

**MANAGEMENT OF
TRAVEL AGENCY
AND
TOUR MANAGEMENT**

MANAGEMENT OF TRAVEL AGENCY AND TOUR MANAGEMENT

Course Aims

The course aims is to give an understanding about the evolution of travel agency business in the world; 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,...

Course objectives

At the end of this course, the 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.

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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.....	26
Avoidance of Middlemen: Integration can link the tour operator with primary service provider directly.	26
Consolidation of Market: Integration can increase the market share and it simultaneously helps in dominating the market.	26
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.	26
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.....	26
Vertical Integration: It is a type of integration that links between airline and hotel or tour operator and airline or hotel for mutual benefits. 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.	27
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, cruiseline companies, railways and car rental companies, hotels and event mangers. 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.	27
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<i>Car Rental Companies:</i> 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 contact and fixed rate or sometime work on the fixed commission.	28
<i>Railways:</i> 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 coachor issue of special tourist pass.	28
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. 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.	28

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. Each tourist coach must have elevated bucket seats, white window glass, microphone, air condition system and refrigerator. The service quality is measured in terms of punctuality, safety, flexibility, and adaptability.	28
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 cock tail services along with duty-free shopping, doctors on call, beauty parlor, fitness center, etc make a guest feel at home.....	28
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. 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. Even management companies maintain the inventory of essential items for conduct of mega events for which tour operators establish integration with them.	28
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.....	29
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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.	29
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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. 31

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... 31

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. 31

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. 32

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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. 40

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. Building must have the required space as prescribed by the IATA or any other recognized organizations. 40

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. 40

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 as easy and have made the delivery of services more accurate. 40

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. 40

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. 41

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. 41

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. 41

Travel Agency Organization Structure: A large travel agency or tour operation unit functions through the hierarchal 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 no accountability of department to the higher authority. Travel trade has evolved through different periods and it was a small business outfit in the 19th century and it has been a

huge business since the economy was liberalized worldwide in the last quarter of 20 th century. There is no choice to run the travel business without professional culture and well-knitted and feasible organizational structure.	41
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CHAPTER1. TRAVEL TRADE - HISTORICAL PERSPECTIVES

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 18th and 19th centuries, the world could witness mass travel leading to the demand of luxury transport and advance arrangement of stay and sightseeing. Those advance booking soft rain, 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 chapter 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 18th and 19th 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 railway 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 learn 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.

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 9th 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 mile stones during his lifetime and many were achieved by his son John Mason Cook.

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 Yorks hire and the Midlands in 1851 followed by the first continental tour in 1855. He accompanied two land mark 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 coupon as sawbuck 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 a nearly 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.

CHAPTER 2. WHOLESALE AND RETAIL TRAVEL AGENCY BUSINESS

2.1. 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 liner, train, airlines, coach, car rental, even companies, etc rely largely on the whole salers 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 whole saler is essentially important in increasing the sale of tickets of airlines and hotel rooms. Hotels appoint sales agents to sell the rooms directly or through the retail travel agents. Here tour operators are largely called as whole salers 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 their 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 whole sale travel agents.

2.2. 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 labor, hierarchical authority and responsibility. Travel agency plans, organizes, directs, controls, coordinates and sets all resources to get her 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 don'ts 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 severely 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.

2.3. 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.

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.

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 fleet 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.

2.4. 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 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 collects feedback from suppliers and consumers
- It shares information and knowledge

2.5. 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, at our operator may have ready made 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

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

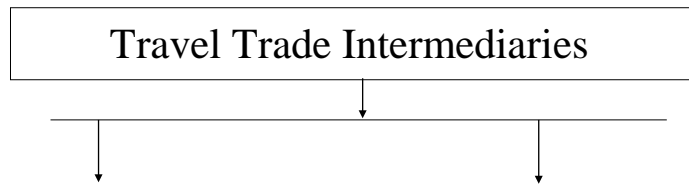
- Inbound – Describing places of important of the country
- Outbound – Highlighting holidays about other countries
- Domestic–Specializing on domestic holidays within country
- Specialist–Special interest travel to destinations
- Independent- Specialized in specific holiday
- Integrated – Business Conglomerate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

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.

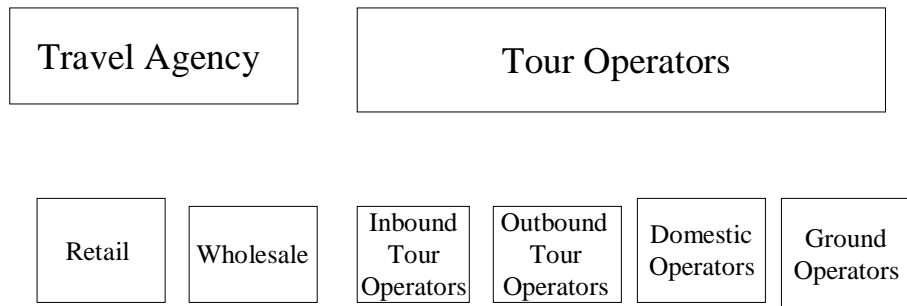


Figure-2 Types organization in Modern Travel Trade business

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.

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.

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 touoperatorsoperatewithintheboundaryofhomecountryandcaterthediverseneedsof individuals and

group travelers like inbound and outbound operators. They promote tour packages both through their own outlets and other retail travel agents.

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. 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. 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 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 is committed to work as a responsible partner in the tourism industry to popularize destinations and explore new potential destinations through their package tours.

CHAPTER3. LINKAGES AND INTEGRATION IN TRAVEL TRADE

3.1. 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.

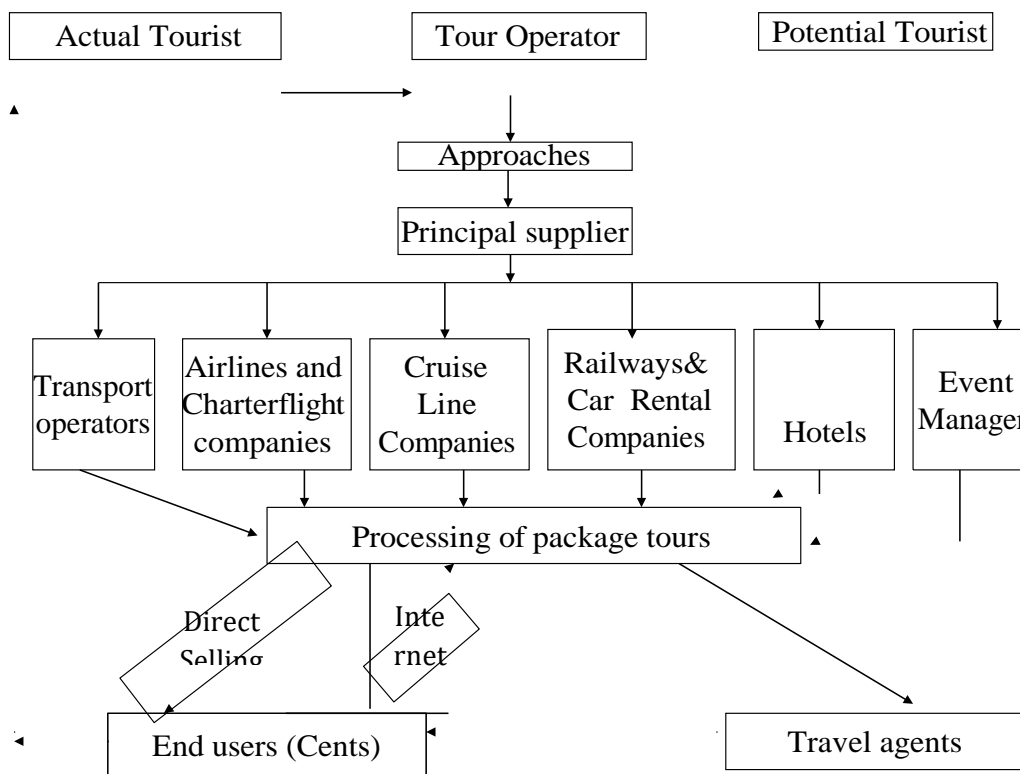
Horizontal Integration: It involves two tour operators or two travel agencies or two hotels and two airlines for amalgamation of competitive product through merger or acquisitions. This integration helps the players offer complementary products and minimize unfair competition.

Vertical Integration: It is a type of integration that links between airline and hotel or tour operator and airline or hotel for mutual benefits. 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.

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, cruiseline 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.

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. 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. The detail distribution network is given in Figure below.

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.

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.

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 issue of special tourist pass.

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. 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.

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. Each tourist coach must have elevated bucket seats, white window glass, microphone, air condition system and refrigerator. The service quality is measured in terms of punctuality, safety, flexibility, and adaptability.

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.

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. 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.

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.

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.

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.

CHAPTER 4. CHANGING SCENARIO OF TRAVEL TRADE

4.1. 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 a never-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. This chapter will present you the changing scenario of travel business in the world.

4.2. 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

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 luxoury.

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 percent tickets in the domestic sector are e-tickets. E-tickets have made customer free to take printout of tickets. Mobile booking of a domestic air ticket is an added facility to passengers to book tickets in domestic sector.

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 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.

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. 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

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.

4.3. 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. It includes:

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.

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.

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.

Self Assessment Questions

1. What did trigger Thomas Cook to start the travel agency business in England? How he became a successful travel agent?
2. Trace the origin of American Express company.
3. Discuss the contribution of Thomas Cook to the world of travel agency today.
4. Which were the landmark contributions of American Express Company to the modern travel agency business in the world?
5. How did the traveler's cheque of Thomas Cook become popular? And why did travelers buy the cheque from American Express Company?
6. What was the travel agency business scenario during the pre-independence period?
7. What are the new business practices of modern travel agency business?
8. What is the meaning of linkages and integration? Explain different types of integration in the travel agency business.
9. Which are the activities of specialized tour operators?
10. How has the changing lifestyle influenced the travel behavior in the modern society?

CHAPTER 1: FUNCTIONS OF TRAVEL AGENCY AND TOUR OPERATION

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 chapter, 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 below presents the functions of travel agency briefly.

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

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 fingertip. Travel products are now becoming more competitive and customers have more bargaining power in the marker. 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 fore xploring 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. Research helps in the innovation of travel products.

1.1. 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 among stair lines and low cost carriers, 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.

1.2. Reservation of Hotel Rooms

The Computer Reservation System (CRS) or the Global Distribution Systems have enhancedthesimplificationsofreservationofhotelrooms.Hotelsputupallthenecessary 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.

1.3. Reservation of Ground Services

Ground handling operators of destination management operators have the sole responsibility of providing cars, coaches, caravans, entertainment entries, guides, interpreter, reset cases for 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.
- Hotelselectionandreservationistakenintoconsiderationwhenchartertourclients are largely affluent class tourists.
- Transfers and sightseeing are also organized as per the itinerary and any change in

the program is not permitted.

- Pre/post charter tours can be arranged on the demand of clients.

1.4. 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, super intendent of police, tourist officers, archaeology super intendent as the tourists who travel in the luxury cruiselines 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.

1.5. 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.

1.6. 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.

1.7. 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.

1.8. 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 newspaper and regional television channel 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 TIMESNOW. 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.

1.9. 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.

1.10. 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.

1.11. 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.

1.12. 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 designs different course ware for industry executives from travel and tour operation. It includes ticketing and tour operation, cargo and travel agency management.

CHAPTER 2: SETTING UP A TRAVEL AGENCY AND TOUR OPERATION

2.1. 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 chapter, you will read about the procedures for arranging funds, indentifying a better locations etc.

2.2. 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.

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.

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.

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.

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. 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.

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 as you and have made the delivery of services more accurate.

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.

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.

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.

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.

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.

Travel Agency Organization Structure: A large travel agency or tour operation unit functions through the hierarchal 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 no accountability of department to the higher authority. Travel trade has evolved through different periods and it was a small business out fit in the 19th century and it has been a huge business since the economy was liberalized worldwide in the last quarter of 20th century. There is no choice to run the travel business without professional culture and well-knitted 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.

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.

CHAPTER3. SOURCES OF INCOME IN TRAVEL AGENCY AND TOUR OPERATION BUSINESS

3.1. 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 agent sort our 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 chapter, you will find the descriptions on sources of revenue of travel agents and tour operators.

3.2. 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 comprises a leo fair, train, bus and ferry tickets, car rentals, sale of package tours, booking of hotels, insurance and foreign exchange.

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 can not 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.

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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.

3.3. 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, over rides, 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. 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 can not dominate the target buyers without the toll free number.

3.4. Different 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.

3.5. Threats in the Travel Agency Business

The distribution cost of airlines moves around 15 percent to 19 percent. 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 percent 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 hand 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.

CHAPTER4. DIVERSIFICATION OF TRAVEL AGENCY AND TOUR OPERATION BUSINESS

4.1. 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 chapter will help you give clear understandings on how the modern travel agents and tour operators have ventured into the diversified businesses.

4.2. 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.

a. 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.

It is the Global Distribution System (GDS) that helps in booking the complex air tickets.

b. 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 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.

c. 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.

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 pair si .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.

d. 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:

e. 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.

f. 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.

g. Horizontal Diversification

Horizontal diversification means to diversify into new tourist products, but targeting the existing customer base as the potential customer base as the potential customer. Often firms feel that they have established a brand loyalty with current customers or a certain knowledge of their markets which allows them to introduced new products.

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.

h. 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.

i. 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.

CHAPTER 5. TRAVEL DOCUMENTATION AND IATA ACCREDITATION AND RECOGNITION FROM GOVERNMENT

5.1. Introduction

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 chapter will present the processing of travel documents as an important function of travel agents and tour operators.

5.1. 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 Passport is given through the Consular Passport and Visa Division (CPV) of the Ministry of External Affairs.

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.
- **Diplomatic Passport:** It is issued especially for diplomats and top ranking government officers for visiting overseas for official tours.
- **Official Passport:** It is issued to those Indian who represent the government for official or business purposes.

Passports and travel documents remain to be invalid to certain countries

5.2. 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.

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 the country. A transit visa is valid for up to 15 days and up to two entries. It is issued to foreign nationals passing through a non born coutry on their way to another country.

- **Entry Visa**

It is issued to a Person of country's Origin (PCO), foreign spouse 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.

- **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 are required.

- **Project Visa**

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

- **Student Visa**

Student visa is granted to a foreigner 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 or to buy or sell the industrial or commercial products. It is valid for up to five years.

- **Universal Visa**

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

Types of visa and their abbreviations are presented in Table

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

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

Self Assessment Questions

1. Explain the important function of travel agency as an important retailer or wholesaler of various travel services.
2. Explain various functions of tour operators for running tour operation business.
3. What are the steps involved in establishing travel agency business?
4. Which are the conventional sources of revenue for travel agents and tour operators?
5. Which are the emerging sources of maximizing the revenue in travel agency and tour operation business?
6. What is travel agency business returns? List the prevailing percentage of commission for retailing or wholesaling the various principal services

CHAPTER1. CONCEPTS OF ITINERARY PLANNING

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 provide sample 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 chapter 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.

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.

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 together 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 tour's itinerary, a tour manager's 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 transporter 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.

- **Itinerary for Drivers**

Itinerary is prepared for cabor 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.

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.

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, bikerides, entry into zoological parks, caves etc. must be highlighted. This is the format to be used as illustration to gather information pertaining to miscellaneous services or activities.

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 airfare or railfare
- Selecting the hotel 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 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 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 a valid permit 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.

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

- **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.

CHAPTER 2. RESOURCES FOR ITINERARY PLANNING

2.1. 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 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.

- **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.

- **Local Festival Calendar**

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 don'ts 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 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.

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 a 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.

- **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 operator 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.

- **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 from 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.

CHAPTER 3. Tour Formulation and Designing Process

3.1. 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 these 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.

3.2. 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 relaunched 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 be 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 packages systematic costing of the package will be done which includes cost 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**

Promotional 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 be 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 promotional 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.

CHAPTER 4. PLANNING AND COMPONENTS OF PACKAGE TOUR FOR FIT & GIT

4.1. 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 operator 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.

4.2. 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.

4.3. 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 tour 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.

4.4. 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 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 to 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).

4.5. 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 travelers 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 and 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.
- These services can be large 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

4.6. 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.

4.7. 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 dimension 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, homestays, guesthouses, 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 recounted 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's 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 wanted by 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 benefited 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 Bahradarshan.

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 interpreter to help them convey in the language of their tongue. Car rentals, luxury coaches, other motor vehicle 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 of life and sudden withdrawal of tour or complete break of tour due to natural or man-made 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.

Self Assessment Questions

1. What is the meaning and importance of itinerary? Explain with examples
2. Prepare a 10-day tour itinerary of your own choice comprising important places of interest.
3. Prepare the minute-to-minute programme for the city sightseeing tour.
4. Explain the background information for preparing itinerary.
5. List the Do's and DoNot's while developing tour Itinerary. Which are the important Do's and DoNot's that a tour operator must worry about?
6. Explain the valuable tips for preparing a good itinerary.
7. What is package tour? How is the process inter woven in a systematic manner?
8. Why is the tour formulation process very important for our operator?
9. What is package tour business? Discuss various intricacies and dynamics of the package tour business.
10. Distinguish between GIT and FIT package tour.
11. Explain the steps involved in developing your package tour.
12. Explain how Packaging is used as a tool for tourism product marketing?

ACTIVITY 4

CHAPTER 1. CLASSIFICATIONS OF 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 oil 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 in tangible and perishable elements. Package holidays are package tours which are escorted and notes corded 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 Development

a. 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 tour 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.

b. 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 a 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.

- **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 transfer 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 revisited.

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 airfare and 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 which 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 or 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 Uttar Pradesh, 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 biker 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. These tour packages are usually given to groups with unusual travel package which may also include meetings, exhibitions or conferences. Incentive 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 a meeting that is part 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 a 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 the parks, watersports, 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 their 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 buster to the week-long tired employees. Indian online tourism companies like Makemytrip.com and Yatra.com are offering good weekend

and

mini vacation packages. These packages include accommodation, meals, sightseeing and other interesting weekend activities like bikeriding, cyclistriding, 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 winter 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.

- **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 prepare 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 service 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.

CHAPTER 2. COMPONENTS OF PACKAGE TOUR

2.1. 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 & King 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.

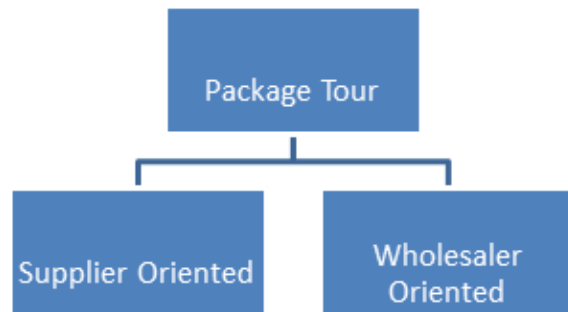
Some of the packages are customized as per the request of customers and ready made as per the convenience of tour wholesalers.

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 upon the life cycle and lifestyle factors of tourists of that area. Even then there are travel components that are common for all the packages and none 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.

2.2. 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 a 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, tourists need not pay any extra amount to any other travel services except their 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.

2.3. Types of Packages

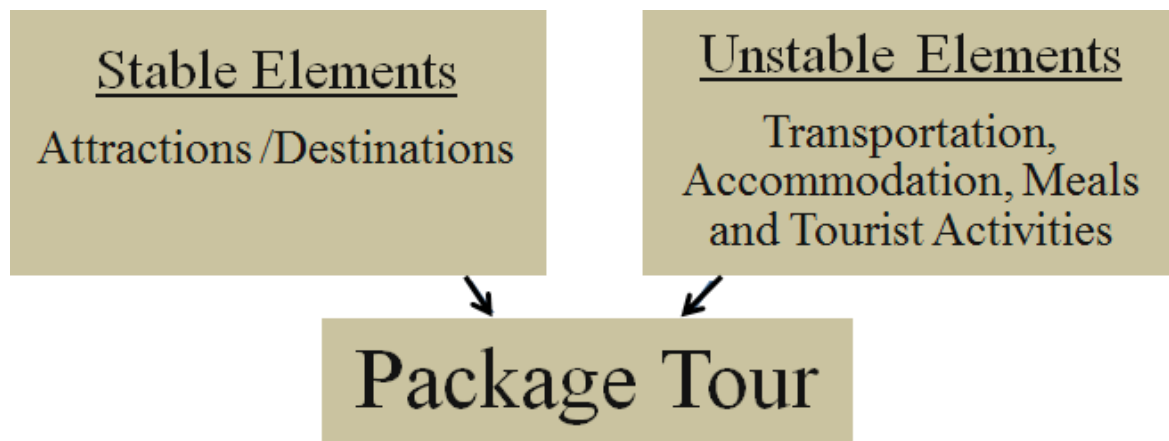
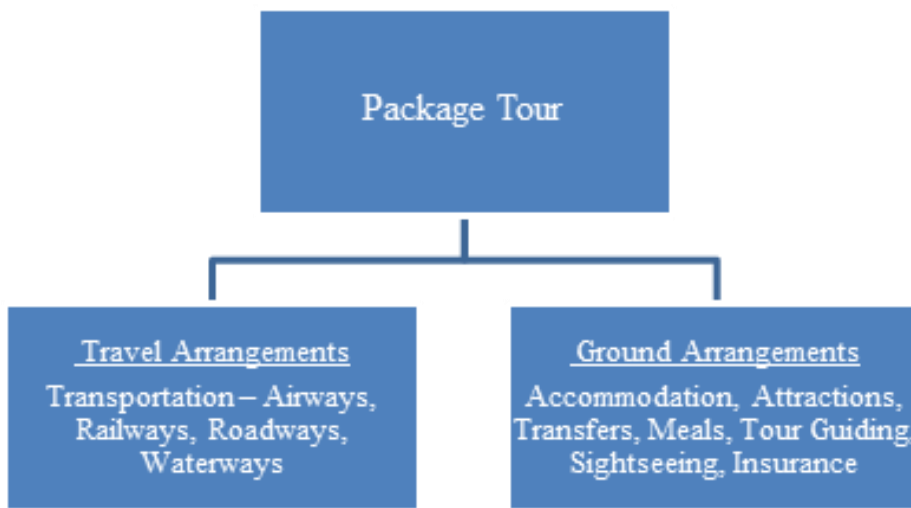


Fig. 17.2 Combination of a Package Tour

2.4. Components of a Package Tour

When we study 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 into two segments. One is called as Travel arrangements and the other one is called Ground arrangements. Travel arrangements category includes 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

i. 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

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.

- **Waterways**

Inland Water Transport (IWT) has about 14,500 km of navigable waterways comprising Rivers, canals, backwaters, creeks, etc.

- **Ground Arrangements**

ii. 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.

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 into tourism destinations across the country.

The accommodation sector is further segmented to different types like premium hotels, midplayers, 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 into 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 a 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.

iii. 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.

iv. 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 time 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 program 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 a 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 a 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.

- **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 tourists to shop with higher percent of participation at the destinations.

CHAPTER 3. PACKAGE TOUR COSTING

3.1. Introduction

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 a 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.

3.2. 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 cover 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.

3.3. 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 sale takes 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.

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.

Break-even 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 break-even point and per passenger cost will be higher.

Tour Price Structure

Type of cost	Cost component	Percentage
Direct costs	Accommodation costs	25
	Airlines ticket costs	20
	Surface transport costs	15
	Agent commission	10
	Total	70
Gross margin		30
Indirect costs	Administrative cost	9
	Advertising and promotional costs	5
	Others	1
	Total	15
Net income/profit		15

3.4. Pricing of Package Tour

After ascertaining the cost of a tour package, a 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 tours such as total cost and marginal cost method, breakeven pricing, rate of return pricing, skimming, penetration, going rate, differential etc.

3.5. 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.

3.6. 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 price will need to be so that it covers all expenses.
- **Competition:** There is no point pricing the product out of the marketplace and the company needs 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 a 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 are operating or not, they remain 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.

CHAPTER 4. COMPONENTS OF TOUR COSTING AND PREPARATION OF COST SHEET

4.1. 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 grabbing 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 rates 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.

4.2. Fixed and Variable Costs

Fixed costs do not vary in the short run, but they vary in the long run. For example, the cost remains to be the same no matter how many rooms are occupied in a particular day. It does not matter if it is 1 or 20 passengers. But the costs would be the same. Variable costs change in the 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"/>

4.3. Various Components of Cost

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 bear around 30 percent of the total cost that is decided after the negotiations with accommodation companies.

- **Sightseeing Costs**

Sightseeing cost includes the cost of guide, entry fee, refreshments, coach, etc. The calculation is done on a 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 from 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 sent for out-house 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.

- **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.

4.4. 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 percent of total tour cost. The existing tour company should not fix its profit margin higher than 20 percent of total tour cost.

CHAPTER 5. TOUR PRICING AND PRICING STRATEGIES

5.1. Introduction

Pricing package tour is a final decision that a tour operator takes after thorough review of competitor's prices 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 in inbound/outbound/domestic package tours. In this present, cut-throat competitive market, pricing strategy is one way 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.

5.2. 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, touoperatorsemploythethodofmarginalpricing. Afterstudyingthemarkettrends,touoperatorsaddtheirarginsandcostthepackageoraftercalculatingtheiroperationalcostsplusomeprofitforthecompany,touoperatorstagthepriceonthe package. However, it is the complete choice of touoperatorstohavetheoptionofchoosing either from mark up or buying power. Let us discuss some of the basic elements of cost factor in the package tour business.

Markup: Touoperatorgeneratesprofitasbusinessentityandtokeepthebusiness 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 supplier 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

5.3. 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

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 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.
- These services can be large 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):



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 curves sometimes slope 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 competitor or lose sales. Packageware 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 customer's 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, customer's assessment of unique product features establish 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.

5.4. 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 appropriated 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 Retail) 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

Cash Discounts	A cash discount is a price reduction to buyers who pay their bills promptly
Quantity Discounts	A quantity discount is a price reduction to those buyers who buy large volumes.
Functional Discounts	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.
Seasonal Discounts	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.
Allowances	Allowances are extra payments designed to gain reseller participation in special programs. Promotional allowances are payments or price reduction 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.

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 example 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**

These sellers here consider the psychology of price and the positioning of price within the marketplace.

CHAPTER 6. PACKAGE TOURS OF THOMAS COOK, SOTC, COX & KINGS AND TCI

6.1. 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.

6.2. 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.

6.3. 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

6.4. 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.

a. 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 delivery 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.

b. 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.

6.5. 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.	Create and Nurture Package Partnership	To establish a sound working relationship with package partners.

5.	Develop Detailed Itinerary	To understand each step, no matter how small.
6.	Pricing Tour Package	To ensure the competition while reaching profit goals.
7.	Give Name Tour Package	To create a presence and sales tool
8.	Develop Operational Plan for Package	To ensure that staff must understand the implications on operations and sales.
9.	Communicate Operational Plan Package Tour	To make sure all staff members must understand and contributes to the package.
10.	Distribution and Market of Package	To conduct sell and distribute network for package tour in efficient manner.
11.	Evaluation	To provide with sound tools to evaluate efforts – should you continue or exit?
12.	Refine Package	To respond to input received and to improve for next package offering.

6.6. 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 a 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

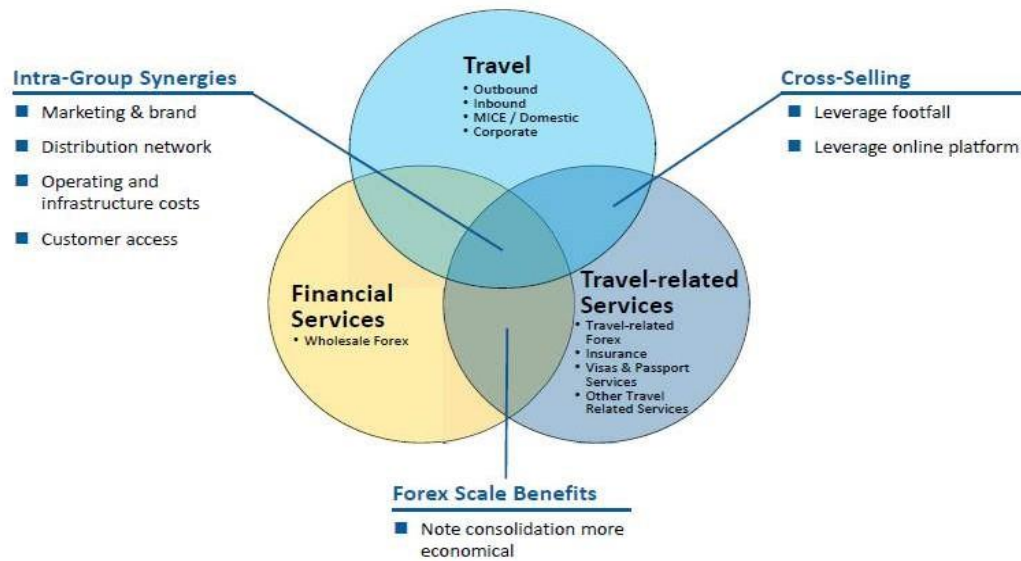
Thomas Cook (India) Ltd. is the leading integrated travel and travel related financial services company in the country offering a broad spectrum of services. These services include Foreign Exchange, Corporate Travel, Leisure Travel and Insurance. The Company launched its Indian operations in 1881 and 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

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 Awan tipur 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 fee 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, portage, 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/transfer 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 postpaid mobile number works in Kashmir

6.7. 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 known to visitors. It should be 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

CHAPTER 7. ROLES AND RESPONSIBILITIES OF TRAVEL TRADE ASSOCIATIONS

7.1. 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 arrival 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 mind set 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 ageographic 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.

a. Regulatory Bodies

Regulatory bodies exist to make sure that all travel and tourism operators serve the travelling public safely, fairly and efficiently. They are found at different levels:

b. Global Level

ICAO (International Civil Aviation Organization) and IATO (International Air Transport Organization) regulate international air transport services.

c. National

The 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.

d. 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.

7.2. 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.

7.3. The UNWTO

- Serves as a global forum.
- Transfer 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 curriculum 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 as 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 as 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)

7.4. Functions of 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.

7.5. 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.

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.

Self Assessment Questions

1. Explain different types of package tours with relevant illustrations.
2. Explain the packages with programming for special interests.
3. Discuss about the Convention/Meeting Packages.
4. Explain the concept of dynamic packaging.
5. What is package tour? Explain the need for the various components in the package tour.
6. What is the costing the package tour? Explain different types of cost.
7. What is break even points in package tour and how a Package Pricing Worksheet is developed?
8. Explain various activities of Fixed vs. Variable costs in the package tour costing.
9. Present various components of costs and how are the different from each other?
10. What is tour cost sheet? Present the types of information is given in the cost sheet.
11. What are the different types of accommodation services that are mostly included in the package tour?

12. Present five important places of interest from each region.
13. Why is pricing known as a key determinant of package tour business? Explain with examples.
14. Explain the basic dimensions of pricing the tour package.
15. Explain the factors influencing the pricing strategy in our operation business.

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