemes of the airlines. At the same time, airlines organize promotional tours to familiarize tour operators. Hotels, resorts companies and transport operators participate in tourism exhibitions.

Alliance enhances efficiency and penetrates professionalism in tourism operation business. These are the following benefits of strategic alliance in travel agency and tour operation business.

- Better image building of tour companies
- Improvement of quality of services
- Enhancement of efficient of services
- Easy confirmation of sale and identification of potential buyers
- Reduction in costs of production and distribution
- Change in perceptions buyers
- Larger market share through joint marketing efforts

For example, Cox & Kings is a partner of Radius. It is a consortium of leading travel agents. As a result, Cox& Kings has created its presence through its own offices as well as Radius partners in more than 80 source countries. This is obvious that customers are benefited from the strategic partnership between Cox & Kings and Radius.

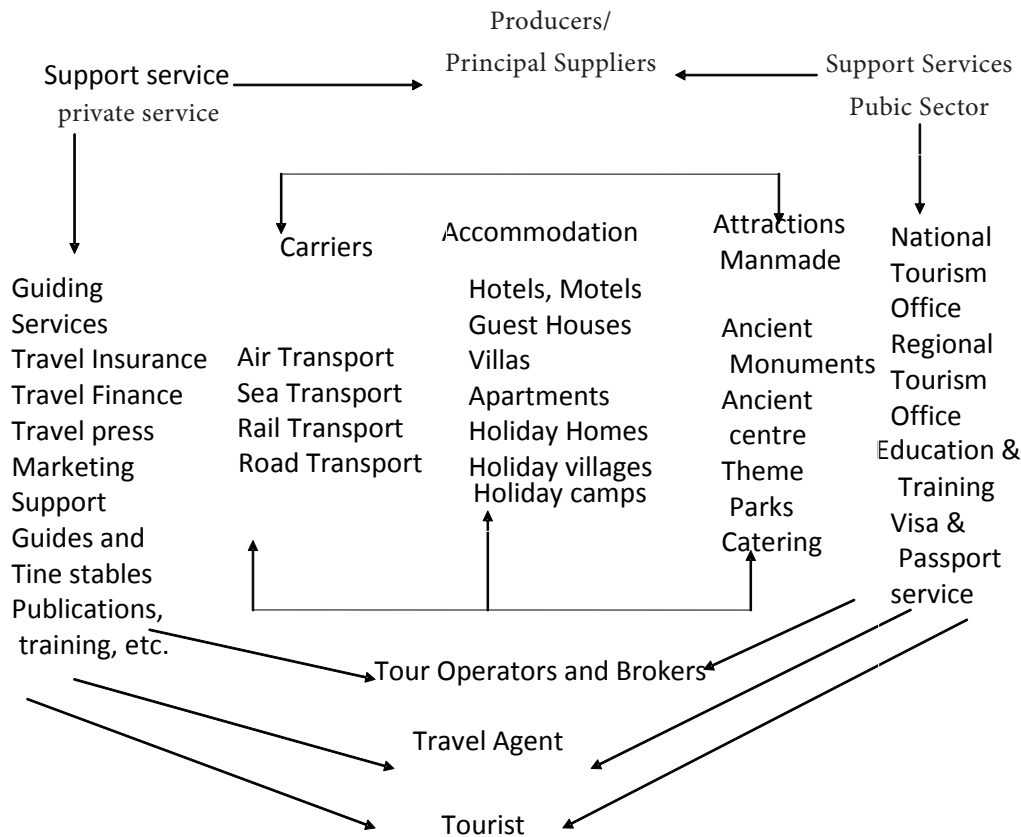
Distribution is the means of increasing efficiency of delivery systems. The linkage between producer and consumer becomes practical possible in a short period of time through a strong distribution system. In the tour operation and travel agency business, the distribution system is managed by trained and skilled personnel. The primary objective of an efficient and effective distribution system is to send clients/ guests happy and delighted. For instance, providing pickup and drop facility to visit Taj Mahal at Agra is a part of distribution system. Figure presents the strategic alliance of tour operators with primary service providers.

## Summary

Tour operators assemble components of services to make the stay of tourists more comfortable and enjoyable. Tour operators manage package tour business in a dynamic distribution network system. Tour operators play a dominant role in tourism business in

India. In the zero commission regimes, travel agents and tour operators have ventured into package tour business in India. The market for package tours is very vast and the scope for inbound, outbound, and domestic package tours. Tour operators maintain strong alliance with service providers to manage heli-sightseeing and skiing, leisure charter flights, chartered helicopters, corporate jets, executive jets and aircrafts on rent for film shooting, air ambulance and cargo charters.

### Strategic Alliance with the Service Providers



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## Lesson 1.5 - Changing Scenario of Travel Trade

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### Lesson Objectives

*After reading this lesson, you should be able to*

- Understand the volume of travel trade business in the world vis-à-vis in India;
- Find the rapid changes and development in the travel business;
- Be familiar with the key factors responsible for mass travel; and
- Know the business opportunities before the tour operators and travel agents

### Introduction

Change is inevitable and it happens in all types of business. Change is always accepted in any business. All businesses are growing worldwide so also the business of travel agency and tour operation. There is a direct positive relationship between the growth of tourist arrivals and increase in the volume of sale of organized package tours. It is noticed that tour operators and travel agents are the promoters of tourism destinations and arrivals of tourists to any destinations depend on how appealingly a tour operator presents the package to the customers.

It is an ever-changing and ever-growing business. It is directly associated with the changing socio-economic legal and technological scenario of the origin and destination countries. For example, the liberal aviation policy may attract more airline companies to link the country with rest of the world. More people can travel overseas when government lifts ban on foreign travel. Largely, the travel trade is witnessing the change from technology that has made structural changes in the travel agency business worldwide. For example, the online travel portals have not only given threats to the traditional travel agents but also offered multiple travel choices to the customers. This lesson will present you the changing scenario of travel business in the world.

### Factors Influencing Travel Business

Travel started from the search for food, shelter and clothing. In the later stage, development of transport communication provided better roadways and waterways for

the merchants to travel distance places for trade and commerce. In earlier period, people were not travelling for pleasure, recreation and relaxation. For example, Merchants in India sailed to countries located in Southeast Asia, West Asia, Middle East and Africa continents for spice and handicraft trade.

The famous arduous Silk Route provided a way for merchants and other to do cross-border travel across the Asia continents. For example, Romanians were the first Pleasure Traveler and they used travel short distances in the relay of horses or the horse cart to the hill stations for spa bath or sea side. The medieval travelers like Iban Batuta, Marco Polo, Columbus and some other famous discovers removed the perceptions on travel to orient countries in the East through their travel writing and fictions.

Some of world famous seven wonders like the Great Pyramid, the Great Wall of China and the Hanging Garden of Babylonia started attracting visitors. In the mean time, different continents were discovered for political and trade purposes.

The industrial revolution in the 16th and 17th centuries fueled economic growth in the Western Europe followed by invention of modern transportation system that includes railways, luxury coach and small car in Hungary and Germany. Moreover, annual paid holidays and weekly holidays added more demand for travel. The Elite and Middle-Class people in Europe travelled for education and culture purposes to Paris and Rome. The invention of air transportation in the first quarter of the 20th century added a new dimension to travel trade. More importantly, Piston-engine aircraft was replaced with jet aircraft in 1960 and it increased speed, reliability and comfort while reducing the costs of operation.

### **Demand for Air Travel**

The new Middle Class and business class travelers with huge disposable income looked for travelling by airlines. It was comfortable and luxury. For example, people in big cities in the USA, UK, Germany, France, Spain, Brazil, Italy, Japan, China, South Africa, Brazil, Argentina and India are the rising economies and air travel across these countries has increased significantly. At the same time, the operation of low-cost airlines has brought down air fare drastically and it has increased demand for air travel more in recent years.

### **Loyalty Programmes of Airlines**

American Airlines first introduced Frequent Flier Programmes (FFPs) in the name 'Advantage' in 1981. At present, almost all international and domestic air carriers have started



the loyalty programmes. More than 100 million passengers have become the members of FFPs. For example, Holiday Inn became the first partners with the loyalty programme in 1983 in association with many international hotels to attract more passengers.

At the same time, airlines have introduced excursions and discount fares for the advance bookings. Airlines keep the several options open for the passengers to avail maximum discounts by booking the tickets.

Airlines have started introducing Cooperative Services agreement between carriers for mutual benefits and transfer of passengers. It is explained as a flight operated by an airline is jointly promoted as a flight for one or more other airlines to share the passengers and enable the passengers to reach lesser known locations. Provision for connecting flights has solved the problems of long waiting at airports. This has become possible due to the strategic alliance between the airlines.

### **Technology**

With the rapid expansion of airline networks and operations, there was a need for integrating the airline ticket booking through technology. Thus, the Global Distribution System (GDS) has provided solutions to hundreds of airlines in the world for booking, cancellation and payments of air fare.

The concept of e-business establishes direct connection between passengers in order to save time and place limits. For example, the airline industry in the US offers e-tickets as a default option and more than 60 per cent tickets in the domestic sector are e-tickets. E-tickets have made customer free to take print out of tickets. Mobile booking of a domestic air ticket is an added facility to passengers to book tickets in domestic sector. For example, World Reliance Infocomm offered India's first mobile air ticket booking option. At the same time, ICICI Bank has tied up with IRCTC for Railway Ticket Booking.

IATA accredited travel agents have made the mandatory for issuing e-ticketing to provide additional convenience to passengers thereby reducing airline distribution and operation costs. Duty free shops in airports have helped passengers to buy souvenirs and other gifts through their attractive discounts and offers.

Airlines have taken maximum care for passenger safety by introducing non-stop routings and larger size aircraft to avoid the expected accidents at the time of takeoff, climb, descent and landing phase of flight. For example, flying nonstop by British Airways from New Delhi to Heathrow has increased safety and comfort of passengers.

## **Passenger Amenities**

The passenger terminal facility is now equipped with a wireless Internet network powered by ICOA Airport Networks. The wireless-enabled laptop, PDA or cell phone can now get connected to the Internet anywhere from the curb front to the airplane.

## **Visa Upon Arrival**

Many tourist-centric countries have introduced visa-upon-arrival system for inbound visitors. For example, Thailand, Malaysia and Singapore have made the provisions for inbound visitors to get the Visa endorsed upon arrival. At the same time, online issues of Visa and Passport have simplified the travel procedures.

## **Travel Insurance**

Travel Medical Insurance is one of the functions of tour operator that reimburses the claim for emergency medical expenses incurred by passengers and unexpected crises (death, sickness, airline strike and travel company bankruptcy) while traveling in a foreign country. Maximum coverage under this plan is US\$5 million to take care of emergency surgery and extended hospital stays. However, trip Protection plans typically reimburse one's non-refundable travel expenses.

## **Scenic Highways**

The Trans Canada Highways covering a distance of 7,820 kms across Canada passes through Montreal, Winnipeg, Calgary, Vancouver and Victoria. The European road network is connected with Germany, the Benelux countries, UK, France, Switzerland and Italy. Japan has well developed road network. In the Middle East countries, modern roads link the Mediterranean coast with Iraq and the Gulf region.

Increased number of car ownerships, the development of motorail and expanded network with speedy accessibility have made the road a preferred mode of transportation. Some of the popular international highways are the Trans African Highways, the Trans Europe North and South Motorway and the Pan American Highway, The Asian Highway.

The highways and expressways maintained by the National Highways Authority of India (NHAI) are meant for long-distance journey in India and it is one of the highly used means of transport in India. The road journey on the important highways provides motel and other scenic highway facilities.

Cruise line has emerged as a key part of travel agency and tour operation business. In the recent years, people have shown interest to experience the journey in the floating hotel. The demand for travelling in cruise line is increasing as retired and aged people in Europe and America prefer for spending time in the steamship. The popular cruise line journey starts from Europe to the Orient, Australasia and Africa. For example, Queen Elizabeth-2 conducts cruise tour for the round the world. Visitors enjoy in celebrating wedding anniversary, a romantic interlude, an amazing nightlife and ball room dancing. For example, Scandinavia Royal Viking Line Cunard, South Pacific Royal Cruise Lines, Clipper Cruise Lines, Rhine River Marriott Nile Cruise and Amazon River Society Expeditions are some of the known cruise operators in the world.

A Rail Credit Card is card issued along with Visa card. It is issued by the Standard Chartered Bank. This card can be used for booking travel over the phone. Tickets are collected in 48 hours prior to the commencement of journey. The State Bank of India also issues a co-branded credit card with a loyalty feature. Passenger can earn points to be redeemed for travel on IR when using the card and the points can later be redeemed. For example, a *Shubhyatra* card has also been launched with the redeemable points feature without the credit card facility. Other facilities include Internet booking of Indian Railways, discounted tickets for senior citizens Season tickets, INDRAIL Pass and Special Tourist Train Services.

Indian Railways runs special trains between major tourist places. For example, the Palace on Wheels is a specially designed train promoting tourism in Rajasthan. The Deccan Odyssey along the Konkan route promotes Karnataka and Goa. The Thar Express connecting Khokhrapar (Pakistan) and Munabao (India) promotes tourism between Indian and Pakistan. The Fairy Queen running between Delhi and Rantamobore promotes tourism between Delhi and Rajasthan. The Himsagar Express between Kanyakumari and Jammu Tawi connecting one end of India to another end provides opportunity to undertake longest train travel on Indian railway track.

These are the some of the popular passes

- INDRAIL pass in India
- Amtrak Pass
- Australian Pass Benelux Tourrail
- Canada Rail
- Eurail pass
- The Eurail Select pass

- Euro star
- Euro star plus
- Inter-Rail
- Freedom / Eurodomino
- German Rail pass
- The Holland Rail pass
- Japan Rail pass
- The Polrail Pass
- Scanrail
- Swiss Rail Pass
- Trans-Siberian Railway
- Trenitalia Pass
- UK Rail

### **Regional Economic Growth**

Apart from increasing life expectancy of People in East Asia, people now eat better food as compared with people in South Asian and other developing economies. Japan, Hong Kong, Singapore and China are the emerging economies. Economic factor includes the growth rate of Gross Domestic Factor, National Income, Purchasing power, export and import. The GDP and per capita income of those countries is significantly high. People have much disposable income to spend on holidays. For example, outbound travel in those countries is significantly high and they contribute to the growth of regional tourism.

### **Political Situations**

The global trade and commerce is being affected due to the political unrest in some part of the world. More importantly, political instability in Far East and Middle East has partly made impact on the growth of tourism in that region in particular and in other parts of world in general. For example, Nepal is yet to come to get a stable political system. Pakistan and Afghanistan have been facing several internal insurgent activities that affect the regional tourism. Therefore, intra-regional tourism is a toll of the political turmoil in some of regions in the world. Bilateral and multilateral trade relationship can only resolve the issues and help tourism grow in those regions. Regional bodies like SARRC, SAFTA, ASEAN and European Union promote regional cooperation through bilateral dialogue.

## **Rising Middle Class**

As reported in many reports, middle-class population is rising in all countries. They have disposable income and urge to travel distance places of holidays as they are the first generation travelers. It is predicted by National Council of Applied Economic Research (NCAER) that half of India is expected to turn middle class between 2020 and 2040. It is indeed a fact that more middle-class population is travelling and buying outbound packages in India. Today, outbound market is expanding due to the liberal spending habits of the middle-class urbanites for holiday packages.

## **Rising Double-Income Family**

Working together and spending lavishly has become a new trend in India. It has certainly become possible due to the upsurge in trade and commerce in India for the last two decades. Many are getting employment in information and communication sectors and they earn substantially. The concept of double income is that both husband and wife work together and both meet the expenditures together. Thus, the number of double-income families is increasing in urban areas and it has its own positive impacts on travel trade.

## **Increasing Senior Citizen Population**

The numbers of senior citizens have increased and the central and state governments in India are offering incentives and benefits as the social security measures for senior citizen to undertake travel. Senior citizens, earlier travelled by First or Second AC in the railway, now are finding domestic and international air travel affordable for them.

The growth of the senior citizen population and the corresponding offers will push to the growth of travel trade. For example, Travel Corporation (India) Pvt. Ltd (TCI) and IRCTC have come out with senior citizen specials with an all inclusive package cost. For example, the Chennai-based Hi-tours has also come out with a package for this age group to offer tours to Singapore, Malaysia, Colombo, Dubai and Mauritius.

## **Changing Pattern of Employment**

It reported that pattern of employment is changing in many developing countries. There is a shift from traditional occupation to modern lucrative employment in trade and industries. For example, students get placed on campus as soon as they complete the course. This has its own impact on travel trade.

## Changing Lifestyle

It is certainly expected that changes in lifestyle have made much impact on travel trade today. The pattern of lifestyle has undergone drastic changes as compared to 1960s and 70s. People spend for the moment due to the demonstration effects. Young population is travelling for the purpose of education and knowledge. Shoddy products, sub-par services and unpleasant purchase experiences are no longer tolerated or forgiven. Travelling with family in a weekend has become fashion for the urban dwellers. People look for best brands, best quality and best services from airlines, hotels and travel agents.

- Aligning travel with fashionable clothes, homes and investments
- Late marriage and small family
- Living relationship or single
- Spending on individual travel
- Considering travel as social status
- Considering travel as a part of quality of life
- Travelling as a source of seeking knowledge
- Introduction of paid holidays or incentivized travel
- Travelling with children to combine to visit to famous places of interest

## New Travel Trends

The tourism statistics of the UNWTO indicated that the countries in Middle East, East Asia, South America and Eastern Africa have witnessed growth of outbound and domestic travel. Pleasure travel is a discretionary item in family budget in those countries. The budget includes basic travel necessities such as transportation accommodation sightseeing, shopping etc. This has become possible due to the introduction of non-financial compensation to the employees in the public and private sector. People are travelling to many unexplored places of interest. A new trend is witnessed that is the choice of shorter breaks with more frequency of travel in the holidays. There is a change in the demographic profiles and trends to healthier lifestyles

## Branding Tourism Destinations

Brands create product differentiation and represent a promise of value. Brands incite beliefs, evoke emotions and prompt behaviour. It gives a clear personality to a product or destination. The Tourism Boards of Dubai, Singapore and Switzerland utilize Bollywood industry of India to promote their destinations.

### **Availability of Trained Human Resources**

The shortage of trained guides and waiters used affect the experience of visitors. There is a big change due to the initiations of government to train people to work in travel sector. The availability of trained manpower has changed the service quality and professional institutions have customized the curriculum to impact quality teaching and training to students to work for travel sector more efficiently and effectively.

### **Exemption Sales Tax**

The low yielding and volatility in travel agency and tour operation business, the governments are providing maximum tax relief to the travel trade players.

### **Proactive Role of Travel Trade Association**

Trade intermediaries have formed several associations at the local, regional, national and international level to fight over the issues which are crippling the growth of the travel trade business.

### **Travel as Bargain**

In the liberalized era, travel agencies and tour operators are very innovative in designing package tours. People, who wish to travel, can find several alternatives and options to get delightful experiences. Package tours include all sorts of travel and hospitality related services which can be bargained and amended to the wish of the clients' requirements. Both travel trade intermediaries and clients get benefit with the concept 'Travel as a Bargain'. There is no rigidity in the negotiations of cost of the travel products. Clients are empowered to select service components and opt out if the price of travel services is not suitable. The bargaining power of clients for travel product has given clear indications to the tourism operators to look into the service quality travel products.

### **Accommodation Sector**

Hotel is a major constituent of travel agency and tour operation business. The scarcity of hotel rooms in metro cities and other major centers in India is affecting the package tour business. However, many new multinational hotel groups have established their prime properties in these places due to the announcement of 100 per cent Foreign Direct Investment (FDI) and the problems of international standard rooms are partly solved in India.



### **Toll Free Numbers**

Tour operators have provided the Toll Free Numbers on their websites and tour brochures for customers to contact without any cost for calling and enquiring about package tour. These numbers are customized with auto reply so that people can call as many times as possible to get information clarified about package tours. For example, the sale of package tours must have an impact from the introduction of toll free number.

### **Travel Loans**

The payment options are very easy and affordable as far as buying package tour is concerned. One can purchase package holidays and make the payment on an easy installment basis. Tour operators regularly advertise in some of the captions like “interest free travel” or “easy payment plans” “low down payments” and “no credit checks” to enable buyers to travel.

### **Summary**

The travel sector, in the recent years, has been influenced by the factors which are not only important for the development of the travel trade but also very significant for the development of tourism industry as a whole. The growth of travel industry has become practically possible with the influence of these direct and indirect factors. Various factors affected the growth of the travel sector in the ancient time. These factors have also affected the growth of air travel and the travel trade. E-bookings and m-bookings, passenger safety and security and amenities are the new trends of travel trade. Moreover, socio-economic and political factors have also affected the growth of the travel sector in India in the new millennium.

### **Self Assessment Questions**

1. How did the Origin of Travel Agency Business start in the world?
2. Present the evolution of the modern travel agency business by Cox & Kings.
3. What did trigger Thomas Cook to start the travel agency business in England? How he became a successful travel agent?
4. Discuss the contribution of Thomas Cook to the world of travel agency today.
5. How did the travel agency business in India start? present the role of some of the founding travel agents in India.

6. Trace the origin of American Express company.
7. Which were the landmark contributions of American Express Company to the modern travel agency business in the world?
8. How did the traveler's cheque of Thomas Cook become popular? and why did travellers buy the cheque from American Express Company?
9. Which were the diversifications of business of American Express Company?
10. What was the travel agency business scenario during the pre-independence period?
11. What are the new business practices of modern travel agency business in India?
12. Discuss the Merger in Indian Travel Agency Business. Was it unavoidable for the merger?
13. Why travel agency is called as a retailing point for travel products? Explain.
14. Explain briefly the different types of travel agents.
15. Distinguish the characteristics of retail and wholesale travel agents.
16. List the important roles and responsibilities of a large travel agent.
17. Who is a tour operator? And explain the service provided by the tour operators in the package tours.
18. Explain different types of tour operators and their special features with examples.
19. Which are the activities of specialized tour operators?
20. Which are the roles and characteristics a large tour operator?
21. What is the meaning of linkages and integration? Explain different types of integration in the travel agency business.
22. Which are the service providers to the tour operators? How the integration with the principal service providers is made for designing the package tours.
23. Discuss the contemporary factors influencing the travel trade business.
24. How has the changing lifestyle influenced the travel behavior in the modern society?
25. List the popular rail passes in the world and list the country they belong to.

## CASE STUDY

### Business to Business (B2B)

Customers, people and business organizations have taken advantages of communication technology with the help of internet and intranet. People leisurely and easily communicate with sellers and search about the products (goods, services) on the internet. Further, the process of buying travel and hospitality products start with the evaluation of the several alternative sources that are available on the internet. It is now helping customers to make a comparison between prices of the products.

They finally reach at the stage of taking buying decisions. Even though, customers have found the direct communication with sellers very cumbersome for which a typical supply chain have emerged with multiple business to business transactions in travel, hospitality and tourism business. As travel agents or tour operating companies purchase components varied services from the principal service providers to assemble them into an appealing or attractive tour packages. As such raw materials are procured for use in its manufacturing processes and the finished products are then sold to individuals via business to consumer transactions.

Business to business is the process by which businesses employ a multi-layered strategy consisting of web communications, email, media campaigns and relationship management for the purpose of converting targeted business prospects into customers. B2B refers to business that takes place between companies, rather than between a company and individual consumers. This business format allows deeper integration between the manufacturers and distributors or wholesalers involved in tourism production and distribution processes.

While the B2C makes the tourism product more easily available to direct customers. As the desires of the customers vary from individual to individual, and there have been several changes over time. This kind of business requires high flexibility along with fast customer responses. The travel companies as distributors or wholesalers can act in a faster and more efficient way. It becomes faster mainly when there is a high level of integration allowing close interaction with other companies (suppliers or customers) involved in production and supply chain process. It results in the benefits for the whole chain of suppliers converging to the consumers.

The business to business concept in package tour operation of Thomas Cook explains that there exists a perennial business linkage between Thomas Cook as an agent, operation and consolidator with the principal service providers like hotels, airlines, coach and car

rental companies, catering services, theme parks, etc. At the same time, Makemytrip.com has become a leader in online travel agency business with much importance on B2B format of running and maximizing the revenue.

Big companies like airlines, hotel chains and small companies (even a one-person travel agent) can work together with more efficiency. Irrespective of the locations geographically, integration can be possible through web technology. Several managerial processes are involved for processes compatibility, information channels and trust for ensuring a high degree of standardization. It has become possible to operate as a single virtual enterprise.

The tourism marketplaces are filled with a large number of tourism service suppliers targeting it reach a multiplicity of tourist markets. They usually target the tourists directly and develop positive messages about their products through promotion channels. They finally work with intermediary distribution channels to sell a range of services tailored to the customers' needs.

Analysis, Strategy and marketing mix are the key tools in producing, promoting and distributing tourism products at several geographical locations to diverse customers. Inevitably, there are many travel organizations involved in commercialization of business strategies.

The concept of Business to Consumer (B2C) explains that tourism service suppliers can use a range of direct marketing channels such as database and internet marketing to attract customers directly by removing other complex channels. The advantage is having a greater control over the message sent and the type of tourist attracted. The disadvantages include a greater financial risk and it has high start up costs. It is however found that the trend of business turnover of online travel companies including the online segments of traditional travel companies is not so encouraging as it is seen from the outside.

In the B2B, the main focus is laid on the suppliers to transact through intermediaries for selling individual services or packaging them or doing the marketing and booking. Tourism suppliers benefit from outsourcing the cost and risk of marketing. The advantages are diversification of markets that can reduce risk, increase a potentially secure level of business and ensure the fixed commissions. All these can make the travel companies to consolidate the financial planning and management. However, the challenges are less control over marketing messages, markets and income streams.

Most often, tourism suppliers combine the (B2C) and via distributors (B2B). In the latter case, intermediaries are used to provide a baseline level of business to ensure minimum occupancy rates or load factors. It provides a contribution towards fixed costs of capital repayment and salaries. At same time, in the B2B or B2C format, direct marketing is also preferred to stay connected with the repeat visitors by relying on particular market segments and for specific promotions. Finally, travel companies can only be successful in the online business with the sound knowledge of management of funds and the interest of intermediaries in the supply chain. The crucial question is that online travel companies have streamlines the supply chain network and supplier of tourism companies have almost resorted to the online transactions i.e. B2B and B2C. Online format shall take longer time to resolve the issues and challenges related to supply chain and retailing of travel products.

### Questions

1. What is online supply chain? And how it is networked in case of tour operating and travel agency business?
2. What are the advantages that online travel companies accrue from this mushrooming of online transaction of B2C.
3. Has B2B business become an acceptable business format in tour operation and travel agency business?
4. What Makemytrip.com has not been making more profitability despite heavy investment and robust supply chain?

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## UNIT - II

### Unit Structure

Lesson 2.1 - Functions of Travel Agency and Tour Operation

Lesson 2.2 - Setting Up a Travel Agency and Tour Operation

Lesson 2.3 - Sources of Income in Travel Agency and Tour Operation Business

Lesson 2.4 - Diversification of Travel Agency and Tour Operation Business

Lesson 2.5 - Travel Documentation and IATA Accreditation and Recognition from Government

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### Lesson 2.1-Functions of Travel Agency and Tour Operation

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### Learning Objectives

*After reading this lesson, you should be able to*

- Provide reliable, accurate and need-based travel information
- Understand the functioning of Reservation of Tickets, Hotel Rooms, Ground Services,
- Explain the importance of Marketing and Publicity and Selling package tours
- Find the importance of Research, training and Development
- Understand the need for responsible and ethical tourism practices
- Design Package for FIT, GIT and FAM tour
- Coordinate with Public and Private Tour Organizations

### Introduction

International tourist traffic is expected to cross one billion and it is projected to touch 1.5 billion by 2015. One can imagine the volume of tourism business worldwide in this current decade. The role of tour operator and travel agent is significant as they are expected to contribute so much for achieving this target of the UNWTO. As such, tour



operators and travel agents promote destinations through their different packages and they are linked with service providers at the forward and backward points. As a business firm, a big tour operating company or a large travel agent operates the business activities that in turn help them yield revenue. There are more than a dozen functional or operational areas that directly and indirectly determine the quantum of business that a travel agency or tour operation firm manages for profit as well as customer satisfaction. In this lesson, major functions of travel agencies and tour operators include travel information, booking tickets, itinerary preparation, designing of tour packages, travel documents, insurance, foreign exchange, franchising, conducting tours, marketing and publicity, research and development, training and development, etc. Table presents the functions of travel agency briefly.

<b>Functions of Travel Agency and Tour Operator</b>		
1	Provision of Travel Information	Places of Tourist Interest, Connectivity, Climate Culture, Customs, Currency, Health and Security Checks Permits and Immigration
2	Market Research & Development	Package tours Destinations and Attractions & Other Services Market Study, Customer Purchase Behavior
3	Reservation of Tickets	Airlines, Railways, Buses, Passenger Ships, Events
4	Reservation of Hotel Rooms	Hotels, Resorts, Motels, Home-stay
5	Reservation of Ground Services	Cars, Coaches, Caravans, Entertainment Entries, Guides, Interpreters
6	Selling Cruise Package	Linking with Small Retail Agents, Negotiating Commission with Cruise Company
7	Preparation of Itinerary	Collection of First-hand Information
8	Costing Package Tour	Estimation of Fixed and Variable Costs
9	Designing of Package Tour	Assembling All Elements of Services
10	Conducting FIT, GIT & FAM Tour	Uploading Services to Ground Operator Issue of Exchange Order to Clients and Service Providers Collection of Feedback and Release of Final Payments Participation in FAM Tours
11	Promotion & Publicity	Marketing, Sales Promotion and Publicity
12	Reservation and Cancellation	Booking Rooms, Airlines, Train and Coach Seats

13	Management of Ground Services	Uploading Responsibility to Ground Operator
14	Travel Documents	Handling Enquiries, Counseling, Travel and Destination Information Passport, VISA
15	Preparation of Annual Budget	Cost Estimation Allocation of Budget to Different Departments Management of Finance and Accounts
16	Corporate Social Responsibility	Corporate Social Responsibility towards stakeholders, clients, community and quality ethics
17	Training and Development	Manpower Planning, In-house and Outhouse Training
18	Maintaining Relationship With Tourism Ministry	Members of Trade Associations
19	Travel Insurance	Personal, Baggage, Travel Break-up, Accidents, Insolvency
20	Currency Exchange	Transaction of Buying and Selling Renewal of Authorization, Maintenance of Stock of Currency
21	Operation of MICE	Meetings, Incentive Travel Conferences, Conventions, Exhibitions, Seminars Symposiums
22	Disaster Preparedness	Contacting Police and Disaster Rapid Action Force
23	Use of Information Technology	Hiring IT services and Purchas of Latest IT Gadgets

### Provision of Travel Information

Information is an essential function of travel agency and tour operation. An information seeker can become a customer to buy package tours when detailed information is given to customers. Information must be clear and it must describe the places of tourist interest pertaining to climate, accessibility, amenities, facilities, activities, people, culture, etc. More particularly, tour brochure contains description with images about the places, hotels, transports and other inclusive services. Thus, travel agency and tour operators provide information free of cost through telephone and internet. For example, Cox &

Kings and SOTC have created toll free number for information seekers. Auto reply or reply through customer care executives disseminates information. Specific information like travel mode, accommodation, meal plan, attractions, activities and events at a destination is also provided.

### **Market Research and Development**

Tourism is a new generation business and many entrepreneurs find it challenging to be successful in their business ventures. Customers are more informative about the new destinations and information is readily available on the finger tip. Travel products are now becoming more competitive and customers have more bargaining power in the market. It is no longer monopoly package tour market a handful of few players like Thomas Cook and Cox and Kings.

So much innovation has taken place in package tour business. In view of the fast changing market, travel agents and tour operators do have any choice other than selecting the ways of resorting to research on customer satisfactions various parameters of services and the quality of destinations. Thus, research and development activities are carried out continuously for exploring new destinations, events or attractions and assessing the effects of package tours.

Research work is done on trends of market, itinerary, elements of services in package tours, customer preference, branding and costing of products. Large tour wholesalers are committed for research work and field-based study for assessment of products. It is the tour wholesaler that shows interest in research and development work. For example, Duniya Dekho is an international outbound package of Cox and Kings and it has been appealing the customers for the last several years. Research helps in the innovation of travel products.

### **Reservation of Tickets**

Travel agencies and tour operators sell a variety of products but reservation of tickets is still one of their sources of revenue. Reservation of airlines tickets, railway tickets, cruise lines and bus tickets can be done either at agency counters or through reservation engines available online these days. Due to stiff competition amongst airlines and low cost carriers in India and globally to an extent, airlines are working on zero margin commission for travel agencies. In the recent years, the scenario is slowly changing and online travel agencies especially are selling tickets online. Global Distribution Systems have changed the way ticketing used to be.

## **Reservation of Hotel Rooms**

The Computer Reservation System (CRS) or the Global Distribution Systems have enhanced the simplifications of reservation of hotel rooms. Hotels put up all the necessary information in advance on their web pages. It includes type of hotel, room, facilities and services, meal plans, tariff and seasonal offers. It gives wider options to customers to search, compare, chose and finally book a room of their choice. Online booking can be done with the online transfer of payments through internet banking or debit/credit cards upon the arrivals.

## **Reservation of Ground Services**

Ground handling operators of destination management operators have the sole responsibility of providing cars, coaches, caravans, entertainment entries, guides, interpreters etc as per the contract or exchange order of the principal agents. Tour operators select the ground operators by taking several factors into considerations. Notably, the past track record for operating the services is assessed before uploading the services..

Special Services for Charter Operators are as follows;

- A detail feasible plan is prepared to select the destination and options are given to the charter tour companies to select as per their preference.
- Arrangements are made to take the team to do destination inspection and familiarization. It helps the overseas tour operator gain confidence after studying the facilities at the destinations.
- Hotel selection and reservation is taken into consideration when charter tour clients are largely affluent class tourists. Tourists generally visit the conventional places like Agra, Varanasi, Bodh Gaya and Konark
- Transfers and sightseeing are also organized as per the itinerary and any change in the program is not permitted.
- As charter flights land in India with a big group of tourists, liaison with Govt. Authorities likes the Airport Authority of India, Ministry of External Affairs, and Ministry of Home Affairs. Clearances are to be sought to conduct the charter tours to India.
- Pre/post charter tours can be arranged on the demand of clients.

## **Selling Cruise Package**

The business of cruise lines is growing unlike air ticketing in case of revenue maximization. The new-age travelers wish to have experience of cruise line and it has become affordable for lower middle-class person. It has limited scope for direct sales but tour operators and travel agents largely sell the package tours. Travel agencies and tour operators have identified cruise packages to prospective clients as more lucrative. Most of these agencies are promoting and marketing cruise packages with a variety of offers and discounts to attract tourists. Special Services for Cruise are as follows;

- Planning of tour itinerary with all justifications and execution with the final confirmation of cruise companies.
- Before the arrival of groups, a team of executives come for port inspection. Tour companies take the team to the ports, fix the appointments with the port officials, superintendent of police, tourist officers, archaeology superintendent as the tourists who travel in the luxury cruise lines are mostly high end clients and their choices and tastes are very special. The groups generally visit the historical and archaeological sites.
- Tour companies evaluate the strengths of ground operators in terms of operational elements such as transport, guides, traffic, parking places, safety, hygiene, carrying capacity at the destinations, toilets, road conditions, etc. They take the stock of operational capabilities of ground operators and finally look into feasibility side of conducting the tours.
- Shore excursion pre/post tours are also conducted.
- Day return charters are also arranged.
- Turns around operations are also operated.

## **Preparation of Itinerary**

Itinerary is an important exercise that tour operators engage senior executives to design in a methodical way. Itinerary reflects the nature of tour, types of services and duration of tour. Package tour is operated as per the descriptions and instructions in itinerary. Tour operators make full-proof survey of the places of tourist interest, facilities and amenities, etc before finalization of itinerary. In brief, the sale of package tour is determined by itinerary and programmes. The process gets initiated two or three years before the launch of package tour in the market. It involves collection of information related to the duration of stay at a particular destination and check-in and check-out time.

### **Costing Package Tour**

Costing is an important activity of a tour operator while developing package tour. It includes variable and fixed costs. Itinerary preparation and costing go together. Tour operators take all precautionary measures to reduce the cost that helps in maximizing profits and passing benefits to customers. Thus, tour operators go for bargaining and negotiating with primary service providers for best possible or competitive rates. For example, hotels offer attractive discount or flat discount on the sale of bulk rooms. Thus, it is a key function of tour operator to do costing systematically to optimize the benefits from the available resources.

### **Designing Package Tour**

Gone are the days when there was no market for package tour and customers used to take one or two elements of services from travel agents. Today, there is a huge market for organized inbound, outbound and domestic package tour market.

Thus, tour operators are now devoting their full resources for developing innovative package tour as it is the business of tour operator to generate revenue as compared to traditional ticketing business. Expert and experienced executives are assigned the work of developing packages for different segments of customers. In order to design attractive package tour, tour operators ensure for good itineraries, familiarization trips, feasibility of itineraries. It is followed by package tour designing, costing and promoting package tour directly or through travel agents. It is an important function as it earns maximum profit for tour operator.

### **Conducting FIT, GIT and FAM Tour**

Tour operator is more particular about the operation of FIT, GIT and FAM tour in a professional manner. Developing an appealing package tour does not end the responsibility of tour operator rather responsibility increases for conducting tour for individual and group travelers. It requires different types of ground arrangements for FIT traveler as compared to GIT travelers. Tour manages, travel associates, interpreters, arrangement of guides, processing of travel formalities are some of the issues to be taken care of. Travel agencies and tour operators also conduct FAM tours apart from FITs and GITs as part of feasibility of the itinerary/package tours or as promotional methods in collaboration with destination promoters and other service providers.

## **Promotion and Publicity**

Marketing and publicity of tourism places of interest is an important function of tour operator and travel agent. Tour operator designs tour packages and sells directly to customers or through retail travel agents at various locations. They are primarily intermediaries for marketing tour packages, hotel services, MICE, air services, car rental services, travel insurance etc. Marketing is a key function that a tour operator earmarks budget to spend on advertisements, sales promotions and publicity.

There are various marketing strategies through which tour operator achieves the sales target. They generally take the help of print and tele-media for marketing and publicity of tour packages and individual components. Some of the travel agents give advertisements in local news paper and regional television channels to educate the potential buyers of package tours, cruise tour, safari tour, etc. For example, SOTC, Thomas Cook and Cox & Kings give advertisement in English News Channels like CNNIBN, NDTV and TIMES NOW. Local travel agents prepare small pamphlets displaying features of tour package or discounts in air tickets and send through news paper hawkers or their sales promotion staff.

Publicity is a promotional method that travel agents and tour operators prefer to popularize the products with minimum costs. Participating in road shows, exhibitions, mass plantations, etc helps in the promotion of package tour.

## **Reservation and Cancellation**

Reservation and cancellation are two important functions of travel agents and tour operators. Booking of air and bus tickets, hotel rooms and cruise line is the primary activity of travel agents and tour operators. There are systematic procedures for making reservation of rooms and airline seats. Reservation registration form is filled manually and electronically and gets it sent to hotel or airline for reservation. The procedures for cancellation of reservation of rooms and tickets are followed as per the agreements. In a large travel agency, there must be separate department to manage reservation and cancellation.

The Global Distribution Systems have facilitated the process of reservation of hotel rooms. Hotels provide necessary information pertaining to the type of room, facilities and services, meal plans, room tariff and seasonal offers for customers to search, compare, select and book rooms of their own choice. Online payment through internet banking or debit/ credit cards is also made available.



## **Management of Ground Services**

Both travel agents and tour operators can act as ground operator as a part of diversification of business. Travel agents sell domestic and outbound package tour and conducts sightseeing as a ground operator. It is hardly to see an independent ground operator which exclusively deals with services at destinations. Tour operators also provide the services as ground operator at important port of entry of inbound traffic into the country.

Managing ground services is an important function of tour operator as it involves direct interactions between guests and ground operator. Service conditions included in package tour are realized at the destinations when ground operators. Ground operators provide a variety of ground services like cars, coaches, caravans, entertainment entries, guides, interpreters etc. Tour wholesalers upload the services and send tour voucher to ground operators to arrange the services at destinations. These arrangements are made in advance and ground operator confirms with tour wholesaler about the services.

## **Travel Documentations**

Travel documentations are processed for FIT and GIT package tours. Travel documents include processing of passport, visa and health certificate along with currency endorsements before the commencement of tours. The most important task is to follow the issue of visa from Consulate Offices. It takes time to get the VISA clearance from the embassies. As far as tourist visa is concerned, there is no much hassle to get visa processed when it is pursued by tour operator. Visa is an endorsement on a passport indicating the holder is allowed to enter, leave or stay for a specified time period in a country visited. Health certificates, vaccination, insurance, foreign currency and restricted area permits are also processed much before the commencement of tour. All these formalities are managed by travel agencies and tour operators to help customers or member of GIT and FIT travel comfortably.

## **Preparation of Annual Budget**

Financial management of travel agency and tour operator is an important function. Tentative income and expenditures statement is prepared to ascertain the company's financial position. Budgeting for different activities is prepared taking different business diversification plan into consideration. In case of a multinational company with branches across the countries, each branch submits the annual income and expenditures to the Regional Office and it is finally consolidated and submitted to the Corporate Office for preparation of annual budget. Majority of travel agents and tour operators approve annual

budgets in the apex level meetings. Without proper budgeting and sufficient allocation of funds, it is difficult to find the growth of business in a given financial year.

### **Corporate Social Responsibility**

Ethical and fair-trade, responsible, pro-poor and sustainable tourism aims to provide maximum protection to local ecology and environment. These tourism philosophies teach best practices to travel agent and tour operators to follow and contribute to local destination and community. Tour operators share the revenue for helping educational empowerment or social welfare. The concept of Corporate Social Responsibility (CSR) is explained as a social obligation on the part of a firm or organization towards the welfare of communities. For example, IATO, New Delhi is involved in counter pollution and contamination programmes like Carbon Neutralization and Carbon Trading. This national body is also funding to the NGOs for plantation programmes. Thus, the role of travel firms through CSR stands vital to travel industry.

### **Training and Development**

Travel agency and tour operation deals with intangible and perishable aspects for which the job of qualified and skilled human resource is needed to provide services. In the past, training and development was not given due importance as it was run by members of family. Travel agency was a family business and different attributes were generally inherited from the senior members of family. Many small travel agencies have become large business enterprises with more branches and diversified business. Majority modern travel agencies and tour operators are now visiting for on-campus placement to tourism and travel management institutes. In-house training is conducted for the employees with help of professional trainers or senior executives. Senior managers or executives are also sponsored to participate in Management Development Programme (MDP). Training curriculum highlights on the improvement of soft skills and product knowledge and the MDP imparts on strategic business decisions. For example, IITTM, Gwalior is an autonomous body of Ministry of Tourism, Government of India and it designs different courseware for industry executives from travel and tour operation. It includes ticketing and tour operation, cargo and travel agency management.

### **Maintaining Relationship with Tourism Ministry**

Various operations and activities of travel agents and tour operators are regulated and supported by the National and State Tourism Organizations. As per the guidelines of Tourism Policy, a travel agent or tour operator must be an enlisted and recognized business

firm or enterprise to run the business. The Ministry of Tourism also provides links to recognized travel agents and tour operators in the official websites. At the same time, it encourages them to take part in familiarization tour and exhibitions within the country or abroad.

### **Membership of National and International Travel Organization**

Memberships of different travel and tourism bodies provide much exposure to the members in annual conventions and meetings. Apart from using the logo in letter head, signboard and websites, it helps the members meet foreign and domestic travel agents to initiate new business. Travel Agents and Tour Operators usually become the active members of Indian Association of Tour Operators (IATO), Travel Agents Association of India (TAAI) Universal Federation of Travel Agents Association (UFTAA), Pacific Asia Travel Association (PATA), American Society of Travel Agents Associations (ASTA) World Association of Travel Agencies (WATA for sharing common data and policy suggestions for mutual benefits.

### **Travel Insurance**

Travel insurance is a new business area that constitutes an attractive source of revenue. Customers are much aware of safety of their travel and compensation of package tour. There are attractive insurance schemes introduced by insurance companies to take care of life and package tour insurance. Premiums for these two purposes are added into the cost of package tour or sometimes it is excluded from the cost of package tour. Typical travel insurance may cover insurance for life, accidents, medical treatment, baggage loss, trip cancellation and similar losses.

### **Currency Exchange**

All outbound and inbound tours need authorization from Reserve Bank of India (RBI) to do the transactions of receiving and paying through different foreign currencies like US Dollar, UK Pound, Euro, etc. These foreign exchange dealers are governed as per the Foreign Exchange Management Act (FEMA). A minimum commission is charged to customers as per RBI rules.

### **Operation of MICE**

Event management is today a completely professional business. Organising seminar, conferences, conventions and exhibitions is also being undertaken by travel agencies and tour operators apart from their regular travel services though there are specialised event

management companies for handling such events and programmes. It may be noted that most large travel firms are now offering exclusive Meetings, Incentive travel, Conventions/conferences and Exhibitions (MICE) packages which are handled by their MICE divisions.

### **Disaster Preparedness**

Due to growing uncertainty about natural and manmade disasters such as cyclones, floods, earthquakes, tsunami, landslides, accidents, fires, stampedes, terror strikes and others, disaster preparedness is the most inevitable function of travel agency and tour operations. Safety and security of visitors is prime responsibility of the operators and they should be prepared to handle any such disasters. A team of professional is trained to handle such incidents and avoid any harm to their clients to a great extent. They also coordinate with the local disaster management teams to face any such challenges.

### **Use of Information Technology**

Information technology has become an enabler for the growth of the travel agency and tour operation business. Travel agencies have no choice but to adopt new technologies to maintain quality standard of services. Most of the modern travel agencies are automated to deal with the clients. It enables to optimize productivity with the extensive use of technology. The modern gadgets include telephones, fax, electronic mail, photocopiers and computers as essential communication equipment for travel information. Proper use of communication technology can reduce time and costs. The staff members are selected on the basis of their adequate computer skills. The implementation of the MIS system can identify the problems and hence, it can generate and evaluate the alternative course of actions after collecting the necessary feedback. For example, the e-ticketing is a global phenomenon to earn commissions on ticketing.

### **Summary**

Tour operators and travel agents have been doing several traditional and modern business functions to diversify the business. The objective is to directly and indirectly expand the quantum of business. The major functions of travel agencies and tour operators include travel information, booking tickets, itinerary preparation, designing of tour packages, travel documents, insurance, foreign exchange, franchising, conducting tours, marketing and publicity, research and development, training and development, etc.

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## Lesson 2.2 - Setting up a Travel Agency and Tour Operation

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the business opportunities in travel agency and tour operation
- Be familiar with the operational areas of travel agency and tour operation
- Know the procedures for starting a travel agency and tour operation
- Find various hurdles in establishing this business firm

### Introduction

Starting small or medium or large business firms needs methodical approach. To start a large factory like Steel or Aluminum or Oil Refinery, there requires all managerial approaches to lay a solid foundation of business. This approach is almost same in case of setting up a small or large travel agency firm. It is a business that an entrepreneur should have knowledge, experience, commitment, patience, finance, etc to run and expand the business without having failures. There are all probabilities to face losses that may make a travel agency firm to close the business and there are also more possibilities to make optimum profits from the minimum investment. Possessing one skill may not help someone run travel agency.

Thus, it requires more skills and experiences to run the travel agency business as it deals with more learned and enlightened customers. Travel business now faces competition and making profit in the travel business is not as easy as it was there before one decade ago. The scope of travel agency and tour operation business is very vast when the world is witnessing mushrooming growth of international trade. As a result, the number of business and leisure travelers has been increasing for the last several years. In this dynamic business scenario, a travel agent is required to be smart in dealing with clients; providing them quality services; and taking the business very seriously. Creating a new customer needs more efforts and expenditure than maintaining relationship with the existing customers. In this lesson, you will read about the procedures for arranging funds, indentifying a better locations etc.

## Setting up a Travel Agency and Tour Operation

Travel agency or tour operation business is managed and operated by someone who must be professionally qualified, skilled and experienced. Hundreds of travel agencies have ventured into the business with much expectation and many of them just perish in the due course of time due to several reasons. Thus, starting a travel agency counter does not take much time rather it takes longer time to sustain and grow the business in the competitive travel market. For example, Subash Goyal, the present president of IATO and Managing Director of Stic Travels, took more than 20 years to reach at the stage of consolidation in the travel agency business. It is usually seen in travel trade that steady expansion of different areas of operations widens the scope for more diversifications and consolidation. Hundreds of IATA approved travel agents have closed the business forever due to the zero commission in the sale of airline tickets. However, many of them have switched over to package tours and MICE business to stay on the business as an alternative business model.

Professional institutions offer training programmes to enhance capacity to take the responsibility and authority to start own enterprises. Travel agency is traditionally a family-run business and in most cases, travel agencies were run by housewives. It could be managed with reasonable skills and knowledge. At the same time, majority of travel agents were dealing with one or two components of services such air and train tickets. Those two areas of business used to provide standard rate of commission. Nevertheless, the business of travel agency and tour operation has undergone radical changes with so many diversifications. Today, travel agents are more focused into hotel bookings, sale of package tours and processing of travel documents. Similarly, tour operators do focus much on diversification of package tour business as the trend of travel is changing due to the change in income, traits and lifestyle.

The business starts from the demand of consumers. Consumer is the king and sellers shall have to treat him like God as satisfying consumer is the ultimate objective of any businessman. Gone are the days when producers manufactured products without taking the needs and demands of consumers. In the present market, the behavior of consumers is studied before bringing the products to the market place. When there is a growth of any business at a particular place and time, it explains that more consumers are willing to demand for the products.

The common interest of any travel agents or tour operators is to make profits to manage the fixed and variable costs. Some of them are interested in offering services with premium price to the target customers and others do offer services to budget customers with the target of selling more. An intelligent travel agent is one who makes all possible



efforts to maximize returns at a fast rate by increasing volume of sale or reducing the cost of selling and operating conducted package tours.

It is essentially important to highlight the margin of profit as a main motive of travel agents and tour operators to invest more for expansion as the business gets stability or it is above the break-even point. For example, Thomas Cook is a full-fledged travel agency for more than one-and-a-half century and the success of this travel agent is diversifications and selection of market place for its products. In addition to the growing demand for travel agency services, there are increasing numbers of entrepreneurs interested in setting up and running the travel agency business. With a little amount of initial capital, one can start running a travel agency.

Travel agents and tour operators act as intermediaries in the network of travel and tourism business with the service providers with forward and backward linkages for optimizing the investment and providing business opportunities to the hotels, resorts, airlines, railways, cruise line, restaurants, emporiums, theme parks, theaters, events, etc. As such, the first encounter takes place between travel agents and customers for the purchase of package tours or any other elements of services. Keeping this unique feature of travel business in mind, it is essentially important to find the best possible ways for establishing travel agency or tour operation for growth of business in the future.

Travel agencies or tour operation units are located at the prime places in cities, towns and tourist centers for easy accessibility of customers and vice-versa. This is a typical business that attracts those customers who largely take the travel assistances for making hassle-free travel. This is the reason why travel agents are situated in good localities to meet customers regularly. Interactions cannot be substituted with web technology as customer relationship is established through internet. As a result, online travel agents have forayed into the travel market and have posed challenges to the traditional travel agents.

Locations in prime or posh area in city provide several advantages to many travel agents to maximize the advantage for which fixed and overhead costs along with other costs also increase accordingly. Advantages of locations include easy accessibility and visibility for benefits of customers. More importantly, walk-in customers do find convenient to visit the office premises of travel agents for the purposes of booking, confirmation, reconfirmation and cancellation.

Setting up main or branch offices in good locality provides more opportunity to visit clients for personalized services. Cost for maintaining offices around big government and corporate offices is high. But it gives much advantage to travel agents to establish regular



contacts with clients in day-to-day basis. When travel agents operate offices from a distance place from clients, it becomes cumbersome to visit the clients. When we take the example of location of travel agents, you may find travel agents near the railway stations, airports, bus stand and corporate areas. For instance, one can find several branch offices of Thomas Cook in New Delhi, Bangalore and Chennai. Travel agents must be focused on the areas of business for which location can be decided.

These are the following criterion for starting travel agency or tour operation unit.

### **Selection of Ideal Location**

Selection of suitable location gives added advantage to a travel agent or tour operator to grow in the competitive business environment. It solves maximum problems in opening travel agency or tour operation office. It takes longer time to find an ideal location. Location is finalized after taking the potential area of business into consideration. A travel agency or tour operator operates and manages its business activities more efficiently and productively when it is located in an easily accessible place. The advantages and disadvantages of a particular location are evaluated meticulously. At the same time, location of other travel agents in the same locality is thoroughly studied. Most of the travel agents prefer to open their offices in the busy commercial areas.

Location must be identified near the corporate offices, banks, airlines city offices, bus stands and railway stations. Ideal locations help in multiplying the revenue opportunities of travel agents or tour operators in the future. Formal and informal ways of identifying the sites are usually done to help find locations without having much hassle. Some travel agents generally find the offices through some known sources and some of them manage to find them through advertisements in the local news paper.

### **Selection of Office Premises**

Selection of appropriate site increases the responsibility of finding proper building or office premises. Building should be preferably ground floor and there must be enough parking areas. It is always preferred to find ground floor for the convenience of customers for an easy access to the office. For example, elderly customers or disabled customers can have easy access if there is a ground floor premises. Building must have the required space as prescribed by the IATA or any other recognized organizations.

In order to make the working place comfortable for staff members, it should be well maintained and should preferably be air-conditioned. The building should have

separate toilets for male and females with good sanitary wares. Interior designing must be aesthetically done to provide better working environment for the employees. Customers or clients can have better impression on the working environment.

The colour of paints or floor tiles must be soothing to the eye and it must be properly maintainable. Travel agency should display the signboard with description of address. The building should have located at a landmark place or the building itself is a landmark place in the city in order to attract walk-in customers or other clients.

### **Selection of Furniture**

Selecting proper and latest furniture enhances the beauty of office premises. There must be enough market survey to select proper furniture. It is better to select chairs, tables, sofa, center table, visitor chair, etc as per the availability of space. Comfortable cushioned sofas, movable rotating chairs and cupboards must be selected to place in the office.

### **Technological Gadgets**

Technology can bring in efficiency in work culture. Working environment can be changed with the adoption and use of latest gadgets. With the help of gadgets, travel information & dissemination, booking, controlling the operation, fund transfer, etc is done with the help of mobile phones. Modern gadgets have made the job easy and have made the delivery of services more accurate. Whether it is CRS and GDS, there must be software and hardware to run the day-to-day operations of business. It not only enhances productivity, but also it gives message of efficiency to the customers. Its depreciation or sunk cost is very high.

### **Paid-Up Capital**

Investment for opening a new travel agency office can be arranged from the commercial banks in subsidized rate of interest. Paid-up capital in the initial stage of running the business can be arranged from its own source or commercial banks. A feasibility report with sufficient evidences of repaying the installment of loans along with areas of travel agency business and expansion place must be prepared to satisfy the conditions stipulated by banks.

Travel agents or tour operators submit a detailed report justifying the scope of growing the business. It is better to borrow loan to start travel agency business as government offers many schemes to avail for maximizing the business returns than investing own capital in

the business. The accountability shall be more to survive in the business. Usually, the bank offices evaluate the feasibility report and visit the office premises of travel agency. On the basis of the report, travel agent is granted loan to run the business.

In the present days, running a travel agency with the support of banks or government has become so easy that many travel agents do participate in the promotion of tourism in overseas on the cost of government. Many family-owned travel agencies are not able to expand the business as they have the fear of running the business with the help of banks. There are two genuine reasons. First, it is a seasonal business and second, the business faces serious risks due to the socio-political risk factors.

### **Opening Current Account**

For the day-to-day operation of transactions, current account should be opened with the commercial banks preferably located near the office. Current account should be transacted with the bank that lends money to open travel agency office. The advantage of maintaining current account is that there can be unlimited withdrawals in multiple times in a single day.

It is however suggested that minimum balance depending on the financial capacity should be maintained with banks. It may help in meeting certain emergency expenditures. Informal arrangements should be made with the bank in such a manner that bank must extend cooperation in clearing cheque for the periodic payment to airlines, hotels and cruise lines. Most of the travel agents make formal request to bank to make clearance of cheque if there is no sufficient balance in the account.,

### **Hiring and Retaining Qualified & Trained Staff**

Travel agency is a service oriented business and its primary job is to retail the services of primary producers of tourism business. Retailing is nothing but selling the products to customers directly. It certainly requires experienced staff with proper training and qualifications to increase the sale of elements of individual or inclusive services before the target time. For example, sale of a group tour to Thailand has to complete within the first month of the opening of bookings. Thus, a team of executives get busy in pushing the sale with lots of sales promotion schemes as per the instructions of the wholesale travel agents or tour operators.

Thus, the job is not as simple as it is perceived to be. Travel agents should recruit the requisite number of staff given the volume of business. Overstaff may increase overhead

expenditures and under staff may affect the operation of business. Travel agents should have staff with the right qualifications and training as it is essential for obtaining approval and recognitions from various agencies. Emphasis must be laid on selecting staff to carry out the duties and responsibilities diligently with dexterity.

Thus, travel agents prefer to visit different campuses of tourism institutions to conduct interview instead of hiring through open advertisement due to lack of limited manpower supply. As the attrition rate is relatively high in travel agency business, travel agents should be careful of selecting candidate with much emphasis on commitment and interest in serving the organizations. This can be ascertained from the personal interview.

### **Customized Transport**

Travel agents and tour operators own customized car, mini and large coach to manage the operation of individual and group tours. In case of the requirement of additional transport, recognized transport operators provide the services as per the booking from tour operators. As such, a tour operator can become a ground transport operator when it handles the tours at the main cities and travel agent when it retails the products of principal suppliers in tourism. Acquisition of own fleet of transport is required only when the volume of tours is more. For example, Southern Travels has opened branch offices in many big cities in India to operate tours with their own transports.

More importantly, car or coaches should be customized to ensure more comforts and amenities. For example, microphone, collar mike, speaker, refrigerator, etc are added in luxury coach. It reduces cost on the services and increases the margin of surplus for owning the transport. Majority of tour operators hire transport services from authorized transport operators and transport operators themselves act as ground operators at many cities and tourist destinations.

### **Recognition from Airlines**

Airlines do authorize travel agents to retail the tickets directly to customers. Travel agents submit the necessary documents for obtaining accreditation and airlines appoint the agents for booking the tickets. Apart from securing authorization from individual airlines, travel agents also get accreditation from IATA with the fulfillment of certain mandatory procedures to deal with the issue of international airline tickets. Accreditation from airlines can enable the travel agencies to enhance sales of services. Customers prefer to get their tickets booked through the accredited agents than the sub agents.

### **Obtaining Franchise from Cruise Line and Multinational Travel Agency**

Many travel agents take franchise from cruise liners or large travel agencies to retail the package tours directly to customers at smaller cities. Travel agents shall have to go for agreements with the principal agents or cruise liners to sell the various elements of services. Commission or incentives are decided at the time of signing agreement. For example, Thomas Cook, Cox and Kings and SOTC get the package tours promoted through their franchise agents at various Tier-III cities in India. It gives very attractive volume of commissions to franchise agents. Travel agents should keep the option open to go for franchise or General Sales Agent (GSA).

### **Membership of Local, National and International Associations**

Travel agents and tour operators handle complex businesses that involve customers and suppliers at two different ends. Many government policy decisions generally affect the interests and operation of business for which travel intermediaries face unwanted problems. More importantly, tour operators do face the problems of change in rules and regulations of government on the operation of organized tours. Whether it may be visa formality or foreign currency or service tax, inter-state permit tax, travel agents and tour operators represent the issues to the respective authorities for favourable solutions under a banner of an association. For example, IATO, TAAI and UFTAA work for the interests of travel agents and tour operators.

### **Parking Area**

Parking space must be available near the office for vehicles. While selecting the location of travel agency or tour operation, it is essential to have the parking area as it is a precondition for obtaining recognition from the Ministry of Tourism as transport operator or tour operator.

If the office is located in a very busy commercial center, parking space may be earmarked away from the office areas. The parking space is required for vehicles to keep them at safe places. Therefore, travel agents or tour operators or ground operators generally go for leasing out parking space of local municipality.

### **Managing Capital and Cost**

A travel agent assesses the strengths and weaknesses of the business in the competitive environment as it involves costs for producing and delivering services. Opening a small

travel agency office does not need much paid-up capital. It may need for more investment as the business gets diversified. In the formative period, a travel agency faces much hardship to run the business while the bearing of operational costs.

It becomes so much liability on the travel agents that many travel agents shut down the office and move to some other business. An experienced travel agent shall not leave the business with a small jerk of business volatility or rising operating costs. It needs practical experience and foresight to run and expand the business as competitors shall not be friendly to other travel agents rather they create obstacles to them.

Investment of fixed capital is required to run the business. It includes office building, interior, technological gadgets, electricity, water, telephone, employees, purchase of cars and coaches, deposit of security amounts with IATA, airlines and principal travel agency for franchise and security deposits for RBI accreditation.

The variable cost comprises the payment for booking rooms and for obtaining ticket stocks, payment to the guides, balance cash in the current account, maintenance of transport, and office rooms.

Promotional costs include preparation of brochures, pamphlets, websites, advertisement in television, newspaper, magazines, attending meetings and conferences, travel fairs, conducting familiarization trips, entertaining potential clients, providing gifts and compensation.

### **Cost on Obtaining IATA Recognition**

The volume of investment increases with diversification of business and travel agents have no option, but to manage the business with the help of floating transactions. It is a dream of every travel agency to be an IATA recognized agent to sell the international airline tickets. In the current time, the business of airline tickets is no longer alluring for travel agents whereby many of them do not even give their minds and energy towards the sale of airline tickets due to the paltry commission.

Further, a bank guarantee of Rs. 20 lakh is mandatory to be deposited to become eligible to apply for IATA recognition. An Agent may submit a fixed deposit or any fixed asset, land, gold, silver or diamond, etc to secure guarantee for the worth of Rs. 25 lakh from the banks. The amount of fixed deposit may vary depending on the number of tickets that an agent requisitions in a fortnight.



On the contrary, it is obligatory to deposit 25 per cent of the total bank guarantee in cash in order to take the stock of tickets. While applying for IATA recognition, an agent spends heavily on refurbishing the office premises as per the guidelines of IATA. IATA approval procedures increase the fixed as well as variable cost of travel agents. Thus, a professional travel agent having desire to get IATA approval must be prepared to spend on the bank guarantee and ambience of office premises.

### **Cost on Acquiring Latest Technological Gadgets and Transports**

The change of technology throws many challenges to travel agents. It involves heavy expenditures on replacing the updated computer, laptop, mobile handset, xerox copier machines, scanners etc with the outmoded technological gadgets. It is a part of sunk costs and depreciation costs.

Travel agents do not have any choice, but to spend on acquiring latest computer systems, mobile, laptop, colour printers, camera etc before customers use them. At the same time, replacement of old vehicles after a fixed period of use must be phased out or may be sold before it gets outmoded. In the recent years, frequent changes of luxury cars and coaches have increased the cost of buying latest cars to cater some high-end clients. Interior designs of vehicles are also changed from time to time. In the short run, travel agents find it difficult to manage these costs in the short run, but it becomes less burdensome in the long run.

### **Travel Agency Organization Structure**

A large travel agency or tour operation unit functions through the hierarchical organization structure for better co-ordination across the departments. In case of the formal structure, responsibility is delegated along with authority to each department to take decisions at their own level and share it with each member. A formal structure produces better output, gives better clarity of decisions and avoids ambiguity. If there is no such structured organization, there will be no accountability of department to the higher authority. Travel trade has evolved through different periods and it was a small business outfit in the 19<sup>th</sup> century and it has been a huge business since the economy was liberalized worldwide in the last quarter of 20<sup>th</sup> century. There is no choice to run the travel business without professional culture and well-knit and feasible organizational structure.

The functioning of many large travel agencies has defined organizational structures for sustainable integration between the departments and effective communication. Many travel agencies have restructured to win over other competitors in managing the customers



and operations. A large travel agency accomplishes the policy, planning and budgets, joint negotiations with suppliers, preparation of information system, reports, innovative and cost effective solutions, consistent quality standards, payment options and management of travel budget through the establishment of a robust formal organizational structure. In the competitive business scenario, qualified and trained manpower with delegations of authority is being incorporated in the company policy and culture.

For instance, TCI has restructured its organizational chart in order to redefine accountability after it got merged into Thomas Cook. This can only be possible when it adopts all modern management practices.

The recognized travel agencies and tour operators in India go by the guidelines of the government for effective management of business as this typical business involves lots of accountability to the customers being a service sector. Thus, it requires a very broad framework of organization structure to function and get consolidation in a short period of time. The executives of a large travel agency like Cox and Kings are empowered to delegate work to the respective heads of departments.

A well-drawn organization structure enables functional and operational areas of the travel agency and tour operation business for improvement of quality services and accountability. For example, as many as 3200 employees are working in various offices at Kuoni India. The organization structure of the Kuoni Travel Group includes shareholders the board of directors and the managing director along with general managers, finance controllers and chief executives in the organizational hierarchy.

### **Delegation of Authority through Hierarchical**

The organization structure usually consists of the CEO and MD as the top administrative and operating head of the company followed by the Chief Operating Officers (COOs) the Chief Financial Officer (CFO), the Chief Human Resource and Chief Information Officer (CIO). The COOs would handle the outbound, destination management, business travel, and visa services. The chief-HR manages the recruitment, selection, performance appraisal, training and development and promotion. Executives in various capacities across departments report directly and indirectly to the branch head.

### **Summary**

Investing on travel business may be risk if it is not taken into considerations of the nature of function of business. The travel agency and tour operation business have become

a key contributor to the tourism revenue. Thus, a travel agent or tour operator must possess knowledge, experience, commitment, patience, finance, etc to run and expand the business with a mindset to face challenges. Travel business now faces competition. Making profit in the travel business is not so easy today. A travel agent or tour operator is required to be smart in dealing with clients; providing them quality services; and taking the business very seriously. All those points starting from selection of location to the establishment of organizational hierarchy must be looked into before investing in travel business.

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## Lesson 2.3- Sources of Income in Travel Agency and Tour Operation Business

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### Learning Objectives

*After reading this lesson, you should be able to*

- Be familiar with operational areas of travel agency and tour operation
- Know the focus to be emphasized to generate more revenue
- Find various ways to earn profit for running the travel firm
- Evolve a sustainable mechanism to reach at the break-even point
- Develop a revenue model to generate more profits

### Introduction

Earning profit from investment in a business firm is generally expected after the sale of the products or delivery of services. Aiming at profit along with the focus on customer satisfaction is the ultimate objective of each travel agency firm. Small or big investment has to have maximum returns. Each business firm attempts to make more profit from minimum investment in a short period of time. Travel agency or tour operation business is a type of business that deals with service for those who come under the high income bracket.

This business is also not free from uncertainty and risks like fluctuations of demand due to several uncontrollable factors. Once upon a time, travel agency was a family business and it was managed by the females in the family. It has now become a very lucrative business and multinational companies are now investing on acquiring the travel agencies. Thus, each travel firm strives hard to find a sustainable business model to earn revenue with minimum risks. It does not happen in all cases as the service quality and goodwill determines the volume of revenue that a travel agency can earn annually.

It is basically a seasonal business and the flow of revenue gets disturbed in the off season. Travel agencies, therefore, do not concentrate more on core business like ticketing and car rental for local clients and customers. It is, however, noticed that travel agents or tour operators try to be specialized in one or two areas of business. Some travel agents promote cruise packages and some other promotes pilgrimage packages. It is better to find a revenue

model from a business that is sustainable. In this lesson, you will find the descriptions on sources of revenue of travel agents and tour operators.

### **Sources of Revenue**

Any business firm aims to maximize profits by increasing the sale products or services. The primary aim is to reach at Break-Even Point in a short period of time from the investment. It is a stage in every business that the total cost of producing the products or services must be equal to the total revenue.

There are gross and net profits. Gross profits are calculated by taking the total sale into consideration, whereas net profits are calculated by deducting the cost of production. It includes the entire process of production starting from hiring building on rent for travel agency or tour operation office to the payment of monthly salary to the employees. The amounts of gross and net profits compared to investment must be substantial high.

A travel agency is a business firm to generate revenue through various sources of revenue as it is diversified in case of modern travel agents. All those profits are derived from the sources of commissions as travel agents or tour operators run the business for obtaining commission. Tour operators work for markup besides commission from various primary service providers. The amount of commission is determined by the kind of network that a travel intermediary establishes during the course of running business.

A travel agent tries to find various traditional source of earning revenue along with the emerging ways of maximizing revenue through commissions. It is however certain that business expansion plan of a travel agent are determined by the amount of net profits that can be maximized in a particular period. However, various traditional sources of income are still considered as core business strength. Commissions of travel agents and tour operators largely comprise sale of air, train, bus and ferry tickets, car rentals, sale of package tours, booking of hotels, insurance and foreign exchange.

The niche areas include meetings, incentives, travels, conferences, exhibitions and expositions, educational tours, event management and thematic tours. These are all one or other forms of organized inclusive package tours for group and individual travelers. Moreover, the emerging sources of business include group inclusive tours (GIT) and independent package tours for FIT.

The air ticketing business about 20 years ago in India may be compared with the package tour business today. Commissions from the sale of domestic and outbound package

tours constitute the main source of income of travel agents. An increasing number of travel agents focus on taking franchise or GSA for dealing with packaging services for revenue maximization.

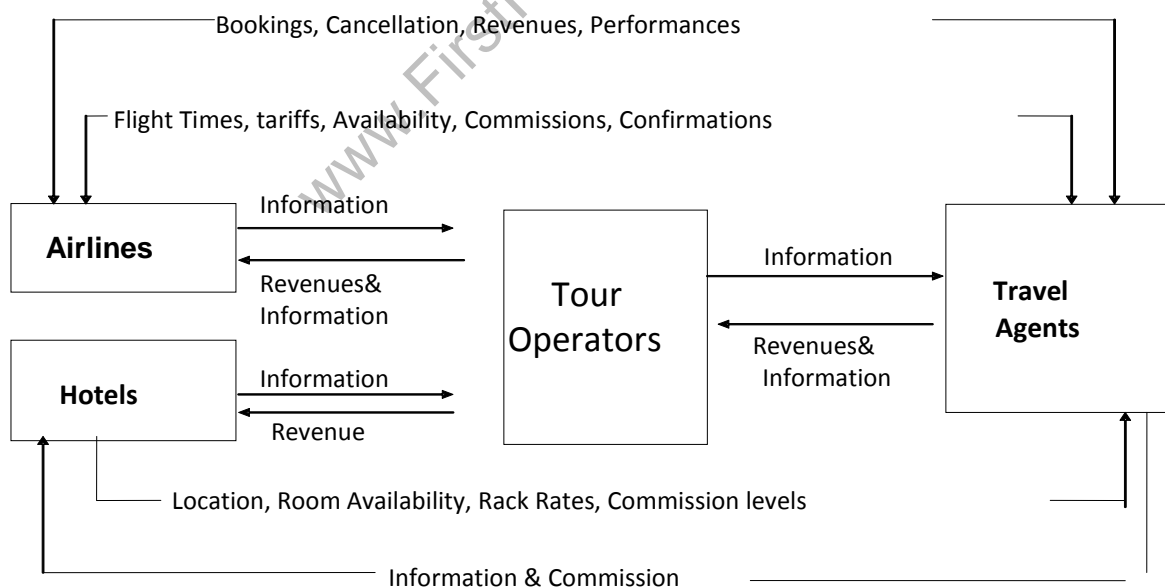
In the present travel agency business environment, negotiation with airlines or hotels for the sale of airline seats and rooms in bulk has created a new type of agent i.e. consolidators.

These large consolidators are retailing individual element or group services with a mark-up that helps the travel agents to increase the average sale and profits. Lower revenue during the lean period can be balanced with the huge sale during peak period.

The emerging sources of revenue are generated from MICE activities, travel counseling, online booking and consultancy services to corporate houses. In the cut-throat competition, specialized services are given much care so as to keep maintaining the level of profit even during the off-season.

The amount of profit is a direct function of a travel agent's capacity to make negotiations with the primary service providers for special rates or commissions for the bulk sale. Figure illustrates about linkage of profit sharing through various transactions between travel agents and tour operators and primary service providers.

#### Linkage of profit sharing between tour operators and primary service providers



There are varied sources of revenue of a travel agent and tour operator to maximize given the capacity of resources. These are the following conventional as well as emerging sources of revenue earnings in the travel agency and tour operation business.

Travel agents and tour operators cannot do away with the ticketing business even though airlines have curtailed the rate of commission. Some airlines have even abandoned the traditional commission and reintroduced the flat commission on the total sale of tickets. It is however proved that online travel agents cannot overpower the so called street corner travel agents due the nature of travel and tour business. All online travel agents have authorized travel agents to maximize the sale of tickets.

It is technically called B2B or business to business. Whether it is domestic or international airline tickets or cruise line tickets or train tickets or bus tickets, the role of travel agents or tour operators in increasing the sale of these tickets cannot be ignored given the reason of rising B2C business through internet. Out of all, cruise lines sell the individual service like berth plus breakfast or full inclusive services through travel agents and tour operators. For example, fly-drive package is promoted by travel agents and maximum sale is achieved with the help of travel agents. Cruise lines offer commissions on the sale of package and transfer of commission is settled monthly or quarterly.

At the same time, airlines deal with IATA accredited travel agents for sale of tickets with the provision of capping the commission between one and three per cent commission. For the sale of train and bus tickets, travel agents charge service or transaction charge to customers for reservation and cancellation of tickets. On the other hand, tour operators go for bulk sale of hotel rooms, airline seats and cruise line berths for which heavy discounts or special rates are provided by the primary service providers.

### **Commission from the Sale of Package Tour**

Selling package tour has become an appealing business option for travel agents. There is a growing demand for organized domestic, inbound and outbound package tours from branded travel companies. Travel agents sell package tours directly to customers on the price printed on tour brochures. Tour operators or wholesalers appoint retail travel agents to sell package tours on the basis of various terms and conditions.

For sale of package tours, tour operators offer 10 per cent commission on the total sale of package tours along with incentives for making target sale. For example, Thomas Cook and Raj Travels reach out customers at various small towns and cities through their authorized travel agents.

### **Commission from Hotel Room Reservation**

Travel agents generally find the sale of hotel rooms for certain duration very lucrative and attractive as compared to other sources of income. Even though online bookings are made available directly for customers, all categories of accommodation operators also consider the sale of rooms through retail travel agents very convenient and feasible. Hotels offer 10 per cent to 20 per cent commission for the sale of room along with special offers to tour operators for the bulk sale of rooms and free rooms to group leaders or executives of travel agents.

### **Commission for Booking of Transport**

Earning commission for reservation of ground transport is a traditional source that each travel agent heavily depends while booking different types of transports for their own clients. There are transport operators having hundreds of vehicles for running on hiring purpose. Tour operators hire from them for city sightseeing and excursion purposes. Transport operators offer 10 per cent commission on the total transaction of booking of transport service.

### **Profits from Organizing MICE Activities**

Travel agents also organize MICE activities for business houses and companies. Specialized event management companies deal with trade fair, exhibitions, conference, conventions, congress, political rally, yoga camp and meetings of different scale and size. The wholesalers of these activities promote directly and through retail travel agents.

Event management or destination management companies offer commission to travel agents. For example, Creative Travel, New Delhi is a wholesale agent or a tour operator known for its MICE business. For example, The HRG SITA generates revenues from sale of air tickets, sightseeing tours, hotel bookings, conference hall bookings, exhibition bookings, ground transport, and outbound tours.

India is one of the profitable wings of the Kuoni Group of Travel in India. It has been working in partnership with the Hogg Robinson Group (HRG) since 2007. The group is a 160-year old company with a global network across 89 countries known for its high quality in delivering corporate services for multinational corporate houses and business conglomerates. HRG SITA India handles about 500 multinational and Indian corporations.



The portfolio of services includes corporate travel management, sports, consulting, expense management and events and meetings management. Its corporate travel division provides outbound, destination management, business travel and visa services. The company with its 15,000 employees has a total turnover of approximately \$12 billion.

### **Commission from Transaction of Foreign Exchange**

Many travel agents and tour operators obtain authorization from Reserve Bank of India (RBI) for selling and buying of foreign currency. At the same time, inbound tour operators get authorization for receiving the payments in foreign currency for sale of package tours foreign nationals whereas outbound tour operators make the payments in foreign currency to hotels and ground transport operators.

Thus, travel agents do the retailing of foreign currency directly to customers who plan to travel abroad. Travel agencies also earn commission from the wholesale foreign exchange dealer for the transactions of foreign currencies. Most of the foreign exchange dealers deal with US dollar, Great Britain Pound, Singapore Dollar, Australian Dollar, Euro, Yen and Franc. Out of all the currencies, US dollar, Pound and Euro are largely transacted for sale of inbound package tours in India.

### **Commission from Insurance**

Insuring package tours is a part of general insurance. Tour operators take the insurance services from insurance companies for package tour and suggest the clients to go for insurance policy covering medical aid on emergency. There are merits of taking insurance policy while travelling on tour. Insurance companies offer commission on the insurance policy.

### **Revenue from Bank Interests**

This is an implicit ways of earning income. This source of income of travel agents and tour operators must not be ignored as travel agents and tour operators receive advance payments for booking hotel rooms, airline seats and berth in cruise lines, airline and train tickets, hiring coach or light vehicles. The payments to all these agencies are made in a gap between 15 days and three months. Travel agents and tour operators get time to rotate the money or go for term deposits for which he can get interest or make the down payments for borrowing loans from banks.

## **Credit and Debit Card**

Travel agents take the payments through credit cards or debits as an importance source of income as they get the commission from banks. Many customers find convenience to make payments through credit cards when it is acceptable to both. The concept of travel now and pay latter has gained more acceptances.

## **Financial Benefits of Travel Agency and Tour Operator**

Given the nature of growth of travel agency sector, MakemyTrip.com has brought out a very big sensational development in India with the launch of online travel portal from the USA market to Indian market. It is a noticeable development in travel industry with the rising numbers of users of internet for booking, cancellation, confirmation and information for hotel rooms, airline seats, bus tickets, package tours, train tickets, ferry tickets, theater tickets, etc. It is user friendly, economical and accessible for all. This has resulted in increased access to websites of online travel intermediaries and service providers for information, reservation and cancellation.

There is a concept namely “compensation mix”. It comprises commissions, overrides, bonuses and other incentives like free air tickets, hotel rooms and family package. Effective management of travel agency products needs the promotion and marketing strategies to increase more sales and ensure customer satisfaction. Thus, travel agencies and tour operating companies are largely benefited from the expansion of online travel markets and a shift of faith in online transactions of intangible services.

Travel agencies in terms of maximizing profits take the help of internet to create several possible combinations of services for all segmented customers. For example, SOTC has the toll-free number for helping information seekers to collect information from auto-generated voices for making reservations. It is the ways through creating loyal customers and save the cost. It is certainly evident from the trend that a supplier in tourism business cannot dominate the target buyers without the toll free number.

The cost for maintaining the toll-free number is far better than the cost of advertisements. At the same time, travel agents provide brochures of package tour detailing about the name of airline and hotel along with one-to-one assistance for helping customers figure out the destinations. Travel agencies take all possible measures to reduce the costs of operation of tour. One such example is travel insurance with which travel agents protect them from losses.

## Travel Agency Business Returns

As far as the sources of profitability are concerned, travel agents usually make it through more sales of services. There can be two ways of increasing the margin of profits. One way is to increase the sale of each unit of service with minimum profit margins and other alternative way is to provide unique services with premium price. It is however clear from the practices of travel agency business that the sources of profit for a global conglomerate or a small travel agent with limited service do have not much variation.

Apart from the IATA commission, travel agents earn commissions on other value-added services such as the sale of foreign exchange, packaged tours, and hotel bookings. However, such global conglomerates have low operating margins due to the high overhead costs on salaries, administration and communications. These are the following sources of commission that travel agencies receive from the transaction of business. Sources and appropriate percentage commission is presented in Table.

### Sources of Commission

Sl.No.	Sources of Generating Commission	Commission
1	Sale of Domestic Airlines Tickets	1%
2	Sale of International Airlines Tickets	1-3%
3	Renting Luxury Coach	10%
4	Booking and Cancellation of Rail Tickets	₹ 50-₹ 100
5	Sale of Ferry Tickets	10%
6	Sale of Cruise Line Package Tours	10-20 %
7	Bookings Hotel Rooms and Venue for MICE	10-20%
8	Renting Cars	5-10%
9	Sale of Inbound and Outbound Package Tours	10-20%
10	Sale of Amusement Park Tickets	5 %
11	Travel Insurance	2%
12	Transaction of Foreign Currency	2%

Apart from these conventional sources of commission, travel agencies also make good amount of income from the deposits of advance from the saving bank and fixed deposits.

## Threats in the Travel Agency Business

The distribution cost of airlines moves around 15 per cent to 19 per cent. Traditional airlines have adopted the reduction of distribution costs. Airlines have negotiated with the GDS providers to reduce booking fees and decide the travel agency commissions from IATA.

Airlines have almost closed the city booking offices or have moved to cheaper locations. Airlines are increasing the FFP (frequent flyers' programmes) and share the web site commonly with e-ticketing to reach customers directly. The airlines resorted to zero per cent commission in order to cope with rising fuel prices, competition, and other costs.

IATA accredited agents have faced a major setback of loss of revenue due to the practice of zero commission IATA agents have resorted to the business process outsourcing (BPO) and other consultancy business. Another challenge is the huge initial investment for running an IATA accredited agency. It should be to the tune of 20 lakh, and the agency has to retain qualified and trained personnel to deal with the fare construction and issue of tickets. A large number of employees are shifting from more than 2000 IATA-accredited agencies to BPOs. The sector will risk losing 50,000 crore.

The following risks need to be looked into in the travel agency business.

- Expensive car rentals
- Online booking
- Breakdown of rental duration
- Commission cuts for travel agents
- Service tax on foreign exchange payments
- Staff poaching

The travel agency has certain other risks while running the business. Besides the internal risk factors like airlines commissions cut and online air ticketing, there are other risk factors like seasonality concern, political instability, health and security, vehicle parking concern, lack of sophisticated ground transportation, condition of roads, cancellation and delay of flight operations, lack of facilities and amenities at the airports, railway stations, and destinations, environmental pollution, rising inflation, strike and demonstration, rising fuel price, lack of community support, natural calamity, and compensation are the major socio-political risk factors.

## Summary

The small travel agencies have a much lower cost base. They share the commission with the clients. Travel agencies focus on areas like ticketing (air, train, and cruise), domestic hotel bookings, coach reservations, car rentals, package tours, conferences, meeting arrangements, and trade fairs for earning revenue. In the present time, the maximum revenue of travel agencies is generated from car rentals and package tour commissions. Many travel agencies in the small cities have focused on the outbound and domestic package tour business for higher commissions. Tour operator acts as wholesalers and they do not generally work on the commission rather they work on bulk discounts or lower sale of all principal services. For example, tour operators buy the hotel rooms in bulk in a peak season or sign contract with hotels for the sale of rooms for which provision for special rates along with discounts are decided across the table.

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## Lesson 2.4-Diversification of Travel Agency and Tour Operation Business

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the need for diversification of business
- Find different areas of diversification for earning more revenue
- Explain the strategies to manage and maintain diversification
- Know the benefits of diversifications

### Introduction

The traditional travel agents and tour operators are no longer limited to the periphery of business with the ticketing, hotel bookings, package retailing, etc. They have switched over to the new upcoming business areas like insurance, corporate travel, foreign exchange, cargo and MICE. Airlines have stopped paying fixed commissions to the travel agents for the sale of tickets. Revenue from the sale of airline tickets constituted major chunk of revenue of travel agents and it has become a non-entity in the revenue of travel agency. Hundreds of IATA-accredited travel agents were forced to shut down the ticketing business and majority of them have moved to some other business. This lesson will help you give clear understandings on how the modern travel agents and tour operators have ventured into the diversified businesses.

### Need for Diversifications

Travel agency is an organized sector in the tourism business worldwide. Travel has become easier and more enjoyable with the innovative methods of providing personalized services to the customers. The role of modern travel agency and tour operation units has also become increasingly important for business and leisure tourists when the expansion of international trade and commerce is extremely rapid. The travel agent is a trade intermediary in the tourism distribution channel to sell the products of principal service providers.

Travel can be leisure, holiday, pleasure, recreation, relaxation, and business. All those need systematic planning and scheduling through tour operators. In doing so, travel

agencies connect the customers with the hotels, motels, airlines, transporters, cruise liners, and caterers. Many individual wealth tourists do not make their own travel arrangements and they take the help of professional travel agents. People can directly collect data about destinations, facilities, services, price, schedule of services, mode of payment, compensation, etc with the advancements in communication and information technology.

Many travel obstacles have been removed. It is longer an unsafe, burdensome and unconfirmed travel. Customers generally book services over the telephone or Internet for which online money transfer is done to confirm the bookings of airline seats, train berths and hotel rooms. This is a convenient method of organizing the vacation trip through travel agents or tour operators. Travel agency business has solved many travel related problems. It is now the easiest way of making travel arrangements and making the journey, tour and stays enjoyable and memorable. In this context, the dependence would be obviously more when the travel agents provide complete travel solutions to the customers. It is important to branch out the business for profit maximization.

### **Significance of Diversifications**

A travel agency is a retail business entity to sell travel related products and services to customers. It acts as an intermediary to deliver services of the principal suppliers. Most travel agencies open independent department for making the corporate travel arrangements. For example the general sales agents (GSA) also diversify the business with the wholesale authorization of airlines, cruise line or hotels. The most significant area of business is the package holiday, car rental, hotel bookings, travel insurance, foreign exchange and MICE. The main objective of diversification is to increase the volume of business and immunity. For example, Air India sells the tickets through its travel distribution chain.

It is the Global Distribution System (GDS) that helps in booking the complex air tickets. The most popular GDS are Amadeus, Galileo, Abacus, Sabre, and world Span. The GDS works on the VPN (virtual private network) and connects the computers of passenger sales agents with the reservation systems of different airlines. The payment through the billing settlement plan of IATA is also done through online. Travel agents and the GDS have shared a symbiotic relationship for the past two decades. The travel agency and tour operators establish linkage between tourists and the tour wholesalers, hotels, and airlines.

### **Special Incentive Travel Division**

In the era of globalization, many companies promote the incentive travel as an important source to attract and retain employees through exotic holiday trips. Travel



incentive programme includes the development of intra-company communications, sales promotion campaigns and establishment of quotas. Compensation on the sale of travel services such as transportation and hotel for a full-service company is usually received in the form of professional fees, expenses, and normal commissions. For example, a small incentive and meeting planner concentrates on the sale of some important elements of a package tour.

The modern travel agents have entered into the incentive travel business. It is as old as the concept of paid holidays during the industrial revolution in 18<sup>th</sup> and 19<sup>th</sup> century. Incentive travel is a popular concept in the corporate sector. Travel agents and tour operators now diversify the business towards the incentive travel of corporate employees.

The corporate houses sponsor the travel as motivational incentives for their employees for which the authorized tour operators are appointed to deal with the arrangements of all inclusive packages. Incentivized packages are offered by professional travel companies to assist sponsored companies with designing, promoting and executing programmes. Travel wholesalers sell the customized or ready-made group package tours to corporate houses like TATA, Vedanta and NALCO. In some cases, the wholesalers sell tour packages directly to companies as retailers when they have branch offices in the city in which companies are located.

## **Travel Insurance**

Travel insurance covers against unexpected events during the tour. It may occur as many things do not have in the control of human beings. Problems during the tour can be as small as a biting an insect to as big as facing fatal accidents. Travel insurance can help in overcoming all these problems. It may catch an infection or a delay in flight, a hijack or an emergency medical assistance required. These hassles disrupt travel plan and put an individual in a critical condition.

Travel insurance covers for a limited number of days and up to a limited sum. Traveller can align both these with the duration of travel and the costs of valuables carrying. The duration can also be extended during the trip. Most of the insurers have a hospital network associated with them through which they provide cashless hospitalization.

Travel insurance is insurance that is intended to cover medical expenses, financial default of travel suppliers, and other losses incurred while traveling, either within one's own country, or internationally. Temporary travel insurance can usually be arranged at the time of the booking of a trip to cover exactly the duration of that trip, or a multi-trip policy can

cover an unlimited number of trips within a set time frame. Coverage varies, and can be purchased to include higher risk items such as Winter sports.

Travel insurance protects tourists against personal and baggage loss. Insurance is the subject matter of solicitation and travel related insurance products are high on service excellence with world-wide coverage and are a great value for money. There are different types of insurance schemes. For example, the TCI has an understanding with TATA AIG to take care of insurance of clients during package tours. Travel care is a policy to provide protection to individual tourists and this scheme is meant for classic, executive, and premium package tours. The following are facilities covered under the insurance schemes:

- No medical tests are required
- Settlement of claim within seven days after completion of the claims procedure
- Issuance of policy within minutes
- Covers persons in the age group of six months to 70 years
- Covers trip duration from 1 to 90 days
- Medical emergency assistance
- Direct settlement of in-hospital medical expenses abroad
- Arrangement of hospital admissions
- Arrangement for emergency medical evacuation and repatriation
- Emergency travel services
- Embassy referral services
- Claims procedures information services.

## **MICE**

The International MICE

MICE market in India is growing. More people are travelling to India for business since the opening of Indian economy in 1991. Even the India Tourism offices overseas put a greater emphasis now on to promote MICE segment over leisure as this ensures volume and increased revenue. It is estimated that 25% of the overall tourist arrivals in India could be from MICE segment.

The Government has provided some assistance to the MICE industry through financial help in preparing bids for international events. Some State Governments are also helping to set up convention centres near the large metro cities. Industry players are coming

together to collectively work for promoting India as a preferred MICE destination for the discerning international traveller.

The changing economic scenario however, with India and China as the two leading global economies, has highlighted India for the commercial and business potential it offers. Traditionally, Europe and North America were the conference destinations. In the last 2-3 decades have seen the emergence of Asia as a preferred venue, and there is an upward surge in India's MICE industry.

India now ranks 22nd in the world and 5th in Asia, in terms of revenue generated by the MICE industry. There are many cities across India that offer conference venues – New Delhi, Hyderabad, Mumbai, Pune, Jaipur, Bengaluru, Chennai, Agra, Kolkata, Goa.

Many of these cities have new convention centres or hotels that can comfortably host medium to large conferences- notable are the Birla CTC-Chennai, BIEC-Bangalore, BEC Mumbai, the HITECH Hyderabad, and Lavasa- Pune. Other cities like Delhi, Goa, and Kochi have venues which are hotels that have excellent facilities for hosting conferences, including halls, conference rooms, hotel rooms, exhibition area, on-site catering and audio/visual facilities.

There is no hard and fast rule to follow how to attract MICE clients. The essential is to form a proper team with Airlines, Hotels, Transport People, Cultural organizations, boutiques and reach to the target markets MNC's who have MICE business clients and showcase the products and travel agency are already in contact with all of them.

Direct marketing pays more result than just advertisements. Mice promoters generally target banks, automobiles & aviation industry, consumer durables construction organization, Rail bodies, pharmaceuticals, departmental store chains, and I.T companies- They have year round MICE business to offer. Reach with competitive packages for business travellers & reach major cities is the success norm. The products should be out of the ordinary.

With higher margin in this type of market, our tour operators are now actively pursuing these segment clients offering Island holidays, golfing holidays, Farm House / Tea Garden tours etc. as unique experience. To promote MICE segment in a big way where there is regular exposure of the convention facilities, bidding etc. which are being done through Indian Convention Promotion Bureau.( I.C.P.B.)

They are also present at various MICE events overseas as a team with specialized tour operators and event management team. Hotels have special team for MICE marketing. Also

airlines are now conscious of this segment that can provide business even during economic downturn as business people need to travel all the year round.

India has always been a unique conference destination with its vast array of scenic, heritage, art and crafts, architecture, nature and wildlife, cultural, culinary, spiritual and therapeutic attractions. Creativity and the rich cultural heritage help in conceptualising unique events that are truly unique and one-of-a-kind socialising with erstwhile. Royalty in their palaces, participating in an actual Indian wedding, yoga and meditation, therapeutic sessions are some of the out-of-box events that can be planned and executed. The traditional warmth and hospitality, the colours and pageantry, the richness and diversity makes India very attractive for international conferences.

### **Foreign Exchange**

Forex is the biggest financial market in the world. It is a source of income to many traders and banks of the world. It is not tied to any stock exchanges in the world. In fact, it is over-the-counter (OTC) market. It helps international trade and investment. Market participants have also been provided with greater flexibility to undertake foreign exchange operations and manage their risks. This has been facilitated through simplification of procedures and availability of several new instruments.

The foreign exchange market in India started in earnest less than three decades ago when in 1978 the government allowed banks to trade foreign exchange with one another. Today over 70% of the trading in foreign exchange continues to take place in the inter-bank market. The market consists of over 90 Authorized Dealers who transact currency among themselves and come out "square" or without exposure at the end of the trading day.

It is the mechanism by which the currencies are related to each other. The values of different currencies are determined in the foreign exchange market. An individual or an institution, anybody can trade in currencies. The trade takes place in pairs i.e. one currency is purchased and other is sold in a simultaneous transaction. The rate at which the trade takes place, i.e. exchange rate is determined on the basis of interaction of market forces dealing with supply and demand.

The foreign exchange market is a place where the major eight currencies of the world are traded through different financial instruments at different types of the rates. This market is the most liquid market in the world which operates 24 hours a day except on weekends. The major participants in the market are banks, firms and companies, individuals (through brokers), central banks, non banking financial institutions, foreign exchange companies,

etc. who trade in different financial instruments like options, forward contracts, futures, swaps and spot transactions.

### **Courier Service**

The EDS (**Express Delivery Sector**) industry provides services that include integrated door-to-door transport and quick delivery of time-definite shipments of documents, samples, parcels, etc.

Although it generally facilitates transportation of documents, samples, gifts and other high-valued time-bound items, the requirement of fast delivery often overrules the weight limits or the size of consignment shows the different stages of the express delivery – from collection of consignment from customer in one country (for example, India) to delivery to customer in a different country (for example, the United Kingdom). One of the key features of this industry is that it handles custom clearances and reduces the requirements of multiple agents such as freight forwarders and customs house clearance agents.

Globalisation, liberalisation and increase in cross-border trade and investment flows have contributed to its growth. With the development of the global supply chain, corporations across the world are now optimising costs and maximising efficiency by focusing on their core business activities and outsourcing noncore activities like transportation and delivery to specialised service providers such as EDS companies.

The EDS/courier industry in India has undergone significant changes. Family-owned courier businesses have grown and developed into EDS companies providing integrated services.

There have been a number of mergers, acquisitions and tie-ups, which has resulted in some consolidation. Nevertheless, the express/courier industry in India is still highly fragmented with a wide variety of companies offering different kinds of services.

There are four main categories of express/courier companies in India, apart from India Post, which also offers express mail services. These include the global integrators, the large Indian companies, regional players and small courier companies. The express industry is time-sensitive and, therefore, unlike logistics/freight forwarders etc. rarely use maritime transport services that carry the bulk of international cargo.

Within transport, road transport is an important means for delivery of parcels and other items within the country and between countries in geographical proximity to each

other. Access to road transport facilities within a country and ability to operate trucks, vans etc; affect the ability of a Foreign Service provider to provide courier/express services.

### **Coffee Shops**

Some agencies begin to offer other services, and a very recent example has been the launch of Café de Voyage in Milton Keynes, where the growing public trend towards using coffee shops has been matched with the opportunity to offer a higher level of customer service (including a free cup of coffee) to differentiate this particular travel agency's product offer from that of the major multiples.

### **SMS Marketing**

SMS marketing is an effective strategy for service businesses to connect with their clients with the aim of improving sales. Service based businesses require a high level of personal connection.

#### **Short Message Service (SMS)**

Short Message Service (SMS) is a communication tool that provides a convenient means for people to communicate with each other using text messages via mobile devices or Internet connected computers. Solutions for e-Marketers are available to deliver bulk of SMS messages to large group of people, instead of sending SMS messages one by one manually.

Other utilities can collect phone numbers from imported text files or contact information stored in mobile phones. There is a good number of text messaging marketing campaigns businesses that travel agency can use for increasing their client or giving the SMS marketing services to their business client. The most effective ones are given below:

#### **SMS Alerts**

Through the SMS alerts, the business is able to contact their clients through text message alerts. These alerts assist the clients to stay informed about the company products or services, news, sales and virtually any other information that the company would want to share with its clients. For instance, Sender can send an SMS reminding them when they should book their next appointment or when they should expect a discount offer.

### **Text to Screen**

As the clients are engaging with the service, the travel agency can create additional attraction by encourage them to text their opinions, recommendations and suggestions. This approach is particularly effective when trying to analyze and understand the behaviour of consumers. This is an interactive and exciting method in which clients are able to participate.

### **Text to Win**

The text to win campaign is also very exciting. The clients are encouraged to text a keyword or phrase to the SMS short code of the campaign in order to win something. The prize should be alluring enough to encourage enough participation from the clients.

### **Mobile Coupons**

Utilize the mobile coupons with the aim of retaining the clients. One major advantage of the mobile coupons is that they are very simple to set up and quick to send out. They work instantly and are very effective when sales are slow. By simply sending out the mobile coupons, clients will begin lining up for your service.

Text message form of marketing is an effective promotional tool for service business. As its set up is simple and it can be implemented very fast at low costs, the travel agency can easily start. There are very many different kinds of campaign types to select from. Those in the service industry can greatly benefit from this form of marketing.

### **Miscellaneous Services**

A travel agent is a one stop solution to add efficiency to professional destination management services and a host of leisure activities ( It caters to all aspects of conferences, business meetings, event management meets, seminars, exhibitions, and launch of new products and incentives. Every event is customized to suit the specific requirements of the customers.

All details are handled with utmost care right from the pre- and post-event preparations to settlement. Miscellaneous services are required when agents deal with corporate and leisure travel. For example, document services, transfer, and pickup services, reconfirmation of hotel rooms and airline seats, participation in familiarization tour, contribution to ecology and environment conservation, and participation in the tourism development.



For example, multinational travel agencies like Cox & Kings offer brilliant business travel options to diverse groups, individuals, and corporate incentive travel packages.

These travel agencies set a high target for their trade fair divisions and have much simplified business travel to facilitate clients to promote their products across the global markets through international trade fairs. In the trade fair packages, the overseas business delegation visits through industry associations, councils, and commercial chambers.

Indian meals, city tours and, technical add-ons, such as factory visits and buyer-seller meets, are included in the package. For example, the trade fairs division of Cox & Kings is an extremely efficient and specialized division that ensures meticulous planning for confirmation of hotel rooms, Indian meals, city tours, and buyer-supplier meets.

### **Diversification Strategies**

Diversification strategies are used to spread out firms' operations by adding markets, products, services, or stages of production to the existing business. The intention of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification and when there is no common thread of strategic fit or relationship between the new and old lines of business are unrelated it is called conglomerate diversification.

When a tourism firm is selling an existing product that it currently offers to an existing market that it already serves, it is pursuing a market penetration strategy. Techniques designed to increase sales will result in deeper market penetration, thus increasing market share. This can be done in one of two ways.

**First**, market penetration refers to selling more of the tourist product to the existing customer base. Market penetration can be accomplished either by increasing the size of the contents or amounts that the customer buys, such as airlines using loyalty schemes, or by increasing their usage rate.

**Secondly**, the firm may choose to go with a tourist-market –broadening strategy. This means increasing the number of target customers within the same existing tourist market. New customers are hard to come by when you consider that this usually requires converting them from the tourist brand that they normally purchase.

## Horizontal Diversification

Horizontal diversification means to diversify into new tourist products, but targeting the existing customer base as the potential customer base. Often firms feel that they have established a brand loyalty with current customers or a certain knowledge of their markets which allows them to introduce new products. For example: If a travel agent, who normally books holidays, diversifies by purchasing a company selling travel insurance. The travel agent is serving those same customers, but in a new manner.

Horizontal diversification can be distinguished from horizontal integration by the newness of the tourist product to the firm. For example: If the travel agent had purchased a competing travel agency it would have been as an example of horizontal integration. The advantages of horizontal diversification are distinct.

**First**, the tourism firm is offering an additional product to a current customer base, so not as much effort has to be expended to locate new customers. **Secondly**, if the tourism firm already has significant knowledge of or familiarity with the customer base's buying habits, then they can be more efficient in the ways that they serve them. But a major disadvantage of horizontal diversification schemes.

In fact, it may have exposed itself to even greater risk by investing even more in the same tourism market. In the example, if the travel industry endured a serious downturn, then the firm would suffer potential losses from both the travel agent side and the travel insurance side.

## Concentric Diversification

Concentric diversification entails the introduction of a new tourist product to a new but related market. By related we mean that the tourist market must be somewhat similar to the firm's existing market in either a marketing sense (e.g. - customers demographics needs) or an operational sense.

Concentric diversification occurs when a firm adds related products or markets. The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy. In essence, synergy is the ability of two or more parts of an organization to achieve greater total effectiveness together than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts.

## **Conglomerate Diversification**

Conglomerate diversification is also known as lateral diversification. It involves marketing of tourist products. This is not a usual method of expanding the business. It occurs when a travel agency or tour operator diversifies into new areas of business. The primary purpose of conglomerate diversification is to ensure profitability. It can be possible with the help of synergetic approach. This can be achieved through the application of management expertise or financial resources. Attention is given to use diversification strategy in marketing travel products or production of synergy with conglomerate diversification.

## **Summary**

The traditional travel agents and tour operators do not have more options and they only focused on the ticketing, hotel bookings, package retailing, etc. In the competitive environment, emerging business areas like insurance, corporate travel, foreign exchange, cargo and MICE. Airlines have stopped paying fixed commissions to the travel agents for the sale of tickets give more revenue as compared to the conventional sources of income. Revenue from the sale of airline tickets has become zero in the revenue of travel agency. At the same time, IATA-accredited agents do not resort to the sale of tickets rather they go for diversifications. It is quite risky to resort to the conglomerate diversification strategy as it may increase the problems in the administrative functioning associated with operating of unrelated businesses. Managers from different divisions may have different backgrounds and may be unable to work together effectively. Competition between strategic business units for resources may entail shifting resources away from one division to another. Such a move may create rivalry and administrative problems between the units.

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## Lesson 2.5 - Travel Documentation and IATA Accreditation and Recognition from Government

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand various types of travel documents;
- Explain the meaning and requirements of each travel document;
- Know the processing of travel documents; and
- Understand the need for accreditation and government recognition
- Know the procedures of accreditation and recognition

Each tourist must carry the valid travel documents while travelling into foreign countries or restricted areas in their own countries. The processing of travel documents involves some technical formalities that generally take time for travel agents to get them issued on behalf of clients or customers. Travel agents are authorized to deal with travel documents with authorized money exchangers, foreign consulate offices, passport offices, income tax offices, insurance office etc. Travel documentations are processed for clients and customers before their confirmation for purchasing package tour. There was not a separate department to arrange the necessary travel documents in the travel agency.

Now, travel documents include passport, visa, currency certificate or endorsement of currency in the passport, travel insurance, income tax statements, health certificates, etc. Travel agents should have experienced staff to handle the travel documents. It is essentially important for group travel that issuance of all travel documents must be done much before the starting of tour. Travel agents or tour operators collect processing fees and it now constitutes an important source of revenue. This lesson will present the processing of travel documents as an important function of travel agents and tour operators.

### Passport

A passport is a document, issued by a national government for the purpose of the identity and nationality of its citizens. It is used for obtaining visa for international travel.

A passport contains the name, date of birth, sex and place of birth. A passport normally entitles the passport holder to present for identification and return to the country. Rights to consular protection arise from international agreements and the right to return arises from the laws of the issuing country.

A passport is issued to a person afresh. A passport is issued afresh in case of expiry of the old passport. The procedures remain same as it is for applying first time.

The Passport is given through the Consular Passport and Visa Division (CPV) of the Ministry of External Affairs, there are about 35 locations in India from where passports are issued and around 160 Indian missions abroad.

### **Types of Passport**

There are three types of passport. These are as follows;

#### **Regular Passport**

It is issued for normal travel purposes such as business or vacation. The colour of the passport cover is Navy Blue.

#### **Diplomatic Passport**

It is issued especially for Indian diplomats and top ranking government officers for visiting overseas for official tours. The colour of this passport cover is Maroon.

#### **Official Passport**

It is issued to those Indian who represent the government for official or business purposes. The colour of this passport cover is White.

Passports and travel documents remain to be invalid to certain countries

As per the issue of Notification by the Central Government, a foreign country is one which is involved external aggression against India or is assisting other country committing external aggression against India; or a country where armed hostilities are in progress. Travel to those countries must be restricted in the public interest because such travel would seriously impair the conduct of foreign affairs of the Government of India.

## Procedures to Apply for Passport

The passport can be applied in the Passport office or the District Passport Centers. The applicant can also apply online for issuance of passport. The application must be filled online and registered. This application form must be filled by hand. The application form along with the fee, passport size photographs and other documents must be submitted at the passport office. The date and time to reach the passport office for applying must be furnished while registering the same online.

## Enclosure of Documents for Issue of Passport

For the adult of general categories ₹ 1,000/- shall be deposited along with the form towards the processing fee of passport.

- a) To be Filled-in Form 1
- b) To be Filled-in two personal particulars forms. If the applicant stays more than one address during the last one year, fill-in those many set of personal particular forms 1.
- c) To be furnished the proof of residence. One must submit one more proof of residence if only ration card is provided.
- d) The Birth Certificate must be issued from the Competent Authority (Born after 26-01-1989) and must be furnished along with the form.
- e) The proof of 10th pass certificate must be enclosed for Emigration Certificate Not-Required (ECNR).

If the applicant is a Government/Public Sector Undertaking/Statutory Body Employee, they must provide two additional documents: Identity **Certificate and Notarized Affidavit**.

## Issue of Passport under the Tatkaal Scheme

₹ 1,500/- must be deposited in addition to the normal fee ₹ 1000/ if it is to be issued with 1-7 days. An additional ₹ 1,000/- must be deposited in addition to normal fee if passport is to be issued within 8-14 days.

## For Children of General Categories Fees

If a child is less than 15 years, the amount of fee is ₹ 600/- and if more than 15 years it is ₹ 1,000/ up to 18 years +

**Documents required as mentioned above from (a) to (d) and**

- e) The copy of the parents' passport copies (first 4 pages and last 4 pages).
- f) Documents of marital status of parents.

### **Regulations applicable to foreigners in India**

The extant Acts dealing with entry, stay and exit of foreigner nationals in the country are:

- i) Passport (Entry into India) Act, 1920.
- ii) Foreigners Act, 1946.
- iii) Registration of Foreigners Act, 1939.

### **Arrival formalities**

Every person entering India by air, land or sea is required to complete the disembarkation or embarkation card (D/E card) Performa as given in Form 'D' of Registration of Foreigners Rules, 1992.

### **Residential Permit**

Residential permit is issued at the time of registration. Permits validity and the period of stay are specified in the visa. For extension of the Residential Permit, application should be submitted at least two months before its expiry to the nearest Registration Officer in the prescribed form.

### **Departure Formalities**

Every registered foreigner who is about to depart finally from India shall surrender their certificates of registration either to the Registration Officer of the place where the foreigner is registered, or of the place from where intends to depart, or to the Immigration Officer at the port or check post of exit from India.

If the certificate is surrendered to any authority other than the Immigration Officer of the post or check post of exit, a receipt indicating such surrender of the document may be obtained and shown to the Immigration Officer.



## Visa- A Key Travel Document

A visa is a certificate prepared by the immigration officials of the foreign country with stamp marked on a passport after verifying the person's credentials. It gives the person the right to enter a country and stay for a temporary period. Applying for visa to India must be submitted to the High Commission of India in the country of the person who wishes to travel to India. A foreigner coming to India requires a passport and an Indian visa. The office of High Commission decides the duration of the visa. The applicant may either go in person or apply through post. It is the Consular Passport and Visa Division (CPV) of the Ministry of External Affairs that issues the visa to the foreigners.

## Procedures to Apply for Visa

The applicant may either go in person or apply through the post. The Visa to India is applied to the High Commission of India in the country of the person who wishes to travel to India. Non-resident Indians (NRI) and Persons of Indian Origin (PIO) do not require a visa to enter India if they possess an Overseas Indian Citizenship (OCI) or a PIO card. This card gives them the freedom to visit India at any time throughout their life. Those NRIs and PIOs do not have this OCI or PIO card can apply for a Visa through the normal procedure.

## Visa Guidelines

Following documents are required to be submitted for visa:

1. Filled-in visa application Form
2. Additional visa application form to be filled up by Foreign Passport Holders
  - (i) Visa application form must be filled correctly. Incomplete applications and applications with wrong information shall not be processed.
  - (ii) Name and other relevant particulars must be filled in as per the details in the passport.
3. **Passport:** It should have a minimum validity of six months on the date of application with at least two blank pages.
4. **Photographs:** Latest two identical passport size (4"x4") photographs (black/white or color) depicting front post against light background.
5. **Supporting documents:** The visa application should be accompanied with supporting documents on type of visa applied for.

6. **Visa Fee:** There is different fee schedule for the amount of fee, for the different type of visa. Visa fee is accepted only in cash.

### **Category of Visas**

#### **Gratis Visa**

It is granted to diplomats and officials or UN officials travelling on duty or those travelling to India on invitation of Government of India as its guest. Gratis visa is also granted to those who travel on the scholarship under Cultural Exchange Programmes.

#### **Diplomatic/Official/UN Official Visa**

It is granted to Diplomats or Officials assigned to their countries Missions/Posts in India or Diplomatic or Official or UN passport holders working in UN or international organizations located in India and their spouses or children holding any type of passport are granted diplomatic or official visas

#### **Transit Visa**

It is issued to a person who wishes to travel through India to reach another destination. The applicant should possess an air ticket for onward journey to a destination beyond India. A transit visa is valid for up to 15 days and up to two entries. It is issued to foreign nationals passing through India on their way to another country.

#### **Entry Visa**

It is issued to a Person of India Origin (PIO), foreign spouse of Indian national and to spouse or children of foreigners holding any type of visa other than tourist/transit visa.

#### **Tourist Visa**

It is issued to foreigners who do not have a residence or occupation in India and whose sole objective of visiting India is recreation, sightseeing, casual visit to meet friends and relatives etc.

- (i) Indian Missions or Posts abroad may issue multiple entry tourist visas for a maximum period of ten years to US nationals and five years to UK nationals, with the stipulation that stay during each visit shall not exceed 180 days if desire to stay

for more, then should register with the concerned FRRO/FRO within 180 days of arrival.

- (ii) Indian Missions/Posts abroad may issue multiple entry tourist visas for a maximum period of five years to nationals of Argentina, Belgium, Brazil, Chile, Finland, France, Germany, Iceland, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, South Korea, Spain, Switzerland and Vietnam with the condition that stay during each visit shall not exceed 90 days.
- (iii) In respect of foreigners holding multiple-entry tourist visas valid for 5/10 years, there should be a gap of at least two months between two successive visits, the condition of two month's gap can be waived. In all such cases, the foreign national should register with the FRRO/FRO concerned within 14 days of arrival.
- (iv) Tourist visa is neither extendable nor convertible into other type of visa except, in very exceptional circumstances.

### **Employment Visa**

This type of visas is valid for one year at a time and is granted to foreigners provided the foreigner is a skilled and qualified professional, engaged by a company, organization, or undertaking in India on contract or employment basis at a senior level, skilled position such as technical expert, senior executive, or in a managerial position. Proof of employment in the form of employment contract like an appointment letter, contract letter, applicant's resume and proof that the organization is registered in India are required. Duration of visa would depend on the period of the contract and grant of visa under this category are decided on case to case basis.

### **Project Visa**

Project visa is a sub-set of employment visa and is granted to foreigners employed for executing Steel and Power Sector Projects.

### **Student Visa**

Student visa is granted to a foreigner coming to India to pursue a course of regular and fulltime academic studies in a recognized institution. It is valid up to five years or duration of course (whichever is less). The applicant should furnish proof of admission in a recognized/reputed educational institution and evidence of financial support.

### **Journalist Visa**

Journalist visa is issued to professional journalists, press-persons, film-persons other than commercial etc, and similar personnel in the field of information such as travel writing, travel journalism, travel promotion or photography, travel television production, and those who write on fashion, costumes and sports. It is normally valid for up to six months

### **Business Visa**

It is granted by Missions or Posts to foreign business persons to set up industrial/business venture or to explore possibilities to set up industrial or business venture in India or to buy or sell the industrial or commercial products. Proof of financial standing and expertise in the field of intended business must be produced. It is valid for up to five years.

### **Missionary Visa**

A Missionary Visa is issued to the person who visits India for religious reasons. The visa is single entry visa. Visa to foreign missionaries, other than those holding no-objection certificate to return to India for endorsements, are granted only after clearance by respective Ministry or Department in India.

### **Mountaineering Visa**

Visa for mountaineering expeditions is granted only after clearance by concerned authorities in India.

### **Conference/Seminar Visa**

This type of visas is granted to foreign delegates to international conferences, seminars etc conducted by Government bodies, Public Sector Undertakings or Government-aided bodies and NGOs provided necessary clearance by the Nodal Ministries or Departments of the Government of India/State Governments is sought.

### **Research Visa**

Missions or Posts may grant Research Visa depending upon recognition of the research institution and eligibility of the applicant, except scholars of certain nationalities or/and where research work involves visits to Restricted or Protected areas in India or areas

affected by terrorism, militancy and extremism etc. It is valid up to three years or duration of research project, whichever is earlier. The person is required to apply for this visa six weeks prior to the date of travel.

### **Medical & Medical Attendant Visa**

Indian Mission or Posts abroad may issue Medical Visa (MED) to foreign nationals visiting India for medical treatment in recognized specialized hospitals or treatment centres in India. Visa is permissible for treatment under Indian system of Medicine also. It is valid for one year or the period of treatment, whichever is less. Attendants/family members of patients for medical treatment shall also be granted Medical Attendant visa (MEDX) co-terminus with the Medical visa of the patient. Attendants should be spouse or children or those having blood relations with the patient only two attendants are allowed.

### **Universal Visa**

Universal visa is a multipurpose life-long visa which Indian Missions and Posts abroad or the Ministry of Home Affairs may grant to Foreigners holding Overseas Citizens of India (OCI) card. The holder of universal visa can study, do business or take up employment in India and is exempted from the requirement of registration with FRRO/Police authorities for any length of stay in India.

Types of visa and their abbreviations are presented in Table

Types of Visa

Sl.No.	Type of visa	Abbreviation
1	Diplomat	D
2	Official	O
3	UN Official	UD
4	Transit	TR
5	Entry	X
6	Tourist	T
7	Employment	E
8	Project	P
9	Student	S
10	Journalist	J

11	Business	B
12	Missionary	M
13	Mountaineering	X
14	Conference/ Seminar/ Meeting	C
15	Research	R
16	Medical	MED
17	Medical Attendant	MEDX
18	Universal	U

### Registration

Foreigners entering India on Student visa, Employment visa, Research visa and Missionary visa are permitted to stay more than 180 days and they are required to get themselves registered with the respective Foreigners Registration Office within 14 days of their arrival in India. Foreigners holding any other type of visa valid for more than 180 days do not require registration if the period of their stay in India on each visit is less than 180 days. However, they must register themselves within 180 days of arrival if the period of their continuous stay exceeds 180 days.

### Children below 16 Years

As per the Registration of Foreigners (Exemption) Order, 1957, children below the age of 16 years are exempted from the requirement of registration. Each stay must not to exceed 180 days, hence no registration is required.

### Transfer of Visa

For transferring an Indian visa from an old passport to a new passport, the regular visa application form with 2 photographs is required along with a fee of **NIS 30**. A person can also travel on a valid visa on an expired passport if the visa has not been cancelled. In such a case, the person must carry the new passport as well as the old passport.

Foreigners Registration Officers in India are located in New Delhi, Mumbai, Chennai, Amritsar and Kolkata. At other places, the Superintendents of Police (SP) of the Districts are Registration Officers for Foreigners.

## Surrender of Certificate of Registration

The Registration Officer would issue a Certificate of Registration. The foreigner should surrender these certificates at the office where they are registered or of the place where they intend to depart or to the immigration officer at the port/check post of exit from India. If the certificate is surrendered to other than the immigration officer at the port/check post of exit, the foreigners should produce the receipt indicating such surrender of the document to the immigration officer at the post/check post or exit.

The following types of India visa are issued to foreign nationals in accordance with the purpose of their visit. Details of requisite documentation may please be accessed at the website of concerned Mission/Post or Ministry of Home Affairs, New Delhi. The details of visa provision are presented in Table

## Visa Provision

Type of Visa	Period for which granted	Entry – Single (S), Multiple (M), Double	Documents required with application	Extendable in India
Tourist	180 days	M	-	No
Transit	15 days	S/ Double	Return/ onward journey ticket	No
Business	5 years	M	Documents to prove bonafide purpose (Company's letter etc.)	Yes
Employment	1 year/ period of contract	M	Proof of employment (appointment document), terms and conditions	Yes
Student	Period of course/ 5 years	M	Proof of admission in Indian Institution	Yes
Foreigners of Indian Origin	5 years	M	Proof of being of Indian Origin	Yes

## Tourist Visa on Arrival

Government of India has introduced Tourist Visa on Arrival (TVOA) scheme for the nationals of eleven countries, namely, Japan, Singapore, Philippines, Finland, Luxembourg, New Zealand, Cambodia, Laos, Vietnam, Myanmar and Indonesia. Now, it has exceeded to forty countries.



The TVOA is allowed for a maximum validity of 30 days with single entry facility by the Immigration Officers at Delhi, Mumbai, Chennai and Kolkata Airports on payment of a fee for per passenger (including children) is US \$ 60/- or equivalent amount in Indian rupees.

The TVOA is allowed for a maximum of two times in a calendar year to a foreigner. TVOA shall be non-extendable and non-convertible. The foreigners of above mentioned countries may avail of TVOA for a period up to 30 days for tourism, medical treatment, and casual business or to visit friends or relatives, etc.

The TVOA service is not applicable to the holders of Diplomatic or Official Passports. Existing procedures or guidelines, as applicable to these countries for this category, shall continue to apply. Further, TVOA is granted to the foreigners who have permanent residence or occupation in India, such persons can visit India on normal visa, as applicable.

The TVOA shall be provided only at selected international airports namely, Delhi, Mumbai, Chennai and Kolkata and not at any other Immigration Check Post (ICP). The visitors are required to fill a simple Visa application Form on arrival at the concerned airport. One Passport size photograph is required with the application.

### **Indian Diaspora**

Indian Diaspora is those people who migrate to other countries for work or business. The NRIs and PIOs are the people who come under this category. The Indian Diaspora is spread to over 110 countries and the characteristics of this group also vary.

The countries are classified as Old Diaspora and New Diaspora countries. The countries that come under the category Old Diaspora include Malaysia, Mauritius, Trinidad and Tobago, Fiji, Guyana, and Suriname. The countries under New Diaspora are the developed countries like USA, UK, Canada, Australia and New Zealand.

Besides these two classifications, a large number of Indians live in the Gulf countries. The people in gulf countries are mostly from Kerala. There is a Diaspora Services Division of the Ministry of External Affairs that deals with all subjects related to Overseas Indians including the NRIs and PIOs.

Their matters are not specifically allotted to any other Departments of the Indian Government. Some of the schemes of the Diaspora Services Division are

- Overseas Citizenship of India (OCI)
- Know India Programme (KIP)
- Scholarship Programme for Diaspora Children (SPDC)
- Tracing the Roots
- Establishment of PIO/NRI Universities in India.

### **Overseas Citizenship of India (OCI)**

Foreigners of Indian Origin (except Pakistan and Bangladesh) are eligible to apply under OCI scheme, if he/she possesses evidence of self or parents or grandparents:

- Being eligible to become a citizen of India at the time of commencement of Indian Constitution i.e. 26.01.1950. or
- Belonging to a territory that became a part of India after 15.01.1947. or
- Being a citizen of India on or after 26.01.1950.

Provided that no person, who is or had been a citizen of Pakistan, Bangladesh or such other country as the Central Government may, by notification in the Official Gazette, specify, shall be eligible for registration as an overseas citizen of India.

### **Person of Indian Origin (PIO)**

The Person of Indian Origin (PIO) is a person who is of Indian origin but not a citizen of India. A person who is a foreign citizen not being a Pakistan or Bangladesh citizen or other countries specified by the Indian government gets a PIO Card issued if

- The person at any time had an Indian passport or
- The person or his parents were born in India or was a permanent resident of India or
- The person is a spouse of an Indian citizen.

A person who holds a PIO card enables the person to travel without the need of a visa and other benefits. Those persons of Indian origin up to the fourth generation only are eligible for this scheme. Those eligible for this scheme may be settled throughout the world except Afghanistan, Bangladesh, Bhutan, China, Nepal, Pakistan or Sri Lanka. PIO card should be accompanied with a passport. The validity of this card is for 15 years from the date of issue. The new PIO Card Scheme, 2002, is in operation since 15th September, 2002.

### **Temporary Landing Permit**

The Immigration Officer has the right to issue a Temporary Landing Permit (TLP) for a time period of 72 hours by retentions of the passport to any foreign national. A TLP is granted if foreigner does not have a valid visa and the officer is satisfied of the person's purpose of visit and also the transiting foreigner has an onward journey ticket within 72 hours.

The nationals from Sri Lanka, Bangladesh, Pakistan, Iran, Afghanistan, Somalia, Nigeria and Ethiopia are not provided with the TLP facility. If a foreigner needs to visit India without a Visa, in case of emergency situations such as death of a family member etc, then TLF are granted to them provided that the person has to produce a bonafide proof to the FRRO/FRO-cum-District Superintendent of Police. The TLF is granted for a period of 15 days and if they wish to extend it, they are required to contact Ministry of Home Affairs, Foreigners Division; New Delhi.

### **Protected Area Permit (PAP)/Restricted Area Permit (RAP)**

The areas covered by the Protected Area Permit (PAP)/Restricted Area Permit (RAP) regime. Under the Foreigners (Protected Areas) Order, 1958, all areas falling between the 'Inner Line', as defined in the said order, and the International Border of the State is declared as a Protected Area. Currently, Protected Areas are located in the following States:

- (i) Whole of Arunachal Pradesh
- (ii) Parts of Himachal Pradesh
- (iii) Parts of Jammu & Kashmir
- (iv) Parts of Manipur
- (v) Parts of Mizoram
- (vi) Whole of Nagaland
- (vii) Parts of Rajasthan
- (viii) Whole of Sikkim (partly in Protected Area and partly in Restricted Area)
- (ix) Parts of Uttarakhand.

Foreigners (Restricted) Areas Order, 1963, the following areas are declared as 'Restricted' Areas:

- (i) Andaman & Nicobar Islands - Entire Union Territory
- (ii) Part of the State of Sikkim

## The Guidelines for Obtaining Protected Area Permit/ Restricted Area Permit

Every foreigner, except a citizen of Bhutan, who desires to enter and stay in a Protected or Restricted Area, is required to obtain a special permit from a Competent Authority. It is delegated with powers to issue such a special permit to a foreigner on application. The application for special permit must be referred to the Ministry of Home Affairs for prior approval, at least eight weeks before the date of the expected visit.

With a view to promoting tourism, some areas (notified by the Government of India from time to time) may be visited by foreign tourists, either in groups, or as a couple in the case of a husband and wife, or by individuals, after obtaining the necessary permit from the competent authority.

Without the prior approval of the Ministry of Home Affairs, citizens of Afghanistan, China and Pakistan and foreign nationals of Pakistani origin shall not be issued a special permit.

### Customs Rules

Free import (import by non-residents, however, is only permitted if they enter India for a stay of not less than 24 hours and not more than 6 months, provided they visit India not more than once a month). The jewellery, up to a combined value of INR 50,000, for male travellers or INR 100,000, for female travelers is permitted to be carried.

The travel souvenirs are imported by nationals and residents of India or if being of Indian origin provided being 10 years of age or older. Goods in excess of the maximum permitted amount shall be subject to an import duty of 60 per cent.

### Additional Information on Regulations

**Firearms:** It is advisable to obtain a possession licence in advance. A Tourist Baggage Re-Export Form (TBRE) is issued upon arrival to tourists for re-exportation of their expensive items duty free.

**Replica Guns:** It requires a Permit for Import.

**Radio Controlled Helicopters:** Only those operating at 27 MHz are permitted.

**Seeds and Plants:** The import of seeds and plants for the purpose of sowing, planting and propagation, consumption, research and breeding requires an import permit

**Livestock and Livestock Products:** The import of these, by any means including cargo or baggage is restricted and requires a sanitary import permit as well as a No Objection Certificate (NOC).

### **Currency Rules**

Foreign currencies include currency notes, traveller's cheques, cheques, drafts etc. (Re) exchange only through banks and authorized money exchange points.

Unlimited amount foreign currencies can be imported. However, amounts exceeding USD 5,000 (or equivalent) in cash, or USD 10,000 (or equivalent) in traveller's cheques must be declared. Only up to the amount is imported and is declared.

### **Local Currency (Indian Rupee-INR)**

INR 7,500 for residents of India, except when arriving or departing, to or from Bhutan and Nepal. For residents arriving from Bhutan and Nepal, there is no limit in amount of INR only the INR 100 may be carried not of higher denomination.

### **Health Regulation**

Any person, Foreigner or Indian, (excluding infants below six months) arriving by air or sea without a vaccination certificate of yellow fever shall be kept in quarantine isolation for a period up to six days.

There is no health check requirement by Indian Government on passengers leaving India. Persons leaving for a yellow fever infected area are advised to get vaccinated themselves and to be possession of valid yellow fever vaccination certificates before they leave the country.

### **Persons exempted from production of vaccination certificate**

The following types of persons are exempted from production yellow fever vaccination certificate:

- Infants below the age of six months are exempted.
- Any person suffering from some chronic illness and poor resistance is thereby exempted from being vaccinated.

Crew and passengers of an aircraft transiting through an airport located in yellow fever infected area provided the Health Officer is satisfied that such persons remain within the airport premises during the period of stay.

### **Travel Baggage Rules**

Baggage is the belongings which a passenger carries on his/her journey. A person can carry a fixed weight of baggage while on their travel in airlines. There may be marginal differences in the number of items check in though almost all the airlines of all the countries. The same rules for the weight of the bag may be carried on their journey. The traveller must get the clearance from the customs officer and this must be made with a declaration by the traveller after filling up the prescribed form. In India, the items coming to India and taken out from India come under the Exchange Management. Custom duties must be imposed on these articles at a specific rate.

The baggage rules may vary based on the duration of the persons stay, age or their country. Every passenger has a duty free allowance according to which the person can carry any item without paying any duty charges. But in case when the value of the items exceeds the duty free allowance then the person must pay the customs duty for the excess value. The personal articles are exempted from paying any duty charges.

### **The items that are not permitted to carry include the following:**

- As far as gold and silver jewels in excess of permitted limit is concerned, the maximum limit for females is Rs.20,000 and Rs.10,000 for males.
- Indian currency exceeding the amount of Rs.1000.
- Harmful drugs such as coca leaf, cocaine, hemp, charas, opium, morphine, etc, and also their mixtures or derivatives.
- Vulgar material that includes obscene magazines, books, pamphlets, drawing, painting, representation, figure, or any such item.
- Some other restricted items include plants, parts of plants, soil seeds, fruits, dry fruits, vegetables, flowers, coffee seeds, coffee beans, cottons and un-manufactured tobacco.
- Pet animals and birds are allowed, but in limited numbers only.
- Fire armaments.

The requirements of airline are different and the policies are subjected to changes at any time. The passenger has to make sure that the handbag which they carry is flight is not oversized or overweight. Now, most of the airlines have reduced the weight and size of luggage which a person can carry free of cost. Almost all the airlines allow carrying overweight or oversized baggage, but the traveller has to pay extra amount for the additional weight.

Baggage is cleared at the first airport of entry in India. Baggage of transit passengers with a destination outside India is exempted.

### **Check-in Baggage**

The price of an airline ticket may include not only transportation for the passenger, but also personal baggage. The fare paid reflects the kind of seat and service and also the baggage allowance. It is called the Free Baggage Allowance. This allowance comprises the checked baggage and also the cabin baggage. Each airline determines their own baggage allowances and charges, whilst IATA determines how charges are applied for interline journeys. The baggage allowance shall differ depending on airline, route, class, fare, etc.

### **Checked Baggage**

Checked baggage may be defined in one of these ways:

The Weight Concept defines the amount of baggage entitled by the passenger's ticket in kilos. For example, an economy class passenger is entitled to 20 kilos of baggage and a business class passenger to 30 kilos in international sector.

The piece concept is generally in use on flights within, to and from Canada and the United States. The Piece Concept defines the number of bags entitled as per the permissible limits in the passenger's ticket. Generally, two pieces of checked baggage are allowed per passenger, each piece weighing no more than 23 kilos (50 lb) and measuring no more than 158 cm (62 in) adding the dimensions: height + width + length.

### **Cabin Baggage**

Carry-on baggage must be fit in the aircraft cabin which limits baggage to a size, weight and shape to fit under a passenger seat or in a storage compartment. Cabin baggage should have maximum length of 22 in (56 cm), width of 18 in (45 cm) and depth of 10 in (25 cm). These dimensions include wheels, handles, side pockets, etc. Carry-on items must remain with the passenger at all times and are the responsibility of the passenger.



## **Dangerous Goods and Baggage**

For safety reasons, all types of knives, sharp objects or cutting implements of any kind and of any length, whether of metal or other material, and some sporting goods must be packed in checked baggage. They cannot be carried in the cabin baggage or with self.

## **Travel Insurance**

The insurance includes trip cancellation and interruption, medical, evacuation, baggage and flight insurance. Supplemental policies can be added to cover specific concerns such as identity theft or political evacuation. Travel insurance coverage can minimize the considerable financial risks of travelling, accidents, illness, missed flights, and cancelled tours, lost baggage, theft, terrorism, travel-company bankruptcies, emergency evacuation and getting body home if death occurs in travelling.

Each traveller's potential loss varies, depending on how much of the trip is prepaid, the refundability of the air ticket purchased, state of health, the value of luggage, travelling destination, the financial health of tour company and airline, and the coverage which the traveller already have (through your medical insurance, homeowners' or renters' insurance, and/or credit card).

Insurance premium can vary dramatically, with most packages costing between 5 and 12 percent of the total trip. Age is one of the biggest factors affecting the amount of premium. Rates go up dramatically for every decade over 50, while coverage is generally inexpensive or even free for children 17 and under.

## **Trip-Cancellation or Interruption Insurance Coverage**

A standard trip-cancellation or interruption insurance policy covers the non-refundable financial penalties or losses the traveller incurs on cancel a prepaid tour or flight for an acceptable reason. Trip cancellation is when traveller doesn't go on trip at all. Trip interruption is when traveller begins a journey but have to cut it short; in this case, it will be reimbursed only for the portion of the trip that traveller didn't complete.

**Baggage insurance:** Baggage insurance for luggage that is lost, delayed, or damaged is included in most comprehensive policies. Baggage insurance puts a strict cap on reimbursement for such items as jewellery, eyewear, electronics and photographic equipment.

Flight insurance (crash coverage) is a statistical rip-off that heirs love. It is basically a life insurance policy that covers the traveller when on the airplane. Since plane crashes are so rare, there is little sense in spending money on this insurance.

**Collision Coverage:** It is an important type of insurance for rental cars and it may be included in some comprehensive travel-insurance plans or available as an upgrade on others.

## **IATA Accreditation and Recognition from Government**

### **Introduction**

International Air Transport Association is an apex organization to give approval to the travel agents to sell the tickets of international airlines. As per the agreements of airlines, travel agents are authorized to issue the tickets to passengers and collect the fare for the same. This has become a feasible way of increasing the sale of tickets and help airlines fill the seats of aircrafts. The commission for the sale of tickets is settled quarterly and the fortnight payments for the sale of tickets are made through the Billing Settlement Plan (BSP). It was a profitable and attractive business and it was the target of each travel agent to get IATA accreditation.

Thus, the Department of Tourism gives approval to travel agents after verifications of documents and premises along with track record of business. Recognition is also a certification issued by the government and it helps the agents in getting the travel documents issued. This lesson will present the need, procedures and benefits of IATA accreditation and government recognitions.

### **IATA Accreditation**

In the era of Zero commission and easy accessibility of passengers to book the tickets through online travel portals, many traditional IATA accredited agents are not finding it as lucrative as it was 10 years ago. Given the amount of investments and manpower to deal with this business, it is no longer an attractive business venture. However, many travel agents wish to have IATA accreditation as it increases the credibility of selling the tickets in the market. At the same time, any travel agent or tour operator as a business firm dealing with customers is required to abide by the rules and regulations of Ministry of Tourism, Government of India to operate the business.

## Full Accreditation

Full accreditation authorizes travel agents to sell international and/or domestic tickets on behalf of IATA member airlines. It also allows access to IATA's Billing and Settlement Plan (BSP). It is an efficient interface for invoicing and payment between the agent, airlines and transport providers. The Travel Industry Designator (TIDS) is a unique code to allow the bookings of travel agents and other tourism sales intermediaries to be recognized by all industry suppliers.

## Accreditation of IATA Agents

IATA accreditation greatly simplifies the business relationship between travel agents and airlines. Some 60,000 IATA travel agents worldwide currently benefit from IATA accreditation, selling US\$220 billion worth of airline tickets on behalf of some 240 IATA airline members.

### Travel Agent Accreditation Benefits:

- Access to IATA airline members with a single Sales Agency Agreement which authorizes the sale of international and/or domestic tickets.
- Access to IATA's Billing and Settlement Plan (BSP), an efficient interface for invoicing and payment between the agent, airlines and transport providers.
- Unique identification throughout the global travel industry with the "IATA Numeric Code".
- Use of the IATA Accredited Agent logo providing visibility and credibility on premises and website.
- Agent staff eligibility for the IATA/IATAN ID Card, giving access to the special deals of over 1000 suppliers.
- Standardized procedures to ensure fair dealings with the airlines.

The IATA travel agent accreditation process is ruled by the Passenger Agency Resolutions. IATA accreditation is a seal of approval recognized worldwide. IATA has committed to working with all travel agencies to improve customer service and choice.

**Note:** The guidelines including application form for receiving the IATA recognition etc. may be downloaded from websites [www.tourism.gov.in](http://www.tourism.gov.in) [www.incredibleindia.org](http://www.incredibleindia.org)

## Summary

Carrying valid travel documents is mandatory to ensure hassle-free travel within the country and foreign countries. Processing of travel documents takes its own time and people face inordinate delay due to the technical formalities. Thus, the need of the travel agents arose hundred years ago for making the travel more comfortable and ensuring the issue of travel documents from the competent authority for clients or customers. Travel agents are authorized to process the necessary documents on behalf of the money exchangers, foreign consulate offices, passport offices, income tax offices, insurance office etc. Travel documentations are processed for clients and customers before their confirmation for purchasing package tour. Travel documents include passport, visa, currency certificate or endorsement of currency in the passport, travel insurance, income tax statements, health certificates, etc.

International Air Transport Association is an apex organization to give approval to the travel agents to sell the tickets of international airlines. As per the agreements of airlines, travel agents are authorized to issue the tickets to passengers and collect the fare for the same. This has become a feasible way of increasing the sale of tickets and help airlines fill the seats of aircrafts. The commission for the sale of tickets is settled quarterly and the fortnight payments for the sale of tickets are made through the Billing Settlement Plan (BSP). It was a profitable and attractive business and it was the target of each travel agent to get IATA accreditation.

## Self Assessment Questions

1. List the functions of modern Travel Agency and Tour Operator.
2. Explain the important function of travel agency as an important retailer or wholesaler of various travel services.
3. Explain various functions of tour operators for running tour operation business.
4. What are the steps involved in establishing travel agency business?
5. Which are the major challenges for a travel agency to establish and run the travel agency business? Explain them with examples.
6. Which are the conventional sources of revenue for travel agents and tour operators?
7. Which are the emerging sources of maximizing the revenue in travel agency and tour operation business?
8. What is travel agency business returns? List the prevailing percentage of commission for retailing or wholesaling the various principal services

9. Discuss the threats in travel agency business. How can these threats be managed tactfully?
10. What is the meaning of passport? Explain the meaning of different types of passport.
11. Explain the various procedures and enclosure documents for obtaining the passport.
12. What is visa? Explain different types of visa.
13. List the important documents to enclosures for applying for the passport.
14. Explain various provisions of visa and describe the tourist visa on arrival in India.
15. What is temporary land permit? Explain the meaning and guidelines for issuing Protected Area Permit (PAP)/Restricted Area Permit (RAP).
16. Explain the various custom rules for an inbound tourist to India.
17. Explain the various currency rules for Indian going abroad or foreign tourists visiting India.
18. Explain about the various health regulations for foreign visitors visiting India.
19. Explain the types of baggage rules and list the items not permitted as accompanying baggage.
20. What is Accreditation of IATA Agents and highlight the benefits of accreditation.
21. List important information and particulars given in the application format.
22. Explain the guidelines for recognition or renewal or extension of the same for approving travel agents.
23. Explain pledge for honorable or responsible or sustainable tourism practices by tour operators as per the Govt. of India.

### **CASE STUDY**

#### **PATA and Responsible Tourism Practices**

PATA is a non-profit travel trade association serving government tourist offices, airlines, hotels and other travel-related companies throughout the Asia Pacific region. This regional association provides leadership to the countries committed for the promotion of tourism by coordinating and promoting environmental and economic sustainability, cultural preservation, and social responsibility. PATA engages in the following activities related to sustainability and social responsibility:

- PATA Charter of Sustainability and Corporate Social Responsibility
- APEC/PATA Code for Sustainable Tourism
- PATA Traveler's Code
- PATA Sustainability and Social Responsibility (SSR) Committee Good Practices
- PATA Gold Awards (including environmental and social engagement)
- PATA Foundation.

The Code for Sustainable Tourism has been adopted by both PATA and APEC as a reflection of strong commitment to tourism growth across the Asia and Pacific region for viable and sustainable tourism.

- Conserve the natural environment, ecosystems and biodiversity
- Respect and support local traditions, cultures and communities
- Maintain environmental management systems
- Conserve energy and reduce waste and pollutants
- Encourage a tourism commitment to environments and cultures
- Educate and inform others about local environments and cultures
- Cooperate with others to sustain environments and cultures

The PATA in collaboration with China International Heritage Towns Exposition organizes the China Responsible Tourism Forum (CRTF) every year. The forum aims to help, protect and preserve the heritage and culture of ancient villages in China, while responsibly developing these villages to boost tourism.

Consumer travel trends indicate that tourists want to travel responsibly and connect with people and culture in an authentic way. The forum works on the threat that mass tourism poses to these communities and their residents. More importantly, the forum also highlights the value-based tourism activities in those villages.

Esteemed international and local Chinese experts discussed the ways of implementing responsible tourism development and exchange of ideas in developing and managing tourist sites and attractions. They are also working towards the sustainable and scientific development strategies for deriving economic benefits from cultural assets.

In keeping with PATA's code for responsible tourism, Bali Discovery Tours embraces a program of environmental and cultural preservation.

- to adopt practices for conservation of the environment, including the use of renewable resources in a sustainable manner and conservation of non-renewable resources.
- To emphasize on Conservation of the flora and fauna habitat as well as all cultural sites.
- To consider the community attitudes and cultural values and concerns, including local custom and belief, in the design and execution of our tour products.
- To make compliance with all local, national and international environmental laws.
- To undertake environmentally responsible practices, including waste management, recycling and energy use.
- To foster an understanding and respect for environmental and cultural conservation values among our management, employees, contractors and customers.
- To encourage and accept criticism and input from clients and employees in the never-ending effort to preserve the natural environment.
- To share our vision of responsible tourism by providing guidelines and suggestions to our clients at the commencement of all our tour programs.

It is however reported that international tour operators are the signatories of the pledge for the responsible tourism practices at the destinations. Many of these practices or principles remain to be the philosophy rather than the policies for implementation due to the lack of harmony between tour operators and the government or destination management agencies.

### Questions

1. What are the responsible tourism practices of PATA?
2. What are the objectives and activities of the China Responsible Tourism Forum?
3. How has the Bali Discovery Tours embraced the PATA's code for responsible tourism practices?
4. Why many tour operators are failed to obey the responsible tourism practices?
5. Do the responsible tourism practices of PATA remain to be myth or reality? Discuss.

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## UNIT - III

### Unit Structure

Lesson 3.1 - Concepts of Itinerary Planning

Lesson 3.2 - Resources for Itinerary Planning

Lesson 3.3 - Tour Formulation and Designing Process

Lesson 3.4 - Planning and Components of Package Tour for FIT & GIT

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### Lesson 3.1 - Concepts of Itinerary Planning

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### Learning Objectives

*After reading this lesson, you should be able to*

- Explain the meaning and types of itinerary
- Understand the need for itinerary planning
- Know the methods of preparing tour itinerary
- Draw sample itinerary of your own choice

### Introduction

Itinerary is a systematic method of arranging places of interest. It enhances value and appeal of package tour and provides maximum satisfaction to customers. The salability and marketability of any package tour is determined by tour itinerary. Customers always check nature and type of tour itinerary that provides ample information about the operation of tour. Places of tourist importance are logically arranged while taking the interest, convenience, cost, availability of services, climate, terrain, sunrise, etc into considerations. Tour operator has the sole responsibility of designing tour itinerary and it involves several stages of finalizing itinerary. It requires several rounds of survey of tourist destinations, priority of visits and connectivity. This lesson will present the meaning, types, nature and importance of tour itinerary.

## Meaning of Itinerary

An itinerary is a schedule or an arrangement of programmes or events. It is prepared for designing package tour. The origin, destination and en-route halting points and duration of halts along with elements of services like hotel rooms, transports, activities and miscellaneous services are clearly described in tour itinerary. An itinerary gives detailed information about nature, type, length and quality of package tour. Importantly, it determines sales of package tour and it is aptly a selling point for alluring customers to buy package tour.

## Importance of Itinerary

Itineraries are also prepared for customers for air travel. The nature of air travel or train travel or road travel does not include other essential components of package tour. The air or rail itinerary highlights on departure and arrival time of flight or trains, terminal or station details, number of flight and trains, baggage limits, transits, seat allocation and minimum check-in time in case of flight and suggested arrival time at station. However, it is an itinerary designed for FIT and they themselves arrange other component of services. However, it doesn't explain the type of marketing plan and strategy for positioning or branding package tour in market. An itinerary includes all kinds of requirement of package tour and it is basically regarded as complete itinerary to satisfy travel, stay and activities.

It is essentially important to ensure quality of package tour. The quality can be measured from the suitability, nature and comprehensiveness of a tour itinerary as it is described in tour brochures. It gives much confidence and interest to undertake journey to places of interest. Or else, it gives so much uncertainty and other problems in the tour. Thus, tour itinerary is printed in brochures with elaborate description of places of interest and kinds of services. Tour brochures are printed after expert team visits the places of interest, properties and other on-site activities. Accordingly, it includes logical inclusion and exclusion of services and sequential arrangement of a variety of features considering the needs and pleasure of customers.

The core business of tour wholesalers or tour operators is package tour. A planned itinerary eliminates much of the tension and problems at the time of operation of tour. For example, when a particular tablet or injection is prescribed to heal the diseases without experimentation or test, it may have serious negative impacts and there may be many side effects. The same example may be applicable to use itinerary without having proper test. Itinerary gives a frame through which package tour is conducted and other features are also incorporated to enhance value of package. Thus, logical planning along with familiarization

trip is generally done to ensure precision in the operation of tour. There can be additions or deletions as the process continues to produce an appealing itinerary.

Before the finalization of tour itinerary along with the route, one or two FIT or small group tours are conducted to analyze the feedback of customers. One tour operator can design package tour on the basis of itinerary as it is a final product for sale. Tour operator provides seamless itinerary and it can be tailor-made or customized or specialized. Thus, it is important to study the meaning and importance of itinerary planning and tour packaging.

### **Types of Itinerary**

A tour itinerary is usually divided into five different types taking the duties and responsibilities of tour managers, vendors, coach drivers and escorts, interpreters and guides into considerations. So that, there are itinerary for tourist, tour manager, escort or guide, vendor and coach driver. Itinerary may also be classified as GIT, FIT, tailor-made and special interest itinerary as per the convenience of tourists and tour operators.

### **Itinerary for Tourists**

Itinerary is designed to give elaborate descriptions to help customers or members of GIT select package tour. It is used as the reference for conducting package tour. A tourist itinerary is basically a reference for tourists to follow during journey comprising place of transit, sojourn, arrival and departure time, meal plans, check-in check-out time, mode of transport, activities etc.

The unique feature of any itinerary is to meet the personal requirements of a tourist that he expects from tour operators to include as per the itinerary. Tourist itinerary is more useful for tour planners to check its feasibility of operations. Destination survey through ground operators is done to gather information. While designing tourist's itinerary, the following aspects must be given due importance to make more precisions in operation of tour,

- Purpose of tour
- Budget
- Accommodation
- Transportation
- Choice of destinations
- Attractions

- Activities at destinations
- Legal issues
- Behavior of local community members

### **Itinerary for Tour Manager**

The role of tour manager is crucial to any package tour as he has to perform different duties from planning to actual operation of the tour. Professional expertise, knowledge of different travel issues, crisis management and personal experiences helps in organizing a tour. Tour manager's itinerary includes the complete details of tour from first day to last day. Apart from the general details as listed in a tourist's itinerary, a tour managers' itinerary also carries information about alternative arrangements, contact details, quick references, differential rates and tariff details, details of coach drivers and escorts and guides. This helps the tour manager manage the smooth conduct of the tour as well as execute contingency plans if required at times.

### **Itinerary for Tourist Guide**

Itinerary is designed for escort or interpreter or guide and it provides common information along with specific information to them. A ground operator or handling agency prepares itinerary containing the information about the name and nationality of guests, mode of arrivals, name of hotel, programmes, activities, time management etc. Other instructional details include voucher to be countersigned from guests, arrangement of loading and unloading of baggage and valuable belongings, photography, helping physically challenged guests and women. A guide or escort should essentially have experience of handling FIT and GIT tour, managerial abilities to handle ground difficulties, crisis management, presence of mind, etc. For example, a guide can make the tour interesting or boring and it all depends on the ability of showing places of interest within the specified time. This type of itinerary contains summary of tours.

### **Itinerary for Accommodation and Transport Operator**

Itinerary is prepared for hotels, transporters and other vendors for smooth conduct of tours. Hotels or transporters shall have to provide services as per guest's itinerary. Hotel or transport is a vendor that works for tour operators. This is also called as vendor's itinerary. There must not be any deviations from tour voucher. However, tour operator sends short instructional itinerary or programme to hotels and transporting agencies to be ready before the commencement of tours.

Vendors play a major role for the success of tour at a particular destination. The specific parts of tour itinerary instructs for making necessary arrangements in advance. For example, welcome drinks and traditional reception upon arrival in hotel is arranged as per vendor's itinerary

### **Itinerary for Drivers**

Itinerary is prepared for cab or coach driver to make proper coordination with guides, hotels and guests. Information for a typical driver's itinerary includes place and time of arrivals, parking areas, name of hotel, route to hotel and other sightseeing places, cleanliness of vehicle, checking air condition, break, public address system, etc. The summary of guests' itinerary is generally handed over to drivers to follow in tour. Driver's itinerary contains certain instructional information like attending duty with uniform, starting air condition 15 minutes before the guests boarding coach, greetings guests, etc. For example, drivers are instructed to reduce the speed inside the city and other important monuments, buildings and market areas for viewing and photography.

These are the following steps for planning tour itinerary.

### **Reviewing and Analysing Competitor's Tour**

Systematic planning is required for developing an itinerary for package tour. A comprehensive analysis of tour itinerary of other tour operators is done to find the strength and weakness of tour programmes. It is always better to have a unique programme that must be elaborate, value for money and satisfying. This review and analysis of competitor's itinerary is collected from printed brochure. It gives much idea about tour itinerary and other special features.

### **Working Out Duration, Frequency and Departure Point**

Each tour itinerary is worked out with much emphasis on duration and frequency of tour along with stopover points. The following format is generally used to arrange length of stay, frequency of visit and departure of place.

What is the time of departure? \_\_\_\_\_ am/pm

What is the time of arrivals? \_\_\_\_\_ am/pm

What is the frequency of operating tour? \_\_\_\_\_ per/ wk

Where is the last departure point? \_\_\_\_\_ Domestic/International Airport

Whether the pick up or drop provision is included. ☐ Yes ☐ No

### List the major locations in logical order and highlight them with significance

Itinerary must include key locations/cities/transit points. It must give a brief description about the historical/cultural/natural significance of places of importance. It is the work of tour operator to keep the places of interest in logical order while taking connectivity, geographical disadvantage, priority, mandatory stopover point, time, comfort, etc into considerations.

Places of interest are listed out in case of FIT and GIT and these places are arranged as per the convenient route map. This step reduces the cost of designing package tour and provides ample time to guests to enjoy the places of interest. Highlights of places of importance must be given in tour brochure or pamphlets. This is the following way of doing description.

- Taj Mahal at Agra- The emblem of immortal love
- Red Fort at Agra- The symbol of gigantic architecture
- The Sun Temple at Konark- The language of stone defeats the language of man
- The Eastern Group of Temples at Khajuraho- Expression of life in the stones
- Rock Cut Temple at Ellora: Human achieves perfection
- Backwater at Allepy: Nature has everything to entertain humans

### Content and Description

Contents about flora, fauna, history, culture and people in tour itinerary must be collected and developed uniquely. Uses of proper wording and images of places must be given due importance as potential buyers of tour packages get motivated from the images. This is the format given below to be used as illustrations for developing good contents and descriptions.

Topic	Main Points To Consider	Resource Materials
Qutub Minar	Built by Illtutmish and Completed by Bulban	Books, brochures and pamphlets to be collected from ASI and other libraries
Bharatnatyam	The First Classical Dance of India	Books, brochures and pamphlets to be collected from Kalamandap Libraries



Onam	Harvesting Festivals	Books, brochures and pamphlets to be collected from library
Fresco Painting	A kind of vegetable paintings	Books, brochures and pamphlets to be collected from library
Royal Bengal Tiger	The national animal of India and the king of predators	Books, brochures and pamphlets to be collected from library

### Arrangement of Miscellaneous Activities

Any activities offered by third party suppliers or entrance fees determine the quality of tour itinerary. In the worksheet of tour programme, number of activities, entrance fees, toll taxes, restricted area permits, parking charges, etc must be listed out at the time of preparing itinerary. For example short cruises, bike rides, entry into zoological parks, caves etc. must be highlighted. This is the format to be used as illustrations to gather information pertaining to miscellaneous services or activities.

Description of Activity	Details of Supplier	Cost Per Person	Inclusion of Activity Tour Price YES/NO
Odissi Dance	Odissi Academy	₹ 500	Yes
Language Interpreter	Freelancer	₹ 1000	Yes
Sound & Light Show	ASI, Fatepur	₹ 200	Yes
Porter	On-Spot	₹ 100	No ( Optional)
Tips	On-Spot	₹ 500	No (Optional)

### Obtaining Permission to Access to Private and Public Properties

It is imperative to obtain permission from the property owner prior to accessing any private property or buildings. For example, tour operators obtain prior permission from king or custodian of the Udaipur Palace for their clients to visit. Visiting property managed by the Department of Environment and Conservation must require prior permission. When itinerary includes entering Aboriginal Land, Restricted Area Entry Permits must be obtained.

### Minute-Wise Day Programme

It is crucially important to map out tour itinerary with precision to ensure that guests can arrive on time for activity in order to optimize the time allotted to each site in

the sightseeing. A full day sightseeing or excursion must distribute time across the places in tour programme in such a manner than guest must not feel bored or deficient in enjoying a particular site. Stop for lunch and shopping must also be reflected in the programme. This minute-wise programme is handed over to driver and guide to conduct city sightseeing accordingly. The following table may be used as illustrations of a typical full-day sightseeing tour in Bhubaneswar city.

<b>Stops</b>	<b>Time</b>	<b>Location</b>	<b>Type of stop</b>
<b>Start</b>	8.00 a.m.	Oberoi Hotel	Staring the sightseeing
<b>Stop</b>	8.30 a.m.	Parsurameswar Temple	Seeing and Listening and Photography
<b>Stop</b>	9.15 a.m.	Mukteswar Temple	Seeing and Listening and Photography
<b>Stop</b>	10.00 a.m.	Lingaraj Temple	Seeing and Listening and Photography
<b>Stop</b>	10.45 a.m.	Raja Rani Temple	Seeing and Listening and Photography
<b>Stop</b>	11.30 a.m.	Brahmeswar Temple	Seeing and Listening and Photography
<b>Lunch</b>	12.30 p.m.	Back to Hotel	Lunch Break and Rest
<b>Start</b>	2.30 p.m.	Khandagiri and Udaygiri Caves	Seeing and Listening and Photography
<b>End</b>	4.30 p.m.	Drive Back to Hotel	

### Testing Sample Itinerary

Sample tour itinerary is used on a familiarization trip. If there are any flaws or loop-holes in tour itinerary, tour operators take immediate actions to correct and go for final printing tour itinerary. In the testing sample itinerary stage, capacity of hotels and ground service providers, facilities and amenities at destinations, road conditions, local law and order problem, etc are examined thoroughly. It is very important to do several 'dry runs' of tour itinerary to ensure the flawless itinerary. Experienced executives must be associated with sample tour itinerary tour and their constructive comments improve the quality of package tours. In this stage, tour operators meet primary service providers and experience the service quality.

### Title of Tour

In this stage, an attractive or appealing title is given to package tour. Title must represent the character of tour. For example, TEA GARDEN PARTY is a title of tour and it is promoted for UK nationals interested to visit tea gardens in Assam and Darjeeling area. This particular tour provides much scope for visiting tea gardens and interacting with workers, visiting factory and tea museums. Many of the group members are emotionally

attached with many tea gardens as their ancestors developed and owned many tea gardens during the colonial rule in India. Many USA farmers are now visiting apple gardens in Himachal Pradesh. Similarly, South Indian Temple Tour, Famers Tour and Museum Tours are some of the possible titles of tour.

### **Background Information for Preparing Itinerary**

- Duration of the tour.
- Minimum time for visiting each city
- Purpose of travel and special interest.
- Selecting cities to be included in the itinerary
- Mode of intercity travel. (by road, rail, air)
- Selection of any special air fare or rail fare
- Selecting the hotels to be used.
- First arrival and last departure from international airport.
- Inclusion of places requiring restricted area permits.
- Best time for visiting

### **Do's and Do Not's of Itinerary**

#### **Do's**

- Do add all places of halt with date and time.
- Do provide a brief summary of the city(s)/country and the sights.
- Do provide name of the hotel, type of vehicle, time of arrival and departure.
- Do include meal plans.
- Do provide links for additional information about the city, country, sights, restaurants, hotels.
- Do provide as many relevant maps as possible.
- Do provide names and places written in the local language.
- Do provide unique information about the destination (Ex: scams and customs).

#### **Don'ts**

- Don't add too many details which might cause confusion.
- Don't leave directions ambiguous. There are lots of distractions when coming into a

new city, be as specific as possible.

- Don't forget about the nature of group, age group, physical disabilities, eating habits and language barriers.
- Don't go overboard on the hotel recommendations. Most hotels are pretty similar in a given price range.
- Don't include shops which are not registered, restricted areas without availing permits etc.
- Don't forget about restaurant recommendations.

### **Itinerary for Group Inclusive Tour (GIT)**

A Group Inclusive Tour (GIT) itinerary follows the fixed itinerary and schedule. In a typical GIT package tour, options are limited to clients or guests or group members and follow it as per tour itinerary. The primary reason is that it is a ready-made package and common activities are encouraged rather than individual interests. There is no scope for alterations as many things are pre-arrangement.

Cancellation of rooms in case of group bookings is not allowed at the eleventh hour. Any change in itinerary may create crises situations and disturbance and disturb distribution channel. Services of a package tour along the itinerary like hotel rooms, cars, guides, flights, events, entry fees, toll taxes, etc are fixed and they are confirmed much in advance. Any modification results in loss and reduction of profit amount.

The entire schedule is spoiled. It practically becomes very difficult for operator and supplier to rectify or rearrange schedule. Immediate alternative changes may not be possible and it incurs loss for all operators in the process. Groups with specific travel limits or individuals with the intention of moving with pre-arranged services may certainly prefer GIT itinerary as it has the following merits.

- Enjoying the companion of like-minded people
- Reduction of package price
- Confirmed pre-arranged services
- Accompanying group leader or tour manager
- Ensuring the arrangement of overnight halt at safe places
- Minimum cost for conducting several activities
- Economic of scale for tour operators

### **Free Independent Tour (FIT)**

Free Independent Tour (FIT) itinerary is, on the contrary, preferred for its freedom to select hotels, places, transport, guide and other services. Modifications may be possible at the last hour due to change in programme or any untoward incidences. There are flexible options and clients may meet personal requirements at their disposal. Clients may ask the operator to make certain changes as per interest and preferred activities.

Operators can do the needful against the availability of flights, trains, vacant rooms and other services. Such an itinerary lends good space for tourists to do activities of personal choice and interest. An immediate change in the schedule and alternate arrangement is possible unlike GIT. Thus, independent travelers prefer FIT tours as there are possibilities of additions and deletions to the itinerary. However, FIT clients are relatively affluent and do as they wish. These are the following merits of FIT itinerary.

- Enough scope to satisfy personal interests
- Select the preferred rooms and transports
- Possibility of minimizing the price of package tour
- Arrangement of small elements of services

### **Tailor-Made Itinerary**

An itinerary is customized in such a manner that most of the specific travel needs are tailored taking the affordability of customers and capability of tour operator organize such tours. This type of itinerary is mostly designed for FIT than GIT package tour. The itinerary satisfies convenience and interests of tourists. Tour operators adopt the changes as per the preference and affordability of customers. Designing tailor-made itinerary needs the involvement of highly experienced executives to ensure value for money for customers in tour programmes and help earn profits. Tour operators furnish information as soon as they receive queries of package tours. For example, tailor-made itinerary is prepared for single women travelers, small group, backpackers and business executives.

### **Special-Interest Itinerary**

It is a type of tour itinerary that takes care of special interest or motivations of customers by incorporating special events or attractions in tour programmes. Given the increasing demand for visiting special tourism destinations followed by the creation

of tourism product portfolios, tour operators have made intensive market survey and familiarization trips to those special interest destinations to ensure customer satisfactions. Both group and independent travelers wish to visit special places of tourism importance. It is however important for tour operators to strengthen resources and supply chain for smooth operation of tours. For example, MICE operators and adventure tour operators promote special interest tour packages.

## Summary

Itinerary is a methodical way of arranging the organized package tours. There are advantages of conducting tour with help of tour itinerary. It adds value and appeal of package and gives much scope for meeting the group as well as individual needs. Tour itinerary increases the scope of sale of package tour. A typical itinerary includes places of tourist importance are logically arranged while taking the interest, convenience, cost, availability of services, climate, terrain, sunrise, etc into considerations. Tour operator designs itinerary after several rounds of test for finalizing itinerary.

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## Lesson 3.2 - Resources for Itinerary Planning

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the various reading and information resources required for drawing itinerary
- Know the methodical approaches in planning good itinerary
- Make use of the resources in more effective ways
- Know the difficulty in gathering the information as resources

### Introduction

Itinerary describes the places of interest along with terms and conditions for easy clarification of customers or clients. A good itinerary is one that minimizes cost and maximizes return on investment of tour operators.

A customer or client looks for enjoying maximum in minimum time and cost as it is the general psychology and tendency of an average customer. Providing best possible options through itinerary is a strenuous task. But a tour operator makes on-site study to provide best possible choices. It is like a test drive of a newly manufactured car.

A car is not sold in the market as long as it is not tested for its performance on road. In the same case, itinerary precedes the preparation of tour package and it clarifies the services to be included in the package. Designing itinerary is a task of senior and experienced executives of tour operating company. Thus, resources like information brochures pertaining to places of interest, hotel and ground transport tariff, train and airline fare, guide charges, toll taxes, entry fees, etc are collected much before the preparation of tour itinerary.

Planning is done for preparing itinerary one to two year before a tour package is launched in the source market for sale. Thus, this lesson will describe various concepts of itinerary, collection of information and steps in designing itinerary.



These are the following resources of Tour Itinerary

### **Information Brochures Destination**

Destination is promoted as a product in tourism business through advertisement and publicity. It is a conventional method of introducing destinations and service providers in distributions channels refer brochures collected, compiled and published by various government operated tourism departments. A set of tourism brochures are sent to tour operators as soon as it is printed or tour operators collect tour brochures from nearest tourist office.

Tour operators and travel agents are involved at various stages of developing tourism destinations on the basis of suggestions as they finally promote the destinations. Places of interest depicted in tour brochures are largely circulated to tourism offices and tourists collect tour brochures on free of cost to read about destinations and decide to include places of interest.

Thus, features of tourism attractions are generally studied to include package tour. Knowledge about destination is essentially important when it is to be marketed for domestic and inbound tourists. Survey on tourist places of interest is primarily done to gather information related to hotels, transport, guide services, amusement parks, public events, culture, people, connectivity, climate, etc.

Tour operators make comprehensive analysis of tangible and intangible dimensions of destinations. Majority of tourists are first-time visitors and they get motivated through images illustrated in brochures. Apart from brochures published by the MoT, tour operators also customize tour brochures detailing about the places of interests which are included in package tour. This is an important resource that is used for preparing tour itinerary.

### **Hotel Brochure and Tariff**

Hotels and other accommodation operators print colourful brochures along with room tariff under various plans for wider circulations among tour operators and direct customers. Hotels do send a set of brochures and tariff to tour operators during June- July for inclusion of hotels in tour itinerary.

As such hotel is a part of tourism destination and promoting local places of attractions is also an important responsibility of hotel. At the same time, business of hotel depends on the quality of destination coupled with amenities and facilities. Both soft and hard copy of

brochures are customized to project best of facilities and services of hotels to tour operators as bulk of sale of rooms is done through tour operators.

While designing tour itinerary, it is essentially important to collect hotel brochures and tariff from various hotel promoters or download the same from respective websites of hotels. Apart from making physical survey of hotel properties during familiarization trips, tour operators do refer hotel brochures for getting familiar with type of room, facilities and amenities, service quality, tariff, discounts, locations, add-on services, safety, etc.

Evaluating a hotel's room or food service through tour brochures may not be practically possible and it may however give certain information for preparing tour itinerary. Hotels display maximum images and information in public domain and customers are well aware of price, quality and facilities of hotels. Thus, compilation and comparison of hotel rooms are thoroughly done to attract customers to purchase package tours. Itinerary also reflects the hotels and services to give maximum clarifications to customers to feel worth buying package tour. Thus, it is an important resource for tour operator to refer for preparing itinerary.

### **Ground Transport Brochure and Tariff**

Local ground operator or destination service provider or destination management agency is a primary service provider. Interaction with tourists for transport services is direct. Like hotels and resort operators, ground transport operators publish brochures highlighting on types of transports, facilities and amenities, services, safety, etc along with tariff for tour operators to refer while developing package tours.

Ground transport operators send brochures during June-July. At the same time, tour operators collect brochures depicting the images of coach and car with facilities and amenities for guests. As such, transport operators go for exclusive design of coaches for sightseeing and excursions. Representatives of tour operators make physical verifications of coach before assigning the work to ground transport operators. Thus, itinerary preparation is done on the basis of transport and type of transport is also reflected in tour itinerary for better clarification to customers.

### **Railway Timetable and Fare**

Some of important segments of travel in tour itinerary are arranged through trains as it is convenience and affordable for customers. In these days, train travel is more preferred for its comfort, safety and fare. For example, Amtrak, Eurail and Britail have maintained world-class facilities and amenities for tourists to prefer train travel than air.

Railways print timetable periodically and send it across to different railways offices and market for sale. Recognized tour operators do receive the copy of timetable from railway operators as when there are publications of revised timetable. Apart from luxury train services like Palace-on-Wheels, Royal Orient, Fairy Queen and Deccan Odyssey, tour operators reserve berth for customers in overnight and long-haul train in advance. There must be a mix of train, road, air and cruise travel in most of tour itinerary as many of lesser-known destinations or conventional destinations are not directly connected by one of the modes of transport service. Thus, referring to timetable of railways and fare generally simplifies the work of drawing a complete tour itinerary.

### **Flight Timetable and Fare**

Gone are the days when flight timetable was printed and circulated to all IATA and Passenger Sales Agents (PSA) for reference and information to passengers. IATA publishes ABC Blue and Red air schedule for international sectors and these air schedule guide books are made available to IATA agents. It is very useful when air itinerary is prepared before the calculation of airfare for a passenger. Nevertheless, air itinerary is a part of tour itinerary.

These timetables are arranged in alphabetical order and it is very easy to refer and distinguish from origin to destination airport in three digit letter. At the same time, one-way and round-trip fares are given as per the global indicators. For example, airfare from Delhi to New York via Atlantic is lower than the Pacific route. Moreover, airfares calculated as per the IATA fare construction rules.

Thus, airline schedule and fare is largely referred to prepare tour itinerary as business tourists and high-end leisure tourists usually prefer to use air travel to reach destinations in shorter time and comfort. Many airlines also publish their schedules along with many code sharing airlines and send across their agents. Apart from scheduled airfare; airlines also book non-schedule or charter airlines for various destinations. Thus, it is essentially important to subscribe or buy those flight timetables on a regular basis.

### **Travel Information Manual (TIM)**

Travel information manual provides much detailed up-to-date information on travel formalities for travel agents or tour operators to make use for preparing tour itinerary. It is a very useful manual giving rules and regulations of issue of passport, health certificates, restricted area permits and currency certificate. Country-wise information is given in alphabetical order along with procedures for preparing documents.

Issue of necessary travel documents is done on the basis of papers submitted by tour operators. For example, a passenger travelling from IATA Area-1 to IATA Area-II via Africa must possess valid health certificates as most of the regions in Africa are enlisted as spread of contagious diseases. Similarly, applying for visa to USA embassy in India for an Indian to travel USA on a tourist visa need certain mandatory papers to be produced for processing. Each tour operator has to have a latest TIM to refer for preparing tour itinerary.

### **Local Festival Calendar**

The value addition aspect of tour itinerary is the inclusion of local fairs and festivals. Each destination celebrates some festivals or other in small or big way across the year. Tour operators collect local one or two different local calendar in the beginning of year to refer to the fairs and festivals.

If any big festival falls during the course of tour, tour operators incorporate such event in tour itinerary for guests to enjoy festivals. For example, festivals like Dusshera or Diwali are included in tour programme and guests are taken to various places in cities to show the majestic decorations of gate, Durga idols and decorations, music and songs and other activities.

### **Restricted Area Permits**

The gazette notification of government about restricted areas is circulated to tour operators as it is notified time to time. At the same time, tour operators also collect the notification directly to be aware of areas where tour operation is restricted completely or regulated partially.

Tour operators also collect information about the contact address of Competent Authority for issue of permission to visit these restricted areas. Do's and do not's are also issued time to time to tour operators to follow in the areas during the operation of tour. For example, a recognized tour operator shall have to take permission for visiting tribal markets in Odisha after the due approval of District Collector on the basis of submission of application and necessary documents.

### **Weather Forecasts**

Tour operation is directly determined by forecast of weather. Tour operators collect advance information from Metrological Department about the nature of weather at destinations. There are places where rain may occur at any point of time and tours are cancelled or rerouted on the basis weather condition.

Thus, itinerary gives information about the expected temperature in day time and night during winter or summer. The degree of precipitation is also reflected in tour itinerary. As tourists are very sensitive towards climate and weather conditions, tour operators are very much meticulous about the weather conditions.

### **Local Culture and People**

Information on local culture and people is collected from published books and literature. Ground operators also furnish information about local culture and people to tour operators. Tour operators also get acquainted with people and culture during familiarization tours.

Various traditions and customs are the parts of culture and these are the finest attraction of tourists. Most of host community members are cordial and hospitable to welcome guests to visit their villages and community. Thus, tour itinerary reflects on various activities around tourist destinations and these activities can only be done with the help of local community members.

### **Socio-Political Risks Factors**

Tour operation business is very sensitive to many vagaries of natural and other risk factors. Visitors take serious note of socio-political risks factors like communal riots, naxalism, terrorism, war, cyclone, flood, tsunami, earthquake etc. These uncontrollable factors stand as obstructions to tour operation business as tour operators give heavy compensation to clients and loss of advance for booking various elements of services in package tour.

Tour operators do not conduct tours in those areas which are prone to some type of natural calamities at a particular month every year. Thus, background data about socio-political conditions on various destinations are collected through various sources to take final call of conducting tours. For example, the political turmoil in Libya, Israel, Afghanistan, Pakistan and some of the countries in Africa stand as deterrence for tour operators to conduct organized package tours.

### **Connectivity and Types of Transport**

Information is collected from the government offices about the connectivity of various tourism destinations by road, rail, water and air. For example, road conditions are generally checked with the help of local ground operators. It is an important factor that determines the duration of travel, selection of type of vehicle, number of stops, etc. For

example, road connectivity and conditions of many ecotourism, wildlife tourism and tribal tourism destinations make the place more inaccessible.

At the same time, there are broad, meter and narrow gauge train lines that also determine the duration of travel. For example, journey with toy train from Silluguri to Darjeeling gives awesome experience provided guests do have patience of sitting long hours in the train. Similarly, there are small, medium and large-bodied aircrafts that are selected on the basis of handling capacity of airports. It also determines the duration of travel and comfort. For example, most of the northeastern states in India are connected by air and small aircrafts ply the air services. It gives much discomfort to passenger during the change of altitude.

Many destinations can only be connected by water transport and there are countryside boats, motorized launch, passenger ship, etc for transferring visitors from one point to another. For example, Sunderban National Park can only be accessed with the help of motorized boats and the boat journey can only give the joy of enjoying mangrove forest and wildlife while cruising in different creeks. For example, there are three ways of visiting Mata Vaishnava Devi. These means are helicopter, steps and pony. There are some places that can also be accessed by ropeways.

Most of the destinations in Nepal can be reached with the help of ropeways. Thus, it is essential to maintain databank about connectivity of places of tourist interest with the help of types of transport for preparing flawless tour itinerary.

### **Use of Various Maps**

Tour operators do maintain a collection of world map on road, rail, water, and air transport network on a regular basis. At the same time, tourism destination maps are also referred for designing tour itinerary. For example, places famous for textiles, handlooms and handicrafts are presented in an exclusive map.

These maps become handy for tour operators to make best use of them for identifying locations of place, connectivity by road, rail and air. In these days, there are customized maps for travel agents and tour operators to use them for drawing tour itinerary. Indian Railways print map of network of train services and Air India also print the route map across the world. Cruise liners also publish the route maps of their operations.

## **ERP Software**

There are customized software resources for designing complex tour itinerary in a fraction of minutes. Gone are the days when senior executives used to make lots of exercise to gather information for preparing tour itinerary. It is now simplified with software that helps in minimizing time and cost for drawing itinerary with multiple options.

However, auto-generated itineraries are manually verified for avoiding mistakes. Most of the tour operators have acquired the software and use them optimally. It is high time to make tour cost effective and value addition for customers. Creating multiple options and combinations satisfy different segments of customers. Thus, it is essentially to have customized software for creating attractive tour itinerary that can increase margin of profits and increase the scope for guests to enjoy maximum.

## **Technology and Internet**

Tour operators and travel agents set aside special funds introducing e-governance system with the help of technology and internet and intranet. A big tour operating company and travel agents maintain intranet for dissemination of information across the departments. Sharing information can become easier and faster with the help of e-governance. For example, collecting information for tour itinerary preparation from any department can be done in a simple request. Thus, tour operators acquire new technology time to time as customers are becoming more tech-savvy.

## **Valuable Tips for Preparing a Good Itinerary**

Tour operators make sure to avoid misunderstandings with their customers and service providers in their distribution network in case of package deals. Clarifications on each item of service are given in the itinerary.

In order to avoid confusions and hitches, services are provided as per the contract and promises in the tour itinerary. The itinerary may be changed from time to time provided the tariffs of transporters, accommodation providers, and guides remain unchanged. If there is any change in the tour programme, both clients and tour operators may be affected severely.

All these four types of tour itineraries should avoid too much mental and physical strain. Tour itineraries should not be too slow or too exhaustive; they should be moderate to an extent that all the group members, regardless of their age, can enjoy the tour. To save unnecessary expenditures, the tour should avoid backtracking or doubling-back that may



cause a lot of obstacles to operate and increase unnecessary costs. Clients are normally advised in the itinerary to eat and drink from known places.

The itinerary is prepared in a manner that decreases excess burden on each day and the journey or sightseeing is conducted in a comfortable way. If the itinerary is prepared for the physically challenged or elderly persons, it does not include too much sightseeing and surface journey. The itinerary generally suggests tourists to avoid visiting expensive tourist shops, expensive restaurants, using unauthorized tourist transport, unauthorized tourist guides/tour escorts/drivers, and unauthorized money exchangers.

The itinerary also suggests tourists to avoid keeping their valuables (travellers' cheques, currency notes, cameras, videos, and documents) at restaurants, hotels, shops, and in transport vehicles. The itinerary advises tourists to refrain from entering restricted areas without prior permission. It also advises them to refrain from photography or videography in places (defence areas, airports, and sea ports) where it is not allowed.

## **Summary**

Itinerary describes the places of interest along with terms and conditions for easy clarification of customers or clients. A good itinerary is one that minimizes cost and maximizes return on investment of tour operators. A customer or client looks for enjoying maximum in minimum time and cost as it is the general psychology and tendency of an average customer. Providing best possible options through itinerary is a strenuous task. But a tour operator makes on-site study to provide best possible choices. It is like a test drive of a newly manufactured car.

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### Lesson 3.3 - Tour Formulation and Designing Process

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#### Learning Objectives

*After reading this lesson, you should be able to*

- Understand how an organized package tour is formulated
- Explain different key concepts of tour formulation process
- Describe various steps in designing a new package tour
- Know various processes in giving final shape to package tour

#### Introduction

Organized package tour is designed with much emphasis on customer satisfaction and loyalty. A repeat customer is preferred in package tour business. Tour operators various loyalty programmes to attract more new customers along with old customers. This can only be possible through continuous innovations in improving the appealing of package tours. Package elements or services are included and excluded depending on the segments of markets.

Thus, tour operators do make in-depth market study on the factors such as great risks, high breakevens, high quality product and competitive prices. Various factors are responsible for directly determining the tour formulation process. These factors also affect the volume of sale of package. In this lesson, there are 11 stages of developing an attractive package tour and it will be described in this lesson.

#### Package Tour Formulation Process

Formulation of a package tour involves managerial approach and the process involves proper planning, itinerary preparation, designing, costing and marketing. Research and development of firms invest time, money, experience and knowledge in the formulation of package tours. Before they are launched on full scale, marketing divisions do pilot launch and check feasibility and possible acceptance of their new package tours. Below is a detailed sequence of steps followed in the formulation of tour packages:

## **Market Research**

Marketing research involves study of the economy of the country to visited, foreign exchange rate, demand for the product, consumer profile, competitors in the market, studying the product components like sightseeing, transport, baggage allowance, ground service etc., sales status, channels of distribution, promotional measures.

## **Prepare an Itinerary**

A well planned itinerary holds the key for success of a package tour. It needs to incorporate exciting places of interest and enough scope for events and activities.

**Identify and decide** on mode of travel, hotels, destinations, dates, capacity and others.

**Sign contracts** with principal service providers: Agreements with various service providers well in advance is important. Contracts for timely delivery of services by hotels, transportation, entry permits, ground handler etc. has to be signed.

## **Costing of the Package**

After having signed contracts and designing of package systematic costing of the package will be done which includes cost to incurred towards all elements of a package tour are summed up and then package is given a mark-up price before a price tag is decided upon.

## **Preparation of Brochures and other Promotional Material**

Promotion material is another important aspect in the formulation process. Both print and electronic media are widely used but brochures are integral part of it which play a major role. Hence designing and printing attractive brochures and other material is ready to used for marketing.

## **Marketing of the Product**

In line with demand requirements of the markets right kind of marketing strategies are framed and then the product is marketed through the above listed means of promotion material.

## Documentation

This last step in formulation process includes copy of the clients itinerary, tour vouchers, travel and other entry tickets, luggage labels and other useful information for the clients.

## Summary

Organized package tour is designed for customer delight and loyalty. It all depends on the formulation process to ensure the quality of tour itinerary. Tour operators launch loyalty programmes that can be possible through continuous improvement in the quality of services and places of tourism importance. Some of the package elements or services are included and excluded depending on the nature and types of package tours. Thus it needs comprehensive analysis to reduce risks and increase the possibility of reaching high breakevens, high quality product and competitive prices. Each tour operator largely follows this formulation process to prepare the competitive tour itinerary.

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### Lesson 3.4 - Planning and Components of Package Tour for FIT & GIT

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#### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the meaning of FIT and GIT
- Explain the meaning of SIT for FIT and GIT
- Know the process of drawing systematic planning
- Describe various components of package tour

#### Introduction

Planning is a methodical approach for accomplishing the future course of actions. It is also essentially needed for business of tour operation as various factors determine the volume of demand and supply of sale of package tour. Tour operators take all precautionary measures to overcome the marginal variations in sale and operation of package tour. Planning may not be helpful to the tour business due to the nature of tourism business. Travel agents and tour operators chalk out plan to examine the strengths and weakness of package tour business.

There are various stages through which planning are done to develop package tours for emerging segments of customers. For example, Cox and Kings have designed the package tour for Bharat Dekho for domestic customers in India. It is important to examine the inclusive and non-inclusive components of package tour. Components of package for FIT vary from GIT in case of common interest tour and special interest tours. This lesson will explain planning and components of package tour for FIT and GIT customers.

#### Package Tour Business

Packaged tours have revolutionized the way people travel in the modern day. The concept of package tour is as old as the introduction of paid holidays, annual paid holidays and Thomas Cook holiday programme. This concept has received rapid attention in the world. Packaging is the combination of related and complementary services into a single price.

Package tour is the sum total of variety of services offered to the tourists in one price, which normally less expensive than that of each individual items. Such tour largely includes the services of accommodation, transport, food, guide and other ground and miscellaneous services. Transport and accommodation form a significant proportion of the cost and service of any organized package tour.

Package tours not only save time and money for tourists but also help suppliers to ensure sale of their services thus balancing the demand and supply in the travel market. Tour operator being a consolidator or wholesaler assembles primary and miscellaneous services with his own price tag. However, packages are designed for the independent and group tours after comprehensive research and analysis before it is launched in the market.

### **Group Inclusive Travel (GIT)**

Group inclusive tours (GIT) are comprised of groups of travelers that share a particular mutual affiliation, such as belonging to the same club or business organization. Such a tour is generally conducted with a fixed itinerary. This type of tour is mostly conducted with fixed itinerary. There can be short-haul and long-haul travel in case of the GIT. The former is meant for the MICE activities and the latter is apt for the leisure and pleasure activities.

Group tour packages are comparatively cheaper as compared to the FIT tour packages. There is bulk of sale of hotel rooms, airline seats, and coach services in group organized package tours. This type of tour differs from an escorted tour in that the travelers in a GIT share a commonality, while the members of an escorted tour share no common bond other than perhaps living in the same region. Tourists on special-interest tours travel to a particular destination for an experience that reflects their mutual interests, and travelers in GITs form a group merely to pool their purchasing power and realize savings.

### **Free Independent Tours (FIT)**

Tour packages are customized with personalized services for the Free Independent Tours. Such deals offer flexibility in selecting services of their choice and interest and added to a tour package. They allow travelers more freedom to vacation on their own without following a scheduled itinerary or traveling with a group, yet these tours offer the traveler the convenience of paying for all facets of a trip prior to departure, including transportation, transfers, lodging, sight-seeing excursions, and often some meals.

The business of FIT is operated to reach out the niche customers as it satisfies the lifestyle and travel behaviour. Those tourists traveling on an independent tour outside their

home country are referred to as FITs, and those free independent tourists traveling inside their home country are referred to as Domestic Independent Travellers (DITs).

### **Steps involved in developing your package tour**

- Identify the experiences and features of target market desires by undertaking market research.
- Set clear sales and customer expectation objectives for package tour
- Evaluation of area attractions and traveler services.
- An appealing list of experiences.
- Attractions and support services to sell package necessarily.
- Developing a package concept by including setting a theme and a market position (economy, deluxe or other), and the specific products to be offered chosen on the basis of the best fit with the target market
- Pricing the package on a per-customer basis.
- Establish management and quality control systems to coordinate your plans with package partners,
- Establish credit policies, contingency arrangements, customer communications and tracking of results

### **Packaging: A Tool for Tourism Product Marketing**

Time is a most valuable thing for the travelers in the recent times. Families with double income find it almost difficult to make schedule of their vacation time and family members are also busy in their jobs or activities that also stand as a barrier to their vacation. It is also certainly impossible or impracticable on the part of an individual to think for long vacations. However, in spite of the work pressures and paucity of time, more families and individuals are taking long weekend or holiday vacations, or extending business trips into short getaway vacations.

Packaging is a popular method used for attracting these customers, since packages make travel easier, convenient and hassle free. In tourism and travel industry, packaging is the process of combining two or more related and complementary offerings into a single-price offering. A package may include a wide variety of services such as lodging, meals, entrance fees to attractions, entertainment, transportation costs (air, auto, train, cab or bus), guide services, or other similar activities.



Packaging can also create a variety of benefits for participating distribution channels. Why package tour is a popular proposition and what are the components of successful packages. We should identify reasons for the increased popularity of packaging and address issues a business should consider when developing a package.

**The customized tours can greatly benefit the clients in the following ways;**

- Personal urge for visiting the places and enjoying the events and activities can be possible to a great extent.
- It is affordable as the selection of destinations and elements of services are suggested by the clients.
- Adequate time can be earmarked for certain places for example photography and cultural program.
- Modification of tours and services are mostly allowed.
- The services can be enlarged depending on the client's ability to pay.
- With the quality of services, clients can be used as the promoter of the tours.
- Many customized affinity group packages can be organized.

#### **Factors Influencing Pricings**

- Seasonality
- Fluctuations in business between high and low seasons.
- Operating costs includes general overheads,
- Promotion and labour costs which can vary, depending on business peaks and troughs.
- Competition

#### **Package Tour and its Increasing Demand and Value**

Packaging is the process of combining a number of inter-related tourism products and services that are offered together to offer an inclusive experience for travelers. They are brought together into a suitable single product at a lower price than if they are bought individually. Packages are designed to appeal to a specific target market. The best packages offer unique and appealing experiences or series of experiences to tourists at a much greater value.

### Benefits of Packaging to Tourism Operators

- Opens new markets and increases sales
- Provides an opportunity to develop
- Sales in slow periods
- Your product becomes more
- Marketable when it partners with other,
- Compatible products
- You share marketing costs,
- Increasing reach beyond your own resources
- Time savers
- Increase the seasonality of destinations
- Less cost / price
- Earn foreign currency
- Better quality of products
- Professional services
- Wide variety of tour packages
- Provide bulk business to organizers.
- Greater convenience
- Greater economy
- Ability to budget for trips
- Implicit assurance of consistent quality
- Satisfaction of specialized interests
- Added dimensions to traveling and dining out

Packaging your product is something that you can undertake independently or that may be done by a tour wholesaler or other packaging professional. You can obtain together with other business people, work out a tour package, and market the package jointly. The components of a typical package include attractions, events, activities, transportation, accommodation, meals, drinks and taxes.

## **These are the essential components of GIT and FIT package tours**

### **Accommodation**

Accommodation is an important element of package tour and it shares a good amount of the total cost of package. Accommodation can be of primary and supplementary. Primary service providers are the category star hotels, resorts, business hotels, and international hotels who are the conventional accommodation operators with the provision of providing room cum food services and allied services. Lodges, home stays, guest houses, bungalows, service apartments, etc.

There are supplementary service providers. Depending upon the nature of the groups and package operators include the right kind of a hotel accommodation into the package. Comfortable and safe stay is always a serious concern of tourists and this element determines the strength of a tour package.

### **Attractions/Sightseeing**

Adding the most appealing attractions in a package tour sightseeing is one of the most important elements of a package tour. The best of experiences are counted on the kind of sightseeing is conducted and not to forget inclusion of attractions to a package tour must be sequenced in such a manner that the customer satisfaction is enhanced from point to point. The most exciting should always be listed last and the itinerary needs to be planned in such a way. Sightseeing is no doubt the backbone of the whole tour package as it serves the prime objective of the tourists visit to a destination.

### **Transportation**

Travelling is part of any tour. Transportation thus becomes yet another focal component of a package tour. The journey of a tourist from origin (place of residence) to destination (host country or place of visit) involves tourists' movement and it requires a suitable means of transport. Safe, comfortable and quick modes of transport are wanting of the tourists. Quicker means help tourists spend more time at the destinations and at the same time can visit more destinations in a country. Transportation modes can be air travel, railways, buses, ships, cars etc.

**Airways:** Air transportation in the modern days has had great influence on the travel industry. Package tours especially international tours have benefitted a lot. This is a quick mode of transport and most foreign tourists prefer travelling by air. The component of air travel includes international and domestic flight tickets and on-board services.

**Railways:** Railways are most used form of transport for package tours in countries like India and also Europe. It connects destinations which are away from airports or where air services are not available. For example, the Indrail pass, Eurail Pass, Brital Pass and AMTRAK are booked in advance to provide alternative and quickest mode of transport and different experience to the visitors. IRCTC in India is offering variety of package tours such as Bahrad Darshan.

**Ships, Cruise or Ferry Services:** Passenger ships and ferry services are used for water transport. For example ferries ply between Chennai, Vizag and Kolkata to Andaman and Nicobar islands. Certain operators are using the mode for package tours to these islands. For example, the Royal Virgo operates luxury cruise liners for high-end tourists across the countries. Cruise Liners themselves promote the all-inclusive packages and get it promoted through the wholesale and retail travel agent. They include room, food, drinks, sightseeing, entertainment, casino, etc on-board.

**Bus Services:** Bus services are mostly utilised in domestic tourism for short distance package tours. This is being made use by regional tour operators to take tourists to interior destinations as well which otherwise cannot be accessed either by air or train. Though there isn't much craze for bus services, they are part of any destination tour for group tours.

## Ground Services

Ground services are also equally important element of package tours. Tourists cannot do away with ground services when they are at a destination. For local conveyance they need coaches, cabs, to know about places they may need guides and interpreters to help them convey in the language of their tongue. Car rentals, luxury coaches, other motor vehicles services are an active part of package tours enabling better travel with and around a destination.

## Events and Activities

Events are of different kind at destinations. Entertainment parks, theme parks, sports and leisure clubs are used for a variety of events and activities. Events such as meetings, incentive tours, conferences, conventions, exhibitions etc are some time part of certain package tours or package tours of such events are also offered by operators. Events and activities may be offered as complementary to tourists to add value to the package.

## Insurance

Loss of baggage, loss to life and sudden withdrawal of tour or complete break of tour due to natural or manmade interruptions are issues related to travel. Insurance covers this loss and tourists can ensure safe journey plus surety against loss. Insurance companies for instance like Bajaj Allianz and TATA AIG have customized travel insurance for the foreign outbound travel for Indian travelers. Insurance now-a-days is included into the total cost of the package or otherwise one can choose from the travel insurance policies available in the market.

## Summary

Planning is a methodical approach for accomplishing the future course of actions. It is also essentially needed for business of tour operation as various factors determine the volume of demand and supply of sale of package tour. Tour operators take all precautionary measures to overcome the marginal variations in sale and operation of package tour. Planning may not be helpful to the tour business due to the nature of tourism business. Travel agents and tour operators chalk out plan to examine the strengths and weakness of package tour business.

## Self Assessment Questions

1. What is the meaning and importance of itinerary? Explain with examples
2. Explain various types of tour itinerary with suitable illustrations.
3. List the steps for designing tour itinerary and explain each of the steps with examples.
4. Prepare a 10-day tour itinerary of your own choice comprising important places of interest in India.
5. Prepare the minute-to-minute programme for the city sightseeing tour.
6. Explain the background information for preparing itinerary.
7. List the Do's and Do Not's while developing tour Itinerary. Which are the important Do's and Do Not's that a tour operator must worry about?
8. Distinguish between Group Inclusive Tour (GIT) itinerary and Free Independent Traveller (FIT) itinerary.
9. List the resources for developing innovative tour itinerary.
10. Explain four of the important resources that largely determine the quality of tour itinerary.

11. Explain the valuable tips for preparing a good itinerary.
12. What is package tour? How is the process interwoven in a systematic manner?
13. Why is the tour formulation process very important for tour operator?
14. What is package tour business? Discuss various intricacies and dynamics of the package tour business.
15. Distinguish between GIT and FIT package tour.
16. Explain the steps involved in developing your package tour.
17. Explain how Packaging is used as a tool for tourism product marketing?
18. How customized tours can greatly benefit the clients?
19. What are the benefits of packaging to tourism operators?
20. Which are the essential components of GIT and FIT package tours? Explain them briefly.

## **CASE STUDY**

### **Challenges of Online Travel Agents**

Global competition has forced local travel industry to adopt new global business standards to compete in its traditional markets. In return, the local travel and tour operation companies are finding much diversification of business in the new overseas and domestic tourism markets. Travel agencies are becoming increasingly aware and prepared to face the burgeoning growth of online travel agents as a result of Internet. Tour operators have found the dependence on online business to decrease the transactional costs, including the costs for users of tourism services.

For the sale of airlines tickets, airlines do take the help of online travel portals and hotels also take the help of online travel agents for the sale of hotel rooms. The online travel companies are aware of the consequences of online transactions and are taking the advantage of the information and communication technology for the larger market share.

Giving varied discounting is a major trend of online travel agents to increase the sales. The effect of B2B and B2C model has significantly reduced the cost and that results in the reducing the prices of airline tickets, hotel rooms, etc. For example, consolidator like Groupon has entered into the market offering discounts of 50 per cent or more when more customers sign up for a vendor's offer. The range of products and services being sold continues to find better market areas.

In addition, hotel chains increasingly bank on the social media sites like Facebook and Twitter to build a network of potential customers. Hotels offer limited-time special offers to sell off the unused room inventory during the off season. A second key trend is personalization of tourism services. Everyone wants the tailored-made programmes to their needs.

Traditional travel agencies still face the big challenges in their shift online. The first challenge is to develop the multi-channel strategy that is not an easy task to accomplish as far as the constraints of travel business is concerned. Travel agencies trace the background of customers and reach them over the Internet, mobile and social media channels.

The most important challenge that traditional travel agencies are facing is to find the right mix in their online product and services offers. In order to make their online channel more profitable and alluring, they include additional products such as hotels, (dynamic) holiday packages and flight related ancillary services like airport VIP lounges and fast tracks or priority boarding.

Low internet penetration was the major challenge for the online travel companies. Another challenge is the habit of Indian travellers. The habit of buying an air ticket through a travel agent and booking a hotel room through calling the hotel directly takes long time to change. It is essential to change the habit that online travel agents are doing all possible efforts to convert the traditional customers to tech-savvy users of online services.

Online travel is the driving force in the e-commerce segment and has brought about revolution in the travel market in India. It has global contribution of 70 per cent of all e-commerce activities. However, the internet availability, broadband penetration and the prevalence of online banking and credit/debit card is very low India. The volatility in the aviation industry not only impacts the inventory and pricing, but also the consumer sentiment while buying a travel product. It is reported that the online travel portals are facing numerous new challenges such as rapidly rising costs, meeting customer expectations and enormous economic pressures. At the same time, the challenges of the India Online travel agents are given below.

- Problems in deciding the distribution of products through multiple online and offline sales channels while managing inventory.
- Pressure to up sell and proper management of the seats sold out.
- Difficulty in deciding the charges as a flat fee or a commission.
- Changing economic conditions
- New financial regulations



In view of the above challenges, the online travel agents are still bleeding with losses or many of them are toying hard to reach the breakeven point. In one hand, the users of online purchase of travel services and solutions are becoming more and the dependence is also becoming more. Can these challenges be overcome? How long it will take?

### Questions

1. What are the critical features of an online travel agent?
2. Why there is an increase in number of market share of online travel agents?
3. Why the online travel agents are bleeding with losses?
4. What are the challenges before the online travel agents?
5. Can the challenges be overcome? Suggest your ideas to handle the challenges

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## UNIT - IV

### Unit Structure

Lesson 4.1 - Classifications of Tour Packages

Lesson 4.2 - Components of Package Tour

Lesson 4.3 - Package Tour Costing

Lesson 4.4 - Components of Tour Costing and Preparation of Cost Sheet

Lesson 4.5 - Tour Pricing and Pricing Strategies

Lesson 4.6 - Package Tours of Thomas Cook, SOTC, Cox & Kings and TCI

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### Lesson 4.1 - Classifications of Tour Packages

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the meaning of packaging in tour operation business
- Explain the importance of buying or selling package tours
- Describe different types of tour packages
- Know the uniqueness of each tour packages

### Introduction

Package is a concept that is commonly used in packing some products in a box or wrappers to increase the value through ensuring quality. It is seldom to find the loose items in the market as these items are taken as substandard products. At the same time, buying two pens to get one pen free is reflected on the cover page of packets containing three pens. Customers do not prefer to buy loose edible oils and prefer to buy packed edible oils for preventing from the adulteration. There is no big difference in package tour business. The difference is that it assembles intangible and perishable elements. Package holidays are

package tours which are escorted and not escorted by tourist guides. When it is a package tour, it is a pre-arrangement or a prepaid trip that combines many travel elements like attractions, accommodation, accessibility, amenities and activities. In this lesson, you would read about the different types of package tours.

### **Definition of Tour Package**

Tour package may be defined as “*a total tourism product consisting of transportation from market area to the destination, accommodation at destination and recreational activities performed by the tourists*”. Packages are largely developed by travel intermediaries such as tour wholesalers and operators, incentive travel planners and convention/meeting planners. Moreover, packages are also developed by primary service providers like hotels, airlines and coach and car rental companies.

### **Packages Developed by Travel Trade Intermediaries**

Many travel trade intermediaries, including tour wholesalers and operators, incentive travel planners, some travel agents and convention/meeting planners promote organized package tours. An independent traveller finds it cumbersome to prepare an itinerary and arrange all these components. Travel intermediaries do purchase accommodation or transport services directly from suppliers. They establish own outlets or via travel agent for sale of package tours. At the same time, tour operators and local travel agencies usually have good product knowledge and are ready to access to travel services. Arranging all the travel services to tourists over a phone call or mail can also be possible given the network of business of tour operator.

It is common for airlines, bus and shipping companies to have their own outlets in large cities for the public to purchase directly. Even then, the current scenario does not provide easy access to such services. That is why a need arises for a customer to approach the tour operators and travel agents to help them find affordable and attractive packages. Retailers such as travel agents sell individual components of a trip, transport tickets, accommodation, excursions, but they may also put their own brand of tours together. The most common way of distributing foreign holiday travel is through inclusive tours packaged by tour operators and sold by travel agents. Some holiday packages are sold directly by tour operators. This trend will continue, especially due to the technology revolution and alliances with hotel companies and activity providers.

## **Packages Developed by Others**

Other packages are developed by suppliers, carriers, destination marketing organizations, various clubs and special interest groups. The packages are usually purchased directly from the source (e.g., a hotel weekend package). It can also be booked through the travel agents.

## **Types of Package Tour**

### **All-Inclusive Package Tour**

All-inclusive package is a generic term for packages to include all the elements that travelers require for their trips, including airfare, lodging, ground transportation, meals, recreation and entertainment and taxes. All-inclusive holidays have become popular option for savvy spenders. They not only allow travellers to budget for the bulk but also work out cheap at the destinations.

Although all-inclusive holidays tend to be more expensive than self-catering or hotel, one can also find some very affordable packages. They are actually cheaper when food, drink and entertainment are included in the package. These holidays can be very sociable breaks providing a good family mix and meeting with new people without worrying about how one can pay for everything. The chance of meeting like-minded people is too high. Generally, these holidays are found in top destinations worldwide and in countries where the cost of living is high. They are sometimes considered as the only practical and affordable option.

Families with children eager to try all sorts of different activities are on holiday to enjoy all-inclusive breaks as the plenty of entertainment options are included. Most of the costs of package tour are paid before GIT or FIT land at the destinations. It reduces the worry about exchanging and carrying around lots of foreign currency either.

Items those are included in all-inclusive packages include Flights, Accommodation, Transfers, Food (minimum of three meals a day) and Snacks and ice-creams. Charges for the same are made for items such as chocolate, crisps and sweets, Drinks. It is often unlimited with local alcoholic and soft drinks with an extra charge for international beer, wine and spirits. Use of hotel facilities such as the pool, gym and the spa at certain hotels are included in the hotel services. Individual treatments often incur an extra charge, kids' clubs and activities, babysitting services, evening entertainment and organized activities and water sports are some of the facilities of hotel. All-inclusive holidays are offered in a huge range of hotels including three, four and five-star properties.

### **Package Tours with Escorts**

Escorted tours follow a predetermined Itinerary and tour escorts or guides accompany travellers. Escorted tours are normally conducted by a tour director who takes care of all services from the beginning to the end of the tour.

It normally includes flights, hotels, transportation, and transfers to the airport/hotel, meals and sightseeing. They are typically conducted by motor coach. They can be fast-paced, with no more than break of two nights at each location.

This type of tour includes the service of a well-educated and trained tour manager. Escorted tours are generally meant for the tourists who visit the destination for first time. Providing comprehensive information and assistance to the group about the destination and imparting the duties and responsibilities of the escorts adds value to the tour.

### **Package Tours Promoted by Hosted**

Hosted tours are a kind of guided tours. It is somewhat similar to the Escorted tours. On the other hand, passengers are greeted by a local representative rather than a Tour Manager. It is escorted to all activities and functions. Local guides are arranged at all locations to accompany the guests at the sites. Some meals, accommodations and sightseeing may be included in the tour.

This tour is ideal for some customers who want some freedom with the comfort of guide services. For example, a group of German tourists come to India and Cox and Kings do the transfers to the hotel providing them guidance and information about local attractions and entertainment. When the same group arrives at another destination in India, another local travel agency greets them at the arrival points.

### **Independent Tours**

An Independent tour does not include a guide or a host or a set routine of daily activities. Independent tours are prepared/ formulated for those tourists who wish to travel independently. These tourists usually spend 2 or 3 nights in each location visited and usually only a few locations are visited.

A tour guide is not included, but there is a host who would be available to help in the arrangements of sightseeing. Selected meals and some sightseeing are also included, but free time is given to guests to do on their own. Travel components include air travel,

ground transfers, accommodation, travel documents, sightseeing, activities, entertainment and other services.

Sometimes an independent tour is an all-inclusive tour and sometimes it is not because this tour provides freedom to customers to buy and plan the components according to their choice. This is one reason why the price of this tour differs depending up on the components chosen. Most of the Indian Travel agencies in these days provide different kinds of tours like Foreign Independent Travel (FITs) for foreign tourists and Domestic Independent Travel (DITs) for domestic tourists.

### **Freedom Tours**

Freedom tours are very popular kinds among the youth groups, friends, newlywed couples and working classes. These tours are designed as per the requirements of customers. This can also be taken to the present day concept of tailor-made packages. Tourists decide how to travel, when to travel and where to travel and travel requirements are submitted to service providers for tailoring a tour. Most of the travel agencies in India prepare such tours according to needs and wants of the customers.

### **Fly- Drive Packages**

Fly-Drive tours are single price packages that include return trip air fare and a rental car at destination. A Fly-drive holiday is a best way to see a country or a range of destinations all in one trip. Fly drives give the freedom of the road to explore at your own style or simply fly into a destination airport or hire a car. It is called as Fly-drive tour. This is one type of holiday where tourists can plan their own itinerary. There is also another trend in where one can book a flight ticket and the same airlines can provide a rental car to the destination. The price is inclusive of a flight and a car. This is also a technique of popularizing the fly-drive package tours.

### **Accommodation and Meal Package**

Most resorts and certain other lodging properties promote packages that incorporate one more nights of accommodation, plus a specified number of meals. This is different from all other tours. Customers book accommodation first and when they arrive to stay in the hotels they are provided with meals and required amenities for their stay. Hotel staff provides information and suggestions regarding sightseeing, shopping and other entertainment activities at the destination. On the request, suggested services can also be arranged by the hotel staff charging the tourists. Accommodation providers play a major role here.



## **Event Packages**

Big events become the attractions for great holidays. There would be many events round the calendar and each place would be famous for a special event. Every year, special one-time events, festivals, entertainment and cultural performances, or other occurrences take place in India and throughout the world. Events like cattle fair of Bihar, Camel fair of Rajasthan, flower festival of Uattrakhand, Snake boat race in Kerala, Dance festivals in Mahabalipuram, Kajuraho and Konark are some of the examples of great events. Tour operators and travel agents include these events as major part of package tour itinerary. Event Packages include simple transportation and entry fee or registration fee, but may also provide on-site lodging and meals.

## **Packages with Programming for Special Interest**

The primary attractions of these packages are the special activities, programmes and events arranged by one or more of the participants. This segment is very popular among the youth and allo-centric tourists. Special interests like cycling biking, and rafting, trekking, mountaineering jumping and skiing, skating and ballooning are some crazy activities liked by the youth. For example, Royal Enfield bike rides in Himalayan ranges or the trekking in lush green tea gardens of Kerala. Such special interest groups participate in large numbers all over the country. It is seen very frequently in Chennai. Special Interest Packages are normally offered by lodging properties as an extension of basic accommodation and meal packages.

## **Target Market packages**

Target Market Packages are specially designed to meet the needs of certain target markets. Market segments like children, youth, women, newly married, differently-abled, adults and old age groups are identified and travel services are catered targeting these segments accordingly. Packages including theme parks, zoological parks, water sports etc. would fit to the children segment. Youth would prefer adventurous activities like skiing, trekking, river rafting, biking etc. Tour packages are tailored keeping all such requirements in mind. Cultural, heritage and spiritual attractions can be included in the tour packages that are prepared to serve the old age segment.

## **Incentive Tour Packages**

Incentive tour packages are generally given to employees as recognition for their better performance in the organization. This incentive tour is actually a business tool to

motivate the employees towards the goals and targets in the company. This tour packages are usually given to groups with unusual travel package which may also include meetings, exhibitions or conferences. Incentives tours are sometimes prepared under the stipulations of organization and sometimes freedom is given to employees to select the destination of their interest. These packages include all the components of travel.

### **Convention/ Meeting Packages**

These package tours are prepared together including meetings and conventions or they are also prepared individually. Convention tour packages are a bit different to other packages. In these packages, registration and entry tickets to conventions are booked earlier and then tour package is developed according to the time schedule of the convention. Generally, these kinds of tours are pre-convention tours or post-convention tours including convention as part of the tour.

Meeting tour packages can be classified in two ways. The first kind is same to that of the convention tour package where registration and booking of tickets to attend a meeting is done and then pre or post meeting travel arrangements are prepared making it a meeting tour package.

The second one is meeting as an event that is arranged for the delegates to meet and the travel services are included in it making it a complete tour package. Such packages include entrance tickets, guide fees and AC coaches to transfer the tourists, accommodation with breakfasts and dinners. Lunches are usually provided at the convention or meeting spot.

### **Affinity Group tour Packages**

Affinity groups share common interests or common goals formally or informally. It is common tendency that people like to travel with others who share their same values making their group travel pleasurable. Affinity groups include hobby clubs, reading circles, writing circles, social clubs, fraternities and like-minded groups etc. Similar interest groups tend to have their interest in activities like cycling, biking, painting, singing, art, architecture, heritage, adventure and expedition cruise etc. and go on for tours including such components. Sometimes these groups carry out non-profit and social responsible activities at the destinations they visit. For example, orchestra group would give public performances, bikers would ride with a cause and trekkers would pick litter etc. at the destinations. Sometimes, they prepare their own food at the camping sites.

## **Family Vacation Packages**

Family Vacation Packages are prepared exclusively for a single family. This is the package where a family can play together. Family vacations are some source of fondest memories for both, the kids and the parents. Since a family consists of kids, parents and grandparents, it becomes difficult for an organizer to arrange all the travel services. Promising a satisfactory delivery to these groups is a tough job. Interests of all the members are to be kept in mind. Generally kids become deciding factors in a family vacation package. The itinerary would be prepared keeping them in mind. Services like accommodation, entry tickets to theme parks, water sports, meals, and group transfers are included.

## **Weekend and Mini Vacation Packages**

Weekend and mini vacation packages are a trend in India now. These packages are generally meant for the employees to break far away from their hustle and bustle of city life to rejuvenate their mind, body and soul with this short and cheap weekend and mini vacation packages. Such packages are planned within the close vicinity so that the tourists can complete trip within the stipulated time. These trips are generally planned with friends and loved ones.

Weekend and mini vacation packages are common in south India. Places like Mysore, Pondicherry and Goa do attract many tourists as a part of weekend and mini vacation packages. They are located near to cities like Bangalore, Chennai and Hyderabad. Weekend and mini vacations act as a stress busters to the week-long tired employees. Indian online tourism companies like Makemytrip.com and Yatra.com are offering good weekend and mini vacations packages. These packages include accommodation, meals, sightseeing and other interesting weekend activities like bike riding, cycle riding, beach activities etc.

## **Seasonal Packages**

Seasonal Packages are specially prepared to enjoy seasons like the spring bloom, winter splendor, summer sun, and fall leaf season etc. These packages cannot be enjoyed all around the year and are prepared in accordance with the tourists. It is a tough job preparing such itineraries because a tour operator has to find suitable places according to the best reasons for the best season. The entire package and its components revolve around the season and the place. Summer tours and winter tours are such kind.

People plan for summer tour to escape the winters and vice-versa. Bookings have to be done more prior to the trip; late bookings would land us in disappointment of not getting

the accommodation. Components like hop-on hop-off tours, transfers, accommodation, meals, and two wheelers for local accessibility are included.

### **Off-peak Special Packages**

These packages are specially designed to tap the market during Off-Seasons. The packages are made attractive adding new components to it. Creativity and innovation is necessary to design such packages. Tourists wish to experience the tourism at destinations integrating into every aspect of it. For such type of tourists Off-peak specials would help a lot because the tourist inflow would be considerably less during Off-peak. Tourists will have enough time to explore and enjoy every component of the destination. Generally, these groups are small and the cost depends on the size of the group.

### **Foreign Independent Tour (FIT)**

A special package arranged by travel agents or other foreign independent travel specialist that fits individual clients needs while they are travelling in foreign countries. These tours are preferred by wealthy and affluent travellers. This tour provides the comfort of travelling whenever a tourist wants to individually. These tours are got tailored by the personal travel agents.

Tourists who wish to have such tours are very clear about where they travel, how many days they travel, what transportation they use and what category of hotels they would stay in and thus travel agents prepares the itinerary accordingly.

These tours are prepaid and the entire cost of the package is paid to travel agent including the cost of individual components. These days it is quiet common that tourists are educated and well versed with the technology and they prefer to book all the travel services by themselves wherein they can save money that is paid to travel agent. In most cases, budget tourists go for this option.

### **Group Inclusive Tour (GIT)**

This is an all-inclusive package with a specified minimum size involving one or more groups travelling on scheduled or chartered air service. This is the best method of having an economic tour. Tourists who feel insecure and alone can have such tours because they are always in the group which is accompanied by a tour leader. Group Inclusive Tour is one way to get the maximum benefits of the money a tourist spends and best services too. These tours are prepaid partly or fully. If it is partly prepaid, the tourist is at his exposure

and is given freedom to go around for shopping and other tourism related activities. Money is spent from the tourist's pocket. The cost of these tours is high sometimes based on the components included in it. It becomes difficult for individual to get that altered since it is a group phenomenon.

### **Charter Tour**

Charter tour is a trip or a package where the aircraft or other equipment is chartered by a tour wholesaler, tour operator and other individual or group. When a large families, group of friends or employees of a company wish to travel together, charter tours serve the purpose. Separate flight or vehicle is booked exclusively for the group. Tourism Company like Thomas Cook is well versed in such operations with their own fleet. Charter tours are expensive and the tourists are premium customers.

### **Destination Package**

A package can be categorized by the destinations as it features. Tour package is designed selecting all the components at a single destination. Tourists are taken to that specific destinations and it is experienced to the fullest. Itinerary would be very simple. Starting at the origin, reaching the tourist destination, staying at the destination, moving to every corner of it, enjoying all the activities and then returning back to the origin is the plan. Most of the times these destination packages are prepared keeping in view the special events or festivals that occur at the destinations. For example, a visit to Pondicherry for International yoga festival can be beautifully packaged into a destination package. This package includes all the travel components like other tour packages.

### **Dynamic Packaging**

This is a new trend in tour packaging. This enables the tourists to book their own package based on their preferences of transport, accommodation, transfers, meals, tour guiding, sightseeing etc. instead of buying a pre-defined package tour. The pricing in dynamic packaging is always based on the current availability.

Travel services are purchased from the specific seller. Dynamic packaging is the automated recombination of the travel components based on the various conditions such as the suppliers, trip characteristics, channels of distribution and terms of sale. These packages are generally sold online.

However, in spite of all this different packages, it is not sure that tourists would go for one of the above mentioned packages. Tourists are now well educated and are aware of the things that happen in the tourism industry. Tourist's preferences have changed a lot and they do keep changing from time to time. The tech-know-how tourists are advanced and are booking their own packages through internet. The brick-and-click companies like Yatra.com, Makemytrip.com etc have come up to serve such tourists.

### Summary

Packaging is commonly used in assembling some essential and related services to enhance the value for money. It is seldom to find individual items in the tourism market as customers do not want to undertake travel with the confirmation of one single element. However, there is no big difference between all-inclusive and customized package tour as each has its own merits and demerits. It assembles intangible and perishable elements. Package holidays are package tours which are escorted and not escorted by the tourist guide. This lesson presented the meaning of packages, importance of package and classifications of different types of package tours with examples.

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## Lesson 4.2 - Components of Package Tour

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### Learning Objectives

*After reading this lesson, you should be able to*

- Know the components of package tour
- Find the process of assembling the components
- Explain the meaning of each element of services
- Find the requirements of components for customized and readymade package tours.

### Introduction

Package tour has become a well-established business format in providing multiple travel solutions and profits. This business has been in existence since Cox & Kings offered travel logistics to British Army in 1757. It is a three-century old travel business that has got a systematic shape with so many innovations by many founding travel agents in different countries in the world. Package tour is conducted for independent and group travelers with much personalized services at several places.

A sum total of services are combined together to meet the travel needs and comfort. These services are assembled from the primary service providers in special discounted rate. Tour wholesalers or operators add markup on the actual cost of package tour. Package tour has several components of services such as airfare, room, sightseeing, guide, transfer, etc. Some of the packages are customized as per the request of customers and readymade as per the convenience of tour wholesalers.

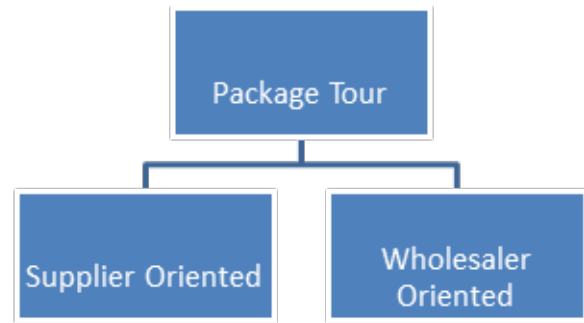
Package tours are designed in a different way by each different travel agent or tour operator and the style of packaging it differs from company to company, country to country, market to market and destination to destination based up on the lifecycle and lifestyle factors of tourists of that area. Even then there are travel components that are common for all the packages and no one would take a step to neglect adding such components to the package. In this lesson, different travel services are generally included in every package tour.



## Package Tour and Its Components

Package tours are meant for holidays or excursions. It includes a variety of travel services together to make a single combined trip. Package tour is a combination of stable elements and unstable elements as it is given in figure. The stable elements are tourist attractions and tourist destinations, whereas unstable elements are other travel

services like transportation, accommodation, meals and tourist activities. They also include tour guide or a tour leader. The duration and distance of these package tours can be short or long ranging from one day or overnight, or they can be up to a week or a month or more.



Package tours are generally sold on special fares called “Inclusion Tour Fares” which includes air fare, accommodation, meals, sightseeing, guiding, transfers between airports, railway stations, harbors, bus stations and hotels and entrance fees to attractions and insurance services.

This is how they are known as package tours. After buying such packages, tourist need not pay any extra amount to any other travel services except his personal expenses like laundry, alcohol, shopping etc. These packages are of two types. One is supplier oriented package tour and the other one is wholesaler oriented tour package. Figure exhibits the stable and unstable elements in package tour.

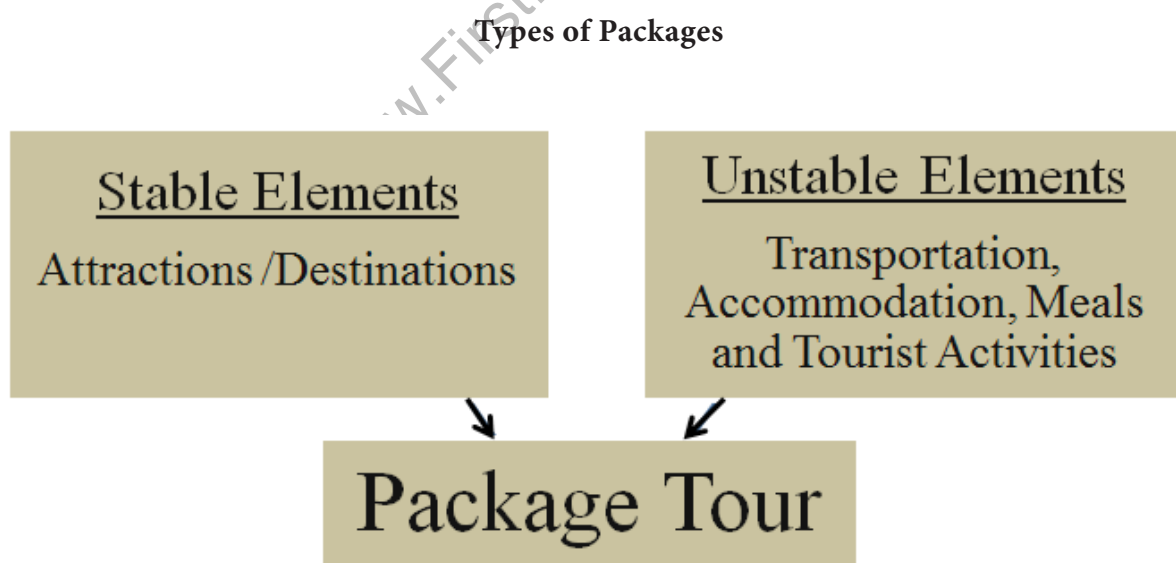
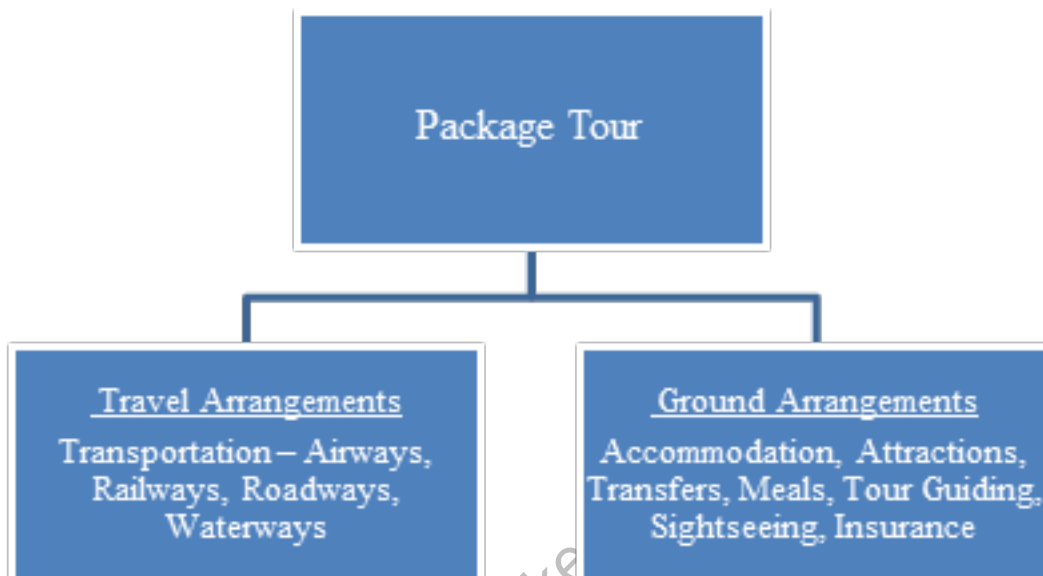


Fig. 17.2 Combination of a Package Tour

## Components of a Package Tour

When we study at the package tours offered by tourism companies like Thomas Cook, Cox & Kings, SOTC, Makemytrip.com, Yatra.com and other government tourism organizations, we come across many common factors that can be categorized in to two segments. One is called as Travel arrangements and the other one is called Ground arrangements. Travel arrangements category include only the transportation part and the ground arrangements include the rest of the travel services like transfers, accommodation, meals, tour guiding, sightseeing, car rentals, entry tickets to tourist attractions and insurance. Figure depicts the components of package tour.



Components of Tour Package

## Travel Arrangements

### Transportation

Transportation is an important component of the package tour. Acquiring inventory from the different travel service providers like roadways, railways, waterways and airways is to be done religiously far before packaging a tour product. Generally transport services are purchased in bulk and are sold with percent mark-up on each seat they sell. A well-known and coordinated system of transport plays an important role in tourism industry. The present transport system in India comprises several modes of transport including rail, road, air and water transportation.

## Roadways

India has one of the largest road networks in the world, aggregating to about 33 lakh kilometers at present and carries over 40 percent of the total traffic across the length and breadth of the country. All the major tourist destinations in India are well connected and proximity of a tourist attraction can only be reached by roadways but not through rail, air or water ways.

In order to give boost to the economic development of the country, it is essential to connect the major states for providing a way for connecting tourist places. The Government has embarked upon a massive National Highways Development Project (NHDP) in the country. The NHDP is the largest highway project ever taken in the country. The NHDP is being implemented by National Highways Authority of India (NHAI). Extensive road network connects remote areas with towns, towns with cities and cities with metro cities which also play a major role in transporting tourists to the destinations without many hurdles.

## Railways

Indian Railways with the tag line “Life line of Nation” is the premiere transport organization of the country is the world’s second largest under single management and Asia’s largest rail network. It is a multi-gauge and multi-traction system covering the track more than 1 lakh kilometers. Indian Railways runs around 11,000 trains everyday of which 7,000 are passenger trains with 6853 stations altogether. Indian railway network is divided in to 17 regional divisions and these divisions take care of railways in their zones.

There are also luxury trains like Palace on Wheels (Rajasthan circuit), the Golden Chariot (Karnataka & Goa), the Deccan Odyssey (Konkan route), the Fairy Queen (New Delhi to Alwar), the Maharaja’s Express (New Delhi to Agra), the Royal Orient Train (Gujarat & Rajasthan) and Royal Rajasthan on Wheels running through various tourist circuits in India. In tourism, railways play a critical role, unlike aircrafts and coaches they are fast, efficient and spacious carrying large number of people in one trip. Railway systems in India journey through various parts of the country comfortably connecting all important tourist spots. Railways have become the essential USP of the tourism industry in India.

## Airways

India was one of the first countries to start aviation. Airlines have contributed in significant way to India’s tourism growth in recent years. It plays a major role in inbound

and outbound tourism. Airlines have now enhanced the efficiency and reduced the costs making it available for all the sections of the community. Airlines have eased the transport bottlenecks for tourists, business and trade travelers between metropolitan cities, towns and smaller cities reducing unnecessary delays and enabling efficiency and productivity of the Indian tourism to grow. The airline services are two types; they are scheduled services and charter services.

Huge investments have been attracted in private airlines with consequential impact on income generation for tourism. There has increased the scope of employment in the airlines sector, besides associates activities like ticketing agencies, air traffic control, airlines food supply agencies, airlines staff training or pilot training, airport coach and taxi service agencies, etc. The number of foreign destinations now connected by regular or daily flights from different cities in India has increased manifold.

India is the second largest aviation industry of the world and is in third place in the Top 10 list of countries with the highest number of additional flights. India's fleet has got about 600 flights and its civil aviation passenger growth is among the highest in the world. International no-frills budget carriers, especially Asian low-cost carriers (LCCs) are playing their role in carrying the budget class tourists. A number of airlines operate in India both in public and private sectors, providing tourists with a plethora of flying options in terms of their time table and also flying rates.

Air India is the government-run airline and still stands strong and is preferred by many. Some of the private airlines in India include Jet Airways, Jet Connect, Indigo, GoAir, Spice Jet, etc. Helicopter services by Pawan Hans Limited also function for visiting various places in India.

Airports Authority of India (AAI) has established integrated cargo terminals at metro airports like Delhi, Mumbai, Kolkata and Chennai, wherein all the regulatory and facilitating agencies are housed under one roof in order to facilitate faster processing, movement and clearance of international cargo.

## **Waterways**

Inland Water Transport (IWT) has about 14,500 km of navigable waterways comprising Rivers, canals, backwaters, creeks, etc in India. At present, the operations are carried out in a few parts of rivers like the Ganga, the Bhagirathi, the Hooghly, the Brahmaputra, the Barak River, the rivers of Goa, the backwaters in Kerala, the deltaic regions of Godavari and Krishna rivers and inland waters in Mumbai. The passenger and

tourist movement in this waterways are both organized and unorganized. There are five National Waterways in India, they are:

- National Waterway 1 – started in the year 1986 on Allahabad – Haldia stretch of Ganges, Bhagirathi and Hooghly river system covering a distance of 1620 km.
- National Waterway 2 – stretched over the Brahmaputra river system from Saidiya to Dhubri with a total length of 891 km was started in the year 1988.
- National Waterway 3 – In the year 1993, over the stretch of West Coast Canal along with Champakara and Udyogmandal canals, Kollam-Kottapuram waterways were started with a total length of 205 km.
- National Waterway 4 – Bhadrachalam - Rajahmundry and Wazirabad - Vijaywada stretch of the Krishna - Godavari river system along with the Kakinada -Puducherry canal network, with a total length of 1,095 km in 2007.
- National Waterway 5 – Mangalgadi - Paradeep and Talcher - Dhamara stretch of the Mahanadi - Brahmani river system along with the East Coast Canal, with a total length of 623 km in 2007.

The coastline of India is dotted with 12 Major Ports and about 200 Non-major Ports. The Major Ports are under the purview of the central while the Non-major Ports come under the jurisdiction of the respective State Governments which play their role in tourism in considerable volumes.

## **Ground Arrangements**

### **Accommodation**

Accommodation is a very important component of the tourism industry. The demand for accommodation arises when people leave home. Thus, the need for accommodation is a function of need and affordability. The UN's conference on International Travel and Tourism held in 1963 emphasized the importance of traditional and supplementary accommodation. The development of accommodation industry led to its incorporation in the policy and planning of all the countries.

A hotel is a commercial establishment providing accommodation, food, beverages and refreshments for tourists during their stay. India stands among the top fifty destinations of the world and there is really a great need for rise in accommodation sector. To encourage tourism along with accommodation sector, government in recent times has taken some

measures to provide benefits to the sector. The center and states governments are also working out a PPP (Public-Private-Partnership) model to increase the hotel capacity in India.

Accommodation is a major generator of income and employment and their rate is higher in accommodation sector compared to other tourism allied sectors. It is a labor intensive industry and importance of all the types of labor like skilled, semi-skilled and unskilled do exist equally. Due to the increase in volume of tourism business, the accommodation units are growing at a faster rate than ever before and every day more rooms and beds are being added in tourism destinations across the country.

The Federation of Hotel & Restaurant Associations of India (FHRAI) is the Apex Body of the four Regional Associations representing the Hospitality Industry. The FHRAI provides an interface between the Hospitality Industry, Political Leadership, Academics, International Associations and other Stake Holders. FHRAI is committed to promoting and protecting the interests of the Hospitality Industry with more than 3824 members comprising of approximately 2484 hotels, 1204 restaurants, 132 associate members and the 4 regional associations, FHRAI is truly the voice of the Hospitality Industry that brings several million dollars to the exchequer and employs more than 17 million direct workers. The accommodation sector is further segmented to different types like premium hotels, mid players, budget hotels, heritage hotels and unclassified hotels.

### **Premium Hotels**

Deluxe five-star hotels are included under this category. These are generally located in business districts of metro cities and these are considered to be the most expensive.

### **Mid Players**

Four-star and three-star hotels are included in this category. These hotels cater to the average foreign and domestic leisure travelers along with middle level of business travelers and offer most of the luxury services without high costs since the tax component of this segment is lower when compared with the premium segment.

### **Budget Hotels**

Under this category, the first and star hotels are included. It does not offer as many services as the premium and mid players do, but provides the inexpensive accommodation to highly price conscious segment of the domestic and foreign leisure travelers.

## **Heritage Hotels**

Certain architecturally distinctive properties such as palaces and forts built prior to 1950 converted in to hotels are named as heritage hotels. The Ministry of Tourism has classified these hotels as heritage hotels and the cost of these hotels is high and services provided here are luxurious and classic.

## **Unclassified Hotels**

The leftover uncategorized accommodation units fall under this category. Rural hotels, motels provide accommodation at lower rates. The price is the only selling point. There is also trend for Home-stay and the time share properties across the country. Tourism departments are encouraging the host community to promote home-stay concept to overcome the shortage of hotel rooms in India. A part of home is converted to hotel room and accommodation is provided to tourists with food included in it and tourists are given a good opportunity to mingle with the host family. Owning of the same property by two different owners in two different time intervals of a year is known as Time share property.

## **Attractions**

Stretching from the high mountains of the Himalayas to the shores of Kanyakumari, from the sacred Ganges to the sands of Thar Desert, India is a one-stop destination for all those to experience its judicious mix of culture, heritage, spirituality and natural charms. It has got a charismatic past, vibrant present and promising future. India is the world's seventh-largest country and its more than one billion inhabitants are divided into two thousand ethnic groups and speak over 200 different languages. India has an almost endless variety of cultures, landscapes, monuments and places to explore.

From the ancient ruins, fascinating religious structures, exotic cities and diverse landscape, there is an endless collection of tourist attractions in India fascinating the visitors. Each attraction is a tourism product. May it be the culture, cuisine, local art forms, souvenirs or the monuments?. They play a vital role in attracting the tourists.

These tourist attractions are scattered all over the country and are visited by thousands of tourists. Attractions can be categorized as natural and it comprises mountains, geothermal areas, forests and constructed attractions. It must be created and maintained. Examples of constructed attractions are amusement parks, museums and art galleries, wildlife parks, events, staged entertainment, cultural exhibitions, gardens and historical buildings.



### **Tourist Attractions in North India**

There are plenty of locations that are located in northern region and it ranks among the popular tourist places of India. The tourist places India are famous for their scenic beauty as well as rich traditional heritage. Tourists can travel to a number of hill stations like Shimla, Manali, Ranikhet, Nainital, Srinagar and Dehradun. For the religiously inclined, there are lots of tourist attractions and pilgrimage spots like Varanasi, Haridwar, Mathura, Vrindavan, Badrinath, Kedarnath, Gangotri, Yamunotri, Amritsar and other places. In addition to these, the various cities of North India like Delhi, Agra, Lucknow, Chandigarh, Jammu, Ludhiana and Kanpur are also visited by thousands of tourists from all parts of the world.

### **Tourist Attractions in South India**

Four states such as Andhra Pradesh, Tamil Nadu, Karnataka and Kerala form South India along with Union Territories of Pondicherry and Lakshadweep. Though all the south Indian states are rich in scenic beauty, each one of the states has their own USP. Kerala because of its backwaters, Tamil Nadu and Karnataka because of its heritage and architectural monuments, Andhra Pradesh with its cuisine and spirituality are attracting tourists at larger scale. Major south Indian cities like Hyderabad, Chennai, Bangalore and Trivandrum are good tourist destinations. South India is also rich in natural and scenic attractions like Eastern Ghats and Western Ghats, its serene beaches and Hill Stations.

### **Tourist Attractions in East India**

East India consists of the states of West Bengal, Bihar, Jharkhand, and Orissa. The East India part has many historical places and tourist attractions. Tourists can visit many temples like Jagannath Temple, the Sun Temple, the Bodhi Temples, the Lingaraja Temples and the Rumtek Monastery. Cities like Bhubaneswar, Kolkata and Patna are famous and provide good connecting link to all other tourist destinations of this region.

### **Tourist Attractions in West India**

Western India consists of the states of Rajasthan, Goa, Gujarat and Maharashtra. In addition to the states the Western India also includes the Union Territories of Daman and Diu and Dadra and Nagar Haveli. Rajasthan is the most talked about tourist place in Western India. Rajasthan tops the list in terms of cultural heritage. It is one of the top ranking Tourist Places India and is home to beautiful forts, castles, havelis, temples and other cultural sites. Tourists can go to places like Jaipur, Jodhpur, Jaisalmer, Bikaner, Mount Abu, Ajmer and Chittor and so on and get a feel of the vibrant culture and heritage.

## **Tourist Attractions in North-East India**

Seven sister states of North East is a land of beautiful hills and plains with luxurious green cover and a wide variety of rare and exotic flora and fauna. Brahmaputra valley with north east is a fertile plain on the basin of one of the largest rivers of the India. The hilly terrain of the region ranges from Nagaland in the east to the Meghalaya in the west. The Mizoram lies in the south while in the north lies the Arunachal Pradesh. The snow-clad ridges of north east provides best opportunity to explore India's beautiful paradise. This region is flooded with many national parks and wild life sanctuaries. This alluring land is one of the most treasured eco-friendly sites in the entire world, is still to be touched by the outside world.

## **Transfers**

Even though transfers are not the major component of the package tour they are worth mentioning. They provide a good facility in transferring the tourist from arrival point to the accommodation point or origin point to departure point. They create the impression about the whole tour package. Sometimes the transfer services are also provided as complementary but most of the times the transfers are charged. Time punctuality of these transfer services plays a major role in convincing the tourist while on package tour.

## **Tour Guiding**

Tour guiding plays a major role after the tourist arrives at the destination. Tour guiding is done by a tourist guide and tourist guide is the individual who spends maximum time with the tourists at the tourist attraction during sightseeing. Tour guiding creates image about the country and since a tour guide is considered as the ambassador of the country, plays role in doing so. Country's past, art, architecture, history and culture are interpreted to the tourists. Tour guiding is taken as a profession by many people and they help the tourists in all the requirements at a tourist attraction.

## **Sightseeing**

Sightseeing offers variety of services. Services like hop-on-hop-off sightseeing, guided sightseeing, pre-package bus programs etc. All the tourism departments of different states and countries have their own pre planned or guided sightseeing which includes even meals and refreshments. Sightseeing is the prior component for which a tourist travels to the destination.

## **Insurance**

Among the travel arrangements for tourist, insurance is a very important aspect. The insurance policies given to tourists cover the areas like medical care and hospitalization, personal accident, cancellation or curtailment of holiday, delayed departure, baggage loss, money loss, personal liability etc. Tourists have to ensure that medical coverage is sufficient to meet their needs in the countries where hospital care is very expensive.

## **Ancillary Services**

Support services or ancillary services improve the quality of a tourist attraction. The different kinds of ancillary services are:

### **Food and Beverage**

Food and Beverage is most important experience for the visitors on holiday. Visitors are very much interested in country's local food and wine. India is known for its variety of cuisines. Given the range of diversity in soil type, climate and occupations, these cuisines vary significantly from each other and use locally available spices, herbs, meat, vegetables, and fruits. Indian food is also heavily influenced by religious and cultural choices. Each region of India is well-known for its typical kind of food and beverage which plays a critical role in making the tourist delighted.

### **Shopping**

Shopping can be both an attraction and a basic facility which tourists expect at a destination. This can include souvenir shopping or purchasing basic necessities. Products which identify with a destination are always popular. India has got that variety of artefacts and souvenirs which attract tourist to shop with higher percent of participation at the destinations.

### **Tourist Publications and Information**

Traditionally, this information is given in the form of brochures but the Internet is now an increasingly important source of information for tourists and for tourism operators. Availability of current information for tourists is vitally important e.g. weather, local transportation, attractions etc.

Travel Guides such as the Lonely Planet series are immensely popular and continue to be updated and extended each year. Some guidebooks are now taking the form of travel blogs and wikis such as Wikipedia and wiki travel. Since India is a country of varied languages and cultures, information should be published and disseminated for the convenience of domestic tourists and foreign languages for the convenience of foreign tourists.

### **Entertainment**

This category includes local art forms, art galleries, cinemas, theatres, nightclubs, bars, casinos and shows. Many tourists look for entertainment and expect these facilities to be available especially in cities. The rural side of India has got a variety of art forms to attract tourists. They are performed for tourists in open auditoriums and closed auditoriums. If such entertainment is not available for tourists they get disappointed and would lead to dissatisfaction.

### **Summary**

Package tour is an established business model for travel agents and tour operators to make profits. Package tour is conducted for independent and group travelers. These services are assembled in a special discounted rate to make the price of the tour more flexible and negotiable. Tour wholesalers or operators do lots of homework to study the amount of markup to be added on the actual cost of package tour. The components of package tour include airfare, room, sightseeing, guide, transfer, etc. Packages are customized as per the demand of customers. It varies from company to company, country to country, market to market and destination to destination as various factors interplay in this business.

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## Lesson 4.3 - Package Tour Costing

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### Learning Objectives

*After reading this chapter, you should be able to*

- Understand the meaning of cost
- Explain different types of cost
- Know the methods of costing components of package tour
- Know the factors influencing tour costing

Costing is a central element in package tour business. Tour operators do costing in a systematic and careful manner to reduce the risk of making loss. It means that risk of loss may happen in tour operation business due to several uncontrollable factors. Buying services in bulk from different service providers in special discounted rate is the primary work of tour operator in the off season i.e. June-July in India. Cost for package elements determines the market price and quantity of sale of package tour. Tour operators primarily look into the costs incurred for fixed and variable costs. Several internal and external factors determine the cost of package tour business. This lesson presents you the meaning, types and methods of calculating the cost of package tour along with factors influencing tour costing.

### Costing of Tour Package

Costing of a package tour includes the determination of the monetary value of a tour package. The cost of package tour is explained as the total expenses are incurred to covert the places of interest along with services into an appealing package tour. A tour company incurs the costs for transacting with the principal service providers. It assembles or purchases individual components to give concrete shape to tour package. The cost is determined as per clients or markets requirements or organisations strategies. Tour operators work out fixed and variable costs.

### Types of Cost

Fixed costs are changed when the number of packages sold increases over time. Tour operators include the cost of hiring buses and guides or interpreters. Fixed costs are a

kind of expenses incurred before any sales take place. These costs often include rent of the building, furniture and salary.

Variable costs change according to the increase and decrease in the number of customers in the group. These include meals, accommodation, admission fees, and other costs charged according to a rate per person. The cost of advertising, pamphlets and brochures are also included in the variable costs. Furthermore, variable costs include the actual expenses (direct costs) of rooms, tickets, and other package components incurred with the sale of each package. The overhead and marketing costs are considered proportionately for each tour package based on the costs of developing and marketing each package.

Fixed, variable, and overhead costs vary between 60 per cent and 70 per cent. Three different costs are added with a 10–15 per cent mark-up to get the final price tag for an individual tour package. For example, Yatrik Travels plans to offer a weekend winter sports package to Kashmir during the professional skiing season. It includes tickets, room charges, helicopter services, two meals, executive hotel services, skiing equipment, and refreshments.

Break-even analysis is a method used to determine the total sales needed to cover the total costs. Hence the name break-even signifies that the total revenue is equal to the total cost. This technique is used to evaluate alternative pricing levels.

### **Breakeven Point**

- The point at which the income derived from the sale of a tour is exactly equal to the expenditures incurred in running the tour, i.e. no loss and no gain.
- It can be identified in terms of the number of dollars of sales required (price multiple number of participants) or in terms of the number of tour members required.
- It is the smaller number of tour members constituting the breakeven point and per passenger cost will be higher.

### **Package Pricing Worksheet**

A pricing worksheet reflects the distribution of cost components in the package tour. For example, when Rs 10,000 is the final price of one tour package, the costs of the elements of services in the package is divided into direct and indirect costs. Out of the gross margin of profit, nine per cent is spent on administrative cost. The indirect costs comprising costs on advertising, sales promotion, and publicity constitute five per cent. Thus, a tour operator can make a profit of around fifteen per cent on each sale of the package tour that includes

the commission or override from the principal service providers. The average profit made on package holidays is extremely slender. Many non-travel companies supplying consumer products achieve a net margin on sales turnover of 10 - 12 per cent. Table presents the tour price structure

### Tour Price Structure

Type of cost	Cost component	Percentage
<b>Direct costs</b>	Accommodation costs	25
	Airlines ticket costs	20
	Surface transport costs	15
	Agent commission	10
	Total	70
<b>Gross margin</b>		30
<b>Indirect costs s</b>	Administrative cost	9
	Advertising and promotional costs	5
	Others	1
	Total	15
<b>Net income/profit</b>		15

### Pricing of Package Tour

After ascertaining the cost of a tour package, tour operator analyses exchange rates, estimates future selling price and finalises the price of a particular package. The tour price is not solely determined in terms of the cost but on the basis of expected rate of return, market share and competitors' price. There are different approaches to fix the price of package tour such as total cost and marginal cost method, breakeven pricing, rate of return pricing, skimming, penetration, going rate, differential etc.

### Cost Factor of a Tour Operation Business

A package tour business is carried with the help of methodical planning and controlling of various down and upspring resources. The price tag of the package tour is decided on the basis of the positioning and branding. Tour operators use the methods of marginal pricing after examining the market trends. The operational costs and margin of profit is thoroughly examined by the tour operators to decide the price of the package. Tour operators have the absolute freedom to zero in the price tag on the basis of mark-up and buying power of the potential buyers.



Some of the essential elements of the cost factor in the package tour business include mark-up, net rate, and gross profit. Mark-up is the extra amount which the company can maintain on each sale. Tour operators have the best bargain ability while negotiating with the suppliers of services in order to secure services at the cheapest possible cost.

The net rate is the price that a supplier charges based on which prices for package tours can be decided. Any amount of mark-up can be added before arriving at the final rate meant for the buyers. The commission constitutes a major share of earnings in tour operations.

### Factors Influencing Tour Costing

The average price to sell the product for can vary, some of the factors that influence pricing are:-

- **Seasonality:** It may vary your price depending on high or low season.
- **Operating Costs:** The higher the operating costs, the more expensive the prices will need to be so that it cover all expenses.
- **Competition:** There is no point pricing the product out of the marketplace and the company need to stay competitive or be able to justify the high price.
- **Demand:** People pay more if there is a high demand in a region. Similarly, they pay less if there is an abundance of choice.
- **Tour or Accommodation Details:** Different tour types of rooms are reflected in the package tours for the guests to know.
- **Daily Costs (Fixed):** To determine the fixed costs associated with operating business, such as fuel, labour etc...
- **Daily costs (Variable):** To determine the costs associated with taking passengers on tour or letting out rooms, such as meals, third party activities, linen and room cleaning
- **Annual Business Costs (Fixed):** To calculate the total costs associated with operating the business, these costs occur whether the tours operating or not, it remains to be fixed. For example costs that are fixed include insurance, marketing, lease payments, bank fees, accounting fees and salaries.
- **Average Capacity:** The package tour business is based on factors such as visitation to the region, competitor analysis and customer feedback.

- **Accurate Forecasting:** is also necessary for another reason. Yet another risk can arise from the unexpected loss of popularity of a country where the tour operator has contracted heavily.
- **Political or Security Concerns or Natural Disasters:** Typhoons or volcanoes, or currency movements or new aviation or tourist taxes influence the cost of package tours. There is a high level of price elasticity between holiday markets.

### Holiday Pricing

Tour operators set prices to ensure that as many aircraft seats and hotel beds are used as possible. The main components are:

### Season Pricing

Package holidays are normally organized into two seasons: Summer and Winter. In the summer, more people wish to go to their holidays in August than in May. However, tour operators need to keep their planes as full as possible throughout the year. This is achieved by varying the prices to reflect the varying demand for holidays.

The summer period is the main time to travel both due to holidays and due to the weather. There is a double pressure on demand. August is also the main month for holidays throughout India. There must be more pressure on beds from all domestic markets. More people wish to travel as there would be school holidays. There are only a finite number of beds & aircraft seats, prices must rise for those periods. Tour operators are generally committed to beds & seats for a full 6-month season.

### Flight Times

Most customers would prefer to travel during the day, but some are prepared to travel at unsociable times if the price is right. This policy helps keep all the holiday prices down, not just those using midweek night flights.

**Regional Departures:** The prices for flights from regional airports are set to keep aircraft as full as possible. Tour operators are keen to provide regional departures for people like to travel from their local airport.

**Single Room and Other Accommodation Supplements:** Most tour operators contracts with hoteliers and apartment owners are based on a price per room, whilst their

brochure holidays are sold per person. As a result, per person price for a single traveller includes the whole room cost. This applies to both single rooms in hotels and self catering units.

### **Tour Operators and Exchange Rates**

A high proportion of the costs are incurred from the foreign currencies, for hotels, transfers, airport charges etc. in the destination country. Also aviation fuel is priced in US dollars.

### **Summary**

Costing is a key element in package tour business. Tour operators do costing in a careful way to decrease the loss and maximize the profits. Several uncontrollable factors may create the risk of loss in tour operation business. Buying services in bulk in special discounted rate by tour operator in the off season helps in managing cost for designing the package tour. Cost for package elements determines the market price and quantity of sale of package tour. Tour operators mainly consider the costs incurred for fixed and variable costs. Several internal and external factors determine the cost of package tour business.

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## Lesson 4.4 - Components of Tour Costing and Preparation of Cost Sheet

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### Learning Objectives

*After reading this chapter, you should be able to*

- Find different components of tour costing
- Explain the need for inclusion of each component in tour costing
- Understand the interlinks between the components of each cost
- Understand the need for developing a cost sheet
- Prepare an individual cost sheet

### Introduction

Costing each element of package tour is a painstaking work for a tour operator while developing new package tour. Calculation of costs of package services determines the price of package tours and it helps in garbing new market. Many tour operators minimize the cost of preparing package tour that helps them maximize profits. Reduction of unwanted costs and negotiation with primary service providers for special rate largely help tour operators make profits and pass on certain benefits to the customers or clients.

It is essential to include each element of cost that directly and indirectly determine the final price tag of a particular package tour. Including research and development costs as an indirect cost also determines the price of package tour. Similarly, marketing and publicity are two important costs that a tour operator includes them as indirect costs. Besides understanding and including each element of cost, developing a methodical cost sheet is an important work of a tour operator to bring each implicit and explicit cost into the calculation of total costs of package tour. Thus, this lesson will explain each component of package tour costing along with the preparation of cost sheets.

### Fixed and Variable Costs

Fixed costs do not vary in the short run, but it varies in the long run. For example, the cost remains to be the same no matter how many rooms are occupied in particular day. It does

not matter it is 1 or 20 passengers. But the costs would be the same. Variable costs change in short run as well as in the long run also. It varies as per the variation of the sale of package tours. Table presents the difference between fixed and variable costs pertaining to the various activities.

### Activities Fixed vs. Variable Costs

Example cost	Fixed	Variable
Fuel for a bus tour	<input type="checkbox"/>	
Wages for a bus tour	<input type="checkbox"/>	
Meals whilst on tour		<input type="checkbox"/>
Room cleaning		<input type="checkbox"/>
Activities whilst on tour		<input type="checkbox"/>
National park permits	<input type="checkbox"/>	
Vehicle registration	<input type="checkbox"/>	
Amenities for rooms (soap, shampoo etc...)		<input type="checkbox"/>
Cleaning of room linen		<input type="checkbox"/>

### Various Components of Cost

The cost for developing a package tour decides the final price of the package. The sale of the package tour is a direct function of direct or indirect costs or fixed and variable costs. The tour cost is explained as the sum total of cost incurred to combine related and complementary services. For example, SOTC as a tour wholesaler examines affordability of potential customers and various cost components. Profit margin is added after due consideration of purchasing power of buyers and costs involved in designing the package tours.

Furthermore, market demand determines the cost of tour packages and tour operators make all possible ways to make the services arranged in a very negotiable rate with the principal service providers. There is usual variation of doing the calculation of costs from one tour operator to another. These are the following variable costs apart from the fixed costs.

### Market Research and Development

The cost for market research includes the expenditure to gather data through field visit and analyze with the help of scientific tools. It is also an attempt to study about the destinations and the travel behavior and motivations of customers.

### **Cost for New Product Development**

The cost is incurred for discovery of new destination and development of new packages. It includes the cost for preparing documents for planning. Tour operators incur the cost on their familiarization tour. The development of new packages needs allocation of cost.

### **Transfer Cost**

International and domestic airfares, rail travel, and transfer and departure tariffs are included in the cost component in case of the all-inclusive package tour.

### **Accommodation Cost**

Accommodation cost is expected to be around 30 per cent of the total cost that is decided after the negotiations accommodation companies.

### **Sightseeing Costs**

Sightseeing cost includes the cost of guide, entry free, refreshments, coach, etc. The calculation is done on per head basis.

### **Administrative and Transactional Cost**

The cost of managing the preparation of itinerary and package tour is incurred. This is an indirect cost or implicit cost. The cost includes salary and incentives, insurance, financial or legal expenses and recruitment and selection cost. The

### **Technical cost**

The technical cost includes the acquisition of new software, hardware, and computers for the reservation of air tickets and tour packages.

### **Cost for Training and Development of Staff**

The cost of training the staff is incurred form the revenue of the tour company. Front line executives are given in-house training with the help of external or internal trainers, whereas the managers are send for outhouse training to learn the strategic business decisions.

### **Cost Marketing**

The cost marketing is incurred from the budget for marketing. Marketing cost includes advertising and sales promotion for diversification of the package tour business.

### **Cost for Sales Promotion**

The cost is incurred for the sales promotion to increase the volume of sales of the package tour by providing discounts, commission

### **Printing and Publicity Cost**

The cost of printing tour brochures is incurred for designing and printing multiple copies of the tour brochure on coloured glossy papers highlighting the tour itinerary and other important features of package tours.

### **Cost for Bank Interest**

The cost is also incurred to repay the rate of interest and principal for borrowing loans from the banks.

### **Sun Cost**

The cost is incurred for the depreciation of fixed assets in the long run due to the obsolete nature of software and hardware, and electronic gadgets.

### **Miscellaneous Cost**

This cost includes portage charges at airports and railway stations, tips at hotels or airports, entrance fees, insurance premiums, gifts, and welcome dinners. Thus, while costing a product, the tour company should concentrate on the four pivots namely- cost consciousness, cost measurement, cost responsibility and cost improvement.

### **Tour Cost Sheet**

Cost sheet is a detailed breakdown of the costs related to the specific event. It is used to provide an overview of items. It shows clearly what each item costs and helps determine whether or not it is an expense that to be included. Tour Company has an opportunity to review the total estimated costs. Itemizing the costs allows all the elements to be reviewed before it is included in each area.



Tour cost sheet is a statement designed to show the total costs along with the breakup of tours costs. The information reflected in cost sheets is collected/ derived from the confidential tariff from the principal service providers. The confidential tariff is prepared after negotiating the rates quoted by the suppliers like Hotels, Airlines, Railways and others. A confidential traffic is also prepared by the handling agency/destination company. There is no fixed form of for the preparation of a confidential tariff and tour cost sheet. But in order to make the cost sheet more useful, it is usually prepared in column form i.e. transfer, sightseeing, hotels, etc.

**Note:** "35" is the tour group number. When you see "divide by 35" it means that you should divide the total number by 35 tour group members.

Name of Tour: \_\_\_\_\_

### I. Transportation

Net Airfare Per Person \_\_\_\_\_

Tax, fees on airfare per person \_\_\_\_\_

Motorcoach cost divided by tour group number (35) = \_\_\_\_\_

Parking Fees divided by tour group number (35) = \_\_\_\_\_

Tolls divided by tour group number (35) = \_\_\_\_\_

Transfer Costs (buses, taxis, etc) per person \_\_\_\_\_

Ship or Boat travel (plus tax), per person \_\_\_\_\_

Train Travel plus tax per person \_\_\_\_\_

Tour Conductor's Transportation (if not comped)

(cost divided by 35 people ) \_\_\_\_\_

### II. Lodging

Hotel (including taxes), non commissionable

Name Per night cost x No.of nights divided by 2 (dbl occupancy) \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

### III. Meals

#### A. Restaurants

Name		
1. _____	meal cost per person:	_____
2. _____	meal cost per person:	_____
3. _____	meal cost per person:	_____

#### B. Reception Party (First Dinner or Meal)

Total Cost \_\_\_\_\_ divided by (35) \_\_\_\_\_

#### C. Farewell Party (Last Meal)

Total Cost \_\_\_\_\_ divided by (35) \_\_\_\_\_

#### D. Meals for driver or escort (if not included) divided by (35)

### IV. Sightseeing

#### A. City Sightseeing Tours

Name of City		
1. _____	Cost per person:	_____
2. _____	Cost per person:	_____
3. _____	Cost per person:	_____
4. _____	Cost per person:	_____

#### B. Step-On Guide Salary (Overall Fee Basis)

Name	Cost	Divided by 35
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

### C. Attraction Admissions

Name of Attraction		
1. _____	Cost per person	_____
2. _____	Cost per person	_____
3. _____	Cost per person	_____
4. _____	Cost per person	_____

### V. General Costs

A. Estimated Supply Costs	_____	divided by (35)	_____
B. Estimated Advertising Costs	_____	divided by (35)	_____
C. Estimated Office Overhead	_____	divided by (35)	_____
D. Your salary for operating the tour	_____	divided by (35)	_____
E. Miscellaneous	_____	divided by (35)	_____

**VI. Cost Per Person (Subtotal- Cost to operate this tour per person)** \_\_\_\_\_

### Advantage of a Tour Cost Sheet

- It discloses the total tour costs and the cost per persons.
- It enables the tour company to keep a close watch and control over cost.
- It helps in fixing up the selling price more accurately.
- It helps the tour company to submit quotations.

Whatever pricing policy is adopted, a tour company has to take into consideration, the:

- Market segmentation.
- Potential tourist perceptual assessment
- Analysis of competitors pricing strategy
- 'Assessment of the composition of the product line
- Analysis of external factors like political instability, events and other problems
- Image of the destinations

It is clear that pricing a tour package involves a complex process. A company has to add an adequate margin of profit to enable the company to expand and diversify its product line.

However, it has become imperative to recommend that a new tour company should fix its profit margin between 5 to 20 per cent of total tour cost. The existing tour company should not fix its profit margin higher than 20 percent of total tour cost.

### **Summary**

The cost management of a travel company acts a crucial bridge between strategy and operational efficiency that can channel the working of the entire organization towards the unified aim of achieving competitive advantage. Every strategic choice that a travel company makes includes costing a tours package and introducing of new products/ services to new markets. It must be validated by its cost implications.

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[www.FirstRanker.com](http://www.FirstRanker.com)

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## Lesson 4.5 - Tour Pricing and Pricing Strategies

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### Learning Objectives

*After reading this lesson, you should be able to*

- know the meaning of tour pricing;
- understand different types of pricing to be applicable for package tour;
- be familiar with the calculation of tour pricing;
- understand the meaning of pricing strategies; and
- find different pricing strategies adopted by tour operators

### Introduction

Pricing package tour is a final decision that a tour operator takes after thorough review of competitor's price as well as elements of services to be offered to customers. Pricing is the process of giving level that plays a deciding factor for the sale of number of tour packages in a particular time period. It is a type of strategy to reach the target market in a record time. All tour operators have no choice but to adopt different pricing strategies to reach out customers at various localities in market. At the same time, a package tour buyer is very price sensitive and they are carried away with the amount of price that determines the value of package tour and quality of services.

While comparing price of different package tours, an average buyer prefers to buy package tours from branded tour operators having long track record of operating inbound/outbound/domestic package tours. In this present, cut-throat competitive market, pricing strategy is one ways of sustaining business and optimizing the return on investment. Thus, this lesson will explain about meaning of pricing, calculation of tour pricing and pricing strategies in tour operation business.

### Pricing- A Key Determinant of Package Tour Business

Pricing is one of the most important elements of the marketing mix. It is the only mix to generate a turnover for the organization. The remaining 3Ps are the variable cost for the organization. It costs to produce and design a product and it costs to distribute a product. It also costs to promote it. Price must support these elements of the mix. Pricing is

difficult and must reflect supply and demand relationship. Pricing is a product too high or too low. It means a loss of sales for the organization. Pricing should take into account the following factors:

- Fixed and variable costs.
- Competition
- Company objectives
- Proposed positioning strategies
- Target group and willingness to pay

### **Pricing for Package Holidays**

Price is always a crucial factor in the survival of product in the market. As it is a general practice, tour operators employ the method of marginal pricing. After studying the market trends, tour operators add their margins and cost the package or after calculating their operational costs plus some profit for the company, tour operators tag the price on the package. However, it is the complete choice of tour operators to have the option of choosing either from mark up or buying power. Let us discuss some of the basic elements of cost factor in the package tour business.

**Mark up:** Tour operator generates profit as business entity and to keep the business alive. It is required to handle as many clients as possible and by making sure that each deal ensures sufficient profit.

**Buying capacity:** Buying ability is used to amplify the amount of profit on each sale in order to reduce the price at which services are bought from principal suppliers for the package.

**Net rate:** It is the price which a supplier charges on prices for package tours to be decided. While calculating the net rates add any amount of mark up and it can be added before final rate that is meant for client.

**Gross rate:** Gross profit is the rate at which a supplier quotes for products/ services delivered by them. It normally includes a percentage of the gross rate. This is a hidden part that is usually known as commission.

**Margin:** The following points are considered at the time of making margin.

- Total amount received by retail client
- Retail agent's commission on this sale

- Amount passed to wholesaler
- Air seat to destinations
- Amount of inbound operators invoice wholesalers

### Factors Influencing Pricings

- Seasonality
- Fluctuations in business between high and low seasons
- Operating costs includes general overheads
- Promotion and labour costs which can vary, depending on business peaks and troughs.
- Competition

### Pricing: A Key Constituent of Marketing Mix

Marketers use numerous tools to call forth the desired responses from their target markets. These tools constitute a marketing mix. Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. As shown in Figure, McCarthy classified these tools into four broad groups that he called the four Ps of marketing: product, price, place and promotion.



The 4P components of Marketing



Throughout most of history, prices were set by negotiation between buyers and sellers. All for-profit organizations and many non-profit organizations set prices on their goods or services. Whether the price is called *rent* (for an apartment), *tuition* (for education), *fare* (for travel), or *interest* (for borrowed money), the concept is the same.

In the recent past, technology has transformed the entire business process. It takes back to an era of negotiated pricing. The Information and Communication Technologies (ICTs), mobile, wireless, business networking and collaboration link people, product and business together across the globe. This technological revolution particularly ICTs has brought buyers and sellers at one platform. Websites like Expedia.com, TripAdvisor.com, Last minute Travel and MakeMyTrip.com now allow buyers to buy products and see price quickly and easily.

In the entire marketing mix, price is the one element that produces revenue and the others produce costs. Price is also one of the most flexible elements. It can be changed quickly, unlike product features and distribution channel. Although price competitions a major problem facing companies, many do not handle pricing well. The most common mistakes are as follows:

- Pricing is too cost-oriented.
- Price is not revised in relation to market changes.
- Price is set independent of the rest of the marketing mix rather than as an intrinsic element of market-positioning strategy.
- Price is not varied enough for different product items, market segments, and purchase occasions.

### Setting Tour Pricing

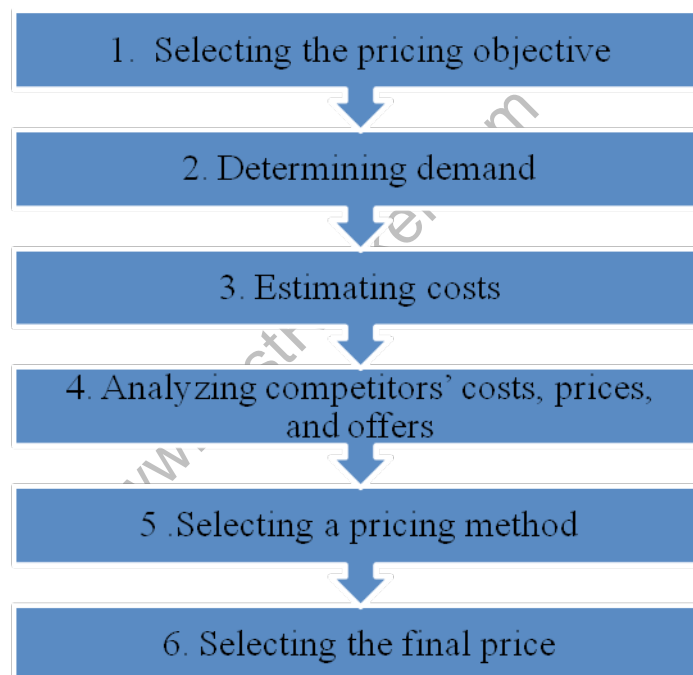
Price is a key element to support a product's quality positioning. A firm must set a price for the first time when it develops a new package, introduces it into a new distribution channel. A firm, in developing its pricing strategy, must decide where to position its product on price and quality, there can be competition between price and quality. In Marketing Mix-4Ps, price is the only element meant for generating revenue for company. In the process of determining prices, a company follows a six-step procedure. A tour company sets a pricing structure for reflecting various in geographical demand and costs, market-segment requirements, purchase timing, requirement of products and other factors. Several price-adaptation strategies for setting prices for product lines, optional features, captive products, two-part items, by-products and product bundles.

The customized tours can greatly benefit the clients in the following ways;

- Personal urge for visiting the places and enjoying the events and activities can be possible to a great extent.
- It is affordable as the selection of destinations and elements of services are suggested by the clients.
- Adequate time can be earmarked for certain places for example photography and cultural program.
- Modification of tours and services are mostly allowed.
- The services can be enlarged depending on the client's ability to pay.
- With the quality of services, clients can be used as the promoter of the tours.
- Many customized affinity group packages can be organized.

Figure presents the steps for determining price for organised package tour.

In setting a product's price, marketers follow a six-step procedure (See figure):



**Product's Price Steps Procedure)**

#### **Step 1: Selecting the Pricing Objective**

A company can pursue any of five major objectives through pricing: (a) Survival (b) Maximum current profit (C) Maximum market share (d) Maximum market skimming and (e) Product-quality leadership.

### **Step- 2: Determining Demand**

Each price leads to a different level of demand. It has a different impact on a company's marketing objectives. The relationship between alternative prices and the resulting current demand is captured in a demand curve. Normally, demand and price are inversely related. The higher the price, the lower would be the demand. In the case of superior goods, the demand curve sometimes slopes upward because some consumers take the higher price to signify a better product. Still, if the price is too high, the level of demand may fall.

### **Step- 3: Estimating Costs**

While demand sets a ceiling on the price the company can charge for its product, costs set the floor. Every company should charge a price that covers its cost of producing, distributing, and selling the product and provides a fair return for its effort and risk.

### **Step- 4: Analyzing Competitors' Costs, Prices and Offers**

The firm must take into account its costs, prices and possible price reactions of the competitors. If the firm's offer is similar to a major competitor's offer, then the firm will have to fix price neck to neck to the competitors or lose sales. Package tour price of Thomas Cook India Ltd., Cox and Kings and SOTC mostly adopt this pricing strategy. If the firm's offer is inferior, it may price more than the competitor's price. If the firm's offer is superior, it can fix more than what the competitor offer. However, competitors may change their prices in response at any time.

### **Step- 5: Selecting a Pricing Method**

The three Cs consisting of the customers' demand schedule, the cost function and competitors' prices are the major considerations in setting price. Firstly, costs set a floor to the price. Secondly, competitors' prices and the price of substitutes provide an orienting point. Thirdly, customers' assessment of unique product features establishes the ceiling price. Therefore, companies must select a pricing method that includes one or more of these considerations.

### **Step-6: Selecting the Final Price**

The previous pricing methods determine the range from which the company selects its final price. In selecting that price, the company must consider additional factors such as psychological pricing, the influence of other marketing-mix elements on price, company pricing policies and the impact of price on other parties.

## Pricing Strategies

Every product has a price. The pricing strategies must be consistent with the company pricing policies. To achieve this, many firms set up pricing unit to develop strategies and take appropriate decisions. Tourism and travel companies having Product Marketing Team (PMT) for quoting the prices are reasonable to customers and profitable to the company. Management of any company needs answers to the following questions while formulating pricing strategies.

**Question-1:** How will the tour package distributors or channels (General sales Agents, Principle Sales Agents, Franchise and Retails) feel about the pricing strategies?

**Question-2:** Will the sales personnel be willing to sell at that price?

**Question-3:** What will be the reaction of competitors in market?

**Question-5:** Will the government intervene and prevent this price from being charged?

Companies usually do not adopt a single price, but rather a pricing structure that reflects variations in geographical demand and costs, market-segment requirements, purchase timing, order levels, delivery frequency, and other factors. As a result of discounts, allowances, and promotional support, a company rarely realizes the same profit from each unit of a product that it sells.

**These are the following pricing strategies**

- Geographical pricing
- Price discounts and allowances
- Promotional pricing
- Discriminatory pricing
- Product-mix pricing
- Penetration pricing
- Skimming pricing
- Competition pricing
- Psychological pricing
- Premium pricing
- Optional pricing

## Geographical Pricing

In geographical pricing, the company decides how to price its products to different customers in different locations and countries. For example, should the tour operating company working in inbound, outbound and domestic market segments decide the same price to customers irrespective of country of origin distant or different? Or set a lower price to gain additional business?

## Price Discounts and Allowances

Most companies adjust the list price and give discounts and allowances for early payment, sales volumes and off-season buying, as shown in Table.

Price Discounts and Allowances

<b>Cash Discounts</b>	A cash discount is a price reduction to buyers who pay their bills promptly
<b>Quantity Discounts</b>	A quantity discount is a price reduction to those buyers who buy large volumes.
<b>Functional Discounts</b>	Functional discounts (also called trade discounts) are offered by a Wholesaler to trade-channel members if they will perform certain functions, such as selling, and record keeping.
<b>Seasonal Discounts</b>	A seasonal discount is a price reduction to buyers who buy services out of season. Ski resort will offer seasonal discounts to retailers in the spring and summer to encourage early ordering. Hotels, motels, and airlines will offer seasonal discounts in slow selling periods.
<b>Allowances</b>	Allowances are extra payments designed to gain reseller participation in special programs. Promotional allowances are payments or price reductions to reward dealers for participating in advertising and sales support programs.

## Promotional Pricing

Companies go for promotional pricing techniques to stimulate early purchase. However, smart marketers recognize that promotional-pricing strategies are often a zero-sum game. If they work, competitors copy them and lose their effectiveness. If they do not work, they waste company money that could have been put into longer impact marketing

tools, such as building up product quality and service or strengthening product image through advertising. For example, SOTC World Famous Tour, Outbound Division of Kuoni India Private Limited cuts the price of selected Group Inclusive Tour (GIT) packages to attract customs. Similarly, Club -7 holidays offers special prices on Holiday packages during special events. An airline company lowers the price of ticket and advertises it as psychological pricing was ₹ 10,000. It is now ₹ 9,999.

### **Discriminatory Pricing**

Companies often adjust their basic price to accommodate differences in customers, products, locations and so on. Discriminatory pricing occurs when a company sells a product or service at two or more prices. They do not reflect a proportional difference in costs.

#### **Discriminatory pricing takes Several Forms**

##### **Customer-Segment Pricing**

Different customer groups pay different prices for the same good or service. For example, the famous tourism attraction 'Kolkata Museum' often charges a lower admission fee to students and senior citizens.

##### **Product-Form Pricing**

Different versions of the product are priced differently, but not proportionately to their respective costs.

##### **Image Pricing**

Some companies price the same product at two different levels based on image differences. For instance, pricing of Taj and Ginger hotels differ much due to brand image, whereas both belong to Indian Hotels (TATA Group).

##### **Location Pricing**

The same product is priced differently at different locations even though the costs are the same. For example, theatres often vary seat prices according to audience preferences for different locations.

### **Time Pricing**

Prices are varied by season, day or hour. Public utilities use time pricing, varying energy rates to commercial users by time of day and weekend versus weekday. A special form of time pricing is called as yield pricing. It is often used by airlines to fill as many seats as possible. Package holiday pricing during peak season in India and Movie ticket price in evening show on weekend are some of the examples time pricing.

### **Product-Mix Pricing**

Pricing strategy must be modified when the product is part of a product mix. For instance, tour package is mixed with hotel, transportation and attractions. In this case, tour operator searches for a set of prices for maximizing profits on the total mix. Pricing a product line is difficult because the various products have demand and cost interrelationships. They are subject to different degrees of competition.

### **Penetration Pricing**

The organization sets a low price to increase sales and market share.

### **Skimming pricing**

The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.

### **Competition Pricing**

It is a strategy to set a price in comparison with competitors.

### **Psychological Pricing**

The sellers here consider the psychology of price and the positioning of price within the market place.

### **Premium Pricing**

The price is set high to reflect the exclusiveness of the product.



### Optional Pricing

The organization sells optional extras along with the product to maximize its turnover.

### Summary

A tour operator reviews of competitor's price as well as elements of services thoroughly taking several factors into considerations. Pricing is the process of giving level for the sale of tour packages in a particular time period. It is a type of strategy to reach the target market in a record time. All tour operators have adopted different pricing strategies to sustain the business in the market. Package tour buyers are price sensitive and decide the value of package tour and quality of services. In the competitive market environment, pricing strategy can help tour operation win over the competitors' product and maximize the return on investment.

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## Lesson 4.6 - Package Tours of Thomas Cook, SOTC, Cox & Kings and TCI

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### Learning Objectives

*After reading this lesson, you should be able to*

- Be familiar with types of package tour designed by Thomas Cook, SOTC, Cox & Kings and TCI;
- Understand business interests of these tour wholesalers in promoting package tours;
- Know different marketing strategies for promotion of package tours; and
- Be acquainted with methods of operating package tours

### Introduction

Package tour is a generic tour operation business. The business of FIT and GIT package tour has been diversified to cater emerging markets. It is not only a profitable business venture but also it is dependable and sustainable given the trends of travel in the recent years. Thomas Cook is one of the oldest travel agents, wholesalers and consolidators of airlines, hotels and cruise line business. At the same time, other competitors such as SOTC and Cox & Kings have also designed attractive packages for catering outbound and domestic tourism markets in India. TCI is merged into Thomas Cook and it is known for its inbound tour operation business.

All these four leading travel companies have almost dominated travel market with their appealing and value-added products. This lesson is intended to act as a resource for those tourism and travel students who are ready to invest career, time and energy in tourism industry and build packages for visitors to get them to market. This lesson moves beyond the theoretical underpinning and give practical understanding about package tours of these four travel companies.

### Understanding Package Tours

When a tourist plans and books a trip to a destination for leisure and recreation purpose, they buy an experience comprising a wide range of products and services. A package, from a tourism perspective, is the linking of a number of individual products/

services into a single experience, typically for a single price. A package is a saleable item, with a set price for a set period of time. There is a broad range of products and services that can be linked in a package.

### **Key Components of Package Tour**

- Attractions (Built attraction – museum, art gallery, theme park etc and Natural attraction – waterfalls, scenic vistas etc).
- Accommodation
- Food & beverage
- Transportation
- Guided tour
- Entertainment – theatre performance, stage show& concert
- Event/festival
- Shopping
- Activity – hiking, kayaking, skiing & snowmobiling
- Local culture

### **Packaging for Group Inclusive Tour (GIT) Vs Free Individual Tour (FIT)**

Both the markets of GIT and FIT have different types of need and characteristics for tour packaging. To cater the need of GIT and FIT markets, there is a significant demand and growth potential for packages that offer a range of experiences to tourists.

### **Business Interests of Tour**

Packages offer many advantages to tour operators to stay in the business despite market volatility and other challenges. Packages should be the only one part of company's product offering. Advantages of packaging from the visitors and company's perspectives vary with the type of design and deliver of package tour operator.

- A package provides one-stop shopping, often at one, all-inclusive price.
- A package costs fewer prices than when the customer assembles the same product into an experience themselves.
- Tourists first look for a destination or areas to visit. They are typically based on a region or area with a variety of attractions and services. When a destination is

identified, more detailed planning is carried out to streamline the design and operation of package tour. Some perceive many things about the entire trip ahead of time and some after the tour. With a detailed and fully planned itinerary, one can maximise the experience. Others use packages as only part of a larger experience.

### **Growing FIT Market**

There is increased demand for packages as part of an independent travel experience with this growth.

### **Creating Competitive Advantage through Packaging**

By creating a new experience through packaging, tour operator companies can create a competitive advantage by offering a combination that is not offered by others. Packages are successful at maintaining the revenue streams without capital investment.

- Tour packaging encourages repeat business.
- It makes the experience 'new' by simply adding a new feature or theme, a tour package is seen as 'new' and provides new experience to visitors.
- In many packages, tour operator joins forces with other tourism suppliers in different businesses to serve a different clientele like hotels, airlines and food and beverage. Any marketing and advertising company, partnership with other suppliers within the package may leverage its marketing resources for stronger market reach.
- Package creates partnership opportunities with tourism suppliers.

### **Designing an organised Inclusive Package Tour**

There are a number of basic steps one must go through to make your package tour, which are outlined below and detailed in Table.

#### **Steps in Designing Organised Package Tours**

Step	Key Actions	Purposes
1.	Analysing Marketing Opportunities	To define target markets and the type of experience tourists look for.
2.	Define Reason for packaging	To ensure that package is related to objectives
3.	Define Tour Package Components	To identify what is in the package, to determine if partners

4.	Identify Packaging Partners	To develop the complete package.
5.	Create and Nurture Package Partnership	To establish a sound working relationship with package partners.
6.	Develop Detailed Itinerary	To understand each step, no matter how small.
7.	Pricing Tour Package	To ensure the competition while reaching profit goals.
8.	Give Name Tour Package	To create a presence and sales tool
9.	Develop Operational Plan for Package	To ensure that staff must understand the implications on operations and sales.
10.	Communicate Operational Plan Package Tour	To make sure all staff members must understand and contributes to the package.
11.	Distribution and Market of Package	To conduct sell and distribute network for package tour in efficient manner.
12.	Evaluation	To provide with sound tools to evaluate efforts – should you continue or exit?
13.	Refine Package	To respond to input received and to improve for next package offering.

### Methods of Operating Package Tours

There are many questions about how a package really works – between the partners of the package, for company's own operation (internal operations plan) and between the visitors and the tourism suppliers. By completing an operation plan, one can be better prepared for the 'unexpected' because time is taken to anticipate all contingencies. Figure presents methods of operating package tours.



Operating Package Tours

It is important for tour operator to make sure that all the frontline staff members who interact with visitors when they inquire, book and arrive understand the complete package. Staff members can contribute significantly to the design and delivery of a package. These are the following points that must be taken into consideration while operating packages.

- Sell the package yourself
- Sell in co-operation with package partners
- Sell through third party (e.g. DMOs/DMCs)
- Travel trade partnership:-
  - Tour Operator
  - Tour Wholesaler
  - Local Travel Agents
  - Outbound Operators
  - Member-based organizations

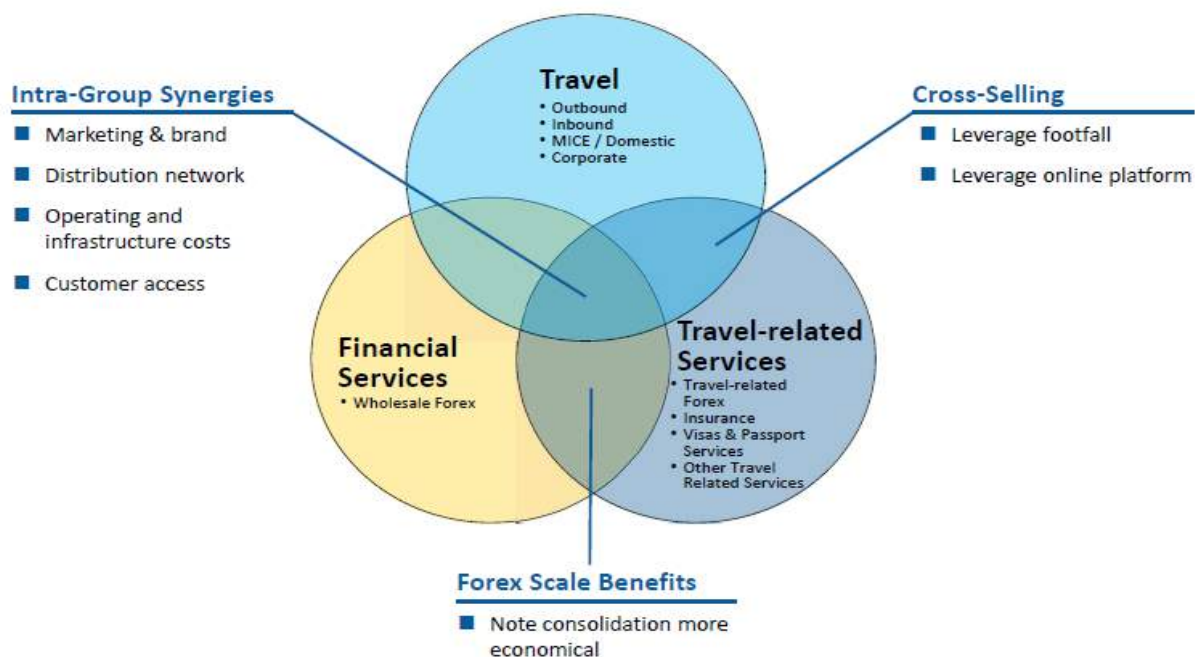
### Package Tours of Thomas Cook

Thomas Cook (India) Ltd. is the leading integrated travel and travel related financial services company in the country offering a broad spectrum of services. These services include Foreign Exchange, Corporate Travel, Leisure Travel and Insurance. The Company launched its Indian operations in 1881 and is celebrating its 132 years of world-class service in India. Thomas Cook (India) operates in the different areas of business with various products. **Table** illustrates Thomas Cook business and product offering.

#### Thomas Cook Business and Product Offering

Thomas Cook Business	Thomas Cook Products
➤ Leisure Travel	➤ Holidays in India
➤ MICE	➤ International Flights
➤ Corporate Travel Management	➤ International Holidays
➤ Foreign Exchange	➤ Cruise Holidays
➤ Insurance	➤ Domestic Flights
	➤ Domestic Hotels
	➤ Foreign Exchange
	➤ International Hotels
	➤ Travel Insurance
	➤ Visa and Passport

Figure exhibits the following benefits of operating as fully Integrated Foreign exchange and travel platform Thomas Cook.



Description of Tour Package 'Exotic Kashmir' (06 Nights/ 7 Days) Promoted by Thomas Cook India

### Highlights of the Tour

- Return Airfare on Economy Class
- Inclusive of all 'must see' sightseeing
- Accommodation at quality hotels
- Inclusive of breakfast & dinner
- Stay 1 night in deluxe houseboat at Srinagar
- Stay 1 night in Gulmarg
- Enjoy a Gondola ride to Khilanmarg
- Stay 2 nights in Pahalgam
- Visit Awantipura ruins of 1100 yrs old temple of Lord Vishnu
- Visit to Chandanwari & Betab Valley in Pahalgam
- Stay 2 nights in hotel at Srinagar
- Shikara ride on Dal Lake once during the stay
- Visit Shankracharya Temple
- Visit to the famous Mughal Gardens - Nishat Bagh and Shalimar Bagh
- Excursion to Sonamarg



**Tour Price includes**

- Return Airfare in economy class from Mumbai / Delhi
- Accommodation on twin sharing basis in hotels mentioned or similar
- Daily Breakfast and Dinner at all places
- Transfers and sightseeing by AC vehicle on sharing basis as per the itinerary
- Visit to Chandanwari and Betab Valley in Pahalgam will be by local non AC vehicles
- Entry fees to Gondola (ropeway) up to 1st level at Gulmarg
- Shikara ride on Dal Lake once during the stay on sharing basis

**The Price does not include**

- Additional / personal use of vehicle
- Any personal expenses, room service and special orders, mineral waters, alcoholic and non alcoholic beverages, portorage, tips, phone calls, laundry etc
- Any extra excursions or sightseeing apart from the above specified itinerary
- Camera fees, guide charges
- Any incidental and other expenses which are not specified in the inclusions
- Govt service tax – 3.09 % applicable on total billing

**Important Things to Note**

- It is mandatory to carry photo ID card while on tour. PAN card is not a valid ID card.
- The vehicle used for transfers is not at disposal.
- This is an indicative itinerary and subject to change depending upon circumstances. Drivers / local representatives are consulted for next day's sightseeing schedule / transfers timings.
- At Sonamarg, Gulmarg and Pahalgam the vehicles are allowed only up to the common parking lot. Thereafter one has to walk or hire ponies/ local vehicles for local conveyance on direct payment basis
- Tour-programme is subject to change depending upon circumstances
- Please note that only post paid mobile number works in Kashmir

## SOTC

SOTC is Kuoni India's key outbound travel brand. It is India's leading outbound tour operator, acquired by Kuoni Travels. It is the world's leading premium Tour Operator in the year 1996.

It is also a leader in all travel segments namely Escorted Tours, Free Individual Travel and Domestic Holidays. SOTC Corporate Tours is the leader in Incentive, Trade Fair and SportTours. SOTC's vast array of holiday services is taking holidaying to an entirely new level. Table illustrates five different areas of package tour business of SOTC. Table presents the various SOTC holidays

SOTC Holidays				
Escorted Group Tours	Customized Holidays	Holidays of India	Corporate Tours	Trade Fair Tours

### Escorted Group Tours

SOTC Escorted Group Tours pioneered the designing and marketing of escorted tours to cosmopolitan travellers' in India. Its tours have escorted lakhs of travellers across the globe for more than 50 years to various destinations including Europe, Australia, New Zealand, USA, Africa, Mauritius, South Asia, and the Southeast Asia. Being a 100 per cent subsidiary of Kuoni Travel Holding, Switzerland, it is one of the world's largest travel companies. SOTC leverages the advantage of the buying power and travel services to provide customers value-for-money packages. SOTC endeavors to bring alive the dream holiday. It ensures safe, sure and secure travel with the experienced tour operators. Budget tours designed by SOTC provide value for money to travellers without compromising on sightseeing and basic holiday needs.

### Customized Holidays

SOTC offers customised and tailor-made holidays around the world. On these customised holidays, tourist travel only with their companion at your own pace. One can go for holiday at a range of destinations, fly the airline of their own choice and stay at hotels of their own choice.

## **Holidays of India**

SOTC Holidays of India satisfy for families, youth, students and honeymooners as well as groups or individual travellers for a holiday in India. SOTC Holidays of India have a range of holiday options covering every requirement. It offers an opportunity to visit and explore important places of India. It also offers a wide range of customised holidays for giving individual travellers the complete freedom and flexibility to define their preferences for the destination, length of stay and pace of travel.

## **Corporate Tours**

SOTC is a specialist in MICE Tours. SOTC Corporate Tours provide customised solutions for various MICE related travel needs. It assists corporate traveller at every stage of planning, including pre-tour familiarization visits, booking of air seats, arranging accommodation at the finest hotels, gala dinners, collateral preparation, technical back up, meal arrangements and event management. It ensures the highest quality of service for incentive programs, conference and meetings across the globe.

## **Trade Fair Tours**

SOTC Trade Fair Tours cater exclusively to the needs and requirements of the business travellers visiting or exhibiting in International trade fairs. Increase in the number of Indian participants and visitors to various International exhibitions to compete at a global level confirm huge potential for Group Outbound Travel. In the past few years, it has successfully organised delegations to various International trade fairs. SOTC Trade Fair Tours have given a new dimension to the trade fair visitors by providing value-added services such as confirmed accommodation during the fair period, Indian meals and option to pay in easy monthly instalments, factory visits at extremely attractive and competitive prices.

## **Cox and Kings India Limited**

Cox & Kings is the longest established travel company in the world. Its distinguished history began in 1758 when it was appointed as general agents to the regiment of Foot Guards in India under the command of Lord Ligonier. It has over 12 fully owned offices in India across key cities such as New Delhi, Chennai, Bangalore, Kolkata, Ahmedabad, Kochi, Hyderabad, Pune, Goa, Nagpur and Jaipur. The worldwide offices are located in UK, USA, Japan, Russia, Singapore and Dubai. It has associate offices in Germany, Italy, Spain, South Africa, Sweden and Australia.

**The principal services offered by the company are:**

- Destination Management
- Incentive & Conference Solutions
- Domestic Holidays
- NRI
- Trade Fairs
- Outbound Tourism
- Business Travel
- Foreign Exchange
- Insurance

### **Cox and Kings Types of Holidays**

- Duniya Dekho - Group Tours
- FlexiHol- Individual Tours
- Bharat Deko - India Tours
- Luxury Escapades
- Instant Holidays
- Rail Europe Holidays
- Romantic Getaways

### **Duniya Dekho: Escorted International Group Tour Packages**

Duniya Dekho is escorted group tours designed for likeminded Indian passengers, with Indian meals and Indian Tour Managers. The itineraries are carefully planned for coach tours with a mix of essential sightseeing and activities. The hotels used are normally first-class hotels ranging in the three- star to four-star categories. It also provides optional excursions for tourists to choose to enhance their experience.

### **FlexiHol-Individual Tours**

Escorted tours are quite fast paced. It can also be customized. This package tour reflects individual schedules, tastes and budget.

## Bharat Deko - India Tours

Bharat Deko tours in India are designed for group travelers with buffet meals and Tour Managers. The itineraries are carefully planned with the sightseeing and activities. It includes first-class hotels ranging in the three-star categories. It also provides optional excursions to maximize their experiences. It can be upgraded to four-star and five-star hotels. The tour brochure reflects individual schedules, tastes and budget.

## Travel Corporation of India (TCI)

It is India's leading Destination Management Company with 100 per cent subsidiary venture of Thomas Cook India Limited. It has a stainless record of operating inbound business in India, Sri Lanka, Nepal & Mauritius for over 50 years. It has been securing the status of the Best Inbound Tour Operator. TCI has offices at 12 cities in India and seven marketing offices overseas at New York, London, Frankfurt, Madrid, Barcelona, Tokyo and Kathmandu. Table presents various package tours being offered by TCI.

### TCI Travel Packages

India's Lost Frontiers	Pilgrimage Tours	Adventure Tours
Luxury Hotels	Special Interest Tours	Re-live India
Luxury Trains	Safari Tours	Cruises
Honeymoon Tours	Ayurveda and Spa	Luxury Trains

## Description of TCI 'Footsteps of Buddha' Tour Package

### DAY-1

Arrive Delhi and meet the representative at arrival hall and transfer to hotel. In the afternoon proceed on a tour of the capital city. The important places include the Red Fort, the historical Chandni Chowk along with Raj Ghat and Shanti Vana, the Rashtrapati Bhawan, the India Gate, the Laxminarayan Temple, Qutab Minar and the lotus-shaped Baha'i Temple.

### DAY-2

Morning drive to Jaipur and Arrive Jaipur and check- in at hotel. Jaipur is otherwise called as Pick City. It has uphold its glory since Maharaja Sawai Jai Singh II had it built in 1727.

**DAY-3**

Excursion to Amber Fort with the unique experience of traveling on elephant back to and from the top of the hill. Afternoon sightseeing tour of Jaipur including, City Palace, Central Museum with its large collection of woodwork and Jantar Mantar

**DAY-4**

Morning drive for five hours to the City of Taj, Agra en-route visiting the deserted town of Fatehpur Sikri. Check-in at hotel. Later proceed for the city sightseeing tour visiting The Taj Mahal.

**DAY-5**

Transfer to airport to board flight for Varanasi. Arrive Varanasi and transfer to hotel visiting Sarnath en-route, an important Buddhist pilgrimage point.

**DAY-6**

Enjoy a boat ride on river Ganges. There are about hundred *ghats* in the city. Also visit The Vishwanath Temple and The Bharat Mata Temple houses.

**DAY-7**

Morning drive to Bodhgaya. Arrive Bodhgaya and check- in at hotel. Visit the sacred place for Buddhists as it has a Peepul tree under which Gautama the Buddha attained enlightenment some 2500 years back.

**DAY-8**

Morning sightseeing tour of Bodhgaya visiting Mahabodhi Temple along with Bodhgaya Archaeological Museum.

**DAY-9**

Morning drive to Patna. Arrive Patna and check-in at hotel. The places include visiting Har Mandir Sahib, Golghar and Patna Museum.

**DAY-10**

Morning drive to Kushinagar. Arrive Kushinagar and check – in at hotel. The places include the visit of the Rambhar Stupa and the visit of the Mahaparinirvana temple, which houses the recumbent figure of Lord Buddha.

**DAY-11**

Morning drive to Balrampur. Arrive Balrampur and check – in at hotel.

**DAY-12**

Morning drive to Lumbini. Arrive Lumbini and check – in at hotel. Lumbini is the place where Buddha was born 2500 years ago.

**DAY-13**

In time transfer to airport to board flight for Kathmandu. Arrive Kathmandu and transfer to hotel. Surrounded by green hills and mountains with snow capped peaks against its northern and eastern background the Valley is indeed beautiful.

**DAY-14**

Morning visit Hanuman Dhoka, the name of the old royal palace has been derived from the statue of Hanuman (the monkey god of Hindu mythology) Also visit the hilltop Stupa of Swayambhunath, considered 2,000 years old.

**DAY-15**

Leaving Kathmandu with a representative to airport to help board flight for onward destination.

**Inclusions of Package Tour**

- Accommodation in all the hotels on single/twin/triple sharing basis, as per the list above.
- Breakfast on all days.
- All prevailing taxes like Luxury tax in all hotels and Expenditure tax wherever applicable.



- All transfers to or from hotels, city tours, excursions, drives by air-conditioned transport.
- Services of an English speaking local guide.
- Interstate road tax, toll tax, driver's allowance, parking etc.
- Exclusions:
  - Any lunch, dinner, snacks, mineral water etc. unless mentioned in the itinerary.
  - Entrance fee to any monuments or camera fee.
  - Any airfare or airport tax
  - Tips, gratuities.
  - Portage, laundry, telephone calls, table drinks or any other expenses of person

### **Tourism Marketing and Promotion Strategies for Package Tour**

Promotion a key method to spread the word about tour packages to customers, stakeholders and the general public. Once a tour operator identifies their target market, they gain good idea of the best way to reach them. It uses a mix of advertising, personal selling, sales promotion and public relations to promote tour packages.

#### **Advertising**

Advertising is a form of communication designed to persuade potential customers to choose tour packages over competitors. Success of advertising depends upon how tour operators making their package know to visitors. It should be a planned, consistently with the activities that can keep the name of package in the mind of the consumer. These are the following key strategies adopted for package advertising.

- Make a tour package most familiar to visitors
- Create goodwill and build a favorable image of company.
- Attract customers to find out more about tour package.

#### **Personal Selling**

Selling is the exchange of goods or services for an agreed sum of money. Following situation can be understood for personal selling:

- Identifying need and want of tour packages in market which afford to pay by visitors.
- Creating contact with visitors by phone, email or in writing etc.

- Making presentation and demonstration about the tour package in order to convince potential visitors for a holiday.

### **Sales Promotion**

Sales promotion includes short-term incentives or activities that encourage the purchase or sale of a package. It should target toward final buyers (consumer promotions), business customers (business promotions), retailers and wholesalers (trade promotions) and members of the sales force (sales force promotions). Some sales promotion activities for tour package are as follows:

- Point of purchase display material like poster, banners, brochures etc.
- Competitions, coupons and games
- Loyalty reward programs
- Seminars and workshops about the packages
- Conference presentations
- Trade show displays like SATTE, KTM, WTM and ITB etc
- Telemarketing and direct mail campaigns
- Newsletters
- Event sponsorship
- Capability endorsement
- Reward incentives linked to purchases or sales
- Reseller staff incentives
- Commissions

### **Public Relations**

The Public Relations Institute of Australia (PRIA) defines Public Relations (PR) as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization (or individual) and its (or their) publics. Typical PR tools include:

- Media releases: news creation and distribution
- Special events: such as news conferences, grand openings and product launches
- Speeches and presentations
- Educational programs

- Annual reports, brochures, newsletters, magazines and Audio-Video(AV) presentations
- Community activities and sponsorships

## Summary

Holidays provide an essential opportunity to refresh ourselves and escape our demanding schedules. Therefore, holidays need to be designed and delivered carefully to provide delight to tourists for pleasant memories. In the light of this, it is crucial for package tour operator to design and deliver unforgettable tour with maximum sightseeing, good hotels and food all in one inclusive package.

## Self Assessment Questions

1. Define package tour and differentiate between the package tours developed by tour intermediaries and other agencies in tourism supply chain.
2. Explain different types of package tours with relevant illustrations.
3. Explain the packages with programming for special interests.
4. Explain meaning and functions of target market packages.
5. Discuss about the Convention/ Meeting Packages.
6. Explain the concept of dynamic packaging.
7. What is package tour? Explain the need for the various components in the package tour.
8. What is the costing the package tour? Explain different types of cost.
9. What is breakeven points in package tour and how a Package Pricing Worksheet is developed?
10. Present the factors influencing the costing of package tour.
11. Explain various activities of Fixed vs. Variable costs in the package tour costing.
12. Present various components of costs and how are the different from each other?
13. What is tour cost sheet? Present the types of information is given in the cost sheet.
14. What are the different types of travel arrangements? Describe each of them.

15. What are the different types of accommodation services that are mostly included in the package tour?
16. Present five important places of interest from each region of India.
17. Why is pricing known as a key determinant of package tour business? Explain with examples.
18. Explain the basic dimensions of pricing the tour package.
19. Explain the factors influencing the pricing strategy in tour operation business.
20. Highlight the most common mistakes in formulating the pricing of package tour.
21. Explain the steps in setting the pricing strategy in the overseas travel market.
22. Explain different types of pricing strategies in tour operation market.
23. How Thomas Cook and Cox and Kings have created Competitive Advantage through their innovative Packaging? Present with illustrations.
24. Explain each step in designing an organised inclusive package tour.
25. Explain the methods of operating package tours.
26. Present the important package tours of Thomas Cook and how is Thomas Cook is benefited from operating the Integrated Foreign exchange and travel platform.
27. Which are the principal services offered by Cox and Kings? Name the popular packages promoted by Cox and Kings.
28. Which the principal services offered by SOTC and Name the popular packages promoted by SOTC.
29. Highlight the tour packages of Travel Corporation of India and how are they are different from other competitors?

### **CASE STUDY**

#### **Zero Commission and Diversification of Revenue generation**

Traditionally, travel agents used to depend largely on the ticket sales for the bulk of share of total revenue. With airlines selling tickets directly to travellers through multiple e-ticketing platforms, travel agents do not have any choice and they are out from their dominant business haven. This direct sales method is a global trend resulting from the need for airlines to maximize revenues or minimize loss while keeping costs down. As such

majority of airlines are facing the challenge of breakeven and other issues leading to the closure of the companies. For example, Kingfisher airlines shut down the services abruptly in 2011 due to the heavy losses. International and domestic airlines used to offer 8 and 5 per cent commission on a ticket sold to travel agents respectively. However, it was gradually reduced to one percent and it is now zero percent due to overheads cost. It is observed that several airline sites even offer reduced costs and extra incentives for customers ordering tickets online.

Zero percent commission and ticket booking through website is one of the 47 recommendations of Prof. Dholakia Committee Report on the cost cutting in Air India. The Ministry of Civil Aviation has accepted all these recommendations. The Zero Commission policy on ticket sales adopted by almost all airlines has forced the travel agencies to switch over to the new streams of revenue along with new services.

To reduce their reliance on airline commission payments, travel agencies are resorting to the following strategic options to sustain and survive in the business.

- Streamlining operations and controlling staff costs whilst ensuring the customer feels as little impact as possible
- Expanding or moving into the leisure business where commissions on non-air products remain high (cruise & hotel)
- Specializing in geographic areas or becoming niche players for specific leisure products (e.g. destination weddings, student travel, group travel & cruises only)
- Establishing a service fee driven business model

Diversification is a form of growth strategy. Growth strategies involve a significant increase in performance objectives (usually sales or market share) beyond past levels of performance. Diversification strategies are used to expand firms' operations by adding markets, products, services or stages of production to the existing business. Many organizations pursue one or more types of growth strategies.

- Coffee shops
- SMS marketing
- MICE
- Foreign exchange:
- Courier service
- Film Ticket booking.

Travel agencies are now adopting the E-business revenue models, Digital Content Revenue Model, Advertising-Supported Revenue Model and Fee-for-Transaction Revenue Model.

### Questions

1. What triggered the airlines to stop paying usual commissions when travel agents still play dominant role in the airline markets?
2. What are the diversified sources of revenue for travel agents now?
3. What are the business strategies of travel agents to overcome this zero commission challenge?

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## UNIT - V

### Unit Structure

Lesson 5.1 - Roles and Responsibilities of Travel Trade Associations

Lesson 5.2 - Roles and Functions UFTAA

Lesson 5.3 - Roles and Functions of PATA

Lesson 5.4 - Roles and Functions of ASTA

Lesson 5.5 - Roles and Functions of TAAI AND IATO

Lesson 5.6 - Roles and Functions of ATAOT, ADTOI, IAAI, FIYTO and TAFI

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### Lesson 5.1 - Roles and Responsibilities of Travel Trade Associations

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the need for association in travel agency business
- Explain various roles of travel trade associations
- Understand different duties and responsibilities of national, regional and international travel associations
- Realize the presence of national and international bodies in solving many key problems

### Introduction

The business of travel agency has undergone significant changes in the recent years. It has become a huge global business that largely contributes to the international trade. As such, tourist arrivals to a destination or a country are largely determined by the initiatives of tour operators through their organized package tours. Tour operation business is governed by government policies and programmes. This business involves handling for foreign tourists, receipt of foreign currency, processing of travel documents and operating in protected areas, including restricted travel areas.

Thus, there is a need for travel trade associations to represent the interests and issues to the government or any international tourism or allied bodies. It is a complex business and tour operators shall have to give something back to community or destinations. Smile on faces of local community and cleanliness at tourism destinations can change the mindset of tour operators. For example, Cox & Kings is maintaining the cleanliness of a mountain in Switzerland. IATO, New Delhi has been doing several programmes on plantation, carbon trading and reduction, rehabilitation and relief activities. This lesson will explain about roles and responsibilities of travel trade associations.

An industry trade group is also known as a trade association or sector association. These are the organizations founded and funded by business enterprises to be united to fight for the common cause and interest.

An industry trade association participates in public relations activities such as advertising, education, political donations, lobbying and publishing. However, its main focus is collaboration between companies and standardization of business. Associations also get involved in organizing conferences, networking or charitable events or conducting training programmes or distributing reading materials for creation of human resources.

Trade associations are formed to represent the interests of trade partners operating in particular industry sectors and to make sure that the voice is heard positively by the government or suppliers. Trade associations are non-profit making organizations. The complex organization of tourism performs the role of catalyst for planning, development and promotion of tourism destinations. Thus, all these functions must be carried out with a high degree of cooperative interaction between the public and private sectors at all levels of destination hierarchy.

In addition to a geographic classification, tourism organizations can also be classified by ownership, such as government, quasi-government, or private; by function or type of activity, such as regulators, suppliers, marketers, developers, consultants, researchers, educators, publishers, professional associations, trade organizations, and consumer organizations; by industry, such as transportation (air, bus, rail, auto, cruise), travel agents, tour wholesalers, lodging, attractions, and recreation; and by profit or non profit.

## **Regulatory Bodies**

Regulatory bodies exist to make sure that all travel and tourism operators serve the travelling public safety fairly and efficiently. They are found at different levels:

## Global Level

ICAO (International Civil Aviation Organization) and IATO (International Air Transport Organization) regulate international air transport services.

## National

The Indian government is responsible for legislation concerning the health and safety at tourist attractions and airport security. IATO, TAAI and FHRAI work for the promotion of travel tourism and hospitality trade.

## Local

The local authorities carry out a great deal of work on matters such as restaurants and other food premises, trading standards and inspections of hotels.

## Need for Organizations

- Organizations are formed
- to manage the future expansion of tourism business as it has been expanding.
- to ensure the best business practices for sustainable tourism development.
- To increase investments in tourism sectors
- To get government and public support for some of the sensitive tourism projects
- To unite the trade partners under one common platform

## Tourism organizations are needed for the following reasons:

- Government and Private Organizations are necessary for the promotion of tourism.
- Organizations can coordinate with the various sectors of tourism industry.
- It can ensure to work together as a team and get maximum profit.
- It gets value for money leading to customer delight for accessibility, adequate facilities and safety at the destination.
- Organizations help them in conducting business as many of the services are interdependent on each other,
- Many of the vendors/operators are small scale operators and need an association to defend and protect their rights.
- As the tourist market is fragmented, organizations help them in reaching potential customers.

Tourism organizations may be classified

- Geographically;
- By ownership;
- By function;
- By industry; and
- By motive

**Tourism organizations may be**

- International;
- National;
- Regional; and
- Developmental

For example, the UNWTO is a highly influential organization representing the public and private sectors in tourism industry. This international organization has been working for the promotion of global tourism since it was established in 1975 in Madrid, Spain. These organizations provide both moral and functional leadership that coordinates and strengthens the visibility and effectiveness of tourism organizations that provide public-sector governance and private-sector functionality.

This apex body has the ability to influence national and international development policy. It is the only international institution existing solely to promote the spread of the tourism industry across the globe. Its role can be understood in a number of ways. It is a campaigning organization for the tourism industry and it is a donor for tourism development projects. It is the primary source of research and statistics on global tourism business.

### **The UNWTO**

- Serves as a global forum.
- Transfers tourism know-how and technological support.
- Computes and produces statistics and market research.
- Develops tourism human resources.
- Works to facilitate travel and tourism.
- Promotes sustainable development practices.
- Creates and supports the special projects.

**For example, the** World Travel and Tourism Council (WTTC) has been promoting tourism research since it was established in 1992 in London. The WTTC

- Works with governments to make tourism a strategic economic development and employment priority.
- Moves toward open and competitive markets.
- Pursues sustainable development.
- Eliminates barriers to growth in the industry.
- Travel and Tourism Research Association (TTRA)
- Facilitates access to numerous sources of information to support research efforts.
- Educates members in research, marketing and planning skills through publications, conferences and networking.
- Encourages professional development and recognizes research and marketing excellence through its awards program.
- Creates opportunities to interact with peers throughout the industry.
- Fosters development of travel and tourism research and related curricula in institutes of higher education.
- Promotes the development and application of professional research in the travel and tourism industry.

International Developmental Organizations have been working directly and indirectly for the promotion of tourism. **They are as follows;**

- World Bank
- United Nations Development Program
- Asian Development Bank
- FONATUR (Mexico)
- EMBRATUR (Brazil)

Regional International Organizations have been working for the development of tourism in a particular geographical region that has many similarities in culture, topography, history and society. They are as follows;

- Organization for Economic Cooperation and Development
- Pacific Asia Travel Association (PATA)

National Organizations have also been working for the development of tourism in a country. They are follows;

- Office of Travel and Tourism Industries (OTTI)
- Travel Industry Association of America (TIA)
- Canadian Tourism Commission

State Organizations have also been working for the promotion of tourism in a state. They are follows;

- Orissa Travel Agents Associations
- Convention and Visitor Bureaus (CVBs)

The Not-for-profit organizations represent a city or urban area in the solicitation and servicing of all types of travelers to that city or area, whether of travelers to that city or area whether they visit for business, pleasure, or both. For example, International Association of Convention and Visitor Bureaus (IACVB)

### **Functions of India Tourism Offices**

- Collection, compilation and dissemination of tourist information in India and abroad, and attending to enquiries of international tourists, tour operators and members of the travel industry such as airlines, steamship companies and hotels.
- Cooperation with international travel and tourist organizations at government and non-government levels.
- Development of tourist facilities of interest to international tourists.
- Publicity at home and abroad with the object of creating an overall awareness of the importance of tourism.
- Simplification of frontier formalities in respect of international tourists. Regulation of activities of the various segments of the travel trade such as hotels, youth hostels, travel agents, wildlife, guides etc. catering to tourist needs.

### **Regional Tourism Organization**

Regional Tourism Organizations are independent, industry-led and not-for-profit organizations. They play an important role in supporting competitive and sustainable tourism regions. Each organization provides regional leadership and coordination and

works with industry partners to grow tourism through activities like strategic planning, research, product development, training, investment attraction and marketing. In the tourism industry, there are various trade shows where products are unveiled, contracts negotiated, sales being discussed and deals being sealed.

Most travel and tourism industry professionals recognize that trade associations and organizations can provide valuable contacts, networking opportunities and information. Tourism is multi-facet industry that affects nearly all sectors of international, national and regional travel and tourism at global level. There are several international, national and travel and tourism promotion organization such as WTTC, WTO, PATA, ASTA, IATA, and ICAO. Apart from these promotion organizations, there are several trade organizations which specifically deal with travel agency and tour operation business at regional, national and global level.

For example, American Society of Travel Agents (ASTA) is the world's largest association of travel professionals. It is very active in lobbying, education and networking. It hosts the Travel Retailing and Destination Expo or TRADESHOW.

For example, Global Business Travel Association (GBTA) is the world's premier business travel and meetings organization. Collectively, GBTA's 5,000-plus members manage over \$340 billion of global business travel and meetings expenditures annually. It provides its network of 21,000 business and government travel and meetings managers, as well as travel service providers, with networking events, news, education & professional development, research and advocacy.

For example, The International Gay & Lesbian Travel Association, founded in 1983, is the world's leading global travel network dedicated to connecting and educating LGBT travelers and the businesses in 80+ countries. the IGLTA community customize the travel experience and share it with others through planning tools, trip ideas, events and travel deals from LGBT tourism-related businesses.

For example, ABTA is the premiere trade association for travel agents, tour operators and travel service providers who work with clients from or traveling to the nation that invented tourism.

For example, Association of National Tourist Offices and Representatives (ANTOR) is a London-based association of the tourism offices of some 60 different nations. Its website contains contact information, including telephone numbers, for each member's tourism office as well as useful links and information concerning tourism opportunities.



For example, Cruise Lines International Association (CLIA) is the largest cruise industry trade organization in North America. Representing the interests of member cruise lines, 100 Executive Partners and more than 14,000 travel agencies, CLIA participates in the regulatory and policy development process affecting the cruise industry.

For example, Adventure Travel Trade Association (ATTA) is an international association of travel agents, tour operators, destination managers, service providers and other travel professionals dedicated to creating sustainable adventure tourism opportunities for the hiking, biking, climbing, jumping, and exploring set of travelers

### **The United Nations World Tourism Organization (UNWTO)**

The UNWTO is the United Nations organization entrusted with promoting sustainable tourism. It offers sophisticated business analysis and trend prediction tools, as well as a forum for lobbying to influence international tour and travel policy. The UNWTO members include 155 countries, and over 400 Affiliate Members representing the private sector, educational institutions, tourism associations and local tourism authorities.

### **The European Association for Tourism and Leisure Education (ATLAS)**

Founded in 2004, ATLAS is an association of educational institutions, research groups and individuals studying tourism and leisure travel. Operating through regional subsidiaries in Europe, Africa, the Asian-Pacific region and the Americas, it conducts research and presents seminars on a wide variety of subjects including backpacking tourism, cultural tourism, gastronomy tourism, religious tourism and pilgrimage, spa and wellness tourism and volunteer tourism.

### **World Food Travel Association (WFTA)**

The World Food Travel Association (WFTA) promotes food, drink & culinary cultures through travel. The central hub connects key industry segments and partners with business to business (B2B) and business to consumer (B2C) relationships. It facilitates food and beverage discovery world-wide, including the creation, production and marketing of products from farm to fork. It accomplishes the work of destination marketing organizations, industry trade associations, the media, universities and consumer food communities.

The name has been changed to International Culinary Tourism Association in 2012 to meet the needs of changing industry. Over the years, the Association has identified strong industry needs in food tourism education and research; food tourism product development; and food tourism promotion.

### **Travel and Tourism Research Association (TTRA)**

Founded in 1970, the Travel and Tourism Research Association (TTRA) is a non-profit association with the purpose to enhance the quality, value, effectiveness and use of research in travel marketing, planning and development. It creates business opportunities for our members and provides a unique multi-sector industry network.

It represents a variety of segments from the greater international travel and tourism community, including educators, practitioners, research providers/consultants and users of research. It strives to support the global community of practitioners, educators and users of research engaged in transforming, sharing and applying tourism research knowledge and practice worldwide.

### **National Tour Association (NTA)**

The NTA describes itself as the leading association for professionals serving travelers to, from and within North America. The members include more than 1500 tour operators offering over 600 destinations in 40 countries.

### **World Travel and Tourism Council (WTTC)**

The WTTC is a global authority on the economic and social contribution of travel and tourism. Its members include industry leaders representing one hundred of the world's foremost travel and tourism companies.

### **The Tourism Society**

The Tourism Society is a UK-based society of tourism industry professionals focused on issues concerning career development, education and networking.

### **International Air Transport Association (IATA)**

The International Air Transport Association (IATA) is an international industry trade group of airlines headquartered in Montreal, Quebec, Canada. The executive office is located at the Geneva Airport in Switzerland. The mission is to represent, lead, and serve the airline industry. It represents more than 240 airlines comprising 84 per cent of scheduled international air traffic.

IATA has its activities across 150 countries connected through 101 offices around the globe. It was formed on 19 April 1945, in Havana, Cuba. It is the successor to the International Air Traffic Association, founded in The Hague in 1919. The world's first international scheduled services was started in the same year. Initially, IATA had 57 members from 31 nations, mostly in Europe and North America. Today, it has about 243 members (as of April 2012) from more than 126 countries around the world.

Most of the major international tourism industry associations have developed guidelines and statements about the prevention of child sex tourism. These guidelines are there to help their members develop national level action plans and policies.

#### International tourism industry guidelines and declarations

- FIYTO Federation of International Youth Travel Organizations
- Resolution by FIYTO to Combat Child Sex Tourism
- IATA International Air Transport Association
- Final Resolution Condemning Commercial Sexual Exploitation of Children
- IFTO International Federation of Tour Operators
- Code of Conduct against the Sexual Exploitation of Children
- IFWTO International Federation of Women's Travel Organizations
- Resolution against Sex Tourism
- IH&RA International Hotel & Restaurant Association
- Statement against Sexual Exploitation of Children
- IUF/UITA/IUL International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
- Resolution on Prostitution Tourism
- PATA Pacific Asia Travel Association
- Pacific Asia Travel Association Memorandum of Understanding and Declaration in Support of ECPAT
- UFTAA Universal Federation of Travel Agents Associations
- Child and Travel Agents' Charter
- WTO World Tourism Organization
- Task Force and Global Code of Ethics

## Summary

Travel agency and tour operation business has witnessed several ups and downs in the last one century. It is a major global trade determining global gross domestic products and revenue flow. It is now a billion-plus global international tourist arrivals and majority of them travel with the help of professional tour operators. At the same time, tour operators are governed by government policies and programmes. The business involves the processing of travel documents and operating in protected areas including restricted travel areas. Thus, travel trade associations can help in the promotion of responsible as well as sustainable tourism worldwide.

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## Lesson 5.2 - Roles and Functions UFTAA

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the basic purposes of establishment of UFTAA
- Explain roles of UFTAA in integrating travel agents worldwide
- Describe various functions of UFTAA
- Know the future activities of UFTAA

### Introduction

Travel agency business has become lucrative in making return on investment. In the present scenario, travel agents are extremely ambitious in expanding the operation of business to different parts of world. Many travel agents have opened overseas offices to manage business activities. When a travel agent desires to move its operation to foreign countries, it is essentially important to be a part of worldwide bodies to get its interests protected and represent the problems to those bodies.

It is an honour and privilege to be a part of international travel associations to expand relationships with travel agents as well as allied members directly. There can be one-to-one interactions and agreement between the agents in annual conventions or any other meetings. Thousands of travel agents are being benefited from various roles and functions of UFTAA. It is an international travel agent association working for the cause of travel agency business for the last five decades. This lesson will explain roles and functions of UFTAA along with objectives for which it has been established.



### **United Federation of Travel Agents Associations (UFTAA)**

The United Federation of Travel Agents Associations (UFTAA) was given birth with the merger of two large world organizations: FIAV (Federazione Italiano Agenti di Viaggio) and UOTAA (Universal Organization of Travel agents Association) on November 22nd, 1966 in Rome, Italy. It was established to bring together travel agencies and tour-operators

into one International Federation. The General Secretariat of UFTAA was set up in the Principality of Monaco in 1989..

The UFTAA started its operation as a Confederation on January 1st, 2003. It is a non-profit Confederation of international scope, representing Regional Federations with some 114 national Association and additional affiliate members in a total of 122 countries due to its global nature. It has many duties and responsibilities for the members of the associations

The UFTAA seeks to encourage travel among people of all nations and to support the freedom of travel throughout the world. It is a proficient lobbying body and opposes legislation directly harmful to travel and free movement. It tries to reduce or abolish technical obstacle to travel by unifying travel agencies and tour-operators into one international federation carrying the voice and defending the right of travel industry professional.

It is the highest and largest world body representing the travel agency. It efficiently represents Travel Agents and Tour Operators views on both Inbound and Outbound travel. Through continuous dialogue and consultation with other international organizations such as the International Air Transport Association (IATA), the International Hotel and Restaurant Association (IH&RA), the International Union of Railways (IUR), the International Road Union (IRU) and the International Chamber of Commerce (ICC) and others, the UFTAA has become a common platform for resolving many disputed issues between the business enterprises.

The UFTAA works closely with other world bodies such as UNESCO, WHO, UNWTO, PATA, etc. for a sustainable and responsible tourism. It has consultative status with the UN/NGO/ECOSOC. It is an affiliate member of the UNWTO and its Business Council (WTOBC) also.

It has more than 33,000 travel agent members through its National Associations membership and about 300,000 professional travel agent staff members. The UFTAA members and affiliates are already approved Club members and they simply need to register the UFTAA Club registrations to wire up all its travel agent members worldwide for better communication. It develops business opportunities among members and creates an international social networking to bring UFTAA to the forefront of the travel industry. The UFTAA, through this scheme, has become more effective in carrying out its responsibilities and activities.

## Mission

The UFTAA's mission is to be an international forum where matters affecting the world travel industry are addressed. It represents and defends the interests of incoming and outgoing tour operators, travel and tourism agencies before the governmental bodies, suppliers and other entities of international scope. It also aims at strengthening its members' image and enhances the world travel and tourism industry and a sustainable tourism.

The UFTAA provides a platform for the discussions and dialogues on the issues influencing the travel industry and to advocate the cause of the tour operators by representing them in the world forum.

To comply with its mission, the Confederation develops the following functions:

- To unite and consolidate the Federations of Travel Agents' National Associations and to globally enhance the interests of their members.
- To work towards the adoption of measures that will ease travel for the travellers and to offer services to its member federations.
- To stand for the travel agents activities before various world-wide bodies, governmental authorities and suppliers.
- To assist in solving conflicts resulting from commercial relations for which harmonious settlement cannot be reached ;

## Objectives

- To strengthen of the world travel and tourism industry and a sustainable tourism.
- To be a research and information centre for the support of the Federations' members to works and to offer information for technological development
- To organize the World Congress of Travel Agents and other meetings necessary to the exchange and transmission of knowledge.
- To be an international forum for the world travel business encompassing incoming and outgoing tour operators, travel and tourism agencies, suppliers and other entities of international scope.
- To act as the negotiating body with the various branches of tourism and travel industry on behalf of its members and also in the interest of the public.
- To ensure for all travel agents, through their national associations the maximum



degree of cohesion and understanding, prestige and public recognition, advancement of the member's interest and protection from legislation and legal points of view.

- To offer to its members all the necessary professional and technical advice and assistance in matters their trade.

The UFTAA calls for

- making appropriate travel arrangement and reservation
- calculating and quote appropriate air fares
- completing international travel document in accordance with the applicable IATA rules and procedure.
- answering customers' queries, quote rates and supplement, explain conditions and book tour products.
- Acquire the necessary skills and knowledge to ensure that front-line contact with the customers in outstanding.

One of the UFTAA's main duties is to be an international forum for the world's travel industry and to promote the development of the travel industry on a global scale. This is accomplished by taking into consideration the opinions of travel associations from around the world. It organizes meetings and conferences to ease the exchange of information about the travel industry.

### **Representation**

The UFTAA represents travel agencies before other global organizations, national governments and suppliers and to provide the proper resources to fight for the interests of its members and the industry as a whole.

### **Consumers/Flying Public**

The UFTAA also takes on the duty of working toward improving the travel industry for consumers, or the flying public at large. By working with global travel agencies, the UFTAA hopes to implement protocols and measures to ease travel for consumers.

### **Technological Development**

The UFTAA works with other corporations and organizations to help further technological development to help the travel industry. This technology ranges from

sustainable tourism to increasing safety for international travelers. The UFTAA not only represents the global travel industry, but it also tracks and stores a variety of information and statistics. It acts as an information center for all travel-related statistics.

### **Conflict Resolution**

The UFTAA, as the global voice of the travel industry, helps solve conflicts in the travel industry wherever they may arise. With negotiation services, the organization can reach settlements when all other avenues of conflict resolution so that they can come to a resolution with minimal effect on the travel industry.

### **Membership**

The UFTAA membership is made up of National Travel Agent Association from every country in the world. At present, it has over 35000 Travel Agencies. The National Travel Agents Associations are full-time members of UFTAA. Travel agencies, hotels, tourist offices and other stakeholders of the travel and tourism industry can be its members. There are number of legal formalities to complete before becoming a part of UFTAA. Besides the full time members the Secretary General of UFTAA, one may register individually by complying with the following criteria:

- A member of a National Association which has membership of UFTAA.
- A member of a National Association in a country which does not have UFTAA membership.
- Located in a country where there is no national association.
- Any individual firm, company or other legal entities such as airlines, hotels or car-rentals operators where activities are aligned to those of travel agents, may obtain registration on the same terms laid down for registered agents.

The UFTAA has divided the whole world into eleven regions as follows

- 1) LatinAmerica
- 2) Caribbean
- 3) Europe 1
- 4) Europe 2
- 5) Central and Western Africa
- 6) Eastern and Southern Africa

- 7) Middle East and Northern Africa
- 8) South Asia
- 9) Asia or Pacific
- 10) ASEAN
- 11) Mediterranean Sea.

### **UFTAA Organization Structure**

- The organizational structure of UFTAA consists of the General Assembly and Board of Directors
- The Executive Committee is responsible for handling day-to-day activities and also urgent matters.
- The Board of Directors, consisting of directors elected from candidates proposed by national members associations handles the routine business of the Federation.
- Members are represented in the general assembly; regional federations, federated national associations, and non-federated associations constitute the body of the general assembly.

### **There are two types of General Assembly:**

- Annual General Assembly (AGA).
- Extraordinary general assembly (EGA).

### **Annual General Assembly**

The Annual General Assembly is the policymaking body. The Assembly decides on the general policy of the federation and makes recommendations on any matter within its competence. The AGA is conducted every year before 30 April to discuss agendas like approval of report and budget, discharge of directors, appointment and fixation of remuneration of auditors, policy formulation and passing resolutions on any matters it considers fit, election, discharge of board members and shifting the registered office.

### **Extraordinary General Assembly**

The EGA is called for transacting some urgent or special business which cannot be postponed till the next ASA. The agenda for such a meeting includes change in statutes, dissolution of the UFTAA and merge with other bodies.

The Chairman of the UFTAA presides over these assemblies. The mandatory minimum number required for any general assembly to become valid is at least one-third voting members. For dissolution or merge, a minimum of two-third members are required to amend a statute and a minimum of one-third of the voting members need to be present. However, the meeting on a subsequent notice can become valid irrespective of the attendance of the number of participants. The Board consists of one representative from each federation and one elected representative of all non-federated national associations. Each director has a deputy to work in his absence.

The general assembly elects the directors for a period of two years. It is mandatory for directors, the CEO, Secretaries general of federations and confederation employees or experts to attend the board meetings. The presence of at least half of the number of total directors can provide the quorum for holding the board meetings. Normally, the chairman of UFTAA chairs all the Board Meetings.

The Board is responsible for the implementation, approval of the draft budget, management of public relations and general functioning, approval of the draft budget, management of public relations and general functioning of the UFTAA. The Board meets a minimum of four times in a year. Either the Chairman or more than half of the directors may call for the meeting.

### **General Secretariat**

The General Secretariat is responsible for the implementation of policies and resolutions passed by the Board and Assembly. The CEO and the other staff members constitute the general secretariat.

### **Consultative Bodies**

There are three consultative bodies of the UFTAA viz. World Congresses, Secretary's General Meetings, and Working Groups and Committees. The Secretary Generals of federations and national associations meet twice in a year during the world congress and the ASA.

The World Congress of Travel Agents (WCTA) is organized once every year and the members of UFTAA, suppliers of travel and tourism and related services, national, international, and regional authorities and other invited guests attend this congress. The working groups and committees are created by the Board of the UFTAA for special purposes from time to time.

## **Social Responsibility Activity**

The UFTAA is an organization with an international purpose. It has no right to interfere in national concerns other than through its National Associations.

## **Protect Children Campaign Partner**

To combat the prostitution of children related to sex tourism and to protect the child victims pledge to the Members and Affiliates of UFTAA, signatories of the present Charter are

- Supporting the measures taken by governments to counter the sexual exploitation of children.
- Informing their foreign colleagues of the penalties imposed on tourists committing acts and the involvement of the use of children for the purposes of sexual gratification.
- Pledging the Members and Affiliates of UFTAA, signatories of the present Charter to exercise the utmost vigilance with regard to such activities of their customers
- Becoming mindful of the importance of their roles in protecting the environment, people, countries and regions to which they send tourists. acting according to the dictates of their conscience and in accordance with the legislation of the countries concerned.
- Giving assistance to the various organizations, campaigns and charitable associations concerned with the welfare of child victims of sex tourism.
- Pledging to stop the promotion of tours or travel related to sexual exploitation of children.

The UFTAA is dedicated to Education and Training and it maintains the UFTAA Educational Academy. It has an active partnership with the IATA/UFTAA Training programme. It includes a four level educational programme. The courses also include Marketing and Management education.

The Training Programme is available through a number of means including Distance learning and Classroom teaching at 220 authorized training centers on the world. As many as 200,000 students have qualified the IATA-UFTAA Training Programme.

The UFTAA is working closely with major insurance companies to provide Liability Insurance to its member's agencies and operators and to protect travel agents from any

actions brought against them for accidents to third parties. It may occur on the travel agents property or for injury during their travel or in their accommodation during performance of their professional activities.

The UFTAA has initiated the Professional Travel Agents Card Programme in co-operation with IATA and National Associations. The card is accepted worldwide as identity for discounted travel, accommodation and travel services for Travel Agents.

The UFTAA enjoys consultant status with the United Nations and it is an affiliate member of the UNWTO. It works with the International Civil Aviation Organization (ICAO) on several activities.

### **Industry Standards**

The Board of Directors regulates the work flow in UFTAA with experienced and knowledgeable professionals at the top most positions. Further, to specify its main objectives, UFTAA accommodates several charters and codes as UFTAA/IH&RA Code of Practice, UFTAA Environmental Codes of Conduct, Child and Travel Agent's Charter and so on.

### **Summary**

Travel agency business is becoming more popular due to the active participation of professional bodies. Each travel agent wishes to become the member of UFTAA for its own benefits as well as benefits of others. It is essentially for the travel agents having business activities in the overseas markets. It is an honour to be a part of international travel associations through which network can be established. Thousands of travel agents have registered with the UFTAA. This largest travel association worldwide has been working for the last fifty years for protecting the interest of global travel agents and their peripheral activities.

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## Lesson 5.3 - Roles and Functions of PATA

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the basic objectives of creation of PATA
- Know various roles of PATA in promoting tourism
- Be familiar with functions of PATA
- Know activities of PATA in the future

### Introduction

Travel agents and tour operators get associated with apex tourism bodies for recognition, brand-building and enhancement of value of products. At the same time, customers have high preference to purchase services from travel intermediaries after evaluating their associations with national and international travel and tourism organizations. When a tour operator or travel agent becomes active or allied member of Pacific Asia Travel Association (PATA), it uses PATA's logo; participates in conventions, meetings, symposia, etc; uses most valuable data pertaining to tourist arrivals and receipts; and uses reading materials and instructions. Any crises like epidemic, terrorist threats, pollutions, exploitations, etc can easily be resolved jointly. This lesson will present you the roles and functions of PATA.

### PATA (Pacific Asia Travel Association)

The PATA was established in the period 1951 with 44 Founder Members. The Founder Lorrain Thurston, a leading newspaper publisher in Honolulu, had an idea to organize a travel from the Occident to the Pacific area on a regular basis so as to ensure maximum benefit from the existing opportunities.

PATA's first conference was held in January 1952 in Honolulu and its headquarters were established in San Francisco, USA in 1953. PATA has its own Director for Europe based in London. It works to promote traffic from the European markets into the Pacific region. PATA's first Asian office was opened in Manila, Philippines in 1976.



By the early 1950s those who had an interest in the region were facing a tremendous range of opportunities. However, the Pacific Area Travel Conference of 1952 began to lay the essential foundation for the boom of travel in the Pacific region.

### **Mission**

The theme of “Proud Past and Promising Future” determines the major objectives of PATA. In PATA, the prime mission is to emphasize on sustainable growth, to enhance the value and to increase quality from all quarters of the travel industry. PATA’s mission is to enhance the growth, value and quality of Pacific Asia travel and tourism for the benefit of its membership.

### **Objectives**

- To develop, promote and facilitate travel to and within the Pacific area and South East Asian region.
- To operate in the United States market as the world’s biggest travel market and providing the meeting point for the people involved in all aspects of the travel trade from a large number of countries.
- To focus attention on travel opportunities in member countries and to build up greater awareness and specific contacts among the travel trade in countries.
- To work together to develop an ever-increasing flow of pleasure travel
- To provide leadership to the collective efforts of all the members.
- To influence the direction the industry through its unique membership structure of public-sector tourism organizations; air, land and sea carriers; and organizations engaged in the production, distribution, financing, consulting, educating and other technical aspects of the travel industry.
- To provide latest information and practical experience in the field of tourism.
- To provide greatest scope to its members to share their ideas and exchange views about promotion of tourism in their respective regions.
- To conduct various conferences, workshops, travel research, marketing and training, publications of handbooks and magazines.

## **Functions of PATA**

During the first four months of each year, PATA sponsors and organizes a conference of its members with the objectives of reviewing the progress, exchanging ideas and planning for future programmes. These are the following important functions of PATA.

### **Marketing**

A long-range marketing programme coordinates all the promotional functions of PATA for a maximum impact in the consumer market and also among sales agents. An extensive advertising programme schedule is carried in leading national magazines of North America with a view to increasing interest in the Pacific region as a major travel area. The association prepares and distributes a wide selection of selling aids and sales promotion materials to travel agents and tour operators throughout the world.

A strong trade advertising programme is directed towards travel agents in order to merchandise PATA's consumer advertising and sales promotion efforts. Weekly news releases, special feature stories and photographs are provided to the various newspapers, magazines and radio and television networks by the Association's Pacific News Service. Members may use the Association's materials, including photographs, for their own publicity purposes.

### **Public Relations**

It is considered as the important promotional technique of PATA. It introduces PATA to the common people in regards with tourist sites in Pacific regions

### **Research and Development**

The Association's research programme is designed to provide it with the marketing information needed to formulate its own marketing programme as well as to provide its members with information which will assist them in designing their own programmes.

The Association organizes research seminars, research presentations and technical assistance programmes for its members. Another important facet of the research programme includes the collection, analysis and dissemination of Pacific travel statistics and an effort designed to constantly improve and standardize the tourism statistics of the Pacific region.

## **Financing**

It provides finance approval of tourist projects, grant leaves to members, etc.

## **Publication**

Promotion occupies a major portion of PATA's total effort. The PATA publication, Pacific Travel News is relied upon by the wholesale and retail travel agents as an important source of authoritative material on the Pacific. PATA has produced the Pacific Area Destination Handbook which compiles in a single volume all the data. PATA also publishes its Hotel Directory and Travel Guide listing the hotels, resorts and travel services in the Pacific area.

## **Membership**

The members of PATA vary in industry, service and specialization. The range is wide as PATA members include public-sector tourism organizations, carriers from all three domain- land, air and sea and even the organizations and bodies engaged in the production, distribution, financing, consulting, educating and other technical aspects of the travel industry like Travel agents, Tour operators, Individual Hotel Property and many more. All the members abide by the excellent services to travellers across region.

### **PATA has the following nine categories of membership:**

- (i) Active Government;
- (ii) Associate Government;
- (iii) Active Carrier
- (iv) Associate Carrier;
- (v) Active Industry;
- (vi) Allied member;
- (vii) Affiliated Allied,
- (viii) Associate
- (ix) Sustaining.

### **Active Government Members**

Active Government Members mainly consist of the primary official organization designated by the government of any nation, territory, or political division, wholly or partly in the Pacific area.

### **Associate Government Members**

Associate Government Members are composed of any organization charged with the responsibility of the domestic or overseas promotion of tourism as designated by the government of any nation, territory, or political division either situated within or outside the Pacific area, but not being the primary official organization designated for the overseas promotion of travel, or not meeting other criteria as might be required for Active government membership.

### **Active Carrier Members**

Active Carrier Members comprise any government recognized, registered or certified, air or steamship line operating vehicles having individual passenger capacity in excess of twelve passengers. It should provide regular scheduled common carrier passenger service to and within the Pacific area.

### **Associate Carrier Members**

Associate Carrier Members consist of any government recognized passenger carrier operation vehicles each having a passenger capacity of twelve or fewer passengers and providing regular scheduled common carriage passenger service of having a passenger capacity in excess of twelve passengers but not providing passenger service on the regular common carriage basis as prescribed for Active carrier members.

### **Active Industry Members**

Active Industry Members involve hotel organizations having management authority as distinguished forms like sales, advertising or reservations direction, over one or more hotels with a total of one thousand or more guest rooms in one or more Pacific areas, tour operator organizations excluding air or ship transportation.

### **Allied Members**

Allied Members are composed of hotel representatives, travel agencies, tour operators and firms serving as General Agents or representing various segments of the Pacific travel industry.

### **Affiliated Allied Members**

Affiliated Allied Members consist of branch offices of an allied member travel agency or tour operator.

### **Associate Members**

Associate Members include individual operating organizations and firms for instance communication, media, media representatives, advertising, public relations and research agencies having definite interest in Pacific travel.

### **Sustaining Members**

Sustaining Members consist of those organizations, firms or individuals, whose commercial or cultural interests, in the judgments of the Board of Directors.

### **Administration**

PATA authority is vested in the Active government, carrier and industry members. The organizations qualifying for Active government or Active carrier membership have the right to membership. They entail no sponsorship and are requested merely to provide the Board of Directors with certain pertinent information.

Membership in all other categories is at the judgment of the Board of Directors, and requires not only that the organization comply with certain guidelines for eligibility. The certain categories of PATA members must sponsor the new applicant and vouch for its stability and professionalism.

### **The Association is further divided into three divisions.**

The Asia Division with its office located in Singapore. It coordinates and looks after Japan, Republic of Korea, Republic of China (Taiwan), Hong Kong, Macau, the Philippines, Indonesia, Singapore, Malaysia, Thailand, India, Nepal, Bangladesh, Pakistan and Sri Lanka.

This division having main office in New South Wales, Australia controls Australia, New Zealand, the Islands of the South Pacific and Micronesia.

Americas/Europe Division with central office is located at San Francisco having the command of North and South America and Western Europe. The focal activities are

primarily promotional and include varied member activities. This Lesson support PATA Travel Marts, international trade show participation, travel trade education, advertising, PATA merchandising and other revenue-generating programmes.

### **Programmes Provided By PATA**

- PATA aims to develop a sustainable future for the travel industry and to assist members with professional development in a numbers of fields. It provides it members with an array of programmes and events created to promote the related region as he preferred international destination.
- The PATA Trade Mart focuses on marketing opportunities by matching the buyers and sellers of the region's tourism products.
- PATA has grown to encompass the changing market place and it now incorporates intraregional tourism within the PATA geographic boundaries.
- PATA's special-interest marketing seminars and marts are held regularly to help members target new business opportunities and learn the successful techniques for development The PATA Annual conference draws together the top decision makers in the region.
- PATA also keeps its members up-to-date on relevant industry trends via the strategic information centre. It provides members with timely research and market intelligence for business planning, product development and marketing.
- PATA's office of Environment and culture and the PATA Foundation co-ordinates programmes to preserve the region's environmental, heritage and cultural resources. Through targeted marketing and promotional programmes, business networking opportunities and support and resources services. PATA provides a professional and personal growth.
- PATA has long been an advocate of balancing growth with conservation measures.

### **Secretariat**

The PATA Secretariat coordinates PATA's Policies Plans, Administration And Finances, Memberships And Lessons, Communications and Planning for PATA's Annual Conference.

## Activities of PATA

- Assisting small and up-and-coming destinations to develop their infrastructure, providing expertise and planning group travel schemes, destinations, hotels operations and discounts.
- Providing up-to-date information and practical and theoretical experience in the field of tourism through its Research, Development, Education and Marketing Councils.
- Serving as a central source, supporting its diverse membership in tactical marketing programmes for their destinations and products together with training and educational programmes for human resource development.
- Providing greater scope to its members to share their ideas and exchange views about promotion of tourism in the respective regions.



PATA staff members regularly exchange information on latest techniques and practice in their respective areas with each others. All members benefit directly or indirectly from the continuing programmes of PATA. It includes travel research, marketing, training programmes and the development of visitor plants and services.



## **PATA - Pacific Asia Indigenous Tourism Conference 2014**

PATA has accepted the New Zealand Maori Tourism's exceptional bid to host the second Pacific Asia Indigenous Tourism Conference (PAITC) and PATA Board Meetings in Rotorua, New Zealand from April 4-9, 2014.

### **PATA Lessons**

In the year 1960, the Lesson concept implemented with PATA among travel organizations. The primary purpose of a Lesson is to conduct continuing education programmes to keep PATA members abreast of the changes in Pacific travel. The Lessons also carry out considerable promotional work and organize social events for the members. Specific objectives of the Lessons are as follows

- To obtain opinions of members of the Lessons on any PATA requirement or objective.
- To organize representatives of PATA members at regular intervals to develop a closer working relationship and a better understanding of travel matters as such that relate to the Pacific area.
- To converse to appropriate government and official organizations such matters approved by PATA, and to obtain action there on as and when required.
- To attain uniformity and combined action by members in pursuing national and local policies within the framework of PATA.
- To provide a forum to enable the individual Lesson members to conduct their various assigned responsibilities for selling travel, and providing services to visitors to the Pacific in a more effective manner.

### **Categories of PATA Lessons**

There are two types of Lesson viz., (i) Area Lessons and (ii) Promotional Lesson.

#### **Area Lessons**

Area Lessons were conceived as of the 8th Annual PATA Conference (1959) by a number of Allied and Associate Members. It is a means of keeping PATA members and their representatives in the Pacific better informed on happenings throughout the Pacific travel industry and on Association activities.

Some of these Lesson activities include programmes involving matters of facilitation, staff training, improving visitor plants and services and promotions aimed at developing regional tourist traffic and other marketing activities.

### **Promotional Lessons**

Promotional Lessons were authorized by the 9th Annual PATA Conference (1960) as a means of furthering the promotion of visitors from priority market areas to Pacific destinations.

Activities of these Lessons are all designed to increase the sale of travel to the Pacific area. It includes regular meetings of the PATA membership/travel trade with programmes on various Pacific destinations. It provides up-to-date information on various new developments, facilities, services, tours, educational seminars for travel trade, sales personnel and cooperation with PATA in the overall marketing programme, promotions and other PATA activities.

### **Industry Standards**

The norms are applicable to the Code of Ethics and Conduct, Members, PATA Executive Board, the Officers, the Committees, voting, various lessons of PATA, Finance. The members of PATA have to respect the terms mentioned in the Member Code of Ethics and Conduct. Based on the performance of the members and lessons, PATA honours the respective organization with awards. This code of ethics helps in smooth running of association and helps in resolving conflicts situation between travellers and its members.

### **Summary**

Travel agents and tour operators get associated with national, regional and international tourism bodies for recognition. These agencies get market credibility through the membership. Customers do have preference to purchase services from those travel intermediaries which must have associations with Pacific Asia Travel Association (PATA). There are many merits. One of the merits is that it uses PATA's logo on the letter head and other publicity materials. The member participates in conventions, meetings, symposia and uses diverse data ranging from tourist arrivals and receipts; and uses reading materials and instructions. Any crises like epidemic, terrorist threats, pollutions to child exploitations. It is a great privilege and honour to be the member of PATA.

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## Lesson 5.4 - Roles and Functions of ASTA

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the basic objectives of creation of ASTA
- Know various roles of ASTA in promoting tourism
- Be familiar with functions of ASTA
- Know activities of ASTA in the future

### Introduction

Tour operators and travel agents consider it as an honour and privilege to be the part of American Society of Travel Agents (ASTA). ASTA is an oldest and largest travel agent association in the USA working for protection of interests of travel agents. It has integrated thousands of travel agents from within USA and other parts of world since it was established. Tour operators and travel agents get membership of ASTA for two important reasons: participate in annual convention of ASTA and gather useful information from ASTA. After becoming a member of ASTA, a tour operator targeting to sell inbound packages to customers in USA directly or through retail travel agents can be easier. Most of customers in USA prefer to book holiday packages through ASTA recognized travel agent or tour operators. For example, many leading inbound tour operators in India are the members of ASTA. This lesson will focus on roles and functions of ASTA along with its future activities for travel trade in the world.

### ASTA (American Society of Travel Agents)

The American Society of Travel Agents was established on April 20, 1931 as the American Steamship and Tourist Agents Association. It is a US trade organization with its headquarters in New York. In 1931, as many as 60 travel agents joined an association to encourage and to protect the mutual interests of its members. It maintains a dignified code of ethics to fight unfair competition and give confidence to the public's desire to travel and promote the use of ASTA members.

In 1946, the International Air Transport Association (IATA) slashed agent commissions to 5 percent from 7.5 percent. For example, ASTA opposed the decisions of IATA. It was renamed as the American Society of Travel Agents. It is world's largest and one of the most prominent travel trade associations of spreading across 140 countries with 25000 members worldwide. The members include travel agents and the companies selling tours, cruises, hotels, car rentals, etc. It is the leading advocate for travel agents, the travel industry and the traveling public.

ASTA formed several institutions to benefit its members. ASTA Marketing Services, Inc. (AMSI) was established as a subsidiary of ASTA. It was designed to help ASTA member agents get high-quality products and services at discounted prices. The ASTA Political Action Committee (ASTAPAC) was formed to lead the fight for agents' interests in the political arena.

In January 2007, ASTA re-launched its brand and unveiled a new membership structure and enhanced member benefits encompassing every aspect of the travel experience with a new logo and its new mission.

- To facilitate the business of selling travel through effective representation, shared knowledge and the enhancement of professionalism.
- To enhance its member communications and provide members tools to launch or improve their own advertising and public relations campaigns.
- To offer a variety of online and home-study courses for its members to use in furthering their expertise.
- To incorporate environmentally conscious practices into their businesses it unveiling of its Green Member program, led the travel agency industry.
- To maintain its position as an industry leader, constantly examining the complicated business relationships that keep the industry moving forward and sharing that knowledge for the benefit of all its members.
- To seek a retail travel marketplace that is profitable, growing and a rewarding place to work, invest and do business for its members.

### **Objectives of ASTA**

- To promote the interest of the travel agencies.
- To educate and training the members.

- To protect the traveling public against fraud facilities.
- To organize travel seminars, conferences and conventions.
- To safeguarding of legal representation.
- To publish material relating to travel industry.

### Activities of ASTA

- Organizing frequent conferences or travel matters including airlines, steamships, companies, travel agents etc.
- Discussion with airlines on fare structures and travel destinations.
- Assistance to all agencies across the country in travel oriented matters.
- Assistance to all level of Govt. department in upgrading standards of services too travelers.

### ASTA Global Convention

It is the annual gatherings to offer a very important platform for the organisation to build the future. The annual ASTA convention is a celebration of the travel professionals, but it is also a catalyst designed to move business forward. It means that a crucial goal was to give the access and the education needed that simply cannot find anywhere else. The ASTA Global Convention unites members and travel industry professionals to create a conference for the most influential buyers in the industry.

*For example,* only at the ASTA Global Convention could be the member experience first-hand an interactive discussion with a panel of airline executives. ASTA's responsibility is to assist the member to attract and retain business. The ASTA Global Convention included education sessions, discussion panels and a sold-out trade show.



As the principal advocate for travel agents, the travel industry and the travelling public, ASTA and its members represent 80 per cent of all travel sold by travel agencies in the United States. The ASTA Global Convention is promoting innovative education, captivating luminaries and diverse networking opportunities. ASTA continues to promote travel around the globe and to remind the travelling public of the value of professional

services provided by travel agents and tour operators. The ASTA Global Convention offers its members access to a powerful and inspirational collection of unrivalled speakers, high quality travel industry content and peer-to-peer networking opportunities.

### **Code of Ethics**

Travelers depend on travel agencies and others affiliated with ASTA to guide them honestly and competently. All ASTA members pledge to conduct their business activities in a manner that promotes the ideal of integrity in travel and agree to act in accordance with the applicable sections of the following Principles of the ASTA Code of Ethics. Complaints arising under this Code should be filed in writing with the ASTA Consumer Affairs Department.

### **Classifications of Membership**

ASTA has the following categories of membership: Travel Agency Member (also known as Core Member), Travel Agency Employee Member, Independent Member, Non-Affiliated Member, Premium Agency Member, Premium Agency Employee Member, International Travel Agency Company Member, International Travel Associate Member, Allied Company Member, Allied Associate Member, Travel School Member, and Honorary Member.

### **Active Members**

They must be located in the USA, Puerto Rico, the US Virgin Islands, Guam, Northern Mariana or American Samoa. They must operate with the intention of making a profit from the travel agency business and conduct the majority of their business in an agency/principal relationship with suppliers.

They must not be owned or controlled by a major supplier. They must also be accredited by the ARC, or ARP, or endorsed by IATAN or hold Errors and Omissions insurance of at least US\$1 million.

### **International Members**

They must be IATA appointees not located in the USA. It should be operated with the intention of making a profit from the travel agency business.

### **Individual Members**

They must be full-time employees of a retail travel agency either: (i) accredited by ARC; or (ii) accredited by ARP; or (iii) endorsed by IATAN; or (iv) be an active member of the NTA. They should not be agency owners.

### **Allied Members**

They are engaged in providing products, services or information, sold or used by agencies.

### **Travel School Members**

They educate and train individuals for a career in the travel industry. It includes airlines, steamships, companies, railways, car rental, firms, hotels, resorts, Government tourist offices and other organization directly or indirectly engaged with the travel industry.

### **Associate Members**

They are individuals employed by any organization in those categories. Associate independent members are independent outside sales representatives for one or more active member firms. There are also senior members who have retired and Honorary members who can be any individual who has made a significant contribution to the travel industry worldwide to become a honorary members.

Apart from the above, ASTA has requirements for membership concerning finance, turnover and obedience to a code of ethics. ASTA offers many benefits to its members and the traveling public. The majority of ASTA's members are travel agencies. However, travel suppliers, such as airlines, hotels, car rental firms, cruise lines, and tour operators join ASTA. ASTA have membership categories for students, travel schools, retail travel sellers, and others. ASTA is the organization for anyone related to the travel industry.

### **Responsibilities of Members**

- Members will be factual and accurate when providing information about their services and the services of any firm they represent. They will not use deceptive practices.
- Members will provide in writing, upon written request, complete details about the cost, restrictions, and other terms and conditions, of any travel service sold, including



cancellation and service fee policies. Full details of the time, place, duration, and nature of any sales or promotional presentation the consumer will be required to attend in connection with his/her travel arrangements shall be disclosed in writing before any payment is accepted.

- Members will promptly respond substantively to their clients' complaints.
- Members will remit any undisputed funds under their control within the specified time limit. Reasons for delay in providing funds will be given to the claimant promptly.
- Members will cooperate with any inquiry conducted by ASTA to resolve any dispute involving consumers.
- Members will treat every client transaction confidentially and not disclose any information without permission of the client, unless required by law.
- Members will not falsely represent a person's affiliation with their firm.
- Members will not allow any preferred relationship with a supplier to interfere with the interests of their clients.
- Members shall not have been convicted of a violation of any federal, state and local laws and regulations affecting consumers consent judgments, judicial or administrative decrees, or orders, and assurances of voluntary compliance and similar agreements with federal or state authorities shall be deemed convictions for purposes of these provisions.

### **ASTA Conferences**

ASTA conferences are held annually. The program includes workshops, seminars, business, discussions, meetings, and social events. ASTA also publish a monthly magazine, ASTA Travel News.

### **ASTA Governance**

Each year ASTA conducts national elections and lesson elections. ASTA's governance structure calls for a Board of Directors that consists of nine national directors elected at-large for two-year, staggered terms, three lesson presidents, the chair of the International Lesson Presidents Council (ICPC), two Corporate Advisory Council (CAC) members and one NACTA member director. ASTA's President and Chief Executive Officer is a non-voting board member.

The policies of the Society are established by a National Board of Directors. The Board of Directors has sixteen members as follows: Nine Directors At-Large; Three Directors selected by the Lesson Presidents' Council; the chair of the International Lesson Presidents' Council; One NACTA Member Director and Two Directors selected by the ASTA Corporate Advisory Committee and ratified by the Board. The Chief Executive Officer is a Director ex officio.

The Board of Directors has an Executive Committee, elected by all Board members from the Nine Directors At-large, consisting of the following corporate officers (also called National Officers): President& Chairman; Vice President/Secretary; Treasurer; and Chief Executive Officer as an ex officio, non-voting member.

In addition, the Board annually elects to the Executive Committee a CAC member from among the CAC-member Directors. The CAC- member of the Executive Committee has a vote in all Executive Committee actions. Volunteer participation in the various committees, councils and boards support the Society's many programs, policies and research. Elections are held annually staggering the positions up for election. Officers are elected by the voting members and serve a maximum of two terms of two years each.

### ASTA Lessons

The ASTA has 58 lessons including 28 in USA and Canada and remaining 30 lessons are in different countries. These are managed by the elected officers and executive committees. The president and chairman of the board are elected by the active members for two years. The day-to-day activities are administered by an executive vice-president assisted by the professional staff.

### Lessons in USA

Arizona	Carolinas	Central Atlantic
Central & North Florida	Delaware Valley	Great Lakes
Hawaii	Long Island	Mid America
Midwest	Missouri Valley	Northern California
New England	New Jersey	New York City
Orange County	Pacific NW	Puerto Rico/Virgin Islands
Rocky Mountain	Southern California	South Florida
San Diego	South East	South West
Upper Midwest		

## ASTA's India Lesson

The ASTA India lesson is an extension of ASTA International. Once a company gets the membership, it automatically falls under the ambit of the respective country lesson. The ASTA India lesson is the second largest lesson of ASTA, with over 188 members worldwide next to the US. The Indian lesson of ASTA, in addition to fulfilling the central objectives, has aimed at some local accomplishments. These are as follows:

- To increase the membership in the country.
- To persuade international members to join the ASTA India Lessons for the benefits of attending road shows, seminars destination expos, and conferences.
- To help, educate, and assist its Indian members in knowing and making marketing strategies for the US travel market.
- To promote India amongst the travel agents in the US about its potential in the different segments of the market.
- To work in close relationship with government tourism authorities.
- To circulate and disseminate information through organization of seminars, symposiums, and circulating newsletters.
- To inform its members in India about changes in the US political, economic, and market scenario from time to time.
- To organize FAM trips for ASTA international agents India.
- To conduct seminars, symposiums, workshops, and meeting amongst its local members to share views and information.

## ASTA Subsidiaries



AMSI licensees provide discounted products and services used by our travel agent and supplier members in their day-to-day operations. All AMSI® licensed vendors must meet rigorous standards for quality and performance and pricing to ASTA members must

be at a discount comparable to or better than the best discount the vendor has available in the marketplace.

NACTA is the travel industry's first and leading association for independent travel agents, cruise oriented agents, home-based travel agents and outside sales travel agents. It was established in 1986 as the original association with a mission to represent the interests of independent and home based travel entrepreneurs. Host travel agencies and Suppliers who support this growing sector of the distribution channel are also members of NACTA.

NACTA continues its objective to promote the professionalism and recognition of this productive group of travel agents. The Association has recently expanded its role to focus on the development and training of its members, to enhance and secure their success in retail travel sales.

The American Society of Travel Agents (ASTA) is the largest travel trade association in North America. ASTA maintains a Standards of Ethics Code for professional business practices in the travel industry.

In more than 140 countries and territories, and its 25,000 plus members include travel agents and the companies whose products they sell such as tours, cruises, hotels, car rentals, steamship lines, bus lines, resorts, government tourist offices, and other related interests.

ASTA has been a leading advocate for travel agents, the travel industry, and the traveling public. It seeks to enhance the professionalism and profitability of member agents through effective representation in industry and government affairs, education and training, and by identifying and meeting the needs of the traveling public. ASTA conducts much of its agent training at its seven travel schools, known as the School at Sea.

ASTA helps professionals in maximizing the revenue and minimizing time, efforts, and cost of operations. The ASTA agents become members of an International Buyers Club (IBC) free of cost. The club helps agents increase their business by establishing contacts with suppliers across the world. Overseas suppliers provide destination knowledge to the agents for better itineraries preparation.

ASTA continues its efforts to support travel agents and to fight for the traveling public in the legal and legislative arenas. ASTA endorsed legislation to protect passenger rights and end airline pre-emption are currently pending in Congress.

## Summary

Tour operators and travel agents worldwide take it a privilege to be the part of American Society of Travel Agents (ASTA). ASTA is an oldest and largest travel agent association in the USA for providing opportunities to the members to participate in Annual Convention of ASTA and make use of information. Customers in USA prefer to book holiday packages through ASTA recognized travel agent or tour operators. Most of the inbound tour operators in India are the members of ASTA.

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[www.FirstRanker.com](http://www.FirstRanker.com)

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## Lesson 5.5 - Roles and Functions of TAAI AND IATO

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the primary purposes for setting up TAAI & IATO
- Know different roles of these two national associations in promoting tourism
- Describe various functions of TAAI & IATO in travel business
- Be aware of future activities of TAAI & IATO

### Introduction

Representing the issues pertaining to travel agency and tour operation business is one of the roles of Travel Agent Association of India (TAAI) and Indian Association of Tour Operators (IATO). Apart from doing the duty of presenting the problems to government and other agencies, these two national bodies become the part of policy making and provide suggestions and recommendations with regard to the promotion of tourism. The Ministry of Tourism, Government of India also involves these two apex national organizations while formulating planning and programming for tourism development. TAAI and IATO have been working for the Travel Agents and inbound tour operators respectively. TAAI is the oldest association as compared to IATO. The Ministry of Tourism, Civil Aviation, Finance, Home Affairs and External Affairs seek the representations from these two bodies as and when the need arises to take decisions. This lesson will present you the roles and functions of TAAI and IATO along with objectives, organizations structure and future activities.

### Travel Agents Association of India (TAAI)

The Travel Agents Association of India (TAAI) was formed towards the end of the year 1951 by a group of twelve leading travel agents. They created an Association to regulate the travel industry in India along the organized lines and in accordance with sound business principles.



TAAI is the Nodal Association of India and it is a professional body with the principles to coordinate ethical practices to regulate travel and tourism industry. The association is a non-political, non-commercial and non-profit making organization. TAAI has earned the reputation as the voice of the Travel and Tourism industry in India by their dedicated, dynamic and professional service.

The primary purpose is to protect the interests of those engaged in the industry, to promote its orderly growth and development and to safeguard the travelling public from exploitation by unscrupulous and unreliable operators. It assures the rights and satisfaction quotient of the travelers. It is recognized as the main representative body of the travel and tourism industry.

The Association's membership has swelled steadily from the original 12 to approximately 2500 members consisting of Active, Associate, Allied, Government and Non-Resident.

### **Objectives**

- To maintain high ethical standards within the travel trade and to work in the interest of the travelling public
- To cater the needs of the travelers and tourists from within India and overseas
- To improve the standard of service and professionalism in tourism industry
- To promote mutual co-operation among the different segments of the travel and tourism industry among TAAI members

### **Activities of TAAI**

- Promoting, maintaining and stimulating the growth of travel and tourism in the industry.
- Drawing the attention of the controlling and regulatory authorities and discussing with them the problems of the industry and working for the survival and betterment of its members.
- Fostering exchange of ideas, interaction of thoughts and experiences
- Fostering alliance among its members
- Educating the members to meet the challenges of tomorrow through conventions and seminars.



- Maintaining close contact with world bodies and representing matters affecting the travel and tourism industry of the country.
- Gathering useful information on travel and tourism and disseminating the same to its members for their guidance.
- Developing better understanding among the different segments of the travel industry and bringing them into its fold by offering membership under different categories.

### **Membership**

The membership of TAAI is multifaceted with Active, Allied and Associate members comprising IATA accredited Travel Agencies, Airlines and General Sales Agencies, Hotels and Tour operators.

The membership criteria for each category differs as the Active members (travel agent) need to be an IATA Agent; whereas the Inbound Tour Operators must be recognized by the Department of Tourism, Government of India. In fulfilling its mission and supporting traditional values as well as embracing changes.

### **Region/Lessons**

- (a) Andhra Pradesh Lesson;
- (b) Chandigarh Lesson;
- (c) Goa Lesson
- (d) Gujarat Lesson;
- (e) J & K Lesson.
- (f) Karnataka Lesson;
- (g) Kerala Lesson;
- (h) MP & CG Lesson;
- (i) Nagpur Lesson;
- (j) Pune Lesson;
- (k) Punjab Lesson;
- (l) Rajasthan Lesson;
- (m) Saurashtra Kutch Lesson,
- (n) South Gujarat Lesson;
- (o) South Tamil Nadu Lesson

## **Code of Ethics**

Travel agents and their increased scale of activities must respect the fair dealing and ethical practices. TAAI members admit and acknowledge the Code of Ethics. It represents professional and ethical activities.

## **Relations with the Public**

The TAAI members should respect the dignity and integrity of the Travel agents profession. They should inform for alleged unethical or unlawful practice. They should keep abreast with updated travel information. It should give clients effective, accurate and professional travel advice, in keeping with the main objective of the Association. The TAAI member shall use available advertising materials to acquaint the public with the advantages of dealing with a TAAI member. The TAAI member shall display the TAAI insignia on entrance doors or display windows, and on all official stationery.

## **Carriers and Other Principals**

The members should follow the best traditions of marketing ethics and fair dealing by presenting all carriers, hotels and other agencies which they represent in a fair and impartial manner to prospective clients.

## **Fellow Members and Other Travel Agents**

The TAAI members shall not degrade the business dealing of another member and shall not volunteer any negative opinions. The matter should be settled by mutual discussions, failing which it should be brought to the notice of the TAAI Managing Committee for settlement.

## **Industry Standards**

TAAI has signed several MOUs with various Travel Agents Associations in neighboring countries and around the globe. TAAI endeavors to build in its constituents, and others it deals with, a commitment to:

- Apply superior technical skills to the jobs on hand.
- Deliver the highest quality of service.
- Act responsibly within sound financial parameters.
- Build trust and credibility in the marketplace

## The Indian Association of Tour Operators (IATO)

Indian Association of Tour Operators (IATO) was established on 13th January 1982 with just seven members. It is a national apex body representing inbound tour operators. IATO has now over 4000 members consisting of travel agents, hotels, airlines, government tourism departments or development corporations, educational institutions, transport operators and both national and international tour operators.



IATO has been in the forum for the tourism industry for addressing crucial industry issues at various levels. During the 1982 convention, IATO's demand for the tourism industry's recognition as exporters was finally accepted by the Government in 2002. IATO has close connections and constant interface with other tourism associations in US, Nepal and Indonesia, where USTOA, NATO and ASTA are its member bodies. IATO is increasing its international networking with professional bodies for better facilitation to the International traveler visiting not only India but the entire region.

IATO interacts closely with the Government on all critical issues affecting the tourism industry in India. It acts as the common medium between the decision makers and the industry, and presents the complete perspective to both sides, synergizing their common agenda of Tourism facilitation. It interacts closely with all Government Ministries or Departments, Chambers of Commerce and Industry, Diplomatic Missions etc. All IATO members observe the highest standards of professional ethics and offer personalized service to their clients.

### Mission

- To spread goodwill and maintain harmony in promoting, encouraging and assisting the tourism sector with a long term goal of rendering an unbiased service to all the visitors.
- To work as a medium to facilitate the mutual understanding among the tour operators
- To assure the travelers an honest service
- To undertake various welfare activities for benefits of the members and the travelers

### Aims and objectives

- To maintain high ethical standards in the industry
- To take all steps for promoting, encouraging and assisting in the development of tourism throughout the country

- To take initiatives to secure the welfare of the Tourism Trade in all respects
- To correspond with various foreign and local associations and corporations, companies and concerns
- To promote measures in the interests of the travel trade and nominate members.
- To defend the interest of the members of this Association from the malpractices of foreign tour operators
- To provide equal opportunities for all visitors to enjoy the Tourism & Travel facilities without distinction of race, colour, creed or nationality.
- To organize overseas promotional tours jointly with various airlines and Govt. of India Tourist office abroad and other similar organizations
- To support seminars, group discussions, course of studies, cultural meetings
- To aid students by scholarship to pursue higher education, study and research
- To produce regular reports about the achievements of the members of the Association
- To print and publish information material for the benefit of its members

### **Membership**

- (a) The membership shall be open to organizations of good professional reputation and standing who have been connected with tourism and / or travel industry for at least one year.
- (b) The applications for membership must be made on the prescribed form and must be proposed and seconded by two members of the association, of which one must be an active member and both the proposer and seconded should not be members of the executive Committee.
- (c) The applications for membership shall be considered by the Executive Committee in a duly convened meeting and approved by a majority of two third of the members present.

### **Categories of the Membership**

The membership of the association shall be composed of

- a) Active Members
- (b) Associate Members
- (c) Allied Members
- (d) Honorary Members.

### **Active Members**

A firm or company should be established place of business in India. It should be recognized by the Department of Tourism as tour operator or travel agent, for a minimum period of two year. The major substantial part of activity of promotion of tourism and foreign exchange earnings in a year is minimum ₹ 20,00,000 shall be eligible for membership as an active member of the association provided an application is made and accepted by the Executive Committee. All its active members are recognized and approved by the Indian government's Department of Tourism and have at least three years experience of handling International Tourists to India, before being admitted to the IATO fraternity.

### **Associate Members**

Any other office including overseas offices of an active or allied member shall be eligible for associate membership of the association. They shall have no right to vote in the proceedings of the association.

### **Allied Members**

Any firm or company that is regularly associated with tourism and travel industry organization shall be eligible for membership as an allied member. The allied members shall have the right to participate in the activities of the association except to vote. The allied members will be represented on the Executive Committee by nomination of office bearers of various national trade associations.

### **International Members**

Any international firm or company that is engaged with tourism and travel industry shall be eligible for membership. The members shall have the right to participate in the activities of the association except to vote.

### **Honorary Members**

The Executive Committee may invite persons who are Hall of Fame Awardees and distinguished society members or who have distinguished themselves by the services to the tourism and Travel Industry in the National or International field to become Honorary Members of the Association. Such members will be invited to the association by the unanimous vote of all the members of the Executive Committee.

## **Executive Committee**

IATO's affairs are managed by an Executive Committee, elected by the Active Members every two years. The Committee is entrusted with the Management of the affairs of the Association. It is headed by the President with a team of six office bearers and nine executive members. The Executive Committee meets every month to discuss current tourism industry and membership issues. IATO networks through its State Level Lessons at the local level where all local issues are handled at the appropriate level.

The decision of the Executive committee is final in all cases. The Executive Committee shall comprise of members of the Association constituted as provided by these rules. The minimum members of the Executive Committee shall be fifteen and maximum shall be seventeen.

## **Action Committees**

IATO has twelve Action Committees, each focused on a specialized area headed by a convenor assisted by his committee members.

- a) Adventure Tourism Development Committee
- b) Civil Aviation, Press & PR Committee,
- c) Domestic Tourism Development Committee.
- d) Grievances Committee,
- e) Guides Coordination Committee,
- f) Host Committee
- g) Hotel Relations Development Committee.
- h) IATO News Committee
- i) Legal Affairs, Insurance & Consumer Committee,
- j) Privilege Card Development Committee
- k) Railways Co-ordination & Dev. Committee,
- l) Surface Transportation Development Committee
- m) Website Development Committee.

## **Social Activities**

IATO has supported all major national causes, contributed by relief emergency operations in national crisis and calamities. During the recent years IATO Members contributed

generously for the National Defense Fund and also organized Blood Donation camps during the Kargil conflict, carried out relief work in the Cyclone affected areas in Orissa, set up emergency relief supplies for the victims of Gujarat Earthquake, besides adopting a village and providing them the necessary relief and rehabilitation infrastructure. IATO has contributed whole heartedly to the Prime Minister's Relief fund, also to help the Government in their efforts during the national Crisis. IATO has also been actively involved in development of professional human resources in the tourism industry, by providing on the job training to the students from different tourism institutes and organizing special need based courses for training in the Industry.

### **Summary**

Representing the issues pertaining to travel agency and tour operation business is one of the roles of Travel Agent Association of India (TAAI) and Indian Association of Tour Operators (IATO). Apart from doing the duty of presenting the problems to government and other agencies, these two national bodies become the part of policy making and provide suggestions and recommendations with regard to the promotion of tourism. The Ministry of Tourism, Government of India also involves these two apex national organizations while formulating planning and programming for tourism development.

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## Lesson 5.6 - Roles and Functions of ATAOL, ADTOI, IAAI, FIYTO and TAFI

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### Learning Objectives

*After reading this lesson, you should be able to*

- Understand the primary objectives of ATAOL, ADTOI, IAAI, FIYTO & TAFI
- Know different roles of these associations
- Explain functions of these associations in protecting their own interests and helping tourism industry grow
- Be aware of future activities of these bodies

### Introduction

#### ATOAI- Adventure Tour Operators' Association of India



Adventure Tour Operators' Association of India was established in 1994 with handful of members. With an aim to create awareness about the immense potential for adventure tourism in India and overseas to harness this potential in a safe, sensitive and environment friendly manner. It is a national body comprising more than 150 members across the country and abroad actively promoting, Adventure and Eco Tourism in India. The Ministry of Tourism, Government of India recognized the ATOAI members.

The Adventure Tour Operators Association of India was conceptualized by seven dynamic founder members from the adventure travel trade, who envisioned ATOAI to be strong support group that led to both group and individual profits by establishing adventure as one of the main tourism attractions to India. As India is a natural paradise for the adventure traveler, with her natural topography. On one hand of soaring mountains, steep cliffs and on the other swiftly flowing currents, cascading rapids. In this lesson, you would read about the objectives, functions and activities of ATAOL, ADTOI, IAAI, FIYTO and TAFI.

## **ATAOI**

### **Mission**

To assist the delivery of responsible and sustainable adventure travel experiences, fostering growth and partnerships amongst members.

All income of the Association shall be utilized towards the promotion of the aims and objectives of ATOAI. They are committed to

- a) Follow environmental practices.
- b) Employment of the local community.
- c) Social responsibility.

### **Vision**

- To support the country to become the best and the largest adventure travel destination in the world
- To assist the country to become twelve month tourism destination through adventure travel
- To be inclusive and grow membership to 1000 responsible members
- To facilitate members operate in all the seven continents

### **Objectives**

- To promote, encouraging and assisting in the development of Adventure Tourism throughout the country and to take initiative to secure the welfare of the Adventure Tourism Trade
- To conduct seminars, group discussions, cultural meetings, and other related things to promote adventure tourism in India
- To coordinate with Department of Tourism, Government Departments, Chambers of Commerce, and other public bodies in India, or Committees for the benefits of members
- To assist students by providing them scholarship to pursue higher education, study and research in the field of Development of Adventure Tourism in India

- To encourage and promote interaction within the adventure tour operators organization and with other travel agents on all subjects involving their common benefits.

### **Core Values**

- (a) Exploration;
- (b) Safety ;
- (c) Challenge;
- (d) Passion;
- (e) Excellence;
- (f) Transparency;
- (g) Responsible Tourism;
- (h) Knowledge;
- (i) Innovation,
- (J) Conservation;
- (k) Inclusiveness;
- (l) Sustainable Growth

### **Executive Committee**

There are seven minimum numbers of the Executive, Active Member, Allied Member, Associate Member, ATOAI Secretariat, Committee Member and Honorary Member

### **Member**

The activities of ATOAI members include Trekking, Mountaineering, Bike Tours, Sailing, Ballooning, Hand gliding and Heli-skiing and other Aero Sports, Skiing, Camel / Jeep / Horse Safari, Wildlife Safari, Fishing, Scuba Diving Rafting and other related water sports, Tribal Tours.

### **Categories of the Membership**

The Executive Committee shall be entrusted with the management of the affairs of the Association. The Executive Committee may at any time create different classes of members any may provide for entrance fees and subscriptions and define their respective right and privileges. The Executive Committee shall in special cases have power to allow any person to become a Member of the ATOAI.

## **Rights of Active Members**

Active Members have the following rights

- a) To receive notice of all meetings of the Association
- b) To attend and vote at the Annual General Meeting of the Association
- c) To take part in all meetings and events arranged by the Association.

The Ministry of Tourism has resolved some issues that are given below.

- Waiver of service tax for adventure tour operators
- Permit the use of GPS/satellite phone
- Issues with Department of Tourism like Uttarakhand, Ladakh, Sikkim, MP
- Enhancing the insurance cover, rescue & communication facility in the Himalayas
- Training courses in travel & tourism institutes as well as National mountaineering institutes. Adventure guides
- Import of duty free adventure equipments.
- Opening of a few small airstrips in the Himalayas for better connectivity

## **CPR and First Aid Courses**

ATOAI has been organizing basic first aid and CPR courses for its members for last few years. Youth Cross Cultural Mountain Conservation Meet is also organized by ATOAI. Trekking programme is supported by UIAA/ UAAA, Indian Mountaineering Foundation, Ministry of Tourism, Uttaranchal Tourism, Ministry of Forest- Uttaranchal, Government of India and Himalayan Environment Trust.

## **Other Initiatives by ATOAI**

- Presentation on India Adventure Tourism products at ITB- Berlin- 2007
- Fellowship Dinners every three months.
- Adventure Roadshow in the USA in August 2006.
- Adventure Roadshow in Australia & New Zealand in 2009
- Membership drive- Mailers were sent to adventure tour operators in various Indian cities

**Association of Domestic Tour Operators of India (ADTOI)**

The ADTOI was created on 7 August 1996 with the idea of bringing around 400 domestic tour operators engaged in the promotion of Domestic Tourism. It is a National Body of Domestic Tour Operators. The association provides professional services to consumers together with accommodation, guides, railways, transporters and airlines.

**Aims**

- To achieve a level of Accreditation to instil confidence in the Buyers of Travel Services
- To bring all those agencies actively involved in the promotion of domestic tourism in the country under one Organization
- To set up and maintain high ethical standards in the Tourism Industry
- To encourage and promote the cultural exchanges and national integration and environmental protection
- To organize, participate, manage, supervise or otherwise help in the promotion of educational, technical and other seminars, exhibitions, expositions
- To encourage and publish the publication of reference books, directories, periodicals, statistics, journals and other types of publication and books of a scientific or technical and educational nature
- To manage or supervise the educational, technical training and vocational centre, research institutes, and other institutions concerned with the distribution and spreading of information
- To award scholarships and stipends, and other help to scholars engaged in the study of tourism and its development and constitute Chairs and fellowships in India.
- To prepare, draw up public plans, surveys, schemes and reports concerning the status of the domestic tourism industry
- To prepare and publish periodicals or reports relating to the activities of the society
- To establish channels of communication and liaison with the Department of Tourism, Government of India, State, and other public and private bodies and take all necessary steps to promote and develop domestic tourism in India
- To establish strong relations between tour operators, travel agents and other persons and organizations in the tourism industry in India

- To foster an energetic atmosphere in the domestic tourism industry
- To formulate a uniform code of conduct to govern the procedures of booking, confirmation, payment, refund, cancellation, no-shows, changes, in commissions and discounts, and other matters
- To affiliate with other societies or associations of tour operators in India and abroad
- To amalgamate with any society or association, institution, company or other body, having similar objects
- To purchase, acquire or to take over the properties, assets, liabilities among similar bodies

### **Role and Functions**

- To work in coordination with Ministry of Tourism and other related ministries in their keen efforts to develop essential pre-requisites for Domestic Tourism Development in areas of improvement of facilities.
- To set up accessible channels of communication and work in unity with the D oT, Govt. of India, State and other public and private bodies towards promotion of domestic tourism in India.
- To build trustworthy bonds between tour operators, travel agents and other persons and organizations in the industry to establish healthy atmosphere in domestic tourism industry.
- To formulate the homogeneous code of conduct within industry in order to regulate proper functioning of all procedures related to tourism.
- To take initiative for the protection of environment, cultural exchange and national integration in the territory of India.
- To raise awareness among travellers regarding eco-friendliness and promote the cause of clean environment.
- To acquire a level of Accreditation to instil confidence in the buyers of travel services. Other than this, ADTOI also aims to bring together all agencies involved in promotion of domestic tourism.
- To guarantee the safety and security for travellers
- To upgrading and updating the information for distribution.

## Membership

Domestic tourism strengthens national integration and provides socio-economic development in the country. The members are actively involved in the promotion of tourism by promoting various tourist destinations in the country. ADTOI has 92 tourism industry representatives as its member.

As per the membership criteria of ADTOI, industries/organizations who are involved in following activities can become member of ADTOI:

a ) Regional Tourist Corporation; b) Travel Portals; c) Hotels & Resorts d) Railways & Airlines; e) Tourism Institutes; f) Tourism Expo Companies.

The membership of the society shall be composed of:

- Active members
- Allied Members
- Honorary Members

## IATA Agents Association of India (IAAI)

IATA Agents Association of India was founded in 2000 under the guidance of Mr Biji Eapen along with 35 agents across the country. IAAI aims to safeguard the interests of smaller agents and for the betterment of travel fraternity.

When IATA decided to demand minimum Bank Guarantee of ₹ 20 Lakhs from Travel agents which threatened the existence of smaller IATA accredited agents in India. The decision of IATA – BSP India was challenged before the Kerala Courts and was subsequently referred for arbitration to Travel Agency Commissioner, Area 3 based in New Zealand, who categorically found the minimum guarantee scheme unfair and directed IATA India, not to proceed with Minimum Bank Guarantee scheme. The history was written as it was the first feather in IAAI's success story for cause of travel agents.

IAAI has become a dedicated Trade Association of IATA Accredited Passenger Sales Travel Agents with a membership of 958 as on December 2012. It represents one-third of the total travel industry in India. IAAI's presence across India is through its duly elected state committees with the equal representation of the members at the National Management



Committee for smooth operations. Elections to National and State Committees are held every 2 years as per our constitution.

IAAI has duly elected State Committees in major states of India, viz in Kerala, Tamil Nadu, Andhra Pradesh, Andaman & Nicobar Islands, West Bengal, Uttar Pradesh, Delhi and Maharashtra. IAAI has ad hoc Committee Chairmen in Rajasthan, Assam, Karnataka, Gujarat, Madhya Pradesh, Punjab and Orissa and the State Committees.

Now IAAI has also opened its membership to Non-IATA Travel agents, Tour Operators, State Tourism Boards in India and National Tourism Boards of various countries, Hotels, GDS companies and other stake holders of travel and tourism industry, thus making IAAI a true and comprehensive representation of the travel and tourism industry in India.

IAAI is a member of UFTAA (United Federation of Travel Agents' Associations), FICCI(Federation of Indian Chambers of Commerce and Industry) and ICA(Indian Council of Arbitration).

### **Mission**

To protect and promote the interests of small and medium sized Travel Agents in India

### **Objectives**

- To aim at the development of the travel & tourism industry in India by constantly improving the standard of service and professionalism in the industry so as to cater to the needs of the travelers from within India and overseas.
- To set and regulate standard and practices to be maintained by members so as to establish highest ethical and disciplinary standards.
- To safeguard the interests of the traveling public and maintain high ethical standards within the travel trade and provide training to the members and improve their overall competence level.
- With a view of establishing that the membership of the association is a guarantee of competence and integrity in the travel and tourism field, acquaint the public with the services which members are able to provide.
- To promote mutual co-operation among members by contributing to the sound progress and growth of the travel and tourism industry as a whole and also assist in

the settlement of disputes and difficulties arising amongst members or in connection with the travel and tourism trade.

- To effort closely with the airlines, other affiliated bodies and relevant government bodies to promote travel and tourism.
- To represent the travel agents trade before official bodies of Government, Airline bodies and other appropriate forums. And act as negotiating body for members and to make recommendations to the relevant governmental bodies to promote travel and tourism.
- To gather useful information on travel/tourism and disseminate them to members for their guidance.
- Membership:

Any persons with the aims and objects of the Society can hold the membership of Society. They shall have to abide by the Rules and Regulations of the Society.

### **Classification of Members**

The members of the Society shall be classified into the following categories:

- a. Active Members.
- b. Associate Members.
- c. Affiliated Member

#### **Active Member**

Applicant must be an IATA Agent for a minimum period of one year with their registered office in the same location and should not be GSA or PSA of any Airlines and shall not have interests in the ownership / management / profit of such GSA/PSA. An active member is an IATA approved individual, firm or company having an established place of business in India.



### **Federation of International Youth Travel Organizations**

The Federation of International Youth Travel Organizations was established in 1950. It is an open, world-wide, non-political and non-sectarian travel trade association. They have more than 350 members from 60 countries all over the world. Its goal is to advocate the

special identity of young travelers, and their right to flexible, affordable travel and travel-related services.

The FIYTO is the world's only membership association and trade forum for youth travel professionals. It is one of the largest and most influential organization in the youth travel industry worldwide. FIYTO collaborates with leading national, official and private tourism organization. It is aimed to enabling its members and the industry's continued growth by providing Business and Trade Networking Opportunities, Marketing Opportunities, Developing and Distributing Key Industry Intelligence, Advocacy for Shaping legislation.

### **Objective**

- To contribute to the personal and professional growth of Youth travellers and young people.
- To generate positive impact on global community by fostering international understanding, education, cultural exchange and responsible international travel.
- To respond to the challenges of changing market and industry forces and the growing demand for youth travel.
- To promote the development of youth travel organisations in countries where they do not exist and to help strengthen such organisations in countries where development is limited.
- To build a representative and diverse membership and to strengthen the voice of those promoting youth travel.
- To engage in advocacy to facilitate the movement of young travellers, cultural exchange participants.

### **FIYTO Standards**

FIYTO sets and maintain the standards in the youth travel trade. Membership of FIYTO is a mark of credibility and respectability, as only reputable and financially sound companies are admitted.

### **Categories of Membership**

Language travel; Au pair agencies; Accommodation; Tour operators; Adventure travel; Transportation; Homestay providers; Educational travel; Activity holidays; National

tourism authorities; Student travel bureaux; Youth hostel associations; Theme parks and restaurants; Technology/communications; Travel insurance; Travel publishers.

### **Codes of Conduct**

FIYTO promote ethical professional behaviour between operators and high quality standards for young travelers. All types of organizations active in the field of youth travel are encouraged to join: non-profit and for-profit; public and private; suppliers and buyers.

### **FIYTO Associations**

FIYTO has two subsidiary affiliated associations consisting of ALTO (Association of Language Travel Organizations (for language schools and agencies) and International Au Pair Association (IAPA)/ It was established in 1994 to monitor and improve all aspects of au pair programmes. The FIYTO and the International Student Travel Confederation (ISTC) were reformed after World War II to inspire young people through international travel and to help remove cultural barriers. FIYTO is co-host to WYSTC, the World Youth and Student Travel Conference.

It is the world's premier travel trade fair for operators in the youth and student travel market. The conference is co-hosted by ISTC, the International Student Travel Confederation. WYSE Travel Confederation was formed in 2006 when FIYTO and ISTC merged to create a stronger united body to represent the global youth travel industry. The Global Youth Travel Awards formally recognize outstanding performers in several fields of international youth travel and reward WYSE Travel Confederation members who contribute so much to industry and community.

### **Mission**

To contribute to the personal and professional growth of students and young people and positively impact our global community by fostering international understanding, responsible international travel, cultural exchange and education.

### **Travel Agents Federation of India (TAFI)**



Travel Agents Federation of India (TAFI) is founded in the year 1986. It is a professionally managed trade organization that tends to regulate the Indian travel business keeping close coordination with the set of strong business ethics and code of conduct.

TAFI is a non-political, non-commercial and not-for-profit body. It focuses on certain essential elements in the industry and has a set of objective to supplement it. TAFI's membership has increased from 8 to over 1400 from the different dimensions of travel industry. TAFI itself is a member of two of the most reputed trade organizations- UFTAA (United Federation of Travel Agents Associations) and WTAAA (World Travel Agents Associations Alliance).

### **Aims and Objectives**

- To protect the interests of the travelling public and maintains high ethical standards within the travel trade through better communications and awareness about regulations.
- To safeguard the travelling public from exploitation by unscrupulous and unreliable so-called Travel Agents.
- To promote such schemes that benefits the members of TAFI as well as provide mutually beneficial alternatives to the airline industry for better growth of travel.
- To defend the interests of those engaged in the industry, to promote its orderly growth and development.
- To spread greater awareness and updated information on travel to efficiently cater to the needs of the travellers from within India and overseas.
- To ensure compliance of Rules, Regulations and Guidelines sent by the Consulates, Government Authorities, Airlines etc.
- To augment the development of the travel industry in India by consistent improvement in the standard of service and professionalism.
- To encourage mutual cooperation among members of TAFI and thereby ensure healthy growth of the Travel Industry.
- To stand for the travel agents trade before official bodies of Government, Airline bodies and other appropriate forums.
- To safeguard the interest of the Travel Agents vis-a-viz service providers such as airlines.

### **Membership**

The Membership is open to all persons who agree with the aims and objects of federation. TAFI has got eight specific categories for the members under which membership

is available for IATA Accredited Travel Agents and Tour Operators, Branch Offices of IATA Travel Agents and Tour Operators, Airlines, Hotels, Car Coach Rental, Cruise Lines, Travel Service Intermediaries and so on.

Members of the Federation shall be classified into the following categories with or without voting rights in the manner prescribed by these rules and regulations.

- (a) Chartered Members;
- (b) Active Members;
- (c) Allied Members;
- (d) Associate Members;
- (e) Affiliate Members;
- (f) Overseas Allied Members,
- (g) Government Representatives;
- (h) Honorary Members.

#### **Lesson Office Bearers**

- (a) Andhra Pradesh;
- (b) Eastern India;
- (c) Gujarat;
- (d) Karnataka.
- (e) Kerala;
- (f) Northern India;
- (g) Pune;
- (h) Tamil Nadu;
- (i) Western India

#### **World Travel Agents Associations Alliance (WTAAA)**



TAFI is a member of World Travel Agents Associations Alliance. The WTAAA also provides a forum for consideration of common strategic visions, synergies in the management of issues and common advocacy on issues where there is unity of interest.

The WTAAA is a not-for-profit entity incorporated in Belgium which is a global alliance of travel agent associations. The countries include from Europe, USA, Canada, Australia, New Zealand, South Africa and India.

The purpose of WTAAA is to foster and facilitate exchanges of information and advice on matter of mutual interest as they arise in the various national and international domains in which the parties operate, including but not limited to air transport policy, international cruise line policy and international hotel policy.

## Summary

Representing the issues pertaining to travel agency and tour operation business is one of the roles of Travel Agent Association of India (TAAI) and Indian Association of Tour Operators (IATO). Apart from doing the duty of presenting the problems to government and other agencies, these two national bodies become the part of policy making and provide suggestions and recommendations with regard to the promotion of tourism. The Ministry of Tourism, Government of India also involves these two apex national organizations while formulating planning and programming for tourism development. TAAI and IATO have been working for the Travel Agents and inbound tour operators respectively. TAAI is the oldest association as compared to IATO. The Ministry of Tourism, Civil Aviation, Finance, Home Affairs and External Affairs seek the representations from these two bodies as and when the need arises to take decisions. This lesson will present you the roles and functions of TAAI and IATO along with objectives, organizations structure and future activities.

## Self Assessment Questions

1. Explain the various needs for a travel agent and tour operation in joining with the local, regional, national and international travel bodies.
2. What are the aims and objectives of UNWTO and WTTC?
3. What are the aims and functions of IATO?
4. Highlight the history of the United Federation of Travel Agents Associations (UFTAA).
5. Present objectives, missions and roles of the UFTAA.
6. Explain the UFTAA's Organization Structure and how it is formed?
7. Explain the Social Responsibility Activities of UFTAA worldwide.
8. Trace the evolution of PATA and how is important as a travel trade association.
9. Present the objectives of PATA and are they being achieved?
10. Explain different types of membership of PATA.
11. Explain the PATA's Organization Structure and functions?
12. What are the responsible tourism and other activities of PATA worldwide.



13. Present the objectives of ASTA and are the practically possible to implement?
14. Explain different types of membership of ASTA.
15. Explain the ASTA's Organization Structure and functions?
16. What are the activities of ASTA and is the ASTA's Global Convention?
17. Present the responsibilities of members.
18. Highlight the objectives and activities of ASTA's India Lesson
19. Highlight the objectives and functions of TAAI.
20. Classify the various memberships in TAAI.
21. Highlight the objectives and functions of IATO.
22. Classify the various memberships in IATO.
23. What are the objectives and activities of ATAIOI?
24. What are the objectives and activities of ADTOI?
25. What are the objectives and activities of IAAI?
26. What are the objectives and activities of FIYTO?
27. What are the objectives and activities of TAFI?

### **CASE STUDY**

#### **UFTAA and Training and Development**

Travel industry is a key employer of tourism industry and it employs qualified and trained personnel for handling varied jobs. As such travel industry is facing the acute shortage of employable personnel. One of the challenges before the global travel industry is to ensure the supply of quality human resources. Travel agencies and tour operators used to recruit the people without training and provided them on-the-job training to handle the booking or operations of travel business. The job requirements have undergone changes with the change in the structure of travel business today. One of the important contributions of UFTAA, being a global representative of travel agency, customized the courseware for the professionals or novice to be attracted towards the course and career. It has become extremely successful ever since the IATA-UFTAA courses have been launched. It has catered the needs of supply of human resources across the countries with the distance and regular mode of the programmes.

UFTAA is a world body representing the travel agencies and tourism industry. It effectively represents travel agents' and tour operators' views on both inbound and outbound

travel by continuous dialogue and consultation with other international organizations. It seeks to encourage travel among people of all nations and to support the freedom of travel throughout the world.

UFTAA is dedicated to Education and Training activities with the help of its dedicated Educational Academy. It has an active partnership with the IATA/UFTAA Training Programme. It includes a four-level educational programme. The new courses also include Marketing and Management education. The IATA/UFTAA programme is jointly offered and it is the most complete travel and tourism training programme designed professional to build career in the travel and tourism industry or upgrade professional competence. The qualifications offered are recognized under the terms of the IATA Resolutions applicable to IATA's accreditation of travel agents.

The IATA/UFTAA International Travel Agents Training Program was launched in 1972 to meet the growing demands for well trained staff in Travel Industry. It is now available almost all over the world. The IATA/UFTAA Diploma has become a hallmark in the travel industry. It is known for its quality standards in training. It has gained worldwide recognition and acceptance as a high quality training programmes with exhaustive and need-based modules.

The IATA/UFTAA International Cargo Agents Training Program was launched in 1977 to meet the growing demands for trained staff in cargo agencies. The IATA/FIATA International Cargo Agents Diploma has gained worldwide industry recognition as a quality qualification.

The IATA/UFTAA and the IATA/FIATA programmes are basically designed for promoting self study courses. At the same time, it is also offered as regular courses by Authorized Training Centers across the world. Two type of courses namely Foundation & Consultant courses are conducted by IATA/UFTA.

The IATA/UFTAA's Training and Development Institute trains more than 35,000 aviation professionals. More than 200 courses are developed around IATA's areas of expertise and commitment to promoting industry standards worldwide. These are the facilities of the IATA/UFTAA.

- 12 State-of-the-Art training centers with over 200 IATA Instructors
- Training delivered in the classroom, on-site and via distance learning
- Worldwide locations through IATA Global Training Partners
- Instruction in English, French, Spanish and Mandarin.

## Questions

1. What was the need for the UFTAA to take the lead role in crafting the exclusive courses for travel personnel?
2. How these courses are offered across the centers?
3. What are the facilities of the centers for offering?

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