



# Travel Agency and Tour Operations Business

## Student Handbook

Class XII



**CENTRAL BOARD OF SECONDARY EDUCATION**  
Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110301

**Travel Agency and Tour Operations Business  
Student Handbook, Class XII**

Price: ₹ 95/-

First Edition : April 2016, CBSE

Copies : 1500

Paper Used : 80 Gsm CBSE Water Mark White Maplitho

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**PUBLISHED BY** : The Secretary, Central Board of Secondary Education,  
Shiksha Kendra, 2, Community Centre, Preet Vihar,  
Delhi-110092

**DESIGN, LAYOUT** : A-One Offset Printers, 5/34 Kirti Nagar, New Delhi-110015  
& Phone : 25414260

**PRINTED BY**

# भारत का संविधान

## उद्देशिका

हम, भारत के लोग, भारत को एक सम्पूर्ण 'प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,  
विचार, अभिव्यक्ति, विश्वास, धर्म  
और उपासना की स्वतंत्रता,  
प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए

तथा उन सब में व्यक्ति की गरिमा

<sup>2</sup>और राष्ट्र की एकता और अखंडता

सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान ( बयालीसवां संशोधन ) अधिनियम, 1976 की धारा 2 द्वारा ( 3.1.1977 ) से "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
2. संविधान ( बयालीसवां संशोधन ) अधिनियम, 1976 की धारा 2 द्वारा ( 3.1.1977 ) से "राष्ट्र की एकता" के स्थान पर प्रतिस्थापित।

## भाग 4 क

### मूल कर्तव्य

51 क. मूल कर्तव्य - भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह -

- (क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;
- (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;
- (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
- (घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;
- (ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
- (च) हमारी सामासिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;
- (छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;
- (ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
- (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;
- (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले;
- <sup>1</sup>(ट) यदि माता-पिता या संरक्षक है, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

1. संविधान ( छयासीवां संशोधन ) अधिनियम, 2002 की धारा 4 द्वारा प्रतिस्थापित।

# THE CONSTITUTION OF INDIA

## PREAMBLE

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a '**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC** and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity; and to promote among them all

**FRATERNITY** assuring the dignity of the individual and the<sup>2</sup>unity and integrity of the Nation;

**WE HEREBY ADOPT,**

\_\_\_\_\_

(w.e.f. 3.1.1977)

77)

\_\_\_\_\_

and the National

- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- <sup>1</sup>(k) to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

1. Subs. by the Constitution (Eighty - Sixth Amendment) Act, 2002



# Preface

Tourism is now recognized as being an economic activity of many nations in the world. India is second to none in the world in having most attractive tourism destinations for all time for all types of tourists around calendar year. As the importance of the activity has increased, the attention has been given to it by Indian Governments and other various organizations in both the public and private sectors, and academics.

At the same time, the new millennium has witnessed the continued growth of interest in how people spend their spare time, especially their leisure time and non-work time. Some commentators have gone as far as to suggest that it is leisure time – how we use it and its meaning to individuals and families – that defines our lives, as a focus for holiday activity. This reflects a growing interest in what people consume in these holidays, particularly those times that are dedicated to travel and holidays which are more concentrated periods of leisure time. This interest is becoming an international phenomenon known as ‘tourism’: the use of this leisure time to visit different places, destinations and localities which often (but not exclusively) feature in the holidays and trips people take in.

It has given enormous opportunity for tourism business and lot of scope for establishing service providers like travel agency and tour operators. In this direction, Government of India has taken several steps in past few decades to develop tourism professionals to cater the needs of emerging demand for trained manpower for tourism industry. The Central Board of Secondary Education (CBSE), New Delhi also joined hand in inculcating and preparing students to join tourism industry as professionals. In this direction, this book is an introduction to understand the functions and operational mechanism of travel agency and tour operations. This book also plans to provide a comprehensive introduction to the tourism industry to encourage further study and to stimulate interest in the subject area.

The faculties of the Department of Tourism Studies, School of Management, Pondicherry University (Central University), Puducherry have involved in writing this book. Mr. Pranjal Kumar Mahanta and Mr. Rohit Borlikar, Ph.D. scholars, have worked at back of the screen in bringing out the book. I extend my heartfelt thanks to my faculty and scholars.

**Chairman, CBSE**

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## UNIT-1

# INTRODUCTION TO TRAVEL & TOUR OPERATIONS BUSINESS

### Unit Overview and Description

This unit aims to provide extensive outlook on introduction to travel and tourism business. It will help students understand basics of travel and tour operations business.

This unit will impart the following knowledge and skills;

- The evolution of meaning and concepts of travel business
- Types and organisational structure of travel agencies and tour operators
- Differences between travel agencies and tour operators
- Market trends and tourism business scenario
- Business Integration

### Resource Material

One copy of the *study material* for each participant and Copies of the *Observer's Sheet*—for each group and teacher, pen, marker, a set of package tour brochure and computer.

1. Bhatia A.K., Travel Agency and Tour Operations, Sterling Publications, New Delhi.
2. Negi J., Travel Agency Operations : Concepts and Principles, Kanishka, New Delhi.

## 1.1 Evolution of Travel Business

The use of the term travel trade dates back from the early years of the 19th century, but this should not obscure the fact that what we describe today as travel trade (travel agency and tour operation business) was taking place much earlier in history. Throughout the history, there were travel middlemen who helped the merchants traveling for trade and others who traveled for religious purposes. Let's trace the historical development in travel trade – in world as well as in India.

In 1670, the Grand Tour concept was developed especially for educational purposes. Another major development took place in the year 1730. Health experts suggested that sea water is found to be useful to cure many diseases. The result was that many resorts around the English Coast were established to attract visitors seeking to cure themselves by sea water. In 1815, steamboat services were introduced from London to Gravesend. One effect of this development was the construction in all major resorts of a pier to accommodate the vessels on their arrival. In 1820, European cultural centers were opened to British travelers. The rail link was introduced between Liverpool and Manchester in 1830. In 1838, Peninsular and Oriental (P&O) Steam Company introduced steamship services to India and Far East.

The 2008 marks the 250th anniversary of Cox & Kings, the longest established travel company in the world. The company's history stretches back to May 1758 when Richard Cox was appointed as regimental agent to the Foot Guards, later the Grenadier Guards, by Lord Ligonier during the French and American Indian War. There was not a strict code for the role of an agent; in essence they arranged the payment of officers and men, organised the provision of clothing, acted as a go between for the buying and selling of officers' commissions and acted upon any special requests from the regimental adjutant. This ranged from the shipment of personal effects to the requisition of weapons or supplies. Such was Cox's success that by the end of the 18th century the company acted as agents for 14 cavalry regiments, 64 infantry regiments and 17 militia regiments, becoming the largest military agent for the army. Through partnership with the Drummond family the company had also become involved in banking. In 1922 the company merged with the Henry S. King bank and, although the banking business was sold the following year, the Pall Mall building was opened as the Cox & Kings branch. It has been a long and eventful journey since then and it offers a one-stop shop for the travel needs of all segments of travelers. It specializes in Destination Management, Leisure Travel MICE, NRI Holidays and Trade Fairs. Cox & Kings continued to flourish after the two World Wars and today it thrives as an independent travel company, with associated operations in India, Japan and the USA.



A fortunate day came in the history of travel trade when in 1841, Thomas Cook as secretary of the South Midland Temperance Association, organized a trip by train for 570 members of his association to a distance of 22 miles. He bought railway tickets in bulk to sell them back to the people. The experiment was successful and everybody was exultant. Initially Cook had done his job on a no profit basis. But, incidentally, it gave him a new idea and he turned it into a tour business. Four years later, in 1845, he set up the 'World's First Travel Agency' to organize excursions. Due to this innovative approach, Thomas Cook is known as the Father of the Travel Agency Business. He coordinated railway and steamship excursions throughout England, Scotland and Europe. However, railways used to give him only 5 % commission which was not enough to meet his overheads. So he decided to diversify this business into tour operation. In 1855, Cook started operating package tours. He conducted the world's first international tour from England to Paris. This was an inclusive tour and in this way he developed the concept of inclusive tour.

It was a sheer coincidence that in the same year 1841, Henry Wells started his freight business in USA. Thomas Cook's company is still by the name Thomas Cook and Sons while Henry Well's company is known as American Express. In 1870, in order to eliminate payment in cash, Thomas Cook introduced two systems: Traveler Cheque and Hotel Voucher; while American Express introduced Credit Cards and Traveler Cheques.

#### **Review Questions :**

1. Explain the historical background of travel industry.
2. How Thomas Cook played a key role in evolution of travel business.
3. Activity: Recall your last educational study tour.
4. Write one page details of your study tour.

#### **a) Travel Trade in India**

The travel agency and tour operation business is relatively new in India. At the time of independence, there was hardly any company worth the name in the present context. The travel business in India, in an organized manner started with the setting of 'Travel Agents Association of India '(TAAI) in Mumbai in 1951. Prior to it, there were two major foreign companies – Thomas Cook and Sons, and American Express with their main branches; and Indian Companies – Jeena and Co., Lee and Muirhead India Pvt. Ltd., and N. Jamnadas and Co. Ltd. operating in India. However, the bulk of the international tourists were handled by Thomas Cook and Sons, and the American Express. In 1920, Jeena and Co., the first Indian travel agency organized group tours abroad and in India

for Indian travelers. It handled the first group of foreign tourists in 1950. However, Jeena and Co. and the other two Indian travel agencies were merged into one composite travel company known as 'Travel Corporation of India Ltd.' (TCI) in 1961. After this, there were a number of travel companies established in India such as SITA (1963). In addition to this, there are a large number of non-recognized travel agencies scattered all over the country.

## **b) Meaning & Concept of Travel Business**

Travel business is an economic activity, which is related with continuous and regular buying and selling of travel related services for satisfying human wants. Travel industry has been agreed as a service industry. In tourism, service is anything which is provided to the traveler to travel, stay and involve in tourism activity. Travel has fascinated human beings throughout the ages. During the past time travel was there but 'tourism' was not. Because travel was not undertaken for the purpose of pleasure and their motive was not to seek holiday from the daily routine works. When people learned to differentiate between work and leisure then tourism started. When business agencies were developed to select travel related services then tourism industry started and travel business flourished.

Tourism is related to broader economic and social issues including commodification and globalization of culture, hospitality, friendship, pleasure, and place and its attractions. Within this realm, tourism is regarded as experience industry where travel experience is sold as a commodity just like other household, recreation-oriented products. Therefore, tourism is related to travel, stay and involvement of people in tourism activities. Their travel and stay need to generate economy and economy is generated by service. For this there should be buying and selling process. Only travel business are able to involve in motivating travelers to travel, organize travel formalities, and provide travel related services and they can sell tour.

Travel business is a complex concept as the industry includes many activities, which together produce the tourist product that is travel experience. It is also complex due to various sub-sectors of the tourist products. Tourism is a single industry but it is made of different industries such as hotel, airlines, travel agency, trekking agency etc. Each one of them provides individual product or they combine together to provide travel experience. Any visit to a tourism destination comprises a mix of several components of different organizations. A traveler may buy all the travel components from a commercial supplier, for example a travel agency, as a single product or may buy travel components individually from different suppliers. The buying and selling of all such travel related services constitute travel business.



## **Review Questions :**

1. What is the role of Travel Agents Association of India (TAAI) in commencement of travel trade?
2. Describe the concept of travel business with suitable examples from India.
3. Collect the names of such travel agencies, which comes to your notice.
4. Activity: Discuss with your family members/friends about names of travel agencies situated in town/nearby city.

## **1.2 Types and Organisational Structure of TA & TO:-**

### **a) Travel Agency**

Travel agency is one of the most important organizations in the tourism private sector that plays a significant and crucial role in the entire process of developing and promoting tourism in the country or at the destination. It is a travel agency which packages and processes all the attractions, accesses, amenities and ancillary services of a country and presents them to the tourists. That's why travel agencies are known as image builder of a country. A prospective travel agency is one that makes arrangement of travel tickets (air, rail, road and sea); travel documents (passport, visa and other documents for travel), accommodation, entertainment and other travel related services from the principal suppliers. It may also secure travel insurance, foreign currency for the traveling people.

A travel agency may either be one of a chain of retail outlets or a single operation. The work of the larger agencies is often divided between different divisions, e.g. counter service, business travel and foreign exchange. In smaller concerns each member of the staff will have to handle many aspects of the agency's business. Some agencies limit their activities to arranging travel and/or holidays to a specific area, but most cater for a very much wider demand and fulfill all the functions associated with acting as intermediary between the providers of holidays, transport, accommodation etc., and the client. Companies that deal only with business travel are called Business Travel Houses. They may also be responsible for dealing with the planning, publicity and bookings for trade fairs and conferences.

Travel agency sales clerks take bookings on behalf of tour operators, sell tickets for travel, make hotel bookings, take payments from the public and give advice, on types of holidays, methods of travel, passports, visas, travelers cheques, foreign currency etc., They need to have a good knowledge of the products and destinations offered by the tour operating and travel companies. Managers and assistant managers are responsible for the day-to-day operation of branch offices. This includes staffing, marketing, accountancy, complaints etc. Travel managers should have professional qualifications and experience. In

a small agency training will probably be on-the-job. Large companies may offer a training programme. The main features of travel agency business are:

- An important link between the clients and principal suppliers.
- Image builder.
- Ensures rapid travel service.
- Provider of authentic and reliable travel information.
- A social and continuous process.
- Establishes good relationship with clients and vendors.

## b) Types of Travel Agencies

**Retail Travel Agency:** A retail travel agency sells tourist products directly to the public on behalf of the product suppliers and in return gets commission. Some package tours are sold in two ways i.e. on a commission basis and mark-up price. When a travel agency sells a tour package on marked up price, it means that first it marks up the cost of a tour and then sell it at a higher rate. The mark up price is the difference between retail price and wholesale cost.

A retail travel agency is defined as 'a business that performs the following functions: quote fares and rates, make reservations, arrange travel tickets and accommodation, arrange travel insurance, foreign currency, documents and accept payments.' The main source of revenue for a retail travel agency is the commission received from the vendors. However, the rate of commission differs from organization to organization and from travel component to travel component. In India, retail travel agencies receive ninety five percent of their revenue from commission and the remaining five percent from consultancy services.

**Wholesale Travel Agency:** These agencies are specialized in organizing package tours, which are marketed to the customers/tourists through the network of a retail travel agency or directly to the prospective clients (if the wholesale travel agency has a retail division). A wholesale travel agency purchases tourist product components in bulk and designs package tours. Sometimes, a wholesale travel agency buys travel components from a vendor in bulk and resells them to another travel business organization.

Wholesale travel agencies assemble package holidays and sell them to the clients by retail travel agencies. A typical package tour includes – air ticket, accommodation and sometimes other services may also be included in it such as entertainment, sightseeing and sports activities etc. These packages are referred to as 'package tours' as most of these tours include the services of escorts but a few are sold to people who wish to travel independently. How a wholesale travel agency generates profit? Generally a wholesaler



receives volume discounts from principal suppliers because a wholesaler might agree to purchase a large number of seats from a particular airline or reserve a large number of rooms at a particular hotel and resort.

Practically, a wholesaler who sells package tours is called a tour operator. However, technically there is a difference between a wholesaler and a tour operator. A wholesaler who sells tourists products individually without assembling them into package tours is called a consolidator. Mostly, these are specialized in a particular product component, such as air tickets, accommodation, conferences and conventions etc.

### **Review Questions:**

1. What do you mean by travel agency?
2. Discuss the functions of travel agency.
3. Describe the different types of travel agencies.
4. Make a casual visit to any of near by travel agency.
5. Activity: Identify the location of travel agencies near to your native place.

### **c) Tour Operator**

An organization, firm or company which buys individual travel components, separately from their suppliers and combines them into a package tour, which is sold with their own price tag to the public directly or through middlemen is called a tour operator. More precisely, tour operators are mainly responsible for delivering and performing the services specified in a given package tour. They can provide these services themselves as some have their own cars and coaches, hotels and other travel related services or can obtain these from other suppliers. That is why they are called manufacturers of tourism products.

Tour operators are sometimes called wholesalers but this is partially true because a wholesaler buys goods or services in bulk at his own account to prepare a tour package and then retails it through the travel agencies or directly to the clients. However, a tour operator who has his own one or more tourist product components formulates a new tourist product for example 'inclusive tours'. Tour Operators generally offer variety of package tours to cater to the needs of different kind of travelers.

Although the holidays which are 'manufactured' by tour operators are usually sold by travel agents, some companies have their own retail outlets or sell direct to the public. Thus the work of a large operator may encompass all the stages in the production and sale of a holiday. The larger the company, the more specialized each employee's role becomes, e.g. there are those concerned with negotiating the various components of a holiday with carriers and hotel owners etc., those who produce the brochure or 'label' of the product,

those involved with the research and development of new ideas or marketing them, and those dealing with reservations. They also have separate finance, personnel and other administrative departments.

#### d) Types of Tour Operators

**Inbound Tour Operators:** These are also known as incoming tour operators. Technically, the operators who receive guests, clients/tourists and handle arrangements in the host country are called inbound tour operators. For example, a group of American tourists coming through TCI to India and the company makes arrangements and handles the group in India, then TCI is called an inbound tour operator. Incidentally, the inbound traffic to the country for the last two decades has been decreasing. Essentially, tour operators need to adopt innovative marketing strategies and should introduce special interest tours to cater to special needs of the foreign tourists.

**Outbound Tour Operators:** Tour operators, who promote tours to foreign destinations, may be business tours or leisure tours are called outbound tour operators. Indian outbound tourist traffic is growing at a rate of 10 percent annually and this makes India the second largest country in the world with regard to the traveling population. However, India's outbound tourism is not only holiday oriented but it is business oriented too. There are many travel companies which offer outbound packages such as SITA, TCI, Thomas Cook etc.

**Domestic Tour Operators:** Domestic tour operators are those who assemble and combine tourist components into inclusive tours and sell it to the domestic travelers. In general, these tour operators provide travel services within the boundary of home country and offer package tours to the travelers viz. domestic inclusive tours or independent tours.

**Destination Management Companies/ Ground Operators:** These are commonly known as handling agencies and their main function is to organize tour arrangements for incoming tourists on behalf of overseas operators. When a tour operator himself promotes beach holidays, wildlife holidays, wildlife tours, heritage tours, cultural tours at different places, the difficulty arises. It is the ground operator who handles the incoming travelers in the same season but at different places ensures that the entire operation is according to the package tours or agreements. Sometimes when a handling agency is at a prominent tourist place, for example Delhi and it has to make arrangements to Goa, then it contracts (if it has no office of its own) with a local operator (known as excursion agent) to handle the arrangements on his behalf.



## e) Organizational Structure of a Travel/Tour Company

The organization of a travel/ tour company largely depends on the size and type of the business handled by it. Generally, in a small and medium scale travel agency/ tour operator, one will find a simple organization structure being limited in terms of operation, size, division of labor and so forth. Whereas in large scale travel companies such as Thomas Cook, TCI, SITA etc., the organization structure is more formal.

A sound organizational structure of a travel company brings following benefits to the travel business:

- Develop sound and up-to-date management practices, systems and strategies.
- Develop effective leadership.
- Growth and diversification.
- Optimum use of 'human asset'.
- Stimulates creativity.
- Effective coordination between various departments.

The organizational structure of a travel/tour company is the formal or quasi-formal network of reporting or controlling relationship and the powers and duties associated with each role in this network. The network of reporting relationship is commonly depicted through an organization chart. But there are many travel companies, mostly young and small, in which the structure is implicit rather than explicit. However it has been observed that a travel company will operate functions most effectively and efficiently if an explicit organization structure is designed or adopted. Practically organization charts do not exist nor does the role description. Yet, if one views around, one can discern a hierarchy of authority, some division of work, some specialization in functions, some role specialization and so forth, which are the hallmarks of an organizational structure.

The organizational structure of a large travel/ tour company is shown in Figure 1. The chart depicts the visible 'super structure' of departments and the important reporting and functional relationships in the organization of a travel company. The structure consists of managerial hierarchy from top level to junior level managers and assistants. Normally, a large scale travel company has two parts – Head Office and number of branches within the country and abroad. It is also common that the headquarters/registered offices would have several divisions such as research and planning, travel and tour division etc. and so forth. However in the branches, one will find a few departments according to the requirements of specialized particular areas. Obviously in designing organization structure,

a travel company is free to use any means of departmentation that are appropriate to its business operation, type of customer - traveler corporation, its services and specific functions and activities to achieve a mission or goals and the core values etc.

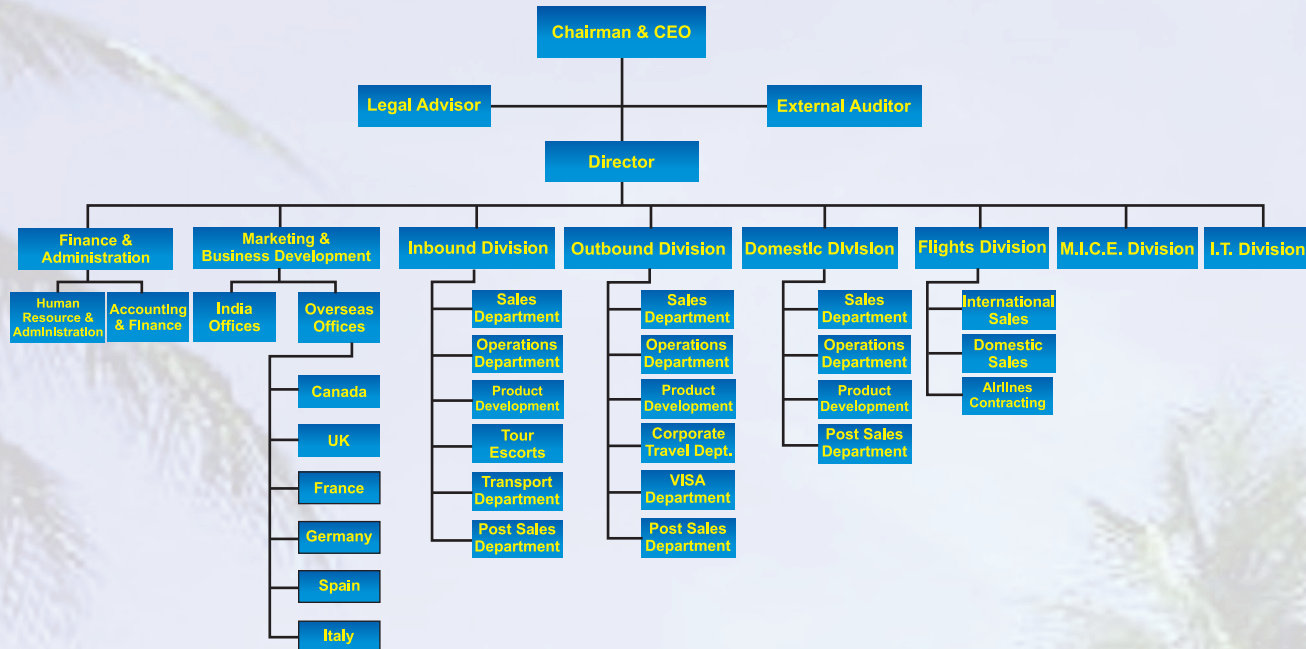


Figure: 1 Organisational structure of large travel/tour company

### 1.3 Difference between Travel Agencies and Tour Operators

- The major difference between tour operators and travel agencies is in the system of providing service to customers. A tour operator is a company that buys certain services from different companies (like hotels, restaurants, cafes, beauty salons) and forms a single tourist product out of them using its own pricing system. A travel agency acts like an independent reseller. Its profit is the commission for the sale of the operator's tours to customers. That's why the agent's price is usually higher, although there are moments when agents deliberately understate their prices.
- Usually a tour operator is a comparatively large company in comparison with a travel agency. It has its main office and several subsidiaries in order to offer their services to more potential customers. Many big tour operators have subsidiaries in different countries. Irrespective of the number of subsidiaries a tour operator usually concludes agent agreements with independent travel agencies that then sell the operator's tours to their customers. The more partners a tour operator has in as many countries and regions as possible, the more the sales volume is and, correspondingly, the more tourists will buy its tours and the more profit it will gain.



- A tour operator may be a supplier (meaning they might own hotels or car rentals or both) and allow to use their own inventory or their supplying partner inventories for a fee. A travel agent is only a distributor, and typically travel agents rarely own any travel assets (such as car rentals or hotels) of their own
- Travel agencies are less inclined than tour operators to perform ground services i.e. to act like a handling agency or ground operator.
- A travel agency may deal with one component of travel product while a tour operator offers a variety of tour programmes.

#### **1.4 Market Trends & Travel Agency Business Scenario**

There has been a gradual decline in the number of travel agency business around the world which can be attributed to some very tangible factors. The first was shrinking airline commissions beginning in 1995 and continuing until 2002, when they were eliminated. So, after decades of offering travel agents a standard commission of 10 percent or more, with no cap, many of the larger carriers stopped paying base commissions to travel agents. These changes in the commission system driven by the airlines altered the distribution system fundamentally. Agents were no longer paid to process transactions.

To offset the loss of commissions, agents had to develop new sources of income. The most readily available source was service fees. In addition to charging fees, agents have also turned to selling more cruises and tour packages and shifted to an emphasis on leisure travel. Service fees put agents at a price disadvantage because when airlines sell directly to passengers online, they do not add a separate fee to cover their own distribution costs. Therefore, an airline-direct fare for the same seat for the same journey is lower than a comparable ticket offered by an agent charging a fee. That provides an incentive for the customer to deal directly with the airline and reduces the agent's share of the distribution pie.

A second major factor is the Internet, which has impacted travel purchase behavior. The Internet has changed the way commerce is conducted. Many businesses use the Internet as a way to bypass product and service intermediaries and deal directly with consumers. The airlines have been a leader in aggressively using e-commerce. The major carriers built powerful websites where passengers could make reservations, review frequent flyer accounts, and check on the status of flights. As a result, airline online bookings increased, as did the depth of information airlines were able to collect on customers. Such information gave the airlines a marketing advantage in creating direct relationships with consumers. The relatively low cost of e-mail marketing enabled the airlines to contact customers more frequently and less expensively than through the mail.

In parallel with airline website development, online travel agencies invested large sums to improve their sites and presence. Since 1995, a number of online booking and fare search sites have appeared (and disappeared), disseminating almost unlimited information on any possible destination and thus creating more interest in travel. Consumers searched for information and booked online to make travel the most successful commercial sector on the Internet.

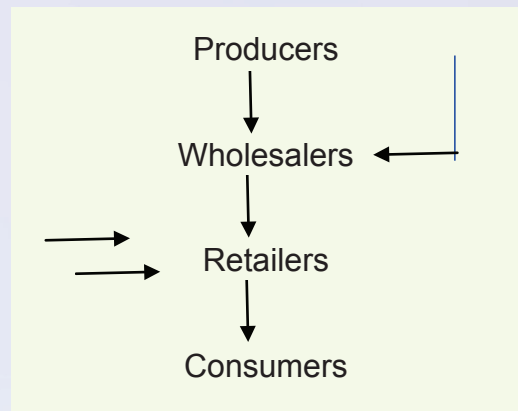
Another important factor is that airlines now attempt to bypass travel agents. As more people have Internet access and are willing to purchase over the web, airlines have adapted the strategy of selling direct, diverting business away from travel agents and dealing directly with the passenger. This has two advantages: (1) reduced distribution costs and (2) increased control over passenger information. Sale of travel over their own airline sites has not only reduced CRS booking fees and commission costs, it has also attracted passengers who have previously used travel agents.

The Internet has become the distribution channel of choice for the airlines, and they are aggressively pushing sales on their own sites. Traditional travel agents will continue to compete for sales with airline seats and online agencies. While the above explains some major reasons why there has been a decrease in the number of travel agents, they have not gone away and are still on the major distribution channel for travel. They will maintain that position as long as they continue to deliver valuable service and save clients time and money.

## **1.5 Business Integration**

The tourism product consists essentially of transport, accommodation and attractions, both constructed and natural. The producers or 'manufacturers' of these services include air, sea, road and rail carriers, hotels or other forms of tourist accommodation, and various forms of constructed facilities designed to attract the tourist, such as heritage sites & amusement parks, and purpose-built activity centres such as skiing resorts. These services can be sold to the tourist in a number of ways, either direct, through travel agents (the retailers of the tourism industry) or through tour operators who can be described as wholesalers of tourism. Figure 2 is an illustration of the chain of distribution in the travel and tourism business. The term marketing channel is also used to describe this system.





**Figure: 2**

A notable feature of the industry over recent years has been the steady process of integration that has taken place between sectors of the tourism industry. If we refer to the model of the chain of distribution in Figure 2 we can identify this integration as being either horizontal or vertical in character. Horizontal integration is that taking place at any one level in the chain, while vertical integration describes the process of linking together organizations at different levels of the chain.

All business is highly competitive, and the tourism industry is no exception to this rule. Competition forces companies to seek ways of becoming more efficient in order to cut costs. Integration makes this possible by enabling companies to benefit from economies of scale. By producing and selling more of a product, the supplier reduces the unit cost of each product, since the fixed costs incurred are spread over a larger number of units, whether these are hotel bedrooms, aircraft seats or package tours. At the same time, buyers of these products, such as tour operators, can obtain lower net prices if they buy in large quantities, just as airlines can negotiate lower prices if they order more aircraft from the manufacturers. The savings achieved through both these economies of scale can be passed on to clients in the form of lower prices, making the product more attractive to the consumer.

In addition to these broad benefits offered by integration generally, there are other advantages specific to horizontal or vertical integration. Horizontal integration can take several forms. One form is the integration between two companies offering competing products. Two hotels may merge, for example, or two airlines competing on similar routes may unite. A second form of horizontal integration occurs between companies offering complementary rather than competing products. Close links therefore form between the accommodation and transport sectors, which are interdependent for their customers. Without hotel bedrooms available at their destinations, airline passengers may be unwilling to book seats, and vice-versa. Recognition of this dual need has led many airlines to buy into or form their

own hotel divisions, especially in regions of high tourist demand, where bed shortages are common.

As with horizontal integration, organizations can achieve significant economies of scale by expanding vertically. Vertical integration is said to take place when an organization at one level in the chain of distribution unites with one at another level. This integration can be forward (or downward in the direction of the chain) such as in the case where a tour operator buys its own chain of travel agents, or it can be backward (or upward against the direction of the chain) such as in the case where the tour operator buys its own airline. Forward integration is obviously found more commonly, since organizations are more likely to have the necessary capital to buy businesses further down the chain of distribution, which require less capital investment. For example, even the largest travel agency chain would be unlikely to have the capital needed to form its own airline.

#### **Review Questions:**

1. What are the basis for classification of tour operators.
2. List out the differences between travel agency and tour operators.
3. Describe the integrative system in travel and tour business.
4. Activity: Think why there are different types of travel agencies.
5. List out on paper the differences.

#### **Exercises:**

1. Are you interested to travel. List out the requirements to undertake travel.
2. Explain the concept of tour operation.
3. Enumerate the organization structure of travel agency/operation.

**Activity:** Prepare a note on the different types tours and tour operators.



## UNIT-2

# OPERATIONS OF TRAVEL AGENCY

### Unit Overview & Description

This unit aims to provide extensive knowledge of the operation required in travel agency.

This unit will impart the following knowledge & skills-

- Role, functions and responsibilities of TA & TO
- Ticketing- fare calculation
- Documentation- packaging tour
- Foreign exchange
- Hotel, cruise, bus & rail reservations- car rentals
- Travel documentations
- Marketing & publicity
- Market research

### Resource Material

One copy of the *study material* for each participant and Copies of the *Observer's Sheet*— for each group and teacher, pen, marker, a set of package tour brochure and computer.

1. Chand, M., *Travel Agency Management: An Introductory Text*, Anmol Publication Pvt. Ltd., New Delhi.
2. Holloway, J.C., *The Business of Tourism*, Prentice Hall, London.

### Introduction

The tour operator is far from easy process because their role, activities and form have changed dramatically from the early days when Thomas Cook first organized a package

trip by rail in the 1840s. One useful approach is to identify what a tour operator does as a means of establishing their characteristics and form. In simple terms a tour operator will organize, package together different elements of the tourism experience and offer them for sale to the public either through the medium of a brochure, leaflet or advertisement, or using ICT. If a tour operator is to offer a package, also known as an inclusive tour, it will normally have to include at least two elements that are offered for sale at the inclusive sale price, and will involve a stay of more than 24 hours in overnight accommodation. These elements normally include transport, accommodation and other tourist services

## 2.1 Agent

An agent is a person acting for, or employed by, the principal. If a company appoints another person to act for it in the course of business, that person becomes the agent, whether the appointment is full-time or part-time and whether or not the agent receives a fixed salary or a fee from the company. In a travel agency, any individual director or employee or a self-employed person acting for the travel agency is an agent of the company.

A travel agency is a private retailer or public service that provides tourism related services to the public on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, and package tours. In addition to dealing with ordinary tourists most travel agencies have a separate department devoted to making travel arrangements for business travelers and some travel agencies specialize in commercial and business travel only. There are also travel agencies that serve as general sales agents for foreign travel companies, allowing them to have offices in countries other than where their headquarters are located.

## 2.2 Origins of Travel Agency

The British company Cox & Kings is sometimes said to be the oldest travel agency in the world, but this rests upon the services that the original bank, established in 1758, supplied to its wealthy clients. The modern travel agency first appeared in the second half of the 19th century. Thomas Cook, in addition to developing the package tour, established a chain of agencies in the last quarter of the 19th century, in association with the Midland Railway. They not only sold their own tours to the public, but in addition, represented other tour companies. Other British pioneer travel agencies were Dean & Dawson, the Polytechnic Touring Association and the Co-operative Wholesale Society. The oldest travel agency in North America is Brownell Travel; established on July 4, 1887, Walter T. Brownell led ten travelers on a European tour, setting sail from New York on the SS Devonian.

Travel agencies became more commonplace with the development of commercial aviation, starting in the 1920s. Originally, travel agencies largely catered to middle and upper class customers, but the post-war boom in mass-market package holidays resulted in travel agencies on the main streets of most British towns, catering to a working-class clientele,



looking for a convenient way to book overseas beach holidays.

**Review Questions:**

1. What are the elements of a travel agent?
2. Discuss the reasons behind the origin of travel agency
3. Identify the required assistance you expect from travel agency/tour operation.
4. Activity: If you are planning to go to tour during your vacations, who will provide travel related solutions to you.

### **2.3 Operations of Travel Agency**

A travel agency's main function is to act as an agent, selling travel products and services on behalf of a supplier. Consequently, unlike other retail businesses, they do not keep a stock in hand. A package holiday or a ticket is not purchased from a supplier unless a customer requests that purchase. The holiday or ticket is supplied to them at a discount. The profit is therefore the difference between the advertised price which the customer pays and the discounted price at which it is supplied to the agent. This is known as the commission. In many countries, all individuals or companies that sell tickets are required to be licensed as a travel agent. In some countries, airlines have stopped giving commission to travel agencies. Therefore, travel agencies are now forced to charge a percentage premium or a standard flat fee, per sale. However, some companies still give them a set percentage for selling their product. Major tour companies can afford to do this, because if they were to sell a thousand trips at a cheaper rate, they still come out better than if they sell a hundred trips at a higher rate. This process benefits both parties. It is also cheaper to offer commissions to travel agents rather than engage in advertising and distribution campaigns without using agents.

Other commercial operations are undertaken, especially by the larger chains. These can include the sale of in-house insurance, travel guide books and timetables, car rentals, and the services of an on-site Bureau de change, dealing in the most popular holiday currencies.

The majority of travel agents have felt the need to protect themselves and their clients against the possibilities of commercial failure, either their own or a supplier's. They will advertise the fact that they are surety bonded, meaning in the case of a failure, the customers are guaranteed either an equivalent holiday to that which they have lost or if they prefer, a refund. Many British and American agencies and tour operators are bonded with the International Air Transport Association (IATA), for those who issue air tickets, Air Travel Organisers' Licensing (ATOL) for those who order tickets in, the Association of

British Travel Agents (ABTA) or the American Society of Travel Agents (ASTA), for those who sell package holidays on behalf of a tour company.

A travel agent is supposed to offer impartial travel advice to the customer. However, this function almost disappeared with the mass-market package holiday and some agency chains seemed to develop a 'holiday supermarket' concept, in which customers choose their holiday from brochures on racks and then book it from a counter. Again, a variety of social and economic changes have now contrived to bring this aspect to the fore once more, particularly with the advent of multiple, no-frills, low-cost airlines.

## 2.4 Organization of Travel Agencies

Whilst the businesses in this sector can be broadly split into the independent travel agencies and the multiples who are owned and operated by tour operators and other tourism concerns, two basic principles characterize success in each: good quality customer service and management. In terms of management, controlling costs, ensuring highly motivated staff are employed and building upon a customer base through word of mouth are all critical. The independent agencies, which are manager-owned and typically employ fewer than five staff, contrast with the larger chain agencies, located in prominent high street or shopping mall locations, which have high passer-by traffic. Travel agents typically deal with a diverse range of tasks including:

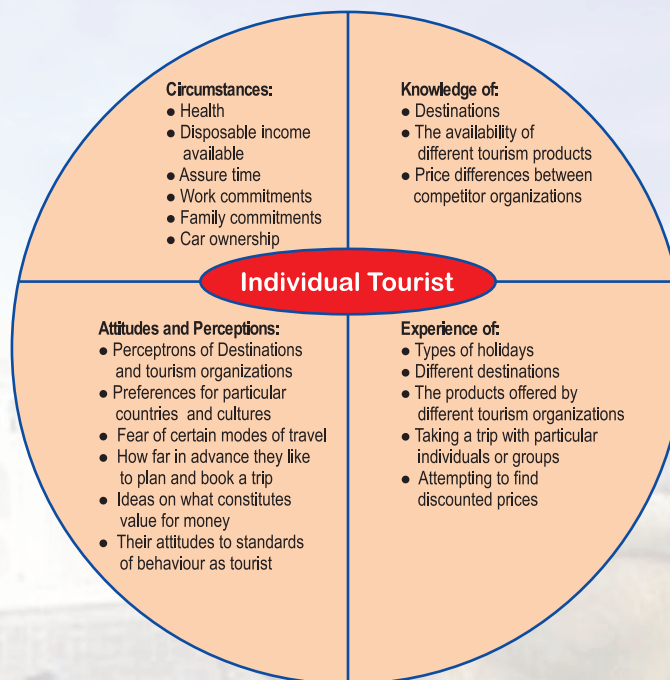
- Making reservations
- Planning itineraries (including complex round-the-world travel)
- Calculating fares and charges
- Producing tickets advising clients on destinations, resorts, airline companies and a wide range of travel products
- Communicating with clients verbally and in writing
- Maintaining accurate records on reservations
- Ensuring racks are stocked well or supplies are kept in-house
- Acting as intermediaries where customer complaints occur.

Not only do travel agency staff need technical skills in reading timetables, calculating fares and an ability to write tickets, they also need good interpersonal skills in closing a sale and in being able to use technology (e.g. CRS). Agents also need to be able to explain the growing complexity of air fares and the conditions attached to them in simple, plain English. An agency manager will have to be able to manage a group of staff and will also be engaged in the financial management of accounts and cash flow, the invoicing of clients and the controlling of expenditure in running the business. Above all, it is critical



to ensure all staff provide a high level of customer service so as to make sales and build the client base. To do this:

- Customers must be greeted warmly, typically with a smile,
- Staff must ensure high standards of dress, appearance and personal grooming as,
- Customers are influenced by first impressions; their personal posture, manner and body language are also important as being alert, attentive and willing to empathize and match client needs with available products is key,
- All staff must be polite and able to express themselves clearly, while always maintaining eye contact,
- Telephones must be answered promptly and courteously.



**Figure:3**

In selling a product, a set sequence is usually adhered to, as in Figure 8.6. This illustrates the consumer psychology of a holiday purchase, where an agent will need to gradually understand what the consumer wants, how to fulfil that demand and the type of interaction that is sought. In particular, a process of search, evaluation and re-evaluation goes on in the agency or on a return visit if the client takes away brochures to assess product offerings. The agent has a critical role to play, not necessarily in providing definitive answers, but in guiding the consumer, presenting options (and in managing their dismissal) until a suitable product is located. It is clear that this is a time-intensive undertaking and, therefore, it is apparent why many consumers will go through this process using technology such as the worldwide web as well as using a travel agency.



### **Review Questions:**

1. Explain the mechanism of operating travel agency?
2. Discuss the organization system of travel agency.
3. Write a small notes on the functions of identified jobs.
4. Activity: Identify the jobs, involved in tour operations.

## **2.5 Commissions**

Several areas of a travel agency's focus pay commissions to the agency which becomes its principal income. These are mainly car rentals, cruise lines, hotels, railways, sightseeing tours, tour operators, etc. A fixed percentage of the main element of the price is paid to the agent as a commission. Commissions are not paid on the Tax component of the price.

However regarding air travel, commissions are becoming a thing of the past. In the United States, most airlines pay no commission at all to travel agencies. In this case, an agency usually adds a service fee to the net price. Reduced commissions have taken place since 1995, when first commission reductions hit North America: a cap of \$50 on return trips and \$25 on one way. In 1999 European airlines began eliminating or reducing commissions, while Singapore Airlines did so in parts of Asia. In 2002 Delta Air Lines announced a zero commission base for USA and Canada; after a few months United Airlines, American Airlines, Continental Airlines, Northwest Airlines, US Airways and American Trans Air joined Delta.

### **Types of Agencies**

There are three different types of agencies in the UK: multiples, miniples and independent agencies. The former comprises a number of national chains, often owned by international conglomerates, like Thomson Holidays, now a subsidiary of TUI AG, the German multinational. It is now quite common for the large mass-market tour companies to purchase a controlling interest in a chain of travel agencies, in order to control the distribution of their product. (This is an example of vertical integration.) The smaller chains are often based in particular regions or districts.

In the United States, there are four different types of agencies: mega, regional, consortium and independent agencies. American Express and the American Automobile Association (AAA) are examples of mega travel agencies.

Independent agencies usually cater to a special or niche market, such as the needs of residents in an upmarket commuter town or suburb or a particular group interested in a similar activity, such as sporting events, like football, golf or tennis.

There are two approaches of travel agencies. One is the traditional, multi-destination,

out-bound travel agency, based in the originating location of the traveler and the other is the destination focused, in-bound travel agency, that is based in the destination and delivers an expertise on that location. At present, the former is usually a larger operator like Thomas Cook, while the latter is often a smaller, independent operator.

## 2.6 Travel Agencies in the 21st Century

With general public access to the Internet, many airlines and other travel companies began to sell directly to passengers. As a consequence, airlines no longer needed to pay the commissions to travel agents on each ticket sold. Since 1997, travel agencies have gradually been disintermediated, by the reduction in costs caused by removing layers from the package holiday distribution network. However, travel agents remain dominant in some areas such as cruise vacations where they represent 77% of bookings and 73% of packaged travel. In 2009, the market size for travel agencies experienced a sharp decline, dropping from \$17 billion the previous year to \$14.5 billion.

In response, travel agencies have developed an internet presence of their own by creating travel websites, with detailed information and online booking capabilities. Major online travel agencies include: Expedia, Voyages, Travelocity, Orbitz, CheapTickets, Priceline, CheapOair, Webjet, and Hotwire. Travel agencies also use the services of the major computer reservations systems companies, also known as Global Distribution Systems (GDS), including: SABRE, Amadeus CRS, Galileo CRS and Worldspan, which is a subsidiary of Travelport, allowing them to book and sell airline tickets, hotels, car rentals and other travel related services. Some online travel websites allow visitors to compare hotel and flight rates with multiple companies for free. They often allow visitors to sort the travel packages by amenities, price, and proximity to a city or landmark. Travel agents have applied dynamic packaging tools to provide fully bonded (full financial protection) travel at prices equal to or lower than a member of the public can book online. As such, the agencies' financial assets are protected in addition to professional travel agency advice.

All travel sites that sell hotels online work together with GDS, suppliers and hotels directly to search for room inventory. Once the travel site sells a hotel, the site will try to get a confirmation for this hotel. Once confirmed or not, the customer is contacted with the result. This means that booking a hotel on a travel website will not necessarily result in an instant answer. Only some hotels on a travel website can be confirmed instantly (which is normally marked as such on each site). As different travel websites work with different suppliers together, each site has different hotels that it can confirm instantly. Some examples of such online travel websites that sell hotel rooms are Expedia, Orbitz and World Hotel-Link.



### **Review Questions :**

1. Find out the changes that are happening in tourism business.
2. Activity: Find out the sources of income for travel agency/tour operations.

### **Exercises :**

1. What are the elements of a travel agent?
2. Explain the mechanism of operating travel agency?
3. What is the role of commission in operating
4. Explain the future of travel agents

### **I. Guidelines for Practical:**

One day visit to Travel Agency and take part in following activities:

1. Identify office material/machines involves in travel agency office.
2. Observe arrangement of office equipment and their logical arrangement.
3. Recognize people working with different roles
4. Observe the clients and understand their requirements
5. Find out various functions performed by people in travel agency.

Prepare a report.

## UNIT-3

# TRANSPORT NETWORK

### Unit Overview and Description

This unit aims to provide an overview on transport network. It will help students to understand various transport networks available for tourist to reach attractive tourism destinations.

This unit will impart the following knowledge and skills;

- The importance of transportation
- Tourism and transport
- The modes of transport
- Air transport
- Rail transportation
- Road transport - the national highways authority of India
- Car rental system
- Shipping transport

### Resource Material

A copy of the study material, road maps with travel brochures for each participant and copies of the Observer's Sheet—for each group and teacher, pen, marker, a set of package tour brochure and computer.

1. Roday. S., Biwal, A & Joshi . V., Tourism Operations and Management, Oxford University Press, New Delhi.
2. Bhatia A.K, Travel Agency and Tour Operations, Sterling Publications , New Delhi.

### 3.1 Transportation

Many economic activities that are intensive in infrastructures, the transport sector is



an important component of the economy impacting on development and the welfare of populations. When transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multipliers effects such as better accessibility to markets, employment and additional investments. When transport systems are deficient in terms of capacity or reliability, they can have an economic cost such as reduced or missed opportunities. Efficient transportation reduces costs, while inefficient transportation increases costs. Transportation links together the factors of production in a complex web of relationships between producers and consumers.

### **3.2 Tourism and Transport**

Since the 1970s where tourism became increasingly affordable for developed economies, the number of international tourists has more than doubled. The expansion of international tourism has a large impact on the discipline of transport geography. As of 2010, 877 million international tourist receipts were accounted for, representing more than 10% of the global population. Tourism dominantly takes place in Europe and North America. Traveling has always been an important feature of society. First the explorers traveled the world to learn more about geographical regions, potential markets and to exploit resources. As time moved on and as transportation became more reliable, traveling became a mundane activity taking place in an organized environment; tourism. In the modern world, traveling is more centered around the annual holidays and can be fairly well predicted. Tourism, as an economic activity, is characterized by a high level of elasticity. As transport costs are significant for international transportation, demand is strongly influenced by cost fluctuations. Therefore, transport is the key element in the tourism industry. The demand in international and even national transport infrastructures implies a very large number of people who wants to move in an efficient, fast and inexpensive manner. It requires heavy investments and complex organization. Well organized terminals and intelligently planned schedules are essential in promoting effective transportation facilities for tourists, notably since the industry is growing at a fast rate. Transport is the cause and the effect of the growth of tourism.

To start with, the improved facilities have stimulated tourism, and the expansion of tourism has stimulated transport. Accessibility is the main function behind the basics of tourism transport. In order to access the areas that are mainly aimed, tourists will use any transportation mode. However, air transport is the main mode for international tourism, which normally entails travel over long distances. Growth rates of international air traffic are pegged with growth rates of international tourism. Transport policies and decisions of governments can make a big difference in the destinations available to tourists. One

dimension concerns the openness to tourism through travel visa restrictions, which vary substantially depending on the countries of origin of tourists. Unsurprisingly, travellers from developed countries, particularly Europe, are facing the least restrictions while travelers from developing countries are facing a much more stringent array of restrictions. Another dimension concerns the provision of infrastructures. If the public sector does not cope with the demand in terms of transport infrastructures, the tourist industry might be impaired in its development. However, land transport networks in various countries are designed to meet the needs of commercial movements that tourism requires. “Holiday spenders” usually make enough contribution to the local economy that governments are more than willing to invest in efficient road networks or airport facilities, especially in locations that have limited economic opportunities other than tourism. There are however significant differences in the amount of spending per type of mode, namely between cruise and air transport tourism. Cruise shipping tourism provides much less revenue, with \$15 per passengers spent per port of call on average. A significant reason is that cruise lines are capturing as much tourism expenses within their ships as possible (food, beverages, entertainment, shopping).

#### **Review Questions:**

1. What do you mean by transportation?
2. Explain the linkage between transportation and tourism.
3. What is the importance of transportation?
4. Recollect your recent tour and mode of transport.
5. Activity: Understand the transportation system of your city/town/place

### **3.3 Air Transport**

It is by far the most effective transport mode. Notably because of prices, only 12.5% of the tourist travel by plane, but for international travel this share is around 40%. Air transport has revolutionized the geographical aspect of distances; the most remote areas can now be attained, any journey around the world can be measured in terms of hours of traveling. Business people are among the biggest users of airline facilities, but a low cost air carriers have attracted a significant market segment.

Air transportation was slow to take off after the Wright Brothers breakthrough at Kitty Hawk in 1903. More than ten years passed before first faltering efforts to launch scheduled passenger services. On January 1, 1914, the world’s first scheduled flight with a paying passenger hopped across the bay separating Tampa and St. Petersburg, Florida for a fare that eventually stabilized at \$10 per person, round-trip about \$200 in 2006). By



comparison, Low-Cost Carrier (LCC) Southwest Airlines could carry a passenger from Tampa to Seattle and back, more than a hundred times farther for only slightly more than \$200 in 2007. World War I, which began just months after that first flight from Tampa, provided the first real spur to the development of commercial aviation as air power began to be used and better aircraft were quickly designed. Three major categories of passenger jet planes may be recognized:

- **Short range aircraft:** Bombardier's CRJ series and Embraer's ERJs are examples of planes with relatively small capacities (30-100 passengers) that travel over relatively short distances. They are usually referred to as regional jets that serve smaller markets and feed hub airports. They also provide high frequency point to point services between large city pairs.
- **Medium range aircraft:** The airbus A320, with a range of 3,700 km, and its Boeing equivalent, the B-737, are designed to service destinations within a continent. From New York, most of North America can be reached. This range can be applied to the European continent, South America, East Asia and Africa. This type of aircraft is also used for high demand regional services where low cost air carriers compete.
- **Long range aircraft:** There are a variety of aircraft capable of crossing the oceans and linking together the continents. Early variants such as the B-707 have evolved into planes offering high capacity, such as the B-747 series, or long range abilities, such as B-777 series or the A350 series which have ranges of up to 17,400 km.
- Typically, air cargo relates to time sensitive, valuable or perishable freight carried over long distances. This is particularly suitable in supporting "just-in-time" production and distribution strategies with low inventory levels. Air cargo has also a niche market for emergency situations where the fast delivery of supplies (e.g. medical, food) prevails over cost issues. The air freight market is serviced by five types of operations:
  - a) Dedicated cargo operators maintaining a fleet of cargo-only aircrafts and offering regular scheduled services between the airports they service. They also offer charter operations to cater to specific needs.
  - b) Combination services where an airline company will maintain a fleet of both specialized and passenger aircrafts able to carry freight in their bellyhold. Most of the cargo operations involve long haul services.
  - c) Passenger operators that will offer the freight capacity in the belly hold of their aircrafts. For these operators, freight services are rather secondary and represent

a source of additional income. However, low cost airlines usually do not offer air cargo services.

- d) Air freight integrators commonly operating hub and spoke freight services that reconcile short and long haul flights. They offer comprehensive services that are usually door-to-door and can support the logistics requirements of their customers.
- e Specialized operators fulfilling niche services that cater to specific cargo requirements (e.g. heavy loads) that do not fit the capabilities of standard cargo aircrafts.

In today's competitive market scenario, organizations increasingly understand the importance of building and effectively managing the relationship with passengers. For building and maintaining a healthy relationship with the passenger, organizations need to understand and meet the expectations of its passenger. The organizations today should aim not only at delivery of the service to the passengers, but should also focus on satisfying the passengers with the service. Thus it has become imperative for organizations to identify factors that cause passenger satisfaction or dissatisfaction and consciously measure them so as to try and bring about the necessary changes on the basis of passenger perceptions.

The total fleet size of commercial airlines in India was 371. In 1994, the Air Corporation Act of 1953 was repealed with a view to remove monopoly of air corporations on scheduled services, enable private airlines to operate scheduled service, convert Indian Airlines and Air India to limited company and enable private participation in the national carriers. However, beginning 1990 private airline companies were allowed to operate air taxi services, resulting in the establishment of Jet Airways and Air Sahara. These changes in the Indian aviation policies resulted in the increase of the share of private airline operators in domestic passenger carriage to 68.5% in 2005 from 0.4 of 1991. Due to weaker rupee, fierce competition and high world crude oil prices with taxes levied by state-run oil marketing companies made jet fuel prices in India among the highest in the world, by the end of the 2011, 5 of the top 6 Indian airlines were loss-making, including state-owned Air India which was operating on taxpayer life support.

**Review Questions:**

1. Explain the importance of air transport in an economy?
2. What do you mean by low cost carrier (LCC)?
3. What are the major categories of air passengers?
4. Write small notes on the airport that you know on your own or through your friends/ relatives.
5. Activity: Collect data on airport which is located at your place.



### 3.4 Rail Transportation

The rail travel has emerged as the dominant form of mass public transport before the age of the automobile. Even if trains are very fast, the network is not too flexible, pre-established routes have to be followed. The railway network usually reflects more the commercial needs of the national economy than the holiday tourist flow which can make it a second choice as a traveling mode. The railway systems of several countries, notably in Europe, have seen massive investments for long-distance routes and high speed services. Due to the scenery or the amenities provided, rail transportation can also be a tourist destination in itself. Several short rail lines that no longer had commercial potential have been converted for tourism.

Rail Transportation and Rail Lines-Although primitive rail systems existed by the 17th century to move materials in quarries and mines, it is not until the early 19th century that the first real rail transportation systems came into existence. Rail transportation has been the product of the industrial era, playing a major role in the economic development of Western Europe, North America and Japan. It represented a major improvement in land transport technology and has obviously introduced important changes in the movement of freight and passengers. This was not necessarily because of its capacity to carry heavy loads, since maritime transportation excelled at doing so, but because of the time element. Rail transport systems dramatically improved travel time as well as the possibility to offer reliable and consistent schedules that could be included in the planning of economic activities such as production and distribution.

The coherence of economic activities and social interactions was thus substantially improved. With the introduction of the steam locomotive in 1829, a mechanized land transport system became available for the first time. According to the geographical settings, rail lines were established differently because of the variety of strategies to be achieved, namely access to resources, servicing regional economies and to achieve territorial control. The first railway companies were mainly point to point ventures with the company often taking the name of the serviced destinations. As the rail system expanded, several mergers took place, which lead to rather peculiar semantic results.

Operating a rail system involves using regular (scheduled), but rigid, services. Rail transportation, like roads, has an important relationship with space, since it is the transport mode the most constrained by the physiography. These constraints are mainly technical and operational:

- **Space consumption:** Rail transportation has a low level of space consumption along lines, but its terminals are important consumers of space, especially in urban areas. This increases operation costs substantially. Still, rail terminals tend to be

centrally located and accessible. A major issue concerns rights of way that represent a significant sunk costs for rail, which has fixed the network structure and impede future developments because of the difficulty of securing them along corridors.

- **Gradient and turns:** Rail transportation can support a gradient of up to 4% (e.g. 40 meters per kilometer), but freight trains rarely tolerate more than 1%. This implies that an operational freight rail line requires 50 kilometers to climb 500 meters. Gradient are also important as they involve more energy consumption, particularly for freight trains traveling over long distances. For turns, the minimal curvature radius is 100 meters, but radiuses of 1 km for a speed of 150 km/hr and 4 km for a speed of 300 km/hr are needed.
- **Vehicles:** Rail transportation is very flexible in terms of vehicles and there is a wide variety of them filling different purposes. The locomotion technology ranges from steam, to diesel (mainly for freight in the United States) and electric (mainly for passengers in Europe). The recent trend has been a specialization of freight wagons, such as hopper wagons (grain, potash and fertilizers), triple hopper wagons (sand, gravel, sulfur and coal), flat wagons wood, agricultural equipment, manufactured goods, containers), tanker wagons (petrochemical products), box wagons (livestock, paper, manufactured goods), car wagons and passengers wagons.
- **Gauge:** The standard gauge of 1.435 meters has been adopted in many parts of the world, across North America and most of Western Europe for example. It accounts for about 60% of the railways. But other gauges have been adopted in other areas, such as the broad gauge (1.520 meters) in Russia and Eastern Europe accounting for about 17% of the railways. This makes integration of rail services very difficult, since both freight and passengers are required to change from one railway system to the other. As attempts are being made to extend rail services across continents and regions, this is an important obstacle, as for example between France and Spain, Eastern and Western Europe, and between Russia and China. The potential of the Eurasian land bridge is impaired in part by these gauge differences.
- **Network structure:** Relates to the ownership of tracks and rolling stock, maximum train length, signaling equipment, maintenance schedule and the traffic mix. These factors will influence the capacity of the rail system, particularly if well managed. When tracks are privately owned, the operator is free to allocate its services without much competitive hindrance. However, if the tracks are publically owned, they are often reserved for a national rail carrier or service slots are leased to private operators through a bidding process.



Other factors that inhibit the movement of trains between different countries include signaling and electrification standards. These are particular problems for the European Union where the lack of “interoperability” of the rail systems between the member states is a factor limiting the wider use of the rail mode. There is also a trend where the passengers and freight markets are being separated. First, it is occurring at the management level.

#### **Review Questions:**

1. Discuss the importance of rail transport in India.
2. Explain the structural network of Indian railways.
3. What are the technical and operational constraints in railways track expansion.
4. Activity: Identify a railway station, which you know, then prepare a list of train pass through that railway station.

### **3.5 Road Transport**

The National Highways Authority of India (NHAI) : The National Highways Authority of India was constituted by an act of Parliament, the National Highways Authority of India Act,1988. It is responsible for the development, maintenance and management of National Highways entrusted to it and for matters connected or incidental thereto. The Authority was operationalised in Feb, 1995 with the appointment of full time Chairman and other Members.

- About 65% of freight and 80% passenger traffic is carried by the roads.
- National Highways constitute only about 1.7% of the road network but carry about 40% of the total road traffic.
- Number of vehicles has been growing at an average pace of 10.16% per annum over the last five years.
- National Highways Authority of India (NHAI) is mandated to implement National Highways Development Project (NHDP) which is -
  - a) India's Largest ever highways project
  - b) World class roads with uninterrupted traffic flow

The National Highways have a total length of 71,772 km to serve as the arterial network of the country. The development of National Highways is the responsibility of the Government of India. The Government of India has launched major initiatives to upgrade and strengthen National Highways through various phases of National Highways Development project (NHDP), which are briefly as under:

**NHDP Phase I** : NHDP Phase I was approved by Cabinet Committee on Economic Affairs

(CCEA) in December 2000 at an estimated cost of Rs.30,000 crore comprises mostly of GQ (5,846 km) and NS-EW Corridor (981km), port connectivity (356 km) and others (315 km).

**NHDP Phase II :** NHDP Phase II was approved by CCEA in December 2003 at an estimated cost of Rs.34,339 crore (2002 prices) comprises mostly NS-EW Corridor (6,161 km) and other National Highways of 486 km length, the total length being 6,647 km. The total length of Phase II is 6,647 km.

**NHDP Phase-III:** Government approved on 5.3.2005 upgradation and 4 laning of 4,035 km of National Highways on BOT basis at an estimated cost of Rs. 22,207 crores (2004 prices). Government approved in April 2007 upgradation and 4 laning at 8074 km at an estimated cost of Rs. 54,339 crore.

**NHDP Phase V:** CCEA has approved on 5.10.2006 six laning of 6,500 km of existing 4 lane highways under NHDP Phase V (on DBFO basis). Six laning of 6,500 km includes 5,700 km of GQ and other stretches.

**NHDP Phase VI:** CCEA has approved on November 2006 for 1000 km of expressways at an estimated cost of Rs. 16680 crs .

**NHDP Phase VII:** CCEA has approved on December 2007 for 700 km of Ring Roads, Bypasses and flyovers and selected stretches at an estimated cost of Rs. 16680 crs .

To meet the nation's need for the provision and maintenance of National Highways network to global standards and to meet user's expectations in the most time bound and cost effective manner, within the strategic policy framework set by the Government of India and thus promote economic well being and quality of life of the people.

**Car traveling:** It is usually an independent means of transport. The driver decides where, when and how he is going to get to a destination. It is usually cheaper since roads fees are not directly paid but are rather from taxes. It is the only transportation mode that does not require transfers, in the sense that the whole journey, from door to door can be achieved without even stopping. Car transport is the dominant mode in world tourism (77% of all journeys), notably because of advantages such as flexibility, price, and independence. Tourists will often rent cars to journey within their destinations, which has triggered an active clustering of car rental companies have emerged adjacent to main transport terminals (airports, train stations) and tourist venues.

**Coach traveling :** This type of mode of transport uses the same road network as cars. Coaches are well suited for local mass tourism but can be perceived as a nuisance if in too large numbers since they require a large amount of parking space. They can be used



for short duration local tours (hours) but also can be set for multi-days journeys where the coach is the conveyance.

**Car Rental:** Car rental companies operate by purchasing or leasing a number of fleet vehicles and renting them to their customers for a fee. Rental fleets can be structured in several ways – they can be owned outright (these are known as ‘risk vehicles’ because the car rental operator is taking a risk on how much the vehicle will be sold for when it is removed from service), they can be leased, or they can be owned under a guaranteed buy-back program arranged directly through a manufacturer or manufacturer’s financial arm (these are known as ‘repurchase vehicles’ because the manufacturer outlines the exact price of original sale and of repurchase at the end of a defined term). At the end of a rental vehicle’s useful life, rental companies will often sell them into the used car market to dealers across the country via several methods, including direct-to-dealer and via specialized wholesale auctions companies (such as Manheim Auctions in the USA). Dealers generally will go through an inspection of the vehicles to make sure they comply with the safety standards of that dealership and then sell the car to the public. Many of these are known as program vehicles in the representation by the selling dealer.

**Car Rental System :** Most car rental offices offer a range of vehicle sizes to suit a variety of budgets and space requirements and some additionally offer specialised vehicles to suit its location such as convertibles, prestige models, hybrid/electric vehicles or SUVs and passenger vans. At major airports or in larger cities, some independent car rental agencies offer high-end vehicles for rent. Some specialized companies such as Rent-a-Wreck offer older vehicles at reduced prices. To allow for a uniform classification and easy comparison of car rental prices, the Association of Car Rental Industry Systems and Standards (ACRIS) has developed the ACRIS Car Classification Code coding system. This describes the size, door count, gearbox type (manual/automatic) and whether the car is air-conditioned, encoded into four letters. Additional classifications based on seat numbers and trunk volume were also set by the Belgian Rent a Car association in order to provide a unified system for assessing the car types in online reservation systems such as Amadeus or Argus.

Car rentals are subject to many conditions which vary from one country to another and from one company to another. Generally the vehicle must be returned in the same condition it was rented in, and often must not exceed mileage restrictions, otherwise extra fees may be incurred.

### Review Questions:

1. What are the different forms of car travels?
2. Briefly explain the National Highways Authority of India (NHAI) in Indian road ways
3. Write a short note on various projects promoted by National Highways Development project (NHDP).
4. Write a small note on the reasons for existence of toll on booth highways.
5. Activity: Identify major national high ways in India with their numbers.

### 3.6 Shipping

The shipping is the physical process of transporting commodities and merchandise goods and cargo by sea, and is extended in American English to refer to transport by land or air (International English: “carriage”). “Logistics” is a term borrowed from the military environment, is also fashionably used in the same sense.

Land or “ground” shipping can be by train or by truck (International English: lorry). In air and sea shipments, ground transport is required to take the cargo from its place of origin to the airport or seaport and then to its destination because it is not always possible to establish a production facility near ports due to limited coastlines of countries. Ground transport is typically more affordable than air, but more expensive than sea especially in developing countries like India, where inland infrastructure is not efficient. Shipment of cargo by trucks, directly from the shipper’s place to the destination, is known as a door to door shipment and more formally as multimodal transport. Trucks and trains make deliveries to sea and air ports where cargo is moved in bulk.

Much shipping is done aboard actual ships. An individual nation’s fleet and the people that crew it are referred to as its merchant navy or merchant marine. Merchant shipping is like lifeblood to the world economy, carrying 90% of international trade with 102,194 commercial ships worldwide.

**Cruises :** The cruises are mainly concentrated towards short sea journeys of about a week. Cruising has become a significant tourist industry; big cruisers are like floating resorts where guests can enjoy luxury and entertainment while moving towards their multiple destinations. The international market for cruising was about 18.3 million tourists in 2010, which showed an annual growth rate of above 7% since 1990. The main cruise markets are the Caribbean and the Mediterranean, which Alaska and Northern Europe fjords also popular during the summer season. This industry is characterized by a high level of market concentration with a few companies, such as Carnival Corporation and Royal Caribbean Cruises who account for about 70% of the market. The impacts of



cruising on the local economy are mitigated as the strategy of cruising companies is to retain as much income as possible. This implies that tourists spend most of their money in the cruise ship itself (gift shops, entertainment, casinos, bars, etc.) or on island facilities owned by cruise shipping companies.

**Star Cruises** : Star Cruises a member of Genting Hong Kong, is the third largest cruise line in the world behind companies such as Carnival Corporation and Royal Caribbean Cruises. Star Cruises dominates the Asia-Pacific market and is owned by Genting Hong Kong who also owns 50% of the Norwegian Cruise Line, and NCL America with a total combined fleet of 18 ships and over 35,000 berths. The company is listed on the Hong Kong Stock Exchange and the Singapore Exchange.

Star Cruises is credited with almost single handedly developing the cruise industry in the Asia-Pacific region. Its foray into the global shipping market has allowed it to tap into lucrative and more mature markets in North America and Europe. Its services cater to Asian passengers as well as to North Americans, Europeans and Australians interested in Asian destinations. Star Cruises was founded as an associate of the Genting Group of Malaysia, incorporated in Bermuda on 10 November 1993 with its corporate headquarters in Hong Kong. The company's first ships were two cruise ferries acquired from the bankrupted estate of Swedish Rederi AB Slite. In the following years, the company purchased several other used ships. In 1998, Star Cruises took delivery of its first new build, SuperStar Leo, followed by sister ship SuperStar Virgo in 1999. Star Cruises also acquired Sun Cruises the same year.

India has an extensive network of inland waterways in the form of rivers, canals, backwaters and creeks. The total navigable length is 14,500 km, out of which about 5200 km of river and 4000 km of canals can be used by mechanised crafts. Freight transportation by waterways is highly underutilised in India compared to other large countries and geographic areas like the United States, China and the European Union. The total cargo moved (in tonne kilometers) by the inland waterway was just 0.1% of the total inland traffic in India, compared to the 21% figure for United States. Cargo transportation in an organised manner is confined to a few waterways in Goa, West Bengal, Assam and Kerala. Inland Waterways Authority of India (IWAI) is the statutory authority in charge of the waterways in India. Its headquarters is located in Noida (UP). It does the function of building the necessary infrastructure in these waterways, surveying the economic feasibility of new projects and also administration and regulation.

### **3.7 Mass Transportation**

Mass Tourism and Mass Transportation can be divided in two categories:

- Independent means of travel; controlled by individual tourists.

- Mass travel; where tourists travel in groups.

When tourism was mainly for the elite, independent means of travel prevailed. However, with the emergence of mass tourism and the significant revenue it provided for local economies, to led setting up of mass transportation systems.

### **Review Questions:**

1. What is sea transport?
2. Explain the different types of cruise lines.
3. What do you mean by mass transportation?
4. Write one page notes on the port trust that you visited/known from others.
5. Activity: Identify any port trust

### **Exercises:**

1. Write few pages/note on various types of transportation services.
2. What do you mean by car travels? .
3. Activity: Identify any national high way, airport and port trust



## Unit-4

# ITINERARY PLANNING

### Unit Overview and Description

The unit aims to provide an understanding of the itinerary planning. The unit will impart following knowledge and skills:-

- Meaning and significance of itinerary features
- Types of tour itinerary
- Steps for preparing itinerary
- Do's and don'ts of itinerary preparation
- Itinerary
- Planning for FIT & GIT

### Resource Material

One copy of the *study material* for each participant and copies of the *Observer's Sheet*—for each group and teacher, pen, marker, a set of package tour brochure and computer.

1. Goeldner, R. & Ritchie, B., *Tourism: Principles, Practises and Philosphies*, John Wiley and Sons, London.
2. Holloway, J.C., *The Business of Tourism*, Prentice Hall, London.

### Introduction

Itinerary is known as a tour plan. It is related to the tour programs, timetable and the information of the places to be visited. A program includes only activities, whereas, an itinerary includes date, day, time duration and points of interests between the destinations,

on the way to the destination, the special features of the tour and happenings at the destination etc. An itinerary is the combination of the different components of tourism to form a product ready for sale. So, it explains and shows how different components of tourism are joined together. Travel was there since a long time but there was no tourism. Hotels were there, transport or movements of the people were there but there was no tourism because there was no joint or coordinated effort. By the introduction of the travel agency, there came the concept of tourism. Travel agencies produce the tourism product that is to produce itinerary. Now the tour is sold as a single product. Tourism is defined as sum of the total activities related to travel and stay and itinerary joins that travel and stay together to form a product. Itinerary is the commoditization of tour.

## 4.1 Itinerary Planning

Itinerary is developed to perform the sales process. It tries to solve the problems created by service nature, “here and there” nature and synchronized effort nature. Tangible products are weighted, measured but service is measured in duration. Itinerary is prepared to identify the duration of service, tangible and intangible nature of service, solves the problem of immovability of tourism products. The other interesting fact of tourism is to have point of sales (POS) and point of service delivery (POSD) in different places. Itinerary solves the problems of joint efforts also. An itinerary is the combination of the different components of the tourism to form a product ready for sale. So, it explains how different components of tourism are joined together. The travel agencies produce the tourism product that is to produce the itinerary.

- A detailed plan for a journey, esp. a list of places to visit.
- A line of travel, route.
- An account of a journey.
- A guidebook for travelers- Travel plan, schedule, course, record of a journey and so on.

**Example:** Their trip’s itinerary was disrupted by an unexpected snow storm.

### Review Questions:

1. What do you mean by programme?
2. What is tourism?
3. Identify itinerary for the tour packages.
4. Activity: Collect tour packages from tour operators



## 4.2 Importance of Travel Itinerary

If you arrange your own travel plans, a travel itinerary is a key component of staying organized and being able to maximize your vacation time. Below is my itinerary for an upcoming trip to the Pacific Northwest. I like to research most details ahead of time, so I don't use valuable vacation time. You can determine how many sights and/or activities you can squeeze in comfortably. Spontaneity is nice, that's why I always leave 1 or 2 days open. Some people might prefer to plan a lot less and take it day by day, but I feel when you're spending a lot of money, you should get to see and do as much as you can.

### Types of Tour Itinerary

There are three types of itineraries.

1. **Skeletal:** Proposed and preliminary schedule of activities.
2. **Technical:** specifies the details, like the scheduled transportation, arrival and departure schedules, duration of sightseeing, land travel time, type of accommodation and so on.
3. **Descriptive:** provides a narrative of the planned activities and destinations visited. It's produced for marketing purposes.

### Itineraries are also Differentiated According to the Person for it is Prepared for, Which are:

1. **Tourist itinerary:** short itinerary which can be included in the tour brochure. It emphasises on the basic things that the tourist need & want to know relating to all the aspects of the tour. This document provides him the essential information such as departure point/time, check in – check out time, etc.
2. **Tour Manager's itinerary:** this is the most comprehensive type of itinerary. It includes information about all tour related elements, which are passenger list, accommodation allotment, special requirements, transportation arrangements etc.
3. **Vendor's itinerary:** (Vendors – Hotels, Ground services, Guides, etc. ): Providing a general tour itinerary to the vendors help them to offer scheduled services & facilities to the tourists.
4. **Bus driver itinerary:** includes pickup points, turn around points, route map, drop-off points, sightseeing points & schedule. etc. to give him better understanding of his job.
5. **Tour Escort itinerary:** Similar to the Manager's itinerary but with lesser details.

## Prerequisites of Itinerary Preparation

### Required Information

- Approximate dates or month of travel
- Total no. of Pax
- Mode of transportation
- Class of accommodation
- Local transportation
- Budget
- Extra service

### Required Resources / Material

- Timetables
- Maps
- The Official Airline Guide (OAG)
- Brochures tariffs of hotels
- Government Tourist offices
- Travel guidebooks
- Internet

### Things to be Considered While Preparing an Itinerary

- **Route Map & Routing of Itinerary:** Exact route of the intended tour must be clear. Backtracking or routing the pax in circles should be avoided, unless its necessary.
- **Pacing the Itinerary:** Speed of the itinerary should be as per clients requirement. age, health, purpose, preference etc of the tourists. One should never take the passengers for granted.
- **Interests of Tourists:** This is an important way to add more value to the tour itinerary. The clients interest can be matched with the corresponding attractions & activities of the proposed tour.
- **Details to be considered:** Details like holidays, opening & closing timings of monuments and other tourist places, allowed baggage, expected weather, airport check-in formalities, suitable clothing etc. are extremely important while finalising the itinerary.



## Step By Step Procedure



## Do's and Don'ts of Itinerary Preparation

Identify the number of days you'll have on the ground. Include air travel days so everyone's flight arrivals and departures can be included, and travelers know where to go on the first day.

Include the names, addresses, phone and fax numbers of hotels or private homes as well as the time difference (plus 8 hours from Mountain Standard time). Research connecting options in advance. Pay particular attention to potential delays related to airport check-in, travel to and from airports or train stations, car rental, distances between attractions, time differences, unfamiliar roads, and even local traffic conditions at various times during the day.

Resist the impulse to over plan. Some destinations don't conform to schedules and you want to stay flexible and be open to spontaneous opportunities. They will arise unexpectedly such as delay of trains etc. A fellow traveler suggesting a scenic detour.

Contact tourism boards at your destination for brochures, coupons or referrals. Keep all pertinent trip information in one file. Compile a list of flexible tasks to fill spare time while you wait for connections. Bring a book or magazine as well as bottled water.

### **Review Questions:**

1. What are do's and don't in itinerary planning.
2. Locate the each activity and its importance.
3. Activity: Underline schedule of activities in itinerary.

### **GIT : Group Inclusive Tour**

There are tourists who travel in groups as they find that by travelling in a group they can enjoy an economic tour. Such persons who travel in group feel more secure because they are in company with others and also there is always a tour leader on a tour, an escort with the group to whom they can turn to in the case of any difficulty. Formation of group is also activated by the foreign language which the tourist do not speak and they have a tour leader or tour escort who speaks the languages of the country they visit.

The group tours are always prepaid, partly or fully. Partly paid means that at certain places the participants of the tour may be allowed free time for their independent activities and may not be provided with full board to enable them to eat wherever they like. Those travelling in groups buy what we call 'package tours' or an 'inclusive tour' which includes the fare from their country and back, hotel accommodation with meals, sightseeing and excursions with guide, and transportation from the airports to hotels and vice versa. Most such tour operate under special IT fare.

'IT' means inclusive tour and it has certain conditions laid down by IATA. For example, from all points from Europe to India, Nepal, Ceylon and Pakistan, there is an IT fare that allows 39 per cent reduction on the normal economy class fare provided there are minimum of four persons travelling together and provided they spend minimum of fourteen days and maximum of 35 days in the area of India, Nepal, Ceylon and Pakistan, and provided the minimum prices of their inclusive tour is 90% of the normal economy class fare. Similar fares are available from USA, Japan and Australia to India and from various countries to different parts of the world. Wherever a tourist may go, before leaving he has to make up his mind. At times, the cost of a tour is a deciding factor.

Wherever he may go, he wants to get the maximum benefit of the money he spends on his travel. Be it an advantageous routing for his air ticket or the popular hotels or the sightseeing tours, he must get full value of his money and of course the best services.

All tourists are guided by their own financial position. Low cost without sacrifices of higher quality remains a determining factor in the tourists' choice of a place to visit.



## **FITs**

The wealthy and affluent travel as and when they like and travel individually. This class of tourists get their tours tailored by their travel agents. They know where they want to go and how many days they want to spend at each place and what category of hotel and transportation they want. The travel agent works out the cost for them and if they accept it, all arrangements are taken in hand for them. These tourists are known as FITs. Foreign Independent Traveller who travel on prepaid basis which means that they have paid to their travel agent the cost of their entire tour including the cost of travel, hotels with meals (if needs) and transportation for sightseeing and excursions as well as transfers from airports to hotels and vice versa.

Another type of independent traveller is one who has not made prepaid arrangements, but has just bought an air, rail or steamship ticket and he makes his own arrangements for stay and sightseeing at each place. This is mostly done by the economy minded tourist.

### **4.3 Packages or Inclusive Tours**

The growth of packaging achieved something of a revolution in tourism. The entire system of tour operation involves a lot of correspondence and needs at least two or three months notice to ensure smooth and definite operation of the tour. It was decided that a system should be evolved which would cut the volume of correspondence and acquire facilities of instant reservations with the hotels and airlines. It led to a new system known as package tours. The idea of buying a package of travel, accommodation, and perhaps some ancillary services such as entertainment became established in Western Europe. This system succeeded in reducing the real price of travel abroad.

In this system, the travel agent plans package tours covering fully at least one unit and offers fixed services and uses fixed hotels, at a fixed price. An inclusive tour is a package of transport and accommodation separately from individual hotels and transport tariffs. The agency prints and circulates among the agents and airlines abroad a detailed pamphlet of these package tours.

#### **Review Questions:**

1. List difference between FIT and GIT.
2. Activity: Name packages inclusive tour from different travel agencies .

#### **Exercises:**

1. What is the definition of itinerary?
2. What do you mean by itinerary planning.

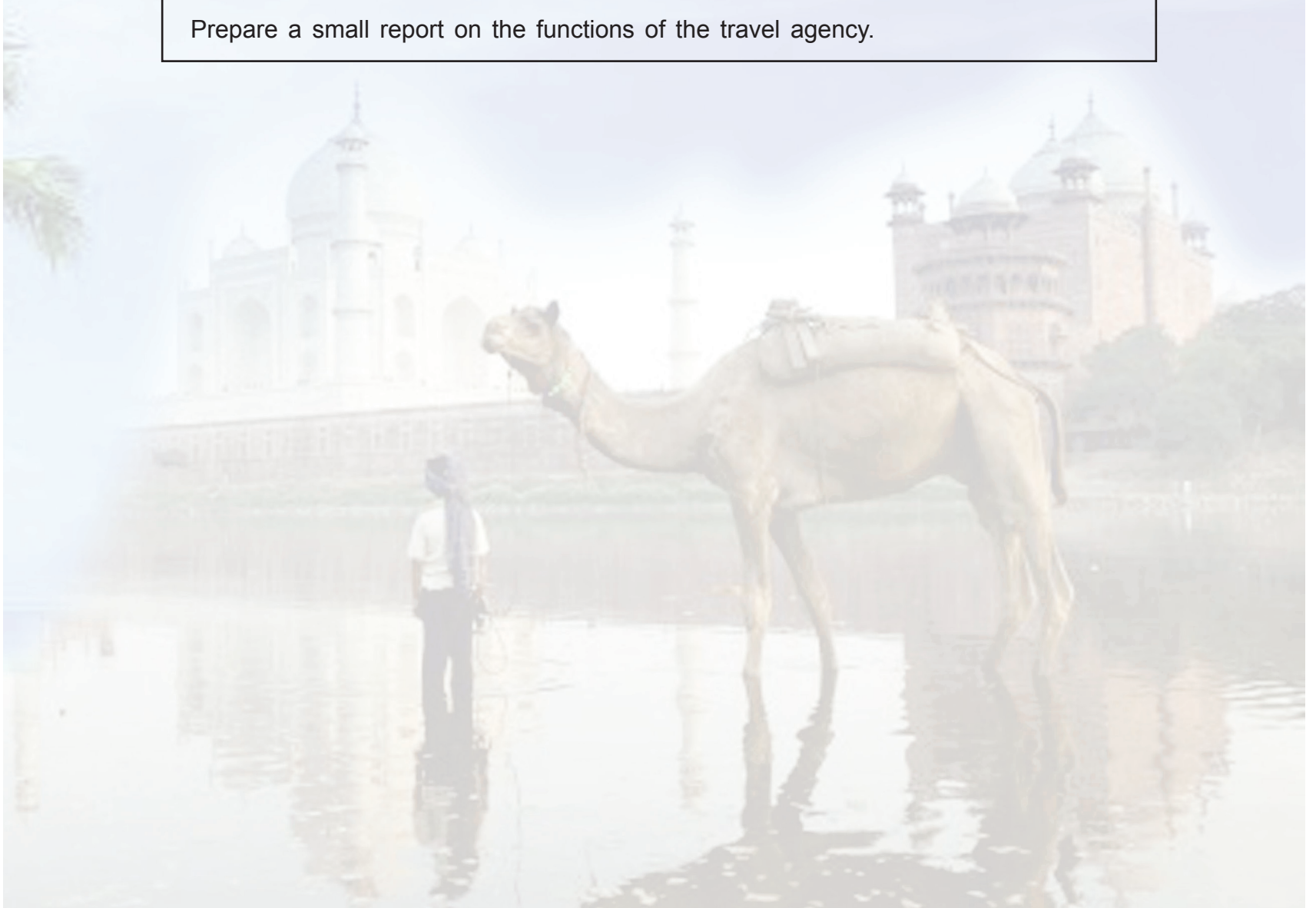
3. How to calculate the cost of itinerary.
4. What is the importance of travel itinerary?
5. What types of instructions are needed to plan an itinerary?
6. Explain the features of GIT (Group Inclusive Tour).
7. Discuss the nature of Packages or Inclusive Tours.

**II. Guidelines for Practical:**

Stay during office hours at any Travel Agency for three days during week ends and take note on the following:

1. Sit in the office with a request to observe and learn partial knowledge.
2. Meet all employees and discuss their day to day activities and take note of all.

Prepare a small report on the functions of the travel agency.





## Unit-5

# TOUR PACKAGING & PROGRAMMING

### Unit Overview & Description

This unit aims to provide comprehensive information about the intricacies of tour packaging & programming for a small, medium and large tour operating company. It will help students understand various methods of designing tour packages and programming for more value addition to the customers.

This unit will impart the following knowledge and skills;

- The various elements of tour packages.
- Methods of developing innovative customized and tailor-made package.
- Enable to formulate and design competitive tour packages.
- Promotion of tour packages through the tour brochures.
- Role of programming in greater package appeal and more value.

### Resource Material

One copy of the tour brochure for each participant and Copies of the Observer's Sheet—for each group and teacher, pen, marker, a set of package tour brochure and computer.

1. Holloway, J.C., The Business of Tourism , Prentice Hall, London.
2. Bhatia A.K , Travel Agency and Tour Operations, Sterling Publications, New Delhi.

## Introduction

Packaging tours is an innovative business concept that has gained worldwide visibility since it was first introduced in the mid of nineteenth century. Assembling basic and desirable services and offering them in one price is the primary function of package tour business. This serves two important purposes: First, it is to reduce the unwanted hassles for the customers and provide value-for-money services and Second, it is to give business opportunities to the travel agents, tour operators, transport operators, accommodation service providers, event companies, etc. Thus, a package tour is a sum total of services consisting of transport from the point of origin to all traversing destinations, accommodations at en route places and at the destination, other recreational and travel services. This unit will explain the meaning and types of tour packages, components of organized package tours, and process of designing packages, tour brochure designing and programming the package tour.

### 5.1 Meaning and Classifications of Tour Packages

The package tour business was planned and organized after the conduct of organized package tour to Paris in 1855 by Thomas Cook. Package holidays can be escorted or unescorted given the needs and demands of customers. A package tour comprises a combination of two or more components of services with an objective of helping the clients or customers save time & cost and avoid uncertainties. It largely includes the services of transport, accommodation, food, guide and other miscellaneous services. Moreover, transport and accommodation form a significant proportion of the cost and service of any organized package tour.

These services are offered at inclusive prices and customers primarily prefer to pay a single price at one place as it is convenient for the high-end customers. Thus, pre-arranged services are selected to be incorporated in the package on the basis of the quality of services and good will of the service providers. In addition, the design of package tour is done taking the travel trends and motivation into consideration. Hence, tour operators evolve strategies to increase the perceived value by combining complimentary products and services in more attractive ways. Increasing the value and demand for a tourism product through packaging and partnership is the ultimate objective of the tour operation business.

### Classification of Package Tours

The tour operator is a consolidator or wholesaler in assembling primary and related services with a different price tag. However, packages are designed for the independent and group



tours after making comprehensive study and analysis. Broadly, all these package tours provide a bundle of services to the customers who are generally leisure and business tourists. The classification is made on the basis of the operation and types of services. Given the nature of package tour business, it may be named as group tour, individual tour, sponsored tour, special interest tour and common interest tour, guided tour, and escorted tour. Package tours are basically classified as independent tour, escorted tour, hosted tour and incentive tour.

**Escorted Tour:** An escorted tour is accompanied by qualified, trained and experienced tour managers or guides, who provide information and assistance to the group at the origin, en-route and the destinations about flight boarding, and baggage handling, hotel check-in, meal arrangements along with interpretation about the places of tourist importance during sightseeing. Tour escorts provide timely assistance and advice about the seating arrangements in flights, trains, and sightseeing coaches. For example, the affinity group package comprises the members of a community club to travel together.

**Independent Tour:** A package tour is designed for independent tourists or free independent travelers. They are very much particular about selecting types of destinations, accommodation, and transportation as it suits the budget, comfort and time. Each individual element of service is purchased or a combination of components services is included in package. The independent tour largely includes domestic air tickets, hotel room services, processing of travel formalities, arrival and departure transfer and sightseeing. Other services include adventure sports, cultural events, and health related activities that generally enhance value of the independent tour. The cost of the package tour is relatively high as it includes most of the customized services. For example, the high-end or budget travelers prefer independent tours.

**Hosted Tour:** A hosted tour is handled by the ground operator or destination management agency as an representative of wholesale tour operator for making ground services like cab, coach, guide, confirmation of hotel rooms, tool taxes, entry tickets, etc as per the contract. A hosted tour is one where the local ground operator becomes the host to receive the guests at the destination. This is a type of tour that brings in the concept of host-guest relationship that leads to demonstrating the local culture and heritage to the guests. It provides a traditional reception upon the arrivals of guests at the airports or railways stations.

**Incentivized Tour:** Incentivized Tour is usually all-inclusive package tours that include all essential components of a standard package tour. It is organized package tour that is conducted for employees with the sponsorship from the business firms or corporate

houses. It is an incentive or intangible reward for employees given periodically as per the organization's policy. For example, Thomas Cook, and SOTC promote corporate and MICE package tours.

## Freedom Tour

Tour is arranged as per the demand of customers. It is a freedom of customers to select the travel. The selection of places of interest and components of package tour is decided as per the wish and budget of customers. This type of tour is designed for the working class people whose budget of expenditure is limited and their choice of place is largely different from others. There can be small or large groups with maximum freedom of deciding how, when and where to travel, stay and halt.

### Review Questions:

1. What do you mean by package tours?
2. Enumerate the classification of package tours.
3. Discuss the concept of freedom tours.
4. Make a list of package tours promoted by the tour operators
5. Activity: Visit one tour operating company and one franchise and observe the operation and functioning of package tour designing.

## 5.2 Components of Package

The elements of a package tour determine the sale of package tour in the travel market. The tour includes the services that are the sum total cost of related and complementary services. Tour operators take the services from the airlines, hotels, cruises, railways, ground transport, and event planner. In order to make a package tour more appealing and attractive, tour wholesalers examine the buying ability of customers and the cost of components of the package tour, and finally add a profit margin to arrive at the final price of the package tour. Generally, tour packages are determined by the market demand and trends and tour companies try to reduce the cost of buying the services through aggressive negotiations and position the packages at the right time to have the flexibility of giving price tag. Tour operators assemble components of services to enrich the experience of tourists. The following component of services is delivered assembled in package tours. These are the following elements of package tours.

**Accommodation:** Accommodation is an important component of package tour and it constitutes almost one third cost of package. There are primary and supplementary accommodation service providers. The star hotels, business hotels, resorts and international



hotels are the conventional accommodation operators with the provision of providing room cum food services. The supplementary accommodation service providers are lodges, guest houses, bungalows, service apartments, etc. Tour operators include the services of both the categories depending on the cost of package tours and affordability of customers.

**Sightseeing Tour:** Sightseeing is one of the most important elements of a package tour. It is an integral part of a package tour as it offers conducted tours to the places of tourist interest in the cities. Tour operators arrange for more activities in the sightseeing or excursion tours. Each member of the conducted sightseeing tour is billed in such a manner that the cost of cars or coach services is equally divided among them.

**Airlines:** Air travel is an important component in the package tour segment. This includes international and domestic flight tickets and on-board services. Tour operators can include the first class, business class, economy class, excursion fare in the package tour to cater different segments of customers.

**Railways:** Tour operators include the train travel and other on-board services in domestic sector. It is an important mode of travel to reach various off-the-beaten-track destinations as air connectivity is limited in many countries. 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.

**Car Rental Service:** Luxury car service is an important element of package tour as it is primarily needed at the time of arrival, departure and sightseeing. A wide range of luxury cars is customized for sightseeing and excursion tours. An annual contract with flat rate is done for the smooth operation of car rental services. Tour operators have now adopted the latest technology to make the schedule of cars.

**Luxury Coach Service:** All the conventional package tours include the luxury coach services provided it is a group travel. Each tourist coach is customized with elevated bucket seats, white window glass, micro phone, air conditioning, and refrigerator. For example the KPN travels provides luxury Volvo coach services for sightseeing and excursion trips.

**Cruise or Ferry Services:** 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 package tours also comprise the service of ferry operators so as to provide alternative and safe conveyance service. For example, the Royal Virgo operates luxury cruise liners for high-end tourists across the countries.

**Event Services:** Tour operators take the services the MICE operators for the purpose of booking venues, food, conference kits, and pre & post-conference sightseeing programmes. Event management companies appoint tour wholesalers to sell the packages.

**Insurance:** Tour packages are insured for compensation to the tour operators or guests in the event of cancellation. Thus, insurance is included in the package tour. Health and luggage insurance are included the package tour. For example, Bajaj Allianz and TATA AIG have customized travel insurance for the foreign outbound travel for Indian travelers.

**Ground Handling Services:** Apart from arranging the luxury cars and coaches, the services of guides and language interpreters, entrance fees and transfer and drop are also included in the package tour.

**Miscellaneous Services:** This service includes porter at airports and railway stations, tips to guides, interpreters and room boys, entrance fees, gifts and welcome dinners.

**Review Questions:**

1. Explain the components of package tours.
2. What are the different types of accommodation services?
3. What do you mean by ground handling services?
4. Find the difference between primary and complementary services in the package tour?
5. Activity: Interact with two or three executives of a large tour operation companies and find out how the package tour components are assembled.

### 5.3 Customized or Tailor-Made Package and Group Inclusive Tours

Customized or Tailor-made package is designed for the Free Independent Traveler (FIT) or Group Inclusive Tour (GIT). In most cases, packages are customized with personalized services for the FIT category of customers. The FITs make free movement of travel across destinations with the intention of exploring new places and attractions as per their convenience. The FITs are novelty seekers and can manage in any hostile environment with basic facilities and amenities. They mentally tune to get adjusted with the facilities as the exploring new places are the primary activity. These groups consist of a minimum of two and a maximum of five members and prefer to luxury hotels and resorts or stay in hostels, government guest houses, and paying guest houses and the bed-and-breakfast scheme or the European Plan (EP) is preferred. Independent tourists generally shy away from the crowded places and look for exclusivity and privacy. However, FITs can organize the tour on their own and ask the tour operators for selected services. The business of



FIT is operated to reach out the niche customers as it satisfies the lifestyle and travel behaviour.

### **Group Inclusive Travel (GIT)**

The GIT package tours are developed to include the beaten-track destinations and places of interest are programmed keeping the time, capacity of group members and parking areas. This type of tour is mostly conducted with fixed itinerary and it is an escorted tour with much highlight on common interest places. However, group tailor-made packages are made to satisfy interests and benefits group members. 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. Furthermore, group tour packages are relatively 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. The principal service providers provide comparatively higher discounts that can be regarded direct profits of tour operators.

#### **Review Questions:**

1. Explain the key features of customized tour packages?
2. What do you mean by Tailor-Made Tour Package?
3. Describe the particular of Group Inclusive Tours.
4. Find how a tour operator takes measures in designing FIT and GIT packages.
5. Activity: Evaluate one FIT and GIT tour brochures and find the differences of services included in the package tour.

### **5.4 Tour Formulation & Designing Process**

The business of package tours is not free from risks like season, rising price and socio-political factors. At the same time, it is a high breakeven business when the socio-political and economic environment is stable and conducive. Package tour is driven by the quality services along with competitive prices. In this regard, there requires extensive market survey to find the demand trends and tour operators accordingly formulate package tours to cater the market. Thus, methodical tour planning is essentially required to handle the risk factors and to improve the quality of a package tour. The tour operator assigns the responsibility of designing and formulating package tour to senior and experienced executives as the design of package tour makes the business and breaks the business. It helps in achieving bumper sale in a record time. For example, the World Famous Tour (WFR) of SOTC and the Duniya Dekho of Cox & Kings have become generic outbound package tour for Indian customers. These are the following steps in tour design and selection process.

It is a multi-stage process that helps the tour manager develop and formulate a new package tour. First, the concept of designing a new package tour is taken a solid shape or form when collective ideas and experiences are consolidated. However, field survey report is also assessed to understand the saleability and sustainability of package tour. Tour operators primarily collect the feedback from the guests in a structured questionnaire with open-ended and close-ended questions. On the basis of recommendations, the area of operation of new package tour is given final shape subject to the political, economical and social developments in a particular area. Thus, it is a combination of innovative ideas, feedback of tour guides and recommendations of guests to develop package tour. The following are suggested processes through which package tour may be designed.

- Initial research on destination and source market clarifies much drawback of package tour and takes corrective measures for enhancement the quality and appealing of tour.
- A well-structured itinerary is prepared with due considerations to several do's and dont's during the tour.
- Selecting the destination companies and authorizing them with the ground handling responsibilities.
- Vendors of primary and supplementary services are contacted and negotiated to obtain the best possible quotations.
- Costing of elements of package tours and pricing package tours is done carefully.
- Tour brochure is given final shape once the destination selection, negotiations with vendors and costing is completed.
- Selling the package tour directly or through the retail travel can be done through a robust reservation system.
- Marketing and sales promotion helps in reaching the target market.
- Operation of tour is carried out with the help of ground operators.

Besides these broad stages of developing, marketing and operating the package tours, other processes are implicitly associated in making the formulation and designing process complete.

**Review Questions:**

1. What are the tour formalities?
2. Explain the designing process of tour packages.
3. What are the formulation processes for developing a package tour?
4. Why there is a need for systematic and planned approach for package tour?



## 5.5 Tour Brochure Designing

Tour brochure depicts the places of interest, types of services, nature of operation and conditions. Information related to the mode of transport, accommodation, and other related services is clarified in order to avoid ambiguity and confusion. Customers can get sufficient idea of booking the organized package tours. It is usually written in simple and lucid language to describe the components of services and places of tourist interest. Tour operators present the content in the brochure in a simplified form.

The introductory part of the brochure illustrates background and areas of tour operation. The subsequent pages highlight on the information related to arrivals, departure and transfer, location of hotel with room services, transport, guide services, sightseeing and cultural programmes along with suggested places to dine and shop for souvenirs. Do's and don'ts are clearly stated to help guide the guests to make the tour more enjoyable and memorable. Over and above, tour brochure clearly explains the inclusive and exclusive component of services. Images of places of tourist interest, pictures of hotels, transport, and souvenir shops are placed against the contents to arouse much interest to buy package tour. In nutshell, a tour brochure generally includes the booking form and booking conditions, including meal plans and ground services. Overall, these pages contain a wide range of information that can help the service providers at different points and customers understand clearly. Brochures are sent to the wholesale and retail travel agents for sales promotion.

### **Review Questions:**

1. What is brochure?
2. Explain the importance of tour brochures
3. What are the skills needed to designing a tour brochure?
5. What are the stages of developing a tour brochure?
4. Activity: Collect five different tour brochures comprising of short-haul and long-haul package tour and read them carefully and present the unique features of these brochures.

## 5.6 Tour Programming and its Importance

Each package is embedded with some appealing elements and the programmes or events are planned in order to provide value-added services. Programming is nothing but an addition of services without cutting the prime activities of sightseeing or excursion. Tour operators fine tune itinerary with attractive programmes during the tour that makes the customers feel of worth buying the packages. When the package tour market is becoming larger and more buyers are happy to get their vacation arranged with the professional

tour operators, programming increases the quality of package tour that leads to creating repeat buyers for the package.

Programming comprises activities like learning photography, music, dance, painting, sculpting, swimming, fishing, surfing, canoeing, rowing, trekking, cooking, cultivating, etc. Many visitors are interested to learn these activities as a lifetime experience. Tour operators refer to the local calendars to find the fairs and festivals around the places of tourist interest and include them in the itinerary. The following are the advantages of programming from both tour operators and customer's point of view.

- It is value for money for the customers.
- It enhances the quality of tour itinerary.
- It arranges the activities as per the needs and traits of customers.
- It is a business opportunities for the tour operators.
- It helps in building branding and positioning.
- It helps in catering the target market.

**Review Questions:**

1. What are the skills needed to design a tour brochure?
2. What is the importance of tour packages
3. Why programming is given much importance in package tour business?
4. Activity: Review the FIT and GIT packages or short or long haul packages and find the scheduling of programmes.

**Practical Activity:**

- List out the main content of packages tour.
- Prepare a model package tour of your own.



## UNIT-6

# PACKAGE TOUR COSTING

### Unit Overview & Description

This unit is intended to give comprehensive information on the methods of package tour costing that a tour operator adopts for designing the organized package tour. It will help students to gain clarity on the costing a package tours.

This unit will impart the following knowledge and skills;

- Types of cost used in the package tour.
- The various components of cost.
- Enable to prepare a cost sheet to work out costing systematically.
- Methods of costing and tour pricing.
- Formulate pricing strategies for greater sale of package tour.
- Understanding the factors influencing the tour costing.

### Resource Material

One copy of the Tour Cost and Pricing Sheet for each participant and Copies of the Observer's Sheet—for each group and teacher, pen, marker, a set of tour costing format, computer.

1. Roday. S., Biwal, A & Joshi. V., Tourism Operations and Management, Oxford University Press, New Delhi.
2. Goeldner, R and Ritchie, B., Tourism: Practises, Principles and Philosphies, John Wiley and Sons, London

## Introduction

Costing a package tour is an important exercise that determines the scale of sale and margin of profit in a peak and lean season. The actual cost of buying the services is incurred to acquire the goods and services for production and consumption. Cost is defined as the total expenditures for acquiring the various components of services from the hotel, resort, transporter, etc for the tailor-made or ready-made packages. Cost is something that each tour operating company makes an in-depth survey of the available supplies in the market and the capability of the suppliers. The reduction of cost can help the tour operator tag a competitive price and it makes the tour wholesaler flexible in keeping profit margin and discounts for the customers. In a cut-throat competitive market environment, costing the elements of services included on the package tour needs methodical approach to curtail unwanted expenditures and increase the salability of tour packages. In this context, this unit aims to explain the meaning and types of cost, concept of tour costing, components of tour cost, preparation of cost sheet, tour pricing, calculation of tour price, pricing strategies and factors influencing the tour costing.

### 6.1 Meaning and Types of Cost

Cost is otherwise explained as the sum total of all expenditures for buying the principal and ancillary services. Cost is the amount of expenditures that may be actual or notional incurred on buying services. Cost does not include distribution of capital and revenue along with certain unexpected value releases. The value release or the acquisition of economic resources in order to take managerial decisions is called cost. The concept of cost is measured in monetary terms that the amount of resources is used for the purpose of value addition. Moreover, cost is the monetary value of resources used for acquisition of assets and production of outputs. In financial terms, cost is represented as to realize the objective of a business firms. In the tour operation business, tour wholesaler uses all knowledge and skills to control the cost and maximize the output. Tour operators incur the cost of booking the hotel rooms, airline, cruise line seats, railway seats and bus seats and other primary services.

### 6.2 Concept of Tour Costing

Tour cost is represented as the total cost incurred or attributed to various elements of package tour. The sum of costs for booking the services is incurred to design the FIT and GIT tour package. As such, tour operator does not own the primary services of package tour and it assembles the services in bulk from the accommodation and transport companies. However, the cost of package tour is determined by the tastes and preferences



of customers and the business strategy to increase the sale of more tour packages. Tour managers easily find the variable and fixed costs and take appropriate decisions. The method of calculating the costs largely vary from one tour operating company to other depending on their core competency and company's business strategy.

Break-even analysis is one of the key concepts of tour costing. It is the total revenue generated from the sale of package tour and it must be equal to the total cost incurred for acquiring the services. This technique is used to evaluate alternative pricing levels. Thus, break-even sales can be obtained by dividing the sum of the total fixed costs and the total variable costs by the package prices.

### Types of Cost

Like any other manufacturing business, tour operation business has two types of cost. One is variable costs that vary as per the variations of production and the second is fixed costs that do change in short run, but it varies in the long run as every cost is variable in the long run. Tour operators generally work out the variable costs and fixed costs along with the overhead/marketing costs. Variable costs change as per the number of pax in the package tour. The services that require variable cost include meals, accommodation, entrance fees and other costs charged at a rate per person. It includes the actual expenses (direct costs) of rooms, tickets, and other package components incurred with the sale of each package.

The change of fixed costs occurs when the sale of number of packages increases over a period season. Fixed costs are incurred before acquiring the variable services for the package tour. These costs often include advertising, pamphlets, brochures, salary, interest on loan and advances. Thus, fixed costs also include hiring buses and guides or interpreters. The overhead and marketing costs as part of the variable and fixed costs are included across the package tours. Thus, there is a variation of between 60 per cent and 70 per cent between Fixed, variable, and overhead costs in the package tour. Tour operations, after taking all these costs into considerations, usually add 10-15 per cent mark-up for an individual tour package.

#### Review Questions:

1. What do you mean by costing?
2. Explain the meaning and types of costing
3. What is the importance of break-even-point in tour business?
4. What do you mean by tour costing and how is tourism calculated?
5. Observe the variable costs and understand them from practical point of views.

6. How tour cost is calculated? Explain.
7. What are the different types of costs involved in tour package?
8. Activity: Collect tour brochures of three leading outbound tour operators and assess the component of variable costs in package tour.

## Preparation of Cost Sheet

A cost sheet reflects the cost of each component in the package tour. It requires continuous efforts for working out the cost estimates in order to find an attractive price that will increase sale and profit margin. In a typical package tour business, several combinations of costs are calculated to arrive at a competitive price. Here we may divide the costs of the elements of services in the package into direct and indirect costs. The direct costs include administrative cost that includes salary, training, official tours, telephone and internet bills, rent, electricity, and employee amenities. The indirect cost include advertising, sales promotion, and publicity. Thus, a tour operator can make a profit of around 15 per cent on each sale of the package tour that includes the commission or override from the principal service providers. The component of tour costs is given in Table 1.

Table 1. Component of Tour Costs

Type of Cost	Components	(%)
Direct Costs	Accommodation & Food ( Room, Breakfast & Meals)	25
	Airlines ticket ( Scheduled and Charter Flights)	20
	Transfer, Sightseeing and Excursion ( Coach, Car & Van)	15
	Agent commission	10
Total		70
Indirect Costs	Administrative (salary, perks, recruitment, selection, allowances, employee insurance, etc.) and maintenance ( rent, electricity & telephone bill, software, etc)	09
	Marketing and Sales Promotion	05
	Miscellaneous ( medical, incentive travel, get together, etc)	01
Total		15
Net Income/ Profit		15
Grand Total		100

### Review Questions:

1. What is the procedure for preparing cost sheet?



2. Explain the direct cost and indirect costs in tour packages.
3. How does a tour operator arrive at the net income?
4. Activity: Develop a tour itinerary and find out the elements of cost. Present the costs in a sample cost sheet .

### 6.3 Components of Tour Cost

The sum total of cost components of a package tour is known as the cost of package sold. However, the process of ascertaining a package cost becomes complicated, if it not done with a established budget. Hence, it is wise to prepare a tour budget before the costing and pricing and also reviewing the cost structure of competitors. The budget is based on the market research to determine the exact and accurate cost. The projected cost helps the tour planners to determine and adopt effective pricing strategies. Before the printing of final price in the promotional brochures and websites, tour wholesalers look into several other variable costs. Generally, a package tour includes the cost of travel and ground services. Thus, the cost components of a package tour include:

- Research and Product Development
- Travel Cost
- Accommodation
- Transfer
- Food and Beverage
- Sightseeing and Activity
- Marketing & Sales Promotion
- Administrative and Investment
- Miscellaneous Costs

**Research and Product Development:** The expenditure on market research is used to conduct study on the travel behaviour and motivations of customers. It incurs cost to prepare a survey report. The cost for development of new packages includes the process of planning and exploring new places of tourist interests.

**Travelling and Transfer:** International and domestic air fares, rail travel, transfer and departure tariffs are also included in the cost component of package tour.

**Accommodation:** The cost of booking rooms constitutes one third of total cost of package tour. Tour operators get best possible room rate after negotiations.

**Sightseeing & Activity:** Tour operators arrange several value-added activities in sightseeing and excursion tours. The cost of activity is equally divided across the members of group.

**Administrative and Technical Cost:** This cost is incurred towards the payment of salary,

allowance, incentives, etc. It is also added to the total tour costing. Technical cost includes the acquisition of new software, hardware and computers for the reservation of hotel rooms, air, train and bus and ferry tickets.

**Training and Development:** The cost of training staff is indirectly included in total cost. Tour operators hire the trainers for in-house training or send the staff and senior managers to professional institutes.

**Marketing and Sales Promotion:** Marketing cost includes advertising and sales promotion. The sales promotion includes discounts, commission and other benefits to the travel agents and customers.

**Printing and Publicity:** The cost of printing tour brochures is included in total tour costing. The cost of foreign promotional tour is included in total cost of package tour.

**Payment of Interest:** Tour operators incur the cost of payment of interest to the banks on the investment of capital to run the business.

**Depreciation of Assets:** Tour operators incur depreciation cost in the long run due to the obsolete nature of software and hardware, and electronic gadgets.

**Miscellaneous Cost:** This cost includes portage charges at airports and railway stations, tips at hotels or airports, entrance fees, insurance premiums, gifts and welcome dinners.

#### **Review Questions:**

1. How to incorporate the components of tour cost?
2. Explain the importance of cost over marketing and promotion
3. Which are the implicit and explicit costs in the package tour?
4. Activity: Make a list of component of tour costs and assess the percentage cost that is shared by each component.

## **6.4 Pricing Package Tour**

Tour operator takes lots of precaution for giving a price to the package tour. The pricing of a package depends on the positioning and branding of the product. After examining the trends, tour operators add their margins and cost of package. Further, the price on the package is labeled after estimating the operational costs and margin of profit. It is absolutely the freedom of tour operator to price the package. Some of the essential elements of the cost include mark up, net rate and gross profit. Mark up is the extra amount which the company can maintain on each sale. Gross profit is the rate at which a supplier quotes for products/ services that it delivers. The commission constitutes a major share of earnings in tour operations.



### Review Questions:

1. What is pricing? and how it is done in a package tour business?
2. How does a tour operator label the price of a package tour?

## 6.5 Pricing Strategies

Deciding price of tourism business is a strong mix of marketing strategy and financial analysis. Tourism products are rarely identical, often because of location, but also because of the people and the components that make up the experience provide to a traveler. It can be incredibly diverse and pricing strategies can evolve as a tourism business develops its brand and market share. Even star ratings for accommodation only give a general guide for travellers on what the pricing will be – there are not set criteria. There are three types of traditional pricing strategies in tour operation business.

**Cost-Based Pricing:** This type of pricing strategy is used to make over the cost in order to reach at the breakeven point. It calculates the average cost of each element of services in the package tour and it adds a markup over and above the average cost to earn profit. This very common and typical pricing strategy. For example, Thomas Cook and the Oberio Hotel were used to be known for adopting the cost-based pricing strategy as there were no competitors to them. In the subsequent time, they moved to the other pricing strategies like competition and consumer-based pricing.

**Competition-Based Pricing:** This pricing strategy takes tab of the prices of its competitors in order to tag the price of its own product. Price may be set at the same price of competitor or it may be a little above or below the price of competitor. Unlike the package tour market in early nineties, there has been a great change in the pricing due to the penetration of foreign and domestic tour companies with aggressive marketing and sales promotion. There is a marginal difference in the price of outbound package tour of SOTC and Cox & Kings.

**Consumer-Based Pricing:** This is a form of pricing that is primarily set to target customers by taking the affordability and the quantity of purchase into considerations. Gone are the days, it was producer dominated market; it is now consumer-driven and led market. Thus, the inbound, domestic and outbound tour operators design the package tour taking socio-economic backgrounds of customers. All package tours are designed after assessing the market.

A part from the above mentioned typical and age-old pricing strategies, the following are the pricing strategies used in the tour operation business.

**Rack Rate Pricing:** It is full rate before discounts are given. It is generally printed in the tour brochures for the forthcoming season.

**Seasonal Pricing:** A wide mix of pricing of package tour is set to cater low, high and shoulder seasons as tourism is largely driven by the season.

**Last Minute Pricing:** It is a common method of giving discounts from the daily quoted prices in order to close bookings. It is put in the flash items in the websites for last minute booking. In the group travel, tour operators offer some additional services or discount in the prices to get minimum booking to operate the tour.

**Per Person Pricing:** This type of pricing is set per person or for each category service. It can be per adult or child or additional person. It can be a taxi at the disposal of customers.

**Per Unit Pricing:** It is set of price for one unit of package. It may include husband and wife with children (cost free). Sometimes, the package includes room, transfer and sightseeing cost. The room rate generally includes breakfast as per the European Plan (EP).

#### **Review Questions:**

1. What is strategy? Explain the need of strategy in preparing tour package price.
2. Discuss various pricing strategies in tour packages.
3. Analyze them comparatively and find the reasons for different types of pricing.
4. Activity: Collect five tour packages of five different companies and identify the strategy adopted by the respective companies in pricing of the packages.

#### **Exercises:**

1. Look at the content and analyze the content of each brochure
2. Draw chart with comparative statements of all components involved in tour package costing and pricing?
3. Activity: Collect brochure of different tour packages of different companies understand message behind the size, style and content of the brochures.

#### **III. Guidelines for Practical:**

Stay during office hours at any office of the Tour Operator for three days during week ends and take note and prepare a small report sit in the office with a request to observe components of a group tour.



## UNIT-7

# GOVERNMENT AND PROFESSIONAL BODIES

### 7.0 Unit Overview & Description

This unit aims to provide extensive information on various government and professional bodies who regulate this sector.

This unit will impart the following knowledge and skills;

- Rules for setting up TA TO- approval procedures
- Different government schemes and policies for TA business
- Professional bodies and their activities (UFTAA- PATA-ASTA-TAAI-IATO-ATAOI-ADTOI- TAFI- FIYTO)

### Resource Material

One copy of the Tour Cost and Pricing Sheet for each participant and copies of the Observer's Sheet—for each group and teacher, pen, marker, a set of tour costing format, computer.

1. Chand, M., Travel Agency Management: An Introductory Text, Anmol Publication Pvt. Ltd., New Delhi
2. Bhatia A.K, Travel Agency and Tour Operations, Sterling Publications , New Delhi.

## Components of tourism

The tourism industry is based on many different components and interrelated parts. For example, transport, accommodation, attractions, activities, marketing and government regulation. Many businesses span in more than one sector and has impact in more then one part of the tourism industry. The tourism industry includes:

- Those sectors which enable the tourist to travel to and from the destination for example travel agents, airlines, bus companies, tour operators and rental car companies).
- Those sectors which are part of the product at the destination (for example, accommodation, facilities and attractions).
- The human component of tourism (the labour force).
- Public sector or government agencies, regional tourism organisations, and professional bodies such as industry associations.

It is the fourth segment that we will discuss here. Many countries with an established or significant travel and tourism industry, or those who wish to increase the national income by promoting tourism further, are likely to have a separate department of government or a public body responsible to government for this purpose. These bodies are known as National Tourism Organizations or NTOs. A typical NTO will have four main areas of responsibility:

- Marketing;
- Research and corporate planning (i.e. undertaking market research and deciding the policies and strategies for the organization);
- Development looking at ways to develop tourism further, through customer care and quality assurance, liaison over training, trade relations and product development);
- Finance and administration (managing its budgets, corporate press and publicity, staffing and general administration functions including information technology).

The national tourism bodies work closely with the regional tourist boards who in turn work closely with the local authorities or councils and tourism principals in order to improve the provision and promotion of tourist facilities and attractions in that region. The United Nations Conference on International Travel and Tourism in Rome in 1963 adopted the following resolution:



The Conference considers that it is incumbent on governments to stimulate and co-ordinate national tourist activities, convinced that this task can, in the main, be carried out through the medium of national tourist organisations.

Virtually every country in the world has a national body responsible for tourism. It can be part of a ministry, a constituted part of a government department or an organization with a separate legal status. Generally the role of a NTO will be to ensure appropriate development and promotion of a nation as a tourism destination.

Professional bodies play a major role in tourism influencing industry-wide strategies and practices because they represent the industry. These associations provide a common platform to solve many problems of the members such as training, common code of conduct, airlines commission or any other. There are a number of travel trade associations like IATA, PATA, IATO, TAAI and ASTA which are quite active in the promotion of travel trade globally. Essentially, every travel company should be approved by these associations to avail financial and non-financial incentives and commissions from airlines, hotels, railways etc. However, the contribution of professional bodies is limited by two factors. First, most professional bodies have only limited financial resources to fund tourism initiatives. Second, the bodies rarely have the power to insist that members undertake particular initiatives.

#### **Review Questions:**

1. Describe “interrelated components” with example.
2. Explain the importance of professional bodies in tour operation.
3. Activity: Think and identify components of tour operation. Understand the logical sequence and interrelationship amongst the components of tour.

### **7.1 Integration between Government and Professional Bodies**

In recent years tourism has become one of the fastest growing sectors of the world economy and is widely recognized for its contribution to regional and national economic development. In a diverse and fragmented tourism industry, there has arisen a need for integration or you can say some kind of collaboration or partnerships to achieve broad-based support for policies within the industry. Integration in tourism development is a recent phenomenon. It is an essential approach to tourism development, particularly in developing countries. This approach is being used increasingly in developing countries and has emerged as a means to overcome the recognized fragmented nature of tourism development. It has become clear to governments and professional bodies that no one individual organization can be effectively responsible for the development of tourism. There is a recognized need for coordination and cooperation between government and professional bodies.

It is being increasingly recognized that the establishment of integration is closely linked with the improvement of the effectiveness of national tourism organisations (NTOs) which is becoming an important instrument for implementing tourism policies more effectively. The government, as an “agent of development”, may work to achieve optimal exploitation of public resources and services, safeguarding the environment and developing human resources. A good integration involves a clear definition of roles, competencies, responsibilities and advantages both in government and professional bodies. Integration must be based on agreements which show the economic benefits for both the government and professional bodies. Government has to play an important role in new ways of organizing this co-operation, notably by defining a clear national strategy for tourism policy which will stimulate and guide innovative partnerships and give incentives to all individual partners to participate in the development. Effective integration between government and professional bodies can deliver significant benefits in the form of:

- Cohesive, shared objectives and vision, increasing the likelihood of successful delivery,
- Co-ordination of development and marketing budgets and activities,
- Improved communication and understanding, and mutual respect between local authority and industry,
- Improved resource efficiency,
- Non-duplication of activities,
- Coordinated research and development activities,
- A collective “voice” for the industry, increasing power and influence,
- Engagement of industry and the community to deliver sustainable tourism objectives,
- Coordinated, targeted and cost-effective marketing/promotion.

## **7.2 Rules for Setting up Travel Agency & Tour Operators**

Technically and practically, a travel/tour company needs to be approved and recognized not only by the airlines but also by the railways, hotels, Department of Tourism (Govt. of India), IATA, TAAI, IATO and other travel trade organizations. However, the most important approval and recognition in this context is from the Department of Tourism and the International Air Transport Association (IATA). In the recent past, the department of tourism has realized the vital role played by the travel agencies and tour operators in the promotion and development of tourism in India. In this context, government has



formulated and prepared guidelines and rules for the benefit of travel trade enterprises and for the overall growth and development of tourism industry. These rules and guidelines are drawn from the broader parameters of travel trade and ethics of the industry. These rules/standards are prepared for the effective and extensive control over the activities of travel enterprises so that financial and non-financial incentives can be provided to them from time to time.

#### **Review Questions:**

1. What is the importance of harmonious relations between government and professional bodies?
2. Explain the rules that are followed in establishing travel agency/tour operations.
3. Observe the relationship between Government and Professional Bodies.
4. Activity: Visit any Government Tourism Office.

### **7.3 Department of Tourism (DoT) Different Schemes and Policies**

The aims and objectives of recognition are to encourage quality standard and service so as to promote tourism in India. It is a voluntary scheme open to all bonafide travel agencies and tour operation enterprises to bring them in organized sector. However the decision of the DoT in such matters is final. The Govt. of India, Department of Tourism, sometimes at their discretion, refuse to recognize any travel agency/tour company or withdraw the approval already given. The travel companies which are granted recognition are entitled to such incentives and concessions as may be granted by Govt. from time to time. The recognition may be extended throughout India or it may be limited to a particular region.

The recognition as an approved Travel Agent shall be granted by the Ministry of Tourism, Government of India, New Delhi initially, for five years, based on the Inspection Report / Recommendations of a Committee comprising of concerned Regional Director and a member of TAAI. Applications for renewal/extension shall be addressed to the Regional Director of the concerned region. The renewal / extension thereafter shall be granted for five years after Inspection conducted by a Committee comprising of concerned Regional Director and a member of TAAI, on an application made by the Travel Agent along with the requisite fee / documents.

The following are the main rules prescribed by the DoT for the approval of travel agencies;

1. Application shall be in the prescribed form and shall be addressed to the Additional Director General, Ministry of Tourism, Govt. of India, New Delhi and to be submitted in duplicate.
2. The Travel Agency should have been in operation for a minimum period of one year before the date of application.
3. The minimum office space should be 250 sq.ft. Besides, the office may be located in a neat and clean surrounding and equipped with telephone, fax and computer reservation system etc. There should be sufficient space for reception and easy access to toilet facilities.
4. The travel Agency has a minimum paid-up capital (or capital employed) of Rs.3.00 lakhs duly supported by the audited balance sheet/Chartered Accountant's Certificate.
5. The Travel Agency should be approved by International Air Transport Association (IATA) or should be General Sales Agent (GSA)/Passenger Sales Agent (PSA) of an IATA member Airlines.
6. The Travel Agency should be under the charge of a full time member who is adequately trained, experienced in matters regarding ticketing, itineraries, transport, accommodation facilities, currency, customs regulations and travel and tourism related services. Besides this, greater emphasis may be given to effective communication skills, knowledge of foreign languages, other than English.
7. The Travel Agency is an income-tax assessee and has filed Income Tax Return for the current assessment year.
8. The Travel Agency should employ only Regional guides trained and licensed by the Ministry of Tourism, Government of India and State Level guides as well as local guides approved by State Governments.
9. There should be minimum of four qualified staff out of which at least two should have Diploma/Degree in Travel and Tourism from recognized University, like department of tourism studies, Pondicherry University, IITTM or Institutions approved by AICTE. The academic qualifications may be relaxed in case of exceptionally experienced personnel in Airlines, Shipping, Transport and PR agencies, Hotel and other Corporate Bodies and those who have worked for three years with IATA/UFTAA Agencies. The academic qualifications may also be relaxed in cases where the travel agency companies are located at North-east, religious, remote and rural areas, there should be a minimum of two qualified staff.



10. For outsourcing any of the services relating to tourists, the travel agencies shall use approved specialized agencies in the specific field of activity.
11. The Travel Agency will be required to pay a non-refundable fee of Rs.3,000/- while applying for the recognition and renewal of Head Office as well as each Branch Office. The fee will be payable to the Pay and Accounts Officer, Ministry of Tourism, in the form of a Bank Draft.
12. Recognition will be granted to the Head Office of the Travel Agency. Branch Offices will be approved along with the Head Office or subsequently, provided the particulars of the Branch Offices are submitted to Ministry of Tourism and accepted by it.
13. The Travel Agency granted recognition shall be entitled to such incentives and concessions as may be granted by the Government from time to time and shall abide by the terms and conditions of recognition as prescribed from time to time.

### **IATA Approval for Travel Agency/ Tour Operator:**

Travel/ tour companies need to obtain approval and recognition from IATA, authorizing them to serve as sales agents and allowing them to write tickets and collect commissions from the air transport enterprises. Interestingly, different countries have their own requirements and regulations for establishing a new travel company. But IATA approval is necessary in all countries except USA where they have their own set up. The travel companies in USA need the recognition from Air Transport Conference (ATC) which is recognized by IATA. The following are the main rules which are prescribed by the IATA for the recognition of travel/ tour companies in India:

1. All applications for recognition shall be addressed to the Director, Agency Investigation Panel (AIP), IATA, New Delhi, India.
2. The application for the grant of approval shall be in the prescribed form.
3. The objective of the recognition shall be to promote and develop travel industry in the country.
4. The company has to be in the business for at least one year.
5. The company must have at least two staff members qualified from IATA approved institutions.
6. It should have sound financial credibility.
7. The location of the agency must be freely accessible and clearly identifiable to the tourists.
8. It should have security for the control of airlines ticket block.

9. It should have the ability to generate business.
10. The travel company granted approval shall be entitled to such rights and privileges as may be granted by the association from time to time and shall abide by the several terms and conditions of recognition as prescribed by the Association from time to time.
11. The company must attach an audited annual report with the application form.
12. The agency must attach the statement of international sales with the application form.
13. The decision of the IATA in the matter of recognition shall be final. The Association may in the directions of its committee refuse to recognize a company without assigning any reason.
14. The Association reserves the right to withdraw at any time the recognition already granted without assigning any reason.
15. The travel/ tour company should have maintained ethical standards of tourism business.
16. The recognition granted by IATA shall not automatically entitle the travel agency/ tour operator to be approved by any other organization/association.

Once the travel/tour companies get the approval, they get IATA applicant status for six months. During this period, the performance of the company is consistently monitored and the company has to submit its monthly productivity report to the Agency Investigation Panel (AIP). There are a number of committees and sub-committees which appraise the agency from different angles before making recommendations for IATA approval. However, before recommending the agency for final approval by the IATA Regional Conference Area Office, AIP asks the agency to furnish a bank guarantee in favor of IATA. Normally, the value of bank guarantee is equivalent to four weeks' productivity level of the agency.

Approval from IATA entitles the travel/tour company to use IATA logo on all its communications and to avail all benefits which a full time IATA member gets. The main benefits are:

- Travel/tour companies can sell and purchase airlines tickets (domestic and international).
- Companies get the privilege of holding international air ticket stocks of IATA members.
- Training facilities for agency staff.
- Travel/tour company is entitled to use IATA logo.



- Helps in marketing of products.
- IATA provides a common platform to solve many travel problems.
- IATA helps an agency to establish its credibility and integrity in the field of tourism.

#### **Review Questions:**

1. What is the procedure for establishing travel agency/tour operations as per the rules of Department of Tourism?
2. What is the procedure for establishing travel agency/tour operations as per the rules of IATA.
3. Activity: Collect relevant documents, which are needed to get approval from Department of Tourism and from IATA.

## **7.4 Professional Bodies and their Activities**

### **1. UFTAA**

The United Federation of Travel Agents' Associations (UFTAA) emanates from the Universal Federation of Travel Agents' Associations created in Rome, Italy, on November 22<sup>nd</sup>, 1966. In 1989, UFTAA set up its General Secretariat in the Principality of Monaco. UFTAA started its operation as a Confederation on January 1<sup>st</sup>, 2003. It is a non-profit Confederation of International Scope, representing Regional Federations comprising some 80 national associations.

UFTAA is a world body representing the travel agency and tourism industry. UFTAA effectively represents Travel Agents and Tour Operators views on both Inbound and Outbound travel by continuous dialogue and consultation with other international organizations such as the International Air Transport Association (IATA), the International Hotel and Restaurant Association (IH&RA) the International Union of Railways (IUR), the International Road Union (IRU), and the International Chamber of Commerce (ICC) to mention only a few. UFTAA has consultative status with the UN/NGO/ECOSOC, and works closely with other world bodies such as UNESCO, WHO etc for a sustainable and responsible tourism. UFTAA is an affiliate member of the World Tourism Organization (WTO) and its Business Council (WTOBC).

UFTAA's mission is to be an international forum where matters affecting the world travel industry are addressed, representing and defending the interests of incoming and outgoing

tour operators, travel and tourism agencies before the governmental bodies, suppliers and other entities of international scope. It also aims at strengthening its members' image and enhance the world travel and tourism industry and a sustainable tourism.

To comply with its mission, the Confederation develops the following functions :

- To unite and consolidate the Federations of Travel Agents' National Associations and to globally enhance the interests of their members;
- To represent the travel agents' activities before various world-wide bodies, governmental authorities and suppliers;
- To work towards the adoption of measures that will ease travel for the consumer and to offer services to its member federations;
- To be an investigation and information centre supporting the member Federations' work and to offer information for technological development;
- To offer, as a voluntary mechanism, an arbitration service which assists in solving conflicts resulting from commercial relations for which amicable settlement cannot be reached;
- To organize a world congress of travel agents and other meetings necessary to the exchange and transmission of knowledge.

UFTAA has affiliates and members. Affiliates include individual travel agencies, hotels, tourist offices and, generally speaking, the stakeholders of the tourism and travel industry. Members include the national or regional associations of travel and/or tourism.

## **2. PATA**

The Pacific Asia Travel Association (PATA) is a membership association acting as a catalyst for the responsible development of the Asia Pacific travel and tourism industry. In partnership with PATA's private and public sector members, it enhances the sustainable growth, value and quality of travel and tourism to, from and within the region. The Pacific Asia Travel Association (PATA) influences the direction the industry takes through its unique membership structure of public-sector tourism organizations; air, land and sea carriers; and organizations engaged in the production, distribution, financing, consulting, educating and other technical aspects of the travel industry.

Founded in 1951, the Pacific Asia Travel Association (PATA) continues to be the leading authority, advocate and catalyst for the responsible development of Asia Pacific's travel



and tourism industry. PATA's uniquely structured organization has helped unite the many facets of tourism in the region. PATA provides leadership and advocacy to the collective efforts of nearly 100 government, state and city tourism bodies, more than 55 airlines and cruise lines, and hundreds of travel industry companies. In addition, thousands of travel professionals belong to a global network of PATA chapters. Through PATA's unique partnerships with and between its members, it continues to enhance the sustainable growth, value and quality of travel and tourism to, from and within Asia Pacific — the world's most dynamic region.

PATA is committed to encouraging and assisting in the development of tourism and travel industry throughout Pacific Asia and as such all members must conduct themselves and their business activities in a manner that promotes the ideal of integrity in travel and tourism and agree to act in accordance with the following principles of the PATA Code of Ethics. In promoting the aims of PATA, members will:

- Promote and encourage the highest level of ethics within the tourism and travel industry while maintaining the highest standards of professional conduct.
- Promote the aims of PATA.
- Strive for excellence in all aspects of the tourism and travel industry by performing consistently at or above acceptable industry standards.
- Protect the public against fraud and unfair practices, and promote all practices which bring credit and respect to the industry.
- Provide truthful and accurate information.
- Strive to cooperate with all members in order to provide the highest quality service.
- Avoid real or perceived conflicts of interest whenever possible.
- Will not engage in any unlawful activity in any country.

### **3. ASTA**

ASTA (American Society of Travel Agents) is the world's largest association of travel professionals. The mission of ASTA and its affiliated organizations is to facilitate the business of selling travel through effective representation, shared knowledge and the enhancement of professionalism. ASTA seeks a retail travel marketplace that is profitable, growing and a rewarding place to work, invest and do business. Founded in 1931 as the American Steamship and Tourist Agents' Association, ASTA and its affiliates now comprise the world's largest and most influential travel trade association with members in 140 countries. As the

world's largest travel trade association, its work encompasses every aspect of the travel experience.

The main activities in which ASTA is involved are:

- **Industry Affairs:** It fights to ensure a level playing field and fair competition throughout the industry which, of course, benefits industry professionals as well as consumers.
- **Education:** It provides its members with the finest education and information resources available, so that they are able to provide the utmost in professional service to their clients. ASTA's home-study program allows ASTA member agencies, non-members and future travel professionals the opportunity to expand their business through specialization, giving agents the tools to sell unique travel experiences.
- **Consumer Affairs:** It constantly monitors the travel industry to identify "scam" operators and others whose practices cheating consumers and negatively impact the industry. Only ASTA members subscribe to a 13-point code of ethics which stands for "Integrity in Travel." This is the pledge its members stake their reputations on. It provides traveling consumers with a complete range of informational resources.
- **Consumer Awareness:** Through its advertising and public relations efforts, ASTA strives to make the traveling public aware of the many benefits of using a travel professional to arrange and purchase travel. ASTA's advertising slogan, "Without a travel agent, you're on your own" can be seen in consumer ads in national magazines, national television and in local markets.

ASTA offers many benefits to its members and the traveling public. The majority of ASTA's members are travel agencies. However, travel suppliers, such as airlines, hotels, car rental firms, cruise lines and tour operators also join ASTA. It also has membership categories for students, travel schools, retired travel professionals, retail travel sellers, and others.

#### 4. TAAI

The Travel Agents Association of India (TAAI) was formed towards the end of the year 1951 by a group of twelve leading travel agents, who felt that the time had come to create an association to regulate the travel industry in India. The primary purpose was to protect the interests of those engaged in the industry, to promote its orderly growth and development and to safeguard the rights of the traveling public. TAAI represents all that is professional, ethical and dynamic in our nation's travel related activity and has been recognized as the voice of the travel and tourism industry in India. With a membership



data base of over 2300 active, allied, associate and overseas members comprising of IATA accredited Travel Agencies; Airlines & General Sales Agencies; Hotels and Tour operators; TAAI is the largest Travel Association of India.

### **TAAI Endeavors to Build in its Constituents, and others it deals with, a commitment to:**

- Apply superior technical skills to the job on hand.
- Deliver the highest quality of service.
- Act with responsibility within sound financial parameters.
- Build trust and credibility in the marketplace.
- In fulfilling its mission and supporting traditional values as well as embracing change.

### **TAAI's objectives are to work towards:**

- A committed national membership.
- Widening its area of influence by judiciously delegating authority and responsibility to Regions, Chapters and City Committees.
- Professional management of its affairs at all levels.
- A responsive and well equipped Secretariat which benefits all members.

## **5. IATO**

The Indian Association of Tour Operators (IATO) is the national apex body of the tourism industry. Founded on 13th January, 1982 with just seven members, it has now over 4000 members from different segments of the tourism industry like travel agents, hotels, airlines, government tourism departments/ development corporations, educational institutions, transport operators and both national and international tour operators. IATO today has international acceptance, and linkages. It has close connections and constant interaction with other Tourism Associations in US, Nepal and Indonesia, where USTOA, NATO and ASITA are its member bodies and is increasing its international networking with professional bodies for better facilitation to the international traveler visiting not only India but the entire region. IATO interacts closely with the Government on all critical issues affecting the Tourism Industry in India with the highest priority to tourism facilitation. It interacts closely with all Government Ministries / Departments, Chambers of Commerce and Industry, Diplomatic Missions etc. It acts as the common medium between the decision makers and the industry, and presents the complete perspective to both sides, synergizing their common agenda of tourism facilitation. All IATO members observe the highest standards of

professional ethics and offer personalized service to their clients. Being the National Apex Body of the Tourism industry, IATO is always actively responsive to its social responsibility. All IATO members actively participate in meeting their social obligations not only during national emergencies and natural calamities, but also as an ongoing venture. During the recent years IATO members contributed generously for the National Defense Fund and also organized blood donation camps during the Kargil conflict, carried out relief work in the cyclone affected areas in Orissa, set up emergency relief supplies for the victims of Gujarat earthquake, besides adopting a village and providing them the necessary relief and rehabilitation infrastructure. IATO has contributed whole heartedly to the Prime Minister's Relief fund, also to help the Government in their efforts during the national crisis.

IATO has five categories of membership: Active, Allied, Associate, International and Honorary. All its active members are recognized and approved by the Indian government's Department of Tourism and have at least three years of experience of handling International Tourists to India, before being admitted to the IATO fraternity. The aims and objectives of the IATO are as follows:

1. To promote national integration, welfare and goodwill.
2. To take all steps which may be necessary for promoting, encouraging and assisting in the development of tourism throughout the country and to take initiatives to secure the welfare of the tourism trade in all respects.
3. To communicate with Chambers of Commerce, other Mercantile and Public Bodies in India, Government Departments or Committees, International Air Transport Association and various foreign and local associations and corporations, companies and concerns and promote measures in the interests of the travel trade and nominate members to act on them.
4. To encourage and promote friendly feelings among the tour operators and travel agents on all subjects involving their common good and benefit.
5. To try to amicably settle the disputes of the members of this association by referring the disputes for settlement to a sub-committee to be constituted for such purpose by the Executive Committee.
6. To protect the interest of the members of this association from the malpractices of foreign tour operators.
7. To set up and maintain high ethical standards in the industry.
8. To undertake such welfare activities which the members can not undertake individually.



9. To get affiliation with similar organisation in other countries.
10. To promote equal opportunities for all visitors to enjoy the tourism & travel facilities without distinction of race, color, creed or nationality.
11. To organize overseas promotional tours jointly with various airlines and Govt. of India tourist office abroad and other similar organizations.
12. To conduct aiding and assisting seminars, group discussions, course of studies, cultural meetings.
13. To institute awards for excellence in tourism related activities.
14. To assist students by scholarship to pursue higher education, study and research particularly in the field of Development of Tourism and International Brotherhood, both in India and outside the country.
15. To institute chairs and fellowships in India.
16. To take initiative and ensure that the problems affecting any of the services relating to the tourism trade are sorted out through the mediation of the association, failing which joint legal action to be taken for and on behalf of the members of the association for settling such problems.
17. To produce regular reports about the achievements of the members of the association and to do all such things as are incidental or conducive to the aboveobjects.
18. To print and publish information material for the benefit of its members.

## **6. ATOAI**

ATOAI stands for Adventure Tour Operators' Association of India which was founded in 1994 with a handful of members. In 2011, 17 years after its nascence, it is a national body comprising more than 150 members across the country and abroad actively promoting Adventure and Eco Tourism in India. The association was founded with an aim to create awareness about the immense potential for adventure tourism in India and to harness this potential in a safe, sensitive and environment friendly manner. ATOAI members are recognized by the Ministry of Tourism, Government of India.

The ATOAI of India is an association of Adventure Tour Operators from all over India and activities of its members include Trekking, mountaineering, rafting and other related water sports, camel / jeep / horse safari, bike tours, sailing, ballooning, hand gliding and other aero sports, wkiing, wildlife safari, fishing, scuba diving, tribal tours and heli skiing. The activities of the association are as follows:

- To promote national integration, international welfare and goodwill.
- To assist students by scholarship to pursue higher education, study and research in the field of Development of Adventure Tourism in India.
- To institute chairs and fellowship in India.
- To conduct, seminars, group discussions, course of studies, cultural meetings. and to promote adventure tourism in India.
- To take all steps which may be necessary for promoting, encouraging and assisting in the development of Adventure Tourism throughout the country and to take initiative to secure the welfare of the Adventure Tourism Trade.
- To encourage and promote interaction within the adventure tour operators fraternity and with other travel agents on all subjects involving their common good and benefit.
- To promote equal opportunity for all visitors to enjoy the adventure tourism and travel facilities without distinction of race, colour, creed or nationality.
- To set up and maintain high ethical mores in the industry.
- To undertake such welfare activities as the members cannot take individually.
- To communicate with Chambers of Commerce, other Mercantile and public bodies in India, Government Departments or Committees, Department of Tourism and various foreign and local associations and corporations, companies and concerns and promote measures in the interests of the members to act on them.
- To get affiliations with similar organizations in other countries.
- To produce regular reports about the achievements of the members of the association and to do all such things as all incidental or conducive to attainment of the above objectives.

## **7. ADTOI**

Association of Domestic Tour Operators of India (ADTOI), a National Body of Domestic Tour Operators, was constituted on 7th August 1996 with the express purpose of consolidating the efforts of all those tour operators who are actively engaged in the promotion of “Domestic Tourism” in the country. It has 400 members all over India on the rolls and likely to enroll more members to its fold in the near future. Its members work to ensure delivery of professional service to the consumer, through its principal suppliers, which



are primarily the accommodation facilities, as also travel intermediaries like railways, transporters, airlines & guides.

Some of major objectives of this association are:

1. To co-ordinate with Ministry of Tourism and other related Central and State Ministries in their endeavour of creating the three essential pre-requisites for Domestic Tourism Development:
  - (A) **SUVIDHA:** Provision of facilities and amenities
  - (B) **SURAKSHA:** Guaranteeing safety and security for travelers
  - (C) **SOOCHNA:** Upgrading, updating, and disseminating information
2. To establish a healthy atmosphere in the domestic tourism industry and foster healthy relations between tour operators, travel agents and other persons and organizations in tourism industry.
3. To formulate a uniform code of conduct to govern the procedure of booking, confirmations, payments, refunds, cancellations, no-shows, changes, pre-ponements and post-ponements, retention charges, commission and discounts.
4. To establish channels of communication and liaison with the Department of Tourism, Govt. of India, state and other public and private bodies; and take all necessary steps to promote and develop domestic tourism in India.
5. To promote environment protection, cultural exchange and national integration in the territory of India.
6. To educate the traveler about the importance of eco-friendliness and promote the cause of a pristine and clean environment.
7. To achieve a level of accreditation that will instill confidence in the buyers of travel services.

Its aim is also to bring all those agencies who are actively involved in the promotion of domestic tourism in the country under one umbrella. As its strength in domestic tourism, it enrolls its members who are connected with the following activities:

- Regional Tourist Corporation
- Travel Portals
- Hotels    Resorts

- Railways & Airlines
- Tourism Institutes
- Tourism Expo Companies

## 8. TAFI

The Travel Agents Federation of India (TAFI), established in 1986, is a dynamic organization that guides the travel industry in India. A professional body of travel agents coordinating different segments of the travel trade, TAFI is a non-political, non-commercial and not-for-profit body. TAFI's membership includes 1400 Active, Associate, Allied and Affiliate (Travel Service Intermediaries – Non IATA) members from all over India. It is a proud member of World Travel Agents Associations Alliance (WTAAA). It is an affiliate member of the Southern African Tourism Services Association (SATSA). It has also an agreement with the Federation of Hoteliers and Restaurant Association of India (FHRAI) for the benefit of its members. TAFI is committed to creating a more evolved and stable environment in the travel trade and becoming the cornerstone of the industry.

The aims and objectives of TAFI are:

1. To protect the interests of those engaged in the industry, to promote its orderly growth and development, to safeguard the travelling public from exploitation by unscrupulous and unreliable so-called travel agents.
2. To safeguard the interests of the travelling public and to maintain high ethical standards within the travel trade through better communications and awareness about regulations.
3. To augment the development of the travel industry in India by consistent improvement in the standard of service and inculcate professionalism.
4. To spread greater awareness and updated information on travel to efficiently cater to the needs of the travelers within India and overseas.
5. To promote mutual cooperation among members of TAFI and thereby ensure healthy growth of the travel industry.
6. To represent the travel agents trade before official bodies of Government, airline bodies and other appropriate forums.
7. To promote such schemes which would benefit the members of TAFI as well as provide mutually beneficial alternatives to the airline industry for better growth of travel.



8. To safeguard the interest of the travel agents vis-a-viz service providers such as airlines, several consulates, several Government authorities.
9. To ensure compliance of rules, regulations and guidelines sent by the consulates, Government authorities, airlines etc.

Below are some of the main activities in which TAFI is involved:

1. Fosters fraternity among its members through regular fellowships.
2. Brings the different segments of the travel industry into its fold by offering memberships under different categories.
3. Educates and equips the members to meet the challenges of tomorrow through regular meetings, seminars and conventions.
4. Creates avenues for its members by signing MOUs with Tourism Boards like DTCM and TITC.
5. Works in tandem with several organisations like FICCI, CII, etc.
6. Gains recognition by the Monitoring Panels by the Government of India.
7. Represents Agency Programme Joint Council (APJC) and works closely with the Council of Airlines.
8. Maintains close contact with world bodies and represents matters affecting the travel industry of the country.

## **9. FIYTO**

The Federation of International Youth Travel Organisation (FIYTO) is the founding organisation of World Youth Student and Educational Travel Confederation (WYSETC). In 2006, FIYTO and the International Student Travel Confederation (ISTC) merged to form the World Youth Student and Educational Travel Confederation (WYSETC). Its founding organisations - the FIYTO and ISTC - were formed just after World War II to inspire young people through international travel and to help remove cultural barriers. The confederation is therefore built on decades of industry experience and is bound together by a trusted global community.

The purpose of the Federation of International Youth Travel Organisation (FIYTO) was to promote youth mobility and to broaden the horizons of young people through travel, language acquisition, family living, cultural and social tourism and other opportunities for personal growth. As one of the largest trade organisations in the youth and student travel sector, it was the meeting point and advocate for rapidly growing youth tourism. It had

members in fifty-four countries. It offers identity cards to its youth members to facilitate access to tourism facilities and culture and leisure activities. Its major publication is Youth Travel International. The headquarters of the organisation was located in Copenhagen, Denmark. FIYTO - an open, world-wide, non-political and non-sectarian travel trade association advocated the special identity of young travelers, and their right to flexible, affordable travel and travel-related services.

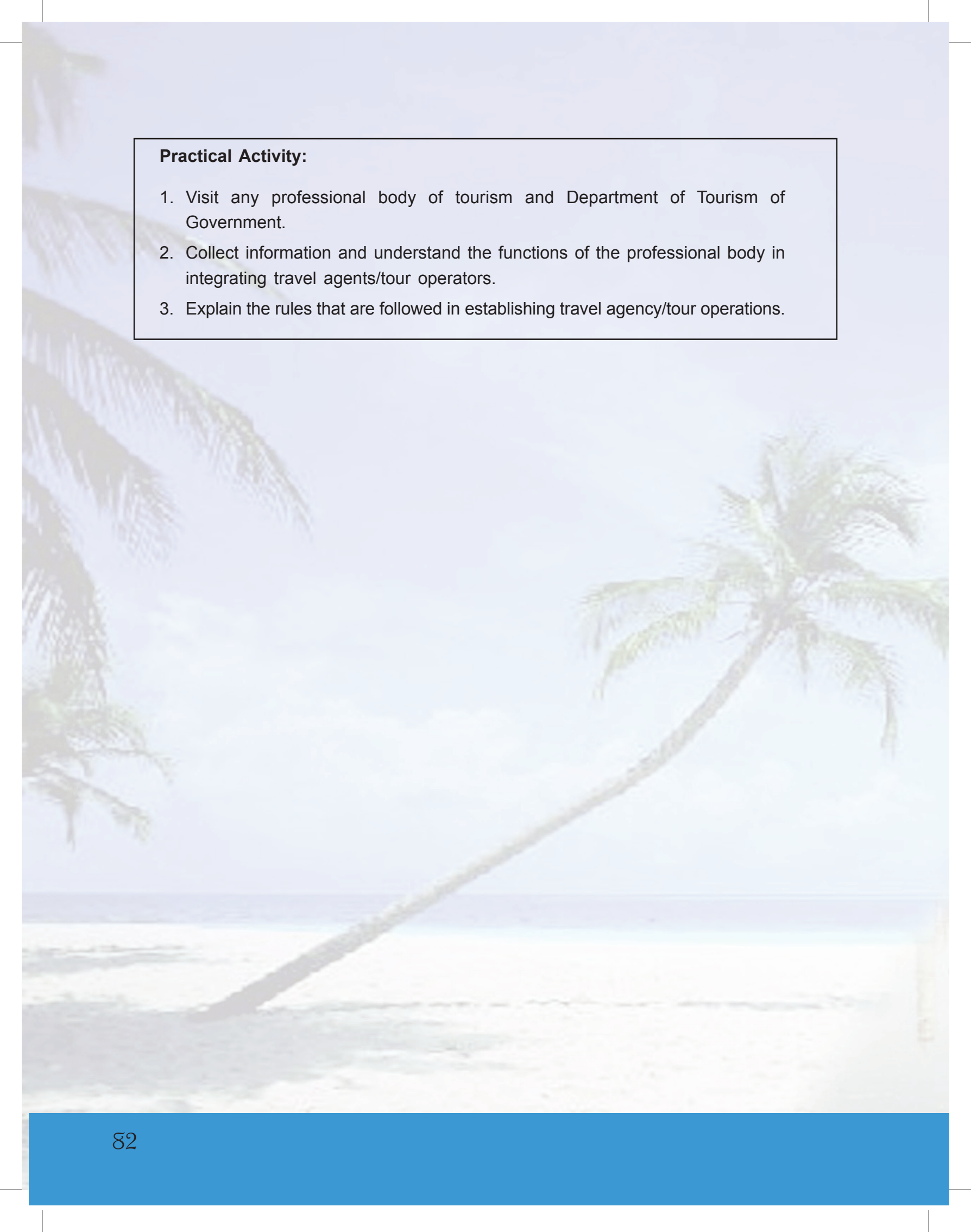
Today, the World Youth Student and Educational Travel Confederation (WYSETC) is committed to understanding the ever-changing characteristics, motivations, and needs of young travelers. The Confederation works with members, sector associations, tourism authorities and partners around the globe to:

- Promote the personal, social, economic and cultural benefits of youth travel and international education by working in partnership with governments and tourism boards worldwide.
- Support the development and success of student and youth travel specialists, and the critical role they play in this unique \$136 billion niche industry.
- Provide trading, networking and knowledge-sharing platforms.
- Develop innovative travel and educational products & services for youth and students, such as the International Student Identity Card (ISIC).
- Deliver two essential trade conferences: World Youth and Student Travel Conference (WYSTC) and Work Experience Travel Market (WETM-IAC).
- Produce and distribute research and market intelligence to identify the unique needs and trends of today's independent travelers.
- Provide best practice guidelines on products and policies, and represent its members at industry events worldwide.

**Review Questions:**

1. List out the professional bodies of tourism industry.
2. Explain the procedure laid down by Department of Tourism and IATA for establishing travel agency and tour operations.
3. What are the benefits of professional bodies for tourism industry.





**Practical Activity:**

1. Visit any professional body of tourism and Department of Tourism of Government.
2. Collect information and understand the functions of the professional body in integrating travel agents/tour operators.
3. Explain the rules that are followed in establishing travel agency/tour operations.

## Unit–8

# GLOBAL DISTRIBUTION SYSTEM

### Unit Overview & Description

This unit aims to provide knowledge about global distribution system (GDS). This unit will impart the following knowledge and skills:-

- Display airlines schedules availability
- Display fares
- Display complete hotel description & availability- decode & encode countries, cities & airports, aircrafts, airlines
- Display exchange rates, maps- airline seat maps, local times- online portals

### Resource Material

One copy of the Tour Cost and Pricing Sheet for each participant and copies of the observer's Sheet—for each group and teacher, pen, marker, a set of tour costing format, computer.

1. Negi. J., Travel Agency Operations: Concepts and Principles, Kanishka, New Delhi.
2. Goeldner, R and Ritchie. B., Tourism: Practises, Principles and Philosphies, John Wiley and Sons, London.

### 8.1 Global Distribution System

Global Distribution System is a Travel Agency Network that enables interconnectedness between Airline Computer Reservation Systems and travel agency terminals. It's distinct from a Computer Reservation System which is a reservation system used by Airlines. The Global Distribution System (GDS) is used by travel agents to make reservation on various airline's reservations systems. A Global Distribution System (GDS) differs from an airline CRS in one critical aspect, a GDS holds no inventory of its own. The inventory is



held in various airline reservation systems. The GDS system has links to all major airline CRS. When a travel agency terminal requests a reservation on the service of a particular airline the GDS system routes the request to the appropriate airline Computer Reservation System. This enables a travel agent with a connection to a single GDS to book flights and associated services on virtually all the airlines in the world. The major GDS systems are Amadeus, Sabre, Galileo & Worldspan.

## **8.2 The Evolution of Global Distribution Systems**

Global distribution systems (GDS) have evolved from the first computer-based reservation systems implemented by several U.S. airlines in the late 1960s and early 1970s. American Airlines (AA) was the first company to develop a real-time computerized reservation system. In a joint venture with International Business Machines (IBM), the Semi-Automatic Business Research Environment (SABRE) was launched in 1964 and helped process nearly 26,000 reservation requests per day. By the late 1960s and early 1970s, virtually all of the major carriers, including United, TWA and Delta were operating their own central reservation systems (CRS). It was not, however, until 1976 that these systems were installed in travel agencies, allowing agents to both book and change reservations directly in the system using remote access terminals. Clearly, the ability for airlines to operationalize their booking systems in geographically dispersed markets was a major competitive advantage for those who participated.

This distributed system was paralleled by increases in computing and storage power; by 1978, SABRE was available in over 130 locations and could store 1 million airfares. After deregulation in 1978, the importance of computerized reservation systems became even more apparent. The rapid entrenchment of CRSs with travel agents enabled bias in the reservation process. For example, SABRE might decide to withhold inventory from other CRSs in an effort to gain a competitive advantage. Further, a CRSs owned by a particular airline could be programmed to display their airline's information ahead of their competitors in an effort to distort consumer choice. This was compounded by the natural tendency of travel agents to book flights with the carriers providing the CRS terminals – known as the “halo-effect”. As a result, in 1984 the Civil Aeronautics Board began to regulate these systems to insure a free and competitive market for both travelers and airlines.

By the early 1990s, CRSs had evolved into more complex systems. In part, this was motivated by strategic alliances and mergers between U.S. and European carriers, laying true global distribution systems. In addition, the ability to leverage the Internet as a tool for expanding the presence of these booking systems was promising. In response to these developments, the United States Department of Transportation (USDOT) increased

regulation of the GDS industry, mandating that GDS owners:

- Cannot favor or disfavor any airline in setting the display order of flights or booking fees;
- Must provide data to all carriers on a non-discriminatory basis;
- Must participate in all other CRS systems (for airline CRS owners); and
- Must offer travel agents contracts of three years or less.

As the GDS industry continued to evolve in the 1990s, the availability of public interfaces to these systems greatly expanded, particularly with the rollout of the Internet and World Wide Web. As a result, consumers gained unprecedented access to information concerning price, travel times and schedules. Today, airlines no longer have an ownership interest in GDSs and the regulation provided by the USDOT is expired. There are currently four major GDSs in operation, Amadeus, Galileo, Sabre and Worldspan, all of which provide real-time flight information to travel agents and consumers. The public interfaces to the GDSs can be categorized in the following way: 1) airline websites; 2) GDS-based online travel agencies such as Travelocity, Expedia Travel and Orbitz; 3) opaque sites that require some type of bid/payment before knowing the actual travel schedule such as Priceline; 4) specialty low-fare sites which are analogous to a tip-sheet for selected bargains; and 5) “screen-scrapers” sites which actually reads fare information from the screens of other sites and reports them to the consumer.

#### **Review Questions:**

1. What do you mean by global distribution system?
2. How the global distribution system has been evolved in due course of time.
3. Activity: Access any travel online portal. Understand the features of online tourism business services on portal.

### **8.3 Amadeus and GDS**

Amadeus is a leading global distribution system and technology provider that serves the marketing, sales and distribution needs of the world's 'Travel and Tourism Industry'. It has a comprehensive data network and database that is among the largest of their kind in Europe serving more than:

217 markets worldwide, over 100 million visitors per month,  
90,274 travel agency locations,  
75,284 Hotel properties,  
490 Airlines (95% of the world's scheduled airline seats),



29,663 Airlines sales office locations,

22 Car rental companies, serving over 36,000 locations,

17 Cruise lines,

As well as other provider groups like ferry and rail services, tour operators and insurance agencies.

**Galileo International** is a diversified global technology leader. Its core business is providing electronic global distribution services for the travel industry through its computerized reservation systems, leading edge products and innovative internet based solutions. It also is a value added distributor of travel inventory dedicated to supporting its travel agencies and corporate customers, and through them, expanding traveler choice. Currently, the company is connected to :

49,000 travel agencies in 116 countries in 43,000 locations approximately,

70,000 hotel properties,

450+ airlines,

52 low cost carriers,

23 car rental companies,

And, a wide array of tour operators and cruise lines across the world.

**Sabre** is a leading provider of technology for the Travel Industry. It provides a broad range of innovative products that enable travel e-commerce and services, and enhance airline, supplier and travel agency's operations and their ability to serve the traveler. Sabre connects to

50,000+ travel agencies, travel suppliers, Fortune 500 companies and travel websites in locations around the world,

77,000 hotel properties,

approximately 400 airlines,

32 car rental companies,

11 cruise lines,

35 railroads,

220 tour operators,

**Worldspan** is the global leader in Web based travel e-commerce and a foremost provider of travel technologies and services for thousands of travel related companies worldwide,

including airlines, travel suppliers, travel agencies, web sites and corporations. Worldspan transforms global travel distribution and transaction processing with industry leading fares, pricing, shopping and booking technologies, enabling travel companies to reduce costs, increase productivity and build revenues. Worldspan provides worldwide electronic distribution of travel information, internet Worldspan is currently connected to:

21,000 travel agencies in nearly 90 countries and territories,

421 airlines approximately,

210 hotel companies, 40 car rental companies,

39 tour and vacation operators,

44 special travel service suppliers.

#### **8.4 Display Airlines Schedules & Availability**

Users access an airline's inventory through an availability display. It contains all offered flights for a particular city-pair with their available seats in the different booking classes. This display contains flights which are operated by the airline itself as well as code share flights which are operated in co-operation with another airline. If the city pair is not one on which the airline offers service it may display a connection using its own flights or display the flights of other airlines. The availability of seats of other airlines is updated through standard industry interfaces. Depending on the type of co-operation it supports access to the last seat (last seat availability) in real-time. Reservations for individual passengers or groups are stored in a so-called passenger name record.

##### **Review Questions:**

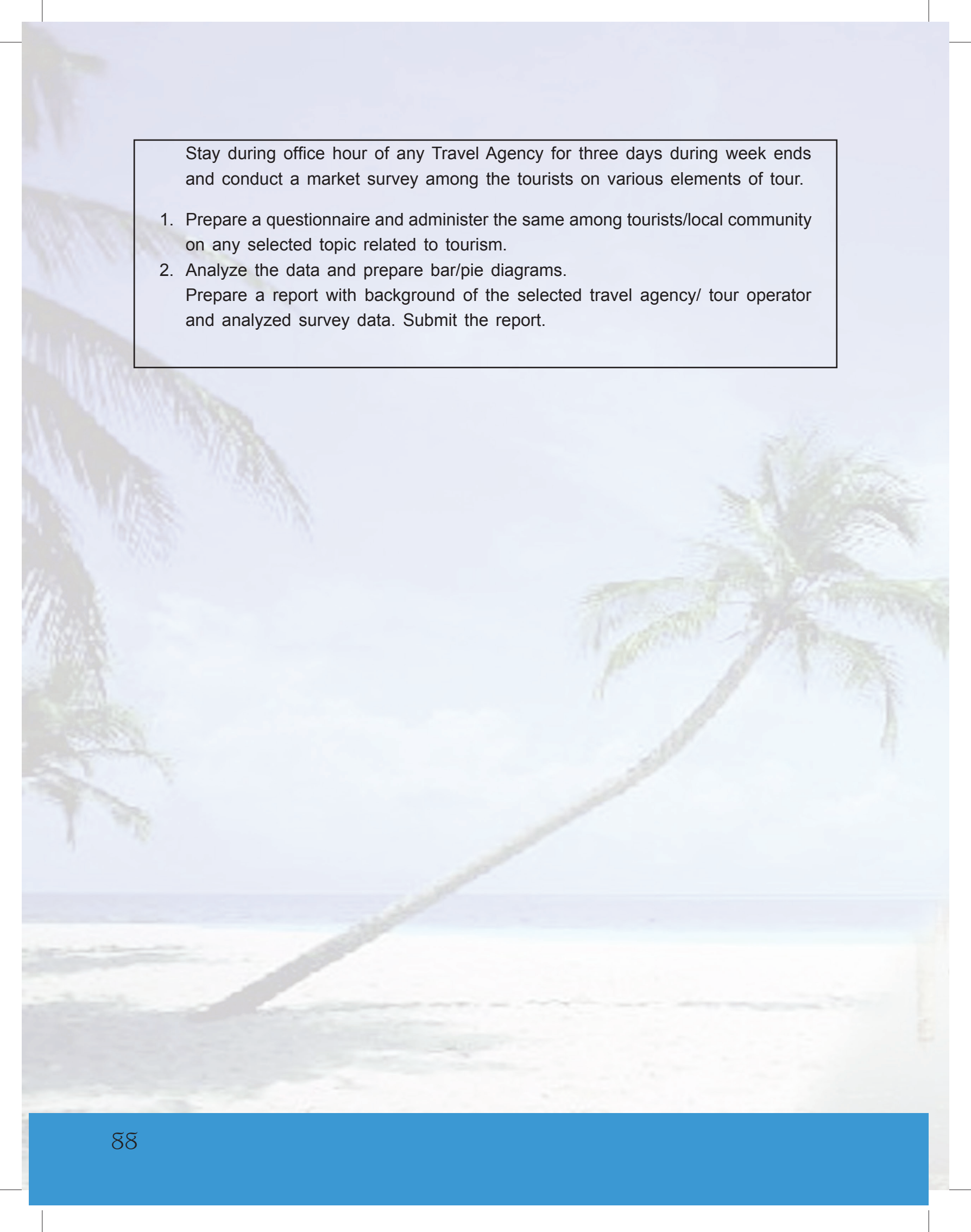
1. How does the Amadeus created database.
2. Explain the role of Amadeus in integrating travel services across the world.
3. Activity: Visit travel agency and collect details of Amadeus. Take part in mechanism of using Amadeus.

##### **Exercises:**

1. Learn the usage of various GDS softwares in travel agency business.
2. Activity: Visit travel agency and identify the various GDS software's used in their respective offices.

##### **VI. Guidelines for Practical:**





Stay during office hour of any Travel Agency for three days during week ends and conduct a market survey among the tourists on various elements of tour.

1. Prepare a questionnaire and administer the same among tourists/local community on any selected topic related to tourism.
2. Analyze the data and prepare bar/pie diagrams.  
Prepare a report with background of the selected travel agency/ tour operator and analyzed survey data. Submit the report.